Federal Update

• Shutdown and budget sequestration little impact in FY 2013, continued focus on recent Federal Omnibus Budget Bill

• University medical center adjusting to provisions of the Affordable Care Act

• PELL – has been excluded from budget reductions

• Farm Bill in conference committee

• American Opportunity Tax Credit extended for 5 years

• Charitable gift deduction remains
Federal Omnibus Budget Bill

PELL
NSF
NSF-Research
NIH
DOE-Science
DOE-Adv. Scientific Research
DOE-Basic Energy Science
Defense-Basic Research
Defense-Applied Research
Defense-Technology
Agr. Research, Education, Econ
EPA
NASA-Science
US Geological Survey

PELL -7.5%
NSF -6.0%
NSF-Research -4.5%
NIH -3.0%
DOE-Science -1.5%
DOE-Adv. Scientific Research 0.0%
DOE-Basic Energy Science 1.5%
Defense-Basic Research 3.0%
Defense-Applied Research 4.5%
Defense-Technology 6.0%
Agr. Research, Education, Econ 7.5%
EPA 9.0%
State of Illinois Update

• General Assembly passes pension reform and fully funds the State’s pension systems

• State backlog of unpaid bills reduced at year end 2013 due to surge in spring tax receipts but continues

• The University received all of Fiscal Year 2013 State appropriations by the end of September

• The University received the full $28.8 million Fall MAP installment

• Significant increases in the employees’ share of health insurance cost

• Medicaid reimbursement rate and payments affecting Health System
Pension Reform Legislation

- SURS unfunded liability estimated at $19.3 billion at June 30, 2013
- Senate Bill 1 approved by General Assembly on December 3rd and signed by Governor on December 6th
- Pension legislation reduces cost of living adjustments for annuitants, increases retirement age, caps pensionable salary, reduces employee contributions and provides for a long term funding plan
- Effective date of legislation is June 1, 2014
- Litigation challenging the constitutionality of the legislation has been filed
- University has begun exploring options to provide a supplementary defined contribution plan for employees for Board consideration
- Beginning Fiscal Year 2015, recently promulgated Governmental Accounting Standards require recognizing the University’s share of the unfunded pension liability for pension on its balance sheet
U of I Estimated Unfunded Pension Obligation
State Universities Retirement System (SURS)

(Dollars in Billions)

*Estimated.
(At end of Fiscal Year, FY 2003-04 sale of Pension Bonds)
FY13 is preliminary, U of I portion is estimated.
## State Appropriation Revenue

**Billings and Collections through January 21, 2014**

<table>
<thead>
<tr>
<th>Year</th>
<th>Appropriation</th>
<th>Billed</th>
<th>Collected</th>
<th>Stimulus</th>
<th>Receivable</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>$697</td>
<td>$697</td>
<td>$671</td>
<td>$46</td>
<td>$562</td>
</tr>
<tr>
<td>2011</td>
<td>$697</td>
<td>$697</td>
<td>$567</td>
<td>$544</td>
<td>$544</td>
</tr>
<tr>
<td>2012</td>
<td>$689</td>
<td>$689</td>
<td>$571</td>
<td>$571</td>
<td>$571</td>
</tr>
<tr>
<td>2013</td>
<td>$662</td>
<td>$647</td>
<td>$330</td>
<td>$662</td>
<td>$662</td>
</tr>
<tr>
<td>2014</td>
<td>$663</td>
<td>$647</td>
<td>$193</td>
<td>$663</td>
<td>$663</td>
</tr>
</tbody>
</table>

*FY10 appropriation includes $45.5 million of federal stimulus funding.*
UI Month End GRF Receivable & Percent of State Budget
Fiscal Year 2009 through Fiscal Year 2014
As of January 21, 2014

Receivables as of June 30th for each of the following fiscal years were: 2009 ($125.9M), 2010 ($278.5M), 2011 ($312.7M), 2012 ($206.7M), 2013 ($181.4M).
Income Fund (Tuition) Revenue
Unrestricted Funds
Fiscal Years 2010 – 2014
Collections and Billed through December 31st of Fiscal Years 2013 & 2014

Dollars in Millions

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Budget</th>
<th>Billed</th>
<th>Collected</th>
<th>MAP</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY10</td>
<td>$739</td>
<td>$843</td>
<td>$939</td>
<td></td>
</tr>
<tr>
<td>FY11</td>
<td>$503</td>
<td>$527</td>
<td>$522</td>
<td>$29</td>
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<tr>
<td>FY12</td>
<td>$474</td>
<td>$469</td>
<td>$498</td>
<td>$493</td>
</tr>
<tr>
<td>FY13</td>
<td>$503</td>
<td>$527</td>
<td>$522</td>
<td>$29</td>
</tr>
<tr>
<td>FY14</td>
<td>$503</td>
<td>$527</td>
<td>$522</td>
<td>$29</td>
</tr>
</tbody>
</table>
State and Tuition FY 2000 – FY 2014

- Total Enrollment FY 2000 over 67,000
- Total Enrollment FY 2014 over 78,100

In Millions

In Constant 2014 est. CPI Dollars

Sources: Budget Summary for Operations. State include GRF and all other state fund appropriations. State for FY 02 – FY 14 exclude $24.9 million for Health Insurance. State Surveys are included in State beginning in FY 09. FY14 CPI estimated at 2.5%.
U of I Capital Appropriations
FY 2000 – FY 2014

(Dollars in Millions)
University of Illinois Deferred Maintenance
Annual Estimate
FY 2004 – FY 2013

Source: IBHE technical question, Campus Facilities and Services
Hospital Revenue/Expense/Net Income
Fiscal Year 2012 vs. Fiscal Year 2013 through June 30, 2013

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dollars in Millions</td>
<td>$696.9</td>
<td>$770.1</td>
</tr>
<tr>
<td>Revenue</td>
<td>$744.3</td>
<td>$766.8</td>
</tr>
<tr>
<td>Expense</td>
<td>$731.6</td>
<td>$738.7</td>
</tr>
<tr>
<td>Net Income plus Depreciation</td>
<td>$33.4</td>
<td>$48.6</td>
</tr>
<tr>
<td>Medicaid Receivable</td>
<td>$0</td>
<td>$56.0</td>
</tr>
</tbody>
</table>
Hospital Revenue/Expense/Net Income
Fiscal Year 2013 vs. Fiscal Year 2014 through November 30th
Federal Grants & Contracts Expenditures
All Functions – Total University

(Dollars in Millions)

Does not include federal funds passed through to the University from non-federal entities.
Big Ten Universities Total Systems
Institutional Support as a % of Total Expenditures FY 2012

Northwestern: 14.70%
Purdue: 11.74%
Penn State: 6.92%
Minnesota: 6.84%
Nebraska: 6.16%
Michigan State: 5.70%
Indiana: 5.42%
Ohio State: 5.18%
Wisconsin: 5.14%
Illinois: 5.12%
Michigan: 3.39%
Iowa: 3.14%

Note: Total Expenditures are Operating Expenditures less Depreciation
Source: FY 2012 Annual Financial Reports
Big Ten Universities Total Systems
Institutional Support as a % of Total Expenditures FY 2012
Excluding Hospital Enterprises

Note: Total Expenditures are Operating Expenditures less Depreciation and Hospital/Medical
Source: FY 2012 Annual Financial Reports
Moody’s Investors Service Ratings Report
Auxiliary Facilities System Revenue Bonds
January 15, 2014
Aa3, Negative

• Strengths
  ▪ Premier public university
  ▪ Strong student demand
  ▪ Leading national research university
  ▪ Improved liquidity
  ▪ Positive operating margin
  ▪ Fundraising success

• Challenges
  ▪ Reliance on the State (32%)
  ▪ Delays in State funding
  ▪ Vulnerable to the impact of State pension reform
  ▪ Exposure to healthcare sector
Debt Capacity

- Revenue Diversity
- State Relationship / State Rating
- Management / Governance
- Capital Plans / Facility Needs
- Market Position

DEBT at 6/30/2013 - $1.5 billion

Aaa rating *
Auxiliary Facilities System Aa3
Certificates of Participation Aa3

Aa1

Aa2

Aa3 rating *
UIC South Campus A1

A2 rating *
Health Services Facility System A2

Leverage / DS Coverage
Enrollment / Student Demand
Operating Margins
Financial Resources
Comparison to Peer Universe

*Interest rates depend on market conditions.
Source: Public Financial Management.