

MINUTES
Board of Trustees of Illinois State University
January 27, 2018

Donahue: I will now call this meeting of the Board of Trustees of Illinois State University to order. I note for the record that notice of today's meeting was posted in accordance with the Illinois Open Meetings Act and that the public has been notified of the date, time and location of this meeting. Board Secretary Louderback, would you call the roll?

The following members were present:

Trustee Churney (telephone)
Trustee Dobski
Trustee Donahue
Trustee Jones (telephone)
Trustee Louderback
Trustee Rauschenberger
Trustee Rossmark
Trustee Schaab

Absent: None

A quorum was declared. Also present for the public session were:

President Larry H. Dietz
Interim Vice President and Provost Jan Murphy
Vice President for Finance and Planning Dan Stephens
General Counsel Lisa Huson
Associate General Counsel Alice Maginnis
Board Legal Counsel Jane Denes
Board/University Liaison Brent Paterson

Donahue: Thank you Secretary Louderback. You have before you the agenda for today's meeting. Before we get to the agenda can I get motion to allow Trustee Churney and Trustee Jones to be active members of this meeting? Trustee Louderback so moved and was seconded by Trustee Rossmark.

Motion made, seconded, and vote recorded as all members voting aye.

Trustee Jones and Trustee Churney, for the record we have to ask why you can't participate and I'm assuming that it is business related; can you confirm that?

Churney: Business related for Trustee Churney.

Jones: Business related for Trustee Jones.

AGENDA

Donahue: Could I have a motion and second to approve today's agenda? So moved by Trustee Rossmark and seconded by Trustee Schaab.

Motion made, seconded, and vote recorded as all members voting aye.

PUBLIC COMMENT

Donahue: Next on the agenda is Public Comments. The Public Comments procedures can be found on the Board of Trustees website. Seeing that no one has indicated an interest in making a public comment today, we will move forward with the meeting.

Thank you everyone for attending today's special meeting of the Board of Trustees. We have on the agenda today two information items and two resolutions. In accordance with the By-Laws of the Board of Trustees, the adoption, amendment, or repeal of Governing Statutes, Bylaws or Policies shall occur only after a proposal for adoption, amendment, or repeal has been presented to the Board for first reading by the President. Board action on the proposal shall not be taken earlier than the next regular meeting following the first reading unless the Board determines that timing considerations or the nature of the subject matter requires immediate action. The changes to the By-Laws are being presented as a first reading with action on the changes to be taken at the February 16 Board of Trustees meeting. President Dietz, I ask that you read the two information items into the record.

Information Item 2018.01/01, Amendment of Board of Trustees Governing Document Bylaws Regarding Addressing the Board at Public Meetings.

Dietz: Thank you Chairman Donahue, and I want to thank the board members for getting up early and coming in on a Saturday for this meeting.

The Board of Trustees of Illinois State University adopted the Bylaws of the Board of Trustees Governing Document with Resolution No. 96.01/01 dated January 3, 1996. The Board of Trustees proposes to amend Chapter II, Section 10 of the Bylaws regarding Addressing the Board at public meetings as follows:

Section 10. Addressing the Board

The Trustees of Illinois State University welcome constructive communications from members of the University community and the citizens of Illinois. Faculty and staff are encouraged to provide information relative to the academic mission of the University.

The Board of Trustees will allow up to thirty (30) minutes in total for public comments and questions during a public meeting. An individual speaker will be permitted five (5) minutes for his or her presentation. When a large number of persons wish to speak on a single item, it is recommended they choose one or more persons to speak for them. The Board of Trustees will accept copies of the speakers' presentations, questions and other relevant written materials. When appropriate, the Board of Trustees will provide a response to a speaker's questions within a reasonable amount of time.

An individual who wishes to make a presentation during a public meeting is encouraged to sign the sign-in sheet at the entrance to the room in which the public meeting is held. In the event the number of requests to address the Board of Trustees at a public meeting exceeds the time available for public comments, the requests will be approved based upon the order of requests listed on the sign-in sheet.

Information Item No. 2018.01/02, First Reading Adoption of Board of Trustees Governing Document Policy Regarding the Establishment of University-Related Organizations and Independent Organizations at Illinois State University

The Board of Trustees of Illinois State University approved the Board of Trustees Governing Document Policies with Resolution No. 97.05/12, dated May 9, 1997. There is currently no Board of Trustees Governing Document Policy regarding establishment of University-Related Organizations and Independent Organizations at Illinois State University. The Board of Trustees proposes to adopt the following Policy regarding the establishment of University-Related Organizations and Independent Organizations at Illinois State University:

V. Related Entities: University-Related Organizations and Independent Organizations

A. Definitions

University-Related Organizations include foundations, athletic associations, alumni associations and corporate outgrowths of the University, established for the purpose of assisting the University in the accomplishment of its research and/or educational goals. The relationship and any transactions between the University and a University-Related Organization are subject to Chapter VI of the University Guidelines 1982, as amended 1997, issued by the Legislative Audit Commission (the "University Guidelines"). A University-Related Organization will be established only if there are compelling legal and/or business reasons to justify creation of a separate organization.

Independent Organizations include alumni associations, athletic associations, foundations or corporate outgrowths that do not agree to conduct their operations as a University-Related Organization. Independent Organizations are not considered administrative units of the University. The relationship and any transactions between the University and an Independent Organization must meet the standards set forth in Section VII of the University Guidelines.

B. Establishment of a Related Entity

A proposal to create a new University-Related Organization or Independent Organization (each referred to individually as a “Related Entity”) shall be submitted to the President for review and referral to the Board of Trustees for approval prior to the organization being established. The University shall develop a written contract describing its relationship with the Related Entity. The contract shall be submitted to the President for review and signature.

C. Contribution to a University-Related Organization

A proposal shall be submitted to the Board of Trustees by the President describing any significant commitment of University resources for the operation, maintenance, or administration of a University-Related Organization. The approval of the Board of Trustees shall be required before a commitment in excess of \$500,000.00 is made to the University-Related Organization.

D. Reports

The President shall provide the Board of Trustees with an annual report for each Related Entity that summarizes the operations of, and contributions to, each organization.

E. Liaison

The President or his/her designee shall act as the liaison between the Board of Trustees and each Related Entity as provided for in the Related Entity’s bylaws or operating agreement.

Donahue: These items will be considered at the next Board of Trustees meeting on Friday, February 16. The information items were prepared by Board Counsel, Jane Denes. I invite you to address any questions or concerns to her before the next Board meeting, or, if you have any questions you can ask them now.

Rauschenberger: My quick question is how is the \$500,000 figure established under item C.

Denes: The board has reserved in its reservation of powers, that’s the amount, above \$500,000, that you approve, with respect to anything.

Donahue: Now, we will move to the two resolutions on the agenda. President Dietz will you present the two resolutions?

Dietz: Thank you Trustee Donahue. Before I start with the resolutions, I want to thank each of you for meeting with me to discuss the importance of this international initiative and other issues. I also want to thank you for taking time to have phone conversations with me individually and a couple of you met with me face-to-face in talking about this international initiative. Some questions came up and hopefully we answered those to your satisfaction.

Resolution 2018.01/01 Partnership for International Student Success

After becoming President I expressed interest in growing international enrollment at the University and later set a goal to increase international enrollment from the current 2 percent of overall enrollment to 10 percent of overall enrollment in 10 years. Although efforts at recruiting international students are ongoing through the regular admissions processes, they are not sufficient to reach the goal for increasing international student enrollment. Following extensive research, I became convinced that the best way to accomplish this goal was to form a partnership with an experienced entity that has a wide international recruiting network, infrastructure, proven business plan, track record of results, and is committed to Illinois State University’s mission and values. Also, we needed an entity that would bring startup capital to the partnership.

I am convinced that we found that partner in INTO University Partnerships. INTO University Partnerships (INTO) has the largest, most geographically dispersed, and most thoroughly trained and managed international recruitment team in the world with 30 regional offices covering more than 75 countries. When we talked with colleagues at INTO partner universities, we heard praises about INTO as a company. Each person said we have no regrets with the partnership with INTO. We have met with the INTO co-founder and other INTO leadership as we continued to explore the partnership. The partnership will engage in recruitment activities, provide English language instruction, and offer English-language preparation with academic coursework applicable toward graduation. The University will maintain authority over all academic matters. While not the reason to establish the partnership, the University will receive significant financial benefits from the partnership in the years ahead.

I ask your approval of this resolution.

Donahue: I would now ask for a motion and second to approve Resolution 2018.01/01. Trustee Dobski so moved and was seconded by Trustee Schaab.

Are there any questions or concerns?

Louderback: What is the start-up capital they are bringing? We might have talked about this but I don't really understand what the start-up is.

Stephens: They are bringing whatever start-up capital is needed to get the entire enrollment program started including recruitment. You will see that they are contributing \$500,000 that you will see in a resolution at the February meeting to renovate some spaces in Fell and Williams halls...

Louderback: Because of this?

Stephens: Because of this, yes. So, \$500,000 of their commitment will go to that space that we will be leasing back to them at a fair market-value rate of \$20 per square foot so it's very beneficial to us so we are allocating space to this program so it can be successful but we are not doing it for free. There is a very substantial amount to get the thing going but it proves from a fiscal perspective very beneficial to the University.

Louderback: Meaning what?

Stephens: Meaning that from a financial point of view the benefit of an international student is very similar in financial benefit to an out-of-state student that is not from one of our border states because with our border states the reciprocity agreement allows the student to come here under an in-state rate. An out-of-state rate outside of those border states, the INTO model is essentially the same as if we were recruiting in California and students were coming in and paying at the rate that you approved.

Louderback: I guess I didn't realize that we had to redo buildings. How much do we put into that, to redo it? What is the total cost between Fell and that?

Stephens: We were going to be renovating Williams Hall anyway, we are just reallocating space usage for there. Right now for the first phase that will cover us for the next three years as the enrollments begin to come in, the cost of renovation in Fell and Williams will be somewhere around \$1 to \$1.5 million; they are contributing \$500,000.

Louderback: So we are contributing \$1 million? And how many students do we expect in the first year?

Stephens: In the first year we are looking at, depending on this fall and the recruiting efforts, I would say by the end of this fall or potentially next fall you are probably looking at between 100 and 200 students both coming in relative to academic English and in some cases some students coming directly into the University will not need some of the academic English preparation program.

Louderback: I know that this goes to the next resolution, but this is a piece I did not understand. It says the costs, the profits, and the risks? I thought there was no risk for us to do this?

Dietz: My understanding, and I'll have Lisa Huson chime in on this, my understanding is there is no risk to the University, the risk would be confined within the LLC.

Huson: We are establishing two different LLCs and so any financial risk is limited to that. We will be putting money into our own buildings but it's money we were going to be putting into our buildings anyway.

Louderback: I've been mulling this and I talked to Larry about this, but now that it's here it's kind of like throwing in a whole other thing. We've got this little cloud, the LLC that has the money. Ideally, that's not our money...

Huson: No, it's their money, it's the LLC's money.

Stephens: For which we are partners with. We are not putting any money into it.

Donahue: So, the only investment the University's going to make is the roughly \$1 million that I'll call capital improvements to Williams and Fell halls, we are not putting any seed money in or anything to start up this venture.

Huson: There is no cash being put into it.

Stephens: Anytime you establish a partnership you have to establish a minimum amount to capitalize a partnership but that dollar amount will be very minimal.

Louderback: Meaning what? Your minimal and mine are probably very different.

Stephens: It could be \$10,000. You have to establish a contribution in but it's to get it formed, but the business model is designed – and this is how they have done it with all of their partners, the majority of which are public schools – to come in like any entity and they provide seed money because they know at the end of the day a lot of public universities don't have the luxury nor do they want to contribute a substantial amount of funds to this. We said if your business model works, you contribute it and as financial results prove they will be paid back. The financial model works that way.

Louderback: So we will get all of the tuition and the housing and everything.

Stephens: Yes, and the instruction from the faculty that are hired, our space will be rented to them, we are renovating space on the quad and we are the ones controlling that renovation.

Louderback: So four years from now you're not going to come back and say we lost money?

Donahue: So if there is a chance they would lose money for whatever reason, i.e., their model doesn't work, and they lose money, that's between the LLC and INTO. If they lose \$1 million and the LLC has only \$100,000 in their bank account, the LLC goes bankrupt but the University isn't on the hook whatsoever for any loss.

Louderback: So how does this money get there?

Stephens: They contribute it.

Huson: They contribute the money initially and we contribute some of these in-kind things that we would do anyway. The tuition money comes in and ultimately if it ends up not working we will just wind it up; there are wrap-up provisions in all these documents. They would never let it get to a point of having a big deficit, we would just stop doing it.

Louderback: But I'm having difficulty in understanding where this money is coming from.

Huson: It's coming from them.

Louderback: So they are going to put \$1 million and people into...

Huson: Then tuition money is going to come in and the housing money is going to come in, and we are going to be paid back for our expenses.

Louderback: So where do they win?

Stephens: As they bring students to the table and recruits to the table there are commissions that they earn that we don't pay until the tuition comes in.

Louderback: So indirectly we are paying for them?

Huson: We are sharing in the profits of the JV.

Dietz: It's new business that we don't have now. We wouldn't be doing this out of our own revenue structure.

Donahue: So if the out-of-state tuition is roughly \$22,000, is this where the University would get \$18,000 and INTO get \$4,000? I'm just using hypothetical numbers here. So we don't get the full \$22,000, but I assume we get more than \$11,000...than in-state tuition? We are not ultimately going to be giving them a discount.

Stephens: Here is the other important piece. There is no financial aid provided in these models. The net revenue we get after we apply financial aid for either merit or after we provide financial aid for economic need, our net number for an Illinois or border state student is somewhere around \$13,000 or \$14,000 including housing. On an INTO student, with their fees that they get for recruiting that we only pay for once the student is here, and when you continue on there is a success fee. When you net those fees out you are looking at an INTO student – like an out-of-state student – with a net revenue of closer to \$30,000.

Louderback: But an out-of-state student is going to pay all of that and we are going to give part of that away.

Stephens: Yes, but it costs us more financial aid than their commission for an out-of-state student.

Huson: For a regular out-of-state student we would most likely give them some financial aid.

Dietz: The other advantage of INTO is that they have been willing to be partners and so it's a contractual relationship between partners. They are putting in money. The rest of the pathway programs we looked at were much more of a "contract for service" kind of thing; you don't share as much of the profit as you do with a partnership like this.

Donahue: What I heard you say is no operating commitment from the University at all, other than this capital commitment to renovate those two buildings, and that roughly \$1 million renovation, they are going to pay us back because we are leasing them the office space.

Stephens: Plus the \$500,000 they are contributing.

Donahue: Right, but ultimately that lease we get paid and then assuming when they pay us back they continue to pay us...they don't just pay us back for the renovations.

Huson: They pay us the whole time. Anytime they are using any of our services, our instruction, our space, they pay us for that.

Donahue: When do we estimate we will get that roughly \$1 million paid back? Is that a ten-year commitment?

Stephens: When I was looking at the overall operations, especially after the first couple of years for example as we try to grow engineering internally and we have to invest in faculty and space, we are going to have a few years before we can get enough enrollments to break even. When you look at our portion of revenue stream from direct

entry students and students in through academic English, all of the expenses are all paid where they are making money and we are making money, it's going to be making money for us literally in a couple of years. And when you get out to just ten years – we are limited by state rules to only ten year agreements –we likely will be operating on all cylinders. In ten years, with conservative enrollments, at around 1,800 students (about 7 to 8 percent of our current enrollment), our net revenue coming into the University with all the expenses paid for all this recruiting effort, our portion to us is close to \$45 million a year. It makes substantial revenue contribution to the University to help us mitigate other issues that we have financially in dealing with our own state appropriation. From my financial mind, it is one of those rare situations where you have something that's within our mission where we can control our destiny. And we are not partner number one, we are partner number 11 as they already have substantial experience at major schools that are doing very well.

Rauschenberger: Two questions, one piggybacking on what Mary Ann asked. One, what academic paths do we anticipate these students taking within our curriculum and two, prior to that, with eleven ongoing programs and a successful ongoing entity they've obviously had to have had one hiccup...have we analyzed if there is any university where this hasn't worked?

Dietz: I'll address the programs and Brent can address the hiccups as he has talked with a lot more of their folks than I have. What we have found with international students generally is that if we had engineering they would be very interested in that...so that's on the horizon. They are interested in cybersecurity and business, but in addition to that computer science and information systems technology, all of the applied kinds of things. There is also an increasing interest in the fine arts. We wouldn't have a performance program in piano, for example, if we didn't have international students in it, so it really is a much broader spectrum than one would normally think. The other advantage of this is that we control the numbers, we control what countries they are from, we control what programs they go into. Rocky and I talked at length about the issue of displacing Illinois students with international students; we admit all of the Illinois students who meet our admissions criteria now and that's going to continue. The idea that we are going to take international students and Illinois students will be disadvantaged by that is really not true because we control all of those factors.

Murphy: Could I add to that too? I would tell you that Jana Albrecht in Enrollment Management and Amy Hurd as the dean of the Graduate School have worked with every single department chair about admissions so it really is down to the grassroots to think about those program admissions and how those pathways will work. There really isn't any sense that it will replace enrollment of our current students but we really look to the future and believe that as we worry about the demographics in the state and want to maintain and grow enrollments in programs that can grow, the chairs are pretty excited because this is one thing that will help them maintain the viability of programs and help us move forward in some areas that we are pretty excited about moving forward. There is a good sense of this on campus.

Rauschenberger: So making the assumption that these students coming over, if they are successful and admitted, these are high-performing students.

Dietz: Absolutely.

Rauschenberger: And we have the buffet of programs that are going to fit the buffet of interests from the get-go.

Dietz: Right.

Rossmark: Are these only incoming freshmen?

Dietz: No, it's the whole spectrum. What we would love to have are incoming freshmen because you have a longer time period to keep them, and that helps with the revenue generation. The deans are excited about this as well, particularly the dean of our College of Business; he is very interested in this. Our dean of Education is also a real internationalist so I think it's going well.

Rauschenberger: No hiccups?

Paterson: I was going to answer Sharon's question first. Their projections are about 51 percent graduate students and 49 percent undergraduate. Some of those will come into what is called the Academic English program, those are the students whose English language skills are much less. They all are good students, they would all be admissible academically except for the English language. Then, they would move from the Academic English program into what they call a pathway program, and in the pathway program they are continuing to take English language development skills but they also will be taking some classes for academic credit. If they are an undergraduate student then they are going to be doing mostly general education requirements while they are in the pathway program; that could be a one semester, two semester, or three semester pathway depending on their English language skills. All of the undergraduate majors with the exception of nursing are open to these students. At the graduate level, we selected in working with the departments and colleges, I believe it's sixteen programs across the University where those departments were interested; where we could make the curriculum work and benefit both the students and those students who are coming in who don't have English language skills could be taking courses for credit while they are developing their English language.

As to your question about the hiccups. When Dr. Dietz asked me to investigate this I began to look at the variety of entities that were doing this type of program and I started calling institutions and talking to the provost offices or the person in international programs...often both. I asked them to tell me about their experience, and one of the questions I asked very specifically is would you do this again, and if you did what would you change?

Every entity but INTO had failures and every entity but INTO I spoke with someone who said they would not do it again...we are looking to get out of the contract. Everyone I spoke to at an INTO institution said yes, it's been very successful, in some cases the enrollment numbers were down some from what they originally thought they might be, they understood why that was, and were working to correct that. Every institution was successful with INTO and said they were very happy to have the partnership with INTO and planned to continue in the partnership. That is one of the main reasons we went with INTO as well as their leadership is really experienced in doing this. When we talked with one of the other companies we looked at, when we examined their leadership, none of them had been there longer than three years. The group with INTO, many of them have been with INTO since its founding, and a good number of them have worked for other companies and have left to come to INTO. They really have a model that's been successful at institutions.

Huson: And in terms of the hiccups, we found out things that Brent asked about and used them in our negotiations to correct those problems that existed in those agreements.

Dobski: Assuming this was out and about in the campus and the students and staff, what is the general feeling about going after international students or getting a bigger percentage in there? Is there anything that you are hearing?

Schaab: From a student perspective everyone that we have talked to is excited about it. It brings something new to campus and something that right now we don't necessarily get to experience. I've only had one real class interaction with an international student so having more of those would be beneficial.

Murphy: I would tell you that the faculty believe that it has the potential to change the experience for all students, to really help all of our students experience a more global, have a more global education.

Donahue: Bob, I can appreciate Zach's answer and the faculty and staff, but is Bloomington/Normal ready for an influx?

Dobski: Well I can ask tonight at the Chamber of Commerce, I'll ask that question.

Donahue: I haven't been there full time since I was on campus but it's a fairly conservative community, and I don't mean that in a bad way.

Stephens: If I may add as an outsider moving in, State Farm has done a very good job of internationalizing Bloomington. Now, it looks predominantly Indian from what I can tell, but it's not an ordinary rural community; a number of our neighbors that live around me are from India. I think State Farm has helped with that.

Dietz: I would also say that the businesses are also excited about anything we can do to make sure the enrollment stays where it is. They look around at Eastern and Western and other institutions that are having great difficulty and they know that the demography in the state is going down in terms of direct from high school students, and they know that the out migration has been a problem. Whatever we can do to make sure the off-campus housing is full, from a business perspective...

Louderback: But what about housing on campus?

Dietz: Housing on campus, as we presented at the retreat, we have a group that is looking at that and making recommendations and if LJ was here he could provide a more in-depth discussion. We are re-looking at where we might build; I think the facility at Cardinal Court can still accommodate one additional building out there but the students are telling us that they want to be closer. As we pursue the engineering option there might be some opportunities there for some academic facility and housing within that quadrant of the campus.

Donahue: I heard Jan basically say we are concerned about the demographics in Illinois, what's going on in high schools, so is the strategy to supplement for enrollment or financial? What's the bigger picture to this? Is it enrollment, is it finance, is it both of those?

Dietz: I'd say it's really all of those, but if it didn't fit within our mission and our values system we wouldn't be pursuing this. The value piece of diversity, it fits with that, and we claim to educate students to work in a global economy and live in a global society, and it's hard to claim that if you have a student like Zach who said he's had an interaction with one international student in one class. We need to do a better job of that, so that fits. There's no question that it will help us on the enrollment side, and as you are helped on the enrollment side from the domestic, out-of-state, and international population that helps the finances. The good news is at the end of the day that, whenever we've recruited our students and we've gotten them into classes, at the end of the day when we look at the net on that, the amount that's coming to the University is completely unrestricted. We can say that the net that's coming to the University, we can use that to either replace some dollars that we are losing from the state, we can help with retention programs for underrepresented populations, we can address deferred maintenance issues, whatever we would decide to do. There's not a lot of unrestricted money around so this would be a real benefit as well.

Dobski: Going back to your question Rocky about Bloomington/Normal and the businesses, we have close proximity to the University of Illinois that has a big percentage of international students and we have so many people in our town that interact with or are graduates of the University of Illinois. It is a given that there is going to be acceptance or they are going to welcome something like this to the community.

Rossmark: You mentioned talking to other administrators from other universities; have you had an opportunity to talk to students that either went through the program or students that graduated? Because I think part of the issue is making them feel comfortable. It's great that we feel the community will embrace them, but it's going to be a stark difference and reality for them when they hit the ground running in Bloomington/Normal, coming from wherever they are coming from. Given the issues in this country and the climate, they need to feel comfortable, so while they may not have interacted with Zach before, they probably have felt like they are one and only so they are in their own cocoon. What have we done to reach out to find out what it's going to take to have these students feel embraced?

Paterson: That's a great question. There's two pieces to that, and one is the International Studies Center that is operated by the joint venture. There will be staff in there beyond academic staff, there will be student support services for these students. The executive director of that center will probably be someone who has been an executive director at another INTO center or an associate director of a center. They bring with them some of that experience as to what has worked on other campuses and how to help students in their adjustment. They know that for their success as well as the institution's success that they need to have those students not only move on from these programs but to graduate from Illinois State. There's a business model side of that that's a reward for those students continuing on and graduating.

Huson: That's why we picked INTO, because they know how to do that.

Paterson: About 80 percent of the students that begin in those programs move on to be full-time students at the University, and then about 80 percent of those that move on graduate. The second piece of that is we know we need to improve and add staff probably in our International Studies and Programs office, because as those numbers increase we need to continue to provide services for them when they leave the Academic English or pathway program and that will help with all of our other students. If all of this is approved INTO will be moving someone here on the 1st of March, who will be working with us on some of those plans that we need to put in place for the start of students arriving in the fall and beginning to hire some of the staff that will be in the International Studies Center.

We know there is a lot to be done but we are anticipating that and already beginning to make plans.

Murphy: The other piece of that is the faculty themselves, so helping our faculty start to develop their ability to teach a more international student body. Claire Lamonica, who directs our Center for Teaching, Learning, and Technology – which is our faculty professional development center – has been a part of these conversations in thinking through and developing the professional development that our faculty will need as they have classrooms that are a bit more international. Also, just thinking about the initial faculty, those faculty who teach those English courses, we will hire faculty that have linguistics backgrounds; they are faculty whose skill set is acclimating students to the English language and learning using the English language.

Louderback: So on top of the tuition there will be salaries that we will be paying?

Donahue: So the mechanism to get paid, do they pay us directly or do we have to have that relationship with this new URO or whatever we are building?

Huson: There is an agreement with them. This is Alice Maginnis, she is an attorney in our office and is very experienced and used to be with a DC firm and did these kind of things outside, so Alice has been the lead on a lot of the nitty gritty details on the services agreement.

Maginnis: The services agreement is essentially between the University, the JV corporation, and the marketing side of INTO. That basically sets out the mechanisms by which everyone gets paid. I think there's probably two revenue streams that we're interested in. The first one is for cost of University services, lease, instruction, whatever, essentially the University bills the JV and the JV corporation pays for those services outright. Then the second main revenue stream is the tuition that comes in through the pathway, and the agreement provides for the revenue share split between the parties. So, the University gets the majority of that tuition revenue and then percentages and bonuses, depending on how far the students go in the program, gets shared to the JV and then some of those operating expenses also work their way up the INTO side.

Rossmark: Why a ten-year contract? Why not a five-year contract?

Huson: Well, they wanted thirty. Their model is a thirty-year contract.

Rossmark: But why ten?

Paterson: You asked why not five. There is no motivation for them to do five because as we've talked about the real revenue stream comes in after the five years, you are basically paying back yourselves over those first five years.

Rossmark: At the other institutions, once they graduate do they generally stay in this country or do they go back to their home country?

Paterson: It depends. Most of them I think go back to their home country.

Rossmark: So from a strategic standpoint, when you look at our impact on Illinois or just the local market, we have the individuals here for anywhere from two to five, six years if they are going through a master's program, and at some point do we have to keep feeding more gerbils on the wheel in order to replace that brain drain if a lot of them go back? Do we anticipate being able to do that?

Paterson: In terms of enrollment numbers? Yes. One of the first institutions was the University of South Florida which has seen 120 percent increase in their international students. Now, we do not want to go to that extent, but their program has grown tremendously.

Huson: INTO is excited about us being close to Chicago and the rail system and they picked us geographically because we are different. They are cherry picking parts of the country to go to and they want to be with us because of where we are.

Murphy: It is a beautiful university experience, I mean we are such a classic, residential, Midwestern American university and we're a safe institution that they are excited about recruiting.

Donahue: Let's just say this is wildly successful. With the state of Illinois and its dysfunction, and the lack of a capital bill coming out of the state of Illinois, and all the capital needs we have at the university now, if this is wildly successful, how do we support the infrastructure in dorms, classrooms, and how do we maintain that hallmark of 18 to 1 student/teacher ratio and a big campus with a small campus feel?

Dietz: The net of that is that is unrestricted money...

Donahue: So we can use it for capital funds?

Dietz: Yes.

Donahue: So even though it's tuition money, because of the joint venture, it doesn't have to just go back into operations?

Dietz: No.

Donahue: So I guess my question is, sorry, why don't we set up a joint venture and have everybody pay us so we could have the money be used for whatever we want?

Huson: I don't know if you remember but at the retreat we showed you that that's why we are creating two separate LLCs because we really can't be for profit, right? And so, we have the for-profit joint venture and then we have the not-for-profit LLC that will be between us so that we stay good with the LAC guidelines.

Donahue: So getting back to my original question...if this is hugely successful that's probably a good problem to have, but does it hurt us in those other areas that we've always marketed ourselves as?

Dietz: No, because I think it generates the revenue to make sure we have that 18 to 1 ratio, we can hire more faculty, we can expand our academic program offerings...

Donahue: And we would be able to build the infrastructure to support that in sense of dorms and classrooms?

Dietz: That's right.

Murphy: And remember, the enrollment control is always ours so we really do, we are the final say in admissions, we don't give up, our final admissions is always ours, the University still retains that. The question you ask, Rocky, is a question the chairs would ask right away, am I going to have 150 more technology engineering students and where am I going to put them? Well no, because the department of Technology still helps us make decisions about enrollment into that program so that we maintain the quality because what we don't want to do is ever compromise the quality of our degree programs. And growth, you know, you always have to watch growth in areas and so will technology engineering eventually grow? I really believe that, but we have to do it in a way that maintains quality throughout that whole growth.

Donahue: Bob or Julie, do you guys have any questions before we keep going on with ours?

Churney: I appreciate all the dialogue. My biggest question is it seems like when it's too good to be true it's too good to be true. I assume there's going to be continuous competition because universities are all looking for what we are looking for. Larry, you are involved with all the state presidents and we obviously all know where U of I stands and their international student program. What are other universities...are we ahead of the curve, are we right in the middle of embracing this program moving forward?

Dietz: I would say that the only other pathway institution in the state is the University of Illinois Chicago; they've gone with a different organization that is more of a contract for services and that organization is Shorelight. I've not heard any of the other universities moving into this, which frankly surprises me a little bit, but by the same token INTO only wants to do business with one institution in the state of Illinois; they don't want to do business with the University of Illinois because Shorelight is already there. The bottom line is they are a business and as you look at the other universities within the state I would agree with them that I wouldn't want to do business with most of the institutions in the state. We've picked them, but they also have picked us. I would say in this regard that we are not on the cutting edge of this because there are other institutions across the country that have moved in this direction. I would say that we also are not cutting edge because U of I Chicago is about a year ahead of us on this, but I would say that we are certainly in a good and critical place to be. I don't know why some of the other institutions in the state have not pursued this but that's up to their presidents to try to solve their own issues. I think this is a good solution for Illinois State.

Huson: Larry, if I may Shorelight has an exclusive contract with the U of I Chicago, they can't do it with anyone else in the state. INTO wants to do us and there just aren't that many other firms that are worthwhile in the country that would do it, so even if another state institution would want to do it there is slim pickings for them to do it.

Rossmark: So we don't have exclusivity with INTO?

Dietz: Yes, we do.

Rossmark: So they can't go to anyone else in the state?

Huson: Their model doesn't work like that.

Dietz: INTO expands to about only two universities per year, so they have been very modest about their growth and very careful and frankly I think that conservatism fits our model as well. We've been the steady university and that's really been our strength, that we've made decisions very thoughtfully, we've done our homework, and we've moved ahead. I think the match between the two organizations is a good one.

Rossmark: Who selects the university the student goes to? For instance, us versus St. Louis University or Washington State?

Dietz: The students.

Donahue: Does INTO promote all of their relationships so that we are basically in competition with those universities?

Huson: Yes, but what I'd say is what they have told us about that is you know, they want to match the student with the place where the student will be most successful. So, they really are looking to see where the student would fit best. They want all their programs to be successful but that's contingent on the student being successful. They pay a lot of attention to that in terms of where they promote them more.

Donahue: Have we created our own marketing piece against the other universities we are competing against?

Stephens: They have already done that.

Donahue: So it's not like we are a mirror image of one of these other schools?

Dietz: No, not at all.

Stephens: Remember that I moved here from the University of Idaho. Ten miles away is Washington State University. They partnered with Washington State University only a little over a year ago and I was having meetings with our business partner and thinking “how did you get people to go to Pullman, Washington?” and they said you wouldn’t believe it but the enrollment is exceeding their expectations. If you can get them to Pullman, Washington you can get them to central Illinois. There is no driving to Seattle, there is no train, you really have to want to be in Pullman.

Churney: How do they get their students to come to the United States? I assume they have agents and connections across the world, but what do they do, what is the vetting process to figure out that student A fits into Illinois State and student B fits in better in Florida...what is their process?

Paterson: They work with about 500 agents around the world. They have offices in 33 countries. One of the first steps for us as they are developing their marketing materials and we will be working with them on that as soon as this is approved, they will bring over about 100 agents in April and do what they call a familiarization tour with Illinois State and the community. The academic and admissions process, we have spent about the past year working with them on laying out the criteria for admission both at the undergraduate level and in each individual program at the graduate level. What are our expectations if there is a GRE or GMAT requirement, what are our expectations on the courses that the student would need to have taken, what GPA would they need to have obtained either at a high school or a college level if they are coming in as graduate students. So that’s the first line, if you want to come to Illinois State here are the requirements for the programs at ISU. The other piece, similar to what we would do in admissions, is talking about the culture of Illinois State University, where is it located, the number of students, what is it known for, all of those things to try to match a student, to help a student match their interests and their abilities. Another factor is the cost to attend Illinois State compared to other institutions that are part of the INTO group? What really happens is that it is the agents who are really working with the families, that in today’s world the parents are trying to better themselves and their children by sending them to the U.S. for education, and hoping they can come back to their country to a better job, be paid better, and just like us as parents we hope our children can support us in our older age. It’s similar to a matching game that you would have with a domestic student trying to figure out the right institution.

Churney: Given the climate of our country right now, and given all the stuff that’s going on, I welcome diversity but is there background checks and other things that when they come over that we are making sure we are putting ISU in a positive light. I’m all for what we are talking about, but as myself and as a group we are always looking to be sure we put the University first, so I have to ask the question: What do they do to make sure we are getting the best student both educationally, morally, however you want to say it, to come to ISU?

Paterson: I don’t believe there are background checks done, I’m not sure we could legally do background checks on students coming. I’m thinking of a formal background check.

Huson: First of all they need to do their visa paperwork.

Paterson: We have the visa process that exists, and part of the advantage of us working with INTO is they actually do know these agents personally as opposed to us getting an admissions application from an international student who we know nothing about. They also are experienced in reviewing international transcripts, to being sure that the information is accurate, and that it is translated in a way we can understand it. We will still get to see that information to make an admissions decision but sometimes now we are getting transcripts in Chinese and we are trying to interpret what that is or how grading is in that particular country. It has been very good for us to work with INTO to set all those standards for what are the country requirements, for instance how does the GPA at this school in Tanzania convert to a 3.0 in Illinois? How does this test that they might take in that country compare? They have that experience that we just don’t have as an institution. They need that student to go back to that country and be sharing that this was a very positive experience because that’s where they get the recruitment for the ongoing students.

Huson: I would add that they have to go through the federal visa requirements. These are people who get visas to come here so they have been vetted by the federal government. They also fill out our application which includes a student discipline and criminal history question on it. Also, we have a criminal disciplinary and criminal background committee that I actually sit on where we look at when the student does provide us with information that they have some sort of disciplinary or conviction history that we make specific decisions about that.

Donahue: My fear was that I don't want this to turn into what I often hear is the criticism of the U of I, especially from Illinois parents and taxpayers. The feeling is my kid got a 28 on his ACT, he had a 3.0 grade point average, he couldn't get into U of I, I'm a tax payer, my state school won't let me in, and yet there's all these kids from China who are taking his spot. Are they really taking his spot? I don't know. But all of a sudden that dominates the discussion and that becomes reality. It may not be reality but it becomes reality. How do we have assurances that that's not going to become the case, that Illinois families who meet the admission requirements, are guaranteed to get in, and how do we make sure we get out in front of that PR?

Dietz: I think part of the answer to that is how we are recruiting our domestic population, our Illinois students, in light of us becoming a more diverse institution. Saying those kind of things, that if you meet our admission criteria, and it's not just the general admission criteria because we might have different criteria by program, and so the idea that if you can get into our university you can also get into all of our competitive academic programs, sometimes those criteria are higher for those programs, and they certainly will be if we get into the engineering business and such as that. I think you are right to bring up the issue and I think a lot of that goes to our marketing pieces that go out to our Illinois students telling them about our admissions criteria generally and then the additional criteria. But our point is, and we will monitor this closely, I haven't really heard any anecdotal stories from anybody saying I didn't get into Illinois State or into this particular program certainly with the small number of international students we have now. I think that will become a question more as we get more, but I think it's communication, communication, communication, and a lot of that will be...

Donahue: I also think we need to make sure that this small program doesn't get viewed as the priority, that the state of Illinois and the 90 percent still has to be the priority. I know I asked you if there was any way symbolically that we could incorporate somehow that the board adopt something that the Illinois kids are the priority even if it doesn't mean anything other than the PR aspect.

Dietz: We will review our marketing materials and make sure that the language in there addresses that issue.

Rauschenberger: It will help being out in front of it and learning from their mistakes.

Dietz: They also grew very, very quickly with large numbers mainly from one country, and we want our international population to be diverse like our domestic population and so we don't want every student coming from just two countries; it could, but we want to be diverse so we want people from other parts of the world as well.

Donahue: So I have obscure question and I don't want to belabor this because just because a bill is introduced doesn't mean it will become law. We have this Brady/Rose legislation which basically in my mind eases the ability for Illinois students to get into public universities. Am I reading that wrong? That anyone with a 3.0 grade point average gets admitted? I'm not saying it's going to pass, but my point is is the legislature saying we want to make it easier for our kids to get in and not necessarily these kids to get in...are we going to have to be prepared for it? What's our answer to that?

Dietz: Jonathan Lackland and I talked at length yesterday about the Brady/Rose bill and there was a concern whether we were going to be in opposition or are we just going to remain silent. I had a conversation on Wednesday with the other university presidents and none of them are going to act right now. Supposedly over the weekend Sen. Rose is going to determine what he really wants to do with that bill; it's a joint bill but it's really more his bill than Brady's. I think most folks at the universities would say that the admissions criteria that's being suggested and the one application is really a simple solution to a complex problem. I don't know any university that would support that. It presumes that high schools are similar and we know that they are not, and I think it's going to set some people up to fail because a B at one high school is not the same as a B at another one. So, I don't know that the bill has any legs, but it's a political process and we will see. I think there's more discussion that needs to be had on that.

To me this proposal is separate and apart from any specific bill, we know that it's worked at other institutions and I think it will work for us. If the Brady/Rose bill passes we will adjust.

Donahue: I agree with you, I don't think the bill will pass in its current form if it passes at all. I just don't want to get caught up in the timing of we throw a program out there and politicians use it as a reason to hit us over the head... "see, this is exactly why we need the bill we have because they are out making their priority foreign students while we are trying to make the priority the state of Illinois students." I'm not even saying they believe that or that it's true, but it's an election year and it's a good sound bite.

Dietz: I think we have the highest percentage of Illinois students of any public university in Illinois.

Donahue: That needs to be part of our marketing materials and that we are going to continue those values.

Louderback: What does Brady say about the bill?

Dietz: Not much. He used it as a device to start some conversation. The working groups grew out of the Brady/Rose bill. These working groups are going around the state having discussions with all the universities about their enrollment plans, their capacity, programs that could be consolidated, so I think they are continuing to have a lot of discussion. I think this weekend is when Chapin was going to decide whether to continue to push to have the bill moved forward or not.

Donahue: You had mentioned a decision not to file an opposition to the bill...

Dietz: Not yet.

Donahue: We are opposed to it, why wouldn't we? You have laid out no reason why we would support this bill.

Dietz: Part of it is that none of the other institutions have wanted to do that at this point...

Louderback: But this is ISU and we need to...

Donahue: It seems like we haven't been able to identify anything we like in the legislation so why even play the game that we are neutral? If we are going around privately saying that it is bad that could eventually come back around to bite us in the butt.

Dietz: Wednesday when I talk to the presidents they were going to see what Rose was going to do this weekend. I've got a conference call with them Wednesday and I would fully expect that there will be something that will come out of that as to whether they are going to oppose it. If they decide to continue to ride the fence my inclination is to oppose it.

Louderback: We have to.

Dietz: It always helps to have these discussions so when I go back I can talk about a sense of the board.

Donahue: The general counsel is telling us to get back to the INTO discussion. Are there any other questions from anybody? Julie, do you have anything if you are still on the line? Anybody else?

We have a motion by Trustee Dobski, seconded by Trustee Schaab.

Motion made, seconded, and vote recorded as all members present voting aye.

Donahue: Thank you. Before the second resolution I wanted to tell you that I appreciate and thought this meeting was good. We have our conversations but sometimes a full discussion gives me a comfort level at a higher level. I appreciate the work the staff did on this.

Resolution No. 2018.01/02 INTO Illinois State University LLC and Illinois State University Global LLC

Dietz: INTO's business model calls for its partners to work with INTO in a joint venture LLC. With your approval we will create INTO Illinois State University which will operate as a for-profit entity with a six member LLC Board – three members from INTO and three members representing Illinois State University. As equal partners, INTO and the University will share in the costs, the profits, and the risks. The joint venture will operate the international student center at the University and engage in marketing, recruitment, and support activities for students in the Academic English and pathway programs. The University will have authority over all academic matters. We are also requesting your approval to form Illinois State University Global, LLC. Because INTO Illinois State University LLC is a for-profit entity, the University requests to create Illinois State University Global, LLC to operate as a not-for-profit entity to address certain accounting and taxation requirements that apply to the University. The University had done this before with CIRBN (Central Illinois Regional Broadband Network). The University's share of profits from the joint venture, INTO Illinois State University, will run through Illinois State University Global LLC. You can think of Illinois State University Global as being similar to the ISU Foundation in that it will maintain a separate corporate entity and will operate as an affiliate of the University, a University Related Organization (URO). Funds are received on behalf of the University and are distributed to the University. However, unlike the Foundation, Illinois State University Global board members will be the University's vice presidents and a presidential appointee. I ask your approval of this resolution.

Donahue: I would now ask for a motion and second to approve Resolution 2018.01/02. Trustee Schaab so moved and was seconded by Trustee Rauschenberger. Is there any discussion?

Louderback: Okay, explain the two differences. Very simply, is this different than the joint venture piece we have over here?

Huson: No, that is the joint venture.

Maginnis: So there are two entities. The Illinois State University Global will be the University Related Organization, subject to certain rules under the Legislative Audit Commission guidelines. It essentially operates as an internal arm of the University. It will be the parent corporation for the joint venture which is the INTO/Illinois State University which would operate on a for-profit basis as an independent organization needing an arm's length transaction so that way we satisfy the not-for-profit requirements that the University is subject to as a public university. The global will handle the corporate aspects and accounting aspects for the University. The board for the joint venture will operate the student center and through the services agreement I referenced before essentially will be operating as an arm's length entity with the University which is why they pay for things like cost of instruction and leasing the space, so that we essentially treat them as if they are not an internal university affiliate but they are our public/private partner that works with us in this venture.

Louderback: So the not-for-profit cloud has nothing in it...

Maginnis: The not-for-profit cloud has nothing in it, it works essentially to manage the joint venture through the operations but it does also have the potential to expand its scope of influence to explore other international opportunities or...

Louderback: But it's basically a do-nothing cloud?

Denes: It's what Lisa referenced before, it insulates the University so it's a layer between the University...

Louderback: So the INTO is above the cloud?

Maginnis: The INTO is below the cloud.

Stephens: We can't have a for-profit entity directly connected to us.

Donahue: My one question is that really there is no risk to the University, that we are going to put in \$1 million for infrastructure improvements but we would improve those buildings anyway, but there's really no risk to the University. But, as we read this resolution, it says "as equal partners, INTO and the University will share in costs, profits, and risks." What are these risks we might be sharing?

Dietz: We don't know of any, but by the same token I think we would be remiss if we didn't put it in the resolution.

Donahue: Maybe it's just the resolution language but I just want to make sure that there aren't risks that we didn't talk about previously. For the record I just want to make sure there are no risks that you are aware of that we didn't discuss.

Rauschenberger: Will we secure insurance for this? Or will this go under the University's umbrella? Will we self-insure this?

Maginnis: The joint venture will get its own insurance policy to cover its liability.

Huson: We will get an insurance policy to cover the URO.

Donahue: My last question, and Lisa and Alice I say this with the utmost respect so please don't take it wrong, but Jane, are you comfortable with what they have presented?

Denes: Yes, I am.

Donahue: Are there any other questions from the board? Hearing none, we have a motion by Trustee Schaab, seconded by Trustee Rauschenberger.

Motion made, seconded, and vote recorded as all members present voting aye.

ADJOURNMENT

Donahue: I would now ask for a motion and second to adjourn. Trustee Louderback so moved and was seconded by Trustee Rossmark.

Motion made, seconded, and vote recorded as all members voting aye.

The meeting of the Board of Trustees is now adjourned.