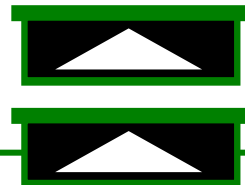


FY 2006 BUDGET REQUEST

**FOR
OPERATING
AND
CAPITAL FUNDS**

**PREPARED FOR THE
BOARD OF TRUSTEES
SEPTEMBER 9, 2004**

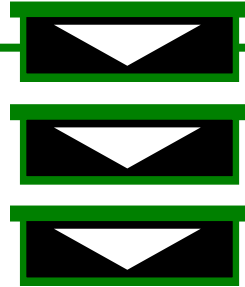


UNIVERSITY OF ILLINOIS
CHICAGO • SPRINGFIELD • URBANA-CHAMPAIGN

FY 2006

BUDGET REQUEST

**FOR
OPERATING
AND
CAPITAL FUNDS**



**PREPARED FOR THE
BOARD OF TRUSTEES
SEPTEMBER 9, 2004**

PREFACE

Before we look toward FY 2006 and beyond, I would like to look backward, to what has been accomplished at the University of Illinois in the long term and the short. The University of Illinois spans about eight generations. In that time it has grown from a very small agricultural and engineering based college to one of the largest, most comprehensive universities in the world. We produce graduates in agriculture to zoology, and everything in-between. We blend the missions of instruction, research and public service, excelling at each of them. The quality of its faculty and students places the University in the top tier of universities in the nation. Earlier generations built an academic infrastructure that underlays American innovation in technology, commerce and the arts. Public higher education in the United States is the envy of the world. Today however, we are at a critical point in the development of higher education; we are facing serious challenges.

As I look back on my four decades of association with the University of Illinois one thing is clear: we must be diligent in affirming the value of public universities by making sure they are there for another eight generations. I believe it is imperative that there be a tier of first-rate public universities in the United States. We must not squander the investments and sacrifice of eight generations of Illinoisans who have built the University of Illinois into the State asset that it has become. The University faces many challenges. We must update our ageing facilities at all three of our campuses. We must assure that we continue the land grant tradition of access to the university by all qualified individuals. We must continue to update and improve all of our academic programs. Demographics signal that universities increasingly will draw students from the new America; more immigrants, more minorities, more first-generation college goers and more older students who will be lost in the knowledge economy if they do not go to college. However, none of these challenges can be met without adequate resources. I believe the nation and State must invest in public higher education to take advantage of its competitive advantage in knowledge creation.

In the shorter term we can reflect on the last three very difficult years. At this time three years ago, the University had enjoyed several years of strong State support in both the operating and capital budgets. During FY 2002 the economic environment and outlook for State revenues changed dramatically. Over the last three years, the start of FY 2002 to FY 2005, the direct general tax appropriation from the State has declined by more than 16%, this represents \$130 million. In addition to these permanent recurring reductions the University has had mid-year rescissions for three consecutive years, totaling over \$75 million. Besides these direct reductions the University was faced with \$88.1 million in unavoidable

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expenses such as Medicare payments, utility costs, legal liability costs, salary increases and contract agreements over the last 3 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.

Given those realities we have worked hard to reduce our budget. We articulated principles to guide budget reduction steps. We have reduced the University by 2,000 positions. At the end of FY 2005 the UI-Integrate project will be completed. Every single element of our operation will be affected. Although we reaffirmed that our administrative costs are low compared to peers, we have undertaken an intensive review of all administrative and support functions. This encompasses 17 areas of University functions, and involves hundreds of millions of dollars. Over a three year period we will reduce all discretionary administrative costs by 25%. At least 57 top administrative positions will be eliminated and we are looking at the strategic sourcing of commodities. The funds from these reductions were used to protect core missions of the University. However much we reduce administrative costs, it cannot cover the entire burden of reduced State support. Over the next years we will continue to lose faculty, administrative, professional and support staff positions. Many, but not all, staff reductions can be addressed through attrition and closing vacant positions. The effects of these reductions are serious and long-lasting. For FY 2005 the Board of Trustees endorsed a tuition increase to help fund a small, but critical, salary program for faculty and staff. Stated simply, we are doing everything we can to protect the quality of our instructional programs. This was, without a doubt, the most challenging budget experience in my two decades as an administrator at the University.

Despite these challenges I remain optimistic that the University will continue to move forward with its drive toward excellence. Capital projects are now unfolding at all three campuses. Construction of the College of Medicine Research Building at UIC is progressing rapidly, the classroom and office building at the Springfield campus is now open and recently we broke ground for a new genomics research building at UIUC. Even in these difficult times the State must invest in the long-term instruction and research missions of the University.

The University remains strong, and I would take a moment to reflect on the past year's successes. We are in the fourth year of the Capital Scholars Program at UIS. The program continues to receive visibility and applications from some of the best young people in the state. Among all Illinois public universities, the academic credentials of the first three classes of the Capital Scholars program were second only to those

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for new freshmen at the Urbana-Champaign campus. Over time the Capital Scholars initiative will transform the University of Illinois at Springfield into a superb option for students who want the experience of a small liberal arts college within a public university setting.

At the Chicago campus, the past year saw growing recognition of our contributions to advanced patient care and medical research. Two young researchers were named to Crain's Chicago Business's "40 under 40" list of Chicagoans who are leaders in their fields. They are among the reasons why UIC cracked the \$206 million mark in federal funding in FY 2003. The academic honors bestowed on our faculty are too numerous to mention here, but allow me to mention three of the more notable honors: Two faculty members of UIUC received Nobel Prizes this year, Paul Lauterbur and Anthony Leggett. In addition Professor Carl Woese won the Crafoord Prize, an international prize for scientific accomplishments in fields not covered by the Nobel Prizes. The Urbana-Champaign campus received more funding from the National Science Foundation than any other University in the country and continues to be one of the finest universities in the nation. These federal dollars are coming back into the Illinois economy to help the people of our State through education, research and service. Here's some more good news:

- Rankings by the National Science Foundation put UIC among the top 50 universities for federal research expenditures, surpassing several Big 10 universities. The campus moved up to 48th in the nation with about \$143 million in federal research expenditures for FY 2002.
- UIS's management information systems, clinical laboratory science and teacher education programs boast nearly 100% job placement rates.
- *Kiplinger's Personal Finance* ranks the Urbana-Champaign campus 8th in its "100 Best Values in Public Colleges".
- The Urbana-Champaign campus boasts more than 80 centers, laboratories and institutes that perform research for government agencies, industry and campus units.
- *U.S. News & World Report* ranks many undergraduate programs at Urbana-Champaign in the top 25 in the country for 2005: accountancy 2, aeronautical engineering 7, agricultural engineering 2, bioengineering 25, business management 15, chemical engineering 7, civil engineering 1, computer engineering 4, electrical engineering 4, environmental engineering 4, finance 16, industrial engineering 12, insurance/risk management 6, international business 25, marketing 12, materials science 1, mechanical engineering 6, nuclear engineering 8, quantitative analysis 10 and real estate 5.

Perhaps the best indicator of quality is that demand for admissions at all of our campuses is exceptionally strong. Enrollment increased at each of the campuses last year. Applications for first-time freshmen hit new records. Study after study illustrates the economic value of a college degree to the individual

PREFACE

students, to the extent that lifetime earnings for college graduates exceed those for high school graduates by more than \$1 million. The combination of strong academics and reasonable costs makes the University of Illinois extremely attractive to students. These successes are based on past public investments in the University of Illinois.

The State's budget crisis required difficult decisions. The speed of change in economic circumstances was startling and created real challenges to keep the University moving forward. The relative needs among the broad array of social and human services in Illinois also have changed over time and the competition for scarce budget resources inevitably bring forward many more deserving needs than new resources can support. As we look toward a budget request for the next year, we recognize that FY 2006 will be a difficult year as demand for state resources clearly will exceed the supply of new revenues. At the same time we appreciate the historically strong commitment from the State of Illinois, Governor and General Assembly needed to maintain the quality of education at all levels as a top funding priority. No matter how broad our revenues sources are, it is a fundamental fact that support from the State will always be the central, single most important element that sustains our fiscal health. In turn, education and especially higher education is critical to the long-term economic health of the State of Illinois and its people.

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

- The lifeblood of a great university is its faculty. In FY 2003 there was no general salary funding available and the University lost ground to competitors in salary peer comparisons. The University made a salary program our highest priority in FY 2005 and we hope to not drop further. The salary components of this needs based request for FY 2006 are the University's highest priority.
- The citizens of Illinois expect the University of Illinois to deliver top-quality instructional programs, especially to undergraduates. At a time of budget constraints we face higher demand for enrollments. There are two fundamentally important factors to be addressed as we assess our instructional mission. First, we must continually improve our undergraduate programs, assuring that they offer our students both top-quality content and a breadth of experiences that will enable them to understand the global nature of our world today and to be active as effective learners and leaders throughout their adult lives. Second, we must ensure that our undergraduate programs remain affordable to all who can benefit from them.

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- Technology has changed the way our world operates. We are on the threshold of mind-boggling advances that hold great promise for attacking disease, producing food and understanding the nature of life. Whole new disciplines of study are being created and we must be attuned to them. We will examine the equally daunting moral and ethical challenges that these technologies present.
- The often-dizzying pace at which technology progresses means that technological obsolescence of facilities and equipment also occurs at an accelerating pace. New equipment, laboratories and technologies are needed to keep faculty research and student learning at state-of-the-art readiness.
- The need for learning now spans a lifetime. Businesses of the 21st century need workers skilled in today's state-of-the-art but also capable of adapting to the state-of-the-art of tomorrow. Technology is presenting ways for the University to make available its resources to the citizens of Illinois, any time, any place. Investing in these technologies will be critical for the University.

Our budget proposals for FY 2006 are framed in this context. As the State's economy stabilizes and moves out of recession, the themes upon which the FY 2006 Operating and Capital Budget Request are based align well with the complex issues now confronting society. Our objectives track the full range of goals established within the Illinois Commitment, which sets forth the IBHE planning parameters for all Illinois higher education. We have a broad array of needs; we understand that we must find an equally broad set of mechanisms with which to address them. We remain committed to a careful and continuous analysis of our operations and the reinvestment of existing resources to our highest priorities. While those needs are numerous our attention focuses most sharply on those of greatest import. For example:

- We must assure that the University of Illinois can attract and retain gifted faculty to improve the quality of academic programs. We must be able to offer competitive salaries. In FY 2003 there was no funding for a general salary program, and only a small program was possible in FY 2004 and FY 2005 from reallocation and tuition. We must continue to address the salary program issue for FY 2006. We must be able to provide state-of-the-art facility and equipment to all programs. We must continue to address the issue of faculty capacity at all three U of I campuses in light of the budget reductions, faculty losses and increased enrollment demand. We must recover capacity lost during fiscal constraints, while at the same time adding capacity in the areas of highest enrollment demand and those of greatest economic development promise.
- We must start to restore the academic infrastructure that has been affected by the reductions of the last three years. The student to faculty ratio is rising, class size is increasing and support services to students have suffered. We must recruit and retain critical faculty and staff positions.
- We must strengthen our stewardship of existing physical facilities. We must assure that students have the best facilities possible in which to learn, and that our scientists and researchers have the best support possible for their inquiries. Achieving adequate facilities for all our endeavors continues its ascent toward the very top of our priority list, even within the operating budget context.

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- The University of Illinois must continue to play a leadership role in producing graduates in areas of greatest workforce demand, and especially those in information technology and biotechnology. Likewise the University must redouble its efforts to improve elementary/secondary education, including finding ways to address the growing teacher shortage in Illinois.

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



James J. Stukel
President

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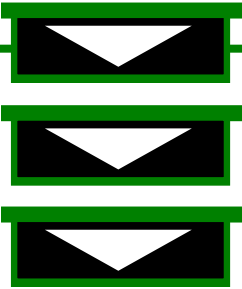
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INTRODUCTION



INTRODUCTION

Overview


► The FY 2005 state appropriation to the University of Illinois puts an end to three consecutive years of reductions and rescissions. We believe this demonstrates that our state universities and community colleges--which educate the vast majority of Illinois students--are priorities for legislators and the governor.

The state appropriation to the University of Illinois from general revenue funds is about \$698 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 work of teaching and outreach. The University administration and faculty have worked closely with the Board of Trustees to address the key issues of resource management, administrative reorganization, tuition and financial aid policies.

In the shorter term we can reflect on the last three very difficult years. At this time three years ago, the University had enjoyed several years of strong State support in both the operating and capital budgets. During FY 2002 the economic environment and outlook for State revenues changed dramatically. Over the last three years, from the start of FY 2002 to FY 2005, the direct general tax appropriation from the State has declined by more than 16%, representing a loss of \$130 million. In addition to these permanent recurring reductions the University has also had three consecutive years of mid-year rescissions, totaling 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 three 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.

Given those realities we have worked hard to reduce our budget. We articulated principles to guide budget reduction steps. We have reduced the University by 2,000 positions. At the end of FY 2005 the UI-Integrate project will be completed.

Every single element of our operation will be affected. Although we reaffirmed that our administrative costs are low compared to peers, we have undertaken an intensive review of all administrative and support functions. This encompasses 17 areas of University functions, and involves hundreds of millions of dollars. Over a three year period we will reduce all discretionary administrative costs by 25%. At least 57 top administrative positions will be eliminated and we are looking at the strategic sourcing of commodities. The funds from these reductions were used to protect core missions of the University. However much we reduce administrative costs, it cannot cover the entire burden of reduced State support. Over the next years we will continue to lose faculty, administrative, professional and support staff positions. Many, but not all, staff reductions can be addressed through attrition and closing vacant positions. The effects of these reductions are serious and long-lasting. The Board of Trustees endorsed a tuition increase to help fund a small, but critical, salary program for faculty and staff. Stated simply, we are doing everything we can to protect the quality of our instructional programs.



*Appropriations for
FY 2005 were
preserved at
FY 2004 levels.*

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. Our ability to compete and sustain quality is severely strained. Cuts of the magnitude levied in FY 2003 and FY 2004 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.

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.

The General Assembly and the governor, however, left undecided until the November legislative session the state's capital, or building, program, which is typically paid for with long-term revenue bonds the state sells on the open market. Our first capital priority is always repair and renovation of existing facilities on our three campuses. The two projects to be considered in November as part of the FY 2005 Capital Budget are:


- Repair and Renovation, all campuses - \$10.7 million
- Lincoln Hall Remodeling Planning Funds, UIUC - \$3.0 million

This capital support will assist the University to strengthen its traditional missions of teaching, research and public service in these difficult economic times.

Illinois long has 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, public aid or elementary/secondary education, the list of fundamentally important but unmet resource needs grows each year and competition intensifies among agencies with compelling calls for added support.

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 25% 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 recognized the importance of adopting long-term budget planning strategies which include redirection of existing resources as an integral component augmenting tax and tuition support. Within the framework of well-developed long-range plans, resources have been shifted at each campus from programs of relative lower priority to those of higher priority. The campuses have undertaken a fundamental reexamination of the uses of all existing resources and, perhaps most importantly, have concluded a comprehensive review of their overall academic directions. They have recognized that the danger of attempting to preserve all existing programs and operations in an era of fiscal constraint is that none can maintain the excellence and quality achieved over decades of prudent investment.

The University has recognized the importance of addressing budget requirements via multiple sources, it is clear that the single most important source of budget strength remains State tax 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 1.5% 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 2005 BUDGET OUTCOMES

For Fiscal Year 2005, State support is preserved at FY 2004 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 first 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 that begins in the fall of 2004. 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 2005, a total of \$18.5 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.

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 and budget needs for education have played a central role in the justification for recent tax increases. A closer examination of actual State tax appropriations, however, reveals that education's share of the State budget today is well below its position prior to the income tax increase of 1989-1990. Table 1 illustrates that the budget share for higher education has dropped substantially since that increase was enacted, today resting at a level below that prior to the tax increase. For FY 2005, the share for elementary/secondary education remained steady at 27.3%, and their appropriations increased by 3.4%. For FY 2005 higher education's share of the total budget decreased, declining to 9.2%, down from 10.1% a year earlier and their appropriations decreased by 10.5%. It should be noted that virtually all of the decrease in state general funds for higher education operations and grants between FY 2004 and FY 2005 is due primarily to a shift of over \$200 million in SURS funding from general funds to the State Pension Fund in FY 2005.

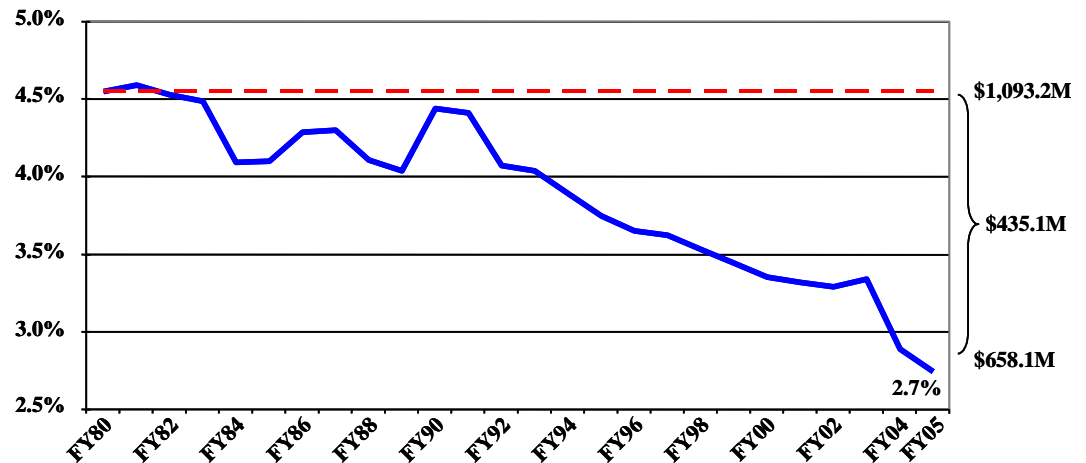
Table 1
State of Illinois General Tax Appropriations
(Percent Share of the Total)

Year	Elementary/ Secondary	Higher Education	DCFS, Human Services, & Corrections	Public Aid	All Other
1980	28.8%	12.9%	10.7%	33.8%	13.7%
1990	26.7%	13.1%	12.9%	30.7%	16.6%
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	27.3%	10.1%	25.8%	23.9%	12.9%
2005	27.3%	9.2%	24.7%	26.1%	12.7%

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 2005, that relationship has changed dramatically. The three human service agencies together have climbed to a share of 24.7%, growth of 91.5%, while higher education has fallen to 9.2% and a decline of about 29.8%.

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 2005, 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 2005

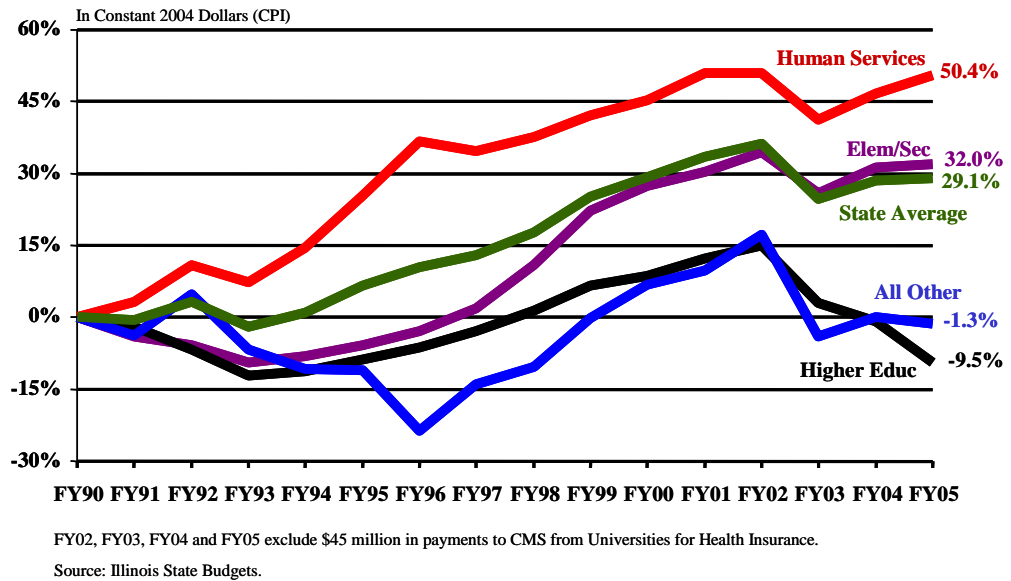


FY02, FY03, FY04 and FY05 exclude \$45 million in payments to CMS from Universities for Health Insurance.

Changes in tax support among State agencies are further demonstrated by the trends shown in Figure 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 50.4% even after accounting for inflation.

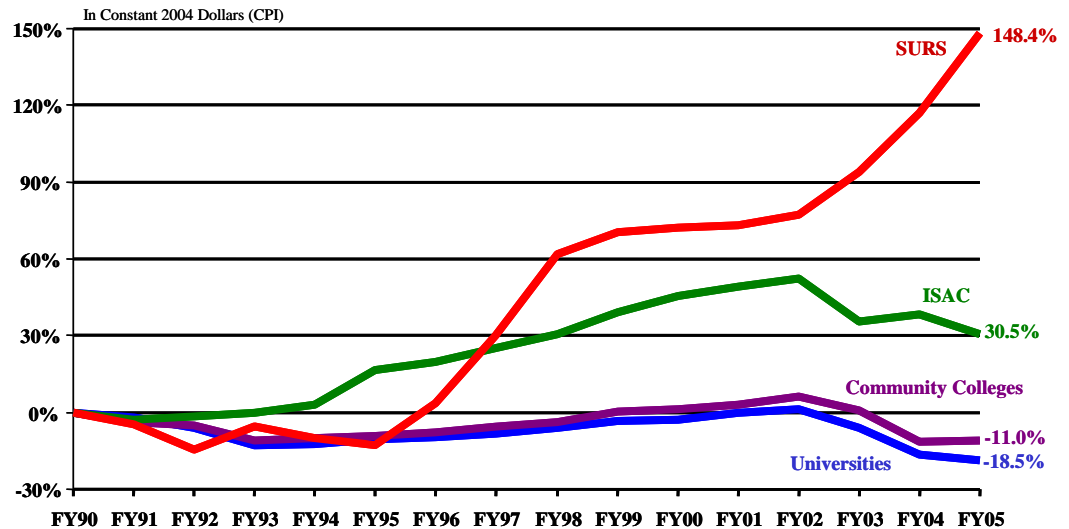
Figure 2
State Tax Appropriations Changes by Agency

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



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 Merit Scholarship Grants, 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 three years, ISAC faced significant reductions. In FY 2005, ISAC funding decreased by 1.8%. Although the Monetary Award Program was preserved at FY 2004 levels, other state funded grant and scholarship programs were reduced.

Figure 3
Cumulative Change in State Tax Appropriations
by Higher Education Sector



FY02, FY03, FY04 and FY05 exclude \$45 million in payments to CMS from Universities for Health Insurance.

Due to the changes in SURS funding from General Funds to State Pension Fund in FY05, for comparison purposes SURS funding includes the State Pension Fund and debt service payments on the FY04 lump sum plan. FY05 debt service payment is \$97.1 million.

Source: IBHE (Final FY05 Budget as signed by the Governor)

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

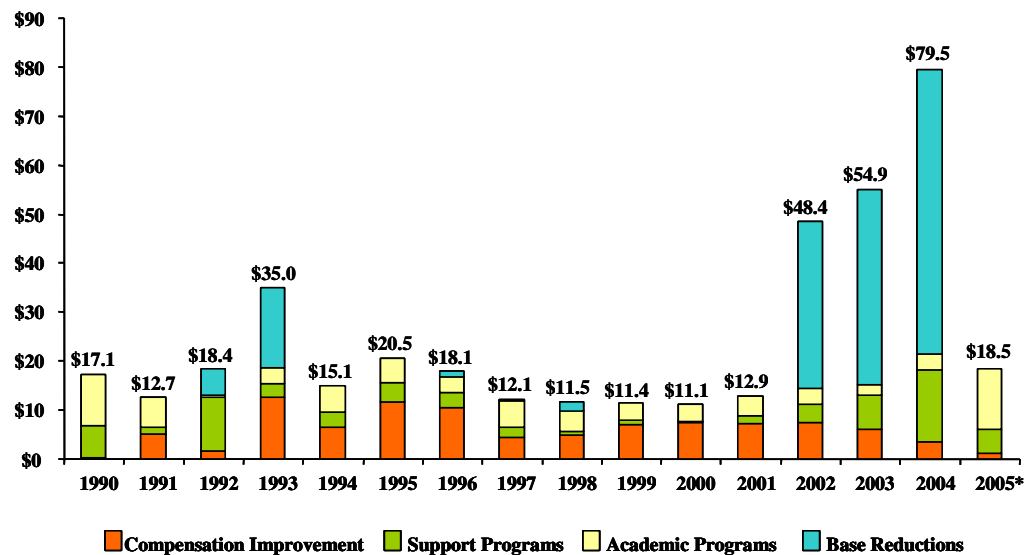
Yet as strong a trend as ISAC has shown, the most significant factor highlighted in Figure 3 is the dramatic growth experienced in SURS funding between FY 1995 and FY 2005. Responding to legislation setting out a multi-year plan to bring SURS support in line with its obligations to employees who are or will retire from the State's public colleges and universities, SURS has received a significant but absolutely essential budget boost to preserve the strength of the retirement program serving higher education. 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 at least the next five years, after which it may reach a plateau, as the General Assembly and Governor follow the legislative mandate to correct past years of serious underfunding. While essential, this mandated growth in SURS support will further constrict the funding available for other segments of the higher education budget.

BUDGET TRENDS IN PERSPECTIVE: REALLOCATION

As has already been emphasized, the University responded to its decline in budget share primarily through a comprehensive review of academic and support programs, priorities and a corresponding reallocation of existing funds. Since FY 1990, more than \$229.5 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 2005
(Dollars in Millions)

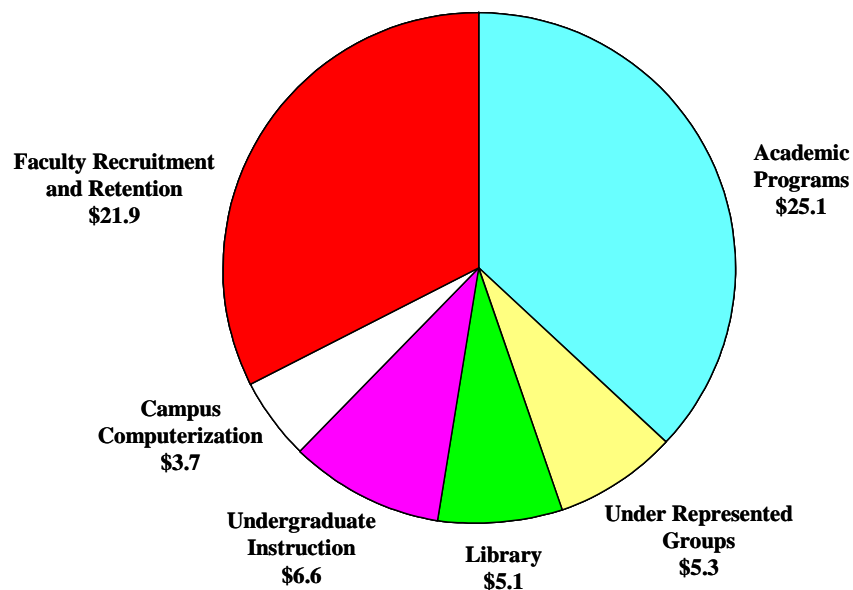


*Estimated.

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 28.2% of the total reallocation achieved since FY 1990 has been devoted to this requirement. Another 40.6% 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 half of the redirected funds. The campuses have sought to add new sections of courses facing significant enrollment pressures or created new initiatives such as the Discovery Program at Urbana-Champaign which brings senior faculty and new freshmen together in small class settings early in the students' programs. Faculty recruitment and retention efforts have captured another 32.4% 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 retention efforts round out the major categories of program reallocations.

Figure 5
Reallocation for Academic Programs
FY 1990 to FY 2005



BUDGET TRENDS IN PERSPECTIVE: TUITION

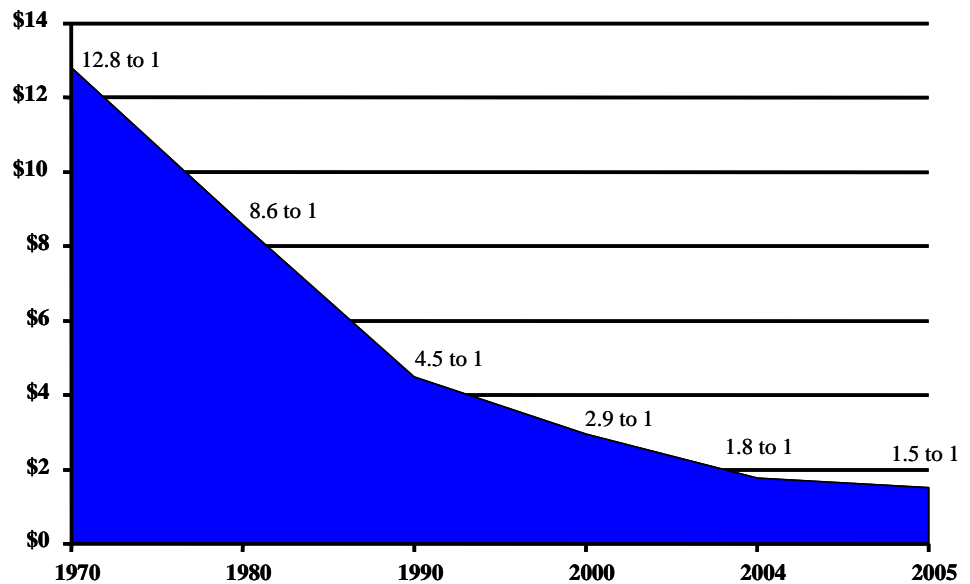
It requires a 1.5% tuition increase to make up for the loss of 1% in State tax resources.

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-four 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 \$1.50.

Figure 6
State Support Per Tuition Dollar
FY 1970 to FY 2005



FY02, FY03, FY04 and FY05 exclude \$45 million in payments to CMS from Universities for Health Insurance.

SUMMARY OF THE FY 2006 BUDGET REQUEST

The University's FY 2006 operating budget request includes three broad categories. First is a modest "continuing components" section, which includes salary and cost increases, funds to meet unavoidable cost increases related to mandatory payroll items and additional resources to operate and maintain new facilities. A second section identifies two statewide initiatives in higher education. The first of these initiatives continues critically important support for recruitment and retention of faculty and staff. The second documents the need to expand operating budget support for facilities renovation needs.

A final section of the request identifies academic program initiatives which would strengthen the academic base, increase the availability and application of technology for students and faculty, increase the University's links to the State of Illinois and provide funding for specific campus and University initiatives.

▼
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.

Sustaining competitive compensation for faculty and staff remains the University's paramount budget requirement. Absence of state funding for salary increases in FY 2005 leaves the University again vulnerable to erosion of competitiveness. To counter this, the University will fund a very modest salary program for FY 2005 by diverting funds from other purposes; to do otherwise would show reckless disregard for the University's competitiveness. For FY 2006 our compensation improvement request includes support for direct salaries. A 3% increase is sought for employee salary increases, an amount which, when combined with the statewide initiative for recruitment and retention of critical faculty and staff noted above should prevent further erosion in competitiveness. It is essential that additional reallocation accompany these incremental advances, since serious competitive gaps remain for faculty and other employee groups.


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.

The "continuing components" also include a relatively small increment to support operations and maintenance costs associated with newly constructed or significantly remodeled space. In total, if fully funded, these budget advances for continuing components represent a budget increase slightly below 3.9%—a very modest advance to initiate recovery for the University of Illinois.

The FY 2006 request continues the precedent set in FY 2000 to augment support for facilities renovation from its uneven and uncertain status in the capital budget with a more stable, secure component in the operating budget. A growing backlog of deferred maintenance projects combined with the need to address normal

deterioration in building systems, the need for functional alteration of space as academic programs change and the pace of technological progress grows more rapidly annually make it critical that a reliable source of funds is available. Several Illinois institutions have elevated this concern near the top of their priorities and the University of Illinois joins in the call to continue to address this need in the operating budget.


In his Preface, President Stukel highlights several essential academic program priorities for the FY 2006 request. He stresses that the lifeblood of all great universities is its faculty. The University of Illinois must continue to address the issue of faculty 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.



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

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

Other core academic program initiatives are organized around three broad themes that include strengthening the academic base, particularly in areas of greatest student demand for additional courses, improving the acquisition and utilization of technology and expanding the University's linkages to the State of Illinois. Many of these center on bolstering the University's ability to preserve and extend the lifeblood of all major academic enterprises: its faculty. Additional faculty positions are sought to enable each campus to respond to enrollment pressures, adding new courses or new sections of existing courses. The need to begin to recover lost capacity in library materials in both print and electronic forms also receives significant attention. Moreover, as emphasized by President Stukel in many forums, support is sought for additional endeavors which would expand the University's role in service to the people of Illinois. In addition this year, we ask support for campus specific expanded academic program initiatives. We look to build a base for medical professional liability insurance and health professional education at UIC, expansion of the general education program at UIS and build on the research infrastructure at UIUC.



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 variety of programs with statewide scope and function, funded through dedicated fund sources (Fire Prevention), annual grants from the IBHE's Higher Education Cooperation Act (HECA) program or special statewide initiatives. With the inclusion of these programs to the University's recurring operating base funding, the responsibility for seeking incremental support for them falls to the University. Reflecting those requests within the University's annual budget request document is the most appropriate place for them to be placed.

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

The full FY 2006 operating budget request is outlined in Table 2, which follows.

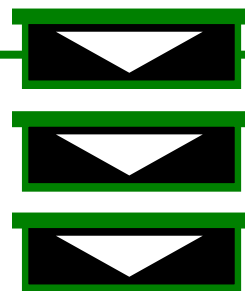
Table 2
FY 2006 Operating Budget Request
(Dollars in Thousands)

I.	Continuing Components			\$44,772.4
	<i>% of FY 2005 Base *</i>			<i>3.88%</i>
A.	Compensation Improvements		\$25,835.7	
1.	Salary Improvements - 3%	\$25,835.7		
B.	Other Payroll Costs		\$1,700.0	
1.	Medicare	\$300.0		
2.	Workers' Compensation	900.0		
3.	Legal Liability	500.0		
C.	Price Increases		\$9,821.9	
1.	General Price Increases - 2%	\$2,951.4		
2.	Utilities Price Increase - 7%	4,376.3		
3.	Library Price Increase - 10%	2,014.2		
4.	Technology Price Increases - 4%	480.0		
D.	O & M New Areas		\$7,414.8	
1.	Chicago Project	\$3,834.6		
2.	Urbana-Champaign Projects	3,580.2		
II.	Statewide Initiatives in Higher Education			\$19,223.8
A.	Recruitment & Retention of Critical Faculty & Staff - 2%	\$17,223.8		
B.	Facilities Renovation Support	2,000.0		
III.	Academic Program Initiatives			\$21,130.0
A.	Strengthening the Academic Base	\$7,240.0		
B.	Investing in Instructional Technology	1,790.0		
C.	Increased Links to the State	1,100.0		
D.	Medical Professional Liability Insurance	2,000.0		
E.	Health Professional Education	3,000.0		
F.	Expansion of General Education Program	2,000.0		
G.	Research Infrastructure	4,000.0		
IV.	Academic Program Initiatives (University-wide)			\$2,650.0
A.	Online Instruction	\$250.0		
B.	IGPA	150.0		
C.	P-16 Programs	1,250.0		
D.	Economic Development	1,000.0		
	Total Request			\$87,776.2
	<i>% of FY 2005 Base *</i>			<i>7.61%</i>
V.	Statewide Programs (IFSI, IDAL)		\$853.9	
VI.	Statewide Economic Development		\$3,000.0	
VII.	Addenda (DSCC**)		\$2,000.0	

* FY 2005 Base: \$1,154,125.7

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

OPERATING BUDGET
REQUEST FOR FY 2006



CONTINUING COMPONENTS



SALARY AND BENEFIT INCREASES

(\$25,835,700)

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 16 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 a spike in applicants brought on by the national economic slowdown, exacerbates the competition for superior faculty.



Loss of State support for salary increases in FY 2003 and FY 2004 poses perhaps the greatest challenge to the University's overall quality since the late 1980s.

In the last two years, many states across the nation have experienced slow revenue growth, presenting policymakers with difficult decisions. But despite this constrained budgetary environment, most states have approved modest salary increases for faculty and staff in FY 2003 and FY 2004. Unfortunately, an extreme revenue shortfall in Illinois made funding for pay raises impossible each of those years. In FY 2003, the University gave no salary increases for the first time since FY 1988. Last year 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 recently 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 16 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 a modest program in FY 2004 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 appropriation in FY 2004, but the University funded a modest salary program 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.

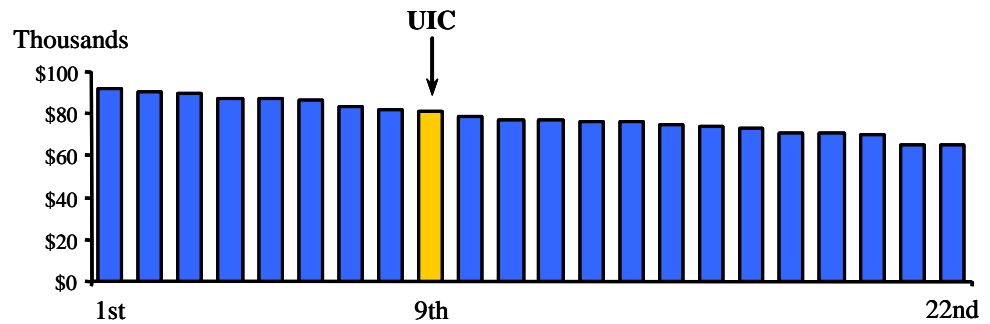
FACULTY SALARIES

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, based on the most recent financial, staffing and student data available. 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 peer group is used for Springfield.

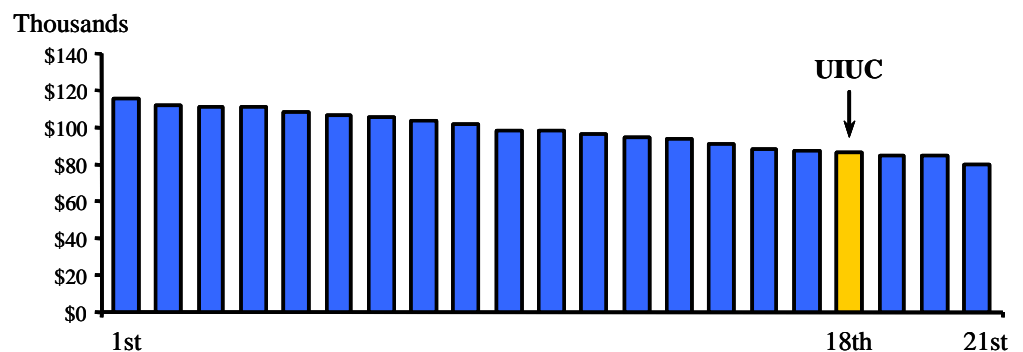
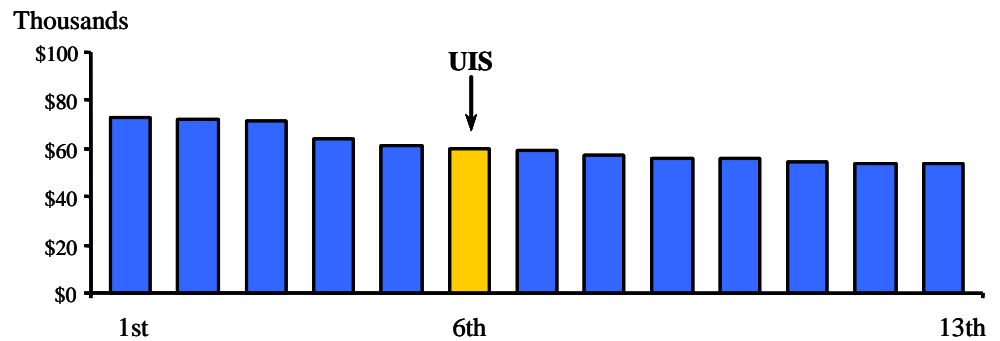
The competitive standing of each campus indicates how well its faculty salaries have fared relative to its peers. Figure 7 shows that UIC ranked 9th in its group in FY 2004 and UIS ranked 6th. Both rankings represents a gain of one place from FY 2003. Although the UIUC campus is among the nation's most 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 2004, a gain of two places from FY 2003.

Figure 7
FY 2004 Competitive Standing among Peers
UIC, UIS and UIUC



▼
FY 2004 found faculty salaries at UIC and UIS ranked above the middle of their peer groups, but UIUC remained near the bottom.



Gains for the three campuses will be highly unlikely in FY 2005 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 over the last

decade, even while inflation continues to erode base pay of University faculty and staff.

FACULTY SALARIES BY DISCIPLINE

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

Another way to gauge faculty salary standing is to examine salaries by discipline from FY 1987 through FY 2004, 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.

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	

▼

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 2004. For each discipline only those institutions reporting data in all four years of the study are included.

Table 3
Faculty Salary Study by Discipline FY 1987 to FY 2004

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

Academic Discipline	No. of Univ.	FY 1987		FY 2002		FY 2004		Rank Ch. Since	
		UIC Salary	Rank	UIC Salary	Rank	UIC Salary	Rank	1987	2002
Architecture	17	\$34,233	14	\$63,743	8	\$64,180	8	6	0
Business	22	45,451	11	102,327	15	105,456	18	-7	-3
Education	23	33,773	10	68,752	7	73,093	5	5	2
Engineering	20	47,921	2	92,588	3	96,901	4	-2	-1
Foreign Languages	23	33,250	11	65,614	5	65,637	8	3	-3
Letters	23	34,622	11	67,637	6	72,813	6	5	0
Mathematics	23	42,184	12	77,123	16	84,043	14	-2	2
Philosophy	23	41,405	4	68,602	4	73,350	6	-2	-2
Physical Sciences	23	42,846	6	74,571	17	78,916	16	-10	1
Psychology	23	41,351	9	74,479	7	77,857	11	-2	-4
Social Sciences	23	37,882	14	71,711	13	74,328	15	-1	-2
Social Work	15	36,274	9	59,171	11	59,568	13	-4	-2
Arts	23	33,340	7	64,144	4	64,361	4	3	0

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 2004		Rank Ch. Since	
		UIUC Salary	Rank	UIUC Salary	Rank	UIUC Salary	Rank	1987	2002
Agriculture	15	\$40,698	6	\$78,254	6	\$80,364	8	-2	-2
Architecture	17	38,858	7	65,221	7	65,588	8	-1	-1
Business	22	52,341	3	113,231	8	119,736	10	-7	-2
Communications	21	36,213	5	73,598	4	79,245	3	2	1
Computer & Info.	19	50,285	7	99,268	2	99,184	2	5	0
Education	23	41,424	5	70,959	3	72,613	3	2	0
Engineering	20	53,995	2	96,741	2	100,654	3	-1	-1
Foreign Languages	23	38,917	6	62,999	6	66,637	5	1	1
Home Economics	15	32,947	6	72,290	3	76,207	3	3	0
Law	18	69,147	3	122,205	7	131,805	6	-3	1
Letters	23	35,365	7	68,358	6	70,926	5	2	1
Mathematics	23	46,480	11	73,215	14	76,981	14	-3	0
Philosophy	23	33,758	12	66,889	13	71,493	14	-2	-1
Physical Sciences	23	51,512	1	89,036	2	98,110	1	0	1
Psychology	23	44,929	3	85,943	5	87,778	4	-1	1
Social Sciences	23	41,945	9	76,270	9	81,523	6	3	3
Social Work	15	38,342	7	55,660	9	56,766	10	-3	-1
Arts	23	36,360	7	59,701	8	60,484	10	-3	-2

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 in FY 2004, but UIC remained lower than FY 2002 in 7 of 13 disciplines, while UIUC remained lower in 7 of 18.

As a result, at UIC, only 5 disciplines (Architecture, Education, Foreign Languages, Letters and Arts) have improved their FY 1987 ranking, while salary rankings lag FY 1987 levels in the remaining 8 disciplines: Business, Engineering, Languages, Mathematics, Philosophy, Physical Sciences, Psychology, Social Sciences and Social Work.

At UIUC, seven disciplines (Communications, Computer and Information Science, Education, Foreign Languages, Home Economics, Letters and Social Sciences) improved their FY 1987 ranking, while 10 others declined. The decliners were: Agriculture, Architecture, Business, Engineering, Law, Mathematics, Philosophy, Psychology, Social Work and Arts. UIUC recovered its FY 1987 ranking in Physical Sciences.

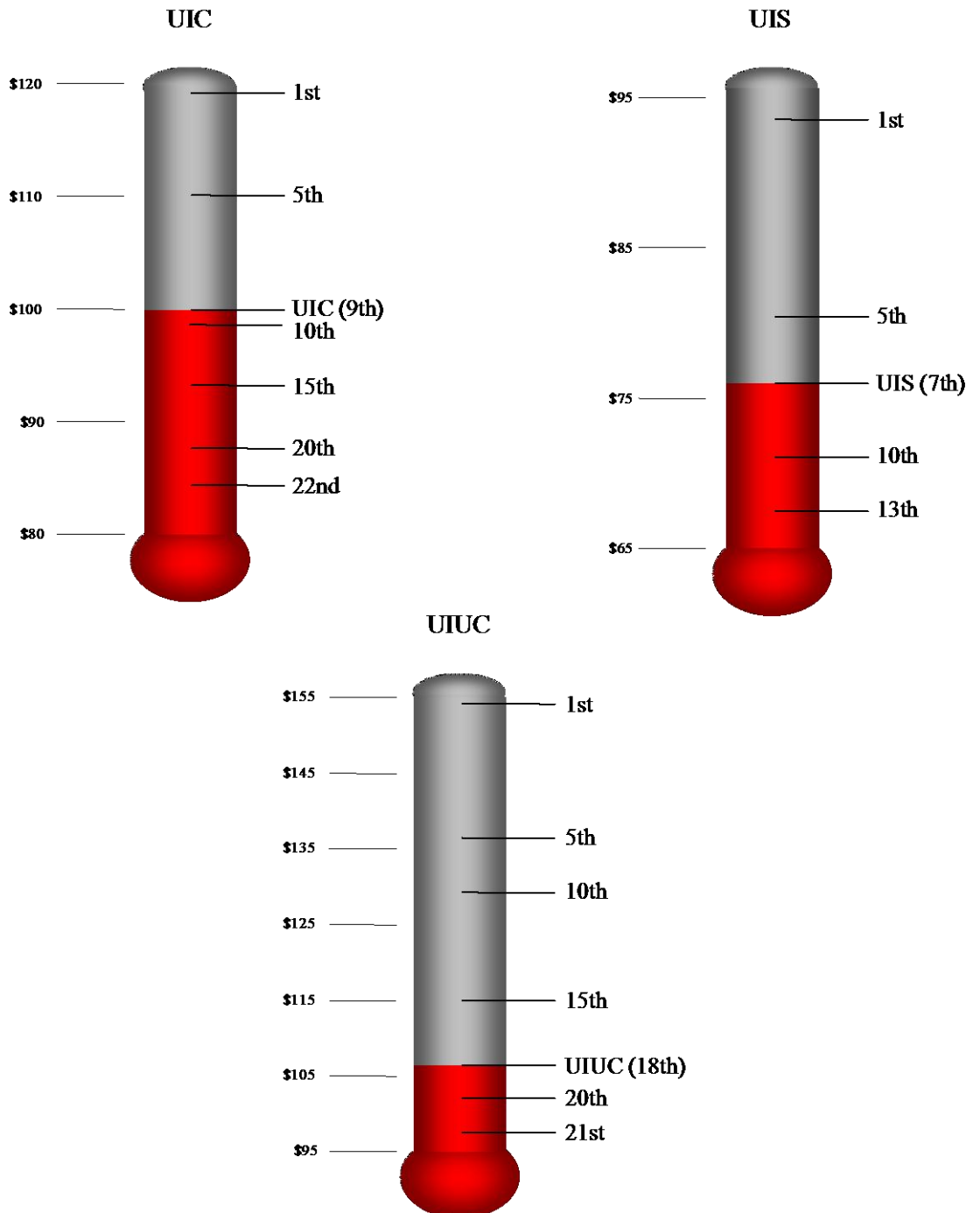
It is clear past declines in State funding hurt the University's ability to remain competitive for high quality faculty and staff, although the impact has been greater in some disciplines than in others. Despite progress in some fields, many disciplines continue to suffer from a loss of competitiveness. 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. It is critically important that the University resume the road to recovery in FY 2005 and beyond.

TOTAL COMPENSATION

Total compensation represents the combination of average cash salary and employer contributions to fringe benefits. Figure 8 shows FY 2004 average total compensation for faculty in the ranks of Professor, Associate Professor and

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

Figure 8
FY 2004 Faculty Average Total Compensation
U of I Campuses and Peer Groups
(Dollars in Thousands)



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

Budgetary constraints in prior years 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 in FY 2003 and FY 2004 left the University again vulnerable to erosion of competitiveness and exhausted its ability to reallocate funds in the future. Incremental funds totaling \$25.8 million are requested for FY 2006 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 statewide programmatic request asks for \$17.2 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 2004		State of Illinois December, 2003		% Over/Under State Class	
	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
Chicago Campus						
Secretary IV	\$24,472	\$36,913	\$23,604	\$37,128	3.5%	-0.6%
Staff Nurse II	\$44,678	\$86,715	\$44,400	\$59,796	0.6%	31.0%
Accountant I	\$27,747	\$49,941	\$31,056	\$46,416	-11.9%	7.1%
Library Clerk II	\$19,929	\$30,108	\$20,208	\$26,256	-1.4%	12.8%
Urbana Campus						
Secretary III	\$23,719	\$35,813	\$22,728	\$35,568	4.2%	0.7%
Storekeeper II	\$32,331	\$34,223	\$27,540	\$43,428	14.8%	-26.9%
Accountant I	\$27,752	\$49,951	\$31,056	\$46,416	-11.9%	7.1%
Kitchen Laborer	\$21,237	\$28,891	\$23,184	\$30,996	-9.2%	-7.3%

For FY 2004, the University received no funds for a general pay raise 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.

The University uses data from recognized regional and statewide sources as a point of comparison for employees in the Open Range pay plan. Changes in market salaries are monitored annually using survey data from sources such as Pay Data Service, and Mercer Information and Technology Survey. The University's salary program (3% average) for non-negotiated staff in FY 2004 was considerably less than Market range increases (3.3% to 3.59%).

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 3.9% for the year ending December 2003. In comparison, compensation costs for State and local governments increased 4.2% percent for the year ending in December 2003.

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. State statutes now mandate annual increases for SURS. In the 1995 plan, FY 2005 is the 10th of a 15-year span of significant increases needed to compensate for past funding deficiencies. 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. Addendum I contains a more complete discussion of the SURS funding situation.

It should be understood, however, that while achieving and maintaining adequate SURS funding remains a key concern for FY 2005 and beyond, funding improvements will not, in and of themselves, improve either the benefits available to University employees or the University's competitive position among peer institutions. The adequacy of SURS' fiscal support must be assured. So, too, must improvements in the University's competitive position in total compensation be achieved.

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 14 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 5 details annual appropriations and expenditures along with each year's percentage growth rate.

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

Fiscal Year	Appropriations	Expenditures	% Change in Expenditures
1990	\$1,718.0	\$1,740.5	0.0%
1991	1,718.0	2,261.7	29.9%
1992	2,743.7	3,323.5	46.9%
1993	3,473.7	3,644.0	9.6%
1994	3,492.0	4,277.3	17.4%
1995	4,417.3	4,850.0	13.4%
1996	5,967.3	5,982.0	23.3%
1997	5,967.3	6,086.6	1.7%
1998	6,141.5	6,267.3	3.0%
1999	6,302.7	6,754.1	7.8%
2000	6,491.8	7,589.9	12.4%
2001	6,686.6	8,589.7	13.2%
2002	6,887.1	9,753.7	13.6%
2003	9,037.1	10,009.3	2.6%
2004	10,037.1	10,037.1 (est.)	0.3%
2005	10,037.1	10,237.8 (est.)	2.0%

The FY 2004 appropriation is \$10,037,100 for the combined Medicare and Social Security requirements. In FY 2005, expenditures are expected to continue to rise. An increment of \$300,000 is requested for the FY 2006 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 6 details the State appropriation to the University compared to actual expenditure claims. In the last eleven years, the University has been forced to reallocate funds to cover increased claims. Strenuous efforts to control costs have helped reduce the impact of cost increases, but the University continues to face growing exposure in this area.

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

<u>Fiscal Year</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>% Change in Expenditures</u>
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	6,172.8 (est.)	13.0%

For the last several years, the University has utilized an actuarial firm to establish an appropriate level of funding for Workers' Compensation. The firm's methods for estimating projected claims and resulting outlays have proven to be very accurate. Actual claims for FY 2004 were \$5,462,700 while the State appropriation was \$3,570,000 creating a shortfall of \$1,892,700. Actuaries have projected payments for FY 2005 to be \$6,172,800 and \$6,913,500 for FY 2006. The University has created extensive programs and incentives to control and reduce costs in the last several years. Even with the success of these programs, additional resources are required. For FY 2006, \$900,000 for workers' compensation is requested.

LEGAL LIABILITY – \$500,000

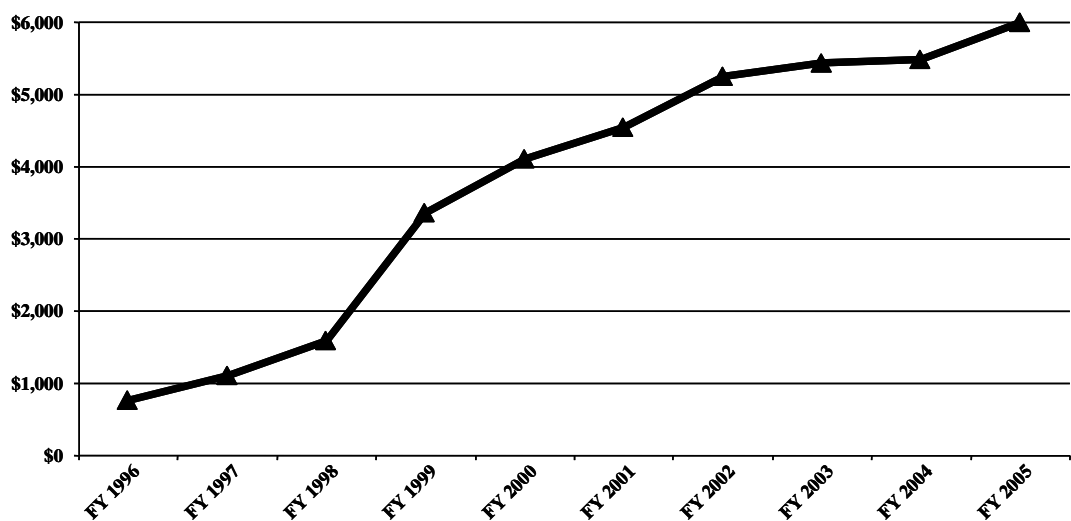
Following national trends, all forms of legal liability claim experience at the University of Illinois is deteriorating. Awards of the court are hitting new highs; claims are requiring more dollars to effect settlement. The Cook County venue is one of the most litigious in the country; awards and settlements 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 \$6.0 million during the period FY 1996 to FY 2005. 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 9. All funding requirements are based on annual actuarial review.

Figure 9
Legal Liability
(Dollars in Thousands)



Loss control for Board Legal liability is difficult; the type of claim is varied, the source of claims is scattered and the frequency is low, but costs can be high for a

limited number of claims. Current loss control programs are general in nature, with peer-to-peer dispute resolution being the most recently initiated program. The University has approximately 28,000 FTE employees and 68,000 students. An average of 20 to 50 claims are filed each year, a frequency less than .01%.

For FY 2004, the University allocated \$5.5 million to the Legal Liability fund, and in FY 2005, the University allocated \$6 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

(\$9,821,900)

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 \$45 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 \$44.9 million since 1990.

- Utilities Price Increases

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

- Library Price Increases

Price increases for library acquisitions have been particularly severe in recent years, far outpacing general inflation. As more information resources become available in electronic formats, a significant additional financial burden is placed upon the libraries. The State has recognized the need for a differential library price increase with special funding in 9 of the last 15 fiscal years. Despite these efforts, the Libraries of the University of Illinois are struggling to maintain the current quality of their collections and service levels appropriate to students and faculty.

- 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. 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 – (\$2,951,400)

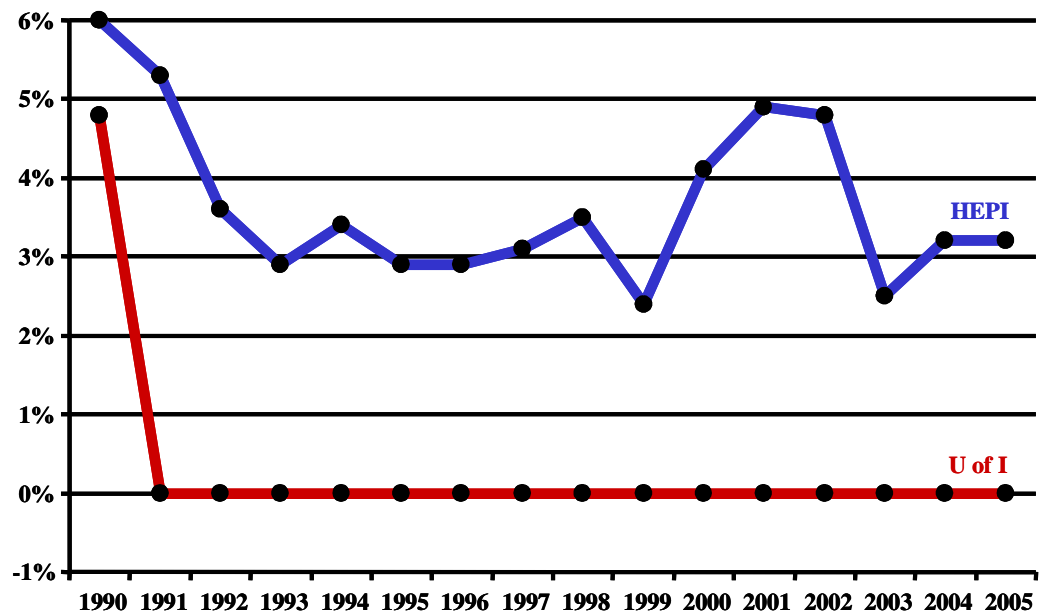
The University's requirements for general price increase funding are determined through a comparison of past funding levels with inflation and several economic indicators. In addition to historical comparisons which show cumulative gains and losses to inflation, economic forecasts are used to project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

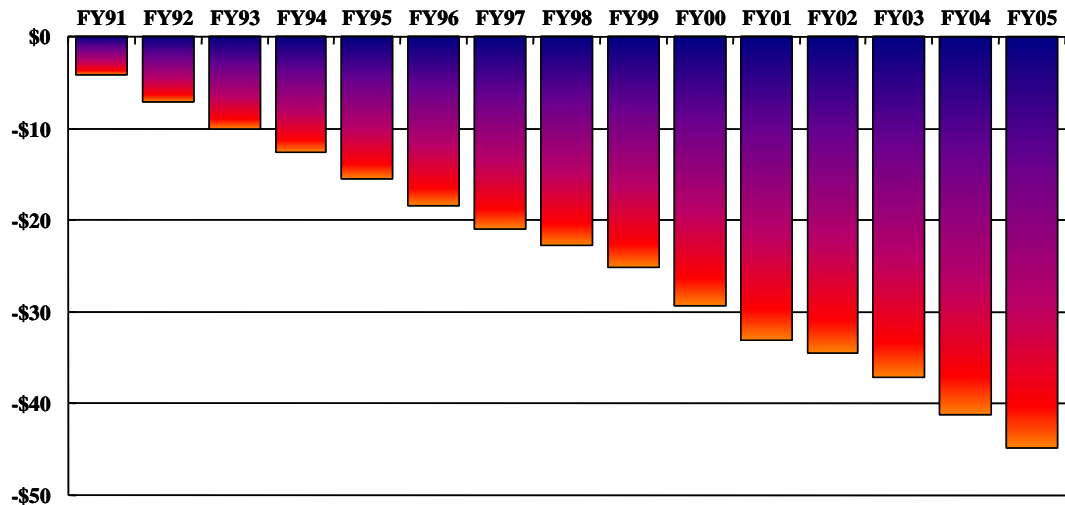
A comparison of University funding levels to these measures shows a strong positive relationship among these inflation indices and considerable differences between the price increases estimated by these indicators and University appropriations over the last decade. Specifically, the University has received no general price increase funding in the past fifteen 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 10.

Figure 10
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 \$44.9 million, as measured against the Consumer Price Index shown in Figure 11.

Figure 11
Cumulative Loss in Purchasing Power
(Dollars in Millions)

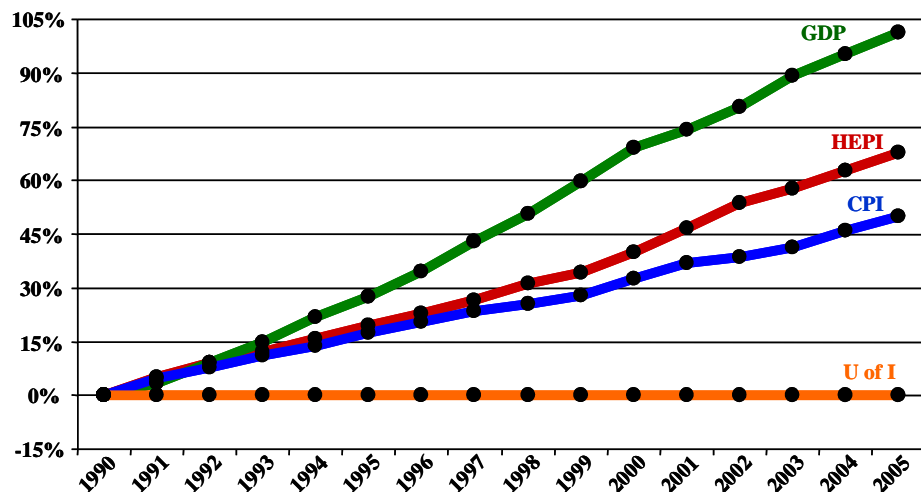


Based on materials included in General Price Increase.

The loss in purchasing power for general goods and services has reached \$44.9 million in the current year.

A review of the widening gap between inflation and University appropriations is displayed in Figure 12. This graph illustrates the wide disparity between actual general price increase appropriations to the University and inflation levels as estimated by GDP, CPI and HEPI indicators for FY 1990 through FY 2005. The University estimates FY 2005 and FY 2006 increases of 2% to 3% (CPI and GDP indices).

Figure 12
Cumulative Inflation Increases
versus General Price Increase Appropriations



For FY 2006, 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 \$2,951,400 is sought.

UTILITIES PRICE INCREASES – \$4,376,300

The expected utilities funding requirements for FY 2006 are expected to require an increase of approximately 7%, a \$4,376,300 increment above the FY 2005 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 the campuses of the University of Illinois.

The significant reduction in State resources coupled with a large increase in fuel costs 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.

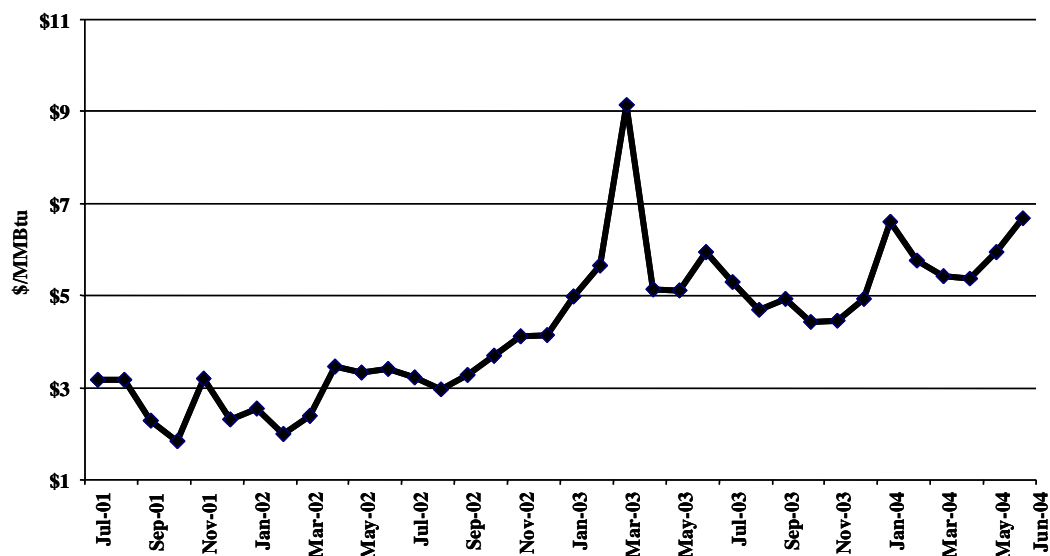
The current ability to pay utility expenditures has been accomplished through temporary reallocations and given the current budget difficulties this flexibility has eroded. The need for permanent new funds is real and apparent. The University of Illinois has done its part to control potential expenditures on both the operations and the capital components of the utilities budget/infrastructure equation. 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 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.

One of the major drivers of utilities budget deficiencies is the price of natural gas. As shown in Figure 13, its pricing volatility is well represented in the swing from the low of October 2001 to the high of March 2003 when the NYMEX closing price

was over \$9 per MMBtu, a fourfold 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. 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 13 correlate with the fiscal years in which multi-million dollar shortfalls in the budget for utilities have been experienced.

Figure 13
NYMEX Natural Gas Settlement Prices
FY 2002 to FY 2004



It is expected that high prices will maintain and peak again during the next few winters. National concerns for the deliverability of adequate supplies of natural gas, heading into the heating season of FY 2005, 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.

In conclusion, based on the forecasted cycles of natural gas prices 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 \$4,376,300 for FY 2006 to provide for required increased allocations for all three system campuses.

LIBRARY PRICE INCREASES – \$2,014,200

The Libraries of the University of Illinois are requesting 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 three fiscal years, when inflationary increases ranged from 8% to 12%, the Libraries received zero price increases. With no new dollars to offset inflation, the Libraries' ability to maintain, let alone build, collections are severely compromised.

The Chicago Library (UIC) has collections that are highly concentrated in the sciences, technology and medicine. To be able to retain online access, UIC has had to cut nearly half of its print subscriptions to these expensive journals in the last three years. With no new money in FY 2005, additional cancellations will be required.

The Springfield Library (UIS) carried out cancellations that amounted to 10% of the total price for periodical subscriptions and is looking at another 5% to 10% cut in FY 2005. Just as significantly, in the past two years UIS has not been able to add new journals to support the teaching and research of new faculty members.

In both FY 2003 and FY 2004, the Library at Urbana-Champaign (UIUC) cancelled 5% to 10% of journal titles in science and technology in an effort to absorb the effects of no new money for collections. In FY 2005, many disciplines at UIUC are canceling another 8% to 10% of their journals. Disciplines that rely on publications from Western Europe must deal with the diminished value of the U.S. 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 diminish the material resources.

Over the last several years, the Libraries have inaugurated programs to enhance the development of their collections with some of the electronic materials now routinely expected by faculty and students. 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% and 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 to have enough money to safeguard the online access. Thus, in many disciplines the Libraries find themselves abandoning the long-held commitment of stewardship to our scholars for now and the future. Inter-library loan provides an increasingly more important part of our collection services, as we are more and more unable to meet the immediate needs of our faculty and students.

These factors continue the erosion of the libraries collections that began more than sixteen years ago. Many of our peer institutions' library collections have not suffered the same fate. Consequently, the University continues to lose its competitive edge in attracting high quality faculty who rely on their institution's library support to carry out their teaching and research. Both the prestige and the success of the institution are driven by the faculty's research accomplishments and our 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 funding of a university's libraries is a clear barometer of how

well these vibrant links are understood on each campus. The State budget rescission and reductions over the last few years have had a deleterious effect on the Libraries' efforts to provide excellent resources and services to faculty, staff and other Library users. Additional support to mitigate these circumstances is vital to position the Libraries to meet the growing needs of their users who continue to move the University of Illinois forward in critical research initiatives and who rely heavily on the excellence of the Libraries' collections for that progress.

The UIC Library serves the largest university in the Chicago area, as well as tens of thousands of students and faculty from other colleges and universities in the city and beyond. It holds 7.7 million items. The UIC Library of the Health Sciences is one of the largest medical libraries in the nation and has been designated by the National Library of Medicine as the regional medical library for ten states from Kentucky to North Dakota. UIC's special collections include a wide range of research materials, with emphasis on the history of Chicago. These include the Jane Addams Memorial Collection; the 10,000-item Lawrence Gutter Collection of Chicagoana; the R. Hunter Middleton Chicago Design Archives; the corporate archives of the Chicago Board of Trade; records of the Century of Progress International Exposition (1933-34); the Midwest Women's Historical Collection; and the Chicago Urban League. Recent additions include the papers of Richard J. Daley and the 500,000 images in the "Chicago in the Year 2000" (CITY2000) Collection.

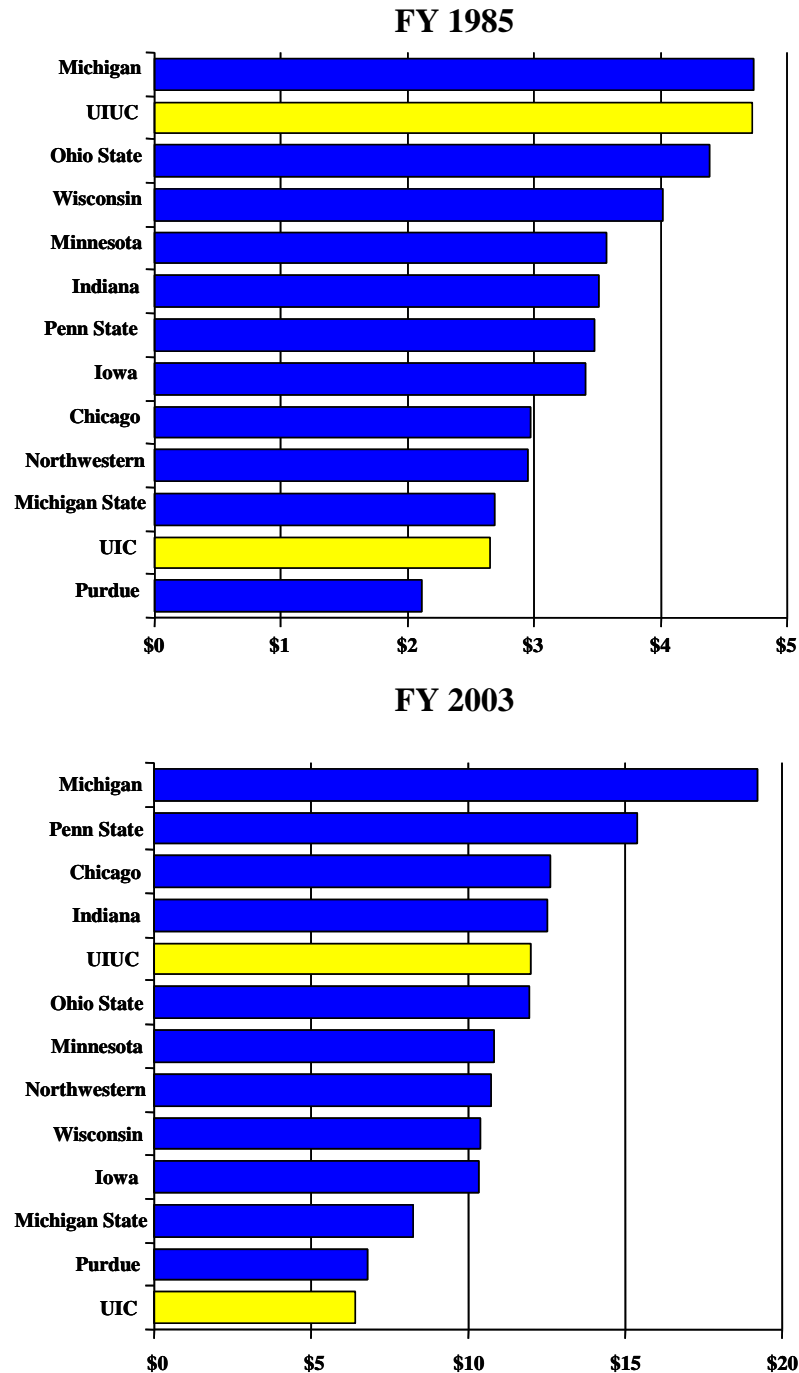
The UIS Library supports students with a collection numbering 530,492 volumes; 2,266 periodical subscriptions; 3,713 films, videotapes and DVD's; 1,854,482 microforms; and over 200,000 government publications. Due to the public policy focus of UIS and its location in the state capital, the UIS Library 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 Library. With a collection of more than 22 million items, it is one of the world's great research libraries. Distinguished collections in areas as diverse as American history, chemistry, English literature, engineering, mathematics, music and Slavic languages and literature attract and support the work of distinguished faculty and students. Special collections, including holdings on 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 are not assured, thus requiring continuing simultaneous purchase in print formats. These increasing prices, coupled with the inconsistent collection funding over the past sixteen years, have seriously compromised the collection quality of the Libraries'. Among the members of the Association of Research Libraries (ARL), the UIUC Library materials expenditures declined from 8th in FY 1985 to 18th in FY 2003, while the UIC Library has had a precipitous decline from 64th in FY 1988 to 81st in FY 2003. Figure 14 shows the Committee on Institutional Cooperation (CIC) Libraries materials expenditures. In FY 1985, the UIUC Library materials expenditures ranked second among the thirteen CIC member libraries. By FY 2001, the UIUC Library's rank had dropped

to 4th behind Michigan, Penn State and Ohio State. In FY 2003, UIUC's position fell to 5th, leading Ohio State in collection dollars by only a few thousand dollars. The UIC Library dropped to last place among the CIC institutions in FY 2003.

Figure 14
Library Materials Expenditures by CIC Institutions
(Dollars in Millions)



The special value of the Libraries' collections lie in the unique strengths of their holdings for students, scholars and users throughout Illinois, the nation and the world. Now and in the future, continuing and stable financial support is critical to fulfill the educational and scholarly needs of the University, 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 2006 to offset the damaging effect of zero material price increases in the FY 2003, FY 2004 and FY 2005 budgets, offset continued inflation, keep pace with the demands of their users and recovery of a small portion of the ground lost over the past sixteen years.

TECHNOLOGY PRICE INCREASES – \$480,000

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 two categories: software hyperinflation and network 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.

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. Our contract for virus protection software, which is essential to all faculty, staff and students, increased by 18.3% in the renewal that was just completed in FY 2005.

- Network demand

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

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

UIS - With the addition of the capital scholars program, the opening of University Hall with smart classrooms and computer labs and new campus residential

apartments, internet bandwidth usage has increased over 110% in the past three years.

UIUC - Internet bandwidth usage increased by 20% in FY 2004 alone. While Residence Halls pay for their usage, the campus generally has no constraints on academic use; UIUC expects use to grow in FY 2005 at the same rate. Similarly, academic units add active connections to their departmental networks at about 22% per year (34,000 connections in FY 2002, 42,000 in FY 2003), however this jumped to 31% in FY 2004 with 55,000 connections currently active. All indications point to a similar increase in FY 2006. There are 89,000 registered IP addresses which could be activated at any time.

For FY 2006, the technology price increase segment of the budget request seeks to obtain funding sufficient to halt further losses to inflation. Based on this, a technology price increase of 4% or \$480,000 is sought.

OPERATION AND MAINTENANCE OF NEW AREAS

(\$7,414,780)

Campus

Levels:

UIC

(\$3,834,600)

UIUC

(\$3,580,180)

▶ The FY 2006 request for funding of the operation and maintenance of new and significantly remodeled areas supports eight new facilities on two of the three campuses of the University of Illinois. Total space to be supported is approximately 966,668 gross square feet (gsf). All the facilities represent significant additions to the campuses to provide teaching, research and support space.

These facilities create a demand with above average utilities and other operating costs compared to most other facilities throughout the state or on the campuses. The FY 2006 annual operation and maintenance new areas request is the third in a series which will include many high demand facilities. Some of the projects that will make future request lists are the Chemical Sciences Building at Chicago and the Institute for Genomic Biology at Urbana-Champaign.

As previously stated, 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 utilities bills. Other operation and maintenance activities, as unfunded expenses, become classified as deferred maintenance. This postponement of expenditures for facility maintenance only permits problems to occur and grow larger through neglect.

The University received no new areas support funding from the State for FY 2005 and was forced to reallocate approximately \$4.2 million to fund these unavoidable costs of new areas. However, this practice is not one that the University can maintain without seriously impinging 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 2006, the requirement to support the operation and maintenance of new facilities totals \$7,414,780. Eight projects, as shown in Table 7, require either full or partial funding of the annual costs for operation and maintenance.

Table 7
FY 2006 Operation and Maintenance
Requirements to Support New Areas

Project	GSF	Total Annual Cost	\$/GSF	Date of Occupancy	Months	FY 2006 Amount
Chicago						
College of Medicine Research Building	332,000	\$5,112,800	\$15.40	Apr-05	9	\$3,834,600
Urbana-Champaign						
Alumni Center	61,784	\$544,940	\$8.82	Jul-05	12	\$544,940
Asian American House	7,000	45,850	6.55	Jul-05	12	45,850
Illinois Natural History Survey (I-Building)	64,000	564,480	8.82	Jan-05	12	564,480
NCSA Building	123,000	1,528,200	12.42	Jul-05	12	1,528,200
South Farms - Phase I (Net New Space)	197,488	217,240	1.10	Jun-05	12	217,240
Waste Management Research Center Garage	2,000	13,100	6.55	Jul-05	12	13,100
Institute for Genomic Biology Building	179,396	1,999,110	11.14	Mar-06	4	666,370
Sub-Total						\$3,580,180
TOTAL						\$7,414,780

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 bio-tech programs. Designed to be flexible in the accommodation of space for research and the number of 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 out-dated, 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. Scheduled for completion in spring of 2005, nine months of support have been requested for FY 2006, a total cost of \$3,834,600

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 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 July of 2005 with twelve months of new areas support requested at \$544,940.

Asian American House

▶ The Asian American House is a cultural center that will serve students with academic space as well as includes space for special events, presentations, speakers and other special meetings. This project consists of construction of a new wood frame two story with basement 6,400 gsf building. Additionally, it includes minor remodeling of an existing wood framed building on the same site. The new space totals 7,000 gsf and includes conference rooms, workrooms and office space. Twelve months of operations funds are requested totaling \$45,850.

Illinois Natural History Survey (I Building)

▶ This 2 story building consisting of 64,000 gsf was constructed in 2001 as part of the Research Park on the south campus in Champaign. The Natural History Survey has been the guardian and recorder of biological resources for the State since 1858. A portion of the Survey's units have been housed on the Urbana-Champaign campus for over 60 years. Recent studies show a large deficiency in space for the Survey and new space has been a priority for several years. A state capital appropriation for the Survey will allow for the purchase of this building. This new facility will provide the Survey with office and associated supporting space, general lab, storage and work area spaces. A full year of operations is requested at \$564,480.

NCSA Building

▶ The National Center for Supercomputing Applications (NCSA) is a leader in defining the future's high-performance computing infrastructure for scientists and for society. NCSA is the leading edge site for the National Computational Science Alliance, a nationwide partnership of more than 50 academic, government and business organizations working together to prototype an advanced computational infrastructure for the new century.

Additionally, NCSA is part of a team with four other institutions chosen by the National Science Foundation to build the most comprehensive infrastructure ever deployed for scientific research commonly referred to as the TeraGrid. When completed, the TeraGrid will include 20 teraflops of computing power distributed at 5 sites, facilities capable of managing and storing nearly 1 petabyte of data, high-resolution visualization environments and toolkits for grid computing. These components will be integrated through a network operating at 40 gigabits per second. As part of its program of technology transfer, NCSA also operates the Private Sector Program (PSP). PSP ensures that leading-edge ideas developed at NCSA are quickly put to use through active collaboration with industry leaders.

This new facility for NCSA was funded through the state's VentureTECH program. Construction funds in the amount of \$30 million were appropriated over a two year period for construction of this 123,000 gsf facility. The building will contain offices, research laboratories, conference space, training labs and related support activities and will be located to the north of the Siebel Center for Computing Sciences. Slated for completion in the summer of 2005, twelve months of operations and maintenance funds are requested totaling \$1,528,200.

**South Farms -
Phase I**

▶ Many of the existing farm facilities have served the University since the 1900s. As the state's land grant university, these facilities contributed to advances in agriculture that still benefit society today. However, the old structures no longer support the needs of state-of-the-art science and new facilities will enhance research capabilities possible through interdisciplinary research to help sustain agriculture and enhance food production. In order to accommodate current and anticipated research needs new facilities are required that are strategically placed south of the existing campus proper thereby allowing the expansion of south campus and the research park.

This first phase will see construction of several barns near the intersection of Race and Old Church Road between Urbana and Savoy. Barns and associated structures serving the cattle and sheep programs will total 197,488 gsf. Office space, feed mixing and equipment storage will also be constructed in this first phase. These facilities housing animals and associated service functions allows the College of ACES to continue their research and teaching in animal husbandry, animal nutrition and diseases, livestock judging and production. Twelve months of funding is requested totaling \$217,240.

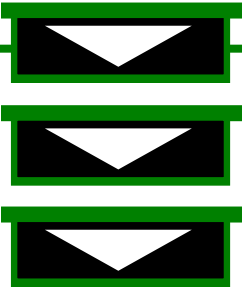
**Waste
Management and
Research Center**

▶ The Waste Management Research Center (WMRC) is a facility designed to assist organizations and businesses with waste management concerns. The Center has equipment, vehicles and waste samples that need to be housed in a secure and controlled environment. Currently, the WMRC lacks adequate space to properly store equipment, vehicles and samples. The new garage facility will allow the WMRC to handle their equipment and hazardous chemical materials in an efficient manner thereby controlling the exposure for these potentially dangerous chemicals and equipment. Twelve months of operations for this 2,000 square foot garage are requested at a \$13,100.

**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 seven thematic areas. Six thematic areas have been announced at this time: biocomplexity, genomic ecology of global change, genomics of neutral and behavioral plasticity, host-microbe systems, mining microbial genomes for novel antibiotics 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 building is scheduled for completion in March of 2006 with four months of new areas funds requested in FY 2006 equaling \$666,370.

STATEWIDE INITIATIVES
IN HIGHER EDUCATION



RECRUITMENT AND RETENTION

(\$17,223,800)

Overview

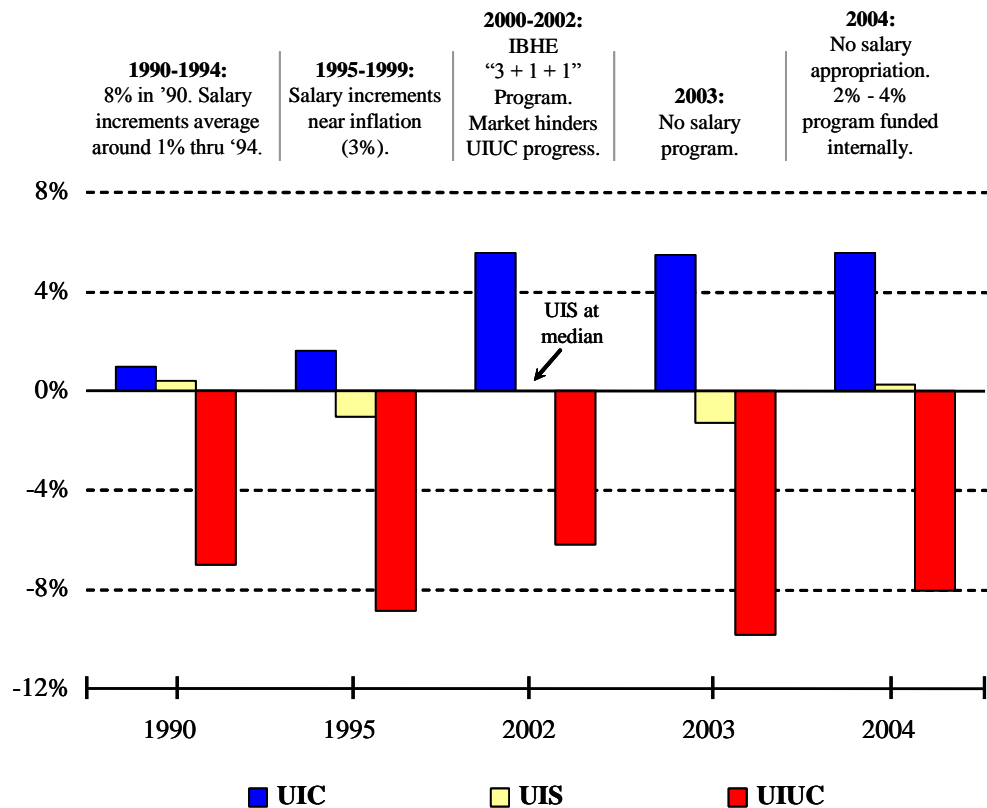
► The quality of a university's instruction, research, public service and economic development activities depends in large part on the quality of its faculty. Facilities, library resources, staff quality and other factors are vital, too, but it is the mentor in the classroom, the laboratory investigator, 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. 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. Figure 15 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 FY 2004, but remained around 8% below its peer group median.

Figure 15
Distance from Peer Group Median
UIC, UIS and UIUC



That up-and-down salary trend is also reflected in the peer group rankings, shown in Table 8. 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, with UIC regaining only one spot and UIUC regaining both spots in FY 2004. UIS lost one position in FY 2003 and regained its position in FY 2004.

Table 8
Full-Time Instructional Faculty Average Salaries FY 1987 to FY 2004, All Ranks
(Dollars in Thousands)

University of Illinois at Chicago and IBHE Peers

1987		1994		2002		2004	
Chicago Campus							
Cal.-Santa Barbara	\$51.9	Massachusetts	\$62.2	Cal.-Santa Barbara	\$88.4	Cal.-Santa Barbara	\$92.1
Cal.-Irvine	50.0	Temple	61.5	Maryland	88.1	Cal.-Davis	90.3
Cal.-Davis	48.3	Cal.-Santa Barbara	59.5	Cal.-Davis	85.7	Maryland	89.9
Cal.-Riverside	47.0	Hawaii	59.2	Cal.-Irvine	84.5	Cal.-Irvine	87.4
Massachusetts	45.4	Cal.-Irvine	58.7	Cal.-Riverside	82.8	Temple	87.4
Va. Tech.	42.8	Maryland	58.1	Delaware	78.9	Cal.-Riverside	86.8
Maryland	42.3	Delaware	57.9	Massachusetts	78.8	Delaware	83.2
Florida	42.3	Cal.-Davis	57.4	UIC	76.7	Michigan St.	81.6
Arizona	42.0	Wayne St.	56.7	Temple	76.2	UIC	80.8
Arizona St.	40.5	Michigan St.	56.1	Va. Tech.	76.0	Massachusetts	78.4
Wayne St.	40.3	Arizona	54.4	Michigan St.	74.8	Wayne St.	77.2
Michigan St.	39.8	Va. Tech.	53.5	Wayne St.	73.6	Arizona	76.6
UIC	39.7	Cal.-Riverside	53.1	Arizona St.	73.1	Va. Tech.	76.4
Georgia	39.4	UIC	52.6	Arizona	72.9	Arizona St.	76.4
Temple	39.2	Arizona St.	50.9	Georgia	71.6	Florida	74.8
Hawaii	38.7	Utah	50.4	Florida	71.2	Georgia	73.8
Delaware	38.3	Florida	50.4	Utah	69.6	Hawaii	72.8
Va. Common.	37.3	Va. Common.	50.2	Va. Common.	69.1	Utah	70.9
Vermont	37.2	Georgia	49.9	Hawaii	68.5	Florida St.	70.5
Utah	37.1	Oregon	49.0	Florida St.	66.9	Va. Common.	70.2
Florida St.	37.0	Florida St.	47.8	Vermont	61.1	Oregon	65.3
Oregon	34.5	Vermont	n.a.	Oregon	60.5	Vermont	65.3

University of Illinois at Springfield and IBHE Peers

1987		1994		2002		2004	
Springfield Campus							
SUNY-Brockport	\$39.2	Shippensburg (Pa.)	\$57.5	Union	\$71.3	Trinity	\$72.5
Trinity	38.9	Trinity	55.1	Trinity	69.7	Union	71.8
Clark	38.3	Clark	52.2	Clark	68.4	Clark	71.6
Union	36.9	Union	52.0	Shippensburg (Pa.)	68.1	Iona	64.2
Iona	36.0	SUNY-Brockport	50.0	Iona	59.4	SUNY-Brockport	61.0
Shippensburg (Pa.)	35.5	No. Michigan	49.4	UIS	58.1	UIS	59.6
No. Michigan	34.7	Iona	47.0	SUNY-Brockport	57.8	No. Michigan	59.5
Wisc.-Green Bay	33.6	UIS	43.7	No. Michigan	57.2	Marist	57.1
UIS	33.5	Lake Superior St.	43.3	So. Dakota	54.2	So. Dakota	56.1
Charleston	31.9	Wisc.-Green Bay	43.2	Auburn-Mont.	52.8	Auburn-Mont.	55.6
So. Dakota	31.3	Auburn-Mont.	42.5	Charleston	52.8	Charleston	54.7
Auburn-Mont.	31.3	Marist	42.3	Marist	52.8	Wisc.-Green Bay	53.8
Lake Superior St.	30.9	Charleston	38.8	Georgia St.	52.1	Georgia St.	53.5
Marist	29.6	Georgia St.	38.2	Lake Superior St.	51.5	Lake Superior St.	n.a.
Georgia St.	n.a.	So. Dakota	n.a.	Wisc.-Green Bay	51.3	Shippensburg (Pa.)	n.a.

Table 8 (Continued)

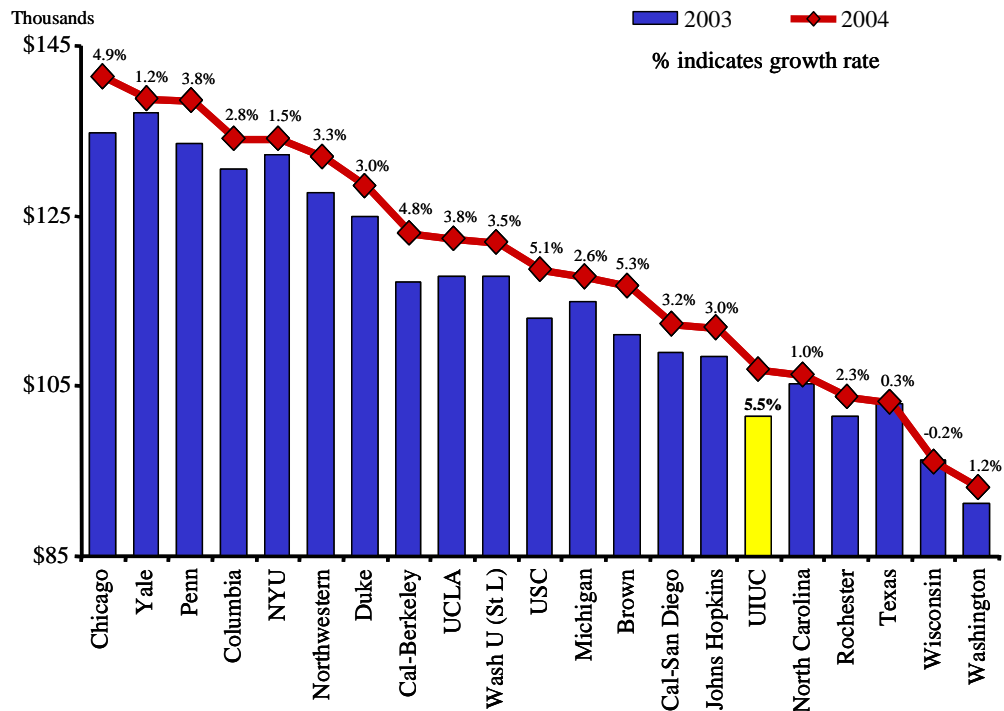
University of Illinois at Urbana-Champaign and IBHE Peers

1987		1994		2002		2004	
Urbana-Champaign Campus							
Cal.-Berkeley	\$56.2	Chicago	\$75.9	Pennsylvania	\$107.5	Pennsylvania	\$115.3
U.C.L.A.	53.2	Pennsylvania	74.4	Yale	105.2	Chicago	112.1
Cal.-San Diego	52.6	Yale	73.1	Chicago	104.0	Yale	111.3
Columbia	50.3	N.Y.U.	71.3	Columbia	102.0	Columbia	110.8
Chicago	50.0	Columbia	71.2	N.Y.U.	100.8	Northwestern	108.5
Pennsylvania	49.8	Northwestern	71.2	Northwestern	100.6	Cal.-Berkeley	106.0
Yale	49.5	Duke	69.9	Cal.-Berkeley	99.9	N.Y.U.	105.6
Johns Hopkins	49.3	Cal.-Berkeley	66.4	Duke	97.3	Duke	104.0
N.Y.U.	48.0	Johns Hopkins	65.4	U.C.L.A.	96.9	U.C.L.A.	102.1
Michigan	47.6	U.S.C.	64.9	Cal.-San Diego	91.6	Wash. U. (St. L.)	98.5
Duke	47.6	Michigan	64.3	Wash. U. (St. L.)	91.2	U.S.C.	97.8
Northwestern	46.8	Brown	63.3	U.S.C.	89.2	Brown	96.3
Brown	45.3	U.C.L.A.	62.5	Michigan	87.3	Cal.-San Diego	94.4
UIUC	45.1	Wash. U. (St. L.)	62.3	Johns Hopkins	87.3	Michigan	93.6
U.S.C.	45.0	Rochester	61.7	North Carolina	85.9	Johns Hopkins	90.7
North Carolina	44.0	Cal.-San Diego	61.1	Brown	85.7	Rochester	88.0
Wisconsin	44.0	Texas	59.8	Rochester	84.1	North Carolina	87.4
Rochester	43.6	North Carolina	59.0	UIUC	82.3	UIUC	86.2
Wash. U. (St. L.)	42.8	Wisconsin	58.3	Texas	82.0	Texas	84.9
Texas	40.5	U. Wash. (Sea.)	57.5	Wisconsin	81.3	Wisconsin	84.8
U. Wash. (Sea.)	40.4	UIUC	57.3	U. Wash. (Sea.)	76.8	U. Wash. (Sea.)	79.9

Figure 16 shows why UIUC in particular regained some ground in FY 2004. The figure compares FY 2003 and FY 2004 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 FY 2004, UIUC had the highest growth rate over the period, 5.5%, which was well above the group average growth rate of 3.0%. UIUC’s impressive growth was made possible through allocation of tuition revenue and reallocation of other internal resources. (It should be noted that UIUC had only 0.5% growth in FY 2003, which was the lowest among its peers, so its combined growth rate over the last two years was roughly 3.0% per year.) Several public institutions in the group struggled in FY 2004, notably Texas (0.3%) and Wisconsin (-0.2%). Publics together averaged only 2.6% growth. Private institutions as a group averaged 3.3% 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 16
FY 2003 and FY 2004 Professors' Average Salaries
UIUC and IBHE Peers

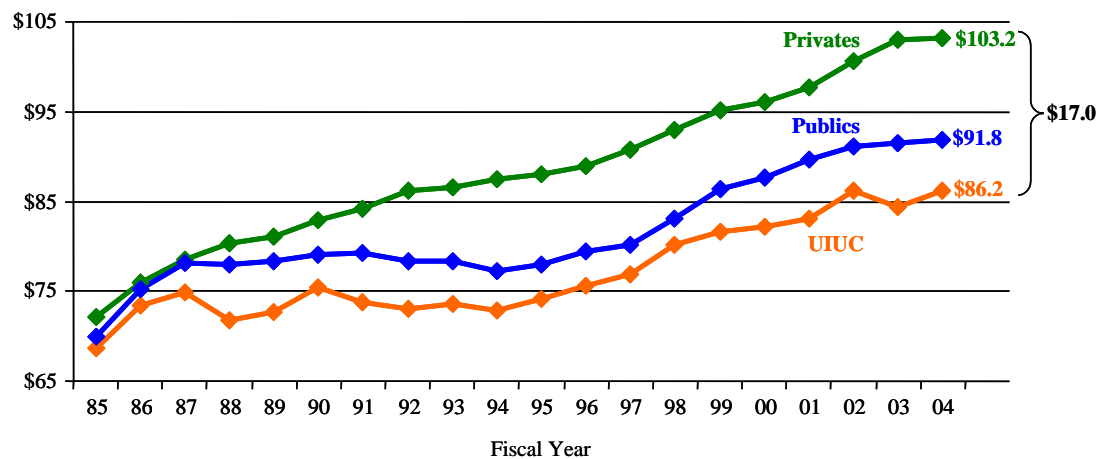


A closer look at the last 20 years puts FY 2004 in context and reveals two major trends in the faculty salary market that do not bode well for the University of Illinois, nor for public higher education institutions across the country. First, funding for public university faculty salaries is closely 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 so 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 17 shows instructional faculty (Assistant Professor and above) average salaries in constant dollars since FY 1985 for UIUC and its public and private peers. Publics and privates were nearly even in the mid-1980s, with UIUC slightly below average, before starting to diverge in FY 1988. The gap widened

until about FY 1995 before stabilizing somewhat through FY 2002, then widening again in FY 2003. UIUC and its public peers now pay about the same real salaries as two years ago, while privates pay over 2% more, contributing to a disparity in cumulative real growth over the period: 43.1% for privates, 31.3% for publics and 25.7% for UIUC.

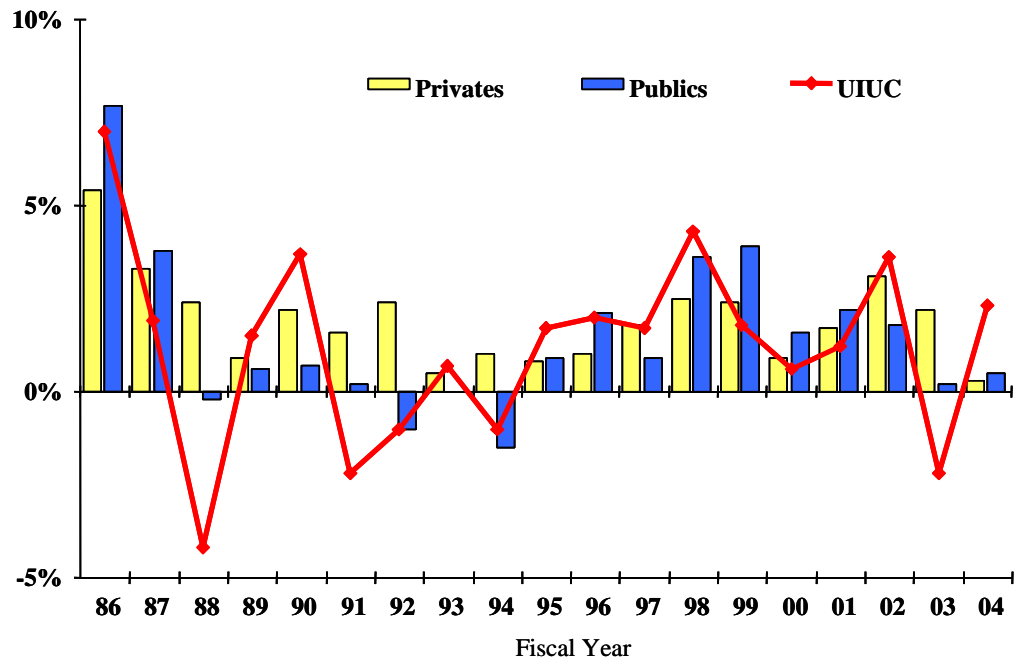
Figure 17
Private versus Public Institution Faculty Average Salaries
UIUC and IBHE Peers
(Dollars in Thousands)



Notes: Figures in constant (2004) dollars using CPI.

Figure 18 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 have had three such years: 1988, 1992 and 1994. Private institutions, on the other hand, have had no years of negative salary growth. 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 18
Annual Change in Faculty Average Salaries
UIUC and IBHE Peers



Notes: Figures in constant (2004) 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, \$17.2 million in additional incremental funds are requested for recruitment and retention of critical faculty and staff. These additional monies are necessary in order to avert erosion in faculty quality and morale.

FACILITIES RENOVATION SUPPORT

(\$2,000,000)

Overview

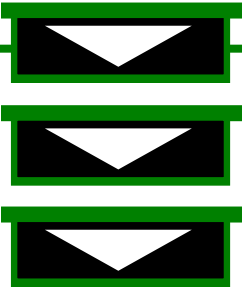


Stated most simply, physical facilities are a critically important component of the academic support structure necessary to conduct instructional, research and service activities in any institution of higher education which in turn is critical in attracting top-quality faculty, staff and students. Academic facilities constructed and operated with State funds for the University of Illinois have a replacement cost of over \$4 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 2006, the University seeks to build on this start by requesting \$2 million in operating funds. This request is the first component of a multi year program to insure funds that will not only stop the growth of deferred maintenance items but eventually begin the reduction in this significant backlog. These funds coupled with those in the capital budget request are 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.

ACADEMIC PROGRAM
INITIATIVES



STRENGTHENING THE ACADEMIC BASE

(\$7,240,000)

Overview



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

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

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

FACULTY EXCELLENCE

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

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

is even more important in the face of faculty losses that will result from the budget cuts.

Since FY 1999, the Faculty Excellence program has recruited more than 65 outstanding mid-career faculty members to 11 different colleges. These new colleagues have added important strength in fields from agriculture to the arts, engineering to the classics.

The Faculty Excellence program originally was envisioned as a means to restore strength that was lost during more than two decades of steady erosion to the size of the faculty and limitation of hiring essentially to the junior ranks. 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 UIUC 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, standing and future contributions of UIUC rest fundamentally on the achievements and reputation of the faculty. The leverage provided by Faculty Excellence funds is essential to UIUC's ability to compete for some of the very best faculty members who will play key roles in maintaining and enhancing the quality of the campus in future years.

EMPLOYMENT, TRAINING AND BUSINESS NEEDS

The Illinois Commitment's first goal maintains that higher education will help Illinois business and industry sustain strong economic growth. This mandate becomes more salient as the economy at the national, state and local levels has seen three years of instability. Demand for higher education grows in a poor economy. The mandates to help grow the economy and maintain affordability become extremely difficult to fulfill as the State portion of the budget has faced serious cuts for two years in a row. Additional funds in FY 2006 will allow UIC to begin restoring faculty positions in order to meet demand and maintain excellent academic programs.

Technology is changing rapidly and its integration into the workplace is spreading quickly. In addition to changing the nature of many professional environments, technology itself provides job opportunities in many areas. Higher education needs to “respond proactively” by providing all students with discipline appropriate technological exposure and training.

**Business
Administration**

▶ Enrollment was reduced 4.4% from Fall 2002 to Fall 2003 to help alleviate a high student-to-faculty ratio and enhance the learning experience for students. Prior to this reduction, enrollment had grown each year; the average undergraduate class size grew to 57, and as a result freshman retention rates began to fall. The College of Business Administration needs to recruit 23 tenure track faculty members by FY 2008 in order to continue to progress towards an appropriate student-to-faculty ratio and attain a more reasonable average class size. There is demand from a large number of highly qualified prospective students that will not be met unless the total faculty numbers grow. These new faculty members are required to protect Association to Advance Collegiate Schools of Business accreditation.

The faculty of the College of Business Administration are positioned to contribute to the body of knowledge in several targeted areas of research such as health economics, human resource management, information management, entrepreneurship, urban economics, real estate and risk management. Additional faculty members will allow the College of Business Administration to support these areas and make significant research contributions.

Engineering

▶ The UIC College of Engineering requires additional faculty members to meet demand from students and employers. Student demand for programs in electrical engineering and computer science continue to outpace our ability to accommodate growing demand. This situation is exacerbated by budget cuts the campus has faced. The class sizes are larger than desired for optimal teaching and learning. Additional tenure track faculty members are required in all academic departments in the College. The goal is to add 13 faculty members.

**Architecture and
the Arts**

▶ The College of Architecture and the Arts requests funding to hire additional tenure-track faculty members and sustain the availability and upgrading of the most current digital tools to allow graduates to compete in their fields. Specialized video and

audio digital tools are relied upon in architecture and arts professions and new digital tools become mainstream soon after development. Visualization of information and the physical world is at the core of arts and design education and professional training. College research in imaging technologies also impacts multiple disciplines beyond the arts.

RECRUITMENTS FOR HIGH DEMAND AND PROGRAMMATICALLY CRITICAL NEW AREAS

A particular challenge for the quality of education and programs is presented by special needs for expanded faculty resources in high-demand programs and in programmatically essential new areas that must be developed in order to maintain the disciplinary leadership that is so closely tied to the national and international standing of the UIUC campus.

The commitment to providing students with access to this campus has meant not only increasing enrollment opportunities where possible and providing adequate financial aid but also minimizing barriers to admitted students' choices of majors and programs. One result has been that some of the programs that are most sought-after by students are now experiencing intense enrollment pressures that far exceed the capacity of their faculties to meet. Examples of these programs include units in the UIUC College of Business (where the average section size has now reached 52.6 in 100-level courses and 84.6 in 200-level courses, compared to campus averages of 32.7 and 32.5, respectively), and majors in Computer Science (mean class sizes of 55.1 in 100-level courses, 61.8 in 200-level courses, and 79.4 in 300-level courses), Psychology (40.6 in 100-level courses and 57.8 in 200-level courses), and Chemistry (58.2 in 200-level courses).

As UIUC seeks new resources to reduce class sizes to educationally effective levels in high-demand areas, it must not lose sight of the equally important need to build new strength in emerging disciplinary areas that will secure future standing at the top of this country's public research universities. This latter role is, after all, the unique mission that has been given to UIUC among Illinois public universities. Fulfillment of this mission requires continual development in emerging areas of disciplinary and societal importance. Excellence in established fields must also be

sustained. Development of new programmatic thrusts is made possible in part by ongoing reallocation of faculty and resources from areas of declining importance to areas of new importance and promise, but reallocation alone is insufficient to build programs of the depth required for this mission. UIUC cannot stay in the forefront of public research universities merely by cannibalizing other areas, particularly those which are themselves excellent and serve the needs of many students. New resources are required if UIUC is to build essential new strength in such areas as bioengineering, orienting our chemical sciences programs to a more biological focus, genomic research and developing programs in ethnic studies.

RESTORE INSTRUCTIONAL CAPACITY

The ability to offer the quality of education which the citizens of Illinois have come to expect from UIUC has been eroded by reductions to instructional staff caused by successive annual budget cuts. In addition to the quality of faculty, another key factor that influences the quality of education offered is the size of the instructional staff—including not only faculty but also instructors, lecturers and graduate teaching assistants—which determines capacity to teach courses. UIUC has long been committed to conducting instruction in small classes that provide opportunities for active learning and intensive interaction between students and teachers. This is the principal reason why nearly twice as many graduate teaching assistants per faculty member are employed as do Wisconsin, Michigan and UC-Berkeley. Teaching assistants are used to offer autonomous small sections of many courses and discussion sections accompanying lecture classes, as well as in other roles, and thus have sustained the unique advantages of small classes in undergraduate instruction, unlike some of the peer institutions. The reductions to instructional staff caused by budget cuts have led to increased class sizes and reduced choice for students.

With a decreasing instructional staff, attention has naturally been focused on finding ways to continue to accommodate students' needs to enroll in courses. Thus, section size where possible, has been increased, traditionally smaller sections have been combined to create larger lecture classes, and the like. These steps have thus far maintained our instructional capacity, but they come at a cost to the smaller classes that UIUC has long been committed to as an essential component of the highest quality of education. It is essential that instructional staff are restored in order to

prevent undergraduate education from becoming a mass-production exercise. The proposed funds will restore teaching assistant, instructor and lecturer positions that have been sacrificed to budget cuts, and thereby allow UIUC to hold ground, if not to make up ground that has been lost, on class size.

RESTORING THE FACULTY BASE

The UIS campus vision calls for achievement of excellence in the traditional liberal arts disciplines, complemented by strong professional and graduate programs. During the late 1990s, UIS was able to make substantial progress strengthening the faculty base through addition of faculty to support the Capital Scholars program and online offerings. In addition to key faculty hires in core liberal arts disciplines, UIS was able to add faculty and initiate activities in music, theater and speech, thus enhancing the campus' cultural climate.

The budget difficulties of FY 2003 through FY 2005 impeded this progress. The first priority for FY 2006 is to, at least partially, restore reductions in faculty lines through two additional faculty hires in critical areas that have been identified as understaffed. Because retaining successful faculty is also critical to achievement of the campus' goals, a portion of the requested funds will be used to provide funds for salary equity adjustments. Finally, a portion of the funds will be used to further enhance the intellectual and cultural climate of the campus through additional support for the music, theater and undergraduate research programs.

ACADEMIC NEEDS

First and foremost UIC is a place of inquiry and scholarship. The constant discovery of, discourse over and transfer of knowledge keep the intellectual momentum alive. The campus has successfully recruited nationally recognized scholars who have enriched life on campus and created an intellectual environment that has in turn attracted talented junior faculty. During an extended period of financial difficulty the top priority must be to protect priority academic activities and meet student demand for core courses. It is more important than ever that sufficient numbers of courses are provided to allow students to graduate within the normal timeframe.

Liberal Arts and Sciences

▶ The College of Liberal Arts and Sciences (LAS) faculty members are responsible for more than 60% of the undergraduate credit hours at UIC in a year. However, LAS has 63 fewer tenure track faculty members than it did in 1990 and increased student demand. It is a struggle to meet demand for core courses and keep students on track towards timely degree completion. This is critical as demand for higher education continues to grow under a sluggish economy, while students and their families have fewer financial resources to cover costs.

In order to ensure stability and excellence in academic programs and regain momentum of research productivity, LAS needs to hire tenure track faculty immediately, particularly in English, French, biological sciences, chemistry, mathematics, physics and the social sciences. Further, in order to successfully compete for and retain the best scholars, UIC must be in a position to offer attractive start-up packages to new faculty members and support the efforts of current faculty members.

In addition to a strong need for college-wide faculty restoration, new faculty in the natural sciences is a specific goal, particularly to support a new undergraduate major in neuroscience. LAS also plans to build on its strengths in the social sciences in the areas of violence prevention, medical anthropology and medical communications. Additionally, LAS hopes to build upon its strengths in the humanities to provide for interdisciplinary collaboration in 20th century cultural studies and race, gender and ethnicity.

The UIC College of LAS provides instruction in secondary teacher preparation programs in various disciplines. The level of preparation that UIC students enter college with widely varies. There are a large number of UIC students who require remedial education as well as many extremely talented, motivated students. The fact that the LAS college must spread its focus to accommodate this range of student needs can end up pulling attention and resources from the teacher preparation programs they participate in. UIC requires adequate funds to meet the varying needs of all students.

Social Work

▶ The Jane Addams College of Social Work at UIC provides excellent academic programs and engages in valuable public service programs that benefit the citizens

of Illinois. Examples of centers within the College include the Midwest AIDS Training and Education Center and the Midwest Latino Health Research, Training and Policy Center. Current research projects include women and the criminal justice system, kinship care and the child welfare system and diabetes prevention and intervention. Public service is integral to the educational experience: 69% of the students hold internships at 250 agencies and provide 8,225 hours of service each week. The College of Social Work also provides services to an active caseload of 4,150 elderly citizens on Chicago's west side.

Student-to-faculty ratio and class size are two critical issues that need to be addressed. New funds are required to hire additional faculty members. Without additional funds, the enrollment will have to be reduced in the Master of Social Work (MSW) program. Admission to the undergraduate program has already been suspended, as has the post-MSW certificate program.

**Urban Planning and
Public Affairs**

► The College of Urban Planning and Public Affairs at UIC remains interested in extending opportunities for undergraduate students to study urban issues. The College of Urban Planning and Public Affairs has proposed the development of a new interdisciplinary undergraduate degree in urban studies. This program will offer instruction and practical research experience in the study of cities and their broader metropolitan environments. Students will graduate prepared to pursue graduate study or contribute as professionals in fields such as public service, community planning and urban development. Requested funding will support general faculty restoration as well as allow the College to move forward towards its goal for an undergraduate program in urban studies.

INVESTING IN INSTRUCTIONAL TECHNOLOGY

(\$1,790,000)

Overview



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

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

INFORMATION RESOURCES

The University Libraries are a world-renowned resource for faculty, students, scholars around the world and the people of Illinois. It faces the need to negotiate a technological revolution in storing, retrieving and providing access to information. If the library is to preserve and enhance its usefulness as a resource for 21st century teaching and research, significant new support is needed.

UIUC



Progress in Web-based information delivery has fueled faculty and student expectations for direct and immediate access to the sources needed for research, teaching and learning. Faculty have become reliant on full-text sources, particularly during the last two years and they recognize their colleagues at other universities

have gained a competitive edge by having resources on their desktops not available at UIUC. Electronic books have entered the marketplace; image databases are becoming more common and more important; and, multimedia Web delivery looms in the near future. The UIUC Library must have sufficient new funding to keep pace with peer institutions in providing online materials and take advantage of new developments in information technology. The UIUC library has identified critical needs in the areas of: scientific and technical materials (including providing desktop access to key journals and their backfiles); humanities scholarship and primary source materials (including new Web-accessible text resources that will provide unprecedented research support for humanities scholars); and incorporating essential technological enhancements to abstracting and indexing services, newspapers, basic reference materials and statistics and business sources. These basic needs are critical to the UIUC campus' high-priority initiatives in science, technology, humanities and social sciences, as well as to supporting teaching and research in every field that is increasingly dependent on advanced technology. The costs involved far outstrip UIUC's capacity to respond without new resources. Because of successive budget cuts, despite the Campus' efforts to buffer the Library from full reductions, the UIUC Library has lost ground with significant negative consequences for acquisitions, maintenance of serial subscriptions and acquisition of electronic resources.

UIC

The UIC Library requests funding for materials and reinvestment in staff in order to restore longer Library hours and provide adequate support to students and faculty members. The UIC Library has had to reduce hours of operation due budget cuts and the requirement to reallocate funds to provide union mandated salary increases. Paper journal subscription prices are rising 7% to 10% each year and leasing fees for electronic resources increase by 14% per year. These items together account for 77% of the materials expenditures. The quality of UIC will be weakened if faculty and students are denied these valuable information resources. One of the strategic benefits of a library is the purchase of centrally held materials to be shared. If the UIC Library cannot maintain appropriate holdings individual units will attempt to purchase them on their own, creating an untenable inefficiency.

INFORMATION AND INSTRUCTIONAL TECHNOLOGY

UIUC

▶ Inadequate resources for maintenance of centrally managed information technology systems have now led to an unacceptable circumstance in which the UIUC campus network is becoming obsolete and cannot provide the capacity to support faculty and student research and learning needs. This is particularly galling on a campus where next-generation research and instructional technologies are being created. Moreover, lack of funds caused by budget cuts is forcing closure of some heavily used student computing laboratories and also leading to termination of support for some of the popular software systems used in instruction. The amount proposed for FY 2006 is far short of meeting UIUC's information technology needs, but it will help blunt some of the most harmful effects of inadequate funding.

UIS

▶ UIS prides itself in providing a technology-rich environment for learning. This environment is evidenced in the state-of-the-art technology in University Hall; in conversion over the past several years of nearly all classrooms into 'smart' classrooms; in the extensive use of the Blackboard course management software in both on-campus and online courses; and in the campus-wide availability of wireless access to the network. Maintaining this technological edge requires frequent updating of equipment. The requested funds will augment the campus' technology renewal funds and help enable the campus to continue to be a leader in instructional uses of technology.

INCREASED LINKS TO THE STATE OF ILLINOIS

(\$1,100,000)

Overview



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

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

OUTREACH AND SERVICE

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

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

Urban Teacher Preparation: Education



The education of our children is clearly a national and state priority. However, we face an urgent need for excellent teachers and school leaders in high poverty schools serving predominantly minority K-12 students. An integral part of UIC's Great Cities mission is that the College of Education is committed to address the Chicago Public School's (CPS) P-12 teacher shortages. The College of Education is

partnered with the third largest school district in the country. Challenges include the sheer size of the system, the ethnic and socioeconomic heterogeneity of Chicago's neighborhoods and the monocultural compositions of most of the schools and the cultural politics of urban school reform.

The UIC campus has partnered with the Chicago Public School system and provides service on many levels to our neighbors in the spirit of the Great Cities commitment. The partnership means that UIC's scarce resources are stretched further by responding to calls to provide expert consultation by serving on committees and by the "loan" of faculty members to serve as directors of reading and mathematics/science. In order to continue to be a strong partner and help bridge the performance gap of urban schools, an influx of new permanent resources is required.

UIC's shortage of faculty makes it extremely difficult to meet the greater needs that arise when working with under-funded, under-performing urban schools. To illustrate, clinical faculty members who serve as student teacher supervisors in these schools may need to conduct 30 visits in as many weeks to provide the level of support required. By contrast, a student teacher in a high-functioning suburban school may do well with four supervisor visits in the same 30 week time frame. UIC is in dire need of mathematics, science and technology faculty members in order to meet student demand and successfully compete for National Science Foundation and other outside funding. UIC also requires additional history and science teacher educators, as well as clinical faculty specializing in secondary teacher preparation.

Research grant expenditures rose 343% within the College of Education between FY 2000 and FY 2003. With appropriate State support and continued success in securing outside funding, UIC will successfully advance scholarship to shape educational practice in partnership with the community, prepare high quality educators and develop leaders in teaching research, educational administration and policy making. Additionally, researchers and analysts are needed to study the effectiveness of teacher preparation programs and to recommend sound educational policy.

UIC has been the top provider of new teachers for Chicago Public Schools over the past five years and an important supplier of quality teachers to Chicago Public

Schools serving Latino students and suburban Cook County schools. UIC also supplies a great number of education faculty to local colleges and universities. We have not been as successful in responding to demand for new teachers for Chicago Public Schools serving predominantly African American students. The alternative routes to teacher certification programs offered for the past few years have begun to address this issue. However, there is still great need for teachers in these schools and a general need for middle-grade mathematics and science teachers, and in bilingual education, school leadership and secondary education.

One goal is to become the top supplier of qualified teachers for Chicago's predominantly African American west side public schools, the top supplier of transformative school principals (through a new EdD program) who can improve low performing schools, and to develop signature pedagogies that are developmentally appropriate and culturally responsive. Additional faculty members are required to address specific shortfalls in areas of the City and in certain disciplines. There is a strong need to hire additional underrepresented faculty members in the College of Education. Four African American and one Native American faculty member were recently recruited away or retired.

Public Affairs

► From its inception, UIS has had a special mission in public affairs. The campus continues to have an extensive array of linkages with the state of Illinois. For example, in FY 2004 the Center for State Policy and Leadership received over \$4.3 million in funding from state agencies for applied research and training activities. The Graduate Public Service Internship program places over 100 graduate students in state agencies, where they lend their expertise to agency operations, while earning their master's degrees. Additionally, the campus publishes *Illinois Issues*, the leading journal for coverage of Illinois politics and public policy.

In recent years these state linkages have been complemented by increased involvement of UIS faculty and students with the betterment of the Springfield community and a renewed commitment to civic engagement. The Community Outreach and Partnership Center and the Office of Student Volunteers and Service Learning have led these efforts. In spring 2004, the campus' success in increasing civic engagement was recognized by the Campus Outreach Opportunity League,

which honored UIS with the first-ever Idealism in Action Award. The requested funds will be used to strengthen the campus' civic engagement initiatives.

PARTNERSHIP ILLINOIS

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

New funds will extend the accomplishments of Partnership Illinois programs that have improved the performance of pre-school programs, enabled vocational students to be successful in advanced mathematics, trained mayors and local officials in managing their dynamic communities, extended the arts into the community, introduced innovative reading programs to first generation Americans, provided innovative healthcare to local communities and tested new strategies for retaining new teachers in the workforce. We will create new curricular opportunities for student civic engagement with local agencies and schools in ways that prepare them for their civic responsibilities as citizens and for their careers while at the same time providing the community with technical knowledge and volunteers to accomplish local goals. We will connect new cross-campus initiatives that address critical societal issues such as family resiliency, aging, safe water and food security with communities, schools and agencies of local, state and federal government.

UNIVERSITY OF ILLINOIS EXTENSION

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

Communities, rural and urban, are especially challenged by the need to work cooperatively with very diverse groups, strengthen community leadership and provide families and individuals with the tools and skills to be economically and socially successful. University of Illinois Extension has a rich history of working in partnership with many public and private organizations, associations and local governments, agencies and leaders to develop and implement solutions designed to improve the quality of life for youth, families, and communities. This community and economic development initiative is part of larger plan to strengthen the scholarship and capacity by which University of Illinois Extension engages with people at the local level to take research-based knowledge to application to improve the quality of life.

The funds requested would support the addition of four faculty and field-based Specialists with responsibilities in both research and Extension. Current Extension programs are presented in a context of a comprehensive approach to problem solving. There is a need for research that covers this broad, issue-based approach and for added Extension strength to expand its partnership efforts in building entrepreneurship, including that from an agricultural base, community leadership, workforce preparedness, family resiliency and other life skills. The initiative will complement current strengths in agricultural and nutrition education and in family and youth educational programs designed to develop youth with greater life skills in citizenship, volunteerism, leadership and other important areas.

MEDICAL PROFESSIONAL LIABILITY INSURANCE

(\$2,000,000)

Overview



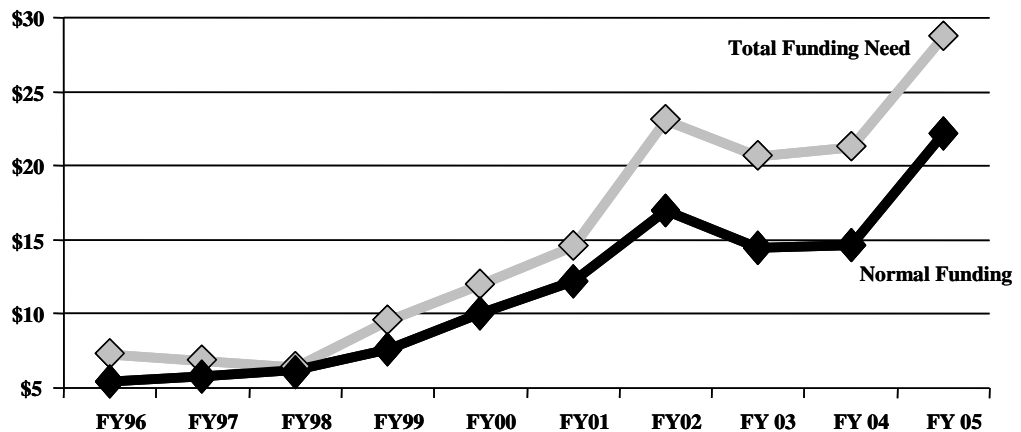
Nationally the substantial increase in costs associated with medical liability continues. It is rare that a week goes by when an article about escalating malpractice costs is not in a local newspaper. At the state and national level heated debate continues regarding the issue of medical liability reform. Various reform proposals include caps on damage awards but the issue of balancing a patient's right to sue because of medical error against the cost of litigations is a daunting task. The reality is that even an immediate movement in the tort reform area will not have an impact on funding our self-insurance program in the near future.

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 350% since FY 1998 increasing from \$6.4 million to \$28.7 million in FY 2005. 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 19 shows medical malpractice funding trends.

Figure 19
Medical Malpractice
FY 1996 to FY 2005
(Dollars in Millions)



An outside audit has indicated that existing procedures and risk management programs in the hospital and clinics are appropriate and effective. In FY 2004, there were 18,025 hospital discharges and 419,582 outpatient visits; 33 suits were filed claiming negligent treatment; 95 additional incidents were reported as having claim potential. This equates to approximately 3 claims for every 10,000 visits/discharges.

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. Loss control programs are in place, but claims happen. If national trends play out at UIMC, the incidence of claims and the cost to adjudicate those claims will increase.

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 privately and federally funded research projects 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 expand enrollment 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. New research faculty members in oral pathology and molecular epidemiology are required 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 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, access to health care and health literacy.

Nursing

▶ Additional faculty members are required to expand 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. Additional faculty members are required in the areas of proteomics, drug discovery and pharmacoeconomics. 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

(\$2,000,000)

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 a moderate expansion of its lower-division offerings beyond the Capital Scholars program by admitting students to a general education curriculum, which, though differing from the Capital Scholars program, also provides a strong foundation for upper-division study in the major. The curriculum that is envisioned will not only serve a group of first-year students other than Capital Scholars, but will also facilitate the transfer of second-year students to UIS. The expansion will result in UIS having approximately 250 students per year entering as first-year students 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.

RESEARCH INFRASTRUCTURE

(\$4,000,000)

Overview



The core research infrastructure of the University of Illinois at Urbana-Champaign—laboratories, facilities with specialized research space—is deteriorating and falls far short of what is needed to sustain current research activities, much less to provide for the expected growth of the research program in future years. Existing space in some of the oldest academic buildings at the center of campus must be renovated and updated to restore functionality. Additional new space must be renovated to provide for present and future needs. Failure to do so will put at risk the University of Illinois at Urbana-Champaign's research productivity which, among other things, has continued to increase at a brisk pace as State funding for UIUC has declined.

University campuses around the country are facing similar challenges in maintaining their facilities. In 1989, the Association of Higher Education Facilities Officers (APPA), The National Association of College and University Business Officers (NACUBO) and the consulting firm of Coopers & Lybrand produced the first comprehensive study addressing the problem of aging facilities, called *The Decaying American Campus: A Ticking Time Bomb*. The study's principal findings revealed the following:

- The aging and deterioration of college facilities is a permanent, ongoing problem. Solving it is essential for effective teaching, research and public service. Facility reinvestment has not kept up with campus needs.
- The current replacement value, i.e. the amount needed to reconstruct those facilities, was estimated at \$300 billion. Current renewal and replacement needs were estimated at \$60 billion, \$20 billion of which was considered urgent.

Seven years later, in 1996, APPA, in conjunction with NACUBO and Sallie Mae, published *A Foundation to Uphold*, another study of facilities at U.S. colleges and universities. The study found that:

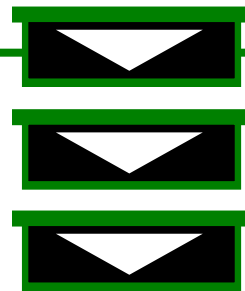
- Accumulated deferred maintenance, estimated at \$26 billion, threatens the ability of colleges and universities to carry out their mission and will continue to grow. The cost of maintaining and replacing infrastructure must be added to that number.
- Administrators must embrace the concept of stewardship for public sector institutions, the short and long-term management of facilities that are public trust.

- Leaders of educational institutions must initiate strategic facilities planning, including dependable funding sources for capital reinvestment.

In FY 2002, the UIUC campus completed an innovative plan, Restoring the Core, which would address the most critical academic and research infrastructure needs. Funds requested for FY 2006 will enable the Urbana campus to take a long overdue major step toward implementing that plan.

Specifically, the funds requested for FY 2006 will provide debt service on \$25 million of new bonded indebtedness. This amount is the minimum that will be required to make an appreciable start toward meeting the most critical research infrastructure needs.

ACADEMIC PROGRAM
INITIATIVES
(UNIVERSITY-WIDE)



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, electrical engineering, public health and health professions education. Similarly, the certificate programs range from e-commerce to firefighter certification to health information management. All of these programs are intended primarily for off-campus students and although a few require one or two campus visits each semester, the majority 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 2003-2004 academic year, there were more than 20,000 enrollments in over 700 online course sections offered through U of I Online. Today, U of I Online is the single largest provider of online courses and programs in the catalog of the Illinois Virtual Campus (IVC), with 399 of the 3,302 online courses (12.1%) and 60 of the 162 (37.0%) of the online programs listed. During the Fall 2003 semester, U of I Online enrollment in online courses accounted for 7,545 of the 50,093 (15.1%)

of the total enrollment reported by IVC. 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, compensation of programmers, instructional designers, technical support staff and purchase of hardware and software.

To ensure continued growth and success of the U of I Online initiative, the University must continue to invest in the development of promising, new online academic programs, particularly in high demand program areas that meet the traditional and lifelong learning needs of citizens in Illinois. U of I Online provided more than \$5.6 million in development grants to the campuses from 1998 through mid-2004. Most of the funding for these grants came from non-recurring University resources, as well as several large grants from the Alfred P. Sloan Foundation. However, due to other high priority University initiatives, the former level of internal reallocation cannot be sustained. Only through an infusion of new recurring dollars can the University of Illinois expand the number, breadth and reach of its online programs. For the past three 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 2005 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

(\$150,000)

Overview



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

This request will enhance IGPA's cross campus research and service in public policy and governance by investing in faculty and programs that complement the distinctive capabilities of each campus and 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, long-term care and changing welfare.

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 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.

P-16 PROGRAMS

(\$1,250,000)

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 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 teachers and 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 is more limited than at any time in memory, 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.

ECONOMIC DEVELOPMENT

(\$1,000,000)

Overview



The University of Illinois, an internationally recognized academic and research institution with a combined campus total of over \$700 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.

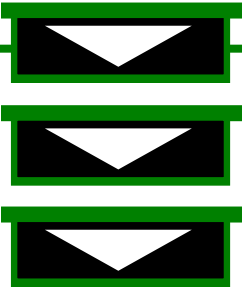
The Vice President's office has specifically engaged against improving the technology management and transfer operations of the University through the identification and implementation of best practice systems and processes for technology screening, assessing and commercialization and common protocols for commercializing technologies through start-up company formation. It continues to evolve 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 and providing effective and efficient incubator and research park facilities and operations for technology-based companies from the University's Chicago and Urbana-Champaign campuses.

Externally, the Vice President's office is working with public and private constituencies to enhance the image, reputation and understanding of the University 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 Vice President's office is working with the Chicago and Urbana-Champaign campuses to provide infrastructure to develop a richer entrepreneurial culture within the University of Illinois for faculty, students, program directors, department heads and deans. This has provided a platform for additional investment in academic programs, such as the \$4.5 million Kaufman Foundation grant for entrepreneurial studies that was awarded to the Urbana-Champaign campus.

The requested \$1 million in funding will support the technology commercialization infrastructure that is managed through the Office of the Vice President for Technology and Economic Development. This investment will position the University of Illinois to more effectively meet the demand for the management, transfer and commercialization of the technologies and intellectual properties coming from faculty and student research that in turn drives the growth of the Illinois high-tech economy while advancing the premier academic and research programs of the University.

STATEWIDE PROGRAMS



INTRODUCTION

Overview

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

Examples of former programs that had previously been supported by annual grants through HECA but are now appropriated directly to the University of Illinois include Illinois Online Network and Illinois Digital Academic Library.

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

With the inclusion of these programs to the University's recurring operating base funding, the responsibility for seeking incremental support for them falls to the University. Reflecting those requests within the University's annual budget request document is the most appropriate place for them to be placed. At the same time, University staff have made clear to the IBHE that requests for incremental support for programs that serve statewide audiences and functions should not be seen as competing directly with the University's regular requests for expanded/improved academic programs that are included in other portions of the FY 2006 request.

ILLINOIS FIRE SERVICE INSTITUTE

(\$253,900)

Overview

▶ 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.

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 is designated for Illinois Fire Service Institute use. This allows the Institute to offer most courses and services free of charge. 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. During the past 4 years attendance at the Institutes' programs has annually averaged 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 \$253,900 is required for FY 2006.

ILLINOIS DIGITAL ACADEMIC LIBRARY

(\$600,000)

Overview



The Illinois Digital Academic Library (IDAL) is administered by the University of Illinois on behalf of nearly 150 Illinois higher education institutions and serves over 750,000 students, faculty and staff statewide. IDAL exemplifies the University's mandate to be "at the service" of citizens throughout Illinois. It supports both the research and instructional components of the University's public service mission. IDAL directly benefits all three campuses of the University of Illinois, as well as serving the University's mission as a leader and resource in higher education throughout Illinois. In FY 2004, IDAL saved the University's libraries over \$300,000 in electronic resources database costs.

IDAL operates under the auspices of the University's Office for Planning and Budgeting and has been subject to budget reductions and spending reserves imposed on the University over the last two fiscal years. IDAL's state appropriation has been reduced from \$1,370,000 to an anticipated \$1,148,218 in FY 2005. No programs and services have been reduced or eliminated, however, IDAL has not been able to expand its scope and benefits.

IDAL's mission is to identify, evaluate and cost effectively provide high quality electronic library resources for all academic institutions in Illinois. The FY 2006 budget for IDAL faces several challenges. Subsidized resources continue to increase in price, while the base appropriation has declined. In addition, IDAL has undertaken a substantial new responsibility for brokering databases for its 150 members. This service has placed a substantial demand on the staff and resources of IDAL and the Office for Planning and Budgeting. Demand for this new service grew over 25% between FY 2004 and FY 2005.

Without an increase in base funding in FY 2006, further development of the IDAL program will be curtailed and the operational flexibility to offset recent budget reductions will be exhausted. Failure to provide additional continuing resources, including amounts required to offset contractual or inflationary cost adjustments, increases the risk that all of the state's academic libraries will eventually face a potential reduction of services.

With the requested increase in funding, IDAL will provide additional core databases and services. IDAL would seek to upgrade its basic package of full text business journals from EBSCO. It would provide funding to subsidize a selected number of additional, highly desirable databases, such as the Encyclopedia Britannica, Wiley health science reference databases, Grove's reference databases in art and music and the Digital National Security Archive.

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 \$1.0 million in State funding and the \$700,000 in institutional funding provided to VENTURES in FY 2004 for technology commercialization was 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 when possible to provide value to early stage companies.

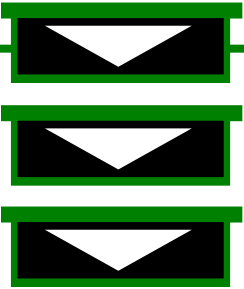
These funds also supported pre-seed and seed stage funding (on a merit basis through a private equity based due diligence process using appropriate financial instruments) to the most commercially promising and maturing start-up companies. Without these early stage funds, continued commercial development of the new companies would be significantly impaired. VENTURES was authorized by the Board of Trustees to raise a \$20 million private equity fund to complement the pre-seed developmental funding. The fund closed in June, 2004. 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 \$6.50 in third party co-investments for each dollar from VENTURES.

VENTURES has evaluated more than 200 technology commercialization opportunities and is currently providing consultation and/or 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) to developmental (pre-seed funding for professional services and business planning) to seed funding (for prototype development and testing) to 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, including Renew Power (formic acid fuel cell technology for portable electronic devices), Nanodisc (genetically engineered nanoscale structures for drug discovery and delivery), ChemSensing (platform technology for electronic olfaction) and Mobitrac (software for mobile resource management).

Because of the early spectacular success of VENTURES, in October 2003 Governor Rod Blagojevich announced the tripling of State support for VENTURES in FY 2005 to \$3 million. This announcement became associated with the Governor's Opportunity Return Program, which has yet to be implemented. 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.

ADDENDA



ADDENDUM I

RETIREMENT

Overview

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

There was modest movement 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.

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

In FY 1995, there was significant movement towards an improved level of retirement funding. Public Act 88-593 mandates that the State's five pension systems achieve a level of 90% of full actuarial funding in 50 years and includes a continuing appropriation provision to enable the State to reach that goal. This legislation strengthened the financial condition of the Retirement System and should help preserve funding stability for pension systems despite periodic fiscal constraint in the rest of the State budget. In FY 2005, SURS total budget was set at \$273.3 million, the amount that was certified by SURS to satisfy the minimum funding requirements under this law. It should be noted however, that there was a significant shift in funding for SURS in FY 2005 from General Revenue Funds to the State Pension Fund.

A mandated new valuation methodology and a new set of actuarial assumptions altered, to some degree, the future annual increments necessary to fund SURS required by PA 88-593. Under new Governmental Accounting Standards Board (GASB) guidelines, SURS assets as of June 30, 1997 were valued at market rather than book. This change alone significantly increased the funding ratio of assets to liabilities, and the 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 approved and the Governor signed PA 93-2, authorizing the sale of \$10 billion in pension obligation bonds in order to meet the statutory pension funding obligations mentioned above. The infusion of money combined with a return to reasonably strong investment performance increased the funding ratio of SURS to over 60%. Until the pension obligation bonds are retired, the State's pension contribution will be split between payments to the pensions systems and interest payments on the bonds. The amount of the annual increment is 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, but are projected to begin to rise again in FY 2006. The funding ratio is 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. Table 9 shows the incremental requirements for SURS.

Table 9
SURS Incremental Requirements
FY 1998 to FY 2005

	Appropriation	Increment
FY 1998	\$186,023,600	\$39,508,000
FY 1999	206,480,500	20,456,900
FY 2000	218,199,000	11,718,500
FY 2001	225,721,000	7,522,000
FY 2002	235,092,300	9,371,300
FY 2003	255,946,300	20,854,000
FY 2004	299,181,100	43,234,800
FY 2005*	273,250,700	(41,590,400)

*In FY 2005, over \$200 million in funding was switched from general revenue funds to the state pension fund. For comparison purposes, FY 2005 includes funding from both sources.

The University of Illinois supports adequate annual funding for all State pension systems, including SURS. Following several years of increasing needs and declining appropriations, demand for higher education funding will be greatly expanded in FY 2006. 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

DIVISION OF SPECIALIZED CARE FOR CHILDREN

Overview

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

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

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

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

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

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

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

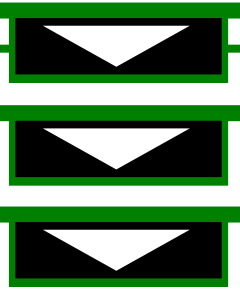
Acute childhood illnesses, routine dental or well-child care, immunizations or school physical examinations are not covered.

Because of State budget constraints general price increases have not been available. No increase has been made to the DSCC budget for the services they provide since the last general price increase in FY 1990. During this time, the consumer price index has increased by approximately 40%. It is worth noting the medical and health related price increases have been roughly twice the rate of the Consumer Price Index for all Urban Consumers. As a result DSCC has been forced to reevaluate eligibility criteria, reduce staff and streamline administrative costs. However, DSCC has reached an end of the road where these services can be provided without a significant infusion of program funds. In FY 2006 the University seeks \$2 million for this statewide public service commitment.

CAPITAL BUDGET REQUEST
FOR FY 2006



CAPITAL BUDGET



BACKGROUND AND CONTEXT

Overview

Any discussion of the capital budget must begin with the understanding that an institution of the size, scope and complexity of the University of Illinois faces a recurring array of facilities related needs every year. As buildings age through their normal life cycles, it is crucial to address minor repair and renovation needs as they occur. Failure to do so accelerates deterioration and leads to costly major remodeling requirements more quickly than would be necessary if prudent attention to annual repair and renovation were possible. Changing programmatic emphases in academic units also create the need for relatively small remodeling projects which can be addressed quickly to make existing space more useful for emerging academic priorities. Based on these factors the university has once again placed the repair and renovation request at the top of the capital request list and the deferred maintenance request in the second spot. The two requests of \$10.7 million and \$20.1 million respectively, continue the universities 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 \$1 to \$15 million. Major remodeling projects can also result from the need to enlarge the capacity of a building to change its functional use, to upgrade or extend campus wide infrastructure systems. For example, as technological advances have accelerated over the past two decades and computers now permeate the conduct of almost every phase of instruction and research activity, the need to expand electrical and cooling capacity for individual buildings and for entire campuses has grown dramatically. Much like the two-pronged approach for smaller repair and renovation projects the University is seeking another source of funding for these major building remodels. The Major Remodeling Fund in the operating request is another vehicle through which the University hopes to establish a regular and sustained funding

source to remodel those facilities in the central core of campus which serve the basic educational needs of the student body.

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

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

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

In this context where steady and measured funding increases for facility needs are vitally important the FY 2005 capital budget to this point has been disappointing. While record overtime sessions eventually produced an operating budget, no resolution was reached on the capital budget. At publication time, plans called for addressing the state capital budget in the legislative veto session in late fall of calendar year 2004. The last operative capital document was the Governor's Budget which had the following University projects recommended:

- Repair and Renovation, all campuses - \$10.7 million
- Lincoln Hall Remodeling Planning Funds - \$3.0 million

The University is optimistic that these projects will be appropriated and released in an efficient manner this fall so that repairs and renovations can continue at each campus and the major remodel of Lincoln Hall at the Urbana campus can continue without further delay.

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

Table 1
History of Recent Capital Budget Actions
FY 2000 to FY 2005 Governor's Level
(Dollars in Thousands)

	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005 Gov*
Campus Requests						
Chicago	\$101,423.0	\$77,850.0	\$46,250.0	\$47,950.0	\$45,125.0	\$162,110.9
Springfield	4,139.4	5,582.7	30,330.0	15,330.0	3,863.0	4,468.7
Urbana-Champaign	109,391.0	100,415.0	166,787.0	91,634.0	120,312.2	180,215.4
TOTAL	\$214,953.4	\$183,847.7	\$243,367.0	\$154,914.0	\$169,300.2	\$346,795.0
IBHE Recommendations						
Chicago	\$46,280.4	\$14,395.2	\$12,165.9	\$20,165.9	\$20,165.9	\$22,114.4
Springfield	2,770.0	2,023.1	30,343.7	15,343.7	343.7	458.2
Urbana-Champaign	25,294.7	66,420.1	84,039.8	52,225.4	58,225.4	59,860.7
TOTAL	\$74,345.1	\$82,838.4	\$126,549.4	\$87,735.0	\$78,735.0	\$82,433.3
Regular Capital Appropriations						
Chicago	\$71,008.3	\$4,197.5	\$5,665.9	\$4,165.9	\$4,165.9	\$4,165.9
Springfield	737.2	1,664.6	15,343.7	15,343.7	343.7	343.7
Urbana-Champaign	8,940.1	17,459.8	39,039.8	6,225.4	8,225.4	9,225.4
TOTAL	\$80,685.6	\$23,321.9	\$60,049.4	\$25,735.0	\$12,735.0	\$13,735.0
Appropriations for Special Projects						
Americans w/Disabilities						
Planning Funds						
Venture Tech		\$23,500.0	\$105,900.0	\$100,600.0		
Total Appropriation	\$80,685.6	\$46,821.9	\$165,949.4	\$126,335.0	\$12,735.0	\$13,735.0

*FY 2005 is at the Governor's Recommendation.

SUMMARY OF FY 2006 PRIORITIES

(\$295,212,000)

Overview

► The University's FY 2006 Capital Budget Request consists of 10 projects at a total cost of \$295,212,000. Table 2 represents a combined priority listing of the proposed projects for this year.

Table 2
FY 2006 Combined Capital Budget Request
Summary by Priority
(Dollars in Thousands)

Priority	Project	Chicago	Springfield	Urbana	Total	Cumulative
1	Repair and Renovation	\$4,165.9	\$343.7	\$6,225.4	\$10,735.0	\$10,735.0
2	Deferred Maintenance	8,000.0	125.0	12,000.0	20,125.0	30,860.0
3	Lincoln Hall Remodeling			48,652.0	48,652.0	79,512.0
4	Infrastructure Program	23,500.0			23,500.0	103,012.0
5	Business Instructional Building (Match)			31,200.0	31,200.0	134,212.0
6	Electrical & Computer Engineering Bldg. (Match)			30,000.0	30,000.0	164,212.0
7	Advanced Pharmacy Research Pavilion	67,000.0			67,000.0	231,212.0
8	Rockford Building Addition	12,000.0			12,000.0	243,212.0
9	Rehab Metal Buildings/Library		4,000.0		4,000.0	247,212.0
10	South Campus Development			48,000.0	48,000.0	295,212.0
		<u>\$114,665.9</u>	<u>\$4,468.7</u>	<u>\$176,077.4</u>	<u>\$295,212.0</u>	<u>\$295,212.0</u>

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 \$667 million would be the result. Table 3 reflects the entire capital budget request from the campuses of the University of Illinois.

Table 3
FY 2006 Capital Budget Request
Summary by Campus
(Dollars in Thousands)

Campus Priority	University Priority	CHICAGO	
1	1	Repair & Renovation	\$ 4,165.9
2	2	Deferred Maintenance	8,000.0
3	4	Infrastructure Program	23,500.0
4	7	Advanced Pharmacy Research Pavilion Infrastructure	67,000.0
5	8	Rockford Building Addition	12,000.0
6		COM/RRC Renovations	11,200.0
7		SEL Renovation Phase I	8,600.0
8		AHSB Infrastructure Upgrades	10,800.0
9		General Use Classroom Renovations	10,000.0
10		CBA Building	60,000.0
11		Nursing Building Renovation	98,000.0
12		Daley Library Addition	37,800.0
13		UIH Fire Alarm	2,500.0
14		EEI Ophthalmology/Otolaryngology	10,100.0
		Total	\$363,665.9
Campus Priority	University Priority	SPRINGFIELD	
1	1	Repair & Renovation	\$ 343.7
2	2	Deferred Maintenance	125.0
3	9	Rehab Metal Building/Library	4,000.0
4		Campus Infrastructure Improve.	2,998.0
		Total	\$ 7,466.7
Campus Priority	University Priority	URBANA	
1	1	Repair & Renovation	\$ 6,225.4
2	2	Deferred Maintenance	12,000.0
3	3	Lincoln Hall Remodeling	48,652.0
4	5	Business Instructional Facility (Match)	31,200.0
5	6	Electrical & Computer Engineering Bldg. (Match)	30,000.0
6	10	South Campus Development	48,000.0
7		Education Building Addition and Remodel	70,000.0
8		Roger Adams Lab. Renovations	935.0
9		Burrill Hall Remodeling	32,050.0
10		Repairs to UIUC Electrical Distribution System	17,500.0
		Total	\$296,562.4

The first priority is a \$10,735,000 Repair and Renovation request, which is comprised of 4 projects at the Chicago campus, 2 projects at the Springfield campus and 6 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 \$2 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 \$48,652,000 to complete a major remodeling of Lincoln Hall at the Urbana-Champaign campus. Planning funds of \$2 million were appropriated in FY 2004 and \$3 million are slated for approval in the fall legislative veto session for FY 2005.

The fourth priority provides \$23,500,000 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 \$31,200,000 for the construction of a new College of Business Instructional Building on the Urbana-Champaign campus. These funds are sought as part of a one for one match with private donations.

The sixth priority is also 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 of \$67,000,000 is to construct a new Advanced Pharmacy Research Pavilion at the Chicago campus.

The eighth priority seeks \$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.

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

The tenth priority requests \$48,000,000 for the ongoing relocation, rejuvenation and construction of the South Farms at the Urbana Champaign campus.

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

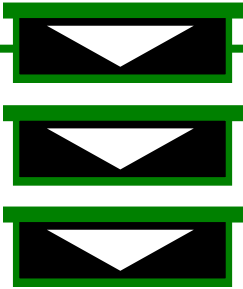
Table 4
FY 2006 Combined Capital Budget Request
Summary by Category and Campus
(Dollars in Thousands)

Category	Chicago	Springfield	Urbana- Champaign	TOTAL
Building, Additions, and/or Structure	\$ 79,000.0		\$ 109,200.0	\$ 188,200.0
Land Acquisition				
Utilities				
Remodeling	35,665.9	\$ 4,468.7	66,877.4	107,012.0
Site Improvements				
Planning				
	\$ 114,665.9	\$ 4,468.7	\$ 176,077.4	\$ 295,212.0

Table 5
FY 2006 Combined Capital Budget Request
Future Funding Implications
(Dollars in Thousands)

Priority	Project	Category	FY 2006 Request	FY 2007 Cost	Cost for 2008 And Beyond
1	Repair and Renovation	Remodeling	\$ 10,735.0	\$ 11,319.0	\$ 10,175.0
2	Deferred Maintenance	Remodeling	20,125.0	20,125.0	20,125.0
3	Lincoln Hall Remodeling	Remodeling	48,652.0		
4	Infrastructure Program/Dentistry Code Correction	Remodeling	23,500.0		
5	College of Business Instructional Building	Building	31,200.0		
6	Electrical & Computer Engineering Bldg.	Building	30,000.0		
7	Advanced Pharmacy Research Pavilion Infrastructure	Building	67,000.0		
8	Rockford Building Addition	Building	12,000.0		
9	Rehab Metal Buildings/Library	Remodeling	4,000.0		
10	South Campus Development	Building	48,000.0		

CAPITAL REQUESTS



PRIORITIES

(\$295,212,000)

Priority 1:



Repair and Renovation \$10,735,000 – 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 \$10,735,000 is requested for the 12 projects outlined in Table 6. Detailed descriptions of these projects are found in the Repair and Renovation project description, following this Priorities section.

Table 6
Repair and Renovation Projects by Campus

Chicago Projects	Amount
Lecture Center, Upgrades	\$ 750,000
College of Nursing, Second Floor HVAC Phase II	1,515,900
Science and Engineering Lab/South, Elevator Upgrades Phase I	900,000
Art Architecture Building, Roof Replacement	1,000,000
Total	\$4,165,900
Springfield Projects	Amount
Campus Buildings, Life Safety Corrections	\$ 180,000
Campus Buildings, Programmatic Remodels	163,700
Total	\$ 343,700
Urbana-Champaign Projects	Amount
Freer Hall, Remodel Gym 311 into Office Space	\$1,260,400
Art & Design Building, Instructional Labs	1,840,000
Natural Resources Building, Remodel for Social Work	2,000,000
Engineering Science Building, Replace Roofs	350,000
Krannert Center, Repair West Stairs Phase II	350,000
Rehabilitation Education, Replace Roof	425,000
Total	\$6,225,400

Priority 2:



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

Priority number two continues an initiative started last fiscal year to place renewed emphasis on the reduction of deferred maintenance. This request when coupled with the \$2 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. A more detailed description follows the Repair and Renovation section.

Table 7
Deferred Maintenance Projects by Campus

Chicago Projects	Amount
University Hall, Facade/Gallery Repairs	\$ 8,000,000
Total	\$ 8,000,000
 Springfield Projects	 Amount
Various Buildings, Replace HVAC Rooftop Units	\$ 125,000
Total	\$ 125,000
 Urbana-Champaign Projects	 Amount
Natural History, Replace Roofs Phase I	\$ 800,000
Transportation Building, Replace Slate Roof	750,000
Veterinary Medicine Teaching Hospital, Replace Metal Roofs	1,400,000
Kenney Gym, Abatement	800,000
Quad Buildings, Repair Envelopes	3,650,000
Turner Hall/Transportation Bldg. Repair Elevators	600,000
Quad Buildings, Repair Electrical Distribution, Phase I	4,000,000
Total	\$12,000,000

Priority 3: ► Lincoln Hall Remodeling \$48,652,000 – 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. Currently, \$3,000,000 in additional planning funds are included in the Governor's Capital Budget Recommendation. As noted, the University expects appropriation of these funds in the fall FY 2005 veto session. The balance of the request totals \$48,652,000 which is requested in this FY 2006 Capital Request.

Priority 4:



Infrastructure Program \$23,500,000 – 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 2006 program includes: life safety and code correction (based on pending facility audit); façade inspections (Applied Health Sciences, Neuropsychiatric Institute, School of Public Health and Psychiatric Buildings); window and masonry repairs (College of Medicine West); fire system alarm upgrades (Hospital); renewal of building electrical, HVAC, plumbing and fire protection systems; and life safety code corrections. 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 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. Existing standpipe risers may be utilized as sprinkler risers. 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 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:



College of Business Instructional Building \$31,200,000 – Urbana

The College of Business Building at Urbana-Champaign will be funded through state appropriations and gift funds provided through the College. Current plans envision an approximately one-half match from state funds with a total project cost of \$62,400,000. This new building will provide significant relief to the critical space needs of the College of Business.

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

Approximately half of the classrooms will be dedicated to undergraduate student education with a total capacity of over 600 students per period. The MBA Program space will provide classrooms, conference/seminar rooms, administrative offices, lounge, vending area, recruiting center and storage. The Technology and

Communications Center will be the distance-learning center for the College of Business with interactive classrooms and a TV studio. This project will provide the College of Business with space contiguous with other buildings they occupy, necessitated by the College's constantly expanding student population and the desire to provide a better, more comprehensive program to those students.

Priority 6:



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

Funded with private matching gifts 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:**► Advanced Pharmacy Research Pavilion \$67,000,000 – Chicago**

The Chicago campus requests funds to construct a pharmacy research addition, which will provide 115,000 gsf of research labs, lab support, dry labs, lab-related offices and lab-related office support. The Pharmacy Lab was constructed in 1955 and has 281,133 gsf on the west side of the UIC campus. The majority of the labs in the building have been evaluated in poor condition with the recommendation of renovation or completely decommissioned. Previous reviews have concluded that it would be more cost effective to build a new flexible lab building with open lab layouts, rather than to fix the deficiencies inherent in the existing lab design and infrastructure. Building infrastructure in the College of Pharmacy has degraded; problematic telecommunications, plumbing, vertical transportation, computer wiring, HVAC, roof systems and other systems need to be serviced or replaced. These systems have required several millions of dollars for repair and upkeep in the last several years and will likely require substantial additional dollars in the future. The construction of this addition will also allow for expansion of laboratory and laboratory support functions and will permit renovation of existing support services, student services and offices in the current pharmacy building.

The newly expanded research space will be occupied predominantly by faculty from the Departments of Medicinal Chemistry and Pharmacognosy, Pharmacy Practice and Biopharmaceutical Sciences, as well as units from the Program for Collaborative Research in the Pharmaceutical Sciences and the Center for Pharmaceutical Biotechnology. Completion of the proposed addition will allow the University to expand and consolidate most of the College's research programs. This facility will help alleviate the current wet research space deficit that now exists in the College of Pharmacy. It will provide additional laboratories and laboratory support for principal investigators and associated research staff. The construction of a new pharmacy addition will provide additional laboratory/support and office/support space which is required to accommodate anticipated enrollment, research and program growth. Research grants and contracts in the college have more than doubled in the past five years, thus it is critical to keep pace with the growth.

The proposed addition will substantially upgrade the research elements of the educational environment which is particularly important for the college's expanding

graduate student program by the addition of new state-of-the-art laboratories. Expansion space is needed so that UIC can retain a top-five ranking among schools of pharmacy in National Institutes of Health funding. That ranking is in jeopardy, given the rapid expansion of research space among other schools.

Priority 8:**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 9:**Renovate 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: ► South Campus Development \$48,000,000 – Urbana

The next phase of the south farm relocation project for the College of Agricultural, Consumer and Environmental Sciences totals \$48,000,000 that will provide for the following new research facilities: Crop Sciences-Agricultural and Biological Engineering Research Complex, Swine Biogenetic and Biomedical Research Facility, Animal Sciences Equine Research Complex and the Animal Feed Processing Facility.

In addition to the research centers, the project includes funds to construct support roads, a fixed equipment budget and demolition of the existing facilities. This phase follows the first phase, a \$23.7 million project to construct a new beef cattle and sheep unit and develop infrastructure in new areas of the South Farms. The implementation projects are an outgrowth of a 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 Crop Sciences Complex will include a multipurpose building, project buildings, machine/equipment storage, laboratories and test facilities. The facilities will assist the College to seek cutting edge solutions to new marketing opportunities and crop production problems.

The Swine 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 at UIUC.

With strong student interest in equine science and with the equine industry having an annual goods and services value of \$1.3 billion in the State, the Equine Research Complex will provide excellent opportunities for direct learning experiences and for studies in reproductive physiology, exercise and nutrition. The facility will include a research barn/lab, training pens and an office/classroom complex.

The Animal Feed Processing Facility 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 the College 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.

REPAIR AND RENOVATION PROJECT

DESCRIPTIONS

Chicago Projects (\$4,165,900)

► Lecture Center, Upgrades – \$750,000

The requested funds will be used to renovate classroom A001 in Lecture Center A (604A). The building consists of approximately 24,000 gsf of existing classroom and lecture spaces. The primary purpose of improving classroom A001 is to better the teaching and learning environment in a room that is in extremely poor condition. The room finishes, room lighting, electrical distribution, furnishings, acoustics, HVAC system and the AV system are in dire need of upgrades. The scope of this project includes assessment; evaluation implementation of patching, painting, acoustical sound attenuation; upgrades to existing building electrical/HVAC systems; technology upgrades, including replacement or upgrade of voice, data and AV systems; equipment wiring; restoration of wall and floor finishes; repairs or replacement of fixed and moveable seating and other related work.

College of Nursing, Second Floor HVAC Phase II – \$1,515,900

The College of Nursing building is an eleven-story building over thirty-five years old. It's heating, ventilation, air conditioning and electrical systems are at the end of their useful life. The phase I project (pending FY 2005 release) addressed asbestos abatement in preparation for phase II HVAC upgrades. This second phase project will provide replacement of the heating, ventilation and air conditioning system, new controls and electrical service for selected areas on the second floor.

Science and Engineering Lab/South, Elevator Upgrades Phase I – \$900,000

The Science and Engineering South Building (SES) has 5 hydraulic elevators and the Science and Engineering Laboratories (SEL) has 4 hydraulic elevators. These elevators are over 30 years old, have outlived their useful life and have become unreliable. Due to the age of these elevators, the replacement parts are becoming obsolete and difficult to procure. Additionally, these elevators do not comply with current local codes, national elevator codes and ADA regulations and need to be upgraded and modernized.

The scope of this Phase I, in a multi-phased project, will consist of replacing existing outdated relay-logic controllers with computerized state-of-the-art

controllers, replacing hydraulic-pump units, control valves, hoist-way doors, door operators, door safeties, signal fixtures, cab interiors and other related work.

Art Architecture Building, Roof Replacement – \$1,000,000

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

**Springfield
Projects
(\$343,700)**

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 – \$163,700

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 Buildings. 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 (\$6,225,400)

Freer Hall, Remodel Gym 311 into Office Space – \$1,260,400

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 \$660,000. That work is coupled with \$550,400 of deferred maintenance and \$50,000 of capital renewal.

Art & Design Building, Instructional Labs – \$1,840,000

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+ 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 the 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.

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.

Rehabilitation Education, Replace Roof – \$425,000

The Rehabilitation Education Center is the main facility for the Division of Rehabilitation-Education Services (DRES) and houses the activities and offices to accommodate academic and student life needs of students with disabilities. The roof has numerous active leaks that have been patched on several occasions. The entire system has reached the end of its useful life, necessitating complete replacement of approximately 340 squares. This project will remove and replace the existing built-up roofs with a new roofing system, including a vapor barrier and new insulation.

DEFERRED MAINTENANCE PROJECT

DESCRIPTIONS

Chicago Project (\$8,000,000)

► University Hall, Facade/Gallery Repairs – \$8,000,000

University Hall, a 28-story high-rise building, was constructed in the early 1960s. The structural framing consists of reinforced concrete columns, shear walls, one-way joists and exterior spandrel beams. The building has exposed aggregate pre-cast concrete curtain wall panels with narrow glass fixed windows on the east and west elevations. The curtain wall is set back 3 to 6 feet from the exterior plane of the concrete framing, creating exterior galleries.

The exposed concrete frame of this building has developed extensive deterioration in the form of cracks, delaminations and previously applied repair patches that have failed and spalled. A recent investigative study has indicated that this deterioration is due to inadequate thickness of concrete coverage over the reinforcing steel bars. The study reported that the deterioration has no impact upon the structural integrity of the building. However, periodic breaking of concrete presents a serious safety hazard to pedestrians around the building. Therefore, all deteriorated concrete needs to be removed and patched using state-of-the-art concrete restoration techniques.

The concrete rehabilitation work consists of removal of all deteriorated concrete, exposing the full length of corroded reinforcing bars, installation of supplementary mechanical anchors and embedded galvanic anodes and the forming and pouring of a concrete mix, matching the original concrete as closely as possible. As a second line of defense against corrosion, a surface-applied mitigating corrosion inhibitor or a solvent-based, breathable, acrylic, colorless coating will be applied to all exposed concrete.

The waterproofing membrane of the galleries has outlived its useful life and is allowing water to infiltrate into the building which is causing damage to interior finishes and inconveniencing occupants. Hence, the waterproofing membrane of the galleries has to be replaced. The sealant for the pre-cast and curtain wall glazing is also more than 35 years old and needs to be replaced.

The existing stone ballast and roofing membranes at all galleries will be removed, concrete decks will be repaired as required and a cold-applied modified bitumen membrane or fluid-applied urethane system of waterproofing will be installed. The entire existing sealant of the curtain wall will be removed and new sealant installed. The façade restoration will be accomplished on an elevation-based phasing scheme.

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, 111 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, 91 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.