

FINANCIAL REPORT



UNIVERSITY OF ILLINOIS

URBANA-CHAMPAIGN • CHICAGO • SPRINGFIELD

BOARD OF TRUSTEES

January 15, 2015

Since November BOT Meeting

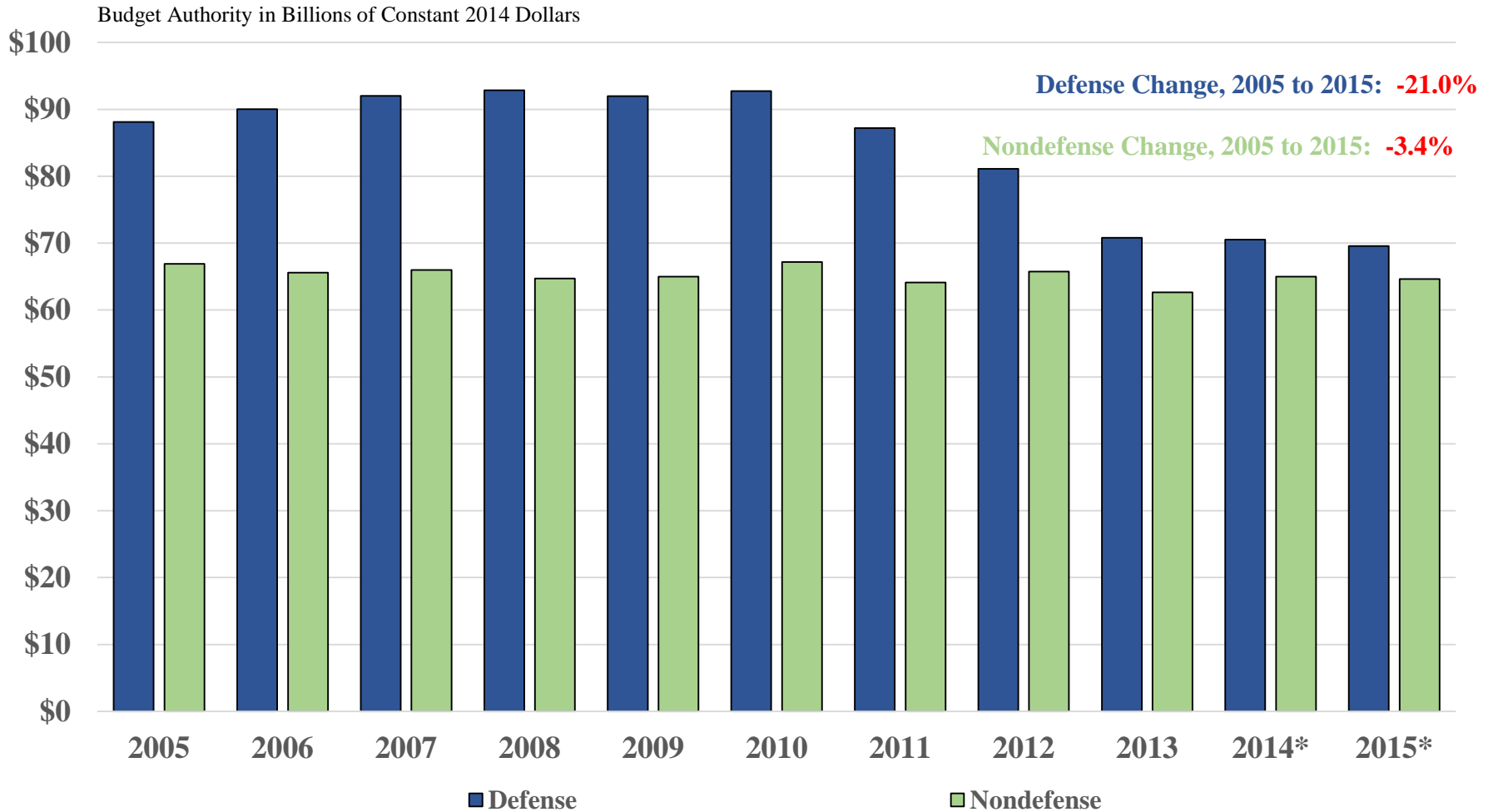
- Moody's and Standard & Poor's assign credit ratings
- Legislative Audit Commission accepted 2013 audit
- Sale of Certificates of Participation refunding
- Illinois Board of Higher Education cautions public universities to plan for probable budget reductions in FY 2015 and FY 2016
- State legislature takes no action on the income tax and allows Certificate of Participation financing legislation to expire
- Sangamon County Court rules pension changes unconstitutional; appealed to the Illinois Supreme Court
- Governor's budget address scheduled for February 18th

Federal Update

- Effects of federal stimulus grants (ARRA) expiring; Federal research funding below ten-year average
- Successful NSF audit results
- Federal Omnibus Budget Bill provides for modest increases in NSF, NIH and PELL; maximum PELL grant increased by \$120
- University Medical Center adjusting to provisions of the Affordable Care Act – fee-for-service to managed care
- American Opportunity Tax Credit and charitable gift deduction remain

Defense, Nondefense and Total Research & Development

2005–2015



*Latest estimates. FY 2015 is the President's request.

Source: American Association for the Advancement of Science's R & D report series, based on OMB and agency R & D budget data.

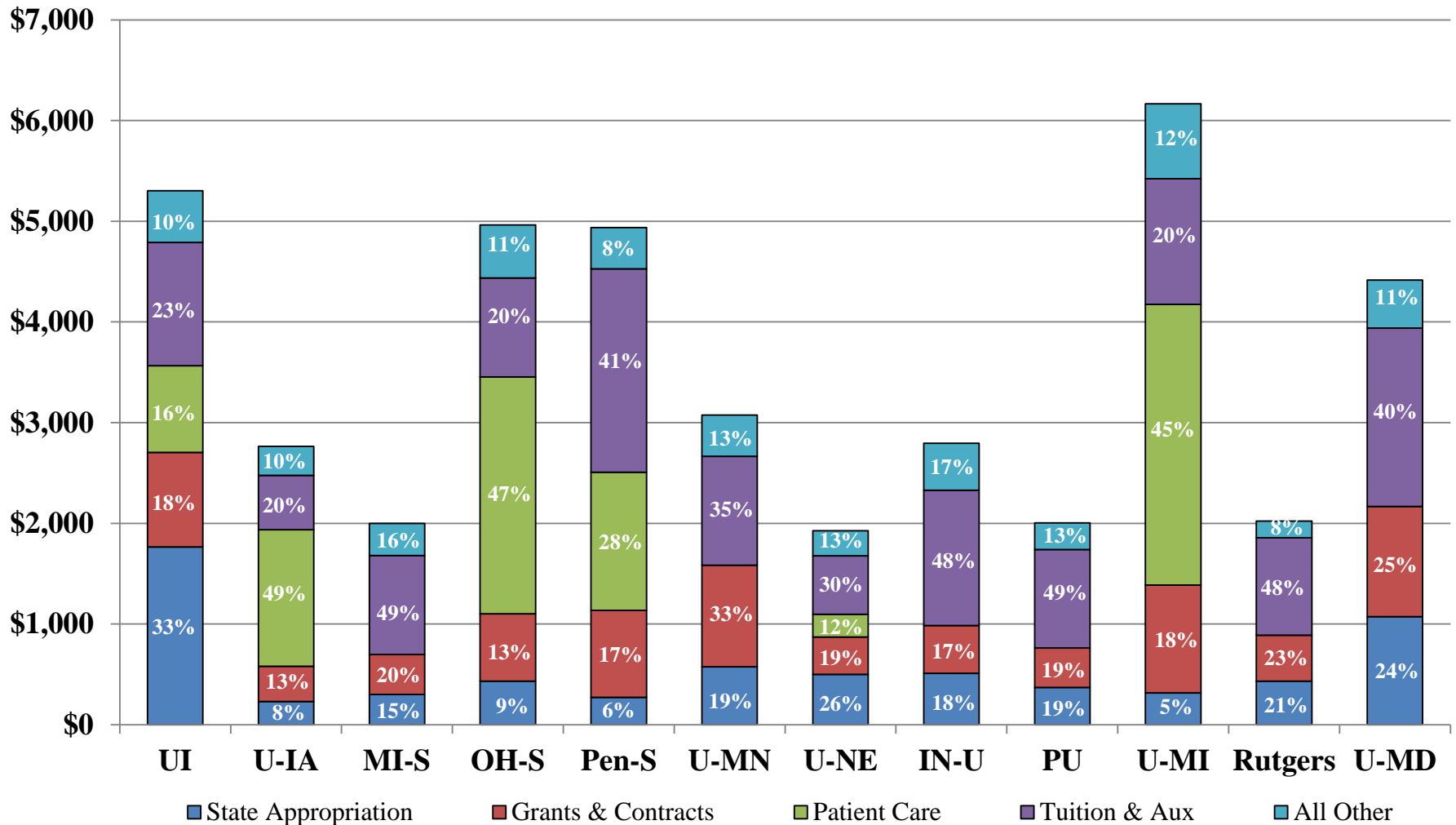
State of Illinois Update

- Court challenge to pension reform law – outcome uncertain
- No action in veto session on income tax – annual revenue loss of \$4-5 billion
- Pension/healthcare cost shift – outcome uncertain
- State backlog of unpaid bills has increased, estimated at \$6.5 billion
- Reduced Medicaid reimbursement rates and payments affecting hospital revenues

Big Ten Comparison

Total Revenues by Contribution

(In Millions)



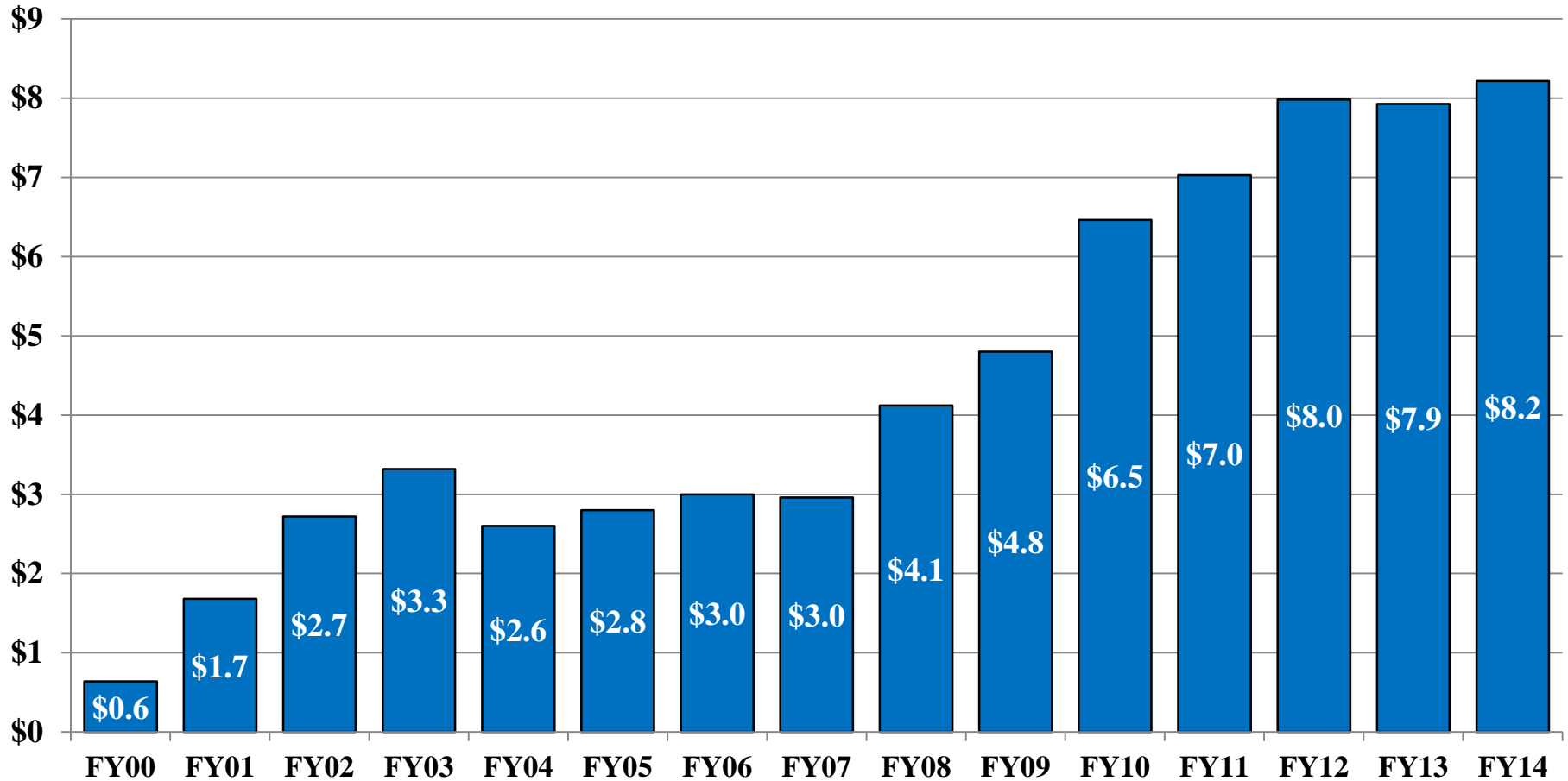
*Source: Moody's Investor Service as of 4/28/2014.

Pension Reform Legislation

- State University Retirement System unfunded liability exceeded \$20 billion at June 30, 2014
- Senate Bill 1 signed by Governor on December 5, 2013; PA098-0599
- 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 was to be June 1, 2014, but stay of implementation issued by the Courts
- Sangamon County Court ruled unconstitutional on Nov. 21st; on to appeals
- Illinois' Attorney General files motion to appeal to Supreme Court, Nov. 26th
- Illinois' Attorney General files motion to expedite case, hearing Jan. 22nd–March 10th
- SURS lowers long-term investment assumption to 7.25%, increases state appropriation
- Beginning Fiscal Year 2015, Governmental Accounting Standards may require recognizing a portion of 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)

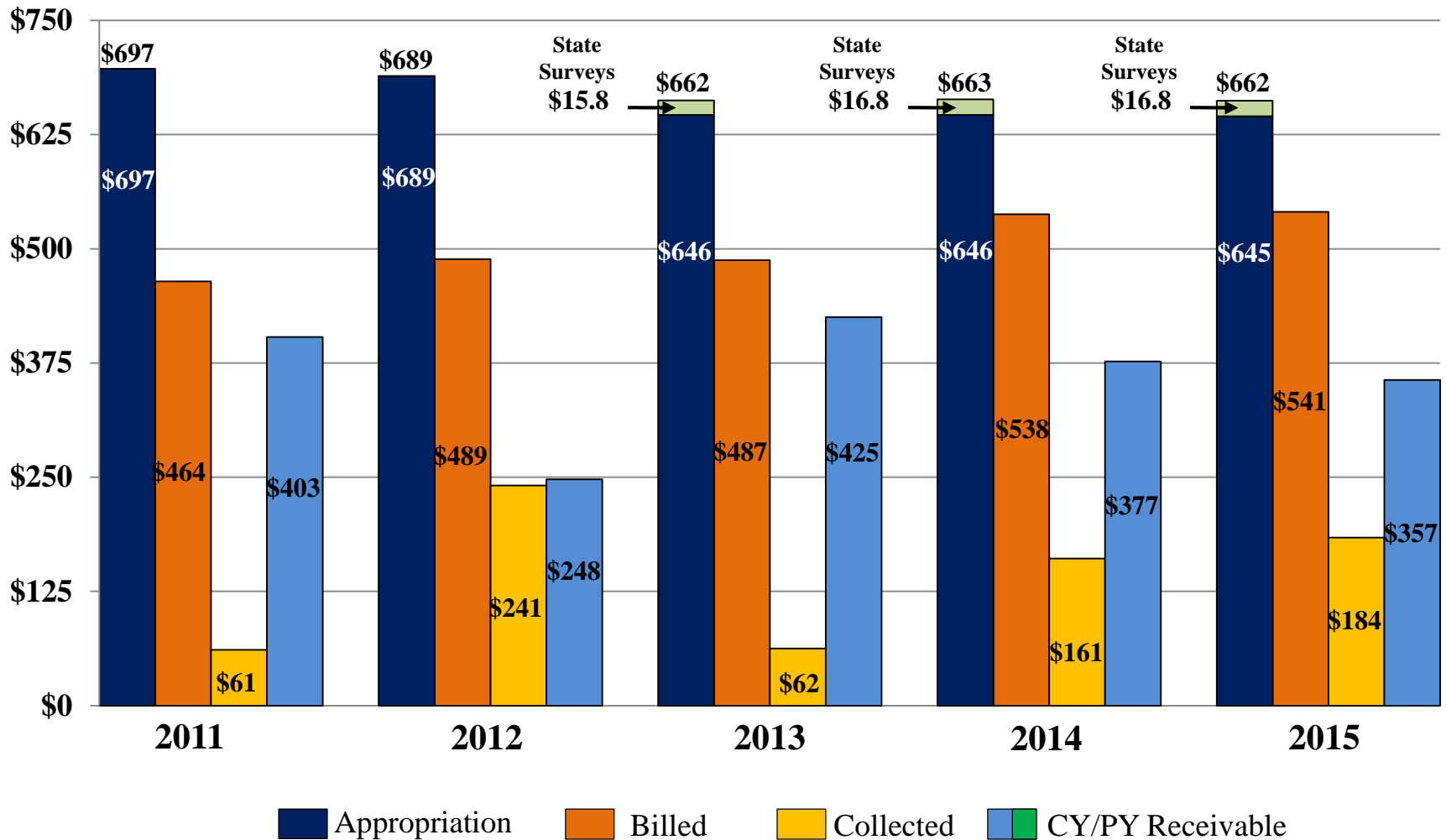


(At end of Fiscal Year, FY 2003-04 sale of Pension Bonds).
U of I portion is estimated.

State Appropriation Revenue

Billings and Collections through January 5, 2015

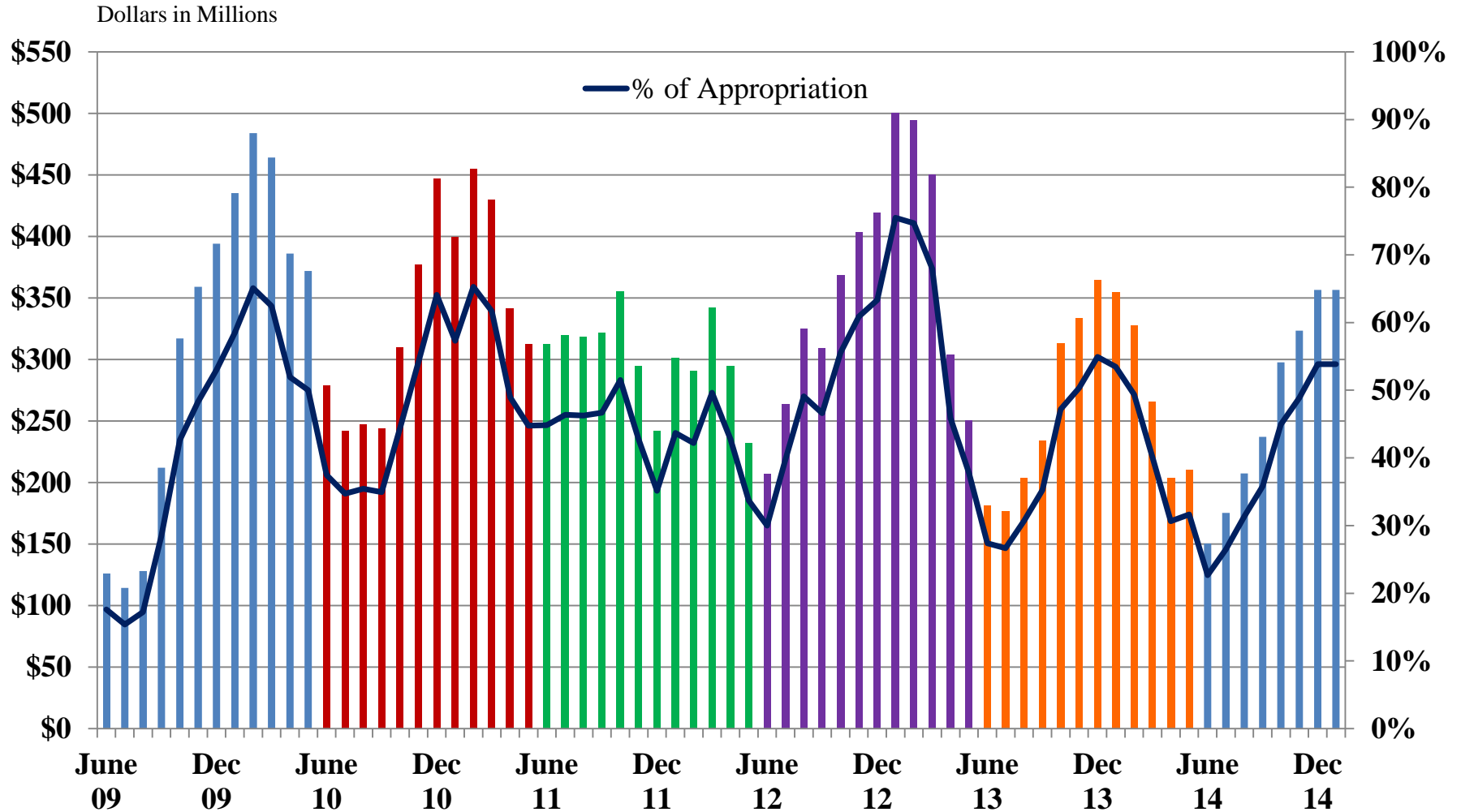
Dollars in Millions



UI Month End GRF Receivable & Percent of State Budget

Fiscal Year 2009 through Fiscal Year 2015

As of January 5, 2015



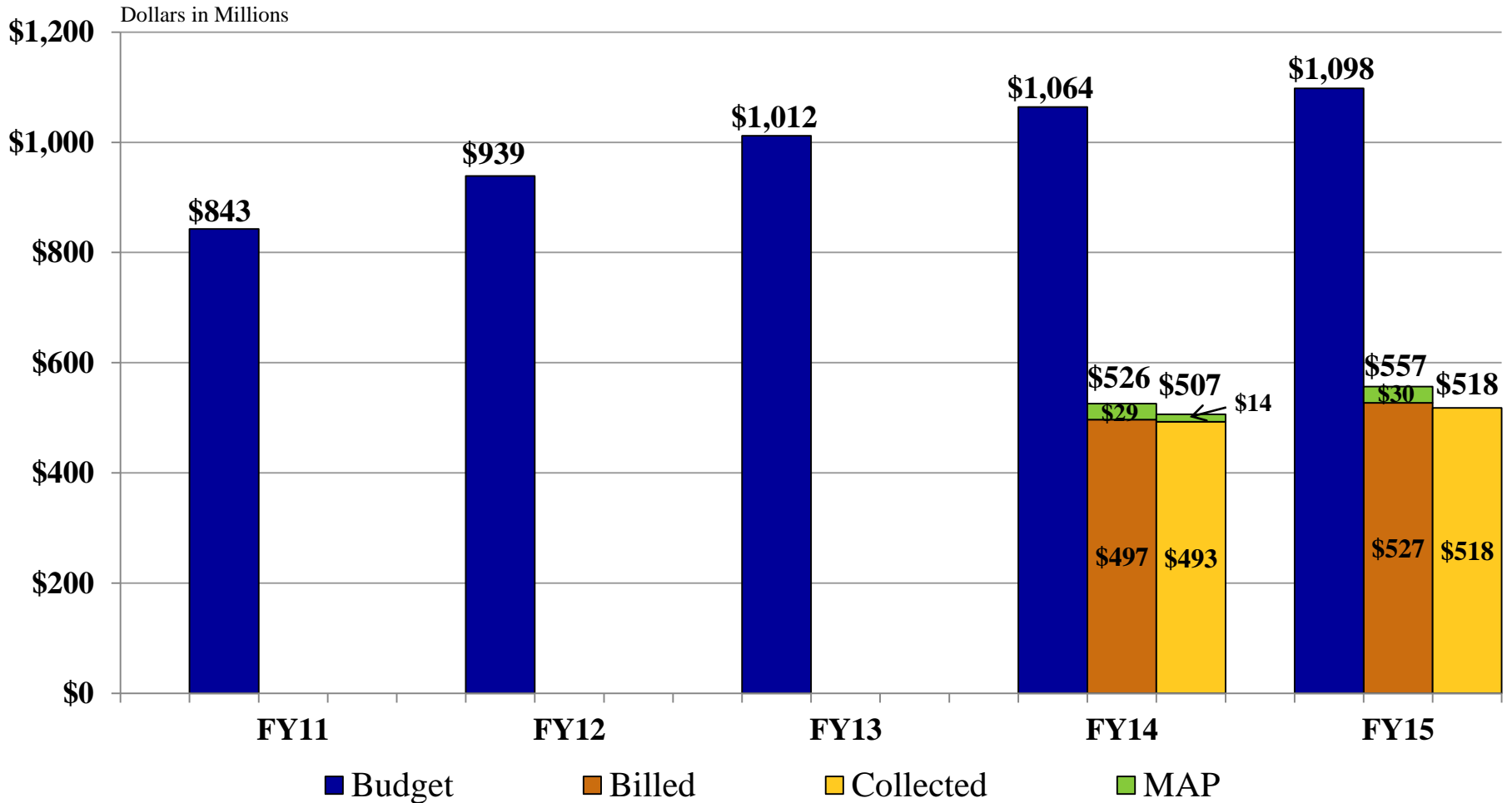
Receivables as of June 30th for each of the following fiscal years were: 2009 (\$125.9M), 2010 (\$278.5M), 2011 (\$312.7M), 2012 (\$206.7M), 2013 (\$181.4M), 2014 (150.4M).

Income Fund (Tuition) Revenue

Unrestricted Funds

Fiscal Years 2011 – 2015

Collections and Billed through November 30th of Fiscal Years 2014 & 2015

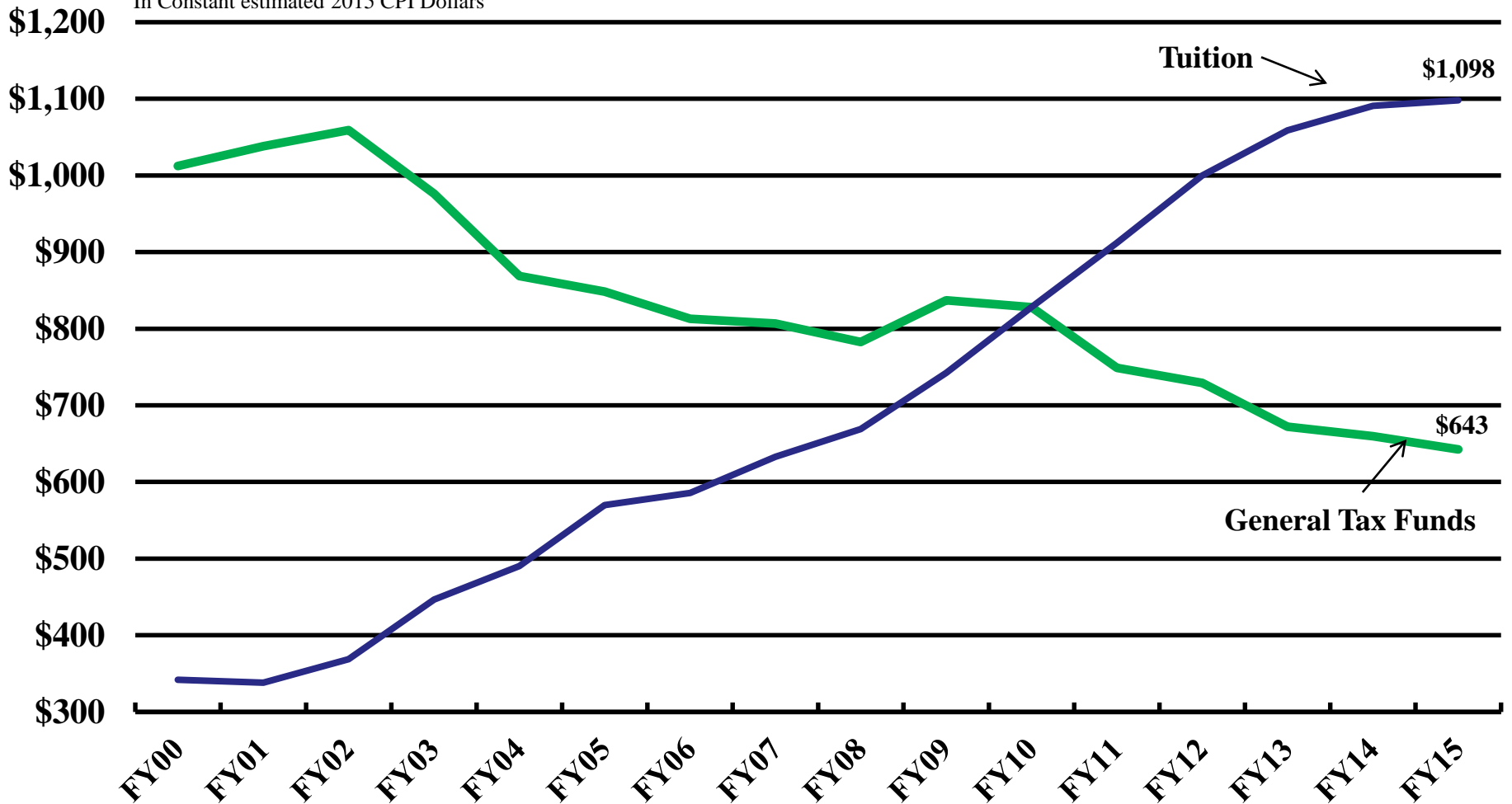


State and Tuition FY 2000 – FY 2015

- **Total Enrollment FY 2000 over 67,000**
- **Total Enrollment FY 2015 over 78,500**

In Millions

In Constant estimated 2015 CPI Dollars

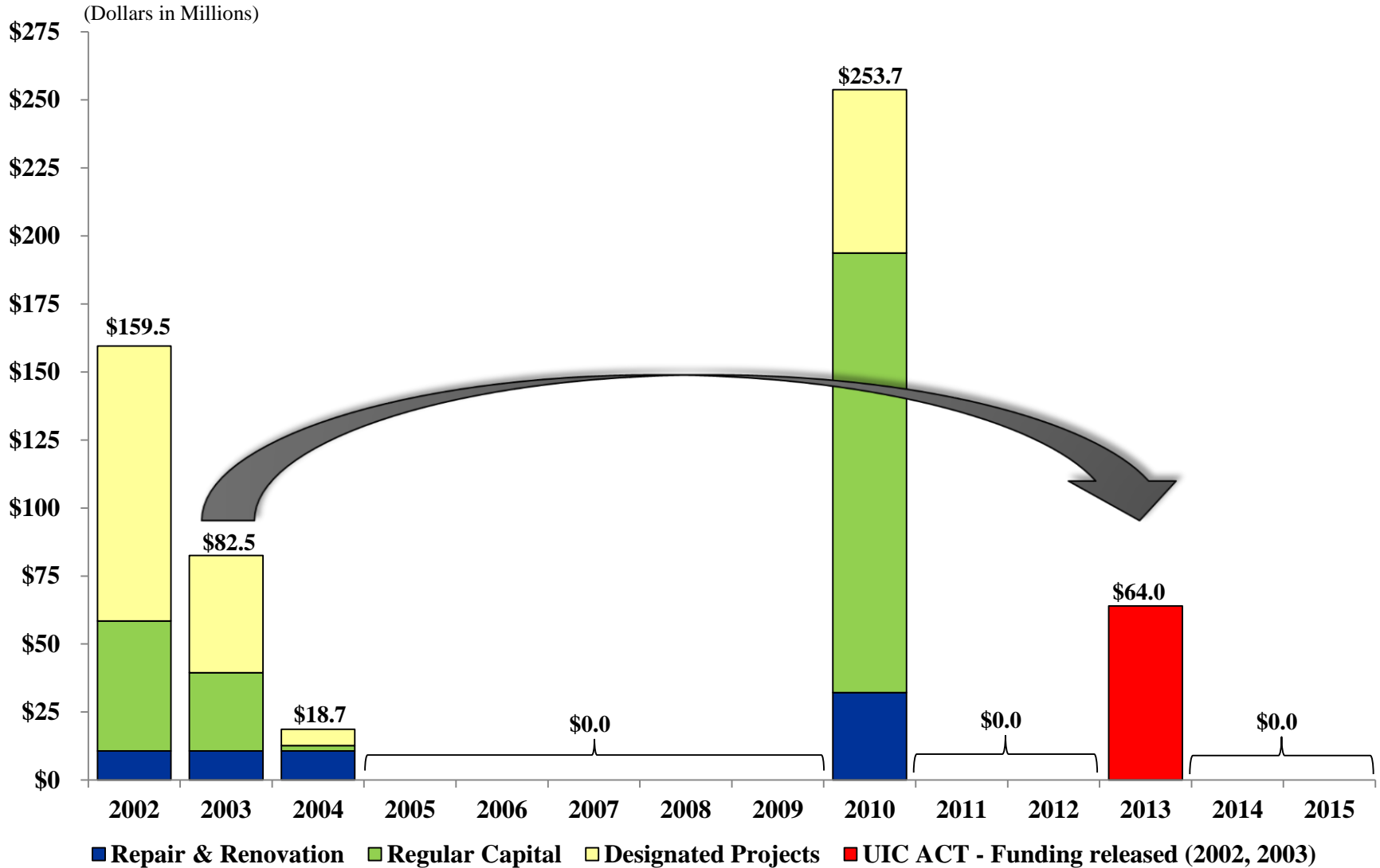


Sources: Budget Summary for Operations. State include GRF and all other state fund appropriations. State for FY 2002–FY 2015 exclude \$24.9 million for Health Insurance.

State Surveys are included in State beginning in FY 2009. Assumes 2.5% inflation in FY 2015.

U of I Capital Appropriations

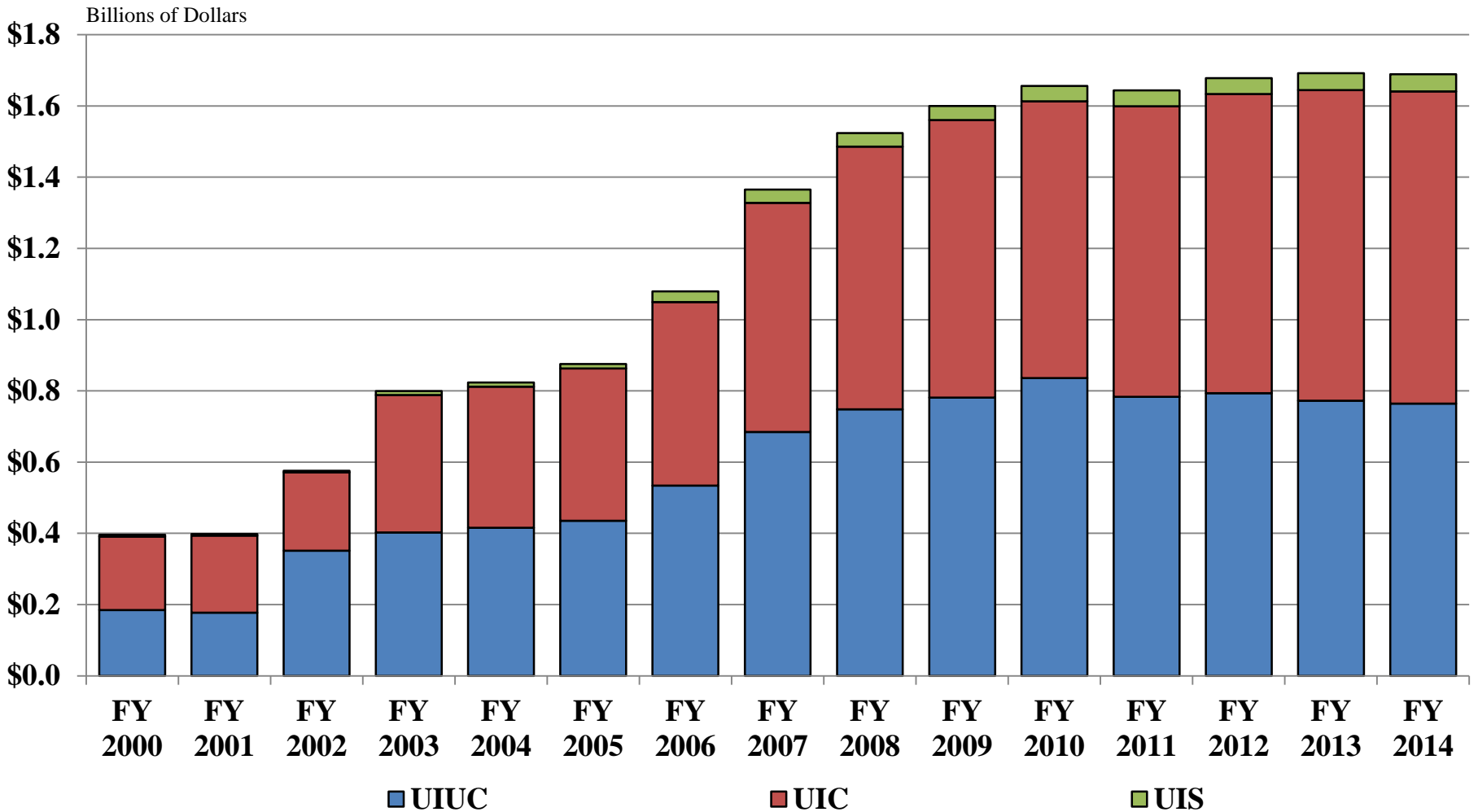
FY 2002 – FY 2015



University of Illinois Deferred Maintenance

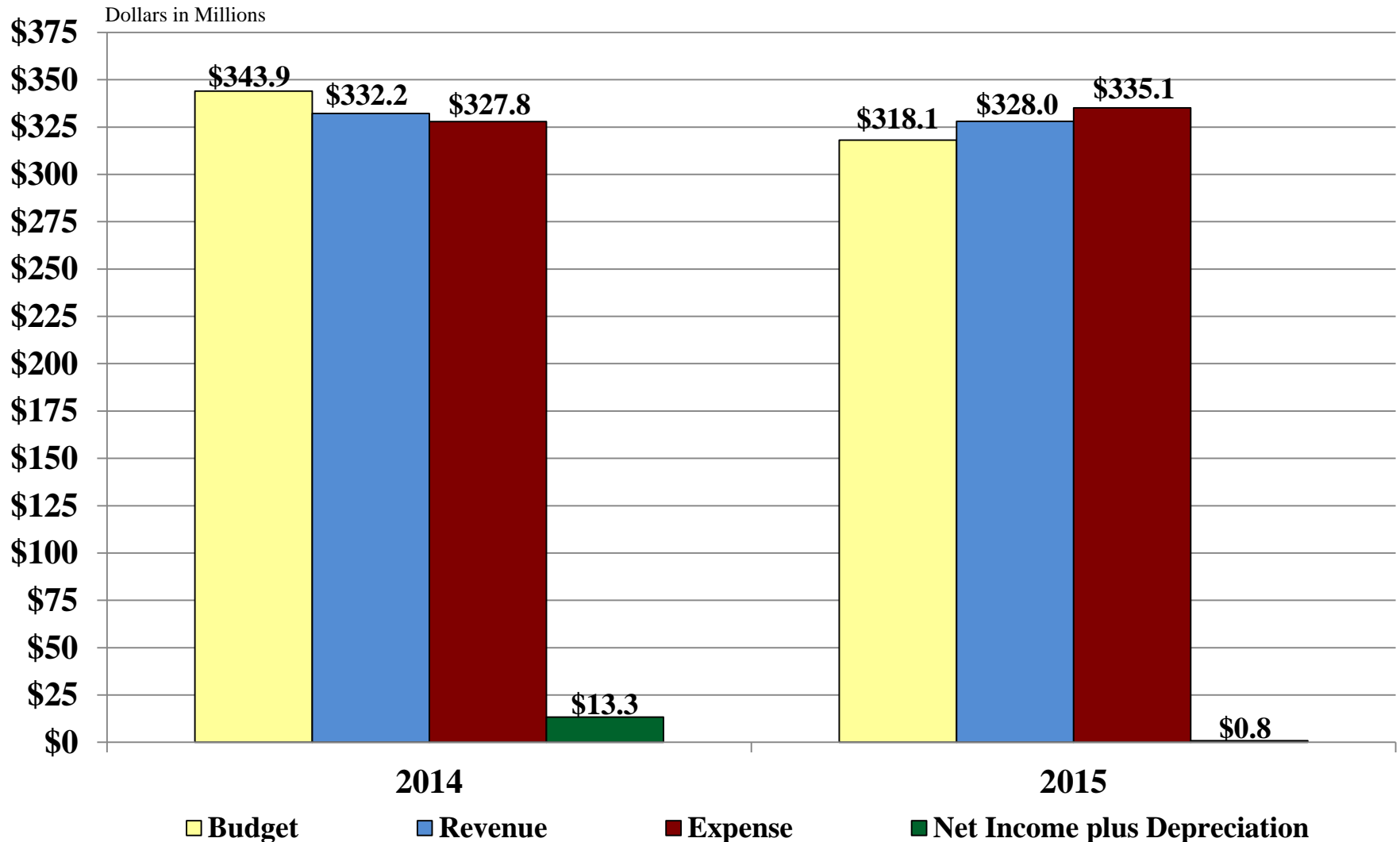
Annual Estimate

FY 2000 – FY 2014



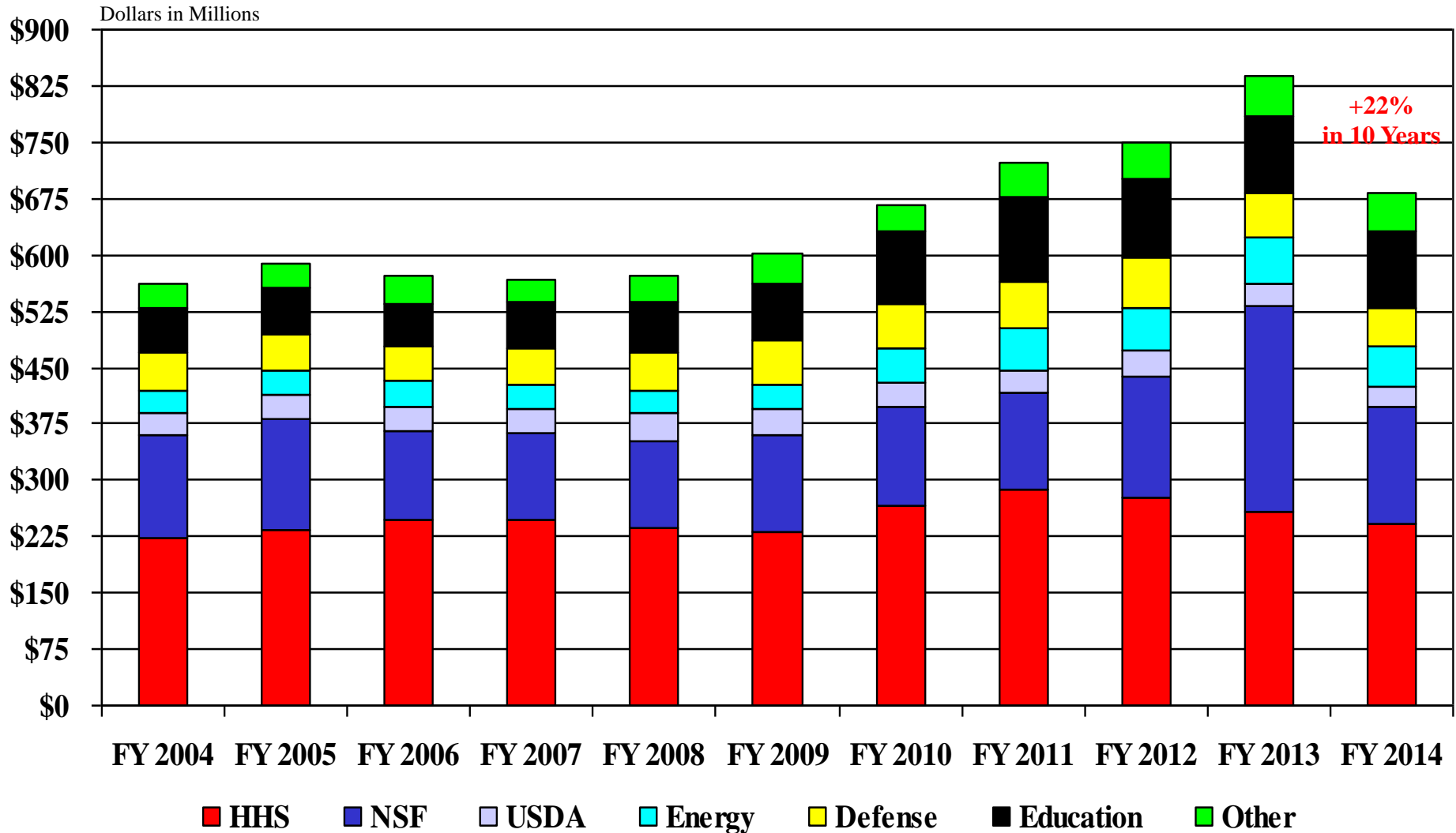
Hospital Revenue/Expense/Net Income

Fiscal Year 2014 vs. Fiscal Year 2015 through November 30th



Federal Grants & Contracts Expenditures

All Functions – Total University



Does not include federal funds passed through to the University from non-federal entities.