

UNIVERSITY OF ILLINOIS
AT URBANA-CHAMPAIGN

Budget Update and Long-term Economic Trends

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Sept, 2011



***A Pretty Good Year
(or two!)***



FY11: Strengthening our Foundation

- Absorbing VSIP and VRP
- Reducing costs
 - Central Efforts
 - College Efforts
- Campus-wide planning
 - Hiring plans (and hiring!)
 - CMER program
 - Dramatically improved balance sheet



Improving Statewide Finances

Some good news:

- GRF before transfers and adjustments is up 17.5%, personal income tax is up >21%.
- Before adjustments, GRF is up 17.5%, mostly based on the tax increase (\$3.2 billion)
- Unemployment ticked down from peak.

However:

- The state still has a massive backlog of unpaid bills. Owes the U of I alone >\$300m!
- Unemployment is down because of “a sharp fall in labor force participation”



FY12 @ UIUC

- Limited GRF reduction; significant tuition growth (\$60m)
- First true salary program in several years
- Significant growth in financial aid
- Restoration of facilities funding including floor cleaning crews
- Some programmatic investment
- Faculty hiring programs



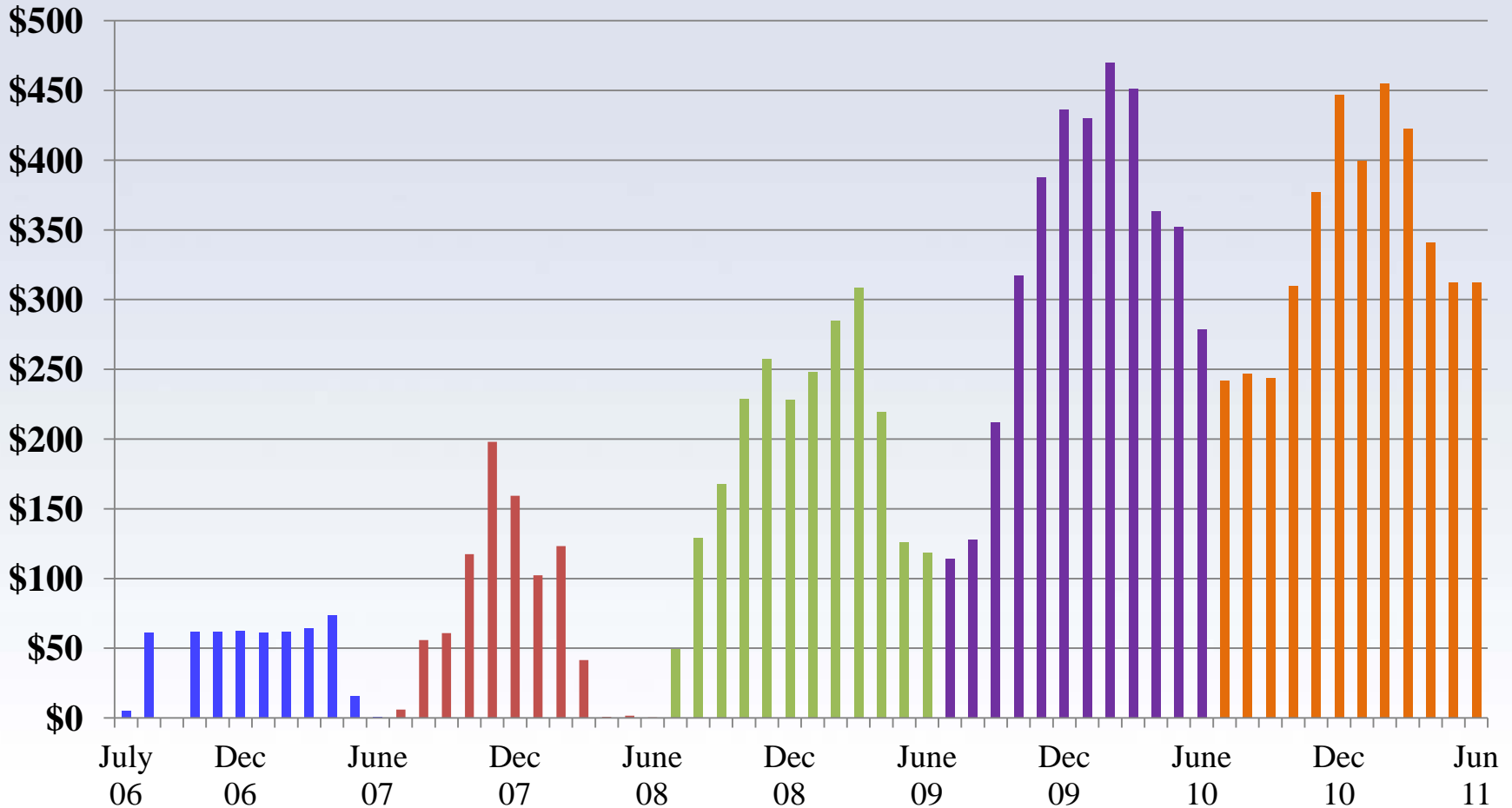
Intermediate-term Financial Issues



UI Month End GRF Receivable

Fiscal Year 2007 through Fiscal Year 2011

Dollars in Millions



The first five months of FY11 had receivables from FY10 outstanding at the end of the month. The receivable amount for each month in millions was as follows: July \$193; August \$119; September \$33.1; October \$10.9; November \$10.9. June 2011 is as of June 5, 2011.

***Despite the state's challenges,
we should do okay for a few
years***



Long-term Financial Issues both Local and National

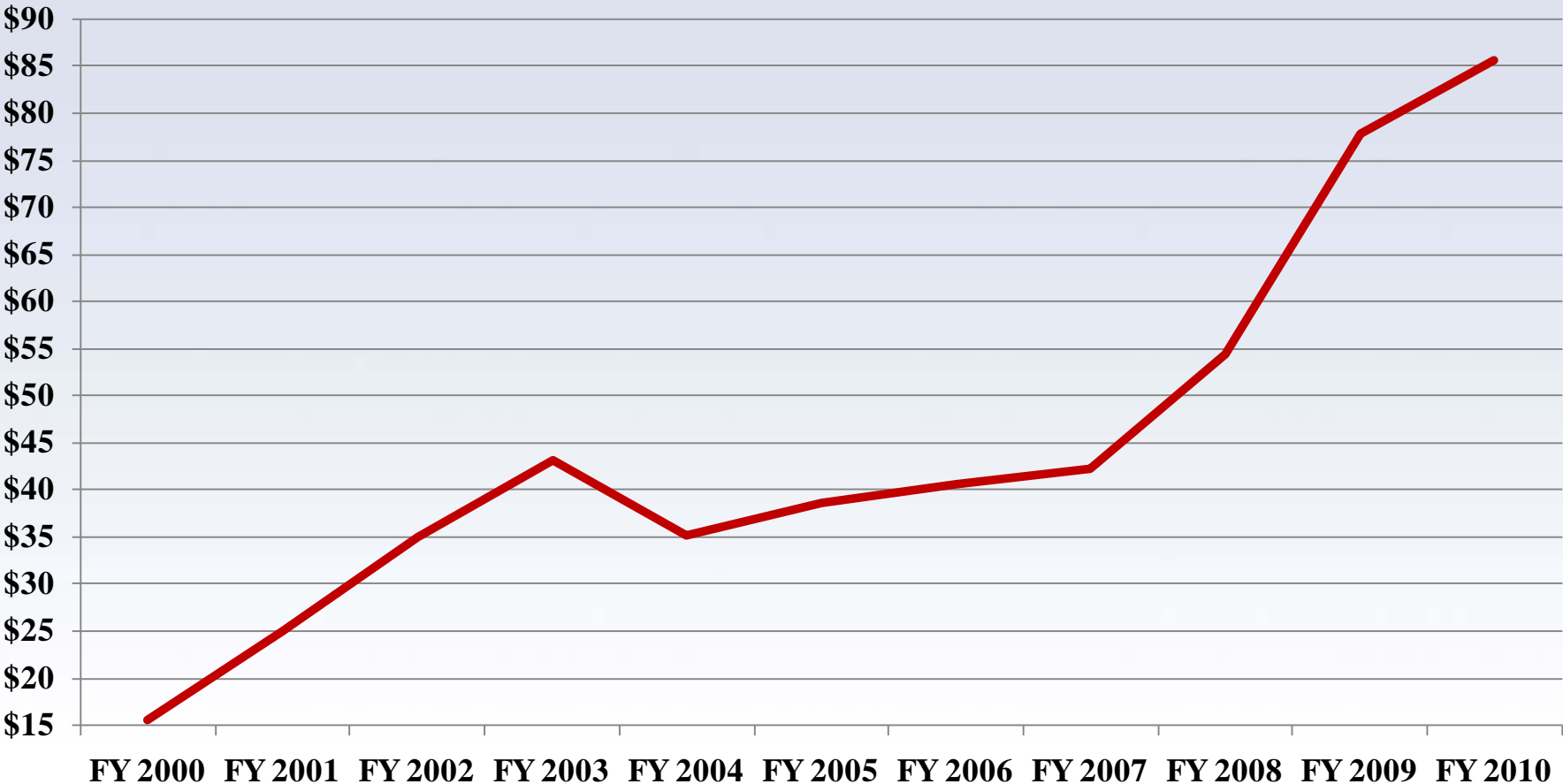


Pensions



State of Illinois Unfunded Public Pension Obligations (SERS, SURS, JRS, GARS, TRS)

(Dollars in Billions)



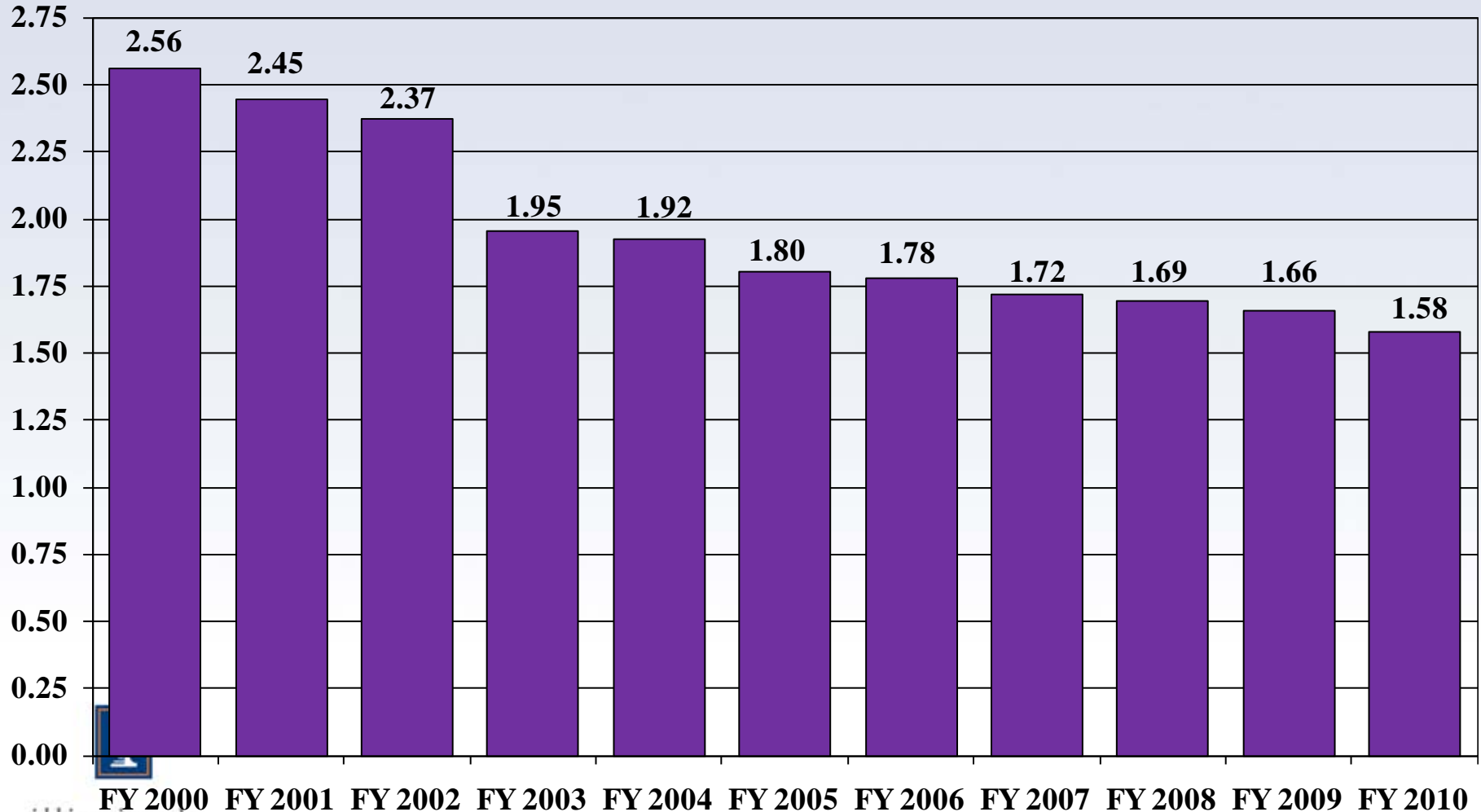
(At end of Fiscal Year, FY 2003-04 sale of Pension Bonds)



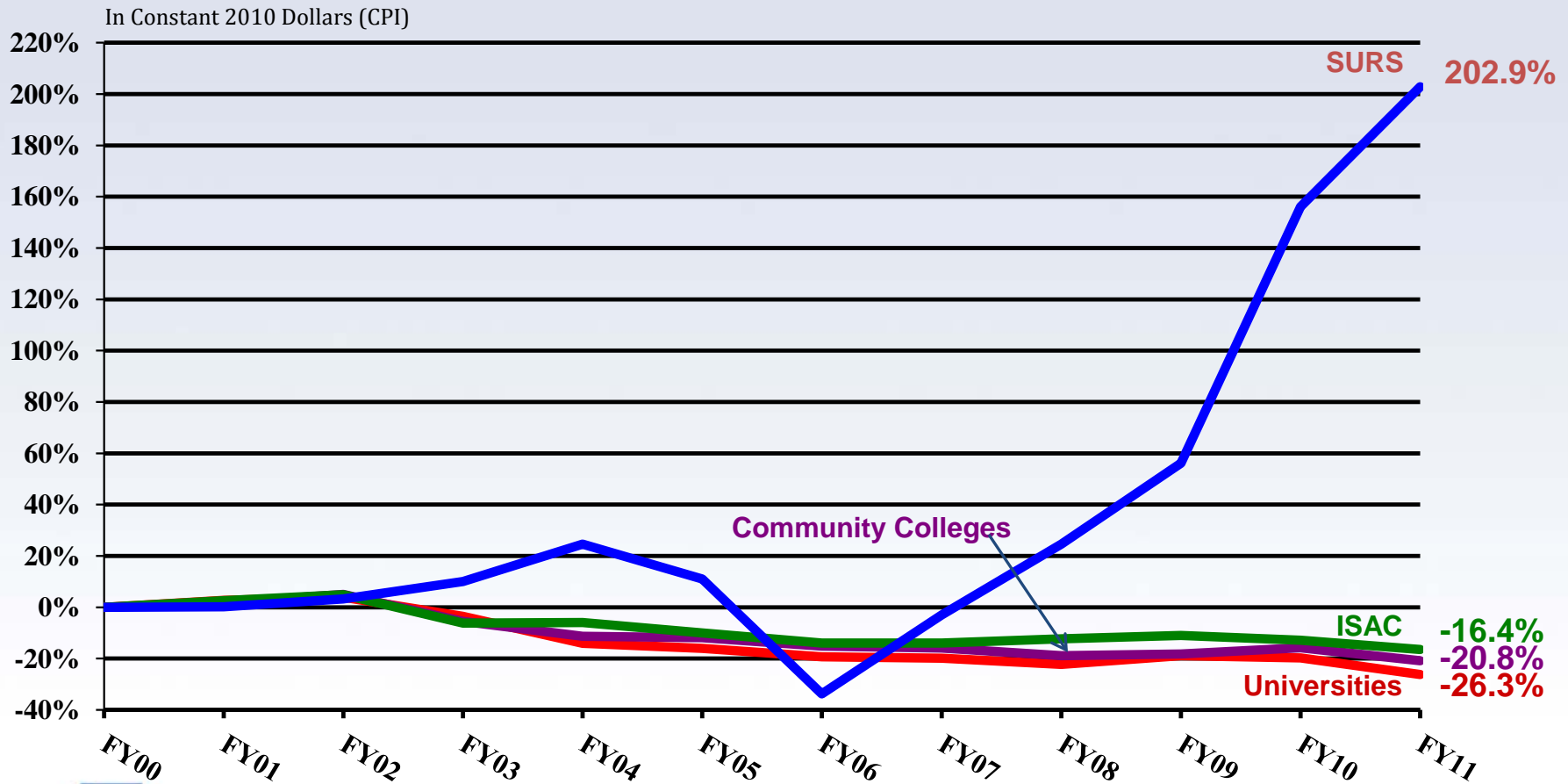
Active Members to # Retirees

Public Pension Systems

TRS, SERS, SURS, JRS, GARS



Cumulative Change in State Tax Appropriation by Higher Education Sector



FY02 – FY11 exclude \$45 million from higher education for Health Insurance payment to CMS.

SURS: FY05-FY11 includes State Pension Fund, FY10 & FY11 SURS includes full funding from pension obligation bonds.

Our Changing World

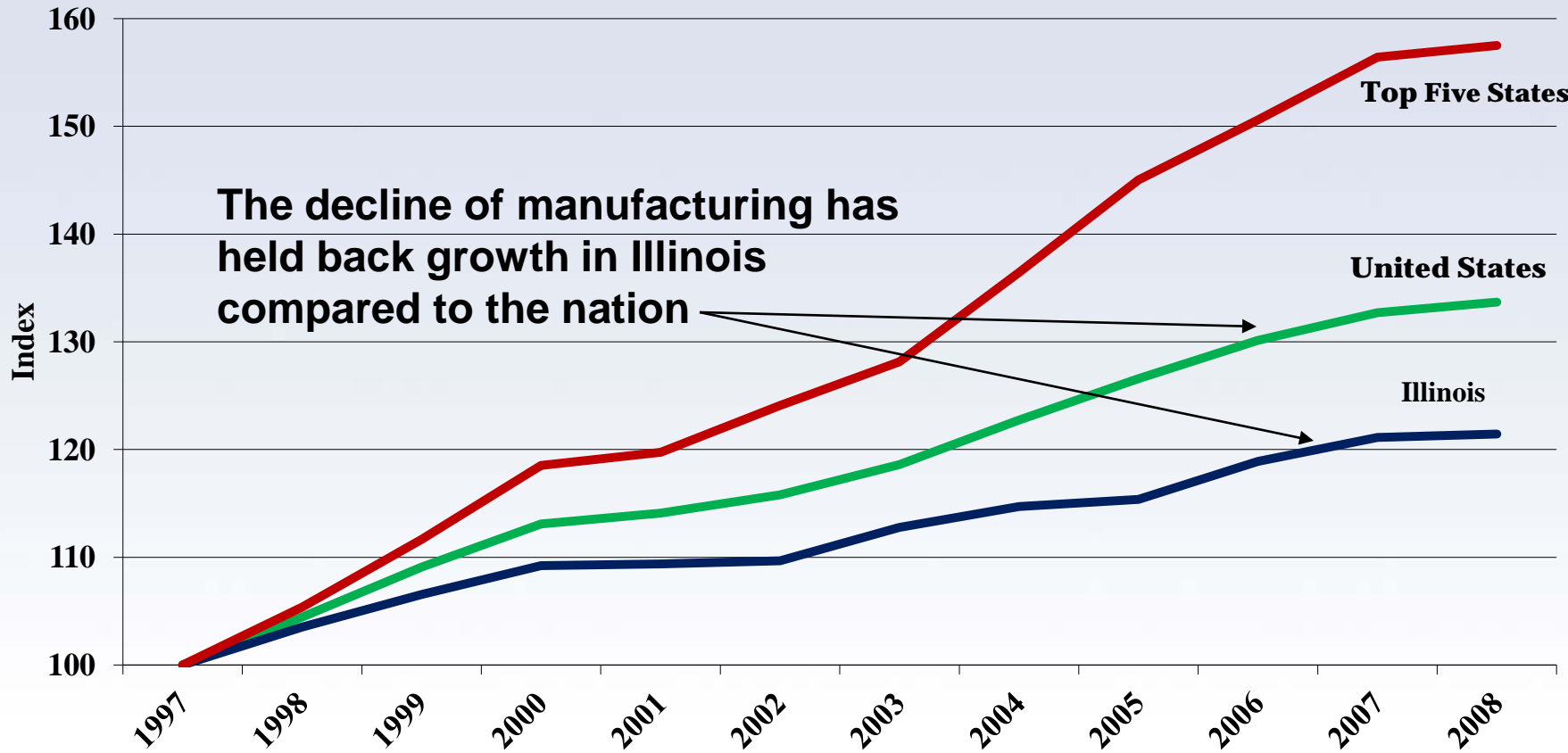
- **Loss of US competitive advantage**
- **Decline of the blue collar middle-class**
- **Increased competition for limited resources**
- **Nine billion by 2050!**



Real Gross Domestic Product by State

1997 – 2008

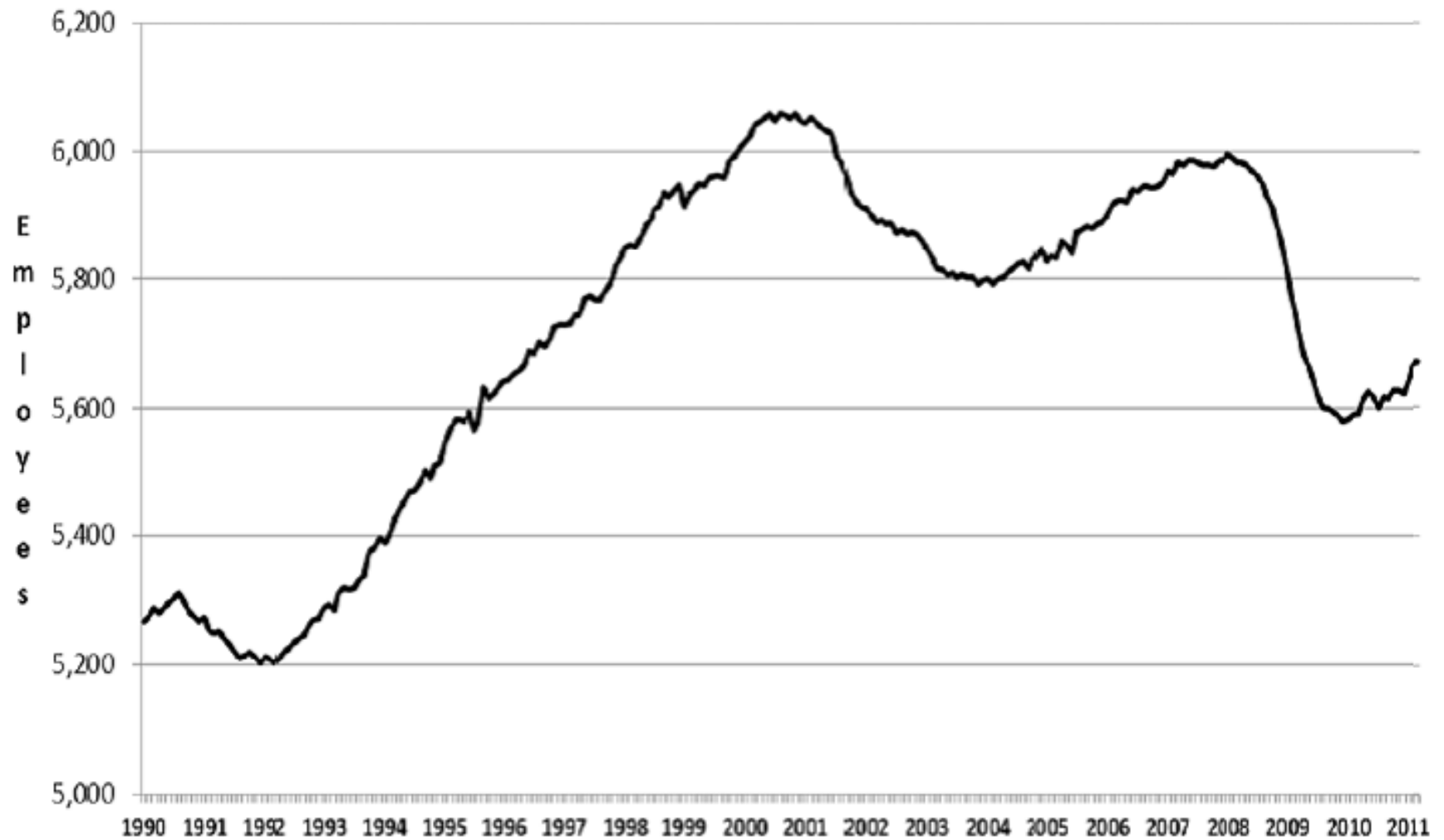
(Millions of Chained 2000 Dollars)



*Average of top five performing states.
Source: U.S. Bureau of Economic Analysis.

Illinois Employees (Jan 1990 - Mar 2011)

Nonfarm Payrolls - Seasonally Adjusted



Cost & Revenue Considerations



Updating Facilities

- We have relied on state funding for facility upgrades
- Large state-funded projects are over for the next 5-10 years
- Student fee helps us not fall further behind on deferred maintenance (roofs, windows, HVAC...)
- How do we support facility renovation?



Neoclassical Beauty



illinois.edu

or a \$60 million project?

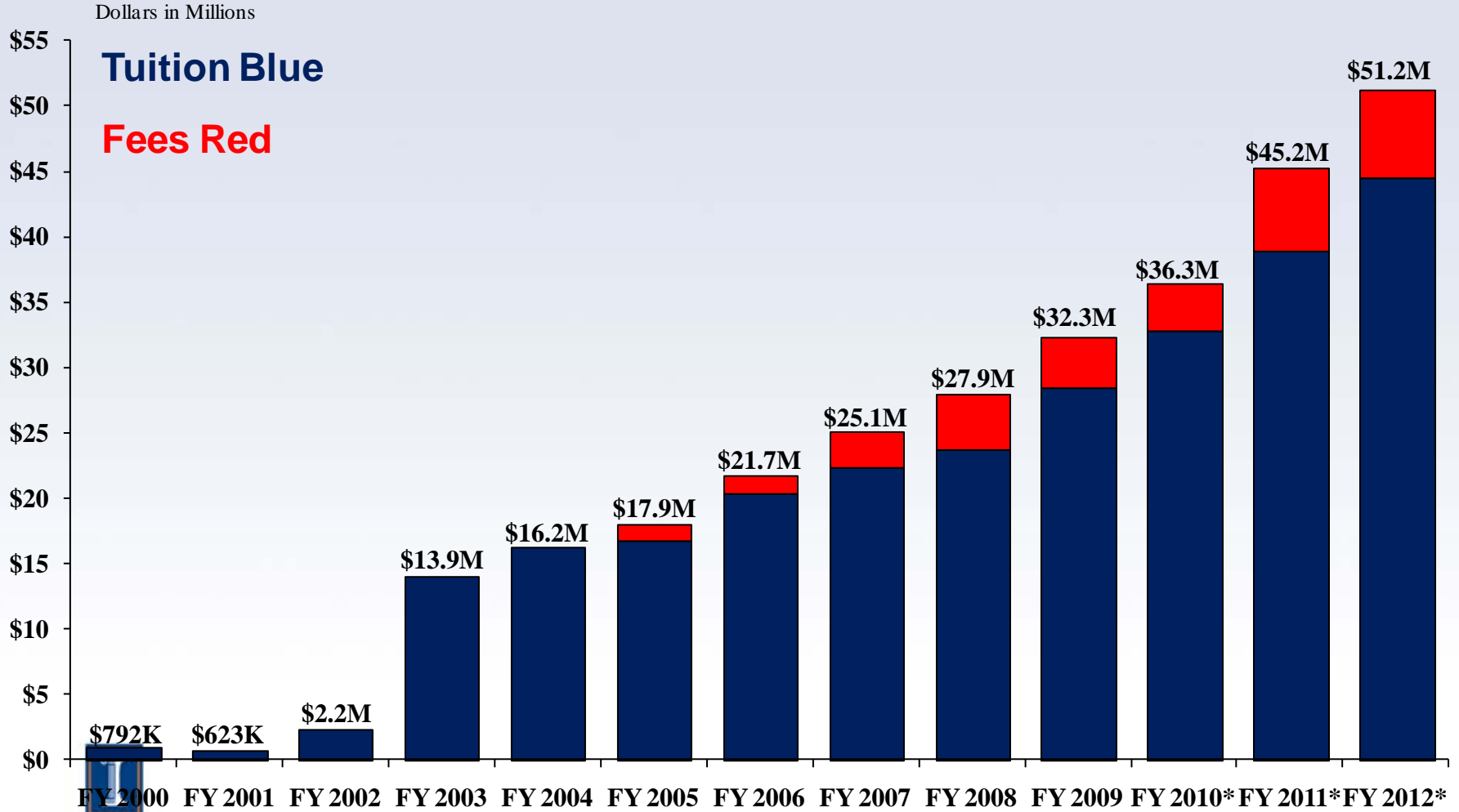
An MEL Classroom



- Tuition—One of the highest cost publics; cost growing beyond capacity to pay. All publics receiving pushback
- Unmet aid need of \$70m at UIUC
- Each \$ of increase adds 50 cents of unmet need



University of Illinois Supplemental Financial Aid Expenditures FY 2003 - FY 2012



FY 2005-2011 all sources including fees.

*FY 2010 Budgeted, FY 2011 Preliminary, FY 2012 Preliminary

Federal Funds



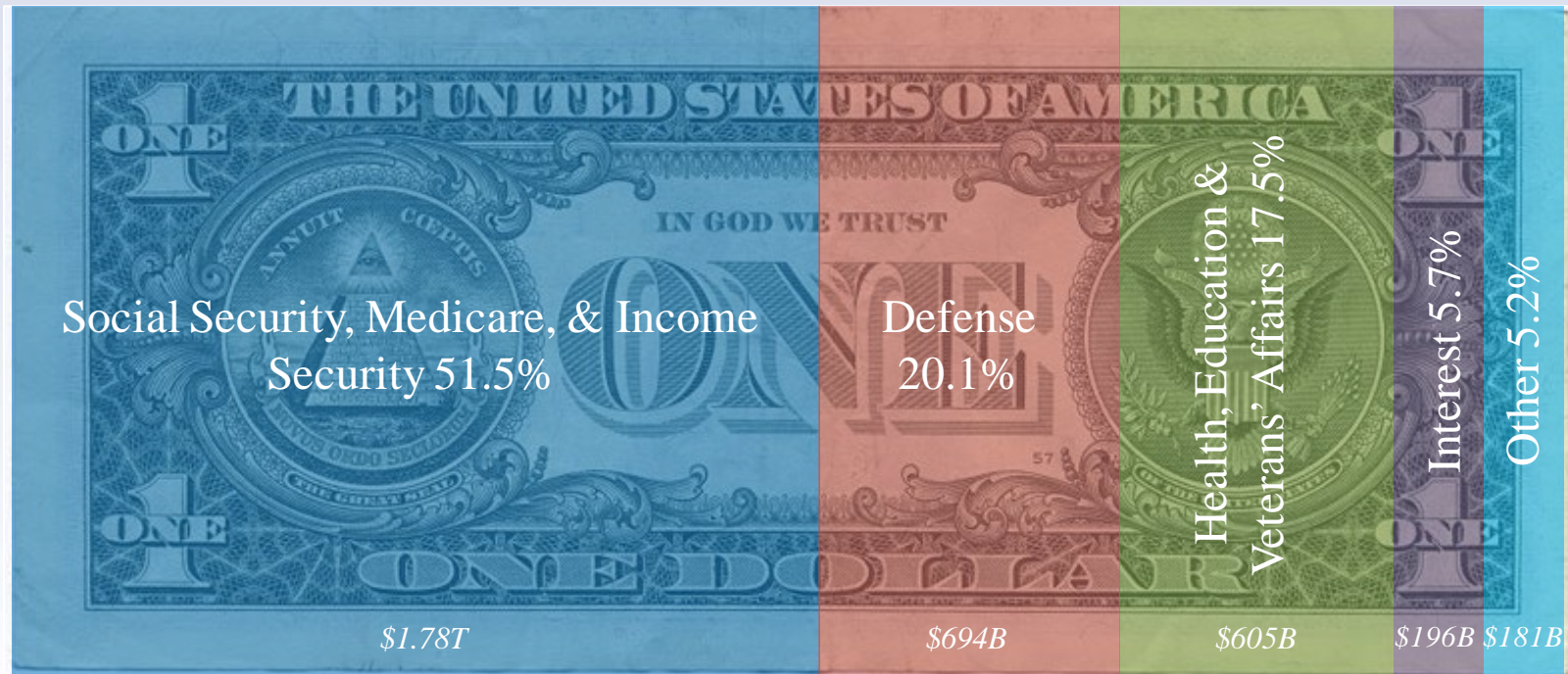
2010 U.S. Federal Outlays by Source

Total = \$3.456 Trillion



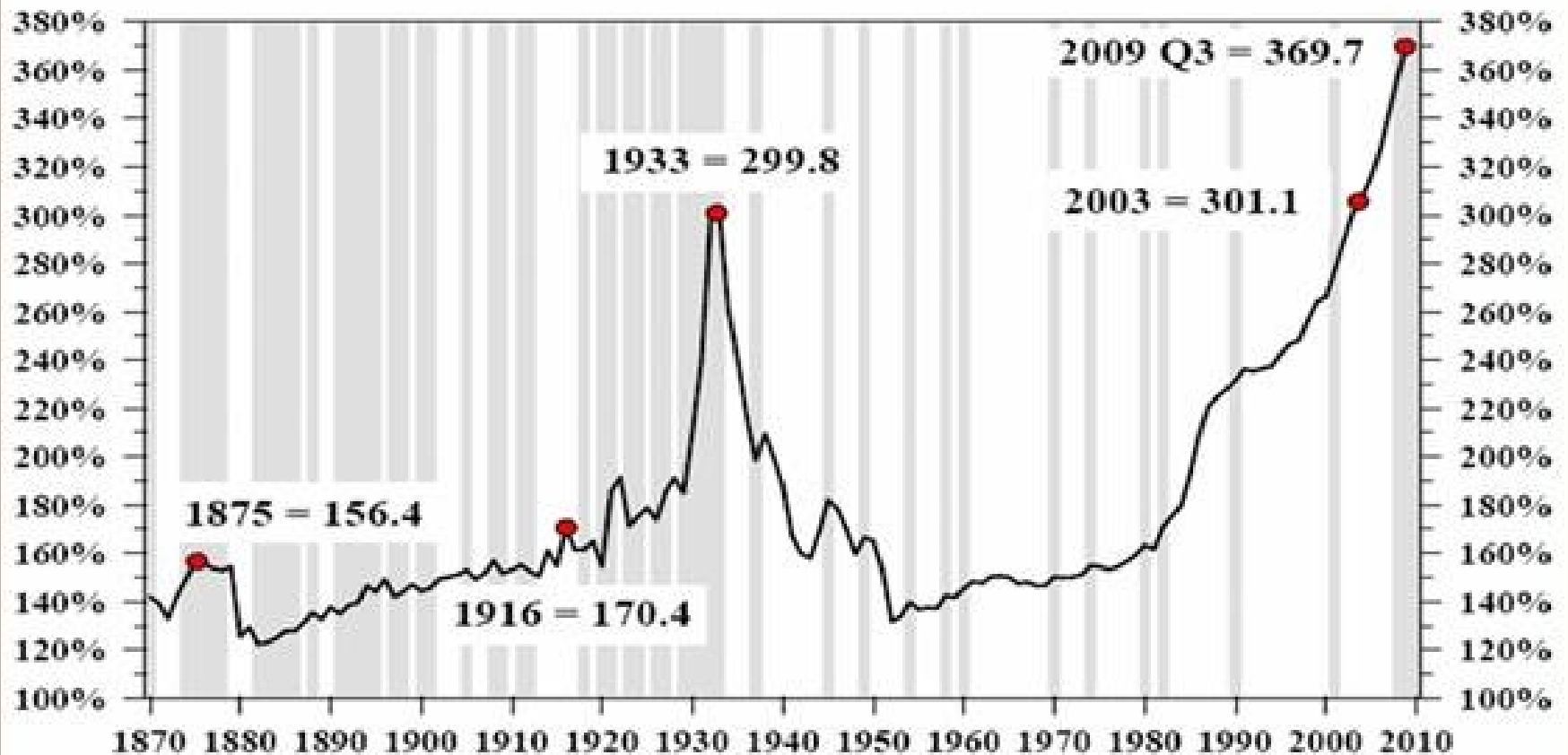
2010 U.S. Federal Outlays by Function

Total = \$3.456 Trillion



Total U.S. Debt as a % of GDP

annual



Sources: Bureau of Economic Analysis, Federal Reserve, Census Bureau: Historical Statistics of the United States Colonial Times to 1970. Through Q3 2009.



No Degrees of Freedom



What are the Cost Drivers at a Large Public University?

- **The level of State support**
 - Drop in direct State support
- **Competition**
 - Salaries
 - Benefits
 - Facilities
- **Mix of disciplines and functions**
 - Agriculture
 - Science & Engineering
 - Vet Med
 - Service
- **Unavoidable and mandated costs**
 - Energy
 - Payroll costs, Workers' Compensation, Medicare
 - Deferred maintenance and facility costs
 - Student Aid



Our Challenge

- We are asked to:
 - Educate student to be successful in a changing world (while holding costs down)
 - Solve the world's pressing problems (but not on the public dime)
- Do all this at the same time that
 - The capacity and desire of states to support us diminishes
 - The capacity of students and families to pay is declining
 - Federal resources are under threat

