

UNIVERSITY OF ILLINOIS

Chicago • Springfield • Urbana-Champaign

Office of the President
364 Henry Administration Building
506 South Wright Street
Urbana, IL 61801-3689

January 5, 2010

Dear Colleagues and Friends of the University of Illinois,

The University of Illinois is a 142 year-old institution that has weathered every challenge and ultimately thrived. We will continue to thrive, but we now face a cash crisis triggered by the state's financial situation which is grim and worsening. The state budget is out of balance with a backlog of unpaid bills nearing \$5 billion and short-term borrowing covering roughly a comparable amount. The state's credit rating has been recently downgraded and among the 50 states only California is worse.

The consequences for our University and others in this state are unprecedented and worsening. In our case, the University of Illinois has received only 7% of this year's state appropriation since the first of July. The shortfall is more than \$400 million and mounting. At some point we will be unable to meet payroll and complete the academic year unless there are significant payments from the state as promised. My hope is that the Governor, leaders and members of the General Assembly will come together immediately to address the state's escalating financial crisis. As they do so they will have our full support and the support of the people of Illinois who understand the tragic consequences of inaction.

Until we see signs of this financial crisis lifting we must implement the following short term measures to conserve cash:

- Earlier in the fiscal year, we set aside \$20 million in reserves and in November we directed units to reduce expenditures by 6% to yield an additional \$45 million. Unfortunately, we now need to use all of this \$65 million to address our immediate cash crisis. While addressing only a fraction of our overall shortfall in state payments, this action is essential to help sustain the University's payroll.
- We have struggled this year to avoid furloughs for faculty and staff, but that is simply no longer possible. Personnel expenses represent the majority of our budget. I am hereby directing the chancellors, deans and other University administrators to join me in taking a total of ten furlough days – or two days per month beginning in February and through the pay period ending on June 15, 2010. Additionally, I am directing faculty members and academic professional staff to take a total of four furlough days, beginning in February and through the pay period ending on May 15, 2010, or essentially one day per month. A furlough is a temporary leave of absence without pay and this measure will contribute \$17 million. Exceptions to furlough day policies are: employees whose annual base salaries are \$30,000 or less; graduate assistants and fellows; employees with retirement agreements for retirement no later than August 15, 2010 and individuals paid 100% from grant or contract funds as of December 15, 2009. In the case of civil service staff, we will seek comparable cost reductions in accord with civil service rules and bargaining obligations.

- The chancellors and I have reinforced an earlier directive to all academic and administrative units to avoid, eliminate and/or delay expenditures so as to conserve cash. Effective immediately, an absolute freeze on all hiring or interim wage increases is declared. Exceptions to the hiring freeze, such as hires to honor offers extended by or before the date of this letter, commitments required to support specific research and contract activities, (e.g. federal stimulus research grant activities), or emergency compensation adjustments must be approved by the appropriate Chancellor and the President.

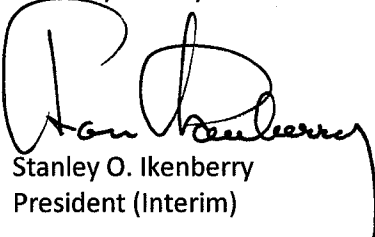
Beyond the immediate cash crisis we face significant uncertainties in 2011. In anticipation of next year's challenges, academic and administrative support units should consider issuing notifications of non-reappointment for selected individuals in employee classes whose terms and conditions of employment require advance notice of termination.

A work group to recommend administrative reorganization and restructuring was appointed in mid-November 2009. This group has focused on savings in the areas of information technology, purchasing and consolidation of administrative support services. I have asked it to provide a preliminary report to the Board of Trustees and University Community on January 21. Our overall goal must be to preserve the strength of our faculty and academic programs by reducing administrative costs.

These are difficult measures and yet they represent an incomplete list of steps we must take. We need to take innovative measures not just to "cut budgets" but to grow revenues and reduce actual costs. At the same time, deans, department heads, chairs and faculty must strategically reassess the scope of our academic programs and search for opportunities to consolidate or cut offerings that we value but may no longer be able to afford. In the process, we must protect our core Land-Grant missions of teaching, research and service, including clinical care; remain competitive for faculty, staff and students; maintain essential services, but eliminate duplicate and lower priority activities; consolidate and share services and resources; make efficient use of facilities; and take such other steps as are necessary to sustain the University's quality and continuity of operation long term.

All of these steps are being taken to mitigate the negative impact of the state's escalating financial crisis. Unfortunately we cannot anticipate when state leaders will act on a plan that reorders priorities and places education first, makes the painful but essential cuts in state expenditures, and increases state revenues essential to restore the financial integrity of this state and its institutions of higher learning. As acknowledged repeatedly by many state leaders, education at all levels, and especially at the University of Illinois, is the economic engine and future of our state and its people. I urge our leaders to act now.

With your help, we will get through this difficult period, determined to grow stronger and better. But we will only be able to do that if, like the state, we make the painful but essential decisions now. I thank you for your understanding and support and I welcome your counsel as we move forward.



Stanley O. Ikenberry
President (Interim)

c: Members, University of Illinois Board of Trustees
Chancellors Robert Easter, Paula Allen-Meares, Richard Ringeisen
Professors Kathryn Eisenhart, Joyce Tolliver, Philip Patston, Tih-Fen Ting