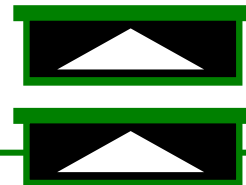


FY 2004 BUDGET REQUEST

**FOR
OPERATING
AND
CAPITAL FUNDS**

**PREPARED FOR THE
BOARD OF TRUSTEES
SEPTEMBER 11 & 12, 2002**

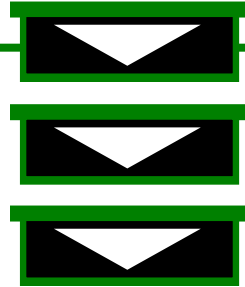


UNIVERSITY OF ILLINOIS
CHICAGO • SPRINGFIELD • URBANA-CHAMPAIGN

FY 2004

BUDGET REQUEST

**FOR
OPERATING
AND
CAPITAL FUNDS**



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SEPTEMBER 11 & 12, 2002**

PREFACE

As we look towards FY 2004 and beyond, it is necessary to look at FY 2003. At this time a year ago we had enjoyed several years of strong State support both in the operating and capital budgets. During FY 2002 the economic environment and outlook for State revenues changed dramatically. The University had a reduced appropriation of 6.2% from the beginning of FY 2002 to FY 2003, and an additional 3.0% was redirected within the University's appropriation to pay health care costs for employees. The total reduction and redirection of State funds was 9.2%. Additionally the University has reallocated \$15.2 million to cover unavoidable expenses such as Medicare payments, utility costs, legal liability costs and contract agreements. These reductions and reallocations total nearly \$89 million.

We identified several principles that guide all of our budget reduction steps. But we will lose between 700 and 900 positions across the University. Some, but not all, staff reductions can be addressed through attrition and closing vacant positions. Every single element of our operation will be affected: over the next two years we will lose faculty, administrative, professional and support staff positions. The affects of these reductions are serious and long lasting. The Board of Trustees endorsed a ten percent tuition increase to help maintain the quality of the University. Stated most simply we are doing everything we can to protect the quality of our instructional programs. This was without a doubt the most challenging budget experience in my over 20 years as an administrator at the University.

Despite all of these challenges I remain optimistic that the University will continue to move forward with its drive towards excellence. For FY 2003 the University received capital funding from the State for a new Chemical Sciences Building at the Chicago campus, an addition to the Micro and Nano-Technology Building at Urbana-Champaign and the second half of funding for a classroom office building at the Springfield campus. In addition the University received the final funding for a new College of Medicine Research Building for UIC. Even in these difficult times the State invested in the long term instruction and research missions of the University in the form of these critical capital projects.

The University remains strong, and I would take a moment to reflect on the past years successes. The past year saw the successful launch of the Capital Scholars Program at UIS. Our first class included more than 100 of the best and brightest young people in the state. Among all Illinois public universities, the academic credentials of our inaugural Capital Scholars group were second only to those for new freshmen at the Urbana-Champaign campus. Over time the Capital Scholars initiative will help us transform the University of Illinois at Springfield into a superb option for students who want the experience of a small

PREFACE

liberal arts college within a public university setting. At the Chicago campus, the past year saw growing recognition of our contributions to advanced patient care and medical research. Two researchers were named to Crane's Chicago Business's "40 under 40" list of Chicagoans under the age of 40 who are leaders in their fields. They are just two of the reasons why UIC has now broken the \$150 million mark in federal research funding, federal dollars coming back into the Illinois economy to help the people of our State through education, research and service. The Urbana-Champaign campus has the highest amount of funding from the National Science Foundation in the country and continues to be considered one of the finest universities in the nation. Friends of the University have continued their financial support through the foundation and the Alumni Associations.

Perhaps the best indicator of the quality is that enrollment demand at all of our campuses continues to be exceptionally strong. Enrollment has grown at each of the campuses last year. Applications for first time freshmen hit new records. Study after study illustrates the economic value of a college degree to the individual students, to the extent that lifetime earnings for college graduates exceed those for high school graduates by more than a million dollars. The combination of strong academics and reasonable costs makes the University of Illinois extremely attractive to many, many students.

The State's budget shortfall for FY 2003 created many difficult decisions on the State level. The speed of change in economic circumstances was startling and created real challenges to keep the University moving forward. The relative needs among the broad array of social and human services to which the state must attend also have changed over time and the competition for scarce budget resources inevitably bring forward many more deserving needs than new resources can support. As we look towards a budget request for the next year, we recognize that FY 2004 will continue to be a difficult year as demand for state resources will exceed the supply of new revenues. At the same time we appreciate the strong commitment from the Governor and General Assembly to maintain a top funding priority for education at all levels. No matter how diverse a set of funding resources we are able to attract, it is a fundamental fact that support from the State will always be the central, single most important element that sustains our fiscal health.

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

PREFACE

- The lifeblood of a great university is its faculty. Even with a special initiative to strengthen salary competitiveness for faculty and staff, the latest data from IBHE peer comparison studies reveal that this program enabled institutions only to keep up, to lose no further ground to their competitors. In FY 2003 there was no general salary dollars available, a salary program will be our highest priority for FY 2004.
- The often-dizzying pace at which technology progresses means that technological obsolescence of facilities and equipment also occurs at an accelerating pace. New equipment, laboratories and technologies are needed to keep faculty research and student learning at state-of-the-art readiness.
- The citizens of Illinois expect their University of Illinois to deliver top-quality instructional programs, especially to undergraduates. At a time of budget constraints we face higher demand for enrollments. There are two fundamentally important factors to be addressed as we assess our instructional mission. First we must continually improve our undergraduate programs, assuring that they offer our students both top-quality content and a breadth of experiences which will enable them to understand the global nature of our world today and to be active as effective learners and leaders throughout their adult lives. Second, we must ensure that our undergraduate programs remain affordable to all who can benefit from them.
- Technology has changed the way our world operates. As the 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 and we must be attuned to them. We will examine the equally daunting moral and ethical challenges that these technologies present.
- The need for learning now spans a lifetime. Business's of the 21st century need workers skilled in today's state of the art but also capable of adapting to the state of the art changes tomorrow. Technology is presenting ways for the University to make available its resources to the citizens of Illinois, any time, any place. Investing in these technologies will be critical for the University.

Our budget proposals for FY 2004 are framed in this context. As the State's economy moves out of recession the themes upon which the FY 2004 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, which sets forth the IBHE planning parameters for all Illinois higher education. We have a broad array of needs; we must understand that we must find an equally broad set of mechanisms with which to address them. We remain committed to a careful and continuous analysis of our operations and the re-investment of existing resources to our highest priorities. While those needs are numerous our attention focuses most sharply on those of greatest import. For example:

- We must assure that the University of Illinois can attract and retain gifted faculty. We must be able to offer competitive salaries. In FY 2003 there is no funding for a general salary program. We must address the salary program issue for FY 2004. We must be able to provide state-of-the-art facility and equipment to all programs. We must continue to address the issue of faculty capacity at all three U of I campuses in light of the budget reductions and increased enrollment

PREFACE

demand. We must recover capacity lost during fiscal constraints, while at the same time adding capacity in the areas of highest enrollment demand and those of greatest economic development promise. 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. Achieving adequate facilities for all our endeavors continues its ascent toward the very top of our priority list, even within the operating budget context.
- The University of Illinois must continue to play a leadership role in producing graduates in areas of greatest workforce demand, and especially those in information technology and biotechnology. Likewise the University must redouble its efforts to improve elementary/secondary education, including finding ways to address the growing teacher shortage in Illinois. 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 must continue the significant improvement in administrative infrastructure begun in FY 2001. Two components merit special note. One is the implementation of UI Integrate, a 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 once UI Integrate is in place. The second is additional resources to improve the Universities capacity to address all forms of rising legal liability and property 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.

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 of increased support for higher education to the State and to its citizens has never been more important or 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 directly to the economic and social imperatives of the coming century. The returns on the investment to the University of Illinois will pay dividends for generations to come.

James J. Stukel
President

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Capital Budget Request for FY 2004

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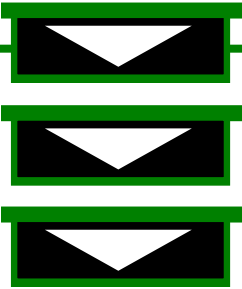
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INTRODUCTION



INTRODUCTION

Overview

▶ In the past 10 months, the University of Illinois has had to deal with a 4.2%, \$34.05 million reduction and redirection of resources in FY 2002 and a 9.2%, \$73.6 million budget reduction for FY 2003. President James Stukel established the following guiding principles to help the chancellors and other University leaders manage these significant reductions:

1. The university will maintain its fiduciary responsibilities where laws, rules or regulations require. Examples: auxiliary operations where bond covenants exist; the hospitals and clinics where Medicare/Medicaid and third-party payer requirements apply; research funded by federal, state or industry contracts; and gifts restricted by donors.
2. Quality will drive all decisions.
3. We will insulate services to our primary clients, namely our students and patients, as much as possible. Our highest priority is to protect the quality of our undergraduate education programs. In particular, we will ensure that undergraduates can schedule classes so they can graduate on time.
4. The university will plan for FY 2003 by anticipating a second difficult budget year. In addition to planning for anticipated budget cuts, the University will also plan to reallocate sufficient resources to meet unavoidable spending increases for insurance, utilities price increases and key academic programs such as the UIS Capital Scholars Program.
5. We will protect the university's highest priorities, over time, although some key projects may be delayed in the short term.
6. And once the Board of Trustees has approved the general boundaries for addressing these serious budget challenges, we will support decentralized decision-making that permits the chancellors, provosts, deans and department heads to make the appropriate local judgments to best meet our education, research and outreach objectives.

The original FY 2002 state appropriations for the University of Illinois totaled \$803.6 million. In November 2001, because of lagging tax revenues in a weak state economy, Governor George Ryan assigned a \$25 million rescission to higher education. The Illinois Board of Higher Education (IBHE) allocated the rescission differentially among sectors, protecting student assistance and base support for retirement. Within the university sector, the rescission was allocated to each institution in proportion to its FY 2002 state appropriations. The University of

Illinois share was \$9.16 million. In December 2001, Governor Ryan asked higher education to also assume \$45 million in increased health insurance costs incurred by Central Management Services (CMS) on behalf of higher education employees and retirees. Funds to meet these higher insurance costs were not included in the original FY 2002 budget for CMS. The IBHE allocated the health insurance obligations only among the 4-year universities in proportion to their total health insurance payments to CMS. The University of Illinois share was \$24.89 million. The University of Illinois share of the rescission and health insurance costs totaled \$34.05 million, which was 4.2% of the FY 2002 state appropriations to the University of Illinois and 48.6% of the \$70 million cut to higher education. At the time, this was the largest cut to the University of Illinois state budget in at least 25 years.

Because of declining state tax revenues, the FY 2003 appropriations to the University for operating expenses were reduced by \$73.6 million or 9.2% below beginning FY 2002 levels. In addition, the University of Illinois has new unavoidable expenses that total \$15.26 million, bringing the total FY 2003 budget obligations to nearly \$89 million.



***The University of
Illinois received strong
support for FY 2003
through Governor
Ryan's VentureTECH
initiative.***

As President Stukel notes in his preface, the bright spot of the FY 2003 budget was VentureTECH funding. Concerned about the state's long-term capacity for economic development, two years ago 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 and the Illinois General Assembly has endorsed both new operating and capital budget projects that will enhance the University's abilities to expand its federal and corporate research support. Moreover, VentureTECH projects and programs will enable the University to establish more effective and efficient linkages between its research results and the commercialization of new technologies.

Fiscal Year 2003 is the third year of the VentureTECH program, and it included these U of I budget advances:

▼
*Strong economic
development budget
support came through
VentureTECH funds.*

- Chemical Sciences Building, UIC - \$57.6 million
Facility will allow UIC to build on its strengths in structural biology and the health sciences.
- College of Medicine, UIC - \$25.0 million
Funds for a new building to replace College of Medicine facilities allowing UIC to serve the state in patient care and basic medical research.
- Micro and Nanotechnology Lab Expansion, UIUC - \$18.0 million
Allows for expansion of multidisciplinary research building in the areas of photonics, microelectronics, nanotechnology and biotechnology.

Both the Governor's recommendations and the General Assembly's concurrence with them 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 spite of the severe budget climate faced by the State. The University can continue to 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.


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.

TUITION IMPACT

The University's budget strength was also enhanced through adoption of a new tuition initiative that will provide resources to complement what is achieved through the state budget. Students new to the Chicago and Urbana campuses enrolled after May 2001 will pay an additional \$1,000 for programmatic enhancements. The University has taken great care to set aside additional student assistance funding for those with financial need. This new program will mature over the next four years, bringing additional increments over that period.

With the severe budget cuts of FY 2002 and FY 2003, the Board of Trustees has approved a base tuition increase of 10%, most of which was used to partially offset the budget reduction. Our obligations to our students, the citizens of the State and to the future of the University of Illinois require that we take every action possible to minimize the effects of the budget cuts and maintain the level of excellence on which the University's reputation rests. Even with the tuition increase, student course and curriculum choices will be more limited and the quality of education offered will be put at risk.

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. Direct state support now represents less than 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 2.3% rise in tuition to equal a 1.0% rise in State tax support. The University of Illinois cannot sustain, let alone enhance its quality without a firm foundation of annual State support.

FY 2003 BUDGET OUTCOMES

For Fiscal Year 2003, a 9.2%, \$73.6 million budget reduction was implemented. Additional tuition revenues were derived from two sources: general increases for all students and a set of special-purpose increases from which all income was specifically dedicated to improvement of instructional programs largely at the professional level.

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

Significant internal reallocation accompanied this decline in State support. A total of \$54.9 million was redirected. 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.

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 2003, the share for elementary/secondary education increased, but their appropriations decreased 1.6%. For FY 2003 higher education's share of the total budget decreased, declining to 11.2%, down from 11.3% a year earlier and their appropriations decreased by 5.5%.

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

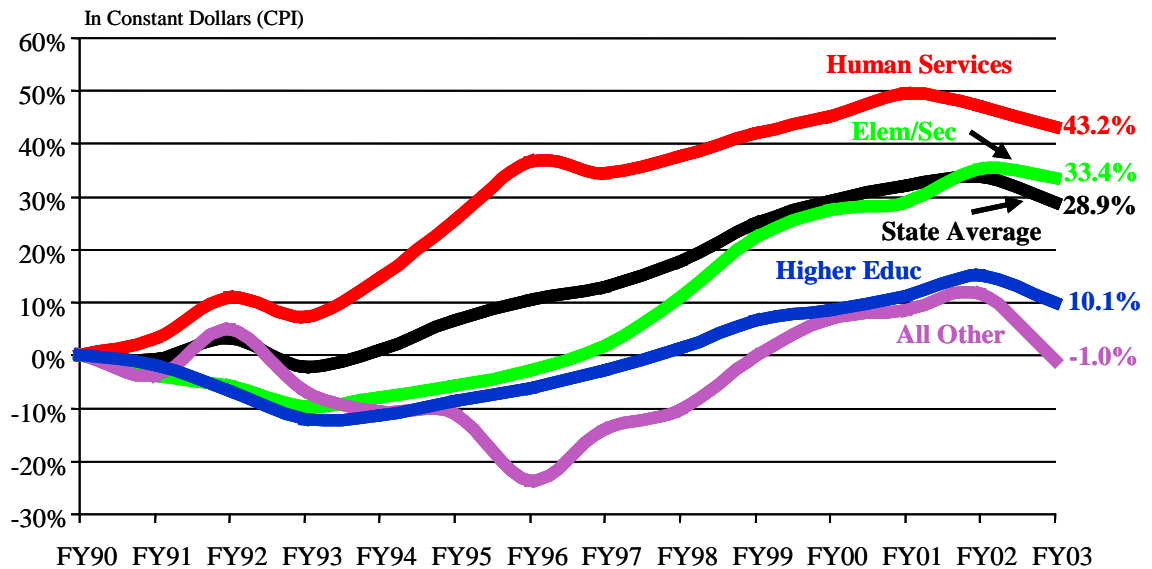
Year	Elementary/ Secondary	Higher Education	DCFS, Human Services, & Corrections	Public Aid	All Other
1980	28.8%	12.9%	10.7%	33.8%	13.7%
1990	26.7%	13.1%	12.9%	30.7%	16.6%
1991	25.8%	13.0%	13.8%	31.5%	16.0%
1992	24.4%	11.9%	13.8%	33.1%	16.9%
1993	24.7%	11.8%	14.7%	33.1%	15.8%
1994	24.3%	11.5%	16.0%	33.5%	14.7%
1995	23.6%	11.3%	15.9%	35.4%	13.8%
1996	23.5%	11.1%	29.8%	24.2%	11.5%
1997	24.1%	11.3%	29.5%	22.5%	12.6%
1998	25.1%	11.3%	29.1%	21.9%	12.6%
1999	26.1%	11.2%	27.2%	22.3%	13.2%
2000	26.3%	11.0%	25.9%	23.1%	13.7%
2001	26.1%	11.1%	25.8%	23.5%	13.6%
2002	27.0%	11.3%	25.5%	22.4%	13.9%
2003	27.6%	11.2%	25.3%	23.1%	12.8%

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 2003, that relationship has changed dramatically. The three human service agencies together have climbed to a share of 25.3%, growth of 96%, while higher education has fallen to 11.2% and a decline of about 14.5%.

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. The significant boost to elementary/secondary education for FY 2002 and FY 2003 has brought its budget experience over the statewide average, after several years of below-average experience. In addition, FY 2003 represents only the fifth 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 43% even after accounting for inflation.

Figure 1
State Tax Appropriations Changes by Agency

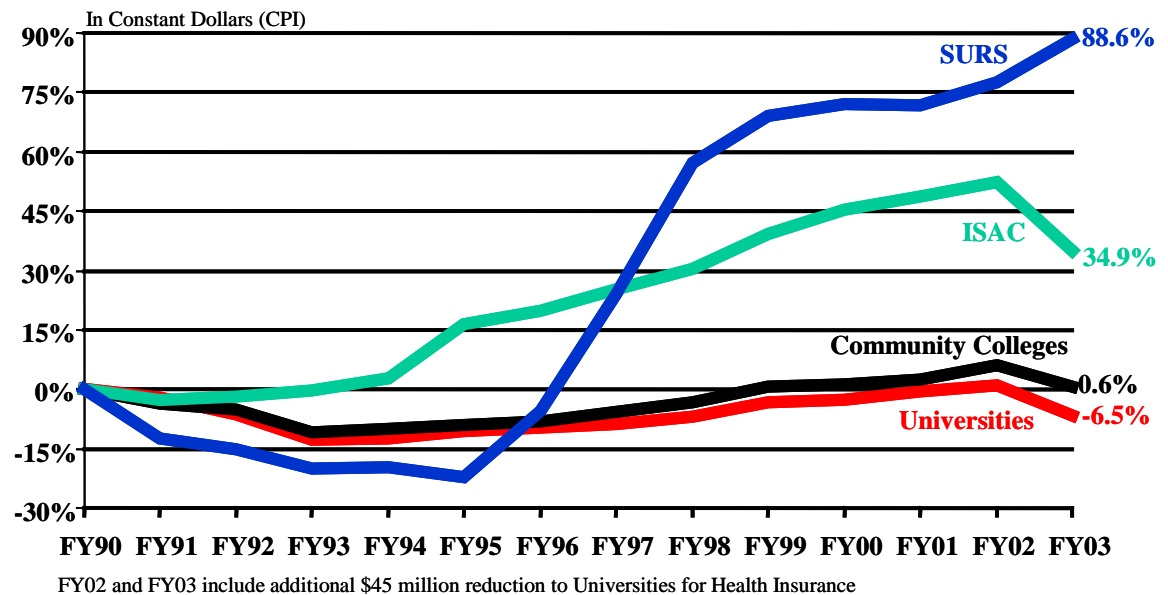


FY02 and FY03 include additional \$45 million reduction to Universities for Health Insurance

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.

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. As with all sectors within higher education over the past year, ISAC faced significant reductions. In FY 2003, ISAC was reduced by 9.7%. Other financial aid programs such as Merit Scholarship Grants, Information Technology Grants and the Illinois Incentive for Access program have also contributed to the sharp rise in ISAC funding.

Figure 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.

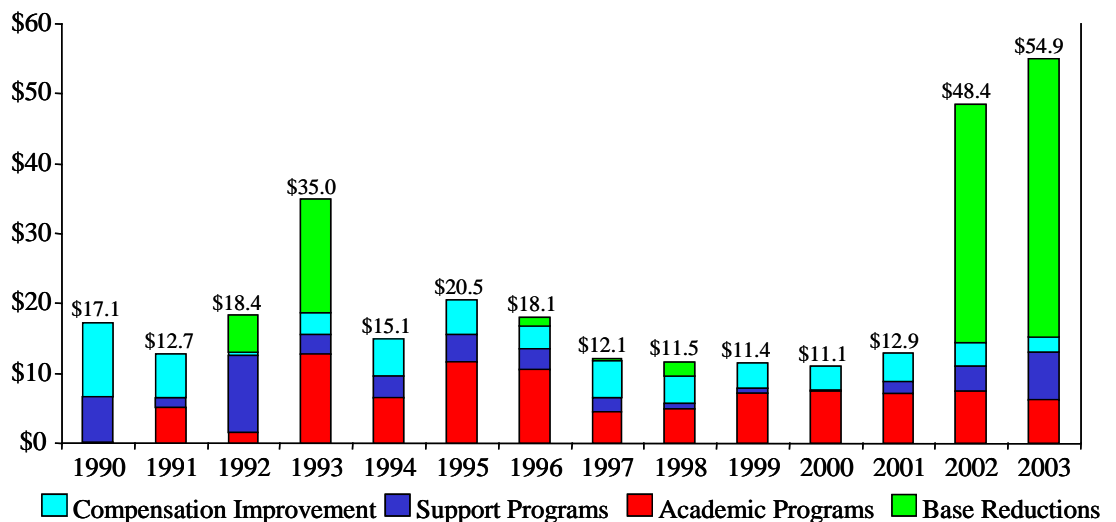
Yet as strong a trend as ISAC has shown, the most significant factor highlighted in Figure 2 is the dramatic growth experienced in SURS funding between FY 1995 and FY 2003. Responding to new legislation setting out a multi-year plan to bring SURS support in line with its obligations to employees who are or will retire from the State's public colleges and universities, SURS has received a significant but absolutely essential budget boost to preserve the strength of the retirement program serving higher education.

Even with improved investment earnings in the late 1990s, changes in accounting practices mandated by federal agencies, refinements in assumptions affecting long-term forecasts for pension liabilities and the creation of optional retirement plans, the growth rate in SURS support will continue to be significant for at least the next eight years, after which it reaches a plateau, as the General Assembly and Governor follow the legislative mandate to correct past years of serious underfunding. While essential, this mandated growth in SURS support will further constrict the funding available for other segments of the higher education budget.

BUDGET TRENDS IN PERSPECTIVE: REALLOCATION

As has already been emphasized, the University responded to its decline in budget share primarily through a comprehensive review of academic and support programs, priorities and a corresponding reallocation of existing funds. Since FY 1990, more than \$288 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.

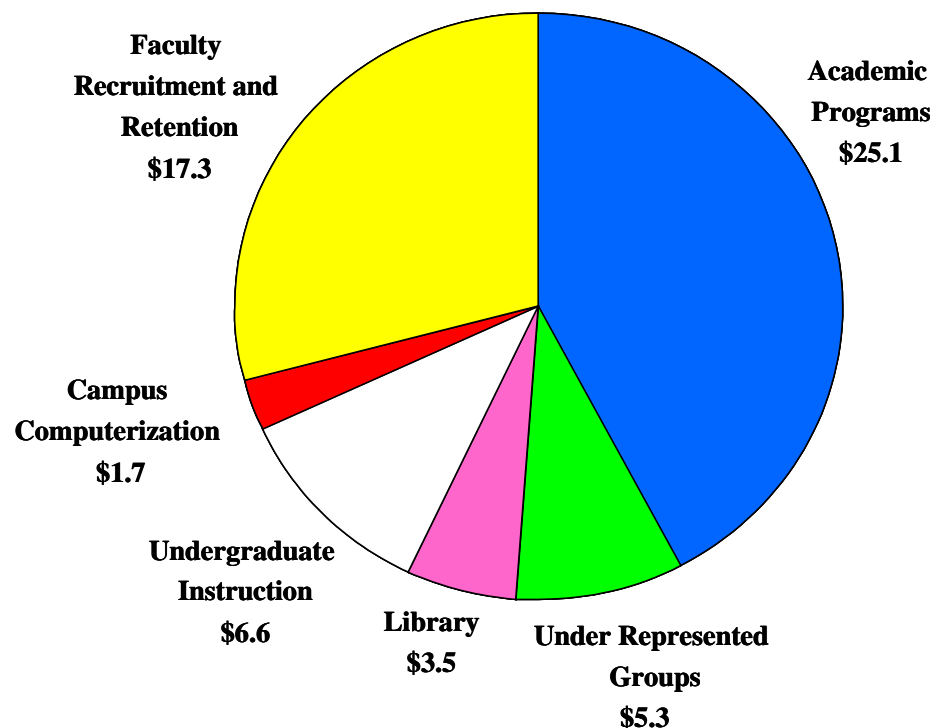
Figure 3
Uses of Reallocated Funds
FY 1990 to FY 2003
(Dollars in Millions)



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 35% of the total reallocation achieved since FY 1990 has been devoted to this requirement. Another 26% 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 29% 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 2003
(Dollars in Millions)



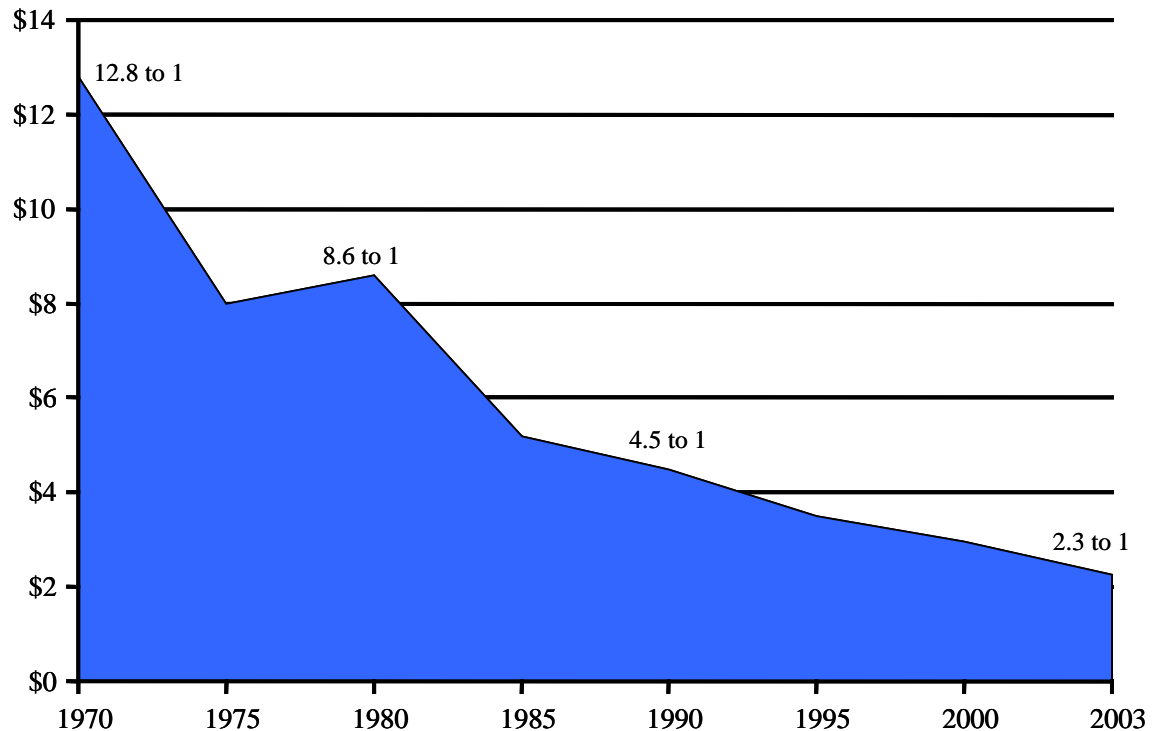
BUDGET TRENDS IN PERSPECTIVE: TUITION

Since FY 1980 tuition revenue has become a much more visible component of the University's total appropriated funds budget as students and their families have been asked to share the burden of offsetting declining State support. 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.

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It requires a 2.3% tuition increase to make up for the loss of 1% in State tax resources.

As illustrated in Figure 5, thirty-three 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 \$2.

Figure 5
State Support Per Tuition Dollar
FY 1970 to FY 2003



Tuition increases for FY 2003 take two forms. General tuition rate increases of 10% at each campus have been implemented. In addition students enrolled after May 2001 at the Chicago and Urbana campuses will pay an additional \$1,000 surcharge. These surcharge funds are earmarked towards enhancements in student systems associated with the UI-Integrate project, financial aid and program improvements in the liberal arts and sciences, commerce and other undergraduate programs.

SUMMARY OF THE FY 2004 BUDGET REQUEST

The University's FY 2004 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 three statewide initiatives in higher education. The first of these initiatives continues critically important support for recruitment and retention of faculty and staff. The second documents the need to address faculty salary support. The third documents the need to expand operating budget support for facilities renovation needs.

A final section of the request identifies academic program initiatives which would strengthen the academic base, increase the availability and application of technology for students and faculty and increase the University's links to the State of Illinois. Sustaining competitive compensation for faculty and staff remains the University's paramount budget requirement. Absence of funding for salary increases in FY 2003 leaves the University again vulnerable to erosion of competitiveness. For FY 2004 our compensation improvement request includes support for direct salaries. A 4% increase is sought for employee salary increases, an amount which, when combined with the statewide initiative for recruitment and retention of critical faculty and staff noted above should prevent further erosion in competitiveness. To address the potential crisis in faculty salary competitiveness, an additional increase of 3% is supported for faculty salary improvements. It is essential that additional reallocation accompany these incremental advances, since serious competitive gaps remain for faculty and other employee groups.

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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 over a decade without attention to the erosion which inflation, even at low annual levels, exacts on the University's academic support base when its effects cumulate.

The "continuing components" also include a relatively small increment to support operations and maintenance costs associated with newly constructed or significantly remodeled space. In total, if fully funded, these budget advances for continuing components represent a budget increase slightly over 4%—a very modest advance to initiate recovery for the University of Illinois.

The FY 2004 request continues the precedent set in FY 2000 to augment support for facilities renovation from its uneven and uncertain status in the capital budget with a more stable, secure component in the operating budget. A growing backlog of deferred maintenance projects combined with the need to address normal deterioration in building systems, the need for functional alteration of space as academic programs change and the pace of technological progress grows more rapidly annually make it critical that a reliable source of funds is available. Several Illinois institutions have elevated this concern near the top of their priorities and the University of Illinois joins in the call to continue to address this need in the operating budget.


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

In his Preface, President Stukel highlights several essential academic program priorities for the FY 2004 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. 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 begins to address major remodeling requirements on a regular basis. Six million dollars are sought for the initial phase of this operating-budget-based major remodeling program—by far the largest single request item, other than the general salary increase request. At full maturity the facilities renovation program should reach between \$20 and \$30 million per year, providing the resources to ensure at least one major remodeling project is underway at each campus each year.


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. The need to begin to recover lost capacity in library materials in both print and electronic forms also receives significant attention. Moreover, as emphasized by President Stukel in many forums, support is sought for additional endeavors which would expand the University's role in service to the people of Illinois.

Finally, the operating budget request includes two addenda, the first describing the State Universities Retirement System (SURS) and the second describing special budget needs in the Division of Specialized Care for Children (DSCC). Because of State budget constraints, price increases for DSCC have not been available since 1990. Continued provision of DSCC services requires an infusion of program funds. To this end, the discussion of SURS funding and DSCC program needs are addressed separately.

The full FY 2004 operating budget request is outlined in Table 2, which follows.

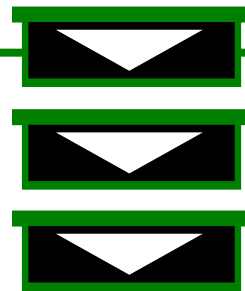
Table 2
FY 2004 Operating Budget Request
(Dollars in Thousands)

I. Continuing Components		\$44,991.1
<i>% of FY 2003 Base *</i>		<i>4.16%</i>
A. Compensation Improvements	\$32,070.4	
1. Salary Improvements - 4%	\$32,070.4	
B. Other Payroll Costs	\$1,201.1	
1. Medicare	\$932.8	
2. Workers' Compensation	268.3	
C. Price Increases	\$7,276.7	
1. General Price Increases - 3%	\$4,575.3	
2. Utilities Price Increase - 4%	2,145.2	
3. Library Price Increase - 3%	556.2	
D. O & M New Areas	\$4,442.9	
1. Chicago Projects	\$842.2	
2. Urbana-Champaign Projects	3,600.7	
II. Statewide Initiatives in Higher Education		\$26,261.8
A. Recruitment & Retention of Critical Faculty & Staff - 2%	\$16,035.2	
B. Faculty Salary Improvements - 3%	9,226.6	
C. Facilities Renovation Support	1,000.0	
III. Academic Program Initiatives **		\$11,000.0
A. Strengthening the Academic Base	\$5,827.8	
B. Instructional Technology	1,135.2	
C. Increased Links to the State of Illinois	2,037.0	
D. UIS Academic Program Initiatives	2,000.0	
IV. Academic Program Initiatives (University-wide)		\$9,400.0
A. Major Remodeling	\$6,000.0	
B. Online Instruction	250.0	
C. P-16 Programs	500.0	
D. IGPA	150.0	
E. UI-Integrate	1,000.0	
F. Economic Development	500.0	
G. Liability Insurance	1,000.0	
Total Request		\$91,652.9
<i>% of FY 2003 Base *</i>		<i>8.47%</i>
V. Statewide Programs (IDAL, IVC, ION)	\$935.0	
VI. Addenda (DSCC)	\$2,000.0	

* FY 2003 Base: \$1,082,640.7

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

OPERATING BUDGET
REQUEST FOR FY 2004



CONTINUING COMPONENTS



SALARY AND BENEFIT INCREASES

(\$32,070,400)

Overview




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



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

In the last year, many states across the nation experienced slow revenue growth, presenting policymakers with difficult decisions. But despite this constrained budgetary environment, most states approved modest salary increases for faculty and staff in FY 2003. Unfortunately, an extreme revenue shortfall in Illinois made funding for pay raises impossible, and the University was forced to forego a salary increase program for the first time since FY 1988. The timing was most inopportune, as the University had recently begun to regain salary standing lost in the late 1980s and early 1990s. State funding cuts have also forced the University to leave some faculty vacancies unfilled, mitigating progress in that area. The full extent of damage to the University's ability to compete is not yet known, but clearly some damage has been done, and experience with past lean budget years suggests it will be difficult to repair.

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



Aided by the IBHE's statewide salary program, the University achieved progress in faculty salary competitiveness in FY 2002.

For the past nine years, the University has received salary increments that approximated inflation experience and by supplementing those with internally reallocated funds, has been able to provide modest salary programs in each year. However, during the years from FY 1991 to FY 1994, the University's annual salary increment averaged less than 1%. At the same time, inflation grew by more than 3% while the University's primary competitors averaged around 4% salary growth in each year. Consequently, the University's faculty salary standing plummeted and earlier progress toward building a competitive advantage crumbled. From FY 1995 to FY 1998, the deterioration of competitiveness was halted and restoration begun, but the magnitude of the erosion was such that past levels of competitiveness remained out of reach. After FY 1998, the national market for quality faculty and staff accelerated, and the University attempted to keep pace. In addition to a 3% salary increment for all University faculty and staff in FY 1999, the Urbana-Champaign campus received additional State money for its "retaining critical faculty" initiative, which also utilized reallocated funds. The following year, the Illinois Board of Higher Education inaugurated its "3 + 1 + 1" program, calling for all Illinois public universities to receive 3% salary increments, plus an additional 1% to recruit and retain critical faculty and staff, to be matched by 1% in local funds. The program enabled faculty salaries at the University to grow by around 5% per year in FY 2000 and FY 2001, but little if any ground was gained, as peer institutions averaged annual growth of 5% to 6%. In FY 2002, the 1% additional state increment was raised to 2% with the same 1% local match, in effect creating a "3 + 2 + 1" program. Sustained effort finally bore fruit, and all three University of Illinois campuses advanced on their peers. Throughout this latter period, the competitiveness of staff salaries with their state employee counterparts was maintained.

As with other budget priorities, the University's efforts to achieve competitiveness have relied heavily on a combination of internal reallocation and strong state support. Clearly this duo 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 2002, faculty salary increases at the University averaged about 5% compared to around 4% for peer institutions, making possible the most promising gains in several years, especially at the Chicago campus, which moved above its group median salary. Springfield drew even with the median of its

reconstituted peer group. The Urbana-Champaign campus remained near the bottom of its peer group, but was able to add much-needed faculty positions and to gain slightly on its group median salary.

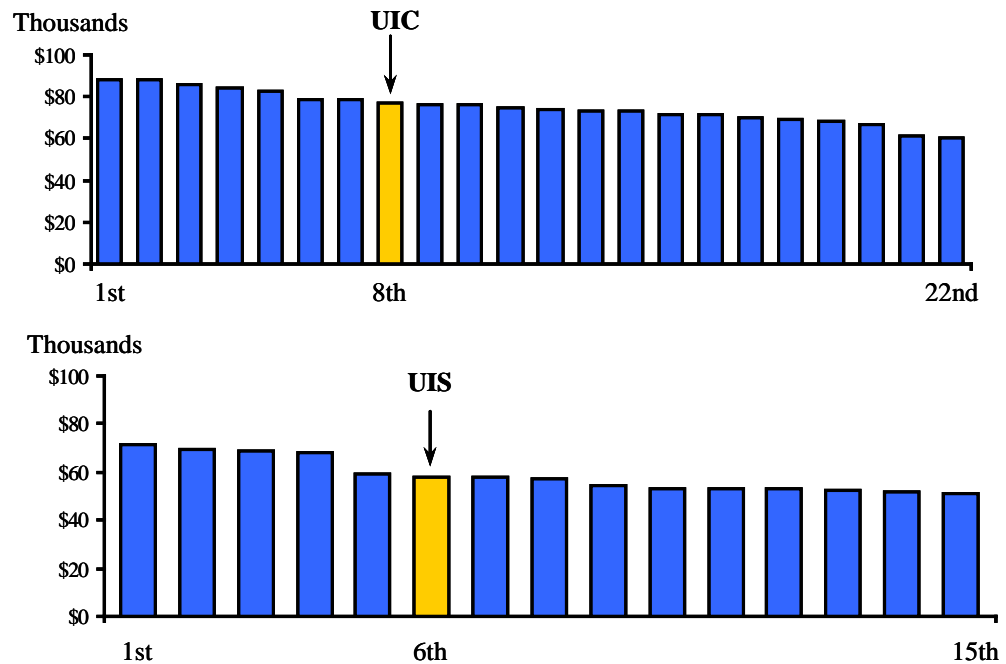
To monitor the University's competitive standing, numerous salary analyses are performed annually. Due to the varied nature of the University workforce, separate analyses are performed for academic employees and staff. Salaries for academic employees, including faculty, are compared to those at peer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

FACULTY SALARIES

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

The competitive standing of each campus indicates how well its faculty salaries have fared relative to its peers. Figure 6 shows that UIC ranked 8th in its group, and UIS ranked 6th. Both rankings represent a gain of two places from FY 2001.

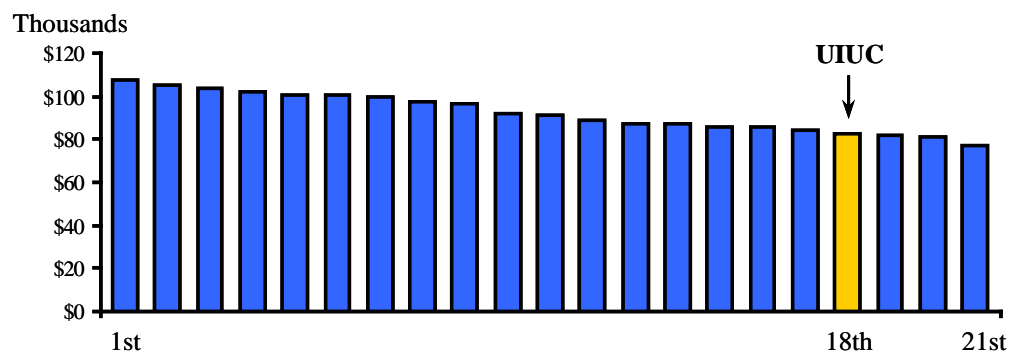
Figure 6
FY 2002 Competitive Standing among Peers
UIC and UIS



FY 2002 found faculty salaries at UIC and UIS ranked above the middle of their peer groups, but UIUC remained near the bottom.

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

Figure 7
FY 2002 Competitive Standing among Peers
UIUC



Further improvement for the three campuses will not be possible in FY 2003 due to lack of funding for faculty salary increases. In fact, public peer institutions have indicated they plan to provide faculty pay increases of at least 2% to 5%, which (other things equal) would cause all three campuses to lose at least 2 places in rank. Thus, inflation will erode base pay of University faculty and staff and the University will forfeit all or most of the competitive gains made over the last decade.

FACULTY SALARIES BY DISCIPLINE

Another way to gauge faculty salary standing is to examine salaries by discipline from FY 1987 through FY 2002, years in which funding fluctuations dramatically influenced salary levels. This review identifies areas of continued difficulty for UIC and UIUC. Competition for top quality faculty is intense in high-demand disciplines, especially those in which private enterprises can offer lucrative alternatives to academic service. Such competition has contributed to an unexpected rise in starting salaries causing salary compression and the consequent need for additional reallocation of funds. The University has experienced great difficulty in attracting and retaining key faculty in high demand areas, as well as in areas of lesser demand. If Illinois' constrained budget climate persists, such difficulties could reach critical levels, weakening the overall quality of the University.

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

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




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

Table 3 summarizes average salary 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 2002. Also summarized is the University’s ranking relative to other AAUDE institutions for each year of the study. For each discipline category, only those institutions reporting data in all three years of the study are included.

Table 3
Faculty Salary Study by Discipline FY 1987 to FY 2002

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

	Number of Schools	FY 1987		FY 1994		FY 2002		Change in Rank
		UIC Salary	Rank	UIC Salary	Rank	UIC Salary	Rank	
Architecture	17	\$34,233	14	\$49,772	12	\$63,743	8	6
Business	22	45,451	11	67,143	16	102,327	15	-4
Education	23	33,773	10	46,915	13	68,752	7	3
Engineering	20	47,921	2	61,272	12	92,588	3	-1
Foreign Languages	23	33,250	11	44,041	15	65,614	5	6
Letters	23	34,622	11	46,259	13	67,637	6	5
Mathematics	23	42,184	12	55,408	22	77,123	16	-4
Philosophy	23	41,405	4	51,430	6	68,602	4	0
Physical Sciences	23	42,846	6	55,116	19	74,571	17	-11
Psychology	23	41,351	9	50,655	18	74,479	7	2
Social Sciences	23	37,882	14	50,991	18	71,711	13	1
Social Work	15	36,274	9	45,621	11	59,171	11	-2
Visual and Perf. Arts	23	33,340	7	43,318	10	64,144	4	3

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

	Number of Schools	FY 1987		FY 1994		FY 2002		Change in Rank
		UIUC Salary	Rank	UIUC Salary	Rank	UIUC Salary	Rank	
Agriculture	15	\$40,698	6	\$54,879	9	\$78,254	6	0
Architecture	17	38,858	7	45,797	13	65,221	7	0
Business	22	52,341	3	73,695	6	113,231	8	-5
Communications	21	36,213	5	48,426	4	73,598	4	1
Computer & Info	19	50,285	7	66,216	8	99,268	2	5
Education	23	41,424	5	51,435	12	70,959	3	2
Engineering	20	53,995	2	68,284	7	96,741	2	0
Foreign Languages	23	38,917	6	48,333	11	62,999	6	0
Home Economics	15	32,947	6	44,503	10	72,290	3	3
Law	18	69,147	3	87,844	6	122,205	7	-4
Letters	23	35,365	7	46,674	16	68,358	6	1
Mathematics	23	46,480	11	58,921	17	73,215	14	-3
Philosophy	23	33,758	12	43,797	21	66,889	13	-1
Physical Sciences	23	51,512	1	66,529	3	89,036	2	-1
Psychology	23	44,929	3	60,715	3	85,943	5	-2
Social Sciences	23	41,945	9	54,067	15	76,270	9	0
Social Work	15	38,342	7	45,200	11	55,660	9	-2
Visual & Perf. Arts	23	36,360	7	43,019	18	59,701	8	-1

As clearly shown by the data, the 0% salary program year of 1988, followed by budgetary constraints in the early 1990s, had a detrimental impact on the competitiveness of the University of Illinois' salaries for many disciplines. Between FY 1987 and FY 1994, UIC lost position in 12 of the 13 disciplines examined, and UIUC lost in 16 of 18. Although strong State funding beginning in FY 1995 enabled a degree of recovery, many still remain at a competitive disadvantage.

At UIC, seven disciplines (Architecture, Education, Foreign Languages, Letters, Psychology, Social Sciences, Visual and Performing Arts) improved their FY 1987 ranking. However, salary rankings lag FY 1987 levels in five of the remaining six disciplines: Business, Engineering, Mathematics, Physical Sciences and Social Work. UIC's ranking was unchanged in Philosophy.

At UIUC, only 5 disciplines (Communications, Computer and Information Science, Education, Home Economics and Letters) out of 18 improved their FY 1987 ranking, while 8 others declined. The decliners were: Business, Law, Mathematics, Philosophy, Physical Sciences, Psychology, Social Work and Visual and Performing Arts. UIUC recovered its FY 1987 ranking in Agriculture, Architecture, Engineering, Foreign Languages and Social Sciences.

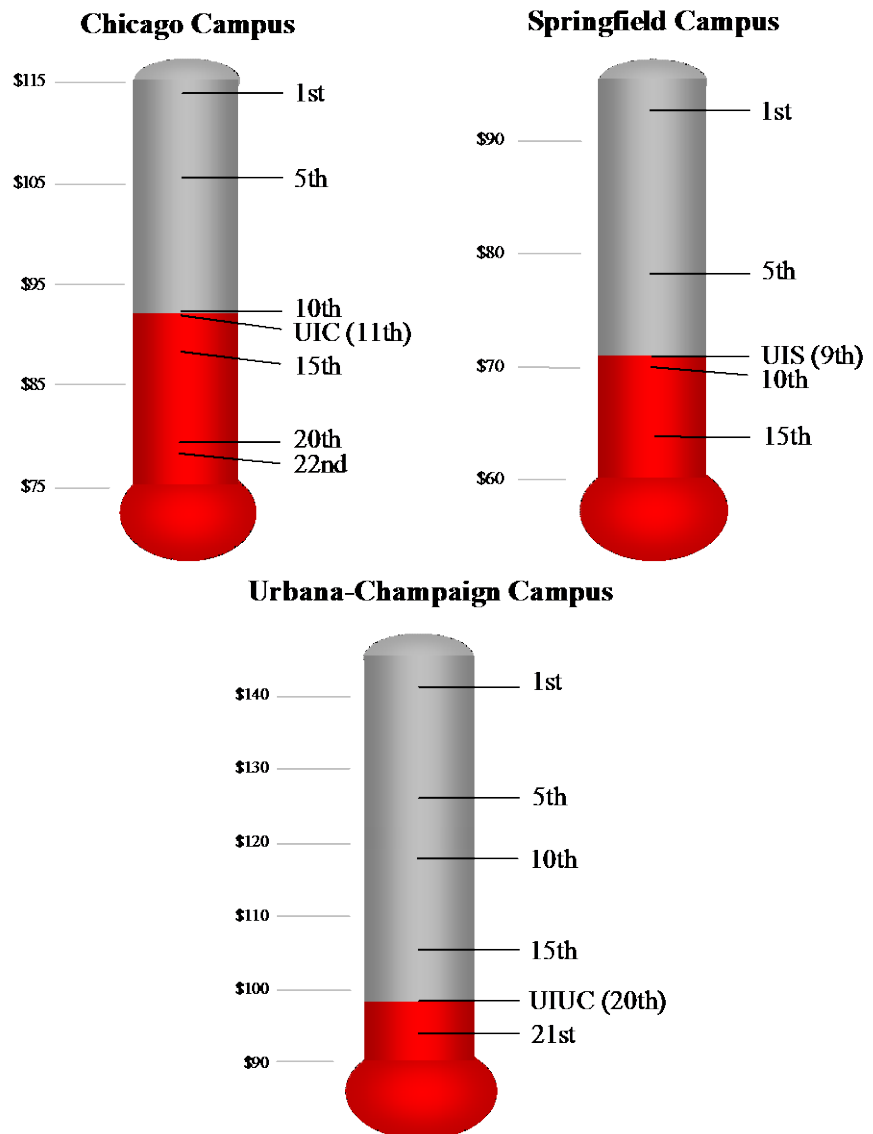
It is clear past declines in State funding hurt the University's ability to remain competitive for high quality faculty and staff, although the impact has been greater in some disciplines than in others. Despite progress in some fields, many disciplines continue to suffer from a loss of competitiveness. The magnitude of loss in FY 2003 may be similar to FY 1988, namely that the University may lose ground in most disciplines, and a very large amount of ground in some. It is critically important that the University resume the road to recovery in FY 2004 and beyond in order to avoid a crisis in competitive ability.

TOTAL COMPENSATION

Total compensation represents the combination of average cash salary and employer contributions to fringe benefits. Figure 8 shows FY 2002 average total compensation for faculty in the ranks of Professor, Associate Professor and Assistant Professor at the three University of Illinois campuses and their peers.

While UIC and UIS rank in the middle of the pack, UIUC ranks next-to-last. UIC's ranking represents a two-spot gain over FY 2001, and UIS gained one spot. UIUC remained in the same uncompetitive position.

Figure 8
FY 2002 Faculty Average Total Compensation
U of I Campuses and Peer Groups
(Dollars in Thousands)



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

Budgetary constraints in prior years have hurt the University in the faculty salary market. State funding and internal reallocation in more recent years have produced salary programs that have kept pace with inflation, but which were below the University's top competitors in many cases. Only in the last year did the Chicago and Springfield campuses achieve real progress, and Urbana-Champaign, while stuck near the bottom of its peer group, showed slight progress. Absence of funding for salary increases in FY 2003 leaves the University again vulnerable to erosion of competitiveness. Incremental funds totaling \$32.1 million are requested for FY 2004 for faculty and staff salary increases to halt the slide and avoid further loss of employee purchasing power. In addition, compensation must be made for last year's flat-line in the University's salary arch. The University's statewide programmatic request asks for \$16.0 million in additional funding, consistent with the IBHE's statewide plan to enhance the ability of all Illinois public universities to compete with their peers for top-quality faculty and staff. The University pledges to match one-half of that amount by reallocating internal resources. Finally, the University requests an additional programmatic appropriation of \$9.2 million, to provide for targeted faculty salary increases, in order to recover upward momentum in a highly competitive marketplace.

STAFF SALARIES

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

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

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

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

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

	University of Illinois FY 2002		State of Illinois December, 2001		% Over/Under State Class	
	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
Chicago Campus						
Secretary IV	\$23,876	\$35,344	\$24,404	\$33,017	-2.2%	6.6%
Staff Nurse II	\$36,941	\$70,283	\$41,148	\$54,348	-11.4%	22.7%
Accountant I	\$27,747	\$48,487	\$28,656	\$40,296	-3.3%	16.9%
Library Clerk II	\$19,451	\$28,794	\$20,268	\$26,380	-4.2%	8.4%
Urbana Campus						
Secretary III	\$22,356	\$33,097	\$23,702	\$32,107	-6.0%	3.0%
Storekeeper II	\$30,635	\$32,409	\$27,288	\$34,680	10.9%	-7.0%
Accountant I	\$27,752	\$48,496	\$28,656	\$40,296	-3.3%	16.9%
Kitchen Laborer	\$20,613	\$28,059	\$21,060	\$27,600	-2.2%	1.6%

For FY 2002, 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 3.75% increase. In FY 2003, 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 and Mercer Information and Technology Survey. In FY 2002, the University program (3% average) for staff was slightly less than market range increases (3.2% to 3.4%).

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 4.2% for the year ending December 2001. The compensation costs for State and local governments increased 4.2% for the year ending December 2001. The University increase of 3.0% was below the Employment Cost Index increases.

STATE UNIVERSITIES RETIREMENT SYSTEM

The health of the State Universities Retirement System (SURS), as well as the University's competitiveness among peer institutions with respect to retirement benefits, has been a matter of prime concern for many years for both individual employees and for leaders within higher education institutions and the SURS system. Any discussion of compensation policy for higher education in Illinois should include a strong call for continued adequate funding of the SURS program to ensure that existing benefits will remain secure. Action taken in 1995 by the General Assembly and the Governor to implement a long-term plan to strengthen pension funding for all State employees was a most welcome improvement. Law now mandates annual increases for SURS. FY 2003 is the 8th of a 15-year span of significant increases needed to compensate for past funding deficiencies. SURS' increment for this year is \$20.9 million. Addendum I contains a more complete discussion of the SURS funding situation.

It should be understood, however, that while achieving and maintaining adequate SURS funding remains a key concern for FY 2004 and beyond, funding improvements will not, in and of themselves, improve either the benefits available to University employees or the University's competitive position among peer institutions. The adequacy of SURS' fiscal support must be assured. So, too, must improvements in the University's competitive position in total compensation be achieved.

PRICE INCREASES

(\$7,276,700)

Overview

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

Inflation has eroded the University's budget base by more than \$37 million since 1990. Although inflation has been low, price increase support from the state has been absent for over a decade.

- General Price Increases

Although the State has sometimes recognized the impact of inflation upon the costs for goods and services, appropriations for this purpose have been non-existent for over a decade. Since the last general price increase in FY 1990, inflation has averaged 2.8% per year, putting increased pressure on the University's ability to support its instructional and research programs adequately. Inflation has eroded the University's budget by \$37.6 million since 1990.

- Utilities Price Increases

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

- Library Price Increases

Price increases for library acquisitions have been particularly severe in recent years, far outpacing general inflation. As more information resources become available in electronic formats, a significant additional financial burden is placed upon the libraries. The State has recognized the need for a differential library price increase with special funding in 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. Because of significant cost reduction efforts, Workers' Compensation requirements have decreased in the last two years, however the University continues to be under funded. Increases in funding are essential to provide for these unavoidable expenditures.

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

GENERAL PRICE INCREASES – (\$4,575,300)

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.

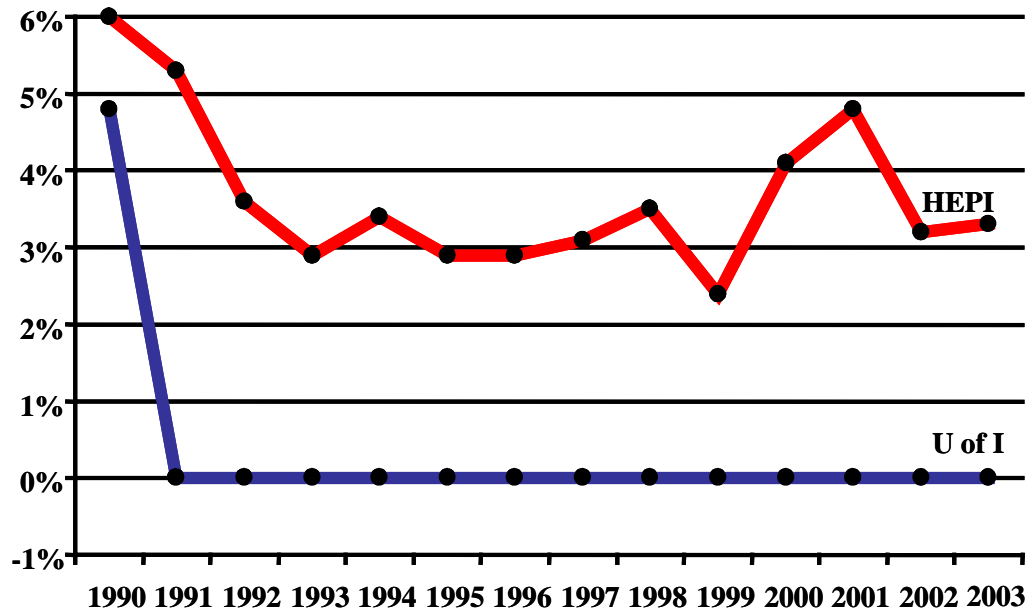
- **Gross National Product (GNP) Implicit Price Deflator**
Defines that portion of the overall GNP growth which is attributable to factors other than real growth in the production of goods and services in the economy.
- **Consumer Price Index (CPI) (Less Energy)**
Measures the change in actual prices 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 thirteen 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.

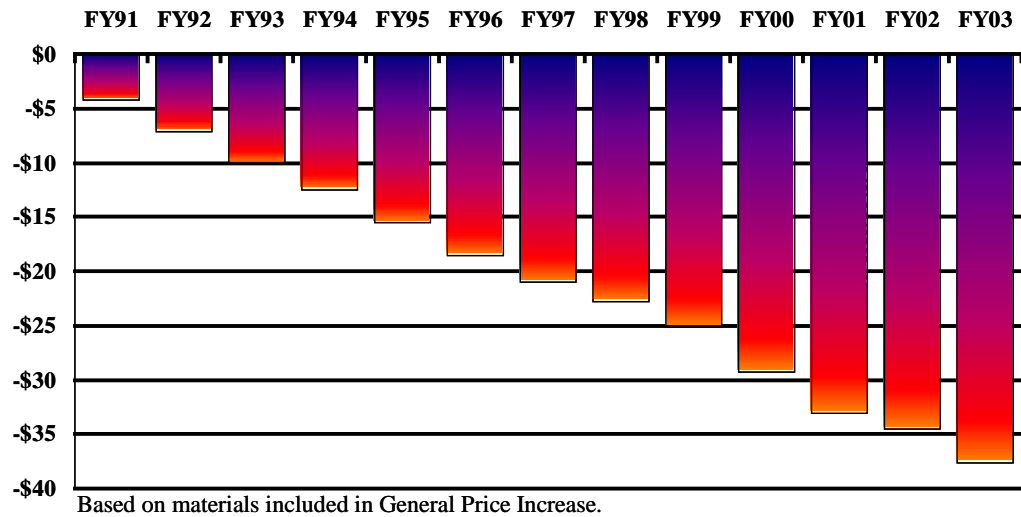
Figure 9
Annual Inflation Increases
versus General Price Increase Appropriations

Even with relatively low recent inflation experience, the University has lost over \$37 million to the impact of inflation since 1990.



Budget recisions in FY 1988, FY 1992, FY 1993, FY 2002 and FY 2003, combined with zero general price increase support since FY 1990, have seriously eroded the academic support base of goods and services which underpin the University's instructional and research activities. While internal reallocation have been used to cover unavoidable increases in the most pressing of these goods and services, the University's academic support base has been seriously eroded and now has reached a gap of \$37.6 million, as measured against the Consumer Price Index shown in Figure 10.

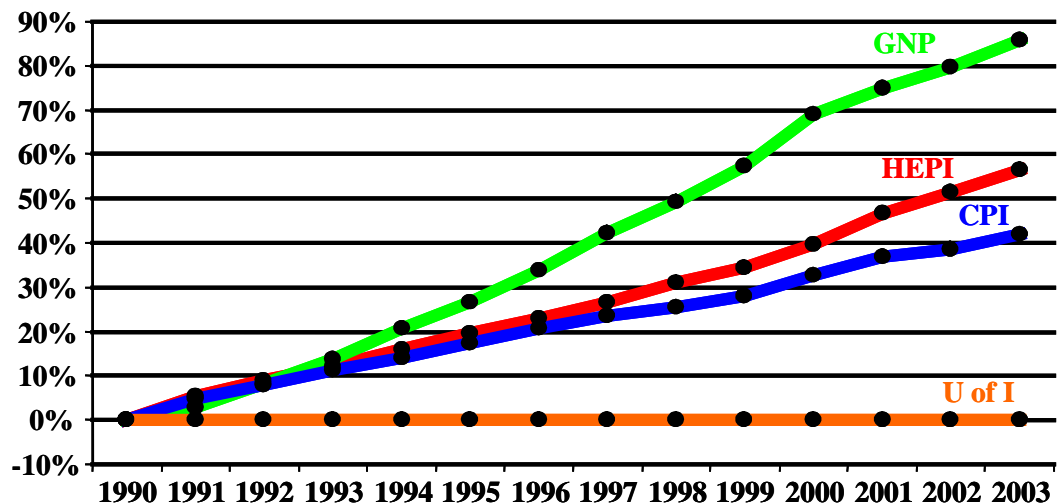
Figure 10
Cumulative Loss in Purchasing Power
(Dollars in Millions)



▼
The loss in purchasing power for general goods and services has reached \$37.6 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 2003. The University estimates FY 2003 and FY 2004 increases of 2% to 3% (CPI and GNP indices).

Figure 11
Cumulative Inflation Increases
versus General Price Increase Appropriations



For FY 2004, the general price increase segment of the budget request seeks to obtain funding sufficient to halt further losses to inflation. Based on this, a general price increase of 3% or \$4,575,300 is sought.

UTILITIES PRICE INCREASES – \$2,145,200



Dramatic changes in utilities costs together with impinged resources resulted in a succession of negative economic impacts on the base budget for utilities.

It is imperative that the University of Illinois receive the requested utilities price increment of 4% in order to meet its obligations and provide utilities operations and services to its campuses in FY 2004. In the last fifteen years, the University of Illinois received four increments for utilities price increases. State resources are finite and full annual appropriations to cover all of the University's costs and obligations to support its utilities functions have become impractical from a State budgeting perspective. The University acknowledges this fact and has for a long time managed its resources for utilities to avoid costs and reduce the rate of increase of consumption. The following examples highlight some of the University's recent major initiatives to avoid costs by upgrading the utilities infrastructure at its campuses. These projects have been undertaken without State capital funding:

- A 35 megawatt (MW) hybrid plant installation on the West side of the Chicago campus;
- A 7.4 MW reciprocating engine cogeneration plant expansion on the East side of the Chicago campus; and
- An electric inter-tie between the two sides of the Chicago campus in order to aggregate electrical demand.

Over the last few years, however, dramatically increased utilities costs together with impinged resources resulted in a succession of negative economic impacts on the base budget for utilities. These impacts could only be controlled by a series of difficult managerial actions including:

- FY 2001 internal reassignment of \$6.9 million to cover the utilities base budget deficit incurred from unusually high utilities expenditures primarily in natural gas;
- FY 2002 rescission to the utilities base of \$276,200 to assist in meeting the University's overall budget rescission; and
- FY 2003 no State utilities rate increment and a projected current year expense deficit necessitating an internal reallocation of \$2.1 million.

This period of deficit funding, rescission and reallocation, reflects a set of actions governed by one fundamental rule; the bills must be paid. Bills incurred by the University are to heat, cool, power and provide water and sanitary service to its community of faculty, students and staff. To meet these and other fundamental obligations, the University has been forced to implement some severe measures such as no general salary increase, loss of program support, decline in staff through attrition, some lay-offs and terminations and a 10% increase in tuition. It is not unreasonable for FY 2004 to request funding of a 4% increment to cover the projected deficit to the utilities base that will arise from price increases. This increment totals \$2,145,200 over the current year's base budget.

For FY 2004, the individual utility components that comprise the increment are as follows: natural gas 6.5%, steam 4.0%, electricity 3.5%, sewer service 3.5% and water service 3.0%. Coal prices will remain flat. To clarify further, a detailed review of the components that represent the largest proportion of utilities budget expenditures is presented. These components, natural gas, steam and electricity, carry the momentum of the current increment and could remain the drivers of future increment requirements.

Natural gas is a major component of the utilities base budget. Implementation of a number of actions has worked to reduce the price for the commodity paid and for the amount of the commodity consumed. Some of these examples are well known but the breadth and consistency of efforts are good indicators that efforts to contain costs will continue. These actions include:

- Transportation contracts with interstate pipeline companies;
- Balancing, storage and transportation contracts with the local distribution companies;
- Long term purchase of natural gas for base load supply;
- Steam trap repairs at the Urbana-Champaign campus; and
- Expansion of the distribution systems at the two major campuses to limit the number of interconnects.

The forecasting of natural gas prices is a highly analytical process that can at times be reduced to chance if the unexpected, such as a hurricane or wildly divergent weather patterns, occurs. The Baker Hughes Rig Count is an industry measure of

activity and productivity in the exploration and production (E&P) sectors of the energy industry. There is a general correlation between the number of rigs in use and the future supply of oil and natural gas. Future supply is also an indication of future costs.

Storage levels of natural gas are measured weekly by the Energy Information Agency and provided to the public in comparison with prior year and five year average figures. These numbers represent the level of working gas in underground storage and provide historical relevance about price and supply for the current period and a veiled indication about future price for the upcoming heating season.

Rig counts and storage levels when analyzed together provide a good review of the price and future price for the commodity. Analysis of additional factors strengthens this review. Other factors include the price for crude oil and related products, projections on when and how strong a general economic recovery will be, long range weather forecasts, changes in federal legislation that might impact the demand for natural gas, or even legislation that may dictate changes in the manner in which energy products such as natural gas and electricity are traded.

Analysis of commodity forecasts produces good predictive information about the future cost for natural gas. Commodity forecasts build in much of the weight of the price influencing factors noted above. Comparison of the two twelve month strips of natural gas monthly settlement prices that are FY 2003 and FY 2004 yields an expected increase of 6.5%.

If as expected, a 6.5% increase is experienced in the cost for natural gas, total expenditure for this component will approach \$625,000 over the FY 2003 base price, or almost one-third of the total increment required for FY 2004. If this component cost is combined with the price forecasted for steam, of which a large portion of the cost is natural gas, the expenditures for these two components will approach \$900,000 over FY 2003 levels, or more than one-third of the total requested increment.

Electricity costs are the single largest expense component of the University's utilities budget. Its price is tied to the fuel markets; however, the price paid for

electricity at any given time is also closely affected by the current supply of and demand for it on a regional and sometimes a national level. Unlike fossil fuels which can be stored for future use, electricity costs are influenced by a number of factors that can fluctuate and yield correspondingly disparate pricing points. Some of these price determining factors are the number of nuclear generating plants online, the amount of contributed production from hydroelectric plants, and of course demand levels, such as a peak use day during a Chicago summer.

It is estimated that in FY 2004 an approximate 3.5% increase in the cost for electricity will be experienced. Nuclear generation presents strong future trends; the continued contribution to electricity supply by economical coal burning power plants is hopeful and a slow to moderate rate of a general economic recovery all contribute to this estimation. Such a percentage increase will incur an expenditure of approximately \$1.1 million for this energy product over FY 2003 levels, or 51% of the total increment requested.

The FY 2004 increment request is following closely the years of deficit funding and reallocation that were required so that the University was able to pay its bills for utilities. Much has been achieved through management of the utilities budget to avoid costs and reduce consumption. Yet even with constant attention to expenditure trends and efforts to avoid deficits, national and international factors beyond the control of the University have recently contributed to the over expenditure of the base budget for utilities.

It is essential that for FY 2004, in order to meet the utilities needs of the University community and its facilities, a 4% increment, or \$2,145,200 be recommended.

LIBRARY PRICE INCREASES – \$556,200

The Libraries of the University of Illinois are requesting a 3% increase in their materials budget to ensure that the Libraries can maintain the quality of their collections and fulfill their missions to students, faculty and researchers at the campuses and throughout the state. There are several important factors in the current environment that place the Libraries at risk, including:

- Zero material price increase in FY 2003 from the state;
- The UIC library experienced a permanent budget cut of 8% in FY 2003 due to campus budgetary constraints;
- High inflation rates in the cost of scholarly materials;
- A burgeoning increase in the number of electronic resources now considered vital to the campuses' teaching, learning and research needs;
- The need to provide expensive reference tools to students in the fields of Finance, Commerce, Advertising and Medicine;
- The growth in interdisciplinary studies and new program areas in which the Libraries have not previously collected;
- In FY 2003, UIUC science and social science library collections cancelled 5% to 10% of their journal budgets in an effort to absorb the effects of no new money for collections and the UIC Library cut its monographs budget by \$230,000.

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

The UIC Library serves the largest university in the Chicago area, as well as tens of thousands of students and faculty from other colleges and universities in the city and beyond. It holds 6.65 million items. The UIC Library of the Health Sciences is one of the largest medical libraries in the nation and has been designated by the National Library of Medicine as the regional medical library for ten states from Kentucky to North Dakota. UIC's special collections include a wide range of research materials, with emphasis on the history of Chicago. These include: the Jane Addams Memorial Collection; the 10,000-item Lawrence Gutter Collection of Chicagoana; the R. Hunter Middleton Chicago Design Archives; the corporate archives of the Chicago Board of Trade; records of the Century of Progress International Exposition (1933-34); the Midwest Women's Historical Collection; and the Chicago Urban League. Recent additions include the papers of Richard J. Daley and the 500,000 images in the "Chicago in the Year 2000" (CITY2000) Collection.

The UIS Library supports students with a collection numbering more than 523,500 volumes; 2,360 periodical subscriptions; 3,450 films, videotapes and DVD's;

1,760,600 microforms; and 197,870 government publications. The UIS Library's special collections unit houses an oral history collection containing interview tapes and transcripts from more than 1,200 persons whose memories touch on important themes in the social, economic and political history of the State. The UIS Archives is the location of the Illinois Regional Archives Depository, collecting county and municipal records from 14 central Illinois counties in support of research focusing on local history and genealogy.

The UIUC Library is a major educational and cultural resource for the University and the State of Illinois. Strong and unique collections have long been a hallmark of the UIUC Library. With a collection of more than 22 million items, it is one of the world's great research libraries. Distinguished collections in areas as diverse as American history, chemistry, English literature, engineering, mathematics, music and Slavic languages and literature attract and support the work of distinguished faculty and students. Special collections, including holdings on John Milton, William Shakespeare, Marcel Proust, Carl Sandburg, James B. Reston, H. G. Wells, Mark Twain and Shana Alexander, further enhance the Library's greatness.

The Libraries play an important role in Illinois by providing materials and information services to citizens of the state, both onsite and through their local libraries. They also serve the global community, often by functioning as hosts to visiting scholars from around the world who have come to use the Libraries' rich resources. Their collections have been instrumental in developing and supporting research and scholarship in many crucial areas.

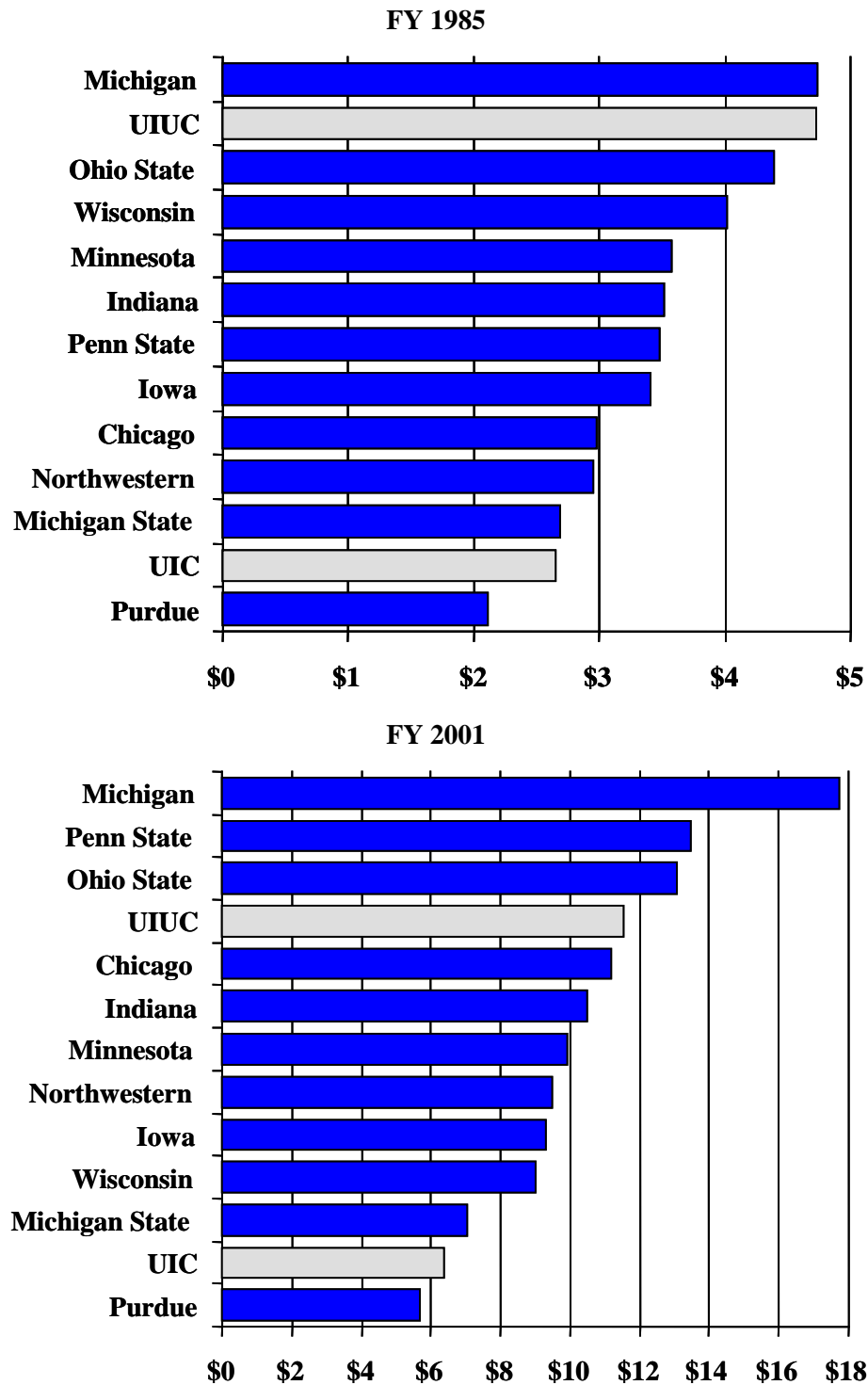
Many publishers are now offering their materials in electronic formats. As more materials appear in electronic form, demands for them strengthen. In addition to convenience, the accessibility of electronic material is essential for distance education programs and their searching capability makes them critically important in numerous disciplines. Over the last several years, the Libraries have inaugurated a program to enhance development of their collections with some of the electronic materials now routinely expected by faculty and students. These materials include additional abstracting and indexing services which provide access to the scholarly literature at the campuses and other institutions, and new collections of electronic journals, electronic texts and other recently-developed types of materials accessible

online. At present, electronic journals average between 10% to 30% more in cost than their print equivalents with costs regularly inflating at an average of 10% to 12% each year. Because many electronic items cannot be purchased, but may only be available through license agreements, ongoing access to them cannot be assured. In most cases, user needs and the Libraries' special mission to provide access in perpetuity to the materials in which it invests require that both electronic and print subscriptions be maintained.

In addition to maintaining on site the strongest collections possible to meet their users' needs, the Libraries are also committed to providing access to collections owned by others, supplementing traditional interlibrary borrowing methods with electronic access and article delivery services. New methods of electronic document delivery can help offset the cost of expensive, low-use print journals, but the delivery costs of a single article are quite high. However, these types of electronic resources do make available enough choices for the Libraries in providing access to information to justify their carefully considered purchase.

The cost of purchasing materials in traditional and electronic formats continues to rise annually at rates well above the Consumer Price Index. Major factors for continuing double-digit price increases include increasing output from the world's scholars, increasing control of the market by commercial publishers and the demand for electronic materials to which perpetual access is not assured, thus requiring continuing purchase in print formats. These increasing prices, coupled with inconsistent collection funding over the past sixteen years, have seriously compromised the quality of the Libraries' collections. Among the members of the Association of Research Libraries (ARL), Library materials expenditures declined from 8th in FY 1985 to 12th in FY 2001 at UIUC. In FY 1985, Figure 12 shows the UIC and UIUC Libraries materials expenditures ranked 12th and 2nd, respectively, among the thirteen Committee on Institutional Cooperation (CIC) member libraries. By FY 2001, the UIUC Library's rank had dropped from 2nd to 4th behind Michigan, Penn State and Ohio State while UIC retained its low ranking.

Figure 12
CIC Library Materials Expenditures
(Dollars in Millions)



Inflation of scholarly journal prices has become so significant that high inflation rates in any given year could devastate the Libraries' collections budget. 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, the cost of purchasing materials for the Libraries continues to rise dramatically every year. For more than a decade, the Libraries have cancelled a large number of journal titles, trying not only to balance the journal budget in the face of extraordinary inflation but also to protect funds with which to purchase monographs, electronic resources and other materials in an effort to maintain these core resources. The Libraries' ability to purchase new books and important electronic products continues its steady decline.

The special value of the Libraries' collections lie in the unique strengths of their holdings for students, scholars and users throughout Illinois, the nation and the world. Now and in the future, continuing and stable financial support is absolutely critical to fulfill the educational and scholarly needs of the campus, to enhance access to collections in other libraries, to exploit the potential of electronic information and to fulfill their role as the libraries of last resort for the citizens of Illinois. To meet these challenges successfully, the Libraries require an increase of 3% in FY 2004 to offset the damaging effects of the FY 2003 budget, expected continued inflation and to keep pace with the demands of their users.

OTHER PAYROLL COSTS – \$1,201,100

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 four years of major reallocation, pressure remains on Workers' Compensation and, to a lesser degree, Social Security contributions. Currently, the University is required by federal law to match new employees' contributions to Medicare and for certain employees, to Social Security.

Medicare and Social Security Contributions

► 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.

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

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 FY 1995 legislation removed the cap and allows the 1.45% tax on the entire gross payment. This action, with an effective date of January 1, 1994, significantly increased Medicare expenditures for the second half of FY 1994 and subsequent years.

Since FY 1987, expenditures have grown at a rapid rate with double digit increases in 8 of the past 12 years; a result of the changes in Social Security requirements and the turnover of those employees exempt from Medicare requirements. Although appropriations for these costs also have increased, they have been insufficient in meeting actual needs. For FY 2003, the University was forced to permanently reallocate approximately \$2.2 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)

Fiscal Year	Appropriations	Expenditures	% Change in Expenditures
1990	\$1,718.0	\$1,740.5	0.0%
1991	1,718.0	2,261.7	29.9%
1992	2,743.7	3,323.5	46.9%
1993	3,473.7	3,644.0	9.6%
1994	3,492.0	4,277.3	17.4%
1995	4,417.3	4,850.0	13.4%
1996	5,967.3	5,982.0	23.3%
1997	5,967.3	6,086.6	1.7%
1998	6,141.5	6,267.3	3.0%
1999	6,302.7	6,754.1	7.8%
2000	6,491.8	7,589.9	12.4%
2001	6,686.6	8,589.7	13.2%
2002	6,887.1	9,722.8 (est.)	13.2%

The FY 2002 appropriation is \$6,887,100 for the combined Social Security and Medicare requirements. In FY 2003, expenditures are expected to continue to rise. An increment of \$932,800 is requested for the FY 2004 appropriation. 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 nine years, the University has been forced to reallocate funds to cover increased claims. Strenuous efforts to control costs have helped reduce the impact of cost increases, but the University continues to face growing exposure in this area.

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

Fiscal Year	Appropriations	Expenditures	% Change in Expenditures
1990	\$ 1,670.2	\$ 2,343.9	0.0%
1991	2,685.0	2,665.0	13.7%
1992	2,087.9	2,087.9	-21.7%
1993	2,193.5	2,193.5	5.1%
1994	2,986.3	3,001.1	36.8%
1995	2,986.3	3,291.0	9.7%
1996	2,986.3	4,258.6	29.4%
1997	3,365.0	3,598.9	-15.5%
1998	3,365.0	3,727.0	3.6%
1999	3,466.0	3,686.8	-1.1%
2000	3,466.0	3,727.1	1.1%
2001	3,570.0	3,713.1	-0.4%
2002	3,570.0	3,689.3	-0.6%
2003	3,570.0	3,763.0 (est)	2.0%

For the last several years, the University has utilized an actuarial firm to establish an appropriate level of funding for Workers' Compensation. The firm's methods for estimating projected claims and resulting outlays have proven to be very accurate. Actual claims for FY 2002 were \$3,689,300 while the State appropriation was \$3,570,000 creating a shortfall of \$119,300. Actuaries have projected payments for FY 2003 to be \$3,763,600 and \$3,838,300 for FY 2004. 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 2004, \$268,300 for workers' compensation is requested.

OPERATION AND MAINTENANCE OF NEW AREAS

(\$4,442,900)

Campus Levels:

UIC
(\$842,200)

UIUC
(\$3,600,700)

► The FY 2004 request for funding of the operation and maintenance of new and significantly remodeled areas supports eight facilities and projects on two campuses of the University of Illinois. Total space to be supported is approximately 466,000 gross square feet (gsf).

The majority of these facilities represent significant new additions to the campuses to provide teaching, research and support space. As the request is heavily weighted towards new needs, the cost per gsf to support this space is higher than in years when the request list was weighted towards significantly remodeled facilities, as was the case in FY 2003. The FY 2004 annual operation and maintenance new areas request is the first in a series which will include many high demand facilities. Some of the facilities that will make future year request lists are the College of Medicine and Chemical Sciences buildings at Chicago and the NCSA facility and Post Genomics Institute at Urbana-Champaign.

The demands at these facilities will have above average utilities and other operating costs compared to most other facilities throughout the state or on the campuses. The practice of funding utilities at a campus average and other costs at a statewide average builds in an operating deficit even prior to the appropriation of funds. These losses together with the lack of funding for certain projects altogether contribute to real deficiencies that must be absorbed by the University budget. This is particularly obvious in the utilities component. With the budget year FY 1998, the State abolished its practice of fully funding utilities for new areas. The resulting deficiency has contributed to the recent over expenditures of the utilities base budget, requiring reallocation of funds from programs in order for the University to pay its bills. Other operation and maintenance activities, as unfunded expenses, become classified as deferred maintenance. Postponement of expenditures for facility maintenance permits problems to occur and grow larger through neglect.

The University of Illinois as the flagship of the State higher education system has an expansive teaching, research and service agenda. The practice of using all-facility ‘averages’ to support these functions is especially disadvantageous to the University

of Illinois' mission and the opportunities it presents for higher education in the State of Illinois.

There is awareness that full appropriations to cover all needs are not possible. If norms are needed to make sensible State budgeting decisions, those norms could focus on facility use/classification averages. Funds could be allocated to support the operation and maintenance functions based on a facility's principal classification, such as, classroom, library, laboratory, office or service. The demands of each specific facility would be blurred to a degree and some deficiencies would persist, but not to the significant extent which has been the experience under the current funding norm. To fund each facility according to its needs could be the new manifesto.

For FY 2004 the requirement to support the operation and maintenance of new facilities and significantly remodeled space totals \$4,442,900. Eight projects, as shown in Table 7, require either full or partial funding of the annual costs for operation and maintenance.

Table 7
FY 2004 Operation and Maintenance
Requirements to Support New Areas

Project	GSF	Total Annual Cost	\$/GSF	Date of Occupancy	Months	FY 2004 Amount
Chicago						
Structural Biology Building	12,000	\$ 173,829	\$ 14.49	12/2003	7	\$ 101,400
South Campus Office Space	70,000	689,950	9.86	3/2003	12	689,950
Student Services Building	33,800	305,100	9.03	9/2002	2	50,850
Sub-total						\$ 842,200
Urbana-Champaign						
Bardeen Quadrangle		\$ 34,500		7/2003	12	\$ 34,500
Siebel Center for Computer Science	250,000	2,541,200	\$ 10.16	4/2003	12	2,541,200
Library Remote Storage Facility	29,482	203,500	6.90	7/2003	12	203,500
Campus Chiller and Distribution Center	58,200	966,800	16.61	10/2003	9	725,100
Electric Substation Distribution Centers	12,600	96,400	7.65	7/2003	12	96,400
Sub-total						\$ 3,600,700
Total						\$ 4,442,900

CHICAGO PROJECTS

Structural Biology Building

Scheduled for occupancy in December 2003, seven months of support is being requested for FY 2004. This 12,000 gsf facility will house the Center for Structural Biology. The building's \$4.6 million construction cost is funded by a grant of \$2.0 million from the National Institutes for Health and \$2.6 million provided by the Offices of the Provost and the Vice Chancellor for Research and from the Colleges of Medicine, Pharmacy and Liberal Arts and Sciences. The facility, located on the west side of Ashland Avenue just south of Taylor Street, will house a new 800 MHz spectrometer, a 600 MHz spectrometer and an X-ray diffractometer currently located in the Molecular Biology Research Building.

In addition to the main spectrometer room there will be an X-ray crystallography room, a computer room, a small wet lab, office space, a conference room and other associated support spaces. Building systems to maintain constant accurate levels of temperature, humidity control and power will be necessary to protect the highly sensitive equipment. The FY 2004 operation and maintenance support request for this facility totals \$101,400.

South Campus Office Space

In March 2003, full use of office space on the second and third floors of the South campus office space will be achieved. The total gsf of 70,000 is located in a number of small buildings and will be used by University offices such as External Education, Continuing Education, Summer Session and the Tutorium in Intensive English, a unit for non-matriculating students to learn English as a second language. The renovation of the space from the ground floor up through the third floor is a good example of adaptive re-use of previous commercial and retail space along Halsted Street. The renovation creates new functionality for the existing space while respecting the architectural integrity of the neighborhood by maintaining the brick exteriors and street facades. These offices will be located above retail units on the first floor. All of the units to be housed in the University space are related in some manner to community outreach and serve the area well for their location within the south campus area. Extremely intensive use of this space extending into the evening hours will make high operation and maintenance demands on this space. For FY 2004, twelve months of operation and maintenance support is being requested at a total cost of \$689,950.

Student Services Building

Located within the Student Services Building is 33,800 gsf of space previously rented by Jewel Foods. This space will be used by the University initially as surge space for academic and administrative units. Permanent programming will subsequently be developed for University units, but it is anticipated that the level of use will not change substantially beyond the requirements that are being requested now, a level of use along the lines of administrative or classroom. Ten months of support was recommended by the IBHE for FY 2003. For FY 2004, the final two months of support is requested for the operation and maintenance of this space, a total cost of \$50,850.

URBANA-CHAMPAIGN PROJECTS**Bardeen Quadrangle**

Located on the Engineering campus north of Green Street, this quadrangle has been rejuvenated in conjunction with the remodeling of several signature engineering buildings and reconfiguration of the Boneyard Creek. Over the past decade private support of over \$30 million has been coupled with State funds to help make these projects possible. The last several years have seen the rehabilitation of Engineering Hall to the south, Mechanical Engineering Lab to the east and within the last decade construction of the Grainger Engineering Library to the north. These three structures along with Talbot Lab form the border for the engineering quadrangle. As a unique memorial to the most distinguished faculty member from the Urbana-Champaign campus, the quadrangle is being named for John Bardeen, two-time Nobel Prize winner in Physics and one of the "20th Centuries Greatest Minds" according to TIME magazine. Landscaping, site furnishings, lighting and a special fountain feature are the main elements of this design. For FY 2004 twelve months of operation and maintenance support is requested at \$34,500.

Siebel Center for Computer Science

The Siebel Center for Computer Science will serve as a laboratory for exploring and evaluating 21st century computing environments, where everyday devices have embedded intelligence and are able to adapt to context and use, sharing information and user preferences by means of ubiquitous communication networks. Information technology infrastructure will be "designed in" from the beginning, with embedded computers in doors, offices and laboratories, ubiquitous wearable devices, streaming multimedia and tracking, microelectromechanical systems and stereolithographic fabrication, all connected by wireless and high-speed wired networks for distributed

collaboration and adaptation. Interacting components in the building will continuously negotiate with one another, adapting to changing inputs and context. For example, the building would know when a person entered the building while on a cell phone, and that phone conversation would automatically shift to a wall-sized video display. All classrooms will be fully automated and equipped with digital audio/video capture, intelligent whiteboards, wireless networking and HDTV displays. 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 another in a long line of successful private-State funding matches the University has availed itself to at a benefit to both the State and the Urbana-Champaign campus. Scheduled for completion in April 2003, twelve months of funding is requested to operate and maintain this 250,000 gsf facility, a total cost of \$2,541,200.

Library Remote Storage Facility



The University of Illinois at Urbana-Champaign Library is home to one of the world's premier research collections, with unique and extensive holdings in areas as diverse as engineering, children's literature, Slavic languages and literature, mathematics and music. With the exception of Grainger Engineering Library, ACES Library and the Mathematics Library, shelving capacity has surpassed the accepted fill capacity of 85%. Many locations in the stacks and departmental libraries are approaching full capacity. Current projections result in a long term growth rate of one million volume equivalents added to the collection every eleven years.

In order to accommodate forecasted growth, the University will build a Library Remote Storage Facility. The facility will be located at the west end of campus on a university owned site that is currently vacant on Oak between John and Daniel streets. The site is 40,000 square feet and will allow for build out in the future as the need arises. This initial phase of the three-story structure will house approximately 2 million volumes and net out 20,000 square feet of assignable space which is approximately 29,482 gsf. Programmed in this first phase are spaces for the preservation laboratory and staff as well as space for those employees who circulate the housed collections. The facility will utilize industrial-type warehouse shelving

of a height up to 40 feet, with appropriately sized bins for the storage of materials. Special structural requirements will be followed to handle the loads imposed by high-density book storage systems. Additionally, design features germane to this type of facility use will be incorporated for the HVAC, fire protection, lighting and window systems. These systems will help ensure the viability of the collections by preserving the quality of materials housed within the storage facility. Scheduled for completion in July 2003, twelve months of operation and maintenance support funding is requested, a total cost of \$203,500.

**Campus Chiller
and Distribution
Center**

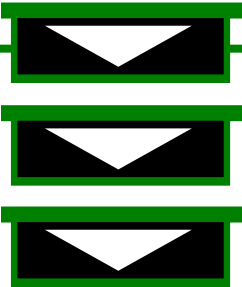
The Campus Chiller and Distribution Center is part of the overall evolution from dedicated building chillers, to regional plants, to a central campus system which follows the long range study and subsequent master plan developed in the mid-1990s for the chilled water utility on the UIUC campus. The plan calls for a central system to provide cooling, construction of a large new chiller plant and installation of large diameter chilled water distribution piping across campus. The new campus chilled water distribution center constructed at the southwest edge of campus is interconnected to three other chiller sub-plants on the campus creating a loop and thereby providing capacity to handle the cooling needs of the UIUC campus. The new distribution center will house three large chillers with associated cooling towers, pumps and supporting electrical equipment. The piping is sized, configured and routed to allow all of the buildings on the contiguous campus proper to be served by this system. When complete, the new chilled water system will provide all year cooling and will interconnect almost 60 buildings while removing individual chillers at 50 buildings. Additionally, the system is sized to serve projected 20 year campus load growth and will be able to accommodate future demand as new facilities are built or replaced. Scheduled for completion in October 2003, nine months of operation and maintenance support are requested for FY 2004, a total cost of \$725,100.

**Electric Substation
Distribution
Centers**

The electric distribution system on the Urbana-Champaign campus has been a fixture of the infrastructure and facility operations since the early 1900s. The growth of the campus and the age of the existing electric distribution equipment have necessitated the construction of two new distribution centers that contain the high voltage distribution switchgear for the entire campus. One center is located near the Abbott Power Plant consisting of 7,200 gsf while the other is located near

the Pennsylvania Avenue Residence Halls and totals 5,400 gsf. This combined 12,600 square feet of service activities will require a full twelve months of operation and maintenance support in FY 2004 at a total cost of \$96,400.

STATEWIDE INITIATIVES
IN HIGHER EDUCATION



RECRUITMENT AND RETENTION

(\$16,035,200)

Overview



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



Renewed support for the IBHE's statewide salary program is crucial if the state's public universities are to compete successfully with their peers for quality faculty and staff.

In addition to 3% annual salary increases for all faculty and staff, the IBHE program produced funding for each state public university equal to 1% of the total personal services base in FY 2000 and FY 2001, and 2% in FY 2002, to recruit and retain critical faculty and staff in high demand areas such as information technology. Funds could 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 that support campus recruitment and retention programs. Universities were expected to match these additional state funds with reallocated resources equal to 1% of the total personal services base. As a result of this initiative, the IBHE had hoped that faculty salaries at each Illinois public university would reach its peer group weighted median salary by FY 2004.

Progress made possible by the program can be seen in Figure 13, which shows the average salary of full-time instructional faculty in the ranks of Assistant Professor and above at each University of Illinois campus as a percent of its peer group median. (IBHE groups were used for UIC and UIUC, while UIS' updated peer group was used.) Salaries for UIC have generally exceeded the median, peaking in FY 2002, while those at UIS have rebounded to the median following major slippage in the early 1990s. UIUC, mired far below its peer group median, achieved slight progress in FY 2002.

Figure 13
Distance from Peer Group Median
UIC, UIS and UIUC

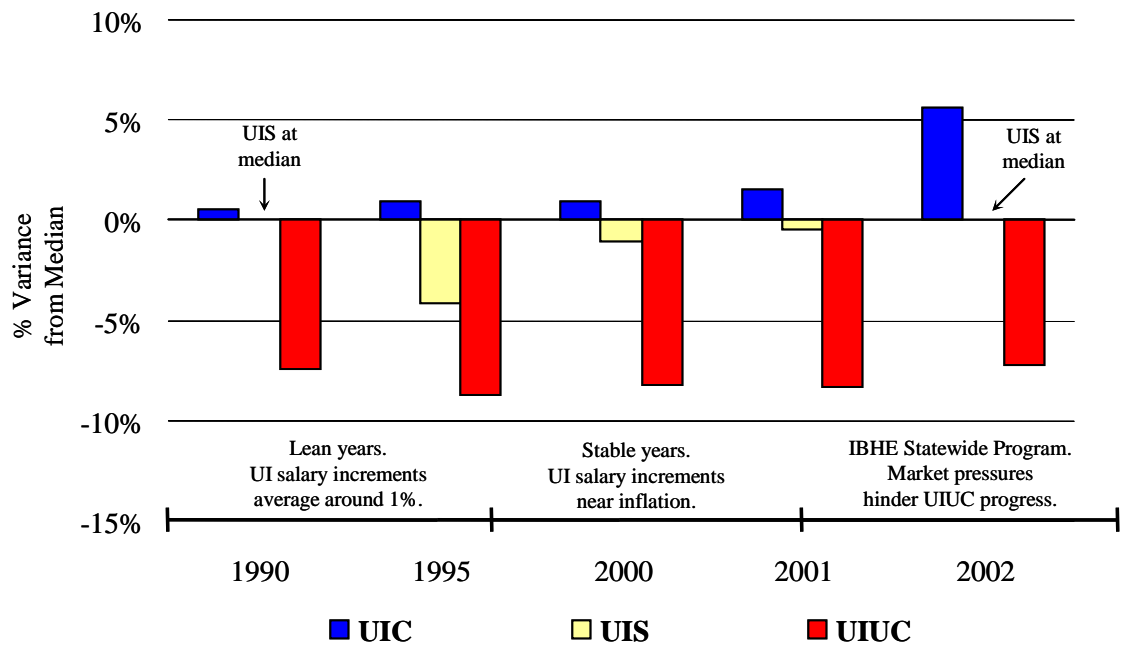
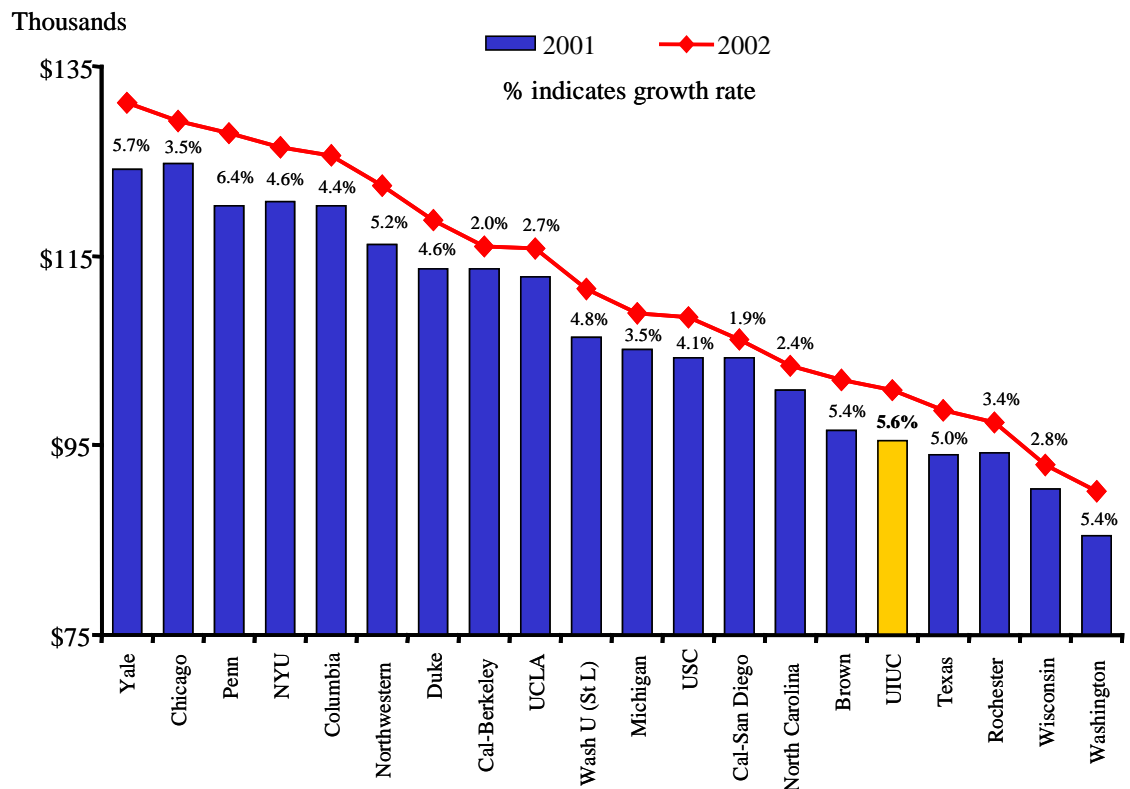


Figure 14 shows why UIUC improved in FY 2002, but also highlights the reasons progress has been painfully slow. The figure compares FY 2001 and FY 2002 average salaries for Professors at UIUC and its IBHE peers. UIUC had the third highest growth rate over the period, 5.6%, exceeding the group average growth rate of 4.2%. At that rate of gain UIUC would not catch its peer median until FY 2008. The growth rate between FY 2001 and FY 2002 represent UIUC's highest rate in several years, but the lowest rate for the peers, due in large part to lower-than-usual growth rates among institutions in the University of California system. Between FY 2000 and FY 2001, for example, UIUC Professors' salaries grew by 4.4%, compared to 5% for the group.

Figure 14
FY 2001 and FY 2002 Professors' Average Salaries
UIUC and IBHE Peers



Sadly, the IBHE salary program went unfunded in FY 2003, while most peer institutions gave pay raises ranging from 2% to 5%. This is especially true of private universities, whose sources of funding are independent of state tax-revenue cycles. Thus, it is quite likely that Chicago's impressive climb has been arrested, and that Springfield will fall back below its median. Perhaps most alarmingly, the Urbana-Champaign campus may fall to as low as 90% of its peer median, a level of disadvantage that will take tremendous commitment to overcome. As always, the University stands ready to reallocate internal funds to this purpose. Renewed support for the IBHE's statewide salary program is crucial if the state's public universities are to compete successfully with their peers for quality faculty and staff. The University requests \$16.0 million to implement the fifth year of the IBHE plan, one-half of which will be matched from institutional sources.

FACULTY SALARY IMPROVEMENTS

(\$9,226,600)

Overview

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

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

Table 8 shows the effects on the University of Illinois' faculty salary standing (all ranks combined) as a result of the last 0% salary increase year, FY 1988, and projected effects of the 0% program in FY 2003 as shown by the dashed line. Both UIC and UIUC fell dramatically in their peer group rankings between FY 1987 and FY 1988. UIC lost five places, and UIUC lost six. UIS managed not to lose any ground. In FY 1989 and FY 1990, the State took action to compensate employees for the foregone increase, granting generous raises in both years, but could not sustain the recovery, funding only token annual increases from FY 1991 to FY 1994. UIC gained despite those low increases, but UIUC fell to rock bottom in its peer

STATEWIDE INITIATIVES IN HIGHER EDUCATION FACULTY SALARY IMPROVEMENTS

group. Sustained effort since FY 1994 in the form of solid State appropriations and internally reallocated funds enabled UIC and UIS to rise beyond their FY 1987 rank, but UIUC has yet to recover.

Table 8
Full-Time Instructional Faculty Average Salaries FY 1987 to FY 2002
(Dollars in Thousands)

University of Illinois at Chicago and IBHE Peers

FY 1987		FY 1988		FY 1994		FY 2002	
Chicago Campus							
Cal.-Santa Barbara	\$51.9	Cal.-Santa Barbara	\$52.2	Massachusetts	\$62.2	Cal.-Santa Barbara	\$88.4
Cal.-Irvine	50.0	Cal.-Irvine	49.9	Temple	61.5	Maryland	88.1
Cal.-Davis	48.3	Massachusetts	48.4	Cal.-Santa Barbara	59.5	Cal.-Davis	85.7
Cal.-Riverside	47.0	Cal.-Davis	48.4	Hawaii	59.2	Cal.-Irvine	84.5
Massachusetts	45.4	Cal.-Riverside	47.0	Cal.-Irvine	58.7	Cal.-Riverside	82.8
Va. Tech.	42.8	Va. Tech.	45.2	Maryland	58.1	Delaware	78.9
Maryland	42.3	Arizona	45.1	Delaware	57.9	Massachusetts	78.8
Florida	42.3	Maryland	45.0	Cal.-Davis	57.4	UIC	76.7
Arizona	42.0	Florida	44.7	Wayne St.	56.7	Temple	76.2
Arizona St.	40.5	Michigan St.	43.8	Michigan St.	56.1	Va. Tech.	76.0
Wayne St.	40.3	Arizona St.	42.2	Arizona	54.4	Michigan St.	74.8
Michigan St.	39.8	Wayne St.	42.1	Va. Tech.	53.5	Wayne St.	73.6
UIC	39.7	Hawaii	41.1	Cal.-Riverside	53.1	Arizona St.	73.1
Georgia	39.4	Temple	41.0	UIC	52.6	Arizona	72.9
Temple	39.2	Delaware	40.6	Arizona St.	50.9	Georgia	71.6
Hawaii	38.7	Va. Common.	40.5	Utah	50.4	Florida	71.2
Delaware	38.3	Georgia	40.4	Florida	50.4	Utah	69.6
Va. Common.	37.3	UIC	40.3	Va. Common.	50.2	Va. Common.	69.1
Vermont	37.2	Vermont	39.7	Georgia	49.9	Hawaii	68.5
Utah	37.1	Florida St.	39.4	Oregon	49.0	Florida St.	66.9
Florida St.	37.0	Utah	39.0	Florida St.	47.8	Vermont	61.1
Oregon	34.5	Oregon	36.2	Vermont	n.a.	Oregon	60.5

University of Illinois at Springfield and Peers

FY 1987		FY 1988		FY 1994		FY 2002	
Springfield Campus							
SUNY-Brockport	39.2	SUNY-Brockport	41.2	Shippensburg (Pa.)	57.5	Union	71.3
Trinity	38.9	Trinity	41.1	Trinity	55.1	Trinity	69.7
Clark	38.3	Clark	40.8	Clark	52.2	Clark	68.4
Union	36.9	Shippensburg (Pa.)	39.3	Union	52.0	Shippensburg (Pa.)	68.1
Iona	36.0	Union	38.7	SUNY-Brockport	50.0	Iona	59.4
Shippensburg (Pa.)	35.5	Iona	37.3	No. Michigan	49.4	UIS	58.1
No. Michigan	34.7	No. Michigan	36.6	Iona	47.0	SUNY-Brockport	57.8
Wisc.-Green Bay	33.6	Wisc.-Green Bay	35.4	UIS	43.7	No. Michigan	57.2
UIS	33.5	UIS	34.0	Lake Superior St.	43.3	So. Dakota	54.2
Charleston	31.9	Charleston	32.8	Wisc.-Green Bay	43.2	Auburn-Mont.	52.8
So. Dakota	31.3	Lake Superior St.	32.3	Auburn-Mont.	42.5	Charleston	52.8
Auburn-Mont.	31.3	Auburn-Mont.	32.2	Marist	42.3	Marist	52.8
Lake Superior St.	30.9	Marist	31.7	Charleston	38.8	Georgia St.	52.1
Marist	29.6	Georgia St.	31.2	Georgia St.	38.2	Lake Superior St.	51.5
Georgia St.	n.a.	So. Dakota	n.a.	So. Dakota	n.a.	Wisc.-Green Bay	51.3

STATEWIDE INITIATIVES IN HIGHER EDUCATION FACULTY SALARY IMPROVEMENTS

Table 8 (Continued)

University of Illinois at Urbana-Champaign and IBHE Peers

FY 1987		FY 1988		FY 1994		FY 2002	
Urbana-Champaign Campus							
Cal.-Berkeley	\$56.2	Cal.-Berkeley	\$56.2	Chicago	\$75.9	Pennsylvania	\$107.5
U.C.L.A.	53.2	Pennsylvania	53.9	Pennsylvania	74.4	Yale	105.2
Cal.-San Diego	52.6	Chicago	53.8	Yale	73.1	Chicago	104.0
Columbia	50.3	U.C.L.A.	53.4	N.Y.U.	71.3	Columbia	102.0
Chicago	50.0	Yale	52.5	Columbia	71.2	N.Y.U.	100.8
Pennsylvania	49.8	Columbia	52.5	Northwestern	71.2	Northwestern	100.6
Yale	49.5	Johns Hopkins	52.4	Duke	69.9	Cal.-Berkeley	99.9
Johns Hopkins	49.3	Cal.-San Diego	52.0	Cal.-Berkeley	66.4	Duke	97.3
N.Y.U.	48.0	Duke	51.2	Johns Hopkins	65.4	U.C.L.A.	96.9
Michigan	47.6	N.Y.U.	50.9	U.S.C.	64.9	Cal.-San Diego	91.6
Duke	47.6	Northwestern	50.4	Michigan	64.3	Wash. U. (St. L.)	91.2
Northwestern	46.8	Michigan	50.2	Brown	63.3	U.S.C.	89.2
Brown	45.3	U.S.C.	47.7	U.C.L.A.	62.5	Michigan	87.3
UIUC	45.1	Brown	47.4	Wash. U. (St. L.)	62.3	Johns Hopkins	87.3
U.S.C.	45.0	Texas	46.9	Rochester	61.7	North Carolina	85.9
North Carolina	44.0	North Carolina	46.8	Cal.-San Diego	61.1	Brown	85.7
Wisconsin	44.0	Rochester	46.5	Texas	59.8	Rochester	84.1
Rochester	43.6	Wisconsin	46.2	North Carolina	59.0	UIUC	82.3
Wash. U. (St. L.)	42.8	Wash. U. (St. L.)	45.2	Wisconsin	58.3	Texas	↓ 82.0
Texas	40.5	UIUC	44.9	U. Wash. (Sea.)	57.5	Wisconsin	↓ 81.3
U. Wash. (Sea.)	40.4	U. Wash. (Sea.)	42.9	UIUC	57.3	U. Wash. (Sea.)	76.8

All three campuses are projected to tumble in FY 2003 when most peer institutions indicate they will increase salaries by 2% to 5%. If those peer increases come to pass, and several have already been enacted, UIS and UIUC will likely lose two places in their peer group ranking and UIC may lose as many as four.

The University of Illinois' status as an elite public institution can be maintained only so long as it remains a desirable workplace for top-flight faculty. Immediate and sustained actions are required to avoid repeating the scenario of the late 1980s and early 1990s when salaries plummeted relative to the market and UIUC in particular lost numerous faculty to peer institutions. Additional incremental funds of \$9.2 million are requested for targeted faculty salary improvements. These funds are necessary in order to avert a potential crisis in competitiveness and morale.

FACILITIES RENOVATION SUPPORT

(\$1,000,000)

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 over \$4 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 within the University’s operating budget request. Prior to FY 2003 a strong priority for this initiative had been expressed by the IBHE and supported in the Governor’s budget. That trend came to an abrupt halt in FY 2003 as support was not possible due to the state’s dire fiscal situation. However, the University did not waiver in its commitment to this priority. The facility renovation pool was spared of cuts and was held at the same level as the previous year. This is vitally important as the University seeks to stem the tide from an ever increasing maintenance burden. For FY 2004, the University seeks to build on this essential start. Steady and sustainable revenue streams are crucial to maintain the University’s physical assets. It is crucial to continue to build on the base of \$8 million that constitutes this fund. 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



Two-thirds of state constructed space was built prior to 1970.

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.

- 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.

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


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 until a critical mass of funds are in place to maintain 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.

SPACE REALIGNMENT, RENEWAL AND REPLACEMENT SR³



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

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 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 IBHE 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 2004, the SR³ requirement is \$27.4 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 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.



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

The 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.

FY 2004 OPERATING BUDGET REQUEST FOR FACILITIES RENOVATION


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

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 2004 the University of Illinois will continue the program and seek to add incremental funds necessary to fund the SR³ formula. For FY 2004, the University seeks \$1 million for 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.

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

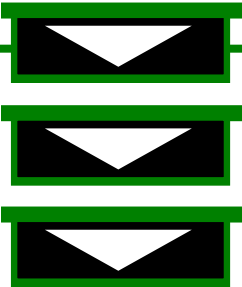
- SR³ is simply defined and easily understood. Its components (amount of space maintained with State funds, space inventory by type, replacement costs) can be easily computed by all colleges and universities and are elements which institutions, the IBHE and legislative and executive agency staff are 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 five years of funding secured, the transition period to fully implement an operating budget based program has begun, but it is critical that the fund continue unabated to ensure a successful program. 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



STRENGTHENING THE ACADEMIC BASE

(\$5,827,800)

Overview



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

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

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

FACULTY EXCELLENCE

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

The Faculty Excellence initiative aims to rebuild faculty strength and fill gaps left by the lack of new faculty recruitment in the early 1990s. The goal is to restore 150 tenure system faculty lines. Emphasis is being placed on strategic growth in information technology, biotechnology and the arts and humanities, while also capitalizing on targets of unusual opportunity. The need for restoration and renewal is even more important in the face of faculty losses that will result from the budget cuts.

Since FY 1999, the Faculty Excellence program has recruited 49 outstanding mid-career faculty members to 11 different colleges. These new colleagues have added important strength in fields from agriculture to the arts, engineering to the classics. Many of these came with established research programs and were successful in immediately securing major grants.

It is critical to continue this important initiative. More than anything else, the quality of the faculty will determine whether the campus' strategic plans for enhanced excellence and disciplinary leadership can be brought within reach. The leverage provided by Faculty Excellence funds is essential to the campus' ability to compete for some of the very best faculty who will play key roles in maintaining and enhancing our tradition of excellence in future years.

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 similar goals. The effect has been to increase the salaries and start-up costs required to attract the best talent. UIUC now estimates the costs of Faculty Excellence at closer to \$15 million, of which \$8.1 million have already been received from the State.

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



The UIC campus must anticipate and respond to the needs of employers and students. In order to meet student demand and address accreditation issues, the College of Business Administration must extend access to courses. Additional funds

are required to address demand in Management Information Systems, Information Decision Sciences and Finance. New program and campus funds have been allocated towards building faculty ranks in the College. Additionally, the campus is engaged in a vigorous capital campaign for the new Business Administration building that will be located in the South Campus area.

Engineering

▶ Continued employer demand for technically proficient personnel and rapidly increasing student demand for courses in computer science and electrical engineering continue to outpace internal financial ability to supplement the number of faculty. The College of Engineering hopes to supplement internal reallocation efforts and campus funds with additional new program funds to address these needs.

Architecture and the Arts

▶ Programs offered by the College of Architecture and the Arts must remain at the cutting edge of technology. Experimentation with new media happens first in the arts. Further, the architecture and arts professions and industries are leading the way in the reliance upon specialized visual and audio digital tools across the full array of disciplines. Digital tools now being developed will quickly become mainstream. UIC must offer students access to these technologies.

Nursing

▶ University educated nurses holding a BSN are the most desirable as the complexity of health care delivery increases. The need for nurse leaders is also growing, with those holding a MSN the best qualified to manage the growing numbers of unlicensed personnel in health care. UIC's College of Nursing has already begun to address the shortage with innovative recruitments and educational plans. A program of study that enables RNs to complete a baccalaureate degree with the option to advance to a master's degree program is in place. Partnerships with the highest ranking community colleges to target their best graduates for entry into the post-RN baccalaureate degree are an important component. Additional faculty members are required to fulfill these plans.

Public Health

▶ UIC is positioned to perform important research in the areas of environmental epidemiology and health management. Collaboration between the School of Public Health and the College of Business will lead to efficiencies in the management and administration of important societal health care issues and to the education and training of new health care economists and administrators. As the population ages,

injury and disease prevention and health care economics and administration will become increasingly important considerations in the overall coordination and management of health care. Over the past several years managed care has become a widespread factor in the attempt to manage costs and coordinate patient care. The method is not problem free however, and exploration into efficiency, cost effectiveness and health outcomes must continue. The current economic situation highlights the need for more efficient and reliable financial and disease management methods in health care.

COMMERCE AND BUSINESS ADMINISTRATION NEEDS

Reflecting both the quality of its lead departments and national enrollment trends, the UIUC College of Commerce and Business Administration (CBA) has for some time been experiencing intense enrollment pressure. This pressure has placed the College's faculty under great strain to accommodate demand for their classes. Class sizes have increased and offerings of elective courses reduced. Average class size in the College is 52.6 students, the highest by far of any college on the UIUC campus. Despite the large size of its classes, CBA must turn away many students every semester. These problems will only be exacerbated by the FY 2003 budget cuts.

In order to meet demand for its classes, reduce class sizes to more responsible levels and take advantage of opportunities to improve and enhance its programs, CBA needs a significant infusion of new resources. These resources will enable recruitment of additional faculty in one of higher education's most competitive and difficult recruitment areas. New resources will also enable retention of existing outstanding faculty members in the face of constantly growing competition from other business schools and the private sector.

New programs that respond to current societal needs, such as one in Management of Technology, a partnership with Business and Engineering will be created. This technological niche is becoming an additional signature for undergraduate and graduate programs in the College.

Elements of the FY 2004 CBA initiative are stressed in the new 5-year plan, *New Opportunities in a New Century: Major Goals, Projects and Challenges for the*

University of Illinois, 2001-2006. They are singled out for attention in the FY 2004 request because of the urgent need for prompt action to address them.

BUILDING NEW STRENGTH

A hallmark of the world's best universities is their breadth of quality. As important as scientific and technical areas are to the future, any university that wishes to be truly great must also have outstanding programs in the humanities and social sciences at its core. The great issues that face society are not only technical but also fundamentally problems of human understanding and relations.

The UIUC campus has a tradition of achievement in the social sciences and humanities, and are blessed with some notable strength in these fields. However, the quality of the programs is uneven, exceptional in some areas and adequate to strong in others. Building new strength in the humanities and social sciences matches with the high campus priority placed on Lincoln Hall remodeling. The requested funding will provide for continued investment and strengthening of the General Education initiative by making more sections available therefore resulting in lower class size. This is especially important in light of budget reductions sustained this year.

The UIUC campus has made some strategic investments in these areas through reallocation over the last two years (including funding for dedicated graduate fellowship support and a number of new faculty positions). Building on these steps, UIUC has the opportunity to move to the forefront of scholarship and public engagement in the social sciences and humanities through significant new investments in innovative programs, exceptional recruitments and outstanding students. Achieving more uniform excellence across these areas would elevate the entire campus. A great university should settle for no less.

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. During the past several years, UIS was able to make substantial progress toward improvements in these areas through addition of faculty and staff to support the Capital Scholars program. In addition to key faculty hires in

core liberal arts disciplines, UIS was able to add faculty and initiate activities in music, theater and speech, as well as providing additional much needed staffing in student services.

The FY 2003 budget rescission interrupted this progress. The first priority for FY 2004 is to at least partially restore reductions made to meet the lowered FY 2003 budget. In addition, the success of the planned expansion of the Capital Scholars program depends upon making hires that will be needed to serve the next cohort of students.

BIOTECHNOLOGY

Three years ago, 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. UIC has received \$2 million for this initiative. The campus is requesting the fourth year of support for this initiative.

Nutraceuticals describes food or components of food that have been processed and marketed to consumers as having special nutritional and/or drug-like properties. They continue to grow in popularity, yet are not regulated by the Federal Drug Administration, as prescription drugs are. Further, little is known about their safety, efficacy and how they interact with prescription and non-prescription drugs. The College of Applied Health Sciences has made the recruitment of prominent faculty in the area of nutraceuticals a priority. With additional support, faculty can develop methods to substantiate claims of the efficacy of existing products and also discover novel products.

Biomedical epidemiology and biostatistics address issues regarding the causes and prevention of disease, prolonging life, improving quality of life in patients with existing diseases and choosing treatments and lifestyle options that influence post

treatment outcomes. The UIC School of Public Health is positioned to continue important research in these general areas, as well as more specific areas such as HIV/AIDS and TB.

The Colleges of Dentistry and Engineering are collaborating on genetic tissue engineering research. The goal of regenerative therapy is to stimulate the growth of replacement bone tissue and blood vessels damaged by periodontal disease.

The Cancer Center within UIC's College of Medicine is a pivotal campus-wide effort. Through joint faculty appointments with Dentistry, Engineering, Applied Health Sciences, Liberal Arts and Sciences, Nursing, Pharmacy and Public Health, the Center will address cancer prevention methods as well as diagnosis and treatment issues. The College of Dentistry will work to address the issue of the population not receiving proper screenings for early detection of oral cancers. The program will include research into these cancers, as well as an effort to raise awareness about risk factors, prevention and early detection among students, practitioners and patients alike. The College of Applied Health Sciences will be engaged in the development of improved cancer rehabilitation programs. Research will lead to improvements in quality of life relative to the speed and overall level of rehabilitation for patients.

INFORMATION TECHNOLOGY

Instruction and research in the science and technology disciplines are pivotal to the campus's goal to become the nation's model urban public research institution. With appropriate support, the campus can continue moving forward and avoid serious erosion in the rate of growth of outside funding, continue to promote new liaisons with industry, and facilitate additional start-up companies. Interdisciplinary approaches provide the best outcomes for teaching and research in such areas as visualization and imaging, informatics and genomics.

The visualization and imaging initiative for instructional technology is an important interdisciplinary effort. Faculty within the UIC's College of Engineering will focus on the development of new acquisition and image processing techniques. Computer aided diagnosis and treatment-planning tools for brain pathologies will be explored

further. College of Medicine faculty will spearhead advances in MRI technology within a state-of-the-art facility utilizing the nation's most powerful magnet.

Understanding the structure and function of gene products, the regulation of gene expression and the network of molecular interaction will have a direct impact on fundamental understanding of biology. Bioinformatics is an interdisciplinary approach to these issues that utilizes computer science, math and statistical methods within a biological and chemical context. There are countless new opportunities for the manipulation, control and modification of the interface at the molecular level with implications for disease gene discovery, molecular diagnostics, drug design, metabolic engineering, bioconversion, biosynthesis and biodegradation. Strong academic programs in this area will provide a new generation of researchers capable of using computational analysis to solve important engineering problems arising from new frontiers of biology and medicine at the molecular level. Further, advances in data mining and database development are crucial in the post-genomic environment.

Pharmacogenomics builds on the foundations in natural products research, cancer research, drug development and delivery, outcomes assessment and new models of pharmacy practice. Faculty members are studying the genetic mechanisms of individual responses to drugs, environmental chemicals and stresses. This includes the study of genes, proteins the genes encode and the impact on the body's response at the molecular level. Impact will be seen in the areas of: chronic disease treatment such as cancer, asthma, sickle cell anemia; the treatment of increasingly resistant infectious agents and drug resistant tumors; and the discovery of active compounds in natural products and improved metabolic impact testing. Improvements will be made in drug delivery at the molecular level, drug absorption tracking and the metabolism and excretion of drugs. This new knowledge can mean immediate impacts on the safety and efficacy of drugs.

ACADEMIC NEEDS

First and foremost UIC is a place of inquiry and scholarship. The constant discovery of, discourse over and transfer of knowledge keep the intellectual momentum alive. The campus has successfully recruited nationally recognized scholars who have

enriched life on campus and created an intellectual environment that has in turn drawn promising faculty at the beginning of their careers to our ranks. During a time of financial recovery we must protect priority scholarly endeavors, meet student demand for core courses and begin to restore momentum in our faculty recruitment efforts.

Building expertise and strong academic programs, including intensive student learning clusters, continue to be a priority within UIC's College of Liberal Arts and Sciences. Interest by scholars and students alike in numerous areas include, but are not limited to, African American, Native American, Latino, Asian American, Middle Eastern, Catholic, Jewish, Mediterranean and gender studies.

INVESTING IN INSTRUCTIONAL TECHNOLOGY

(\$1,135,200)

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.

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. However, one of the most interesting changes seen across disciplines is beyond technology being used as a teaching or communication tool: the complete integration of technology into academic and professional disciplines. It is this integration, which mandates that academic programs make certain technologies available to students. Acquiring mastery of certain academic and professional disciplines absolutely requires a certain facility with these technologies. The University of Illinois has a responsibility to offer students the opportunity to participate at this level. Along with this responsibility comes new financial obligation to support the technology required.

INFORMATION RESOURCES

The University Library at Urbana-Champaign is a priceless, world-renowned resource for faculty, students, scholars around the world and the people of Illinois. It faces the need to negotiate a technological revolution in storing, retrieving and providing access to information and materials. If the UIUC Library is to preserve and enhance its usefulness as a resource for 21st century teaching, research and public engagement, significant new support is needed. Some of the dimensions of the technology revolution that must be negotiated are the following:

- Progress in Web-based information delivery has fueled expectations of faculty and students for direct and immediate access to the sources needed for research, teaching and learning;
- Faculty have become reliant on full-text sources, particularly during the last two years, and they recognize that their colleagues elsewhere have gained a competitive edge by having resources on their desktops that are not available at UIUC;
- Electronic books have entered the marketplace;
- Image databases are becoming more common and more important; and
- Multimedia Web delivery looms in the near future.

The UIUC Library must have sufficient new funding to keep pace with peer institutions in the provision of online materials and to take advantage of new developments in information technology. UIUC has critical needs in the areas of scientific and technical materials (including providing desktop access to key journals and their backfiles), humanities scholarship and primary source materials (including new Web accessible text resources that will provide unprecedented research support for humanities scholars) and incorporating essential technological enhancements to abstracting and indexing services, newspapers, basic reference materials, statistics and business sources. These basic needs are critical to UIUC's high priority initiatives in science and technology and in the humanities and social sciences, as well as to supporting teaching and research that in every field increasingly is dependent on advanced technology. The costs involved far outstrip UIUC's capacity to respond without new, dedicated resources. In order to enable significant progress toward meeting these needs, a special allocation of \$1 million for FY 2004 is requested.

Library Base

The UIC Library must keep pace with campus efforts to invest in additional nationally recognized scholars, the trend towards online library resources, and increased demand for on duty library personnel. The demand for web-based journals in the science disciplines and engineering is of special concern. Efforts are in place to begin to address these issues through consolidation of the health sciences learning resources and campus reallocation. Additional program support will allow UIC's Library to offer the necessary materials and services as the campus progresses towards reaching its potential.

INCREASED LINKS TO THE STATE OF ILLINOIS

(\$2,037,000)

Overview



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

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

OUTREACH AND SERVICE

Important external connections are built and maintained through UIC's efforts to fulfill its academic, research and public service missions. UIC graduates tend to remain in the local workforce and contribute to the local and state economy.

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

Center for Urban Teacher Preparation: Statewide P-16 Initiative



As the leading supplier of teachers for Chicago schools, UIC will address a critical shortage of qualified teachers for underserved urban public schools. A proposed Center for Urban Teacher Preparation will be a collaborative effort involving the Colleges of Education, Liberal Arts and Sciences, Social Work, and including participation of the health sciences colleges. The objective of the Center is to supply

more and better teachers to city schools that serve poor, predominantly minority students. Efforts to recruit underrepresented faculty to teach in the teacher preparation programs have been underway. A major initiative will be towards alternative routes to teacher certification, especially in areas of teacher shortage such as science, literacy and special education.

The Center will implement and evaluate teaching and learning models in urban public schools that include social workers as part of the teaching team and engage parents as active partners in the education of their children. Faculty research on kinship care, the child welfare system, bullying and the prevention of youth violence will also contribute to the urban teacher preparation model.

The College of Liberal Arts and Sciences will be a full partner in the efforts to provide more and better-qualified teachers for the local public school system. Teacher preparation scholars are required in the areas of English, math, chemistry and history education. Research efforts will focus on cognition, instruction and teacher development. A greater understanding of how language is acquired and improvements in language instruction, especially in Spanish teacher education, will be vigorously pursued.

**Engagement with
the Community
through Service**

▶ The Great Cities commitment will be maintained as a campus-wide mission by strengthening linkages and partnerships between the community, 15 colleges and by increasing the visibility of all of UIC's successes. Initiatives will be protected that establish UIC's position as the model public urban research university, engaged as an integral part of the community. Consultative relationships with governmental agencies, civic and community organizations, cultural institutions, and other entities will affirm that position within the Chicago area. Additionally, more Great Cities opportunities in the curriculum will be offered, with special attention paid to undergraduates. Thus, it is important to restore faculty positions within the College of Urban Planning and Public Affairs.

The Great Cities ideal dictates significant outreach and public service efforts. The Jane Addams College of Social Work is revising its curriculum around families and community building. Community service sites are being added to the field internship program and new curricula will facilitate access for part-time and working

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

The College of Dentistry is improving teaching and clinic service delivery by engaging in community dental health outreach efforts, implementing an innovative new clinic model and revising the oral health curriculum. The first Surgeon General's Report on Oral Health in America confirmed that oral disease is disproportionately impacting the poor and minority populations of our country. There are 150 million Americans living without dental insurance. Dental caries is the most common childhood disease affecting 50% of children 5 to 7 years old. Asthma, the second most common childhood disease, affects 11% of this same age group. Reports from UIC's Illinois Center for Health Workforce Studies indicate that only 25% of Illinois dentists participate in Medicaid reimbursement programs. This contributes to a situation in which only 33% of Medicaid eligible children are receiving dental care. To address this situation the College will partner with community-based clinics and state and local agencies to expand access to oral health care to underserved populations.

UIC hopes to build a Performing Arts Center that will become a landmark by merging Chicago's history with its future. Plans for the facility include a concert hall, a drama and music theatre, a recital hall and rehearsal space, classrooms and a gallery for students. The facility will improve the quality of arts education in Chicago. Academic programming in the College of Architecture and the Arts will be unique as the Center will educate students and audiences alike by offering interdisciplinary education using the newest media and technology. Community groups will benefit from access to an affordable performance venue.

PARTNERSHIP ILLINOIS

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

program to date that have improved the performance of pre-school programs, enabled vocational students to be successful in mathematics, trained mayors and local officials in managing their dynamic communities, extended the arts into the community, created a watershed management curriculum for local leaders, introduced innovative reading programs to first generation Americans, provided innovative health care to communities and tested new strategies for retaining new teachers in the workforce.

**Partnership Illinois
(PI) Connections**

▶ PI Connections will enable the University to extend successful partnership programs that enable local agencies, non-governmental organizations as well as local government to address the dynamic nature of the critical issues in Illinois communities.

Civic Engagement

▶ Civic Engagement will connect the undergraduate curriculum to student involvement in the community with local agencies and in the schools in ways that prepare students for their civic responsibilities as citizens and for their careers, while at the same time provide the community with technical knowledge and volunteers to accomplish local goals. A complementary program will build the leadership capacities of citizens to impact local policy development and build strong neighborhoods.

UNIVERSITY OF ILLINOIS EXTENSION

University of Illinois Extension is a vital part of the University's outreach and education programs providing essential information for people across the State of Illinois. 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 public engagement and outreach mission as well as a significant statewide asset.

Funds are requested for subject matter experts that will provide necessary effective program scope, innovation and quality in the four U of I Extension 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.

UIS ACADEMIC SPECIAL PROGRAM EXPANSION AND ENHANCEMENTS

(\$2,000,000)

STRENGTHENING UNDERGRADUATE EDUCATION

Strengthening Undergraduate Programs

► In addition to the continued development of the Capital Scholars program, achieving the vision for the campus also requires an overall strengthening of the faculty base across the undergraduate curriculum. The goals for the campus also include concentrating additional resources in programs with high levels of student demand especially in computer science and teacher education.

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. However, further progress will require increasing the staffing targeted on the campus' assessment initiative.

Expanding Online Initiatives

► UIS has become recognized both with Illinois and nationally as a leader in online education. Online courses increase the access of students who would not otherwise be able to achieve their educational goals. In Fall 2002, nearly 12% of UIS' FTEs will be generated through enrollments in online courses. The campus currently offers three complete online degree programs – M.S. in Management Information Systems, M.A. in Educational Leadership with a concentration in Master Teaching and Learning, and B.A. in Liberal Studies. With non-recurring grant support from the Alfred P. Sloan Foundation UIS will develop nine additional online degrees and concentrations over a three year period, particularly at the undergraduate level (English, computer science, communication, history, chemistry). Funding is required to maintain the degree programs developed with the Sloan funds.

STRENGTHENING THE CAMPUS INFRASTRUCTURE

Strengthening the Academic Infrastructure

► Strengthening the 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 student advising, academic planning, faculty oversight and budget control. The campus will direct the funds in this category to the hiring of key staff members to aid in this developmental effort.

**Improving Staff
Salary
competitiveness**

▶ Correcting salary inequities has been identified as a priority in UIS planning documents since 1993. Based on a comparative analysis of civil service salaries conducted in FY01, the campus and university administration have identified the extent of civil service salary deficiencies at UIS. An effort to establish comparable information for academic professionals is currently underway and a task force has been established to examine potential inequities in faculty salaries. This request will partially address the deficiencies in civil service salaries. In subsequent years, the campus will seek funds to address inequities in the salaries of faculty and academic professionals and to increase competitiveness in faculty salaries.

ENHANCING ACADEMIC QUALITY

**Faculty and Student
Research Support**

▶ The goals for the campus include development of a faculty who are active scholars. Consistent with this goal, UIS has seen a steady increase in the scholarly output of its faculty. Funds are needed, however, to ensure that this positive trend continues. In a related development, the campus recently revised the post-tenure review process with the intent of ensuring the continued vitality and productivity of senior faculty. Funds are also needed to support developmental activities emerging out of post-tenure reviews.

Additionally, with the inauguration of the Capital Scholars program, faculty have become increasingly aware of the need to establish programs to support student research and scholarly activities. This request also includes funds to support student scholarly activities.

**Strengthening
Graduate Education**

▶ 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 graduate education, improving processes supporting graduate education and graduate assistantship programs. This request includes funds needed 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.

INVESTING IN TECHNOLOGY

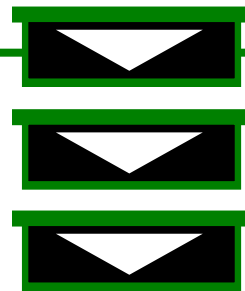
Classroom and Laboratory Upgrades

► 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 tripling in the past decade. Majors such as psychology, computer science and communication now make 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 replacement needs.

Desktop Computer Capability Upgrades

► Personal computers become rapidly obsolete and should be replaced on a regular basis to maintain functionality. Seven 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 in either Academic Affairs or Student Affairs. Funds are being requested to establish such a fund and maintain the campus' technology infrastructure.

ACADEMIC PROGRAM
INITIATIVES
(UNIVERSITY-WIDE)



MAJOR REMODELING FUND

(\$6,000,000)

Overview



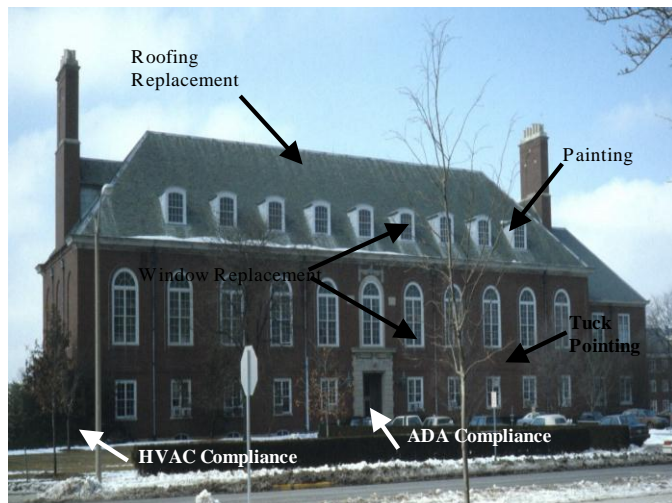
As highlighted in the section of Facilities Renovation Support, the University has a significant deferred maintenance backlog. Over the last several years the State has been supportive of the University's efforts to address facility renovation projects which are under a million dollars within the University's budget rather than using the State's capital budget and bonding authority. The SR3 formula estimates that the University should be spending between \$27 million (at one-half of one percent of replacement value) and \$35 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 \$10 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 and building envelope repairs. 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 15 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.

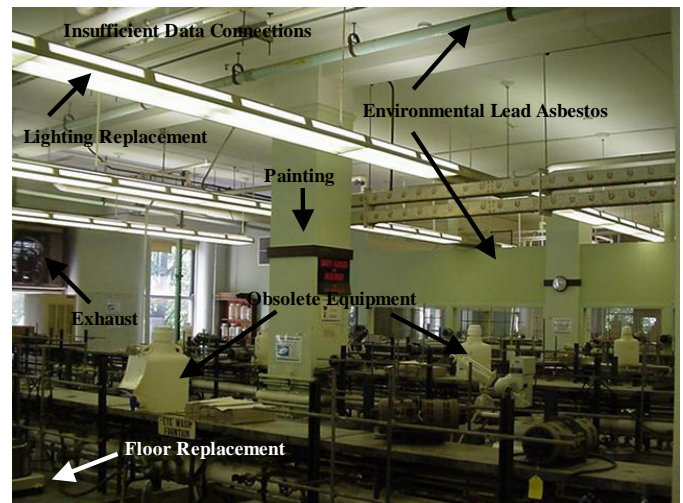
Technological changes have led to rapid obsolescence of telecommunication and power lines. Older buildings often were not designed for the computer and information age. Additionally regulations have changed concerning materials used, design layouts and accessibility. A major renovation may create an 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 15
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 \$15.4 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 \$6 million for the first year of a multi-year program to restore the campus core. Ideally, over time this operating budget-based source for major remodeling would grow to at least \$30 million annually—an amount sufficient to keep two to three major

remodeling projects under way simultaneously on each of the large U of I campuses. Combined with a continuing high priority for major remodeling within the capital budget, over a five-year period this program could lead to a significant re-building of both large campuses.

ONLINE INSTRUCTION

(\$250,000)

Overview



University of Illinois Online is a nationally recognized leader in online education. Consistent with the University's land-grant mission and commitment to outreach, U of I Online supports and facilitates development and delivery of online degree and certificate programs designed to meet traditional and lifelong learning needs of the citizens of the state of Illinois. By providing high quality "anytime, 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 continues to address all of the goals of the Illinois Commitment, especially assisting Illinois business and industry sustain strong economic growth and increasing the number and diversity of citizens completing education programs.

Since its inception in 1997, U of I Online has provided financial assistance, guidance and support to units on the three campuses of the University of Illinois for the development of online degree and certificate programs. The degree programs span a wide variety of fields, including liberal studies, teacher education, management information systems, computer science, electrical engineering and health professions education. Similarly, the certificate programs range from e-commerce to firefighter certification to health information management. All of these programs are intended primarily for off-campus students and although a few require one or two campus visits each semester, the majority is delivered entirely over the Internet. A complete list of the online courses and programs is available on the U of I Online website at: <http://www.online.uillinois.edu>.

During the 2001-2002 academic year, there were more than 10,000 enrollments in over 450 online course sections offered through U of I Online. Today, U of I Online is the single largest provider of online courses and programs in the catalog of the Illinois Virtual Campus, with 413 of the 2,432 online courses (17.0%) and 29 of the 84 (34.5%) of the online programs listed. Few, if any, of the University's online degree and certificate programs would be in existence were it not for substantial financial support from U of I Online in the form of development grants during the

start-up phase of each program. These grants cover the one-time costs of converting an existing degree or certificate program to an online format or creating a new online program. Program startup costs typically include faculty release time, employment of graduate and undergraduate assistants, compensation of programmers 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 the traditional and lifelong learning needs of citizens in Illinois. Through internal reallocation, U of I Online provided more than \$1 million per year in development grants to the campuses from 1998 through 2001. All of the funding for these grants came from non-recurring University resources, as well as several large grants from the Alfred P. Sloan Foundation. However, due to other high priority University initiatives, the former level of internal reallocation cannot be sustained. Only through an infusion of new recurring dollars can the University of Illinois expand the number, breadth and reach of its online programs. For the past two fiscal years, U of I Online has had a recurring budget of \$100,000 to support online program development on the three campuses. In FY 2004 and future years, with average development costs of \$10,000 per course, U of I Online's program development budget will, at best, yield one complete baccalaureate completion program or master's degree program every year unless additional state funding is secured.

Another priority of the U of I Online initiative is marketing, not only of the individual online programs, but also the "U of I Online" brand. Increasing enrollments in online programs are essential to long-term sustainability and individual units on the campuses often do not have the specific expertise needed to market their online programs to the appropriate audience. Similar to the central role it plays in the area of faculty development, U of I Online assists the campuses by gathering competitive market information, conducting market research studies, consulting with program coordinators about marketing issues, developing turn-key marketing plans and infrastructure for online programs and identifying appropriate strategic partners. Development of comprehensive marketing approaches is critical in meeting the full potential of online degree and certificate programs. With new

program funds, U of I Online will be able to expand the scope of its marketing efforts in critical areas.

In the proposed \$250,000 budget, the bulk of the request would be used for program development funds with a smaller amount allocated to marketing. The University of Illinois foresees great potential for U of I Online to expand over time to meet the educational needs of place-bound and time-restricted learners throughout the state of Illinois. However, this potential cannot be reached without additional support for the development of new programs in high demand areas.

P-16 PARTNERSHIP

(\$500,000)

Overview



Attention to “P-16” issues has never been more intense in the State of Illinois. Much of this concern is being driven by the reality that Illinois has a growing shortage of qualified teachers, with an especially severe shortage in fields such as special, bilingual, mathematics and science education and in selected schools and districts, including the Chicago Public Schools as well as throughout Illinois.

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

Much is already moving forward. This past year, Education Summits were called by the Governor’s Office to identify priorities and build consensus on a course of action. Through the Illinois Business Roundtable and the Civic Committee of the Commercial Club of Chicago, business and industrial leaders in Illinois remain focused on a reform agenda. The Illinois State Board of Education, the Board of Higher Education and the Community College Board all have stepped up activity. Several key members of the legislature have pushed hard for the adoption of beneficial legislation. Leaders of teacher unions and administrator groups are actively engaged.

The same is true for the University of Illinois. At the direction of President James Stukel, and with the leadership of President Emeritus Stanley Ikenberry and the Deans of Education at all three campuses, the University of Illinois has developed P-16 initiatives to address some of the key issues affecting Illinois’ K-12 education system. Specifically, the University of Illinois has concentrated on strengthening teacher preparation, teacher persistence and professional development, greater collaboration with community colleges in teacher recruitment, preparation and support as well as improved data systems to support policy initiatives that will make

a difference. The University also is focused on opportunities to apply technology more creatively to support teachers and schools. Other higher education institutions and groups are similarly engaged and there is both an opportunity and a need to join forces.

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

GOALS, OUTCOMES & PERFORMANCE MEASURES

For 2004 and beyond, the following tentative goals and outcome measures have been proposed, which will be refined and reshaped by the Summit in Fall 2003.

Goal 1

**Statewide
Expansion of
Mentoring and
Induction
Programs for
Novice Teachers**



Intended Outcomes:

- Identify model (urban/rural/inner city) programs and establish complementary university/school district partnership templates (6 months)
- Involve all public and a majority of private universities with teacher preparation programs (2 years)
- Identify funding sources to support state-wide expansion (1 year)

Performance Goals:

- 40% increase in new teacher retention after 5 years
- Involvement of one-third of Illinois' 900 plus school districts in formal mentoring and induction programs after 3 years

Goal 2

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



Intended Outcomes:

- Utilizing NCATE standards, align general education curriculum between Illinois community colleges with all public and a majority of private university teacher preparation programs in Illinois (2 years)
- Establish standards-based articulation process between Illinois community colleges and all public and a majority of private university teacher preparation programs in Illinois (2 years)
- Assess merits of and make recommendations for developing an Associate of Arts in Teaching (AAT) degree to be offered by Illinois community colleges and articulated with all public and a majority of private university teacher preparation institutions (6 months)
- Develop funding sources for scholarships for community college transfers in high need disciplines such as math/science and special education as well as high attrition, inner city and rural geographic areas (1 year)

Performance Goals:

- Involvement of 60% of Illinois community colleges after 5 years
- Involvement of all public universities and a majority of private universities with teacher preparation programs after 5 years.
- 33% cent increase in the number of transfer students in high need disciplines and geographic areas after 5 years.

Goal 3

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



Intended Outcomes:

- Develop suite of credit and noncredit programming for teachers in special need areas such as special education, bilingual, math/science, etc. (3 years)
- Establish online portal focusing on teacher professional development (6 months)
- Identify additional funding sources to support new development (6 months)

Performance Goals:

- 25% increase in the number of Illinois teachers with advanced degrees after 5 years
- 50% increase in the number of teachers utilizing developed, instructional options after 5 years

Goal 4

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



Intended Outcomes:

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

Performance Goals:

- 25% increase in the number of prepared, school administrators after 3 years

- 50% increase in the number of potential administrators utilizing developed, instructional options after 5 years

Goal 5

**Enhanced
Information
Capabilities
Statewide**



Intended Outcomes:

- Increased participation in Teacher Data Warehouse (18 months)
- Establish formal marketing program for teaching profession (6 months)

Performance Goals:

- Participation of all public and a majority of private universities and colleges (including community colleges with articulated AAT degrees) after 3 years
- Over 5 years, 75% increase in awareness of special rewards of teaching in high need disciplines such as math/science, special ed, etc. or difficult recruitment, inner city and rural geographic areas

INSTITUTE OF GOVERNMENT & PUBLIC AFFAIRS

(\$150,000)

Overview



In an ever more competitive state, national, and international environment, it is increasingly vital for the University and the State that the three campuses work together to enhance their joint contributions. The Institute of Government & Public Affairs (IGPA) was established in 1947 by a joint resolution of the Illinois General Assembly. The resolution created an Institute dedicated to research and public service to help improve public policy and governance in Illinois and the nation. With faculty and facilities in Urbana, Chicago and Springfield, IGPA is in a unique position to foster collaboration through joint campus contributions.

This request will enhance IGPA's cross campus research and service in public policy and governance by investing in faculty and programs that complement the distinctive capabilities of each campus and that promote cooperation and collaboration across campuses. For this goal to be realized, it is important to increase the number of faculty affiliated with IGPA, particularly on the Chicago and Springfield campuses. It is also essential to expand our collaborative, cross campus efforts to provide state and local government with significant background information and research on critical public affairs issues, such as our Public Policy and Management Luncheon Series, conferences on land use, tax increment financing (TIF), changing welfare, and our recent report, *The Challenges of Human Cloning for Public Policy in Illinois*. This request will support faculty and programs in the following areas:

Technology



The world of technology is changing rapidly and affects all areas of society. IGPA could make a major contribution to the social, policy and ethical issues of technology by investing in faculty experts in the areas of the impact of technology, technology assessment and law and technology. Faculty positions are requested in order to develop the appropriate strength in technology policy.

**Health and
Human
Development**

▶ Health policy has been a central issue in this country for several years. This policy area includes issues of cost, quality, and, in particular, the problem of access to health care for the poor and working poor. The UIC campus included IGPA in its strategic priority for developing faculty strength in health economics, public policy and human development. Closely related to health are issues of poverty, child well being and race. This request would allow additional faculty positions targeted to health economics, social welfare and poverty issues.

Environment

▶ Illinois and the nation face important environmental issues concerning land use, urban sprawl, water and energy. UIUC and UIC are strengthening their capacity in environmental studies. The goal for IGPA is to provide economic, ethical and policy expertise on environmental issues. This request would allow for additional work on land use, urban sprawl and energy regulation issues.

**State Politics and
Public Finance**

▶ Over the past two decades, state and local government has become more innovative and expanded its authority and influence over public policy and public finance. IGPA has a long tradition of sharing with state and local officials its unique faculty expertise in state level politics and state and local public finance. Additional faculty positions would allow the Institute to expand this strength and present additional programs for decision makers. This request includes the development of a joint IGPA/UIC program in Metropolitan Public Finance. Given the importance of taxation and other incentives for retaining and attracting business and industry, this expertise is central to the economic development mission of the university and the state.

The world is rapidly changing and public policy and governance issues continue to arise in areas unknown just a few years ago. Faculty and programs in these new areas are essential for IGPA and the University to maintain their fine tradition of public policy research and service and to meet the challenges of an increasingly competitive environment.

UI-INTEGRATE

(\$1,000,000)

Overview

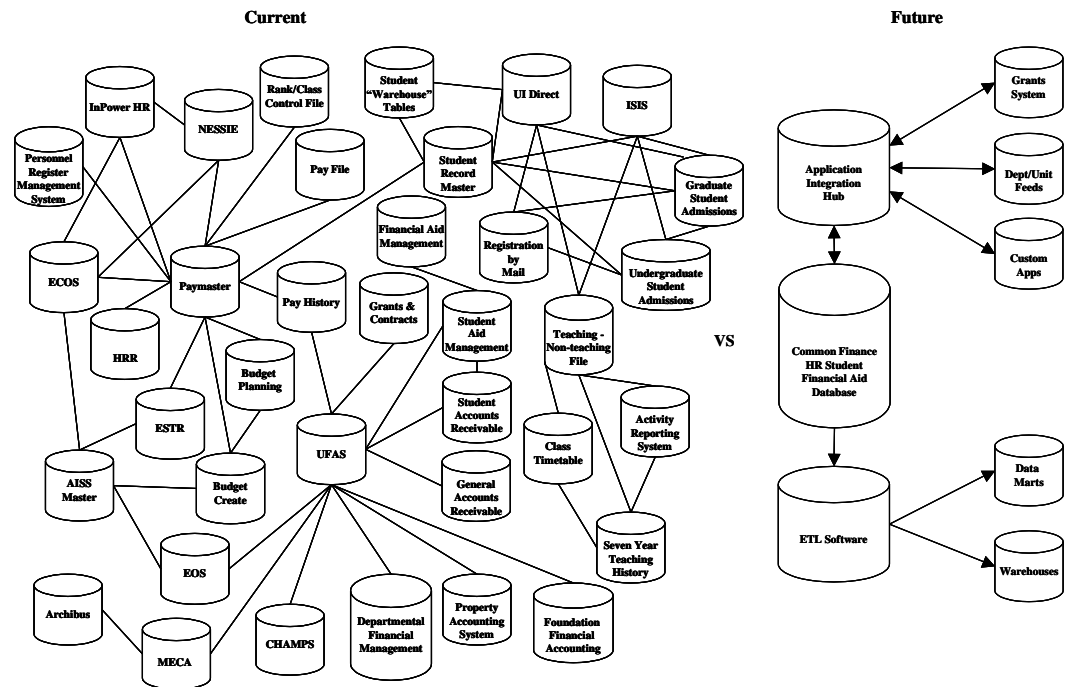


The University of Illinois has completed a strategic planning project to establish an enterprise-wide direction and approach for managing processes, systems and organizational relationships that comprise the University's administrative function. In addition to this effort it should be noted that technological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

UI-Integrate 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 UI-Integrate 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, UI-Integrate 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 16.

Figure 16
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 UI-Integrate 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 UI-Integrate.

UI-Integrate system implementation will substantially improve administrative services, especially for student systems, substantially improve the efficiency of business functions, substantially improve the reliability of administrative systems and eliminate the risk of major business system failures. In FY 2002, the first \$2 million of this 3 year program was allocated from state funds. In FY 2004, the second year of the program, one million dollars is requested.

ECONOMIC DEVELOPMENT

(\$1,000,000)

Overview



The University of Illinois continues to be bedrock for technology advancement in the engineering, life sciences, medical and information technology sectors. For example, some of the products available worldwide developed from the University of Illinois technologies include web browsers, CAVE virtual reality products, NAPRALERT™ medicinal plant property database, PLATO®, Eudora® electronic mail system software, medical imaging software, high oil corn, babesiosis vaccine for dogs, TICE™ tuberculosis vaccine, plasma display panels used in personal computers and flat screen TVs, semi-conductor components for cellular phones and satellite dishes, multi-drug resistance and cancer drug therapies, genetic suppressor elements and libraries, and drug screening tools.

The University's role in economic development has been further elevated by the substantial investment in its research infrastructure through Governor Ryan's VentureTECH Program. The University of Illinois research campuses in Chicago and Urbana are poised to take advantage of this investment and increase their impact on the state, regional and national economies through the transfer and commercialization of both existing and developing technologies. The funds requested for economic development will provide opportunity to strengthen and expand technology generation and commercialization activities at the Chicago and Urbana-Champaign campuses.

UNIVERSITY OF ILLINOIS AT CHICAGO

With two new multi-tenant incubation and graduation buildings planned in the next two years, a director for Chicago Technology Park programs is needed to manage growth, marketing and coordination of all services to multi-tenant facilities. The Executive Director of the Illinois Medical District Commission also serves as President of the Chicago Technology Park Corporation. Currently, the Research Center (university owned incubator) is managed by a Research Center Coordinator whose salary is co-funded equally by UIC and Illinois Medical District. This position is housed under Illinois Medical District while personnel benefits are provided by UIC.

Illinois Medical District funds that are provided through a direct line item from the state budget can then be used to enhance the growth of the Chicago Technology Park and secure at least one additional professional staff and other support staff to assist in day-to-day incubation and coordination needs of resident companies. These positions should report to the director of the Chicago Technology Park.

Knowledge management is key to evaluating technology, identifying potential licensees, performing valuation for early stage technologies, identifying funding sources and effectively negotiating with licensees. With the proliferation of commercial databases, public domain information and internal university information, a professional research position is needed to identify, capture, synthesize, present and provide support to Office Of Technology Management staff and research development staff. A secretarial/paralegal position is also needed to work with Office Of Technology Management and support Assistant University Counsel's efforts with Office Of Technology Management and intellectual property matters.

State-of-the-market information searching tools are needed by Office Of Technology Management staff to effectively evaluate technical, commercial and patentability of invention disclosures; identify potential licensees; perform valuation; and identify potential funding sources. Information provides valuable feedback to university inventors, assists in developing viable patent strategies, and provides advantage in negotiating an effective license.

Marketing technologies and technology transfer requires quality communication with potential licensees, partner organizations and faculty researchers. These types of marketing tools may include videos, website upgrades, intellectual property tutorials, representation at technology events and conferences, and contact with potential licensees. Each Office Of Technology Management Director will have \$10,000 to use to accomplish a set of goals (i.e., \$10,000 each for Directors of Intellectual Property for Engineering, Medicine, and Pharmacy; and \$10,000 for Director of Economic Development). In addition, \$10,000 will establish a Faculty Fund for Corporate Relations. This fund can be used by faculty for travel related expenses to initiate or enhance relationships relative to a disclosed technology and its licensing.

UNIVERSITY OF ILLINOIS AT URBANA-CHAMPAIGN

A key new marketing strategy for UIUC technology will be through the Internet. Funds are requested to construct and maintain the UIUC Office Of Technology Management website and specific college/unit websites for worldwide display and marketing of our technologies. In addition, UIUC will contract with selected private sector technology marketing internet service providers to complement Office of Technology Management's direct website marketing.

A key component to efficient technology transfer is for technology transfer and business development professionals to have presence in the major colleges. This enhances relationships with inventors, which leads to increased technology identification and proactive technology management. Funds are requested to help offset Office Of Technology Management salary expenses for implementing the decentralized technology transfer model in the Colleges of Engineering, Agricultural, Consumer, and Environmental Sciences, Liberal Arts and Sciences and a location near the center of computer and software development.

Funds are requested for a new marketing position at the UIUC Research Park. This individual will provide research on prospect companies, follow-up on corporate contacts, contact database development related to the University's corporate strategy, and production of the newsletter and print materials. Currently, the Research Park Director is making the corporate contacts and will continue to do so. However, there is no staff support for these critical marketing support and research activities. This position would allow more contacts to be made and more rapid follow-up for each contact thus greatly expanding the marketing effort.

Funding to continue the development of the Web page and for the production of a video marketing segment on the Research Park, which would be distributed via CD-Rom, will greatly enhance the Park presence and its marketing effort. The CD-Rom will be combined with other presentations from campus to customize information for corporate prospects.

Initially the Incubator facility will have seven or eight laboratories fit out when the building is constructed. Additional recurring funds are requested to provide for

shared equipment for start-up companies and additional lab fit out in the incubator over time. Equipment would include fume hoods, casework and such items as a cold room, autoclave, centrifuge and sub-zero freezers.

UNIVERSITY ADMINISTRATION

The Urbana-Champaign and Chicago campuses have diverse, active research programs in biotechnology, bioengineering and biomedicine that present significant opportunities for collaboration. Intercampus collaborations that leverage the complementary expertise and facilities of the two campuses could greatly enhance the chances for success of multi-investigator, interdisciplinary research proposals to both the federal government and private industry.

To foster the formation of cross-campus (UIC-UIUC), collaborative, interdisciplinary research programs in biotechnology, the Vice President for Economic Development and Corporate Relations, in collaboration with the UIC and UIUC Provosts and Vice Chancellors for Research, has established the Inter-campus Research Initiative in Biotechnology (IRIB). The IRIB solicits proposals for interdisciplinary research in biotechnology that will (1) require close inter-campus collaboration of faculty from UIC and UIUC; and (2) have as a goal the development of a significant inter-campus research program that will ultimately be sustained by federal funding. Funds are requested to expand and maintain the inter-campus research initiative in biotechnology.

LIABILITY INSURANCE

(\$1,000,000)

Overview



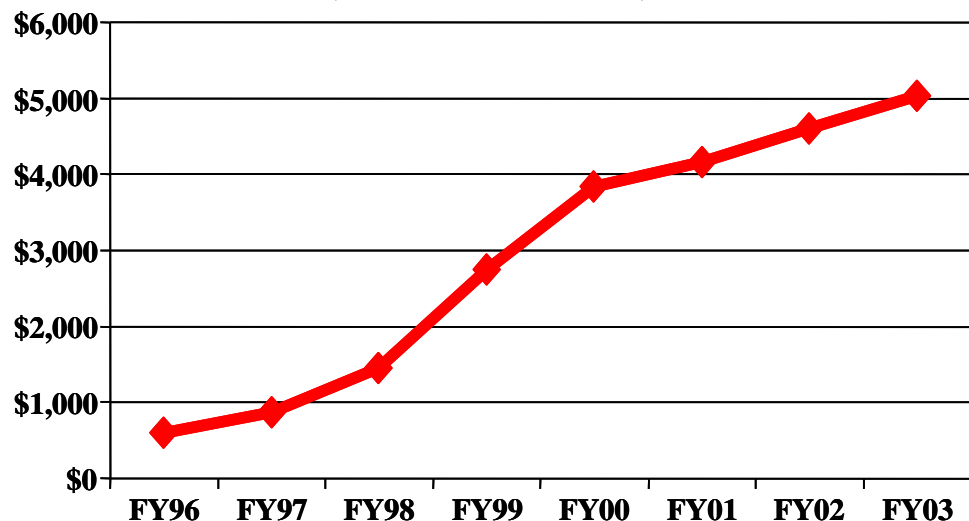
Following national trends, all forms of legal liability claim experience at the University of Illinois is deteriorating. Awards of the court are hitting new highs; claims are requiring more dollars to effect settlement. The Cook County venue is one of the most litigious in the country; awards and settlements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

The University of Illinois maintains a 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 \$4.5 million during the period FY 1996 to FY 2003. 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 17 shows Board Legal Funding.

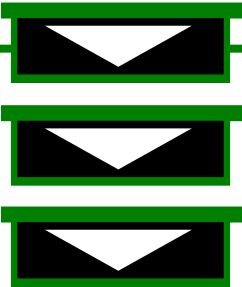
Figure 17
Board Legal Funding
(Dollars in Thousands)



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 27,000 FTE employees and 65,000 students. An average of 20 to 50 claims is filed each year, a frequency less than .01%.

In FY 2002 and FY 2003, the University allocated \$4.05 million to the Legal Liability fund. The University will continue to attempt to control the acceleration in costs arising from this area through training, awareness and by procedures. A University committee was formed to evaluate this issue. The committee included actuary experts in Legal Affairs, Risk Management and units with the highest exposure. The University is evaluating the report of the committee. However, the University is requesting \$1.0 million for Board Legal Liability funding.

STATEWIDE PROGRAMS



INTRODUCTION

Overview

► For a number of years the University of Illinois has operated a variety of programs with statewide scope and function, funded through annual grants from the IBHE's Higher Education Cooperation Act (HECA) program. Two years ago, the IBHE concluded a major evaluation of HECA programs and processes. One conclusion from that evaluation was that funding for long-standing programs supported annually over a multi-year period with annual HECA grants that were intended to be sustained from year to year should, where appropriate, be shifted to direct institutional appropriations. HECA grant funding would then be able to be focused more sharply on new initiatives, pilot or experimental programs, etc.

As a consequence, when FY 2002 appropriations were approved, a total of \$2.2 million in State tax support that had previously been supported by annual grants through HECA was instead appropriated directly to the University of Illinois to support a total of eight programs with statewide scope and function. Those programs included the following:

At the University of Illinois at Chicago:

- Hispanic Mathematics and Science Education Initiative (\$112,000)
- Illinois Laboratory Access Network (ILAN) (\$65,000)
- Chicago Collaborative for Excellence in Teacher Preparation (\$50,000)

At the University of Illinois at Springfield:

- Enhancement for Minority Students Interested in Teaching (\$90,000)

At the University of Illinois at Urbana-Champaign:

- Illinois Satellite Network (\$125,000)
- Faculty Summer Institute on Learning Technologies (\$100,000)
- The "New" Institute for Competitive Manufacturing (\$60,000)

At the University Administration:

- Illinois Virtual Campus (\$500,000)
- Illinois Online Network (\$240,000)
- Illinois Digital Academic Library (\$870,000)

With the shift of these programs to the University's recurring operating base funding, the responsibility for seeking incremental support for them falls to the University. Reflecting those requests within the University's annual budget request document is the most appropriate place for them to be placed. At the same time, University staff have made clear to the IBHE that requests for incremental support for programs that serve statewide audiences and functions should not be seen as competing directly with the University's regular requests for expanded/improved academic programs that are included in other portions of the FY 2004 request.

ILLINOIS DIGITAL ACADEMIC LIBRARY

(\$610,000)

Overview

► The Illinois Digital Academic Library (IDAL) is administered by the University of Illinois on behalf of nearly 150 Illinois higher education institutions, and serves over 730,000 students, faculty and staff statewide. IDAL exemplifies the University's mandate to be "at the service" of citizens throughout Illinois. It supports both the research and instructional components of the University's public service mission. IDAL directly benefits all three campuses of the University, as well as serving the University's mission as a leader and resource in higher education throughout Illinois.

IDAL moved from grant funding to a permanently funded program of the University's Office for Planning and Budgeting in FY 2002. An \$870,000 adjustment to the University's base budget was made to fund the program's activities. IDAL requests that the University seek an additional \$610,000 in annual funding from the state in FY 2004 to continue the growth of the program.

IDAL's mission is to identify, evaluate and provide high quality, full-text, electronic library resources for all academic institutions in Illinois. The FY 2004 budget for IDAL faces several challenges. The annual base funding for the program has not changed since the inception of the program in FY 2000. Transfer of the program from HECA funding to permanent funding in the University's Office for Planning and Budgeting in FY 2002 made some administrative cost savings possible. With these costs savings, receipt of several supplementary grants (\$150,000 from ICN and \$54,000 from HECA) and careful project management, IDAL has been able to build its offerings each year. However, without an increase in base funding in FY 2004, IDAL will have exhausted its operational flexibility and will face potential reduction of services to all of the state's academic libraries.

At a minimum, IDAL will require an increase to its base of \$195,000 for FY 2004. This will allow IDAL to maintain its current subsidized services: EBSCO host, Oxford English Dictionary, Mary Ann Liebert health science journals and Sanborn Fire Insurance maps. It will not allow for any increases in the number of core databases offered.

This minimum increase will also allow IDAL to add one staff member. In FY 2002, IDAL began brokering databases, for which institutions paid the subscription costs. This is a popular and cost effective service, but it is labor intensive. IDAL currently brokers the Chicago Tribune Online and Encyclopedia Britannica. Without additional staff, IDAL can do no more than this.

If, rather than just maintaining current service levels, IDAL were to provide additional core databases and services, an increase of \$415,000 is required for FY 2004. As with the minimum increase needed, this level of funding would ensure the continuation of current offerings. It would also allow for a modest increase in staff necessary to expand the database brokering program. In addition, it would provide funding to subsidize a selected number of additional, highly desirable databases, such as the Encyclopedia Britannica, Wiley health science reference databases, and Grove's reference databases in art and music. It would also allow IDAL to undertake the transfer of responsibility for managing the provision of IBIS databases, currently done by ILC SO. This would be efficient and would allow for the expansion of the service from 44 schools to potentially all 150+ colleges and universities in the state.

ILLINOIS VIRTUAL CAMPUS

(\$200,000)

Overview

► The Illinois Virtual Campus (IVC) maintains an online directory of distance education opportunities offered by colleges and universities across the state. IVC, managed by the University of Illinois on behalf of IBHE, currently lists 93 certificate and degree programs and over 3,400 course listings (over 2,400 Internet-based) in its online catalog, all offered by 66 two- and four-year higher education institutions in Illinois. IVC offerings range from individual credit and noncredit courses, professional certificate programs and complete baccalaureate and graduate degree programs. A survey completed by IVC on behalf of the IBHE indicates that Illinois colleges and universities reported enrolling 52,538 enrollments in 4,691 distance education courses during the Fall 2001 term. Internet courses accounted for the largest portion of distance education enrollments with 23,254 enrollments, a 71% increase in online enrollments from Fall 2000. An analysis of the distance education enrollments by residency showed that the overwhelming majority of the students were from Illinois. This report of continued growth is a good indicator of the online activity from Illinois colleges and universities and the increasing need for appropriate support services for online students.

It is the network of IVC Student Support Centers and online services that make IVC stand out from other online universities. Students who pursue educational opportunities through IVC's provider institutions have access to advisors, computers, library resources, technical assistance and testing services in the Student Support Centers. At present, student support centers exist at all 40 Illinois community college districts, ensuring that every Illinois citizen has a local place to go for support while taking an online course. The IVC site on the World Wide Web (which includes an online student service center) can be found at:
<http://www.ivc.illinois.edu>.

In just under four years, IVC has become a recognized leader as a statewide virtual organization, both in the state and nationally. To ensure continued growth and success of the IVC initiative, IVC must increase both resources and services to online students through the online student service center and through IVC Student Support Centers. In addition to the online catalog and the 40 centers, IVC provided

financial assistance to 13 different projects developed by Student Support Centers through special initiative grants in FY 2000, and 5 special projects through an ICN grant in FY 2001 and FY 2002, thus increasing the amount of rich resources available to online students through the IVC website. An infusion of new recurring dollars will enable IVC to expand its reach to Illinois learners with appropriate support services and online content, addressing the requirement for comparable student services for online students from a statewide perspective.

Increased funding will provide services and resources that IVC is not able to fund at its current funding level: online tutoring statewide, a consortium to facilitate shared course and program development by Illinois' public universities in high demand degree completion programs, development of appropriate online readiness tools and orientations to prepare students for the online learning environment—especially for students with special needs (including GED completion) and an online career mentoring program in high demand areas such as information technology.

The IVC is growing in the area of student support-many students and advisors contact IVC staff for help in navigating through Illinois' higher education system. Illinois' colleges and universities turn to IVC for leadership in centralizing online student services. The IVC has offered a free online orientation workshop to online learning, with over 700 students, faculty, staff and administrators participating since August 2001. Illinois colleges & universities have indicated that this type of support is of considerable value to the success of their online faculty and students. To increase IVC's effectiveness in supporting online students, one student support staff person will be hired to provide direction in the areas of online resources, teaching the online workshop and general advising.

Additionally, recurring funding will enable IVC to provide increased leadership in areas that support the strategic planning of Illinois' colleges and universities in online learning: IVC will conduct evaluation studies, market research and most importantly, will provide market analysis to potential providers as well as to IBHE.

ILLINOIS ONLINE NETWORK

(\$125,000)

Overview

► The explosive growth of the Internet, permitting access to information and improved interpersonal communication, has fundamentally altered the face of higher education in America. The number of traditional, face-to-face college courses that make use of online learning materials and network communications tools continues to grow substantially each year. But the Internet has had its most profound impact in the realm of distance education and lifelong learning. In just a few short years, the Internet has become the predominant distance education medium, quickly outpacing and replacing all other delivery modes. At the same time, the demand for distance education, especially among adult learners, is growing rapidly. A publication from the National Center for Education Statistics (NCES), *The Condition of Education 2000*, reports “participation in learning activities increased from 38% of those in the population age 18 or older in 1991 to 50% in 1999.” Another report from the NCES, *Distance Education at Postsecondary Education Institutions: 1997-98*, indicates that an estimated 54,470 different distance education courses were offered during the 1997-98 academic year by two- and four-year postsecondary institutions in the U.S., more than twice the number offered just three years earlier.

Within the state of Illinois, dramatic growth trends are evident in distance education data gathered by the Illinois Virtual Campus (IVC). According to the IVC, the number of distance education courses offered in Illinois increased from 962 in Fall 1999 to 4,691 in Fall 2001, and course enrollments rose sharply from 14,689 to 52,538 during the same period. More than half of the courses in the IVC catalog are delivered over the Internet, accounting for more than one-third of the distance education enrollments in Illinois. In the Fall 2001 term, online enrollments statewide increased 71% from the previous fall term. It is clearly no longer a question of whether the Internet has a role within the higher education community, but rather a question of how to use Internet-based technologies most effectively and most efficiently and how to insure that online courses and programs are of the highest possible quality. If Illinois is to prepare its citizens to thrive in the coming years, its college and university faculty must learn how to be effective online educators. To this end, the University of Illinois conceived and manages the Illinois Online Network (ION), a statewide faculty development program. ION moved from

HECA grant funding to a permanently funded statewide program of the University of Illinois in FY 2002.

The Illinois Online Network is the most comprehensive faculty development initiative in the state of Illinois and has inspired similar programs in colleges, universities, consortia and virtual campuses across the country. ION's primary goal is preparing Illinois community colleges (as well as the University of Illinois) and their faculty and staff to develop and deliver online courses and programs. Although ION offers many different services to member institutions, its central activity is a series of online courses known as the Making the Virtual Classroom a Reality (MVCR) series. Currently, ION offers ten different MVCR courses covering a wide range of topics in online teaching and learning, including instructional design, student assessment, encouraging communication, copyright and intellectual property, Web design and an overview of instructional technology tools. The Web-based format of these courses provides participants with the opportunity to experience an online class firsthand from a student's perspective, while the instructors model strategies that participants can eventually use in their own courses. Enrollment in each course is limited, resulting in highly interactive, engaging and dynamic online environments. More information about the MVCR series is available online at <http://www.mvcr.org/>.

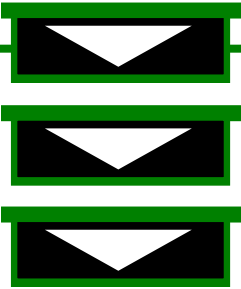
Overall, the MVCR series of online courses has proven to be an invaluable professional development resource for faculty who want to develop and deliver their own high-quality online courses. The courses are available at no charge to employees of ION member institutions and for a modest fee to faculty and staff at other colleges and universities in Illinois. However, at its current staffing level, ION is not able to offer enough sections of the MVCR courses to meet the growing demand from community colleges faculty in the state – indeed, most of the courses are filled by the end of the first day of registration, shutting out many would-be participants. Faculty from Illinois's four-year public and private institutions can enroll on a space available basis only, and, since the classes fill up so quickly, no effort has been made to publicize the courses to these schools (ION did offer one MVCR course section to a cohort of faculty from SIU-Edwardsville in FY 2001, but was unable to respond to several other requests from four-year public institutions). Nevertheless, ION's faculty development program has attracted the attention of

Illinois's four-year public institutions. Rather than trying to develop their own similar programs, many public four-year institutions have asked ION to expand to serve the needs of all of public higher education, not just community colleges, within the state of Illinois. The lack of faculty at four-year public institutions with the skills and knowledge needed to develop and deliver online courses has a significant negative impact on online programming at these institutions:

- In the Fall 2001 term, community colleges had 13,967 enrollments in online courses, while four-year public institutions only had 4,759 enrollments.
- Community colleges offer fifteen different associates degrees online, while four-year public institutions only offer three baccalaureate degree completion programs online.

As the state of Illinois continues to invest in the Illinois Century Network and the Illinois Virtual Campus, it is imperative that faculty at public institutions of higher learning in Illinois have access to a high-quality professional development program, such as that offered by the Illinois Online Network. The University of Illinois is prepared to expand ION to meet this pressing need. Over the last five years, ION has proven that it can scale up its services to accommodate more institutions and faculty each year without a proportional increase in costs. The ION initiative began in Fall of 1997 with ten community college partners and an annual budget of \$125,000. Now in its fourth year, ION serves all forty-eight community colleges in Illinois on less than twice its original budget. An additional \$125,000 in recurring funds would permit ION both to meet the increasing demand for its services among existing partners and to expand ION's reach to include all four-year public universities in Illinois. Of the proposed \$125,000, the bulk of the request would be used to hire additional online instruction specialists (2.0 FTE), which will enable ION to offer additional sections of the MVCR courses at no cost to faculty at all public institutions in the state.

ADDENDA



ADDENDUM I

RETIREMENT

Overview

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

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

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

In FY 1995, there was significant movement towards an improved level of retirement funding. Public Act 88-593 mandates that the State's five pension systems achieve a level of 90% of full actuarial funding in 50 years and includes a continuing appropriation provision to enable the State to reach that goal. This legislation will strengthen the financial condition of the Retirement System and should help preserve funding stability for pension systems despite fiscal constraint in the rest of the State budget. In FY 2003, SURS received an increment of \$20.9 million in General Revenue Funds.

A mandated new valuation methodology and a new set of actuarial assumptions will alter, to some degree, the future annual increments necessary to fund SURS required

by PA 88-593. Under new Governmental Accounting Standards Board (GASB) guidelines, SURS assets as of June 30, 1997 were valued at market rather than book. This change alone significantly increased the funding ratio of assets to liabilities; and, the new set of actuarial assumptions adopted in December 1996 which recognized strong returns on SURS assets increased the funding ratio even further by lowering projected future liabilities.

It should also be noted that on a national scale, investment returns over the past two years have been very weak. As a result all of the State's retirement systems including SURS will need significant increases in their certified legislatively mandated increases. SURS will not have a certified estimate of their need until October 2002. However because of the negative returns in FY 2002 it is anticipated that the needed increment will be a minimum of \$62 million and may be as high as \$65 million after actuaries have completed their work. SURS is an important part of the Universities benefit package and must be funded. However it should be noted that for FY 2004 this first call on funds for higher education will be greatly expanded. The incremental requirements for the past 5 years are:

	Appropriation	Increment
FY 1998	\$186,023.6	\$39,508.0
FY 1999	206,480.5	20,456.9
FY 2000	218,199.0	11,718.5
FY 2001	225,721.0	7,522.0
FY 2002	235,092.3	9,371.3
FY 2003	255,946.3	20,854.0

ADDENDUM II

DIVISION OF SPECIALIZED CARE FOR CHILDREN

Overview

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

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

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

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

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

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

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

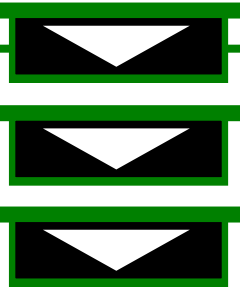
Acute childhood illnesses, routine dental or well-child care, immunizations or school physical examinations are not covered.

Because of State budget constraints general price increases have not been available. No increase has been made to the DSCC budget for the services they provide since the last general price increase in FY 1990. During this time, the consumer price index has increased by approximately 40%. It is worth noting the medical and health related price increases have been roughly twice the rate of the Consumer Price Index for all Urban Consumers. As a result DSCC has been forced to reevaluate eligibility criteria, reduce staff and streamline administrative costs. However, DSCC has reached an end of the road where these services can be provided without a significant infusion of program funds. In FY 2004 the University seeks \$2 million for this statewide public service commitment.

CAPITAL BUDGET REQUEST
FOR FY 2004



CAPITAL BUDGET



BACKGROUND AND CONTEXT

Overview

► Any discussion of the capital budget must begin with the understanding that an institution of the size, scope and complexity of the University of Illinois faces a recurring array of facilities related needs each year. 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 2003 budget are listed below.

- Repair and Renovation, all campuses - \$10.7 million
- Classroom Office Building, UIS - \$15.0 million

Of note is the strong support the University has received from the Governor's VentureTECH program that began in FY 2001, continued in FY 2002 and FY 2003. Each of these buildings is crucial as the University continues to deliver benefits of basic research and meet its economic development mission. VentureTECH projects included as part of the FY 2003 budget are listed below:

- Chemical Sciences Building, UIC - \$57.6 million
- College of Medicine, UIC - \$25.0 million
- Micro and Nanotechnology Lab Expansion, UIUC - \$18.0 million

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

Table 1
History of Recent Capital Budget Actions
FY 1998 to FY 2003
(Dollars in Thousands)

	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Campus Requests						
Chicago	\$ 51,350.0	\$ 69,350.0	\$ 101,423.0	\$ 77,850.0	\$ 46,250.0	\$ 47,950.0
Springfield	5,212.8	3,670.4	4,139.4	5,582.7	30,330.0	15,330.0
Urbana-Champaign	42,962.0	73,920.0	109,391.0	100,415.0	166,787.0	91,634.0
TOTAL	\$ 99,524.8	\$ 146,940.4	\$ 214,953.4	\$ 183,847.7	\$ 243,367.0	\$ 154,914.0
IBHE Recommendations						
Chicago	\$ 21,560.7	\$ 18,280.4	\$ 46,280.4	\$ 14,395.2	\$ 12,165.9	\$ 20,165.9
Springfield	3,245.9	2,629.5	2,770.0	2,023.1	30,343.7	15,343.7
Urbana-Champaign	26,475.8	15,741.3	25,294.7	66,420.1	84,039.8	52,225.4
TOTAL	\$ 51,282.4	\$ 36,651.2	\$ 74,345.1	\$ 82,838.4	\$ 126,549.4	\$ 87,735.0
Regular Capital Appropriations						
Chicago	\$ 5,280.4	\$ 24,384.6	\$ 71,008.3	\$ 4,197.5	\$ 5,665.9	\$ 4,165.9
Springfield	216.8	2,575.3	737.2	1,664.6	15,343.7	15,343.7
Urbana-Champaign	13,480.3	10,350.2	8,940.1	17,459.8	39,039.8	6,225.4
TOTAL	\$ 18,977.5	\$ 37,310.1	\$ 80,685.6	\$ 23,321.9	\$ 60,049.4	\$ 25,735.0
Appropriations for Special Projects						
Americans with Disabilities						
Planning Funds						
Venture Tech				\$ 23,500.0	\$ 105,900.0	\$ 100,600.0
TOTAL APPROPRIATION	\$ 18,977.5	\$ 37,310.1	\$ 80,685.6	\$ 46,821.9	\$ 165,949.4	\$ 126,335.0

SUMMARY OF FY 2004 PRIORITIES

(\$169,300,200)

Overview

► The University's FY 2004 Capital Budget Request consists of 10 projects at a total cost of \$169,300,200. Table 2 represents a combined priority listing of the proposed projects for this year.

Table 2
FY 2004 Combined Capital Budget Request
Summary by Priority
(Dollars in Thousands)

Priority	Project	Chicago	Springfield	Urbana	Total	Cumulative
1	Repair and Renovation	\$ 6,525.0	\$ 495.0	\$ 7,980.0	\$ 15,000.0	\$ 15,000.0
2	Lincoln Hall Remodeling			52,000.0	52,000.0	67,000.0
3	Roof/Masonry/Window Repairs	16,000.0			16,000.0	83,000.0
4	College of Business Facilities	5,500.0		4,650.0	10,150.0	93,150.0
5	Freer Hall Remodeling			23,200.0	23,200.0	116,350.0
6	Burrill Hall Remodel			30,000.0	30,000.0	146,350.0
7	Performing Arts Center Planning	12,000.0			12,000.0	158,350.0
8	SURS Building			2,482.2	2,482.2	160,832.2
9	Campus Infrastructure		3,368.0		3,368.0	164,200.2
10	Elevator/Escalators Renovation	5,100.0			5,100.0	169,300.2
	Total	\$ 45,125.0	\$ 3,863.0	\$ 120,312.2	\$ 169,300.2	\$ 169,300.2

It is important to note that while the priority list includes those projects most critical to the University each campus has a much larger list that the priority list is culled from each year. The combined priority list is not meant to show an exhaustive list of needs for each campus but merely a realization and sense of proportion for the state capital budget. If the entire University of Illinois list were submitted, a total request in the neighborhood of \$300 million would be the result. Table 3 reflects the entire capital budget request from the campuses of the University of Illinois.

Table 3
FY 2004 Capital Budget Request
Summary by Campus
(Dollars in Thousands)

Priority	University Priority	CHICAGO	
1	1	Repair and Renovation	\$ 6,525.0
2	4	College of Business Facilities	5,500.0
3	3	Roof/Masonry/Window Repairs	16,000.0
4	7	Performing Arts Center Planning	12,000.0
5	10	Elevator/Escalators Renovation	5,100.0
6		HVAC Upgrades	10,800.0
7		COM/Research Resources Ctr. Ren.	10,000.0
8		EEI Ophthalmology/Otolaryngology	9,000.0
9		UIH Communication Infrast. Upgd.	3,000.0
10		Dentistry Building Match	25,000.0
TOTAL			\$ 102,925.0
Priority	University Priority	SPRINGFIELD	
1	1	Repair and Renovation	\$ 495.0
2	9	Infrastructure Improvements	1,398.0
3	9	Programmatic Renovations	1,470.0
4	9	Storage Facility	500.0
TOTAL			\$ 3,863.0
Priority	University Priority	URBANA-CHAMPAIGN	
1	1	Repair and Renovation	\$ 7,980.0
2	2	Lincoln Hall Remodeling	52,000.0
3	4	College of Commerce and Business Facilities	16,500.0
4	5	Freer Hall Remodeling	23,200.0
5	6	Burrill Hall Remodeling	30,000.0
6		Biowaste Facility	800.0
7		Repairs to UIUC Electrical Distribution System	12,600.0
8		Social Work Building	12,500.0
9		Earth and Atmospheric Sciences Building	4,400.0
10		English Building Remodeling	8,300.0
11		David Kinley Hall Remodeling	13,000.0
12		Roger Adams Lab. Renovations	875.0
13		South Campus Site Improvement	1,270.0
14		Psychology Laboratory Addition	1,550.0
TOTAL			\$ 184,975.0
<i>*Top 8</i>		<i>University Requirement</i>	
	8	<i>SURS Building 9/03/2003</i>	\$ 2,482.2

These Projects to be requested outside of standard higher education capital budget.

Chicago		Urbana-Champaign	
Pharmacy Addition	\$50,000.0	Electrical & Computer Engineering Bldg.	\$81,000.0
Biomedical Genomics	50,000.0	South Campus Phase II	36,500.0
		Food & Nutrition Institute	65,000.0

The first priority is a \$15,000,000 Repair and Renovation request, which is comprised of 11 projects at the Chicago campus, 3 projects at the Springfield campus and 13 projects at the Urbana-Champaign campus. These projects, while not large enough to compete with major remodeling requests, represent a significant and very real funding need. A high priority on renovation and renewal must be maintained by institutions with facilities the size, scope, complexity and age of the University of Illinois. The Repair and Renovation request is vital for the continued renewal of existing University facilities, provision of up-to-date support for academic programs and protection of the State's investment in capital facilities. More detailed descriptions of these projects are provided in the sections following this overview.

The second priority seeks \$52,000,000 to perform a major remodeling at Lincoln Hall, a signature quadrangle building which has not seen a major upgrade since it was constructed almost a century ago on the Urbana campus.

Priority three seeks \$16,000,000 to perform work on several campus roofs, facades and window replacements at the Chicago campus.

The fourth priority provides \$10,150,000 in planning funds so that both the Chicago and Urbana campuses could begin design for new College of Business buildings on their respective campuses. Each facility has a private match that when combined with state support affords a prime opportunity for each campus.

The fifth priority at \$23,200,000 will allow for a major remodel to Freer Hall, an integral building serving the College of Applied Life Studies on the Urbana campus.

Priority six seeks \$30,000,000 to perform a major remodeling at Burrill Hall on the Urbana campus.

The seventh priority is \$12,000,000 to begin planning for a Performing Arts Center at the Chicago campus.

The eighth priority seeks \$2,482,200 in funds to acquire a building at the Urbana campus which will enhance operating efficiencies by consolidating administrative computing functions.

The ninth priority would provide \$3,368,000 for the Springfield campus to make several infrastructure improvements throughout the campus.

Priority ten seeks \$5,100,000 to repair and upgrade several building elevators and escalators on the Chicago campus.

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

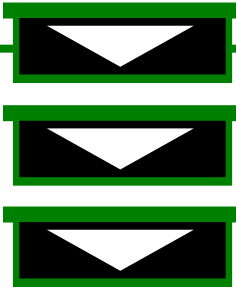
Table 4
FY 2004 Combined Capital Budget Request
Summary by Category and Campus
(Dollars in Thousands)

Category	Chicago	Springfield	Urbana- Champaign	TOTAL
Building, Additions, and/or Structure				
Land Acquisition			\$ 2,482.2	\$ 2,482.2
Utilities				
Remodeling	\$ 27,625.0	\$ 3,863.0	\$ 113,180.0	\$ 144,668.0
Site Improvements				
Planning	\$ 17,500.0		\$ 4,650.0	\$ 22,150.0
	\$ 45,125.0	\$ 3,863.0	\$ 120,312.2	\$ 169,300.2

Table 5
FY 2004 Combined Capital Budget Request
Future Funding Implications
(Dollars in Thousands)

Priority	Project	Category	FY 2004 Request	FY 2005 Cost	Cost for 2006 and Beyond
1	Repair and Renovation	Remodeling	\$ 15,000.0		
2	Lincoln Hall Remodeling	Remodeling	52,000.0		
3	Roof/Masonry/Window Repairs	Remodeling	16,000.0		
4	College of Business Facilities	Planning	10,150.0	\$ 36,350.0	
5	Freer Hall Remodeling	Remodeling	23,200.0		
6	Burrill Hall Remodel	Remodeling	30,000.0		
7	Performing Arts Center Planning	Planning	12,000.0	119,500.0	
8	SURS Building	Land	2,482.2		
9	Campus Infrastructure	Remodeling	3,368.0		
10	Elevator/Escalators Renovations	Remodeling	5,100.0		

CAPITAL REQUESTS



PRIORITIES

(\$169,300,200)

Priority 1:



Repair and Renovation \$15,000,000 – All Campuses

As in years past, the University's top priority is attention to annual repair and renovation. A total of \$15,000,000 is requested for the 27 projects outlined in Table 6. Detailed descriptions of these projects are found in the Repair and Renovation project description, following this Priorities section.

Table 6
Repair and Renovation Projects by Campus

Chicago Projects	Amount
Lecture Center, Ventilation Renewal	\$ 500,000
Fire Alarm Upgrades	1,000,000
Storm Water Control Measures	500,000
CUPPA, Elevator Retrofit	200,000
Colleges of Dentistry and Nursing, Cooling Tower Renovations	525,000
Library of the Health Sciences, Compact Shelving	500,000
Art & Architecture, Roof Replacement	900,000
Behavioral Sciences Building, Roof Replacement	150,000
Science & Engineering South & Science & Engineering Laboratory, Elevator Upgrades	1,000,000
College of Medicine, Rockford Renovations	600,000
Terrazzo Restoration and Floor Tile replacement	650,000
TOTAL	\$ 6,525,000
Springfield Projects	Amount
Health Sciences Building, Remodel Lab	\$ 300,000
Brookens Library, Carpet Replacement	165,000
Health Sciences Building, Lab Renovations	30,000
TOTAL	\$ 495,000
Urbana-Champaign Projects	Amount
Turner Hall, Renovate Instructional and Research Labs	\$ 950,000
Freer Hall, Remodel Space	600,000
Transportation Building, Renovate Student Design Team Space	450,000
Art & Design Bldg., Renovate Instructional Design Lab, Phase I	900,000
Mumford Hall, Replace Gutters and Downspouts	415,000
Noyes Lab, Repair Chimneys and Dormers, Phase I	300,000
Law Building, Replace Roof "A"	285,000
Repair Steam Distribution System, Phase I	500,000
Repair Pavement throughout campus	500,000
Main Library, Elevator and Gutter Repairs	950,000
Fire Alarm Upgrade, Phase IX	690,000
Krannert Center for the Performing Arts, Accessibility Upgrades Phase IV	720,000
Main Library, Renovate Room 66	720,000
TOTAL	\$ 7,980,000

Priority 2:**Lincoln Hall Remodeling \$52,000,000 – Urbana**

With the completion of the Spurlock Museum of World Cultures, 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 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 quadrangle building. The reconfiguration of space in Lincoln Hall will provide a variety of classroom sizes for classes that are taught in this portion of the campus.

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, will help space reconfigurations. 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 3:**Roof/Masonry/Window Repairs \$16,000,000 – Chicago**

Much of the campus infrastructure, especially roofs, concrete facades and windows, is in need of improvements. With this project, the campus will repair masonry and windows on the Clinical Sciences North and College of Medicine West Tower Buildings. Masonry and façade repair will also be performed on University Hall and Illinois Institute for the Developmentally Disabled buildings. Roof replacement will occur at four buildings, Human Resource, Physical Plant, Science and Engineering South and Paulina Street Buildings. Window and skylight replacement will take

place in the Physical Education Building and the Science and Engineering South buildings.

Each of the roofs in this project is over 35 years old and in need of replacement. Patching or piece meal repairs over the years are no longer successful as these roofs have reached the end of their useful lives. These roofs will all receive a new roofing system including new insulation and decking as necessary. Windows set for replacement as part of this project have all reached the failure point allowing moisture in buildings and risking interior spaces. New windows to be installed are double pane energy efficient models that will aid in arresting further damage to the buildings. The masonry portion will combat the extensive delamination that 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.

Priority 4:



College of Business Facilities Planning \$10,150,000 – Chicago/Urbana

This project includes planning funds for each campus to construct a new building for their respective College of Business departments.

Chicago

This project will provide for the planning and construction of a new College of Business Administration (CBA) Building in the South Campus area of the East Side of the University of Illinois at Chicago Campus. The building will be financed with private donor funds and this state appropriation request.

This new building would, for the first time, bring together under one roof all of the resources necessary to provide undergraduate and graduate instruction at UIC. The CBA building will become the focal point for business education on campus. It would provide classrooms, dry research laboratories and computer facilities to serve the needs of undergraduate students, as well as faculty offices and space for graduate programs and research activities. Classrooms will be equipped with state-of-the-art audio-visual technologies to complement state-of-the-art pedagogical approaches in undergraduate and graduate education.

Currently, the undergraduate instruction programs of the College of Business are conducted in nearly a dozen different locations. This dispersion of activity is inefficient and is not conducive to the development of appropriate collaborative relationships among students and between students and faculty. Consolidation of the college's programs into one facility will not only increase efficiency but will also create a sense of place and identity for the College. The proposed facility will enhance the functioning as well as the image of the College and will increase its competitiveness in the local, regional and national markets.

The new CBA building will become an integral part of the South Campus Development. The CBA building will become UIC's first academic facility on the South Campus. The site for the building, which will be approximately 160,000 gsf, will be at the gateway to the South Campus, in the block bounded by Roosevelt Road, Halsted Street, New Street and Union Street. Planning funds of \$5.5 million are requested on FY 2004 for this \$57.5 million project.

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. 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 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 and the Technology and Communications Center. Additionally, 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. Planning funds of \$4.65 million is requested in FY 2004 for this \$46.5 million building.

Priority 5:



Freer Hall Remodeling \$23,200,000 – Urbana

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 gymnasiums 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 nsf).

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 gsf.

Priority 6:**Burrill Hall Remodeling \$30,000,000 – Urbana**

Burrill Hall has been used intensively for 40 years, primarily for research and has had minimal minor remodeling performed to upgrade the heavily used spaces. All of the space in Burrill Hall is in need of significant upgrading with regards to the building mechanical systems infrastructure to make the building suitable for biological instruction and research in the 21st century. This project will see wall reconfigurations, replacement of fixed laboratory equipment, plumbing, electrical, lighting, data and HVAC changes. In addition, all new finishes are envisioned for this building, including flooring, ceilings and walls.

Priority 7:**Performing Arts Center Planning \$12,000,000 – Chicago**

This request is for funds to construct a new Performing Arts Center (PAC), which will provide 233,000 gsf including a concert hall, drama/music theater, rehearsal facilities, lobby, exhibition gallery and support spaces. The new PAC will serve as a vital and visible resource of tremendous educational and cultural significance for UIC, the City of Chicago and the State of Illinois. The construction of this new building will support UIC's mission of improving the quality of life and culture at UIC and in metropolitan Chicago, currently demonstrated through various initiatives of UIC's Great Cities Program and in the goals for the College of Architecture and the Arts. Planning funds of \$12 million are requested for this \$131.5 million facility project.

Priority 8:**Building Acquisition \$2,482,200 – Urbana**

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. University Administration has reached an agreement with SURS for the sale of their property to the University of Illinois for the sum of \$2,482,200.

Priority 9:**Campus Infrastructure \$3,368,000 – Springfield**

This project consists of several repair, remodeling and renewal projects that will improve the infrastructure on the campus and make repairs to enhance the Sangamon Auditorium.

The project consists of seven parts. The first part will make various site improvements including repair, resurfacing and replacement of selected service drives, maintenance yards, walkways and landscaping improvements throughout the campus. The second part will repair the window wall system at the Brookens Library upgrading to a more energy efficient double pane system. The third part of the project includes architectural and landscaping improvements that will enhance the Central Plaza which is the focal point of the campus between the major buildings. The forth portion of the project will make improvements to the Sangamon Auditorium by upgrading the sound and lighting systems in the Auditorium. The fifth part of the project will upgrade the UIS TV Office by installing digital equipment. The sixth part of the project proposes replacement of worn out carpet in the Public Affairs Center and Brookens Library. The seventh portion of this project calls for construction of a 10,000 square foot storage facility thereby releasing space throughout campus for higher priority needs.

Priority 10:**Elevator/Escalators Renovation \$5,100,000 – Chicago**

The existing elevators in various buildings are over 30 years old. These elevators and escalators present many maintenance problems due to obsolesce and difficulty in finding proper replacement parts. To provide a reliable vertical transportation system it is imperative that these systems be renovated. This project will enable elevator repair in the following buildings: Behavioral Sciences Building, College of Medicine West Tower and the Physical Education Building; and escalator repairs in the Pharmacy and Daley Library Buildings. The scope of work for the elevator repairs will include new controllers, hoist way equipment, door operating and safety systems and cab interior equipment. Scope of work for the escalator repairs includes motor repair and balancing, safety switches, cover plates and proper usage signs.

REPAIR AND RENOVATION PROJECT DESCRIPTION

Chicago Projects (\$6,525,000)

Lecture Center, Ventilation Renewal - \$500,000

The Lecture Centers were built in 1964 as a Class C-3, Type II Schools occupancy classification with a Type I, Fire Resistive construction type. The equipment is approximately 38 years old, and in dire need of repair. The low pressure, constant volume, multi air handling units are in need of repair or replacement. Each primary system return air/outside air mixing box, throw away filter section, blower, hot and chilled water coils and discharge sections need repair or replacement. The Lecture Hall Ventilation project will replace fan units that are original equipment and have exceeded their expected useful life. Additionally, installing Direct Digital Controls will improve monitoring and control of the system air volume and improve the conditioning of the space.

Fire Alarm Upgrades - \$1,000,000

The Fire Alarm Upgrade project will upgrade six buildings to meet current City of Chicago Fire Prevention code. These buildings require new city approved Class 1 fire alarm system. Additional buildings require fire alarm upgrades to incorporate ADA strobes and horns. Buildings upgraded will be those that are scheduled for remodeling or repairs to minimize disruption.

Storm Water Control Measures - \$500,000

The Nuclear Magnetic Resonance Building (NMR) and the Flames Athletic Center have been experiencing significant storm water control problems. In both cases inadequate capacity of the storm water system has resulted in flooding of the lower level of the respective buildings.

At the NMR Building the scope of the project consists of two parts. Part one is to increase the capacity of the storm water system in the lower level of the building from the risers and sump pits to the street. Part two is for the City of Chicago to replace the partially collapsed and inadequately sized sewer line under Wolcott Avenue. The campus has an agreement with the City of Chicago whereby the city will replace their sewer infrastructure under Wolcott Avenue in conjunction with this project.

The scope of the project at the Flames Athletic Center includes rerouting storm water away from lines that drain to streets to the east. The project will reroute that storm water to lines that drain to Roosevelt Road on the north where there is greater capacity. Plans for the project also include installation of canopies, vestibules and new doors at below grade building exits and entrances to control the flow of storm water at those doors during heavy storms.

College of Urban Planning & Public Affairs, Elevator retrofit - \$200,000

The CUPPA elevator retrofit will replace the controller and related controls within the elevators. These elevators are over 20 years old, have outlived their useful life and have become unreliable. Due to the age of these elevators, replacement parts are becoming difficult to procure. Therefore, the remaining elevators are in need of upgrade and modernization. The scope of work will consist of replacing the existing outdated analytical tool controllers with computerized state-of-the-art controllers. Current devices cannot be maintained since the vendor will not supply proper replacement parts. The following conversion will significantly reduce down time and expedite repairs by the in-house staff.

Colleges of Dentistry and Nursing, Cooling Tower Renovations - \$525,000

The College of Nursing cooling tower is over 30 years old and has outlived its useful life. It has become inefficient, unreliable and is in need of replacement. The College of Dentistry cooling tower does not have the capacity to serve the chillers in the building and needs to be replaced with a larger capacity tower.

The project scope consists of removing the College of Nursing tower from the 13th story of the building and installing a new cooling tower on the existing structural support frame. This project also provides for the removal of the existing roof mounted cooling tower from the College of Dentistry, modifying the structural steel support frame and installing a new cooling tower. Additional work will be performed to increase the electric power and install new pumps and controls that serve these units.

Library of the Health Sciences, Compact Shelving - \$500,000

The Library of the Health Sciences (LHS) is rapidly running out of room to house its collection of books, journals, archives and media. On the second floor, where most bound journals are housed, the shelves are 85% full. The top and bottom shelves on each range are already being utilized in about 70% of the area leaving almost no room for expansion. On the third floor, where monographs are shelved, the problem is even more severe. The shelves on that floor are currently 90% full. With current volumes and an average annual growth rate the library will be at capacity in two to three years. The plan is to install compact shelving in the Lower Level of LHS. This would provide 40,362 feet of shelving. This will provide shelf space to house over 300,000 more volumes.

Art & Architecture, Roof Replacement - \$900,000

The Art and Architecture building's roofs and waterproofing membranes are over 30 years old, have outlived their useful life and have begun to show signs of deterioration. Both systems have begun to leak and should be replaced. The project scope consists of tearing out the entire roof of the building down to bare concrete, installing new tapered insulation and a coal-tar five ply built-up membrane with stone ballast roofing system and associated sheet metal flashing work. The existing concrete patio will be removed along with the waterproofing membrane. A new waterproofing membrane and removable stone pavers will be installed. The removable pavers will allow maintenance of the membrane without wear and tear on the roofs surface.

Behavioral Sciences Building (BSB) Roof Replacement - \$150,000

The present roofing system is over 30 years old. The built-up roofing membranes have deteriorated and are in need of replacement. Several granite decks that were installed over a membrane waterproofing system have begun to fail. The waterproofing system has failed and is allowing water to infiltrate the building causing damage to interior exposed concrete, masonry and other finishes. The project scope will be to remove the existing membrane roofing system down to the granite decks and install a new insulation and coal-tar built-up roofing membrane.

SES & SEL, Elevator Upgrades - \$1,000,000

The Science and Engineering South (SES) building has 5 hydraulic elevators and the Science and Engineering Laboratories (SEL) building has 4 hydraulic elevators. These elevators are over 30 years old, have outlived their useful life and have become unreliable. Due to age of these elevators, the replacement parts are becoming obsolete and difficult to procure. Additionally, these elevators do not comply with current local and national elevator codes and ADA regulations. Under a recently appropriated elevator modernization project, 2 elevators of SEL are going to be renovated. Therefore, the remaining 7 elevators are in need of upgrade and modernization. The scope of work will consist of replacing the existing outdated relay-logic controllers with computerized state-of-the-art controllers, replacing hydraulic-pump units, control valves, hoist way doors, door operators, door safeties, signal fixtures and cab interiors.

College of Medicine, Rockford Renovations - \$600,000

The central boiler plant of the College of Medicine at Rockford facility is served by five boilers. The majority of these boilers are 50 years old and at best marginally serviceable, with a couple of them at or near abandonment. This puts added loads on the serviceable boilers, which are not adequate to do so, which is evident in the extreme cold periods. The scope of this project will remove the abandoned and inefficient boilers and replace them with an appropriately sized modern boiler.

The second portion of this project involves replacement of the traction elevator which services the building. Besides being in poor condition it has become obsolete and does not comply with ADA or current building codes. The outdated elevator will be replaced with a new state of the art computerized elevator in the existing hoist way.

The third portion of this project will be to replace the existing aluminum clad windows. These windows are not energy efficient and are no longer effectively keeping the moisture and elements out of the building. These windows will be replaced with new energy efficient windows.

Terrazzo Restoration and Floor tile Replacement - \$650,000

Most of east campus buildings still have the original vinyl composite tile (VCT). It is worn out, creating hazards for tripping and potentially an asbestos issue. The proposed replacement and restoration will replace approximately 100,000 square feet of VCT and replace it with a similar amount of terrazzo flooring. The targeted VCT replacement would take place in University Hall and Science and Engineering South. A second portion of this project is to repair terrazzo on the west side of campus focusing on the Pharmacy Building. Several floors have cracking and are in need of repair and restoration. Terrazzo restoration will re-pin those floors that have significant cracking and patch where necessary.

**Springfield
Projects
(\$495,000)****Health Sciences Building, Remodel Lab - \$300,000**

This project will renovate space previously used by the nursing program on level two in the Health and Sciences Building (HSB) into project/research laboratories for the Biology and Chemistry programs. Growth in the biology and chemistry programs has created the need for new research and project lab space for faculty and undergraduate/graduate students who will be working with them. The suite of rooms in HSB 208 will be converted into three new project/research laboratories similar to the current project/research laboratories located on level two in HSB.

Brookens Library, Carpet Replacement - \$165,000

This project includes replacement of 25-year old carpet on level 1 in Brookens Library that is worn-out and needs replaced. The campus has received previous appropriations that have allowed the campus to replace the carpet on levels 2 and 3 of the library. This project would continue the process of replacing the carpet in Brookens Library one floor at a time.

Health Sciences Building, Laboratory Renovations - \$30,000

This project includes minor renovation to three laboratory areas located in the Health and Sciences Building that will improve the functionality of those areas. Minor renovation is needed in the Vivarium located on level 1, the microbiology lab located on level 2 and the chemistry lab located on level 3. Improvements to the Vivarium include the addition of walls and doors to make better use of the space for current and future needs. The microbiology lab improvements includes remodeling in three small rooms that will result in better use of space for preparation of media

used in the microbiology classes. Improvements to the chemistry lab include converting three small rooms into a singular instrument room for chemistry and biology.

**Urbana-
Champaign
Projects
(\$7,980,000)**

Turner Hall, Renovate Instructional and Research Labs - \$950,000

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

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

Freer Hall, Remodel Space - \$600,000

In the 2001 annual report for the College of Applied Life Studies, the shortage of teaching, research and office space in Freer Hall for faculty in the Department of Kinesiology was identified as a problem that has reached crisis proportions. The

absence of space to support teaching, research and service mission is severely limiting their ability to achieve departmental objectives.

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

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

Transportation Building, Renovate Student Design Team Space - \$450,000

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

Renovations include replacement of radiators with fin tube heating; new lighting; electrical and voice/data systems; wall, floor, ceiling finishes; fixed equipment; and in one space, the introduction of a true fume hood, lab sink and safety shower.

Art & Design Bldg., Renovate Instructional Design Lab Phase I - \$900,000

Built in the late 1950s, the Art and Design Building has undergone only minor repairs and upgrades. The building's present condition reflects the wear and tear of

50 plus years of continuous use. New program and equipment needs have rendered the original space configurations outmoded, inefficient and ill-suited to their purposes.

This project will reconfigure spaces, address life safety concerns and update “worn out” facilities. This renovation will replace the HVAC systems; lighting, electrical, voice/data systems; room finishes where necessary; and any safety needs to make the spaces safe for the students and instructors alike. This is the first phase of a multi-phased approach to taking care of these existing deficiencies.

Mumford Hall, Replace Gutters and Downspouts - \$415,000

The existing 80-year old copper gutters and downspouts are worn and too thin to repair. Holes in the gutters are allowing water into the structure, causing serious damage. Severe structural damage is already occurring in some classrooms and offices with failing plaster and paint, which impacts faculty and student recruiting and retention. The basement finishes are incurring damage due to plugged and collapsed storm piping from the downspouts and window wells which allows water to stand near and enter the basement. This project request is to replace all of the copper gutters and downspouts on the building and correct the associated storm piping system.

Noyes Lab, Repair Chimneys and Dormers, Phase I - \$300,000

The 100 year old chimneys of Noyes Laboratory are in different states of disrepair; some have chips, which occasionally fall while others are in danger of losing entire bricks. The immediate impact to instruction and research is caused by water seeping into the building, which causes damage to the interior surfaces. The possibility of a chimney collapsing and causing structural damage is a concern. This project request is to rebuild 32 brick chimneys including those built into the 6 dormers. This repair effort will be continued in subsequent requests.

Law Building, Replace Roof “A” - \$285,000

The existing EPDM roofing system has been stretched beyond its useful age limit. Leaks occur regularly due to splitting seams, causing damage to plaster and finishes inside the building, which require costly repairs. In addition, damage to the law

library is impacting the use of its instructional resources. This project will remove and replace the existing roof system, including new insulation.

Repair Steam Distribution System, Phase I - \$500,000

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

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

Repair Pavement - \$500,000

Existing pavement structures on Pennsylvania and Lincoln Avenues have numerous failures and irregularities and are not designed to handle present traffic loadings. Pennsylvania Avenue has experienced increased mass transit traffic as one of the main east-west roads on campus. Lincoln Avenue is a main entrance corridor to the campus and will be vital to campus development to the south. This project will address the improvement of traffic safety and serviceability by repairing existing pavement failures on Pennsylvania and Lincoln Avenues and by installing an asphalt overlay on existing surfaces.

Main Library, Elevator and Gutter Repairs - \$950,000

The existing 60 to 80-year old built-in gutters and downspouts are worn and leaking. Holes in the gutter allow water into the structure during each rainstorm and snowmelt, causing serious damage to the stone and masonry exterior and creating additional leaks. Structural damage is occurring in some media storage rooms and offices with falling plaster and paint in numerous locations.

The library's E6 elevator is the original unit installed in 1927. Its longevity has surprised even the manufacturer but will create maintenance difficulties when acquiring repair and replacement parts becomes necessary. Extended outages will inevitably occur when this elevator malfunctions due to lack of parts. This will impact access to resources for faculty, staff, students and researchers. This project request is to replace the built-in copper gutters, downspouts and the library's main elevator. Funding from this CDB request may be supplemented with campus funding to complete the scope of work.

Fire Alarm Upgrade, Phase IX - \$690,000

Numerous campus buildings do not meet today's life safety codes due to the age of these buildings. The Urbana campus has developed a program that addresses this serious deficiency in a systematic manner by upgrading a few buildings each year. The approach is to upgrade the fire alarm system in buildings with a relatively high occupancy level or buildings that will have remodeling or renovation activities in them. This program will install the new Pyrotronics main sensing panel, replace existing detectors and add additional detectors where applicable in Burrill Hall Annex.

In addition to this major upgrade, there are a number of small fire alarm projects spread out on campus that UIUC will address with this project and possibly future projects. These smaller projects include, but are limited to replacing old detection devices and audible alarms, replace old "beam" detectors, upgrade elevator with fire fighter recall, replace old fire panels and install/activate magnetic hold open devices for doors in means of egress paths.

Krannert Center for the Performing Arts, Accessibility Upgrades Phase IV – \$720,000

With FY 2000 CDB funds, a master plan to evaluate bringing the Krannert Center for the Performing Arts facility into compliance with current accessibility regulations aimed at removing barriers to persons with disabilities will be completed. The plan 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 in way-finding within the facility. The FY 2002 request will begin the remodeling needed to achieve the needs identified by the FY 2000 master plan study. It is necessary to continue this remodeling effort and therefore this request will continue that remodeling effort. Once again, it may be necessary for a subsequent request to finish this effort.

Main Library, Renovate Room 66 - \$720,000

Room 66 is a general assignment class room used for a variety of classes and by a variety of departments. This theater style room seats 200 plus students. After years of intensive use this room is worn-out and in need of remodeling and refitting with advanced media presentation equipment. The scope of work is to completely demolish the interior of this room and then completely replace the finishes with new materials for: heating and air conditioning, lighting and controls, new theater seating, paint, flooring, ceiling, doors, hardware and instructional equipment. The instructional media will include audio, video, projection, computer and internet capability

Because of the heavy use of this room during the academic year, the schedule for this renovation necessitates that the work be completed during the summer. Funding from this CDB request may be supplemented with campus funding to complete this project in a timely manner.