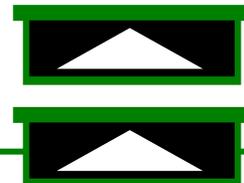


FY 2007 BUDGET REQUEST

**FOR
OPERATING
AND
CAPITAL FUNDS**

**PREPARED FOR THE
BOARD OF TRUSTEES
SEPTEMBER 8, 2005**

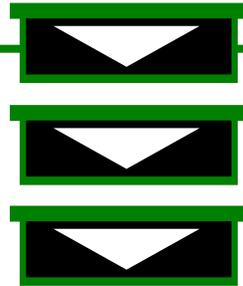


UNIVERSITY OF ILLINOIS
CHICAGO • SPRINGFIELD • URBANA-CHAMPAIGN

FY 2007

BUDGET REQUEST

**FOR
OPERATING
AND
CAPITAL FUNDS**



**PREPARED FOR THE
BOARD OF TRUSTEES
SEPTEMBER 8, 2005**

Dear Colleagues and Friends of the University,

When I became President of the University of Illinois earlier this year, I pledged to the Board of Trustees, students, faculty, staff and alumni that I would work tirelessly to build support for this great institution; it was a promise that I am eagerly pursuing. As a result of the dedicated work of talented faculty and staff and strong support from the General Assembly and the citizenry of the people of Illinois, the University of Illinois developed over many decades of service into a nationally and internationally recognized public research university. This long-standing partnership provided the foundation for the academic achievements, recognition and economic growth and development that the University and the citizens of the State of Illinois now enjoy. There are indications, however, that this partnership has weakened and must be re-established if the University and the State of Illinois are to ensure that future generations have the same opportunities.

State tax dollar support is fundamental to the University's present and future. Unfortunately, the State of Illinois's chronic fiscal problems have resulted in several consecutive years of either budget reductions or flat funding for higher education. Moreover, the University's budget picture was substantially more difficult than those funding levels imply as millions of dollars in cost increases were also unfunded, leading to even larger expenditure reductions than those reflected in state appropriations. Of great concern is the fact that significant progress in redressing the State's fiscal problems does not appear to be forthcoming in the near term.

As part of a comprehensive strategic planning process initiated in March 2005, we examined major forces in the University's external environment. Of the various forces, it became clear that three were especially critical:

- The growing demand for education, creation of new knowledge leading to technological innovation, and economic development through technological commercialization create high levels of opportunity.
- The higher education marketplace is seeing abundant and aggressive competition (both nationally and internationally) for students, faculty, resources and reputation from both traditional and non-traditional providers.
- There has been a sea change in the traditional model for financing public higher education in Illinois and across the nation which is unlikely to reverse itself anytime soon.

To effectively respond to these forces, it was evident that the University must chart a new course for the future.

Where there are great challenges, there are also great opportunities. Rather than accept a slow decline to mediocrity, I have challenged the University community to embrace the goal of creating a brilliant future for our University. To do so, it is essential for us to accomplish four major strategic goals:

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

Realization of these goals can only occur if we are successful in building support for a new Compact between the University and its partners. The members of the Illinois Compact are the State of Illinois, through its elected leadership and taxpayers; students and their families who both help underwrite the cost of education and benefit from it; the faculty-led research and scholarship enterprise; generous donors who provide a margin for excellence; and attentive leaders, such as the Board of Trustees and top administrators, who govern and manage the enterprise and who strategically reallocate and redirect resources for optimal benefit.

In the pages that follow, we have described in detail the initiatives that are most important to us as we look ahead to FY 2007. I will summarize the major elements of the request. In the operating budget, our greatest needs are:

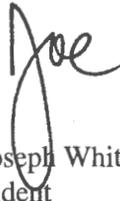
- **Strengthening Academic Quality** through competitive compensation programs, addition of new teaching and research faculty and academic program enhancements (\$61.0 million).
- **Addressing Deferred Maintenance** through support for operations and maintenance of new facilities and enhanced facilities renovation support (\$9.5 million).
- **Meeting Inflationary Costs** due to payroll costs (e.g., Medicare, Workers' Compensation, Legal Liability) and price increases for utilities, the library, information technology and other increases specific to higher education (\$13.1 million).

These proposals total \$83.7 million, representing a 7.05% increase over our FY 2006 base operating budget (state appropriations plus income fund).

In the capital budget, the challenges are compounded by the fact that we have an aging physical plant and we have received no new capital appropriations for the last two years. Thus, our top two priorities are Repair and Renovation (\$21.5 million) and Deferred Maintenance (\$20.1 million). In priority order, the remainder of our top ten capital priorities are: Lincoln Hall Remodeling (\$50.8 million); Campus Code Compliance Infrastructure (\$26.4 million); South Farms (\$131.3 million); Electrical & Computer Engineering Building—Match (\$30.0 million); General Classroom Renovations (\$8.0 million); Applied Health Sciences Building Infrastructure (\$31.0 million); Rehab Metal Buildings/Library (\$4.0 million); and Rockford Building (\$12.0 million).

Thank you for the opportunity to present our budget needs for FY 2007. If you have questions, please do not hesitate to contact me or my staff.

Sincerely,



B. Joseph White
President

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INTRODUCTION



INTRODUCTION

Overview



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

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

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

In short, the Illinois Compact binds us together in explicit support of the University, which itself expresses the highest aspirations of the State and its citizens.



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

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

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

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

The University of Illinois is a treasure for our State and its people. But it is a dynamic treasure, not a museum treasure. It is dynamic because of the transforming power of education in people's lives. Today, in the face of new technologies and the forces of globalization, a quality education has never been more important in enabling people to achieve their dreams. We see the growing divide between people with a good education □ people who have bright prospects for their lives □ and people who lack a good education and, as a result, face tough times which are likely only to get worse. The University of Illinois is a dynamic treasure because knowledge □ the

original, cutting edge knowledge that comes from research is the true capital of the new economy. Land and natural resources still matter in a state's endowment. But educated people and knowledge that creates industries to put those people to work matter more. The University of Illinois is a research powerhouse.

The State appropriation to the University of Illinois from general revenue funds is about \$700 million for our day-to-day operations. Along with student tuition, these funds pay most of our faculty and staff salaries and wages; heats, cools and lights our buildings; puts books in the libraries; and equips our classrooms and instructional labs. It is, in short, the underlying foundation for our central mission of teaching, research, public service and economic development. The University Administration and faculty have worked closely with the Board of Trustees to address key issues of resource management, administrative reorganization, tuition and financial aid policies.

▼

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

During FY 2002 the economic environment and outlook for State revenues changed dramatically. From FY 2002 to FY 2005, the direct general tax appropriation from the State declined by more than 16%, representing a loss of \$130 million. Consecutive years of mid-year rescissions totaled over \$75 million. In addition to these direct reductions the University was faced with \$88.1 million in unavoidable expenses such as Medicare payments, utility costs, legal liability costs, salary increases and contract agreements over the last four years. The total reductions, redirections and unavoidable expenses facing the University have been \$220 million. Even with the addition of tuition increases, these reductions placed extraordinary stress on the University. The impact is felt now and will be for years to come.

We are proud of the extraordinary accomplishments of the students and faculty of the University of Illinois, but we must be realistic about the future. The cumulative effect of cost increases and State budget difficulties during the last dozen years has significantly eroded the resource base of the University of Illinois. Given those realities the University has worked hard to reduce its budget. Principles were articulated to guide budget reduction steps. The funds from these reductions were used to protect core missions of the University. However, as much as costs are reduced, it cannot cover the entire burden of reduced State support. Over the next years the University will continue to lose faculty, administrative, professional and

support staff positions. Many, but not all, personnel reductions can be addressed through attrition and closing vacant positions. The effects of these reductions are serious and long-lasting. Our ability to compete and sustain quality is severely strained. Cuts of the magnitude levied in past years will affect the ability of Illinois' higher education system to fulfill its mission and meet the expectations of legislators and the general public about the quality, scope and scale of programs for which they have come to expect for Illinois. Stated simply, the University of Illinois is doing everything possible to protect the quality of its instructional programs.

At the very time in which the number of Illinois high school graduates is rising and the economic value of a college degree grows annually, budget reductions of these magnitudes threaten the capacity to teach students, erodes the quality of the education provided, limit research productivity and constrain the frequency and depth with which the public is served. Understandably, attention has been focused on the immediate and unavoidable problems that the budget reductions present. But it is even more critical for University leaders, legislative leaders and the executive branch to also assess the long-term impact of these cuts. Illinois' ability to compete effectively in an information-age economy depends on a healthy, vital and robust system of higher education. Budget cuts of the magnitude implemented will imperil each of those qualities.

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

We are challenged more seriously today than at any time during the last half century. By working together and making the right decisions we can ensure that Illinois higher education and the University of Illinois remain respected national leaders for the quality of programs they provide and for the diversity of students served. By maintaining State support at a steady level and reaping the benefits of our reduction in administrative costs, the University of Illinois can now focus on preserving the

already high quality of our core missions of teaching, research, public service and economic development.

A NEW BUDGET FRAMEWORK


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

For the University of Illinois, the early 1990s brought diminished State tax support with two years of outright reductions in combination with general tuition increases held to the level of inflation. What has changed substantially from the earlier period has been the University's determination to redirect resources internally. In earlier times, reallocations might have been made on an ad hoc basis to accommodate declining support, but with the expectation that the next year's funding from the State would improve. Now, however, the University has a renewed emphasis on the importance of adopting long-term budget planning strategies which include redirection of existing resources as an integral component augmenting tax and tuition support. Within the framework of well-developed 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.

The University has recognized the importance of addressing budget requirements via multiple sources, it is clear that the single most important sources of budget strength remains State tax and tuition funds. Direct State support now represents less than one-fourth of the University's total operating budget and, in combination with tuition revenue, represents virtually the entire funding for instructional programs. Although tuition has absorbed a larger share of the University's total budget over the past decade, it still requires more than a 1.4% rise in tuition to equal a 1.0% loss in State tax support. The University of Illinois cannot sustain, let alone enhance its quality without a firm foundation of annual State support.

FY 2006 BUDGET OUTCOMES

For Fiscal Year 2006, State support for the operating budget is preserved at FY 2005 levels. Additional tuition revenues were derived from three sources: general increases for all students, a set of special-purpose increases from which all income was specifically dedicated to improvement of instructional programs largely at the professional level and the second year of the tuition guarantee program.

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

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

In FY 2006, a total of \$32.4 million was redirected through internal reallocations. The reallocations accomplished over the past decade are outstanding examples of program advances that are possible when incremental tax and tuition revenues are coupled with significant internal reallocation.

FY 2006 continued the absence of new State funded capital projects for the University of Illinois. Our first capital priority is always repair and renovation of existing facilities on our three campuses. Continued internal reallocations will allow the University to address the most pressing needs to strengthen our traditional missions of teaching, research and public service.

The following tables and figures illustrate the changes in funding which higher education has experienced in the recent past. Funding improvements for the State's educational systems at all levels has frequently been cited as among the State's highest budget priorities; budget needs for education have played a central role in the justification for recent tax increases. A closer examination of actual State tax appropriations, however, reveals that education's share of the State budget today is well below its position prior to the income tax increase of 1989-1990. Table 1

illustrates that the budget share for higher education has dropped substantially since that increase was enacted, resting today at a level below that prior to the tax increase. For FY 2006, the share for elementary/secondary education declined to 27.9%. For FY 2006 higher education's share of the total budget decreased further to 8.8%, down from 8.9% a year earlier. It should be noted that virtually all of the increase in State general funds for higher education operations and grants between FY 2005 and FY 2006 is due primarily to an increase in the general funds portion of SURS total funding. The State Pension fund portion of SURS funding for FY 2006 and FY 2007 was significantly reduced over prior estimates of funding need due to PA 98-4.

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

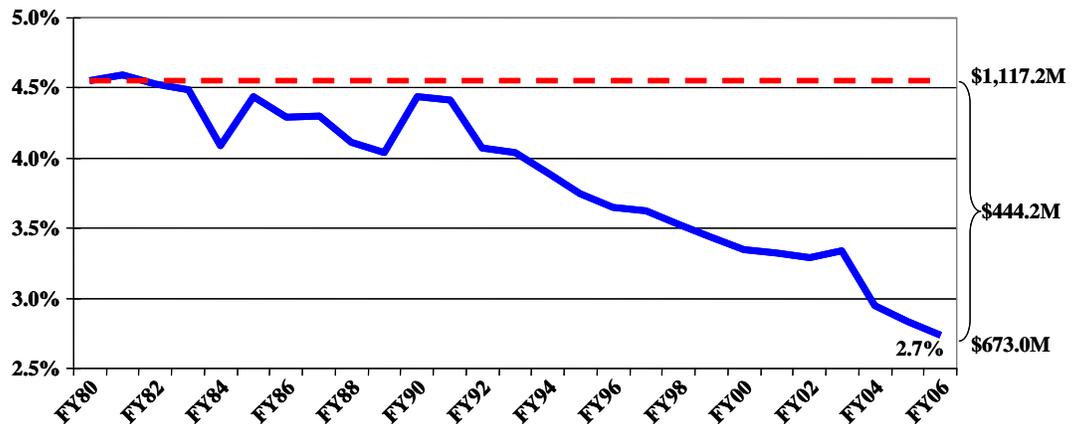
Year	Elementary/ Secondary	Higher Education	DCFS, Human Services, & Corrections	Public Aid (DHFS)	All Other
1980	28.8%	12.9%	10.7%	33.8%	13.7%
1990	26.7%	13.1%	12.9%	30.7%	16.6%
1995	23.6%	11.3%	15.9%	35.4%	13.8%
2000	26.3%	11.0%	25.9%	23.1%	13.7%
2001	26.1%	11.1%	25.8%	23.5%	13.6%
2002	26.4%	11.1%	25.8%	22.5%	14.3%
2003	27.0%	10.9%	26.1%	23.3%	12.8%
2004	28.4%	9.9%	24.4%	29.1%	8.2%
2005	28.7%	8.9%	24.3%	29.2%	8.9%
2006	27.9%	8.8%	23.8%	30.6%	8.9%

Note: FY 2004 – FY 2006 reflect moving the State's Group Health Insurance program from CMS (All Other) to Public Aid (now DHFS).

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 2006, that relationship has changed dramatically. The three human service agencies together have climbed to a share of 23.8%, growth of 85.1%, while higher education has fallen to 8.8% and a decline of about 33.0%.

As a result of higher education’s declining share of general tax appropriations, Figure 1 illustrates that the budget share for the University of Illinois has dropped substantially as well. Prior to the income tax increase of 1989-1990, the University of Illinois share of total State tax appropriations was 4.4%. For FY 2006, the University of Illinois share had declined substantially, down to 2.7%, a 38.6% decline.

Figure 1
University of Illinois
Share of State Tax Appropriations
FY 1980 to FY 2006

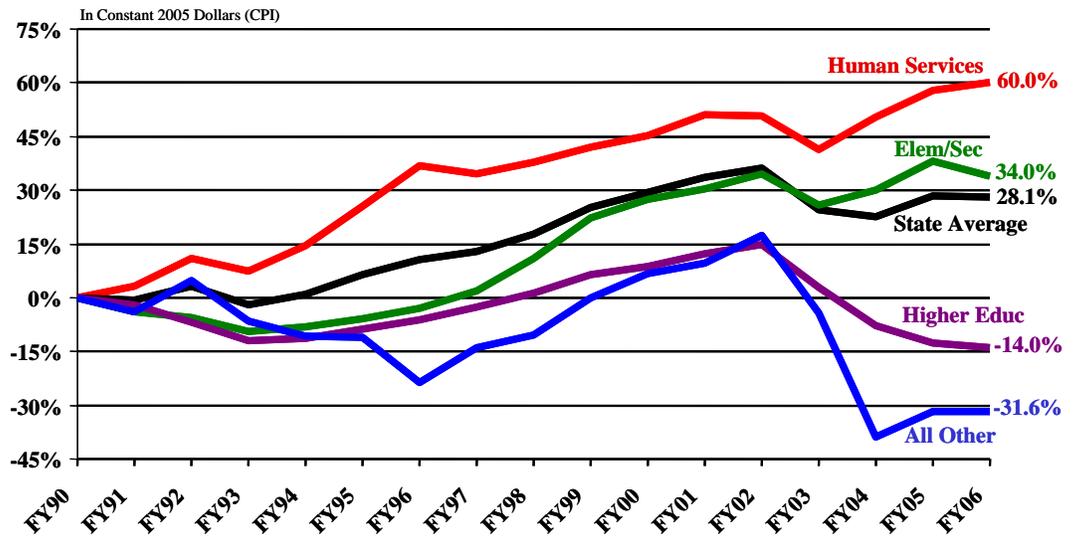


Note: FY 2002 – FY 2006 excludes \$24.9 million in payments to CMS for Health Insurance.

Changes in tax support among State agencies are further demonstrated by the trends shown in Figure 2, which illustrates tax funding shifts for State agencies since FY 1990 after appropriations are adjusted for inflation. The significant boost in recent years to elementary/secondary education has brought its budget experience over the statewide average, after several years of below average experience. Unfortunately higher education has seen gains of the late 1990s and early part of this decade completely eroded and have fallen back to negative growth after adjusting for inflation. Fiscal needs of agencies that support children and family services, mental health and corrections have taken a higher State priority and their budgets have soared by 60% even after accounting for inflation.

Figure 2
State Tax Appropriations Changes by Agency

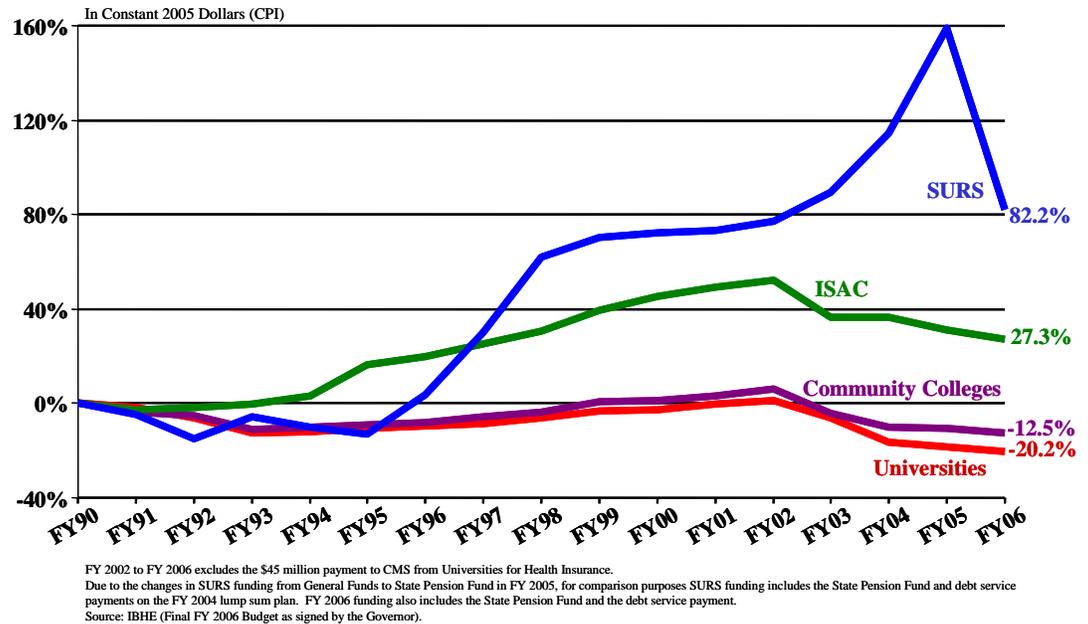
Higher education tax appropriation increases have lagged those of the major social and human services since FY 1990, after accounting for inflation.



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

Tax support has varied dramatically within the components of the higher education budget as well. Figure 3 displays changes in tax support among the four largest segments of the higher education budget: universities, community colleges, the Illinois Student Assistance Commission (ISAC) and the State Universities Retirement System (SURS), again adjusted for inflation. The growth in ISAC support is clearly evident, driven upward by changes in the maximum award which students can receive, an ever-expanding cadre of students seeking financial assistance and tuition and fee increases in public and private universities and community colleges. Other financial aid programs such as Information Technology Grants and the Illinois Incentive for Access program have also contributed to the rise in ISAC funding. As with all sectors within higher education over the past four years, ISAC faced significant reductions. In FY 2006, ISAC funding decreased by 0.3%. Although the Monetary Award Program funding increased by \$8 million over FY 2005, the Merit Recognition Scholarship funding was eliminated and ISAC administrative costs were shifted off of State funds.

Figure 3
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 3 is the dramatic growth experienced in SURS funding between FY 1995 and FY 2006. Responding to legislation setting out a multi-year plan to bring SURS support in line with its obligations to employees who are or will retire from the State’s public colleges and universities, SURS received a significant but absolutely essential budget boost to preserve the strength of the retirement program serving higher education. The 1995 “catch-up” law combined with the bond sale created a very large pension funding obligation that, along with rising Medicaid and other program costs, posed a severe challenge to the State’s FY 2006 budget. The Governor and General Assembly responded by approving PA 98-4, which reduced the State’s required pension contributions to all systems by about \$1.2 billion in FY 2006 and \$1.1 billion in FY 2007 and recalculated the pension catch-up amounts required in FY 2008, FY 2009 and FY 2010. SURS contributions were reduced to about \$167 million (from \$365 million) in FY 2006 and \$252 million (from \$432 million) in FY 2007. SURS and ISAC funds do not fall under the governance of the Board of Trustees or administration of the University of Illinois.

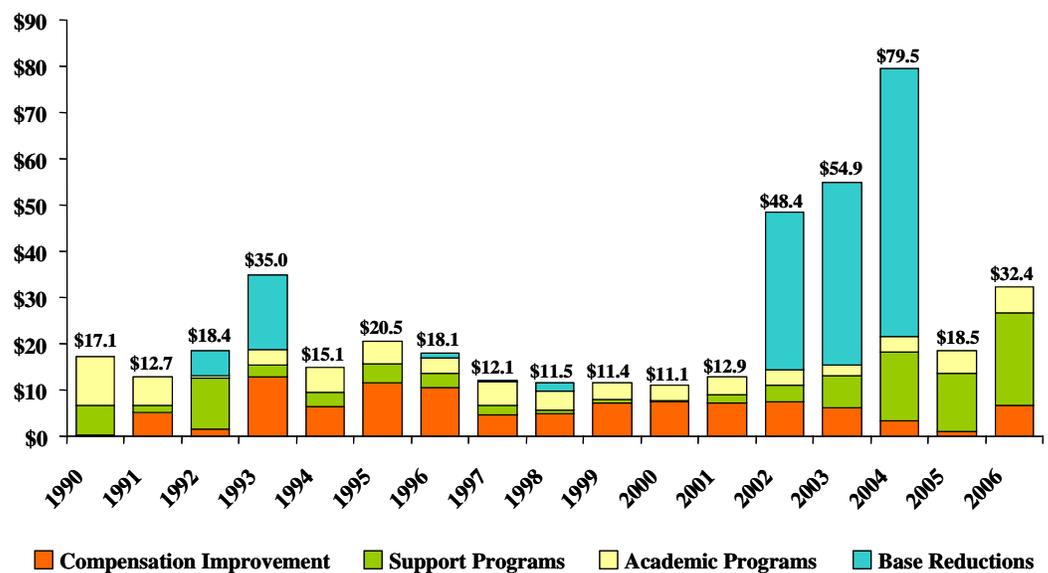
Even with improved investment earnings in the late 1990s, changes in accounting practices mandated by federal agencies, refinements in assumptions affecting

long-term forecasts for pension liabilities and the creation of optional retirement plans, the growth rate in SURS support will continue to be significant for many years. The General Assembly and Governor continue to review retirement systems and benefits.

BUDGET TRENDS IN PERSPECTIVE: REALLOCATION

As has already been emphasized, the University responded to its decline in budget share primarily through a comprehensive review of academic and support programs, priorities and a corresponding reallocation of existing funds. Since FY 1990, more than \$261.8 million in existing resources have been redirected to high priority academic programs and \$156.8 million returned outright to the State via budget cuts. Figure 4 illustrates the size of the reallocations accomplished annually since FY 1990 and identifies the principal uses of reallocations each year.

Figure 4
Uses of Reallocated Funds
FY 1990 to FY 2006
(Dollars in Millions)

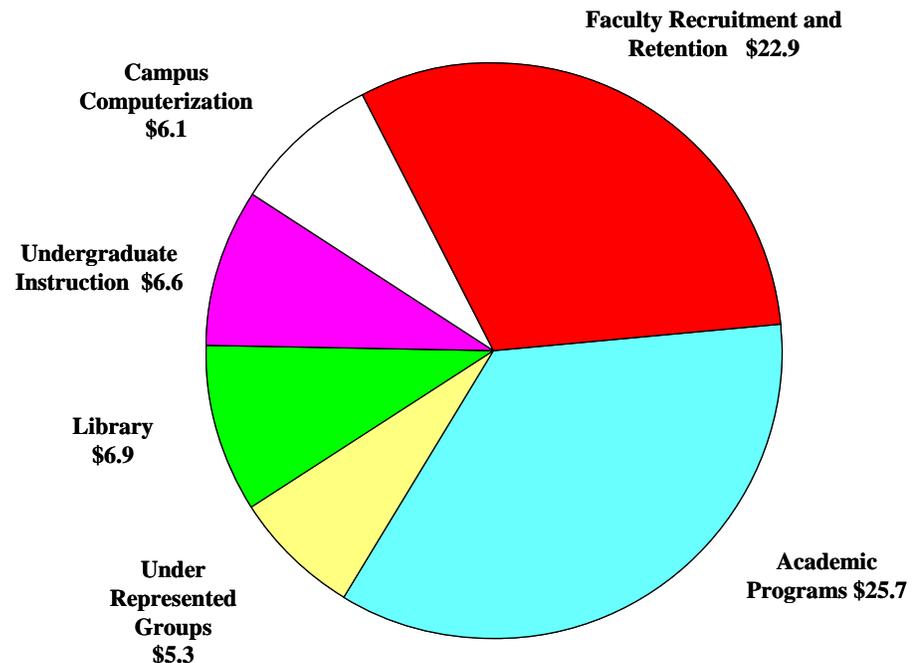


Given the University's paramount need to address faculty and staff salary competitiveness, it is not surprising that compensation needs have claimed the largest single share of reallocated accomplishments. More than 27.8% of the total reallocation achieved since FY 1990 has been devoted to this requirement. Another

37.5% has been required for outright budget reductions, while the balance has been divided among academic and support programs (including covering unavoidable cost increases in areas such as Medicare payments to the federal government and statutory sick leave payments to employees leaving University service).

Among academic program reallocations, those for general instruction have received nearly 44% of the redirected funds. The campuses have sought to add new sections of courses facing significant enrollment pressures or created new initiatives such as the Discovery Program at Urbana-Champaign which brings senior faculty and new freshmen together in small class settings early in the students' programs. Faculty recruitment, retention & compression efforts have captured another 31.2% of the reallocation pool, including special salary initiatives, laboratory remodeling and upgrades, equipment purchases and so on. As reflected in Figure 5, library initiatives and minority student recruitment and faculty recruitment, retention & compression efforts round out the major categories of program reallocations.

Figure 5
Reallocation for Academic Programs
FY 1990 to FY 2006



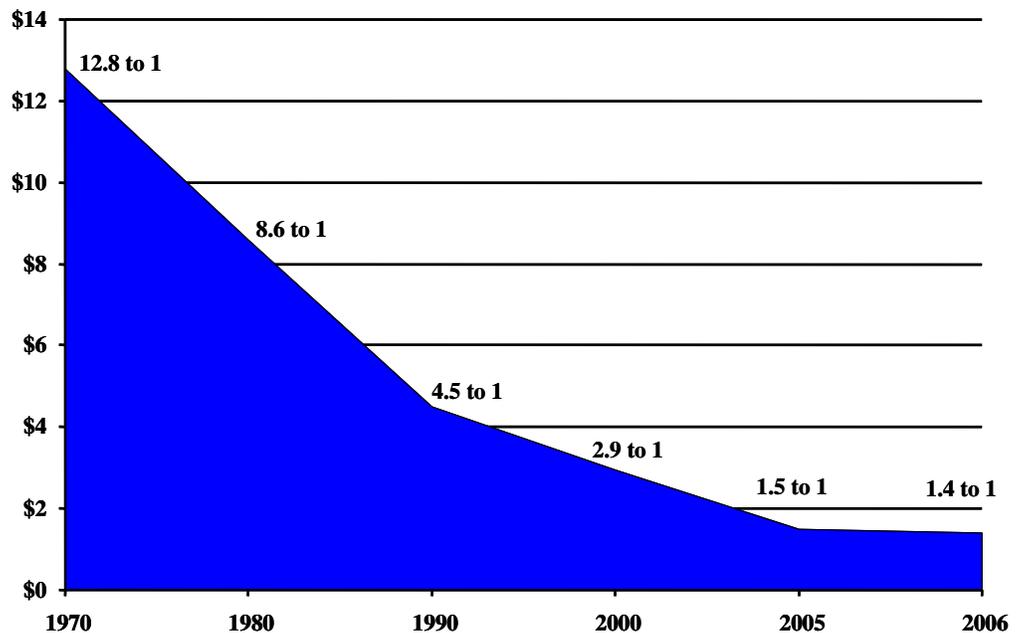
BUDGET TRENDS IN PERSPECTIVE: TUITION

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It requires a 1.4% tuition increase to make up for the loss of 1% in State tax resources.

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

As illustrated in Figure 6, thirty-five years ago the University received over \$12 in State tax support for each \$1 in tuition revenue it collected from students. Today, that figure has dropped to \$1.40.

Figure 6
State Support Per Tuition Dollar
FY 1970 to FY 2006



FY 2002 – FY 2006 excludes Health Insurance re-direction to CMS.

SUMMARY OF THE FY 2007 BUDGET REQUEST

The University’s FY 2007 operating budget request includes three broad categories. Strengthening Academic Quality includes salary increases, support for recruitment, retention & compression of faculty and staff, new teaching/research faculty and

academic program initiatives. A second section, Addressing Deferred Maintenance, includes additional resources to operate and maintain new facilities and requests funds to expand operating budget support for facilities renovation needs. A final section of the request, Meeting Inflationary Costs, includes requests to meet unavoidable cost increases related to mandatory payroll items and price increases.

Strengthening Academic Quality



Sustaining competitive compensation for faculty and staff remains the University's paramount budget requirement and leads off the Strengthening Academic Quality section. Absence of State funding for salary increases in FY 2006 leaves the University again vulnerable to erosion of competitiveness. To counter this, the University will fund a very modest salary program for FY 2006 by diverting funds from other purposes; to do otherwise would show reckless disregard for the University's competitiveness. For FY 2007 our compensation improvement request includes support for direct salaries. A 4% increase is sought for employee salary increases, an amount which, when combined with the request for recruitment, retention & compression of critical faculty and staff should prevent further erosion in competitiveness. The University of Illinois must continue to address the issue of faculty compensation and capacity at all three U of I campuses, recovering as well as adding capacity in the areas of highest enrollment demand and those of greatest economic development promise. It is essential that additional reallocation accompany these incremental advances, since serious competitive gaps remain for faculty and other employee groups.



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

Academic program initiatives are led by the need to acquire new teaching and research faculty. This will help address student demand for additional courses and bolster the University's ability to preserve and extend the lifeblood of all major academic enterprises: its faculty. Additional faculty positions are sought to respond to enrollment pressures, adding new courses or new sections of existing courses. In addition this year, we ask support for campus specific academic program initiatives. We look to build a base for health professional education at UIC, expansion of the general education program at UIS and build on addressing critical societal issues at UIUC.

Addressing Deferred Maintenance



Addressing Deferred Maintenance includes two components. The first component requests resources to support operations and maintenance costs associated with

newly constructed or significantly remodeled space. The second component continues the precedent set in FY 2000 to augment support for facilities 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 make it critical that a reliable source of funds is available. Students must have the best facilities possible in which to learn and our scientists and researchers must have the best support possible for their inquiries. Several Illinois institutions have elevated this concern near the top of their priorities and the University of Illinois joins in the call to continue to address this need in the operating budget.

Meeting Inflationary Costs



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



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

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

Additionally, two separate informational items are included at the end of the FY 2007 operating budget request. The first is a discussion on the urgent problem of medical malpractice costs and the challenges it presents to the University of Illinois. The second is a discussion on economic development funding that would provide for technology commercialization supporting Illinois VENTURES. This investment will position VENTURES to more effectively meet the business development and early capitalization needs of new companies that are based on

University technology and are positioned to impact the growth of the Illinois high-tech economy through job creation, new and expanded economic opportunities and tax revenue generation.

Finally, the operating budget request includes two addenda, the first describing the State Universities Retirement System (SURS) and the second describing the strategic plan goal of Ensuring Access – Financial Aid. To this end, the discussion of SURS funding and Ensuring Access – Financial Aid needs are addressed separately.

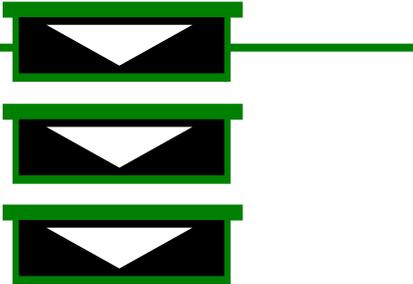
The full FY 2007 operating budget request is outlined in Table 2, which follows.

Table 2
FY 2007 Operating Budget Request
(Dollars in Thousands)

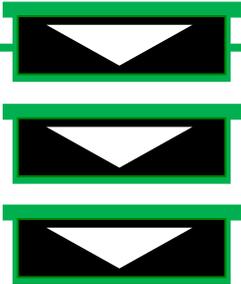
I. Strengthening Academic Quality		\$61,035.0
<i>% of FY 2006 Base *</i>		<i>5.14%</i>
A. Compensation Improvements	\$39,260.0	
1. Salary Improvements - 4%	\$34,897.8	
2. Recruitment, Retention & Compression - 0.5%	4,362.2	
B. New Teaching/Research Faculty	\$12,200.0	
1. Teaching/Research Faculty	\$12,200.0	
C. Academic Programs	\$9,575.0	
1. Health Professional Education	\$3,000.0	
2. Expansion of General Education Program	500.0	
3. Addressing Critical Societal Issues	3,000.0	
4. P-16 Programs	2,000.0	
5. Online Instruction	250.0	
6. IGPA	75.0	
7. Entrepreneurial Education	250.0	
8. Economic Development	500.0	
II. Addressing Deferred Maintenance		\$9,483.5
A. O & M New Areas	\$3,483.5	
1. Chicago Project	\$1,278.2	
2. Urbana-Champaign Projects	2,205.3	
B. Facilities Renovation Support	\$6,000.0	
1. Facilities Renovation Support	\$6,000.0	
III. Meeting Inflationary Costs		\$13,145.1
A. Other Payroll Costs	\$1,700.0	
1. Medicare	\$300.0	
2. Workers' Compensation	900.0	
3. Legal Liability	500.0	
B. Price Increases	\$11,445.1	
1. General Price Increases - 2%	\$3,378.0	
2. Utilities Price Increases - 7.7%	5,484.8	
3. Library Price Increases - 10%	1,982.3	
4. Information Technology Price Increases - 5%	600.0	
Total Request		\$83,663.6
<i>% of FY 2006 Base *</i>		<i>7.05%</i>
IV. Statewide Program (FSI)	\$78.1	
V. Medical Professional Liability Insurance	\$12,000.0	
VI. Statewide Economic Development (Technology Commercialization)	\$3,000.0	
VII. Addenda (Ensuring Access – Financial Aid)	\$7,400.0	

* FY 2006 Base: \$1,186,497.8

OPERATING BUDGET
REQUEST FOR FY 2007



**STRENGTHEN ACADEMIC
QUALITY**



SALARY AND BENEFIT INCREASES

(\$34,897,800)

Overview



The overall quality of the University of Illinois, as measured by numerous academic indicators, places it among the nation's top higher education institutions. As a national leader, the University faces a dual dilemma: to sustain its national standing it must attract and retain top-quality faculty, staff and students; yet that same national prominence marks the University as a prime target for other institutions seeking to enhance their own quality through recruitment of top faculty. In the last 17 years, 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 many states, combined with rising enrollments, exacerbates the competition for superior faculty.



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

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

And yet the challenge remains the same. To avoid diminishing quality, the University of Illinois must retain talented faculty and staff; vying in a national marketplace, it must attract and retain the best-qualified candidates to fill new or vacated positions; and at the same time, it must increase the productivity and morale of current employees. The University's compensation levels are the primary, though

not exclusive, mechanism that affects the ability to attract and retain personnel at all levels.

The last 17 years have seen an erosion of the University's faculty salary standing, with periodic years of no or low increases undoing efforts to build competitiveness. The 0% salary increase year of FY 1988 was followed by two years of raises averaging about 8% per year, but from FY 1991 to FY 1994, the University's annual salary increment averaged less than 1%. At the same time, inflation grew by more than 3% while the University's primary competitors averaged around 4% salary growth in each year. Consequently, the University's faculty salary standing plummeted and earlier progress toward building a competitive advantage crumbled. From FY 1995 to FY 1998, the deterioration of competitiveness was halted and restoration begun, but the magnitude of the erosion was such that past levels of competitiveness remained out of reach. After FY 1998, the national market for quality faculty and staff accelerated, and the University attempted to keep pace. In addition to a 3% salary increment for all University faculty and staff in FY 1999, the Urbana-Champaign campus received additional State money for its "retaining critical faculty" initiative, which also utilized reallocated funds. The following year, the Illinois Board of Higher Education inaugurated its "3 + 1 + 1" program, calling for all Illinois public universities to receive 3% salary increments, plus an additional 1% to recruit and retain critical faculty and staff, to be matched by 1% in local funds. The program enabled faculty salaries at the University to grow by around 5% per year in FY 2000 and FY 2001, but little if any ground was gained, as peer institutions averaged annual growth of 5% to 6%. In FY 2002, the 1% additional state increment was raised to 2% with the same 1% local match, in effect creating a "3 + 2 + 1" program. Sustained effort finally bore fruit, and all three University of Illinois campuses advanced on their peers. Throughout this latter period, the competitiveness of staff salaries with their state employee counterparts was maintained.



Eight years of progress in faculty salary competitiveness were undone in FY 2003. Internal reallocation to fund modest programs in FY 2004 and FY 2005 has exhausted the University's ability to reallocate further in future years.

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

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

purposes; to do otherwise would have shown disregard for the University's competitiveness and, more importantly, for our employees' morale and well-being. But the ability to further reallocate resources in future years has been exhausted.

In such an environment, the need to monitor the University's competitive standing may be more crucial than ever. Numerous salary analyses are performed annually for that purpose. Due to the varied nature of the University workforce, separate analyses are performed for academic employees and staff. Salaries for academic employees, including faculty, are compared to those at peer institutions, while staff salary comparisons are made with appropriate employee groups in the State and regional markets. The discussion that follows provides background information concerning the University's competitive position.

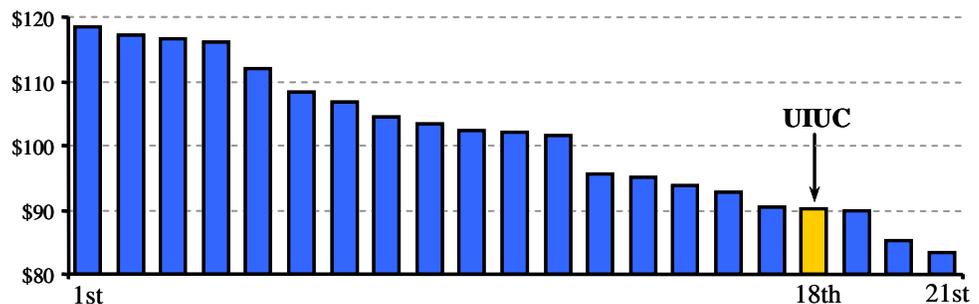
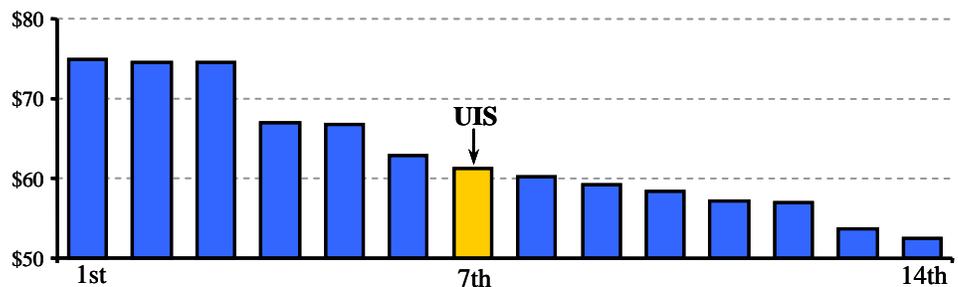
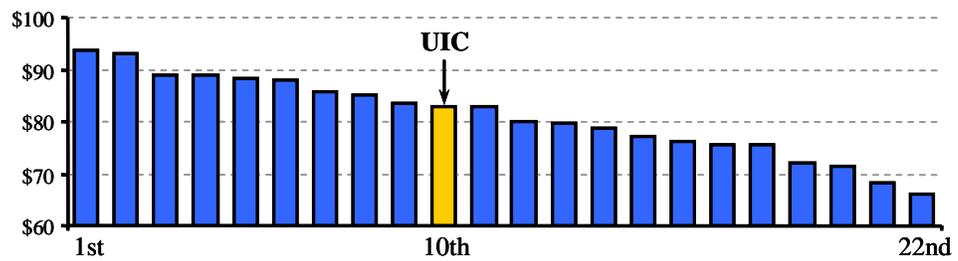
FACULTY SALARIES

To assess Illinois' position in the national market for faculty salaries, the Illinois Board of Higher Education (IBHE) established groups of peer institutions in 1985. Through a complex statistical process, 1,534 senior institutions were divided into 41 peer groups based on similarity of characteristics, including enrollment levels, type and numbers of degrees conferred, funding levels and detailed faculty characteristics. The original peer group developed for Sangamon State University became inappropriate after its merger with the University of Illinois in FY 1996. In order to better reflect the campus' evolving academic mission, as well as its quality and standing within the University of Illinois, an updated peer group was developed in FY 2002 for the University of Illinois at Springfield. The updated peer group for UIS was approved by the IBHE in 2004. Throughout this and later sections dealing with faculty salaries, the 1985 IBHE groups are used for the Chicago and Urbana-Champaign campuses, while the 2002 IBHE 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 7 shows that UIC ranked 10th in its group in FY 2005 and UIS ranked 7th. UIC's rankings represents a loss of one place from FY 2004, while UIS stayed the same. Although the UIUC campus is among the nation's most academically competitive institutions, salaries for faculty at UIUC

have long ranked near the bottom of its comparison group. UIUC ranked 18th in its group in FY 2005, the same spot it held in FY 2004.

Figure 7
FY 2005 Competitive Standing among IBHE Peers
UIC, UIS and UIUC
(Dollars in Thousands)



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 FY 2005 found faculty salaries at UIC and UIS ranked near the middle of their peer groups, but UIUC remained near the bottom.

Gains for the three campuses will be unlikely in FY 2006 due to lack of funding for faculty salary increases. In fact, public peer institutions have indicated they again plan to provide faculty pay increases of at least 2% to 4%, which (other things equal) would keep all three campuses in similar rankings. Thus, the University has

forfeited all or most of the competitive gains made from FY 1995 to FY 2002, even while inflation continues to erode base pay of University faculty and staff.

FACULTY SALARIES BY DISCIPLINE

Another way to gauge faculty salary standing is to examine salaries by discipline from FY 1987 through FY 2005, years in which funding fluctuations dramatically influenced salary levels. This review identifies areas of continued difficulty for UIC and UIUC. Competition for top quality faculty is intense in high-demand disciplines, especially those in which private enterprises can offer lucrative alternatives to academic service. Such competition has contributed to an unexpected rise in starting salaries, causing salary compression. The University has experienced great difficulty in attracting and retaining key faculty in high demand areas, as well as in areas of lesser demand. If Illinois' constrained budget climate persists, such difficulties could reach critical levels, weakening the overall quality of the University.

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

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

Arizona	Kansas	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	

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

Table 3 summarizes average salary and rank by discipline reported for FY 1987 (prior to the “no salary increase” policy of FY 1988), FY 2002 and FY 2005. For each discipline only those institutions reporting data in all three years of the study are included.

Table 3
Faculty Salary Study by Discipline FY 1987 to FY 2005

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

Academic Discipline	No. of Univ.	FY 1987		FY 2002		FY 2005			
		UIC Salary	Rank	UIC Salary	Rank	UIC Salary	Rank	Rank Ch. 1987	Since 2002
Architecture	17	\$34,233	14	\$63,743	8	\$65,917	9	5	-1
Business	22	45,451	11	102,327	15	108,643	18	-7	-3
Education	23	33,773	10	68,752	7	75,424	7	3	0
Engineering	20	47,921	2	92,588	3	100,793	2	0	1
Foreign Languages	23	33,250	11	65,614	5	64,515	11	0	-6
Letters	23	34,622	11	67,637	6	77,919	6	5	0
Mathematics	23	42,184	12	77,123	16	87,114	14	-2	2
Philosophy	23	41,405	4	68,602	4	74,392	5	-1	-1
Physical Sciences	23	42,846	6	74,571	17	82,279	16	-10	1
Psychology	23	41,351	9	74,479	7	83,403	13	-4	-6
Social Sciences	23	37,882	14	71,711	13	75,947	19	-5	-6
Social Work	15	36,274	9	59,171	11	60,115	14	-5	-3
Arts	23	33,340	7	64,144	4	68,030	5	2	-1

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

Academic Discipline	No. of Univ.	FY 1987		FY 2002		FY 2005			
		UIUC Salary	Rank	UIUC Salary	Rank	UIUC Salary	Rank	Rank Ch. 1987	Since 2002
Agriculture	15	\$40,698	6	\$78,254	6	\$84,788	7	-1	-1
Architecture	17	38,858	7	65,221	7	68,231	6	1	1
Business	22	52,341	3	113,231	8	123,965	12	-9	-4
Communications	21	36,213	5	73,598	4	84,512	4	1	0
Computer & Info.	19	50,285	7	99,268	2	100,063	3	4	-1
Education	23	41,424	5	70,959	3	76,430	3	2	0
Engineering	20	53,995	2	96,741	2	105,455	2	0	0
Foreign Languages	23	38,917	6	62,999	6	71,003	3	3	3
Home Economics	15	32,947	6	72,290	3	77,723	7	-1	-4
Law	18	69,147	3	122,205	7	137,433	7	-4	0
Letters	23	35,365	7	68,358	6	72,816	5	2	1
Mathematics	23	46,480	11	73,215	14	83,973	12	-1	2
Philosophy	23	33,758	12	66,889	13	75,242	12	0	1
Physical Sciences	23	51,512	1	89,036	2	103,000	1	0	1
Psychology	23	44,929	3	85,943	5	88,806	4	-1	1
Social Sciences	23	41,945	9	76,270	9	84,153	8	1	1
Social Work	15	38,342	7	55,660	9	55,671	13	-6	-4
Arts	23	36,360	7	59,701	8	62,719	12	-5	-4

The data show that by FY 2002 both U of I campuses had recovered a good portion of ground lost from the 0% salary program year of 1988 through the early 1990s. In FY 2002, UIC had regained its FY 1987 rank in 8 of 13 examined disciplines, and UIUC had regained it in 10 of 18. In FY 2003, UIC lost ground in all but one of the 13 disciplines, while UIUC lost in 14 of 18. Some of those losses were recovered by FY 2005, but UIC remained lower than FY 2002 in 8 of 13 disciplines, while UIUC remained lower in 6 of 18.

As a result, at UIC, only 4 disciplines (Architecture, Education, Letters and Arts) have improved their FY 1987 ranking, while salary rankings lag FY 1987 levels in the remaining 7 disciplines: Business, Mathematics, Philosophy, Physical Sciences, Psychology, Social Sciences and Social Work. UIC holds the same rankings in Engineering and Foreign Languages.

At UIUC, 7 disciplines (Architecture, Communications, Computer and Information Science, Education, Foreign Languages, Letters and Social Sciences) improved their FY 1987 ranking, while 8 others declined. The decliners were: Agriculture, Business, Home Economics, Law, Mathematics, Psychology, Social Work and Arts. UIUC recovered its FY 1987 ranking in Engineering, Philosophy and Physical Sciences.

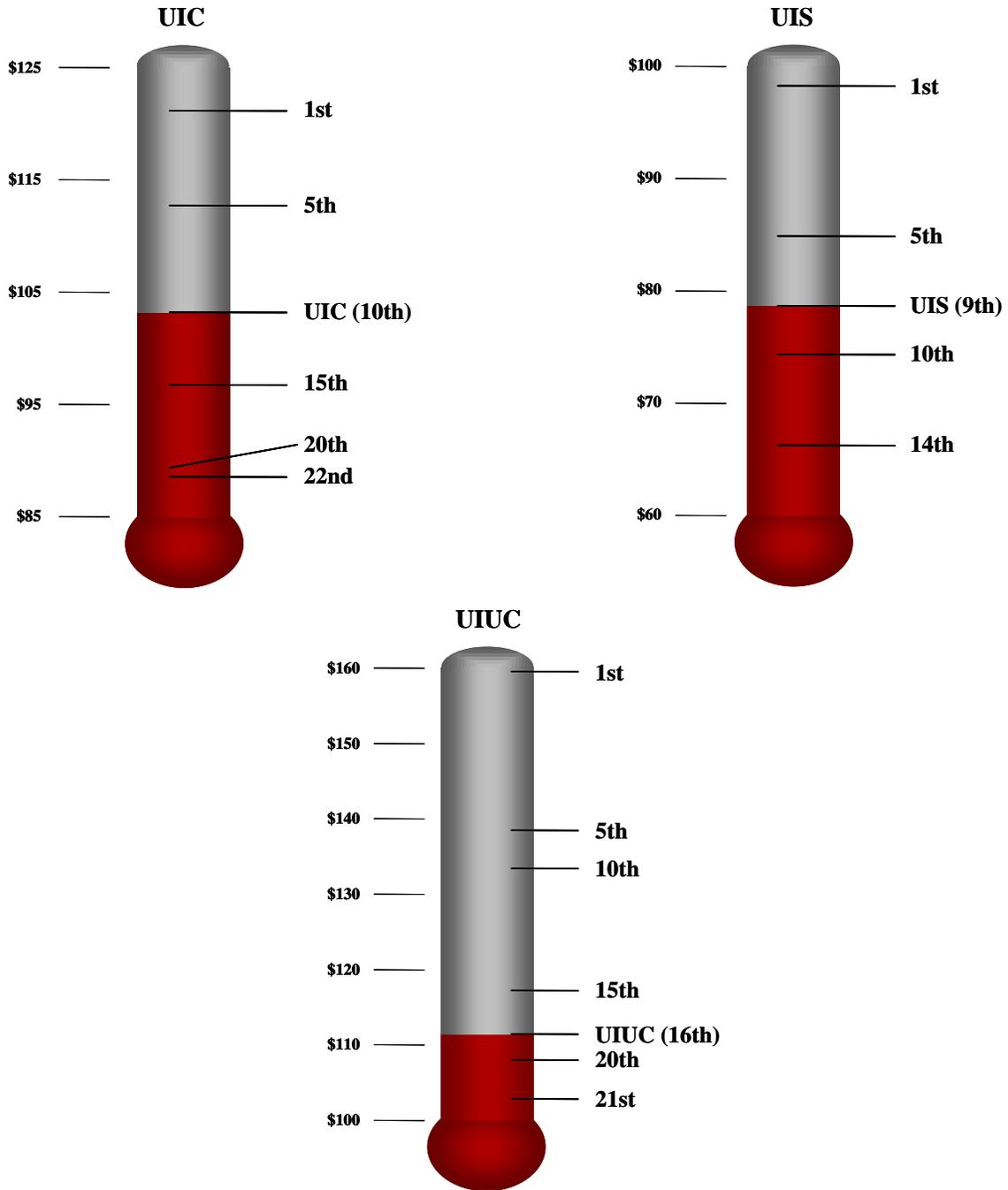
It is clear past declines in State funding hurt the University's ability to remain competitive for high quality faculty and staff, although the impact has been greater in some disciplines than in others. Despite progress in some fields, many disciplines continue to suffer from a loss of competitiveness. The magnitude of loss in FY 2003 was similar to FY 1988: the University lost ground in most disciplines, and a very large amount of ground in some. Insufficient progress was made in FY 2004 and FY 2005. It is critically important that the University resume the road to recovery in FY 2006 and beyond.

TOTAL COMPENSATION

Total compensation represents the combination of average cash salary and employer contributions to fringe benefits. Figure 8 shows FY 2005 average total compensation for faculty in the ranks of Professor, Associate Professor and

Assistant Professor at the three University of Illinois campuses and their peers.
 While UIC and UIS rank near the middle of the pack, UIUC ranks sixth lowest.

Figure 8
FY 2005 Faculty Average Total Compensation
U of I Campuses and IBHE Peer Groups
(Dollars in Thousands)



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

Budgetary constraints in prior years hurt the University in the faculty salary market. State funding and internal reallocation in more recent years produced salary programs that kept pace with inflation, but which were below the University's top competitors in many cases. By FY 2002 the Chicago and Springfield campuses had achieved real progress, and Urbana-Champaign, while stuck near the bottom of its peer group, showed some gains. Absence of funding for salary increases since FY 2002 have left the University again vulnerable to erosion of competitiveness and exhausted its ability to reallocate funds in the future. Incremental funds totaling \$34.9 million are requested for FY 2007 for faculty and staff salary increases to halt the slide and avoid further loss of employee purchasing power. In addition, compensation must be made for years of ups and downs in the University's salary arch. The University's recruitment, retention & compression request asks for \$4.4 million in additional funding, in order to repair damage caused by the 0% salary program in FY 2003 and to recover upward momentum in a highly competitive marketplace.

STAFF SALARIES

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

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

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

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

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

	University of Illinois FY 2005		State of Illinois January, 2005		% Over/Under State Class	
	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
Chicago Campus						
Secretary IV	\$25,085	\$37,889	\$26,448	\$43,404	-5.4%	-14.6%
Staff Nurse II	\$46,467	\$93,787	\$45,288	\$60,996	2.5%	35.0%
Accountant I	\$28,579	\$51,439	\$31,680	\$47,688	-10.9%	7.3%
Library Clerk II	\$20,428	\$30,849	\$23,688	\$32,616	-16.0%	-5.7%
Urbana Campus						
Secretary III	\$24,194	\$35,814	\$25,656	\$41,796	-6.0%	-16.7%
Storekeeper II	\$33,053	\$34,983	\$28,092	\$44,292	15.0%	-26.6%
Accountant I	\$28,585	\$51,449	\$31,680	\$47,688	-10.8%	7.3%
Kitchen Laborer	\$21,882	\$29,765	\$23,652	\$31,848	-8.1%	-7.0%
Springfield Campus						
Secretary IV	\$21,206	\$37,148	\$26,448	\$43,404	-24.7%	-16.8%
Chief Clerk	\$20,415	\$34,706	\$26,448	\$43,404	-29.6%	-25.1%
Library Technical Assistant I	\$22,201	\$37,584	\$27,288	\$39,360	-22.9%	-4.7%
Building Service Worker I	\$18,186	\$32,682	\$27,252	\$41,040	-49.9%	-25.6%

For FY 2005, the University received no funds for a general pay increase for all employee groups. Internal reallocations were required to fund contracts previously negotiated with bargaining units and to address special merit, market or equity concerns. Most State of Illinois agencies confronted a similar situation.

Purchasing power comparisons are made using data from the Bureau of Labor Statistics, including sources such as the Employment Cost Index. Compensation costs for civilian workers (not seasonally adjusted) were up 3.7% for the year ending December 2004. In comparison, compensation costs for State and local governments increased 3.5% percent for the year ending in December 2004.

STATE UNIVERSITIES RETIREMENT SYSTEM

The health of the State Universities Retirement System (SURS), as well as the University's competitiveness among peer institutions with respect to retirement benefits, has been a matter of prime concern for many years for both individual employees and for leaders within higher education institutions and the SURS system. Any discussion of compensation policy for higher education in Illinois should include a strong call for continued adequate funding of the SURS program to ensure that existing benefits will remain secure. Action taken in 1995 by the General Assembly and the Governor to implement a long-term plan to strengthen pension funding for all State employees was a welcome improvement. For FY 2004, the Governor and the General Assembly approved a plan using bonds proceeds to pay pension funding obligation to SURS and the other State-funded systems, which improved the systems' funding ratios but dramatically increased the State's debt and bond repayment costs. In May 2005, the Governor and the General Assembly passed a law reducing SURS contributions to about 46% of those called for in the 1995 law in FY 2006, and to about 58% in FY 2007. The 2005 law also requires the employer to fund the portion of pension increases that result from earnings increases over 6% in any year that is used to calculate a retiree's final average salary. Addendum I contains a more complete discussion of the SURS funding situation and some possible consequences to the University of the new 6% rule.

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

It should be understood, however, that while achieving and maintaining adequate SURS funding remains a key concern for FY 2007 and beyond, funding improvements will not, in and of themselves, improve either the benefits available to University employees or the University's competitive position among peer institutions in total compensation. The adequacy of SURS' fiscal support must be assured. So, too, must improvements in the University's competitive position in total compensation be achieved.

RECRUITMENT, RETENTION & COMPRESSION

(\$4,362,200)

Overview

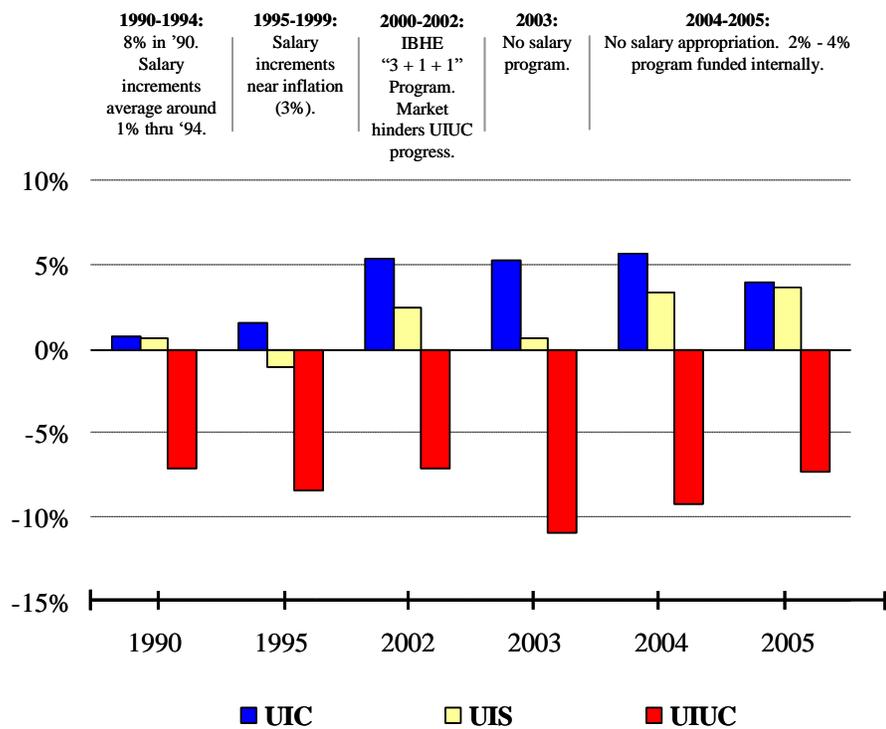
▶ The quality of a university's instruction, research, public service and economic development activities depends in large part on the quality of its faculty. Facilities, library resources, staff quality and other factors are vital, too, but it is the mentor in the classroom, the laboratory investigator, the policy center director, the technological innovator, who bring life to an institution. A university's reputation turns on the interactions of its faculty with students and the larger community. Knowing this, institutions compete vigorously for the highest quality faculty members. Institutions also seek to compensate fairly those faculty on hand, to ensure that enthusiasm does not wane and that faculty are justly rewarded for their many and varied contributions.

University faculty are highly educated, talented people with many options in the labor market. Compensation levels must remain at least on par with that market to attract and retain brilliant teachers and scientists. Moreover, loyalty to an institution can be bred only by consistency of commitment, which encompasses many things, but most certainly includes steady salary progression. The University of Illinois has had to pay market price to hire new faculty and have had to respond to outside offers to retain critical senior faculty, but the salaries of faculty in the middle ranks have been severely compressed and have lost competitive position. If pay is below market and/or does not progress sufficiently, faculty may be more apt than otherwise to exercise their right to find other, more rewarding career opportunities. Given those facts, an uneven history of salary increases can damage an institution, both in terms of competitiveness and morale.

Over the last two decades, faculty salary increases at the University of Illinois have ranged from zero (twice) to 8%, with most years between 2% and 5%. The University was highly competitive in the faculty salary market until the late 1980s. Beginning with the first 0% increase year, FY 1988, the University lost significant ground through FY 1994, made slow but steady progress from FY 1995 through FY 2002, fell again in the 0% year of FY 2003, then recovered somewhat in FY 2004 and FY 2005. Figure 9 shows the average salary of full-time instructional faculty in the ranks of Assistant Professor and above at each University of Illinois

campus as a percent of its peer group median since 1990. (UIC and UIUC are compared to their 1985 IBHE peer groups, while UIS is compared to its 2002 IBHE peer group.) Salaries for UIC have generally exceeded the median, while those at UIS have hovered around the median. UIUC, mired far below its peer group median, achieved slight progress in the last 2 years, but remained around 7% below its peer group median.

Figure 9
Distance from IBHE Peer Group Median
UIC, UIS and UIUC



That up-and-down salary trend is also reflected in the peer group rankings, shown in Table 5. Despite several bad years between FY 1987 and FY 1994, UIC lost just one rank and UIS gained one. UIUC, however, fell to rock bottom in its peer group. Sustained effort through FY 2002 lifted UIC to 8th in its group and UIS to 6th. Even UIUC gained slightly, rising to 18th. UIC and UIUC lost two positions in FY 2003, while UIS lost one. UIUC has regained both spots, but UIC and UIS have not recovered.

STRENGTHENING ACADEMIC QUALITY RECRUITMENT, RETENTION & COMPRESSION

**Table 5
Full-Time Instructional Faculty Average Salaries FY 1987 to FY 2005, All Ranks
(Dollars in Thousands)**

University of Illinois at Chicago and IBHE Peers

1987		1994		2002		2005	
Chicago Campus							
Cal.-Santa Barbara	\$51.9	Massachusetts	\$62.2	Cal.-Santa Barbara	\$88.4	Maryland	\$93.5
Cal.-Irvine	50.0	Temple	61.5	Maryland	88.1	Cal.-Santa Barbara	93.0
Cal.-Davis	48.3	Cal.-Santa Barbara	59.5	Cal.-Davis	85.7	Temple	88.9
Cal.-Riverside	47.0	Hawaii	59.2	Cal.-Irvine	84.5	Cal.-Davis	88.9
Massachusetts	45.4	Cal.-Irvine	58.7	Cal.-Riverside	82.8	Massachusetts	88.2
Va. Tech.	42.8	Maryland	58.1	Delaware	78.9	Cal.-Irvine	87.9
Maryland	42.3	Delaware	57.9	Massachusetts	78.8	Delaware	85.6
Florida	42.3	Cal.-Davis	57.4	UIC	76.7	Cal.-Riverside	85.2
Arizona	42.0	Wayne St.	56.7	Temple	76.2	Michigan St.	83.4
Arizona St.	40.5	Michigan St.	56.1	Va. Tech.	76.0	UIC	83.0
Wayne St.	40.3	Arizona	54.4	Michigan St.	74.8	Arizona St.	82.9
Michigan St.	39.8	Va. Tech.	53.5	Wayne St.	73.6	Arizona	79.9
UIC	39.7	Cal.-Riverside	53.1	Arizona St.	73.1	Wayne St.	79.6
Georgia	39.4	UIC	52.6	Arizona	72.9	Va. Tech.	78.7
Temple	39.2	Arizona St.	50.9	Georgia	71.6	Florida	77.3
Hawaii	38.7	Utah	50.4	Florida	71.2	Utah	76.2
Delaware	38.3	Florida	50.4	Utah	69.6	Hawaii	75.7
Va. Common.	37.3	Va. Common.	50.2	Va. Common.	69.1	Georgia	75.5
Vermont	37.2	Georgia	49.9	Hawaii	68.5	Va. Common.	72.2
Utah	37.1	Oregon	49.0	Florida St.	66.9	Florida St.	71.4
Florida St.	37.0	Florida St.	47.8	Vermont	61.1	Vermont	68.4
Oregon	34.5	Vermont	n.a.	Oregon	60.5	Oregon	66.1

University of Illinois at Springfield and IBHE Peers

1987		1994		2002		2005	
Springfield Campus							
SUNY-Brockport	\$39.2	Shippensburg (Pa.)	\$57.5	Union	\$71.3	Union	\$74.9
Trinity	38.9	Trinity	55.1	Trinity	69.7	Trinity	74.5
Clark	38.3	Clark	52.2	Clark	68.4	Clark	74.5
Union	36.9	Union	52.0	Shippensburg (Pa.)	68.1	Iona	67.0
Iona	36.0	SUNY-Brockport	50.0	Iona	59.4	Shippensburg (Pa.)	66.7
Shippensburg (Pa.)	35.5	No. Michigan	49.4	UIS	58.1	SUNY-Brockport	62.9
No. Michigan	34.7	Iona	47.0	SUNY-Brockport	57.8	UIS	61.3
Wisc.-Green Bay	33.6	UIS	43.7	No. Michigan	57.2	No. Michigan	60.2
UIS	33.5	Lake Superior St.	43.3	So. Dakota	54.2	Marist	59.1
Charleston	31.9	Wisc.-Green Bay	43.2	Auburn-Mont.	52.8	So. Dakota	58.4
So. Dakota	31.3	Auburn-Mont.	42.5	Charleston	52.8	Charleston	57.2
Auburn-Mont.	31.3	Marist	42.3	Marist	52.8	Auburn-Mont.	56.9
Lake Superior St.	30.9	Charleston	38.8	Georgia St.	52.1	Wisc.-Green Bay	53.7
Marist	29.6	Georgia St.	38.2	Lake Superior St.	51.5	Georgia St.	52.5
Georgia St.	n.a.	So. Dakota	n.a.	Wisc.-Green Bay	51.3	Lake Superior St.	n.a.

**Table 5 (continued)
Full-Time Instructional Faculty Average Salaries FY 1987 to FY 2005, All Ranks
(Dollars in Thousands)**

University of Illinois at Urbana-Champaign and IBHE Peers

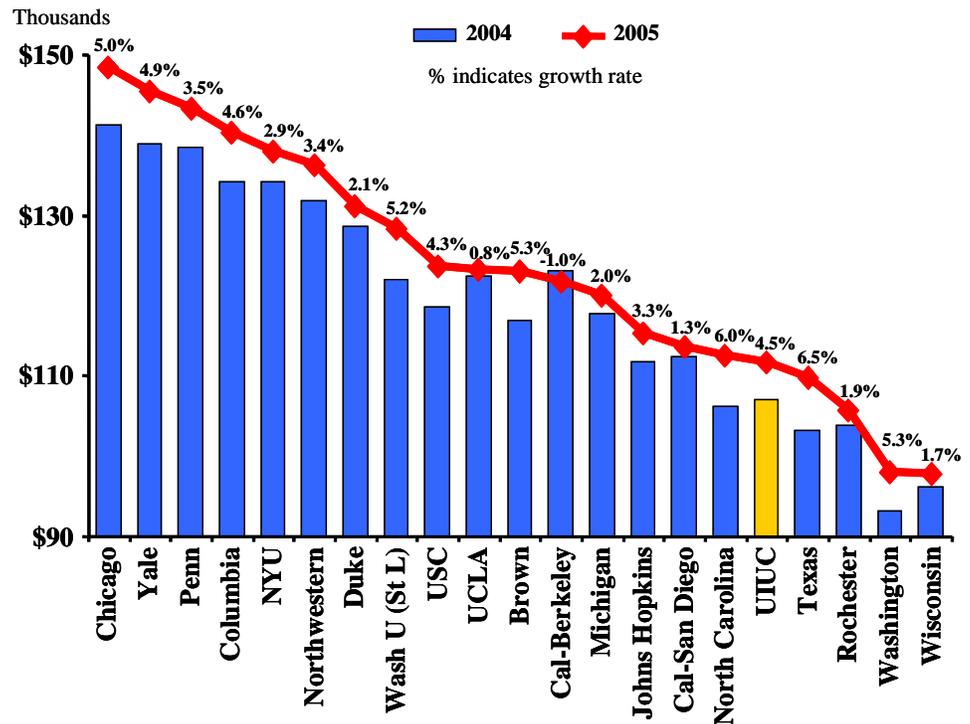
1987		1994		2002		2005	
Urbana-Champaign Campus							
Cal.-Berkeley	\$56.2	Chicago	\$75.9	Pennsylvania	\$107.5	Pennsylvania	\$118.5
U.C.L.A.	53.2	Pennsylvania	74.4	Yale	105.2	Yale	117.1
Cal.-San Diego	52.6	Yale	73.1	Chicago	104.0	Chicago	116.5
Columbia	50.3	N.Y.U.	71.3	Columbia	102.0	Columbia	116.0
Chicago	50.0	Columbia	71.2	N.Y.U.	100.8	Northwestern	112.0
Pennsylvania	49.8	Northwestern	71.2	Northwestern	100.6	New York	108.2
Yale	49.5	Duke	69.9	Cal.-Berkeley	99.9	Duke	106.7
Johns Hopkins	49.3	Cal.-Berkeley	66.4	Duke	97.3	Cal.-Berkeley	104.3
N.Y.U.	48.0	Johns Hopkins	65.4	U.C.L.A.	96.9	U.C.L.A.	103.3
Michigan	47.6	U.S.C.	64.9	Cal.-San Diego	91.6	Wash. U. (St. L.)	102.4
Duke	47.6	Michigan	64.3	Wash. U. (St. L.)	91.2	Brown	102.1
Northwestern	46.8	Brown	63.3	U.S.C.	89.2	U.S.C.	101.6
Brown	45.3	U.C.L.A.	62.5	Michigan	87.3	Cal.-San Diego	95.5
UIUC	45.1	Wash. U. (St. L.)	62.3	Johns Hopkins	87.3	Michigan	95.1
U.S.C.	45.0	Rochester	61.7	North Carolina	85.9	Johns Hopkins	93.8
North Carolina	44.0	Cal.-San Diego	61.1	Brown	85.7	North Carolina	92.6
Wisconsin	44.0	Texas	59.8	Rochester	84.1	Texas	90.3
Rochester	43.6	North Carolina	59.0	UIUC	82.3	UIUC	90.2
Wash. U. (St. L.)	42.8	Wisconsin	58.3	Texas	82.0	Rochester	89.8
Texas	40.5	U. Wash. (Sea.)	57.5	Wisconsin	81.3	Wisconsin	85.2
U. Wash. (Sea.)	40.4	UIUC	57.3	U. Wash. (Sea.)	76.8	U. Wash. (Sea.)	83.5

Figure 10 shows why UIUC in particular regained some ground in FY 2004 and FY 2005. The figure compares FY 2004 and FY 2005 average salaries for full Professors at UIUC and its IBHE peers. When reading the figure, please note that “percent growth” in faculty salaries reflects not only institutional salary programs, but also promotion and tenure decisions, retirements, new hires and the like.

Despite no salary appropriation in either year, UIUC had the 9th highest growth rate over the period, 4.5%, which was well above the group average growth rate of 3.5%. UIUC’s impressive growth was made possible through allocation of tuition revenue and reallocation of other internal resources. Several public institutions in the group struggled in FY 2005, notably the University of California institutions. San Diego had only 1.3% growth, Los Angeles 0.8% and Berkeley declined by 1.0%. Publics together averaged 3.0% growth, while private institutions as a group averaged 3.9% growth. The University of Illinois displayed unmistakable commitment to faculty

quality and job satisfaction by internally funding above market salary increases in a difficult budget year.

Figure 10
FY 2004 and FY 2005 Professors' Average Salaries
UIUC and IBHE Peers

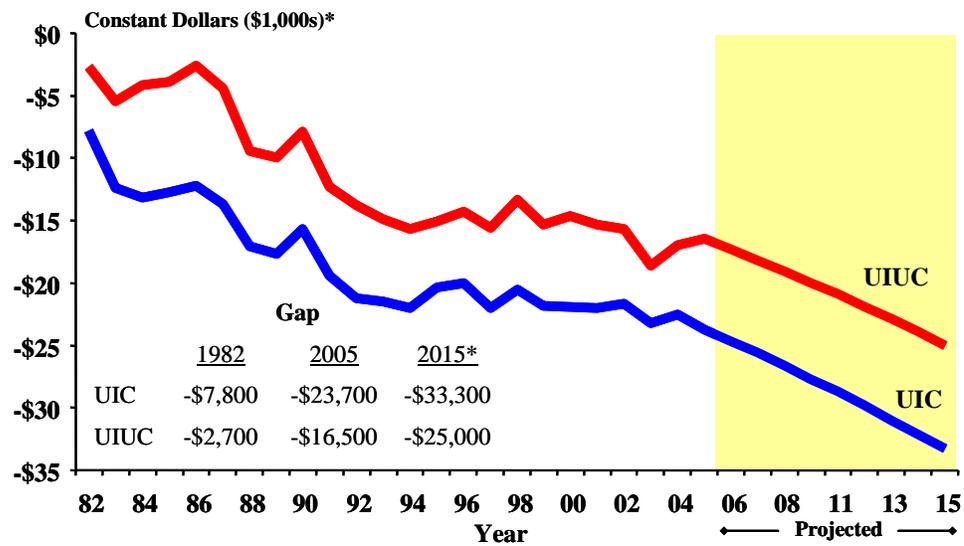


A closer look at the last 20 years puts FY 2005 in context and reveals two major trends in the faculty salary market that do not bode well for the University of Illinois, nor for public higher education institutions across the country. First, funding for public university faculty salaries is closely tied to state revenue booms and busts. Illinois may go deeper into economic recession than many other states and may be slower to recover. This appears to have been especially true in the early 1990s, and somewhat true since 2002. Second, salary progression among private institutions does not slow nearly as much during economic downturns as it does for public institutions. Even with aggressive internal funding of faculty raises, it appears unlikely that public institutions can keep up if these trends continue.

Private institutions began to outpace publics in the faculty salary market in the late 1980s. Figure 11 shows the faculty salary deficit between UIUC and UIC and the average faculty salary at private Research I institutions in constant dollars from FY 1982 to FY 2005 with projections through FY 2015. UIUC was reasonably

competitive in 1982, trailing by only \$2,700 and UIC was marginally competitive, trailing by \$7,800. By FY 2005, the salary gap had exploded to \$16,500 at UIUC and \$23,700 at UIC. If the average annual rate of change from 1982 to 2005 continues through 2015, UIUC will trail its private Research I competitors by a staggering \$25,000, and UIC will trail by \$33,300.

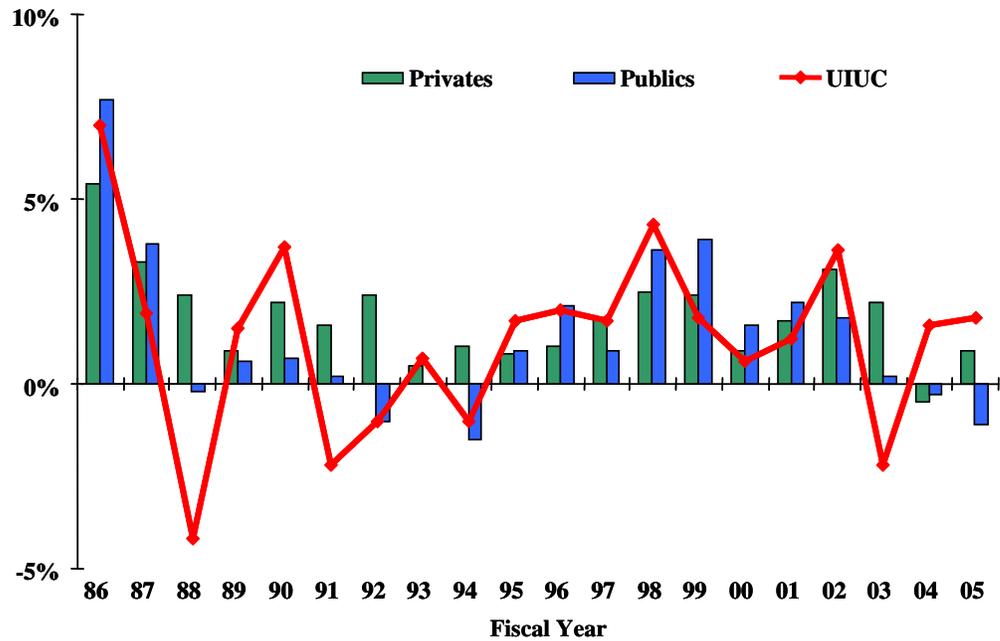
Figure 11
Private versus Public Institution Faculty Average Salaries
UIUC and IBHE Peers
(Dollars in Thousands)



* Constant (FY 2005) dollars calculated using CPI-U. 2006-2015 projected.
 Source: AAUP; BLS.

Figure 12 shows annual percent change in instructional faculty (Assistant Professor and above) salaries since FY 1986, highlighting the years in which UIUC fell behind. Since 1986, the campus has had five years of negative real growth: 1988, 1991, 1992, 1994 and 2003. Public institutions as a group also have had five such years: 1988, 1992, 1994, 2004 and 2005. Private institutions, on the other hand, have had just one year of negative salary growth, 2004. Cycles of State support for higher education have not played to the University of Illinois' favor, and in fact have given peer institutions, especially private ones, a widening advantage.

Figure 12
Annual Change in Faculty Average Salaries
UIUC and IBHE Peers



Notes: Figures in constant (2005) dollars using CPI.

The University of Illinois’ status as an elite public institution can be maintained only while it remains a desirable workplace for top-flight faculty. A multi-year strategic, statewide commitment is required to restore competitiveness lost since the late 1980s. To that end, \$4.4 million in additional incremental funds are requested for recruitment, retention and compression programs for critical faculty and staff. These additional monies are necessary in order to avert erosion in faculty quality and morale.

TEACHING/RESEARCH FACULTY

(\$12,200,000)

Overview

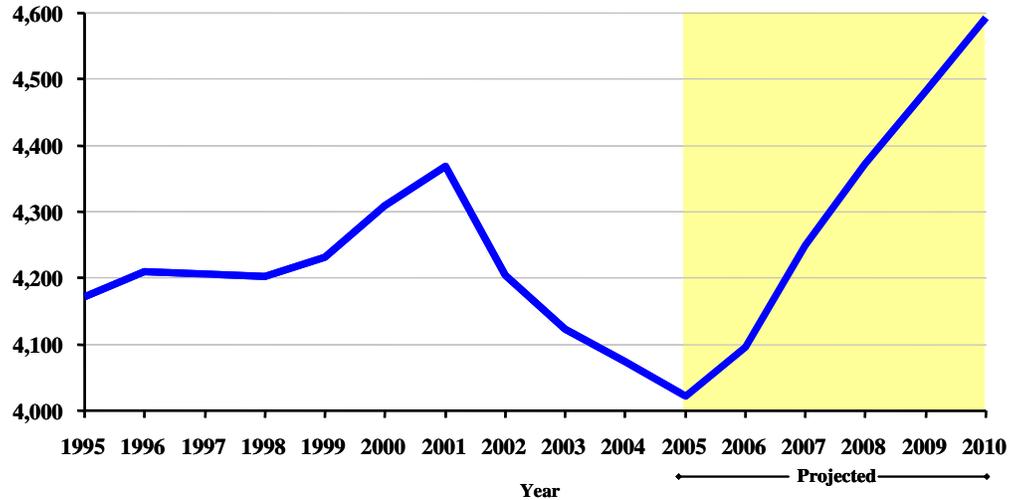


The strength of the University of Illinois is in its faculty. Traditionally, academic units have been able to build and maintain their strength through hiring junior faculty, many of whom go on to develop national and international reputations as leaders in their fields. In order for this strategy to work, however, there must be a constant renewal of faculty through hiring new assistant professors to replace their retiring senior colleagues. The economic impact of the University of Illinois is influenced by these same factors as our well-educated graduates become employees and our research discoveries generate new products and businesses.

The need for restoration and renewal is even more important in the face of key faculty losses caused by successive years of budget cuts. These cuts have made the most outstanding mid-career faculty members more vulnerable to recruitment by competitors. Mid-career faculty members are key to the future of University of Illinois programs. Outside offers to faculty have increased during recent years of budget cuts and a number of important faculty members have already been lost. The quality and scale of our education and research programs link directly to the quality and number of our faculty. The diversity of course offerings, the size of classes, the ratio of students to faculty and the scholarly reputation of the faculty have significant direct impacts on the quality of the University's education and research programs. Since Fall 2001 tenure-system faculty numbers declined by about 300 full-time equivalent (FTE) or 7% and approximately 1,000 course sections were eliminated.

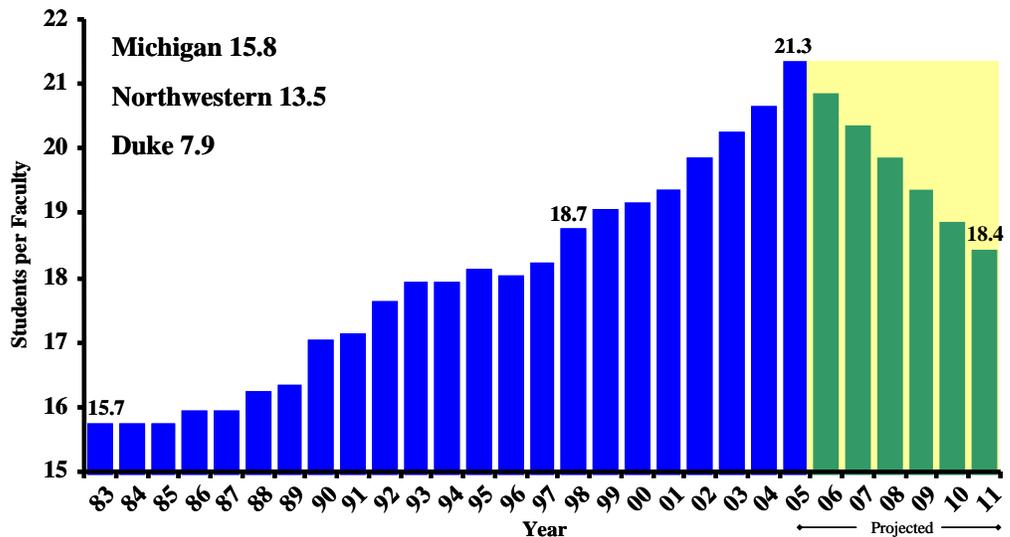
The Teaching/Research Faculty initiative aims to rebuild faculty strength and fill gaps left by the lack of new faculty recruitment since the early 1990s. The goal is to hire 500 FTE faculty, 750 teaching assistants (375 FTE) and 190 FTE lecturers and instructors by FY 2011. Once completed, the University of Illinois will be able to offer about 2,500 additional course sections per year. Figure 13 shows the projected increase in faculty.

Figure 13
University of Illinois Total Faculty
October 1995 to 2010
State & Tuition Funds



As shown in Figure 14, the last two decades of U of I student-to-faculty ratios have increased by 35% and are now considerably larger than some peers, such as the University of Michigan and Northwestern University.

Figure 14
University of Illinois
FTE On-Campus Enrollment per FTE
Tenure-System Faculty
Fall 1983 to 2011



By FY 2011, when all this hiring is done, the campuses will be able to offer about 2,500 additional course sections per year. Faculty numbers and research activity will expand by about 12% and average class size and the student-faculty ratio will drop by about 12%. For FY 2007, the goal is to hire 100 FTE faculty, 150 teaching assistants (75 FTE) and 38 FTE lecturers and instructors at a requested funding level of \$12,200,000.

HEALTH PROFESSIONAL EDUCATION

(\$3,000,000)

Overview

▶ As the major supplier of health care professionals for the State of Illinois, the six health sciences colleges at the University of Illinois at Chicago provide a top quality education to their students as well as excellent care to the citizens of Illinois. To reaffirm this partnership in protecting the quality of health care for the people of Illinois and providing well educated health care professionals in every part of the State, UIC requests an investment by the State. This investment will also increase the volume of private and federal funds contributing to the health care infrastructure and raising the visibility of public higher education in the State of Illinois.

Applied Health Sciences

▶ UIC requests funding for the College of Applied Health Sciences to address the demand for allied health professionals in Illinois. New funds are required to rebuild the academic programs that have been affected by State budget cuts. New faculty hires will allow the College of Applied Health Sciences to accommodate students in programs with demonstrated market demand, such as movement sciences and human nutrition. Growing student demand mirrors market demand in these areas and continues to be greater than the number of slots available for each entering class. New funds will ensure that qualified allied health professionals continue to be available to enter the workforce and contribute to the Illinois health care system.

Dentistry

▶ The College of Dentistry requires faculty members who will serve as leaders in patient care operations as well as manage prevention and public health efforts. The College of Dentistry seeks funding to hire faculty in oral pathology, periodontics, endodontics, pediatric dentistry, restorative dentistry and orthodontics. Faculty members are required in oral pathology and molecular epidemiology to continue interdisciplinary efforts in the areas of tissue formation and regeneration and oral cancer. The College's efforts in these areas is collaborative, and includes the UIC Colleges of Applied Health Sciences, Engineering, Medicine and Pharmacy as well as faculty members from the University of Illinois at Urbana-Champaign.

Medicine

▶ The College of Medicine requests funding to support faculty hires in the MD and PhD academic degree programs. The Rural Medical Education Program was created in 1993 and is designed to alleviate the shortage of physicians in rural areas of Illinois. Each year, the College of Medicine admits fifteen students who pledge to return to family practice medicine in a rural area. Funds are required to sustain this effort. Additionally, the College of Medicine is also planning for an Urban Medicine Program. This program will prepare physicians to handle the unique issues that arise for patients and doctors in urban settings. These issues include the impacts of cultural and religious beliefs on physician/patient interactions, health disparities and access to health care and health literacy.

Nursing

▶ Additional faculty members are required to support the regular undergraduate, Bachelor of Science in Nursing degree program. The College of Nursing will also expand the Registered Nurse to Bachelor of Science in Nursing program and the graduate entry program for people changing careers that has a current wait list of 400. Additional on-line courses will be offered by the College of Nursing to increase access and make instruction cost effective where self-study is appropriate.

Pharmacy

▶ The College of Pharmacy requests funding to support faculty hires to restore faculty positions held vacant to meet the recent budget cuts and replace senior faculty members who are retiring. Filling these faculty positions is essential to maintaining the quality of the instructional program and meeting the State's need for trained pharmacists. Additional faculty members are required in the areas of proteomics, drug discovery and pharmacoconomics. Medicines work by targeting proteins. Proteomics is the study of the structure and function of proteins, and how those functions change throughout life stages and in various disease processes. The field of drug discovery is especially important as resistance continues to develop to medications in many infectious diseases and cancers. Pharmacoeconomic outcomes research is becoming more important as health care costs continue to escalate. Research findings about drug effectiveness are shared with policymakers and can impact which classes of drugs are covered by health insurance plans. Additionally, pharmacoeconomic research informs us of the economic impact of patient compliance with medication plans; the advisability of pursuing the importation of drugs from Canada, Europe and other areas of the world; and the benefits of proposed price controls on pharmaceutical agents.

Public Health

▶ UIC requests funding to support faculty hires in the School of Public Health. As the only fully accredited School in the tri-state area, the UIC School of Public Health is primed to help address issues of health disparities, emerging/re-emerging threats and the shortage of public health professionals. This shortage will become critical: the State Board of Health estimates that as much as 50% of the current Illinois public health workforce will be retiring within the next five years. Public Health professionals deal with globalization and the environmental changes that accompany it, increasing racial and ethnic diversity and disparity of access to health care, as well as the unequal distribution of illness and injury across different populations.

EXPANSION OF GENERAL EDUCATION PROGRAM

(\$500,000)

Overview



The initiation of the Capital Scholars program in Fall 2001 marked a major milestone in the history of the University of Illinois at Springfield. For the first time the campus had the opportunity to develop and offer a full general education program to a cohort of academically capable first-year students. The Capital Scholars program has done much to transform UIS into the type of institution envisioned in 1995 when UIS became a part of the University of Illinois. UIS serves students from the first year of college through the doctoral degree, has a reputation for excellence in teaching, faculty who are teacher-scholars and students who are engaged in a lively intellectual, cultural and social life.

At this point in its history, UIS seeks to expand the Capital Scholars program by admitting students to a general education curriculum which, though differing from the original Capital Scholars curriculum, also provides a strong foundation for upper-division study in the major. The curriculum also will facilitate the transfer of second-year students to UIS. The expansion will add approximately 500 FTE when it reaches steady state in FY 2011 and will increase access to public higher education for Illinois high school graduates. The requested funds will support faculty hires; expansion of academic support offices such as advising, financial aid, applied study and counseling; expansion of programming in student life offices; and physical enhancements to the campus appropriate to a greater number of undergraduate students.

ADDRESSING CRITICAL SOCIETAL ISSUES

(\$3,000,000)

Overview

▶ The University of Illinois at Urbana-Champaign will focus programmatic development on broad multi-disciplinary efforts that address areas of major societal concern. This will include efforts in the biosciences and biotechnology; social-behavioral science and humanities and arts fields; and fields addressing issues of energy and sustainability.

BIOSCIENCES AND SOCIETAL ISSUES

The University of Illinois at Urbana-Champaign has focused considerable effort on development of bioscience fields and has significantly expanded the biosciences infrastructure. This development of the Urbana campus will be focused increasingly toward linking its depth in basic science to critically important societal concerns associated with health, wellness and life quality. The necessarily limited capacity of the developing Institute for Genomic Biology will be greatly expanded through development of the newly formed bioengineering department and developing a significant set of distributed interdisciplinary efforts.

Bioengineering

▶ Academic programs and research that link biology and engineering are critical initiatives for the UIUC campus, with the core of the developments represented in the creation and current build out of the new Department of Bioengineering. Strengthening the biology-engineering interface through recruitment of key faculty and developing new instructional programs will contribute centrally to development of the campus' overall research capabilities for translating basic knowledge to applications important to health, wellness, security and life quality. Over the next five years, UIUC must develop the infrastructure and appropriate space to support this build out of Bioengineering.

Life Sciences, Health and Wellness

▶ Health and wellness are among the most pressing societal concerns. Academic program development that links campus units with expertise in health, biological and behavioral aspects of wellness can capitalize on demand and emerging research issues in these areas. UIUC will support the development of interdisciplinary research clusters and new curricula connecting the physical, life and engineering sciences with the social sciences to build distinctive strengths that will position the

UIUC campus for national leadership in this dimension of translational research, particularly in areas of nutrition, healthy lifestyles, disabilities and engineering applications to these areas.

**Biotechnology, Earth
Systems and Security**

▶ Investments in interdisciplinary programs at the intersection of the biosciences, biotechnology, earth systems and security will offer promise of a major impact on a range of critical societal issues, including the water supply, food safety and biohazards.

SOCIAL-BEHAVIORAL SCIENCE, HUMANITIES AND THE ARTS

UIUC has set a goal of preeminence among America's public research universities. This means the UIUC campus must have leading programs across the campus comparable to those in the physical, information and engineering sciences.

UIUC must extend its strengths in the social and behavioral sciences, humanities and art fields and the professional schools and programs. Urbana is nationally known in many of these areas and is well-positioned to move forward cross-disciplinary initiatives to amplify these strengths and have a high impact on some of the most vexing societal issues which are deeply human and community based. This will include utilizing the existing structures of Extension to leverage the efforts of faculty from departments across the campus. Programmatic developments will focus on fostering collaborative partnerships in research across the social and behavioral sciences and humanities and the arts, with linkages to the sciences and engineering where appropriate.

**Translational Social
and Behavioral
Research**

▶ Urbana has leading departments in many social and behavioral sciences, and these units collectively have enormous intellectual resources that can make a significant difference in the quality and vitality of individual and community life. Connections must be built to Extension, the arts and professional programs and expanding Extension's efforts in urban arenas. Issues of school quality, poverty and access are particularly pressing.

**Building International
Connections and
Partnerships**

▶ A critically important dimension of building preeminence is extending leadership in international programs. The UIUC campus is among the handful of leading

universities, whether public or private, in international education. The preeminent university of the future will be saturated with global connections and will have partnerships with leading institutions across the world. The University of Illinois at Urbana-Champaign will make essential investments to assure continued leadership in this increasingly important dimension of education, research and promoting economic development in Illinois.

Arts, Humanities and Technology

The arts are merging with technical fields and creating new cultural forms and new industries as entertainment and ways of relating to the world are reinvented. These transformations are remaking the arts and humanities along with their capacity for societal and economic impact. UIUC is positioned, through the presence of NCSA, a premier computer science department, and emerging initiatives, to be a national leader in the integration of technology at the center of the arts and humanities.

ENERGY AND THE SUSTAINABLE ENVIRONMENT

Urbana has been a significant driver in the information revolution that has transformed the national economy and world and is well positioned to lead in biotechnology that is the focus of this decade's most intense development. Central to preeminence, however, is anticipating the direction of change and being the leader of the waves of development that will follow. Urbana is positioning to make investments to lead in development of new energy sources to sustain our economy and environment. This will be carried out through promoting strong interdisciplinary engagements across the relevant areas of campus. Linkage of energy development with sustainability will permit new and innovative connections across areas critical to the long-term development of the UIUC campus.

P-16 PROGRAMS

(\$2,000,000)

Overview

▶ The quality of the nation's schools and their capacity to help children learn is one of the most powerful and persistent concerns of the American people. The University of Illinois has taken the lead in Illinois, bringing institutions across the P-16 Education spectrum together with concerned constituencies in government and business to assure that No Illinois Child is Left Behind.

As the University has worked to build a stronger leadership position in Illinois school reform it has focused primarily on teacher preparation and support, statewide policy issues and the mobilization of other players. It is important now, however, to consider internal programmatic needs. Proposed is a highly focused, three year initiative to strengthen capacity on each of the University's three campuses to play a more credible and powerful role in preparing highly qualified teachers and transformational school leaders. The initiative would have the following characteristics:

▼
*Achieving Tomorrow
is a highly focused,
three year initiative.*

- The plans should be embedded in the strategic vision and mission of each campus and consistent with the priorities and directions of the University overall.
- Proposed investment should be highly targeted and focused in disciplinary areas where there is the most pressing need.
- The plan should include expansion of "break-the-mold" approaches to the preparation of a new breed of school leader similar to the initiative already underway in Chicago.
- Consistent with the report of the Civic Committee Task Force, priorities should include raising the quality of the clinical aspects of teacher preparation.
- Attention should be given to strengthening campus-wide coordination of teacher preparation so as to enhance the role of disciplinary departments.
- Opportunities for collaborative programs involving multiple campuses should be encouraged.
- A separate plan for capital investment addressing long-standing space deficiencies should be developed.

While the State revenue picture remains unclear, the need for P-16 collaboration is great. Now is precisely the time to plan for a targeted P-16 initiative. Each campus, fulfilling its unique mission, makes a strong case to replenish critical faculty and staff setting a foundation for strategic growth. For UIC this involves strengthening its recognized urban leadership position in the Chicagoland area by adding mathematics, science and technology education faculty. In Springfield, the UIS College of Education and Human Services will continue to implement its Liberal Arts and Public Affairs emphases through faculty hires in Teacher Education, Education Leadership and Master Teacher Leadership. UIUC continues its tradition as a comprehensive center of education excellence by requesting faculty positions in critical areas of special and bilingual education as well as additional clinical staff.

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 to 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 English, history, philosophy, mathematics, teacher education, management information systems, computer science, mechanical engineering, public health and health professions education. Similarly, the certificate programs range from blood bank technology to firefighter certification to public health informatics. 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 are delivered entirely over the Internet. A complete list of online courses and programs available are on the U of I Online website at: <http://www.online.uillinois.edu>.

During the 2004-2005 academic year, there were more than 24,000 enrollments in over 900 online course sections offered through U of I Online. The U of I Online catalog currently lists 455 online courses and 67 online degree and certificate programs. 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 existing degree or certificate programs to an online format or creating a new online program. Program startup costs typically include faculty release time; employment of graduate and undergraduate assistants; and compensation of programmers, instructional designers and technical support staff.

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. The University of Illinois invested more than \$6.5 million in development grants to the campuses from 1997 through mid-2005. Most of the funding 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 four 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 2006 and future years, with average development costs of \$8,000 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.

INSTITUTE OF GOVERNMENT & PUBLIC AFFAIRS

(\$75,000)

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 promote cooperation and collaboration. 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 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), childcare, Medicaid financing and managed care and long-term care.

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 campuses have major strengths in the health sciences and clinical care and would like IGPA to join with other units to support the development of faculty strength in health economics, public policy and human development. Closely related to health are issues of poverty, child well being and race. IGPA will work with units on all three campuses to provide Family Impact Seminars for State policymakers on issues of family and child policy. This request would allow additional faculty positions targeted to health economics, social welfare and poverty.

Technology

▶ The world of technology is changing rapidly and affects all areas of society. The University of Illinois has world class faculty in science, engineering and biotechnology. IGPA could make a major contribution to the social, policy and ethical issues of technology by investing in faculty experts in the areas of impact of technology, law and technology assessment. Faculty positions are requested in order to develop the appropriate strength in technology policy to complement the scientific capabilities at the University.

Environment

▶ Illinois and the nation face important environmental issues concerning land use, urban sprawl, water and energy. UIC and UIUC are strengthening their capacity in environmental studies. The goal for IGPA is to provide economic, ethical and policy expertise on environmental issues. IGPA will partner with units at UIC and UIUC to provide policy briefings and workshops for policymakers on environmental policy. This request would allow for additional work on land use, urban sprawl, water resources, air pollution 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, with the “flash index” and its revenue forecasts, of sharing with State and local officials its unique faculty expertise in State level politics. Additional faculty positions would allow the Institute to expand this strength and in collaboration with UIS present additional programs for decision makers in Springfield. IGPA has a long tradition of working with State and local officials on issues of public finance and taxation. 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 future economic growth of 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 of Illinois to maintain their fine tradition of public policy research and service and to meet the challenges of an increasingly competitive environment.

ENTREPRENEURIAL EDUCATION

(\$250,000)

Overview



The University continues to evolve and expand its educational resources to support entrepreneurial activity. These programs create opportunities for both undergraduate and graduate business, life sciences and engineering students to apply their knowledge and skills to the real-world problems associated with technology commercialization. Programs that are currently being offered by the campuses include:

Hoeft Technology & Management Program



The Hoeft Technology & Management Program on the UIUC campus is a course of study leading to a University Minor in which undergraduate engineering and business majors learn together in an integrated program without sacrificing disciplinary depth in their major fields of study. The focus is on the undergraduate student. Teams of business and engineering students work together to develop comprehensive solutions to real world problems. Experiential learning and the inclusion of hands-on elements in each of the courses in the program are emphasized.

Companies need engineers who understand market forces and the financial implications of technology investment. They need business majors who understand the technical aspects of process and product development, as well as the capabilities and constraints of engineering disciplines. This program addresses these needs by providing undergraduate students a working knowledge of the fundamental elements of their cross-disciplines and the opportunity to exercise this knowledge by working together on project teams that mirror those found in most companies today.

Technology Entrepreneur Center



The Technology Entrepreneur Center (TEC) is part of the College of Engineering at UIUC. The Center's mission is to encourage innovation and technology commercialization in a three-faceted program of curriculum, research and public engagement. The Center offers on-site and online courses through the Department of General Engineering, as well as support of the MS and PhD in Systems and Entrepreneurial Engineering and certificate programs for professional development. TEC affiliated faculty members are also producing publishable research in technology innovation management.

Building on the College of Engineering's tradition of education and technological innovation, TEC has created a curriculum to educate the engineer that is interested in entrepreneurship. The College of Engineering, the Department of General Engineering and TEC are now at the vanguard of the emerging discipline known as entrepreneurial engineering. The courses offered cover a spectrum from the introductory (the "Discovery Series") to the more advanced (the "Commercialization Series").

The College of Engineering and TEC have also developed a new certificate program in Strategic Technology Management, aimed at post-graduate professionals that want to advance within an established enterprise, or simply improve their management skills.

**Center for
Entrepreneurial
Development**

▶ The Center for Entrepreneurial Development (CED) serves as a focal point and to coordinate the various entrepreneurial initiatives of the College of Business on the UIUC campus. The mission of CED is to foster entrepreneurship among University of Illinois stakeholders. It is focused on ensuring entrepreneurial success for its stakeholders by enhancing the appreciation and understanding of entrepreneurship and entrepreneurial management principles amongst the College of Business and the University of Illinois community and the educational experience of students by organizing activities that expose students to entrepreneurship, and supporting the further development of entrepreneurial curriculum at the College of Business and University stakeholders involved in entrepreneurial activities through outreach programs.

**Academy for
Entrepreneurial
Leadership**

▶ The newest addition to the University's educational programs on entrepreneurship is the Academy for Entrepreneurial Leadership. This program views entrepreneurship through social, artistic, intellectual and scientific lenses, as well as through the traditional business lens. Faculty and graduate students are supported by a variety of initiatives that encourage and nurture entrepreneurial endeavors through research and competitive funding opportunities. The agenda of Academy programs and projects is broad and ranges from customized workshops to research support to networking opportunities.

The Academy for Entrepreneurial Leadership Development was established with a \$4.5 million award in 2004 from the E. Marion Kauffman Foundation. The Academy is designed to serve as a national model to provide practical skills for students and faculty and aid in the economic development of Illinois and elsewhere. The Academy is aimed at “building entrepreneurial capacity and culture” across all departments and disciplines on campus. Among the Academy’s objectives are:

- teaching skills that will enable faculty and administrators to improve their ability to manage research facilities and intellectual property;
- encouraging PhD and professional students to establish business start-ups in such fields as medicine, engineering, fine arts, education and law; and
- bringing alumni who have started businesses to campus to mentor faculty and students

**Institute for
Entrepreneurial
Studies**



The Institute for Entrepreneurial Studies (IES) on the UIC campus has developed into a leading teaching and research center for entrepreneurship. Receiving support from the Coleman Foundation, IES has grown into a nationally acclaimed program, having been ranked among the nation's Top 10 entrepreneurship programs by Success Magazine. The mission of IES is to expand awareness and knowledge among students, entrepreneurs, professionals and academics regarding new venture opportunities, methods for creating and growing enterprises, the role of entrepreneurship, new/smaller firms in economic development and the world economy.

The UIC College of Business Administration offers a program in Entrepreneurial Studies for students interested in starting their own business or working in a small firm. Entrepreneurship is interdepartmental, drawing from expertise in marketing, management, finance and accounting to provide a solid theoretical background and a practical experience base. The emphasis in the coursework required for the certificate is on identifying business opportunities, evaluating potential markets and planning for financial and organizational needs at different stages of growth.

IES also offers a Bachelor of Science in Entrepreneurship, an interdisciplinary program that combines management, marketing, accounting, finance and information and decision sciences (IDS) to provide students with a broad

understanding of entrepreneurship. Students gain fundamental knowledge of business planning, financing, company valuation, marketing, management, information technology and consulting as they relate specifically to new ventures, small enterprises and family businesses.

IES also offers a Concentration in Entrepreneurship at the MBA level. The program includes courses and modules in venture creation, new venture finance, international entrepreneurship and others.

The University has made a significant investment in establishing a 'best of class' infrastructure to translate its technology into commercial opportunities through either direct licensing to existing industry or the formation of new companies. The educational programs described above provide not only an important foundation to support this developing infrastructure, but respond to the market need for graduates with the practical skills to contribute in the private sector.

ECONOMIC DEVELOPMENT

(\$500,000)

Overview



The University of Illinois, an internationally recognized academic and research institution with a combined campus total of over \$800 million in annual research expenditures, has established prominence in nearly every aspect of technical endeavor. To maximize the commercialization opportunities generated by this research and development engine, the Office of the Vice President for Technology and Economic Development was created. This office supports the technology commercialization complex of the University of Illinois to assure all research results with commercial potential are realized. This includes the management and protection of the University's intellectual property through the Offices of Technology Management on the Chicago and Urbana-Champaign campuses; building infrastructure for business development and early capitalization of new businesses based on University technology; and incubation facilities to support new company development in both Chicago and Urbana-Champaign.

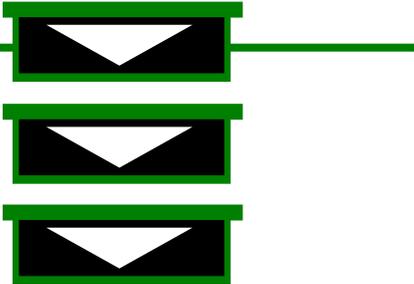
The Vice President's office has specifically engaged against improving the technology management and transfer operations of the University through the identification and implementation of best practice systems and processes for technology screening, assessing and commercialization and common protocols for commercializing technologies through start-up company formation. Through IllinoisVENTURES the support systems for new company development through best-of-class start-up services, including more sources of developmental, pre-seed, seed and early-stage investment capital continue to evolve. Effective and efficient incubator and research park facilities associated with the University and supported through the Office of the Vice President give technology-based companies from the University's Chicago and Urbana-Champaign campuses the opportunity to develop into commercially viable enterprises.

Externally, the Vice President's office is working with public and private constituencies to enhance the image, reputation and understanding of the University of Illinois as a premier change agent, powerful invention engine and dynamic source of new knowledge and innovation fostering high-tech business growth and economic opportunities in Illinois. It specifically has strived to strengthen State and local

technology business and economic development organizations/operations and entrepreneurial sectors in the regional economies where the University is located.

The requested \$500,000 in funding will support the technology commercialization infrastructure that is managed through the Office of the Vice President for Technology and Economic Development, particularly the campus Offices of Technology Management and their ever-increasing demand for patent prosecution funding driven by strong annual growth in the number and quality of invention disclosures from UIC and UIUC faculty members. This investment will position the University of Illinois to more effectively meet demands to protect intellectual properties coming from faculty and student research so these technologies can be transferred to the commercial market and in turn drive the growth of the Illinois high-tech economy while advancing the premier academic and research programs of the University of Illinois.

**ADDRESSING DEFERRED
MAINTENANCE**



OPERATION AND MAINTENANCE OF NEW AREAS

(\$3,483,510)

Campus

Levels:

UIC

(\$1,278,200)

UIUC

(\$2,205,310)



The FY 2007 request for funding of the operation and maintenance of new and significantly remodeled areas supports five new facilities on two of the three University of Illinois campuses. The total space to be supported is approximately 663,180 gross square feet (gsf). All of these facilities represent significant additions to the campuses to help support the mission of the University of Illinois and serve to provide teaching, research and support space for the campuses.

These facilities create a demand that includes above average utility and other operating costs in comparison to most other facilities throughout the State of Illinois or on other institutional campuses. The FY 2007 annual operation and maintenance new areas request is the fourth in a series which will include many high demand facilities.

As stated in past years, it must be reiterated that two of the State's policies for funding new areas are detrimental by their design. The first policy, the State's practice of funding utilities at a campus average and other costs at a statewide average creates a recurring operating deficit. Together, these losses combined with the lack of funding for certain projects contribute in total to real deficiencies that must be absorbed by the University. Due to the second policy which abolished the prior practice of fully funding new areas utilities, a facility no longer receives the funds required to pay its bills for utilities, rather it is allocated a wholly inadequate campus average cost. The resulting deficiencies contributed to the recent over expenditures of the utilities base budget, requiring reallocation of funds from programs in order for the University to pay its utility bills. Other operation and maintenance activities, as unfunded expenses, become classified as deferred maintenance. This postponement of expenditures for facility maintenance only permits problems to occur and grow larger through neglect as these facilities continue to age.

The University received no new areas support funding from the State for FY 2005 and FY 2006. The University was forced to reallocate over \$11 million to fund these unavoidable costs of new areas. However, this practice is not one that the

University can maintain without seriously infringing on the activities of its other programs. It is critical that the State support the real operation and maintenance costs of facilities that it approves for construction.

For FY 2007, the requirement to support the operation and maintenance of new facilities totals \$3,483,510. Five projects, as shown in Table 6, require either full or partial funding of the annual costs for operation and maintenance.

**Table 6
FY 2007 Operation and Maintenance
Requirements to Support New Areas**

<u>Project</u>	<u>GSF</u>	<u>Total Annual Cost</u>	<u>\$/GSF</u>	<u>Date of Occupancy</u>	<u>Months</u>	<u>FY 2007 Amount</u>
Chicago						
College of Medicine Research Building	332,000	\$5,112,801	\$15.40	Apr-05	3	\$1,278,200
Urbana-Champaign						
Alumni Center	61,784	\$ 400,760	\$ 6.49	Feb-06	9	\$ 300,570
Institute for Genomic Biology Building	179,396	1,828,425	10.19	Mar-06	8	1,218,950
Micro & Nanotechnology Laboratory Addition	44,000	778,680	17.70	Nov-06	8	519,120
State Natural History Survey Building	46,000	285,721	6.21	Dec-06	7	166,670
Subtotal						\$2,205,310
Total						\$3,483,510

CHICAGO PROJECT

College of Medicine Research Building

Located at the northeast corner of the intersection of Wolcott Avenue and Taylor Street, the new College of Medicine Research Building will provide 332,000 gsf of laboratories, research centers and research support space for the University’s medical and biotech programs. Designed to be flexible in the accommodation of space for research and the diverse backgrounds of the principal investigators, the building’s module design will continue to allow for changes as research programs are developed, executed, analyzed and completed. By supporting researchers from across the basic sciences (Anatomy, Biochemistry, Microbiology, Pharmacology and Physiology) this facility will replace outdated, inefficient and undersized laboratories, some of which are more than 70 years old. This update will also

enhance the University's ability to successfully compete for the researchers who utilize these types of programs. This facility was completed in the summer of 2005 and three months of support are requested in FY 2007 at \$1,278,200.

URBANA-CHAMPAIGN PROJECTS

Alumni Center

▶ The University of Illinois has strong alumni support with one of the largest alumni organizations in the country and count over 550,000 members as part of the association. The Alumni Association has never had a building solely dedicated to their needs and usage. The new building located at the Urbana-Champaign campus will become the corporate offices for the Alumni Association. The building is sited adjacent to the Hallene Gateway, just east of the Admissions and Records building in what is considered the gateway to the campus. Public areas will include a reception gallery, library, lounge, great room, student areas and banquet facilities. The Center also includes offices, conference rooms and support space for the association activities. The 61,784 gsf facility is scheduled for completion in February of 2006 with nine months of new areas support requested at \$300,570. This facility is a University facility and not an Urbana-Champaign campus building.

Institute for Genomic Biology Building

▶ The mission of the Institute of Genomic Biology is to advance life sciences research and to stimulate bioeconomic development throughout the State of Illinois. The Institute will focus its mission of advancing life science research and bioeconomic development into eight thematic areas which fall under one of the three program areas of systems biology, cellular and metabolic engineering and genome technology. Those eight research themes are as follows; biocomplexity, genomic ecology of global change, genomics of neural and behavioral plasticity, host-microbe systems, mining microbial genomes for novel antibiotics, molecular bioengineering of biomass conversion, precision proteomics and regenerative biology and tissue engineering. Each of the thematic areas will be supported by a cluster of core facilities, including animal care rooms, plant growth chambers, microfabrication facilities, microscopy suite and bioinformation area. The administrative "gatehouse" will house conference facilities, teaching laboratories, outreach center and food service facilities. This 179,396 gsf building is scheduled for completion in the spring of 2006 with eight months of new areas funds requested in FY 2007 equaling \$1,218,950.

**Micro &
Nanotechnology
Laboratory
Addition**

▶ At present, the Micro and Nanotechnology Laboratory is one of the finest university-based advanced semiconductor research facilities in the United States. The 88,000 gsf building, which opened in 1989, includes classroom space, clean room and general purpose laboratory space. The mission of the lab is to create, support and sustain an environment to facilitate advanced research in photonics, microelectronics, nanotechnology and biotechnology for the benefit of the University community, State of Illinois and society as a whole. The merging of long-standing expertise in optoelectronics with developing expertise in nanotechnology and biotechnology presents new challenges and new opportunities for increased multidisciplinary research in the Micro and Nanotechnology Laboratory. To pursue these emerging interdisciplinary research opportunities in nanotechnology, optoelectronics, biotechnology and microelectronics, faculty and students must have additional high quality laboratory space. The expansion of the Micro and Nanotechnology Laboratory will accommodate research efforts in the areas of optoelectronics and photonic systems, microelectronics for wireless communications, microelectromechanical systems and nanobiosystems. The new addition will add up to 44,000 square feet of space to the building providing offices for faculty and students, a clean room for bioprocess, general purpose laboratories and an auditorium. Slated for completion in November of 2006, eight months of support are requested at \$519,120.

**State Natural
History Survey
Building**

▶ The Illinois Natural History Survey has been the guardian and recorder of the biological resources for the State of Illinois since 1858. With a presence on the Urbana-Champaign campus for over 100 years, the Survey investigates and documents biological resources of Illinois and other areas to provide natural history information that is used to promote the common understanding, conservation and management of these resources. This new facility constructed on the South Campus in the Research Park totals 46,000 gsf. The building will provide offices, laboratories and storage areas for the Survey's specialized biological collections along with library space. This building is part of a larger plan to create a Survey campus in the Research Park. Slated for completion in December of 2006, seven months of support at \$166,670 is requested.

FACILITIES RENOVATION SUPPORT

(\$6,000,000)

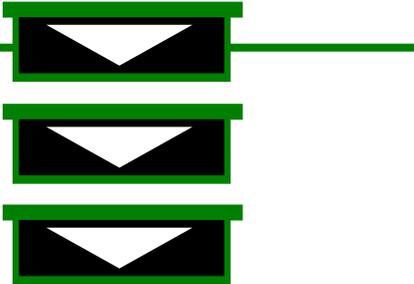
Overview

▶ Stated most simply, physical facilities are a critically important component of the academic support structure necessary to conduct instructional, research and service activities in any institution of higher education which in turn is critical in attracting top-quality faculty, staff and students. Academic facilities constructed and operated with State funds for the University of Illinois have a replacement cost of over \$5 billion. Most of these facilities were built to “institutional standards” in construction materials and techniques, meaning that with proper maintenance and regular replacement of components which have exceeded their useful lives, the facility can have a nearly infinite life. Toward this end, the University has attempted to create a consistent funding source to service its facilities infrastructure. Attempts starting in FY 1998 met with limited success but that trend came to an abrupt halt in FY 2003 as support was not possible due to the State’s dire fiscal situation. Steady and sustainable revenue streams are crucial to maintain the University’s physical assets. When this does not occur, maintenance items slip from the regular maintenance category into the deferred maintenance category; only those items needing the most immediate attention are funded. Through a detailed facility condition audit the University has determined a backlog of over \$600 million in deferred maintenance projects. It is crucial to continue to build on the base of \$7 million that constitutes this fund in order to stem the tide from this ever increasing maintenance burden. A variety of University of Illinois programs are today housed satisfactorily in buildings more than 100 years old and that experience can continue if adequate facilities funds for maintenance and renovation are available. Even in severely constrained economic times, some attention must be given to long-term as well as immediate needs.

For FY 2007, the University seeks \$6 million in operating funds to augment the larger deferred maintenance program. This program relies on funds from the operating budget, capital appropriations, internal reallocations and a special debt issuance targeted for release in FY 2006. The plan seeks to not only stop the growth of deferred maintenance items but eventually begin the reduction in this significant backlog. These operating funds coupled with those in the capital budget request will slow the growth in deferred maintenance needs by increasing expenditures to \$75

million by FY 2022 which is crucial to the continued attention to the attrition of deferred maintenance. Additionally, this plan will initiate a more comprehensive review of all capital projects to ensure the most efficient use of both operating and capital budget resources. Where opportunities are present in remodeling, renovation or programmatic projects they will be leveraged with the deferred maintenance components to garner an economy of scale for a comprehensive project delivery program for the University.

**MEETING INFLATIONARY
COSTS**



OTHER PAYROLL COSTS

(\$1,700,000)

Overview



The University has faced increasing requirements for specialized payroll-related expenditures without receiving commensurate funding to cover them. Payouts for federally mandated Medicare contributions have placed additional stress on the University's budget in recent years. While some of the extreme stress on Federal Medicare has been relieved through four years of major reallocation, pressure remains on Workers' Compensation and, to a lesser degree, Social Security contributions. Currently, the University is required by federal law to match new employees' contributions to Medicare and for certain employees, to Social Security. Additionally, board legal liability claims continue to escalate. Increases in funding are essential to provide for these unavoidable expenditures.

MEDICARE AND SOCIAL SECURITY CONTRIBUTIONS – \$300,000

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



Medicare cost increases present mandatory, unavoidable budget requirements.

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

Since FY 1987, expenditures have grown at a rapid rate with double digit increases in 8 of the past 16 years; a result of the changes in Social Security requirements and the turnover of those employees exempt from Medicare requirements. Although appropriations for these costs also have increased, they have been insufficient in meeting actual needs. Table 7 details annual appropriations and expenditures along with each year's percentage growth rate.

Table 7
Appropriations and Expenditures
for Medicare and Social Security Costs
(Dollars in Thousands)

Fiscal Year	Appropriations	Expenditures	% Change in Expenditures
1990	\$1,718.0	\$1,740.5	0.0%
1991	1,718.0	2,261.7	29.9%
1992	2,743.7	3,323.5	46.9%
1993	3,473.7	3,644.0	9.6%
1994	3,492.0	4,277.3	17.4%
1995	4,417.3	4,850.0	13.4%
1996	5,967.3	5,982.0	23.3%
1997	5,967.3	6,086.6	1.7%
1998	6,141.5	6,267.3	3.0%
1999	6,302.7	6,754.1	7.8%
2000	6,491.8	7,589.9	12.4%
2001	6,686.6	8,589.7	13.2%
2002	6,887.1	9,753.7	13.6%
2003	9,037.1	10,009.3	2.6%
2004	10,037.1	10,275.7	2.7%
2005	10,037.1	10,532.6 (est.)	2.5%
2006	10,037.1	10,795.9 (est.)	2.5%

The FY 2005 appropriation is \$10,037,100 for the combined Medicare and Social Security requirements. In FY 2006, expenditures are expected to continue to rise. An increment of \$300,000 is requested for the FY 2007 appropriation. Because it is a federal mandate, this is truly an unavoidable increase for the University.

WORKERS' COMPENSATION – \$900,000

The University of Illinois, unlike other universities or State agencies whose claims are handled through the Illinois Department of Central Management Services, receives a direct appropriation for payments of Workers' Compensation claims to University employees. Table 8 details the State appropriation to the University compared to actual expenditure claims. In the last thirteen years, the University has been forced to reallocate funds to cover increased claims. In addition, the Workers' Compensation Reform Act of 2005 is conservatively estimated to increase annual expenditures by an additional 5%. Strenuous efforts to control costs have helped

reduce the impact of cost increases, but the University continues to face growing exposure in this area.

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

Fiscal Year	Appropriations	Expenditures	% Change in Expenditures
1990	\$1,670.2	\$2,343.9	0.0%
1991	2,685.0	2,665.0	13.7%
1992	2,087.9	2,087.9	-21.7%
1993	2,193.5	2,193.5	5.1%
1994	2,986.3	3,001.1	36.8%
1995	2,986.3	3,291.0	9.7%
1996	2,986.3	4,258.6	29.4%
1997	3,365.0	3,598.9	-15.5%
1998	3,365.0	3,727.0	3.6%
1999	3,466.0	3,686.8	-1.1%
2000	3,466.0	3,727.1	1.1%
2001	3,570.0	3,713.1	-0.4%
2002	3,570.0	3,689.3	-0.6%
2003	3,570.0	4,622.3	25.3%
2004	3,570.0	5,462.7	18.2%
2005	3,570.0	4,815.1	-11.9%
2006	3,570.0	5,296.6 (est)	10.0%

For the last several years, the University has utilized an actuarial firm to establish an appropriate level of funding for Workers' Compensation. The firm's methods for estimating projected claims and resulting outlays have proven to be very accurate. The impact of new Illinois legislation—the Workers' Compensation Reform Act of 2005—will not be fully known until the close of FY 2006. However, an increase in costs of 10% is anticipated. Actuaries have projected payments for FY 2006 to be \$5,296,600 and when compared to the State appropriation leaves a shortfall of just over \$1.7 million. The University has created extensive programs, charge backs and incentives to control and reduce costs in the last several years. Even with the success of these programs, additional resources are required. For FY 2007, \$900,000 for workers' compensation is requested.

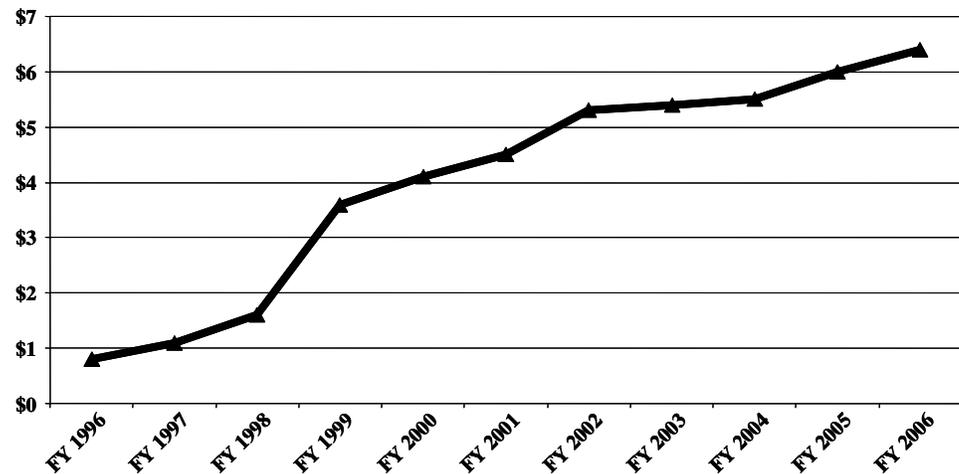
LEGAL LIABILITY – \$500,000

Following national trends, all forms of legal liability claim experience at the University of Illinois is deteriorating. Awards of the court are hitting new highs; claims are requiring more dollars to effect settlement. The Cook County venue is one of the most litigious in the country; awards and settlements are among the highest. These facts are given consideration by both the actuary and the insurer. The University of Illinois maintains a comprehensive liability self-insurance program to cover the cost of claims made for bodily injury and personal injury. By far the largest exposure to the University is in the Board Legal Liability area, where claims are made for personal injury. Personal injury includes claims of discrimination, wrongful termination, civil rights violations, failure to educate, etc. The funding costs for the General and Board Legal liability programs has escalated from \$0.6 million to \$6.4 million during the period FY 1996 to FY 2006. This marked increase is due to:

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

Using the funding requirements of the past several years as an indicator, it is expected that funding needs will continue to increase into the near future, as shown in Figure 15. All funding requirements are based on annual actuarial review.

Figure 15
Legal Liability
(Dollars in Millions)



Loss control for Board Legal liability is difficult; the type of claim is varied, the source of claims is scattered and the frequency is low, but costs can be high for a limited number of claims. Current loss control programs are general in nature, with peer-to-peer dispute resolution being the most recently initiated program. The University has approximately 28,000 FTE employees and 70,000 students. An average of 20 to 50 claims are filed each year, a frequency less than .01%.

For FY 2005, the University allocated \$6 million to the Legal Liability fund and in FY 2006, the University allocated \$6.4 million. The University will continue to attempt to control the acceleration in costs arising from this area through training, awareness and by improved procedures. In response to the large exposure employment practices claims presents to the University, a committee was formed to evaluate this issue. The committee included experts in Legal Affairs, Risk Management, Actuarial Science and representatives from units with the highest exposure. The University has implemented a variety of risk awareness and loss control recommendations based on the report of the committee. However, as costs do continue to rise, the University is requesting \$500,000 for General and Board Legal Liability funding.

PRICE INCREASES

(\$11,445,100)

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 nearly \$48 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 2.7% 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 \$47.8 million since 1990.

- Utilities Price Increases

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

- Library Price Increases

Price increases for library acquisitions have been particularly severe in recent years, far outpacing general inflation. As more information resources become available in electronic formats, a significant additional financial burden is placed upon the libraries. In each of the last four fiscal years, when inflationary increases ranged from 8% to 12%, the Libraries received no new State dollars to support increases in library material prices. Without additional funding, the Libraries of the University of Illinois are struggling to maintain the current quality of their collections and service levels appropriate to students and faculty.

- Information Technology Price Increases

The University requests funding to keep pace with expected technology price increases. Administrative software costs have increased by 7% per annum since 1991. Growth in network usage is soaring, usage of Learning Management Systems and demand for high-tech classrooms is increasing. The University is struggling to maintain technology resources despite constrained or flat budgets.

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

GENERAL PRICE INCREASES – \$3,378,000

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.

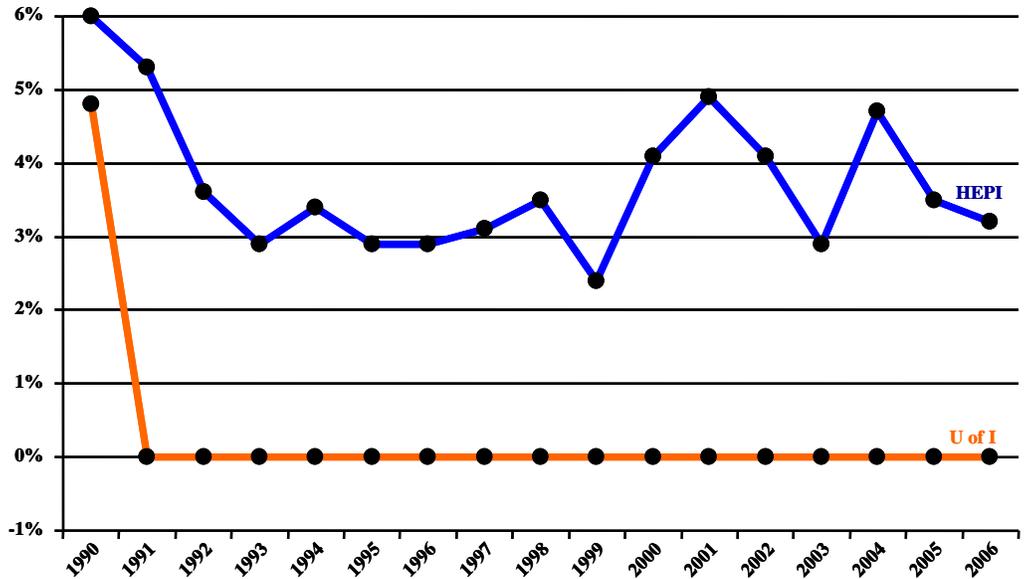
The diversity of University activities suggests that no single market indicator can adequately predict the effect of price increases on the University as a whole. For the purpose of the general price increase request, three inflationary measures are presented to assess the impact of price increases on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

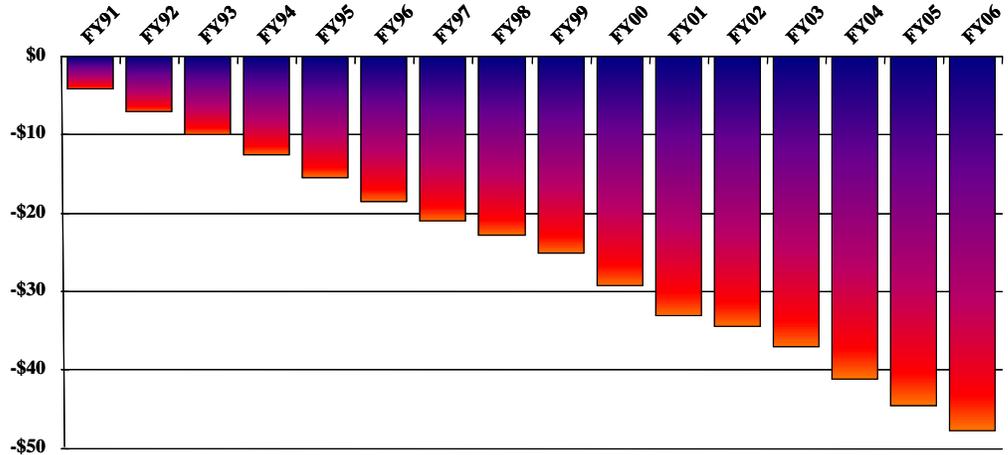
general price increase funding in the past sixteen years, the last one being in FY 1990. In FY 1990, the general price increase did not exceed the Higher Education Price Index, as shown in Figure 16.

Figure 16
Annual Inflation Increases
versus General Price Increase Appropriations



Budget recisions and reductions in FY 1988, FY 1992, FY 1993, FY 2002, FY 2003 and FY 2004, combined with zero general price increase support since FY 1990, have seriously eroded the academic support base of goods and services which underpin the University’s instructional and research activities. While internal reallocation have been used to cover unavoidable increases in the most pressing of these goods and services, the University’s academic support base has been seriously eroded and now has reached a gap of \$47.8 million, as measured against the Consumer Price Index shown in Figure 17.

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

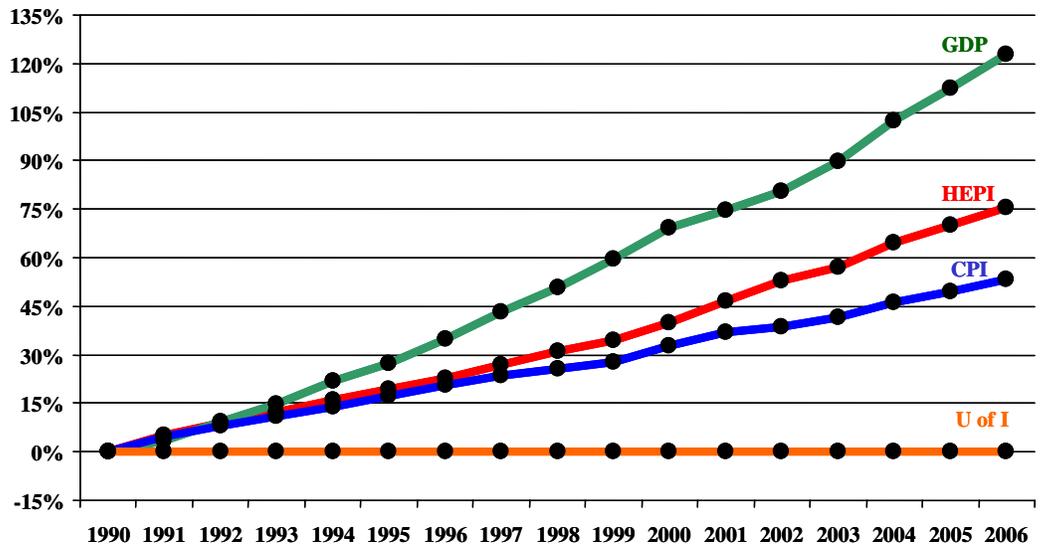


Based on materials included in General Price Increase.

▼
The loss in purchasing power for general goods and services has reached \$47.8 million in the current year.

A review of the widening gap between inflation and University appropriations is displayed in Figure 18. This graph illustrates the wide disparity between actual general price increase appropriations to the University and inflation levels as estimated by Gross Domestic Product (GDP), CPI and HEPI indicators for FY 1990 through FY 2006. The University estimates FY 2006 and FY 2007 increases of 2% to 4% (CPI and GDP indices).

Figure 18
Cumulative Inflation Increases
versus General Price Increase Appropriations



For FY 2007, the general price increase segment of the budget request seeks to obtain funding sufficient to halt further losses to inflation. Based on this, a general price increase of 2% or \$3,378,000 is sought.

UTILITIES PRICE INCREASES – \$5,484,800

The expected utilities funding requirements for FY 2007 are expected to require an increase of approximately 7.7%, a \$5,484,800 increment above the FY 2006 direct utilities base for all the campuses of the University of Illinois system. In recent history, the base budget for utilities has been insufficient to cover the expenditures incurred during the year to heat, cool, power, light and serve the water and sanitary needs on all three University of Illinois campuses.

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

The Abbott Power Plant at UIUC is capable of operating on three fuels: coal, natural gas and #2 fuel oil. Coal and natural gas are the primary fuels with fuel oil used as a backup to natural gas. Coal is the most economic fuel on a per million BTU basis at a price of \$1.50 to \$2.00 per MMBtu, and is utilized to the greatest extent possible. However, it is also the most expensive fuel to use operationally. The plant has been designed in concert with the chilled water plants to reduce summer electric peaks. While two of the chilled water plants are solely electric, the newest and largest chilled water plant utilizes steam, which has an excess summer capacity to run turbines designed to operate large industrial chillers. The three chiller plants are interconnected for maximum operational reliability and efficiency.

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

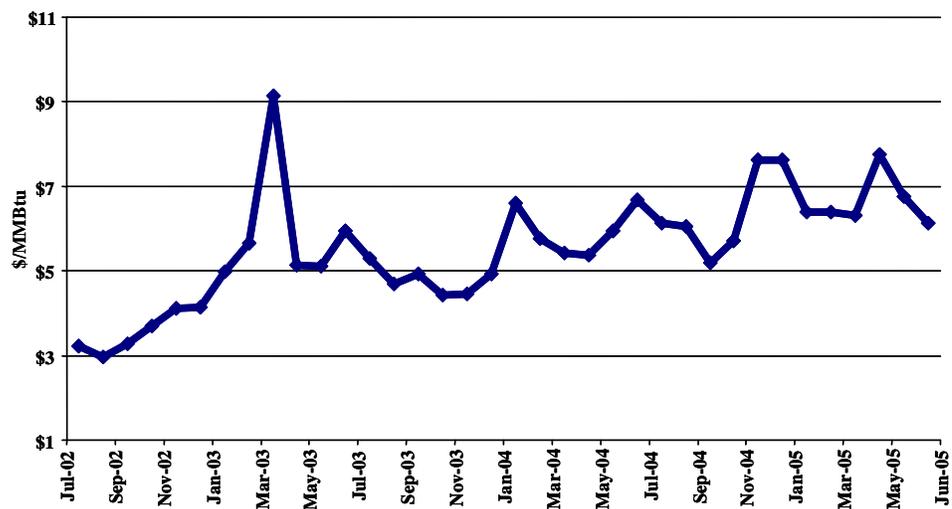
plant generates steam for heat and electricity through cogeneration. While cogeneration is also used on the east side for heating and electric production, a system of high temperature hot water is the method of heat production. The heating and cooling distribution systems are isolated between the two sides, however for electricity, the campus sides are electrically connected at one interface point to the local utility for backup. Natural gas is the primary fuel with #6 fuel oil capabilities as back up for heat generation. As authorized by State statute, the University has for more than a half century sold steam generated on the west side of the UIC campus to serve a number of customers, including St. Luke's Presbyterian Hospital, a part of the Cook County Hospital, the Medical Center of the Veteran's Administration and a number of State of Illinois health services that are located throughout the nearby area.

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

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

One of the major drivers of the utilities budget deficiency is the price of natural gas as well as fuel oil. As shown in Figure 19, its pricing volatility is well-represented in the swing from the low of July 2002 to the high of March 2003 when the NYMEX closing price was over \$9 per MMBtu, a threefold price increase. March 2003 was a month when fuel switching capabilities at the two main campuses were exploited to maximum capacity to help alleviate some of the potential costs of this high price. Natural gas is currently well over \$7 per MMBtu and continues to climb. Since the deregulation of natural gas more than a decade ago, its pricing has become more and more volatile. As one may expect, the high peak price periods in Figure 19 correlate with the fiscal years in which multi-million dollar shortfalls in the budget for utilities have been experienced.

Figure 19
NYMEX Natural Gas Settlement Prices
FY 2003 to FY 2005



Fuel oil is also essential to utility operations on all three campuses and recently peaked over \$60 per barrel, where the price continues to remain and is not expected to waiver much in the near future. It is expected that high prices will remain and peak again during the next few winters. Nationwide concerns for the deliverability of adequate supplies of natural gas, heading into the heating season of FY 2006, are at an all-time high resulting in record high seasonal prices, even in the periods of lower demands. Production efforts have been increasing as measured by recent Energy Information Administration projections, but the long-term outlook on adequate reserves is not promising.

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

In conclusion, based on the forecasted cycles of natural gas and fuel oil prices, plus the structural deficiency in available utility funds, it is necessary that the University request a utility increment. The University asks that the State contribute to the University's efforts to close the gap between the utilities budget and the utilities expenditures. This will require a budget increment of \$5,484,800 for FY 2007 to provide for required increased allocations for all three system campuses.

LIBRARY PRICE INCREASES – \$1,982,300

The Libraries of the University of Illinois request a 10% increase in their materials budgets to provide for the quality collections and information resources that support the scholarship, research and teaching of students, faculty and researchers at the University and throughout the State. In each of the last four fiscal years, when inflationary increases ranged from 8% to 12%, the Libraries received no new State dollars to support increases in library material prices. In FY 2005, the Library at the Urbana-Champaign campus (UIUC) cancelled over \$500,000 in journals and is expecting to cancel a comparable amount in FY 2006 to stay within its collections budget. In FY 2006, the Library at the Springfield campus (UIS) will cancel nearly \$50,000 in journals and electronic resources. While this may seem like a small sum, it represents 5% of the library's total materials budget. Disciplines that rely on publications from Western Europe must also deal with the diminished value of the US dollar against the Euro. In these areas, including global resources and many areas of the humanities, a combined 20% to 25% inflation and devalued dollar impact is not uncommon.

Over the last several years, the Libraries have inaugurated a program to enhance the development of their collections with some of the electronic materials now routinely expected by faculty and students, and essential for students in online degree programs. These materials include many essential full text journal articles, electronic books and reference guides, additional abstracting and indexing services and new collections of electronic primary resource material. The accessibility of electronic material is essential for distance education programs and their searching capability makes them critically important in numerous disciplines. Electronic journals average between 10% to 30% more in cost than their print equivalents with costs regularly inflating at an average of 10% to 12% each year. When the Libraries cannot afford to license the material, they rely on access through an inter-library lending agency, the cost of which can average \$35 to \$50 per article to provide to users.

New electronic versions of many periodical titles, offered in addition to print versions, present additional challenges. Often, the versions differ, and in only a very few cases are electronic versions archived reliably enough so we can be confident

that they will be accessible in the future. However, most users prefer electronic versions for access to current issues. In an effort to retain electronic access to information, the Libraries are making the difficult choice to cancel print versions to have enough money to safeguard the online access. The UIUC Library has led a Committee on Institutional Cooperation (CIC) program to retain within the CIC, a single print archive of the publications of important journal publishers. Nevertheless, in many disciplines the Libraries finds themselves abandoning this long-held commitment of stewardship to our scholars for now and the future. The UIUC Library recently cancelled its \$17,000 subscription to Encyclopedia Britannica Online to balance the budget for electronic resources. Though it is considered by many to be a core reference source, this resource is no longer affordable when so many other reference needs exist. Inter-library loan provides an increasingly more important part of collection services as the Libraries are more and more unable to meet the immediate needs of our faculty and students.

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

The Library at Chicago (UIC) serves the largest University in the Chicago area, as well as tens of thousands of students and faculty from other colleges and universities in the city and beyond. It holds 7.8 million items. The UIC Library of the Health Sciences is one of the largest medical libraries in the nation and is designated by the National Library of Medicine as the regional medical library for ten states from Kentucky to North Dakota. UIC's special collections include a wide range of research materials, with emphasis on the history of Chicago. These include the Jane Addams Memorial Collection; the 10,000-item Lawrence Gutter Collection of Chicagoana; the R. Hunter Middleton Chicago Design Archives; the corporate archives of the Chicago Board of Trade; records of the Century of Progress International Exposition (1933-34); the Midwest Women's Historical Collection; and the Chicago Urban League. Recent additions include the papers of Richard J. Daley and the 500,000 images in the "Chicago in the Year 2000" (CITY2000) Collection.

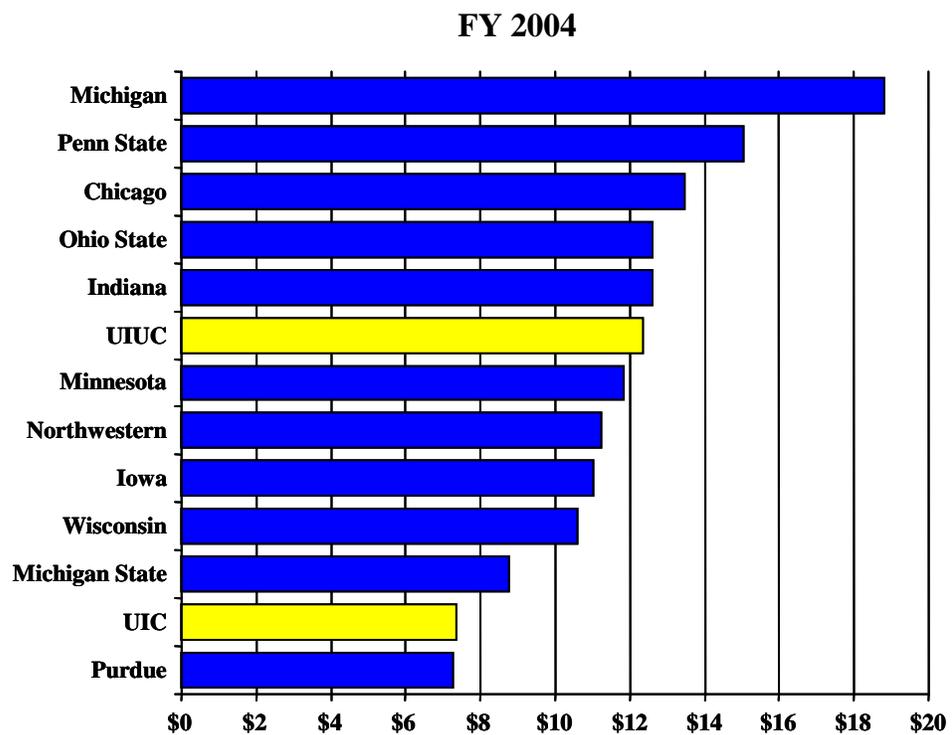
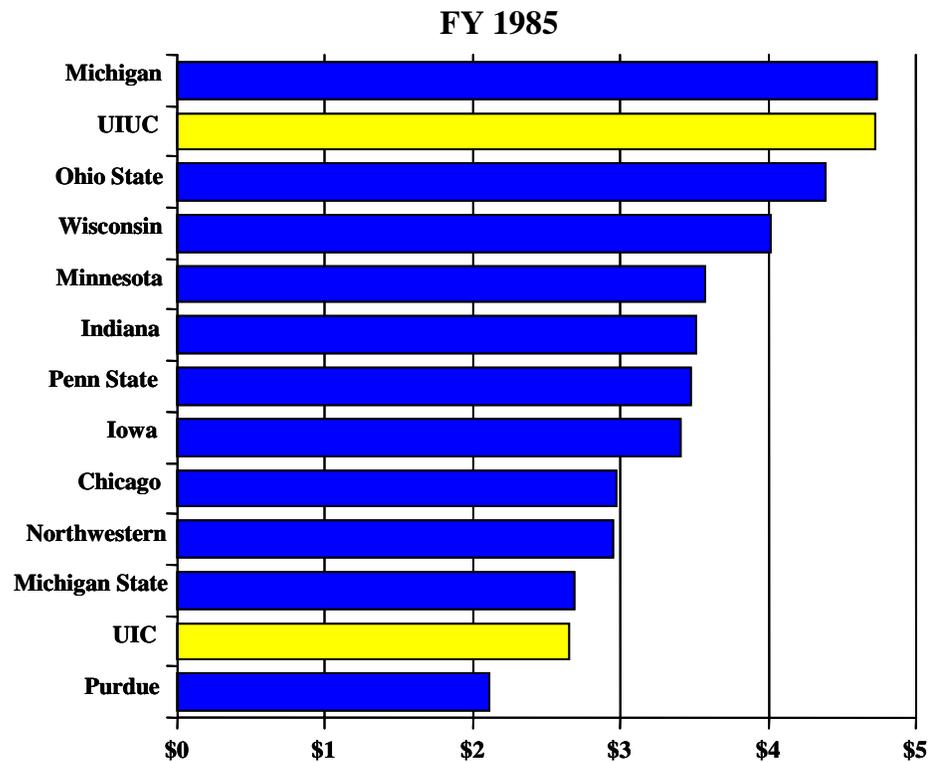
The Library at UIS supports students with a collection numbering 530,492 volumes; 2,266 periodical subscriptions; 3,713 films, videotapes and DVD's; 1,854,482 microforms; and over 200,000 government publications. Twenty percent of enrollments at UIS are now online and the library has been aggressive in purchasing electronic resources to meet the needs of these distance education students. Due to the public policy focus of UIS and its location in the State capital, the UIS Library also serves as a resource for State government agencies. The UIS Library's special collections unit houses an oral history collection containing interview tapes and transcripts (recently digitized) from more than 1,200 persons whose memories touch on important themes in the social, economic and political history of the State. The UIS Archives is the location of an Illinois Regional Archives Depository, collecting county and municipal records from 14 central Illinois counties in support of research focusing on local history and genealogy.

The UIUC Library is a major educational and cultural resource and a critical investment for the University and the State of Illinois. Many of the dividends that the University of Illinois gives back to the citizens of this State are realized because of the collections and information resources that the Library provides. The Library plays an important role in Illinois by providing materials and information services to citizens of the State, both onsite and through their local libraries. It also serves the global community, frequently functioning as the host to visiting scholars from

around the world who come to use the Library's rich resources. Its collections have been instrumental in developing and supporting research and scholarship in many crucial areas that keep the State of Illinois economically vigorous, including agriculture, post-genomics and biotechnology, engineering, the arts and social policy. Strong and unique collections have long been a hallmark of the UIUC Libraries. With a collection of more than 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, emblem books, engineering, mathematics, music and Slavic languages and literature attract and support the work of distinguished faculty and students as well as scholars from around the world. Special collections, including holdings on Carl Sandburg, James B. Reston, John Milton, William Shakespeare, Marcel Proust, H.G. Wells, Mark Twain, John Phillip Sousa and Shana Alexander further enhance the Library's unique importance to scholars.

The cost of purchasing materials in traditional and electronic formats continues to rise annually at rates well above the Consumer Price Index. Major factors for continuing double-digit price increases include increasing output from the world's scholars, increasing control of the market by commercial publishers and the demand for electronic materials to which perpetual access is not assured, thus requiring continuing simultaneous purchase in print formats. These increasing prices, coupled with inconsistent collection funding over the past twenty years, have seriously comprised the quality of the Libraries' collections. Among the members of the Association of Research Libraries (ARL), the UIC and UIUC Libraries materials expenditures declined. The UIUC Library's rank dropped from 8th in FY 1985 to 19th in FY 2004, while the UIC Library declined from 64th in FY 1988, the first year the UIC Library became an ARL member, to 66th in FY 2004. Figure 20 shows the Committee on Institutional Cooperation (CIC) Libraries materials expenditures in FY 1985 compared to FY 2004. In FY 1985, the UIUC Library materials expenditures ranked second among the thirteen CIC member libraries, by FY 2004 UIUC's position fell to 6th, dropping below both Ohio State and Indiana in material expenditures dollars by approximately \$270,000. The UIC Library retained its FY 1985 CIC ranking in FY 2004 as a result of reallocated funds from the campus.

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



The special value of the Libraries' collections lies in the unique strengths of their holdings for students, scholars and users throughout Illinois, the nation and the world. Now and in the future, continuing and stable financial support is critical to fulfill the educational and scholarly needs of the campuses, to enhance access to collections in other libraries, to exploit the potential of electronic information and to fulfill their role as the Libraries of last resort for the citizens of Illinois. To meet these challenges successfully, the Libraries require an increase of 10% in FY 2007 to offset the damaging effects of zero price increases over the last four years, the inevitable continued inflation, the need to keep pace with the demands of their users and recovery of a small portion of the ground lost over the past twenty years.

INFORMATION TECHNOLOGY PRICE INCREASES – \$600,000

The University requests funding to keep pace with expected technology price increases. Insufficient funding requires the University to either reallocate already limited internal resources or reduce the scope of academic support, either of which inhibits efforts to enhance quality academic programs and services. Typically technology price increases may be broken into software hyperinflation, network demand and increased education-related demand.

- Software hyperinflation
Administrative and general use software typically increase at rates that exceed inflation, yet non-personnel budgets have remained flat or decreased over the same time period.
- Network demand
While this picture differs among the campuses comprising the University of Illinois, growth in usage of networks has soared, despite constrained or flat budgets. This increased load under flat budgets means a necessary decrease in reliability and performance from prior years.
- Increased education-related demand
Use of Learning Management Systems (LMS) to support courses at the campuses is increasing overall. Also, demand for high-tech classrooms is increasing. As with network and LMS usage, specific needs for high-tech classrooms with video projection, sound systems, etc., varies across the campuses comprising the University of Illinois. Demand for general IT resources for faculty and students, such as increased e-mail and storage support, is also increasing.

Administrative software costs have increased by 7% per annum since 1991; software that cost \$100 in 1991 on average will cost \$258 this coming academic year. In FY 2005 the virus protection software contract renewal increased by 18.3%.

Over the past 10 years, the UIC campus network has gone from about 3,500 IP addresses to 40,000 IP addresses.

With the addition of the Capital Scholars program, the opening of University Hall with smart classrooms and computer labs and new campus residential apartments at UIS, internet bandwidth usage has increased over 120% in the past four years. UIS has about 5,000 registered IP addresses.

At UIUC internet bandwidth usage has increased by 20% in FY 2004 alone. Although residence halls pay directly for their usage, the campus generally encourages unconstrained academic use and UIUC is anticipating similar usage growth for FY 2005 and FY 2006. Similarly, the number of active connections that academic units add to their departmental networks increases every year (34,000 connections in FY 2002, 42,000 in FY 2003, 55,000 in FY 2004). All indications point to increased connections as the Campus Network Upgrade Project moves forward, removing previous limitations. Over 150 campus buildings are being upgraded to modern wiring infrastructure, and currently about 2.5 new network jacks are being installed for every previously installed jack. This increase in the number of jacks creates a substantial rise in the number of registered IP addresses. There are now 89,000 registered IP addresses that could be activated at any time.

For FY 2005 64 online courses have been created using the Learning Management Systems. For FY 2005 89 smart classrooms have been established at UIS.

At UIUC, course registrations in the campus supported course management systems exceeded 80,000 per semester in FY 2005. Registrations are anticipated to grow by 18% in FY 2006 and by more than 35% over the next three years after which growth is expected to level out. When the current round of classroom installs and upgrades ends in August 2005, each general assignment classroom with 50 or more seats will have video projection and sound systems that can be used for computer multimedia, driven by either a resident or laptop computer brought in by the instructor.

Classroom usage is generally high, especially in rooms with 60 to 110 seats. Demand for these classrooms has exceeded supply with scheduling receiving requests for these classrooms that cannot be satisfied.

UIUC is also seeing a demand for more e-mail and central storage as the campus increasingly relies on these tools for conducting day-to-day work. Although the number of accounts has remained steady, each account will require substantially more storage. Current expectations are for increases of up to 500%.

For FY 2007, the information technology price increase segment of the budget request seeks to obtain funding sufficient to halt further losses to inflation. Based on this, an information technology price increase of 5% or \$600,000 is sought.

STATEWIDE PROGRAM



ILLINOIS FIRE SERVICE INSTITUTE

(\$78,100)

Overview

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

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

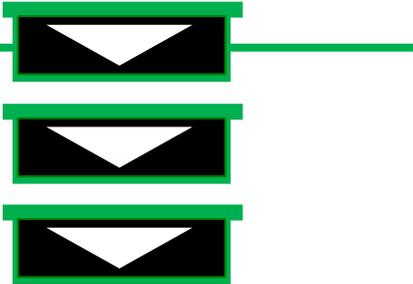
- To conduct programs of training and education for paid and volunteer fire fighters and officers on campus, and at regional and local sites throughout Illinois.
- To provide adequate teaching and training facilities for the Institute.
- To permit program growth and improvement.
- To conduct action-oriented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

For the past 81 years, the University of Illinois has provided training for the State's Fire Fighters and Officers. Programs are offered in fire fighter training, hazardous materials, rescue, industrial fire fighting, arson investigation and prevention. About 80% of the courses are taught in the field, with the other 20% taught on the University of Illinois at Urbana-Champaign campus. Attendance at the Institutes' programs annually averages over 40,000 enrollments, 450,000 student instructional hours and over 1,000 classes reaching career and volunteer firefighters in virtually every county in Illinois. Since the formation of the Illinois Terrorism Task Force (ITTF) in 1999, IFSI has been co-chair of the ITTF Training Committee and receives substantial grant funding to deliver homeland security training to first

responders statewide. Approximately 70% of the State's fire fighters are volunteers, or paid-on-call, and of these, there is roughly a 20% turnover rate. Coupled with new hazards and technologies, the need for ongoing fire training for new personnel, continuing personnel and the communities remains critical.

Based upon a statutory formula providing a one-eighth share of the revenue to the Fire Prevention Fund to the Institute, it is estimated that an increment of \$78,100 is required for FY 2007.

**MEDICAL PROFESSIONAL
LIABILITY INSURANCE**



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

Overview



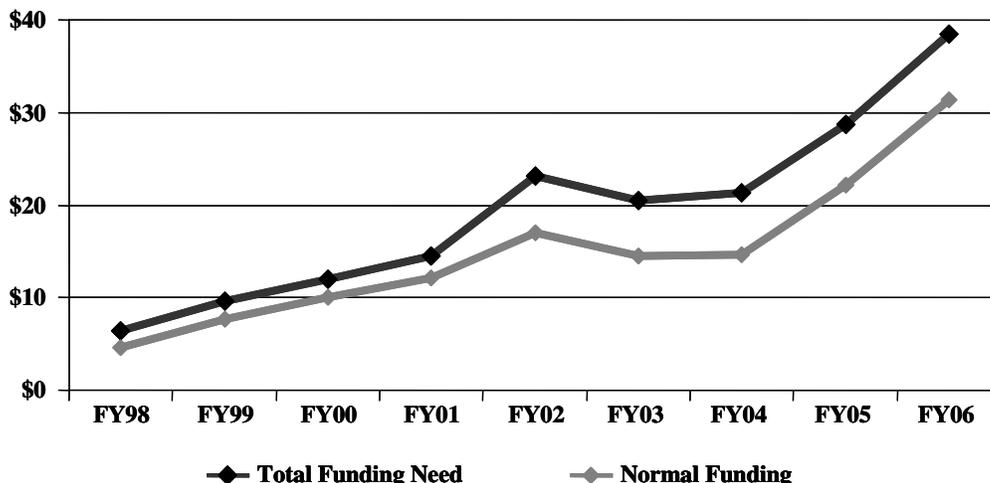
Nationally the substantial increase in costs associated with medical liability continues. It is rare that a week goes by when an article about escalating malpractice costs is not in a local newspaper. Various reform proposals have included caps on damage awards but the issue of balancing a patient's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

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

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

The total funding requirement for the Hospital/medical professional liability self-insurance program has increased 500% since FY 1998 increasing from \$6.4 million to \$38.5 million in FY 2006. Normal funding (the projected, future cost for claims incurred in the upcoming year) has steadily lost ground since FY 1996. Both the "total funding requirement" and the "normal funding requirement" are discounted to recognize the time value of money and the long time required to effect closure. Figure 21 shows medical malpractice funding trends.

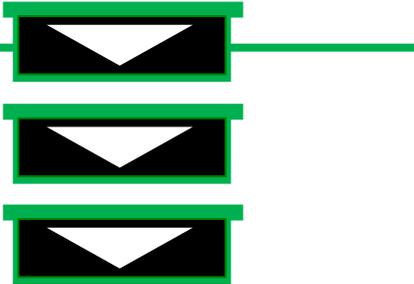
**Figure 21
Medical Malpractice
FY 1998 to FY 2006
(Dollars in Millions)**



In FY 2005, there were 18,116 hospital discharges and 437,493 outpatient visits. During the same period in excess of \$21 million was paid by the University to settle 12 claims. In addition to the amounts paid by the University of Illinois, excess insurance carriers paid an additional \$25 million on those claims.

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

**STATEWIDE ECONOMIC
DEVELOPMENT**



TECHNOLOGY COMMERCIALIZATION

(\$3,000,000)

Overview



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

The \$750,000 in dedicated State grant funding through the Illinois Department of Commerce and Economic Opportunity coupled with \$1.25 million in University institutional support funded VENTURES in FY 2006 for technology commercialization. This combination of dedicated State grant support and University institutional funds were used for start-up and business incubation services that included assisting new companies with business planning, market research, financial planning, management recruitment, business development, recruitment and referral of business support services (e.g. accounting, legal, personnel, marketing and operations) and recruitment of scientific advisors. In providing these incubation services, VENTURES also leveraged the talents of faculty, graduate and professional students to provide value to early stage companies. Notable is the MBA intern program on the Urbana campus which has MBA students with technical backgrounds participating in the due diligence process on high-tech start-up company investment opportunities.

These funds also supported pre-seed and seed stage funding (on a merit basis through a private equity based due diligence process using appropriate financial instruments) to the most commercially promising and maturing start-up companies. Without these early stage funds, continued commercial development of the new companies would be significantly impaired. VENTURES was authorized by the Board of Trustees to raise a private equity fund to complement the pre-seed developmental funding. The fund had its first close at \$20 million in June 2004 and then reopened in November 2004 to allow additional individual and institutional

investors. The fund had its second close at \$26.5 million in June 2005. The availability of developmental/pre-seed through early professional round capital has helped close the “gap financing” problem facing new high-tech companies based on University technology. VENTURES has engaged against other capital formation activities as well, including the establishment of a network of private sector seed and venture investment entities for syndicating investment opportunities and the development of relationships with industry partners and public agencies engaged in early stage technology investment. VENTURES early stage developmental funding has leveraged approximately \$7.00 in third party co-investments for each dollar from VENTURES.

VENTURES has evaluated more than 310 technology commercialization opportunities and is currently providing consultation and/or developmental financing to more than 50 new high-tech businesses pursuing markets that range from fuel cells for portable devices to biohazard and chemical weapons detection to nanoscale innovation for drug delivery and electronics to groundbreaking drugs for treatment of cancer, stroke and Alzheimer’s disease. Its’ level of engagement with these emerging companies ranges from:

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

A number of these high-tech companies have recently completed a first or second round of external (private equity) financing, an important metric for business potential. A partial list of these high-tech companies include: Tekion (formic acid fuel cell technology for portable electronic devices); Dzyme Tech (catalytic DNA biosensor technology for detecting heavy metals and diverse analytes); RiverGlass (data analytics software that correlates and merges multiple, varied data streams and then applies sophisticated real-time data analysis and modeling techniques to that merged stream); pSi-Tech (flexible electronics, specifically flexible microstructured

semiconducting technology); and Mobitrac (software for mobile resource management).

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

ADDENDUM



ADDENDUM I

RETIREMENT

Overview

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

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

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

In FY 1995, there was significant movement towards an improved level of retirement funding. Public Act 88-593 mandated that the State's five pension systems achieve a level of 90% of full actuarial funding in 50 years and includes a continuing appropriation provision to enable the State to reach that goal. This legislation was intended to strengthen the financial condition of the Retirement Systems and help preserve funding stability for pension systems despite periodic fiscal constraints in the rest of the State budget.

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

guidelines, SURS assets as of June 30, 1997 were valued at market rather than book value. This change alone significantly increased the funding ratio of assets to liabilities, and the funding ratio was increased even further by a new set of actuarial assumptions adopted in December 1996 that recognized strong returns on SURS assets, which lowered projected future liabilities. The System's funding ratio peaked at over 88% in FY 2000.

Unfortunately, investment returns in 2001 and 2002 were negative, and only about 3% in FY 2003. As a result unfunded liabilities increased greatly for SURS, as they did for all of the State's retirement systems, which also experienced poor investment returns. At the end of FY 2003, the funding ratio for SURS was only about 54%.

Faced with an extremely constrained budget situation in FY 2004, the General Assembly and the Governor approved PA 93-2, authorizing the sale of \$10 billion in pension obligation bonds in order to meet the statutory pension funding obligations. The infusion of money combined with extremely strong investment performance of 17% increased the funding ratio of SURS to 66%. The law called for the State's pension contribution to be split between payments to the pensions systems and interest and principal payments on the bonds. The amount of the annual increment was to be the lesser of the maximum State contribution if there were no pension obligation bonds and the required contribution under the bond plan. State contributions to SURS decreased in FY 2005 and were projected to begin to rise again in FY 2006. The funding ratio had been projected to drop slightly and remain just below 60% for the next two decades before beginning to rise toward the goal of 90% by 2045.

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

- An Advisory Commission on Pension Benefits will prepare a report by November 1, 2005, on possible further State pension benefit changes.
- The State Comptroller (rather than the SURS Board) will now certify the SURS effective rate of interest for the money-purchase formula.
- The money-purchase formula is not available for new SURS members hired on or after July 1, 2005.
- Employers must pay the actuarial value of pension increases that result from earnings increases over 6% in any year used to calculate a retiree's final rate of earnings. This provision does not apply to raises paid under collective bargaining agreements in effect before July 1, 2005.

That last provision, in particular, raises several serious questions for all State employers, including the University of Illinois. Numerous issues must be addressed before the full effects of the 6% rule are clear. Such issues include employee promotions in the last years of service that trigger large salary increases; raises due to grant monies or other earnings recognized by SURS that are not part of base compensation and are difficult for the University to control; attempts to compensate employees for years of no or low salary increases; unexpected retirements due to illness or injury; and vested SURS employees who leave the University prior to retirement, but whose U of I earnings may be included in the calculation of final average earnings.

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

ADDENDUM II

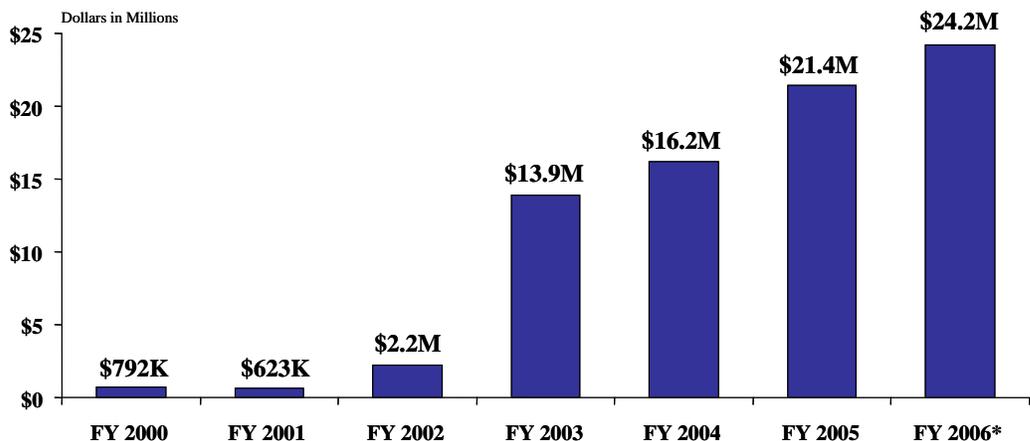
ENSURING ACCESS – FINANCIAL AID

Overview

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

As shown in Figure 22, the cost of the MAP Supplemental Financial Aid program began to increase several years ago as budget cuts to both ISAC and the University precipitated reductions in MAP grants and increases in tuition.

Figure 22
University of Illinois
MAP Supplemental Financial Aid
FY 2000 – FY 2006



- FY 2006 estimate, will be adjusted based on final tuition rates and enrollments.
- \$2.8M increase in FY2006 financial aid equivalent to about \$175/semester/recipient.

In June 2002, the board directed the administration to review the institution's tuition and financial aid policies that were adopted on October 12, 1995, and to make recommendations for changes, if warranted. The report, *Ensuring Quality and Affordability: Tuition and Financial Aid at the University of Illinois*, was submitted to the Board of Trustees in January 2003. The report, which was developed with the help of the chancellors and provosts, faculty representatives, and representatives of the Board of Trustees, includes a statement of the guiding principles for financial aid and recommendations for managing the University's MAP Supplemental Financial Aid program. The Board of Trustees approved a policy at the July 2004 meeting.

GUIDING PRINCIPLES FOR FINANCIAL AID

- A qualified student will not be barred from participating in University of Illinois programs of study because the student cannot afford to pay the price of the University's tuition and fees, as determined by federal financial need.
- Students who can afford to pay the full price of tuition and fees are expected to do so. Such students will still be eligible for merit scholarships.
- Students who cannot afford to pay the full price will be offered a combination of grants and loans from various sources appropriate to their financial circumstances.
- The University will control its costs through control of the length of study for which it will support students from institutional funds and of the proportion of loans to grants made from institutional funds.

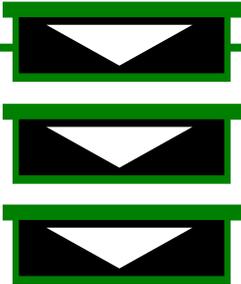
MAP SUPPLEMENTAL FINANCIAL AID POLICY

- MAP Supplemental Financial Aid grants for Illinois resident undergraduates, that are funded from institutional funds, will be limited to 8 semesters (4 years), with a 9th semester (4 1/2 years) available at campus discretion.
- As a group, undergraduates with financial need will be moved as far as is prudent away from University-funded grants to loans.
- The financial aid officers, in consultation with the campus academic leaders, will develop specific campus policies for awarding MAP Supplemental Financial Aid grants to their undergraduate students. Grants to individual students will be adjusted, within the constraints of campus policy and available resources, as circumstances warrant to best serve these students and their families.

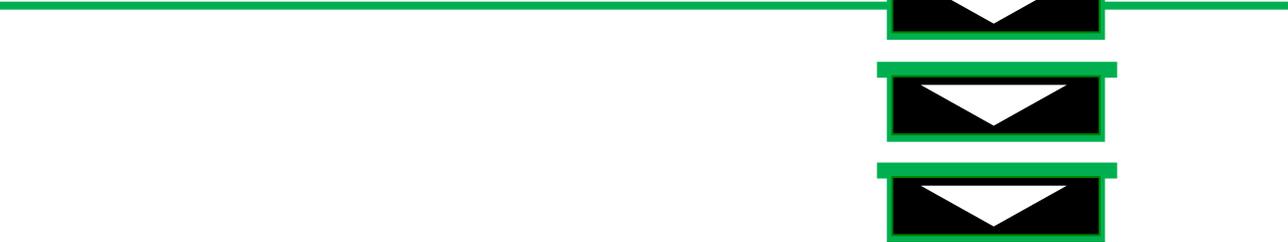
- To manage future increases in tuition and mandatory fees, the campus MAP Supplemental Financial Aid pools will be increased by percentages that are fixed multipliers of the percent increases in total undergraduate tuition income. Initially, the recommended multipliers are 2 at Chicago, 1.5 at Springfield and 1 at Urbana.
- This methodology will be reviewed at least every three years to ensure adequate and appropriate funding for MAP Supplemental Financial Aid at each campus.

The financial aid guidelines and policy were developed with the advice and counsel of Trustees, the Administration and the Academic Affairs Management Team. The University Policy Council reviewed the financial aid guidelines and policy before being enacted by the Board of Trustees. It is recognized that in future years the University will continue to need to set aside institutional funds for financial aid to ensure access. While the actual amount needed in the budget year will continue to be analyzed based on a number of variables, the University recognizes the need could approach an additional \$7.4 million in FY 2007.

CAPITAL BUDGET REQUEST
FOR FY 2007



CAPITAL BUDGET



BACKGROUND AND CONTEXT

Overview



To begin consideration of the University's capital budget request it is important to recall that an institution of the size, scope and complexity of the University of Illinois faces a recurring array of facilities related needs every year. As buildings age through their normal life cycles, it is crucial to address minor repair and renovation needs as they occur. Failure to do so accelerates deterioration and leads to costly major remodeling requirements more quickly than would be necessary if prudent attention to annual repair and renovation were possible. Changing programmatic emphases in academic units also create the need for relatively small remodeling projects which can be addressed quickly to make existing space more useful for emerging academic priorities. Toward that end the University is coming off of two consecutive fiscal years without a capital budget appropriation. As stated previously, consistent and steady funding patterns are supremely important to maintain the physical plant. Two years without repair and renovation funding only exacerbates the deferred maintenance problem while making it more difficult to reduce it in the future. Based on these factors the University has once again placed the repair and renovation request at the top of the capital request list and doubled the amount of the request from \$10.7 million to \$21.5 million. Once again the deferred maintenance request is in the second priority slot. The two requests of \$21.5 million and \$20.1 million respectively, continue the University of Illinois focus of maintaining the facility plant asset. Each of these priorities serves to emphasize the importance that the University places on the maintenance and upkeep of its facilities.



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

Buildings and the infrastructure systems which support them have finite useful lives. Roofs deteriorate; heating, ventilating and cooling systems wear out; masonry decays; and so on. At a certain point major remodeling is required to extend the useful life of every University facility constructed and every annual capital budget request will contain a share of major remodeling projects, usually in the cost range of \$2 million to \$15 million. Major remodeling projects can also result from the need to enlarge the capacity of a building, change its functional use, upgrade or extend campus wide infrastructure systems. For example, as technological advances have accelerated over the past two decades and computers now permeate the conduct of almost every phase of instruction and research activity, the need to

expand electrical and cooling capacity for individual buildings and for entire campuses has grown dramatically. Much like the two-pronged approach for smaller repair and renovation projects, the University is seeking another source of funding for these major building remodels. The Facilities Renovation Support in the operating request is another vehicle through which the University hopes to establish a regular and sustained funding source to remodel those facilities in the central core of campus which serve the basic educational needs of the student body.

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



The University is coming off of two consecutive fiscal years without a capital budget appropriation.

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

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

In this context where steady and measured funding increases for facility needs are vitally important the last two capital budgets have been disappointing. For the second straight year capital funding needs were not acted on by the General Assembly. Over the last two years the University has lost out on crucial funding for

Repair and Renovations along with planning funds for Lincoln Hall, Electrical & Computer Engineering and the Post Harvest Crop Research Lab. All told over \$33.4 million have been withheld not to mention critical time on each of the aforementioned projects.

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

Table 1
History of Recent Capital Budget Actions
FY 2001 to FY 2006 Governor's Level
(Dollars in Thousands)

	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005*</u>	<u>FY 2006*</u>
Campus Requests						
Chicago	\$77,850.0	\$46,250.0	\$47,950.0	\$45,125.0	\$162,110.9	\$114,665.9
Springfield	5,582.7	30,330.0	15,330.0	3,863.0	4,468.7	4,468.7
Urbana-Champaign	100,415.0	166,787.0	91,634.0	120,312.2	180,215.4	176,077.4
TOTAL	\$183,847.7	\$243,367.0	\$154,914.0	\$169,300.2	\$346,795.0	\$295,212.0
IBHE Recommendations						
Chicago	\$14,395.2	\$12,165.9	\$20,165.9	\$20,165.9	\$22,114.4	\$23,054.5
Springfield	2,023.1	30,343.7	15,343.7	343.7	458.2	458.2
Urbana-Champaign	66,420.1	84,039.8	52,225.4	58,225.4	59,860.7	59,952.7
TOTAL	\$82,838.4	\$126,549.4	\$87,735.0	\$78,735.0	\$82,433.3	\$83,465.4
Regular Capital Appropriations						
Chicago	\$4,197.5	\$5,665.9	\$4,165.9	\$4,165.9	\$4,165.9	\$4,165.9
Springfield	1,664.6	15,343.7	15,343.7	343.7	343.7	343.7
Urbana-Champaign	17,459.8	39,039.8	6,225.4	8,225.4	9,225.4	15,215.4
TOTAL	\$23,321.9	\$60,049.4	\$25,735.0	\$12,735.0	\$13,735.0	\$19,725.0
Appropriations for Special Projects						
Americans with Disabilities						
Planning Funds						
Venture Tech	\$23,500.0	\$105,900.0	\$100,600.0			
TOTAL APPROPRIATION	\$46,821.9	\$165,949.4	\$126,335.0	\$12,735.0	\$13,735.0	\$19,725.0

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

SUMMARY OF FY 2007 PRIORITIES

(\$335,054,500)

Overview

► The University's FY 2007 Capital Budget Request consists of 10 projects at a total cost of \$335,054,500. Table 2 represents a combined priority listing of the proposed projects for this year.

Table 2
FY 2007 Combined Capital Budget Request
Summary by Priority
(Dollars in Thousands)

Priority	Project	Chicago	Springfield	Urbana	Total	Cumulative
1	Repair and Renovation	\$ 8,331.8	\$ 687.4	\$ 12,450.8	\$ 21,470.0	\$ 21,470.0
2	Deferred Maintenance	8,000.0	125.0	12,000.0	20,125.0	41,595.0
3	Lincoln Hall Remodeling			50,800.0	50,800.0	92,395.0
4	Campus Code Compliance Infrastructure	26,359.5			26,359.5	118,754.5
5	South Farms Realignment			131,300.0	131,300.0	250,054.5
6	Electrical & Computer Engineering Bldg. (Match)			30,000.0	30,000.0	280,054.5
7	Rockford Building Addition	12,000.0			12,000.0	292,054.5
8	General Use Classroom Renovations	8,000.0			8,000.0	300,054.5
9	Rehab Metal Buildings/Library		4,000.0		4,000.0	304,054.5
10	Applied Health Sciences Building Infrastructure	31,000.0			31,000.0	335,054.5
		\$ 93,691.3	\$ 4,812.4	\$ 236,550.8	\$ 335,054.5	\$ 335,054.5

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 \$500 million would be the result. Table 3 reflects the entire capital budget request from the campuses of the University of Illinois.

Table 3
FY 2007 Capital Budget Request
Summary by Campus
(Dollars in Thousands)

Campus Priority	University Priority	CHICAGO	
1	1	Repair & Renovation	\$ 8,331.8
2	2	Deferred Maintenance	8,000.0
3	4	Campus Code Compliance Infrastructure	26,359.5
4	8	General Use Classroom Renovations	8,000.0
5	10	Applied Health Sciences Building Infrastructure	31,000.0
6	7	Rockford Building Addition	12,000.0
7		COM/RRC Renovations	12,163.0
		Total	\$105,854.3
		SPRINGFIELD	
1	1	Repair & Renovation	\$ 687.4
2	2	Deferred Maintenance	125.0
3	9	Rehab Metal Buildings/Library	4,000.0
4		Campus Infrastructure Improvements	2,998.0
		Total	\$ 7,810.4
		URBANA-CHAMPAIGN	
1	1	Repair & Renovation	\$ 12,450.8
2	2	Deferred Maintenance	12,000.0
3	3	Lincoln Hall Remodeling	50,800.0
4	5	South Farms Realignment	131,300.0
5	6	Electrical & Computer Engineering Bldg.	30,000.0
6		Burrill Hall Remodeling	33,500.0
7		Natural History Building	60,000.0
8		David Kinley Hall Remodeling	14,300.0
9		Roger Adams Lab. Renovations	978.0
10		Repairs to UIUC Electrical Distribution System	18,300.0
		Total	\$363,628.8

The first priority is a \$21,470,000 Repair and Renovation request, which is comprised of 5 projects at the Chicago campus, 2 projects at the Springfield campus and 11 projects at the Urbana-Champaign campus. These projects, while not large enough to compete with major remodeling requests, represent a significant and very real funding need. A high priority on renovation and renewal must be maintained by institutions with facilities the size, scope, complexity and age of the University of Illinois. The Repair and Renovation request is vital for the continued renewal of existing University facilities, provision of up-to-date support for academic programs

and protection of the State's investment in capital facilities. More detailed descriptions of these projects are provided in the sections following this overview.

The second priority seeks \$20,125,000, one component of the multi-year Deferred Maintenance program. This level of funding along with the \$6 million found in the operating budget when combined with other fund sources will allow the University to not only stop the growth in deferred maintenance but reduce the backlog which has built up over the years.

Priority three seeks \$50,800,000 to complete a major remodeling of Lincoln Hall at the Urbana-Champaign campus. Planning funds of \$2 million were appropriated in FY 2004 while appropriated funds in FY 2005 were not released.

The fourth priority provides \$26,359,500 for the renewal of building infrastructure systems at the Chicago campus. These funds will provide for roof and window replacement, plumbing, electrical, HVAC upgrades and life safety renewal at several campus buildings and code corrections to the Dentistry Building.

The fifth priority seeks \$131,300,000 for the ongoing relocation, rejuvenation and construction of the South Farms at the Urbana Champaign campus.

The sixth priority is a State private match seeking \$30,000,000 from each source to construct a new Electrical and Computer Engineering Building at the Urbana-Champaign campus.

The seventh priority requests \$12,000,000 in funds to construct an addition to the College of Medicine Building in Rockford. These funds would be matched with federal and private resources.

The eighth priority of \$8,000,000 is to rehabilitate classrooms in Stevenson Hall at the Chicago campus.

Priority nine seeks \$4,000,000 for the Springfield campus to rehabilitate metal buildings and library space vacated with the recent construction of the new classroom office building.

The tenth priority seeks \$31,000,000 in funds to rehabilitate the Applied Health Sciences Building at the Chicago campus.

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

Table 4
FY 2007 Combined Capital Budget Request
Summary by Category and Campus
(Dollars in Thousands)

<u>Category</u>	<u>Chicago</u>	<u>Springfield</u>	<u>Urbana-Champaign</u>	<u>Total</u>
Building, Additions, and/or Structure	\$12,000.0		\$161,300.0	\$173,300.0
Land Acquisition				
Utilities				
Remodeling	81,691.3	\$4,812.4	75,250.8	161,754.5
Site Improvements				
Planning				
Total	\$93,691.3	\$4,812.4	\$236,550.8	\$335,054.5

Table 5
FY 2007 Combined Capital Budget Request
Future Funding Implications
(Dollars in Thousands)

<u>Priority</u>	<u>Project</u>	<u>Category</u>	<u>FY 2007 Request</u>	<u>FY 2008 Cost</u>	<u>Cost for 2009 and Beyond</u>
1	Repair and Renovation	Remodeling	\$ 21,470.0	\$ 21,470.0	\$ 10,175.0
2	Deferred Maintenance	Remodeling	20,125.0	20,125.0	20,125.0
3	Lincoln Hall Remodeling	Remodeling	50,800.0		
4	Campus Code Compliance Infrastructure	Remodeling	26,359.5		
5	South Farms Realignment	Building	131,300.0		
6	Electrical & Computer Engineering Bldg. (Match)	Building	30,000.0		
7	Rockford Building Addition	Building	12,000.0		
8	General Use Classroom Renovations	Remodeling	8,000.0		
9	Rehab Metal Buildings/Library	Remodeling	4,000.0		
10	Applied Health Sciences Building Infrastructure	Remodeling	31,000.0		

CAPITAL REQUESTS



PRIORITIES

(\$335,054,500)

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

As in past years, the University's top priority is focused on annual repair and renovation. Attention to annual repair and renovation assures that those projects will not slip and fall into the deferred maintenance category. A total of \$21,470,000 is requested for the 18 projects outlined in Table 6. Detailed descriptions of these projects are found in the Repair and Renovation project descriptions, following this Priorities section.

Table 6
Repair and Renovation Projects by Campus

Chicago Projects	Amount
General Use Classrooms, Renovations	\$ 884,000
Dentistry Building, Elevator Renovations	2,240,000
Science & Engineering Lab East, Lab Renovations	1,045,000
Dentistry, Code Compliance	1,000,000
Life Safety Code Corrections	3,162,800
Total	\$ 8,331,800
Springfield Projects	Amount
Campus Buildings, Life Safety Corrections	\$ 180,000
Campus Buildings, Programmatic Remodels	507,400
Total	\$ 687,400
Urbana-Champaign Projects	Amount
Freer Hall, Remodel Gym 311 into Office Space	\$ 1,690,000
Art & Design Building, Instructional Labs	2,000,000
Natural Resources Building, Remodel for Social Work	2,000,000
Main Library Remodeling Phase V	2,000,000
Veterinary Medicine Large Animal Clinic, Remodeling	2,000,000
Engineering Science Building, Replace Roofs	350,000
Krannert Center, Repair West Stairs Phase II	350,000
Repair Campus Streets	500,000
Psychology Building, Replace Roof	375,000
Materials Research Lab, Replace Roof	730,000
Music Building, Replace Roof	455,800
Total	\$12,450,800

Priority 2:



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

Priority number two continues an initiative started two fiscal years ago to place renewed emphasis on the reduction of deferred maintenance. This request when coupled with the \$6 million operating funds request will help to build a consistent funding stream to service the facilities infrastructure. Without steady and sustainable revenue streams maintenance problems go from the regular maintenance category to the deferred maintenance category. This problem when multiplied over many years has resulted in a large deferred maintenance backlog for the University. By placing this request at the number two position behind the traditional Repair and Renovation request the University is placing a very high priority on reducing its level of deferred maintenance. Table 7 is a list of the projects on the deferred maintenance list. Detailed descriptions of these projects are found in the Deferred Maintenance Project section on page 26.

**Table 7
Deferred Maintenance Projects by Campus**

Chicago Projects	<u>Amount</u>
University of Illinois Hospital, Fire Alarm Upgrade	\$ 2,500,000
Vertical Transportation Upgrades	5,500,000
TOTAL	<u>\$ 8,000,000</u>
 Springfield Project	 <u>Amount</u>
Various Buildings, Replace HVAC Rooftop Units	\$ 125,000
TOTAL	<u>\$ 125,000</u>
 Urbana-Champaign Projects	 <u>Amount</u>
Natural History Building, Replace Roofs Phase I	\$ 800,000
Transportation Building, Replace Slate Roof	750,000
Veterinary Medicine Teaching Hospital, Replace Metal Roof	1,400,000
Kenney Gym, Abatement	800,000
Quad Buildings, Repair Envelopes	3,650,000
Turner Hall/Transportation Building, Repair Elevators	600,000
Quad Buildings, Repair Electrical Distribution, Phase I	4,000,000
TOTAL	<u>\$12,000,000</u>

Priority 3:



Lincoln Hall Remodeling \$50,800,000 – Urbana

Lincoln Hall currently serves the University of Illinois as a general classroom building and provides space for the College of Liberal Arts & Sciences, the largest instructional unit on the Urbana-Champaign campus. The building supports a very large volume of instructional activity and classroom use. The building was

constructed in two stages, with the western half constructed in 1911 followed with construction of the eastern half and theater in 1930. Since that time the building has gone without a major renovation; the interior layout and infrastructure remain largely intact from initial construction.

In anticipation of the Spurlock Museum of World Cultures construction, a feasibility study was performed in 1999 to determine how best to use the space vacated by the museum relocation. This project will ultimately concentrate instructional space on the first two floors and place offices on the upper floors. Much needed teaching assistant areas will be created on the fourth floor of this centrally located Quadrangle building. The reconfiguration of space in Lincoln Hall will provide a variety of classroom sizes. The lower level will be designed for mechanical and storage space.

With this major remodel effort the building will be updated to modern life safety code requirements. Additionally, the facilities deferred maintenance addressed in this project will abate an estimated \$11 million. All aspects of the building will be upgraded including electrical, plumbing, HVAC and communication systems. This will result in a completely renovated building within the academic core of the Urbana-Champaign campus that is organized to meet current academic demands, through new and emerging technologies with a modernized facility making it more efficient to operate.

Planning funds in the amount of \$2,000,000 were approved by the Governor in FY 2004. Another \$3,000,000 in additional planning funds were included in the FY 2005 Governor's Capital Budget Recommendation but were never appropriated or released. The request for the Lincoln Hall Remodel totals \$50,800,000 in this FY 2007 Capital Request.

Priority 4:



Campus Code Compliance Infrastructure \$26,359,500 – Chicago

Funding is requested to continue implementation of the University's plan for restoration of the exterior integrity of UIC's buildings and renewal of building infrastructure systems. UIC's FY 2007 program includes: façade inspections (Applied Health Sciences, Neuropsychiatric Institute, School of Public Health and Psychiatric Buildings); window and masonry repairs (College of Medicine West & East); renewal of building electrical, HVAC, plumbing and fire protection systems;

life safety code corrections; roof replacement (Science and Engineering South, Art & Architecture, Human Resources Building). This request continues the Chicago campus' effort to receive funds for crucial rehabilitation projects.

The College of Dentistry building, which is located in the west side medical complex, is a five-story building constructed in 1973 and houses the instructional, research and patient care activities of the College of Dentistry. The building's clinics accommodate 100,000 patient care visits each year.

The existing fire alarm system of the Dentistry building has become obsolete and incapable of expansion and does not fully comply with City, NFPA or ADA codes. The building is not sprinklered but has a fire pump. Fire-rated vestibules are required for a direct exit to the exterior from the NW, SW and SE stair towers. Stair doors must be replaced with labeled fire doors and panic hardware. Existing smoke and firewalls must be upgraded with fire-rated doors, frames and hardware on the first through third floors.

The existing lighting fixtures are inefficient and in need of replacement throughout the Dentistry building. New suspended ceilings with new energy efficient lighting fixtures are required after the installation of the sprinkler and fire alarm systems. An emergency generator is also required to provide uninterrupted power for critical support areas. Additionally, an obsolete escalator requires removal with the resulting floor opening infilled to provide fire separation and gain additional floor area.

Priority 5:



South Farms Realignment \$131,300,000 – Urbana

To complete the relocation of the south farm research centers for the College of Agriculture, Consumer and Environmental Sciences (ACES), a project of \$131,300,000 is requested. The project will provide research facilities for: Feed Mill Center, Crop Bioprocessing Center, Crop Sciences/Agricultural and Biological Engineering Research Center, Natural Resources and Environmental Sciences Complex, Animal Farm Services Center, Dairy Research Center, Swine Biogenetic and Biomedical Research Facility, Equine Research Center and Poultry Research Center.

In addition to the research centers, the project includes funds to construct support roads, to complete required utility extension, to establish natural areas and to create a central compost center. This project follows the completion of the first phase, a \$23.7 million project to construct the new beef cattle and sheep research complex as well as a substantial portion of utility infrastructure extensions. The implementation projects are an outgrowth of the UIUC 1999 master plan to modernize the research facilities of the south farms to serve the educational mission of the College of ACES and the University as well as to create opportunities for economic growth.

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

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

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

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

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

The Natural Resources and Environmental Sciences Complex will enable program consolidation and operating efficiency in support facilities that include a greenhouse/headhouse, project buildings, wintering houses, shade structures, a multipurpose building, a pesticide rinsate building and irrigated research plots. Research supports studies in soil and aquatic ecology, horticulture and the green industry, forest ecology, insect ecology, food and fiber production and human dimensions of the environment.

Critical to the support of all of the animal sciences research facilities is the Animal Farm Services Center. The center will serve as an operational hub and will include shops, machine/equipment storage, a multipurpose building and small dormitory. The Animal Farm Services Center produce forage/grain crops, execute and operate the farm system's waste management plan and facilitate the storage and processing of forage and grain products. Current trends in biotechnology and genetic research suggest that the Center will facilitate more integrated research and testing of new products and systems as well as monitoring and following nutrients and byproducts through the production process to support multidisciplinary research in waste/environmental management and livestock production.

Proposed at over 162,000 gsf, the Dairy Research Center is a substantial research center consisting of animal housing facilities, a general office/lab building, milking parlor and support areas for feed mixing and storage. Recognized as one of the top dairy science programs in the United States, future research programs are expected to center on integrated analysis of fundamental processes including animal well-being and health, functional genomics and proteomics, environmental physiology regulation of metabolism during lactation and effects of dairy cattle on the

environment. The same animals used in research are used in educational programs in the Department of Animal Sciences and the College of Veterinary Medicine.

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

Equine Research Center facilities will contribute to the teaching (undergraduate and graduate), research (nutrition, reproduction and physiology) and outreach (adult education, 4-H, therapeutic riding and at-risk children programs) missions of Animal Sciences. Facilities will include a research barn, a foaling barn, paddocks, a training pen and an indoor arena.

Since the poultry industry is the largest market/consumer of corn and soybeans in the U.S., the Poultry Research Center supports research critical to the agricultural economy of the State of Illinois. The Center will include metabolism teaching labs, hatcheries, cage layer research labs, a general office building and dormitory.

Priority 6:



Electrical and Computer Engineering Building \$30,000,000 – Urbana

Funded with private matching gifts of \$30,000,000 this \$60,000,000 building will give the Urbana-Champaign campus an opportunity to develop an environment in which overlapping and mutually compatible program strengths can be enhanced. The Departments of Computer Science, Electrical and Computer Engineering and selected units in the multi-disciplinary Coordinated Science Laboratory span the spectrum from theory to application. In common facilities, these programs have greater potential to generate new endeavors than the same units operating alone. While this facility will primarily serve the research missions of the Electrical and Computer Engineering Department, it will also improve and expand graduate education and enhance specialized upper-level undergraduate programs and projects.

This building will serve as part of a programmatic link from the Beckman Institute to the current Everitt Laboratory of Electrical and Computer Engineering for

scientists and engineers in the electrical and computer engineering fields. Along with the Beckman Institute, Microelectronics Laboratory, Computer and Systems Research Laboratory and Digital Computer Laboratory Addition, this building will provide the modern facilities needed to reinforce and enhance the campus's reputation in electrical and computer engineering while forming the foundation for lasting preeminence in these fields.

Currently, the Electrical and Computer Engineering Department has a significant space deficit, which is further exacerbated by the poor quality of its existing space. It is possible that part of the assignable square footage in the Everitt Laboratory could be freed to create classrooms and other teaching facilities on the north end of campus. The building, as proposed, will act largely as a vehicle to relocate programs of mutual interest and upgrade the space in programs requiring more sophisticated space.

Priority 7:



Rockford Building Addition \$12,000,000 – Chicago

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

In Illinois and nationally, most rural counties are medically underserved, affecting access to quality health care, infant mortality, life expectancy and economic development. The University proposes to construct the National Center for Rural Health Professions, a \$24 million, 60,000 square foot building addition to the Parkview Avenue campus in Rockford, IL. Additional space is needed to support the College's expanding programs in rural medicine and rural health care.

The new facility will house classrooms, laboratories and offices for the Center's multiple programs and projects including the College's Rural Medical Education (RMED) Program, Project EXPORT Center for Excellence in Rural Health and the Northern Illinois Area Health Education Center (AHEC). Additionally, Center space will be devoted to library resources and distance-learning labs, as well as rural

and community-based research programs. Half of the \$24,000,000 is requested from State resources with the remaining funds coming from Federal and local resources.

Priority 8:**General Use Classroom Renovations \$8,000,000 – Chicago**

The renovation of Stevenson Hall is part of a larger plan for renovating all the East Campus general use classroom building at UIC. It would be followed by the renovation, every year, of one of the following buildings (order to be determined): Lincoln Hall, Douglas Hall, Taft Hall, Burnham and Addams Halls, Behavioral Sciences Building, Science Engineering South and the six Lecture Centers. Periodic re-evaluation of classroom needs would be necessary to determine the exact sequence.

Although several UIC classroom buildings have similar problems, Stevenson Hall was chosen for renovation as it serves the largest number of students from all colleges offering an undergraduate degree (2,200 incoming composition students per semester), giving its renovation the maximum impact; it is fully wheelchair accessible; its central, visible, high-traffic location; and because it stands alone, making it easily accessible to trucks and also less likely to cause disruption during construction.

Stevenson Hall requires renovation for the following reasons: the HVAC system does not function appropriately; lighting is either broken or not appropriate; staircases are crumbling; pieces of the facade are missing; restrooms are dilapidated and inadequate; physical attributes of the classrooms are no longer functional (e.g., size, number of stations, no technology); and life/safety features are deficient.

Under this general plan for renovation, the historic identification of instructional space with specific academic units would be recognized to the largest extent possible and strengthened. Scheduling of individual classes would be handled centrally, but preference in scheduling would be given to the academic units associated with each space. A strengthened scheduling system would eliminate current underutilization of instructional space and mismatching of space to need.

The renovation plan recognizes that the East Campus general use classrooms are deficient in multiple ways and that their problems cannot be solved incrementally.

For cost effectiveness, each building or part of a building would be fully renovated, i.e., HVAC and electrical systems, roof, plumbing, rest rooms, as well as instructional spaces. The design of each space would respond to the needs of the disciplinary area identified with it, adapting the physical environment to pedagogical and programmatic goals.

Priority 9:**Rehab Metal Buildings/Library \$4,000,000 – Springfield**

With the completion of the new classroom office building, University Hall, several campus units have relocated to the new building. Units who moved into University Hall have vacated spaces which will require renovating to adequately accommodate new units. Brookens Library level 4, Health and Sciences Building level 1, Student Affairs Building (metal), Communication/Psychology/Visual Arts Building (metal) and College of Business and Management Building (metal) all need enhancements to accept new occupants. Although some office, classroom and lab space may remain as is for the near term, the vast majority of this space will need to be renovated to accommodate the programmatic moves required to relocate and group widely disbursed elements of some support units and optimize the effective use of these scattered human resources. Renovation of the vacated space will be paramount to successfully relocate and consolidate various program units into optimal working space. In addition to other programmatic moves, this project will allow several programs in the division of Student Affairs to consolidate under one roof. This project will also allow renovation of vacated space in Brookens Library that will be critical to improving the quality and services of the Library. Funding for this project is critical to improve the campus by providing the quality of space that is required by several programs to effectively do their mission.

Priority 10:**Applied Health Sciences Building Infrastructure \$31,000,000 – Chicago**

This request specifically addresses critical deficiencies in code compliance (fire safety, electrical and ADA); electric service deterioration; deterioration in systems (plumbing and heating); and absence of air conditioning for the Applied Health Sciences Building. These deficiencies were identified in independent surveys over the last several years and confirmed by the recent deferred maintenance survey by Vanderweil Facility Advisors.

Adequate heat, air conditioning, water and electric service are basic requirements that directly affect the College of Applied Health Sciences' (CAHS) ability to house faculty, staff and students. CAHS' ability to deliver state-of-the-art academic programs and to recruit and retain critical faculty is seriously impaired due to the current condition of the building's infrastructure.

Complete replacement of existing HVAC, plumbing and electrical systems as well as immediate correction of critical deficiencies in life safety code compliance including fire safety, ADA, emergency lighting, power and exiting requirements will be implemented as part of this project. The system replacement will most likely require vacating the building for the duration of construction.

REPAIR AND RENOVATION PROJECT

DESCRIPTIONS

Chicago Projects (\$8,331,800)

▶ General Use Classrooms, Renovations – \$884,000

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

Dentistry Building, Elevator Renovations – \$2,240,000

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

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

Science & Engineering Lab East, Lab Renovations – \$1,045,000

The requested funds will be used for the renovation of two separate laboratory suites which serve the Department of Earth and Environmental Sciences. These labs total approximately 6,030 square feet in the Science & Engineering Laboratory East. The primary purpose of this project is to improve the teaching and learning environment

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

Dentistry, Code Compliance – \$1,000,000

The existing five-story, 380,000 gsf College of Dentistry Building was constructed in 1973. Approximately half of the building is devoted to patient care clinics; the remainder is dedicated to teaching and research laboratory functions. Because the building's current outdated facilities are a barrier to provision of state-of-the-art patient care and competitive faculty and student recruitment, plans for an extensive renovation have been developed. However, several mission-critical issues must be addressed immediately, including fire and life-safety code compliance, ADA accessibility and compliance with OSHA and HIPPA regulations. A major emphasis of this project will be the removal of the building's original escalator system which has been decommissioned due to unavailability of parts and changes in code requirements. The floor-to-floor penetrations associated with the escalator must be sealed to meet current fire code requirements. Additional work will include installation of fire stops, smoke dampers, correction of exiting conditions and other work required by current codes.

Life Safety Code Corrections – \$3,162,800

The project is part of the multi-phase multi-funded plan to begin addressing the most critical deficiencies noted in a building condition audit completed by Vanderweil Facility Advisors. Building life safety systems and components of campus buildings are typically more than 37 years old and are in need of repairs, upgrades and/or replacement. The scope of this work will include projects such as fire alarm system upgrades, emergency lighting and exit lighting systems installation/upgrades and installation of fire-rated doors and related code-required hardware.

**Springfield
Projects
(\$687,400)****Campus Buildings, Life Safety Corrections – \$180,000**

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

With the assessment results, UIS will be able to evaluate condition and code based deficiency requirements for each building. This project will use results of the assessment to formulate a project list based on the survey. Funding will be required to address the most critical life safety projects from this new facilities assessment.

Campus Buildings, Programmatic Remodels – \$507,400

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

**Urbana-
Champaign
Projects
(\$12,450,800)****Freer Hall, Remodel Gym 311 into Office Space – \$1,690,000**

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

In response to these needs, the college and department have developed a proposal to renovate 6,000 square feet of space in 311 Freer Hall. This renovation would provide new space for faculty offices and multi-purpose research spaces. In

addition, the proposal has the potential to provide accessibility to labs that are currently located on the third and fourth floors that are currently reachable only by stairs and not consistent with ADA requirements.

The plan will provide approximately 2,500 square feet of offices for faculty, post-doctoral and research assistants. In addition, approximately 3,500 square feet would be made available for laboratories and data collection areas to support several large research projects that have recently been awarded to the Department of Kinesiology researchers. Additionally, space in this newly remodeled facility will support the campus' interdisciplinary Initiative on Aging. The urgent and immediate implementation of this project is essential if departmental research and teaching goals are to be achieved. This remodeling effort includes new walls, ceilings, flooring, lighting, electrical service, voice and data service and HVAC systems. The programmatic renewal portion of this project is \$690,000. That work is coupled with \$900,000 of deferred maintenance and \$100,000 of capital renewal.

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

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

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

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

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

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

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

With the exception of an addition to the northwest corner of the Main Library in 1964, the user and staff spaces of this building have changed very little since the Library was dedicated in 1929. The Library remodeling effort is improving the logical arrangement and upgrading to modern standards the quality of the space occupied by various departmental libraries located primarily on the second and fourth floors of the Main Library.

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

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

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

In FY 2004, the College provided \$500,000 to address the most urgent of needs cited by the Council on Education accreditation site team in 1999 and the University-wide facilities condition audit completed in 2001. The proposed work

will be a continuation of that effort and includes the remodeling of the remaining two animal wards; installation of new, impervious floor surfaces in surgical suites; replacement of fencing and gating for animal handling; HVAC system upgrades; and general aesthetic repairs such as painting, ceiling tile replacement, new lighting, cabinetry and interior door replacement.

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

The Engineering Sciences Building is a research and instructional facility with recently remodeled interior spaces including offices, laboratories, an auditorium and a highly sensitive clean room. The roof has numerous active leaks that have been patched on several occasions but now the entire system has reached the end of its useful life, necessitating complete replacement of approximately 185 squares. This project will remove and replace the existing built-up roofs with a new roofing system including a vapor barrier and new insulation.

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

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

Repair Campus Streets – \$500,000

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

Psychology Building, Replace Roof – \$375,000

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

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

The roofing system has well exceeded its designed life expectancy and is beginning to leak in multiple locations, impacting critical research and valuable equipment. This project will remove and replace approximately 266 squares of existing roofing including new insulation. The price has been adjusted to factor in the difficult access to the site, mechanical equipment on the roof and a significant quality of copper flashing that must be replaced.

Music Building, Replace Roof – \$455,800

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

DEFERRED MAINTENANCE PROJECT

DESCRIPTIONS

Chicago Projects (\$8,000,000)

▶ University of Illinois Hospital, Fire Alarm Upgrade – \$2,500,000

The University of Illinois at Chicago Hospital is a 25 year old 8 story building which is located in the west side medical complex. The building's existing fire alarm is in need of upgrade in order to fully comply with national and city fire codes. The existing system is also incapable of any expansion. The new system will comply with the requirements of all applicable codes and governing authorities. During the installation of the new system, the existing fire alarm system will remain operational. Upon completion of the new fire alarm system, the existing system will be removed. It will be arranged so that upon activation of any initiating or detection devices, a preprogrammed message will be communicated to the occupants of selective floors via strategically located speakers in the corridors and UIC Police will automatically receive an audio and visual signal about the incident. UIC Police will, in turn, summon the City Fire Department. The voice communication system will also be capable of making an announcement throughout the entire building. The new system will be ADA compliant and include an automatic elevator recall system.

Vertical Transportation Upgrades – \$5,500,000

The vertical transportation systems in a number of UIC buildings are failing and are in need of repair. These systems are in poor condition with many over 40 years old that require a complete overhaul to provide safe reliable service. Many of the units have equipment and parts that are now either obsolete or not readily available to procure leading to extended downtime. This project will seek to make repairs to escalators and elevators in eleven campus buildings with associated architectural and electrical modifications.

Springfield Project (\$125,000)

▶ Various Buildings, Replace HVAC Rooftop Units – \$125,000

Over the past few years, the campus has replaced nearly half of the 52 roof-top HVAC units. Many of the remaining units are nearing their life expectancy, are experiencing a high frequency of maintenance repairs and are in need of replacement. Funding for this project will allow UIS to replace 10 to 15 aging HVAC roof-top units that serve metal buildings. HVAC roof-top units slated for

replacement include Human Resources, Business Services, Student Life, Student Affairs, Cox Child Care and College of Business and Management Buildings.

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

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

This historically significant, 113 year old, facility on the Quad serves thousands of life sciences students and faculty on a daily basis and is the home for the Natural History Museum. The research, instructional areas and offices are experiencing water infiltration from leaking roofs and built-in gutters, which causes plaster damage, peeling paint and wallpaper, structural damage as well as damage to museum exhibits and natural history collections. The slate roofs are in generally poor condition with most slate tiles in need of repair or replacement. The existing built-up roofing exhibits signs of membrane slippage, blisters and/or flashing failure and is leaking in several rooms. Entire roof systems will require replacement. This project will remove and replace the original slate roof (complete with felt and flashings), built-up roofs, gutters and downspouts.

Transportation Building, Replace Slate Roof – \$750,000

This historically significant, 93 year old facility serves engineering undergraduate students and faculty on the Urbana-Champaign campus. The instructional areas and offices are experiencing water infiltration due to roof leaks and cracks in masonry joints, which adversely impacts instructional resources and causes damage to plaster and interior finishes. Wood is visible in several locations where the ridge cap has failed and is allowing water into the structure. The slate has previously been repaired in several areas but a more comprehensive replacement is required. This project will remove and replace the slate roof (complete with felt and flashings) and perform some minor tuck-pointing.

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

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

Kenney Gym, Abatement – \$800,000

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

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

The Urbana-Champaign campus recognizes a need to protect and preserve the rich heritage of aging facilities within the core campus. Renewing these historic buildings provides quality space for teaching and learning and provides essential care and stewardship of valuable assets. Among core buildings viewed as unique is one of the oldest buildings on campus, Altgeld Hall. The instructional areas and offices in this facility are experiencing air and water infiltration from leaking windows, many original to the 106 year old building which causes plaster damage and damage to the structure as well as occupant discomfort. This project will either remove, rejuvenate, reinstall or replace historically significant windows in Altgeld Hall. Minor tuck pointing of stone and masonry in various areas of the exterior are also planned. Project phases may be required due to the age and condition of the windows.

Turner Hall/Transportation Building, Repair Elevators – \$600,000

The existing elevator equipment is wearing out and has become unreliable. Replacement parts for the elevators are progressively more difficult to locate and are becoming more expensive. Future elevator downtimes could be extensive due to the unavailability of repair and replacement parts. This project will replace worn-out elevator components, including the gear traction drive machines, controls, hall doors and cabs, with modern parts. This retrofit will also increase the ADA accessibility to the upper floors of the facilities.

Quad Buildings, Repair Electrical Distribution, Phase I – \$4,000,000

The electrical main service and load distribution centers in the research, instructional and administrative facilities in the campus core are past due for replacement. New parts in some cases are impossible to find and in other cases the equipment is

nearing 70 years old and well past its useful life. Even though some of the older equipment is in fair condition, due to its age it may fail at any time, creating a safety condition or a hazard. Certain switchgear is no longer tested on a routine basis for fear it will fail catastrophically, disrupting power for an extended period of time. In addition, desired educational and research programs cannot be supported where the service and equipment is not large enough to accept new loads associated with those programs. The new distribution systems will be sized for the anticipated loads.

This project will remove and replace electrical distribution equipment in the Library, English Building, Henry Administration Building and Noyes Laboratory. The cost estimate reflects the intention of the campus to create minimal disruption to the occupants by executing as much of the changeover during off-hours, weekends and holidays. It also reflects the potential need to replace aged and inadequate power cables and wiring as well as the need to provide proper electrical vaults. Additional phases in future fiscal years will address the electrical distribution needs in the remainder of the facilities on the Quad.