

Remarks to Annual Meeting of the Urbana Faculty Senate

B. Joseph White

October 26, 2009

Good afternoon.

I would like to give you an update on the University's resource outlook, comment on Positive Time Reporting, and offer a final thought.

A vital responsibility of the president of the University is to keep this large and hungry family fed. It's a big job with our 25,000 faculty and staff and a \$75 million a month payroll.

Throughout my presidency, and especially since the onset of the Great Recession, I have been intent on keeping our people employed and full paychecks coming. To date, that has been the case. We have not had large scale layoffs and we have not had pay reductions through furloughs or in any other form. I'm proud of that record and grateful to CFO Walter Knorr and his team for helping achieve it.

I have been resolute about putting our people first for reasons both practical and principled. The practical reason to keep people employed is that our work has not declined – not our teaching or research or our service, like clinical health care delivery. The principled reason is that we are a human capital organization. So we must preserve, protect and develop our most important resource – our faculty and staff – so they can serve our students and all who depend on us.

I have had to impose layoffs and pay reductions in my career as a matter of organizational survival. Such actions are very hard on the people and the organization. It takes a long time to get back to normal once this boundary is crossed. So not crossing it has been top priority for me.

I hope we can continue to avoid such actions.

It's not going to be easy. For the remainder of FY10, we face two financial threats, both related to the financial condition of the state.

One is a rescission – a callback of a portion of the state funding built into our budget. Last year we had a \$20 million rescission. The state's financial condition is worse this year and we could experience another rescission.

The other threat is cash flow. We have met four monthly payrolls since the start of the fiscal year and billed the state \$300 million. To date, we have received \$5 million. In the commercial world, 30 days is normal between billing and receipt of funds. We are approaching 120 days.

Given the possibility of a rescission and the reality of difficult cash flow, we must take steps now that are prudent and preparatory but also compatible with putting people first. Accordingly, with the full support of Stan Ikenberry and me, Walter Knorr is issuing a directive to UA and the campuses to sequester at least 5% of the FY2010 general fund appropriation, or \$37 million. Leaders are being asked to develop contingency plans that maintain academic quality to the extent possible and ensure that students and research programs are served.

At this time, we do not anticipate furlough days or large scale layoffs prior to the end of the calendar year. We hope that they will not be needed at all. However, hiring across the University needs to be constrained and done only on a critical, by exception basis for the remainder of the fiscal year. And, since we are in extremely uncertain times, we cannot rule out further actions should the need arise.

FY2011 looks very challenging. \$45 million in federal stimulus money in our FY2010 budget is not expected to recur in 2011. And, we don't want another year without a salary program. My back of the envelope calculation tells me that FY2011 will require larger tuition increases and more cost reductions than anyone is going to like. The challenge of maintaining the quality of the University of Illinois while making it accessible and affordable will be in very sharp relief.

Virtually every public university in America faces its own version of our challenges – some worse, a few better. In this decade, we have seen serious erosion of state financial support for the University of Illinois. Between FY2002 and 2009, our general fund appropriation from the state has declined from \$804 million to \$699 million on an apples-to-apples basis. This is a 13% reduction in nominal dollars. Add inflation over that period, and the reduction in real support is 30%. A price has been paid in quality, broadly-defined, and in much higher tuition and fees that reduce affordability, despite our best efforts with financial aid.

These are challenging times for public higher education. There's no point in sugar coating it. The bright spot, and it's an important perspective, is that we are a dynamic four-and-a-half billion dollar enterprise with diverse revenue sources. The state source is vital and the most problematic right now. It's also the case that the direct appropriation is about \$700 million of that \$4.5 billion.

Changing subjects now, I will spend much less time on positive time reporting. There are three words it's important to remember about this matter: *it's the law*. Of course, someone in this learned assembly will remember Mr. Bumble's assertion in *Oliver Twist* that, "The law is an ass...." Bumble had been informed that, "the law supposes your wife acts under your direction" and responded thus. So might you with regard to positive time reporting. But, it is the law.

As a result, the Auditor General of Illinois, who has a real fondness for our University, has made his expectation clear: we will comply. Accordingly, we have worked hard to create the least intrusive, most convenient means possible for faculty and staff to comply. Reporting is on-line and takes just a few minutes a week to complete and submit. Staff and administrators, including me, have been using it for months. It will be introduced to the faculty soon.

Since this is my last address to this body as president, I would like to offer one parting word of wisdom. It was conveyed by a great and wise dean, now deceased. At the time he left office, he was asked if he had any advice to the community he loved. "Build a better faculty," he said, "always a better faculty."

Finally, some thanks: to Chancellor Herman for his dedication to the Urbana campus; to Stan Ikenberry and Bob Easter for stepping up to help out in a difficult time; and to Joyce Tolliver for her caring leadership and kind ways.

It's been a privilege to serve. Thank you.