

Minutes of the
NIU Board of Trustees
LEGISLATION, AUDIT AND EXTERNAL AFFAIRS
COMMITTEE MEETING
June 4, 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 and Chair Strauss. Not present were Trustee Myron Siegel and 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

Student Trustee Smith made a motion to approve the agenda. The motion was seconded by Trustee Butler. The motion was approved.

REVIEW AND APPROVAL OF MINUTES

It was moved by Trustee Sanchez and seconded by Student Trustee Smith to approve the minutes of the March 5, 2009 meeting. The motion was approved.

CHAIR'S COMMENTS

Chair Strauss welcomed University Advisory Committee representatives Jay Monteiro, President of the Operating Staff Council, and Bobbie Cesarek, President of the Supportive Professional Staff Council. I want to publicly thank and commend both of you for your assistance and responsiveness to this committee and its staff during the past two months, as state budget, pension and healthcare issues have been under discussion in Springfield, the Chair said. Your counsel and assistance are deeply appreciated.

We know that it is a very difficult time for all as we wait to learn exactly what ultimately will transpire in Springfield, Ms. Cesarek said. But we appreciate being included in all of the discussions and having the opportunity to communicate details directly to our constituents. Of all the things that could have been realized in Springfield in the last couple of weeks, Mr. Monteiro said, we are very happy that they did not clear the entire Board of Trustees.

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

We have a full agenda today, Chair Strauss said, but before we begin, I want to recognize Ken Zehnder for his tireless work on behalf of NIU students, faculty and staff in Springfield. He is a good advocate for

the NIU community, and despite the uncertainty in the budget outcome, he perseveres to assure that NIU's interests are represented to the policymakers on both sides of the aisle.

Agenda Item 7.a. – Investment and Cash Management Policy Revision

Bob Albanese, Associate Vice President, Finance and Facilities Operations, stated that over the past few years, there have been changes to both state statute and some government accounting principles. After reviewing it for over a year, we decided to revise our Cash Investment Policy. Our investment team, which includes Tammy Farley, Keith Jackson, Dr. Williams and me, sat down and made some recommendations for changes that were approved and that should put us in good position for the Fiscal Year 2009 audit. We made housekeeping changes that put us in compliance with both state statute and the revised Generally Accepted Accounting Principles (GAAP) 40. The changes, which protect the university's assets, were outlined and supplied to the Chair of the Legislation, Audit and External Affairs Committee. Under Tamara Farley's leadership, protection of principle is our number one goal, and we have not lost one dollar in principle. That is amazing given the current financial environment.

I appreciate your following up on this, because it was something that was described in last year's audit report, Chair Strauss said, and I am grateful that we were able to get this taken care of before we enter the next audit cycle.

I have the privilege of being on several not-for-profit boards, including this one, Trustee Sanchez commented, and this is the only one that can make that statement on investments. The not-for-profits I serve on include hospitals, Boys and Girls Club, Junior Achievement, etc., who brag about the conservative approach they have to investment, and none of them have had less than a double-digit loss of principle over the last year. So that is an extraordinary observation you just made, and I applaud you and your committee for that.

Agenda Item 7.b. – Contract for Services in Fiscal Years 2009 and 2010 - Northern Illinois Research Foundation, A University-Related Organization (URO)

A meeting has been scheduled for this afternoon to resolve some remaining outstanding legal issues to enable the affiliation agreement for contract services between Northern Illinois Research Foundation and NIU to be reported at the NIU Board of Trustees June 25 meeting and to be executed by June 30, 2009 for Fiscal Years 2009 and 2010. In the absence of any objection, Chair Strauss said, I would like to skip this item. There were no objections from the Trustees.

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

Ms. Buettner announced that the Board members should have copies of a revised General Assembly Report that is current as of the end of the legislature's last meeting, about 3:00 a.m. Monday morning.

In reviewing my comments from the last Board meeting, I had remarked about what was a changed atmosphere in Springfield, noted Mr. Zehnder. I will not retract those comments, but I think we are all wondering how much really has changed. It has been a long session, and it is not over yet. This is the first year of the 96th General Assembly. May 31 was the deadline for regular session. Any bills passed now require a three-fifths vote. Very broadly, the major issues are capital funding, ethics and campaign reform, deficits and backlog, and cuts and tax increases. Over 7,000 bills were introduced, and 837 of those bills passed both the House and the Senate. Only 38 bills have been sent to the Governor so far. The legislature has 30 days to pass the bills to the Governor, and then he has 60 days to review and act on them.

House Bill 656, the Harper bill, is one we have been dealing with for four years. It passed the House and Senate committees. It passed the House. The bill was not called in the Senate, though they had several opportunities to call it. There is indication that the sponsor wants to continue to move that bill. An alternative to the Harper bill was Senate Bill 1883, the Collaborative Baccalaureate Degree Program run by the Illinois Board of Higher Education. This bill creates a development grant that would provide incentives for the community colleges and the universities to work together and offset instructional costs. That bill passed subject to appropriation, but no funding has been provided.

On financing issues, there was a lot of discussion on House Bill 1200, the State Universities Certificate of Participation Act. Speaker Madigan wanted to restrict the carryover of contracts, and did not want to exempt universities from the general bill restricting those carryovers. An exemption for the universities was provided under the Certificate of Participation (COP), which recognize the unique circumstances in which universities operate. Debt service limits were put on what the university can issue.

We have dealt with a variety of bills. We had negotiations with the State Medical Society regarding Senate Bill 1483 on the use of endoscopes. An agreement was reached and passed, which specifies how our Speech and Hearing Clinic can use those instruments. Senate Bill 1624, Veterans Campus Service, passed. It will require the university to do a survey of benefits or services we offer to veterans, and a coordinator to be designated. There were bills on campus safety sponsored by Representative Pritchard to add communication with the school districts and government agencies contiguous with the campus. House Bill 382 dealt with a Nurse Educators Scholarship which was funded at \$2 million. House Bill 738, the bill on Loan Forgiveness Programs for STEM teachers, remains subject to appropriation. Through a quality review, consistent parameters are being set in an effort to establish dual credit for high school students taking college level courses. The Longitudinal Data System Act was another initiative through the IBHE's Illinois Public Agenda, a coordinated effort between State Board of Education, the Illinois Board of Higher Education and the Illinois Community College Board to collect and maintain data throughout a student's career. Senate Bill 1333, the appointee termination bill, was carried by Senate President John Cullerton. It passed the House. It went to the senate, was debated on the floor and then pulled out of the record.

Dr. Steve Cunningham, Associate Vice President for Administration, briefed the Board on legislation regarding procurement and pensions. These are widely divergent topics, he said, but they both speak to the status of the issues and to the sweeping nature of reforms and actions being taken by this General Assembly. I will summarize quickly, beginning with pensions. You have a Fiscal Year 2010 SURS Pension Reform Proposals Fact Sheet. That is an updated fact sheet developed in collaboration with the other public universities and the State Universities Retirement System (SURS) that is used statewide to help inform the debate on issues related specifically to the SURS. We entered the fiscal year with record unfunded liabilities. The State of Illinois had gone from a \$15 billion unfunded liability across all the pension systems in Fiscal Year 2000 to a \$55 billion unfunded liability in the current fiscal year. That was the condition that preceded the current economic crisis, and it was driving unparalleled required state contributions for both the normal cost, which is the current annual cost of accruing retirement benefits, and the long-term unfunded liabilities caused by over 30 years of policy decisions to not fully fund the pension systems. The result of that is the funds grow fragile, they grown thin and have to be invested in different ways because they are divested every year to pay benefits. For example, in the most recent report in February, the SURS fund was down to about \$9.66 billion, and \$1.3 billion is required every year to pay benefits. When a pension fund becomes that thin, there are a lot of affects, one of which is the massive growth of unfunded liabilities based on future demands for the system and also, at the same time, the necessity of selling assets.

As we approach Fiscal Year 2010, the economic crisis exacerbated the status of the funds and the unfunded liabilities, and we had political crises in the state of Illinois. Both of those factors have substantially increased the scale and the frequency of proposals with respect to the SURS. In the last meeting of this committee, we discussed and reported on the proposal to combine the pension systems into the Illinois Public Employee Retirement System (ILPERS). That has not passed, but it is still in committee. One proposal would combine management of the funds. Other proposals would combine all the systems. The Governor's budget proposal for Fiscal Year 2010 carried with it certain assumptions. First was the assumption of a two-tier pension system for all of the State of Illinois, thus, a uniform, very conservative set of defined benefits for all state employees, including higher education. For the SURS, it is probably the greatest departure from current benefits compared to the other systems. That was valued at a long-term actuarial liability of \$192 billion, the second tier. Therefore, the savings in state contributions were brought forward to help balance the FY10 budget by reducing pension payments by about \$3 billion. It also relied upon a so-called pension holiday of paying the unfunded liabilities due in FY10 based on the current funding formula, which was about \$1.5 billion and \$200 million in savings from employee and annuitants' health insurance premiums. The Governor's budget proposal was then incorporated into Senate Bill 1292. At the same time, Public Act 96-0006 was passed by the General Assembly and signed into law in a period of three days. It was a massive and complex public act that

reorganized the Pension System Boards. It terminated the board appointments for the State Universities Retirement System (SURS) and the Teachers Retirement System (TRS) and reappointed new boards that are combined through gubernatorial appointments as well as elected trustees from participants. It also has extensive language with respect to pension fund investment parameters, reporting, accountability, and the use of emerging and diverse fund investment advisors. Basically it took the ethics components of the Illinois Public Employee Pension System proposals and passed them leaving only the consolidation components still outstanding.

Among the pension systems, the SURS has generally the lowest average annual salary going into the pension formulas. That is largely because of the number of part-time employees in the community college context, and the lowest average service, near the lowest age of retirement, and the lowest resulting benefit. So SURS is not the Cadillac of the systems in formula-driven benefits.

The three largest systems are the Teachers Retirement System (TRS), the State Universities Retirement System (SURS) and the State Employees' Retirement System (SERS), respectively. The state contributions to these systems from largest percentage to smallest is SERS, Judges' Retirement System (JRS), General Assembly Retirement System (GARS), TRS and SURS. This is very important when we talk about the cost of SURS in comparison to the other retirement systems, efficiency of the system, level of benefits and what is often referred to as the state subsidy to the retirement systems. The employer contributions show that SURS has the lowest employer contribution compared to the other four systems. The reason for this differential is that SURS has not participated in the many early retirement initiatives implemented for other state employees, especially in the Teachers Retirement System and the State Employees Retirement System. Those resulted in massive unfunded liabilities in addition to the state contribution lapses. Additionally, the State Employees Retirement System is coordinated with Social Security, the State Universities Retirement System is not. So SURS is the only retirement platform that higher education employees participate in. When we look at the level of benefits and the level of state contributions and the efficiency of the system, SURS is a very conservative retirement system. The next slide takes the unfunded liability situation and demonstrates the per capital contribution of state unfunded liabilities per system. Again, it is another way of demonstrating that SURS participants are, by a significant amount, the lowest contributor to the unfunded liability problem.

A study was conducted of the public retirement systems across the United States, and SURS ranks in about the second quartile, if that, with respect to the level of actual benefits provided. Remember, there is no Social Security backup for university employees, and many of the systems across the United States do have that backup. The bottom line is that right now, and this is an important point, Dr. Cunningham said, even Senate Bill 1292 does not change benefits for current employees or retirees. That is a recognition of the constitutional pension protection clause, which is very firm in the State Constitution. We were pleased to see that reflected in the legislative proposal, although we are concerned about a two-tier benefit, especially for higher education which must participate in the national markets, because the competitiveness of the retirement system is critical. Labor, the pension systems, taxpayer foundations and various constituencies all agree that funding is the primary issue. Without adequate funding or dedicated funding to the pension systems, these unfunded liabilities will continue to corrupt state budget processes year after year. I do want to mention that Senate Bill 1186 was passed late in the session. This bill would restore full funding for the retirement systems for Fiscal Year 2010. It is now on the Governor's desk.

The Governor's budget proposal stated a \$200 million savings in state employee health insurance costs, Dr. Cunningham said. That carried with it the criteria that under this proposal the state would only pay the subsidy for HMO coverage. No longer would it pay the employer premiums for the regular indemnity program Preferred Provider Organization (PPO) coverage. For an average employee, that would result in a significant premium increase averaging over \$200 a month. No legislation was passed. It is more a policy issue with Central Management Services rather than a legislative issue. We are in a current benefit choice period, and there have been no changes announced to the premium structure. CMS has informed us that if there is a change, there will be another benefit choice program for employees so that new premiums can be announced and considerations made. The problem with financially forcing many employees into the HMO system also relates to the HMO network, and we have fine HMO providers in the region. The problem is, are there enough of them? Is the network extensive enough and robust enough to handle such a major change in demand? For annuitants, the proposal is even more serious

because most annuitants do not pay significant health insurance premiums. Most annuitants are covered by a formula that pays the full cost of health insurance at a rate of five percent per year of service, so at 20 years, the premium is fully paid for an annuitant. This proposal eliminated all of the state subsidy for annuitants, resulting in what has been calculated at between \$6,000 and \$7,000 per year for the average annuitant. Approximately 90 percent or more of NIU employees participate in the standard PPO program, due in part because of the region and the network of providers in this specific region. We rely on CMS to negotiate both the HMO and PPO network contracts, so the extent of availability of those options is entirely dependent upon the work of CMS.

As was mentioned, Ms. Buettner said, this is not a legislative proposal, but it is subject to negotiation with CMS, the Governor's Office and other parties. If this does go through, it will have a tremendous affect on the take-home pay of every employee here at the university. Dr. Cunningham noted that web sites through the President's and the External Affairs Offices are also keeping budget and benefit information current for employees.

Senate Bill 51, on Procurement, passed both chambers of the General Assembly and is awaiting the Governor's signature. This is another sweeping bill in procurement, a massive restructuring of procedures for procurement and also procurement transaction authorities and roles. Currently, under the Procurement Code, the public universities follow regulations set forth by each university's Board of Trustees and delegated to the university organizations to comply with the Procurement Code and to enter into procurement purchase contracts.

Dr. Eddie Williams, as NIU's Chief of Operations for Business and Finance, is generally responsible for and has the procurement contracting authority. I am the State Procurement Officer and generally responsible for maintaining policies and procedures for procurement that are consistent with the Procurement Code and to deal with transactions as needed with other intergovernmental agencies, including the Illinois Public Higher Education Cooperative (IPHEC), and the Procurement Policy Board. Al Mueller is our Director of Procurement Services. Rebecca May is our Procurement Manager. Norden Gilbert, University Legal Services, is our contract administrator and monitors our contracts for compliance with the Procurement Code and other applicable regulations. Ken Davidson has had a great deal of interaction over the years with the IPHEC consortium, especially with risk management and liability insurance. The system that has evolved goes back to 1975 when IPHEC was started. In 1988, the original Purchasing Code was repealed and the Illinois Procurement Code was enacted and added several components. Among them, the designations of the procurement officers and a chief procurement officer (CPO) for higher education that was, through agreement among the universities and the presidents, assigned to an executive vice president at the University of Illinois. Northern Illinois University and the other public universities participate in the IPHEC consortium and the higher education bid bulletin under the Procurement Code, which also is staffed and operated out of the University of Illinois. All the public universities pay a participation fee every year to help staff that system, which was developed as a result of the reforms of procurement in 1998. When the current Illinois Procurement Code was established in 2003, the State Officials and Employees Ethics Act was implemented and that brought significant additional procurement regulation. The procurement system is heavily regulated and very transparent. Higher education is a unique market for procurement, the types of goods and services, grants, academic activities and research, and the system that exists has been a very effective system for higher education.

As Mr. Zehnder said earlier, Senate Bill 51, one of the cornerstones of the current legislative environment, is ethics reform, Dr. Cunningham said. Procurement reform was one of the stated components of ethics reform, especially responding to code agency issues regarding the granting of contracts and political influence. Senate Bill 51, however, also includes higher education the same way it does the code agencies, allowing no differentiation, as there has been to this point, in the operations of higher education procurement compared to the code agencies. There are two primary areas of change in Senate Bill 51, procedural changes and major changes in roles and procurement authority. Sole sourcing is a key issue, since we do many sole source procurements with a specific vendor or servicer named in a grant. The Procurement Policy Board, established in 1998, authorizes all procurements. They have the statutory right to review every procurement transaction, especially sole source transactions, and can delay those for 30 days, however, they usually waive them quickly.

The most significant issues and changes with Senate Bill 51 are the changes in authority and in enrollments. As mentioned, currently, there is a chief procurement officer for higher education. The Procurement Code previously stated that was an appointment made from the university context and that officer worked with the state procurement officers in each agency, in each university and with their procurement operations as directed by each university. The current code has the affect of recognizing the autonomy of the boards of trustees and the university organizations regarding procurement so long as we comply with the Procurement Code.

Senate Bill 51 creates a new Chief Procurement Officer who is assigned full authority for procurements under the code. The authority that has been granted to agencies and universities is lined out in the amendment, and it is granted to a new chief procurement officer for higher education. That procurement officer exercises all procurement authority, and as described in the bill, is more a trained procurement professional than an administrative professional with several other duties. The CPO then directly appoints all of the State Procurement Officers (SPO) at each university. Instead of the agencies and universities appointing their own officer to manage procurement functions, this position under the current act would report to the chief procurement officer, be appointed by the CPO, be paid at a rate determined by the CPO, but be housed in the university organization. Additionally, the new code calls for appointment of the CPO by the State Ethics Commission. The CPO appoints the SPO's and then there is another level of staffing called Procurement Compliance Monitors. These are independent appointments by the Ethics Commission, also per the statute, housed in the university organization and paid at a rate determined by the Ethics Commission. Those positions perform the work our attorney is presently doing, reviewing contracts, assuring that they are compliant with the procurement code. But the duties laid out for those positions go further in reporting inefficiencies and any deviations from the Procurement Code procedures. Finally, the Governor's Office creates an Executive Procurement Office, which is headed by an Executive Procurement Officer. This bill has several layers of oversight and administration for procurement. For higher education, this is very significant because the current procurement system has evolved to serve the unique procurement requirements of the higher education sector, somewhat similar to the pension issue.

In reply to Chair Strauss' query on the current status of Senate Bill 51, Dr. Cunningham stated that it has been sent to the Governor's Office for approval.

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

The full funding of the pension system is basically following the guidance of the formula that was set out in statute for funding the pension system in 1995. Now it would take legislative action to change that and it would require a three-fifths vote.

Five appropriation bills were passed: One for general services, one for public safety, one for higher education, one for elementary education and one for human services. House Bill 2132, the higher education appropriation bill, passed with a line out of general revenue funds, the standard line, for about \$103 million. Then it provided two line items for personal services with stimulus money, one for about \$2,750,000 and the other for \$3.5 million, for a total of approximately \$109,200,000. We also had our NIU license plate fees in a separate bill, House Bill 2206, totaling \$36,000. The higher education piece is fully appropriated. The others are not. The question is how to raise the funds to pay for the appropriations. There was a fund sweeps bill that raised close to \$400 million that passed both houses. There were two major tax increase bills proposed. Senate Bill 2252, Governor Quinn's proposal, essentially a temporary income tax of 1.5 percent. That bill failed in the House. For a couple of years they have been trying to pass Senate Bill 750, called Swap Income Tax for Property Tax Relief, sponsored by Senator Meeks. That bill became the alternative bill, House Bill 174, although it was slightly different and expanded the income tax two percent for a total of five percent on individual income tax that essentially left the corporate income tax as it was. That bill was not called in the House. It did pass the Senate. Two capital bills were passed. One was House Bill 312, the main capital bill that included \$30 million for NIU. Included in it was renovation money for Stevens Hall, planning money for the tech building and deferred maintenance monies. The other capital bill was House Bill 313, which provided \$8 million for the Cole Hall renovation. The legislature did a parliamentary procedure on both of those bills. Even though the bills passed both chambers, they filed a motion to reconsider which means they are going to hold the bills and not start the clock on the timeframe to release the bills to the

Governor. Those two capital bills were funded by a separate piece of legislation, House Bill 255, and there are motions to reconsider on those as well.

The leaders met earlier this week in Springfield and are meeting today in Chicago. July 1 is the doomsday budget date that the Governor said he will try to allocate what has passed to date over a full year. The legislators view this as only half a budget, and they will come back, perhaps in the Veto Session, and reconsider, if things remain as they are.

I have an update on a few things that have transpired in the past 24 hours, Ms. Buettner said. To put the budget in context for NIU, in House Bill 2132, our actual General Revenue appropriation is \$102.9 million. The rest is stimulus money that is basically holding us harmless financially on an operating budget level for FY10. When we start the budget process for FY11, which will be soon, we will be starting with a base of \$102.9 million, and the way the state is operating at this point, unless there is a tax increase, we will probably see a decline from that base. So, we need to view this particular budget as we are technically held harmless because of the presence of the stimulus funds. However, those are one-time funds. The Governor in his application to the federal government to access those funds chose to allocate them over Fiscal Year 2009 to help fill the deficit on a statewide level and to help in FY10. There is no more money left in Illinois' allocation of federal stimulus funds for FY11. Therefore, President Peters, Dr. Williams and Provost Alden and this Board need to determine how we are going to allocate those funds. Yesterday, the Governor sent a letter to all code agency directors, which does not include the universities, indicating that they needed to prepare for 25 percent budget cuts. We hope that at their meeting today the leaders will come to some sort of resolution of these issues before July 1. Another problem for the universities this year is that the bill containing the operating funds for the code agencies also includes the Monetary Award Program (MAP) money for all college students in the state of Illinois. This particular bill is on hold right now and in limbo at a 50 percent level. A total of 10,254 students who attended NIU this past year received MAP awards. The total of those MAP awards to NIU last year was \$20.3 million in funding. The presidents talked about this earlier in the week at their meeting of the public university presidents and chancellors. If things do not change, ISAC has to make the decision to either give out full awards for one semester or give out partial awards for two semesters. They asked the universities to share with them the amount of funding institutionally provided to the undergraduate students to supplement MAP funds and enable our tuition to be more affordable to those in need to aid in that decision. The numbers we provided to ISAC yesterday show that between General Revenue and Income Fund allocations, including our waivers, the university supplies \$8.8 million in assistance directly to students every year. This code agency budget issue is huge for those on the social service side and for the providers, but it is also an issue for every single student who goes to a college in the state of Illinois and receives a MAP grant, and for NIU students in particular. In receipts and numbers of students in the public university system, we are the third largest MAP Grant school behind the University of Illinois in Champaign and the University of Illinois in Chicago. Our students are hit very hard by this, which also affects our tuition and income fund areas.

It is a difficult task to decide what our tuition numbers are going to be, Chair Strauss said, and which capital projects we are going to be able to pursue with so much undecided. However, I speak on behalf of the committee in saying we fully understand the complexity of these problems. It is apparent that the right questions are being asked, and we look forward providing whatever guidance we can.

Agenda Item 7.e. – Federal Report – Fiscal Year 2010 Administration Budget Summary

Since the transparency rules have been implemented in Congress, Ms. Buettner said, we are now able to determine the actual faculty research projects that each individual member has selected to sponsor for potential funding through the congressional budget process. Our office works very closely with the President, the Provost and the deans to try to find additional revenues at the federal budget level for some of our faculty research initiatives. We have faculty research projects that have been sponsored by four or five members of the congressional delegation, both Republican and Democrat, as well as Senator Durbin, involving the Department of Defense bill, the Energy and Water bill, the Transportation bill and the Labor HHS bill. We will learn how successful those are by September. The fiscal year for the federal government starts October 1.

In your reports is a summary of the budget that has been put forth by the Obama administration. It was a little late this year due to the transition. He put in a placeholder budget initially and then released the formal budget in May. The number one issue for higher education that probably will affect our students and our financial aid departments is a very positive issue, and that is the administration's commitment to turn the Pell Grant program, the number one financial aid program at the federal level, into an entitlement program instead of a discretionary line item. As a discretionary line item, it does not work well for financial aid and planning, so the idea of putting it into an entitlement program will be advantageous for our students. It is very controversial and very expensive to do this because the more you shift to the entitlement side, the less there is to adjust on the discretionary side when implementing budgets. The maximum Pell Grant Award is being increased to \$5,550 for the next academic year as part of this budget proposal. They are also trying to instigate a formula that will increase the MAP Grant in a formulaic distribution at the same rate as the Consumer Price Index plus one point.

The DOE budget is significantly increased over all through the Office of Science with a 7.2 percent increase. We are pleased with the 2.9 percent increase in high energy physics. Not only does some of that money go into our programs, but it also supports Fermi and Argonne National Laboratories. Over 20 percent of national the budget for high energy physics in the Office of Science is allocated to Fermi and Argonne.

During our last meeting, we discussed the fact that the NIH had a \$10 billion infusion in stimulus funds. Federal investment in the National Institutes of Health (NIH) was significant with a \$442 million increase over the FY09 level, and they have expanded it in several areas: cancer research, nanotechnology, safety, bioethics, autism research.

The final update I want to give you is on the Broadband Programs from the National Telecom and Information Administration through the Department of Commerce. Billions of dollars in funding are available for broadband in the stimulus funds, and this particular budget from the Obama administration also significantly increases the regular appropriations for these areas, Ms. Buettner concluded.

Agenda Item 7.f. – NIU Initiatives Related to ARRA Health and Information Technology

The federal stimulus legislation provides billions of dollars of new competitive grant opportunities for universities throughout the nation, Chair Strauss said, and I asked Wally Czerniak and John Lewis to provide the committee with a report on a new NIU initiative they are developing to build on the university's existing expertise and broadband and health information technology.

It is worthwhile to reflect a little over the last four years, Dr. Lewis said. Wally and I started working together four or five years ago and thinking about the role of information technology in economic development. As a result, we had many conversations with the region about what the technology needs were and how those technology needs were important to the ongoing economic development of the region. Out of that grew NIUNet, a network to serve municipalities and not-for-profit organizations throughout northern Illinois, and that has been tied into a variety of other small technology networks – one along the I-39 corridor from Rockford to Rochelle, one from Rockford to Freeport, and several in the suburbs. They are all tying together now so that the connectivity throughout the region has significantly increased. Following that, in 2005, within the Regional Development Institute, we also initiated a broadband program, and brought aboard some individuals who had experience in telecommunications and telecommunications technology and started offering a set of consulting services. But these were consulting services for not-for-profits, government organizations and those organizations that typically would not have access to the type of expertise we brought into the university.

The real opportunity came in 2007 when there was a national competition through the Federal Communications Commission to develop healthcare technology networks to serve rural healthcare organizations. With the help of people within the university and the University of Illinois, Southern Illinois University and a variety of hospitals around the state, a proposal was submitted to the Federal Communications Commission, out of which came a \$22 million grant to develop a network that will tie together 85 rural hospitals throughout the state of Illinois. That came into a not-for-profit organization in the state of Illinois, but NIU is continuing to provide ongoing expertise and management, and will be continuing to get subgrants from that organization for the services we provide.

Things are moving well, and out of that we are extremely well positioned as this information technology money becomes available through the American Recovery and Reinvestment Act (ARRA) to bring some of those resources into the university. For a number of years, we have worked with the South Suburban Mayors and Managers Association. We helped that organization write a grant request that it is submitting to the State of Illinois for stimulus money to develop a broadband network in the south suburbs, and the university is written into the grant. We currently are written into between 10 to 15 initiatives for technology money by municipalities throughout the state of Illinois. In addition, we have submitted proposals for technology funding, and one of those would create an Institute for Rural Health Technology. We have also submitted a proposal to the state to fund the development of broadband strategic plans for all rural counties in the state of Illinois. We did this for Macoupin and Montgomery Counties in southern Illinois last year by providing ongoing technical expertise to the counties to identify where the existing fiber is and what technology – fiber, broadband or wireless – they should use.

In the last week we have received a contract from the City of Chicago to be their consultant for Virtual Shield II. Virtual Shield I is the program that put cameras through the city of Chicago for security purposes. Northern worked with the City of Chicago for Virtual Shield I, and they have given us a contract to advise them, help them write the RFP and help them review bidders for Virtual Shield II. We have just received word that Cook County wants to have an intergovernmental agreement with the university to provide technical assistance to them in developing a long-range strategy for developing a broadband network in Cook County for continuity of government and security. That will not only tie together the units of Cook County located throughout the county, but it will also tie together the public health organizations such as the Cook County hospitals and the clinics with the broadband infrastructure. We believe we have put together a group of resources on campus that can effectively serve the needs of the region.

Agenda Item 7.g. – Fiscal Year 2008 Fiscal and Compliance Audit

As part of the audit process, Bob Albanese, said, our auditors spend a lot of time looking at procurement transactions and how we process those transactions at NIU. We have not had an audit finding in the last four or five years in the procurement area. That is a reflection of a university that handles the procurement function very well. The release date on the audit report for Fiscal Year 2008 was May 28. Normally we like to get these reports much sooner. That means the whole audit process for Fiscal Year 2008 started in May and ended in May. We are constantly negotiating with the Auditor General and our external auditors to tighten up the schedule and have this audit done much earlier in order to be able to report back to the Board earlier in the year. The highest number of compliance findings for a public university in Illinois for FY08 was 20 and the lowest was two. NIU had four, and we ranked third lowest out of nine public universities in the state of Illinois. We are always disappointed to see any findings and will continue to work to eliminate the findings.

Of our four findings, three are repeat findings. One was in the Human Resource area, where we have a pilot program to figure out some system of time entry that will be acceptable to the auditors. We have had discussions with the Comptroller's Office to change their deadlines on reporting cash and investment balances so that we would be in compliance. Every other public university is in the same position with regard to this timing difference, and most of the other universities did not get a finding. Our Auditor General representative chose us to for this finding and, once again, we will still work with the Comptroller's Office, but it will continue to be an issue in the future. The Financial Aid finding is one we are going to have a working group look at to make adjustments so that we should not see that finding again next year. The last finding is with the Accounting Offices. We put a protocol in place last year to catch classification errors, but we still made a categorizing error. This is the second year for this finding, so we are taking a look at our protocol to see if we can tighten up on it and eliminate categorizing errors.

We had a discussion about all of these items before, Chair Strauss said, so your statement that we want to try to reduce these to zero is certainly accurate from our perspective as well. We recognize that it is nearly impossible to completely eliminate human error and appreciate the efforts that have gone into bring us this far with the report. The only other area of interest that I had was the one immaterial finding related to processes in the Information Technology area. I have communicated that, and a response would be appreciated when the appropriate people are available.

I would like to thank Keith Jackson and his staff, Mr. Albanese said. He does a great job keeping the auditors on task and working through some issues and managing the audit process, and I would like to publicly thank him. We do aggressively manage the audit process, and we take it very seriously.

OTHER MATTERS

Strauss: Are there any Other Matters requiring the attention of the committee today?

I wanted the record to officially reflect that the Governor issued a new executive order about the middle of April that affects the Board proceedings, Ms. Buettner said. He is asking for additional transparency in board and commission proceedings at every public board across the state. This means that we have to make any audio recordings of each regular or special open meeting available on our web site for public viewing for two years after the date of such meeting, and we will be doing that. I have met with everybody involved, and we will be implementing this. The second requirement is making available minutes of each regular or special open meeting for two years, and we already do that. The last thing is that we regularly update our web page to include upcoming meetings, dates and agendas, and that also is already being done. So of the three things that the university must do, the one thing that we will begin is making the meeting audio tapes available on our web site for two years after the date of the meetings. They will be done the same way we do the minutes for the Board meeting. Once the minutes are approved, the audio tapes and the minutes will go up on the Board web site.

I want to say how much I appreciate the hard work of everyone who has reported to us today, Trustee Butler said. It is obviously the product of an awesome amount of activity, and I certainly have appreciated being involved in that between this and the last meeting at some level in getting briefings. I am fully aware of the amount of time that people are devoting to these various endeavors. I do want to resurrect a request that I made at the last meeting for more information regarding the Board *Regulations* and its recognition of employees who are in domestic partnerships and the benefits that they are provided. I have made an inquiry as to the status of that request and ask that Ms. Buettner share that with the committee.

As I said earlier and Trustee Butler just said, we have all been very busy the last couple of weeks. Steve Cunningham obviously is inundated in procurement, pension and healthcare issues. The request made by Trustee Butler is comprehensive and requires a good deal of work to comply. So I said to Trustee Butler in an e-mail that we would probably have it by the fall meeting but were unable to provide it for the meeting this morning because of the volume of activity going on in Springfield at this point. I want to thank you for following up with me on that, Trustee Butler said, and I do understand that this is a request that requires a good deal of time, and I appreciate the effort.

NEXT MEETING DATE

The next regular Legislation, Audit and External Affairs Committee meeting is scheduled for Thursday, August 27, in DeKalb.

ADJOURNMENT

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

Respectfully submitted,

Sharon M. Banks-Wilkins
Recording secretary