

MINUTES – VIDEO CONFERENCE BOARD MEETING
February 22, 2007

Submitted for: Action.

Summary: Minutes of the February 22, 2007, video conference meeting of the Illinois Board of Higher Education held at the James R. Thompson Center, Chicago, Illinois, at the Illinois Community College Board, Springfield, Illinois, and at John A. Logan College, Carterville, Illinois.

Action Requested: That the Illinois Board of Higher Education approve the Minutes of the February 22, 2007 video conference meeting.

STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION

**MINUTES – VIDEO CONFERENCE BOARD MEETING
February 22, 2007**

A video conference meeting of the Illinois Board of Higher Education was called to order at 2:05 p.m. at the James R. Thompson Center, Chicago, Illinois, at the Illinois Community College Board, Springfield, Illinois, and at John A. Logan College, Carterville, Illinois.

Carrie J. Hightman, Chairwoman, presided.
Linda Oseland was Secretary for the meeting.

The following Board Members were present at the following locations:

James R. Thompson Center, Chicago, Illinois:

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| Mia Boyd | John Minogue |
| Frances Carroll | Elmer Washington |
| Don McNeil | Addison Woodward |

Illinois Community College Board, Springfield, Illinois:

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| Matt DeRosa | Proshanta Nandi |
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John A. Logan College, Carterville, Illinois:

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| Guy Alongi | Lucy Sloan |
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1. Call Meeting to Order, Chairwoman Carrie J. Hightman

Chairwoman Hightman called the meeting to order. A quorum was present.

2. Announcements and Remarks, Chairwoman Carrie J. Hightman

Chairwoman Hightman said, "I would like to welcome the Board Members in our three locations, Chicago, Springfield, and Carterville.

"I am thrilled to be a part of this Board, and I want to thank you all for your well wishes and your generous expressions of support. I want to congratulate all of my fellow Board Members for the work that you have all done on behalf of students throughout Illinois over the past several years and for your dedication to public service. I particularly want to thank my predecessor, Jim Kaplan. His reputation goes a long way, and I have very big shoes to fill. He has obviously shown outstanding leadership and

commitment during some very difficult times. The citizens of Illinois owe Jim a debt of gratitude for a very long and distinguished career of public service.

“I am very excited about my new role, the role that the Board plays in the educational attainments of students of all ages and backgrounds, and the potential that the Board has to influence the economic vitality of our state. I am the first to say that I have a lot to learn about the issues the Board has dealt with over the past few years; however, I am very confident that my background and experience in the legal and business world provide me a perspective that will prove valuable as we continue to confront matters of college and workforce readiness, the need for ever greater levels of educational attainment, and concerns over access and affordability.

“You have made significant strides in putting this Board on the path to greater coordination and cooperation with other educational agencies and with the preschool through secondary system. I believe this is absolutely the right path to follow because it is critical that students be prepared for postsecondary educational experiences if they are going to be successful in the global economy in which we operate. We must ensure that the P-20 focus continues to be a guiding principle for the Board of Higher Education and a prominent focus of the public agenda for education in Illinois.

“I look forward to the challenges ahead and to working with each one of you, with the higher education community, and with our elected leaders to better the educational environment for all Illinoisans. I am very grateful that Governor Blagojevich has the confidence to give me this position, and I will work hard with all of you to do a good job.”

3. Remarks by Judy Erwin, Executive Director

Ms. Erwin said, “I would like to thank all of the Board Members for your patience in helping us work through this budget process. Having to have a video conference Board meeting is less than desirable. I apologize that we were not prepared at the February Board meeting. We hope that it will not happen again.

“The FY08 budget recommendations reflect five months of hard work and negotiations with a wide variety of higher education constituencies and the Governor’s office. As our Board Members know, this process began last October when you developed a set of priorities for the fiscal year 2008. Mike Baumgartner and IBHE staff shared these priorities with public and private institutions, community colleges, our advisory committees, and all other higher education constituencies. You should be proud, and I hope pleased, that we are able to recommend a continuation of an upward trend in higher education funding, with an overall increase of 2.1 percent in this year’s budget. This also reflects the Board’s top priorities to improve affordability and faculty compensation to improve the competitive status of Illinois faculty. There is a General Revenue Fund increase in MAP grants, which I know is a very high priority for this Board and the state. There will be continuing support through the student loan operating fund for both the MAP grants and MAP-Plus, the \$500 grant that is also available to help reduce the debt load for students.

“In addition, there are targeted funds of about \$7.5 million for public community colleges and public four-year institutions directed to two key state priorities -- improving teacher preparation and nursing education. We will again make a very strong request for the capital needs of public institutions of this state and will continue working to try to secure sufficient votes to pass the requisite authority for the bonding authorization.

“I would like to note that universities, along with all of the other sectors, received this discussion budget recommendation within the past week. They have all gotten back to our staff with questions and comments, some of which are incorporated in this final draft. I wanted to make sure you knew that people were aware of that.”

4. Fiscal Year 2008 Higher Education Budget Recommendations: Operations, Grants, and Capital Improvements

Dr. Baumgartner gave a brief presentation on this item. Following his presentation, the Board had the following discussion.

Father Minogue said, “Does this show an increase in students? Does the student population shrink or grow with this budget? What is projected?”

Dr. Baumgartner said, “It assumes stable growth in population. It has been stable. There was some growth early in this decade, particularly at the community college level; but at public universities and community colleges, in the last two years, it has been fairly stable. More of the growth has been at the private level.”

Dr. Woodward said, “I have a question about the income fund. The income fund is from tuition dollars; and in years past, essentially, that was a fund you could draw on. You could make it or not make it; and if you did not make it, you went into the hole. Sometimes you had the money; sometimes you did not. Is the income fund part of the appropriation?”

Dr. Baumgartner said, “Income funds are not appropriated. They were appropriated up through the mid-1990’s; but since then, they have been locally held, and are not appropriated.”

Dr. Woodward said, “So when we are looking at each university, that does not include the income fund?”

Dr. Baumgartner said, “Several tables include income funds (Table 2).”

Dr. Woodward said, “I was looking particularly at Table 5.”

Dr. Baumgartner said, “That is general funds. That is without income funds.”

Ms. Erwin said, “Just to point out, where you see the references and asterisks that refer to non-recurring appropriations, this is, in common lingo, legislative add-ons. A non-recurring appropriation is essentially an add-on that the legislature added on. This was to the tune of about \$10 million last year; but since the legislature and the Governor change their minds from year to year, it seemed to be a reasonable assumption to strip them out, except for those that possibly had been negotiated -- and there were only a few -- between the Governor, the legislature, and our Board.”

Dr. Baumgartner said, “For income funds, we take their projections that they have made. We do not make an assumption on what the increase to the income fund would be. Each institution makes its own projections based on enrollment and based on the increase in tuition that it is expecting to do.”

Dr. Woodward said, “\$38 million plus \$10 million, is that their total budget?”

Dr. Baumgartner said, “No, their total budget would be the total income funds, which would probably be in the neighborhood of \$30 million, shown on Table 8. The income funds do not increase very rapidly; and recall that we are now entering the fourth year of truth in tuition where each class is held constant for four years until they complete their degree or if they do not complete their degree, they go off the truth in tuition plan. So, you can only raise tuition on the entering class each year from this point forward. So, income funds are increasing fairly slowly because of that.”

Father Minogue said, “The previous Chairman wanted to influence faculty salaries, are we expecting some kind of a give and a take on that?”

Dr. Baumgartner said, “It is just raised at this point. We have performance contracting, a performance idea connected to the healthcare and teacher training initiative, but not faculty salaries.”

Dr. Washington said, “We see that faculty salary increases are relatively low, 1.5 percent. In my mind, it implies that each university has to do other things in order to meet the needs that they have in regard to negotiations, in regard to more efficiency in terms of program offering and use of technology, and all the other factors that go into that. I am concerned that that is not explicit in expressing the view that there should be, with this kind of an increase, a concurrent effort to make the processes, reduce administrative overhead, to increase efficiency in terms of program offerings, to improve delivery systems using technology. All those factors which could be instituted perhaps should be encouraged in our verge as we look at these numbers.

“The other point that I am concerned with is when we have an increase of the magnitude that we have suggested, that I find it embarrassing when the President can go into the Governor and get an increase above what we have asked for. I think it is better for us to be in the right ballpark; and definitely, we should make explicit the kinds of things that are implied when we have these minimum budget increases in our narrative.”

Mr. McNeil said, “Just to address the college affordability issue, what you see in front of you on Table 15 is the appropriated portion of ISAC’s contribution to students in Illinois. What you do not see in front of you is any money that is raised from the sale of assets, or reorganization, or refinancing; and there will certainly be some funds to that effect. The decision as to what to do with MAP-Plus has not yet been made by the legislature. It is possible that MAP-Plus will be renewed; it is possible that it will be replaced by some other Illinois program. What you see here is only the appropriated portion of what the state will be contributing to student financial assistance. It is not only a possibility, but a certainty that there will be additional funds supplied by ISAC itself. ISAC’s own operating budget is also not here because the agency remains totally self-funding. It generates its money for its operating expenses through its guarantee function and its student loan program.”

Ms. Erwin said, “Many of us agree with you in terms of the funding formula that is used, or the lack thereof, of a formula that is used in determining the allocation of funds directed to outcomes that might possibly incent behaviors -- graduation rates, persistence, efficiency. I think one of the things that we may want to talk about later is the possible development of a formula that does incent a variety of things.

“Last year, the General Fund contribution was directed specifically at faculty salaries and designated to be matched by the income fund. This year, we heard a variety of needs and wants from campuses. The truth is that almost all of them give much larger faculty increases than what we are suggesting here; so they do use their income funds. However, some campuses have significant utility costs and other costs. The 1.5 percent increase was not so large. It barely meets the cost of doing

business. So, for that reason, I think the former Chairman thought that having less strings attached might give them a little more flexibility. Writing a formula that is much more focused and targeted is a desirable thing for us to have.”

Mr. Alongi said, “Are you talking about a formula like we have with community colleges where universities were being paid based upon credit hours that they generate?”

Ms. Erwin said, “There are many states that use different ways of calculating a distribution of state funds. Community colleges have a formula based upon enrollments. With many public universities, enrollments might be a part of it; but it is also the outcomes: What is the success of students? How long does it take a student to graduate? Do we help them transfer successfully from a community college? That would be an exercise that could take a good twelve months, but it is probably something that we should take a look at.”

Dr. Woodward said, “I was turned around. Maybe you could help me with my reasoning in this. At Governors State there are appropriations recommended. I figured that 80 percent of that is in personnel costs. And then I figured you are going to project salary increases on 90 percent of the 80 percent because you have people retiring, etc. Then, they are going to give a three percent raise. So, multiplied out, I have roughly \$567,000. So, of course then you give a three percent raise on 90 percent of their base -- personnel dollars assuming 80 percent. And then I look at what they are being recommended for, and \$388,000 is \$170,000 or \$180,000 or \$190,000 less than what they are going to have to pay in raises.”

Dr. Baumgartner said, “But they would have always used their income fund as well.”

Ms. Erwin said, “This does not include the performance funding.”

Dr. Baumgartner said, “That is right.”

Ms. Erwin said, “We would get, there is one-half of one percent of the public colleges and universities base operations that would go towards performance funding, which pays for faculty, as well. So, it should work out to two percent, not one and one half.”

Dr. Woodward said, “Yes, I know that. Do we have any say over the expenditure of the income fund?”

Dr. Baumgartner said, “No.”

Judy Erwin said, “The legislature gave up that authority. It has sort of been a ping pong ball. As you can imagine universities do not like the legislature to appropriate the income fund. Part of the rationale is that the state support overall has declined in the last two decades; and so, they wanted more flexibility with appropriated income funds, so the legislature granted that authority.”

Father Minogue said, “Are the grant program proposals specific in genera or species – or are they all over the place?”

Dr. Baumgartner said, “No, they are very similar. They tend to be nursing, professional development schools, a combination of education school training and art and sciences, focusing on

science and math. They are clustered pretty closely around those items, mostly nursing and teacher preparation.”

Chairwoman Hightman said, “Is there a timetable that you have in mind for actually reviewing and then distributing those dollars?”

Dr. Baumgartner said, “The timetable is over the spring. We do not have a final date for it. In part, they are recommendations, and we need to see if the General Assembly is going to fund them. So, we cannot pick the projects perhaps in a final manner because we do not know the dollars that will eventually be attached. It could be more; it could be less. We are instituting the process and have the applications. In many cases, we do want to have the institutions develop their performance expectations more than they have right now. We are trying to follow the performance contracting concept that we talked about last fall where we have specific expectations. If you say that you were going to produce 30 more nurses with the hiring of two new faculty members, we want to know how many are going to enroll, how many expect to be retained, how many are going to pass their exams, how many are eventually going to be employed, and follow those numbers across time. We do not have that level of detail from all institutions, but we will be working with them over the next several months to develop that.”

Chairwoman Hightman said, “So the idea is to get all that together before the session ends?”

Dr. Baumgartner said, “We would like to.”

Dr. Washington said, “We have talked a lot about the P-20 pipeline situation, and in my mind, one critical area is the preschools. I do not recall addressing that particularly. The other part of what may be linked up to that is at the graduate level in terms of what kinds of things the university can do in training their teachers or professionals to address the issue of preschool. Preschool, of course, you have maximum benefits in terms of creating an environment that is most positive at an early stage, which can be built on in subsequent years. It is a long-term proposition, but we have to address all of these issues, but this is the critical element, I think that is not going to the largest interest groups.”

Ms. Erwin said, “That is a very good point. Dea Myer, who just recently resigned from this Board, has been a member of the Governor’s Early Learning Council and focuses specifically on early childhood education. This Board has approved an associate of arts in teaching for early childhood education, and I think that Gary Alexander and the academic affairs staff are working on trying to grow-your-own, where necessary, so that there are more highly-qualified early education teachers. I will say that we do work with the State Board of Education and other state agencies. The Blagojevich administration has made significant investments in early childhood education; and in fact, we are really looking at universal quality early childhood. So, our whole issue in linking the P-20 is to, while the funds may be directed as the State Board of Education, we need to link them together and maximize them. So, we will continue to pursue that.”

Dr. Washington said, “I just emphasize that for individuals, parents, they are providing \$22,000 on their own paying for private institutions, so the impact, obviously, has great value. So, we have to be very much aware of that in the public sector.”

Ms. Erwin said, “The State of Illinois is subsidizing, at a much higher rate, the low-income families so that there is equal accessibility to quality early childhood.”

Ms. Boyd said, "A lot of them are not 4-day, pre-K programs. Most of them are half-day programs. So, basically, it is two and half hours -- versus paying for a private pre-K education, which you really pay much more than an all-day program."

Ms. Erwin said, "I think it depends school district to school district. Some of them are school-based early childhood education. Certainly, there are mainly full-day programs, particularly for working moms. It is usually reflected on a sliding scale based on your income. We would be happy to provide the Board with more information on exactly how those programs work; but it is a very good point, and since Dea has retired, maybe we should pursue the possibility of someone else who is interested on trying to be on the Governor's Early Learning Council."

Chairwoman Hightman said, "That sounds good."

Father Minogue said, "Maybe that is a question for the State Board of Education. What kind of budget do they have to distribute to the 900-and-some-odd school districts?"

Ms. Erwin said, "We know what their increase is, but I do not know the total. This is just the state contribution. As you know, with the school aid formula, the higher the equalized assessed valuation, the lower the state contribution. It works very similar to the community college formula, so that higher income residential areas receive less from the state. There are some school districts that are property poor where they receive 85 percent of the school dollars from the state. We have others that may receive only three percent from the state. So, there is a very big variance, and it is obviously one of the criticisms of an over-reliance on the property tax."

Father Minogue said, "The reason I ask that, I just need for the Board of Higher Education to focus and get higher education sailing along in an organized fashion. I know, obviously, P-12 factors that, but we need to focus on getting higher education ship-shape."

Ms. Erwin said, "That is true. I just heard the Chairman of Intel at a conference talk about how his interest in P-20 was similar to his software development in that the raw materials that they were using, the quality was not good. Unless they fix that, they were never going to get a good product out of Intel. So, he said he had to go back to his suppliers and rework everything. He used the comparison, not to compare small children with a product; but on the other hand, we know that the lack of academic preparation is the single biggest impairment to success in postsecondary; and so, the strong, let me say the national message that we are hearing, is that higher education cannot separate itself from the input. We have to help P-12 in ensuring that they are academically prepared when they come to a community college or university."

Chairwoman Hightman said, "I think maybe this is a topic for discussion in a different meeting where we can actually give it justice as opposed to squeezing it in here. But I think both points are well put, and I would like to hear more about them."

Ms. Boyd said, "I want to comment on the CAS system and the possibility of money for helping to maybe make it even better, because experience-wise, the CAS system is very beneficial to students. I think that if it was promoted better -- if there was better advertisement along with better funding -- to make sure there are CAS systems on campuses, especially in the community colleges. If I am not mistaken, most of the public colleges are already uploaded, but we need to make sure this information is available at community colleges because it is more useful on the community college level since a lot of students are transferring to a 4-year university. So, I think that if the funding is actually put towards this program, it actually is very beneficial. From experience as a transferring student, it has helped me a

whole lot. Sometimes when you come into an institution you do hear a lot about poor advising, but this system is a self-advising tool that will actually give you a degree audit from whatever university you want to know about. So, if my input means anything, I think it is a very important aspect.”

Dr. Baumgartner said, “Moving to capital renewal, we have an estimated deferred maintenance backlog this year of \$2.8 billion; \$50 million will not get that far on its own. There are a number of regular capital projects, however, that also address deferred maintenance through complete renovations of buildings. The \$50 million is for capital renewal.”

Ms. Sloan said, “When will we receive a ranking of the capital projects? Each year we get a list of who is at the top.”

Dr. Baumgartner said, “That is in your packet on Page 36 of your agenda. You will see that the rankings are very similar to previous rankings because, as those of you who have been on the Board now for several years know, capital projects have not been appropriated for several years; and so, they are not moving. Hence, the order is very similar to what we have seen in the past. We have added projects to the list. A couple have moved off the list from funding sources either from their own funding or from funding the Governor freed up from another pot of money.”

Ms. Erwin said, “These rankings come through an evaluation, of what at least the former Chairman referred to as, the decision rules that were agreed to with the Legislature. So, as you can imagine with capital projects, there is some suspicions from time to time that there might be undue political influence on how somebody gets to be a ten verses a five, etc. We have agreed to decision rules, which the Board and the staff follow. That is not to say, however, that the Legislature or the Governor may or may not fund something on their own. We actually added more this year since, it has been so long. Some institutions are paying for constructions and repairs through other funds, private or through student fees; and so, we were able to move some others up. We also made the decision rather than to possibly fully fund only a couple, if we added more with partial funding, we would have more in the door. Our thinking on this is that, with hope, there will be a bond authorization this year. I would rather have more on the list than less when we go to get that allocation.”

Dr. Washington said, “I would like to know if there are any health and safety issues in any of this deferred maintenance that we have such a backlog? It has been such a long period of time.”

Dr. Baumgartner said, “Those are taken into account whenever the Board puts its list together. We have the detail on that, as well, that I could provide you.”

Chairman Hightman said, “Are any of those included in the list of projects on Page 36?”

Dr. Baumgartner said, “Those would be included within the projects. We will have a narrative for each of these projects for you whenever we publish the entire book. We can indicate to you which ones will have the health and safety implications. Typically, the ones with remodeling are moving in that direction, if they are not there right now -- Steven’s Hall, Lincoln Hall, as well as the College of Dentistry.”

Dr. Woodward said, “The Board has established budget priorities, and then we have capital priorities -- I am not sure that our priorities, with respect to the budget, are necessarily consistent with some of the capital projects. There is one issue that comes to my mind -- and I hate to talk about a single university -- I am sure there are other universities as well, but Governors State University has a science lab that is 30-35 years old. We are talking about STEM -- we have nursing shortages -- nurses take

chemistry -- and, at least at Governors State, they are going into a lab that is disgraceful. In fact, when Chairman Kaplan came in July for a presentation, I brought him over to the lab, and I think he would probably agree. I am sure every campus has an issue like that. But if STEM is one of our priorities, and dealing with nursing shortages is a priority, somehow we need to fix that.”

Ms. Erwin said, “It is something the Board should probably consider. The Board sort of entered into an agreement with the Legislature on these capital decision rules. As the former Chairman of the House Higher Education Appropriations Committee, who basically said, ‘I want to know exactly the criteria that you used to evaluate the order of these projects.’ So, before the Legislature, this Board agreed to these decision rules, and I am not disagreeing with you. I think that that is something that makes sense -- to be complimentary. In addition to that, sometimes we hear about things publicly, but when the universities give us the list, it is not requested in their top priority, so we basically have to go by their list. This list could be probably 1,000 projects -- but we do try to take their top priorities.”

Chairman Hightman said, “Did you say that basically the statutory criteria guide what gets on this list -- how these items are prioritized?”

Dr. Baumgartner said, “It is not statutory; it has been worked up between the Board of Higher Education and the Legislature. There are decision rules. We will get them to you, but they look at things like -- is this a health and safety issue, has planning money been appropriated, has it been on the list before, is there local or gift money established with it, are there programmatic needs that make this a high priority?”

Ms. Erwin said, “I think it is well worth a discussion of looking at those, and frankly, the member who worked these out has since retired from the Legislature. So, it would be fair, particularly if we hope there is a bonding authorization bill this year.”

Dr. Baumgartner said, “There may be other buildings, and I am not sure if the particular one you are mentioning is included in this, but there are buildings that have received appropriations that have not been completed as we have run out of bonding authorization, and that project may be one of them because I do not believe it is on their list this year. So, it may be one that they are waiting for the state to release the money. The state has appropriated more projects than it has authorized bonding for, and there are projects that fall under that category.”

Ms. Erwin said, “We will check on that.”

Dr. Washington said, “On the Opportunity Returns projects, I know I may not recognize this at all, but I do not recall a riverfront near Western Illinois University. Is that just a name?”

Dr. Baumgartner said, “It is in the Quad Cities.”

Chairman Hightman said, “Are there any other questions regarding the budget?”

Father Minogue said, “On the 2.1 change in budget, what percent actually is performance based -- ballpark?”

Dr. Baumgartner said, “It is one-half percent out of the two percent increase for universities and the community colleges, but it is not one-half percent of the entire amount. On the entire amount, it is about 15 percent.”

Father Minogue said, "In developing goals in the future, will we be taking that up?"

Dr. Baumgartner said, "If the Board wants us to go in that direction, we will."

Ms. Erwin said, "The other thing is the discussion that Elmer and others of you have raised -- the question of how the base operation funding works. Frankly, in a lot of other states there is certain incentive funding that goes into it -- it may be based partially on enrollment, it may be based partially on graduation within six or ten years, it may be success rates or persistence. So, in many states there is a whole list of criteria that you ask that universities hit some outcome measures. So, that is something that is worth our analysis. We have not done that in this state, but I think increasingly, people want to know as we frankly heard from the Governor's Office of Management and Budget, what are the outcomes we are getting for these investments. So, I do think it is a very fair question."

Chairwoman Hightman said, "Any other questions from any other locations?"

The Illinois Board of Higher Education, on motion made by Dr. Washington and seconded by Mr. Alongi, unanimously approved the fiscal year 2008 recommendations for operations, grants, and capital improvements presented in Items 4a and 4b.

There being no further business to come before the Board, Chairwoman Hightman adjourned the meeting at 3:00 p.m.

Respectfully submitted by Linda Oseland, Secretary to the Board.

Note: Copies of all items referred to in the minutes (i.e., letters, statements, reports, etc.) are on file with the official minutes of the February 22, 2007 video conference meeting.