LABELING THE DEBT POOL

A law hailed as the most sweeping piece of consumer legislation in decades has helped make it more difficult for millions of Americans to get credit, and made that credit more expensive. The law, which takes effect today, will also show how long it will take them to pay off their cards.

To be sure, the law takes effect while credit card companies are still reeling from the recession. In 2007, the top 12 card issuers earned a combined $19 billion from credit cards, according to The Nilson Report. A year later, amid the financial meltdowns, profits for those companies fell more than 65 percent to $6.32 billion. The plunge was largely because defaults ballooned as unemployment soared.

Profit figures for 2009 aren’t yet available. But banks wrote off about $35 billion in credit card debt last year, as the unemployment rate topped 10 percent. Analysts predict the default rate will remain at least twice as high as normal through this year, and longer if unemployment stays high.

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Hockey stunner

The United States topped Canada 5-3 on Sunday night in one of the sport’s biggest upsets. In Sports, B-1.

UNIVERSITY OF ILLINOIS

Small programs on alert during campus review

Officials targeting those colleges, schools in search for cuts, possible reorganization

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URBANA — Small schools and colleges are bracing for budget reviews as the University of Illinois looks for ways to streamline its programs and cut administrative costs.

The campus is reviewing all administrative programs for potential savings but will take a particular look at the efficiencies and potential reorganization of small units, including the College of Media, School of Labor and Employment Relations, School of Social Work and Graduate School of Library and Information Science. They are the type of units most likely to be reviewed in terms of faculty size.

No immediate cuts have been made, administrators emphasized this week.

“We haven’t even begun this process,” Richard Wheeler, acting vice chancellor for academic affairs, said Friday.

An ad hoc budget steering panel is considering the issue as it makes recommendations for budget-review teams that will explore savings in specific areas. Four were announced Friday: the Institute of Aviation, information technology services, the Office of Vice Chancellor for Public Engagement, and student scholarships.

The small-school issue came to light earlier this month when the UI suspended the dean’s search for the College of Media, which includes journalism, advertising, film and studies and an Institute of Communications Research.

An e-mail letter to the college from Wheeler said no clear favorite had emerged for the job. He also cited the UI’s bleak financial conditions and said the campus would be “examining the way our academic enterprise is structured and funded at every level.”

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"Apart from the fact that it's hard to find a dean who is equally acceptable to all parts of that college," Wheeler told The News-Gazette Friday, "we are in a situation where we are looking at some serious financial problems down the line. If we're going to be able to sustain our excellence as teachers, and researchers, we're going to have to find places where we're going to save money. And this means looking at a whole lot of things that we wouldn't usually have looked at — though in some instances it probably would have been wise to look at them."

All of the programs in question are about the size of academic departments, he said. The College of Media, for example, has 30 tenure-track faculty members, plus lecturers, and about 1,000 students.

"The really small colleges we will be looking at in terms of how effective it is to have a college structure for a unit the size of a medium-sized unit in another college," he said.

It's not just a financial issue. Academically, Wheeler asked, is there something unique about those disciplines that makes them better as a free-standing school or college?

"In a more positive light, there are synergies out there with other units that could actually strengthen the mission of these colleges and schools, if we were to approach ways of bringing them together in a different kind of relationship?" Wheeler asked.

The Dean of the Graduate School of Library and Information Science, John Unsworth, said Friday he hadn't been formally approached with any reorganization proposals, but knows the idea will be explored.

He said faculty members were wary but willing to accept change if it does not harm the mission of the school.

The school's masters program has been ranked No. 1 in the U.S. News and World Report for close to two decades, and has the oldest continuous doctorate program in the nation.

There are more than 600 graduate students, mostly in the masters program, Unsworth said, many of them are on-line. The school has about 25 tenured-track faculty.

"There are potential partners around campus, I really would like the faculty to take the lead role in the discussion," Unsworth said. "I don't think the faculty are going to be eager to reorganize on the basis of cost-cutting. We need to think broadly about this, and we may see strategic advantages to combining with some other unit."

Professors in the College of Media hope to talk with their colleagues in the graduate library school to explore potential collaboration, said interim Dean Walt Harrington.

"The graduate library program is "as about providing the public with information. That's close and akin to what we do here," he said.

Harrington said he was "terribly disappointed" that the dean's search was called off, and he's concerned about protecting the college's mission.

The college dates back to 1957, under various names, and for 30 years before that was a School of Journalism.

"We're going to defend what we do with fervor and facts, and at the time we're going to be keeping a completely open mind about ways that we can do what we do better," Harrington said.

"This is a big picture we're part of. The state is in a mess. The university is feeling the financial crunch," he said.

Harrington sent an e-mail letter to students, faculty and alumni, inviting them to comment on the developments on the college's web site, www.media.illinois.edu.

Wynne Korr, dean of the School of Social Work, said she is concerned about possible changes to the college's structure. She wants to preserve the UI's overall quality but also ensure her school continues to produce "stellar" social workers who serve throughout the state in some "highly underserved areas."

"Some tough decisions may have to be made," Korr said.

Joel Crutcher-Gershenson, dean of the School of Labor and Employment Relations, said his school, "like all units on campus is examining opportunities for institutional transformation, revenue growth and cost-cutting under the auspices of stewardship and excellence at Illinois." He declined to comment further.

Unsworth said "a number of faculty members around campus have had faculty, students and staff nervous about the future."

"Speaking for my own faculty, I'm proud of them; they're keeping their cool in frightening times," he said.

Wheeler said he's received a couple of letters from journalists students worried that "we're about to destroy the college." He sought to calm those fears.

Credit

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At the same time, the law is expected to cut into future profits. FICO Inc., the company that runs the credit scores, projects the average card will generate less than $100 a month in revenue with three years, down from $200 a month before the law.

That helps explain why the industry reacted so aggressively to the legislation. Among the moves it made:

- Rescinded annual fees.
- Annual fees, common until about 10 years ago, have made a comeback. During the final three months of last year, 43 percent of new offers for credit cards contained annual fees, versus 25 percent in the same period a year earlier, according to Mintel International, which tracks marketing data. Several banks also added these fees to existing accounts.
- One example is Citigroup: customers will start paying a $60 annual fee on April 1.
- Created new fees and raised old ones.