

Minutes of the
NIU Board of Trustees
LEGISLATION, AUDIT AND EXTERNAL AFFAIRS COMMITTEE
March 6, 2008

CALL TO ORDER

The meeting was called to order by Chair Marc Strauss at 12:00 noon in the Board of Trustees Room, 315 Altgeld Hall. Recording Secretary Sharon Banks-Wilkins conducted a roll call of Trustees. Members present were Trustee John Butler and Chair Strauss. Not present were Trustees Manny Sanchez, Myron Siegel and Student Trustee Shaun Crisler. Also present were Committee Liaison Kathryn Buettner, Board Parliamentarian Kenneth Davidson and President John Peters.

VERIFICATION OF APPROPRIATE NOTICE OF PUBLIC MEETING

Confirmation of Open Meetings Act public notice compliance was given by Parliamentarian Kenneth Davidson. Due to the lack of a quorum, Mr. Davidson stated that the committee could hold an informational meeting.

MEETING AGENDA APPROVAL

No approval due to lack of quorum.

REVIEW AND APPROVAL OF MINUTES

No approval due to lack of quorum.

CHAIR'S COMMENTS

Chair Strauss recognized University Advisory Committee representative Jay Monteiro. First, I would like to congratulate and welcome Trustee John Butler, Mr. Monteiro said. In regard to the events of the past few weeks, I would like to express my sincere sympathy to all those families involved in the recent tragedy. And, I would like to commend the administration for the handling of that tragedy here on campus. I would like to make a special mention of Chief Grady and his staff and how quick they were to respond. We are seeing that this has brought everyone together not only here in DeKalb and our community, but also in the outpouring of support that we have received from all over the world. I have received a couple of e-mails from my counterparts at Virginia Tech and they are very supportive. If you have not checked out their web site, they had a wonderful candlelight service for our campus and those pictures are quite moving. But I believe we can use this tragedy as a springboard so that we can become even stronger here at NIU and work together to move into the future.

I would also like to thank everybody who stayed after the last two meetings. First, this time period that we have gone through for the last three weeks has been particularly taxing on all the people in the administration. I witnessed this first-hand. And I am appreciative of the work that was done to be able to put together the materials for all of the meetings today, but especially for this committee as I know the level of involvement of the people who are responsible for preparing these packages. So, while we will depart slightly from our ordinary routine in that we will hear oral reports today, it reflects a real commitment to duty, which I witnessed first-hand over an extended period of time. And it is something I have not had a chance to publicly speak about before, but I personally want to commend all the people who had a hand in responding during this time. It really was something special to behold. I would like to further state, as many others have today, that the way in which this has brought not only the university community, but the broader community in which we all live together is also something that is very special.

I also want to take this opportunity to welcome the university's newest Trustee, John Butler. We have had the opportunity to do some work together over these last three weeks. I appreciate your input on a

couple of things that we have talked about, John, and look forward to working with you over the coming years.

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 the Board of Trustees Bylaws. Mr. Davidson noted that no timely requests for public comment had been received.

UNIVERSITY REPORT

Committee Liaison Kathy Buettner asked Lori Clark, Agency Relations for External Affairs, to give an update on major legislation pending in Springfield and what has happened this week.

Agenda Item 7.a. – 95th General Assembly Report

I want to welcome Trustee Butler, Ms. Clark said, and we look forward to having you involved.

Currently, our Senate appropriation hearing has been tentatively scheduled for Tuesday, March 18, in Chicago. I believe we will be heard along with Chicago State, Northeastern Illinois and Governors State. Our House appropriation hearing has been postponed from next week, and we are looking at possibly having it rescheduled for one of the first two weeks in April.

Just so you know how your taxpayers' dollars are being spent, since January, there have been approximately 2,200 House bills introduced and well over a thousand Senate bills. The House and Senate will be in session next week and then they have a two-week recess. This is supposed to be simply an appropriation year, but all of these bills have been introduced. The chance of most of them seeing the light of day is slim.

A couple of highlights regarding the legislation. HB1434, the Harper bill, is back. It has been picked up in the Senate by Senator Kotowski; however, right now the bill is being held in Senate Rules. It looks like Harper is trying to have that bill moved out of Rules into a different committee. We are trying hard to keep it assigned to the Higher Education Committee, which is where it really belongs.

Ken Zehnder said that there is some draft amendment language being circulated that is a source of great concern to us because it would actually broaden rather than further restrict the community college rules in offering bachelor's degrees. It looks like this language would allow for community colleges to be able to offer B.A. degree programs in these pilots and at any community college remote site. So, they would have a lot broader authority. It also would provide that there would be automatic transferability of credit to universities, an academic and curricular issue.

House Bill 4621, introduced by Representative Davis, would require automatic admission to the universities for high school graduating students ranked in the top ten percent of their class. Apparently this program and the legislation were taken from a model in Indiana. Representative Davis recognizes that there have to be some significant changes to the legislation, so he is in the process of drafting an amendment, and we will be looking at that language.

Finally, House Bill 4625 requires the universities to reimburse veterans for all their textbooks. It did pass the Higher Education Committee; however the House sponsor, Ron Stephens, understands that this is a very costly proposition and has agreed to hold it on Second Reading. It will not be called this year and probably not next year, because he recognizes that we have many outstanding unfunded state mandates.

Agenda Item 7.b. – Fiscal Year 2008 Budget Update

We have very brief news on the budget, Ms. Buettner said. The Commission on Government forecasting and Accountability gave an update to the state's budget staff and the legislature yesterday and indicated that basically all of the state's economic indicators are decreasing. The only thing up slightly was Illinois exports, which showed a small increase. Obviously, this is not good news, for 2008, much less 2009.

The additional revenue growth for 2009 right now is projected at \$658 million. While that does sound like a significant increase, we must put that number into perspective. The FY09 pension increase alone is \$710 million. So, it appears at this point that we are really in a difficult spot in terms of the state for next year's budget.

The Governor delivered his budget message on February 20, and it was very short. There were very few details provided for the press or for any of the state agencies. He suggested a three percent cut across the board reduction for all of the state agencies for 2009. It is our understanding at this point that higher education has been exempted from that cut. The add-ons for higher education were removed, and we were projected to be at our 2008 base for 2009. The add-on that Northern had removed from its budget was the CHANCE program additional funding of \$750,000. So, even though we worked very hard over the last few years to have that turned into a permanent line in the budget, it was deleted under the Governor's budget as he proposed it for 2009. This was money we were relying on, so we will have to go back to the legislature. K-12 may receive up to a three percent increase, but again, funds to support that increase remain questionable.

This is all part of the rhythm of the state budget process, President Peters said, and these were legislative add-ons to the base budget. So, the executive usually sheds them without regard to where they came from, which means the constituents, like us in this case, have to rework it. It means rejustifying it every year. They are sound programs and usually get support, but it means that they get pulled out of our base and we have to rework them every year. The frustration is that in order to make the program work the way we need it to work, we have to make fixed cost investments, and that means we are betting on the future. So if we hire someone, like a counselor, and then the money disappears, that means we have to find money to cover that cost.

And it keeps us from moving ahead on other programs that we might be seeking, Ms. Buettner said, because we have to go back and focus our energy on the program that the state had already agreed to.

My understanding is that the IBHE took a slightly different approach this year and took away allocated funding, Chair Strauss said. It may be good to give an explanation as to how that was set out. And I am also curious as to the level at which the Governor's budget message is adopting the IBHE alternative scenarios.

Basically, this year, the IBHE created a five-step recommendation, Ms. Buettner said. The first step was a base, the second step was a one percent increase, the third was a 2.7 percent increase, the fourth was a 6.4 percent increase and the fifth was a 9.2 percent increase. And the idea was to talk to the state, the General Assembly leadership and the Governor about the fact that this is an investment the state is making in higher education. It was trying to show that if you invest more, you get more in terms of your return on investment. The Governor's Office and the Bureau of the Budget when they put together the Governor's recommendations appear to have taken the FY08 base and deleted the add-ons, which was the first and the lowest level of the IBHE budget recommendations.

But it was different from the way it is usually done, President Peters said. IBHE gathers information from us beginning in July, our request budget goes in according to their categories. That is churned and then a discussion budget comes out and we make adjustments. Then the IBHE votes on it, sends it to the Governor, the Governor acts, and in this state, the Governor sets the budget. And it is very hard to move off that. This year, under Governor Blagojevich, there has been more interaction in the building of the budget. So let us say like in a lot of states, the authority goes in and say they need ten percent but the Governor can only come up with two percent because of the fiscal restraints. Then it looks as if the Governor is not supporting higher education, and that happens all over the country. But now there is a platform for all of us to argue about the investment. But this comes on the heels of an economy and a revenue stream that is uncertain and is downward. But it does permit us to argue for investment in higher education.

Agenda Item 7.c. – Congressional Report

Turning our attention to Washington, Ms. Buettner said, I am going to limit my comments on congressional action to the Reauthorization of the Higher Education Act. We have been talking about this

bill in this committee for probably ten years or more. Both a House bill and a Senate bill have passed their respective chambers and a conference committee is beginning to work on coordinating the two bills. That is a little more difficult than it seems, and we are under a tremendous time constraint again. The Higher Education Authorization bill deadline set for action by Congress is March 31. However, they will be taking a two-week Easter break beginning at the end of next week. So, basically, the conference committee is supposed to have met, decided all of these issues, and both houses should have approved this legislation by the end of this month. So there is going to be yet another congressional delay in this bill.

I just wanted to talk for a few minutes on where we are and what the major issues are. They have eliminated the Higher Education Price Watch List, which was discussed in this committee at length, and created a College Affordability and Transparency List (CATL), which is to be compiled and published by the Secretary of Education starting in 2010. The CATL has three parts. The highest five percent in tuition and fees is one list. The lowest five percent in tuition and fees is another list. And the top five percent in increases in tuition and fees, by percentage, over three years, is the third list. Institutions on list three would remain subject to a number of requirements. They have to report to the Secretary of Education on what factors led to these increases and the areas of the budget that saw the biggest increases. They are also subject to the Quality Efficiency Task Force, to be set up by the Secretary of Education, that will then review the operations of the institution, analyze its costs in comparison to similar institutions, find areas where it operates more expensively, identify areas of cost reduction opportunities and submit that report to the Secretary and to the institution. The public universities, in particular, have been pushing because so much of our tuition situation is dependent on state support; and we are not alone in that, all of the public universities share that issue. So, there is a requirement in the House version that would require the Secretary of Education to publish on its web site the public universities for each state, the change in percentage of state support per FTE student for the past five years from that state, the change in tuition and fees at public institutions from that particular state and the total amount provided by the state for need-based and merit-based aid, i.e., net price calculation. The other issue was an amendment filed by Senator Peter Welch in Vermont that would have required every college, regardless of size or wealth, to spend five percent of its endowment assets each year. Basically, the idea behind that is colleges should not be sitting on large endowments, they should be spending their endowments so that they are bringing down the price of education for the students. Senator Welch pulled that amendment; however, in the House version that did pass, he substituted an amendment that will require all institutions to submit a report on how their endowments are used to reduce costs.

There is also a Title II issue regarding teacher training and preparation provisions in both the House and the Senate versions. Both bills would require institutions that conduct teacher training and prep programs or offer alternative routes for certification or licensure to meet federally mandated goals, including meeting quantifiable goals in shortage areas and "linking training provided by the institution with the needs of schools and instructional decisions new teachers face" The institutions are going to have to provide assurances to the Secretary of Education about the various forms of teacher training being provided. The Senate legislation is particularly onerous because it includes an explicit link between our eligibility as an institution to participate in federal financial aid programs and the meeting of these particular federal mandates in this one teacher training program. So, it takes one program and links its ability, across the board institutionally, to participate in federal financial aid. So that is getting a great deal of discussion and consternation amongst the university community nationwide, as well as in the two conference committees.

No matter who wins the White House, President Peters said, we are in an intense period of accountability and transparency and regulation, and our associations are gearing up toward trying to make sense of some of these things that perhaps are hurtful to higher education. This is quite popular in a situation in which there is a liability such as pension funds and so forth, Trustee Butler said, but it is odd to me that it has crossed over into higher education. A lot of it has to do with costs, the President said, middle class families are being priced out of an education. A bigger percent of personal disposable income is going into the costs of an education, and it is a reciprocal relationship with the backout of state funding at state institutions and a holding steady on Pell Grants. Clearly, in this economy, people are losing jobs, people are using their savings, there is an increasing debt load. We have been fighting the last few years to try to get Congress to index the declining state support that went into this cost. When you think about education, everyone knows that a quality, postsecondary education is the key to a better life. It is

something people want, and it is getting more expensive relative to other goods. There is data that indicates that people are not taking advantage of it, but the demographics are stark in who is being knocked out.

Agenda Item 7.d. – Fiscal Year 2009 Bush Administration Budget

President Bush released his FY09 budget recommendations on February 4, Mr. Buettner said. The federal budget cycle ends September 30, and October 1 begins the new federal fiscal year. It is possible that the 2009 federal budget may not be done before the new president takes office.

The Bush budget calls for an increase of \$69 from the 2008 maximum Pell Grant award of \$4,241. Due to a \$69 cut in discretionary funding in 2008, this brings the discretionary funding of the Pell Grant back to 2007 levels at \$4,310. This discretionary level combined with mandatory increases enacted through legislation signed into law last fall means that the maximum Pell Grant award would be \$4,800 for Fiscal Year 2009.

The Bush budget, as proposed, would eliminate the supplemental educational opportunity grant and the LEAP (Leveraging Educational Assistance Partnership) and the Perkins Loan programs. This has not worked in Congress in the past. President Bush has done this several times, and Congress continuously overturns his recommendations. I expect that to be the case this year as well. The 2009 budget also shows that as a result of the College Cost Reduction Act signed into law last fall, the cost difference between the FLEP (Family Education Loans Program) and the Direct Loan Program is narrowing because of cuts to the FLEP's lender subsidies. The cost of the Direct Loan Consolidation Program is higher because of a high volume of FLEP student borrowers that consolidate in direct loans after defaulting. We talked a lot in the past about the FLEP program versus the Direct Loan Program and how we should be moving forward as a university in light of some of the issues involving student aid in the last year. So I thought you should be aware that the budget for 2009 is really narrowing the cost difference between the FLEP program and the Direct Loan Program. The 2009 budget also level funds TREC and Gear-Up. For the first time, the President proposed to eliminate the politically popular Perkins Career and Technical Education Program. Again, I do not expect that to survive on the hill because these are very popular programs.

President Bush proposed to increase funding for the Department of Energy (DOE) Office of Science by 18.8 percent, up to \$4.72 billion. That is significant for not only this university, but also primarily for the two federal labs located so close to us, Argonne and FermiLab. They alone account for well over 20 percent of the entire DOE Office of Science budget. So that is a substantial increase over FY08. However, as you will recall, there was a substantial decrease in FY08.

Regarding earmarks, President Bush was very firm and indicated that he will "veto any 2009 spending bills that do not cut the cost in the number of earmarks in half from FY08 levels." He has also indicated that he will ignore earmark language in certain reports for 2008, none of the programs that we have marked qualify for the distinctions that he has made, so I think our programs are relatively safe for 2008. But the earmark issue is obviously a tremendously debated issue in Washington and on the campaign trails. Again, I do not see this budget passing as it has been proposed by this president, but those are the rules under which we will have to work with Congress during the course of this calendar year.

When President Bush says he will ignore earmark language, it means he is using his budget powers in a way that he will choose to release the funding at those agency levels for those particular marks. Our programs are safe, at least from what we have been told by all the agencies as we have started to collect the data to turn in, for the release of the 2008 funds. But the pressure to reduce and eliminate the number and amount of earmarks is continuous, so if he wants a 50 percent decrease for 2009, it was a 50 percent decrease for 2008. So it just keeps going down. It is getting harder and harder to effectively advocate for earmarks in that kind of environment in Washington. We are still successful, and we have a lot of really wonderful programs that we have been able to jumpstart because of those earmark funds, such as buying equipment for our chemistry and physics labs, and because of that new equipment, we were able to attract new faculty; Engineering has done quite a bit in Rockford; and we have managed to help other programs beneficial to the university.

NEXT MEETING DATE

Chair Strauss announced that the next meeting of the Legislation, Audit and External Affairs Committee is scheduled for Thursday, June 5, here in DeKalb.

ADJOURNMENT

There being no Other Matters, Chair Strauss adjourned the meeting at 12:40 p.m. without objection.

Respectfully submitted,

Sharon M. Banks-Wilkins
Recording Secretary