

UNIVERSITY OF ILLINOIS
URBANA-CHAMPAIGN SENATE

Committee on the Budget
2008-09 Annual Report

The Senate Budget Committee faced a challenging year as the University confronted the economic crisis. This past year was characterized by state budget uncertainty as the financial crisis erupted in September 2008 and the impeachment proceedings against then Governor Blagojevich. Throughout the fall semester, university units were asked to prepare for 10 percent cuts in funding. By spring, the budget situation improved dramatically as Gov. Quinn proposed an increase in the budget of 1 percent and as federal stimulus funding was released to the University. These developments have eased the immediate financial crisis, but will not resolve underlying financial problems. The state government continues to run large deficits, particularly in the underfunded state retirement system. In addition, the Federal stimulus funding will eventually dry up as the U.S. economy recovers from the recession. Faculty, academic professionals, and the administration must continue to work together to strengthen the financial situation of our University.

During the year, the Senate Budget Committee regularly received reports from the Provost's office about the budget situation. The SBC offered advice on such topics as faculty and staff involvement in budget cut decisions and the implementation of furloughs.

Throughout the year, the administration emphasized the need to maintain the core programs of the University of Illinois. The SBC's view is that faculty, students, and academic professionals should have a say in how the University defines which programs are core. Across-the-board cuts are not the way to move forward. Rather, we believe that program cuts must be made in an open and inclusive manner so that all significant implications for academic quality are considered. The process that is followed must be perceived to be fair to ensure that all members of the University community work together to meet our financial challenges.

SBC discussed the following criteria for determining budget cuts:

1. **Balancing costs and revenues.** Some programs are considerably more expensive to provide than others. The University may not be able to provide high-cost majors and courses if revenues do not increase. Key questions include how are the costs and revenues determined per student in various programs? And what are the marginal costs and revenues per student?
2. **Quality of programs.** If a program is nationally or internationally recognized as excellent, but expensive to provide, we should hesitate before enacting cost cutting. A key question is how do we measure quality of programs? Faculty input will be crucial for determining quality. One set of measures might focus on student outcomes (employment, performance on GREs, LSATs, GMATs, etc.).
3. **Growth potential.** In a time when difficult financial choices must be made, we must make choices to transfer resources from programs that are withering to programs that are expected to grow. There are existing educational programs on campus that have been very successful at securing external funding from the private sector and other sources. An area for opportunity is to increase the number of professional degrees that are offered on campus, which attract tuition-paying graduate students. These programs that have growth potential will need resources to get started. We cannot stop innovating and investing in the future during this challenging time.

To gather information about how other universities were addressing budget cuts, in April 2009 the SBC conducted a survey of financial officers Big 10 universities, with six universities responding. All reported that their states' budget pictures were very uncertain at that time. Most expected reductions of state funding between 4 and 7 percent. To address their budget situations, all 6 universities reported increased scrutiny of professional and support staff hires. Three of 6 reported increased scrutiny of faculty hires, and one university reported a hiring freeze of professional and support staff and faculty. Most of the universities anticipated zero percent salary increases for FY10, with

exceptions for faculty retention and promotion. One university reported that senior administrators making more than \$100,000 per year would receive no increases. Most universities anticipated layoffs of academic professionals and professional and support staff, which would occur as university units make budgetary decisions in the contexts of cuts. None of the universities were considering furloughs. Based on the results from our survey, we can conclude that the short-term budget situation for the University of Illinois is currently not as bad as it is for some of our peer institutions.

The SBC also met with Professor Emeritus Walter McMahon to discuss the economics of higher education. Dr. McMahon is an internationally recognized expert in this field, and the author of *Higher Learning, Greater Good: The Private and Social Benefits of Higher Education*. He suggested several topics that the SBC could pursue in the coming academic year, including the advisability of expanding enrollment of students with Pell Grants and the identification and promotion of the social benefits that arise from a University of Illinois education.

Going forward, as the University addresses the medium- and long-term budget situations, the Provost's office must continue to work with the SBC and SEC. The SBC notes that most budget decisions that affect specific academic programs are made at the unit level and that members of the Faculty are currently involved through their membership in the CBOC. However, going forward the SBC should monitor the extent to which faculty are involved in decisions at the College, School, and Departmental level. The Provost has also noted the need for a process by which faculty can have involvement in budget cutting decisions that must be enacted quickly.

Respectfully submitted,

Senate Committee on the Budget

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