

Minutes of the
NIU Board of Trustees
LEGISLATION, AUDIT AND EXTERNAL AFFAIRS
COMMITTEE MEETING
March 5, 2009

CALL TO ORDER

The meeting was called to order by Chair Marc Strauss at 11:24 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, Myron Siegel and Chair Strauss. Not present was Student Trustee DuJuan Smith. 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.

MEETING AGENDA APPROVAL

Trustee Sanchez made a motion to approve the agenda. The motion was seconded by Trustee Siegel. The motion was approved.

REVIEW AND APPROVAL OF MINUTES

It was moved by Trustee Sanchez and seconded by Trustee Siegel to approve the minutes of the November 13, 2008 meeting. The motion was approved.

CHAIR'S COMMENTS

Before we begin this morning, Chair Strauss said, I would like to take a moment to acknowledge our faculty, students and staff for the tremendous job they did in putting together such a beautiful tribute to the tragedy that took the lives of five students and injured eighteen others on February 14, 2008. It is good to be back on campus today in this capacity and to be addressing the business of our great university, which has truly moved "forward, together forward" this past year. I want to thank you all for being here today to join us for this our first LAEA Committee meeting in 2009. I would especially like to welcome our University Advisory Committee representative, Jay Monteiro, to the meeting this morning.

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 for public comment had been received.

UNIVERSITY REPORT

Agenda Item 7.a. – Federal Family and Medical Leave Act (FMLA) Board Regulation Update

Chair Strauss introduced Steve Cunningham, Assistant Vice President for Human Resources, to present a recent change in the Federal Family and Medical Leave Act. This update to Board *Regulations* contains amendments to the Family Medical Leave Act passed by Congress in 2008. Primary amendments include a 26-week military leave entitlement for a family member to care for an injured military service member in the line of duty through a call-up, and a 12-week leave to handle issues related to the family and coordination of the absence of a person on military leave. Additionally, we have

amended the threshold condition to reflect a 1250 hour requirement, instead of the 50 percent FTE, consistent with the Department of Labor practices and regulations that have evolved since this *Regulation* was implemented in 1993.

I understand that these amendments are required by law, Trustee Butler said, and I do not oppose them. However, I am troubled by the fact that the amendments do not reflect the university's existing practice and internal policy to provide equitable coverage to unmarried employees who are in domestic partnerships. As I understand it, equitable coverage is provided for all benefits available to married employees that do not require cost applications, and this is not limited to health insurance reimbursement administered by CMS. The university has also elected, as is its right, to extend equitable coverage under the provisions called for by the Family Medical Leave Act. As an isolated action, the committee is about to approve language that is not consistent with the more expansive intentions of equitable coverage, so I want to request that this committee codify those intentions. But I believe the first step in the process is for the Board to receive information on the relationship between existing practice and Board *Regulations* in regard to domestic partner benefits. Therefore, I am asking that this information be prepared for the committee and that such information include what amendments throughout the entirety of the Board *Regulations* are required to bring *Regulations* into alignment with existing practices.

Chair Strauss asked for a motion to approve the Federal Family and Medical Leave Act Board *Regulation* Update. Trustee Sanchez so moved, seconded by Trustee Siegel. The motion was approved.

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

Since our last committee meeting, it is an understatement to say that a lot of things have changed in Springfield, Mr. Zehnder said. We have a new governor, we have new Senate leaders in the legislature, we have a new U.S. Senator, and we have a worsening fiscal situation. One thing that has not changed is the abundance of legislation that has been introduced. Since January, over 6,700 bills have been introduced in this new General Assembly. While a number of those bills are technical in nature, or what we call shell bills which allow us flexibility later in the session, there are still many things to attract our interest.

Appropriation bills include a number of scholarship and grant programs with a particular focus on veterans this year. The Illinois Student Assistance Commission (ISAC) has a bill to allow bonding to provide a federal funding stream for the ISAC operations, which in short term will not only help ISAC operate, but it will also help current students who are at risk for default. A bill was introduced last year by Representative Gary Hannig that affects the use of Certificates of Participation, a mechanism that allows universities to stretch dollars. We have been working with him on that bill for two years; however, he has just appointed Secretary of Transportation, so we are waiting to see who picks up that bill.

Two versions of a bill allowing Illinois income deductions for endowment donations have been introduced in this General Assembly, House Bill 2334, sponsored by Representative Pritchard, and Senate Bill 1935, sponsored by Senator Wilhelmi. There are several structural pieces of legislation, bills to allow for dual credit programs, the auxiliary degree completion programs, early graduation incentives and the 21st Century Scholars Act. Of those, the one that has our attention, as it has for the past three years, is the Harper bill. The Senate President has indicated that he is not going to call the Senate version of that bill. Speaker Madigan has been working with the sponsor on this bill, and it contains two differences from the last version: (1) it is for a specified degree program, a bachelor's of applied science, which none of the public universities currently offer; (2) it is not exclusive. Prior versions of the bill would have prohibited any other community college from offering another pilot program, which this does not. One of the concerns we have raised for years is that this is opening the door for proliferation of these programs which creates a change in the structural set up for education in Illinois. The House version of this bill, House Bill 656, went into the Cities and Villages Committee. It passed out of that committee and sits on third reading in the House, but we do not know when it will be called for the vote. We have indications that it also probably will not go to the Higher Education Committee in the Senate, from which it did not pass last year. There are two other bills that impact this issue. Senator Burzynski sponsored Senate Bill 1883, to be administered by the Illinois Board of Higher Education, which would help offset costs for expansion of baccalaureate completion programs. Senator Demuzio introduced a similar bill, which to be administered by the Community College Board. Several representatives from the other universities and I

met with both senators. We agreed on using Senator Burzynski's bill, and Senator Demuzio, agreed to be a cosponsor.

A number of bills dealing with ethics involving procurement, disclosure, campaign donation limits and sunshine laws were introduced. Some of these bills have a strong chance to proceed because of the fiscal situation. An issue of serious concern to the university is Senate Bill 1734, the Illinois Public Employees Retirement System (ILPERS), which is a proposal to combine all of the state pension system assets. It is an initiative put forward by State Treasurer Giannoulas and sponsored by Senator Schoenberg. It would take the SURS assets, one of the better performing components of the retirement systems, and combine it with the others. Steve Cunningham has been following this issue closely and will speak later in the meeting.

In reply to a question from Trustee Sanchez, Mr. Zehnder stated that with all the changes that have taken place in Springfield since our last committee meeting, he thought the net impact to NIU and higher education was that unlike the former governor, Governor Quinn is recognized as a hard worker, straightforward and willing to sit down with the leaders. The members of leadership in both the Senate and the House have also worked well with each other creating a refreshing atmosphere in Springfield.

Leader Cullerton has been a very close friend for the past two and a half decades, Trustee Sanchez said, and Governor Quinn for the last three decades.

Carolyn Brown Hodge will be handling some of the mechanics of the Illinois version of the stimulus legislation, sorting through the project listings. The overabundance of requests they have is obvious, Mr. Zehnder said, and I think some of the programs we have lined up are very innovative, very worthwhile, and fit the Illinois Agenda extremely well.

The Governor was here on February 14 this year to participate in some of the activities during our commemoration, Ms. Buettner said, and Ken Zehnder, President Peters and I had a chance to talk with him as did some of the Trustees. What really struck me was the fact that we have a governor who very unabashedly supports higher education. For several years, we have been trying to educate some of the people in Springfield about this issue, and Ken and I both commented on how nice it was to have someone who is understanding and will do his best under the circumstances to honor the role and mission of the public universities. Following up on that visit by the Governor, Mr. Zehnder said, I greeted him when he arrived on campus. He got out the car, and the first thing he said to me was how great it was that we got the broadband development grant that our broadband group has been working on for a statewide project.

In response to queries from Trustee Butler, first, regarding the differences in Senate Bill 1935 requiring the Department of Commerce and Economic Opportunity to authorize income tax credit and House Bill 2334 requiring the Department of Revenue to authorize it, Mr. Zehnder stated that ordinarily it would be the Illinois Department of Revenue that would administer it. Regarding House Bill 336, sponsored by Rep. Pritchard, Mr. Zehnder stated that he had spoken to the representative who explained that when the campus security bill mandating conversations between the various jurisdictions passed last year, the school districts in the DeKalb area mentioned to him that sometimes there are jurisdictions that might have an interest in those discussions that one would not immediately think of, and this was his attempt to make sure they broadened the participation to include those groups.

Agenda Item 7.c. – Fiscal Year 2010 Budget Update

Legislation was passed which allowed the Governor to postpone his budget message from February to March. It is now scheduled for March 18. NIU's House appropriation hearing is scheduled for March 19. A number of things are hinging on his proposals for revenue enhancements. And our Senate hearing is on April 1. Our appropriations bills have been filed at the Board of Trustees level. Last year we submitted bills at the prior year's level, acknowledging the tough financial situation and not asking for a major increase. The appropriation committees came back to us and asked why we did not ask for what we really needed, so this year we are going to do that. In the Senate committee appropriation committee yesterday, Chicago State was heard. Their percentage of increase request was higher than ours, and the question, "Are you out of your mind?" did come up. But, it was explained that the reason they were

putting that request forward was based on what happened last year and current needs. There are impacts we are going to have to work through, but all but one university put their appropriation bills through at the Board of Trustees request level. The previous administration requested a reserve of 2.5 percent from our current Fiscal Year 2009 budget. Governor Quinn has indicated he will hold us to that reserve, but he will not ask for any more from the universities. Also under the previous administration, the governor's own agencies were requested to hold a 3.0 percent reserve. Governor Quinn increased that for his administration. He is hitting his agencies pretty hard, but he recognizes the impact to higher education over the past decade. The estimated budget deficit currently ranges from \$5 billion to \$9 billion for the state, and possibly higher. Anticipated revenues continue to decline. There is a general acknowledgement that the state will be looking at income tax to raise the necessary revenues.

The charts in your LAEA reports beginning on page 27, contain information provided by the Board of Higher Education. Since 2002, Appropriations for Higher Education for Full-Time Equivalent in 2009 Dollars has declined every year. There is consensus in the legislature that they are going to have a capital bill. Our number one capital project is the Stevens Building. It is number 10 on the IBHE list. At a normal level or even less than normal capital bonding program, that project should be included. Down the list at number 25 is our technology building planning money.

Agenda Item 7.d. – H.R. 1, American Recovery and Reinvestment Act (AARA) - February 17, 2009

Since the middle of January, Ms. Buettner said, our office has been extremely busy trying to get ready for the conclusion of the FY09 congressional budget process, the beginning of the FY10 congressional process and the passage of the stimulus bill, in addition to the General Assembly and all the normal machinations of state government. I took the opportunity to summarize the pertinent parts of the stimulus legislation that did pass. There were several and there were the House versions and the Senate versions. This is the conference committee report that the President signed into law on February 17. I want to tell you just a little bit more about how we are handling things here at the university and how I see this coming together for the state. As I said in the previous committee, the largest share of funds on a brick and mortar type concept or that will directly affect the university from an operating standpoint would be found in the fiscal stabilization portion of your summary. It is a \$53 billion national pot of money that has been set aside to help the states balance their budgets. This particular set of funds will be distributed to the governors to use at their discretion. Approximately \$5 billion of that \$53 billion will be taken off the top and used for incentive grants, leaving roughly \$48 billion to be administered by the Department of Education. It is primarily geared toward K-12 and public higher education, which includes community colleges and public universities. For the governors, the primary goal of that funding needs to be stabilizing the tremendous amount of red ink in the statewide budgets in these two categories, K-12 and the public higher education segments. Therefore, the first major decision that Governor Quinn needs to make in distributing these funds is how much of Illinois' share of that money, which is approximately \$2.1 billion, he is going to allocate to K-12 and how much is he going to give to public higher education. The second major decision he has to make is found within those levels. Whatever he decides, those are funds that are to be earmarked for operating deficits and maintaining the FY09 operating budgets of those K-12 and public higher education areas. What is required is that the states produce what they call a maintenance of effort provision which requires the states to maintain the FY06 operating budget levels in order to accept the stimulus funds in this particular area. So while it is recommended that they stay at FY08 or FY09 levels in order to access those funds, the state would be ineligible to receive the funds if they drop the K-12 and public higher education lines below FY06 levels. For Northern, obviously, it would be a several million dollar decrease in our budget to drop to the FY06 levels. So we are working with the Governor's Office to maintain that effort at FY08, and preferably FY09. But, as Ken indicated to you, we have a massive budget problem in the state.

That was the first set of macro level decisions the Governor needs to make. Once those decisions are made, he can, if he so chooses, take all of that \$2.1 billion and put it into the areas I just mentioned, including about 18.2 percent of that money which could go into public safety, education, healthcare as well on the operating side. Or, he could make those funds available to the capital side for repair and renewal and renovation. There can be no new construction dollars spent out of this particular fund.

This is just one fund of probably 30 across the federal government that will have an impact on Illinois and on this university, directly or indirectly. Since we are not direct recipients of much of this money the level of detail and the work involved in coordinating the university's response is apparent. We have to work through the state formulaic distributions. The Governor could choose to put \$1.6 billion into the operating side and about \$374 million into the capital side only for repair and renovation, and those would be the maximum amounts he could choose. He is looking at all of the needs in the state in determining where he is going to apportion this money. When Ken and I met with the Deputy Governor yesterday, we were told that the budget they release two weeks from yesterday will include the distribution of the stimulus funds for the state, as well as their recommendations for enhancements for their regular FY10 budget process. In addition to the stimulus funds, there is competitive money that was created by the stimulus through the Department of Energy, the Department of Health and Services, the Department of Commerce, missed National Institute of Standards and Technology (NIST) funds and the National Institutes of Health (NIH) funds. There are academic research facility funds available for new construction in some of these areas, and we are working with the Provost, Dr. Williams' staff, and Dr. Erman, vice president of research, and many of the deans on how to best utilize these funds. I tasked Lori Clark from my office to be the liaison on the academic side. It is a monumental effort requiring a tremendous amount of administrative time to determine which programs we would be eligible for institutionally and then programs in which some of our faculty may have research areas they may be eligible to apply for. All kinds of rules are being formulated in Washington. For example, NSF is choosing to take many of the already approved projects in the pipeline that have had no money to be funded and allocate a great portion of their stimulus money for that purpose. We are determining how we can get our faculty who submitted proposals, are qualified, and have not been funded because of lack of resources brought back to the top of the queue. NIH has said that they are going to take new competitive academic research facility projects, but distribute the stimulus money geographically. In addition, funds are being funneled through formulaic distributions to the state departments, Department of Commerce and Economic Opportunity (DCEO), Department of Labor, Workforce Training Boards. We are working with individual faculty more in the applied area, many in the College of Engineering, particularly, to set up training programs for people who recently have lost their jobs due to the economy and who need retraining. There is quite a bit of retraining money in these areas, and the university can and already does some of this, but we would be able to offer these kinds of programs more quickly. There is a 120-day turnaround for most of this information, and, unfortunately, some of the rules to access the funds have not yet been completed in Washington. We are watching all of these different web sites and working with these agency officials on a weekly basis so that as soon as the rules are posted, our faculty can make sure they are doing what they need to do to access their research funding. There is a large amount of money in broadband initiatives and you will hear from Wally Czerniak on NIUNet later in the meeting. We are also bringing in faculty from Computer Science and Health Information Technology and building on our broadband success competitively in the rural health network.

Agenda Item 7.e. – 2008 Veteran Education Benefits – Higher Education Opportunity Act – Provisions for Veterans Education

Last fall, the committee decided to spend some time focusing a bit more in depth on each of the major areas of change within the Higher Education Opportunity Act of 2008, Chair Strauss said. In November, we looked at the issue of textbook cost containment, and today we are going to hear a report from Brent Gage on another aspect of the Act concerning Veteran Education Benefits.

I want to take a few minutes to talk about one of the changes that is coming out of the Higher Education Opportunity Act, Mr. Gage said, and that is the post-9/11 veterans education benefits. This is a new and different way for veterans to access their benefits. Clearly, the intent of this program is designed to serve more students because of the vast number who are returning from active duty in a very quick turnaround over the next several years. We also have the Illinois Veterans Grant, which makes the program more complex for us. The Illinois Veterans Grant also provides additional assistance to students in the National Guard, reservists and active duty, who come to Illinois institutions, and that program is run through ISAC. There is new information coming out every day, and we sat through a webinar for Veterans Administration with the University Council yesterday continuing to learn new information on how this program is going to work. The Veterans Administration still has some unanswered questions on the details of how it is going to work. Both the Yellow Ribbon Program, designed to provide greater access to veterans at different types of institutions, and the post-9/11 bill indicate that tuition and fees will be paid at the highest

undergraduate tuition rate in the state. That puts NIU in a very good position, because the highest rate of tuition for this program is \$558 a credit hour, and \$17,530 per semester fee. So students who attend NIU would not be over that amount and need to benefit from additional aid sources.

In looking at out of state students, we found that a small amount of money might be available, and we found that we have never had a veteran law student who did not use any benefits as an undergrad. So, because of our cost initiative, we will be able to serve veterans very well. The other positive is that some students are military personnel who chose not to contribute to the educational fund while serving in active duty, and will benefit more from the new program. It is important that we educate our financial aid staff and work very closely with them to make sure they understand these programs, because once the decision is made on which benefit program to use, it is irrevocable and cannot be changed.

Is important for this Board to know that as wonderful as the Illinois Veterans Grant is, it is horribly underfunded. Last year alone, that program ran out of money and the university had to contribute \$1.4 million to cover that program as an entitlement. Typically we run out of money in that program around November. When the ISAC heads were here, we let them know that more funds should be directed to this program so that the university does not have to become liable for insuring that the students receive the benefits to which they are entitled.

Agenda Item 7.f. – NIUNet Update

Wally Czerniak, Associate Vice President for Information Technology Services, updated the committee on the status of NIUNet. Going back to the turn of the century after we eliminated the Y2K problem, we started to think about the long term and what we were going to do about the Internet. Internet usage and costs were rising at rates that we could not fund and could not keep up with. Internet II was a call for research institutions, and we needed to be connected to it. Unfortunately, after the appropriations finally passed through both houses and after being designated a member of I-Wire, when the money became available, the governor at that time decided not to use it for Internet II and NIU, and moved it elsewhere. Not having access to Internet II caused us to lose grant money and researchers. The next problem was our satellite campuses. When we built these facilities, there were no real operating funds to run them, and they had the bandwidth problem of not only needing to access the Internet, but needing access back to the main campus as well, and we did not know how to deal with that. Lastly, when President Peters came on board in 2000, we began talking about branding NIU – getting the name and recognition out, working with outreach, working with our partners in the region. It was about that time that I became familiar with the policies and practices of John Lewis in economic development, and he and I formed a joint partnership that to this day has been very productive.

So, what were our alternatives at that time? Internet access then was available only through the phone company. You had to buy the pipe and then pay an Internet service provider to connect you to the Internet. When we went to the phone company and asked for more bandwidth to solve both our Internet II problem and our access to the satellite campuses, their recommendation was that we sign a five-year lease with them instead of the month-to-month program. For \$2 million, over the five years they would increase our bandwidth to the satellite campuses to 10 megabits. That would have lasted us only two to three years. Then they said we could roll that money over again and combine it into another five-year lease with bigger payments for bigger pipes. When we asked them about the Internet II cost, the minimum at that time was a 45 megabit connection. Again they came back with this five-year program for over \$2 million that would give us a 45 megabit pipe from DeKalb to downtown Chicago. We looked at those numbers and decided we could not afford it. We were not quite sure what to do, so we decided to forget the phone companies and build our own network.

It was brought to our attention that the tollway leased fiber, and it really was not that expensive. For an initial down payment, the fiber could be leased for 20 years. So with the tollway fiber on I-88, I-290 and I-294, and additional providers leasing fiber into Chicago, we needed fiber down I-39. Without some sort of fiber loop, we would not have the reliability and sustainability needed to sustain a very high-speed network. Just for the I-39 piece, we estimated the cost for NIU to build the fiber at about \$4 million. That would be a total cost of about \$8 million. We realized then that we would have to go into some form of partnership. We also realized that from the time we were previously going to buy the 45 megabit (Mb) link, Internet II had raised their standards to no less than a gigabyte interface. So the 45 megabit we

were going to lease for five years was obsolete before we signed the contract. Then we decided that instead of building this to Internet II standards, which were now outdated, we would take a look at Internet III. When we looked at Internet III, they were doing something called DWDM (Dense Wavelength Division Multiplexing, an optical technology used to increase bandwidth over existing fiber optic backbones). John Lewis and I became convinced that economic development should be tied to broadband, and we began promoting this with partners as an economic development to the region, so that as NIU built its research and public access network, we would build a parallel network for private industry in this entire region, and in so doing, might be able to lower our costs.

Mr. Czerniak showed a map of the networks in Illinois today and explained how they started. The first network was the Illinois Century Network (ICN) that originally was formed by an education coalition. The concept behind ICN was to lease these DS3/OC-12 [a DS3 circuit consists of 28 T1 lines each with the speed of 1.5 Mbps (megabits per second), which is the equivalent of 672 phone lines] circuits from the phone company, create five points of presence throughout the state and then everybody – hospitals, universities, schools – would rent T1 lines (a fiber optic line that can carry roughly 60 times more data than a normal residential modem). We were successful in making DeKalb a point of presence to serve the northern Illinois region. We were able to increase our bandwidth and do things at a lower cost, because it was the first time anything past DS3 was available in the DeKalb community. After ICN came the Municipal Broadband Coalition. This is a group formed by Rochelle, Geneva, Batavia and NIU to lease a piece of fiber and begin testing some technology. That was successful, but we were not getting the traction we wanted. However, it spawned the whole concept of NIUNet.

NIUNet was never a project. NIUNet was a concept. The concept being to build a network parallel with the cities, the schools and private industry, something nobody had ever done, to build the latest technology for everybody to use. The first problem we ran into was that NIU is a not-for-profit, State of Illinois institution, and we could not carry traffic over this Internet that was related to private business. But without it, there was no economic development. That is why the NITT organization, which included Rochelle and Rockford, was created. This whole community was initially put together to build fiber down I-39. It took us three years of lobbying, but IDOT built the fiber, and they are going to begin seriously leasing it this summer.

What did the NITT do, and what did that \$4 million investment for the State do for NIU? The NITT has already attracted over \$210 million worth of capital development to build two major data centers in Rochelle. That piece of fiber which is going to be used and resold has already paid for itself considerably in helping Rochelle and is now leading technology expansion in Rockford. Then we became involved in the neutron center and started looking at the hospitals. We worked with Swedes and Freeport. Swedes leased a fiber pair from Rockford all the way to Iowa. In consultation with us, they are building this network. It is in service, they have connected the Freeport Swedish Hospital, and they play an integral part in how we came to the next network piece, which is the Illinois Rural Health Net. An infrastructure-only grant was issued by the FCC through which they would pay 85 percent of the construction costs for high-speed broadband to rural areas in the country. We talked to the Illinois Century Network about bidding on this, but they had no interest in doing so. So NIU Broadband and ITS went to the rural hospitals. We formed a coalition with them and put together this request for the money. We were awarded the \$22 million, but we have not received it yet. After House and Senate approval for \$2 million, it sat on the governor's desk until Governor Quinn took office, and it was one of the first bills he signed. For the six years Pat Quinn was lieutenant governor, our broadband and ITS people along with John Lewis went to Springfield and worked with him promoting broadband as an economic development tool. Why Governor Quinn is excited about this and why President Obama talked about broadband in his initiative is because our people spent the last six years saying this is how you are going to drive economic development in rural areas. We are very hopeful that we will be able to begin drawing this \$2 million out for this project within the next two to three months.

Our newest network is the Northwest Municipal Broadband Association, consisting of school districts in Hoffman Estates, Schaumburg and Elgin. They are now building a consortium of networks to share the costs of installing fiber and connecting to the tollway. If an organization is nonprofit, they will be connected to NIUNet; if the organization is a for-profit, it will be connected to NITT. Herb Kuryliw is NIU's senior network engineer and helped design all of these networks. He and I travel around the country teaching others how to build these networks and operate them in a way nobody has ever done before.

Nobody has ever brought the Internet to technology directly in parallel with research. It has always been do research first, spend all that money and five years later the technology starts to trickle down to the public Internet. We have changed that.

This graph showing the activity of available capacity on an Internet access shows that until 2005, all the lines were together, Mr. Czerniak said, because no matter what was done, we were always at capacity. In 2006, we opened up the first phase of the project and connected a one-gig link between NIU and the Starlight Center at Northwestern University in Chicago, making that traffic available to the campus. In 2007, after we opened up the link to Starlight, we activated a second gig link, connecting to the public Internet and increased our bandwidth. The years 2009, 2010 and 2011 show projections to increase our bandwidth in increments up to a ten-gig link.

We were spending \$220,000 a year for a total of 107 megabits to ICN, Illinois State network and public Internet. For each of our remote campuses, we ran three T-1 circuits for an average of 4.5 megabits, at \$72,000 a year. So our aggregate cost was \$292,000 annually or a five-year cost of \$1.5 million. The next column represents the phone company proposal to add a 45-megabit link for Internet II and to upgrade our speeds from 4.5 to 10 megabits at our remotes. That was going to cost us a million dollars a year, with a five-year commitment, or a total cost of \$5 million.

When we decided to build it ourselves, the costs appeared too high. We created this concept of NIUNet as partners. Our costs to build the first piece we opened in 2006 was about \$682,000. That bought us two-gig access all the way to downtown Chicago, and it costs \$54,000 a year to maintain that link. Most of this was either building the fiber or leasing it from the tollway. Now we have a 20-year life on this product.

The second phase of the plan, once we knew the fiber was going to be built along I-39, was to get that fiber and connect Rockford and Hoffman Estates. We incurred a one-time cost of \$622,000 with an annual cost of \$28,000 a year. That made our cost for this project over five years about \$1.7 million to date. That includes upfront and annual costs paid out of our operating fund. We charge our partners a usage fee to maintain the network and to maintain support, but they pay for their own connection costs. The next project is Rural Health Net. We are going to focus on building this network out, and it will enable us to build in redundancy. Every piece we buy from now on will be paid for by those funds. We will do it in such a way that the funds pay for the leases or the fiber build, and then we will own it. In order to help the campuses now, we charge a phone rate and an Internet fee for our services. We have been charging \$11 a month for a 10-meg network connection to the faculty and staff since we built our first network in 1995. A Comcast link at home costs about \$40 to \$50 a month for a six-meg download and a one-meg uplink at best. NIU's is a full duplex 10-meg connection. On April 1, we are announcing a rate decrease on our 100-megabit line from \$19 to \$15 so that our faculty, researchers and labs can use the savings to upgrade their speeds and take advantage of this network. We are going to roll that out across the board. NIU is a leader in what we have done.

I appreciate having the history and context because we have had discussions about this come up during the time that I have been on the Board, Chair Strauss said, but this is the first time the entire context has been visible, and I think it was important and valuable to take the time to do it today. I thought it was an excellent, very informative presentation, Trustee Butler said, and my questions were answered.

OTHER MATTERS

Steve Cunningham briefed the committee on the status of potential legislation concerning consolidation of the State pension systems.

Senate Bill 1734 is the Illinois Public Employees Retirement System (ILPERS), that Senator Shoenberg introduced on February 19. The proposal is a recurring theme, and the logo on your information sheet appeared on the State Treasurer's web site late last year. However, this time it has been somewhat better organized than in the past. It would combine the investment funds of the five public pension systems in Illinois into one system called ILPERS. Right now, there are three funds – the State Universities Retirement System (SURS); the Teachers Retirement System (TRS); and the Illinois State

Board of Investments (ISBI), which currently manages the General Assembly, the judges and the State Employees Retirement Systems (SERS) – and these are summarized in a table at the bottom of your handout. Both SURS and TRS oppose the initiative. Generally, the proposal has three characteristics. It is imbedded with ethics and transparency legislation, and we need to disengage the ethics component, which they favor, from the pension investment fund component. Those are two separate issues, so the SURS would propose to make these two separate pieces of legislation. The second characterizing issue is the state of the economy. As of June 30, 2007, the pension funds managed over \$70 billion in assets. The most recent figure as of the end of 2008 is \$50 billion. That is a \$20 billion change in investment holdings, mostly over the last six-month period. This has created a great deal of focus on pension systems. That loss increased the 50-year unfunded liability from \$50 billion to over \$74 billion. A third issue is the State Treasurer's interest in getting behind the initiative, organizing it and supporting it legislatively. Again, both the SURS and TRS oppose the measure because they favor the ethics components but not the comingling of the investment funds. Another concern is that creating such a large fund might generate an even greater tendency for initiatives to take money from the funds.

In response to a query from President Peters, Dr. Cunningham stated the appearance that SURS administrative expenses were higher than the other systems was misleading. This information was taken from the ILPERS web site, which is on the State Treasurer's web site, and those combine a number of expenses that are not actually expenses relating to the fund. They include legal expenses and certain other fees that are accounted for in the investment expenses for some of the other funds. On the second page you can see the SURS has summarized its long-term competitiveness with respect to actual investment expenses as a percent of assets. Therein, from among the five funds, SURS has been the lowest consistently since 1991.

As a follow-up, Ms. Buettner stated that the Commission on Forecasting and Accountability for the state released a new report yesterday. This issue is part of the budget problem, and it is going to dominate discussions after the Governor gives his budget message on the March 18. Yesterday, the commission said that the total unfunded liability for all the pensions systems for the state is \$73.4 billion. That is up \$30 billion in unfunded liability in just three years. They said the State Employees Retirement System had a funded ration of 52 percent in 2006, and now it is at 34 percent. They have had a negative 21 percent return on investment in 2009 alone for SERS. TRS, basically, had a 41.4 percent funded ratio. They already have lost over 25 percent of their value in FY09. The point is that the pension systems are very near collapsing, and because of the inattention and many issues in the General Assembly, as well as the unfunded liabilities combined with the market forces at hand, something major will have to be done in the General Assembly within the next year or two to tackle this problem. This bill may not be the answer, but it is getting momentum, and from the SURS perspective, it is probably not the best answer.

NEXT MEETING DATE

The Chair announced that the next regular Legislation, Audit and External Affairs Committee meeting will be held on Thursday, June 4, at 11:00 a.m. in DeKalb.

ADJOURNMENT

Chair Strauss asked for a motion to adjourn. Trustee Butler so moved, seconded by Trustee Strauss. The meeting was adjourned at 12:49 p.m.

Respectfully submitted,

Sharon M. Banks-Wilkins
Recording secretary