Minutes of the
NIU Board of Trustees
FINANCE, FACILITIES AND OPERATIONS
COMMITTEE MEETING
June 1, 2005

CALL TO ORDER AND ROLL CALL

The meeting was called to order by Chair Barbara Giorgi Vella at approximately 10:15 a.m. in the Board of Trustees Room, 315 Altgeld Hall. Acting Recording Secretary Barbara Rice conducted a roll call of Trustees. Members present were Trustees Robert Boey, Myron Siegel and Chair Vella. Not in attendance were Trustees George Moser and Manuel Sanchez. Also present were Trustee Marc Strauss, Student Trustee Eric Johnson, President John Peters and Parliamentarian Kenneth Davidson.

VERIFICATION OF APPROPRIATE NOTICE OF PUBLIC MEETING

Confirmation of Open Meetings Act notification compliance was given by Board Parliamentarian Ken Davidson.

MEETING AGENDA APPROVAL

Trustee Siegel made a motion to approve the agenda. It was seconded by Trustee Boey. The motion was approved. A roll call vote of the Trustees was as follows:

    Trustee Boey .......... Yes  Trustee Siegel........ Yes  Chair Vella.............. Yes

The motion was approved.

REVIEW AND APPROVAL OF MINUTES

It was moved by Trustee Boey and seconded by Trustee Siegel to approve the minutes of March 3, 2005. A roll call vote of the Trustees was as follows:

    Trustee Boey .......... Yes  Trustee Siegel........ Yes  Chair Vella.............. Yes

The motion was approved.

CHAIR'S COMMENTS/ANNOUNCEMENTS

Chair Vella welcomed everyone to the June 2005 meeting of the Finance, Facilities and Operations Committee. Among the items on today’s agenda that require Committee approval, she said, are Budget Guidelines for Fiscal Year 2007; Fiscal Year 2006 Internal Operating Budget Interim Approval; Fiscal Year 2006 Tuition Recommendations; Fiscal Year 2006 NIU Foundation Professional Services contract; College of Engineering and Engineering Technology Research Survey; and Grant Towers Student Lounge Furniture and Equipment.

The Committee will receive periodic and annual reports including reports of Transactions in Excess of $100,000; reports on investments; report on active capital projects with budgets over $100,000; Fiscal Years 2005 and 2006 Appropriated Budget Updates; and Student System Replacement Project Update.

Chair Vella welcomed Marc Strauss, one of our newly appointed Board members, and recognized Student Trustee Eric Johnson. I also would like to recognize the UAC representative, Mr. Song, Chair Vella said. I have no specific comments, Mr. Song said, other than offering my service representing UAC and expressing an appreciation for Dr. Williams’ work in the preparation of the budget recommendations.
PUBLIC COMMENT

The Chair asked Board Parliamentarian Kenneth Davidson if any members of the public had registered a written request to address the Board in accordance with state law and Board of Trustees Bylaws. Mr. Davidson noted that no timely requests had been received for public comment at this Board meeting.

UNIVERSITY RECOMMENDATIONS

Agenda Item 7.a. – Fiscal Year 2007 Budget Guidelines

To put these guidelines in context, Dr. Williams said, these are the parameters that we will be using to establish the Fiscal Year 2007 budget for the university. That is the budget that will be before the legislature and the Governor a year from now. Our process requires that we establish guidelines in a request which would then be submitted to the Board of Higher Education and then to the state legislature and the Governor. These guidelines, as recommended by the university, reflect the needs of our institution. We are obligated to provide to the state and to you, as members of our Board, this indication of the real needs of our institution.

These are pursuant to the priorities established by President Peters for our institution, Dr. Williams said. We are requesting a five percent faculty and staff salary increase to provide competitive salaries. We are looking at a potential 15 percent utility increase. We are always faced with the problem of trying to meet increases in general prices for the cost of goods and services; therefore, we have added a three percent increase. Fifteen percent is requested for library/technology. Program priorities total approximately $5.2 million. These priorities were established through the Academic Affairs Division pursuant to the needs of our programs to enhance and strengthen the academic programs of our campus. There is also approximately $2.9 million in additional nonacademic program needs. These are primarily in the areas of deferred maintenance and replacement of computer systems, which will be discussed later in this meeting. We also continue to put forward O&M requests for new buildings when we brought new buildings on line. Funds for the Governor’s Rockford Initiative have also been added to the request. On page 15, you can see the dismal results of our prior recommendations. Therefore, we need to discuss our 2007 guidelines in the context of what happened to the 2006 guidelines. Looking at the first three columns, you see that while we developed our budget with very specific requests for salaries, utilities and so forth, by the time it reached the Governor for action, all of those items were zeroed out. So, while I cannot predict the future, he said, we do know that things are very difficult in the state.

Even more dismal, President Peters said, if referring to the table on page 15, if Fiscal Years 2005, 2004, 2003 and 2002 were arrayed, you would see that we have lost $30 to $40 million in our base budget. Our priorities and the needs have not gone away, but the base budget has. Last year, we were fortunate in that we had a nonbase budget reduction, so FY05 was set at FY04 levels. This year, the Governor’s budget moves the base back to FY04. The IBHE recommended a 1.5 percent program and salary increase. All of the presidents and chancellors and the employee groups fought hard for that in the legislature; but it did not happen. Last year, we had a memorandum of understanding that our base budget would not be cut. We do not have such a memorandum this year. So, in other words, the rescission word is in play. Last year it was not, so we could plan, and we didn’t have to worry about holding back for appropriate academic, instructional and equipment purposes. These priorities are still good ones. We need more faculty. Our faculty and staff need better salaries. We need equipment. We adjusted the Medicare increase upwards by $150,000. We did a little bit of moving around, but these are all important priorities. And hopefully, next year will be a better year for the state.

The one thing we have to always remember, Trustee Siegel said, if we do not ask for these increases, we certainly will not get them. So, even though we do not necessarily get these increases, I think it is important that we continue to put them in our budgets. I have a question for Dr. Williams, he said. If we ask for a three percent general price increase for something like utilities, and we do not get it three years in a row, should we not be asking for nine percent?

There is a lot of logic in that, Dr. Williams said, and you are right. I think, though, what we try to do in these recommendations is reflect more or less what is happening with the cost of living. And given the fact that we have not received support for cost increases in as many as eight to ten years now, it does no
good to try to put nine percent or 15 percent or what the real number is in there. Your point is very well taken. If we do not get the funds from the state, then it becomes an issue of us internally finding ways to fund these increases from our existing resources. That is an ongoing issue, an ongoing problem and an ongoing challenge. But, again, given the track record of getting support from the state for these kinds of things, we decided to just focus on the coming year and look at such things as the Consumer Price Index or the Higher Education Index, so that we can tie to that specific year.

It seems to me, Trustee Siegel said, and I am not asking you to change these, but it seems to me that we are in a zero sum game. If we reallocate and find the resources internally to deal with the utility increases from last year and the year before, then we have taken that from somewhere else. And we are not asking for that back anywhere. I am just wondering whether or not maybe next year we ought to have another way of presenting this that asks for the restoration of the reallocated monies. We only have so much money, and if the utilities increased by three percent, something went down by that amount.

Dr. Williams indicated that his staff would be happy to reflect that in the next request. It does send a message, he said. We cut funds, but some things we keep going. And those dollars are coming from somewhere, but we are not given the opportunity to recoup them.

I think it sends a message, Trustee Siegel said. It sends a message that this is what you have taken from us, and look what we have been able to do; but our students and our faculty and staff are suffering. We had to raise tuition. You want to keep tuition affordable – you need to increase the budget. The one point I do want to make is that the Board and the administration have fought very hard to make sure that somehow we have been able to give salary increases to most faculty and staff in spite of the state budget. I personally am embarrassed that it is not more, but we do try.

My reference line is 1996, Trustee Boey said. That is when the NIU Board of Trustees came into existence. And I remember that, even the first year, deferred maintenance was an item that was never considered in actuality. They may have given us a little here and there, but through the intervening years, deferred maintenance is almost nonexistent. That means we are looking at nine years of nonmaintenance. I presume the only way the state will come to our assistance is if the elevator crashes down and kills five people, then they may consider rebuilding the elevator. I understand the money crunch, but at a certain point, we do need to identify critical buildings and inform them ahead of time that this baby is going to crash one of these times, and let that be on your hands when it happens. I want the legislature put on notice before it happens. I understand all the money issues. But, when lives are at stake, put them on notice first, and then let them respond if something bad happens. I am not being vindictive. But I think when you are backed into a corner like this and bad things happen, let it not be on our back when it happens because we have alerted the legislature for nine consecutive years.

One of the other things that Ms. Perkins, Ms. Chemers and their staff put together was a deferred maintenance look for each fiscal year for all of the deferred maintenance for our campus. That number is over $80 million on the general revenue buildings alone for deferred maintenance projects that are needed. Within that subset, we tried to emphasize those that are health and safety related, but not to the extent that you are suggesting, which is a good idea. Trustee Boey suggested that the Finance, Facilities and Operations Committee from time to time give the Board a summary report for those projects to keep them informed.

The other item Trustee Boey pointed out is that the general revenue fund ratio to the total revenue that we had in 1996 was around 67 percent. That means general revenue accounted for 67 percent of our total needs in 1996. Looking at today’s numbers, he said, $102 million is typically general revenue, and the total budget is $350 million. We are now down to 30 percent. Dr. Peters mentioned the $40 million cut previously. But there was a lot of decline even before that. So, we have dropped to 30 percent from 67 percent. Part of the desperation here is that we have to use tuition hikes to cover some of this, but we cannot put all of it on the students either. This is just a sign of the times. I do not doubt that the Governor and the legislature are doing all they can, but it is not enough. They are dismantling the crown jewel of State of Illinois. This is one of the best higher education systems in the country, and it is being dismantled over a short period of nine years. Doesn’t anybody care?
With respect to telling the state about safety issues, Trustee Seigel said, we have done this. I personally met with the chairman of the BHE not three months ago and again raised the issue of the Stevens Building being a health and safety issue on this campus. That project has been on our capital list for I do not know how many years. The problem is a process problem on top of a political problem. The process problem is, we can’t get any money unless it comes through the IBHE capital process, unless we do an end-around on some kind of a capital bill. There was no capital bill this time, so there was no money – no planning money, no construction money. And if I remember the number from 1996, I know Dr. Williams said it was $80 million on general revenue buildings, but I think the total was closer to $160 million for deferred maintenance, of which probably $10 million has been done, at most, not to mention the fact that there has to be more that has occurred in the nine years you are talking about.

My point is that we must continue to put it in writing in front of them, Trustee Boey said, so that when – and I hope it never happens – but when the time comes and there are losses of life, let them answer that they did know. Sooner or later they are going to have to come to grips with the responsibility.

The back side of that, though, is that they could come back and say okay, here is your money and take it from another column, Trustee Siegel said. We at NIU have been on the short end of the yardstick for many years, now. I hate to take it from somebody else, but we have not received our share for all those years. Maybe it is our turn to take our share and let somebody else take the shortfall. We need our share to keep those tuitions affordable.

We can all hear the frustration of Trustees Boey and Siegel, Chair Vella said. They have been Trustees for a long time. The sum total here is that there is a major shift going on with the State of Illinois, and we are taking the financial burden here. Everybody has to be on notice that this is happening. I do not think there are any problems with safety on this campus. If there is something that needs to be handled, such as with elevators, we are taking care of that. We are robbing Peter to pay Paul, but we are going to take care of imminent safety issues. I know we are all frustrated. I know that you work very hard down in Springfield, Trustee Siegel, and I know that Dr. Williams is working on it all the time. But it is a reality we have to face. I think we need to differentiate between deferred maintenance and real safety issues. Dr. Williams, Bob Albanese, Patti Perkins and their crew are handling the true emergency safety issues. The deferred maintenance is a whole other issue.

Chair Vella asked for a motion to approve the Fiscal Year 2007 Budget Guidelines. Trustee Boey so moved, seconded by Trustee Siegel.

Trustee Boey ........ Yes Trustee Siegel....... Yes Chair Vella............. Yes

The motion was approved.

Agenda Item 7.b. – Fiscal Year 2006 Internal Operating Budget Interim Approval

This item is pursuant to a special request from the Office of Budget and Planning Management, Dr. Williams said. It gives the university interim authority to begin spending the 2006 internal operating budget, even though it seems as if the appropriation has been approved. And we do still need time to translate that into our budget and to put it into our system, so we can report back to you properly on the details of the appropriation and how it affects the budget. Therefore, we request that we have approval for interim authority to spend the internal operating budget for a 30 to 40 day period. We will report the full budget to you at a later meeting.

I believe the reality of it comes across in this item, Chair Vella said, and that is what we have to deal with, and we are working on it. Our role is to be fiscally responsible to you and to the rest of the university community. We are doing the best job that we know how to do, and I applaud the staff.

Chair Vella asked for a motion to approve interim approval of the Fiscal Year 2006 Internal Operating Budget. Trustee Boey so moved, seconded by Trustee Siegel.

Trustee Boey ........ Yes Trustee Siegel....... Yes Chair Vella............. Yes

The motion was approved.
Agenda Item 7.c. – Fiscal Year 2006 Tuition Recommendations

These recommendations are brought to you under our efforts to minimize any tuition increases, Dr. Williams said. We have to reflect the reality of appropriations and the reality of projected cost increases and other needs of the institution. These rates are established in accordance with guidelines established by the President to minimize any impact on our students as much as possible. The specific recommendation provides for three tuition levels – Truth in Tuition students, continuing and nondegree students, and graduate and law students. The Truth in Tuition legislation approved last year began to be implemented in the fall of Fiscal Year 2005. That legislation fixed the tuition rates for all new entering students beginning in fall 2004, and they are guaranteed that rate for four years. Then there are “returning” or “continuing” students and nondegree students who are not covered under Truth in Tuition. Our graduate and law students are also not covered because Truth in Tuition covered only undergraduates.

As a result, Dr. Williams said, we have a recommendation that establishes for continuing students, those not under Truth in Tuition, a 6.75 percent tuition increase; for those students who will be new to the campus beginning this summer or fall, a 9.75 percent tuition increase; and for our graduate and law students, a 6.7 percent increase. If you were to compare NIU’s tuition increase recommendations to those of our other state institutions, you would see that our recommendations are pretty much in the middle and substantially lower than the highest rates. In some cases, especially for continuing students, NIU is among the lowest in the state. We have done the best due diligence that we could in projecting costs and needs and also being sensitive to the President’s directive on minimizing tuition increases.

When Dr. Williams and I sit down and look at our needs, President Peters said, we calibrate what is going on in the state relative to our general revenue. We do a thorough analysis of what our sister institutions are doing in Illinois and where we traditionally position ourselves given our students and our financial aid packages. We always try to keep the tuition at the minimum that produces the quality education and health and safety that is necessary to keep going and make progress. There are no frills in this. Certainly, one cannot expect students and their parents to pay for all the costs of a public institution. You have heard the Trustees’ frustration. I am very frustrated. This is my 43rd year in continuous involvement in public higher education, and I feel that, across the country, there is a break in the social contract between people and their public institutions. The costs are being shifted. In some states the shift is dramatic. I agree with what the legislature and the Governor did two years ago in passing Truth in Tuition or tuition capping. But it makes it difficult for us to plan. That is a very difficult financial model for us, because a student is guaranteed four years plus a semester at one rate here at NIU. My directive has always been never double-digit unless we have some sort of emergency. We have a zero base GR; we received no increases. This will permit us to consider a salary increase for our employees. It will permit us to add some needed faculty. We have had to engage in enrollment management when more and more students in Illinois want a quality NIU education, and yet, the lines cross. When those lines cross, we cannot let quality be hurt. I am never pleased to make a recommendation on any tuition increase, but this came after a lot of careful analysis and a lot of anguish on my part about whether we are pricing some students out of an NIU education. I think the answer is that it is harder for many of our students. We are going to quadruple our efforts in the next few years to get scholarship money for students. This is the new reality. The money will never come back completely from the state, so we have to diversify our sources of revenue. And, unfortunately, tuition is one source.

In reply to a query from one of the Trustees, Dr. Williams stated that NIU’s tuition rates were below most of the Illinois public institutions. One institution had a dramatic increase, he explained, because they reconsidered their policy on Truth in Tuition.

A tuition increase is not a pleasant task for anyone, Trustee Boey said. I feel very much the same way as all of my fellow Trustees. In a perfect world, I wish the increase was zero. But here we are dealing with matters of quality. I am not trying to justify the cost, but the point is that in today’s times, in spite of all the hardships, $14,000 or less for a degree from NIU is still a great buy. And we certainly want to try to keep to a level that most students can afford to come to NIU. I support this proposal because I think the alternative would come at the expense of quality, and I would not want to see a degree from NIU not be considered a quality degree.
Student Trustee Johnson inquired about the status of students now covered by Truth in Tuition who might run over their four years plus one semester to graduate. Bursar Kinga Mauger stated that for students who do not have their degrees after four years plus one semester, there will be an option for extenuating circumstances for an extension for a period of time. If they cannot meet extenuating circumstances for an extension, they would then go to whatever the new rates are for new students. They would not be locked into that rate for another four years plus one semester. Each year thereafter would be at the appropriate new student rate for that year. Letters went out with the student’s statements at the beginning of each semester this year, and we will be sending them out again with fall bills explaining that they are assigned a deadline date for that Truth in Tuition rate. When that deadline date comes, you do not have the option of extending it or coming into a new four-year time period. President Peters reminded everyone that one of the legislature’s intents for Truth in Tuition was to focus students on getting through within a theoretical four-year period.

I also support the university’s recommendation this morning, Chair Vella said. I know that many of our students are the first in their families to go to college or university. I know how hard it is to not have the money and to struggle for every bit of the money that you need to go to school. And we all know how important it is for these students to have a university education and for us to remain competitive in the market. A university education is going to be very precious to them. They are going to have to work harder on part-time jobs and look for money everywhere to get that education. And maybe the state and the legislature are letting these kids down. I do not know how we can justify continuing to erode the state responsibility here, but it continues to happen. But we Trustees have to balance that against our need to present a quality education from a quality institution, and all of us want to do the best that we can. So we have to vote on these increases, in spite of how much we agonize over them and how frustrated we are with them.

Chair Vella asked for a motion to approve the Fiscal Year 2006 Tuition Recommendations. Trustee Boey so moved, seconded by Trustee Siegel.

Trustee Boey ........ Yes Trustee Siegel....... Present Chair Vella................. Yes

The motion was approved.

For the record, Trustee Siegel said, I want to make it clear that my “present” vote on the tuition recommendation is because I have two students here, so I did not think it appropriate to vote one way or the other on tuition. As sensitive as this Board is to potential conflicts of interest and those sorts of issues, we have always taken the position to not vote for or not be involved in discussions where there is any potential for a conflict of interest. So, please understand that it is only because of that that I voted “present.”

Agenda Item 7.d. – Fiscal Year 2006 NIU Foundation Professional Services Contract

The renewal of the NIU Foundation Professional Services Contract is one of our routine items, Dr. Williams said. This is an annual item in which the university contracts with the Foundation for fundraising services.

Chair Vella asked for a motion to approve the Fiscal Year 2006 NIU Foundation Professional Services Contract. Trustee Siegel so moved, seconded by Trustee Boey.

Trustee Boey ........ Yes Trustee Siegel....... Yes Chair Vella............... Yes

The motion was approved.

Agenda Item 7.e. – College of Engineering and Engineering Technology Research Survey

Under our new dean, Dr. Williams said, the College of Engineering and Engineering Technology has a grant that has been negotiated and received. This grant for $1 million is a pass-through item.
Ms. Kathryn Buettner, Associate Vice President for External Affairs and Economic Development, explained that ROCK, an acronym for the Rapid Optimization of Commercial Knowledge, is a federally funded program in Rockford. It is part of a roughly $5 million to $8 million combined project led by NIU that also has the University of Illinois and Northwestern involved at the research level to enhance the supply chain in Rockford manufacturing and to help restore their businesses. The College of Engineering has been spearheading that grant.

Chair Vella asked for a motion to approve the College of Engineering and Engineering Technology Research Survey. Trustee Boey so moved, seconded by Trustee Siegel.

Trustee Boey ..........Yes Trustee Siegel....... Yes Chair Vella............. Yes

The motion was approved.

Agenda Item 7.f. – Grant Towers Student Lounge Furniture and Equipment

Just as a point of clarification, Dr. Williams said, whenever we have projects that come under bond revenue funding, I always want to make it clear that these funds are set aside through the bond covenants. The funds are controlled by the bond covenants and are to be used for the specific bond facilities that are indicated in the system. These are not free dollars that could be reallocated for other purposes on the campus. In this case, the recommendation is for authority to spend up to $600,000 for the replacement of furniture and equipment for Grant Towers.

Chair Vella asked for a motion to approve the Grant Towers Student Lounge Furniture and Equipment. Trustee Siegel so moved, seconded by Trustee Boey.

Trustee Boey ..........Yes Trustee Siegel....... Yes Chair Vella............. Yes

The motion was approved.

UNIVERSITY REPORTS

The university reports contain several items that are routinely reported to the Board in accordance with Board Regulations.

Agenda Item 8.a. – Quarterly Summary Report of Transactions in Excess of $100,000

The Quarterly Summary Report of Transactions lists all transactions between $100,000 to $250,000, which the Board has given the President authority to approve.

Agenda Item 8.b. – Periodic Report on Investments

Everyone on the Committee is well aware of the limitations that state statute place upon us in terms of investing resources, Dr. Williams said. Our return on investments is 2.333 percent, which, given the type of instruments we are allowed to invest in, is a very good return.

Agenda Item 8.c. – Semiannual Progress Report of Active Capital Projects with a Budget Over $100,000

This periodic report gives a summary of all construction projects that are underway or that have not been closed. These provide an overview not only of state-funded projects but of some of the other funded projects we are currently engaged with, and they are in various states of completion. Most of those projects on the state side are either multiyear projects that began several years ago or they are projects that we have undertaken utilizing our very limited repair and replacement line in our appropriation.

Trustee Boey is correct in pointing out that the clean room project is one that we have moved forward with, Dr. Williams said. I believe we have the funding to expand that. Some of you are aware that there was a fire in the Engineering Building in the clean room last Saturday night. We have been assessing that, and the dean has been working with us and our environmental safety people. I would like to publicly
thank the DeKalb Fire Department and those of surrounding communities who responded. All of our fire prevention systems worked properly – the sprinkler systems came on, and all the sensors were working properly. Therefore, the fire, which could have been far more devastating, was contained.

Agenda Item 8.d. – Fiscal Years 2005 and 2006 Appropriated Budget Updates

Relative to the 2005 budget, Dr. Williams said, the President has already mentioned that there was a written agreement between the legislature and the Governor that higher education budgets would not be reduced during this fiscal year. We have made it through 11 months of that agreement. Therefore, we have made it through the year without any rescissions, and we were able to meet all of our requirements for the budgets and our obligations.

I am going to ask my colleague, Ken Zehnder, who has been in Springfield for us institutionally on a daily basis, to give a detailed report on exactly what happened with the budget, Ms. Buettner said. The General Assembly adjourned last evening, and I wish we had better news for you. The budget given to the universities was a flat budget, the same budget we got in FY05, which was set at the FY04 level. As President Peters and I were talking this morning, the most interesting issue was the politics that resulted in the session ending last night. The way the politics of the session played out, the universities were not able to gain a memorandum of understanding protecting that base, signed by the leaders and the Governor as we did last year. We are not yet sure what that means for us, but in the previous three years when we did not have that protection, we suffered a rescission each of those years. The positive side is that the revenue picture for the state is improving a little, so perhaps that will not be the case. But we do have to be very prudent and very cautious as we approach FY06. Also, there was no capital bill funded for the state for the second year in a row. There were reappropriations of previously approved projects, and we have some funding in those bills. But there were no new capital projects funded.

At the beginning of last week, Mr. Zehnder said, people were taking bets on whether the adjournment day would be in July, August or September; and that was really the prevailing thought. Between Wednesday and Friday of last week, things happened rapidly. Speaker Madigan came out with a proposal. And, basically, things started to roll downhill. But, last night, they adjourned at about 11:00 p.m. with a budget. Our general revenue appropriation is $102,274,900, which is down one percent from the IBHE recommendation.

Essentially, the budget was crafted so that the new money in the budget, $320 million, will go to new funding for elementary and secondary education. There was a $30 million increase for early childhood programs, $46 million for the CTA and a variety of other increases. The major decrease was $1.2 billion taken out of the estimated pension reform savings in future years.

There was one bill that was introduced earlier, House Bill 755, which was an attempt to make a shift from the property tax base for funding elementary education (K-12) to the income tax. That bill did not succeed. But it did have one major component, and that was funding for higher education, which brought back a tie between education and higher education. Unfortunately, there has been a disconnect which we have discussed, and that bill raised that issue. I think we will see it revisited again next year. Regarding the $1.2 billion that was brought from the pension reform to satisfy the budget requirements and get the legislature to adjourn, I want to mention that Steve Cunningham was a key component, and I appreciate his efforts. He represented the universities in discussions with the State Universities Retirement System with Executive Director Jim Hacking.

You will read in the press that the pension actions will not affect current retirees’ pension benefits, and that is essentially true. But there are some minor adjustments which will actually affect the State Universities Retirement System more than the other systems. The President will be sending memos containing more detail on these adjustments.

There was no capital bill, however there was quite a number of line item appropriations for capital projects, particularly in the Chicago area, which were added to the state budget between yesterday and the day before. The budget bill passed with no Republican House votes and no Republican Senate votes. Unfortunately, all the universities are represented by Republican districts, and that makes it somewhat difficult. Consequently, the three caucuses that joined together last year to force the
memorandum of understanding agreements no longer were together this year, so we do not have those memos.

On a substantive level, there are a number of bills we are tracking that will have minor impacts on the way the university operates. There were two key bills which could have had a major impact on the university that were not brought to a vote in the legislature. One was the naming rights bill, which did not make it out of Rules Committee in the Senate. That would have greatly impacted the way our Foundation and the Athletic Department did fundraising. Senate Bill 131, a bill that would have allowed community colleges to grant baccalaureate degrees, was defeated in committee.

Trustee Siegel was active in Springfield. He is always willing to lend a hand when needed and does a fine job. Myron knows many of the legislators and is a presence down there. We appreciate his efforts on our behalf.

I just want to make this community college issue clear on the record, Trustee Siegel said. I want our record to reflect that NIU still stands ready, willing and able to assist the community colleges in degree completion programs on their campuses. Every inquiry that has been made by community colleges in our sphere of influence has been answered in the affirmative. And our record should state that for the future, in the event that this becomes an issue, because one of those community colleges, which was the driving force behind this, never responded back to us when we attempted to communicate with them and present the program that they felt was appropriate for their campus. But we are still here and still ready, willing and able to meet that need if such a need is present.

I want to thank our team, President Peters said, Ken Zehnder and Kathy Buettner; our good colleague and friend, Trustee Siegel, who is always there when we need to make a point; Steve Cunningham for the work he did on behalf of all public universities working very closely with the UI and Jim Hacking; Dr. Williams and Frederick Schwantes, from Academic Affairs, who helped get information in the budget process. Just to let you know, he said, we did have a success. Our base budget was the same as FY04, $102,274,900. However, Section 6 provides a sum of $700,000 as appropriated to the general fund to Northern Illinois University for the “Complete Help and Assistance Necessary for a College Education” program, which you all know better as the Deacon Davis CHANCE Program. So we were able to secure a line item of $700,000 to add to our wonderful CHANCE Program, and that took a lot of work. So, I want to thank everyone for what they did.

Agenda Item 8.e. – Student System Replacement Project Update

Dr. Williams asked Steve Pace to provide the Committee with an update on the continuing story of our student system replacement project, Oracle and PeopleSoft, how those negotiations are proceeding and where we stand.

The university started in 1996 to look at an integrated ERP system for the university that would integrate Human Resources (HR), financials and a student system, Mr. Pace explained. We began that with the implementation of the financial system in 1997 and the HR system in 1999. The university has done several upgrades to both the HR and the financial system. We came to the Finance Committee in June of 2003 with a proposal to move forward with the student system. The day after the Finance Committee approved that proposal, Oracle launched a hostile takeover bid of PeopleSoft. Oracle’s acquisition of the application company, basically controlling the technology stack as well as the application, and requiring additional expenses on the part of the university was a matter of serious concern for us. We have not invested a large amount in the student system implementation as yet and have proceeded cautiously.

Finally, in December of 2004, Mr. Pace said, Oracle was successful in acquiring PeopleSoft. The Justice Department lost the antitrust case, and Oracle proceeded to acquire PeopleSoft. Since that time we have attended meetings with other users. The largest institutions in the United States that are running the PeopleSoft student system were represented at the higher education conference and in no uncertain terms indicated to Oracle the concerns that the higher education institutions had with Oracle’s acquisition of PeopleSoft. We have also had the opportunity to meet privately with senior Oracle executives to discuss our concerns about the direction Oracle will take going forward. In that regard, Oracle, while it has not publicly stated it, has effectively said that they will only support the system on the Oracle data
base going forward. So that means at some point the university would have to acquire the Oracle database at significantly more cost, and we are looking at alternatives.

We have asked for an estimate on the cost to continue on the current student system, Mr. Pace said. And, in January, we opened discussions to see what our alternatives might be. There are basically only two companies that offer student systems of the caliber that are necessary for handling an institution of NIU’s size – SCT Banner and Sungard. SCT, or Sungard, the parent company of SCT, was just acquired in a leveraged buyout by a group of private equity firms. Sungard’s bond rating is about one step above a junk bond. So, there are some concerns there, but General Motors and Ford Motor Company also have been downgraded to junk bond status.

We actually met with the vice president of Oracle for higher education this morning to reiterate some of our concerns, Mr. Pace concluded, and we have another meeting with SCT this afternoon.

Trustee Siegel asked that a breakdown of all costs of the conversion be furnished in the next report. He also asked the conversion difficulty and the implementation timeline on whichever proposals are brought to the Board.

At this point, in the case of database conversion, Mr. Pace said, Oracle is our only option for either direction. Another database is not an option any more. Whether we are on SCT or another system, we will have to be on Oracle if we are on Oracle’s product.

Our strategy has been one of trying to be very cautious, Dr. Williams said. It is not just a question of the opening condition or the originating costs of these two systems, but we have to look at what will happen four or five years down the line. Will we be taken to a situation where we have to make a major cash outlay to continue with a particular system due to upgrade costs, database requirements, or whatever. So, in approaching this with the vendors, we have asked them not only to deal with the basic costs of their product, but also what the future implications are, the risk factors and what other amounts may come into play as we go further down the line. We are not satisfied with the answers we have received thus far. And we are not going to bring any premature recommendations to this board.

One thing is pretty clear, President Peters said, we have been fortunate that our technology people have been so good that our Legacy System has not failed. It is certainly not as functional as the modern systems, but it works. However, we are getting to the point where there is a risk factor in all these systems.

One of my key concerns is to get the dependency on social security numbers out of the system, especially with the fraudulent practices going on across the country. Everything at this point is still on the social security number, Mr. Pace said, and if we continue with the current student system, that will not change.

You have made a very good presentation, Chair Vella said. We are all as disappointed as you are. We have struggled with this for a long time. However, we know that you will do a thorough job of presenting all the options so that we can make the hard decision.

I want to welcome Marc Strauss. I’m sorry, didn’t see you down there. He’s our new Board member. And thank Eric for staying. We enjoyed having him this year, and we’ll see you in June.

**NEXT MEETING DATE**

Chair Vella announced that the Board of Trustees meeting would be held on June 16.

**ADJOURNMENT**

There being no other matters, Chair Vella adjourned the meeting without objection at approximately 10:40 a.m.
Respectfully submitted,

Sharon M. Mimms
Recording Secretary