

Trustees approve \$5.6 billion budget for fiscal 2014

University also reports 40 percent increase in MAFBE spending

URBANA, Ill. — Day-to-day operating costs for the University of Illinois and its three campuses will increase 1.2 percent – below the 1.7 percent national inflation rate – under a \$5.6 billion budget for fiscal year 2014 approved Thursday by the University's Board of Trustees.

The percentage increase in the University's operating budget is the smallest in more than two decades – since a 0.7 percent increase in fiscal 1993.

Overall, the budget for the fiscal year that began July 1 is up 3.9 percent, or \$213.3 million, from fiscal 2013. But that total includes a \$161.1 million increase in state-controlled payments for employee health-care and pension benefits, which rose nearly 16 percent for fiscal 2014. A large portion of that increase stems from past underfunding of pensions by the state and is required by statute.

Excluding those payments, the budget grew by \$52.3 million – or 1.2 percent – to cover day-to-day costs for the University's campuses in Urbana-Champaign, Chicago and Springfield. Combined, the campuses have more than 77,000 students, nearly 23,000 employees and award more than 20,000 degrees annually.

University President Robert Easter said the budget reflects the University's ongoing efforts to maintain academic excellence and hold down student costs, despite a steep decline in state funding over the last decade.

"The University of Illinois remains strong, with academic programs that continue to draw interest from students in record numbers and federal research funding that ranks among the top university systems in the nation," Easter said. "We are weathering our financial challenges, thanks to sound fiscal management and our ongoing efforts to control costs and improve efficiency."

Day-to-day costs of the University's educational mission, including salaries and academic support costs, are covered through the budget's unrestricted funds. State revenue and tuition revenue comprise the bulk of unrestricted funds, which increased \$43.4 million to \$2.06 billion for fiscal 2014, up 2.2 percent from the year before.

The University's direct state appropriation for fiscal 2014 increased \$1.2 million, or 0.2 percent, to \$668.6 million. But the direct appropriation has declined from a peak of \$804 million in fiscal 2002, and has fallen to fiscal 1997 levels in nominal dollars. Adjusted for inflation, the fiscal 2014 appropriation is at 1966 levels, when the University enrolled half as many students.

Tuition revenue increased by \$52.2 million, or 5.2 percent, to \$1.06 billion, but growth has slowed under a policy adopted by trustees three years ago that seeks to promote student access and affordability by holding tuition increases to the rate of inflation. The 1.7 percent tuition increase for incoming freshman this fall was the lowest in nearly two decades.

Revenue from restricted funds rose by \$8.8 million, or 0.4 percent. Restricted funds include research grants, gifts, hospital and medical service plan revenues, and auxiliary operations such as campus housing and food services. Those funds must be spent for the specified purpose or in accordance with donor restrictions.

The budget includes a third consecutive year of a salary program for University faculty and staff, who received no pay increases in fiscal years 2010 and 2011. The merit-based raises will average 2.75 percent, up slightly from 2.5 percent last year.

Easter said the salary program is critical to attract and retain top faculty, who are vital to the University's teaching and research missions and in high demand by colleges across the nation and beyond.

Fiscal 2015 funding request

The board also approved the University's request for state operating funds for fiscal 2015, which begins July 1, 2014. The proposal seeks \$747.3 million, up \$78.7 million – or 4.5 percent – from the fiscal 2014 state and income fund budget.

The request is the first step in the annual budget process, and will be submitted to the Illinois Board of Higher Education and the State of Illinois for consideration.

Officials say nearly \$47 million would be used to strengthen academic quality by providing competitive compensation to recruit and retain top faculty and staff. The remainder of the increase would address deferred maintenance and facility renovation needs, and cover inflationary cost increases.

The fiscal 2015 budget request also seeks \$432.6 million in capital funding, which would largely be used to repair and renovate aging facilities on the University's three campuses.

MAFBE spending

The board also received a report that spending increased 40 percent to \$50 million in fiscal 2013 in the University's Minority and Female Business Enterprise (MAFBE) Program.

The MAFBE program was created by the state legislature to promote diversity, and sets goals to ensure that businesses owned by minorities, women and people with disabilities are included when state agencies award contracts for construction, supplies and services.

University MAFBE spending rose from \$35.6 million in fiscal 2012 to \$50 million in fiscal 2013, and has increased nearly 140 percent from \$20.9 million in fiscal 2009. Spending increased more than 60 percent on the Chicago campus, from \$20.8 million to \$33.4 million, and 17 percent in Urbana, from \$13 million to \$15.3 million.

Payments to African-American vendors increased from 10 percent to 21 percent of total MAFBE spending, and payments to Hispanic vendors increased 1 percent to 14 percent.

The spending increase is a result of high-aspiration MAFBE goals set by the University and a change in state law that expanded the number of businesses eligible to participate in the program, said Heather Haberaecker, executive assistant vice president for business and finance who oversees the MAFBE program at UIC.

Three years ago, the board approved an initiative that effectively doubled participation goals for University construction projects – to 22 percent on the Chicago campus and to 15 percent in Urbana and Springfield.

In addition, the legislature adopted an amendment to the MAFBE law last year that raised the threshold for businesses that qualify for the program. Businesses with annual gross sales of \$75 million are now eligible, up from \$37.5 million.

"As a land-grant university, the University of Illinois was created to open the doors of higher education to everyone," Easter said. "Our commitment to access and inclusion extends far beyond the classroom, and we seek to mirror the rich diversity of our state in everything we do, including the firms that do business with us."

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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, nearly 23,000 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.