INTRODUCTION:
Good morning Chairman Kotowski and members of the Committee. My name is Doug Baker and I’m the President of Northern Illinois University. Seated next to me is Al Phillips our Chief Financial Officer. I also have with me Dr. Lisa Freeman our Executive Vice President and Provost and Dr. Eric Weldy, Vice President for Student Affairs and Enrollment Management. I would also like to recognize a few NIU students who have joined us here today.
It’s a pleasure to see you all again and appear before the Committee: I will keep my remarks brief so there is time for me to answer your questions.

OPENING:

First, I would like to make a few comments about the hand-out that has been provided to each of which provides some charts and background information on the State Budget and the higher education budget. (State General Funds Budget, and education’s share, public university share, public university budget reductions, and a chart that shows a current/constant dollar look at our GRF funding over time.)

I am aware of the fiscal challenges facing the state and I recognize and appreciate the difficult task that lies ahead for you and the other members of the General Assembly – determining the state’s priorities and developing the state budget to address those priorities. I am a firm believer that Higher Education is the key to the economic recovery of this state as well as its social well being; there are multiple benefits for the state, local communities and the individuals. College graduates earn 70% more than high school graduates and unemployment rates decline significantly as educational attainment increases.

<table>
<thead>
<tr>
<th>Earnings and unemployment rates by educational attainment</th>
<th>Unemployment rate in 2013 (Percent)</th>
<th>Median weekly earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Doctoral degree</td>
<td>2.2</td>
<td>$1,623</td>
</tr>
<tr>
<td>Professional degree</td>
<td>2.3</td>
<td>1,714</td>
</tr>
<tr>
<td>Master’s degree</td>
<td>3.4</td>
<td>1,329</td>
</tr>
<tr>
<td>Bachelor’s degree</td>
<td>4.0</td>
<td>1,108</td>
</tr>
<tr>
<td>Associate’s degree</td>
<td>5.4</td>
<td>777</td>
</tr>
<tr>
<td>Some college, no degree</td>
<td>7.0</td>
<td>727</td>
</tr>
<tr>
<td>High school diploma</td>
<td>7.5</td>
<td>651</td>
</tr>
<tr>
<td>Education attained</td>
<td>Unemployment rate in 2013 (Percent)</td>
<td>Median weekly earnings</td>
</tr>
<tr>
<td>------------------------------------</td>
<td>-------------------------------------</td>
<td>------------------------</td>
</tr>
<tr>
<td>Less than a high school diploma</td>
<td>11.0</td>
<td>472</td>
</tr>
</tbody>
</table>

Note: Data are for persons age 25 and over. Earnings are for full-time wage and salary workers. 

Employed college graduates with higher paying jobs become tax paying citizens - which helps sustain their regional and statewide economy. An educated workforce also attracts business and industry to the state, which is critical for economic development and sustainability. University research activities develop new technologies, products and services, which serve to create valuable partnerships between business, industry and education.

**STUDENTS: AFFORDABILITY**
Northern Illinois University serves over 20,000 students who are enrolled in one of our 65 undergraduate majors and pre-professional programs or 80 graduate programs, including 20 doctoral programs. We have a diverse student profile and are actively working to be more inclusive. We have nearly 1,000 international students representing 116 countries, and nearly 40 percent of our undergraduate students are racial minorities, including 16% African Americans, 14% Latina/Latino, and 8% Asian or other ethnicities. At NIU we are extremely proud of our diverse student population and many of our students are also first generation college students. Based on high school origin data available for new students, we have over 1,300 CPS students representing 86 Chicago Public High Schools on the DeKalb campus. **And, proudly, NIU is becoming the new national home for the Association for Black Culture Centers.** NIU students are also financially diverse; this year:

- 87% of our students will receive financial aid (Grants, Scholarships and Loans) totaling over $200 million;

  **By Source:**

  - NIU students receive over $20.7 million in state MAP grants;
  - NIU students receive over $30.3 million in federal Pell grants; and,
  - NIU provides students with more than $18 million in institutional funds for merit based scholarships and need-based assistance.

In recognition of our student’s financial challenges, the NIU Board of Trustees – for the past two years in a row - has held the line on student cost increases. In FY 2015, minimal increases in tuition and fees were offset by a room rate reduction, resulting in a flat or no increase rate for entering undergraduate students.
For FY 2016, the Board adopted a similar model which actually reduced the published full-time undergraduate rate by $578. In addition, the FY 2016 pricing plan includes a new credit-hour pricing structure that simplifies the current threeteried structure and allows new students to take credit hours beyond 12 at no extra charge. This encourages fuller course loads, supports quicker time to degree, improved graduation rates, and increased affordability. The NIU Board of Trustees and administration are committed to making efforts needed to address affordability concerns. So, our tuition is already set for next year and we have no plans to re-visit those rates.

**STUDENTS: SOCIAL MOBILITY INDEX**

Putting students first is at the core of what we try to live every day at NIU. Our goal is to provide our students with a broad-based education and enriching student experience tailored to their passions, ensuring their timely degree completion and success in securing employment in their field of interest or graduate school enrollment within six months of graduation if they choose. Northern Illinois University is ranked 30th among 539 institutions nationally on the *Social Mobility Index (SMI)*, which compares the effectiveness of colleges and universities in advancing students of need through graduation into good careers. At NIU, we call this student career success, and it’s our keystone goal. Students investing in an NIU education are committed to achieving fulfilling careers and being responsible citizens in our rapidly changing world, and we want to empower them with the knowledge and skills they need to be successful. Already, we are seeing this emphasis on student career success – pay off. According to a 2014-15 Pay Scale College Salary Report, NIU is the 3rd highest ranked public university in Illinois in terms of salary earnings potential for college graduates with a bachelor’s degree.

**How are we dealing with budgetary challenges?**

Since FY 2002, NIU has experienced a $25 million reduction in state funding support. As a result, NIU has focused on making the adjustments needed to adjust to our fiscal reality. We have recently implemented new budgetary guiding principles and an internal budget process that focuses on streamlining operations and allocating resources toward top priorities. Last year, we addressed a $20 million reduction in revenues by closely evaluating the need to re-fill the 386 retirements and departures we experienced at the end of the year. Our staff headcount is down by 100, and we have also taken specific action to reduce administrative spending at the senior cabinet level: we have eliminated two vice presidency positions since I have taken office, and reduced administrative expenditures in a number of other areas to achieve $600,000 in savings.
Finally, we have also embarked on a program prioritization initiative to evaluate programs and prioritize academic and non-academic programs and services as a way to target and reallocate resources to our top strategic imperatives. Our work is not done, and we are constantly looking for new ways to manage our resources and focus on strategic priorities.

Unfunded Mandates:
While unfunded mandates cost us money, mandatory regulations in the areas of procurement and civil service also hinder our ability to be more efficient and adapt to our rapidly changing environment. Procurement regulations continue to impact the University’s ability to conduct business, particularly in the area of grant awards and joint research projects with other universities and/or federal laboratories. Relief is needed to promote a more competitive business climate and promote operational efficiencies. Current regulations, requirements and restrictions result in costly delays and delayed payments to vendors. Other unfunded mandates that we continue to struggle with include: property control tracking, the unfunded Illinois Veterans Grant program ($3.0 million) and Group health insurance payments to CMS ($3.5 million).

FY 2016 BUDGET:
We fully support the IBHE FY 2016 budget recommendations for operations and capital. Flat funding for operations at NIU would provide us with some badly needed stability. We strongly support the IBHE capital recommendations for capital renewal; these funds are desperately needed to help us address the $460 million deferred maintenance issue on our campus and to protect the state’s investment in our facilities.

31.5% REDUCTION
- The Governor’s FY16 Proposed Budget: The Governor’s proposed FY 16 budget would provide NIU with $63.8 million the same level of operating support the campus received in FY 1986. This $29 million decrease would have a dramatic impact on our students and the university as a whole. A reduction of this magnitude would result in the elimination of academic programs and student support services that would make it difficult to retain current students and recruit new students. The state already exports 16,000 students a year to schools outside of Illinois. These kinds of cuts would likely accelerate that out-migration. In short, this level of budget reduction would harm our ability to fulfill our mission to our students and to the state.
System-wide, a $387 million reduction to public universities is the equivalent of zeroing out funding for all universities, except for the SIU system and UI system. Those 7 universities (Chicago State University, Eastern Illinois University, Governors State University, Illinois State University, Northeastern Illinois University, Northern Illinois University and Western Illinois University) serve 85,000 students and accounted for 20,000 degrees conferred last year. This is not the plan proposed by the Governor, but it puts the magnitude of the cuts in context – these cuts will harm a generation of college students and negatively impact the state for years.

Context/Budget Cuts: A large portion of our budget consists of personnel, and major cuts would be unavoidable. Exact details of how we manage that type of reduction are not fully known, but each of the following actions would have to be considered:

- Approximately 375 faculty and staff layoffs would be required; resulting in reduced course offerings, program eliminations, larger classes, reduced student services. Specifically - Faculty layoffs impact course offerings, program availability and class sizes. Civil service professional and clerical layoffs impact key student service areas such as: career services, admissions, financial aid, student accounts, and student advising. Reductions in Building service workers and key maintenance staff will lead to more deferred maintenance issues; without daily upkeep, smaller facility problems will turn into larger, more costly issues. And the appearance and condition of the campus will suffer, making recruitment and retention more difficult. Reductions in professional and administrative staff in areas such as compliance, purchasing, finance, academic affairs, human resources, student affairs, and outreach will negatively affect services to students and impact compliance with state and federal regulations, and hinder our ability to complete our audit, financial reporting and other fiduciary responsibilities, and could prolong reporting timelines for reporting to government agencies, accrediting bodies, rating agencies, etc.

- Tuition, however, would NOT be increased. Our rates have been set for FY 2016 and we are committed to access and affordability. We would not revisit the plan our Board has already approved for next year.

- Potential elimination or reduction in $18 million in scholarship aid provided by the University. Eliminating scholarships for over 4,000 students. This would create a financial hardship for many students, and
make it harder for them to stay in school; so retention would suffer, as would educational attainment and workforce and economic development in the region we serve.

✓ A $29 million cut equates to the complete elimination of funding for the College of Business (3,400 students), the College of Education (2,500 students) and the College of Law /or the College of Engineering & Engineering Technology.

- **Conclusion:** Any combination of these options, no matter what approach we would take, would impact our service to students: negatively impacting student access and affordability, student recruitment and retention, and student career success, which is our pinnacle goal.

**NIU is proud of its:**
1) #1 Online Graduate Education program in the nation;
2) Undergraduate Accounting Program that is in the top 10 in the nation;
3) Popular nursing program with the lowest cost per credit hour of any public university in the state;
4) High Quality Faculty featuring The Carnegie Foundation, 2014 The Illinois Professor of the Year, Dr. Dan Gebo;
5) Cutting edge research, such as the NSF funded Antarctica research that has made important biological and physical discoveries in the last two years; and,
6) Some of the highest graduation rates in Division I athletics in the nation.

And many more great things too numerous to mention

A **budget reduction of this magnitude will threaten our financial viability, our ability to achieve our mission, and our ability to maintain these great accomplishments.**

**ENROLLMENT/What are we doing?**

- Our future relies on our ability to resume an enrollment growth trajectory. This means working on a number of fronts, some of which are already moving forward:

  **Retention strategies.** At a number of levels- academic affairs, our colleges and departments within our colleges- we are upping our game at understanding and being sensitive to challenges our individual students are having in dealing with
student life or academic issues. Programs like MAP-Works, which help students start on the right track by identifying strengths and possible challenges as well as related campus resources, are giving pertinent faculty and staff an early warning system and time to intervene with students. We expect monitoring and corrective action programs such as this will help us continue to raise our retention rate after improving 5 percent last year.

Enhanced enrollment initiatives. We are working aggressively to redesign our approach to enrollment management. For the current semester, we made a strong push to bring back those students who had left us in good standing and for whatever reason were currently not enrolled at NIU or at another school. We believe that our ability to reach out to this segment of the student population, as well as our enhanced ability to segment other potential populations, will better position us for our 2015-16 enrollment efforts.

Thank you for the opportunity to make opening remarks – I am hopeful that we can work together to advance the mission of public higher education and through this partnership we can strive to attract and retain students, forge new business and public partnerships, make campus improvements, and be a dynamic, vibrant university that leads to student career success. I will stop here and take your questions.