

**SC.11.10**, Report of Board of Trustees meeting (Chicago, Illinois)

January 20, 2011

Chairman Kennedy introduced and thanked Governor Pat Quinn for his string support for higher education. The Governor spoke briefly and thanked the Board, Chairman Kennedy, and President Michael Hogan. He called the U of I system 'the pride and joy of the state of Illinois – along with the Bears.' He noted the importance of higher education to economic growth in the State, and explained why the revenue bill just passed was an important investment in the future of the State. He complimented the Urbana campus on its \$10 million grant from ADM, and was pleased to see the progress in renovating Lincoln Hall.

Gov, Quinn and Chairman Kennedy introduced the three new trustees: Karen Hasara (reappointed); Patricia Brown Holmes; and Ricardo Estrada. New Trustees Holmes and Estrada introduced themselves. Trustee James Montgomery formally installed the two new members and reviewed the overall responsibilities of the Board.

President Hogan introduced the VP/Chancellors, members of the Senate, and other guests.

The Board elected a Chair (Chris Kennedy, re-elected) and two additional members of the Executive Committee (Ed McMillan and Pam Strobel, also re-elected). Chairman Kennedy presented some prepared comments about the special role of the University of Illinois as a public research university, especially in relation to job creation, a vibrant state economy, and improving the overall quality of life in Illinois and the nation. Michelle Thompson was re-elected as Secretary, Lester McKeever as Treasurer, and Thomas Bearrows as University Counsel.

UIC Chancellor Paula Allen Meares provided an overview of recent events and accomplishments at UIC, as the host institution for the meeting.

Trustee McMillan provided a report from the Audit, Budget, Finance, and Facilities Committee and reviewed the agenda items they have brought forth. VP Walter Knorr introduced Dr. David Merriman from IGPA to provide an overview of the Illinois economy. Dr. Merriman reviewed recent legislative actions to increase the individual and corporate income tax rates. He estimates about \$8 billion in additional revenues. On the spending side, he reviewed increases in Medicaid and caps on General Fund spending. It is harder to estimate the budget impact; IGPA estimates that because debt and pensions expenses will increase more than 2% a year, spending in other areas will have to shrink by 1% to conform to the law.

Illinois ranks 17 in household income; still one of the wealthier states. The unemployment rate is high, but falling: "It looks like we are having a recovery." Overall revenues have been relatively steady in real dollars over the past five years; but in inflation-adjusted dollars this is a real decline. This will get worse when federal dollars begin to shrink.

Official estimates of the budget deficit were over \$12 billion; IGPA places this at a higher figure. A particular problem is the unfunded state pension program, which has been heavily reliant on loans and one-time revenue sources.

What to do? Wait for the economy to improve (this still won't bring the state budget into balance). Continue to accumulate obligations (will jeopardize vendors willing to do business with the state). Borrowing (would only make the deficit worse; must pay off existing bills). Raising taxes further wouldn't balance the budget. Cuts alone (as big as 26%) won't happen. New revenue and spending cuts both need to be part of the solution.

IGPA predicts a slightly smaller deficit in 2012, when the full impact of the tax revenues kicks in. But the quantity of unpaid bills from borrowing will go up in 2011 and 2012.

The implications for higher education is that revenue increases forestall immediate emergency; but that structural deficits in state spending will become apparent by 2012, and may deter future economic growth.

Future problems in the pension fund were not factored into these estimates; if they were the projects would look even worse. Major restructuring in the pension system and a commitment to funding it are needed.

(Yes, in case you are wondering, Governor Quinn was present through this entire presentation. He responded to the presentation by detailing plans for debt restructuring and at least \$5 billion in new state stimulus spending (roads, bridges, and some U of I capital programs).

VP Knorr returned to discuss the financial indicators of the University and state appropriations. We still have \$411 million in receivables, along with \$31 million in unpaid MAP funding. Right now the pattern looks about the same as last year.

The Board received reports on cost-reduction programs from the campuses. President Hogan began with a presentation on administrative reforms and efficiencies, hoping to save \$100 million dollars. VP Ghosh is heading up the implementation of the ARR recommendations to consolidate and reduce back office operations across the university. VP Ghosh addressed the areas of strategic procurement; information technology; unified communications; business processes; shared service centers; capital programs; and human resources. VP Ghosh reported "significant savings" to date: in procurement, about \$2.7

million/yr; in information technology \$2.4 million, with a projected savings of \$8.5 million/yr; in unified communications, savings in excess of \$3 million/yr. The target is to have the UC system in place by June 2012.

The three Chancellors gave reports on campus academic review and restructuring programs. Reporting from UIUC, Chancellor Easter reported on Stewarding Excellence process, focusing on issues of quality as well as factors of efficiency and cost-savings. He detailed early retirement programs (about 400 FTE); shared service centers; reduced energy costs; eliminating nine degree programs and an ongoing review of PhD programs; and departmental consolidations. Stewarding Excellence has completed 17 projects, with some decisions still forthcoming. Significant changes are in process with IT, Aviation, the Police Training Institute, and Extension.

In the afternoon session Terry Mazany, CEO of Chicago Public Schools gave a presentation emphasizing:

- a. Education at all levels will become more “global,” given the ethnically diverse student population in Chicago;
- b. Education must help to eliminate wealth disparities; higher education is a gateway to the middle class;
- c. issues of access and attainment must be addressed continually. The Urban Education Leadership program at UIC is exemplary on a national scale. It should be replicated and we should close down other similar programs;
- d. Clear standards must be developed for the preparation of school principals; rigorous content preparation is essential to teaching training. This preparation should be given by colleges of arts and sciences;
- e. Mentoring and coaching are also essential;
- f. In helping students to prepare for college, we must also help them to overcome financial hurdles. Helping students’ families to prepare the FAFSA forms is very important.

Chair Kennedy asked whether admissions standards that depend increasingly on standardized test scores might be keeping some potentially excellent students out of college. Mr. Mazany replied that there was a strong movement in the late 90s toward assessment models based on portfolios, but these efforts were derailed partly due to the impact of No Child Left Behind.

A report from the Governance, Personnel, and Ethics Committee was given by Trustee Pam Strobel. The committee met on Jan. 18 and discussed a proposal on a revised leadership development program, generated in the context of expected retirements, and other turnover. Trustee Strobel stated that the University must work on developing a set of leaders, a trained cadre of respected leaders, and a talent pool. Maureen Parks gave the committee a presentation on efforts to

consolidate leadership development across the three campuses. The committee endorsed the proposal, which features an 18 month training program for selected individuals. The first group of participants would include 24 people, beginning later this year. The committee also reviewed responses to questions generated at the fall 2010 Board retreat, as well as discussing two recommendations, one on the Research Park governing board structure and the other on Conflicts of Interest and Commitment (originally included on the agenda for today's BOT meeting; the proposal on the governing board of the Research Park was later removed from the agenda.)

Trustee Strobel commended Vice President Rao for her work on the COIC policy, and expressed her satisfaction with the quick approval of the proposal by the Senates, which was achieved at the request of the Trustees. Chair Kennedy commented on succession management, suggesting that complications arise when arrangements are not in place for this, and mentioning McDonald's as a good example of how to do effective long term succession management. He expressed the opinion that academic institutions are notoriously poor at this, and that we can create a model that becomes a national standard.

Vice President Rao presented an overview of reports on diversity during the past year, touching on the following categories:

- a. Diversity in the Academy
- b. working with minority-owned businesses
- c. summary of Diversity retreat of last summer
- d. reporting of race and ethnicity

Among the information presented:

- a. The percentage of underrepresented students at UIUC is 12.5%; and UIC the number is 33.2%; at UIS, about 27%;
- b. Of some concern is the fact that our admissions yield rate of underrepresented students dropped slightly between 2009 and 2010;
- c. recruitment of Latino civil service staff has increased, but there has been a decline in the percentage of African Americans in civil service staff. HR is working on this;
- d. There is an increasing awareness of the need to use non-traditional sources of recruitment, to go beyond advertising in the *Chronicle of Higher Education*;
- e. the University has hired a consultant to help with diversity issues.

Vice President Rao summarized the diversity retreat held last summer, highlighting the report given by our colleague Prof. Jim Anderson (College of Education). Dr. Rao concluded her presentation by reviewing the President's

charges to advance diversity at the University: UIC Chancellor Allen-Meares has been charged with enhancing the diversity of the student population; UIS Interim Chancellor Berman is to work on increasing diversity among faculty members; and VP Rao has been asked to carry out an all-campus climate survey. Chair Kennedy expressed the need to develop clear steps to increase recruitment from Chicago Public Schools this year.

Chair Kennedy read some remarks on the recommendation on Academic Tuition, emphasizing his desire that the University keep tuition flat on an inflation-adjusted basis (over about 3 years). But he also noted that additional cuts in state funding may create cause for an increase in tuition above inflation-adjusted rates.

The Board considered items 1-15 of the Agenda, with the exception of Item 14 (on the governance board of the Research Park), which was withdrawn because Legal Counsel wanted to further consider one technical aspect of it. 15 (ST 06.05)

UIUC Student Trustee Daniel Soso commented on Item 10 regarding student fees, in light of a resolution passed on Jan. 19 by the Urbana ISS asking the Board not to approve raising the Library IT fee and the AFMFA assessment because students had not been consulted about this increase.

Vice President Knorr clarified that, when the items were first implemented five years ago, regular increases to keep pace with inflation were written into the approved items.

Considerable debate ensued. Trustee Strobel asked what the student reaction would be if the Board eventually were to approve the increases. Trustee Soso asked that the floor be given to Urbana Study Body President David Olsen, who then explained that the primary objection of the ISS was to the lack of consultation rather than to the increase itself.

The Board voted to approve all fee increases except for those two, which will be considered at the next meeting.

Regarding Item 15, the proposed Statutes Amendment ST 06.05, to define tenure home and to specify that consultation of affected faculty in the case of proposed unit changes must come in the form of a secret ballot, Trustee Koritz asked whether passage of this amendment would decrease the Board's right to eliminate units if the faculty disapproved. The question was referred to VP Rao, who responded that the amendment would not represent any substantial change in that aspect and that the most important effect of the proposed change would be to define tenure home.

This and all other remaining items were approved.

A report on UI Foundation was provided by Dr. Sid Micek. With the addition of the new grant from ADM, announced on Jan. 19, the Urbana campus has exceeded its fundraising goal. Last year was our second-best year ever in new business with four straight years of new gifts exceeding \$250 million. Dr. Micek summarized the specified purposes the gifts received. Only 4% were for faculty support; 43% were for academic programs.

A report on the Alumni Association was provided by Lauren Taylor. In the last 3 years, the Alumni Association has reduced its budget by a third. It now has 45 FTEs, down from 60 a few years ago. There are now 8000 members of Illinois Connection, which is an advocacy network.

During the Public Comment session:

Ben Rothschild argued that the UI should create a financial aid program for undocumented students. He also commented that students are opposed to fee increases, not just to lack of consultation about the increases; and that students want a tuition freeze. He left the Board a letter endorsed by various organizations.

Victor Romano spoke on the Hull House Neighborhood and the archives of the Hull House.

Rebecca Marquette, junior in Electrical Engineering, UIUC, expressed concern about the continued delays in the installation of the wind turbine on the Urbana campus, and urged the Board to schedule a special session in February to sign a contract in order to take advantage of available grants.

Kate McIntyre, representative of the Students for a Democratic Society chapter of UIC, protested the steady decrease in enrollment by African American students at UIC, from 9.6% in 2000 to around 8% in 2010. She also protested that the Latino student population at UIC barely reaches 20%, in spite of the location of the campus near Pilsen. She expressed concern about the "tenuous" existence of the Diversity Center, and asked how the University can justify new administrative positions when education is becoming less accessible.