

Minutes of the
NIU Board of Trustees
LEGISLATION, AUDIT AND EXTERNAL AFFAIRS
COMMITTEE MEETING
February 4, 2010

CALL TO ORDER

The meeting was called to order by Chair Cherilyn Murer at 11:53 a.m. in the Board of Trustees Room, 315 Altgeld Hall. Recording Secretary Sharon Banks-Wilkins conducted a roll call of Trustees. Members present were Trustees John Butler, Manuel Sanchez, Barbara Giorgi Vella, Student Trustee Matthew Venaas, Chair Cherilyn Murer and BOT Chair Marc Strauss. Not present was Trustee Myron Siegel. Also present were Trustee Robert Boey, Committee Liaison Kathryn Buettner and Board Parliamentarian Kenneth Davidson.

VERIFICATION OF APPROPRIATE NOTICE OF PUBLIC MEETING

Confirmation of Open Meetings Act public notice compliance was given by Parliamentarian Kenneth Davidson.

MEETING AGENDA APPROVAL

Trustee Strauss made a motion to approve the agenda. The motion was seconded by Student Trustee Venaas. The motion was approved.

REVIEW AND APPROVAL OF MINUTES

It was moved by Student Trustee Venaas and seconded by Trustee Vella to approve the minutes of the November 12, 2009 meeting. The motion was approved.

CHAIR'S COMMENTS

Chair Murer welcomed University Advisory Committee representatives Jay Monteiro and Bobbie Cesarek. Ms. Cesarek commented that after enjoying employment at NIU for many years, she had the great opportunity to become an alumni of NIU in December. The Chair congratulated her on becoming Dr. Cesarek, having earned an Ed.D. in Education, specializing in Curriculum Leadership.

CHAIR'S COMMENTS

Unfortunately, Chair Murer said, I have to begin my comments with some sad news. Dr. Dennis Cesarotti, a well-respected professor in the College of Engineering, died suddenly last Friday. Dr. Cesarotti was instrumental in establishing our Homeland Security Program. We would like to extend our condolences to his wife Cindy and his two daughters, Katy and Cari. It is always a sad thing to lose a member of our family, and it is even more difficult when the death is sudden. So, our condolences to the family and to the College of Engineering.

However, we also have some positive information to bring forth this morning. Brad Hoey is the newly designated Interim Team Leader for the Media Relations and Internal Communications Team. Congratulations on your new position, and we are delighted to have you here this morning. Also, Jennice O'Brien is the Interim Team Leader for the new Web Communications Team. The Chair asked Ms. Buettner if she would comment on the duties of the Web Communications Team.

As I have informed the Board and many of the members of the cabinet and senior administrators, we are going through a little bit of an organizational shift to better align the communications resources and tools

that we have available at the university. While we have had people who have been working on the web on behalf of the university maintaining the home page and working with and supporting the departments and colleges on their pages, we have been doing this under the auspices of the larger division of Public Affairs. Now we are breaking down the departmental barriers within the division so that we can task people on the production side who have expertise in flash animation, the web, graphic design, content, copy, etc., to be able to assist and form working teams. Web Communications is an area where the university has spent time and energy, but one in which we really need to double our efforts. So, because of the hiring freezes and not being able to hire new people, we have created working team environments within the division to better serve the campus constituency. So, you will be seeing some new web page designs and some additional emphasis and new features on the web page over the coming months. That is the team Jennice is heading.

That is quite significant for the university, the Chair said. I want to make a personal comment related to that. Last night, my husband and I had the pleasure of hosting an event at our home for students who had been admitted to NIU in the honors program, some of whom had not quite made the decision on whether or not they were going to come to NIU. Each of these students was very concerned about getting information quickly. One of the really excellent things we did was to give each of them wristbands that contained a flash drive that enabled them to access the web. What you are doing is really critical because that is a primary tool of communication. The students were very articulate in what they wanted to know relative to the curriculum, and that goes to the other two committees we sat in this morning. Those students wanted to know what the curriculum was, who was going to teach them and what value they were going to receive from NIU. So, the better we can articulate what we are offering through the communication of the Internet, the better off we will be as a university.

As you will recall, in November, the problem for this committee is that we are third, so we are always running out of time. We ran out of time at our last meeting on some very important issues and, in particular, the issue on where we were on benefits afforded in regard to marital status and domestic partnerships. Also, we did not have the opportunity to hear from our newly appointed Director of Internal Audit, Danielle Schultz. So, we decided begin our agenda this morning with those two very critical aspects of this committee.

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 he had received no timely requests.

UNIVERSITY REPORT

Agenda Item 7.a. – Benefit Provisions for Marital Status/Domestic Partnerships (Update)

This issue of where NIU sits relative to the affording of benefits to all employees and students regardless of marital status and regardless of domestic partnership status is something that is of interest not only to this university, but it is a national issue, and that element impacts our ability to make decisions. However, it is the commitment of this committee that we with candor and transparency review the status of where we are on this nationally controversial issue. Dr. Cunningham has done an exceptional job in responding to our inquiries and trying to afford us information that is condensed and understandable. I was very pleased, Dr. Cunningham, that you were able to post on the Internet, a clarification of what the benefits are on the Human Resource web site, the Chair commented, making it more easily accessible than perhaps it had been in the past. I have also asked Dr. Cunningham to prepare a historical perspective on this because we have to look at where we have been and what we have achieved thus far, the Chair said, and also, where we need to go on this matter.

I am pleased to return with a follow-up from last summer's report, where we began to touch on a summary of benefits related to domestic partner benefits for employees and related policies across some of the Illinois public institutions Dr. Cunningham said,. This report has two components: the first is a history of the work the campus has done with respect to these policies and benefits over time. In the last part, is an expanded review of the status of those policies with NIU and the other public universities in

Illinois, so we can get a sense of where we stand with respect to these policies across the Illinois public institutions. We have the benefit today of having many of the people who have worked with this issue for many years. Going back to 1993, we start with Trustee Butler, who was very involved during his time at NIU, in internal committees, commissions and policymaking groups; Norden Gilbert, who is the current president of the commission; Margie Cook, has been very involved throughout this time; and Deborah Haliczzer from Human Resources.

In 1993, a Building Community Report was released by the President's Task Force on Discrimination based on sexual orientation. This was the first official report recommending that the phrase "domestic partner" become incorporated into our benefit provisions related to marital status. At that time, also, a Presidential Committee on Sexual Orientation was established and, as we said, Norden Gilbert was the inaugural president of that committee. Then in 1996, the committee recommended that benefit options applicable to a spouse or child be extended by the Board to also cover domestic partners. NIU's shared governance system, our Faculty Senate and staff councils, also voted to support these policy initiatives.

Continuing in 1996, the university initiated a comprehensive policy updating process, and looking at a wide range of how domestic partner benefits can be applied to the spectrum of the university benefit policies. The evolution of these policies at most universities has always been associated with an affidavit of domestic partnership. Here at Northern, like all of our benefit programs, we rely on the employee's own statement and signature, we do not have superordinate documentation for most of our benefit provisions. Also in 1996, Central Management Services (CMS), who provides the health insurance benefit program, following our request for them to take a look at this type of coverage, indicated that it could not extend group insurance benefits to domestic partners pursuant to the Group Insurance Act.

In 1997, our committee developed an RFP format so that instead of relying on CMS, we could seek to have our own internal insurance program. RFP's were forwarded to 40 or 50 different insurance companies in the national market to seek options to explore an alternative model of domestic partnership medical and health insurance. Then in the spring of 1998, NIU led the universities in petitioning CMS to grant group insurance benefits to domestic partners. CMS again indicated that the Group Insurance Act would not cover domestic partnerships. In the summer of 1998, the RFP committee reported that we had received no bids. We received very little feedback partly because there is a limited number of potential enrollees in such a program at a single institution. In fall 1998, the committee looked at other options, including communicating with other universities to develop a state higher education consortium to again try to RFP this benefit in the private insurance market.

In fall 1999, a subcommittee was formed to again focus attention on domestic partner benefits. The committee presented a report in spring 2000. This was a very comprehensive, well-presented, well-produced report called "Recommendation to the University President Regarding the Expansion of Benefits to Employees in Domestic Partnerships." At that time, Dr. La Tourette was president of the university. The report recommended that university policy and governance documents incorporate domestic partner references and coverage with respect to as many internally provided benefits as possible, including sick leave, family medical leave and so forth, and also continue to work with respect to the group health insurance program provided externally to the university. In fall 2000, Dr. Peters became President, and the committee reviewed that report with him. The following year, President Peters converted the committee to a presidential commission, and thereafter a committee of that commission was formed to continue working on insurance proposals with the group health insurance program being a central objective. HRS worked with the commission to continue looking at other insurance options, especially collaborating with the other public universities, without much success. Then in fall 2002, NIU was the first university in the state to issue a policy parallel with the Family Medical Leave Act (FMLA) to cover leave benefits to domestic partnerships. The federal statute does not address or recognize domestic partnerships in the statutory coverage. Our policy is parallel, it works the same, follows the same documentation procedures and so forth as does our FMLA program.

In spring 2003, the Lesbian, Gay, Bisexual, Transgender (LGBT) Resource Center opened, and Margie Cook was the first coordinator/director of that center and has worked to develop that program. In the summer of 2003, the University of Illinois implemented a program to reimburse employees who filed affidavits of domestic partnership for the difference in the state cost of providing the health insurance to

spouses. That is currently about \$500 a month for the standard program. Also in 2003, NIU approved an LGBT Studies program on the academic side.

Moving to 2004, an internal committee prepared a draft policy that would parallel the University of Illinois policy with respect to the reimbursement of domestic partner insurance coverage. CMS introduced the medical, dental and vision benefit for unrelated same-sex domestic partnerships, and that is an extensive program. There is a documentation procedure for it, and it is the same program in existence with CMS today.

That brings us to the current time. Dr. Cunningham showed a slide summarizing the scope of benefits. For the most part, he said, NIU is independent and recognizes same and opposite sex for our internal benefits. Illinois State University, Southern Illinois University, University of Illinois, Western and Eastern also have clearly defined recognition of domestic partner relationships in their benefit policy structures, but they require affidavits of domestic partnership for any benefits. At Southern Illinois University and the University of Illinois, generally the application of those benefits is mostly related to same sex domestic partnerships. Governors State, Northeastern and Chicago State generally the only benefit their policy programs recognize is the CMS program. They do not have well evolved references to domestic partnerships otherwise contained in their benefits. NIU incorporates domestic partnerships in its benefit system, its operating policies and does not require a superordinate amount of documentation and also recognizes domestic partnerships generally.

A more detailed comparison of the state-provided benefits across the institutions, with NIU as the benchmark, showed that all of the universities follow the CMS health insurance program. They have phased out their internal premium reimbursement for programs because the State of Illinois now offers a program. The spouse life insurance, also offered by the state, does not recognize domestic partnerships and all of the universities follow that same program as well. The same is true with the child life insurance program and the survivor benefit program under SURS. SURS also does not offer, for example, spousal survivor benefits to domestic partners. The last state-provided benefits centrally from CMS are the dental care assistance program and the medical care assistance program where employees can contribute pre-tax monies toward eligible health insurance or dependent care costs. Again, that is state provided and administered in the same way at all of the universities. It too does not recognize domestic partnerships, partly because of the federal tax standards that pertain to the pre-tax contributions.

Tuition waivers are provided by statute for employee dependent and adopted children. The state statute does not recognize domestic partnerships and most of the universities administer the program consistent with the state statute. However, SIU, ISU and Western have taken action to offer discretionary waivers to documented children who would otherwise fit the profile of the program of domestic partnerships. None of the universities, however, offer spousal or domestic partner benefits for tuition waivers.

These are the internally sponsored policies outside the arena of the state and statutes that provide benefits such as bereavement leave. Again, with NIU as the benchmark, all of the universities offer bereavement leave. NIU provides it to domestic partners. UI and SIU are same sex only. Governors State, Northeastern and Chicago State either do not have a policy or are limited as in the case of Northeastern to faculty only. The employee assistance program is another benefit. The policies at the University of Illinois and Southern Illinois University specify that benefit for same sex domestic partnerships and most of the other universities have no policy at all. Illinois State and Western are the same as NIU. Nondiscrimination based upon marital status or sexual orientation is an aspect of the Illinois statutes and all of the universities follow those same standards. Family sick leave is where employees can use their sick leave benefits when family members are ill. NIU recognizes, generally, domestic partners as does Illinois State and Western. Now, as we said earlier, NIU sort of pioneered the advent of family leave policies in parallel to the Family Medical Leave Act for domestic partners. They are not yet doing that at the University of Illinois. SIU does same sex only, and most of the other universities now have followed suit and have policies similar to Northern's except for Governors State and Chicago State.

In summary, NIU has played a leadership role over time with respect to domestic partner benefits, Mr. Cunningham said. We, in most cases, are at least competitive with the other universities. The evolution of these benefits is an area of policy development that we continue to watch and monitor at both the other

universities and in the national market. Dr. Cunningham showed the Human Resource web site and indicated the various policies and benefits that can be accessed there.

It is important to point out, Trustee Butler said, that the health benefit offered under the CMS program is (1) only for same sex partners, and (2) there is a very rigid definition that one has to have lived with the person for a year. There are other standards that not all domestic partners, particularly in faculty roles where they may teach at different universities, would be able to meet that criteria. And finally, that benefit is reported as imputed income, which is taxed as income. So, even though that happened, it is not parity with the existing structure. In general, I want to say thank you very much and thank you Chair Murer for having this conversation. This is very important, and I especially appreciate the history. It means a lot to add that context to this discussion, because the reality is there has been 17 years worth of effort to get this issue to this table and to get the Board to consider making the necessary changes so that these benefits are provided on an equitable level.

We have two remaining issues. There is a discrepancy between the Board *Regulations*, which quite clearly say spouse and children, but do not say domestic partner or children of domestic partner. We also have continued denial of valuable benefits on the basis of marital status, and in many cases on the basis of sexual orientation. So, if you are in a domestic partnership and not married, and you are employed by NIU or thinking about becoming employed, you are denied access to life insurance through the state that married colleagues of yours can have; you are denied life insurance for the children of your partner; you are denied survival benefits under the SURS system; you are denied the dependent care assistance program and the medical care assistance program; you are denied the same tuition waivers for children of your domestic partner that would be offered were you in a relationship that was a marriage; and you are denied tuition waiver for your partner as offered to colleagues' spouses. And importantly, too, nothing that we have seen here yet has pointed out that there is an issue of residency status for students. I suspect that is because this has been treated as a Human Resource issue. But if you are the domestic partner of a resident student, my question would be, would you be granted the same residency rights as if you were a married student. We have done some very good things here, but we remain in a state in which our Board *Regulations* do not match our internal practices. And there is a significant amount of valuable benefits that are not afforded to employees who are in domestic partnerships.

The other matter that I would bring up, Trustee Butler continued, is that we need to broaden the scope of comparative colleges and universities. It is not uncommon for us to look at other universities that are not in the state when we are looking to see how we are benchmarked on issues of tuition and fee amounts or, issues that are important to determining how NIU is or is not competitive with like universities. As I understand, these are comparisons being made because we are looking at what is permissible under the State of Illinois. This is a serious issue of employment competitiveness, and I think we need to look at it that way.

Finally, there is one other thing that I want to point out which is, we need to understand that there is very little that precludes Northern from offering a comparable benefit that is offered by the state. We see this to be true with the family leave, for example, which we were not compelled to offer and the state did not preclude us from offering, but we chose to offer it. The same thing can be true for the other benefits. I understand that this Board will want to know, what that is going to cost. It is hard for me to say, to be quite honest with you, but that is a fair question. It is hard for me because it is a question that is not asked about married employees. It is also hard for me because it is placing a value on a relationship that is somewhat ad hoc and precarious. I would like to know because my guess is the cost would be relatively low. I just read in the newspaper that Florida International University did this study and found out that it was an extremely low cost to provide full and complete parity. I think that is reasonable and I would like us to move in that direction.

I would like to respond also to some of your very thoughtful remarks, Chair Murer said, and they are made with great sincerity and concern of the greater good, a fact I want to recognize. I want to reiterate, however, that we are not a private university and the individual opinions of individual Trustees do not prevail at a public university. Issues such as whether a benefit is taxable or not is not at our discretion, that is under definition by the IRS. The extent of benefits that can be offered are under the purview of the State of Illinois in many ways as the State defines or does not define equal rights to all. So, as we continue this truly very provocative issue, very critical issue, we need to continue to look at it in a manner

that is responsive and responsible as Trustees of a state university. Dr. Cunningham has shown the comparison, and certainly we can ask him to look outside the state, but the concentration in the state is because we are guided by the laws of the State of Illinois as a public university.

This is an issue that I committed to you as an individual and to those who have an interest in it to continue to dig down to the real issues and also to the limitations and capabilities we have as a state university and the limitations and capabilities we have as we look to the full spectrum of our responsibilities. This should be on our agenda again for our next meeting, and perhaps Dr. Cunningham could engage the committee and other interested parties to be more concrete, as you were in this presentation, as we look to individual benefits, where NIU is, where we are compared to other state institutions, what is allowed or disallowed by any other body – taxable body, the IRS, the State of Illinois – defined for us as a state institution. I am still very unclear as to what flexibility we have. So, perhaps by the next meeting, Trustee Butler, it would be helpful if we could have from you a listing of what our discretionary options are, what it is that we can decide as an individual Board representing an individual institution and not guided by either state law or state governance of this higher education institution or other federal laws that dictate this. My initial comments were that this is not a sole issue that relates to NIU and it is not a sole issue that is being debated in the state of Illinois. This is a national issue, and we continue to grow in our discussions of it.

You can see the history from where we started this discussion, President Peters said. A lot of work went into it, and things are proceeding in this country at about three different levels. What discretion does a public university have within a state working within state laws, knowing that universities want to do the best for their employees? That is the key. Number two, you are always working within the constraints of state legislative authority and also federal. The issue of domestic partners, civil unions, is an issue of our time that is working its way through the legislative process. We are not there yet, and I am really proud of what we have done. We need to take a look at this matrix and see if there is anything that we can add, and there is always complexity with that. There is always a reason not to do something. For instance, all of us in public universities probably are trying to be pretty quiet right now about tuition waivers because there are bills in the legislature to get rid of tuition waivers for whatever reason, and there are costs associated with it. We need to become aware of what is happening federally and support that legislation when we can at the state level and push forward. You can see there is no Human Resource department in the public universities that rivals ours. We know benefits and we care about our employees. I like this approach, this dialogue we have had because a few months ago when this came up I said we really need a signal, some direction from the Trustees.

Though I would suggest, Trustee Butler, that even if we look to comparable universities outside of Illinois, we maintain them as public universities, Chair Murer said, because if we look at the private sector, it is going to get very complicated. I do not need to look at other colleges and universities to know that the appropriate thing to do, given our antidiscrimination commitments, is to provide equitable coverage, Trustee Butler said, and it is also the more competitive and strategic thing to do. If it is important to other Trustees to see what like universities are doing, we need to look at like universities. Because this is guided by laws, Chair Murer said, for this purpose, unlike purposes of looking at academic comparisons, when we are looking outside the state of Illinois, I would recommend that we look at only public universities.

This issue is difficult because it is at the intersection of trying to discuss human rights and the situation that we are left with, Trustee Strauss said, because we have benefits people want that are related to their employment. What would help me clarify what we should do outside of the human rights issue is to take a look at whether we have legal prohibitions on doing anything. I would like to suggest that be something we explicitly take a look at. The other thing we should explicitly look at would be the costs. I am sensitive to the fact that it is difficult to ask people who are being impacted by a human rights issue to take a look at whether there is a cost associated with it. It does not come with a value. But we still have a fiduciary responsibility to be able to take a look at our budget, and that is an issue we have not really explored at all to date. We should start the process of collecting data on that while we may not be able to fully report on it the next time we consider this issue.

Agenda Item 7.b. – Internal Audit Update

We are delighted to welcome our new Director of Internal Audit, Danielle Schultz, the Chair said. She replaces Sharon Downen, who retired last December.

I would like to start with an overview about internal auditing, Ms. Schultz said, then give you some information about what our department did in Fiscal Year 2009 and what we have to look forward to in the future. We are organized to be in compliance with the State of Illinois Fiscal Control and Internal Auditing Act. A few requirements of this act include state agencies, which includes universities, must establish a full-time program of internal auditing; that the chief internal auditor must report directly to the chief executive officer; and is to have direct communication with the chief executive officer and the Board of Trustees in exercising audit activities. It also requires that internal auditors be free of all operational responsibilities.

This act also created the State Internal Audit Advisory Board, which established professional standards and code of ethics to which all state internal auditors must adhere. The State Internal Audit Advisory Board requires that all audits performed by internal audit staffs of state agencies be conducted in accordance with the *International Standards for the Professional Practice of Internal Auditors* published by the Institute of Internal Auditors. Also, where applicable, we are to comply with *Government Auditing Standards* published by the U.S. Government Accountability Office. Lastly, all internal auditors are required to adhere to the *Code of Ethics*, which is also published by the Institute of Internal Auditors. These standards require that I confirm our department's operational independence to the Board on an annual basis. Ms. Schultz introduced the members of her staff: Kathleen Clark, Lisa Dienst, Guy Groner and Christina Raguse.

Our audit plan for Fiscal Year 2009 originally included 13 audits, to which one audit request from the Executive Cabinet was added. We had three information system audits, two financial audits, five compliance audits and four fraud detection and prevention audits. One of the standards I mentioned requires that I complete a departmental report on an annual basis that is due by September 30 each year. The standards also require that I review our charter on a regular basis and bring it to you, as needed, for approval of any changes.

In reply to a query from Trustee Butler, Ms. Schultz explained what the IT audits and fraud detection and prevention audits are. An IT audit relates to our Information Technology systems. We are required by the State of Illinois to audit any major system implementations or changes to major systems used on campus. So we spend quite a bit of our time with PeopleSoft, whether it is for upgrades to the Financial Management System, the HR system or, more recently, the implementation of our Student Information System. There are also other programs and technologies used on campus that we become involved with, anything that affects a large population of students or faculty and staff. If we are looking at implementation of a system, we verify that the requirements are being met and that we are following good standards for implementing a system. We are making sure that the right committees are meeting, decisions are being made, documentation of all that activity is occurring, that the end-users who actually own the applications and the data are testing it to make sure the processes work correctly and that it is going to work as we expect when we go live. In fraud prevention and detection audits, we are looking more at risk of fraud, what is out there that is a potential risk. There are areas on campus that handle large amounts of cash and we look at those on different cycles,

In answer to a query from Trustee Boey, Ms. Schultz stated that she reports directly to the President. For the internal audit process, I determine what we look at through a detailed risk analysis annually, usually at the end of March. The university is broken down into different areas, and then I identify the different types of risks, whether they are strategic, financial, operational, reputational or compliance risks, and then look at the criticality to NIU, whether it is high, medium or low. I look at and rank how well NIU addresses those risks and whether or not we have controls in place that will address them. Then I prepare a draft report, submit it to the President's Office, and he and the Executive Cabinet review it and provide feedback. There are only so many hours that the five Internal Audit staff members can cover, so I look at how many hours each staff member can give per year, and then compare that to an estimate of how many hours certain audits would take, and that determines what goes into the audit plan I submit to President Peters.

President Peters has traditionally shared the audit plan with the Chair of the Legislation, Audit and External Affairs Committee, Trustee Strauss said. If there are things that the Trustees are particularly interested in and they let the Chair know, then she can at least engage in a discussion with President Peters about whether we have room to add something for an internal audit to whatever would be on the agenda for the year. Ms. Schultz said that she would also be meeting with the Chair of the Legislation, Audit and External Affairs Committee throughout the year.

Agenda Item 7.c. – 96th General Assembly Report

There are only three legislative bills in your report that I want to draw your attention, Ms. Buettner said. The first is House Bill 4706, which was sponsored and introduced recently by Representative Winters from the Rockford area. This would repeal the provisions that allow the children of employees of the public colleges and universities in Illinois to receive a 50 percent tuition waiver. Obviously, this is of great concern to our faculty and staff. We have been working through the University Advisory Committee processes, and we are continuing to make known our vociferous opposition to this legislation in Springfield. The other two bills are the elimination of the General Assembly scholarships. There is a concerted effort across the state this spring to pay a great deal of attention to the waiver process at all levels. So, whether it is General Assembly scholarships or tuition waivers for people who work at the universities, we are actually having to respond to a great deal of internal requests coming from legislative staff as they prepare the budget analyses. The last item is a resolution, SJR29, Unemployment Insurance for Academic Workers, which passed both houses.

Agenda Item 7.d. – Fiscal Year 2011 State Budget Update

We are in limbo right now as far as the state budget goes, Ms. Buettner said. The Illinois Board of Higher Education actually approved their FY11 budget last week, and the President is going to give us his take on what that means in a minute. But, that will then go to the Governor, and the Governor is scheduled to give his budget address in the coming weeks. So we really do not know what our budget recommendations or our budget estimates are going to be yet for FY11. But I will give you a quick summary of the options.

The board developed four options for the Governor to choose from and forwarded them to him. The options were basically put on a step system. The first option recommended was an approximately six percent decrease for public universities in the FY11 budget. The state had to pledge that it would maintain FY06 funding levels to the universities for Fiscal Years 2009, 2010 and 2011 in order to receive the stimulus money that was passed last year for the universities and the states. There is a maintenance of effort provision in the federal statute. Since there was no additional money added from the state side, if they maintain that and we went back to 2006 levels, our NIU budget would go down 4.2 percent for next year. The second option they gave the Governor was basically a status quo scenario: having the state put in the additional roughly \$90 million worth of funds that the stimulus money made up this year. In the third option, we would not only maintain our current level, but we would also have roughly a 2.0 percent increase over and above that. The fourth option was basically the same as the third option, except it includes a 3.8 percent increase. That is the actual range of options and scenarios from the IBHE to the Governor. However, I know there has been a lot of discussion behind the scenes with the presidents, the chancellors, the IBHE and members of the legislature, and President Peters has been heavily involved in all that.

Almost all my time has been and will be taken up with trying to get some resolution on the short-term and long-term financial health of higher education in Illinois. I always try to say, we do not have a budget problem; we have a budget, it is just that we have not been receiving any money. Putting it in stark terms, as of Monday, we were about \$60.4 million in arrears in State reimbursements on \$107 million in general revenue. We are about a half a billion dollar corporation now, and \$107 million of that is State General Revenue and the rest is tuition, fees, grants, contracts, etc. We have received some payments from the State that have helped us make payroll. We need about \$8 million every two-week pay period, and about \$18-\$20 million per monthly pay period. We have been using every available resource to make payroll. We have received enough payments at critical times in the cycle from the State to keep us going. What I say is true of NIU is true of every other public university, although some are in worse shape than others. We have been very prudent over the past three years in how we dispense funds and how

we hold back, because we knew this was coming. But if we receive no more payments this year on our General Revenue, every university will have sustained a 65 percent budget cut, and we are still in business. I do not know any corporation that would be in business if they had their cash flow cut 65 percent. I am the convener of the public university presidents, and we will be taking action in the next weeks. The presidents and chancellors maintain the view that higher education's problem cannot be solved unless the state fiscal crisis is solved. That clearly is a problem, because if nothing happens, it is estimated that the State will accrue a debt of \$13 billion starting July 1. For every \$3 the state spends, it only takes in \$2 in revenue. Unless that is addressed, higher education is going to suffer. That means we have to be as efficient and as lean as we can be, and we are trying. It pains us to keep passing charges on to students. We are a state institution. But if you look at what we have done over the years, we are acting more and more like a private institution for our own survival. It is obvious that the state has to deal with their pension obligations. The presidents are convinced you cannot borrow your way out of this because they have borrowed up to the point where any more borrowing will affect bond ratings. It affects our bond rating, and we have a good bond rating. When we want to go out and float a bond to improve our residence halls, we are going to have to go through a review of our bond rating through no fault of our own. This applies to all state universities, not just NIU. The other thing is, given what I have told you, even if the pension obligation is accommodated in some way, even if we cut deeply, and even if the state passed Governor Quinn's income tax proposal from last year, we would not be out of this for five years, assuming the kind of growth we expect. We are operating, and we are doing the kinds of great things you have heard about today, but I cannot tell you how much longer this institution or any other, can continue to do that. Without some sort of action by policymakers this spring, I am not optimistic for the future. I do not think we can do it alone. That is why I want to thank the Trustees, who have always been so supportive. I have told the faculty and the students, and the Trustees know this, we are a learning institution and each one of us, beginning now, has to learn about this budget so we become experts. Then we have to do what we can to convince policymakers to straighten this out, and accept the fact that there is going to be real pain here. I wish the state would take a page out of the NIU playbook. We know how to deal with adversity, we know how to be efficient, we know what is important and what is not important, and they should take a page out of our book.

Agenda Item 7.e. – Congressional Report

There was no discussion on this item.

NEXT MEETING DATE

The Chair announced that the next meeting of the Legislation, Audit and External Affairs Committee is scheduled for Thursday, April 29.

ADJOURNMENT

Chair Murer asked for a motion to adjourn. Trustee Sanchez so moved, seconded by Trustee Strauss. The meeting was adjourned at 1:09 p.m.

Respectfully submitted,

Sharon M. Banks-Wilkins
Recording Secretary