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News Release

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Committee reviews FY2012 budget, cost-containment initiative

Proposed \$5 billion budget reflects \$26 million in cost savings

CHICAGO — A University of Illinois Board of Trustees committee on Wednesday reviewed a proposed \$5 billion budget for fiscal 2012 and heard a report on an administrative efficiency initiative launched last year that has netted more than \$26 million in recurring annual savings.

The proposed operating budget for fiscal year 2012, which began July 1, will go to the Board of Trustees for approval at its Sept. 9 meeting on the Urbana-Champaign campus.

The budget recommendation reviewed by the board's Audit, Budget, Finance and Facilities Committee proposes \$5 billion in spending for the university's three campuses in Urbana-Champaign, Chicago and Springfield – up 5 percent from the \$4.8 billion budget for fiscal 2011.

President Michael J. Hogan said the spending plan reflects rising costs to maintain the university's world-class academic and research missions, but proposes no major new programming initiatives.

"The university continues to weather the economic storm that has roiled our economy for several years with our excellence intact," Hogan said. "Sound budgeting, cost-cutting efforts and prudent spending have enabled us to preserve and advance our standing as one of the world's elite universities, despite historic financial challenges."

But Hogan warned that the economy remains turbulent and that state and federal lawmakers continue to wrestle with budget shortfalls. State funding for the university will decline again in fiscal 2012, and the state still owes \$313 million in funding promised for fiscal 2011, which ended June 30.

Hogan said the state's financial outlook remains bleak, and federal funding for university research is also at risk as a congressional committee begins talks that are expected to yield debt-reduction recommendations totaling \$1.5 trillion.

"With so many unknowns, it's challenging to chart our future and preserve the greatness that so many have worked so hard to build over nearly 150 years," Hogan said. "But it is a challenge we are committed to overcome, and we will continue our rich legacy of service to our students and to the groundbreaking research that drives our economy and improves the lives of our citizens."

The proposed budget includes a \$693 million direct state appropriation for operating costs, down more than \$7 million – or about 1 percent – from fiscal 2011. State funding has declined steadily since 2002, when the state appropriation topped \$804 million.

The state also would contribute about \$793 million in "payments on behalf," which the state pays directly to agencies such as the university to cover employee health and pension benefits. Those payments would increase by about \$70 million for fiscal 2012 – or nearly 9.7 percent – as the state seeks to catch up for past underfunding of employee pensions.

The University Income Fund, made up primarily of tuition dollars, would increase by \$96 million to \$939 million, up 11 percent from fiscal 2011. The increase reflects enrollment that has climbed to a record 77,000 students, lower-than-usual spring drop-off in enrollment and a 6.9 percent tuition increase in the guaranteed, four-year rate for new in-state freshman this fall. The 2.7 percent annualized increase in tuition rates is below national trends in recent years. The proposed budget also would increase financial aid by \$6 million to more than \$51 million as part of the university's ongoing effort to ensure access and affordability. As a result of financial aid, approximately half of all U of I undergraduate students pay less than full price for tuition-and-fees.

Sponsored projects, consisting of mainly federally-funded research, would increase almost \$40 million to \$749 million – or 5.6 percent – from fiscal 2011. Hospital income from the University of Illinois at Chicago campus would rise by nearly 2 percent to \$520 million.

The proposed budget includes about \$32 million for a program that would provide the first general salary increases for employees since 2008.

ADMINISTRATIVE EFFICIENCY INITATIVE

The board's Audit, Budget, Finance and Facilities Committee also heard a report on the university's Administrative Review and Restructuring (ARR) initiative, which has produced more than \$26 million in annual recurring savings since it was launched last year.

"These cost savings have been possible through the efforts of many people across the University," said Avijit Ghosh, a special assistant to the president who is leading the ARR initiative. "To all of them we owe a great deal of gratitude. We need to continue to focus on these initiatives in order to support our academic missions."

He said half of the savings – \$13 million – were achieved through purchasing contracts that make better use of the university's buying power. Increased efficiency in delivery of information technology services and better coordination of investments has saved \$6.5 million; implementation of shared service centers that perform administrative tasks for multiple departments has saved \$3 million.

The savings, Ghosh reported, have accrued to departments across the University, allowing them to reallocate financial resources toward their academic and research missions. By 2014, the University hopes to achieve \$60 million in recurring annual savings as a result of the ARR initiative.

2013 BUDGET REQUEST

The committee also reviewed the proposed operating budget and capital requests for fiscal 2013, which begins July 1, 2012. The request, which will be considered by the board on Sept. 9, goes to the Illinois Board of Higher Education and is the first step in the annual budget request process.

The 2013 operating budget request seeks an additional \$83 million in state funding, an increase of 5 percent over fiscal 2012. The proposed revenues would be used to strengthen academic quality, address facility operations needs and other essential services, and support another merit-based salary program.

"Competitive salaries are critical to hire and retain top faculty. If they go, so do the life-changing research grants they attract and the top-tier students who want to study under our nation's best and brightest minds," Hogan said.

Ten capital projects are proposed in the fiscal year 2013 capital budget request, totaling \$516 million. The projects include general repair and renovation on all three campuses, advanced chemical technology improvements on the Chicago campus, the Urbana-Champaign Natural History Building, a pharmacy addition and renovation on the Chicago campus, and library redevelopment on the Urbana and Springfield campuses.

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The University of Illinois is a world leader in research and discovery, the largest educational institution in the state with more than 77,000 students, 24,000 faculty and staff, and campuses in Urbana-Champaign, Chicago and Springfield. The U of I awards more than 19,000 undergraduate, graduate and professional degrees annually.