After an executive session that lasted approximately 8:00 – 9:50 a.m., the meeting convened in open session at 9:55 a.m. UIUC Music faculty member Redman sang the state song. President Easter introduced Senate and APAC observers, and made brief remarks about positive enrollment news on the University of Illinois campuses. Chair Kennedy commended Chancellor Wise for excellent faculty presentations at the campus insights presentation the previous evening. UIUC Chancellor Phyllis Wise welcomed the board with brief remarks.

The main items of business in the morning session were dashboard presentations by the three Chancellors, Board committee reports, a presentation on the FY 14 budget by VPAA Pierre, and a dashboard presentation on the University hospital and health systems.

**Budget report.** Vice President for Academic Affairs Christophe Pierre presented the operating budget for FY 2014, noting that the University is in a solid fiscal condition, with continued high student enrollments and quality, and was able to accomplish a meaningful salary program (2.75%) this year. Concerns include trends in state funding, tuition constraints, pension troubles, and declining federal research funding. He reported that this year's budget allows a modest increase while holding down student costs. The general fund appropriation increased slightly, by .2%, for FY 2014, but the direct appropriation is below FY 1997 levels, and if adjusted for inflation is below 1966 levels. The Board approved a 1.7% tuition increase for FY 2014 in January. VP Pierre said there are $207 million in unpaid State vouchers, including $59M for FY 2013, and said that effects of delayed state payments include not replacing departing faculty. He emphasized that with declining state funds, tuition is the main driver of revenue growth; tuition revenue increased by %52.2 million. In restricted funds, a growth in hospital and auxiliaries was offset by a $40 million decrease in sponsored research. For the university overall, tuition makes up about 25% of total university revenues, gifts/endowments 3%, and state funds about 16%. About 54% of our budget goes to salaries and benefits – we are "a people-intensive organization". Putting state contributions in context, VP Pierre noted that even with a flat state appropriation, the steep downward trend in tax appropriation per student FTE continues as our student population increases.

VP Pierre presented a strategic resource management framework for the university’s future, saying we need to invest in the university and that most of this will need to come from reallocation. The strategic resource management framework includes: a revised campus budget process focused on academic goals, a more rigorous budget review process in university administration, campus-based program reviews, academic unit at-a-glance assessments, and reallocation programs on all three campuses. VP Pierre noted that reallocation must be based on stringent review processes and relation to core missions and emerging priorities, and must recognize and respect campus distinctiveness. Much of the work of the university is done in departments and colleges; so this cannot be done in a vacuum, top-down, from campus administration, but has to be done in partnership with deans and department chairs, working with faculty members.
Committee reports. Trustee McMillan presented the report of the Audit, Budget, Finance and Facilities Committee. Items recommended for approval include the operating budget and request for new operating and capital appropriations. Trustee Strobel reported on the meeting of the Governance, Personnel, and Ethics committee, including a review of the July retreat and plans for the January 2014 retreat, which will continue discussion of healthcare related issues. Trustee Koritz reported on the University Healthcare Systems committee, noting the availability of bond funds approved at the previous Board meeting. The committee has been reviewing options for hospital governance structure, including productive conversations with all stakeholders, and hopes to have proposals for the Board as early as the November meeting. Trustee Hasara reported on the previous day’s Academic and Student Affairs Committee meeting, including appointments to faculty, AP, and athletic staff.

Dashboard reports. Each chancellor presented a dashboard report for her campus, with a focus on faculty and class sizes. Metrics reported on were faculty:student ratios, number of tenure system faculty, percentage of faculty from underrepresented groups, average faculty salaries, percentage of classes with fewer than 20 students, and percentage of classes with more than 50 students.

Faculty:student ratios are lower at UIS, slightly below peer medians for UIC, and higher at UIUC. Average faculty salaries are below peer median at UIS and UIUC, and below a set of aspirational peers at UIC. Chancellor Koch emphasized the need to be competitive in compensation. UIS is similar to our peer group median in percentage of classes with fewer than 20 students, while UIUC and UIC have fewer small classes. Similarly, percentage of classes with more than 50 students was lower than peer median at UIS, higher at UIC, and about on par with peers at UIUC. Percentage of faculty from underrepresented groups is higher than peer median at all three institutions, but all emphasize continued need to increase the diversity of faculty.

Chancellor Wise commented on UIUC’s multi-year plan to recruit and retain faculty and enhance salaries over several years. UIUC aims to hire senior faculty in key interdisciplinary areas and invest more in diversity.

Chancellor Koch reported that the number of tenure system faculty at UIS declined from 172 to 164 over the period 2007-2012, and is slightly below our peer median. The UIS student:faculty ratio of about 13:1 is below peer median, and needs to increase for financial sustainability, but the Chancellor emphasized the importance of retaining the personalized experience of the Springfield experience. Chancellor Koch identified goals in this area as: salary competiveness, recruiting/retaining faculty, increasing enrollment, and increasing diversity (though we are already ahead of peers in this area).

PowerPoint presentations on the campus dashboards are available at http://www.trustees.uillinois.edu/trustees/agenda/September-12-2013-BOT/.

The Hospital Dashboard was presented by Dr. Becker, Associate Vice President for Operations, Hospital and Health Sciences System. He highlighted the importance of infrastructure improvements resulting from the recent bond sale. Financial performance of the health system exceeded expectations in the last fiscal year (unaudited preliminary reports), due in part to increases in Medicaid revenue. The report compares hospital performance to peer institutions in the University Healthsystem Consortium. Improvements were noted in several metrics, including length of stay and patient satisfaction, but rankings within the peer group remain low.
The morning session concluded with voice and roll call votes; all items were approved unanimously, including incentive-based compensation for the President, several academic and administrative appointments, and approval of the operating budget for FY 2014.

After a break for lunch, the afternoon session resumed at 1 p.m. with a jazz trio performance. Afternoon reports included the following:

The Dean of Applied Health Sciences at UIUC (Dr. Tanya Gallagher) gave an overview of college programs, including 18 degree programs in three departments. All are top ten, and Disability Resources & Educational Services is top-ranked nationally. She highlighted the success of students and alumni with disabilities at UIUC, who graduate and get jobs at the same rates as all students, a great strength of the UIUC campus. She described the innovative Beckwith program that meets needs of students with severe disabilities living on campus. Dean Gallagher described a 63% increase in Applied Health Sciences enrollment in the last years, and high demand for graduates in these fields. The college has developed academic coach advising programs that have successfully increased retention and graduation rates.

Vice President for Research Larry Schook reported on UI Labs, focusing on a collaborative UIC/UIUC proposal seeking Department of Defense funding for a Digital Lab for Manufacturing.

David Merriman gave a quarterly report on the state economy, describing the Illinois economic outlook as a cause for concern. Merriman pointed to Illinois’ 9.2% unemployment rate, which is the 2nd highest in the nation, and said Illinois is lagging behind other Midwest states. Though it is hard to be sure why the Illinois economy is performing so poorly, one factor is fiscal uncertainty. None of the proposed pension reform plans are sufficient to eliminate projected deficits. Bond rating agencies give Illinois a negative outlook.

VP Knorr gave a Financial Report for the University, noting that the university’s fiscal condition overall is sound due to positive financial outcomes at the hospital and robust enrollment and strong expense control on all campuses, but echoing concerns about the state economy. Knorr presented data on the percentage of students at each campus who pay full, partial, or no tuition and fees, using data for Fall 2012 full-time undergraduates. At UIS, 25% paid full tuition and fees, 19% paid less than full tuition but at least $3000, 28% paid $1 - $2999, and 28% have no out-of-pocket costs for tuition (this includes Pell and other grants but not loans). Percentages of students paying full tuition and fees are higher at UIC (38%) and UIUC (53%). Knorr also reported on endowment performance and targets. The full report is here: http://www.trustees.uillinois.edu/trustees/agenda/September-12-2013-BOT/p-Financial-Report.pdf.

Thomas Farrell, President of the UI Foundation, reported on Foundation activities and presented a new dashboard that will be used to track progress toward campus goals. The Foundation plans to complete a strategic plan this fall. The aim is to double philanthropic activity over the next 7-10 years.

Loren Taylor, President of the University of Illinois Alumni Association, reported on association activities. He presented a scorecard used to track engagement of alumni, and highlighted a new exhibit on University of Illinois history at the Alumni Center and Our Stories web portal for university history.

UIS faculty member Dr. Jorge Villegas presented the faculty report. He introduced himself as this year’s USC chair, and spoke about the need for interaction between the Board, USC, and administration in
developing strategies to face upcoming challenges. He emphasized the importance of a strong shared governance culture based on transparency, respect, and collegiality.

Five speakers addressed the Board in the Public Comment section of the meeting:

Mr. Anthony Fiorentino, a law student and UIUC Student Senate member, asked the trustees to sign a petition to restore full bankruptcy protection for student loans.

Ms. Tara McCauley, representing 1800 AFSME members, presented concerns about the increasing gap between administrative and staff salaries. She said the top 1% of university employees earned $30 million in 2012, while the bottom 10% made about $29 million.

Mr. Stu Umholtz, county prosecutor, referred to previous communications with the Board and, without giving specifics, voiced concerns about use of university resources for personal profit.

Mr. Peter Whitney, an Environmental Studies major at UIUC and a member of an advocacy group called “Beyond Coal,” asked the Board to end investment in coal and invest a portion of those funds in renewable energy sources.

Professor Harriet Murrav (Slavic Languages and Literature) echoed AFSME’s concerns about wage disparities and asked for respect for all employees.

Chair Kennedy announced upcoming meetings and gave the date of the next Board retreat, January 22-23, 2014 in Chicago.