

**UNIVERSITY OF ILLINOIS
URBANA-CHAMPAIGN SENATE**

Committee on the Budget
(Final; Information)

BG.10.01 2009-2010 Annual Report

The University's financial picture continued to be troubled during the 2009-10 academic year. The Senate Budget Committee began the year by reviewing the University's finances. The State of Illinois is facing a structural deficit estimated in September 2009 to be more than \$4B. Estimates as of this writing are significantly higher than that, typically more than \$10B. In September 2009, the State was behind more than \$20M in FY09 reimbursements. The FY10 budget included no reduction in GRF, but \$45.5M of the appropriation was from one-time Federal Government stimulus funding. As the year progressed, the State fell further and further behind in payments to the University. At the time of this writing, the State is behind in payments by more than \$400M.

The Committee discussed with Associate Provost Mike Andrechak the steps being implemented by the University and Campus to address a potential rescission to the FY10 budget as well as anticipated reductions in the FY11 budget. The Campus actions focused at the potential FY10 rescission included the elimination of unit deficits, delay of new hires, an ongoing administrative reduction program, and the possible implementation of furloughs. In addition, colleges were being asked to set aside 3% of their budgets for a possible rescission.

The Committee decided to focus on budget planning for FY11, as well as on tracking the FY10 budget situation as it developed. Of particular interest with respect to the FY10 budget was the question of how and when the University might implement furloughs. The focus was on the question of what budget scenarios would trigger implementation of furloughs. In October, the UA said that furloughs were a "last resort" and our impression was that the most likely scenario for the implementation of furloughs was a budget rescission from the State. With a Senate Meeting including budget presentations from the administration scheduled for October 26, the Committee was concerned that the campus community was not properly informed about the core issues involved with the possible implementation of furloughs. The Committee elected to work through the SEC to encourage UA to provide the campus with specific information prior to any implementation of furloughs. Specifically we asked that UA provide information on the following

- The current budget situation and actions, other than furloughs, being taken to address it.
- Where the discussions regarding furloughs were taking place and who were the faculty representatives in those discussions.
- How we know that furloughs are only a "temporary measure".
- To whom furloughs would apply.

The situation developed rapidly after October, with a decision by (then) Interim President Designate Ikenberry to implement furloughs during the Spring semester. The administration was responsive to requests for providing more information to the campus and this has happened, though somewhat belatedly.

The SBC invited Interim Provost Easter to join its November meeting and discuss with the Committee the actions the Provost's office is taking to address the budget shortfall. Units were asked to set aside 4.5% of their budgets (up from the reported 3% in September) and asked to plan for FY11 reductions of 7%, 10% and 15%. The estimates of the potential FY11 budget reduction vary between \$50 and \$100 million. The Provost agreed that budgetary reductions should be strategically motivated. The SBC view of

strategic budgetary reduction is that reductions should be allocated according to the strategic importance of the individual units.

After several meetings devoted to a discussion of the budget projections and issues for FY11, and with the knowledge that University reductions and restructuring were on the table for FY11, the SBC worked to develop a set of guidelines to aide in this process. SBC intent was to send these guidelines to Interim President Ikenberry in early January when he took office. In the end, SBC did not send the guidelines because it was overtaken by events and the end of the Fall and beginning of the Spring semesters when the campus "Stewarding Excellence" process was put in place. The letter is attached as an addendum to this report. Much of what we outlined in the letter is in the mission statement of the "Stewarding Excellence" process. The SBC is nominally part of the Stewarding Excellence process, but has to date not played an active role.

In January, when the University announced furloughs, the "Bunsis Report" circulated on campus by the AAUP. The report, by Howard Bunsis of Michigan State, was an evaluation of the financial situation of the University of Illinois . The report was highly critical of the decision to impose furloughs. Independent of its opinion on furloughs, the report concluded that the University was in solid financial condition. The SBC felt this conclusion was based on out-of-date information and thus, was erroneous. Some members of the SBC composed a letter with additional information about the University's financial situation, which the SEC co-signed and circulated to Urbana faculty and staff.

In the Spring semester, the SBC has continued to monitor the financial condition of the State and the University. One specific item brought to its attention is the need to ensure that Senate committees that make recommendations with potential budget implications carefully evaluate such budgetary implications. Typically, such committees have ex officio members from the Provost's office and the SBC is drafting a letter to the Provost's office with a request to pay special attention to potential budget implications of Senate recommendations and approvals.

Finally, with the Spring semester drawing to a close the first of the Stewarding Excellence at Illinois (SEI) reports was publicly released, with many more to follow. The Committee is planning to review these reports and forward a summary of findings to the SEC for use in the meetings planned, for each report, with the SEI Steering Committee. Since Chair Liss serves on the SEI Steering Committee, he will not participate in the SBC discussions and summaries of the reports.

Respectfully submitted,

Senate Committee on the Budget

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