

**MINUTES – BOARD MEETING
October 5, 2010**

Submitted for: Action.

Summary: Minutes of the October 5, 2010, meeting of the Illinois Board of Higher Education held at Oakton Community College, Des Plaines, Illinois.

Action Requested: That the Illinois Board of Higher Education approve the Minutes of the October 5, 2010, meeting.

STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION

MINUTES - BOARD MEETING
October 5, 2010

A meeting of the Illinois Board of Higher Education was called to order at 1:05 p.m. in the Room 1608 of the Ten Hoeve Center at Oakton Community College, Des Plaines Illinois, on October 5, 2010.

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

The following Board members were present:

David Benjaih	Donald J. McNeil
Jay Bergman	John P. Minogue
Frances G. Carroll	Santos Rivera
Dimitra Georgouses	Elmer L. Washington
Heba Hamouda	Addison E. Woodward, Jr.
Alice B. Hayes	Suzanne Morris

Also present by invitation of the Board were:

Donald Sevener, Interim Executive Director, Illinois Board of Higher Education
Geoffrey Obrzut, President/Chief Executive Officer, Illinois Community College Board
Andy Davis, Executive Director, Illinois Student Assistance Commission
Vinni Hall, Board Member, Illinois State Board of Education
Julie Smith, Deputy Chief of Staff, Office of the Governor

Presidents and Chancellors

Rita Cheng	Michael Hogan
Alvin Goldfarb	Elaine Maimon
Sharon Hahs	Glenn Poshard

Advisory Committee Chairpersons

Jerry Weber, Community College Presidents Council
Abbas Aminmansour, Faculty Advisory Council
Dave Tretter, Independent College and University Advisory Committee
Susan Friedberg, Proprietary Advisory Committee
Elaine Maimon, Public University Presidents
Ari Shroyer, Student Advisory Committee

Call Meeting to Order, Chairwoman Carrie J. Hightman

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

Chairwoman Hightman said, "Welcome everyone. I want to thank Oakton Community College, this is a beautiful campus, and I appreciate the hospitality."

Welcome by Margaret Lee, President, Oakton Community College

Dr. Lee welcomed everyone to Oakton Community College.

Welcome and Remarks by Chairwoman Carrie J. Hightman

Chairwoman Hightman said, "Again, we appreciate your hospitality. I want to note a couple of people who are here. Suzanne Morris is sitting in for Guy Alongi today representing the Illinois Community College Board. We have some new advisory chairs. Elaine Maimon, president of Governors State University, who is a co-convenor with John Peters, is representing the Public Presidents and Chancellors. Susan Friedberg, president of DeVry University's Addison and Chicago Metro campuses, takes over today as chair of the Propriety Advisory Committee. Welcome Susan. The representative of the Disabilities Advisory Committee is unable to be with us today. Representing the Student Advisory Committee and the person who got the attention of the entire Board at lunch just before this meeting is Ari Shroyer, who is secretary of the organization and is a student at Roosevelt University.

"I also want to welcome back an old friend of the Illinois Board of Higher Education, the higher education community, and its stakeholders in Illinois -- Dennis Jones of NCHEMS. Dennis is helping us with the Higher Education Finance Study Commission and is going to be leading a discussion after I speak and Don speaks about finance policy and the work of that Commission.

"Before we get to the meat of the meeting, there are a couple of comments I want to make on some important issues. First of all on the budget, the process for developing the fiscal year 2012 budget is moving into high gear with the beginning of budget overview meetings with colleges and universities, sister agencies, and other stakeholders. These meetings are designed to discuss priorities and map strategies for creating and enacting a higher education budget that will serve the needs of students, meet the goals of the *Illinois Public Agenda for College and Career Success*, and also address the fundamental missions of our colleges and universities. As always, Board members are welcome to attend any or all of these sessions.

"We are going to have a presentation by Mike Baumgartner later in our meeting, but I want to say a few words about the budget and the environment that we are in. My guess is that there is nothing that I am going to tell you that will make you happy or surprise you.

"The fiscal landscape, as portrayed in the budget context document in our agenda packet, is essentially what we have seen for the past several years but probably even a little bit gloomier. Here are the highlights -- or maybe I should say the lowlights -- of the situation.

"Revenues are down; we have record deficits; there is a growing mountain of unpaid bills; there are increasing demands for Medicaid and pensions; and we have seen a loss of both Federal stimulus dollars and the protection of maintenance of effort requirements.

“State funding of college and university operations and grants continues to shrink; tuition and fees continue to rise; cash flow problems persist; the number of students who are eligible for MAP but are being denied MAP funds is increasing; the possibility of faculty furloughs and other drastic actions continue to cloud the future; but otherwise, everything is fine in Illinois.

“It is like living through an unrelenting storm -- 40 days and 40 nights -- with no relief in sight. But as painful as this budgetary squeeze has been -- and likely will continue to be -- there is often opportunity, or at least some silver lining, in adversity. Here are a couple of examples.

“It is certainly true that misery loves company and so does activism. Just a year ago, the higher education community coalesced in an amazing demonstration of solidarity to restore funding for the MAP program. It worked then and can work again if we put aside pure institutional or sector interests and if we set aside silly turf battles to work together for the common interest we all share -- student success.

“Second, I think we are all, in our various capacities, going through a bit of soul searching, and that probably is a good thing. When we must squeeze value from every dollar and justify the expenditure of every penny, we tend to ask hard questions about what we are doing, why we are doing it, and even -- the most soul-searching question of all probably -- who are we?

“We are seeing evidence of this throughout Illinois’ entire higher education system, but perhaps no better example comes to mind than the recent State of the University address that John Peters delivered to the Northern Illinois University community a month ago. President Peters said, ‘In terms of student success and fiscal sustainability, the public university model of the twentieth century no longer fits.’ He said, ‘Northern Illinois University must implement a new vision ... becoming the most student-centered public research university in the Midwest.’ That is not a bad thing.

“I believe this is a real opportunity that the current -- or I should say the unending -- budget crisis presents to us all. As institutions, as state agencies, as stewards of taxpayer dollars, we need to redefine what we do and why we do it to ensure we are giving taxpayers, tuition-payers, and elected leaders an efficient, effective, productive, and accountable system of higher education. That is a smart thing to do. That is a good thing.

“For us, the Illinois Board of Higher Education, the answer is the *Illinois Public Agenda for College and Career Success*. You have heard me say that before, and I will continue to say that. We are going to use the budget process and our ultimate budget recommendations to show the next General Assembly and Administration that the *Public Agenda* is our pathway to achieving all the goals.

“Speaking of the *Public Agenda*, you will notice that the printed agenda does not have a formal presentation or report on the *Public Agenda*, as we usually do for these meetings. In part, that is because the upcoming discussion on the work of the Higher Education Finance Study Commission is really, in reality, a conversation about the *Public Agenda*. The work of that Commission has been necessarily intertwined with the goals of the *Public Agenda*, first, because higher education finance, financial aid, and productivity are what Goal 2 of the *Public Agenda* is all about. Second, because any discussion of leveraging state dollars to achieve state goals means increasing educational attainment, eliminating the achievement gap, fostering degree completion,

assisting adult students to get college credentials, and training students for the jobs of today and tomorrow's economy. Does all that sound familiar, I hope?

"In short, the work of the Commission is evidence of the *Public Agenda* in action, and that is what we always intended to be doing. But beyond that, so we do not have it specifically on the agenda for this meeting today, for that reason, and also because the *Public Agenda* is going to take center stage at the Board's December meeting, which is going to be the second anniversary of this Board's approval of the *Illinois Public Agenda* as the guiding blueprint for higher education for the next decade.

"We want to mark that occasion in December with a focused look at where we have been and where we are going with the *Public Agenda*, including the following, and these are to whet your appetite so you get excited to come back to the meeting in December. We are going to unveil a new public awareness campaign, which will show in modern media fashion what the *Public Agenda* is all about -- the compelling and urgent case for raising educational attainment, enhancing affordability, strengthening workforce preparation, and contributing to economic development. We are also going to present a fresh approach to our Board agendas and meetings as we identify ways to connect our colleges and universities to the implementation of the *Public Agenda*. We are going to have a new dashboard report showing the major initiatives we have undertaken and the progress we have made over those two years. And we are going to have a look ahead into the new year and new legislative session, and how the *Public Agenda* will factor into our budget recommendations and our legislative priorities, as it actually has for the past two years. Now that I have told you all those things, we absolutely have to do it, Don. We are going to do all those things in December.

"Let me just say a couple of things about the Higher Education Finance Study Commission. There is going to be a lengthier discussion that Dennis is going to lead or engage in in a minute, but I want to say that I am really appreciative of the number of Higher Education Board members who have attended the sessions of that Commission, and I am really grateful to our staff -- in particular Mike Baumgartner, Matt Berry, Candace Mueller, Don, and Linda -- for all the work that they have done to assist the Commission. I know there is a lot more work ahead in preparing a report, but we want to give you credit for all that you have done, and we really appreciate it.

"What I am going to do now is turn it over to Don for his comments, and these will be his first official comments as interim executive director."

Remarks by Interim Executive Director Don Sevenser

Mr. Sevenser said, "Thank you Madam Chairwoman. I have just a few brief remarks regarding a few initiatives or programs of the Board.

"The first relates to DFI -- the Diversifying Higher Education Faculty in Illinois. The DFI Board met yesterday to discuss some programmatic changes and some budget revisions to strengthen the DFI program. They decided to survey present DFI fellows and alumni to determine the efficacy of initiating a post-doc program as a means to further employment opportunities at Illinois institutions. The Board also voted to allocate some \$37,000 in unused funds to increase stipends for new and alternate fellows. These measures underscore the commitment of both the DFI Board and this Board to improve the diversity of our higher education on college campuses.

“Second, I recently had the honor of representing the Board at the annual conference of the Illinois Committee on Black Concerns in Higher Education and shared the dais for one of the meetings with State Board of Education Board member Vinni Hall. It was a pleasure to do that. The theme of the conference was bridging the academy and the state legislature, and it attracted more than a dozen state lawmakers, an impressive turnout at any time, but particularly so in the heat of an election campaign. It was a productive meeting that featured sessions on the impact of funding cuts on programs to assist minority students, retention initiatives, student advocacy, and the use of data to improve student success.

“Also, in recent weeks I spent an enjoyable and productive morning with our Faculty Advisory Council and came away with the distinct impression that the Council, under the very able leadership of its chair, Abbas Aminmansour, is poised and eager to assist the Board in addressing goals and priorities of the *Illinois Public Agenda*.

“I offered a couple of suggestions in which I thought the FAC seemed uniquely well positioned to help -- first, in representing higher education in upcoming efforts to develop a new assessment for high school students to measure college readiness based upon the new Common Core Standards recently adopted by the State Board of Education. This is not simply a K-12 initiative, but rather one in which higher education participation is vitally important. We must be at the table in the development of this new assessment.

“The second suggestion concerns the significant amount of remedial coursework needed by recent high school graduates when they get to college. Remediation has a bad name. As the president of the Lumina Foundation says, ‘Students do not want to take it; faculty do not want to teach it; and lawmakers do not want to pay for it.’

“But another way to look at remediation is as an opportunity -- a chance to meet students where they are and move them to where they need to be. These are students who actually show up wanting to learn. Instead of disdaining remedial coursework, what if we figured out how to do it better? Instead of tolerating it as a necessary evil, what if the passion and expertise of our faculty were unleashed in discovering ways to make remediation less stigmatized and more effective?

“I think the FAC has an upcoming meeting devoted to, among other things, remediation. So I think the Faculty Advisory Council was very receptive to embracing the *Public Agenda* as its agenda in assisting us in doing that.

“Finally, on September 24, Illinois submitted its College Completion Self-Assessment to Complete College America outlining our completion goals, strategies, and the metrics for gauging our progress in reaching the destination of 60 percent of adults in Illinois with a meaningful postsecondary credential by 2025. To achieve this goal, all Illinois institutions must contribute to an annual increase of 4,400 students graduating each year -- a 3.2 percent annual rise in certificates and degrees. That pace will produce 600,000 additional degrees over the next 15 years, and we will be using the upcoming budget review meetings with our campuses and sister agencies to discuss what these goals mean, specifically for our public universities, community colleges, and the state.”

Presentation by Dennis Jones, National Center for Higher Education Management Systems: Progress of the Higher Education Finance Study Commission

Chairwoman Hightman said, “I appreciate your being willing to stay here at our Board meeting to lead us through a discussion of the preliminary findings and conclusions of the Higher Education Finance Study Commission. Dennis leads the National Center for Higher Education Management Systems, or NCHEMS. He and his organization were instrumental in the development of the *Illinois Public Agenda for College and Career Success*. Dennis has helped us in a variety of ways, and he is someone who I can turn to when I have questions related to higher education in the State of Illinois. I appreciate your support of the Board and of the higher education community. With that, go ahead and describe the work of the Higher Education Finance Study Commission and lead us in the discussion about where we are going.”

Mr. Dennis Jones said, “Thank you, Madam Chairwoman and members of the Board. Some of you just as well could make the presentation. You have sat through these meetings as much as I have. What I would like to do is back up and make sure that all the Board members are current on what we are trying to do. You have had four meetings now, and in the prior three meetings, there have been presentations by outside experts about what is going on in other states or what are some of the ideas, nationally, that ought to be paid attention to. And in the process of that, some data about Illinois has been put on the table. Then this morning, the Commission is to the point now where it is starting to frame its final report, which will be drafted and talked about at its final meeting in a month.

“If one goes back to Senate Joint Resolution 88, the specifics of that resolution call for some information about how higher education funding stacks up against the rest of the country, and is it adequate, equitable, and reliable? Take a look at not only funding but also the productivity of the higher education enterprise in Illinois. It explicitly talks about best practices for incentivizing certificate and degree completion. This can be incentives for both students and institutions. It is not just an institutional focus. The task is to consider and propose alternative funding mechanisms that will, in fact, advance the goals of the *Illinois Public Agenda*. You all know these goals better than I, but for purposes of having all of this in one place, it is about educational attainment, affordability, credentials, and the one that we tend to lose sight of, usually because we talk about the first three, is the educational research, innovation, the economic development aspects, and contributions of the higher education enterprise to the state and, particularly, to all of its regions. Those are all part of what the *Public Agenda* calls for.

“In the *Public Agenda* document, when we talk about the principles, there is this statement that says, ‘*Priorities, policies, and budgets must align with state goals.*’ When you put it in terms of the goals, the various tools that are available to implement those goals, there are lots of them. There is leadership, which this Board has taken through the *Public Agenda*. There are also things like regulation, accountability, and governance. But in the middle of all of this is finance. The reality is that the finance mechanism at the state level is the strongest lever there is to implement any agenda. It sends the strongest signals. It creates the incentives for institutions, and I could also put in here, student behavior.

“While a really good finance model may not guarantee success of the *Public Agenda*, I can guarantee that if there is no alignment between goals and finance policy, goals will not be achieved. One does not necessarily guarantee the other, but in the absence of alignment, folks will pay attention to whatever the incentives are in the funding mechanism. If they are not

aligned with the goals, then take a look at the funding mechanism, and you will find the set of goals hidden but resident in the allocation mechanisms that you have.

“If one takes a look at how funds flow in higher education, it is a very complicated picture. There are lots of arrows and lots of boxes on this chart. Institutions of higher education get money from a lot of places, and funds that come to the state and federal governments go to a lot of places. You have a lot of competition at the trough for state money, whether it is K-12, corrections, or healthcare. Healthcare is almost always and increasingly the big one for the simple reason that every Medicaid dollar looks like \$2 at the state level. It is a matching federal program. If you take \$1 out of Medicaid at the state level, you are really taking \$2 out of service provided to citizens, and those are the citizens who vote, by the way. So it is a hard benefit to fight with and fight against.

“The other point that I want to make on this chart is the picture at the upper left where it says economy, tax policy, and income. In higher education when the state money goes away, the solution is usually to raise tuition, and that certainly has been the case in Illinois over the last few years. But the point I want to make is that at a time when the state has no money, the citizens of the state do not have money either. If the citizens of the state had money, the state would have tax revenues that it does not now have. When we do the trade-off between appropriations and tuitions, we are really hitting the students at a time when they can least afford to pay it. The whole question about how one in that environment uses student financial aid to protect them becomes increasingly important, not decreasingly so.

“I go to too many states that say we do not have state money, we do not have student money, so we are going to go to donors, foundations, corporations, or the federal government. We will go someplace and get additional money. The reality is that all of those funders buy services. They buy something explicit from institutions of higher education. Almost none of the money that comes from those sources goes to the general operations of the institutions.

“University of Colorado just had a report about its fund-raising activities over the last year. They had a very good year -- almost \$100 million in fund-raising. Less than two percent of that \$100 million was not designated by the donor. All of the rest of it had strings attached -- strings about building buildings, buying scholarships, or doing something. But it did not allow the institution to use it to pay for English 101. As you think about funding for higher education, you take all those off the table, and say they helped, but they are not replacements for core funding.

“At the end of the day, this is the picture that you have to deal with. There is state money. The state money goes in two places -- it goes to student aid and to institutions. The part that goes to higher education is split between those two. The federal government money goes to students. There is very little that goes to the institutions that is not for research. Tons of money go to some institutions for research, and that helps. It lets institutions buy equipment they would not otherwise have, but it is not fungible with state support or with tuition. We are really talking about the state, students, institutions, and the arrows that connect them.

“When you look at the state side, there are really three purposes for state funding. First, historically, is maintaining the capacity to meet the goals of the state. And one of the things that we have not talked a lot about is if the *Public Agenda* is, in fact, to be met -- if you are to accomplish that as a state -- the question is, is the existing institutional infrastructure sufficient to meet that? If not, then what do you do to increase capacity? Is it done in the public sector? Is it

done in the private sector? Is it done in the private for-profit sector? What are the roles of each in meeting the goals of the state?

“The second part of the funding mechanism from the state is to invest in state priorities. How do you use this capacity -- bought and paid for over the years -- to get the job done that you have just laid out in your four goals?

“The third function at the state level is to ensure affordability for the students. We will talk a little bit in a minute, but as the student has taken on a substantially increased role -- and I do not see any sign of that set of trajectories changing -- the student becomes the predictable part of the institution’s funding. It will not be long in some sectors, and it is already there in some public institutions, that it is, by far, the largest chunk of the funding for general operating purposes. If that is the case, then it becomes critically important that students have the ability to pay the tuition that lets that occurrence continue to be funded.

“Finance policy has four key components that we can talk about. One of them is the historical core funding for institutions. Community colleges have a mechanism in place that allocates a pot of money that they get allocated on the basis of, basically, enrollments. For the four-year institutions, any semblance of allocation mechanism other than ‘you got what you got and it was up to them’ has long since been abandoned. There is no basic formula allocation mechanism exclusive for the public four-year institutions in the state. There is the question of capacity equalization, tying the funding mechanism to the *Public Agenda*, and we had a lot of conversations in the Higher Education Finance Study Commission about performance funding in various ways, and I will bring that up again.

“There are questions about how do you link tuition and student financial aid. The focus has been mostly on one, access, and two, revenue generation. But we have not talked -- and there is not much conversation in most of the country -- about how do you use student financial aid policy to ensure student success as well as access. There are some places that are having interesting conversations about how one rewards students for both completing and completing in less than four full years of college. So, rewarding students for bringing AP, dual credits, IB, etc., courses and credits and making sure not only that they are getting recognized, but that the student does not bring those in and then take another four or five years on top of that to get a baccalaureate degree -- how do you reward the student for reducing the demand on the system rather than expanding?

“I do not care what you do with a funding mechanism, every mechanism you have, whether it is thoughtful or not, has incentives for behavior. One of the first things that is useful to do is, when one is having a conversation about finance mechanisms, to say if I am a very smart college president and I want to maximize my benefit, given the way you do business here, what do I do? I will say one thing -- in Illinois, you do not change. There are no incentives for change in the way that higher education has been funded in Illinois for a very long time. The real question when you go through that exercise is to say, are the incentives we have consistent with the goals that you have just stated? The incentives in the current funding mechanism are really to keep students enrolled. Note that I did not say graduate anybody. If you really maximize the system, particularly given the importance of tuition anymore, you get everybody you can on campus, and keep them there absolutely as long as you can. That is not quite getting them out the door, but it is what one does if one wants to maximize revenues. The other piece of it is to trade off student money for state money and to make that easily done or relatively easy.

“If one goes forward, then, with creating a new or a revised funding policy, what are the characteristics or the criteria that I argue ought to be in place? First of all, it needs to be comprehensive, and by that, I mean that you do not pick on appropriated institutions and say if we do that better, we have solved it, or tuition policy, or student financial aid. These are all linked and should be treated as a package not as three trains on their own tracks. All pieces of them should consistently promote the pursuit of state goals. It does not do any good if you have an appropriated institution that rewards certain behavior when the student financial aid program or the tuition policy clearly goes in the other direction. It has got to maintain affordability. For students, it has got to be judged against family income. For states, it has got to be judged against tax capacity. In all the policies in the world, I have never seen a funding mechanism yet that printed money. I have never seen one that could make a legislature give money that they do not have or that they do not want to give. You can help them rationalize their choices, you can help them choose wisely, but finance policies for higher education are not a substitute for state tax policies.

“Finally, you cannot forget that this is about aligning not just funding policies, but institutional visions with state priorities, and the question is, is the capacity of the collecting enterprise what you need to get the job done? We had some really good conversations this morning about two-plus-two programs and the transfer relationship between two- and four-year institutions and how that will help students.

“From the data that has been brought before this group, I think it is very important for you to take away some of the kind of analytic findings. First of all, the funding model so far has done a pretty good job of providing sufficient funds for four-year degree completion -- at least they meet those funds is the main thing. Now, most college presidents would say we are dying, but when you put it in the context of the rest of the country, at least they are not dying any more than anybody else. In fact, they are doing reasonably well relative to peers elsewhere in the country.

“For community colleges that is not true. Community colleges in Illinois are underfunded. I would take a look at the numbers, and say by any way that I would look at it, Illinois community colleges have less money than they need to effectively do their missions.

“These are Jane Wellman’s data from the Delta Cost Project. If you take a look and say how much money do they have for education and related expenditures, Illinois is about \$650 higher than the national average. Your rank is 20th. You are not way rich; you are not way poor; you are kind of in the middle of the pack. But the students are picking up a bigger share of that in Illinois than is true nationally.

“The public master’s and the other four-year institutions are pretty much in the same picture. Relative to the national average, Illinois is 13th. The state subsidy, again, is less per student than the nation as a whole. You have not admitted it explicitly, but Illinois is becoming a high tuition state backed into by a whole series of year-after-year decisions about state money.”

Chairwoman Hightman said, “Does it show the opposite of what you said -- that the funding is higher per student in Illinois than the average?”

Mr. Jones said, “Yes.”

Chairwoman Hightman said, “OK. I thought you said the opposite, but maybe I misheard.”

Mr. Jones said, “If I did, I misspoke. For the community colleges, it is quite a different picture. The state puts in less in Illinois than is the national average. The student puts in about the same amount as the national average, but the overall funding for community colleges is \$2,500 less than the national average.

“Having said that, Illinois institutions are reasonably efficient at both getting students to completion and getting students to completion at a reasonable cost. When you take a look at this, in all sectors, completion per 100 students is higher in Illinois than the national average. In all sectors, cost for completion is lower in Illinois than the national average for those sectors.

“Now, the next point is if you pull this apart and look at it campus by campus, you cannot say this. There is great variation across institutions within these groupings. But as a sector, measured across comparisons with states, Illinois is getting a reasonable bang for its educational buck. We said that costs are being shifted to students. Student aid is not keeping up in all of this. Over the last 20 years, this is the research university that has gone from the students picking up 15 percent, to the students picking up almost 40 percent. Things have not changed much for the master’s and baccalaureate institutions. In community colleges, in fact, the student is picking up a slightly smaller share now than they did. When you take a look at family income, after you take out need-based student financial aid, the public two-years are still right at the national average, but the four-year institutions have lost considerable ground. They used to be cheaper than the United States average. Now, it is not the case at all, and the privates, interestingly, are below the national average. One of the things that this says is that the private four-year not-for-profits, and not surprisingly, given the kinds of institutions that you have, particularly in Chicago, there are a whole set of institutions that have kept their tuitions down and maintained access for a whole bunch of students.”

Chairwoman Hightman said, “I am confused and maybe I have misunderstood something that you have said, but I thought you said that the community colleges have been more hard hit by the funding changes as a result of the bad economy, but this and the prior slide seem to tell me that they are better off. What am I misreading?”

Mr. Jones said, “What this says is they have had a very steady share of a smaller pool, but they have not raised tuition to make up for what has not been coming their way in state funding.”

Chairwoman Hightman said, “So from a student perspective, they are not paying more, but the institutions are absorbing more.”

Mr. Jones said, “Yes. And in places like California, what they are not getting out of this is access to some things that they need access to, like courses, faculty, and a few other things that the marginal dollar is not buying.”

Chairwoman Hightman said, “Turn to the next slide. What is that showing me about the two-years?”

Mr. Jones said, “It shows that they have stayed constant with the rest of the country as far as percent of the family income that it takes to buy a two-year education. It takes now about one-quarter of the average Illinois per capita family income to pay for a community college. That is

up five percent from what it was a decade ago. This is major, not against absolute dollars, this is tuition, expenses of college, minus need-based aid relative to family income. It takes about one-quarter of a family's income to send their kids to a two-year college anymore. It takes now in Illinois, thirty-five percent to send them to a four-year institution."

Chairwoman Hightman said, "And 69 percent for private."

Father John Minogue said, "What is the average family income you are using? Is it \$45,000?"

Mr. Jones said, "It is higher than that."

Father Minogue said, "The average family income you are using in that chart."

Mr. Jones said, "Yes, but what number did you say?"

Chairwoman Hightman said, "What did you say? Did you say \$45,000?"

Father Minogue said, "Yes. \$45,000."

Mr. Jones said, "OK. \$45,000 is close. I thought you said \$25,000."

Father Minogue said, "No, \$45,000."

Mr. Andy Davis said, "Does the top five states, does that mean the least expensive five states?"

Mr. Jones said, "Yes."

Mr. Davis said, "All of the numbers going through these slides, when we are talking about state, does that include local property taxes?"

Mr. Jones said, "Yes. State and local. So, for the community colleges, where it said state, it really is state and local property taxes.

"The reality in Illinois is that it looks really average as far as both tax capacity and tax effort. You are very slightly above the national average on the wealth you have got to tax. You are very slightly below the national average as far as the rate at which you tax that wealth. But it is not like you are New York where you have more wealth, but you also taxed the bejeebers out of it. This is a very middle of the road tax state, and it is one of the arguments for higher education paying attention to the economic development goal in the *Public Agenda* that unless there is more wealth to be taxed, it is going to be very hard to get more tax revenues devoted to higher education. If this was a way low tax state, if this was a South Dakota, or a Tennessee, or a state like that, at least the case that says we are so low in taxes that we can afford to raise it for public services would be an easier sell than it is when you are right smack dab in the middle of the pack.

"If you think about the new funding model that the Commission has been talking about, it has really been talking about all three of these components. There is sentiment on the task force for performance funding as some piece of the funding mechanism, and when we talk about

performance funding, it has several features, one of which is to include a performance feature in the base component of institutional funding. That one has gotten less conversation than most. In the states that are getting very serious about performance funding in higher education, the way they have done that is to count, when they do the FTE count for funding allocation, they use funding at the end of the term rather than the third week census date, saying that you cannot complete it if you do not complete a course. So we are going to count only completed courses as eligible for funding under the funding mechanism. And it does not have to necessarily be a passing grade. It is just one way to protect against grade inflation. The whole policy framework that says, do not encourage students to enroll for a lot of credits and get them through the first census date, and then encourage them to drop the course -- get our money, but you get nothing on your transcript -- is bait and switch for the student, and there are lots of academic policies that can be changed to support student success and reduce budgets.

“One of my better examples is the University of Houston. When they went through this exercise, they dropped 57,000 enrolled credit hours without dropping the numbers of credits that hit the transcripts. There was that much wastage in a system that said that was how many credits got enrolled for and counted in the state funding mechanism but did not find their way to a transcript. So there is a lot to be done in the basics of the funding mechanism.

“Having said that, there are the specifics of additional kinds of funds set aside to explicitly encourage attachment, if you will, to the *Public Agenda*, and they have certain characteristics. First of all, you have heard the presidents here talk about different funding incentives for different kinds of institutions. For example, for the research universities, it is not just about increasing the number of graduates. They are already graduating a very high percentage of those. You do not want to see how big Champaign can get. What you have to do is go about your business doing the other parts of the *Public Agenda*, particularly the research-economic development part. So competitiveness for research funds and application of that research to state priorities or issues is part of the funding mechanism.

“For master’s institutions it really is increasing numbers of graduates, but it is also what the past few folks would call stewardship of place. It is helping local communities take advantage of the educational asset that those institutions represent to solve explicit local problems.

“For community colleges it is about increasing numbers of completers, but it is also increasing numbers of transfers, and increasingly -- where we talk about momentum points -- it is finding ways to encourage students and institutions to get students part way to the degree step by step rather than trying to say we only pay you if you get all the way to the end. So they pay for getting students through developmental education and into the first course in an academic program. They talk about 15 credit hours since that is what they completed, 30 hours successfully completed, etc.

“Then finally, all of these are constructed so that they encourage success of at-risk students. The last thing you want to do is encourage institutions to win on some performance funding mechanism by shutting out the very students you have to have to get to the numbers you need. So, Texas, for example, in its performance funding mechanism pays for increases in numbers of graduates, but if you graduate an at-risk student, it counts as if it were two. So there are all kinds of ways to work the funding incentives to reward completions from different kinds of students. One could do the same thing, and then it is done to encourage extra rewards for four-year institutions to graduate students who come in as transfers. What you are really trying to do

is ensure that students start here and complete here. How do you give rewards for that behavior? So whatever is done, we can figure out a way to put performance funding behind it.

“Tuition policy here is about as close to being a policy on its own track as any state is. It is decided, basically, at the Board levels. Lots of different folks get to make this decision, and it really is not linked to anything else.

“Then in the student financial aid program, I think that those of us who looked at it, and not just me but some others, say this is a very historically well-designed program. It is just way underfunded. It is underfunded to the extent that it cannot ensure that the affordability goal can be met. There are 100,000 or 110,000 eligible students for MAP who do not get it, and the vast majority of those students could have gone to a community college, and the vast majority does not go anywhere when they do not get MAP.”

Chairwoman Hightman said, “Do not say the ‘L’ word.”

Mr. Jones said, “The ‘L’ word? Oh sure, I would not. What I will say is when you have got that phenomenon, that allocation mechanism has at least one and multiple triage events sitting in it. In the case of MAP, the biggest one is, in fact, the cut-off date, which was April last year. It is probably going to be March this year. What that means is that if you do not have everything applied for and done way early -- way earlier than most community college students make up their minds to go to college -- then you are out of the running for a MAP grant. The question that we have put on the table and the Commission is wrestling with is, if one alters the triage criteria to allocate MAP funds differently and say we are going to do triage, then are they going to do triage in ways that align with the *Public Agenda*?

“I am not going to recommend anything here, but I will just tell you what Texas is saying it is going to do. It is saying we do not have enough money in our Texas grant program, which looks not unlike MAP. If we only have so much money, we are going to put it on the best bets. We are going to put it on those students who are most prepared and most likely to graduate from college. I know we are going to miss a bunch of students that were not prepared nor have succeeded, but we are going to put our money on students who did the college prep curriculum, and then if we have money left over, we will give it to some others, but we will bet on the college prep curriculum first.

“The second one is to add resources to the current program. Andy Davis and the Illinois Student Assistant Commission have been talking about their bonding program. That is a legitimate option. It is also legitimate to say we have made money from institutions and put it in the MAP program. I do not get a lot of college presidents saying that is really a good idea, but if the option is that you can raise tuition more than you otherwise would if you did that, in some institutions at least, it may make economic sense to do exactly that.

“David Longanecker, who was before the Commission last month, talked about a model that has a couple of features that MAP does not. That is, it makes very explicit that the student gets the first dollar in, not the parent, but the student. And say that they are responsible for the amount of money that they can earn working 15 hours a week during the year and 40 hours a week in the summers at minimum wage in the state, then the expected family contribution kicks in, Pell grants, and tuition tax credits figure in, and the state money is the last dollar. If institutions want to raise tuition higher than is figured into the cost of attendance, they become responsible for the state share of any additional unmet need-based aid.

“I personally like that model because it makes very explicit who does what, and it is self-correcting as far as tuition and need-based aid. Every institution can find its price point, and say OK, we can raise it to where it makes economic sense, and if it does not make economic sense, then we will not do it.

“The pitfall that states get into when they try to tackle this problem is, first, they try to solve it piecemeal. They say we are going to tackle student aid. We are going to rebuild the allocation mechanism to the institution. I think one of the Commission members put it succinctly. He said, ‘we cannot tweak our way out of this.’ Illinois has got sufficient problems that you really do need a comprehensive solution.

“It is easy to make these things way too complex. Better they have a few flaws and be simple enough that you can communicate them to the legislature than they be so complex that only Mike Baumgartner knows what is going on inside the black box. These things are communication devices that are about building trust and openness, and if you make them too complex, you lose that piece of it.

“You have to build funding mechanisms that reflect the realities of different institutions both on the performance side and the funding side, but tuition and student aid policy as well. It is easy to make some part of the model try to do everything, and that is what happens when you try to solve it piecemeal. Everybody tries to put on that single piece of all of the goals, and it just does not work. You really need to say we are going to do performance funding for research differently than we are going to do it for two-year institutions, and do not try to make this so complex, so over-burdened that we just break the donkey’s back by flipping one more brick on it.

“Finally, when you get the framework put in place, you still have to get the folks at the campuses, the legislature, and everybody else to buy into it. These are easy things to build back in Boulder and tell you what ought to get done. They are hard to get done if you have to consult with everybody because everybody has a dog in the fight. And these things will come out not pristine, pretty, and theoretically, elegant; they will come out as political compromises. You have to start from something that is solid, and compromise within a framework rather than start with everybody’s pet ideas and cobble them together.”

Chairwoman Hightman said, “You talked about how we are efficient in producing degrees or people with completing degrees. What does that mean? Is that an example of the silver lining that we have had to become efficient because we are just pinched for money so we figure out how to do it cheaper?”

Mr. Jones said, “That is part of it. Part of it is that because you had such a large proportion of your students in two-year institutions, it is like your four-year institutions in the main. Be more selective so you get more performance out of your master’s level institutions than with any other states that put a lot bigger proportion of their students in those institutions. At the community colleges, they are really getting average performance on less money so it makes them look good.”

Chairwoman Hightman said, “So the consequence is a good consequence, but the reason for it is bad.”

Mr. Jones said, "To put it another way, it is probably for most institutions, if you were to take a look at these on an institution by institution basis, you can get really different patterns. But there are some institutions, I will guarantee you, that cannot perform much better without more money. There are some that can, and in the funding mechanism, you need to be mindful of both of those facts."

Chairwoman Hightman said, "How can we identify those now so that when we make our budget recommendations, we put the money in the right place?"

Mr. Jones said, "We can take data, because you have a set of peer institutions that all of these places that operated on over the years, it is not impossible. In fact, it is very easy to say how much money do you have? What kind of performance are you getting? How close, not to the average, but how close to the efficient from here are you operating? Different institutions are in different places, not relative to each other, relative to their peers."

Chairwoman Hightman said, "Should we do that?"

Mr. Jones said, "I would."

Mr. Jay Bergman said, "I am for it."

Mr. Jones said, "You will find the usual. You know where some of the problems are, but you will also find some places that are doing very well that maybe you did not think were doing well. They are doing better than you know. But in all of these, you will find a set of institutions. Now that you know that, then what?"

Chairwoman Hightman said, "Well, they would say that they were punishing them for good conduct, that they get less money because they are doing well. Right?"

Mr. Jones said, "In this environment knowing that leads to the conclusion that if you are going to do anything, you have to rob Peter to pay Paul. The question is how much political will is there for that act? These are a lot easier to address when you have got more money to disproportionately spread around."

Chairwoman Hightman said, "It is on the margin as opposed to cutting into the base form."

Mr. Jones said, "Indiana, with its funding model, takes a look at this and says how did you perform? We are going to do the calculation as if we had money, and then if we do not get it, we will back down the curve proportionately. So those that do better, lose less. Let me put it that way. They did cut disproportionately less based on how well they performed."

Mr. Jay Bergman said, "One thing you had on your slide on the master's institutions about a goal of increasing the number of graduates -- was that the actual number of graduates or are we talking about increasing graduation rates and retention rates? Are you talking about the overall numbers?"

Mr. Jones said, "We are talking about the numbers. And I do that very conscious of where the country is going because the objective is to get more graduates. You can improve your graduation rate by getting fewer graduates. You operate on the denominator in the calculation,

not the numerator. You shut students out of the enterprise, and that is not what we are trying to provide incentives for.”

Mr. Bergman said, “Let us say that we have institution ‘A’ that has a 70 percent graduation rate and a six-year graduation rate. Then we double the number of students, but because we have taken in lower-quality students, our 70 percent graduation rate is now a 40 percent graduation rate. We have graduated a greater number of students, but at a much higher cost and the overall graduation rate is less. Is that what we are talking about? I know that is a far-off case.”

Mr. Jones said, “The answer, as you well know, is no. But at the same time, I have seen funding mechanisms put in place to improve graduation rates, and it has pushed institutions to be much more selective. In this state when you talk about increasing the number of graduates, you are talking about serving students who have not been in higher education before. They are going to be minority students, and they are going to be low-income students. If you are going to get to the goals that Don talked about, 3.2 percent per year, year after year, etc., this state and its institutions are going to have to serve students that have not been well-served historically. You cannot get there by getting more selective in all the institutions. You are going to have to figure out how to figure this out.”

Dr. Elmer Washington said, “One of the points you made about the plan being comprehensive, I think is, of course, a very good one. But considering the nature of the environment we are operating in now where there is a limited number of dollars, we can just about count on the dollar amount that we have available to us now to be available next year or even less, optimistically. So, in reality, if we are talking about making the kinds of changes we are talking about, it looks to me like we have to find a way to change the existing pattern of allocating resources with our current base. That, of course, gets us into a situation where to fund the things that are needed, we have to rob Peter to pay Paul. Do you know of any situations where that has been done effectively?”

Mr. Jones said, “Your neighbor to the east has done that. The point is that there is never a good time to change the funding policy. In bad times most will say, ‘I have got all I can do just to do what I am doing today to keep the ship afloat; do not mess with me.’ When times are good, the pressure changes. I think what you really need to do is -- and again, I am encouraged by the conversation in the Commission that they understand that we have got short-term problems, but as somebody said the problem is longer than terms. This is a problem that is not going to get solved in one legislative session or in one legislator’s term in office -- think about this as a 10- or 15-year journey to get it right, and then get as far as you can whenever you can. It is like sail boat racing. You need to know where you are going, but then you always need to take into consideration what competitors are doing, which way the wind is blowing, what is happening in your environment, and you may need to sail this way to get that way, but you do it with knowledge, with forethought, and with intentionality. What I hope comes out of this is a framework that you know where you are going, that you know what good practice looks like, and whether you want to bite this off and get what we can whenever we can.”

Dr. Washington said, “It seems to me that bad times might be the best time. That is the silver lining.”

Chairwoman Hightman said, “My theory on all of this is that we should be using the optimal funding mechanism forever and always, not because we are in bad times, but because it is

the right funding approach. It is a good time now to do it because we have other problems that are forcing us to look at what we are doing. There should not be a funding mechanism that works only in the bad times and then change it for good times. We should be using the right incentives here.”

Mr. Jones said, “The only issue is how much political will is there on this Board and, in particular, in the legislature because at the end of this, money will move around from one institution or sector to another. I will guarantee you that if you put in place anything that we have talked about, Paul is not equal at the moment.”

Chairwoman Hightman said, “Let me take a straw vote. Who would be happy here in the audience to rob Peter to pay Paul? I guess we have got that answered.”

Mr. Jones said, “Therein lies your issue.”

Dr. Washington said, “The point you made about the formula we have now in the four-year public universities. There is one that, of course, is historical. But originally, it started out based on enrollment. But it still has that enrollment element that is driving it even though it is obsolete.”

Mr. Jones said, “I will argue that because tuition is an increasingly important part of an institution’s core funding, I do not care what you do, they are going to look at this being enrollment-driven because enrollment equates to tuition revenue. I live in a state where, for the public sector -- two-years, four-years, everybody -- tuition revenues from both in- and out-of-state students represent 77 percent of the core budgets of institutions collectively, but where the state is putting up 23 percent for all of higher education in the State of Colorado, and it is likely to go down next year. When that happens, then the state is usually in the position of saying, ‘look we are going to do what we can to provide need-based financial aid so that tuition that you are charging can be paid by the lowest income students here, and if there is anything left, we are going to buy specific services from the universities. There are certain things that we will pay for, but we are not going to give any general operating money to institutions. We will pay for the medical center. We may pay for the vet school at CSU. There may be a couple of other things that we pay for, but when we get done with that, the state money is gone.’ That is as close as close to an enrollment formula as you can get, and it is all tuition-based.”

Mr. Andy Davis said, “When you look at the slides it appears that if you make a matrix of cost and completion we are in the right quadrant. We have cost per student below national average, and we have completions above the national average. My question is based on other states that have moved toward these innovative funding mechanisms. What kind of results can we expect? Because it seems that we are already in that quadrant that each and every other state in the other three quadrants would probably be pleased to be where we are. How much more efficiency can we expect to get out of this system by adopting these proposals?”

Mr. Jones said, “You would get some. These are by sectors. If you were to take a look at it institution by institution, you can look at it enough to know not everybody is equal in that. Every institution does not find itself in that same quadrant. So part of the question then is how do you get improvement in those places. Second of all, when you take a look at it, when I take that scattergram and put it on the state basis or the sector basis -- if you are not Colorado, Utah, or maybe one or two other states, not Illinois -- you are not on the efficient frontier in any of these.

You may be in the upper quadrant, but you are not as cost effective as other institutions in other states. So, there is room for improvement. Other places are doing it.”

Mr. Davis said, “How much?”

Mr. Jones said, “Ten to twenty percent. It is in that magnitude. There are a lot of states that are in the high cost, low performance quadrant.”

Dr. Glenn Poshard said, “I appreciate the recommendations and some of the statements that you have said today, but I want to ask you, based on the Colorado model and the direction that some of the other states are going, what happens in Colorado when we finish privatizing public higher education to the middle- and low-income family students?”

Mr. Jones said, “Oh, I think that is easy. They do not go to college.”

Dr. Poshard said, “But it seems to me, sir, that is where a lot of the public higher education is going today.”

Mr. Jones said, “In Colorado it is because we have some of the craziest, self-induced constitutional limits on taxes and uses of taxes of any state in the country. It is not what anybody in the business community or the education community would want, but when folks get to vote on every tax, and when they back every tax, you can get these kind of results, and Colorado is particularly stuck in higher education because we had one constitutional amendment that says that taxes and expenditures are limited, except that there is another constitutional amendment that says funding on K-12 education has to go up by inflation, plus growth, plus one percent every year. So state revenues are constricted, but the share that goes to K-12 keeps going up and pretty quick. They got it all. This is not public policy in any rational way. This is what happens when you have public policy by popular vote.”

Dr. Michael Hogan said, “In your study of these issues, have you explored the possibility of relieving some of the cost of regulation on universities and colleges, and if so, how has that been done? I think most people on this Board would probably agree that when it comes to certain areas of the way we conduct our business, both procurement and on other things, we are very heavily regulated and the cost of that is onerous, and getting more onerous, and that cost comes out of the education funding and affects our ability to deliver affordable education.”

Mr. Jones said, “It is awfully hard to put a number on these things. One of the things that we kind of do is take a lot of time talking to college presidents and others saying, if these are the goals that you have got, what is there that is in the way of your getting there, and how could you be more efficient in this whole process? What that does, I would argue, is a build a database about a set of things that are driving you nuts and are costing you a lot to no good end.

“In some other states, when you take a look at Tennessee and a couple others, when they say we have no money, well at least if you cannot give us money, can you give us relief? Can we, in an organized way, not on a campus-by-campus special pleading, but in an organized way, go to the legislature and say there is a set of stuff that we are doing, that you are making us do, things like how one buys property insurance. There are states in the Midwestern Higher Education Compact, which has a very nice risk management program that lets institutions buy risk insurance at much lower rates than they get locally. But in some states, they have either a

state law that says it must be bought in-state or a set of bureaucrats that say that is my program and if that happens, then I go away, which probably is what needs to happen but does not happen.

“Just getting those things on the table opens up a whole conversation, and we are deeply involved in the conversation right now. Fundamentally, this is a conversation about the relationship between higher education and the state. You can talk about it in procurement terms, contracting, and benefits. It has all those ramifications, but fundamentally, it is about the extent to which higher education in the state is a state agency or is it an independent enterprise and service to the state. Is it a public corporation or a public entity? Sorting that out has lots of implications about who gets to make what decisions.”

Chairwoman Hightman said, “You know it sort of reminds me of the utility model, and I come from the utility world. Like this public carrier, you have a monopoly. Their rates are regulated, but they are often times public companies that are offering the service, and it is sort of this mix of some things you can do on your own and some things you have got to get authority from the state to do. In the utility world, there is the compact that the utility gets the benefit of the monopoly service territory. That is why they are willing to throw themselves into the jurisdiction of the state agency. It is an interesting dynamic when you compare it to the situation that the public universities or community colleges find themselves in.

“But I have to say whenever, and I have read your quotes, your mantra is about heavy regulation, and I have read that in multiple places, so I guess that is your sound bite. My first reaction was you might be heavily regulated in some areas, but you are certainly not heavily regulated by the Illinois Board of Higher Education. Just so the record is clear here, we are an oversight Board, and we do not regulate at all. And as has been made clear from the conversation you talked about a lot of other areas in which you are regulated, but not what we do.”

Mr. Bergman said, “I would like to say that this was discussed this morning. I think this was kind of under the guise of unfunded mandates that Bill Perry brought up, and I would like to suggest that the final draft from the Commission indicate something to the effect that if the state is going to require regulation or more regulations, they should pay for it. If they are not going to pay for it, they should not require it.”

Mr. Jones said, “The flipside is that if I am a legislator, I can say OK. That \$50 million in veterans’ benefits, we will fund that as the state, and that \$50 million comes right out of the higher education appropriation.”

Chairwoman Hightman said, “Right.”

Mr. Bergman said, “That was discussed.”

Mr. Jones said, “That is the reality of what is going to happen.”

Mr. Bergman said, “I am talking more about in terms of the regulatory type things.”

Dr. Elaine Maimon said, “I want to clarify that there are two issues. One is the unfunded mandate, which is the veterans’ benefits you were describing. The other one is that the public universities distinctively have to deal with, and I am glad the community colleges do not have to deal with them or other sectors, a very heavy regulation right now, even extended regulation on procurement. The example that you gave was something that seems very domestic to the kind of

thing we are dealing with where everything we buy has to have oversight. It costs us a great deal of money, and it also costs our vendors a great deal of money. This is the most extreme example that we are dealing with right now, but there are other things like that. So the public university presidents would like to ask you, because it seems to be beyond anything I have ever seen in other states, that some regulatory relief can be very appropriate.”

Mr. Jones said, “One of the things that we talked about this morning was that it is not just about state and student funding, but it is also about efficiencies and the overall ability to be efficient in the overall operation of the enterprise. There are some good examples, particularly in Maryland and Ohio. Whether it is state public institutions, that this is not organized except that in the Maryland system of higher education and the Ohio Board of Regents, they have somebody that basically convenes a set of folks -- and say you are talking about energy purchases, you are talking about software purchases, you are talking about all of those things -- we will do those on a mass basis. Energy is the one that has gotten a huge savings. But by virtue of their working together they get benefits of scale, but they also, because they work together, they have a place where they can keep track of how much they have saved by doing what. It really is kind of an impressive way to talk to the public about how well you are using their resources.”

Chairwoman Hightman said, “That is what I was thinking. It seems to me it is easy to say that there are too many regulations, and they are costing us too much money. But if there are particular regulations that you can show cause taxpayers to pay more, then I am sure that there is a valid case you can make for a statutory change to change that. But you have to be showing that, in fact, we would save money as the state because it is easy to talk about all these rules and things you have to comply with. But if in the end, purchasing at the highest level in mass quantities saves money overall, then that is a good thing. If it is costing more money than it would cost if you did not do it, that is a bad thing. I would think if it is true, there is a case that can be made, and I would think that you could argue for certain statutory change, and I am sure nobody wants you to be doing things that are costing more money.”

Mr. Jones said, “The reality in many of these things is that it is not a statute; it is an executive order in regulation.”

Chairwoman Hightman said, “But for Illinois I do not know if that is the case.”

Dr. Maimon said, “The one that I was giving as an example has nothing to do with buying in quantity -- nothing. And it was just put in statute actually in the last session making it much, much worse and more complicated.”

Mr. Sevener said, “Some of those regulations are statutorily based; others are not. But we have underway, nearing completion actually, two studies from task forces created by the legislative resolution. One is specifically on procurement. The other is on mandates. And I looked at, I think it was on mandates, the list of mandates that universities are under, and it was like 20 pages long and both sides of the page, single-spaced, and there must have been a couple of hundred anyway and all kinds of agencies, it is the Department of Public Health, it is Central Management Services, it is Agriculture, it is the public resources agencies, and so on. Those reports will be completed we anticipate by the end of this month and forwarded to the General Assembly outlining all the various regulations that universities are under, the procurement code, and the burdens that it places on the universities and what the suggestions or recommendations might be.”

Chairwoman Hightman said, "Who owns putting together the recommendations?"

Mr. Sevener said, "Who will make the recommendations?"

Chairwoman Hightman said, "Yes."

Mr. Sevener said, "The task forces that were set up for this. In the case of the mandate study, it is a broad-based task force that includes not just institutional representatives, but representatives from business and labor."

Chairwoman Hightman said, "Are we on it -- the Illinois Board of Higher Education?"

Mr. Sevener said, "We are staffing it."

Chairwoman Hightman said, "So it is a way to look at it and see."

Mr. Jones said, "But this is one of those things where you now have a database and it may well be worthwhile you, as a Board, taking a look at that list and saying if we are going to push for four or five of these things, what would we push for?"

Chairwoman Hightman said, "Right. Pick the right one."

Mr. Jones said, "Go pick a fight for four or five of these that really matter and see how much consensus you can get amongst the presidents to change some things."

Chairwoman Hightman said, "Any last thoughts or questions?"

Mr. David Benjaih said, "I just want to reiterate a point that was made in the Commission meeting this morning, and I hope it ends up in the Commission's report, that higher education or education in general should be viewed as an investment of the future of the state. This is something that has many benefits for the state, many outcomes. Some of them are tangible and can be measured. Some of them cannot be measured. Dollar-wise, every dollar that the state puts into higher education, there are several dollars in return that come back to the state. I know things are very difficult, money is very tight, but I hope the position of the Commission will be that despite that, if it were to look to the future, secure a better future for the state, we should invest in higher education because it will have big payoffs."

Chairwoman Hightman said, "That is the underlying theme of the budget recommendations that this Board makes every year. That is the budget."

Mr. Benjaih said, "I just wanted to make the point that the Commission, hopefully, will make that point as well so that they can hear it from different sides."

Chairwoman Hightman said, "Dennis, do you want to wrap up with some conclusory comments or have you spoken enough?"

Mr. Jones said, "I have told you more than I know already."

Chairwoman Hightman said, "Well if that is the case, which I do not believe, then we want to thank you, again, for your work on the Commission and keeping the Board apprised of

what the Commission is doing and for all of your support of higher education in the State of Illinois.”

1. ACTION ITEMS

Dr. Bob Blankenberger said, “We have included in the memo a listing of all pending academic programs and all authorization proposals submitted to the Board through September 24. Since then, one additional proposal has been received from an independent institution. As of Monday, October 4, there was one new request for program modification in addition to those reported in the memo.

1a. New Units of Instruction at Public Community Colleges

Dr. Blankenberger briefly outlined the contents of this item. After his presentation, the Board had the following discussion:

Mr. David Benjaih said, “Yes, a little discussion and it relates a lot to the discussion on related items at the last meeting in that there is consideration particularly when you look at the College of Lake County and we see a lot of vocational applications, and the question arises is the community college venue the greatest or the most applicable venue for teaching this curriculum? Does not the private sector exist anymore in order to teach such vocational training? This is something that came up in the SAC meeting over the weekend. It is something where we had this question and also, I brought this up last time as well, if these same programs, which are only going to serve, in the beginning nine or ten people, I think a few years ago it got up to a couple dozen people, are we not perhaps better served in moving the few people around to other places where those programs already exist? The question is whether or not this has been properly questioned within the Board of Higher Education and the ICCB. I recognize that we should probably have brought this forward earlier, but it is a question that came up over the weekend in SAC and something that we need to talk about or at least have a response to. Thank you.”

Dr. Blankenberger said, “Is this for one of the specific requests or just a more theoretical question?”

Mr. Benjaih said, “Well, theoretically, here you are looking at College of Lake County. They have a lot of very vocationally applied programs, and CVS used to handle all this kind of stuff up in Chicago, and CVS is not really as active as it was. Is it active at all anymore? I do not know. CVS was basically, as I recall and understand, people from within the trades themselves who actually supplied those educators. So none of this goes over to a state situation, a community college. Is this, as we see, the most applicable venue for this type of education?”

Dr. Blankenberger said, “Well, in general, this is in fact a mission of the community colleges to provide technical and career education in addition to the associate’s degree programs. So, my suggestion is that this is the appropriate venue for these to be offered, that the institutions respond to the needs of the community, they tend to be community-based, they originate in the studies of the needs of the community, and the institutions ought to be -- as much as they can through current budget constraints -- as responsive as they can to those needs.”

Mr. Benjaih said, “To follow up with what I have touched on, is it possible for us, considering the need -- nine beginning going up to a couple of dozen after a few years -- is it possible to consider that there may be a nearby enough institution that offers the same thing that

maybe we could help fund those students for transportation costs or something of that nature in order to attend the other schools? Is that possible? Is that considered?"

Dr. Blankenberger said, "The institutions, in their need-analysis, are supposed to anticipate the other available options to students, so this is something that they could take into consideration. Additionally, the cost to the students is a factor as well. So the institutions will try to be responsive as they can."

Chairwoman Hightman said, "So are you saying we have to take this into account in evaluating this as well?"

Dr. Blankenberger said, "The need is taken into account, yes."

Dr. Jerry Weber said, "Career programs are all created through advisory committees, and the advisory committees, for instance, are advisory committees in this area about 50 percent of the people are in the trade unions and then others are in the private sector. So, they will drive that curriculum according to their own needs for training, and I cannot add much more to what has already been said, but they are curriculum-based, and the enrollment goes with the needs for employment. Then we take those programs out if there is no longer a need. We close them down. So it is responsive to the local needs. In our case, Lake County has about 700,000 people, and for the students going through in this whole area, there are a couple hundred students in the whole array of the HVAC. These are just some of the individual programs, and they move in and out of these programs according to as they learn, just like we all might with an undergraduate curriculum. We all move about depending upon our interests unless our interests change or our need for additional certifications."

Dr. Alice Hayes said, "One of the advantages of offering these programs through a community college, as opposed to a trade school of some kind, is that the curriculum nearly always includes a general education component, and that is an enrichment of these associate degree programs that is highly desirable."

Mr. Benjaih said, "That is what is recognized, but in the program in question that we are looking at would be 15 hours with general education, 55 with vocational training; and yes, that is recognized that that is a few classes of general education, which is certainly for their benefit. The question, if I might respond here, particularly like with HVAC, and I have spent a lot of my life working in trades, so I am very aware of what is going on with this, but I am looking at this particular vocation that is very well trained, particularly on the job, but my question is how well do you actually prepare someone through a school of education for something that is 90 percent on the job training?"

Dr. Weber said, "On the job training is part of these curricula, but also we have a lot of donated commercial equipment, other equipment that has been donated, or equipment that we have purchased. So it is contemporary and up-to-date. In most of the cases, since we are already working with folks who are in the field, there is a kind of cohesion in terms of the skills that they are learning and in terms of their placement."

Chairwoman Hightman said, "I think that you are asking some interesting questions, but I do not think that they are necessarily relevant to the vote that the Board has before it, so I would welcome you to talk to Jerry or to whomever else you would like to get more information about this, but I think in the interest of using our time effectively, I want to move this to a vote."

The Illinois Board of Higher Education, on motion made by Ms. Hamouda and seconded by Ms. Morris, hereby grants authority to College of Lake County to offer the Associate of Applied Science in Light Commercial Heating, Ventilation, and Air Conditioning subject to the institution's implementation and maintenance of the conditions that were presented in its application and that form the basis upon which this authorization is granted.

And grants authority to College of Lake County to offer the Associate of Applied Science in Residential Heating, Ventilation, and Air Conditioning subject to the institution's implementation and maintenance of the conditions that were presented in its application and that form the basis upon which this authorization is granted.

And grants authority to College of Lake County to offer the Associate of Applied Science in Stationary Engineer, Heating, Ventilation, and Air Conditioning subject to the institution's implementation and maintenance of the conditions that were presented in its application and that form the basis upon which this authorization is granted.

And grants authority to College of Lake County to offer the Associate of Applied Science in Energy Audit subject to the institution's implementation and maintenance of the conditions that were presented in its application and that form the basis upon which this authorization is granted.

And grants authority to College of Lake County to offer the Associate of Applied Science in Heating and Air Conditioning Engineering Technology Supervisor subject to the institution's implementation and maintenance of the conditions that were presented in its application and that form the basis upon which this authorization is granted.

And grants authority to Elgin Community College to offer the Associate of Applied Science in Digital Forensics subject to the institution's implementation and maintenance of the conditions that were presented in its application and that form the basis upon which this authorization is granted.

And grants authority to John A. Logan College to offer the Associate of Applied Science in Electronic Health Records Office Assistant subject to the institution's implementation and maintenance of the conditions that were presented in its application and that form the basis upon which this authorization is granted.

And grants authority to John A. Logan College to offer the Associate of Applied Science in Corrections subject to the institution's implementation and maintenance of the conditions that were presented in its application and that form the basis upon which this authorization is granted.

And grants authority to Lincoln Land Community College to offer the Associate of Applied Science in Surgical Technology subject to the institution's implementation and maintenance of the conditions that were presented in its application and that form the basis upon which this authorization is granted.

And grants authority to Oakton Community College to offer the Associate of Applied Science in Radiologic Technology subject to the institution's implementation and maintenance of

the conditions that were presented in its application and that form the basis upon which this authorization is granted.

And grants authority to Rend Lake College to offer the Associate of Applied Science in Wireless Communications Technology subject to the institution's implementation and maintenance of the conditions that were presented in its application and that form the basis upon which this authorization is granted.

And grants authority to Southwestern Illinois College to offer the Associate of Applied Science in Commercial Maintenance Mechanics subject to the institution's implementation and maintenance of the conditions that were presented in its application and that form the basis upon which this authorization is granted.

1b. New Operating and/or Degree-Granting Authority for Independent Institutions

Dr. Blankenberger briefly outlined the contents of this item. After his presentation, the Board had the following discussion:

Chairwoman Hightman said, "Is there a motion?"

Dr. Addison Woodward said, "Discussion."

Chairwoman Hightman said, "There is motion first. Is it moved? OK. We can have comments or questions."

Dr. Woodward said, "Well, part of my discussion was that I move that we separate these degree requests or these requests to offer degrees. I have serious problems with Dan EL. I have shared those concerns with Board staff."

Chairwoman Hightman said, "Is that the only one that you have an issue about?"

Dr. Woodward said, "That is correct."

Chairwoman Hightman said, "So, why don't we for the moment then, Frances if you can modify your motion."

Dr. Frances Carroll said, "I will modify my motion to move for acceptance of all presented with the exception of Dan EL Institute."

Mr. Jay Bergman said, "I have a concern about Morthland College. I have some questions also."

Chairwoman Hightman said, "Can we modify to take both of those out? And there are no other ones?"

Dr. Carroll said, "Dan EL and Morthland College."

Chairwoman Hightman said, "Right. Those are the only two that there is an issue about."

The Illinois Board of Higher Education, on motion made by Dr. Carroll and seconded by Dr. Washington, hereby grants to Benedictine University the Authorization to Grant the Master of Public Health in the Central Region subject to the institution's implementation and maintenance of the conditions that were presented in its application and that form the basis upon which this authorization is granted.

And grants to NorthShore University HealthSystem School of Nurse Anesthesia the Authorization to Operate in the North Suburban Region subject to the institution's implementation and maintenance of the conditions that were presented in its application and that form the basis upon which this authorization is granted.

And grants to Northwest Suburban College of Basic and Allied Health Sciences the Authorization to Operate in the North Suburban Region subject to the institution's implementation and maintenance of the conditions that were presented in its application and that form the basis upon which this authorization is granted.

And grants to The Chicago School of Professional Psychology the Authorization to Grant the Bachelor of Arts in Psychology in the Chicago Region subject to the institution's implementation and maintenance of the conditions that were presented in its application and that form the basis upon which this authorization is granted.

And grants to Argosy University – Chicago Campus the Authorization to Grant the Master of Public Health in the Chicago Region subject to the institution's implementation and maintenance of the conditions that were presented in its application and that form the basis upon which this authorization is granted.

And grants to Argosy University – Schaumburg Campus the Authorization to Grant the Master of Public Health in the North Suburban Region subject to the institution's implementation and maintenance of the conditions that were presented in its application and that form the basis upon which this authorization is granted.

And grants to The Illinois Institute of Art – Schaumburg the Authorization to Grant the Bachelor of Applied Science in Culinary Management in the North Suburban Region subject to the institution's implementation and maintenance of the conditions that were presented in its application and that form the basis upon which this authorization is granted.

Chairwoman Hightman said, "Now, let us talk about each of those two individually, and we can start with Dan EL."

Dr. Woodward said, "Well, I am very concerned with the various subsidiary sister organizations that are tied into Dan EL. I am concerned that the history of those organizations and Dan EL are checkered, and frankly, I cannot go on record supporting that degree with that request to offer that degree, and they will be coming forth with a whole slew of them next time."

Chairwoman Hightman said, "But they are not."

Dr. Woodward said, "Operating authority. I am sorry."

Chairwoman Hightman said, "Just so I am clear here. Right now, they are asking for operating authority and not for any degrees."

Dr. Woodward said, "That is right, but the history is, I do not think I want to go there, giving them operating authority."

Chairwoman Hightman said, "And what is the basis for that?"

Dr. Woodward said, "Some very interesting relationships between the different subsidiary sister organizations that they are a part of. I think that it is a very closed system. They are going to be offering degrees to a subset of people who will then be offering degrees to a subset of people. I suggest you do some Internet searches. OK?"

Chairwoman Hightman said, "Actually, I have reviewed information from the staff, and actually, their responses to your questions. So I am totally satisfied with the approval of it. I do not know if anyone else has any other question about Dan EL."

Dr. Carroll said, "I do not, but I would like to have more specific information if Addison is concerned. I am not understanding fully the concern."

Chairwoman Hightman said, "Well, maybe Bob can help clarify some of what has been raised and his responses to what has been raised."

Dr. Blankenberger said, "Yes, if you have the item in front of you, the history section describes the changes in the institution. We have a history there that outlines the origination of the institution and its offerings. And then recently, the institution has separated from the other institutions as Dr. Woodward just mentioned. This is with the express purpose of gaining operating authority under more traditional terms as recognized by the Department of Education, a recognized accreditor. The process will begin with operating authority, and then once the institution shows a pattern of successful delivery, as well as an acquisition of initial accreditation status, then the institution will be considered for additional degree approvals. As it stands, the institution will only begin with operating."

Dr. Carroll said, "My concern was 'subset.' Addison, you mentioned that there would be degrees granted then someone beneath them would be granted other degrees."

Dr. Woodward said, "That is what I am concerned about. The degree of the president, Robb Thompson, who is from one of the subsidiaries, has a Doctor of Theology from a non-accredited institution. There is a whole pattern there. So, I have raised those questions, and everyone else can vote for it, but I cannot."

Chairwoman Hightman said, "So maybe to better get to the point here, maybe what you need to do is explain to us why you think there is no concern."

Dr. Blankenberger said, "In the staff consideration of the faculty qualifications -- this is taking into consideration that we have been working with the application for some time -- faculty members identified in the institution who had degrees that we had concerns about, they were required to remove those faculty members and instead have faculty members that met the expectation for qualifications of faculty in the State of Illinois, including accredited degrees at the

appropriate level. The institution has committed in the review process to satisfying those faculty requirements.”

Chairwoman Hightman said, “My theory on all of this is there is a statute, and we have rules, and we have to comply with our statute and comply with our rules. So if we see that an application meets those statutory requirements and complies with our rules, even if there are other aspects, if they meet the rules, they meet the rules. In this case we have done our review, as the staff does with every application, and it has concluded that this application should be granted. While there might be issues that are unrelated to the criteria for approval of this type of application, issues such as the ones that Addison raised, I think that that goes beyond what our authority is, and unless we can show a statutory failure or failure between a statutory requirement, then I feel like it is appropriate to support the staff’s recommendation and vote to approve this. That is my position.”

Dr. Hayes said, “I get anxious with that approach that we might be turning into a rubber stamp for the staff as opposed to having an opportunity to explore some questions that are being, I think, legitimately raised.”

Chairwoman Hightman said, “But we are not rubber stamping anything. Addison has been working with the staff, for I do not know how long now, on these issues, and what staff has done is address the statutory criteria and the concerns that Addison has raised. Now Addison is not satisfied obviously from what he said. My point is -- though he might not be happy with the result -- what I understand staff to have concluded is that this entity meets the statutory requirements.

“So there is no rubber stamp when we have gone through and analyzed the issues that have been raised by a Board member. Now I do not have a problem if somebody says I need more time to look at this for a particular issue that has not yet been addressed. But I do not think it is appropriate to keep these entities on the line here and not make a decision. Right? If the Board will address the issue at hand, and if there is some other issue that has not yet been looked into, then that is an appropriate reason to stop and look at that. But this is far, Alice, from a rubber stamp. We have looked into the issues that have been raised, and the staff has come back to us with additional information.”

Dr. Vinni Hall said, “I am not sure what those issues are because I think people are being discreet in describing them, but I think I would like to know what those are in particular, and specifically, would like a chance to do some research myself. Maybe we could postpone it for a month.”

Chairwoman Hightman said, “I do not know if anyone is being discreet because they do not want to talk about it. We are a public agency that has to address these issues in the open. So, I do not know.”

Dr. Hall said, “I do not know. Would it be that harmful to postpone it for a month?”

Chairwoman Hightman said, “No, and as I said, if there is something that people really think that has not been addressed, I am happy to hold it up. But what I do not want to do is hold applications hostage for no valid reason other than, like as Addison said, he does not want to vote for it. We know that. The question is what does the rest of the Board want to do, and whether they understand the issue that Addison raised, and the response that staff has given to Addison’s

question. Because I think the worst disservice we can do is to hold it up. I want to understand what particular issue we have that would be the basis for holding it up. If there is more that can be explained, I would rather explain it now than wait for another two months.”

Ms. Heba Hamouda said, “I have a question to Bill on that. If Addison has been working with the staff throughout this process, something is not reconciling in his mind. Is there a way to isolate that issue as to why he is not satisfied that Dan EL has met the statutory requirements? Can we isolate that and discuss it?”

Chairwoman Hightman said, “Well, I thought you talked about the qualifications of the professors or of the teachers, and what we were just told was that the one that does not have the right qualifications is not going to be teaching these courses. The others will be, and they have degrees from accredited institutions. That is the one issue that I heard.”

Ms. Hamouda said, “Right. But I am just wondering if there are any other issues because he is still not willing to vote despite the fact that that has been addressed. I did not know if there is anything else.”

Chairwoman Hightman said, “Maybe Addison could tell us. Is there another issue?”

Dr. Woodward said, “I am looking for my memo that I sent to the Board staff.”

Chairwoman Hightman said, “Here, I have it.”

Dr. Woodward said, “There are issues. In 2000, the great Harvest Church essentially thought the end of the world was coming in Y2K, and they went on a big push to sell survival kits to its members. I have a problem with that.”

Chairwoman Hightman said, “What does that have to do with the request before us?”

Dr. Woodward said, “Because it is part of the Harvest Church. Where do you think the courses are being offered?”

Chairwoman Hightman said, “But they are not asking to approve any course, they are asking for authority to operate.”

Dr. Woodward said, “The president is also the pastor of that church and that is Robb Thompson.”

Chairwoman Hightman said, “But he is not teaching.”

Dr. Woodward said, “But he is the president. Well, that is fine. I have raised the questions, and I am happy to vote no, and that is fine. I am OK with that.”

Chairwoman Hightman said, “So, it still seems to be back to the same. I just want to make sure if we turn somebody down or delay them for two months, whoever it is, none of these institutions want to be delayed just because there is something that does not feel right in somebody’s mind. But it does not really tie to a particular statutory requirement. Or if we have addressed the issue, but there is still something that just is a morphosis that is not being said or that is unrelated to the issues that we are supposed to be looking at under our statutory duty as we

approve these. I just do not think that is right. So, as I said, if there is some particular issue that somebody wants to have addressed, I will be willing to hold this off. But I have not heard that yet, and I do not think it is fair to us. We all got these a month ago, and we had the opportunity to look through this stuff, and anyone who had issues, as Addison did, could have worked with the staff. I just think that we need to be timely and appropriate in how we address these things.”

Dr. Carroll said, “I only hear a religious bias in this, and I do not think that that is our role to make that kind of decision.”

Dr. Woodward said, “Well, actually, there is no religious bias. Morthland, I think, has a very solid proposal. This, I do not think, is very solid. And I do not think it addresses *Public Agenda* items. So, I just did not think this was solid.”

Chairwoman Hightman said, “But all they want to do is have operating authority. Now, they are going to tell us later what they are going to do. They are going to come back again to actually offer.”

Dr. Woodward said, “And the list of designed ... ”

Chairwoman Hightman said, “And it is private, not state funds, right?”

Dr. Woodward said, “That is fine.”

Chairwoman Hightman said, “OK. I am not sure how much more.”

Mr. Benjaih said, “Yes. Because I was unaware of Addison’s lack of approval of this situation prior to this meeting, perhaps if communication had gone out, it would have said, well this is a question that is held in the mind of another Board member, perhaps we would like to look at this. If that had occurred, I would look more in-depth at this prior to coming to this meeting. Perhaps I should have anyhow. I will not deny that. However, now this question has arisen in my mind, and I would like to have had more information.”

Chairwoman Hightman said, “I am not sure what information you want to have. That is the point.”

Mr. Benjaih said, “Right. I am not sure of that either. What I would want to do is investigate it further.”

Chairwoman Hightman said, “Here is what I propose. I propose we vote on this. If we do not have enough votes, we do not have enough votes. But I think the appropriate thing is to vote on this item. I do not think this is like jumping on the bandwagon -- kind of I don’t know, there must be something -- because Addison does not agree. Addison explained why he does not agree. I respectfully disagree with him. I am not sure about the others. Let us move it to a vote. Either we have enough votes to pass it or we do not.”

Dr. Carroll said, “Can we separate the two?”

Chairwoman Hightman said, “Yes. We did. I meant to actually. This is just for Dan EL.”

Dr. Carroll said, "I move that we include Dan EL in the list of accepted recommendations."

Chairwoman Hightman said, "We will do a roll call vote."

The Illinois Board of Higher Education, on motion made by Dr. Carroll and seconded by Ms. Hamouda, hereby denies the staff recommendation to grant Dan EL Institute of Higher Learning the Authorization to Operate in the South Metropolitan Region.

The roll call vote was as follows: Yes -- Carroll, Hamouda, and Hightman. No -- Benjaih, Bergman, McNeil, Rivera, Washington, and Woodward. Abstain -- Georgouses, Hayes, and Morris. Not present for the vote - Minogue.

Chairwoman Hightman said, "So, six no votes, three yes votes, and three abstentions? I guess that means it is rejected. So the item can come back if they reapply. Do we all understand that that is what we just did? OK. And what is the basis for rejecting it, just out of curiosity? Can anybody enunciate the basis of it?"

Dr. Woodward said, "You can use my ..."

Chairwoman Hightman said, "I do not know what the basis is."

Mr. Benjaih said, "I can tell you my basis. My basis is that I would like more time for further information on this situation."

Chairwoman Hightman said, "So should we change the vote?"

Mr. Benjaih said, "I would say that, yes."

Chairwoman Hightman said, "To move it to delay things."

Mr. Benjaih said, "I would say, yes, that is the best thing to do."

Chairwoman Hightman said, "The reason I am asking is I think we just voted to reject it by accident."

Mr. Benjaih said, "I think that is a mistake."

Ms. Morris said, "No, not by accident."

Mr. Bergman said, "That is what you called for."

Ms. Morris said, "Yes."

Chairwoman Hightman said, "Well, right, but I do not know that we ... I think that there was maybe the assumption that there would be more abstains. So, do you all want to vote? Do you want to reconsider the vote?"

Dr. Santos Rivera said, "No."

Mr. Bergman said, “No.”

Ms. Morris said, “No.”

Mr. Benjaih said, “I am willing to reconsider the vote.”

Chairwoman Hightman said, “Well, it is too late. So, actually, our attorney is clarifying for me the consequence of the vote. So, what Bill has said is that if this is not officially denying; it is just not approving, which means that ... is it still pending?”

Mr. William Feurer said, “It is still pending.”

Chairwoman Hightman said, “So, it is still pending and I am not sure what the staff wants to do with it because I do not know if they, I am not sure. But I think at this point, you understand what happened?”

Dr. Blankenberger said, “Yes. If the Board members can provide me some specific areas they would like to see addressed, I can find information about it so they can make their decisions at the next Board meeting.”

Chairwoman Hightman said, “I do not think that they voted to do that though.”

Dr. Blankenberger said, “No, they did not.”

Chairwoman Hightman said, “OK. So, I think that we have concluded the conversation on this, and let us go to Morthland.”

Mr. Jay Bergman said, “Comment. My concern, and I am not necessarily opposed to this, my concern is I would not want students to get involved in an institution of higher learning that does not have a significant chance of success wherein they may get some courses that be unaccredited and then the college, in effect, goes out of business. My concern is the financial resources. Reading from the thing, *‘Names of 41 of its donors have been provided, and the College has provided a total of \$443,306.’* My concern is we are talking about starting a college. We are talking about starting it with \$443,000, which it says here is equivalent to about 50 percent of its one-year operating budget. I commend these folks for wanting to start an institution down in that area and also one with a religious background, but my concern is that they have got \$443,000. What are the chances of that thing successfully being accredited and continuing? That is my concern.”

Dr. Blankenberger said, “In the staff analysis, they had submitted a number of responses to technical questions related to finances, and the institution was able to provide a plan based on several different enrollment patterns. The institution began with the enrollment pattern that was high enough to reach the proposal that you read from there with the \$800,000, and we asked that they submit multiple plans. The institution provided the facilities through in-kind donation as well as the traditional pathways and provided an explanation on how they were to meet the budgetary requirements. Part of the issue with the institution’s ability to show the actual cash on hand is that until the institution receives operating authority, it cannot pursue accreditation. All institutions begin with operating approval in a state before the accreditation process can begin.

“The institutions, in order to begin the process, have to come to this Board, and that is why they begin with operating and would then subsequently be considered for the degree-granting once they show that they did have the capacity to deliver the programs. They also tend to be unable to actually receive the cash until they begin operation. In a large part, many of the programs that we receive and consider base their financial planning on anticipated enrollments. When we have a concern about an institution, we ask that they submit multiple enrollment plans so that they can show how they would still be able to meet those financial requirements.”

Mr. Bergman said, “Are there specific financial requirements that this Board has or is it a little bit more subjective where it says you must have a good plan?”

Dr. Blankenberger said, “That is part of the problem. There are no cut scores, if you will. They base this on the individual institution and the programs that they intend to deliver.”

Mr. Bergman said, “Well, again, they have enough money apparently. Do they have the whole \$443,000 in hand?”

Dr. Blankenberger said, “It is part of their plan.”

Mr. Bergman said, “They have \$291,000 in hand. Again, it is a subjective thing, but are you comfortable in looking at their alternative plans that if they get some students in there and they go out of business, that these students are not going to be left high and dry?”

Dr. Blankenberger said, “That is a risk with any institution approval. They need new operating authority; that is part of the equation. And the institutions have to provide to us their plans for dealing with those students if the accreditation is not received. Now, having said that, that is the only way for an institution to begin. There is no other way. They have to start with operating with us. They cannot pursue accreditation until after. We ask that the institution contact other institutions in the area about accepting transfer credits so they have many contacts with those institutions, but again, those institutions will not consider that until the institution receives operating authority.”

Chairwoman Hightman said, “But to answer his question though, you are comfortable?”

Dr. Blankenberger said, “This has been under review for two years, well actually about a year and a half. The original application was withdrawn and came back with a very well developed plan for achieving the financing.”

Mr. Bergman said, “Let me make sure I understand the sequence of things. We give them operating authority. They then have to go and get accreditation.”

Dr. Blankenberger said, “That is correct.”

Mr. Bergman said, “Can they enroll any students prior to having accreditation?”

Dr. Blankenberger said, “They will have to inform the students that they are not accredited and then they can then pursue ...”

Mr. Bergman said, “So, let us say they enroll some students before accreditation is received. And then they go out of business. Is part of their plan, can these students transfer their

credits to another college or university and receive credit for that, so to speak, if they did not have the proper authority to start out with?"

Dr. Blankenberger said, "That is up to receiving institutions."

Chairwoman Hightman said, "But that is always a risk with any new school that gets operating authority before they are accredited, which is how it always works."

Dr. Blankenberger said, "That is the process."

Chairwoman Hightman said, "Now, in this case, Jay, you are worried just because their financial situation you think is less strong?"

Mr. Bergman said, "That is exactly right. I think it is very weak."

Chairwoman Hightman said, "Have you seen other institutions with similar financial quality where the Board has granted authority?"

Dr. Blankenberger said, "What we tend to do is when we review institutions, financing, of course, is a major component, especially for initial operating. Institutions do not get to this point unless they have satisfied our expectations for the financing. We actually have quite a few institutions that we have simply not brought to this Board."

Chairwoman Hightman said, "To make sure you have answered my question for clarity here, have we approved applications for other institutions that are starting out like this one where the institutions have financials that are on par with this one or even weaker?"

Dr. Blankenberger said, "The ones that tend to be in this position often start with State Board of Education approval for vocational programs and then they would move to degree-granting authority. Those are the institutions that are similarly positioned in financials. The advantage they have is that they can demonstrate continuation of those vocational programs."

Chairwoman Hightman said, "So we give them the operating authority first, then they go and they get the vocational authority?"

Dr. Blankenberger said, "The State Board is under separate approval criteria."

Chairwoman Hightman said, "But do we give them operating authority first?"

Dr. Blankenberger said, "The State Board can grant certificate level to institutions authority to operate."

Chairwoman Hightman said, "I am not sure if you even answered my question then."

Dr. Blankenberger said, "OK."

Chairwoman Hightman said, "Have we approved operating authority for other institutions like this that had similar financial standing?"

Dr. Blankenberger said, “Similar, not identical because, again, they tend to be State Board of Education approved first.”

Chairwoman Hightman said, “OK.”

Mr. Bergman said, “Have we approved any that were not State Board of Education first for technical programs that, basically, came in like this one was, let us say in the neighborhood of \$400,000 to \$500,000 in this situation?”

Dr. Blankenberger said, “None that I can think of. Again, I have only been doing this for three years. I am sure at some point there were others, historically, that we have done so. The institution was able to put together a package in their overall application that demonstrated significant and deep community commitment to a not-for-profit entity that would be established in the community that would become a degree-granting institution. Their plan is within reason, but there is always risk. But the plan is well developed and it should, in fact, have a likelihood of success. In comparison to other institutions, they came in with a much stronger application. They worked through the process effectively. The institutions that do not meet these thresholds do not ever get to the Board.”

Mr. Bergman said, “But we do not have established thresholds. It is more of a subjective thing.”

Dr. Blankenberger said, “It depends on the nature of the institution, the mission, and the size of the institution, the intended target population, the demographics, the community, etc.”

Mr. Don Sevener said, “I think what Bob is saying is that we apply the criteria. Sometimes when we apply the criteria we think that they do not meet the criteria for some reason, whatever the criteria might be, faculty in the other instance, financials here. And until we are satisfied as a staff that the criteria are met, then we do not bring it to you. So, if you disagree, then you disagree. But we bring proposals to the Board that we are satisfied meet all the criteria. In this instance, we are satisfied that the financials are sufficient for the institution to get operating authority. We would then be able to have some track record when the institution returns with proposals for degree programs. And we would look back at the promises made or the situation that existed at the operating authority level and see if those promises were made and if, in fact, they are operating on a sound financial basis.”

Mr. Bergman said, “My concern is for the students if they do not get back here for a degree approval, if they do not get accredited, and the students in the interim have taken some courses that, more than likely, are not transferable anywhere else because it was not accredited. That is my concern.”

Chairwoman Hightman said, “That happens with every operating authority application though. There is a risk. You think there is a higher risk here?”

Mr. Bergman said, “Just because of the finances.”

Chairwoman Hightman said, “Yes, but that is the nature of the beast in part.”

Mr. Benjaih said, “My concern is similar for the students in that do we have experience of these schools not being able to even complete a semester? That would be the real concern

because if they cannot complete a semester then, of course, there is no transferability. If they cannot complete the semester, then we are looking at a situation where, well most credits should somehow or another transfer. I think there is a way in that somewhere. Is there any kind of background to that?"

Dr. Blankenberger said, "The institutions will not come before you if they do not have the ability to at least function for a year."

Mr. Benjaih said, "OK."

Chairwoman Hightman said, "Any other questions, comments, or thoughts?"

Dr. Hall said, "Are any of the representatives from the university here?"

Chairwoman Hightman said, "Is there anyone here from Morthland?"

Dr. Blankenberger said, "Yes, we have a group from Morthland here."

Dr. Hall said, "I would ask them."

Chairwoman Hightman said, "Do you have a question for them?"

Dr. Hall said, "No. I am concerned that there are some issues that have been raised relative to the finances that maybe they could speak to that, if that is OK."

Chairwoman Hightman said, "I do not have a problem if we have something that we want to hear from them."

Dr. Hall said, "That was what I thought."

Chairwoman Hightman said, "Can you state who you are and what your position is with school?"

Mr. Tim Morthland, Chairperson, Morthland College, said, "I have great veneration for what you do, and I came out of an Illinois system. I have four degrees from Illinois, and you put together quality programs in the state, and I appreciate that. I have a greater concern than perhaps you do about these students. And that is first and foremost. I would not be standing before you today if I did not think that we could complete the task that we have put before you. We have proposed a rigorous academic program with planning for accreditation with the Higher Learning Commission and also the Association for Biblical Higher Education so that there is scholarship money even for those programs of study. Finances have been challenging because Franklin County represents one of the highest unemployment communities in the state, and so, the groundswell of community support has been profound. I would tell you that the number of facilities that have been donated to this college that we are not able to expand quickly enough to even house them. People are offering their suites of offices that are completely furnished, rent-free for as long as we need them. And so we have a very, very low operating budget because of this profound in-kind contribution. You have data from July that there has been another \$40,000 or \$50,000 that has come in as donated office space. A group of attorneys has left, and we have now acquired their furniture, and there is now a new facility that administration is moving into. It gets hard to describe that to you, but we have hundreds of people who have come together to support

this, and I understand the quality you are looking for and am committed to that, and I want to protect these students. I have had dialogues with Julia Schroeder from John A. Logan College. Also, Dr. Charlie Evans from the University of Illinois has visited our campus. We want to do this right, we want to do this well, and we want to bring honor to the colleges of Illinois.”

Mr. Bergman said, “Tim, let me ask you. It indicates that the \$443,000 represents about 50 percent of a one-year operating budget. Let us say that you operate for a year and you burn through most all of \$443,000. What is going to happen for revenues for the second year?”

Dr. Morthland said, “I heard the sagacious gentleman respond that roughly 73 percent or so of your operating budget comes from student tuition, and that is not unlike where we are, too. Our college is looking just like the ones that you have already authorized in the state, yet they have been here for nearly a century. Folks, there has to be a process by which colleges can gain authority to operate. I am committed just as you are for providing quality. If you give us authority to operate, my next step is to make sure we have articulation agreements. We have designed our general education core right after the IAI initiative. We have not done an integrative study program. We have done it where English is English and history is history so that we can protect these students. That is our responsibility. That is first and foremost.”

Mr. Bergman said, “Is there any financial backup in addition to the cash that has been received? So let us just say that things do not work out maybe as good as you had hoped. And at the end of the first year, you have got \$100,000 left, and you take a look at your projected revenues from tuition and your \$100,000 and maybe it is not going to cut it. Other than just saying, well, we will go back to the people in the community, is there any backup at all for additional revenues?”

Dr. Morthland said, “We went through three months of survey from the IBHE analysts and several face-to-face meetings, and they asked us to provide contingency plans. Among those is a 40 percent projected enrollment. Basically, 40 percent of what we project, we can still be solvent. So, I believe that is our backup plan, that we could have a paucity of students and still deliver the educational programs.”

Mr. Bergman said, “Thank you for your answers.”

The Illinois Board of Higher Education, on motion made by Ms. Hamouda and seconded by Dr. Hayes, grants to Morthland College the Authorization to Operate in the Southern Region subject to the institution’s implementation and maintenance of the conditions that were presented in its application and that form the basis upon which this authorization is granted.

Mr. Bergman, Ms. Georgouses, and Dr. Rivera voted present with regard to the authorization to operate in the southern region for Morthland College.

1c. New Units of Instruction, Public Service, and Research at Public Universities

Dr. Blankenberger briefly outlined the contents of this item. After his report, the Board had the following discussion:

Mr. Benjaih said, “Can we separate the last one in the series, the study of Latina and Latino studies?”

Chairwoman Hightman said, "So let us revise the motion to be everything other than the last item for University of Illinois at Urbana-Champaign. Is the motion so revised?"

Dr. Hayes said, "Yes."

The Illinois Board of Higher Education, on motion made by Dr. Hayes and seconded by Dr. Washington, hereby grants to Northern Illinois University authority to establish the Bachelor of Science in Nursing in the Central, Chicago, and South Metropolitan Regions subject to the institution's implementation and maintenance of the conditions that were presented in its application and that form the basis upon which these authorizations are granted.

And grants to Southern Illinois University Carbondale authority to establish the Bachelor of Arts in International Studies in the Southern Region subject to the institution's implementation and maintenance of the conditions that were presented in its application and that form the basis upon which this authorization is granted.

And grants to Southern Illinois University Edwardsville authority to establish the Doctor of Education in Educational Leadership in the Southwestern Region subject to the institution's implementation and maintenance of the conditions that were presented in its application and that form the basis upon which this authorization is granted.

Mr. Benjaih said, "We are looking at the Department of Latina/Latino Studies, which makes sense. We are also looking at a Bachelor of Latina/Latino Studies in the Prairie Region. There was a fair amount of conversation about this in the last SAC meeting. It did not pass exactly, you saw this, it was acceptable. But, I would like to bring forward the same considerations in that these highly specific programs -- Prairie Region, Southern Region, Western Region -- we have seen these things before, and we are seeing them again. How essential are such programs? Are they actually economically feasible to be implementing such programs?"

Dr. Blankenberger said, "The institution had provided a rationale for the addition of the program. The program is designed to meet unmet needs at the campus and as well as statewide needs. It is a program that has specific purpose for addressing, actually quite a few objectives and again, it is within the proposed regulation. The institution has shifted its resources in order to provide this program. As you noted there is not a particularly burdensome financial cost to the institution, so it is, again, to incorporate their values in an interdisciplinary program. It is relatively easy to achieve."

Mr. Benjaih said, "Is that not covered? Is this so-called Prairie Region, is that not covered in the generalized Latino studies?"

Dr. Blankenberger said, "The regions are established by administrative rules. There are ten regions in the state, and the Prairie Region happens to be the region for the University of Illinois at Urbana-Champaign. So when they asked for approval, it is just for that region."

The Illinois Board of Higher Education, on motion made by Dr. Carroll and seconded by Dr. Rivera, grants to University of Illinois at Urbana-Champaign authority to establish the Bachelor of Arts in Liberal Arts and Sciences in Latina/Latino Studies in the Prairie Region and to establish the Department of Latina/Latino Studies subject to the institution's implementation and maintenance of the conditions that were presented in its application and that form the basis upon which these authorizations are granted.

Mr. Benjaih voted present with regards to this item.

2. CONSENT AGENDA

The Illinois Board of Higher Education, on motion made by Dr. Washington and seconded by Dr. Hayes, approved the following items:

2a. Board Meeting Minutes – August 10, 2010

The Illinois Board of Higher Education unanimously approved the Minutes of the August 10, 2010, meeting.

Dr. Carroll said, “There is a correction on Page 96. I would like my name corrected.”

2b. Fiscal Year 2010 Financial Report as of August 31, 2010

The Illinois Board of Higher Education unanimously approved the fiscal year 2010 financial report dated August 31, 2010.

2c. Fiscal Year 2011 Financial Report as of August 31, 2010

The Illinois Board of Higher Education unanimously approved the fiscal year 2011 financial report as of August 31, 2010.

2d. Adoption of New Part to Internal Rules: Access to Records of the Board of Higher Education

The Illinois Board of Higher Education unanimously approved the adoption of the following resolution:

The Illinois Board of Higher Education hereby

(1) Revokes the old part of Access to Public Information (2 Ill. Adm. Code 5051) in the attached Appendix B; and

(2) Adopts the new part of Access to Records of the Board of Higher Education (2 Ill. Adm. Code 5051) as detailed in the attached document; and

(3) Directs the Freedom of Information Officer to respond to these requests for information in an expeditious manner and in accordance with these rules.

3. INFORMATION ITEMS

**3a. Illinois Transfer and Articulation Initiatives Annual Report 2009-2010
(Presentation by Bob Blankenberger)**

**3b. Setting a Context for Fiscal Year 2012 Budget Development
(Presentation by Mike Baumgartner)**

Chairwoman Hightman said, "I want to turn to Item 3b. Mike, if you could give us a high level overview without going through your entire PowerPoint. We can make the PowerPoint available if anyone has any questions."

Dr. Baumgartner briefly outlined the contents of this item. There was no discussion following his presentation.

4. OTHER MATTERS/PUBLIC COMMENT PERIOD

Chairwoman Hightman said, "That concludes today's Board meeting. Our next Board meeting will be December 7 at the Chicago-Kent College of Law."

There being no further business to come before the Board, Chairwoman Hightman adjourned the meeting at 4:00 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 October 5, 2010, meeting.