APPENDIX A

OPTIONAL SUPPORTING EVIDENCE

1. Report of a Comprehensive Evaluation Visit – Assurance Section
2. Report of a Comprehensive Evaluation Visit – Advancement Section
3. Team Recommendations for the Statement of Affiliation Status
4. Organization Profile
5. Strategic Plan
6. Financial Progress Report
ASSURANCE SECTION

REPORT OF A COMPREHENSIVE EVALUATION VISIT

TO

SOUTHERN ILLINOIS UNIVERSITY CARBONDALE

22-24 March 2010

FOR
The Higher Learning Commission
A Commission of the North Central Association of Colleges and Schools

EVALUATION TEAM

Dr. Linda L.M. Bennett
University of Southern Indiana
Evansville, IN 47712

Dr. William J. Crowe
University of Kansas
Lawrence, KS 66045

Dr. Abu S.M. Masud
Wichita State University
Wichita, KS 67260

Dr. H. Bart Merkle
Grand Valley State University
Allendale, MI 49401

Dr. Brent Lee Pickett
University of Wyoming
Casper, WY 82601

Dr. Jose R. Rosario
Indiana University-Purdue
Indianapolis, IN 46402

Ms. Ann Miller Wood
Thomas Cooley Law School
Lansing, MI 48901

Dr. Gera C. Burton
University of Missouri-Columbia
Columbia, MO 65211

Dr. Peter J. Kasvinsky
Youngstown State University
Youngstown, OH 44555

Dr. Nancy Ellen Mathews
University of Wisconsin-Madison
Madison, WI 53706

Dr. Mark S. Paller
University of Minnesota-Twin Cities
Minneapolis, MN 55455

Dr. Karen Pugliesi
Northern Arizona University
Flagstaff, AZ 86011

Dr. Michael V. Wells
Cleveland State University
Cleveland, OH 44115

Dr. R. Craig Schnell (Team Chair)
Provost/Vice President for Academic Affairs
North Dakota State University
Fargo, ND 58108
## Contents

I. Context and Nature of Visit ........................................................................................................ 3

II. Commitment to Peer Review .................................................................................................. 7

III. Compliance with Federal Requirements .............................................................................. 8

IV. Fulfillment of the Criteria ..................................................................................................... 8
   a. Criterion One ...................................................................................................................... 8
   b. Criterion Two ................................................................................................................... 10
   c. Criterion Three ............................................................................................................... 13
   d. Criterion Four ................................................................................................................. 16
   e. Criterion Five .................................................................................................................. 19

V. Affiliation Status .................................................................................................................. 21

VI. Additional Comments and Explanations ............................................................................ 26

VII. Federal Compliance Requirements .................................................................................... 27
I. CONTEXT AND NATURE OF VISIT

A. Purpose of Visit
This visit was conducted 22-24 March 2010, to complete a comprehensive review of
Southern Illinois University Carbondale (SIUC) for continued accreditation.

B. Organizational Context
Southern Illinois University Carbondale (SIUC) began as Southern Illinois Normal
College established in 1869 and beginning instruction in 1874. The college offered two-
year programs until 1904 when four year programs were added. In 1943, graduate
course work was added. In 1947, the institution was renamed Southern Illinois
University. In 1949, SIU started course work in East St. Louis and established another
campus at Edwardsville in 1959. Also, in 1959, doctoral education was added. In 1969,
the two campuses became part of the SIU System. SIUC also developed professional
programs in law and medicine.

Today, SIUC is classified by the Carnegie Foundation as a Research University (high
research activity) and consists of three professional schools and eight academic
colleges. SIUC serves over 20,000 students in 32 doctoral and professional programs,
74 masters, 101 baccalaureate, and 2 associate degree programs. SIU was first
accredited by the North Central Association in 1913.

C. Unique Aspects of Visit
In a normal sequence, this Comprehensive Visit would have occurred in Spring 2009.
However, due to leadership changes, the Institution requested the Comprehensive Visit
to occur in Spring 2010.

D. Sites or Branch Campuses Visited
SIUC has a medical campus in Springfield (IL). In addition, SIUC has 32 military sites.
Interviews over videoconferencing were held with the medical school and three military
sites.

E. Distance Education Reviewed
SIUC had also made a request “…to offer distance learning programs, without prior HLC
program-by-program approval…”

SIUC has a 60-year track record providing access to underserved populations including
nontraditional students who require flexible arrangements to complete their degrees.
Since 2000, SIUC distance education offerings have included synchronous and
asynchronous course delivery methods offered by the Division of Continuing Education.
The DCE offers an impressive array of 193 courses, accounting for 3603 enrollments.
There are no differentiations between on-and off-campus degrees and policies
pertaining to admissions standing, and graduation requirements are the same.
Currently, college units can develop courses without the support of DCE, leading to
uneven offering and administration of programs. The Team recommends a
comprehensive strategic plan be developed that ensures consistency in quality, support,
and coordination among academic units and that distance education courses be offered
exclusively through the Office of Distance Education in the Division of Continuing
Education.

F. Interactions with Constituencies

Chancellor
Vice Chancellor for Student Affairs
Vice Chancellor for Administration and Finance

3 9 June 2010
Vice Chancellor for Research and Graduate Dean
Interim Provost and Vice Chancellor
Chancellor's Executive Committee
Associate Vice Chancellor and Dean of Students
Assistant to the Chancellor, Office of the Chancellor
Assistant Vice Chancellor for Enrollment Management
Deans Council
Interim Dean, College of Agricultural Sciences
Dean, College of Education and Human Services
Interim Dean, School of Law
Dean, Library Affairs
Dean, College of Business
Dean, College of Mass Communication and Media Arts
Interim Dean, College of Applied Sciences and Arts
Dean, College of Science
Dean, College of Liberal Arts
Interim Dean, College of Engineering
Associate Dean, Research and Graduate Studies, College of Science
Assistant Dean, Student Affairs, College of Mass Communications and Media Arts
Associate Dean, Undergraduate Affairs, Research and Outreach, College of Education and Human Services
Director, University Core Curriculum
Interim Director, Assessment and Program Review
Director, Disability Support Services
Director, Student Judicial Affairs
Director, Financial Aid
Director, Student Development
Director, Annual Fund
Director, Supplemental Instruction and Student Affairs Assessment
Director, Counseling Center
Director, Student Center Administrative Office
Director, University Housing
Director, Rainbow’s End Child Development Center
Director, Recreational Sports and Services
Director, Student Health Center
Director, Students’ Legal Assistance
Director and Professor, School of Allied Health
Director, Enrollment Management/Academic Support Services
Director, Undergraduate Admissions
Director and Associate Professor, Graduate Studies, College of Mass Com. and Media Arts
Director and Associate Professor, School of Journalism
Director, Department of Public Safety
Director, Disability Support Services
Director, Plant and Service Operations

Director and Professor, Cooperative Wildlife Research Laboratory
Director, Biomechanics & Integrative Movement Laboratory
Director, Graduate School
Co-Director, Environmental Resources and Policy, Departments of Geology, Geography, and Agribusiness Economics
Interim Director, International Programs & Services
Interim Director, Career Services
Interim Director, Rehabilitation Institute
Associate Director of Facilities
Associate Director, Study Abroad
Associate Director, Agricultural Sciences
Associate Director, Education & Outreach, University Housing
Assistant Director, Registrar’s Office
Coordinator, Student Development  
University Engineer  
Executive Director, WSIU Public Broadcasting  
Chair and Associate Professor, Cinema and Photography  
Interim Chair and Associate Professor, Radio-Television  
Professor emeritus, Department of English  
Students (18)  
Alumni (2)  
Chief Academic Advisor, College of Science Advisement  
Chair, Department of Zoology  
Accountant IV  
Accountant IV, Plant and Service Operations  
University Engineer, Physical Plant Engineering Services  
Residence Hall Directors, University Housing  
Coordinators, Academic Initiatives, University Housing  
Coordinator, Conference Services, Division of Continuing Education  
Coordinators, Student Development  
Department Chairs  
Department Faculty  
Editor, *The Journal of the International Association of Special Education*  
Business Manager  
Administrative Assistant to the Dean  
Assistant to the Dean for Academic Affairs, College of Agricultural Sciences  
Chief Academic Advisers and Records Personnel  
AP Council (3)  
Director, Intercollegiate Athletics  
Assistant Athletic Director-Compliance  
Assistant Athletic Director  
Associate Athletic Director – Finance  
Campus-Wide Assessment Committee

**G. Principal Documents, Materials, and Web Pages Reviewed**

Southern at 140: A Progress Report Towards *Southern at 150*. SIUC Self-Study  
Campus Climate Task Force Document  
2020 Vision Report 2005  
Affirmative Action Hires Report 2005  
All Hazards Emergency Operations Plan  
Campus Life and Safety Team: Purpose & Protocol  
Campus Master Plan 2006  
Enrollment Documents  
External Review Team Report on Student Conduct 2008  
Institutional Snapshot 2007  
Regional Profile: Illinois Southern Region  
SIU Student Recruitment, Retention & Persistence  
SIU 2007 Performance Report  
*Southern at 150: Building Excellence Through Commitment*  
SIUC Web page (extensive review)  
Audited Financial Statements (FY07 & FY08)  
Employee Handbook  
Federal Compliance Materials (Ad Posting, Audit Findings, & Student Assistance Process)  
On-line Program Request
Student Handbook
Graduate Catalogue 2009-10
Undergraduate Catalogue 2010-11
Faculty Senate meeting minutes (various)
Guidelines for Review of Existing Units of Instruction, Research and Public Service at Public Institutions (IBHE)
Program Review Overview (SIUC)
HLC Assessment Academy- SIUC Project Overview
Teaching Handbook- College of Liberal Arts
Curriculum 21 – College of Liberal Arts
Operating Papers - Colleges of Liberal Arts and Science
Board of Trustees Agreement with Faculty Association
White Paper on Governance 12/08
SIUC at 150
SIUC at 150 Progress reports (2008)
Graduate Council meeting minutes (various)
Program review reports (2006)
State of the University Address- (9/2009)
Online course syllabi – BIO 135, AJ330, POLS352i
Course syllabi- Soc 101, ANT, FIN,
FY07-08 Audited Financial Report
Institutional Snapshot
Fact Books – AY06-07 to AY09-10
Office of Vice Chancellor for Student Affairs
Office of Institutional Research and Studies-website
Task Forces for Agility and Efficiency reports
“Land of Lincoln AmeriCorps”
“ Saluki Volunteer Corps”
“Service Learning in the Curriculum”
“College of Education and Human Services: College Highlights” (March 2010)
Minutes of the Special meeting of the Board of Trustees, SIU, July 15, 2009
Sustainability Initiatives (Development of Plant and Science Operations), 07/28/08
Washington Advisory Group Report 07/09/03
Discussion of the Washington Advisory Group Report (Vice Chancellor for Research) 12/02/03

Websites visited (plus underlying pages):
Website links:
http://www.siuc.edu/
http://news.siuc.edu/news/September05/090905pd5119.jsp
http://web.coehs.siu.edu/public/
http://www.geology.siu.edu/outreach/index.html
http://communityoutreach.siu.edu/
http://news.siuc.edu/news/March10/031810cjm10071.html
http://crhssd.siuc.edu/projects/ruraltransport.html
http://www.connectsi.us.com/
http://econdev.siuc.edu/
https://www.dce.siuc.edu/index.php/Policies/SIUC-Continuing-Education-Unit-Policy
http://www.siuc.edu/~asaocap/

Faculty Senate – website
Office of Assessment and Program Review- website
II. COMMITMENT TO PEER REVIEW

A. Comprehensiveness of the Self-Study Process
The self-study process involved more than 100 of SIUC’s constituents – administrators, faculty from all programs, staff, students, and community members. The Steering Committee was organized with a faculty member as chair. Each Criterion had an assigned committee and chair. An external consultant was also engaged.

The Team judged the process as thorough and inclusive of the institution's employees and involved all aspects of the institution.

B. Integrity of the Self-Study Report
The Self-Study Report is comprehensive, descriptive, and evaluative. It was very well written and literate.

Within each Criterion, challenges were identified. The Team found that the Report adequately reflected the evidence verified during the visit.

C. Adequacy of Progress in Addressing Previously Identified Challenges
The Team conducting the 1999 visit cited nine challenges to be addressed. The Institution has addressed each challenge – some with more success than others. Progress has been made with addressing physical facilities (notably, the Morris Library and Saluki Way); however, facilities for a research institution remain inadequate. Likewise, assessment, establishing institutional priorities (e.g., teaching vs. research) and allocating resources have been partially addressed but each needs considerable work (this Team makes recommendations). The most progress has been made in fundraising, garnering over $100 million in a just completed campaign. Leadership issues in defining the relationship between the positions of the President and Chancellor remain and need to be addressed with the hiring of a new Chancellor 01 Jun 2010. In addition, trust issues between faculty and staff and the central administration hinder institutional progress.

D. Notification of Evaluation Visit and Solicitation of Third-Party Comment
Requirements fulfilled. There was only one (1) third party comment. It was a very positive, supportive comment about the Institution.

III. COMPLIANCE WITH FEDERAL REQUIREMENTS

See special section regarding components of Federal Compliance (pp 27-29).

IV. FULFILLMENT OF THE CRITERIA
CRITERION ONE: MISSION AND INTEGRITY. *The organization operates with integrity to ensure the fulfillment of its mission through structures and processes that involve the board, administration, faculty, staff, and students.*

1. Evidence that Core Components are met

- The SIUC mission statement emphasizes student access, quality teaching, research excellence, and a commitment to service in the community, the state, and the region. With regard to access, the institution has a special commitment to provide access to a large portion of the student body from the working and middle class and a high number of first generation students. The university’s commitment to access of students is broad and sincere, as shown through conversations with its senior administrators, members of the Faculty Senate, and the Board of Trustees. Its student profile thus requires SIUC to expend a considerable amount of resources on remediation and also makes student retention a challenge. Given the prominence of this section of the mission statement, it is laudable that SIUC’s commitment to its diverse and far from privileged student body is so strong.

- Emphasis on accessibility and regional service which creates distinctive instructional, research, and public service programs also gives SIUC its special character among the nation’s research universities, and underlies other academic developments, such as its extensive doctoral programs and the schools of medicine and law.

- SIUC has made solid progress in the past decade with regard to diversity, a significant goal in the Institutional mission. There has been an increase in the number of students from diverse backgrounds (22.4%). Programs such as the Center for Academic Success, the pre-college summer program, and Future Scholars, were created to aid their success. There has also been an increase in the number of faculty from diverse backgrounds (22.7%) and the creation of a new administrative post, the Associate Chancellor for Institutional Diversity. This progress has occurred in the absence of a shared definition of diversity, and, these advances could erode without development of institutional consensus about diversity goals.

- Understanding of SIUC’s mission with its commitment to access, research, and service to the larger region is better understood by some campus constituencies than others. Faculty, administrators, and board members have little problem highlighting components of the mission statement, though most mentioned teaching or “student responsiveness” first when queried about the core elements of the mission. In the 2008 Campus Climate Survey, 58 percent of the campus community agreed with the statement that “the mission statement adequately reflects what this University should be doing.” The wording of this survey item does not convey respondents’ breadth of understanding of the mission statement elements, or whether there is agreement on priorities arising from that statement.

- The university has a broad set of policies and processes in place that help ensure the institution’s commitment to integrity. The university has an ombudsman’s office, which has existed for over 40 years and which is staffed by well-qualified persons. The director of the ombudsman’s office reports directly to the chancellor, rather than to any particular unit, in order to better ensure impartiality. The university also has several judicial boards to hear and adjudicate conflicts. Each board has its own purview, covering faculty, A/P staff, and student affairs. The university also handles information in a manner that is generally open and transparent, such as putting IPEDS data in an open section of its website. Despite high-profile cases involving
issues such as plagiarism accusations against prior upper administrators, there is good evidence of institutional integrity.

2. Evidence that one or more specified Core Components need organizational attention

- The University’s mission statement is a central feature of the self-study “Southern at 140” document. While it is a clear statement, it is not a source of consensus among campus constituencies. The institution’s self-study comments on “two separate and competing cultures” arising from what is increasingly perceived as competing mission priorities of student access and strengthening the research profile of SIUC. The tension between these priorities was acknowledged by members of the Board of Trustees, faculty, and staff. There were a number of comments during our campus visit that SIUC could not maintain its dedication to student access and continue to develop its research profile, particularly in the face of declining enrollments and resources. Upon arrival of the new Chancellor, the Institution should revisit the mission statement in view of these competing cultures.

- Effective leadership has suffered as SIUC has experienced administrative leadership turnover with four presidents, six chancellors, and six provosts since the last HLC visit in 1999. This rapid turnover in leadership generates multiple issues including interruption in collaboration with area community colleges, discontinuity in the friend- and fund-raising process, and lapses in the energy and direction needed in campus wide initiatives and planning. During good times, these problems generate serious problems for an institution; but during hard times, they can be devastating. Furthermore, this pattern of rapid turnover at the presidential and chancellor levels can have a ripple effect at the vice chancellor and dean levels. In fact, the self-study points out that each college has had at least three deans in the past ten years.

- The commitment of members of the Board of Trustees and the President to SIUC is admirable and a reflection of their strong personal attachment and loyalty to the University. Because of rapid turnover of leadership in recent years, both Board members and the President may have felt it necessary to get more involved in the day-to-day operation of the campus than is necessary or helpful. To reinforce the leadership effectiveness with the arrival of the new chancellor, it will be important for the President and the Board to communicate effectively with the Chancellor and to respect the Chancellor’s authority on the SIUC campus. This stance reflects policy approved by the Board of Trustees on July 15, 2009.

3. Evidence that one or more specified Core Components require Commission follow-up.

N/A

4. Evidence that one or more specified Core Components are not met and require Commission follow-up. (Sanction or adverse action may be warranted.)

N/A

Recommendation of the Team:
Criterion One has been met; organizational attention needed; no commission follow-up recommended.

CRITERION TWO: PREPARING FOR THE FUTURE. The organization’s allocation of resources and its processes for evaluation and planning demonstrate its capacity to fulfill its
mission, improve the quality of its education, and respond to future challenges and opportunities.

1. Evidence that Core Components are met

- The Institution has engaged in strategic planning with the development of *Southern at 150: Building Excellence Through Commitment* which has served as SIUC’s first comprehensive strategic plan since its completion in 2003. Following a year-long process that included over 200 participants, the plan articulated a bold vision for the next 20 years, in preparation for the university’s sesquicentennial (2019). The plan identified 10 areas of priority, with over 35 specific goals.

- As the first comprehensive growth plan for the Carbondale campus, *Southern at 150*, has served the campus well as a guide to initiate and catalyze change. Perhaps more importantly, *Southern at 150* has served as the fabric that has maintained cohesion for the campus during times of uncertainty brought about by turnover in senior leadership. It is evident from the current self study that excellent progress has been made toward a number of the overarching commitments and many of the goals stated within the commitments.

- The 2006 SIUC Campus Master Plan integrates the 2001 Land Use Plan, the 2004 University Housing Facility Master Plan, the Athletics Facility Master Plan, and the Saluki Way Plan. As such, the Master Plan provides direction for the physical growth of the university and demonstrates evidence of the university’s coordinated use of the planning process in enhancing its operations.

- The Saluki Way plan was successfully executed by the combined funding from internal and external constituents. Funding includes: 25% from the City of Carbondale through a tax levy ($20 million), 25% from private donations (50% of which are in-hand), and the remaining 50% from student fees for facilities and planning. This collaborative funding initiative demonstrates the university’s ability to involve both internal and external constituents in its planning and financing of its growth.

- The Department of Public Safety has recently created an All Hazards Plan, in accordance with Illinois state statute. As part of this plan, the department of Public Safety established the Wireless Emergency Notification System (WENS) to notify faculty, staff and students of an emergency and advise if actions need to be taken. Modes of delivery include: telephone, Internet, e-mail, radio, loudspeakers, person to person, and text messaging. The development of a system that effectively uses current social media and technology clearly indicates the university’s innovation and ability to change, while promoting a safe learning environment for students, staff and faculty.

- SIUC has experienced financial challenges over the last few years, relating to loss of tuition from decreased enrollment and timely payments from the State of appropriated funds. However, SIU has had some success and relief through other endeavors:

  SIUC has recognized the connections to global communities and has developed memoranda of understanding agreements with universities in China that can lead to new international ties for SIUC students and enhance the Institution’s enrollment.

  SIUC has a proud heritage of serving the economically disadvantaged communities of Southern Illinois. All levels of the institution express a strong commitment to providing access to and an opportunity for success to an ethnically and economically diverse student population.

  The SIUC Foundation exceeded its goal of raising $100 million in its initial capital campaign. Although private gifts and donations account for only 1% of the school’s
annual budget, the university is wise to cultivate alternate financial resources as other resources diminish.

External grants and contracts have provided a much needed source of revenue as state funding has diminished. Growing from approximately $33 million in FY1999 to $70.1 million in FY2008, this source of funds has allowed the school to enhance programs in ways that are responsive to external needs.

- The combination of externally mandated reviews of educational programs, including the 8-year review cycle established by the Illinois Board of Higher Education and specialized professional accreditation reviews, as well as internal assessment through the office of program review, provide processes and data that can drive continuous assessment.

- Having recognized that it could benefit from enhanced use of evaluation and assessment, the institution has embarked on a training program and participation in the HLC Assessment Academy. The reconfigured Office of Assessment and Program Review, and the hiring of a director for that program, provide opportunities for finding more effective ways to gather and use assessment data.

- Ongoing evaluation and assessment originating from within the Institution have identified areas of concern, such as decreasing enrollments and low academic success rates in undergraduate programs. Assessment and program review can drive the development of strategies to improve Institutional effectiveness.

- The university has established a process of assessing its campus climate, having administered a Campus Climate survey twice in the past 12 years. The 2008 survey of faculty, staff, and students indicates both strengths and challenges for the university in the future. It provides an effective tool with which to monitor current, as well as longer term trends on work-place issues of importance to the campus. The university’s use of climate surveys on a regular basis indicates its active pursuit of knowledge and strategies for continuous improvement.

2. Evidence that one or more specified Core Components need organizational attention

- Although SIUC leaders, faculty, and staff are strongly oriented by the Southern at 150 plan, there is a need for greater availability of data and support for the use of data to assess the extent to which the university and its programs are achieving specified goals. More effective use of institutional data and development of broad-based practices of assessment will be increasingly important as SIUC makes difficult decisions about investments of increasingly limited resources.

- Although the Southern at 150 proposes that SIUC should be among the top 75 research universities, this specific goal has not been embraced throughout the institution and was identified as unrealistic in the 2003 report of the Washington Advisory Group. Moreover, SIUC leadership has not developed a realistic plan to secure the necessary resources to realize this goal. Now, the institution has the opportunity to redefine this goal as a new chancellor takes office and to establish a direction for the future.

3. Evidence that one or more specified Core Components require Commission follow-up

- As SIUC prepares for its future, serious changes in its financial condition must be considered and adopted. During the past year, SIUC has a budget shortfall ranging from $4 million to $15 million; an additional $15 million are needed for FY 2011. To meet these financial needs, the university has suggested possible solutions such as furloughs, layoffs, across-the-board budget cuts, and programmatic cuts. However, reasonable
steps to address these financial stringencies long term have not been implemented. Thus, the Team recommends that, with the arrival of the new Chancellor, the Institution begin strategic planning to address the financial shortfall. The Team recommends that the Institution submit a Progress Report on its financial planning by August 15, 2011.

- Lack of comprehensive planning pervades the institution, resulting in substantially autonomous departments. This makes academic and other planning difficult. In the face of a pressing need to develop comprehensive plans to address important financial issues, student access, enrollment management, the research mission, and employee relations, the Team recommends a Focus Visit in 2013 (see pp 23-24).

4. **Evidence that one or more specified Core Components are not met and require Commission follow-up. (Sanction or adverse action may be warranted.)**

   N/A

   **Recommendation of the Team:**
   Criterion Two has been met. Organizational attention is needed. Commission follow-up in the form of a progress report in 2011 concerning finances and a Focus Visit in 2013 in Comprehensive Planning are recommended.

**CRITERION THREE: STUDENT LEARNING AND EFFECTIVE TEACHING.** The organization provides evidence of student learning and teaching effectiveness that demonstrates it is fulfilling its educational mission.

1. **Evidence that Core Components are met**

   - The university commitment to student learning is demonstrated through its investment in programs to enhance the student learning experience such as the University Honors Program and the new Saluki First Year Experience. SIUC’s long standing University Core Curriculum (UCC) is intended to promote best practices in undergraduate education through design of articulated, integrated, and coherent learning experiences from the first year through graduation. Capped by integrative courses that engage students with interdisciplinary inquiry, diversity, and multiculturalism, UCC has great promise to be a signature program. SIUC’s investment in program leadership and infrastructure position the program to be a catalyst for stronger alignment of learning goals and assessment of outcomes throughout the university.

   - SIUC has a well qualified faculty – the self-study indicated that eighty-four percent of the faculty were full-time and eighty-two percent of the full-time faculty held doctorates, professional degrees, or other terminal degrees in their disciplines in fall 2008.

   - The university takes great pride in the accomplishments of its faculty and students. Various awards, displays, and university publications recognize students and faculty for their scholarly and other achievements. The Honors Program has focused support to assist student in application for prestigious scholarships, fellowships, and awards. Faculty and administrators indicated that the university recognizes outstanding teaching each year by presenting awards for excellence to faculty in each college, in the University Core Curriculum, among non-tenure track faculty, and among graduate assistants.

   - Undergraduate and graduate students who were interviewed by the team consistently reported that faculty are good teachers, willing advisors, accessible to students, and care about student success. Students also reported that they are receiving an excellent education at SIUC and indicated that they enjoy working with faculty.
• The Writing Center (WC) at the university is well staffed with faculty, graduate assistants, and well-trained undergraduate tutors who extend writing support to students through three campus locations. Students interviewed by team members reported that having three locations makes it easy for them to access these services.

• The University Honors Program (UHP) benefits from dynamic, energetic leadership which has engaged over 300 honors students university-wide. The program appears poised to grow with new, visible space in Morris Library, efforts to expand scholarship support, and a broadening of curricular offerings. The UHP’s Office of Major Scholarship Advisement continues to prepare SIUC’s best students to compete for nationally competitive scholarships. Pictures of these top award recipients were evident in Morris Library and in the Student Center which provide excellent visibility for the success of SIUC students.

• SIUC has developed a number of distance learning opportunities to serve place bound students. The Office of Military Programs has served personnel of the U.S. military for many years. Six degree programs are offered to students on 32 bases. As reported in their self-study, and as confirmed through conversations with personnel in the Division of Continuing Education, students served by the programs, and site coordinators located literally from coast to coast, the quality of the programs is high. Students expressed satisfaction with advising and other academic and student support services. They also expressed satisfaction with curriculum content and the level of instruction.

• The Office of Distance Education, through the Division of Continuing Education offers credit and non credit programs. Credit courses are offered in multiple formats, including individualized and semester-based. Students report a high level of support, strong faculty, and relevant programs of learning that enhance their professional success. The recent growth of online (e-learning), semester courses and the success of a limited number of fully online degree programs, has sparked greater interest in expansion of online programs. Growing more online programming will require further development of infrastructures supporting curricular planning, design of web-based courses, and assessment.

• The university conducts regular reviews of academic programs, as mandated by the Illinois Board of Higher Education. The process involves external and internal reviewers and is designed to produce recommended actions for improvement of programs. While evidence of actions pursuant to program reviews was limited, minutes of past Graduate Council meetings included documentation of reports of program reviews.

• The self-study indicated that technology is available to support student learning through numerous computer labs and wireless access in various areas of the campus and students reported satisfaction with the availability of technology support for their learning.

• A range of student services is available to assist students to achieve success both in and out of the classroom. Interviews with students verified that support services are available, that they know where to seek assistance, and they use these services when needed.

• Learning-living communities in the housing system provide opportunities for students to live with individuals who have similar academic interests related to special interest groups, scholarship halls, and academic colleges. These collaborations between
University Housing and faculty have improved the learning environment within the residence halls and have resulted in new connections between residents and faculty outside of the classroom.

- Most centrally scheduled classrooms have been renovated and have technology presentation capabilities to support learning. However, many of the departmental and college controlled classrooms, labs, and studios are in need of renovation and updating. Interviews with students revealed that many of these academic spaces need improvement although resources to complete these projects are not currently available.

- SIUC has invested heavily in restoration and expansion of Morris Library since 1999. The result is a facility that provides flexible, inviting space, enabling library faculty and staff to deliver a wide range of traditional and contemporary services to enhance instruction and research. The library’s operations reflect national best practices. There is active engagement in the life of the campus and in the universe of libraries and other information providers in the state and nation which brings many valuable information resources to SIUC and promotes visibility of SIUC’s library resources in the region and beyond. The library also provides a full range of support for distance education students.

- Programs with specialized accreditation and some other academic areas have systematic processes for assessing learning outcomes and utilizing such evidence for improvement of courses and curriculum. The university’s Campus-Wide Assessment Committee is a forum for sharing successful practices and cultivating broader commitment to assessment among faculty and staff. There is enthusiasm among these champions of assessment to promote what they have found to be useful more broadly. The efforts of this group need the support of leadership and recognition of assessment as valued faculty work to be successful.

2. Evidence that one or more specified Core Components need organizational attention

- Student advisement and academic support programs are provided through the colleges and through programs offered through the provost’s office. Interviews demonstrated that advisors are highly committed to students and their success. The decentralization of advisement and academic support has encouraged strong ownership of advising functions by the colleges and innovative practices. However, it also risks inconsistency in availability and character of services. Ratios of students to professional advisors as reported to the team vary widely from a little over 90:1 to as much as 474:1. Advisors also noted the need for career counseling services. SIUC should consider development of university-wide advisement principles or goals, targets for levels of service, formal training opportunities for professional advisors, protocols for assessment of advising effectiveness, and recognition for advisors.

3. Evidence that one or more specified Core Components require Commission follow-up.

- SIUC recognizes that it has not adequately addressed challenges in assessment of student learning identified through the last comprehensive evaluation. The university’s enrollment in the Commission’s Academy for Assessment of Student Learning and consistent, explicit articulation of the need to strengthen assessment by leaders, signals that the institution is prepared to pursue this agenda. The University intends to fill the vacant position of Director of Assessment and Program Review. In addition, it will be critical for the new Chancellor to work with university leadership to ensure that this commitment is reinforced in unit operating papers and in program review and planning
processes. Should SIUC not complete the Academy expectations, the Team recommends a Focus Visit.

4. **Evidence that one or more specified Core Components are not met and require Commission follow-up. (Sanction or adverse action may be warranted.)**

   N/A

**Recommendation of the Team:**
Criterion Three has been met; organization attention is recommended; no Commission follow-up is recommended, provided successful completion of the Assessment Academy.

**CRITERION FOUR: ACQUISITION, DISCOVERY, AND APPLICATION OF KNOWLEDGE.**
The organization promotes a life of learning for its faculty, administration, staff, and students by fostering and supporting inquiry, creativity, practice, and social responsibility in ways consistent with its mission.

1. **Evidence that Core Components are met**
   - At the time of the 1999 site visit, SIUC’s research productivity was lagging, as is well documented in the self-study. Since then, this self-study, policy statements, and interviews with numerous individuals from faculty and staff constituencies documented that the institution has a well defined research mission that is integrated with the teaching mission at both the undergraduate and graduate levels of education. The research mission was a core component of discussions with every constituency interviewed by the team, including administration, faculty, staff, students, and Board of Trustees; and was widely understood as a means of defining institutional excellence and establishing an international academic reputation.

   The institution has invested significant resources in research over the past decade, and overall productivity has been higher in the first decade of the 21st century, as compared to the 1990’s. While the institution does have a strong commitment to research, conversations with faculty including members of the Faculty Senate make clear that the depth of that commitment varies sharply from department to department. Still, the university’s significant gains in this area are worthy of note.

   Since the last HLC visit, the institution has also begun to develop an appropriate infrastructure for research. A Vice Chancellor for Research and Graduate Dean has been appointed, giving a single individual primary responsibility for the mission-critical activities of graduate education and the research enterprise.

   Both faculty and students have demonstrated excellent research productivity as documented in exhibits provided. External grant funding has, since the previous Team visit, increased 50% in total research awards and more than doubled in federal research awards. This level of productivity is expected to continue and increase as additional faculty and students are identified and recruited, and as collaborations increase.

   The Office of Research Development and Administration, part of the Office of the Vice Chancellor for Research and Graduate Dean, established a granting program that provides seed funding for interdisciplinary research and enhances competitiveness for external funding. Annual financial commitments provide matching funds and travel funds to attend international or national meetings for the purpose of presenting research or to meet with funding agencies. There are internally competitive research funds for faculty, graduate students, and undergraduate students. These actions indicate that SIUC clearly promotes a life of learning for its students, faculty, and staff by supporting
initiatives that are on the forefront of disciplinary knowledge through exploration of interdisciplinary scholarship.

- Overall the institutional focus on research and inquiry provides an excellent teaching mechanism to train its students to value a life of learning as exemplified by the regular involvement of undergraduates in institutional research activities. The Vice Chancellor for Research and Graduate Dean is a strong champion of undergraduate research.

- A strong commitment to undergraduate participation in research pervades the institution. Opportunities abound at SIUC for undergraduate students to participate in research. The establishment of the Saluki Research Rookie program, whereby freshman students are supported to conduct mentored research with faculty, exemplifies the university's efforts allocated to support these types of out-of-classroom or experiential learning for students. Overseen by the Office of Research Development and Administration as part of the REACH (Research-Enriched Academic Challenges) initiative, the program supported 21 students during the 2009-2010 academic year. Funding for the 2009-2010 year was provided by the Office of the Vice Chancellor for Research, the Office of the Chancellor, the Office of the Provost and Vice Chancellor, the Office of the Associate Chancellor for Diversity, and the Office of the Vice Chancellor for Student Affairs. Individual colleges and schools also promote these types of opportunities for students, with the College of Science establishing a goal of 100% participation in its undergraduate research program by the time the student graduates. Noteworthy, also, is the undergraduate assistantship program that provides students with much needed financial support and outstanding learning experiences. Efforts such as these enhance recruitment and positively correlate with retention of students, and these programs clearly demonstrate linkages between curricular and co-curricular activities that support inquiry, practice, and creativity.

- The Graduate School established the Graduate Enrollment Working Group (GEWG) in 2007 and charged it with preparing a Graduate School enrollment plan. The plan, completed in October of 2008, laid out a blueprint for increasing graduate student enrollment by 5%, in accordance with SIU system goals. The GEWG conducted a strengths, weaknesses, opportunities, and threats (SWOT) analysis to help identify priorities. As a result, the graduate school now has a comprehensive plan, including quantifiable metrics and timelines, with which to guide its energy and allocation of resources.

- The Graduate Council, comprised of 25 elected members of the graduate faculty, serves as the link between the graduate faculty, graduate students and the administration. With one of its primary goals of reviewing programs and centers every 5-7 years, the Council ensures that the graduate programs promote the research mission of the university. The Council's continual monitoring of graduate program assessment, as it is linked to specific programmatic learning outcomes, ensures that graduate programs further succeed in fulfilling the research mission of the university. These processes also clearly indicate that the university maintains effective systems for collecting, and analyzing, and using organizational information, while also indicating its attention to currency and relevance of courses and programs.

- The institution provides adequate resources to assure the ethical and compliant performance of research. The Vice Chancellor for Research administers pre-award support, IRB and IACUC and RCR instruction and oversight and development of intellectual property. Faculty are generally satisfied with these services.

- There is active engagement between the faculty on campus and the Office of Economic and Regional Development Office (OERD) in support of faculty interested in entrepreneurship and building their own companies and businesses. This support structure, which is located adjacent to the campus, provides the equivalent of a business
incubator/research park to the southern Illinois business community. The exceptional investment in infrastructure, including some $1.5 million for site developments and roadways, provides a significant base for future expansion and increased interaction between SIUC faculty and the entrepreneurial business community. Intellectual property policies and procedures for involving faculty with economic development issues through OERD appear to be well defined and understood by faculty to support those activities.

- The Board of Trustees has in place and the administration has implemented a broad array of policies dealing with research, intellectual policy, grants administration, and general research compliance.

2. **Evidence that one or more specified Core Components need organizational attention**

- The Team questions the feasibility of the stated goal of becoming a top 75 research institution in the near future. Comments made by the Board of Trustees, campus administrators, and faculty echoed this view point. This issue needs to be addressed in the development of a new strategic plan as recommended by the Team (pp 24-25).

- Growth of the research enterprise is severely limited in the immediate future by the financial condition of the institution. Longer term limitations are lack of dedicated research space and the outdated condition of available space. For example, an assessment of space, conducted by the Office of the Vice Chancellor for Research and Graduate Dean in 2006, determined that SIUC has 41% less net assignable square feet of space for research in science and engineering than the average of public, doctorate-granting institutions as estimated by the National Science Foundation. This shortage of space appears to have limited or at least impaired the growth of its research enterprise, a concern articulated by several deans. If SIUC endeavors to expand its research mission, particularly in the STEM disciplines, then it must allocate additional resources to expand the current space available for research. There are parallel challenges in the limitations in academic support services for research, notably the level of funding to provide a full range of traditional library collections (books, several publications, etc.) and electronic information (data sets, e-journals, etc.).

3. **Evidence that one or more specified Core Components require Commission follow-up.**

   N/A

4. **Evidence that one or more specified Core Components are not met and require Commission follow-up. (Sanction or adverse action may be warranted.)**

   N/A

**Recommendation of the Team:**
Criterion Four has been met; organizational attention is recommended.

**CRITERION FIVE: ENGAGEMENT AND SERVICE.** As called for by its mission, the organization identifies its constituencies and serves them in ways both value.

1. **Evidence that Core Components are met**

   - Repeated throughout the self-study is SIUC’s long-standing commitment to civic engagement, a value and tradition that the University traces to its 1869 founding as a two-year, teacher training institution. To demonstrate that the institution is deeply rooted
in and connected to this founding ethic, SIUC is careful to highlight in the self-study how service to community is a constitutive part not only of its mission, but also of its current “Southern at 150” strategic plan.

- SIUC offers an impressive array of events and services to its many constituencies, including athletic events, theater performances, musical concerts, library services, public broadcasting, and many targeted services that draw on the skills and expertise of SIUC faculty and staff (e.g., sign language interpreter services).

- Close reading of the self-study and other information available on the website suggest that many of the programs mounted to pursue SIUC’s mission have emerged directly from specific concerns facing southern Illinois communities that the university has identified through feedback from constituencies (e.g., through advisory boards), surveys, and analyses of demographic trends, and other environmental scanning methods. In 2006, for example, to address emerging economic development needs, as well as the increasing demand for high-speed internet access in the region, SIUC launched Connect SI to serve the twenty-county region. Working as a collaborative composed of a diverse group of internet providers, health care agencies, and organizations from business, education, and government, Connect SI aims to link and convert the diverse capital in Illinois’s southern region into "a driving force in the world economy."

- Overall, SIUC provides evidence that it extends both credit and non-credit program offerings to constituencies in the local area, across southern Illinois (e.g., through the Southern Illinois Collegiate Common Market), and in some targeted areas elsewhere in the state, as well as at military bases in sixteen other states to address identified needs.

- The SIUC self-study articulates a broad range of ways in which the institution engages with its external constituencies in a manner consistent with its mission statement. The university’s commitment to its service mission clearly extends back decades and is still shown today. Conversations with a range of SIUC personnel and the SIU Board of Trustees, reflected that commitment to service and engagement. SIUC students spoke of programs they participate in that engage with local residents and support services. It is clear SIUC has been quite active in forging partnerships that help the institution extend its reach and respond to its constituencies. The depth of commitment to SIUC’s constituencies is widely shared and is commendable.

  - In response to the region’s health care needs, the SIU School of Medicine has expanded outreach to no fewer than 108 sites serving 50 communities. The school’s Rural Health Initiative currently provides services to address a variety of health care demands in primary and specialty medicine.

  - The need for medical legal services among the elderly, veterans, immigrants, and other disadvantaged groups has led the SIU School of Law to provide outreach through its own set of programs: the Legal Services to Older Persons Clinic; the Domestic Violence Clinic; the Veteran’s Legal Assistance Program (VLAP); and the Immigration Detention Project.

  - Projects addressing community education and human service needs include the six associated with the College of Education and Human Services (COEHS): ManTraCon; Saluki Kids’ Academy; Illinois workNet are initiatives of the Workforce Education and Development (WED) department.

  - The beneficiaries of Saluki Kids’ Academy and the Southern Region Early Childhood Program are “at-risk” youngsters; students in grades 4-6 in the former case, and children from birth to seven-years of age in the latter.
• The purpose of the Center for Autism Spectrum Disorders is to provide outreach services to children, families, schools, and service providers touched in some way by autism disorders. The Department of Kinesiology developed Strong Survivors to serve the needs of cancer survivors.

• Notable is OERD which works in a coordinating capacity to facilitate the economic development efforts of a diverse constituency (e.g., government, education, business and industry) aiming to advance southern Illinois regional development.

• There is also strong evidence of student participation in civic engagement. Service learning through the Saluki Volunteer Corp and Land of Lincoln involve over 5,500 students contributing about 34,023 hours of service.

The university applies a non-centralized approach to community engagement for purposes of efficiency and for remaining flexible and agile in mobilizing capacity and resources, as well as in responding rapidly to community requests and needs. No fewer than sixteen units and programs are highlighted in the self-study to demonstrate the university’s execution of this approach in engaging and serving the counties in southern Illinois. The establishment of the Southern Illinois Research Park, as well as the various OERD projects in business and industry housed there, are prime examples of the university’s accomplishments in this regard.

• A collaborative venture with the Illinois State Board of Education includes the “Grow Your Own Teacher Program” in special education, which includes the school’s Department of Special Education and Shawnee Community College in an effort to facilitate entry of interested students into coursework leading to certification in special education.

• In keeping with state law and IBHE mandate, SIUC holds articulation agreements with all community colleges and four-year public institutions in Illinois for the University Core Curriculum and career-oriented programs.

• There is ample evidence in the self-study to suggest that the institution’s outreach into the communities of southern Illinois is programmatically diverse, wide-ranging, and responsive to regional needs. It also seems clear from the report that the institution’s apparent commitment to improving the quality of life in the region has substantive support from community leaders.

Recommendation of the Team:
Criterion Five has been met; no organizational attention or Commission follow-up is needed.

V. STATEMENT OF AFFILIATION STATUS
[Refer to instructions for standardized language and team options to insert here.]

A. Affiliation Status
No change

B. Nature of Organization

1. Legal status
No change

2. Degrees awarded
No change
C. Conditions of Affiliation

1. Stipulation on affiliation status
   No change

2. Approval of degree sites
   No change

3. Approval of distance education degree
   No change

4. Reports required
   Progress Report.
   The Team recommends that the Institution submit a Progress Report due August 15, 2011.

During the last 2-3 years, SIUC has been confronted with dwindling financial resources resulting from declining enrollments and reduced state support. For Fiscal Year 2011, SIUC faces a deficit of approximately $15 million. Such financial challenges have existed for several years and may continue to exist for several more years. Given the coming of a new Chancellor (01 Jun 2010), the Team specifically recommends that the Institution immediately undertake a planning process to address the financial situation focusing on longer term strategies, dealing with specific measures to increase revenues as well as to develop plans to reduce expenditures through retrenchment/reorganization to bring longer term financial stability to the Institution. To date, actions to address the financial challenge have largely been short term (using unrestricted funds, not filling positions, etc.) as well as the discussion of other short-term measures.

5. Other visits scheduled
   Focus Visit on Planning during Spring 2013.

As the first comprehensive growth plan for the Carbondale campus, Southern at 150: Building Excellence Through Commitment has served the campus well as a guide to initiate and catalyze change. Perhaps more importantly, Southern at 150 has served as the fabric that has maintained cohesion for the campus during times of uncertainty brought about by turnover in senior leadership. It is evident from the current self-study that excellent progress has been made toward a number of the overarching commitments and many of the goals stated within the commitments.

However, it is also evident that the university has failed to make progress with respect to several of the priorities and now finds itself nearly rudderless during these turbulent economic times. Southern at 150 has reached a point where its vision, priorities and goals must be re-evaluated to ensure that the university not only maintains unambiguous alignment with its mission, but also establishes realistic and attainable goals consistent with changed times. In addition, discussions with all groups revealed certain tensions as to whether SIUC could continue to emphasize student access and continue to advance its research agenda. It was noted that most of the units—especially the colleges—also engaged in strategic planning, but there was little evidence of coordination across the units in either their planning processes or implementation of their outcomes. Other issues arose such as whether the Institution could continue to admit up to 40% special admits and still pursue its research agenda. Attempting to maintain the goal of increasing the overall research productivity of the campus to elevate SIUC into the top 75 of all
research universities is unrealistic given the long-term decline in state support, exacerbated by declining enrollment. While the aspiration of this particular goal is laudable, it is not realistic given the current environment.

Thus, the Team encourages SIUC to begin long-term planning to revise *Southern at 150* to take full account of these times of decreased financing. Further, the Team believes the Institution might be better served by centralizing a regular planning process with alignment of unit planning. Further, the process must include input from all campus constituents, to ensure that both “bottom-up” and “top-down” ideas are well integrated. Such a process is often successful when coupled with the 10-year reaccreditation efforts, by either preceding or, in this case, following the self-study. Priorities identified during a self-study may then be folded into a campus strategic plan that becomes the guide for the development of unit-specific plans. Budget and financial planning efforts must also be linked to the academic planning in a concurrent process to ensure alignment between priorities and resources. Regular evaluation of the goals, accompanied by an evaluation of its success, followed by adjustments or adaptations in future directions, will ensure that the campus succeeds in its goal for continual improvement.

Specifically, the planning process must address the following subjects:

a) **Budget.** It must align to mission and to economic conditions. Part of this issue is also related to enrollment.

b) **Student Access.** SIUC has a special mission to students of low-and medium-income families. There was discussion whether SIUC should continue to enroll 40% special admits. Is this a viable alternative for the future?

c) **Enrollment Management.** SIUC should develop a strategic goal for student recruitment and retention.

d) **Research Mission.** SIUC needs to determine and plan for its research mission. Tensions between research and effective teaching and research and student accessibility need to be resolved. Realistic goals need to be set. Research infrastructure needs to be addressed.

e) **Marketing and Branding.** SIUC has a dual mission of being accessible to “underserved” populations and to be a major research university. This theme has potential for special “branding” as a type of institution that cares about students, yet contributes basic and applied research to benefit and improve the state, region, and beyond. Planning should address how this theme may enhance the university’s ability to recruit a diverse student population and promote fund raising.

f) **Employee Relations.** It was apparent that a gulf existed between faculty and staff and the administration. This has led to a plethora of unions and has diverted attention from important decisions. Strategic planning should address working relations, communication development, and well being of the Institutional community, as these are important foundations for institutional effectiveness.

The Team recommends this process be completed by Spring 2013 and that HLC schedules a Focus Visit.

6. **Organizational change request**  
   **Assessment**  
   SIUC recognizes that it has not adequately addressed challenges in assessment of student learning identified through the last comprehensive evaluation.
Team interviews with leaders, staff, and faculty indicate that the university community would benefit from development to support advancement of the practice of assessment. Conversations with university representatives suggest that there is limited recognition of the difference between course or student evaluation and assessment of student learning. Nor is there wide spread recognition of how different forms of evidence (direct and indirect) of student achievement of outcomes can be utilized for assessment. Course syllabi and program descriptions convey learning goals or objectives, but with few exceptions, do not articulate measureable learning outcomes. Encouraging the practice of formulating and articulating outcomes for courses and programs is a requisite for strong assessment practice.

Reviews of programs that do not have specialized external accreditation, need to have a strong focus on student learning and accomplishments. Ongoing assessment of the usefulness of the university’s curricula requires greater attention to provide evidence of student outcomes, including competencies at graduation, placement and professional accomplishments.

Programs with specialized accreditation and some other academic areas have systematic processes for assessing learning outcomes and utilizing such evidence for improvement of courses and curricula. Practices utilized by accredited programs to assess program outcomes should be extended to those subject to internally driven review processes. The university’s Campus-Wide Assessment Committee is a forum for sharing successful practices and cultivating broader commitment to assessment among faculty and staff. There is enthusiasm among these champions of assessment to promote what they have found to be useful more broadly. The efforts of this group need the support of leadership and recognition of assessment as valued faculty work to be successful.

SIUC also has the opportunity to build on a platform already in place for assessment of the University Core Curriculum. The assessment plan and protocols developed for UCC, if fully implemented, could generate data useful for advancement of student learning and serve as a model for assessment in degree and co-curricular programs. The program has rubrics and systematic cycles for collection of data. What remains to be developed is a mechanism that ensures that the evidence is used for improvement on an ongoing basis. The plan for engagement with faculty described on the program’s website, if fully implemented and sustained would suffice for that purpose. However, SIUC should consider how alternative approaches would work in the context of the university’s culture and organizational structure.

The Institution’s enrollment in the Commission’s Academy for Assessment of Student Learning and consistent, explicit articulation of the need to strengthen assessment by leaders signal that the institution is prepared to pursue this agenda. The Institution intends to fill the vacant position of Director of Assessment and Program Review. In addition, it will be critical for the new Chancellor to work with university leadership to ensure that this commitment is reinforced in unit operating papers and in program review and planning processes.

In addition to conducting a comprehensive review, the Team was directed to review a request to offer on-campus programs on-line without prior approval.

In background, SIUC offers many programs at distance with instructors on site. This request is “…to offer distance learning programs, without prior HLC program-by-program approval…”

SIUC operates many forms of distance educational programming through numerous administrative auspices: a number of colleges, the Office of Distance Education, and the Office of Military Programs. Program planning is initiated by multiple local units, with little central coordination. The infrastructure supporting development of online courses
and services to online learners is similarly distributed. There are no central policies or procedures in place that ensure consistency, quality of instructional design, student services, regulatory compliance, or strategic use of institutional resources.

SIUC is poised to take online educational programming to the next level. However, the university needs first to develop an infrastructure or infrastructures to support programs of consistent quality, assessment of student learning, student services, and compliance with regulatory requirements. Before granting blanket approval for online programming, the Team recommends that the university report progress to the HLC in development of systems for planning, coordinating, developing, assessing, and sustaining online programs, as well as provision of services to online learners.

After careful review, the Team does not recommend a change to the current HLC approval process.

The Team informally recommended that SIUC withdraw this request until the comprehensive plan is developed to incorporate strategies for online delivery of programs.

D. Commission Sanction or Adverse Action

None

E. Summary of Commission Review


Rationale for recommendation:
SIUC meets all of the criteria for continued accreditation. The Institution has an appropriate and special mission, educating an often underserved group of students; it operates with integrity; it has a strategic plan that has helped guide it through very difficult times; it values and supports effective teaching and offers an excellent learning environment. It supports academic freedom and, in an excellent manner, engages and serves its community and region in mutually beneficial manners. It looks forward to the arrival of a new Chancellor. It does need to revisit its strategic plan; it needs to reassess its financial situation; it needs to focus on its research mission; and it needs to create an effective process for assessment of student learning.

VI. ADDITIONAL COMMENTS AND EXPLANATIONS

None
WORKSHEET ON
Federal Compliance Requirements

INSTITUTIONAL MATERIALS RELATED TO FEDERAL COMPLIANCE REVIEWED BY THE TEAM:
(list)

EVALUATION OF FEDERAL COMPLIANCE PROGRAM COMPONENTS

The team verifies that it has reviewed each component of the Federal Compliance Program by reviewing each item below. Generally, if the team finds substantive issues in these areas and relates such issues to the institution’s fulfillment of the Criteria for Accreditation, such discussion should be handled in appropriate sections of the Assurance Section of the Team Report or highlighted as such in the appropriate AQIP Quality Checkup Report.

1. Credits, Program Length, and Tuition: The institution has documented that it has credit hour assignments and degree program lengths within the range of good practice in higher education and that tuition is consistent across degree programs (or that there is a rational basis for any program-specific tuition).

The Team has reviewed this component of federal compliance: SIUC is compliant with normal standards.

Comments: SIUC uses standard measures of (1) credit hours (50 min for classes; 90 for laboratories), (2) academic program length (15 weeks/semesterly); (3) minimum credits for baccalaureate degree (120 credits); and (4) differential tuition for graduate and professional degrees and for undergraduate business. By Illinois law, “tuition charged a first-time undergraduate public university student who is an Illinois resident must remain at the same level for four continuous academic years following initial enrollment….” Tuition is set by the SIUC Board of Trustees and varies by degree: baccalaureate, graduate, and professional. It is program-specific for graduate and professional degrees. The information is available in catalogs and website.

2. Student Complaints: The institution has documented a process in place for addressing student complaints and appears to be systematically processing such complaints as evidenced by the data on student complaints for the three years prior to the visit.

The Team has reviewed this component of federal compliance.

Comments:
SIUC is compliant with federal law. The Institution has a form for complaints. Students may take their complaints to a myriad of individuals. The Provost is the final arbiter of academic complaints. The Institution has an ombudsman.
3. **Transfer Policies**: The institution has demonstrated it is appropriately disclosing its transfer policies to students and to the public. Policies contain information about the criteria the institution uses to make transfer decisions.

The team has reviewed this component of federal compliance. Comments: SIUC meets the standards. The Institution has an extensive policy in accepting credits in transfer from regionally accredited institutions. SIUC also has a myriad of articulation agreements and Illinois state law covers transfer within Illinois by the use of course codes. Transfer policies are found in all student catalogs and the Institution’s webpages. Criteria are clearly explained.

4. **Verification of Student Identity**: The institution has demonstrated that it verifies the identity of students who participate in courses or programs provided to the student through distance or correspondence education.

The team has reviewed this component of federal compliance. Comments: SIUC meets current standards. The Institution uses BlackBoard for its LMS. This requires a sign-in and password. Other forms of identification include signature form at graduation, picture ID for exams, proctor approval, and LMS passwords.

5. **Title IV Program and Related Responsibilities**: The institution has presented evidence on the required components of the Title IV Program. The team has reviewed these materials and has found no cause for concern regarding the institution’s administration or oversight of its Title IV responsibilities.

   - **General Program Requirements**: The institution has provided the Commission with information about the fulfillment of its Title IV program responsibilities, particularly findings from any review activities by the Department of Education. It has, as necessary, addressed any issues the Department raised regarding the institution’s fulfillment of its responsibilities in this area.

   - **Financial Responsibility Requirements**: The institution has provided the Commission with information about the Department’s review of composite ratios and financial audits. It has, as necessary, addressed any issues the Department raised regarding the institution’s fulfillment of its responsibilities in this area.

   - **Default Rates, Campus Crime Information and Related Disclosure of Consumer Information, Satisfactory Academic Progress and Attendance Policies**: The institution has demonstrated, and the team has reviewed, the institution’s policies and practices for ensuring compliance with these regulations.

   - **Contractual Relationships**: The institution has presented evidence of its contracts with non-accredited third party providers of 25-50% of the academic content of any degree or certificate programs.
The team has reviewed this component of federal compliance and recommends the ongoing approval of such contracts.
Comments: SIUC meets all of the above-referenced compliance responsibilities. The Institution has an audit annually by the DOE to insure compliance of Title IV regulations. Likewise, the Institution is audited by state agencies. Student loan defaults varies from 3.7-5.7%. This is lowest in the Illinois system. The Annual Campus Safety and Security Report is posted on the SIUC webpage. Satisfactory student progress is also posted. There is no university attendance policy but faculty must disclose their attendance policy in their syllabi. No programs are contracted out.

6. Institutional Disclosures and Advertising and Recruitment Materials: The institution has documented that it provides accurate, timely and appropriately detailed information to current and prospective students and the public about its accreditation status with the Commission and other agencies as well as about its programs, locations and policies.

The team has reviewed this component of federal compliance.
Comments: All disclosures were compliant with this standard.

7. Relationship with Other Accrediting Agencies and with State Regulatory Boards: The institution has documented that it discloses its relationship with any other specialized, professional or institutional accreditor and with all governing or coordinating bodies in states in which the institution may have a presence. Note that if the team is recommending initial or continued status, and the institution is currently under sanction or show-cause with, or has received an adverse action from, any other federally recognized specialized or institutional accreditor in the past five years, the team must address this in the body of the Assurance Section of the Team Report and provide its rationale for recommending Commission status in light of this information.

The team has reviewed this component of federal compliance.
Comments: SIUC has many programs accredited by special accrediting agencies. Each program is accredited and hosts accreditation visits on a regular basis set by the accrediting agency.

8. Public Notification of an Evaluation Visit and Third Party Comment: The institution has made an appropriate and timely effort to solicit third party comments. The team has evaluated any comments received and completed any necessary follow-up on issues raised in these comments. Note that if the team has determined that any issues raised by third-party comment relate to the team’s review of the institution’s compliance with the Criteria for Accreditation, it must discuss this information and its analysis in the body of the Assurance Section of the Team Report.

The team has reviewed this component of federal compliance.
Comments: SIUC has made an appropriate notification. Only one comment was received and it was supportive of the Institution.
REPORT OF A COMPREHENSIVE EVALUATION VISIT
ADVANCEMENT SECTION

TO
SOUTHERN ILLINOIS UNIVERSITY CARBONDALE

22-24 March 2010

FOR
The Higher Learning Commission
A Commission of the North Central Association of Colleges and Schools

EVALUATION TEAM

Dr. Linda L.M. Bennett
University of Southern Indiana
Evansville, IN 47712

Dr. Gera C. Burton
University of Missouri - Columbia
Columbia, MO 65211

Dr. William J. Crowe
University of Kansas
Lawrence, KS 66045

Dr. Peter J. Kasvinsky
Youngstown State University
Youngstown, OH 44555

Dr. Abu S.M. Masud
Wichita State University
Wichita, KS 67260

Dr. Nancy Ellen Mathews
University of Wisconsin-Madison
Madison, WI 53706

Dr. H. Bart Merkle
Grand Valley State University
Allendale, MI 49401

Dr. Mark S. Paller
University of Minnesota-Twin Cities
Minneapolis, MN 55455

Dr. Brent Lee Pickett
University of Wyoming
Casper, WY 82601

Dr. Karen Pugliesi
Northern Arizona University
Flagstaff, AZ 86011

Dr. Jose R. Rosario
Indiana University-Purdue
Indianapolis, IN 46402

Dr. Michael V. Wells
Cleveland State University
Cleveland, OH 44115

Ms. Ann Miller Wood
Thomas Cooley Law School
Lansing, MI 48901

Dr. R. Craig Schnell (Team Chair)
Provost/Vice President for Academic Affairs
North Dakota State University
Fargo, ND 58108

1  01 Jun 2010
ADVANCEMENT SECTION

I. OVERALL OBSERVATIONS ABOUT THE ORGANIZATION

Southern Illinois University Carbondale (SIUC) has a long and proud history of serving the southern region of Illinois. The Institution has a special mission of providing access to economically low- and middle-income students, bringing them into an environment of research and dedicated service to the region. Residents of the region and alumni were effusive in their praise of the Institution and its importance to the geographical area. During the last decade, SIUC has suffered due to a lack of sufficient state funding, enrollment declines, turnover of central leadership, and a lack of trust between the faculty and staff and the administrative leadership. Despite these negative influences, the Institution at the unit levels has continued to meet the mission and effectively educate students. Important in this period, the strategic plan Southern at 150 held focus for advancement in areas such as renovation and expansion of Morris Library and creation of Saluki Way. The current Chancellor has provided stability in leadership over the last two years and has worked to mitigate the negative effects of the loss of funding. Now, a new Chancellor has been appointed. There is great anticipation at all levels of the institution to embrace her leadership. In this spirit, the Team offers the following suggestions to help the Institution to refocus its efforts to meet its unique mission.

II. CONSULTATIONS OF THE TEAM

Faculty Development
SIUC’s self-study and a number of academic leaders and faculty noted the need for stronger faculty development focused on teaching and learning. The most passionate champions of assessment the Team encountered during the site visit spoke about how assessment had transformed their teaching practice. SIUC should consider forging stronger linkage between teaching and assessment through an integrated approach to advancing learning that connects curriculum, pedagogy, and assessment. The scope of Office of Assessment and Program Review could be expanded to include teaching and learning development. Alternatively, faculty development activities should be aligned with efforts to promote assessment as part of a scholarly approach to teaching.

Enrollment Management
With mission tension around the goals of becoming a top Carnegie research institution and remaining an accessible university for those living in the community, Southern Illinois University Carbondale finds itself in a 10-year struggle to halt undergraduate enrollment declines and reduce retention losses. These declines and losses make even more fragile a financial situation complicated by pervasive state budget woes. Some of the enrollment decline may be attributed to the closing of military centers that once furnished students and to the loss of 2-year degree programs, shifted to the area community colleges.

Also, technology implementation issues (Banner) and cost (Search) have hurt student recruitment in the short-term, and Banner implementation might also have caused the university’s decision to allow most students past their freshman year to register for class without seeing an advisor.

In any regard, recognizing a need to meet the enrollment challenges, SIUC has moved to potential student markets in the surrounding states and internationally (China mentioned in particular). The use of discounted tuition for non-resident students provides a tool to SIUC that other state institutions are now using, as well. Involving students in academic activities such as those offered in the University Honors Program might help with retention and graduation rates. An aspect of this retention (perhaps not intentional) is seen in the fact that 55% of the undergraduates in the College of Science are reported to be engaged in research with the faculty.
It will also be important that SIUC spend for and embrace what technology can bring to improving recruitment and retention. The right technologies with appropriate staff training in enrollment management are important in the establishment and achievement of realistic goals in this area. As the Strategic Enrollment Planning Committee, a group of 30 people from divergent offices and with no clear direction is not the way to increase or even stabilize enrollment.

For the Fall Semester, 2009, SIUC attracted 13,000 undergraduate applications yielding around 2400 new freshman and 2000 new transfer students. These positive figures in a period of enrollment decline point out what more could be achieved with clear realistic and administratively supported recruitment goals. A number of units and operations are already in place to help with recruitment and retention. For example, the SIUC transfer centers, the University Honors Program, faculty recruitment activities (e.g., Music and Architecture) in collaboration with the Admissions Office and undergraduate research activity already in place can be prompted to help with the vital responsibility for recruitment and retention.

In addition, given SIUC’s special, dual mission of being accessible to educate “underserved” populations and of being a major research university has potential for special “branding” as a type of institution that cares about students, yet contributes basic and applied research to benefit and improve the state, region, and beyond. The Team advises the university to develop a strategic, institutional marketing plan built upon this special mission to be used to develop integrated publications and marketing materials to support recruitment and fund raising strategies. Top leadership at the institution needs to review and improve financial aid support for undergraduate students, to improve technology support for the recruitment effort, and to focus more staffing in admissions to take advantage of the out-of-state tuition waiver. While each of these ideas has a cost, it is important for the university to invest in these long-term strategies to ensure future financial viability.

**Leadership Development/Succession**

SIUC would benefit from conducting a close review of its developmental programming for faculty and staff, both to help develop a new generation of leaders, but also to better prepare those who are assigned duties that involve supervision of others. The complex environment of changing federal and state law and regulation, evolving university policy, and the requirements of several collective bargaining agreements calls for continual updating of all who have supervisory responsibilities. In particular, such an effort could better tap into the commitment of staff to work alongside the faculty to promote the welcoming and helpful environment that SIUC seeks for its students.

The Team also observed that the senior leadership of the university lacks diversity in terms of gender, race, and ethnicity. The current composition of the full time undergraduate student body is 25% minority, and 42% women. The current composition of the 2009 full time faculty is approximately 14% minority and 41% women. While the university allocated $5 million through its Strategic Faculty Hiring Initiative since 2003, to hire a diverse faculty to help SIUC achieve the goal of improving diversity, it has not adequately addressed diversity in its senior leadership. At present, all but one of the deans and vice chancellors are men.

It should also be noted that while proportionate representation by gender or minority status among senior leadership is desirable, appointments should, of course, not be made solely in an effort to diversity. When this occurs, it is possible that appointees will lack the proper preparation to succeed in critical leadership positions, quite possibly be set up to fail, thus leading to a culture whereby women and minorities avoid leadership positions. Consequently, concerted effort must be made in the future to focus on leadership development and the creation of pipelines to prepare a wider diversity of leaders. Drawing upon a diverse set of faculty by the departmental chairs will create cadres of well-qualified leaders in the future. Leadership development for women, minority, or other underrepresented faculty might also include a faculty fellows program in the Provost’s office, or on-campus sabbaticals that allow faculty to apprentice or lead campus initiatives outside of their academic homes. Other options include participation in a myriad of leadership
experiences at peer institution or organizations. Only by doing such things will the university realistically prepare for its future as shaped by a multicultural and diverse society.

Research
Although the university successfully implemented a new research infrastructure via the Office of the Vice Chancellor for Research and Graduate Dean, similar restructuring at the schools and colleges is mostly absent. Only two of the eleven schools and colleges (Colleges of Science and Agricultural Sciences,) have established a research infrastructure that includes an associate dean for research. The absence of a clearly defined infrastructure to oversee the research activities at the school or college level, poses challenges in adequately coordinating with the Office of Institutional Advancement and the Office of Research Development and Administration. It further diffuses the ability of the school or college to ensure accountability and compliance. Last, it makes it more difficult to ensure that research productivity is adequately recognized and rewarded. Evidence was found to suggest that the Faculty Association is perhaps at odds with the college-level administration in the establishment of such infrastructure within the College of Science. The research enterprise at the University would be better served if the administration, faculty, and Faculty Association worked collaboratively to address the growing need for research infrastructure within the schools and colleges and then codified this through proper amendments of the operating papers.

Library
SIUC leaders are aware that the lack of funds to complete the sixth and seventh floors as well as the basement level of Morris Library prevents the return of eighty percent (80%) of the book collection to central campus – and so impedes ready access for faculty and students to these collections. Similarly, even as SIUC has held harmless the library materials budget from reductions over the decade, the sharp reduction in purchasing power of the budget has put at risk the library’s ability to provide support for research and graduate studies in many fields. SIUC may wish to consider a variety of strategies to address this serious issue, as the library has all but exhausted remedies within its control, especially consortia purchases/licensing. There is the prospect of academic program discontinuation, narrowing of academic specializations, and targeted private fundraising to support high profile research needs. Absent careful planning of this kind, the threat to academic support of high quality is real and substantial.

Alumni/Development
Foundation officers acknowledge that the level of alumni giving to SIUC is low (less than 10 percent) compared to similar research institutions. This low level in giving is explained, in part, by the relatively recent entry of SIUC into fund-raising and the need to develop a culture of giving among alumni. There is an organizational foundation for alumni through 26 clubs and chapters, 16 of which are distributed across Illinois. Stabilizing administrative leadership on campus, beginning with the Chancellor, will be essential to strengthening and expanding the network of alumni organizations. Given the pattern of leadership turnover, it is fortunate that many in Institutional Advancement have long service to the institution and are able to maintain the relationships critical to the fund-raising process. Advancement staff are already exploring the utility of social media and expansion of these efforts will be important. The Team strongly encourages the development of systematic data to inform the campus about the return on investment of advancement efforts, including comparisons with comparable and aspirant institutions.

Service Learning
There is much evidence to suggest that the university effort in the area of service is quite admirable. There are, for example, no fewer than fifty-three service learning oriented courses available to students for gaining a deeper understanding of course material and the role of civic engagement in community life. This capacity is augmented by excellent coordination of field placements and faculty engagement in service learning activities.
However, the university could be well-served with additional support and integration of these efforts. Establishing a center for service learning to provide increased focus, integration, and needed expansion to this curricular component is an option that has worked extremely well at other institutions, and that SIUC is advised to consider.

**Student Services**
The university offers a range of student services that provide important support for students. As funding for these services has eroded in the past few years, staff has been creative in finding ways to maintain necessary service levels. However, this cannot continue indefinitely. While everyone on campus contributes to student success and retention, engaging students actively in the co-curricular life of the university, providing important support services that enable students to be successful both in and out of the classroom, and managing environments to support learning are the “heart” of student affairs work. SIUC has a capable student affairs staff; investing resources in their efforts and encouraging new collaborations between student affairs staff and faculty are institutional strategies that will improve student success and retention.

**Retention/Graduation Rates**
During the course of the site visit, leaders, faculty, and staff spoke to the importance of increasing undergraduate retention and graduation rates. Some believe that the remedy centers on adjusting admission practices. Another frequently mentioned factor is the financial challenges faced by many SIUC students. Student disengagement—poor attendance, failure to participate—was also cited by many in relation to retention. SIUC would benefit from reframing the issue of student engagement. If construed as a pattern of behavior shaped by institutional experience, SIUC might find that there are many strategies, such as the Saluki First Year and the Saluki Cares programs, the institution can use to promote higher levels of engagement among first-year students. An audit of policies, processes, and instructional practices might reveal that there are ways that the university might create an environment that provides stronger guidance to students about how to be successful at SIUC. For instance, activities in courses within the first few weeks of the semester are potent agents of socialization. A systematic examination of placement, curricular design, and student progression through programs, may also yield insights valuable for promoting student retention and graduation. As resources become more scarce, an analysis of course schedule planning and design may be helpful for determining how well the university is serving students in relation to demand for courses and patterns of course offerings.

**Community College Relationships**
SIUC and the region’s community colleges enjoy positive relationships, as reflected by the numerous transfer and articulation agreements currently in place. While students who spoke to members of the site visit team sometimes expressed frustration with the transfer process, the sheer number of transfer students, in addition to supportive comments from a local community college leader, show that the overall process works. Yet, SIUC could pursue closer collaboration and partnerships with the region’s community colleges, including through the systematic exploration of the possibility of SIUC courses, and even degree programs, being taught on community college campuses. This could act as a recruitment effort, letting community college students and recent college graduates see SIUC faculty in action. Such courses and potential degree program delivery may be especially beneficial in high-demand areas such as elementary education and business administration. For its part, community colleges hosting such SIUC courses could commit to providing academic support services on their campuses to SIUC students, so that students could access the college library, writing center, and other services.

**Promotion and Tenure**
The culture of the university promotes a highly decentralized process of evaluating faculty for tenure and promotion. Guidelines and criteria are specified by departments in their individual Operating Papers while each school and college is guided by an Operating Paper that further articulates school and college expectations. This has resulted in eleven different
advancement Section

Southern Illinois University Carbondale #1156

sets of tenure and promotion guidelines in the Operating Papers among the schools and colleges, in addition to guidelines specified by departments. Given the university’s desire to elevate and enhance its research mission, indeed to accomplish the priorities of the Southern at 150 plan, the university may wish to institutionalize more centrally-articulated guidelines for the achievement of tenure and promotion. These guidelines might be defined broadly at the campus level for the biological, physical, and social sciences, as well as the arts and humanities. Guidelines should address research, teaching, outreach or service in an interdisciplinary context as well. Embracing a more centrally-determined set of guidelines, while not meant to diminish the wide variety of scholarly products for various disciplines, will encourage a more consistent set of expectations and ensure that the highest caliber of faculty are retained at the university. It is expected that the university’s mission will guide the reward of differential faculty contributions. During several meetings with various groups, there appeared to be support for the development of a university-wide committee that would have oversight over the tenure process.

III. RECOGNITION OF SIGNIFICANT ACCOMPLISHMENTS, PROGRESS, AND/OR PRACTICES

The Team commends Southern Illinois University Carbondale for progress made since the last Comprehensive Visit. Despite numerous leadership changes during the last decade, the Institution has advanced in some very significant areas; for instance, the major improvements in Morris Library and creation of Saluki Way. Students are valued, as is effective teaching and learning. Faculty and staff are dedicated and loyal to the Institution. Academic integrity, scholarship, research, and creative activity are strongly supported. The athletics program is strong and creates a positive image for the Institution. The Institution is held in high regard by the populace of the region and offers a large array of programs and services to the region and is an integral part of the culture. The Institution listens to its external constituents, learns from them, and is responsive to their needs. An excellent example of this engagement is found in the Office of Economics and Regional Development (OERD) which works to support faculty interested in entrepreneurship by working with companies and businesses of the region. The Team is quite convinced that with new leadership, SIUC has a bright future and great opportunity even in the face of its daunting challenges that can be met and conquered with appropriate teamwork. The Institution needs to heed the lessons of the past but, more importantly, must give sustained, strong attention to focus on its future.
INSTITUTION and STATE: Southern Illinois University Carbondale, IL

TYPE OF REVIEW (from ESS): Continued Accreditation

DESCRIPTION OF REVIEW (from ESS): Will include multiple site and sequential visits, including overseas. Visit will also include a request to offer on-campus programs on-line without prior approval.

DATES OF REVIEW: 3/22/10 - 3/24/10

Nature of Organization

LEGAL STATUS: Public

TEAM RECOMMENDATION: No Change

DEGREES AWARDED: A, B, M, D

TEAM RECOMMENDATION: No Change

Conditions of Affiliation

STIPULATIONS ON AFFILIATION STATUS: Off-campus programs on military bases are limited to the Bachelor’s level. Non-military international offerings are limited to programs offered at Nakajo, Japan; and the Executive Master of Business Administration. Out-of-state offerings are limited to the MS in Geology at the National Imagery and Mapping Agency in Missouri and the Master of Science in Health Education at the University of Southern Maine.

TEAM RECOMMENDATION: No Change

APPROVAL OF NEW ADDITIONAL LOCATIONS: The Commission's Streamlined Review Process is only available for offering existing degree programs at new sites within the state and at military bases throughout the world or for the Master of Science in Education with a concentration in Workforce Education and the Executive Master of Business Administration at sites within the state and at selected international sites to be determined by the institution.

TEAM RECOMMENDATION: No Change

APPROVAL OF DISTANCE EDUCATION DEGREES: Prior Commission Approval Required

TEAM RECOMMENDATION: No Change

REPORTS REQUIRED: None

TEAM RECOMMENDATION: August 15, 2011; Progress Report on Finances

OTHER VISITS SCHEDULED: None

TEAM RECOMMENDATION: Spring 2013; Focused Visit on Comprehensive Planning

Summary of Commission Review
YEAR OF LAST COMPREHENSIVE EVALUATION: 1998 - 1999

YEAR FOR NEXT COMPREHENSIVE EVALUATION: 2009 - 2010

TEAM RECOMMENDATION: 2019-2020
ORGANIZATIONAL PROFILE

INSTITUTION and STATE: Southern Illinois University Carbondale, IL

TYPE OF REVIEW (from ESS): Continued Accreditation

X No change to Organization Profile

Educational Programs

<table>
<thead>
<tr>
<th>Program Level</th>
<th>Recommended Change</th>
<th>Program Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Programs leading to Undergraduate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Associate</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Bachelors</td>
<td>101</td>
<td></td>
</tr>
<tr>
<td>Programs leading to Graduate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Masters</td>
<td>74</td>
<td></td>
</tr>
<tr>
<td>Specialist</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>First</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professional</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Doctoral</td>
<td>32</td>
<td></td>
</tr>
</tbody>
</table>

Off-Campus Activities

In-State:

Campuses: Springfield (School of Medicine)

Additional Locations:

- Alton (Lewis and Clark College);
- Benton (Franklin-Jefferson Special Education District);
- Champaign (Parkland College);
- Chicago (El Valor);
- Chicago (Harry S. Truman College);
- East St. Louis (East St. Louis Higher Education Center);
- Great Lakes (Great Lakes NTS);
- Joliet (Joliet Junior College);
- Joliet (Trinity Service, Inc.);
- Lake County (University Center of Lake Coun);
- Libertyville (Butterfield School);
- Mt. Sterling (TRM at Mt. Sterling);
- Mt. Vernon (Rend Lake College Market Place);
- Peoria (Illinois Central College);
- River Grove (Triton College);
- Rockton (Goldie Floberg)
Center) ; Scott AFB (Scott Air
Force Base) ; Springfield
(Illinois Association of
Rehabi) ; Stanford (TRM at
Stanford) ; Ullin (Shawnee
Community College)

Course
Locations:

Out-of-State:

Present Wording:

Recommended Change:
(+ or -)

Campuses: None
Additional
Locations: Jacksonville, AR (Little Rock
Air Force Base) ; Coronado,
CA (North Island Naval Air
Station) ; Edwards, CA
(Edwards Air Force Base) ;
Riverside, CA (Progressive
Products) ; San Diego, CA
(San Diego Naval Medical
Center) ; San Diego, CA (San
Diego NS) ; San Marcos, CA
(Palomar College) ; Travis,
CA (Travis Air Force Base) ;
Walnut, CA (Mount San
Antonio College) ; Groton, CT
(Groton Naval) ; Dover, DE
(Dover Air Force Base) ; Bldg
634 Ste 13, FL (Pensacola
Naval Hospital) ; Hurlburt
Field, FL (Hurlburt Field) ;
Jacksonville, FL (Jacksonville
Naval Air Station) ; Mayport,
FL (Mayport Naval Station) ;
Pensacola, FL (Pensacola
Naval Air Station) ; Tyndall
AFB, FL (Tyndall Air Force
Base) ; Fort Gordon, GA (Fort
Gordon) ; Bethesda, MD
(Bethesda National NMC) ;
Lewiston, ME (University of
Southern Maine) ; St. Louis,
MO (Barnes-Jewish Hospital)
; Camp Lejeune, NC (Camp
Lejeune MCB) ; Havelock,
NC (Cherry Point MCAS) ;
Jacksonville, NC (New River
Marine Air Station) ; McGuire,
NJ (McGuire Air Force Base)
; Albuquerque, NM (Kirtland
Air Force Base) ; Charleston,
SC (Charleston Air Force
Course Locations: None

Out-of-USA: Present Wording: Recommended Change: (± or -)

Campuses: None
Additional Locations: Hong Kong, China (Hong Kong); Singapore, Singapore (Singapore-Asia Pacific Management Institute); Taiwan, Taiwan (Taiwan)

Course Locations: None

Distance Education Programs:

Present Offerings:

Bachelor - 11.0401 Information Science/Studies (B.S. in Information Systems Technologies) offered via Internet; Master - 51.0907 Medical Radiologic Technology/Science - Radiation Therapist (M.S. Medical Dosimetry) offered via Internet; Master - 52.0201 Business Administration and Management, General (Master of Business Administration) offered via Internet; Master - 52.0301 Accounting (Master of Accountancy) offered via Internet

Recommended Change: (± or -)

Correspondence Education Programs:

Present Offerings:

None
MISSION
SIU embraces a unique tradition of access and opportunity, inclusive excellence, innovation in research and creativity, and outstanding teaching focused on nurturing student success. As a nationally ranked public research university and regional economic catalyst, we create and exchange knowledge to shape future leaders, improve our communities, and transform lives.

VALUES

• We are proud of our status as a nationally ranked public research university.

• We emphasize student achievement and success because achievement and success are essential if we are to shape future leaders and transform lives.

• We celebrate our unique tradition of access, opportunity, and inclusive excellence.

• We pride ourselves on innovation in research and creative activity, and outstanding teaching.

• We understand our role as a regional economic leader and catalyst for economic development.
**STUDENT SUCCESS**

**SIU** shall be an institution within the reach of students with the desire to achieve. Our commitment to student success will encompass the whole student while focusing on academic achievement, student engagement, the campus environment, and post-graduation performance. SIU will add value to the lives of our students through our teaching, research and service missions.

**GOAL:** Provide every student with support services that promote their successful integration into the academic, social, and cultural community of the University. Improve retention and completion rates.

**Objective:** Focus first and foremost on the academic needs of our students.

- Attract students who seek a rigorous academic experience.
- Guide students to appropriate resources aligned to their strengths and weaknesses.
- Improve the academic advising network across campus units.
- Develop flexible on-campus and online support structures and tutoring services.
- Develop web-based resources, including study guides, tutorials, and sample exams for Core Curriculum subjects such as math and English.
- Support state-of-the-art programs for first-year students.

**Objective:** Increase the number and dollar amounts of scholarships.

- Increase endowed scholarships as part of any capital or major fundraising campaign.
- Colleges will focus on building scholarship endowments.
- Maintain the campus priority of preserving student support budgets.
- Continuously seek new sources of external support for students and faculty to enhance access, affordability and diversity.
- Communicate the successes of our students.

**Objective:** Every academic and support department will articulate knowledge and learning outcomes necessary to be a successful student.

- Create departmental learning matrices or other organizational schemes to reflect academic expectations, process, and measurements of set learning outcomes.
- Post matrices/organizational schemes on assessment and departmental websites, including data regarding learning outcomes, retention data, and graduate rates.

**Objective:** Continue to develop programs that strengthen each student’s connection to the University community.

- Create a vibrant student life environment.
- Develop a multicultural center on campus to serve as a focal point for sharing cross-cultural experiences while strengthening student ties to their own culture.
- Enhance student/parent satisfaction through a sustained customer service training program for those who work with students.
GOAL: Provide every student with state-of-the-art instruction.

Objective: Cultivate, recognize and reward excellent teaching.

- Offer and encourage participation by new and existing faculty and instructors and graduate assistants in teaching workshops through the Center for Teaching Excellence that address such key components of teaching and student success as academic achievement and student engagement.
- Define specific measures of teaching excellence for every academic unit, including such measures as student quantitative and qualitative evaluations, peer evaluations, and Center for Teaching Excellence evaluations.
- Develop a teaching certificate program to provide state-of-the-art training to graduate students who are engaged in teaching or foresee a collegiate-level teaching career. Such a certificate would provide direct evidence of their teaching credentials and thus enhance their future employment possibilities.

Objective: Encourage the development and utilization of new teaching approaches.

- Continue to develop the Center for Teaching Excellence to serve new and existing faculty who want to incorporate more technological tools into classroom instruction and/or who want to transition to alternative teaching approaches such as distance education.

Objective: Encourage mentoring at every level; peer-to-peer student mentoring, mentoring of undergraduates by graduate students, and mentoring of all students by faculty and staff.

- Create and maintain a teaching faculty mentoring program in which senior faculty who are excellent teachers are paired with junior faculty.
- Directors of Graduate Studies will develop criteria for assessing applicants’ aptitude for mentoring and teaching undergraduate students, and these criteria will be used in the selection of graduate applicants (along with standard criteria).
- The Center for Teaching Excellence will provide training for graduate students on mentoring undergraduate students.

GOAL: Provide every student with the opportunity to engage in research, creative activity, and service learning.

Objective: Expand and optimize our undergraduate research and creative activity opportunities.

- Encourage academic programs to offer for-credit research or creative activities as part of their undergraduate degree requirements.

Objective: Expand service-learning opportunities to include apprentice models, internships, externships, and volunteer projects.

- Make lists of service opportunities in every college available online, complete with contact information and application instructions.
- When appropriate, and in collaboration with the Center for Service Learning, allow service-learning projects to count as part of a program’s degree requirements for credit.
• Encourage each college to develop a Student Leaders program that provides students in excellent academic standing with the opportunity to engage in internships, externships, research, or scholarly activities that provide a professional experience and a network of student and faculty colleagues.
• Develop meaningful campus student internship positions, resulting in students having opportunities for real work experience and the University saving money from these paid positions.

**RESEARCH, SCHOLARSHIP & CREATIVE ACTIVITY**

At SIU, we define research, scholarship and creative activity as those activities that generate new knowledge, ranging from scientific inquiry, to scholarship in the social sciences and the humanities, to the creation or performance of works of literature, art, music, or film. Research provides manifold benefits to our graduate and undergraduate students, the university, and the region through enhanced educational and intellectual opportunities for students, budgetary enhancements for the university, and regional economic vitality via new resources and business stimulated by research activity. As the only Carnegie Research University (High Research Activity) in the southern half of Illinois, we are in a unique position to provide these benefits to the region, the state, and beyond.

**GOAL:** Enhance research, scholarly and creative activity productivity to the benefit of students, community and other University stakeholders.

**Objective:** Strengthen our status as a Carnegie Research University (High Research Activity) institution

• Recruit and retain outstanding research faculty.
• Monitor and stimulate growth in research measures employed in the Carnegie methodology for research universities, i.e. Research and Development expenditures, research staff and doctoral conferrals.
• Adopt nationally recognized research measures for each discipline.
• Identify ways to recognize faculty and staff strengths through a balanced distribution of teaching, research and service.
• Encourage and support campus-wide grant writing.
• Promote and facilitate interdisciplinary research and collaborations.
• Strengthen existing research focus areas, identify new areas, and link to faculty hiring.

**Objective:** Celebrate all forms of research, scholarship and creative endeavors.

• Create a broader understanding within the University community and among the public of the value of research and creative activity.
• Explore additional ways to recognize and reward excellence in scholarship.
• Include research, scholarly and creative activity as an essential component of University marketing efforts. Market the economic impact of research and creative activity, and increase press coverage.

**Objective:** Enhance research communities and workspaces

• Promote and facilitate mechanisms to stimulate discussion and interaction across disciplines (e.g.,
discussion groups, listservs, seminars, etc.)

- Develop a policy that will enhance research space on both the Carbondale and Springfield campuses.
- Develop and employ a system for efficiently allocating and/or reallocating research space based on research productivity.
- Review and strengthen offices that support research.

**GOAL:** Enhance our reputation for providing cutting-edge graduate and undergraduate research opportunities.

*Objective:* Promote the unambiguous integration of our teaching and research missions by demonstrating that research facilitates student access to and participation in the creation of knowledge, and promotes interaction and mentorship among faculty and students that enhances learning, and provides valuable hands-on training and paraprofessional experience.

- Raise our profile, and improve awareness and attitude toward SIU among high school and transfer students who desire a research university education.
- Create an office of undergraduate research. Track the academic success of students engaged in research at the University. Encourage more undergraduates and graduate students to participate in research forums such as the research town hall.
- Maintain competitive graduate research/teaching assistant stipends in order to recruit the most qualified, research-ready graduate students. Assist graduate students in external grant writing in order to further their research agendas.
- Develop academic programs that are linked to our research strengths.

**DIVERSITY AND INCLUSIVENESS**

At SIU, we celebrate a rich history of diversity within our student body and acknowledge this strength as a proud foundation to build upon. We recognize and value the diversity of our faculty, staff and campus leadership. SIU is committed to being mindful of the voices of the diverse campus community.

**GOAL:** Celebrate our commitment to diversity.

*Objective:* Increase awareness of our institutional commitment to diversity.

- Develop an institutional definition of diversity.
- Develop campus-wide diversity plan.
- Educate the campus community about the importance of inclusive excellence.
- Provide cultural competency training to the campus community.
- Establish accepted mechanisms for tracking each University department’s progress toward its diversity goals.
- Highlight SIU’s record of inclusion in publications, electronic communication (websites, etc.) and marketing efforts, both in words and images. A periodic review of such communications should take place to insure that this cornerstone value is highlighted.
Objective: Develop and institute a plan for recruiting and retaining an undergraduate and graduate student body that reflects state and national statistics of the college-bound population.

- Increase the percentage of the student population from underrepresented racial and ethnic groups.
- Increase the percentage of female students to reflect the population of college-bound women.
- Attract, retain and provide opportunities for success for international students.

Objective: Develop and monitor a plan for hiring, retaining and promoting diverse staff, faculty and administrators based on state and national statistics of the qualified population.

- Hire and retain qualified and energetic staff, faculty, and administrators who reflect the population of the state and national statistics for qualified individuals.
- Require each college/department to submit a hiring, retention and promotion plan to increase and sustain its diversity. University leadership, including the Office of Institutional Diversity, will monitor and support such plans.

Objective: Manage and monitor the climate on campus to ensure that all students, faculty, staff, and administrators feel welcome, satisfied, included and supported.

- Develop ongoing mechanisms whereby everyone, including members of historically disadvantaged groups, can express their concerns regarding campus climate, such as through online surveys and campus conversations; diversity training sessions open to the entire University community; and informal social events to build campus relationships.

Objective: Promote and highlight diversity pedagogy, research and scholarship.

- Task the Center for Inclusive Excellence to lead in the development of a platform for sharing diversity research and pedagogy.
- Provide regular faculty development on the integration of diversity into regular curriculum.

Objective: Obtain and strengthen endowments and scholarships for underrepresented/underserved students.

- Establish specific fundraising goals for underrepresented/underserved scholarships and grants.
- Effectively communicate with state and federal agencies the need to support grants and scholarships for underrepresented/underserved students at all government levels.
SIU is a community of dedicated scholars, learners, leaders, and members who value open communication, healthy debate, shared governance, and active participation by all members in pursuit of our core mission surrounding student learning and success, scholarship and creative activity, and service to southern Illinois and to the world.

GOAL: Foster trust and mutual respect among faculty, administration, staff, students and the public.

Objective: Encourage and nurture effective campus discourse.

- Develop strategies for ongoing communication with our internal audience.
- Schedule regular face-to-face (preferably small group) discussions among administration, faculty and staff on matters of governance and effective leadership toward the University's goals and objectives.
- Continue Chancellor’s written communication to all faculty and staff, and when appropriate, to students.
- Sponsor a leadership conference focused on the topic of civility.
- Maximize the use of electronic media for essential communication and increase its frequency and consistency, e.g., centralized websites to post clear, easy-to-find statements of budget, policies, procedures, events and other information.

Objective: Strengthen shared governance.

- Celebrate shared governance, which recognizes the respect for and deference to disciplinary expertise, roles of individual constituency groups, and those of academic and administrative leadership.
- Strive for broad representation on all campus governing bodies.
- Seek input regularly. Address concerns raised in campus surveys and in other feedback in a timely manner.

GOAL: Improve flexibility and transparency in decision-making.

Objective: Every member of the University community shall have opportunities to be heard and respected.

- Clearly define the roles of all recognized stakeholders in shared governance, and incorporate such definitions in appropriate operating papers and bylaws.
- Define and routinely follow principles, procedures, roles and responsibilities of shared governance.
- Facilitate transparency by promoting open access to documents such as the budget, policies, general practices, operating papers, etc.
- Present annual workshops on various administrative issues such as use of data in decision making, key components of an operating paper, etc.

GOAL: Build and maintain a strong public image that reflects our commitment to student success, knowledge creation and service to southern Illinois, the broader region, and the world.
Objective: Enhance our reputation as a community of respectful, innovative scholars and learners focused on a commitment to higher education that benefits society.

- Emphasize the transformational nature of a research university featuring stories of our students, alumni, faculty, staff and other friends.
- Utilize data from a variety of sources to highlight our shifting institutional profile.

Objective: Nurture and project a positive image of the University.

- Engage the entire campus community as ambassadors of our brand and our identity.
- Monitor and when necessary, address those things that curtail a positive image, communicate the changes, and measure the results. As part of the effort to foster and promote our positive image, benchmark our marketing activities and budget, communicate the results, and keep the process open and transparent.

COMMUNITY RELATIONS

SIU plays a prominent role in the vitality and stewardship of the economy and culture of our region. Maintaining the positive symbiosis that exists is essential for the community, region and the University. Maintaining the positive relationship also requires an investment of time, energy and resources from each.

GOAL: Enhance our value to and our collaboration with the broader community in our mutual goals of research translation, workforce education, and economic development.

Objective: Develop connections with the broader community to enhance service learning, public service, and cultural and artistic mindfulness.

- Continue to foster and develop opportunities to bring elementary, middle school, and early high school-age students to campus for cultural events.
- Investigate opportunities within the southern Illinois region for undergraduate and graduate students to volunteer in their chosen area of study.
- Create a mechanism for consistent communication regarding volunteer efforts and outcomes. Include examples of the education students receive while volunteering in marketing materials.

Objective: Maximize the capacity of the University’s boundary-spanning entities.

- Recognize and support intercollegiate athletics, WSIU broadcasting, the fine and performing arts, and the Office of Economic and Regional Development as major University resources and emphasize the contributions and connections that serve the region and state.
GOAL: Sustain and grow SIU’s outreach and service mission.

Objective: Optimize the impact of our research activities on the region and state and become a leader in basic, applied, translational research in key focus areas where the University already has noticeable strengths and that build on our commitment to outreach to our broader community.

- Increase cooperation and coordination between the Office of Sponsored Projects, Technology Transfer Office, and the Office of Economic and Regional Development.

Objective: Engage employers and industry partners in our pursuit of offering relevant high-quality degree programs that develop highly prepared graduates.

- Encourage academic programs to solicit input from advisory boards regarding the knowledge, skills, and awareness employers are seeking from our graduates.

FINANCE, INFRASTRUCTURE, AND RESOURCE ALLOCATION

A decade-long pattern of declining state financial resources and persistent declines in enrollment have left the University in a state of chronic fiscal uncertainty. Returning the University to a solid financial footing and insuring that the allocation of resources is a transparent process driven by University mission and priorities is imperative. We must become more deliberate in our efforts to increase revenue and in our efforts to operate more efficiently. These are essential activities that must be addressed if the University is to pursue goals outlined elsewhere in this plan.

GOAL: Achieve and maintain a solid financial footing for the University.

Objective: Increase revenue from all sources.

- Build both undergraduate and graduate enrollment on campus and at off-campus locations.
- Establish a policy that relies principally on objective criteria for setting tuition rates. Widely publicized, the policy should serve as a guideline to administrators when providing a rationale for tuition increases. Included among criteria would be peer and statewide tuition rates, the Higher Education Price Index and state revenue growth as reflected in General Revenue support.
- Prioritize funding for scholarships, deferred maintenance (particularly for classrooms), technology needs, and academic activities to enhance the learning and living environments for students.
- Launch a major capital campaign in concert with the SIU Foundation.

Objective: Foster an entrepreneurial spirit within the University.

- Employ incentives to encourage individual campus units to develop additional resources through cost reduction and new ways of doing things.
- Expand distance education and continuing education.
- Launch a major campaign, in partnership with the SIU Alumni Association, to connect or re-connect alumni with the University.
Objective: Seek financial efficiencies wherever possible.

- Engage in wide-scale program review that provides incentives for both academic and non-academic units to become more efficient.
- Examine the purpose, mission, and outcomes of the current “self-supporting” academic and non-academic programs and centers.
- Review appropriateness of state budget allocations to non-academic units, e.g., intercollegiate athletics and development.
- Build on previous efficiency task forces’ recommendations.

**GOAL:** Insure that the allocation of resources is a transparent process driven by University mission and priorities.

Objective: Define the current resource allocation process and pursue improvements where appropriate.

- Encourage broad participation in budgetary and resource allocation discussions.
- Develop a budget formula prioritizing the distribution of resources to academic units using solid measures of productivity and centrality to mission.
- Maintain sufficient budget reserves to be prepared for fiscal uncertainties.

Objective: Make greater use of the talents and skills of our faculty, staff and students.

- Create student internships and a comprehensive plan for student employment linked to real world experience and that is tied to academic preparation.
- Utilize faculty and staff expertise whenever possible for services.
SOUTHERN ILLINOIS UNIVERSITY CARBONDALE

Financial Progress Report (pages 2 – 85)

Higher Learning Commission Response (pages 86 – 94)
Financial Progress Report

For the Higher Learning Commission

August 15, 2011
Introduction

The Evaluation Team for the Higher Learning Commission, which conducted the comprehensive visit for continued accreditation by the North Central Association of Colleges and Schools, requested that a Progress Report on strategic planning to address the financial condition of Southern Illinois University Carbondale be submitted by the institution by August 15, 2011. The report is organized into three sections—a summary of current financial issues, an overview of the measures underway to address the University’s financial challenges, and financial reports and analysis.

Current Financial Issues

State Budget

The economic condition of the State of Illinois continues to impact the University. State appropriations represent approximately 26% of the total operating revenues of the University, and about 51 percent of the total State budget, which also includes Income Fund (tuition) revenue. During fiscal year 2011, appropriations to the University from the State’s general revenue fund returned to approximately the fiscal year 2006 funding level. The University received $7.5 million in federal American Recovery and Reinvestment Act (ARRA) funds during fiscal year 2010 to supplement the general revenue appropriation. Without the ARRA funding, SIUC’s allocation of general revenue totaled $154.1 million in fiscal year 2011, a decrease of almost 7 percent.

The appropriation for fiscal year 2012 was made from the Education Assistance fund. The appropriation funding level was reduced by an additional 1.15 percent in fiscal year 2012 for all State institutions of higher education. This will result in approximately $1.3 million less than the fiscal year 2011 allocation for SIUC.

Cash Flow

While the level of appropriation funding is one challenge, managing unrestricted cash balances is a separate issue. The University pays salary and internal service department expenses that are funded using State appropriations, submits reimbursement vouchers to the State, and waits for cash payments from the State. During fiscal year 2010, the time required to receive the cash reimbursement from the State exceeded six months, and the State statute was amended to extend the lapse period (the time allowed to pay prior year bills) from August 31 to December 31, 2010. The final fiscal year 2010 payment of $4.8 million was received by SIUC on December 9, 2010.

The cash reimbursement situation showed some improvement in the last three months of fiscal year 2011. This may be in part to the increase in the Illinois individual and corporate income tax rates that went into effect on January 1, 2011. However, the total reimbursement due at June 30, 2011, was $72.5 million, compared to $61 million at June 30, 2010. The State statute was once again amended to extend the lapse period until December 31, 2011, and it is likely that the final cash reimbursement will not be received until late in calendar year 2011.
The delayed reimbursements negatively impact the cash flow of the University and have created significant cash management challenges. Purchases are limited to essential items to conserve cash, payments to vendors are timed so that checks were issued three days prior to the invoice due date, and pooled investments have been liquidated in order to meet payment obligations, primarily payroll.

Weekly reports detailing the unrestricted and restricted cash balances are prepared for and reviewed by senior administrators. The overall cash and investment balances of the University have remained strong, but cash held in unrestricted funds (the funds which generally support the daily operations of the University) dipped to a fiscal year 2011 low of $2.0 million on July 9, 2010. The unrestricted cash balance at June 30, 2011, was $22.7 million.

In anticipation of continued State payment delays, the SIU system executed a $13.8 million line of credit as permitted by Public Act 096-0909. The University did not draw against the line of credit before it expired on December 19, 2010. The University does not currently have the ability to borrow for operating needs. Therefore, the accumulation of unrestricted cash is critical to meet ongoing obligations.

**Veterans Programs**

The Illinois Veterans Grant (IVG), National Guard, and MIA/POW programs have not been fully funded by the State for several years. The military veterans’ program funding pays tuition and mandatory fees for eligible veteran students, and the State is billed by the University to reimburse these costs. The unfunded amount has grown from $1.5 million in fiscal year 2006 to over $3 million in fiscal year 2011.

Budget planning for past fiscal years did not include IVG shortfalls. The University budget for fiscal year 2011, however, did include a $3 million factor reflecting the loss of revenue, which added to the structural deficit.

The proposed State budget for fiscal year 2012 partially restores IVG funding at approximately a 25 percent level, which could return about $750,000 in funding to the University.

**Pensions**

Substantially all University employees participate in the State University Retirements System (SURS). According to Eric M. Madiar, “Illinois has the largest unfunded public pension liabilities of any state in the nation.” Madiar, who serves as the Chief Legal Counsel to the Illinois Senate President and Parliamentarian of the Illinois Senate, was asked to consider whether the Illinois General Assembly may cut the pension benefits of current public employees as a means to reduce the $84.2 billion the State owes to its five public pension systems. While he concluded that legislation enacted to reduce the pension benefits of current employees would be in violation of the Illinois Constitution, the continuing uncertainty surrounding the State pension system may impact the University’s ability to recruit and retain quality employees.

A change already announced by SURS will impact current employees. For individuals retiring after July 2, 2012, the change in Money Purchase factors will result in an approximately eight percent downward
adjustment in the member’s annuity if their Money Purchase calculation was higher than the General Formula calculation. Members can offset this adjustment by delaying retirement by approximately 10 to 11 months, but it is expected that this change will result in a larger number of retirees during fiscal year 2012. Approximately two-thirds of SIUC employees retire under the Money Purchase formula.

A retirement incentive program was developed by a subcommittee of the Chancellor’s Planning and Budget Advisory Committee during fiscal year 2011. The objective of the plan was to encourage retirement by offering employees a one-time payment equal to half of the annual salary. Methods used by other universities, specifically a plan offered at the University of Illinois during fiscal year 2010, were considered. Various scenarios were developed for review and discussion. Ultimately the decision was made to table the retirement incentive primarily due to the timing and cost of implementation of the program. In retrospect, the Money Purchase formula changes imposed by SURS will likely result in an increase in retirements at no cost to the University.

Credit Rating

The University’s long-term credit rating was revised to A2 from A1 by Moody’s Investors Services. The change was directly related to the State’s budget deficit and a corresponding downgrade of the State’s credit rating. Standard and Poor’s maintained the A+ rating.

The impact on the University may be a higher interest rate for future long-term borrowing. The University plans to issue $24.75 million in revenue bonds in November 2011 to fund a Student Services building. The new building will be a student services facility housing the Enrollment Management functions of the University and was identified in the 2006 Campus Master Plan.

Tuition and Enrollment

Tuition is deposited into the University’s Income Fund, which represents approximately 25 percent of the total operating revenue budget, or about $111 million in fiscal year 2011. The tuition rate was not increased for the 2011 academic year due to concerns regarding affordability for students. The Board of Trustees has approved a 6.9 percent tuition increase for the 2012 academic year. The increase is expected to raise tuition revenue by $5.4 million, based on static enrollment. The State’s Truth in Tuition law generally prevents tuition increases for undergraduates during the first four years of education, so any increases impact only incoming freshmen and transfer students.

The summer 2011 semester enrollment increased for the first time in five years, up by 100 students or 1.2 percent from summer 2010. Indicators for fall semester enrollment remain promising, although official enrollment figures will not be available until early September 2011. Budget projections for fiscal year 2012 have been developed based on static enrollment.

The University has hired the outside marketing firm of Lipman Hearne to create a new image for the University. Work includes a critique of recruitment methods, the admissions process, promotional materials and other communication with prospective students. The new identity package and branding will send a consistent message to prospective students and parents.
Strategic Measures to Address Financial Challenges

The Higher Learning Commission recognized the financial instability the campus has experienced and recommended that the campus undertake a planning process to address the financial situation on a long term basis. Measures that have been taken and are currently underway include the following:

Strategic Planning Initiative

A major strategic planning initiative is in progress. The current plan, Southern at 150, is the starting point for a re-examination of existing strategies and goals in order to craft a strategic plan that will incorporate realistic and attainable goals as recommended by the HLC Accreditation Report.

A nine member Strategic Planning Committee is leading the effort. Work began in January 2011, and a final report is scheduled to be issued in January 2012. Six “lens” committees, or related subcommittees, have been formed and are comprised of over thirty members. The lens committees are focused on specific areas: Teaching and Student Success; Research and Creative Activity; Campus Climate; External Relations; Finance and Infrastructure; and Future Trends. While the finances of the University may impact each of these areas and the resulting recommendations, the work of the Finance and Infrastructure group is most pertinent to this report.

The Finance and Infrastructure lens committee met weekly beginning March 24 to discuss the issues and challenges relevant to the lens perspective. A draft report was completed in June 2011 and is included as Appendix A. The report will be reviewed and modified before it is released for public comment in December 2011.

The Finance and Infrastructure lens group reached a consensus and focused on the core issues of a tuition increase policy; performance based appropriations; academic program review; the financial health of non-academic programs and services; facilities renovations and upgrades; and revenue enhancements. A summary of each issue follows:

- **Tuition policy formula** – SIUC currently has no defined process for the determination of tuition increases. An effective tuition policy should recover the general cost increases of the university; at least partially recover reductions in general fund appropriations; and fund special student and facility priorities. A measured, planned approach to tuition and fee increases is needed. A model for such an approach is suggested.

- **Performance based appropriations** – Beginning in fiscal year 2013, a portion of the University’s State appropriation will be allocated based upon performance in achieving State goals related to student success and certificate and degree completion. The University must develop procedures to implement the new budgetary model.

- **Academic program review** – Public universities must be more efficient with funds in financially challenging times and cannot afford to support programs with low demand, classes that are redundant across campus, small departments, and programs that are
located in a college that offers less than the best fit. A review of program viability and structural issues should be performed.

- Non-Academic Programs and Services review – The purposes and outcomes of the current self-supporting programs should be examined to determine their role in the mission of the University. Service departments should also be reviewed to determine the continuing need of providing in-house services. Savings from eliminated or merged programs, services and activities should be reinvested.

- Facilities renovations – Classroom, studio, and laboratory space are in need of renovation and updating. A priority list for these projects should be developed, and funding sources should be identified, though tuition increases and internal reallocations, to support this initiative.

- Revenue enhancements – The generation of external revenue streams related to research activities, educational activities, and other activities that are consistent with the mission of the University should be actively explored and cultivated.

**University Leadership**

Rita Hartung Cheng became Chancellor of Southern Illinois University on June 1, 2010, after serving as provost and vice chancellor for academic affairs at the University of Wisconsin-Milwaukee for the past five years. Chancellor Cheng holds the academic rank of Professor of Accounting at SIU and is internationally recognized for her research in governmental and nonprofit accounting. She is a certified public accountant and a certified government financial manager, and her academic and professional background is particularly well suited to address the financial challenges of the University.

The Chancellor is committed to ensuring that all segments of the campus community are part of the financial conversation. She has regularly shared e-mail messages, with the budget as a frequent topic, with all University employees. The messages are also posted on the Chancellor’s Office website, in addition to questions and answers related to budget information.

While the Chancellor has attended and spoken at numerous constituency meetings during fiscal year 2011, she has also made a number of presentations that were open to the wider University community. Major public addresses include the following:

- **September 30, 2010, “First Impressions,” the 2010 State of the University Address** - The Chancellor acknowledged the budgetary issues facing Illinois and the University. She stated that the hiring freeze had reduced, through attrition, the number of FTE employees by 132 between May 2009 and May 2010. She noted that the current situation “demands that we closely examine some of our practices to create new opportunities,” and that it would be necessary to “be honest about what more we can do to tighten our belts and where we need to improve.”
November 16, 2010, Town Hall Meeting - The Chancellor provided an overview of the budget and addressed key issues, including student recruitment and retention, distance education, University College, and factors that contributed to the budget shortfall. The

<table>
<thead>
<tr>
<th>Revenue Reductions</th>
<th>Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY10 enrollment decline - FY11 Impact</td>
<td>$ (4.8)</td>
</tr>
<tr>
<td>Reduction in Federal stimulus funds</td>
<td>(7.5)</td>
</tr>
<tr>
<td>Elimination of Illinois Veterans’s Grant funding</td>
<td>(3.0)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Revenue Additions</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuition (static enrollment)</td>
<td>4.4</td>
</tr>
<tr>
<td>FY11 enrollment decline - FY11 impact</td>
<td>(1.4)</td>
</tr>
<tr>
<td>Net Tuition</td>
<td>3.0</td>
</tr>
</tbody>
</table>

| Net New Revenues                                       | (12.3)   |

<table>
<thead>
<tr>
<th>New Expenditures</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Faculty promotion and student wage increases</td>
<td>0.7</td>
</tr>
<tr>
<td>Subtotal - Structural Deficit</td>
<td>(13.0)</td>
</tr>
<tr>
<td>Permanent budget reduction 4% and USE from Aux.</td>
<td>7.3</td>
</tr>
<tr>
<td>Total Structural Deficit</td>
<td>$ (5.7)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Additional FY11 Budget Savings Strategies:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Hiring freeze savings (FY10 and FY11)</td>
<td>$ 3.1</td>
</tr>
<tr>
<td>Proposed unpaid administrative closure</td>
<td>2.6</td>
</tr>
<tr>
<td>One-Time Budget Savings</td>
<td>$ 5.7</td>
</tr>
</tbody>
</table>

FY11 Budget Shortfall                                   | $ -      |

February 22, 2011, Spring Leadership Meeting - During her remarks the Chancellor noted three major financial challenges to address during fiscal year 2011:

1. The FY11 impact of the FY10 enrollment decline ($4.8 million)
2. The loss of Federal stimulus funding ($7.5 million)
3. The impact of the unfunded Illinois Veterans Grant program ($3.0 million)

She noted that strategies implemented in response to the budgetary challenges included continuing the hiring freeze, permanent budget cuts, and increased auxiliary expense charges.

May 6, 2011, Town Hall meeting - Chancellor Cheng updated the audience on the many accomplishments and highlights of the year. She stated that enrollment is a major challenge, and that increased enrollment, retention and student success represent the antidote for the ailing financial condition. The Chancellor noted that enrollment declines experienced since 2004 accounted for $10 million in lost tuition and fees for this year.

The complete text of the Chancellor’s remarks from each of the public meetings may be found at [http://www.chancellor.siuc.edu/speeches.html](http://www.chancellor.siuc.edu/speeches.html)
Planning and Budget Advisory Committee

With the arrival of Chancellor Cheng, the Chancellor’s Planning and Budget Advisory Committee (CPBAC) has taken a more active role in the planning and budgeting process. The 18 member committee represents the Faculty Senate, Graduate Council, Dean’s Council, A/P Staff Council, Civil Service Council, Undergraduate Student Government, Graduate and Professional Student Council, academic and student services, business practices, hiring and personnel practices, and institutional advancement, in addition to members appointed by the Chancellor.

The Chancellor convened her first meeting with the CPBAC on June 7, 2010, after one week on campus. She has revitalized the group, which provides input from campus constituencies to make certain that budget decisions are the result of transparent discussions and shared governance. An immediate outcome of her first meeting was the formation of a subcommittee with the initial purpose of developing budget decision rules, rather than taking reductions across-the-board.

A model for sharing tuition revenue growth with colleges was the first recommendation to the full CPBAC from the “Budget” subcommittee. The distribution represented a departure from historic budget practices for tuition revenue, which generally distributed any increases across the board to the campus. The tuition distribution plan takes into account credit hour growth and retention rates to allocate more funds to colleges that show growth.

During fiscal year 2011, the Budget subcommittee met twice monthly and addressed several other issues, including a review and update of the 2005 Agility and Efficiency Task Force report and the Budget and Planning Task Force Report (2003) to identify remaining opportunities for savings and efficiencies; the development of a model for a retirement incentive, which is discussed in more detail in the retirement section later in this report; and a business model for colleges that promotes shared administrative services.

Other subcommittees have been formed as the result of topics discussed during the Chancellor’s monthly CPBAC meetings. One subcommittee is tasked with identifying new revenue opportunities, such as enhanced continuing education activities, including camps and conferences; athletics events, such as high school championships; the sale of alcohol at certain campus events; and the sale of advertising.

Another subcommittee reviewed the information technology function on campus and prepared a report containing many functional and organizational recommendations, including recommendations related to the hiring of a Chief Information Officer; the creation of a campus-wide strategic plan for technology; and the establishment of a reserve, held centrally, to fund equipment and infrastructure replacements.

It is expected that additional subcommittees will be formed as issues are identified.
Performance Based Funding

The State of Illinois adopted performance based funding during the 2011 Spring Session, the result of a three year effort (The related legislation, HB 1503 and SB 1773, are included as Appendix B). Beginning in fiscal year 2013, the Board of Higher Education budget recommendations to the Governor and General Assembly will include allocations to universities based upon performance metrics designed to promote and measure student success in degree completion. As has been done in several other states, funding decisions will be based on outputs rather than inputs. Institutions of higher education will be measured against their own performance in key areas such as retention and graduate rates.

The concept of linking institutional performance with state appropriations has been met with praise and skepticism from stakeholders in higher education. Key advantages may include a greater awareness of campus performance, improved delineation of state and institutional priorities, enhanced transparency and accountability, and increased productivity, while disadvantages may include a limited portrait of university performance, mission distortion/student access, quality reduction, lack of program support, and increased inequality and instability.

It is essential that the University anticipate and plan for this change. One requirement will be to ensure that the data needed is capable of capture. Data must also be communicated to and accessible to those in a position to influence the outcomes. Planning is already underway for this fundamental change to the appropriation of general revenue funds.

Chancellor Cheng has been selected as a member of the steering committee which will assist in the development of performance metrics that will be used in the funding model. The metrics will be used in formulating the Illinois Board of Higher Education funding request for fiscal year 2013.

Reserve Funds

While the University has required a 2 percent contingency reserve for State funds for many years, an additional $4.4 million contingency reserve was established to help fund the fiscal year 2011 shortfall. The contingency funds are held centrally and help provide some cushion for cash flow issues that result from delayed State reimbursements. However, the reserve fund is far less than one month’s expenditures from State funding, an estimated $19 million.

Deferred maintenance has increased to an estimated $450 million, and current reserves are inadequate to respond to a major system failure. To begin to address the backlog of classroom and laboratory renovations, infrastructure improvements, and various other deferred maintenance projects, a Facilities and Infrastructure Reserve has been created. The Facilities Maintenance Fee generates approximately $6.6 million annually and is a key source of funding for permanent improvement projects in academic facilities. The University also received capital renewal funding from the State totaling $6.5 million for projects such as research and teaching greenhouses, roof replacements, water line replacement, and electrical feeder upgrades.
Budget Planning and Development

Budget planning and development for fiscal year 2012 includes the permanent use of funds to cover a remaining ongoing structural budget shortfall of $5.7 million. This is a significant improvement over the structural deficit of $13 million that existed at the beginning of fiscal year 2011. Preliminary budget planning for Fiscal Year 2012 included scenarios for two levels of reduced General Revenue (GR) State funding:

<table>
<thead>
<tr>
<th>Source of Funds:</th>
<th>GR Reduction of 1.15%</th>
<th>GR Reduction of 3.0%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in tuition revenue based on static enrollment</td>
<td>$5,384,300</td>
<td>$5,384,300</td>
</tr>
<tr>
<td>State of Illinois General Revenue Reduction</td>
<td>(1,309,800)</td>
<td>(3,407,400)</td>
</tr>
<tr>
<td>Required base reduction (2.2% and 3.4%)</td>
<td>3,625,500</td>
<td>5,723,100</td>
</tr>
<tr>
<td>Total Projected Increase In Revenue</td>
<td>$7,700,000</td>
<td>$7,700,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Use of Funds:</th>
<th>GR Reduction of 1.15%</th>
<th>GR Reduction of 3.0%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Structural shortfall from previous fiscal years</td>
<td>$5,700,000</td>
<td>$5,700,000</td>
</tr>
<tr>
<td>FY2012 faculty promotions</td>
<td>500,000</td>
<td>500,000</td>
</tr>
<tr>
<td>Recruitment expenses</td>
<td>1,500,000</td>
<td>1,500,000</td>
</tr>
<tr>
<td>Total FY2012 Projected Budget Needs Over Revenue</td>
<td>$7,700,000</td>
<td>$7,700,000</td>
</tr>
</tbody>
</table>

The ongoing structural budget deficit is the result of enrollment declines in previous fiscal years that were partially covered with non-recurring funds. Examples of non-recurring sources used during fiscal year 2011 to address the budget shortfall included four unpaid administrative closure days for all University faculty and staff, with total savings of $2.1 million; the continuation of a hiring freeze that resulted in open salary lines, a savings of $2.7 million; and postponing the replacement of equipment, reducing commodities purchases and limiting travel.

The unpaid administrative closure days were used as an alternative to layoffs and far deeper departmental budget cuts. The impact on employees was a reduction in fiscal year 2011 salary of approximately 1.53 percent.

These short-term measures were taken during fiscal year 2011 while long-term strategies were being developed. On a permanent basis, State budgets in campus departments were subject to recurring base reductions that averaged four percent in academic areas and five percent in non-academic and support units. These reductions helped to reduce the structural deficit by approximately $7.3 million.

Distance Education

The transition and development of online and off-campus Distance Education programs that are consistent with the mission of the University is underway. The Distance Education Council has worked with colleges, support units and constituency groups throughout the University to ensure policies and infrastructure are in place to support the aggressive development of distance education programs.

From a financial perspective, the Distance Education initiative offers the opportunity for increased enrollment, and tuition revenue, through the expansion of online courses and programs. The Financial
Management Subcommittee of the Distance Education Council has been charged with the development of accounting and budgeting models.

In order to encourage program development and delivery, a revenue distribution model was developed that will return 70.5 percent of tuition revenue for use by the college, 27.5 percent to the University’s central Income Fund, and 2 percent to the Provost for support costs. The revenue split will be evaluated annually and adjustments to decrease the percentage allocated to the central Income Fund, thus increase the percentage allocated to the colleges, are the expected result as Distance Education enrollment increases.

Distance Education programs will be subject to regular financial monitoring. This responsibility based budgeting model assigns responsibility to individual colleges for the management of revenues generated by their activities, and the costs incurred in the delivery of those activities.

Another financial incentive will allow colleges to retain funds for use in future fiscal years. The guidelines generally allow the greater of either the highest month’s disbursements in the fiscal year or one-twelfth, whichever is greater. These reserves will be used for program development in future fiscal years.

A plan for creating a central fund to allow start-up monies to be made available for units developing new programs has been created. At least a portion of the initial start-up funding is available from cash reserves held by the Division of Continuing Education, which is currently undergoing an organizational restructuring.

**Financial Reports and Analysis**

**Financial Reports**

Despite the continued financial challenges, the last annual financial report for the Carbondale campus (fiscal year 2010) showed an increase in net assets, the difference between total assets and total liabilities, of $37.0 million, or over 10 percent, compared to the previous year. A significant portion of the increase was in the unrestricted assets of the University, which increased $19.1 million. Capital assets, a key component of long-term financial health, increased $18.2 million.

The “Economic Outlook” section of the Management’s Discussion and Analysis of the Financial Report stated “The University is committed to strong fiscal stewardship of its resources and maintaining a sound financial position. To that end, University management establishes institutional priorities that are linked to additional funding, sets funding guidelines for asset maintenance of facilities and equipment, and holds between 2% and 4% of State appropriated funds and tuition income as a contingency reserve for fiscal emergencies. Furthermore, SIU has implemented several cost savings measures such as a hiring freeze and cost restrictions on travel and purchases to help offset anticipated shortfalls in fiscal year 2011.”

The audited Financial Report is for the SIU System and includes Carbondale, Edwardsville and system administrative offices. A copy of the 2010 Financial Report accompanies this report. In addition, an
unaudited Statement of Net Assets and a Statement of Revenues, Expenses and Changes in Net Assets have been extracted for the Carbondale campus only (Appendix C).

Preparation is currently underway for the fiscal year 2011 audited financial report, but an unaudited draft report will not be available until late September 2011. However, a cash basis interim statement of revenues and expenses is prepared each quarter for senior administrators. The Interim Report as of March 31, 2011, indicates that fiscal year 2011 net operating income will show an increase over fiscal year 2011, resulting in an increase in the net assets of the University at June 30, 2011 (See Appendix D). It should be noted that current governmental accounting standards mandate that State appropriations are classified as nonoperating revenue for financial statement purposes; therefore, an operating loss will always result.

Ratio Analysis

Financial ratios are calculated following the completion of the audited financial reports. The Primary Reserve Ratio, which measures the financial strength of the institution, improved from 16.70 percent at June 30, 2009, to 18.29 percent at June 30, 2010. This ratio is a factor of certain net assets divided by expenses, so the improvement was primarily due to the increase in unrestricted net assets at the end of fiscal year 2011.

Another key financial ratio is the Net Operating Revenue Ratio, a primary indicator that explains how the surplus from operating activities affects the behavior of the core ratios. This ratio also improved from (1.75) percent at June 30, 2009, to 4.87 percent at June 30, 2010. A primary factor in the improvement was the performance of the investments held by University’s Component Units (SIUC Foundation), which had negatively affected the value of the unrestricted net assets at June 30, 2009.

The Return on Net Assets Ratio determines whether the institution is financially better off than in previous years by measuring total economic return. This ratio also improved from (4.59) percent at June 30, 2009, to 10.46 percent at June 30, 2010, a change of over 15 percent which indicates that the financial situation of the University and its Component Units improved during fiscal year 2010.

The Financial Data Worksheet prepared for the HLC 2010 Annual Institution Data Report contains ratio data for the prior five fiscal years, and a five year average. The Worksheet is included as Appendix E.
Conclusion

Significant financial issues will continue to challenge the University in the near term. Certain short-term measures were used to balance the budget during fiscal year 2011. However, a major strategic planning initiative is in progress, and finances are a focus of the long-term planning. University leadership has made it a priority to highlight financial matters through remarks at campus-wide meetings, e-mails to all employees, and information posted on websites. The Chancellor’s Planning and Budgeting Advisory Committee has taken an active role and developed solid recommendations for enhanced efficiencies and other initiatives. The restructuring and refocus on student recruitment and retention continues. An expanded Distance Education program, long-term budget development strategies, and the adoption of performance based funding mechanisms are among other financial topics that will carry into fiscal year 2012 and beyond.
Endnotes


3 Ibid.


12 Ibid., pages 6-8.

STRATEGIC PLANNING INITIATIVE

REPORT OF THE FINANCE AND INFRASTRUCTURE LENS GROUP

Committee members
Brad Dillard, Associate Director, Plant and Service Operations
Kathy Jones, Associate Athletic Director, Saluki Athletics
Allan Karnes, Associate Dean, College of Business
Michelle Kibby-Faglier, Associate Professor, Psychology
Judith Marshall, Exec. Dir. for Finance, VC for Finance and Administration
Mark Wetstein, TV Production Coordinator, WSIU Public Broadcasting

Summary of Committee Activities
Beginning March 24, the committee began meeting weekly to discuss the issues and challenges relevant to our lens perspective. Consensus developed surrounding the core issues of: tuition increase policy, academic program review, financial health of non-academic programs and services, performance based appropriations, revenue enhancements, and facilities renovations and upgrades. The composition of the committee was such that we had individuals that provided easy access to information and data to support our discussions. This precluded the necessity of conducting surveys or working with focus groups.

In late April, the workload of outlining challenges and developing strategies and timelines to achieve the goals was divided among the committee members. Wherever possible, a core issue was delegated to an individual with particular expertise. Data sources included; Institutional Research and Studies SIUC, IBHE, Illinois General Assembly, Accounting Services SIUC, Budget Office SIUC, Chancellor’s Planning and Budget Advisory Committee, and internal reports from campus departments where necessary.

Initial drafts of these reports were openly discussed within the lens group and posted to Blackboard for review and modification. Portions of these reports are included below and full text with supporting data can be found by visiting the lens group section of Blackboard.

Key areas to address
The Carbondale campus of Southern Illinois University is one of twelve public four year universities in the Illinois system of higher education. As such, it has been subject to the vagaries of the legislature and the governor as they crafted state budgets. From FY 2002 to FY 2010, support for community colleges, public universities, need based financial aid and institutional grant programs decreased 33.6% after accounting for
inflation. Looking at the state appropriations in a slightly different way is to ask how much of direct student instructional cost is the state paying for? From FY 1999 to FY 2008, the state tuition subsidy (share of undergraduate instructional cost per FTE student) has dropped from 60.9% to 44.8%. FY 2011 presented another difficult year for the university. First, the Federal Stimulus funding that was part of FY 2010 state appropriations expired and was not replaced by the legislature or the Governor. The campus' share of the loss was $7.5 million. In addition, an enrollment decline and zeroed out funding for the Illinois Veterans Grant program caused a shortfall of another 7.8 million in the income fund. At the time of this writing, state appropriations are scheduled to be at least 1.1% down for FY 2012, and the University is still waiting on a substantial portion of the FY 2011 funding. In addition, the state is in the process of changing the manner of appropriating general funds for universities. Beginning in FY 2013 a phase in of performance based funding will begin. It is anticipated that full performance based funding will begin in FY 2014. Because of declining state support and enrollment declines over the years, the campus has engaged in a series of short term budget patches.

The Higher Learning Commission recognized the financial instability the campus has experienced and recommended that the campus engage in long term planning to revise Southern at 150. One of its specific recommendations is that the planning process addresses how the budget should be aligned to the mission and to economic conditions. The commission suggested that the campus undertake a planning process to address the financial situation on a long term basis, including strategies to increase revenues and to reduce expenditures through retrenchment/reorganization with the goal of bringing long term financial stability.

This process has a goal of providing long term financial stability to the campus. The campus needs stability in its controllable revenues and its controllable costs. Processes are called for that will introduce a tuition policy, provide a roadmap for maximizing state appropriations under the new performance based funding metrics, and

---


2 Illinois Board of Higher Education, Illinois Public Universities Full Undergraduate Instructional Costs Per FTE Student, Weighted Average Tuition and State Undergraduate Tuition Subsidy, available at [http://www.ibhe.state.il.us/Fiscal%20Affairs/PDF/TuitionSubsidySummary99to08.pdf](http://www.ibhe.state.il.us/Fiscal%20Affairs/PDF/TuitionSubsidySummary99to08.pdf), last visited May 18, 2011.


6 Ibid. at p. 20
establish a permanent funding source for institutional aid and classroom renovations. On the cost control side, an examination of academic programs and departments is called for. Likewise an examination of non-academic programs, services and activities is warranted. Savings from eliminated or merged programs, services and activities should be reinvested. A cost containment system for space utilization is proposed. Finally, a method of incentivizing revenue generation is called for.

Tuition Policy Formula
SIUC currently has no defined process for the determination of tuition increases. Each spring, tuition proposals are sent forward for Board action and are frequently based in reaction to proposed legislative activity and cost adjustments in the delivery of services. The nature of the legislative activity and willingness on part of the Board to support the shifting of the financial burden to students has resulted in precipitous swings in the amount of tuition increases. The increases have ranged from a low of 0.0% in 2010 to a high of 18% in 2003 (See Figure 23 below). Instead of basing tuition increases on documented needs of the university, increases have been based on what other state universities have done or the opinions of board members about what students should pay. This projects an unstable financial picture for those that must allocate resources to best support our students and provide the best educational experience.

Figure 23: Percent Change in Resident Undergraduate Tuition and Fees, Academic Years 2001-02 through 2010-11

---

7 SIUC Institutional Research and Studies, *Fact Book 2010 - 2011*, Figure 23: Percent Change in Resident Undergraduate Tuition and Fees, Academic Years 2001-02 through 2010-11, p 96 (25th Ed.) (Jan 2011).
Figure 29 below shows the changing mix of the university’s sources of revenue. Notice especially the shift away from state appropriations.\(^8\)

![Figure 29: SIUC Revenue Sources and Percents of Total Revenue FY68 to FY10](image)


**Building an Effective, Stable, and Defensible Tuition Policy.** An effective tuition policy should have three prongs. First, general cost increases of the University must be recovered. Second, reductions in state general fund appropriations must be at least partially recovered. And third, special student, faculty and facility priorities need to be funded.

The cost increase prong of the tuition policy can be satisfied by utilizing the Higher Education Price Index (HEPI). This index measures the relative price changes in a fixed basket of goods and services common to colleges and universities. It varies from the more generally known Consumer Price Index by focusing on areas particular to the operational costs of higher education. It utilizes eight categories to cover the operational costs of universities. These include salaries for faculty, administration, clerical staff, and service employees, fringe benefits, utilities, supplies and materials, and miscellaneous services.\(^9\) Although the HEPI may not exactly mirror a given university’s cost increases for the year, it is a logical, defensible index that may be used to generalize cost increases.

---

\(^8\) *Id.*, at p. 108.

The second prong, state general revenue appropriations can prove difficult. Often appropriation decreases are accompanied by political statements that universities can offset any appropriation decrease by cutting administrative costs or finding other sources of "fat" to cut. After a decade of declining state appropriations, those statements no longer ring true. Some or all of appropriation decreases need to be recaptured through tuition increases. It is true that students are being asked to shoulder more of the financial burden of higher education, but that decision was made at the statehouse. The question is do we try to anticipate what appropriations will be each year, or do we base our decision on what happened last year. Both approaches have advantages and disadvantages, but basing the second prong on last year's appropriation gives us better predictability in that there is no need to guess what the legislature may do. The drawback is that tuition will always be one year behind. Estimating the general revenue appropriation keeps tuition more current, but carries a danger of the legislature doing something not anticipated when the tuition calculation is made, making mid-year budgetary adjustments necessary that most often have negative impacts on students, faculty and staff.

The final prong of a tuition policy is producing funds for special student, faculty and facility priorities. Although these special priorities may change over time, two have been identified as of this writing.

**Classroom Renovations**

The HLC noted that:

Most centrally scheduled classrooms have been renovated and have technology presentation capabilities to support learning. However, many of the departmental and college controlled classrooms, labs, and studios are in need of renovation and updating. Interviews with students revealed that many of these academic spaces need improvement although resources to complete these projects are not currently available.\(^\text{10}\)

The University had previously begun addressing this issue back in FY 2003 with the establishment of a Classroom Initiatives Program which allocated $1 million a year for the modernization of the classroom space across campus. These monies were matched in several fiscal years by monies from the Physical Plant's Deferred Maintenance monies state appropriation. Between FY 2003 and FY 2008 over $5.7 million was spent performing a wide variety of classroom modernizations ranging from painting and seating to the installation of state of the art audio and visual equipment.

Budget pressures resulted in these monies being reallocated to other facilities related expenditures. It is recommended that $1 million in funding, per year, be identified, either

---

through additional tuition increases or other reallocations, to resume the classroom modernization program.

**Institutional Aid**

SIUC has a strong tradition of providing access to students in lower income ranges. The tuition policy should be able to support this mission by directing a portion of any tuition increase to institutional support. This will directly enhance a core part of the mission of the University by providing easier access to a diverse student population. In recent years there have been modest increases in the amount of Institutional aid, but there was a decline from 08-09 to 09-10.\(^1\) Information supplied by John Nicklow indicates $8M to $13M in additional money to support students would be ideal. This is obviously a very ambitious goal and one that will not be achieved immediately. The tuition policy should address this issue by directing a percentage of tuition increases toward the goal.

<table>
<thead>
<tr>
<th>Institutional Programs</th>
<th>FY08 (2007-08) All SIUC Students</th>
<th>FY09 (2008-09) All SIUC Students</th>
<th>% Dollar Change</th>
<th>FY10 (2009-10) All SIUC Students</th>
<th>% Dollar Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scholarships, Grants, Fellowships &amp; Traineeships</td>
<td>4,744</td>
<td>6,002</td>
<td>4.5%</td>
<td>5,555</td>
<td>10,408,589</td>
</tr>
<tr>
<td>Staff Tuition and Fee Waivers</td>
<td>772</td>
<td>1,916,792</td>
<td>3.7%</td>
<td>584</td>
<td>1,717,725</td>
</tr>
<tr>
<td>Academic Waivers</td>
<td>286</td>
<td>1,719,873</td>
<td>7.6%</td>
<td>281</td>
<td>1,751,301</td>
</tr>
<tr>
<td>Other Tuition Waivers</td>
<td>500</td>
<td>2,106,755</td>
<td>9.0%</td>
<td>661</td>
<td>2,764,297</td>
</tr>
<tr>
<td>Foreign Exchange</td>
<td>110</td>
<td>30,480</td>
<td>11.5%</td>
<td>88</td>
<td>25,523</td>
</tr>
<tr>
<td>Out-of-State Students</td>
<td>25</td>
<td>198,332</td>
<td>-15.1%</td>
<td>17</td>
<td>184,692</td>
</tr>
<tr>
<td>Fellowships</td>
<td>153</td>
<td>1,031,303</td>
<td>43.6%</td>
<td>94</td>
<td>860,442</td>
</tr>
<tr>
<td>Graduate Assistantships and Other Waivers</td>
<td>2,390</td>
<td>22,974,619</td>
<td>22.7%</td>
<td>2,680</td>
<td>24,661,806</td>
</tr>
<tr>
<td>Institutional Long Term Loans</td>
<td>11</td>
<td>146,519</td>
<td>25.0%</td>
<td>30</td>
<td>248,846</td>
</tr>
<tr>
<td>Graduate Assistantship Stipends</td>
<td>2,129</td>
<td>26,387,993</td>
<td>12.3%</td>
<td>1,992</td>
<td>21,680,049</td>
</tr>
<tr>
<td>Student Employment</td>
<td>70,801</td>
<td>79,576,960</td>
<td>3.4%</td>
<td>4,450</td>
<td>10,492,636</td>
</tr>
</tbody>
</table>

**Challenges for the University:**

Present a measured, planned approach to tuition and fee increases to potential consumers. A tuition policy that takes into consideration cost increases in the delivery of educational services, trends in state appropriations, and provides funding for special student, faculty and facility priorities could moderate broad swings in tuition increases and help put the university on stable financial ground.

**Strategies:**

1. Charge the Chancellor's Planning and Budget Committee with the responsibility in developing the formula for determining tuition increases. This body already has broad constituency involvement.

2. Engage the President's office and the Board of Trustees in the process.

---

\(^{1}\) Financial Aid Office; FINANCIAL AID SURVEY FOR PUBLIC UNIVERSITIES: Three Year Comparison, FY 08 (2007-08) - FY 10 (2009-10), Southern Illinois University Carbondale, (Includes Southern Illinois University Carbondale and SIU School of Medicine Totals)
3. Determine the additional amount of tuition necessary to fund special student, faculty and facility priorities and whether to incrementally fund the identified priorities. Each 1% tuition increase produces about $338,000\(^{12}\) in the first year of a tuition increase, assuming stable enrollments.

**Timeline:**
1. Develop tuition formula by November 2011.
2. Achieve buy-in from the President’s office and Board of Trustees by the end of 2011.

**Success:**
1. Articulation of a tuition policy formula.
2. Once the concept of a tuition formula is institutionalized, complete the determination of tuition increase for the following school year by the end of December of each calendar year. This will allow ample time for review prior to submission to BOT in spring semester and timely mailing of financial aid packets for the following fall semester.

**Performance Based Funding**
The Illinois Legislature adopted performance based funding during the 2011 Spring Session (HB 1503 and SB 1773). This is a fundamental change in how general revenue will be appropriated to institutions of higher education in Illinois. It is essential that the university anticipate and plan for the change.

*The timeline for the implementation of performance funding is as follows:*

**Summer of 11-The Fall of 11.** The IBHE is directed to form a broad-based group of individuals representing the Office of the Governor, the General Assembly, public institutions of higher education, state agencies, business and industry, unions, and others as the Board shall deem appropriate to devise a system for allocating State resources to public institutions of higher education based upon performance in achieving State goals related to student success and certificate and degree completion.\(^{13}\)

The purpose of the committee is to assist the board design performance metrics that will be used in developing budgets as we go forward. The metrics must be:

- developed in consultation with public institutions of higher education, state educational agencies and other higher education organizations,

---

\(^{12}\) Per SIUC Budget Office Director, Carol Henry.

associations, interest, and stakeholders as deemed appropriate by the board.\textsuperscript{14}

The metrics shall include provisions for recognizing the demands on and rewarding the performance of institutions in advancing the success of students who are academically or financially at risk, including first-generation students, low-income students, and students traditionally underrepresented in higher education, as specified in Section 9.16 of this Act.\textsuperscript{15}

The metrics shall focus on the fundamental goal of increasing completion of college courses, certificates, and degrees. The metrics must be designed to maintain the quality of degrees, certificates, courses, and programs. In devising performance metrics, the Board may be guided by the report of the Higher Education Finance Study Commission. The metrics shall recognize and account for the differentiated missions of institutions and sectors of higher education.\textsuperscript{16}

\textbf{November of 11.} The institutions shall present a budget proposal to the IBHE using the procedures and metrics developed by the board. This budget request will most likely be a transitional budget-Part new method and part old method.

\textbf{May of 12.} Transitional budget. A small percentage of the budget shall be allocated under the new metrics (5%?).

\textbf{Summer and Fall of 12.} Period of Revision?

\textbf{Each November thereafter-} Institutions submit budgets to the IBHE based on the metrics.

\textbf{Each May thereafter-} Annual budgets based on the metrics.

\textbf{Challenges for the University}

1. Determine how the mission of the Carbondale campus (including the medical school) should differentiate us from the other institutions of public higher education in Illinois.

2. Attempt to have sufficient representation and or influence on the board-formed committee that will be responsible for the creation of the performance metrics.

3. Ensure the data needed are capable of being captured. For example, assume one of the metrics is low-income students who complete classes. Do we know which students are low-income and do we have the ability to determine on a per-

\textsuperscript{14} Id. 
\textsuperscript{15} Id. 
\textsuperscript{16} Id.
class basis what % of low-income students complete a class. Same thing for first-generation students and any other baskets of students the committee determines should be measured.

4. Data must be communicated to and accessible to those in a position to influence the outcomes (academic administrators and academic support units).

5. Those in a position to influence the outcomes (academic administrators and academic support units) must understand the consequences of negative outcomes and the benefits of positive outcomes.

6. A system of spreading the negative and positive budgetary outcomes to the responsible units must be designed and communicated.

Strategies and Time Lines
1. The mission needs to be examined to insure it reflects our uniqueness relative to our student body and our historical commitments to minorities, low-income students and first-generation students given our geographic location.
   a. **Timeline**-Beginning Summer of 2011. The review and any revisions should be in place by November 2011.
   b. **Success**-A review and any necessary revision by November 2011.

2. Campus leadership should identify individuals affiliated with higher education organizations or associations, or businesses and ask them to volunteer to serve on their entity’s behalf.
   a. **Timeline**-Beginning Immediately-Board will form the committee this summer.
   b. **Success**-A number of individuals volunteer to serve.

3. (Includes challenges 3, 4 & 5) Institutional Research should review its data sources to determine if additional data need to be captured. If it is found additional data are needed, data collection vehicles (applications) need to be redesigned or existing data sources (financial aid, banner) need to be incorporated into the IR database.
   a. **Timeline**-Beginning Immediately
   b. Identify other data needs or other data bases that need to be incorporated into the IR data base.
   c. Once all data needed are available, IR must design reports for the university as a whole and all interested subgroups, including, but not limited to:
      i. University College
      ii. All academic colleges and units within the colleges.
   d. **Needs to be complete by November 2011.**
e. An intensive educational effort must be conducted to insure all operational officers (Deans, Chairs, Directors and other affected) understand the new data sets and how to influence that data. In other words: What can I do to make my output better.

i. **Timeline**-Beginning once the reports are designed. Must be completed by March of 2012.

ii. **Success**-Reports that include all metrics.

iii. All operational officers understand the reports, what goes into the metrics and what they can do to influence the outcomes.

4. A subcommittee of the Chancellor’s Planning and Budget Committee should be charged with designing a budgetary model of spreading the negative and positive budgetary outcomes to the responsible units.

a. **Timeline**-The subcommittee should be charged by October 2011.

b. The model should be presented to the CPBC, the Dean’s Council, the University College Administration, the Faculty Senate and the Chancellor and Provost for input and suggested revisions.

c. Once any suggested revisions are considered by the subcommittee, the final model should be presented to the CPBC for approval.

d. The approved system should be communicated to the campus community by the Chancellor.

e. **Timeline**-The budgetary model must be ready for implementation by May of 2012.

**Efficiently Managing the Curriculum**

Faculty teaching students is at the heart of the higher education endeavor. Ensuring that an institution’s course offerings are efficiently managed is a complicated, daunting proposition. As public universities must be more efficient with funds in these financially challenging times, that same efficiency should extend to the courses faculty teach and the programs and degrees offered. It is time to re-evaluate our curricular offerings to determine whether we are utilizing our faculty resources wisely and providing our students with an optimal time toward degree.

“Curricular glut” has been the topic of several recent articles in the Chronicle of Higher Education by Michael Bugeja, who directs the Greenlee School of Journalism and Communication at Iowa State University. In his February 1, 2008, Chronicle article, Bugeja notes:

> Simple as it sounds, we sometimes forget that the more courses in the catalog, the more faculty hours we commit to teaching them. Curricular glut occurs when new proposals

---

are approved solely on the basis of pedagogy, rather than on workload, duplication, demand, and dollars. [...] 

In assessing glut, we need to ask: How many courses has each department added to the books in the past decade? How many have been deleted? How many majors does each department have (as opposed to how many students they teach)? How many credit hours did the department require for a degree a decade ago? How many now? [...] 

Agendas and self-interest are at the core of the curricular glut. Thus it behooves all of us, from adjunct to administrator, to consider reform, so that balance is achieved between quality and demand, especially when new budget models are in play. [...] 

Bugeja also suggests as a rule of thumb that an academic department is “suspect” if it has five or fewer majors per course (courses, not sections, and cross listed graduate/undergraduate courses should only be counted once). Bugeja’s own school of journalism at Iowa State University has a ratio of 16 majors per active course. 

This campus has not seriously considered reducing its roster of programs and courses since the days of the IBHE mandated PQP process. Evaluating our curriculum of each college and department will serve to make SIU more efficient and a better steward of its course offerings, tuition dollars and time to degree. We also need to consider some other tough issues. When enrollment is low for a given program, when should it be considered no longer viable? Of course, some programs may be of enough critical importance to the academic mission as to outweigh economic viability. As a result, qualitative metrics as well as quantitative metrics need to be part of the evaluation process. 

Challenges for the University: 

1. Evaluate programs with low enrollment for centrality to the University’s mission. 
2. Work to increase cooperation between departments and colleges to reduce course duplication. 
3. Work to reduce curricular glut from all departments. This should encompass at least the following issues. a.) Consider reducing credit hours needed for graduation to 120 hours in all programs, and b.) Work to eliminate redundant course offerings. This may reduce time to degree and reduce instructional costs. 
4. Consider merging departments with few faculty and small programs. 
5. Consider realigning programs into different colleges if it can be demonstrated that savings could be generated or growth potential enhanced.
Strategies and Timelines:

The Provost should form two working groups. One of the groups should examine program viability and curricular glut issues while the other should examine structural issues (merging small departments and program realignment). Working groups should be formed and charged by November of 2011.

Success: Have a set of recommendations to the Provost by the end of spring semester 2012.

The Provost should introduce a plan to the campus by the beginning of fall semester 2012 and put the processes into motion.

Timeline: The campus curricular groups should finish their work by the end of spring semester of 2013.

Success: Meaningful and significant saving generated over the next four years that can be reinvested in areas of strength and areas with growth potential.

“Self-Supporting” Non-Academic Programs and Services

A number of non-academic programs and departments support the mission and goals of the University, particularly in the areas of public service and academic support. There are over 500 accounts in this classification which represent units across the institution. Examples of these activities include the Division of Continuing Education, University Press, Touch of Nature, Broadcasting Service, Intercollegiate Athletics, Event Services, University Farms, and the School of Medicine Medical Facilities System. These areas generally function solely as self-supporting activities, although some programs receive an allocation of the state budget each fiscal year. Separate accounts are established for state budget support. Although not technically an area of public service and academic support or public service, Institutional Advancement, has independent sources of funds and should be capable of self-support.

Another classification of self-supporting activities is “Centers.” The Centers serve a wide range of functions and interests. Examples include the Center for Dewey Studies, Materials Technology Center, Center for Rural Health, Center for Advanced Friction Studies, Partnership for Innovation Center, Center for Autism Spectrum Disorders, Coal Research Center, and the School of Medicine Alzheimer’s Center. Centers are sometimes formed based on the research interests of the faculty. The revenue stream for these and other centers is often a combination of externally funded grants, fees and other unrestricted sources, and state budget allocations. When the Centers receive grant support, a separate account is established to manage that activity. Separate accounts are also maintained to receive state budget support.

Self-supporting activities generally receive resources that have no limitations or stipulations placed on them by external agencies or donors. These programs and departments receive monies that are specifically allowed, under State statutes, to be
retained by the University in a local bank account. During fiscal year 2010 these activities collected revenues of $128.3 million and incurred expenses of $124.5 million. In aggregate the self-supporting accounts carried a cash balance of over $22 million at June 30, 2010. These areas offer the opportunity for additional sources of revenue streams for the University.

**Service departments:**
Service departments primarily exist to provide intra-University services and goods. There are over 110 active service department accounts. Examples include Telecommunications; Plant and Service Operations, including Physical Plant Service, Travel Service, Printing and Duplicating, Postage Service, and others; and various scientific and laboratory services. Charges are assessed to users based on established rates which are intended to cover the costs, both direct and indirect, of the service unit. Service departments will ideally operate on a breakeven basis.

Certain service units operate in a deficit position, while others generate a “profit.” In total these units bill out over $135 million in expenses annually, excluding construction projects that flow through the Construction Management account. The service departments in total carried a cash balance of ($6.96) million at June 30, 2010, but they were owed reimbursement from the State of $10.2 million.

**Challenges for the University**

1. Over 500 accounts are considered to be viable self-supporting activities. There is no formal review process to determine if these accounts should continue or if they are financially sound.
2. Approximately 110 accounts are active service department activities. There is no formal review process to determine the viability of these activities.
3. Several self-supporting programs and departments have accumulated significant cash deficits, some in excess of $1 million, and continue to operate at a cash deficit.
4. State funds, which include the general revenue appropriation to the University and the Income fund, which is derived from tuition and certain fees, are used to support certain nonacademic units which are considered to be “self-supporting.” The state budget has been declining since FY02, and was reduced 6.7% in fiscal year 2011 compared to the fiscal year 2010 funding level.
5. Innovative self-supporting programs may not be developed due to a lack of start-up funding for such endeavors.

**Strategies and Time Lines**

1. The purpose, mission, and outcomes of the current self-supporting programs, including Centers, should be examined to determine their role in the mission of the University. The Vice-Chancellor for Administration should form three broad based review committees, one for self-supporting activities, one for service departments and one for self-supporting activities with state budget allocations
by the end of September 2011. The Provost should form a similar review committee to examine the viability of Centers on the same timeline.

a. Timeline-Fiscal year 2012. The initial review should be completed by June 2012.

b. Success-Any account changes as a result of the recommendations derived from the review should be completed by December 2012.

2. Service departments should be reviewed to determine the continuing need of providing in-house services. The analysis should include a review of the fee structure to determine if the provision of the same or similar service could be accomplished at a lower cost through outsourcing.

a. Timeline-Fiscal year 2012. The initial review should be complete by June 2012.

b. Success-The completed analysis should determine the feasibility of continuing to provide in-house services. Further review will be required on those that may be possible to outsource.

3. Any self-supporting activities that receive state budget allocations should be reviewed to determine the appropriateness of the state support.

a. Timeline-The initial review should be complete by June 2012.

b. Success-If it is determined that state support is not appropriate, a plan to reduce the level of support should be devised for implementation beginning in fiscal year 2014.

4. Self-supporting activities that have accumulated a cash deficit should be required to develop a financial wellness plan.

a. Timeline-The plans should be developed during fiscal year 2013. Depending on the size of the deficit cash balance, a period of up to five years may be required in order to cover the deficit.

b. Success-Cash balances in self-supporting accounts should be positive no later than the end of fiscal year 2018.

5. An ongoing formal review process should be established to ensure the regular evaluation of self-supporting activities.

a. Timeline-The process developed to complete the initial review can be used in subsequent evaluations.

b. Success-The ongoing review should be completed biennially, beginning in fiscal year 2014.

6. The creation of a centrally managed fund to provide startup resources for new, innovative self-supporting activities that may generate new revenue for the University should be considered. (See Revenue Section, below)

a. Timeline-The identification of resources to establish a startup fund should be determined no later than May 2012. A mechanism to propose new initiatives and award funding will need to be formulated. The model developed for distance education may be appropriate here.

b. Success-A source of funds to be used for startup funding to develop new self-supporting initiatives will be available no later than fiscal year 2014.

Facilities Renovations:
Classroom, Studio and Lab Renovations:
As discussed above in the tuition policy section of this section, it is recommended that $1 million per year be committed to classroom renovations similar to the Classroom Initiatives Program that was begun in FY 2003. Over $5.7 million were spent over the life of the program (FY 2003-FY 2008). The classroom space renovated under the program includes some of the best learning spaces on campus. Whereas only general classroom space was eligible for renovation under the Classroom Initiatives Program, departmental and college controlled classrooms and studios should be eligible for renovation through a new classroom modernization program. Departments and colleges should be able to move up in the queue by committing half the cost of the renovations for classrooms or studios controlled by the department or college.

In addition to classroom and studio space, lab and research spaces are in need of renovation as well. It is recommended that $1 million annually be allocated by the Office of the Vice Chancellor for Research and Graduate Dean out of the Indirect Cost Recovery dollars controlled by the VCR for lab and research space modernizations. Departments and colleges should be able to move up in the queue by committing half the cost of the renovations for lab and research space controlled by the department or college.

**Challenges for the University:**

1. No additional state or local appropriations are available to fund this multi-million dollar renovation program. Funding will have to be reallocated from other sources which are already facing severe budget pressures, or secured through additional tuition increases.
2. Determining a metric to establish the priority list for repairs to affect the largest number of students with each project while also trying to provide resources that are advantageous to each academic unit.
3. Update current classroom, studio and lab or research space technology standards with input from the appropriate academic departments, Information Technology, and Instructional Support Services.
4. Finding surge classroom space where classes can be moved for a semester without significantly affecting the learning experience so renovation work can occur. There does not appear to be a significant inventory of such classroom space which could hinder the pace at which renovations are able to occur.
**Strategies and Timelines:**

**Summer of 12**
Develop of priority list for classroom renovations through discussions with the Provost’s office and Classroom Initiative Implementation Team. Determine which classrooms can be taken off-line during the Fall ’12 or Spring ’13 semesters while renovations are completed. Past experience has indicated that many classrooms are only available for renovation during the summer months due to their high usage. Perform a physical survey of each classroom to determine scope of work, which may include heating and cooling improvements, painting and/or other physical appearance improvements, seating, and technology needs.

Perform a survey and have discussions with the OVCGR/GD staff to determine a priority list of campus laboratory space for renovation. Perform survey of campus departments to determine what level of interest there is in a matching fund renovation program for department controlled spaces.

**Fall of 12**
Renovate classrooms that can be taken off-line for the semester. Begin design work on OVCGR/GD laboratory spaces priority list.

**Spring of 13**
Renovate classrooms that can be taken off-line for the semester. Continue design work and place equipment and casework orders as needed for OVCGR/GD laboratory spaces. Begin design work on any academic department controlled classrooms being paid for as part of the matching funds program.

**Summer of 13**
The majority of work should be scheduled for the period immediately after spring commencement through the second week of August to take advantage of the lower utilization of classroom spaces. Renovate identified laboratory spaces. Some of this work may be able to begin in late spring and/or continue into early Fall depending on researchers’ needs and demands.

**Each Semester Thereafter**
Repeat this cycle.

**Success:** Sources of funds are identified (through tuition increases, internal reallocation and reallocation of indirect cost recovery dollars) and a new classroom, studio, lab and research space renovation program is implemented.
Operation and Maintenance Cost Containment:
Under the current system, most on-campus units are assigned space but that space is cost free to those units. As a result, there is no incentive to conserve utilities or to relinquish space that is underutilized. If units were responsible for the costs of their space, it is likely that the overall controllable costs of the space would decrease. For example, if College X were responsible for the cost of electricity used within their space, it is likely that the leadership of College X would stress conservation efforts, resulting in a reduction of electricity usage.

It is recommended that a broadly based working group be constituted by the Vice-Chancellor for Administration and Finance to study the feasibility of shifting the burden of occupying space to the units occupying the space. The working group needs balance the opportunity for cost savings with the costs of investing in metering equipment. A successful conversion would necessitate the transfer of sufficient amounts of plant and service operations budget to the units occupying the space to pay for the services consumed. The working group needs to consider how external cost increases are to be handled as well. For example, if power rates increase by 10%, how should that increase be shared? Should that be the responsibility of central administration? Should it be the responsibility of the units occupying the space? Should it be the responsibility of the department of plant and service operations? Or should the responsibility somehow be shared?

Strategies and Timelines:

1. Beginning of Spring Semester of 12-A working group to study the feasibility of shifting the burden of the costs of occupying university space is appointed and charged by the Vice Chancellor of Administration and Finance.
2. End of Spring Semester of 12-The working group reports its findings.
3. Summer of 12-Purchase and install appropriate metering devices.
4. FY 14-Conduct a study to determine the appropriate amount of budget to transfer to the units occupying university space.
5. FY 15-Operate under new system for year 1. Make appropriate adjustments to budgeted amounts when initial budget transfers prove inadequate or too large.
6. FY 16 and thereafter-Operate under new system as adjusted.

Success:-An implementation of a new system of cost containment for occupying university space would constitute success.

---

18 There are exceptions to the general rule. Generally buildings that have not had an O&M appropriation do pay for some or all of the services received from plant and service operations. Likewise, some entities, like the SIU Foundation pays for its space.
**Incentivize Revenue Generation**

The sources of revenue generation appear fall into three main categories:

1. Those related to the research activities of the University;
2. Those related to the academic activities of the University; and
3. Those not fitting into the first two categories, but that are consistent with the mission of the University.

A word of caution: Initiatives need to be evaluated to determine whether any income generated might be taxable if the activity is unrelated to our tax exempt purpose.

**Research**

The critical nature of the research component of the University's mission is important not only from the standpoint of increasing knowledge, improving teaching and bringing grant funding to the institution, but can also impact revenue generation in other ways. Faculty research is currently under the purview of the Office of Research Development under Vice Chancellor John Koropchak and also is impacted by the Office of Economic and Regional Development and the Southern Illinois Research Park under the leadership of Kyle Harfst. Improving coordination and coverage of these units could help facilitate the production of additional revenue.

**Strategies:** Increase cooperation and coordination between the Office of Research & Development the Southern Illinois Research Park and the Office of Economic Development to encourage and facilitate efforts to:

1. Help researchers understand the potential for commercialization of their discoveries.
2. Aggressively seek out angel investment/venture capital for the commercialization of technological advances via university "spin out" companies.
3. Provide resources for seasoned entrepreneurs to manage University "spin-outs on an interim/temporary basis via entrepreneur-in-residence or similar programs.
4. Increase contract (sponsored) research and
5. Aggressively seek out licensing revenue from new discoveries.

To aggressively seek out angel investment/venture capital, the University should consider coordinating the establishment of an angel investment network and bringing in an experienced venture capital professional.

**Timeline:**
The increased coordination and cooperation should begin within six months of the issuance of this plan and be implemented within one year.

**Success:**
An increase in licensing revenue for the University.
An increase in University "spin-out" companies with the potential of providing revenue to the University via an exit (liquidation) of the university's equity in company.
Increased presence of technology-based companies in Southern Illinois Research Park.
Recognition for the University as a source of technology capable of being commercialized.

**Academic**
The University's distance education initiative has the potential to increase the reach of the University's academic offerings in response to demand for programs deliverable to students who are place and time bound. A successful implementation of the initiative can produce several benefits:

1. Position the University as a major contributor to meeting the state's goal of increasing the percentage of adults in the state with postsecondary credentials to 60%.
2. Allow the University to stretch its reach as a primary provider of postsecondary education beyond the southern Illinois area.
3. Help the University increase enrollment, credit hours, and completions.
4. Provide the University and the Academic Unit producing the academic content a much needed additional source of revenue.
5. Provide faculty with an additional source of income.

Distance Education (for credit) has been moved from the Division of Continuing Education to the Office of Distance Education and Off-Campus Programs under the Associate Provost for Academic Administration. According to the document entitled “Responses to Questions and Comments regarding the January 2011 Distance Education Restructuring Plan,” “Offering high quality distance education to attract students for whom traditional classroom instruction is not a viable option is the goal.” The University has taken three crucial steps to achieving that goal. First a 70-30 revenue sharing arrangement provides academic units an incentive to be entrepreneurial that has not been present in the past. The generation of income funds available to the offering units allows them to pay the costs of delivering the program plus funding other priorities of the unit. In addition, the programs will offer the central administration funds that can be used as seed money for other programs or to fund other university needs and priorities. Second, the identification of student fees that off campus students are not responsible for makes distance education programs a financially attractive alternative for students who are unable to attend a residential program. Finally, the new University overload policy makes clear what an appropriate overload payment to faculty members should be.

**Challenges for the University:**

1. University personnel must embrace the notion that alternative delivery methods of higher education are viable alternatives to the traditional in person residential delivery method.
2. Start-up costs must be available on a short to mid-term basis.
3. Academic programs and colleges need to structure the administration of the program in such a way that academic material can be put into the alternative delivery format and delivered in a way that minimizes the time required of the faculty members.

**Strategies and Timelines:**

1. By summer of 2012- The University should identify a source of funds to be used as start-up or seed money for alternative delivery distance education programs for course development, equipment, and software needs.
2. Graduate degree and undergraduate degree completion (60 hours) programs with the potential for substantial enrollments should be developed first.
3. Beginning fall semester 2012, administrators and faculty from existing successful programs should be willing to work with programs and colleges who want to develop programs.
4. Beginning in fall semester 2011- The University should partner with regional and other state community colleges to help market the degree completion programs to their students. Many times students who complete an associate’s degree at a community college are unable to leave their area. Often the only option available to those students is “for profit” online programs.
5. By the end of spring semester of 2011- The University should develop an alternative delivery program strategy in partnership with the University Center of Lake County.

**Success:**

1. At least one new distance education program should be rolled out each year.
2. SIUC gains a reputation among the state’s community colleges as a preferred option for degree completion programs.
3. SIUC broadens its offerings in partnership with the University Center of Lake County through alternative delivery methods.

**Other Areas of the University**
Although some non-academic areas of the University have traditionally been focused externally (Institutional Advancement, Shryock, some activities of the Division of Continuing Education and Intercollegiate Athletics), in general it is safe to say that generating external revenue streams has not been a priority of the non-academic areas of the University. However, just in the last year the following ideas to increase or provide revenue streams have been discussed:

1. Whether there is land/other property which could be developed through an RFP process for public/private partnerships.
2. Review and renegotiate if possible a more financially beneficial pouring rights agreement for the campus.
3. Determine whether the limited sale of alcohol on campus can be doneconsistent with our mission and generate revenue when costs areidentified.
4. Determine what role advertising can play in the generation of revenuefor the campus/campus units consistent with the mission of theinstitution.
5. Encourage auxiliary units to pursue revenue generating options suchas the Student Health Center pursuing offering limited health care services to faculty and staff and developing a Veterans Affairs Medical Clinic for veteran students and staff on campus.

**Challenges for the University:**
The responsibility for generating external revenue streams must be instilled throughout the University. Instead of just living within the appropriated budget and income funds, units must be charged with generating revenue from external sources to supplement their budgets. For example, if a fee-supported unit is able to generate external revenue, student fees can be lowered or at least fee increases can be minimized. There likely will be a need for start-up funds for promising projects.

**Strategies and Timelines:**
1. By the end of the spring semester of 2012-A revenue-sharing arrangement, like the 70-30 split implemented for distance-education needs to be developed. A successful policy will a)-Return sufficient funds to the generating unit that entrepreneurial efforts are likely to benefit that unit and b)-Provide the University central administration funds that can be allocated to areas of priority. If transfer of funds to the university central administration is prohibited by bonding covenants, board statutes, or LAC regulations-then the portion of the revenue that would flow to the central administration should be put to a use that benefits the unit’s constituents, like reducing student fees or providing more services at no cost.
2. By the end of spring semester 2012-The Vice Chancellor for Administration should convene an ad-hoc committee that should set guidelines and develop goals for revenue generation among the non-academic areas of the university. Working with the VCA, the committee should also identify a source of start-up funds and design a procedure for evaluating external fund generating proposals.
3. By the end of spring semester 2013-Refocus the Division of Continuing Education more on revenue generation through more aggressive development of conference/certificate program initiatives. Providing training opportunities for professionals in the southern Illinois region would allow us to combine academic expertise on our campus with professional development needs in the region (e.g., Offer training that will result in earning medical CMEs and CEUs to regional health professionals through the School of Medicine, offer banking certificates to local bank executives, offer software certifications, offer Superintendent Certificate programs for area educators who are interested in becoming
superintendents. (Currently, the University of Illinois offers this program in Mount Vernon to interested individuals in southern Illinois.) These programs can be on campus, on-line or in a hybrid form. DCE should reach out to the academic units and Centers for the professional expertise.

**Success:** Success will mean new sources of external funds that benefit the generating departments, their constituents and the University.
APPENDIX B

AN ACT concerning education.

Be it enacted by the People of the State of Illinois, represented in the General Assembly:

Section 5. The Board of Higher Education Act is amended by changing Section 8 as follows:

(110 ILCS 205/8) (from Ch. 144, par. 188)

Sec. 8. The Board of Trustees of the University of Illinois, the Board of Trustees of Southern Illinois University, the Board of Trustees of Chicago State University, the Board of Trustees of Eastern Illinois University, the Board of Trustees of Governors State University, the Board of Trustees of Illinois State University, the Board of Trustees of Northeastern Illinois University, the Board of Trustees of Northern Illinois University, the Board of Trustees of Western Illinois University, and the Illinois Community College Board shall submit to the Board not later than the 15th day of November of each year its budget proposals for the operation and capital needs of the institutions under its governance or supervision for the ensuing fiscal year. Each budget proposal shall conform to the procedures developed by the Board in the design of an information system for State universities and colleges.

In order to maintain a cohesive system of higher education,

the Board and its staff shall communicate on a regular basis with all public university presidents. They shall meet at least semiannually to achieve economies of scale where possible and provide the most innovative and efficient programs and

services.

The Board, in the analysis of formulating the annual budget request, shall consider rates of tuition and fees at the state universities and colleges. The Board shall also consider the current and projected utilization of the total physical plant of each campus of a university or college in approving the capital budget for any new building or facility.

The Board of Higher Education shall submit to the Governor, to the General Assembly, and to the appropriate budget agencies of the Governor and General Assembly its analysis and recommendations on such budget proposals.

The Board is directed to form a broad-based group of individuals representing the Office of the Governor, the General Assembly, public institutions of higher education, State agencies, business and industry, Statewide organizations representing faculty and staff, and others as the Board shall deem appropriate to devise a system for allocating State resources to public institutions of higher education based upon performance in achieving State goals related to student success and certificate and degree completion.

Beginning in Fiscal Year 2013, the Board of Higher Education budget recommendations to the Governor and the General Assembly shall include allocations to public institutions of higher education based upon performance metrics designed to promote and measure student success in degree and certificate completion. These metrics must be adopted by the Board by rule and must be developed and promulgated in accordance with the following principles:

(1) The metrics must be developed in consultation with public institutions of higher education, as well as other State educational agencies and other higher education organizations, associations, interests, and stakeholders as deemed appropriate by the Board.

(2) The metrics shall include provisions for
recognizing the demands on and rewarding the performance of
institutions in advancing the success of students who are
academically or financially at risk, including
first-generation students, low-income students, and
students traditionally underrepresented in higher
education, as specified in Section 9.16 of this Act.

(3) The metrics shall recognize and account for the
differentiated missions of institutions and sectors of
higher education.

(4) The metrics shall focus on the fundamental goal of
increasing completion of college courses, certificates,
and degrees. Performance metrics shall recognize the
unique and broad mission of public community colleges
through consideration of additional factors including, but
not limited to, enrollment, progress through key academic
milestones, transfer to a baccalaureate institution, and
degree completion.

(5) The metrics must be designed to maintain the
quality of degrees, certificates, courses, and programs.

In devising performance metrics, the Board may be guided by the
report of the Higher Education Finance Study Commission.

Each state supported institution within the application of
this Act must submit its plan for capital improvements of
non-instructional facilities to the Board for approval before
final commitments are made. Non-instructional uses shall
include but not be limited to dormitories, union buildings,
field houses, stadium, other recreational facilities and
parking lots. The Board shall determine whether or not any
project submitted for approval is consistent with the master
plan for higher education and with instructional buildings that
are provided for therein. If the project is found by a majority
of the Board not to be consistent, such capital improvement
shall not be constructed.

(Source: P.A. 89-4, eff. 1-1-96.)
AN ACT concerning education.

Be it enacted by the People of the State of Illinois, represented in the General Assembly:

Section 5. The Board of Higher Education Act is amended by changing Section 8 as follows:

(110 ILCS 205/8) (from Ch. 144, par. 188)

Sec. 8. The Board of Trustees of the University of Illinois, the Board of Trustees of Southern Illinois University, the Board of Trustees of Chicago State University, the Board of Trustees of Eastern Illinois University, the Board of Trustees of Governors State University, the Board of Trustees of Illinois State University, the Board of Trustees of Northern Illinois University, the Board of Trustees of Western Illinois University, and the Illinois Community College Board shall submit to the Board not later than the 15th day of November of each year its budget proposals for the operation and capital needs of the institutions under its governance or supervision for the ensuing fiscal year. Each budget proposal shall conform to the procedures developed by the Board in the design of an information system for State universities and colleges.

In order to maintain a cohesive system of higher education,
The Board, in the analysis of formulating the annual budget request, shall consider rates of tuition and fees at the state universities and colleges. The Board shall also consider the current and projected utilization of the total physical plant of each campus of a university or college in approving the capital budget for any new building or facility.

The Board of Higher Education shall submit to the Governor, to the General Assembly, and to the appropriate budget agencies of the Governor and General Assembly its analysis and recommendations on such budget proposals.

The Board is directed to form a broad-based group of individuals representing the Office of the Governor, the General Assembly, public institutions of higher education, State agencies, business and industry, statewide organizations representing faculty and staff, and others as the Board shall deem appropriate to devise a system for allocating State resources to public institutions of higher education based upon performance in achieving State goals related to student success and certificate and degree completion.

Beginning in Fiscal Year 2013, the Board of Higher Education budget recommendations to the Governor and the General Assembly shall include allocations to public institutions of higher education based upon performance metrics designed to promote and measure student success in degree and certificate completion. These metrics must be adopted by the Board by rule and must be developed and promulgated in accordance with the following principles:

(1) The metrics must be developed in consultation with public institutions of higher education, as well as other State educational agencies and other higher education organizations, associations, interests, and stakeholders as deemed appropriate by the Board.

(2) The metrics shall include provisions for...
recognizing the demands on and rewarding the performance of
institutions in advancing the success of students who are
academically or financially at risk, including
first-generation students, low-income students, and
students traditionally underrepresented in higher
education, as specified in Section 9.16 of this Act.

(3) The metrics shall recognize and account for the
differentiated missions of institutions and sectors of
higher education.

(4) The metrics shall focus on the fundamental goal of
increasing completion of college courses, certificates,
and degrees. Performance metrics shall recognize the
unique and broad mission of public community colleges
through consideration of additional factors including, but
not limited to, enrollment, progress through key academic
milestones, transfer to a baccalaureate institution, and
degree completion.

(5) The metrics must be designed to maintain the
quality of degrees, certificates, courses, and programs.

In devising performance metrics, the Board may be guided by the
report of the Higher Education Finance Study Commission.

Each state supported institution within the application of
this Act must submit its plan for capital improvements of
non-instructional facilities to the Board for approval before
final commitments are made. Non-instructional uses shall
include but not be limited to dormitories, union buildings,
field houses, stadium, other recreational facilities and
parking lots. The Board shall determine whether or not any
project submitted for approval is consistent with the master
plan for higher education and with instructional buildings that
are provided for therein. If the project is found by a majority
of the Board not to be consistent, such capital improvement
shall not be constructed.

(Source: P.A. 89-4, eff. 1-1-96.)
### SOUTHERN ILLINOIS UNIVERSITY CARBONDALE
### STATEMENT OF NET ASSETS
#### June 30, 2010

#### ASSETS

**Current Assets:**
- Cash and cash equivalents: $25,499,960
- Short-term investments: 10,736,085
- Unexpended appropriations: 275,528
- Reimbursement due from State Treasurer: 61,008,529
- Accounts receivable (net): 40,289,296
- Notes receivable (net): 2,061,090
- Accrued interest receivable: 91,260
- Unamortized bond issuance cost: 131,737
- Due to/due from other university funds: 2,571,611
- Due from related organizations: 2,883,549
- Inventories: 3,187,116
- Prepaid expenses and other assets: 120,430

**Total Current Assets:** 146,836,601

**Noncurrent Assets:**
- Long-term investments: 86,261,939
- Notes receivable (net): 14,481,921
- Unamortized bond issuance cost: 2,161,224
- Funds held by SIU Foundation: 1,727,526
- Investment in plant:
  - Land: 18,935,895
  - Buildings and improvements: 284,441,318
  - Construction in progress: 82,665,894
  - Historical treasures and works of art: 1,841,267
  - Intangible assets: 5,384,785
  - Equipment: 23,775,414
  - Library books: 9,294,047

**Total Noncurrent Assets:** 530,971,230

**TOTAL ASSETS:** 679,807,831

#### LIABILITIES

**Current Liabilities:**
- Accounts payable: 29,654,723
- Accrued interest payable: 1,665,254
- Accrued payroll: 6,494,848
- Deferred revenue: 31,950,941
- Liabilities under capitalized leases: 97,016
- Revenue bonds payable: 7,573,823
- Certificates of participation: 2,395,744
- Accrued compensated absences: 2,919,589
- Accrued liability for self-insurance: 866,112
- Due to related organizations: 4,022

**Total Current Liabilities:** 83,622,072

**Noncurrent Liabilities:**
- Accrued compensated absences: 35,561,882
- Accrued liability for self-insurance: 462,750
- Deferred revenue: 121,965
- Federal loan program contributions refundable: 14,860,118
- Liabilities under capitalized leases: 3,903
- Revenue bonds payable: 133,957,940
- Certificates of participation: 14,985,485
- Deposits held for University Related Organizations: 8,233,556
- Deposits held in custody for others: 586,077

**Total Noncurrent Liabilities:** 208,773,676

**TOTAL LIABILITIES:** 292,395,748

#### NET ASSETS

- Invested in capital assets, net of related debt: 283,250,661
- Restricted for:
  - Nonexpendable
    - Endowment: 1,522,479
    - Loans: 1,566,630
  - Expendable
    - 41,590,399
  - Unrestricted: 59,481,914

**TOTAL NET ASSETS:** $387,412,083
SOUTHERN ILLINOIS UNIVERSITY CARBONDALE
STatement of revenues, expenses and changes in net assets
For the Year Ended June 30, 2010

Revenues
Operating Revenues
Student Tuition and Fees (net of scholarship allowances of $26,085,590) $152,709,547
Federal grants and contracts 28,182,251
State of Illinois grants and contracts 26,250,586
Other government grants and contracts 6,612,379
Private grants and contracts 20,110,077
Sales and services of educational departments 58,094,658
Physicians and Surgeons 40,790,153
Auxiliary enterprises:
   Funded debt enterprises (net of scholarship allowances of $4,395,666) 57,475,068
   Other auxiliary enterprises 6,001,585
   Loan interest income 219,277
   Other operating revenues 927
   Total operating revenues 396,446,508

Expenses
Operating Expenses
   Educational and General
      Instruction 215,740,557
      Research 55,595,222
      Public service 41,541,475
      Academic support 133,039,105
      Student services 46,047,514
      Institutional support 39,400,115
      Operation and maintenance of plant 56,283,980
      Scholarships and fellowships 19,257,098
      Depreciation 22,577,606
   Auxiliary enterprises:
      Funded debt enterprises 55,693,124
      Other auxiliary enterprises 6,852,277
      Provision for doubtful notes receivable 240,220
      Loan cancellations 103,822
      Loan administrative expenses 68,007
      Total operating expenses 692,440,122

Operating income (loss) (295,993,614)

Nonoperating Revenues (Expenses)
State appropriations - General Revenue Fund 153,159,381
ARRA 11,560,283
Gifts and contributions 10,157,425
Investment income (net of investment expense) 4,595,331
Grants and contracts 28,815,694
Interest on capital asset-related debt (4,282,395)
Payments on behalf of the university 126,627,923
Accretion on bonds payable (678,567)
Other nonoperating revenues 1,263,700
Net nonoperating revenues 331,218,575
Income before other revenues, expenses, gains, or losses 35,224,961

Capital appropriations 953,780
Capital grants and gifts 848,861
Total other revenues 1,802,641
Increase in net assets 37,027,602

Net Assets
Net assets - beginning of year 350,384,481
Net assets - end of year $387,412,083
Southern Illinois University Carbondale  
Revenues and Expenses - Cash Basis  
For the Month Ended March 31  

<table>
<thead>
<tr>
<th>FY 2011</th>
<th>FY 2010</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Pooled Investments, Beginning of Fiscal Year</td>
<td>$58,450,450</td>
<td>$67,611,871</td>
</tr>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Revenues:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Student Tuition and Fees</td>
<td>138,585,013</td>
<td>135,393,133</td>
</tr>
<tr>
<td>Federal grants and contracts</td>
<td>23,014,551</td>
<td>21,328,798</td>
</tr>
<tr>
<td>State of Illinois grants and contracts</td>
<td>19,328,107</td>
<td>20,420,566</td>
</tr>
<tr>
<td>Other government grants and contracts</td>
<td>6,391,892</td>
<td>4,390,884</td>
</tr>
<tr>
<td>Private grants and contracts</td>
<td>13,199,484</td>
<td>15,705,928</td>
</tr>
<tr>
<td>Sales and services of educational departments</td>
<td>46,970,052</td>
<td>41,406,817</td>
</tr>
<tr>
<td>Physicians and Surgeons</td>
<td>30,633,230</td>
<td>32,949,033</td>
</tr>
<tr>
<td>Auxiliaries:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Funded debt enterprises</td>
<td>52,968,805</td>
<td>53,506,594</td>
</tr>
<tr>
<td>Other auxiliary enterprises</td>
<td>5,852,628</td>
<td>5,210,607</td>
</tr>
<tr>
<td><strong>Total Operating Revenues</strong></td>
<td>336,943,762</td>
<td>330,312,360</td>
</tr>
<tr>
<td><strong>EXPENSES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Expenses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Instruction</td>
<td>113,118,242</td>
<td>114,234,525</td>
</tr>
<tr>
<td>Research</td>
<td>35,749,955</td>
<td>35,179,883</td>
</tr>
<tr>
<td>Public service</td>
<td>27,542,831</td>
<td>27,856,714</td>
</tr>
<tr>
<td>Academic support</td>
<td>85,613,980</td>
<td>79,996,980</td>
</tr>
<tr>
<td>Student services</td>
<td>27,118,227</td>
<td>27,403,661</td>
</tr>
<tr>
<td>Institutional support</td>
<td>19,872,626</td>
<td>28,748,974</td>
</tr>
<tr>
<td>Operation and maintenance of plant</td>
<td>36,358,964</td>
<td>35,859,303</td>
</tr>
<tr>
<td>Scholarships and fellowships</td>
<td>37,562,178</td>
<td>32,936,663</td>
</tr>
<tr>
<td>Auxiliaries:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Funded debt enterprises</td>
<td>36,951,204</td>
<td>36,257,192</td>
</tr>
<tr>
<td>Other auxiliary enterprises</td>
<td>4,878,551</td>
<td>4,024,337</td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td>424,766,758</td>
<td>422,498,232</td>
</tr>
<tr>
<td><strong>Operating Loss</strong></td>
<td>(87,822,996)</td>
<td>(92,185,872)</td>
</tr>
<tr>
<td><strong>NONOPERATING REVENUES (EXPENSES)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State appropriations - General Revenue Fund</td>
<td>147,012,340</td>
<td>154,391,056</td>
</tr>
<tr>
<td>Gifts and contributions</td>
<td>5,817,472</td>
<td>5,417,194</td>
</tr>
<tr>
<td>Investment income</td>
<td>1,544,972</td>
<td>2,756,087</td>
</tr>
<tr>
<td>Grants and contracts - Pell and SEOG</td>
<td>28,872,546</td>
<td>25,103,953</td>
</tr>
<tr>
<td><strong>Net Nonoperating Revenues</strong></td>
<td>183,247,330</td>
<td>187,668,290</td>
</tr>
<tr>
<td><strong>ELIMINATIONS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers between other University accounts</td>
<td>(16,634,959)</td>
<td>(15,923,132)</td>
</tr>
<tr>
<td>Net activity in clearing and escrow accounts</td>
<td>(21,411,911)</td>
<td>(22,239,455)</td>
</tr>
<tr>
<td>Change in pooled investments</td>
<td>(8,100,722)</td>
<td>(13,853,060)</td>
</tr>
<tr>
<td><strong>Total Eliminations</strong></td>
<td>(46,147,592)</td>
<td>(52,015,647)</td>
</tr>
<tr>
<td>Change in cash and pooled investments - fiscal year to date</td>
<td>49,276,742</td>
<td>43,466,771</td>
</tr>
<tr>
<td><strong>Cash and Pooled Investments Balance, End of Period</strong></td>
<td>$107,727,192</td>
<td>$111,078,642</td>
</tr>
</tbody>
</table>

**Notes:**
This report is prepared on the cash basis and includes the following funds: state appropriated, service departments, general operating, auxiliary enterprises, and restricted for the Carbondale campus, including School of Medicine.
## The Higher Learning Commission 2010 Annual Institution Data Report

**Financial Data Worksheet for Public Institutions for FIVE YEARS of DATA**

### APPENDIX E

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Primary Reserve ratio calculation:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Institution unrestricted net assets</td>
<td>+ 32,626,666</td>
<td>59,481,914</td>
<td>40,403,636</td>
<td>36,365,502</td>
<td>21,270,659</td>
<td>3,605,416</td>
</tr>
<tr>
<td>Institution expendable restricted net assets</td>
<td>+ 33,591,171</td>
<td>28,886,120</td>
<td>33,586,511</td>
<td>38,936,250</td>
<td>37,236,591</td>
<td>30,177,955</td>
</tr>
<tr>
<td>C.U. unrestricted net assets</td>
<td>+ 32,988,588</td>
<td>26,266,254</td>
<td>18,125,652</td>
<td>34,019,660</td>
<td>42,021,100</td>
<td>40,010,272</td>
</tr>
<tr>
<td>C.U. net investment in plant</td>
<td>- 11,464,513</td>
<td>2,151,162</td>
<td>2,211,799</td>
<td>1,783,603</td>
<td>1,282,365</td>
<td>4,217,660</td>
</tr>
<tr>
<td><strong>Numerator-Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>133,219,097</td>
<td>148,157,297</td>
<td>129,029,247</td>
<td>161,559,900</td>
<td>158,418,149</td>
<td>115,518,906</td>
</tr>
<tr>
<td>Institution operating expenses</td>
<td>+ 611,768,509</td>
<td>694,571,865</td>
<td>644,775,025</td>
<td>607,608,150</td>
<td>561,376,570</td>
<td>550,510,935</td>
</tr>
<tr>
<td>Institution nonoperating expenses</td>
<td>+ 7,080,854</td>
<td>7,885,640</td>
<td>7,987,769</td>
<td>7,919,759</td>
<td>7,214,293</td>
<td>5,125,807</td>
</tr>
<tr>
<td>C.U. total expenses</td>
<td>+ 109,761,289</td>
<td>107,815,370</td>
<td>119,975,176</td>
<td>124,380,552</td>
<td>110,050,102</td>
<td>85,735,240</td>
</tr>
<tr>
<td><strong>Numerator-Total</strong></td>
<td>728,440,652</td>
<td>810,272,873</td>
<td>772,737,970</td>
<td>739,175,461</td>
<td>678,640,965</td>
<td>641,371,995</td>
</tr>
</tbody>
</table>

### Net Operating Revenue Ratio calc:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Institution operating income (loss)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C.U. change in unrestricted net assets</td>
<td>- (2,121,159)</td>
<td>8,140,602</td>
<td>(15,894,008)</td>
<td>(8,001,440)</td>
<td>2,010,826</td>
<td>3,157,275</td>
</tr>
<tr>
<td>Elimination of inter-entity amounts</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Numerator-Total</strong></td>
<td>22,069,334</td>
<td>40,407,572</td>
<td>(13,002,810)</td>
<td>20,428,755</td>
<td>48,652,330</td>
<td>13,970,813</td>
</tr>
<tr>
<td>Institution operating revenues</td>
<td>+ 347,386,907</td>
<td>360,466,508</td>
<td>365,606,013</td>
<td>350,056,572</td>
<td>316,681,623</td>
<td>308,190,121</td>
</tr>
<tr>
<td>Institution nonoperating revenues</td>
<td>+ 255,695,347</td>
<td>338,248,987</td>
<td>290,186,879</td>
<td>293,172,532</td>
<td>296,590,645</td>
<td>258,279,710</td>
</tr>
<tr>
<td>C.U. total unrestricted revenues</td>
<td>+ 86,707,803</td>
<td>94,359,782</td>
<td>89,355,228</td>
<td>83,172,294</td>
<td>51,572,010</td>
<td>28,642,715</td>
</tr>
<tr>
<td>Elimination of inter-entity amounts</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Numerator-Total</strong></td>
<td>723,771,759</td>
<td>625,054,357</td>
<td>745,039,120</td>
<td>730,952,398</td>
<td>658,947,378</td>
<td>644,856,541</td>
</tr>
</tbody>
</table>

### Return on Net Assets ratio calculation:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in net assets plus C.U. change in net assets</td>
<td>27,250,219</td>
<td>48,951,750</td>
<td>(22,718,003)</td>
<td>18,326,477</td>
<td>63,366,042</td>
<td>28,324,810</td>
</tr>
<tr>
<td>Divided by total net assets + C.U. total net assets</td>
<td>447,683,840</td>
<td>468,206,389</td>
<td>495,061,633</td>
<td>476,735,126</td>
<td>413,369,064</td>
<td>385,044,271</td>
</tr>
</tbody>
</table>

### Return on Net Assets Ratio calc:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>0.065</td>
<td>3.240</td>
<td>0.66</td>
<td>0.195</td>
<td>5.228</td>
<td>0.20</td>
<td>1.05</td>
</tr>
</tbody>
</table>

### Viability Ratio Calculation:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Numerator-Expendable net assets</strong></td>
<td>114,268,298</td>
<td>146,137,229</td>
<td>125,009,247</td>
<td>161,510,980</td>
<td>159,416,120</td>
<td>115,148,342</td>
</tr>
<tr>
<td>Institution long-term debt (total project-related debt)</td>
<td>+ 130,662,249</td>
<td>162,086,555</td>
<td>169,292,740</td>
<td>122,038,150</td>
<td>119,611,608</td>
<td>125,282,194</td>
</tr>
<tr>
<td>C.U. long-term debt (total project-related debt)</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Denominator-Total Long-term debt (total project-related debt)</strong></td>
<td>139,662,249</td>
<td>162,086,555</td>
<td>169,292,740</td>
<td>122,038,150</td>
<td>119,611,608</td>
<td>125,282,194</td>
</tr>
</tbody>
</table>

### Viability Ratio calc:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.45</td>
<td>2.516</td>
<td>0.35</td>
<td>0.88</td>
<td>2.19</td>
<td>0.35</td>
<td>0.77</td>
</tr>
</tbody>
</table>
Southern Illinois University
Board of Trustees and
Officers of Administration
Fiscal Year 2010

BOARD OF TRUSTEES OF SOUTHERN ILLINOIS UNIVERSITY

Roger Tedrick, Chair
Ed Hightower, Vice Chair
John Simmons, Secretary
Frank William Bonan II
Nate Brown
Keith Sanders
Amber Suggs
Stephen Wigginton
Marquita Wiley

Mt. Vernon
Edwardsville
East Alton
Harrisburg
Carbondale
Spring Grove
Edwardsville
Belleville

OFFICERS OF SOUTHERN ILLINOIS UNIVERSITY

Glenn Poshard, President
Jerry Blakemore, Vice President and General Counsel
Paul Sarvela, Vice President, Academic Affairs
Duane Stucky, Senior Vice President, Financial and Administrative Affairs, and Board Treasurer
Misty Whittington, Executive Secretary of the Board

OFFICERS OF ADMINISTRATION, SOUTHERN ILLINOIS UNIVERSITY

CARBONDALE

Rita Cheng, Chancellor
Don S. Rice, Interim Provost and Vice Chancellor
J. Kevin Dorsey, Dean and Provost, School of Medicine
Kevin D. Bame, Vice Chancellor for Administration and Finance
Larry H. Dietz, Vice Chancellor for Student Affairs
John A. Koropchak, Vice Chancellor for Research and Graduate Dean
Rickey N. McCurry, Vice Chancellor for Institutional Advancement

EDWARDSVILLE

Vaughn Vandegrift, Chancellor
Paul W. Ferguson, Provost and Vice Chancellor for Academic Affairs
Narbeth Emmanuel, Vice Chancellor for Student Affairs
Patrick Hundley, Vice Chancellor for University Relations
Kenneth Neher, Vice Chancellor for Administration
# Southern Illinois University

**Annual Financial Report**

Fiscal Year 2010

## Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treasurer’s Letter</td>
<td>1</td>
</tr>
<tr>
<td>Independent Auditors’ Report</td>
<td>2</td>
</tr>
<tr>
<td>Management’s Discussion and Analysis</td>
<td>4</td>
</tr>
<tr>
<td>Basic Financial Statements</td>
<td></td>
</tr>
<tr>
<td>Statement of Net Assets</td>
<td>10</td>
</tr>
<tr>
<td>Statement of Revenues, Expenses and Changes in Net Assets</td>
<td>11</td>
</tr>
<tr>
<td>Statement of Cash Flows</td>
<td>12</td>
</tr>
<tr>
<td>Notes to Financial Statements</td>
<td>14</td>
</tr>
<tr>
<td>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards</td>
<td>34</td>
</tr>
</tbody>
</table>
September 30, 2010

TO THE BOARD OF TRUSTEES  
OF SOUTHERN ILLINOIS UNIVERSITY

I am pleased to submit the annual financial report of Southern Illinois University for the year ended June 30, 2010.

The report consists of the Independent Auditors' Report, Management's Discussion and Analysis, the basic financial statements, and the notes to the financial statements of the University and its aggregate discretely presented component units. It presents the respective financial positions of the University and its component units and is intended for the use of administrative officers and other interested parties.

The financial statements of the University have been audited by Crowe Horwath LLP, Certified Public Accountants, for fiscal year 2010. As Special Assistant Auditors for the Auditor General, they have issued reports covering their audits of the compliance of the University with applicable state and federal laws and regulations and a report containing supplementary financial information and special data requested by the Auditor General. These reports are available at the Office of the Auditor General, State of Illinois.

In addition, the University has published under separate cover Treasurer's Reports to the Bondholders, which provide more detailed information on the University's revenue bond systems. These reports are available upon request from the Office of the President at Carbondale, Illinois.

Respectfully submitted,

Duane Stucky  
Board Treasurer  
DS/lap
Crowe Horwath

Independent Auditors' Report

Honorable William G. Holland
Auditor General, State of Illinois
and Board of Trustees
Southern Illinois University

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the business-type activities of Southern Illinois University ("the University") and its aggregate discretely presented component units, collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2010, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year comparative information has been derived from the University's 2009 financial statements and, in our report dated February 19, 2010 based on our audit and the reports of other auditors, we expressed an unqualified opinion on the respective financial statements of the business-type activities and the aggregate discretely presented component units. We did not audit the financial statements of the University's discretely presented component units (the "University Related Organizations"), as described in Note 1 of the financial statements as of and for the year ended June 30, 2010. Those statements were audited by other auditors whose report thereon has been provided to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the University Related Organizations, is based solely on the reports of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of two University Related Organizations, Southern Illinois University Carbondale Foundation and the Southern Illinois University Carbondale Alumni Association, were not audited in accordance with Government Auditing Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material aspects, the respective financial position of the University and the aggregate discretely presented component units as of June 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 25, 2011, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial
reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management’s discussion and analysis on pages 5 through 9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Crowe Horwath LLP

Springfield, Illinois
February 25, 2011
Southern Illinois University
Management’s Discussion and Analysis
For the Year Ended June 30, 2010

Introduction
The following discussion and analysis of the financial statements of Southern Illinois University (the “University”) provides an overview of the University’s financial activities for the year ended June 30, 2010. This discussion has been prepared by management and should be read in conjunction with the financial statements and related footnotes.

This discussion focuses on the financial activities of the University (the primary unit). The eight component units of the University consist of the following entities: the Southern Illinois University Foundation at Carbondale; the Southern Illinois University at Edwardsville Foundation; the Association of Alumni, Former Students and Friends of Southern Illinois University, Inc.; the Alumni Association of Southern Illinois University at Edwardsville; University Park at Edwardsville; Southern Illinois Research Park, Inc. at Carbondale; SIU Physicians and Surgeons, Inc., and The Partnership for a Connected Illinois. Complete financial statements for the component units may be obtained from each entity, and addresses are provided in Note 1 in the Notes to Financial Statements.

Using the financial statements
The University’s 2010 financial report includes three basic financial statements: the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows. The notes to the basic financial statements include additional details and should be included as part of any review or analysis. These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and provide information on the University as a whole.

FINANCIAL HIGHLIGHTS

Statement of Net Assets
The Statement of Net Assets includes all assets and liabilities using the accrual basis of accounting and presents the financial position of the University at the end of the fiscal year. The difference between total assets and total liabilities is net assets, which is one indicator of the current financial health of the University. The changes in the net assets that occur over time indicate improvements or deterioration in the University’s financial condition.

The following summarizes the University’s assets, liabilities and net assets at June 30, 2010 and 2009:

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2010</th>
<th>June 30, 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td>$254,145,530</td>
<td>$240,977,805</td>
</tr>
<tr>
<td>Capital assets, net</td>
<td>688,676,997</td>
<td>643,578,510</td>
</tr>
<tr>
<td>Other assets</td>
<td>119,343,174</td>
<td>121,786,644</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$1,062,165,701</td>
<td>$1,006,342,959</td>
</tr>
<tr>
<td>Liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td>143,538,405</td>
<td>131,778,840</td>
</tr>
<tr>
<td>Noncurrent liabilities</td>
<td>372,775,974</td>
<td>388,511,666</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>$516,314,379</td>
<td>$520,290,506</td>
</tr>
<tr>
<td>Net Assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invested in capital assets, net</td>
<td>387,680,620</td>
<td>363,782,383</td>
</tr>
<tr>
<td>Restricted - nonexpendable</td>
<td>3,083,109</td>
<td>3,131,934</td>
</tr>
<tr>
<td>Restricted - expendable</td>
<td>70,076,968</td>
<td>64,679,883</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>85,004,625</td>
<td>54,458,253</td>
</tr>
<tr>
<td>Total Net Assets</td>
<td>$545,851,322</td>
<td>$486,052,453</td>
</tr>
</tbody>
</table>
The University's financial position remained strong at June 30, 2010, with assets of $1,062,165,701 and liabilities of $516,314,379. Net assets, the difference between total assets and total liabilities, increased $59,798,869, or over 12%, compared to the previous year.

**Statement of Revenues, Expenses and Changes in Net Assets**

The Statement of Revenues, Expenses and Changes in Net Assets presents the results of the University's revenue and expense activity categorized as operating or nonoperating. All of the current year's revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

Operating revenues and expenses involve exchange transactions. In general, operating revenues include student tuition and fees which are net of scholarship allowances, most grants and contracts, auxiliary enterprises, and sales and services of educational departments. Operating expenses are those expenses incurred to carry out the mission of the University, and include educational and general program expenses, as well as auxiliary enterprises and depreciation.

Nonoperating revenues and expenses involve non-exchange transactions and include state appropriations, investment income, payments on behalf of the University, and gifts. State appropriations are mandated as nonoperating because they are provided by the legislature to the University without the legislature directly receiving commensurate goods and services for those revenues. Therefore, an operating loss will always result.

The following summarizes the University's financial activity for fiscal years 2010 and 2009:

<table>
<thead>
<tr>
<th></th>
<th>Year Ended June 30, 2010</th>
<th>Year Ended June 30, 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenues:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tuition and fees, net</td>
<td>$239,531,944</td>
<td>$218,099,378</td>
</tr>
<tr>
<td>Auxiliary enterprises</td>
<td>106,461,946</td>
<td>101,904,522</td>
</tr>
<tr>
<td>Grants and contracts</td>
<td>109,919,427</td>
<td>96,641,516</td>
</tr>
<tr>
<td>Other</td>
<td>112,230,592</td>
<td>109,113,830</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(577,813,136)</td>
<td>(909,841,565)</td>
</tr>
<tr>
<td>Operating loss</td>
<td>(409,660,227)</td>
<td>(384,082,319)</td>
</tr>
<tr>
<td>State appropriations</td>
<td>220,753,700</td>
<td>230,231,259</td>
</tr>
<tr>
<td>American Recovery &amp; Reinvestment Act of 2009</td>
<td>15,913,300</td>
<td>-</td>
</tr>
<tr>
<td>On-behalf payments</td>
<td>178,405,918</td>
<td>134,261,429</td>
</tr>
<tr>
<td>Other nonoperating revenues &amp; expenses, net</td>
<td>49,056,317</td>
<td>33,101,777</td>
</tr>
<tr>
<td>Income (loss) before other revenues</td>
<td>54,469,008</td>
<td>13,512,146</td>
</tr>
<tr>
<td>Other revenues</td>
<td>5,329,861</td>
<td>6,291,033</td>
</tr>
<tr>
<td>Increase in net assets</td>
<td>58,798,869</td>
<td>19,803,179</td>
</tr>
<tr>
<td>Net assets at beginning of year</td>
<td>486,052,453</td>
<td>486,052,453</td>
</tr>
<tr>
<td>Net assets at end of year</td>
<td>$545,851,322</td>
<td>$486,052,453</td>
</tr>
</tbody>
</table>

The Statement of Revenues, Expenses and Changes in Net Assets reflects a positive year with an increase in net assets for the year of $59.8 million. A significant portion of this increase is in the capital assets of the University, which increased over $23.9 million.
The following is a graphic illustration of revenues by source (both operating and nonoperating), which were used to fund the University's operating activities for the year ended June 30, 2010. The revenue from charges for tuition and fees is shown net of the scholarship allowance of $36,331,292. Student tuition and state appropriations are the primary source of funding for the University's academic programs. Other operating revenues consist primarily of income from sales and services of educational activities that includes conferences and seminars, investment income, and income from the Physicians and Surgeons practice plan.

REVENUES BY SOURCE:

Operating Expenses

A summary of the University's operating expenses by functional classification for the years ended June 30, 2010 and 2009 is as follows:

<table>
<thead>
<tr>
<th>Year Ended</th>
<th>Year Ended</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30, 2010</td>
<td>June 30, 2009</td>
</tr>
<tr>
<td>Instruction</td>
<td>$314,929,274</td>
</tr>
<tr>
<td>Research</td>
<td>64,467,684</td>
</tr>
<tr>
<td>Public service</td>
<td>63,662,792</td>
</tr>
<tr>
<td>Academic support</td>
<td>149,910,775</td>
</tr>
<tr>
<td>Student services</td>
<td>68,648,632</td>
</tr>
<tr>
<td>Institutional support</td>
<td>69,255,532</td>
</tr>
<tr>
<td>Operation and maintenance of plant</td>
<td>78,274,816</td>
</tr>
<tr>
<td>Scholarships and fellowships</td>
<td>31,618,117</td>
</tr>
<tr>
<td>Depreciation</td>
<td>40,542,476</td>
</tr>
<tr>
<td>Auxiliary enterprises</td>
<td>96,071,371</td>
</tr>
<tr>
<td>Other expenditures</td>
<td>431,667</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$977,813,136</strong></td>
</tr>
</tbody>
</table>

Operating expenses include $178,405,918 for health care and retirement costs paid on-behalf of University employees by the State of Illinois. These expenses have been allocated by function.
The following is a graphic illustration of operating expenses by function for the year ended June 30, 2010:

EXPENSES BY FUNCTION:

![Pie chart showing expenses by function]

Statement of Cash Flows

The Statement of Cash Flows provides additional information about the University's sources and uses of cash during the fiscal year. This statement helps users assess the University's ability to generate net cash flows, its ability to meet obligations as they come due, and its need for external financing.

<table>
<thead>
<tr>
<th>Description</th>
<th>Year Ended June 30, 2010</th>
<th>Year Ended June 30, 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash provided by (used in):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating activities</td>
<td>$ (236,229,643)</td>
<td>$ (253,296,015)</td>
</tr>
<tr>
<td>Noncapital financing activities</td>
<td>292,800,986</td>
<td>265,414,086</td>
</tr>
<tr>
<td>Capital and related financing activities</td>
<td>(100,613,717)</td>
<td>(39,921,083)</td>
</tr>
<tr>
<td>Investing activities</td>
<td>50,543,843</td>
<td>(23,783,168)</td>
</tr>
<tr>
<td>Net increase (decrease) in cash</td>
<td>6,501,469</td>
<td>(51,586,180)</td>
</tr>
<tr>
<td>Cash and cash equivalents, beginning of year</td>
<td>75,164,199</td>
<td>126,750,879</td>
</tr>
<tr>
<td>Cash and cash equivalents, end of year</td>
<td>$ 81,665,668</td>
<td>$ 75,164,199</td>
</tr>
</tbody>
</table>

For additional information regarding the detail behind the four categories summarized above, please refer to the Statement of Cash Flows.

Capital Asset and Debt Administration

At the end of fiscal year 2010, the University had $387,680,620 invested in capital assets, net of accumulated depreciation and related debt. Depreciation expense for the current year was $40,542,476, with accumulated depreciation of $740,692,411.

For additional information concerning the University's Capital Assets and Debt Administration, see Notes 6, 8, 9 and 10 in the Notes to Financial Statements.
Economic Outlook

On February 9, 2010, Moody's Investor Services revised the University's long-term credit rating to A3 from A1. This change was directly related to the State of Illinois' sizable budget deficit which has resulted in mounting unpaid obligations, including extensive state appropriation payment delays to all Illinois Public Universities. As of August 31, 2010, the State of Illinois owed Southern Illinois University almost $19 million of the Fiscal Year 2010 appropriations. In anticipation of continued State Appropriation delays, Southern Illinois University executed a $13.8 million line of credit as permitted by recently enacted Public Act 096-0909. As of August 31, 2010, the University has not drawn against the line of credit.

State appropriations represent 40% of total revenues and are the largest single source of revenue for the University. State operating appropriations for fiscal year 2010 were approved at $236.7 million, which included $15.9 million of federal stabilization funds provided by the American Recovery & Reinvestment Act of 2009. The fiscal year 2011 operating appropriation has been approved at $220.8 million, which represents a 6.7% decrease over the fiscal year 2010 appropriation level. The State continues to appropriate on-behalf payments for University employees' benefits, but in fiscal year 2003 began requiring the University to supplement the funding. In fiscal year 2010, the State's portion of the on-behalf payments equaled $178.4 million, a 33% increase over fiscal year 2009 funding, and the University contributed $7 million. The University will contribute $7 million toward employee health coverage in fiscal year 2011.

Funding from the State for fiscal year 2011 has been reduced to a level near the fiscal year 2006 funding level. Gaps in the operating budget have primarily been filled by increases in tuition and fees, which have increased from 19% of the University's revenues in fiscal year 2005 to 23% in fiscal year 2010. Over the past five years, Southern Illinois University has approved tuition increases at an average of 8% per year. However, fiscal year 2011 tuition was held at the prior year level due to concerns about student affordability. Student fees were increased 1.8% for full-time students at the Carbondale campus and 3.0% for full-time students at the Edwardsville campus.

Southern Illinois University continues to develop and expand its resource base by seeking more revenue opportunities from grants and contracts, sales and services of educational activities that include clinics, conferences and seminars, other self-supporting activities, and fund raising efforts. This is demonstrated in the fiscal year 2011 operating budget where projected increases in grants and contracts and sales and services revenues are estimated at 6.6%.

Enrollment has remained relatively flat over the past four years, with slight declines at the Carbondale campus offset by enrollment increases at the Edwardsville campus. The Fall 2010 enrollment at the Edwardsville campus was 14,133, an increase of 193 students; the highest enrollment in the school's history. Total enrollment at the Carbondale campus was 20,037, down 313 students.

The University is committed to strong fiscal stewardship of its resources and maintaining a sound financial position. To that end, University management establishes Institutional priorities that are linked to additional funding, sets funding guidelines for asset maintenance of facilities and equipment, and holds between 2% and 4% of State appropriated funds and tuition income as a contingency reserve for fiscal emergencies. Furthermore, SIU has implemented several cost saving measures such as a hiring freeze and cost restrictions on travel and purchases to help offset anticipated shortfalls in fiscal year 2011.

The University is not aware of any additional facts, decisions, or conditions that might be expected to have a significant effect on the financial position or results of operations during the next fiscal years beyond those unknown factors having a global effect on virtually all types of business operations.
Audited
Financial
Statements

Fiscal Year 2010
## Statement of Net Assets

**June 30, 2010 with Comparative Totals for 2009**

### ASSETS

<table>
<thead>
<tr>
<th></th>
<th>UNIVERSITY 2010</th>
<th>UNIVERSITY RELATED ORGANIZATIONS 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td><strong>$81,665,668</strong></td>
<td><strong>$75,164,199</strong></td>
</tr>
<tr>
<td>Short-term investments</td>
<td><strong>21,883,348</strong></td>
<td><strong>64,068,956</strong></td>
</tr>
<tr>
<td>Deposits with University</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Appropriations receivable from State of Illinois General Revenue</td>
<td><strong>275,549</strong></td>
<td><strong>258,991</strong></td>
</tr>
<tr>
<td>Reimbursement due from State Treasurer</td>
<td><strong>84,270,356</strong></td>
<td><strong>44,055,765</strong></td>
</tr>
<tr>
<td>Accounts receivable, net</td>
<td><strong>31,249,402</strong></td>
<td><strong>42,034,545</strong></td>
</tr>
<tr>
<td>Notes receivable, net</td>
<td><strong>3,472,210</strong></td>
<td><strong>3,484,421</strong></td>
</tr>
<tr>
<td>Accrued interest receivable</td>
<td><strong>181,078</strong></td>
<td><strong>251,333</strong></td>
</tr>
<tr>
<td>Due from related organizations</td>
<td><strong>3,110,654</strong></td>
<td><strong>4,235,266</strong></td>
</tr>
<tr>
<td>Inventories</td>
<td><strong>7,395,455</strong></td>
<td><strong>6,672,777</strong></td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td><strong>71,790</strong></td>
<td><strong>751,151</strong></td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td><strong>254,145,530</strong></td>
<td><strong>240,977,805</strong></td>
</tr>
</tbody>
</table>

| **Noncurrent Assets:** |                 |                                       |
| Cash and cash equivalents | - | -                                     |
| Long-term investments | **97,847,393** | **99,958,215**                        |
| Notes receivable, net | **15,377,693** | **15,615,052**                        |
| Prepaid expenses and other assets | **6,118,088** | **6,217,377**                         |
| Capital assets, not depreciated | **119,498,057** | **93,815,549**                      |
| Capital assets, net of depreciation | **569,178,940** | **459,762,961**                      |
| **Total Noncurrent Assets** | **808,022,173** | **765,362,174**                      |

| **TOTAL ASSETS** | **1,062,167,703** | **1,006,342,999** |

### LIABILITIES

<table>
<thead>
<tr>
<th></th>
<th>UNIVERSITY 2010</th>
<th>UNIVERSITY RELATED ORGANIZATIONS 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td><strong>38,571,249</strong></td>
<td><strong>36,718,481</strong></td>
</tr>
<tr>
<td>Notes payable</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Accrued interest payable</td>
<td><strong>3,047,515</strong></td>
<td><strong>3,008,418</strong></td>
</tr>
<tr>
<td>Accrued payroll</td>
<td><strong>9,317,627</strong></td>
<td><strong>8,826,561</strong></td>
</tr>
<tr>
<td>Accrued compensated absences</td>
<td><strong>3,709,319</strong></td>
<td><strong>3,712,664</strong></td>
</tr>
<tr>
<td>Revenue bonds payable</td>
<td><strong>13,972,630</strong></td>
<td><strong>13,130,215</strong></td>
</tr>
<tr>
<td>Certificates of participation</td>
<td><strong>2,871,092</strong></td>
<td><strong>2,766,366</strong></td>
</tr>
<tr>
<td>Liabilities under capitalized leases</td>
<td><strong>170,912</strong></td>
<td><strong>231,391</strong></td>
</tr>
<tr>
<td>Amortizable payable</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Accrued liability for self-insurance</td>
<td><strong>12,272,492</strong></td>
<td><strong>9,119,759</strong></td>
</tr>
<tr>
<td>Deposits held for University related organizations</td>
<td><strong>8,626,524</strong></td>
<td><strong>6,488,060</strong></td>
</tr>
<tr>
<td>Deposits held in custody for others</td>
<td><strong>753,879</strong></td>
<td><strong>1,022,527</strong></td>
</tr>
<tr>
<td>Deferred revenue</td>
<td><strong>48,079,981</strong></td>
<td><strong>48,336,363</strong></td>
</tr>
<tr>
<td>Housing deposits</td>
<td><strong>129,997</strong></td>
<td><strong>131,996</strong></td>
</tr>
<tr>
<td>Due to related organizations</td>
<td><strong>35,948</strong></td>
<td><strong>54,109</strong></td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td><strong>143,538,405</strong></td>
<td><strong>131,778,840</strong></td>
</tr>
</tbody>
</table>

| **Noncurrent Liabilities:** |                 |                                       |
| Notes payable | - | -                                     |
| Accrued compensated absences | **47,322,138** | **46,395,978**                        |
| Revenue bonds payable | **281,303,394** | **292,945,405**                      |
| Certificates of participation | **18,985,759** | **22,857,815**                       |
| Liabilities under capitalized leases | **63,410** | **186,185**                          |
| Amortizable payable | - | -                                     |
| Accrued liability for self-insurance | **6,556,958** | **8,388,969**                        |
| Federal loan program contributions refundable | **17,266,223** | **17,243,772**                      |
| Housing deposits | **158,153** | **161,529**                           |
| Other accrued liabilities | **231,965** | **244,207**                           |
| Deposits held in custody for others | - | -                                     |
| **Total Noncurrent Liabilities** | **372,775,974** | **388,311,646**                      |

| **TOTAL LIABILITIES** | **516,314,379** | **520,120,506** |

### NET ASSETS

<table>
<thead>
<tr>
<th></th>
<th>UNIVERSITY 2010</th>
<th>UNIVERSITY RELATED ORGANIZATIONS 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invested in capital assets, net of related debt</td>
<td><strong>387,680,620</strong></td>
<td><strong>363,762,380</strong></td>
</tr>
<tr>
<td>Restricted for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nonexpendable</td>
<td><strong>3,089,109</strong></td>
<td><strong>3,131,934</strong></td>
</tr>
<tr>
<td>Expendable</td>
<td><strong>70,076,968</strong></td>
<td><strong>64,679,883</strong></td>
</tr>
<tr>
<td>Unrestricted</td>
<td><strong>89,204,625</strong></td>
<td><strong>54,438,253</strong></td>
</tr>
<tr>
<td><strong>TOTAL NET ASSETS</strong></td>
<td><strong>$545,851,322</strong></td>
<td><strong>$486,052,453</strong></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of this statement.
## Statement of Revenues, Expenses and Changes in Net Assets

Year Ended June 30, 2010 with Comparative Totals for 2009

<table>
<thead>
<tr>
<th></th>
<th>UNIVERSITY</th>
<th>UNIVERSITY RELATED ORGANIZATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td>2010</td>
<td>2009</td>
</tr>
<tr>
<td>Operating Revenues:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Student tuition and fees (net of scholarship allowances of $16,331,292 for 2010; $29,580,347 for 2009)</td>
<td>$239,531,944</td>
<td>$218,099,378</td>
</tr>
<tr>
<td>Federal grants and contracts</td>
<td>45,223,278</td>
<td>35,619,459</td>
</tr>
<tr>
<td>State of Illinois grants and contracts</td>
<td>32,826,476</td>
<td>34,278,820</td>
</tr>
<tr>
<td>Other government grants and contracts</td>
<td>7,220,367</td>
<td>6,609,356</td>
</tr>
<tr>
<td>Private grants and contracts</td>
<td>24,649,306</td>
<td>20,133,801</td>
</tr>
<tr>
<td>Sales and services of educational departments</td>
<td>72,146,322</td>
<td>64,074,603</td>
</tr>
<tr>
<td>Physicians and Surgeons practice plan</td>
<td>40,790,153</td>
<td>44,735,198</td>
</tr>
<tr>
<td>Patient service revenue (net)</td>
<td>82,977,271</td>
<td>80,454,575</td>
</tr>
<tr>
<td>Funded debt enterprises (net of scholarship allowances of $6,257,656 for 2010; $5,268,687 for 2009)</td>
<td>97,528,468</td>
<td>91,405,999</td>
</tr>
<tr>
<td>Other auxiliary enterprises (net of scholarship allowances of $895,622 for 2010; $737,386 for 2009)</td>
<td>8,933,478</td>
<td>10,498,523</td>
</tr>
<tr>
<td>Loan interest Income</td>
<td>223,773</td>
<td>211,922</td>
</tr>
<tr>
<td>Other operating revenues</td>
<td>79,344</td>
<td>92,107</td>
</tr>
<tr>
<td>Total Operating Revenues</td>
<td>568,152,909</td>
<td>525,759,246</td>
</tr>
<tr>
<td><strong>EXPENSES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Expenses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Instruction</td>
<td>314,929,274</td>
<td>289,171,449</td>
</tr>
<tr>
<td>Research</td>
<td>64,467,684</td>
<td>59,664,796</td>
</tr>
<tr>
<td>Public service</td>
<td>63,662,792</td>
<td>59,803,014</td>
</tr>
<tr>
<td>Academic support</td>
<td>149,910,775</td>
<td>138,461,274</td>
</tr>
<tr>
<td>Student services</td>
<td>68,848,632</td>
<td>61,967,394</td>
</tr>
<tr>
<td>Institutional support</td>
<td>69,253,530</td>
<td>70,590,503</td>
</tr>
<tr>
<td>Operation and maintenance of plant</td>
<td>76,274,816</td>
<td>74,428,518</td>
</tr>
<tr>
<td>Scholarships and fellowships</td>
<td>31,611,176</td>
<td>28,323,067</td>
</tr>
<tr>
<td>Depreciation</td>
<td>40,341,476</td>
<td>38,504,959</td>
</tr>
<tr>
<td>Auxiliary enterprises:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Funded debt enterprises</td>
<td>86,214,616</td>
<td>79,573,412</td>
</tr>
<tr>
<td>Other auxiliary enterprises</td>
<td>9,856,755</td>
<td>10,958,773</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>431,667</td>
<td>394,405</td>
</tr>
<tr>
<td>Total Operating Expenses</td>
<td>977,813,136</td>
<td>909,841,565</td>
</tr>
<tr>
<td><strong>Operating Loss</strong></td>
<td>(409,660,227)</td>
<td>(384,082,319)</td>
</tr>
<tr>
<td><strong>NONOPERATING REVENUES [EXPENSES]</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State appropriations - General Revenue fund</td>
<td>220,753,700</td>
<td>230,231,259</td>
</tr>
<tr>
<td>American Recovery &amp; Reinvestment Act of 2009 funds</td>
<td>15,913,300</td>
<td>-</td>
</tr>
<tr>
<td>Gifts and contributions</td>
<td>10,435,456</td>
<td>7,481,542</td>
</tr>
<tr>
<td>Investment Income (loss)</td>
<td>185,396,396</td>
<td>17,854,787</td>
</tr>
<tr>
<td>Grants and contracts</td>
<td>43,218,693</td>
<td>32,154,907</td>
</tr>
<tr>
<td>Interest on capital asset-related debt</td>
<td>(9,615,262)</td>
<td>(26,870)</td>
</tr>
<tr>
<td>Accretion on bonds payable</td>
<td>(8,457,420)</td>
<td>(4,384,112)</td>
</tr>
<tr>
<td>University related organizations</td>
<td>(331,616)</td>
<td>(693,830)</td>
</tr>
<tr>
<td>Payments on behalf of the university</td>
<td>178,405,918</td>
<td>144,261,429</td>
</tr>
<tr>
<td>Other nonoperating revenues (expenses)</td>
<td>3,285,070</td>
<td>148,983</td>
</tr>
<tr>
<td><strong>Net Nonoperating Revenues [Expenses]</strong></td>
<td>464,129,295</td>
<td>397,594,466</td>
</tr>
<tr>
<td><strong>Income (Loss) Before Other Revenues</strong></td>
<td>(405,660,227)</td>
<td>(284,082,319)</td>
</tr>
<tr>
<td><strong>Other Revenues</strong></td>
<td>(8,443,265)</td>
<td>(24,679,542)</td>
</tr>
<tr>
<td>Capital state appropriations</td>
<td>2,588,997</td>
<td>1,401,328</td>
</tr>
<tr>
<td>Additions to permanent endowments</td>
<td>1,933</td>
<td>3,145,769</td>
</tr>
<tr>
<td>Capital grants and gifts</td>
<td>2,740,864</td>
<td>4,887,772</td>
</tr>
<tr>
<td><strong>Total Other Revenues</strong></td>
<td>5,329,861</td>
<td>6,291,033</td>
</tr>
<tr>
<td><strong>Increase (decrease) in Net Assets</strong></td>
<td>59,798,869</td>
<td>19,803,179</td>
</tr>
<tr>
<td><strong>NET ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net assets at beginning of year</td>
<td>486,052,453</td>
<td>466,249,274</td>
</tr>
<tr>
<td>Prior-period adjustment - SIUE Foundation, P&amp;S</td>
<td>-</td>
<td>(7,360,934)</td>
</tr>
<tr>
<td><strong>Net assets at beginning of year, as restated</strong></td>
<td>486,052,453</td>
<td>466,249,274</td>
</tr>
<tr>
<td><strong>Net assets at end of year</strong></td>
<td>$545,851,322</td>
<td>$486,052,453</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of this statement.
## Southern Illinois University

### Statement of Cash Flows

Year Ended June 30, 2010 with Comparative Totals for 2009

<table>
<thead>
<tr>
<th>Cash Flows from Operating Activities</th>
<th>UNIVERSITY</th>
<th>UNIVERSITY RELATED ORGANIZATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuition and fees</td>
<td>$ 245,140,790</td>
<td>$ 226,002,103</td>
</tr>
<tr>
<td>Grants and contracts</td>
<td>98,795,248</td>
<td>87,411,050</td>
</tr>
<tr>
<td>Sales and services of educational activities</td>
<td>69,732,554</td>
<td>58,998,259</td>
</tr>
<tr>
<td>Physicians and Surgeons</td>
<td>42,173,887</td>
<td>44,178,915</td>
</tr>
<tr>
<td>Auxiliary enterprise revenues:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Funded debt</td>
<td>(525,890,390)</td>
<td>(509,527,944)</td>
</tr>
<tr>
<td>Other auxiliary</td>
<td>9,677,238</td>
<td>11,279,013</td>
</tr>
<tr>
<td>Payments for employees salaries and benefits</td>
<td>(275,016,056)</td>
<td>(274,703,869)</td>
</tr>
<tr>
<td>Payments to suppliers</td>
<td>(71,101,800)</td>
<td>(57,786,108)</td>
</tr>
<tr>
<td>Loans issued to students</td>
<td>(2,154,379)</td>
<td>(2,236,708)</td>
</tr>
<tr>
<td>Interest earned on loans to students</td>
<td>194,621</td>
<td>167,213</td>
</tr>
<tr>
<td>Collection of loans from students</td>
<td>2,234,920</td>
<td>2,299,921</td>
</tr>
<tr>
<td>Patient service revenue</td>
<td>-</td>
<td>80,472,282</td>
</tr>
<tr>
<td>Other operating receipts</td>
<td>69,064,654</td>
<td>65,520,422</td>
</tr>
<tr>
<td><strong>Net cash used in operating activities</strong></td>
<td>(236,229,643)</td>
<td>(253,296,015)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash Flows from Noncapital Financing Activities</th>
<th>UNIVERSITY</th>
<th>UNIVERSITY RELATED ORGANIZATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>State appropriations - General Revenue Fund</td>
<td>220,737,141</td>
<td>230,080,041</td>
</tr>
<tr>
<td>ARRA State Fiscal Stabilization Fund</td>
<td>15,913,300</td>
<td>-</td>
</tr>
<tr>
<td>Direct lending receipts</td>
<td>221,770,116</td>
<td>194,371,762</td>
</tr>
<tr>
<td>Direct lending payments</td>
<td>(221,703,750)</td>
<td>(194,675,976)</td>
</tr>
<tr>
<td>Grants and contracts</td>
<td>43,218,693</td>
<td>31,154,908</td>
</tr>
<tr>
<td>Government advances for federal loan funds</td>
<td>(153,123)</td>
<td>54,376</td>
</tr>
<tr>
<td>Payments to annuitants</td>
<td>(226,482)</td>
<td>(491,136)</td>
</tr>
<tr>
<td>Other</td>
<td>(13,245,091)</td>
<td>(3,880,111)</td>
</tr>
<tr>
<td><strong>Gifts for other than capital purposes</strong></td>
<td>13,245,091</td>
<td>3,880,111</td>
</tr>
<tr>
<td><strong>Net cash provided by noncapital financing activities</strong></td>
<td>292,800,986</td>
<td>265,414,086</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash Flows from Capital and Related Financing Activities</th>
<th>UNIVERSITY</th>
<th>UNIVERSITY RELATED ORGANIZATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital appropriations</td>
<td>953,780</td>
<td>1,046,598</td>
</tr>
<tr>
<td>Capital gifts received</td>
<td>-</td>
<td>2,021,573</td>
</tr>
<tr>
<td>Capital grants</td>
<td>2,880,000</td>
<td>3,000,000</td>
</tr>
<tr>
<td>Payments received on capital financing leases</td>
<td>-</td>
<td>142,286</td>
</tr>
<tr>
<td>Sales of capital assets</td>
<td>18,000</td>
<td>67,537</td>
</tr>
<tr>
<td>Purchases of capital assets</td>
<td>(80,545,283)</td>
<td>(72,251,322)</td>
</tr>
<tr>
<td>Proceeds from capital debt</td>
<td>-</td>
<td>53,961,028</td>
</tr>
<tr>
<td>Other</td>
<td>3,866,066</td>
<td>(475,996)</td>
</tr>
<tr>
<td>Principal paid on capital debt</td>
<td>(15,960,000)</td>
<td>(15,485,000)</td>
</tr>
<tr>
<td>Interest paid on capital debt</td>
<td>(11,826,280)</td>
<td>(9,675,541)</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) capital and related financing activities</strong></td>
<td>(100,613,717)</td>
<td>(39,852,083)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash Flows from Investing Activities</th>
<th>UNIVERSITY</th>
<th>UNIVERSITY RELATED ORGANIZATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchases of investments</td>
<td>(47,330,116)</td>
<td>(70,446,829)</td>
</tr>
<tr>
<td>Proceeds from sales of investments and maturities</td>
<td>91,271,510</td>
<td>39,618,285</td>
</tr>
<tr>
<td>Investment income</td>
<td>6,602,449</td>
<td>7,045,376</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) investing activities</strong></td>
<td>50,543,843</td>
<td>(23,783,168)</td>
</tr>
<tr>
<td><strong>Net increase [decrease] in cash</strong></td>
<td>6,501,469</td>
<td>(51,586,180)</td>
</tr>
<tr>
<td>Cash and cash equivalents, beginning of the year</td>
<td>75,164,199</td>
<td>126,750,379</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents, end of the year</strong></td>
<td>$ 81,665,668</td>
<td>$ 75,164,199</td>
</tr>
</tbody>
</table>

12
## Southern Illinois University  
### Statement of Cash Flows  
#### Year Ended June 30, 2010 with Comparative Totals for 2009

**Reconciliation of Operating Loss to Net Cash Used in Operating Activities**

<table>
<thead>
<tr>
<th></th>
<th>UNIVERSITY</th>
<th>UNIVERSITY</th>
<th>RELATED ORGANIZATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
<td>2009</td>
<td>2010</td>
</tr>
<tr>
<td>Operating loss</td>
<td>$(409,660,227)</td>
<td>$(384,082,319)</td>
<td>$(8,843,255)</td>
</tr>
<tr>
<td>Adjustments to reconcile operating loss to net cash used in operating activities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>40,542,476</td>
<td>38,504,959</td>
<td>685,577</td>
</tr>
<tr>
<td>Amortization expense</td>
<td>-</td>
<td>-</td>
<td>357,126</td>
</tr>
<tr>
<td>Noncash grants to University</td>
<td>-</td>
<td>-</td>
<td>332,768</td>
</tr>
<tr>
<td>Noncash expenditures for the benefit of the University</td>
<td>-</td>
<td>-</td>
<td>240,202</td>
</tr>
<tr>
<td>Noncash contributions</td>
<td>-</td>
<td>-</td>
<td>767,123</td>
</tr>
<tr>
<td>Budget expended at University</td>
<td>(296,068)</td>
<td>(223,552)</td>
<td>-</td>
</tr>
<tr>
<td>Payments on behalf of the university</td>
<td>178,405,918</td>
<td>134,281,429</td>
<td>-</td>
</tr>
<tr>
<td>Change in assets and liabilities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable (net)</td>
<td>(7,492,649)</td>
<td>(6,892,255)</td>
<td>5,635,262</td>
</tr>
<tr>
<td>Inventories</td>
<td>(662,678)</td>
<td>(60,760)</td>
<td>-</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>26,893</td>
<td>75,070</td>
<td>(914)</td>
</tr>
<tr>
<td>Other assets</td>
<td>(792,818)</td>
<td>(44,795)</td>
<td>11,760</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>5,645,387</td>
<td>5,238,401</td>
<td>206,927</td>
</tr>
<tr>
<td>Accrued payroll</td>
<td>491,066</td>
<td>453,020</td>
<td>-</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>(1,655,435)</td>
<td>189,649</td>
<td>116,550</td>
</tr>
<tr>
<td>Compensated absences</td>
<td>767,495</td>
<td>1,135,711</td>
<td>-</td>
</tr>
<tr>
<td>Deposits held for others</td>
<td>(14,990)</td>
<td>1,930</td>
<td>(23,181)</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>1,095,787</td>
<td>2,048,658</td>
<td>26,668</td>
</tr>
<tr>
<td>Due to/from related organizations</td>
<td>(2,485,229)</td>
<td>(3,877,916)</td>
<td>(1,073,589)</td>
</tr>
<tr>
<td><strong>Net cash used in operating activities</strong></td>
<td>$(236,229,643)</td>
<td>$(253,206,015)</td>
<td>$(5,470,584)</td>
</tr>
</tbody>
</table>

**Noncash investing, capital and financing activities:**

<table>
<thead>
<tr>
<th></th>
<th>UNIVERSITY</th>
<th>UNIVERSITY</th>
<th>RELATED ORGANIZATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
<td>2009</td>
<td>2010</td>
</tr>
<tr>
<td>Payments on behalf of the university for fringe benefits</td>
<td>$178,405,918</td>
<td>$134,281,429</td>
<td>-</td>
</tr>
<tr>
<td>Accretion on bonds payable</td>
<td>4,457,420</td>
<td>4,384,112</td>
<td>-</td>
</tr>
<tr>
<td>Gifts in kind</td>
<td>1,189,189</td>
<td>3,868,407</td>
<td>1,382,256</td>
</tr>
<tr>
<td>Capital assets in accounts payable</td>
<td>12,097,802</td>
<td>15,792,569</td>
<td>-</td>
</tr>
<tr>
<td>Capital asset acquisition by CDB</td>
<td>2,588,997</td>
<td>1,401,328</td>
<td>-</td>
</tr>
<tr>
<td>Loss on disposals of capital assets</td>
<td>136,363</td>
<td>618,487</td>
<td>73,569</td>
</tr>
<tr>
<td>Other capital asset adjustments</td>
<td>72,450</td>
<td>(47,962)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net Interest capitalized</strong></td>
<td>2,490,645</td>
<td>1,064,327</td>
<td>-</td>
</tr>
</tbody>
</table>

*The accompanying notes are an integral part of this statement.*
Southern Illinois University

Notes to Financial Statements
June 30, 2010

1. The financial reporting entity and component unit disclosures

Southern Illinois University (the University), a component unit of the State of Illinois, conducts education, research, public service, and related activities principally at its two campuses. One is in Carbondale and includes the School of Medicine in Springfield. The other is in Edwardsville and includes the School of Dental Medicine in Alton and the East St. Louis Center. The governing body of the University is the Board of Trustees of Southern Illinois University (the Board). As required by accounting principles generally accepted in the United States of America, these financial statements present the financial position and financial activities of the University (the primary unit) and its component units as well as certain activities and expenditures funded by other State agencies on behalf of the University or its employees. The component units discussed below are included in the University's financial reporting entity because of the significance of their financial relationship with the University.

The University Related Organizations' column in the financial statements includes the financial data of the University's component units which consist of the following eight entities: the Southern Illinois University Foundation (at Carbondale) and the Southern Illinois University at Edwardsville Foundation (Foundations); The Association of Alumni, Former Students and Friends of Southern Illinois University, Incorporated, and The Alumni Association of Southern Illinois University at Edwardsville (Alumni Associations); University Park, Southern Illinois University at Edwardsville, Inc.; Southern Illinois Research Park, Inc., Carbondale; SIU Physicians & Surgeons, Inc.; and The Partnership for a Connected Illinois. The University's related organizations are reported in a separate column to emphasize that they are Illinois non-profit organizations legally separate from the University. These entities are University Related Organizations as defined under University Guidelines adopted by the State of Illinois Legislative Audit Commission in 1982 and amended in 1997.

The Foundations were formed for the purpose of providing fundraising and other assistance to the University in order to attract private gifts to support the University's education, research, and public service goals. In this capacity, the Foundations solicit, receive, hold, and administer gifts for the benefit of the University. Complete financial statements for the Foundations may be obtained by writing: Southern Illinois University Foundation (at Carbondale), MC 6805, 1235 Douglas, Carbondale, IL 62901-6805 and Southern Illinois University at Edwardsville Foundation, Edwardsville, IL 62026-1082.

The Alumni Associations were formed to promote the general welfare of the University and to encourage and stimulate interest among students, former students, and others in the University's programs. In this capacity, the Alumni Associations offer memberships to former students, conduct various activities for students and alumni, and publish periodicals for the benefit of the alumni. Complete financial statements for the Alumni Associations may be obtained by writing: The Association of Alumni, Former Students and Friends of Southern Illinois University, Incorporated, MC 6805, Colyer Hall, Carbondale, IL 62901-6809 and The Alumni Association of Southern Illinois University at Edwardsville, Southern Illinois University, Edwardsville, IL 62026-1031.

University Park, Southern Illinois University at Edwardsville, Inc. was formed for the purpose of providing such management, administrative, and other services as deemed essential to the operation and development of the University Park facility. Complete financial statements for the University Park may be obtained by writing: University Park, Southern Illinois University at Edwardsville, Inc., Southern Illinois University at Edwardsville, IL 62026-1333.

Southern Illinois Research Park, Inc. was formed to promote high technology and knowledge-based enterprise development within Carbondale and southern Illinois. Complete financial statements for the Research Park may be obtained by writing: Southern Illinois Research Park, 150 East Pleasant Hill Road, Carbondale, IL 62901-6891.

SIU Physicians & Surgeons, Inc., d/b/a SIU HealthCare, was formed to aid in the education and training of medical students, residents, fellows, and physicians for the delivery of cost-effective, high-quality patient care and the conduct of medical and other scientific investigations. Complete financial statements for SIU Physicians & Surgeons, Inc. may be obtained by writing: SIU Physicians & Surgeons, Inc., SIU School of Medicine, P.O. Box 15606, Springfield, IL 62794-9606.

The Partnership for a Connected Illinois (PCI) exists for the primary purpose to work in partnership with public and private entities to create a statewide environment amenable to the universal deployment and adoption of high-speed Internet services and information technology. Complete financial statements for the Partnership may be obtained by writing: Partnership for a Connected Illinois, Inc., 413 West Monroe, Springfield, IL 62704.
1. The Financial reporting entity and component unit disclosure (continued)

The University is a component unit of the State of Illinois for financial reporting purposes. The financial balances and activities included in these financial statements are, therefore, also included in the State's comprehensive annual financial report.

2. Significant accounting policies

University basis of presentation

The financial statements of the University have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The University has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The University has elected to not apply FASB pronouncements issued after the applicable date.

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation to pay has been incurred. All significant intra-agency transactions have been eliminated.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities; the disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The financial statements include prior year comparative information, which has been derived from the University's 2009 financial statements. Such information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the University's financial statements for the year ended June 30, 2009.

University Related Organizations basis of presentation

The financial statements of the Southern Illinois University at Edwardsville Foundation; the Alumni Association of Southern Illinois University at Edwardsville; University Park, Southern Illinois University at Edwardsville, Inc.; Southern Illinois Research Park, Inc., Carbondale; and SIU Physicians & Surgeons, Inc., comply with the Governmental Accounting Standards Board (GASB) presentation format as described above.

Beginning in fiscal year 2009, the Southern Illinois University Foundation (at Carbondale) and The Association of Alumni, Former Students and Friends of Southern Illinois University, Inc., follow Financial Accounting Standards Board (FASB) standards for financial statement presentation. The Partnership for a Connected Illinois, Inc. has also elected to follow FASB standards. Consequently, reclassifications have been made to convert their statements to the GASB format for inclusion in the University Related Organizations' column in the financial statements.

Cash and cash equivalents

Cash, deposits and cash equivalents of the University include bank accounts and investments with original maturities of ninety days or less at the time of purchase, primarily U.S. Treasury Bills and money market funds. The University classifies its investment in The Illinois Funds as a deposit for financial statement purposes.

Allowance for uncollectibles

The University provides allowances for uncollectible accounts and notes receivable based upon management's best estimate of uncollectible accounts and notes at the statement of net assets date, considering type, age, collection history of receivables, and any other factors as considered appropriate. The University's accounts receivable and notes receivable are reported net of allowances of $12,655,420 and $2,575,247, respectively, at June 30, 2010.

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market with the exception of the Textbook Rental Service at the Edwardsville campus. The rental books are recorded net of depreciation with the related expense reported as operating expense.
2. Significant accounting policies (continued)

**Capital assets**
Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. The University's capitalization policy for capital assets is as follows: infrastructure $1,000,000 or greater; buildings $100,000 or greater; intangible assets $100,000 or greater; site or building improvements $25,000 or greater; and equipment and library books $5,000 or greater. Renovations to buildings that significantly increase the value or extend the useful life of the asset are capitalized. Routine repairs and maintenance are charged to operating expense in the year incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 years for buildings, 20 years for infrastructure, 15 years for site or building improvements, and seven to 20 years for intangible assets. Vehicles and electronic data processing equipment are depreciated over five years. Other equipment and books are depreciated over seven years. Land, works of art, and historical treasures are not depreciated. The "following-month" prorate convention is used, in which no depreciation is recorded in the month of acquisition and an entire month of depreciation is recorded in the month of disposition.

**Revenue and expense recognition**
In accordance with GASB Statement No. 24, Accounting and Financial Reporting for Certain Grants and Other Financial Assistance, the University reported on-behalf payments of $178,405,918 for fiscal year 2010 for health care and retirement costs. These costs are reflected in the Statement of Revenues, Expenses and Changes in Net Assets as nonoperating revenues entitled "Payments on behalf of the University" and as operating expenses under the appropriate functional classifications.

Substantially all employees participate in group health insurance plans administered by the State of Illinois. The employer contributions to these plans for University employees paid from State appropriations and auxiliary enterprises are paid by the State on behalf of the University. On-behalf payments for health care costs totaled $107,143,151 for the year ended June 30, 2010. The employer contributions to these plans for employees paid from other University held funds are paid by the University. On-behalf-payments of $71,262,767 for the year ended June 30, 2010, were made for retirement costs.

**Classification of revenues and expenses**
The University has classified its revenues and expenses as either operating or nonoperating as follows:

Operating: Operating revenues and expenses include activities that have the characteristics of exchange transactions, such as student tuition and fees, sales and services of educational departments, sales and services of auxiliary enterprises, and most grants and contracts. The majority of the University's expenses are operating expenses.

Nonoperating: Nonoperating revenues and expenses include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other sources and uses that are defined as nonoperating by GASB Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting, and GASB Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, such as state appropriations, investment income, and federal student aid programs. Appropriations made to the University from the State of Illinois General Revenue Fund are recognized as nonoperating revenues in the year appropriated to the extent expended. Other nonoperating revenues and expenses include transactions relating to capital and financing activities, noncapital financing activities, and investing activities.

Tuition and fees are generally recognized as revenues as they are assessed. The portion of summer session tuition and fees applicable to the following fiscal year is deferred.

The University first applies restricted net assets when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Restricted grant revenues from external sources are recognized to the extent of related expenditures on the accrual basis.

**Compensated absences**
Accrued compensated absences for University personnel are charged to current funds based on earned but unused vacation and sick leave days including the University’s share of Social Security and Medicare taxes. At June 30, 2010, the University estimates $37,133,051 will be paid from state appropriated accounts funded by the State of Illinois General Revenue Fund and the income fund, and $13,898,406 from local funds in subsequent years for a combined total of $51,031,457.

**New Governmental Accounting Standards**
The Governmental Accounting Standards Board (GASB) has issued the following statements which are effective for periods beginning July 1, 2009, or later which may impact the University:
2. Significant accounting policies (continued)

Statement No. 51 – Accounting and Financial Reporting for Intangible Assets, provides guidance on the accounting for and reporting of intangible assets such as easements, computer software, water rights, timber rights, patents, and trademarks. The statement is effective for the period beginning July 1, 2009, but should be applied retroactively to intangible assets acquired since July 1, 1980. The University identifies and recognizes intangible assets as required by the statement.

Statement No. 53 – Accounting and Financial Reporting for Derivative Instruments, establishes the recognition, measurement and disclosure of information regarding derivative instruments entered into by state and local governments. The statement is effective for the period beginning July 1, 2009. It did not impact the University.

Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions, enhances the usefulness of fund balance information by providing clearer fund balance classifications and clarifies the existing governmental fund type definitions. The statement is effective for the period beginning July 1, 2010. It will not impact the University.

Statement No. 57 – OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, amends Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, to permit an agent employer that has an individual-employer OPEB plan with fewer than 100 total plan members to use the alternative measurement method. The Statement also amends a Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, requirement that a defined benefit OPEB plan obtain an actuarial valuation. The statement is effective for periods beginning after June 15, 2011. It will not impact the University.

Statement No. 58 – Accounting and Financial Reporting for Chapter 9 Bankruptcies, provides guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The statement is effective for reporting periods beginning after June 15, 2009. It did not impact the University.

Statement No. 59 – Financial Instruments Omnibus, updates and improves existing standards regarding financial reporting and disclosure requirement of certain financial instruments and external investment pools. The statement is effective for reporting beginning after June 15, 2010. The impact on the University will be reviewed.

3. Cash, deposits and cash equivalents

At June 30, 2010, the actual bank balances related to the deposits of the University amounted to $94,745,106; all such balances were covered by federal depository insurance or collateral held by an agent in the University's name.

Cash, deposits and cash equivalents at June 30, 2010, are as follows:

<table>
<thead>
<tr>
<th>UNIVERSITY:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 2,687,556</td>
</tr>
<tr>
<td>The Illinois Funds</td>
<td>78,978,112</td>
</tr>
<tr>
<td><strong>Total cash and cash equivalents</strong></td>
<td><strong>$ 81,665,668</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>UNIVERSITY RELATED ORGANIZATIONS:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total cash and cash equivalents</td>
<td>$ 6,688,591</td>
</tr>
</tbody>
</table>

4. Investments

University investment policy

It is University policy to invest funds in a manner which will provide investment returns and security consistent with good business practices, while meeting the daily cash flow demands of the University and conforming to all statutes governing the investments of funds. Funds are invested in accordance with the provisions of the Illinois Compiled Statutes, Chapter 30, Sections 235/0.01 – 235/8, the Public Funds Investment Act; the policies of the Board; and covenants provided from the University’s bond and certificate of participation issuance activities. The University’s Investment Policy authorizes the University to invest in securities of the United States of America, its agencies, and its instrumentalities; interest bearing savings accounts, certificates of deposit, interest bearing time deposits, and other direct obligations of any bank defined in the Illinois Banking Act; certain short term obligations of U.S. corporations rated in the highest three rating classification by at least two standard rating services provided such obligations do not mature in longer than 270 days from the time of purchase and the issuing entity has at least $500 million in assets (limited to 33 percent of the portfolio); money market mutual funds provided they are
4. Investments (continued)

comprised of only U.S. Treasuries, agencies and instrumentalities; Public Treasurer’s Investment Pool-State Treasurer’s Office; repurchase agreements of Government securities; and other specifically defined repurchase agreements.

The three basic objectives of the University’s investment policy are safety of invested funds; maintenance of sufficient liquidity to meet cash flow needs; and attainment of the maximum investment returns possible consistent with the first two objectives. The University insures the safety of its invested funds by limiting credit and interest rate risks. The University’s portfolio is structured to ensure that cash is available to meet anticipated demands. Additionally, since all possible cash demands cannot be anticipated, the portfolio consists largely of securities with active secondary or resale markets. The investment returns on the University’s portfolio is a priority after the safety and liquidity objectives have been met. Investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

University Investments

Investments are reported at fair value. The fair value is determined to be the amount, usually quoted market prices, at which financial instruments could be exchanged in a current transaction between willing partners. The investment with the Public Treasurer’s Investment Pool-State Treasurer’s Office is at fair value, which is the same value as the pool shares. State statutes require the Illinois Funds to comply with the Illinois Public Funds Investment Act (30 ILCS 235). Also, certain money market investments having a remaining maturity of one year or less at time of purchase and non-negotiable certificates of deposit with redemption terms that do not consider market rates are carried at amortized cost.

The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The University has pooled its operating cash for investment purposes to provide for efficiencies and economies in their management. Proceeds related to revenue bond and certificate of participation financing activities are pooled to the extent allowed under the covenants. Investment income earned on the operating cash and investments, including realized gains and losses resulting from the sale or other disposition of investments, is distributed on a quarterly basis to the pooled participants based upon their respective average balances over the prior three-month period.

Western Asset Management manages the external portfolio, and JPMorgan Chase keeps custody of these funds and assists in the accounting and reporting functions related to these investments. The funds are allocated into an Intermediate Maturity Portfolio.

Investment income net of realized and unrealized gains and losses on investments for the year ended June 30, 2010, are reflected below:

**UNIVERSITY:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest earnings and realized</td>
<td>$6,250,084</td>
</tr>
<tr>
<td>gain on investments</td>
<td></td>
</tr>
<tr>
<td>Unrealized loss on investments</td>
<td>(67,588)</td>
</tr>
<tr>
<td>Net investment income</td>
<td>$6,183,396</td>
</tr>
</tbody>
</table>

**UNIVERSITY RELATED ORGANIZATIONS:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest earnings and realized</td>
<td>$7,944,028</td>
</tr>
<tr>
<td>gain on investments</td>
<td></td>
</tr>
<tr>
<td>Unrealized gain on investments</td>
<td>9,910,759</td>
</tr>
<tr>
<td>Net investment income</td>
<td>$17,854,787</td>
</tr>
</tbody>
</table>

**University risk disclosures**

Credit risk: Credit risk is the risk of loss due to the failure of the security issuer or backer to meet promised interest or principal payments on required dates. Credit risk is mitigated by limiting investments to those specified in the Illinois Public Funds Investment Act, which prohibits investment in corporate bonds with maturity dates longer than 270 days from the date of purchase; pre-qualifying the financial institutions which are utilized; and diversifying the investment portfolio so that the failure of any one issue or backer will not place an undue financial burden on the University. U.S. Treasuries are federal government securities that do not require the disclosure of credit risk. The U.S. agencies Investments typically include the Government National Mortgage Association, the Federal Home Loan Mortgage Corporation, and the Federal Home Loan Bank, all of which are rated AAA. The Public Treasurer’s Investment Pool is also rated AAA.
4. Investments (continued)

Concentration of credit risk: The University's investment policy states that the portfolio should consist of a mix of various types of securities, issues and maturities. While the fund's asset allocation strategy provides diversification by fixed income sector, each portfolio within the sector is also broadly diversified by security type, issue and maturity.

Custodial credit risk: Custodial credit risk is the risk that when, in the event a financial institution or counterparty fails, the University would not be able to recover value of deposits, investments or collateral securities that are in the possession of an outside party. All of the University's investments are held in the University's name and are not subject to creditors of the custodial institution.

Interest rate risk: Interest rate risk is the risk that the market value of portfolio securities will fall or rise due to changes in general interest rates. Interest rate risk is mitigated by maintaining significant balances in cash equivalent and other short maturity investments and by establishing an asset allocation policy that is consistent with the expected cash flows of the University. The internally managed portfolio is managed in accordance with covenants provided from the University's debt issuance activities. The externally managed portfolio is typically allocated with a minimum of $40 million held in cash equivalents and $65 to $115 million held in the intermediate term portfolio. However, circumstances may occur that cause the allocations to temporarily fall outside the prescribed ranges.

Foreign currency risk: The University does not hold any foreign investments.

University Related Organizations Investments

As the investments of the University's two Foundations are considered material to the University's financial statements taken as a whole, the following disclosures are made:

Southern Illinois University Foundation (at Carbondale)

The Foundation financial statements follow Financial Accounting Standards Board (FASB) standards; therefore, the required disclosures differ from GASB requirements.

Investments are stated at fair value in accordance with SFAS No. 124, Accounting for Certain Investments Held by Not-for-Profit Organizations, and are recorded on the trade date. The fair value of all debt and equity securities with a readily determinable fair value are based on quotations obtained from national securities exchanges. The alternative investments (hedge funds, limited partnerships and other private equity) for which quoted market prices are not available, are carried at estimated fair market values as provided by the external general partners or investment managers and/or audited financial statements of the fund or partnership. Such values may be based on a variety of estimates and assumptions requiring various degrees of judgment and may be subject to volatility in market conditions and the possibility that their value could substantially change in the near term and/or be materially different than the values reported in the statement of financial position. Management of the Foundation believes that the carrying amounts of these financial instruments are a reasonable estimate of fair value. Realized gains and losses on sales of investments are determined on the specific identification basis.

Investment securities are exposed to various risks including, but not limited to, interest rate and market and credit risks. Due to the level of risks associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term. Because the hedge funds and limited partnerships are not readily marketable, their estimated fair value is subject to uncertainty and therefore may differ significantly from the values that would have been used had a ready market existed.

Life insurance policies are carried at net cash surrender value. Changes in fair value (realized and unrealized) are recorded in the statement of activities.

The Foundation measures fair value using a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an order transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The Foundation may use valuation techniques consistent with the market, income and cost approaches to measure fair value.

Custodial credit risk is the risk that, in the event of a bank failure, the Foundation's deposits may not be returned to the Foundation. The Foundation has a policy to require banks to collateralize balances over the FDIC insured amount. As of June 30, 2010, the entire amount of funds held at the banks were either insured or collateralized by pledged bank assets in the Foundation's name.
4. Investments (continued)

Southern Illinois University at Edwardsville Foundation

It is Foundation policy to invest funds in a manner which will provide investment returns and security consistent with good business practices, while meeting the daily cash flow demands of the Foundation. Funds are invested in accordance with the approved Board policy for Investments. The Foundation’s Investment policy authorizes the Foundation to invest in securities of the U.S. government or its agencies, banker’s acceptances, certificates of deposit, interest bearing savings accounts, interest bearing time deposits, and other direct obligations of any bank defined in the Illinois Banking Act. The Foundation’s policy also authorizes additional types of investments in corporate debt securities, open and closed end mutual funds, and common and preferred stocks subject to United States’ securities regulation and enforcement.

The Foundation has specific investment objectives based on the type of investment. For student assistance endowments and quasi-endowments, the main objective of the investment policy is maintenance of the purchasing power of the assets in perpetuity. For general endowments and quasi-endowments, the main objective is maximizing total return on assets. For charitable gift annuity funds, the main objective is to generate sufficient cash flow to meet the financial commitments to the annuitants while obtaining a total investment return that provides for a residual balance of at least 50 percent of the original gift amount at the termination of the agreement. The investment policy has an overall return objective to preserve the Inflation adjusted value of the funds and to maximize total return net of investment expense.

Credit risk: Credit risk is mitigated by limiting investments to those specified in the Board approved policy and diversifying the investment portfolio so that the failure of any one issuer or backer will not place an undue financial burden on the Foundation. Board policy requires investments in fixed income securities or corporate securities to be purchased or retained only if the security is A2 or higher by Moody’s Investor Service or is rated A or higher by Standard and Poor’s Corporation (S&P), Fitch Investors Service or Duff’s & Phelps Credit Rating Co. Commercial paper, money markets, and banker’s acceptances must be rated at least Prime-1 by Moody’s or at least A1 by S&P. U.S. Treasuries are federal government securities that do not require the disclosure of credit risk. The U.S. agencies investments include the Federal Home Loan Mortgage Corporation and the Federal Home Loan Bank, all rated AAA and Aaa by S&P and Moody’s, respectively.

Concentration of credit risk: Concentration of credit risk is the risk of loss attributable to the magnitude of investment in a single issuer. The Foundation’s investment policy encourages diversification and prohibits investments of five percent or more of total investments in any one issuer.

Custodial credit risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investments that are in the possession of an outside party. The investment custodians hold these investments in their name for the benefit of the Foundation. The Foundation’s investments are managed by three separate investment firms, each offering SIPC protection up to $500,000.

Interest rate risk: The Foundation does not maintain a policy that limits investment maturities in regards to interest rate risk; however, its overall risk management requires sound investment decisions and diversification of overall risk.

Foreign currency risk: The Foundation had no investment in common stocks of foreign companies at June 30, 2010. The Foundation’s policy related to foreign currency risk is that no purchase of a foreign equity may be made if such purchase would cause the total value of foreign equity assets to exceed the lesser of ten percent of the total or 25 percent of the equity portion of the endowment portfolio.

Investment policies and relevant risk disclosures as described in GASB Statement No. 40 applicable to the other University Related Organizations can be obtained by contacting those entities listed in Note 1 on page 14.
4. Investments (continued)

Investment maturities
Interest rate risk is disclosed below using the segmented time distribution method. As of June 30, 2010, the University and University Related Organizations had the following investment balances:

UNIVERSITY:

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Fair Value</th>
<th>Less Than 1</th>
<th>1-5</th>
<th>6-10</th>
<th>Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Treasuries</td>
<td>$50,965,296</td>
<td>$18,710,871</td>
<td>$23,927,379</td>
<td>$8,327,046</td>
<td>$-</td>
</tr>
<tr>
<td>U.S. Agencies</td>
<td>68,701,145</td>
<td>3,152,477</td>
<td>49,267,463</td>
<td>16,281,205</td>
<td>$-</td>
</tr>
<tr>
<td>The Illinois Funds</td>
<td>78,978,112</td>
<td>78,978,112</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Common Stock</td>
<td>44,300</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$44,300</td>
</tr>
<tr>
<td>Subtotal</td>
<td>198,688,853</td>
<td>$100,841,460</td>
<td>$73,194,842</td>
<td>$24,608,251</td>
<td>$44,300</td>
</tr>
<tr>
<td>Less: Investment in The Illinois Funds reported as cash</td>
<td>(78,978,112)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Investments</td>
<td>$119,710,741</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

UNIVERSITY RELATED ORGANIZATIONS:

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Fair Value</th>
<th>Less Than 1</th>
<th>1-5</th>
<th>6-10</th>
<th>More Than 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Agencies</td>
<td>155,381</td>
<td>$-</td>
<td>$155,381</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Certificates of Deposit</td>
<td>10,298,904</td>
<td>2,416,863</td>
<td>7,882,041</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Commercial paper</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Foreign Equity Securities</td>
<td>14,831,025</td>
<td>14,831,025</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Corporate Equity Securities</td>
<td>125,494</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>125,494</td>
</tr>
<tr>
<td>Hedge Funds</td>
<td>5,164,777</td>
<td>5,164,777</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Real Estate Investment Trust</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Private Equity</td>
<td>2,915,359</td>
<td>1,263,592</td>
<td>1,651,767</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Money Market Funds with Brokers</td>
<td>1,789,426</td>
<td>1,789,426</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mutual Funds</td>
<td>104,897,539</td>
<td>104,897,539</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Investments</td>
<td>$140,177,905</td>
<td>$130,363,222</td>
<td>$9,689,189</td>
<td>$-</td>
<td>$125,494</td>
</tr>
</tbody>
</table>
5. Accounts and notes receivable

Accounts and notes receivable consisted of the following at June 30, 2010:

**UNIVERSITY:**

<table>
<thead>
<tr>
<th>Accounts Receivable</th>
<th>Notes Receivable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student tuition and fees</td>
<td>$14,090,112</td>
</tr>
<tr>
<td>Auxiliary enterprises</td>
<td>$9,349,550</td>
</tr>
<tr>
<td>Grants and contracts</td>
<td>$22,899,212</td>
</tr>
<tr>
<td>General operating</td>
<td>$16,397,267</td>
</tr>
<tr>
<td>Student loans</td>
<td>$73,322</td>
</tr>
<tr>
<td>Plant funds</td>
<td>$44,916</td>
</tr>
<tr>
<td>Other accounts receivable</td>
<td>$3,650,443</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$63,904,822</td>
</tr>
<tr>
<td>Less: Allowance for doubtful accounts</td>
<td>$(12,655,420)</td>
</tr>
<tr>
<td>Net receivable</td>
<td>$51,249,402</td>
</tr>
</tbody>
</table>

**UNIVERSITY RELATED ORGANIZATIONS:**

<table>
<thead>
<tr>
<th>Accounts Receivable</th>
<th>Notes Receivable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts receivable</td>
<td>$47,413,930</td>
</tr>
<tr>
<td>Student loans</td>
<td>$47,413,930</td>
</tr>
<tr>
<td>Less: Allowances for assignment losses and doubtful accounts</td>
<td>$(32,359,287)</td>
</tr>
<tr>
<td>Net receivable</td>
<td>$15,054,643</td>
</tr>
</tbody>
</table>

During fiscal year 2003, Southern Illinois University entered into a contract for deed agreement with Equipping the Saints Ministry, International, Inc. for the sale of the Auburn Clinic building in Auburn, Illinois. The contract is in the amount of $240,000 at an interest rate of 4%, to be paid over a term of ten years in eighteen semi-annual installments of $9,000, including interest, beginning June 19, 2003, with a final installment of $124,790 due on December 19, 2011. A down payment of $24,000 was paid upon signing of the contract. As of June 30, 2010, the outstanding balance of the note was $153,231.
6. Capital assets

Capital asset activity for the year ended June 30, 2010, was as follows:

**UNIVERSITY:**

<table>
<thead>
<tr>
<th></th>
<th>Beginning Balance</th>
<th>Additions</th>
<th>Deletions</th>
<th>Transfers</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital assets not being depreciated:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>$21,544,339</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$21,544,339</td>
</tr>
<tr>
<td>Nondepreciable historical treasures and works of art</td>
<td>9,518,111</td>
<td>755,850</td>
<td></td>
<td></td>
<td>10,273,961</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>62,753,099</td>
<td>61,155,287</td>
<td>919,080</td>
<td>(35,309,549)</td>
<td>87,679,757</td>
</tr>
<tr>
<td><strong>Total capital assets not being depreciated</strong></td>
<td>$93,815,549</td>
<td>61,911,137</td>
<td>919,080</td>
<td>(35,309,549)</td>
<td>119,498,057</td>
</tr>
<tr>
<td>Capital assets being depreciated:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Site Improvements</td>
<td>52,218,198</td>
<td>1,507,589</td>
<td></td>
<td></td>
<td>59,671,889</td>
</tr>
<tr>
<td>Buildings</td>
<td>875,807,438</td>
<td>10,451,687</td>
<td>503,126</td>
<td>28,610,032</td>
<td>914,366,031</td>
</tr>
<tr>
<td>Equipment</td>
<td>317,818,011</td>
<td>13,058,026</td>
<td>4,424,585</td>
<td>(6,131,345)</td>
<td>320,320,107</td>
</tr>
<tr>
<td>Intangible assets</td>
<td></td>
<td>20,837</td>
<td></td>
<td></td>
<td>6,905,597</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>8,607,727</td>
<td></td>
<td></td>
<td></td>
<td>8,607,727</td>
</tr>
<tr>
<td><strong>Total capital assets being depreciated</strong></td>
<td>$1,254,451,374</td>
<td>25,038,139</td>
<td>4,927,711</td>
<td>(35,309,549)</td>
<td>1,309,871,351</td>
</tr>
<tr>
<td>Less accumulated depreciation for:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Site Improvements</td>
<td>34,401,643</td>
<td>1,795,803</td>
<td>97</td>
<td></td>
<td>36,197,349</td>
</tr>
<tr>
<td>Buildings</td>
<td>407,697,430</td>
<td>21,477,996</td>
<td>378,369</td>
<td></td>
<td>428,797,057</td>
</tr>
<tr>
<td>Equipment</td>
<td>253,981,613</td>
<td>4,160,012</td>
<td>(230,885)</td>
<td></td>
<td>266,106,569</td>
</tr>
<tr>
<td>Intangible assets</td>
<td></td>
<td>732,824</td>
<td></td>
<td></td>
<td>983,709</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>8,607,727</td>
<td></td>
<td></td>
<td></td>
<td>8,607,727</td>
</tr>
<tr>
<td><strong>Total accumulated depreciation</strong></td>
<td>$704,888,413</td>
<td>40,542,476</td>
<td>4,538,478</td>
<td></td>
<td>740,921,411</td>
</tr>
<tr>
<td>Total capital assets being depreciated, net</td>
<td>$549,762,961</td>
<td>(15,504,337)</td>
<td>389,233</td>
<td>35,309,549</td>
<td>569,178,940</td>
</tr>
<tr>
<td>Capital assets, net</td>
<td>$643,578,510</td>
<td>$46,406,800</td>
<td>$1,308,313</td>
<td></td>
<td>$688,676,997</td>
</tr>
</tbody>
</table>

**UNIVERSITY RELATED ORGANIZATIONS:**

<table>
<thead>
<tr>
<th></th>
<th>Beginning Balance</th>
<th>Additions</th>
<th>Deletions</th>
<th>Transfers</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital assets not being depreciated:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>$315,672</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$315,672</td>
</tr>
<tr>
<td><strong>Total capital assets not being depreciated</strong></td>
<td>$315,672</td>
<td></td>
<td></td>
<td></td>
<td>$315,672</td>
</tr>
<tr>
<td>Capital assets being depreciated:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Site Improvements</td>
<td>315,630</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>315,630</td>
</tr>
<tr>
<td>Buildings</td>
<td>4,271,676</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>4,271,676</td>
</tr>
<tr>
<td>Equipment</td>
<td>4,008,054</td>
<td>295,948</td>
<td>132,491</td>
<td></td>
<td>4,171,511</td>
</tr>
<tr>
<td><strong>Total capital assets being depreciated</strong></td>
<td>$8,595,360</td>
<td>295,948</td>
<td>132,491</td>
<td></td>
<td>8,758,817</td>
</tr>
<tr>
<td>Less accumulated depreciation for:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Site Improvements</td>
<td>108,158</td>
<td>31,401</td>
<td>$-</td>
<td>$-</td>
<td>139,559</td>
</tr>
<tr>
<td>Buildings</td>
<td>755,313</td>
<td>120,146</td>
<td>$-</td>
<td>$-</td>
<td>755,313</td>
</tr>
<tr>
<td>Equipment</td>
<td>1,766,216</td>
<td>58,898</td>
<td></td>
<td></td>
<td>2,241,348</td>
</tr>
<tr>
<td><strong>Total accumulated depreciation</strong></td>
<td>$2,549,687</td>
<td>58,898</td>
<td></td>
<td></td>
<td>2,608,585</td>
</tr>
<tr>
<td>Total capital assets being depreciated, net</td>
<td>$6,045,673</td>
<td>(389,629)</td>
<td>73,593</td>
<td></td>
<td>5,582,451</td>
</tr>
<tr>
<td>Capital assets, net</td>
<td>$6,361,345</td>
<td>(389,629)</td>
<td>73,593</td>
<td></td>
<td>$5,898,123</td>
</tr>
</tbody>
</table>
7. Changes in liabilities

Liability activity for the year ended June 30, 2010, is as follows:

**UNIVERSITY:**

<table>
<thead>
<tr>
<th>Liability Type</th>
<th>Beginning Balance</th>
<th>Additions</th>
<th>Reductions</th>
<th>Ending Balance</th>
<th>Current Portion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensated absences</td>
<td>$50,103,042</td>
<td>$4,151,523</td>
<td>$3,223,108</td>
<td>$51,031,457</td>
<td>$3,705,319</td>
</tr>
<tr>
<td>Revenue bonds payable</td>
<td>306,079,620</td>
<td>4,457,420</td>
<td>13,264,016</td>
<td>297,273,024</td>
<td>15,972,630</td>
</tr>
<tr>
<td>Certificates of participation</td>
<td>25,624,191</td>
<td>-</td>
<td>2,766,366</td>
<td>22,857,825</td>
<td>2,871,092</td>
</tr>
<tr>
<td>Capitalized leases</td>
<td>417,516</td>
<td>100,700</td>
<td>284,494</td>
<td>233,722</td>
<td>170,312</td>
</tr>
<tr>
<td>Self-insurance</td>
<td>17,727,828</td>
<td>18,111,678</td>
<td>17,010,116</td>
<td>18,829,390</td>
<td>12,272,432</td>
</tr>
<tr>
<td>Revenue bonds payable</td>
<td>306,079,620</td>
<td>4,457,420</td>
<td>13,264,016</td>
<td>297,273,024</td>
<td>15,972,630</td>
</tr>
<tr>
<td>Certificates of participation</td>
<td>25,624,191</td>
<td>-</td>
<td>2,766,366</td>
<td>22,857,825</td>
<td>2,871,092</td>
</tr>
<tr>
<td>Capitalized leases</td>
<td>417,516</td>
<td>100,700</td>
<td>284,494</td>
<td>233,722</td>
<td>170,312</td>
</tr>
<tr>
<td>Self-insurance</td>
<td>17,727,828</td>
<td>18,111,678</td>
<td>17,010,116</td>
<td>18,829,390</td>
<td>12,272,432</td>
</tr>
<tr>
<td>Federal loan programs refundable</td>
<td>17,243,772</td>
<td>22,451</td>
<td>-</td>
<td>17,266,223</td>
<td>-</td>
</tr>
<tr>
<td>Due to related organizations</td>
<td>54,109</td>
<td>-</td>
<td>18,161</td>
<td>35,948</td>
<td>35,948</td>
</tr>
<tr>
<td>Other accrued liabilities</td>
<td>347,703</td>
<td>-</td>
<td>12,738</td>
<td>325,965</td>
<td>-</td>
</tr>
<tr>
<td>Housing deposits</td>
<td>293,325</td>
<td>160,894</td>
<td>166,669</td>
<td>287,550</td>
<td>129,397</td>
</tr>
<tr>
<td>Total long-term liabilities</td>
<td>$417,678,106</td>
<td>$27,004,666</td>
<td>$36,745,668</td>
<td>$407,937,104</td>
<td>$35,161,130</td>
</tr>
</tbody>
</table>

**UNIVERSITY RELATED ORGANIZATIONS:**

<table>
<thead>
<tr>
<th>Liability Type</th>
<th>Beginning Balance</th>
<th>Additions</th>
<th>Reductions</th>
<th>Ending Balance</th>
<th>Current Portion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Notes payable</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Annuities payable</td>
<td>4,512,458</td>
<td>548,226</td>
<td>591,777</td>
<td>4,468,907</td>
<td>591,777</td>
</tr>
<tr>
<td>Other accrued liabilities</td>
<td>2,387,206</td>
<td>32,554</td>
<td>-</td>
<td>2,419,760</td>
<td>-</td>
</tr>
<tr>
<td>Deposits held in custody for others</td>
<td>2,984,316</td>
<td>197,833</td>
<td>1,208,772</td>
<td>1,973,377</td>
<td>61,746</td>
</tr>
<tr>
<td>Total long-term liabilities</td>
<td>$10,983,980</td>
<td>778,613</td>
<td>2,900,549</td>
<td>8,862,044</td>
<td>653,523</td>
</tr>
</tbody>
</table>

8. Revenue bonds payable

Revenue bonds payable activity for the year ended June 30, 2010, is as follows:

**UNIVERSITY:**

<table>
<thead>
<tr>
<th>Series</th>
<th>Annual Maturity To</th>
<th>Beginning Balance</th>
<th>Accretion/ New Debt</th>
<th>Principal Paid/Debt Refunded</th>
<th>Ending Balance</th>
<th>Current Portion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993A</td>
<td>2018</td>
<td>$21,732,313</td>
<td>$1,412,623</td>
<td>-</td>
<td>$24,144,934</td>
<td>$3,435,000</td>
</tr>
<tr>
<td>1997A</td>
<td>2018</td>
<td>$21,309,052</td>
<td>1,163,984</td>
<td>3,075,000</td>
<td>19,398,036</td>
<td>3,125,000</td>
</tr>
<tr>
<td>1999A</td>
<td>2029</td>
<td>$38,729,543</td>
<td>1,880,813</td>
<td>370,000</td>
<td>35,240,356</td>
<td>390,000</td>
</tr>
<tr>
<td>2000A</td>
<td>2010</td>
<td>310,000</td>
<td>-</td>
<td>310,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2001A</td>
<td>2017</td>
<td>7,560,000</td>
<td>-</td>
<td>1,390,000</td>
<td>6,170,000</td>
<td>1,455,000</td>
</tr>
<tr>
<td>2003A</td>
<td>2029</td>
<td>10,675,000</td>
<td>-</td>
<td>3,445,000</td>
<td>7,230,000</td>
<td>255,000</td>
</tr>
<tr>
<td>2004A</td>
<td>2035</td>
<td>37,800,000</td>
<td>-</td>
<td>895,000</td>
<td>36,905,000</td>
<td>920,000</td>
</tr>
<tr>
<td>2005</td>
<td>2026</td>
<td>18,800,000</td>
<td>-</td>
<td>765,000</td>
<td>18,035,000</td>
<td>825,000</td>
</tr>
<tr>
<td>2006A</td>
<td>2036</td>
<td>65,295,000</td>
<td>-</td>
<td>2,430,000</td>
<td>62,865,000</td>
<td>2,850,000</td>
</tr>
<tr>
<td>2008A</td>
<td>2028</td>
<td>29,600,000</td>
<td>-</td>
<td>510,000</td>
<td>29,090,000</td>
<td>845,000</td>
</tr>
<tr>
<td>2009A</td>
<td>2030</td>
<td>$33,735,000</td>
<td>-</td>
<td>-</td>
<td>$33,735,000</td>
<td>2,020,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$301,655,906</td>
<td>$4,457,420</td>
<td>$13,190,000</td>
<td>292,923,326</td>
<td>$16,120,000</td>
</tr>
</tbody>
</table>

Unaccreted appreciation                     (288,118)  
Unamortized debt premium                   5,885,961   316,560  
Unamortized loss on refunding             (1,536,263) (175,812)  
Total                                     $297,273,024 $15,972,630
8. Revenue bonds payable (continued)

University revenue bonds payable:
The Housing and Auxiliary Facilities System Bonds, Series 1993A were authorized by the University’s Board under the Third Supplemental Bond Resolution dated May 13, 1993. The bonds mature at varying amounts from 2011 to 2018 and pay no current interest. Interest ranges from 6.05 to 6.20 percent, approximate yield to maturity. The University records the annual increase in the principal amount of these bonds as interest expense and accretion on bonds payable.

The Housing and Auxiliary Facilities System Bonds, Series 1997A were authorized by the Board under the Fifth Supplemental Bond Resolution dated July 12, 2001, as amended and as further amended on May 2, 2006. The bonds matured and the final payment was made April 1, 2010. The bonds mature at varying amounts from 2002 to 2029 with interest ranging from 4.10 to 5.55 percent. They pay no current interest. The University records the annual increase in principal amount of these bonds as interest expense and accretion on bonds payable.

The Housing and Auxiliary Facilities System Bonds, Series 2000A were authorized by the University’s Board under the Seventh Supplemental Bond Resolution dated May 13, 2000. The bonds matured and the final payment was made April 1, 2010. The bonds mature at varying amounts from 2002 to 2027 with interest ranging from 4.00 to 5.50 percent. Interest payments are due semi-annually.

The Medical Facilities System Bonds, Series 2005 were authorized by the University’s Board on October 13, 2005. The bonds mature at varying amounts from 2006 to 2026 with interest ranging from 3.25 to 5.00 percent. Interest payments are due semi-annually.

University revenue bonds payable (continued):

<table>
<thead>
<tr>
<th>Year Ending</th>
<th>Principal</th>
<th>Interest</th>
<th>Treasury Rebate</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>7,020,000</td>
<td>2,819,020</td>
<td>(986,657)</td>
<td>$3,852,363</td>
</tr>
<tr>
<td>2012</td>
<td>2,055,000</td>
<td>2,768,520</td>
<td>(968,982)</td>
<td>3,854,538</td>
</tr>
<tr>
<td>2013</td>
<td>2,090,000</td>
<td>2,708,925</td>
<td>(948,124)</td>
<td>3,850,801</td>
</tr>
<tr>
<td>2014</td>
<td>2,135,000</td>
<td>2,641,000</td>
<td>(924,350)</td>
<td>3,851,650</td>
</tr>
<tr>
<td>2015</td>
<td>2,185,000</td>
<td>2,563,606</td>
<td>(897,262)</td>
<td>3,851,344</td>
</tr>
<tr>
<td>2016-20</td>
<td>11,945,000</td>
<td>11,257,265</td>
<td>(8,940,043)</td>
<td>19,262,222</td>
</tr>
<tr>
<td>2021-25</td>
<td>14,160,000</td>
<td>7,856,050</td>
<td>(2,749,617)</td>
<td>19,266,433</td>
</tr>
<tr>
<td>2026-30</td>
<td>17,145,000</td>
<td>3,272,670</td>
<td>(1,145,435)</td>
<td>19,227,235</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$53,735,000</td>
<td>$35,887,056</td>
<td>(12,560,470)</td>
<td>$77,061,586</td>
</tr>
</tbody>
</table>
8. Revenue bonds payable (continued)

Housing and Auxiliary Facilities System: These bonds, which are payable through 2036, do not constitute a debt of the State of Illinois or the individual members, officers or agents of the Board of Trustees of the University but, together with interest thereon, are payable from and secured by a pledge of and lien on (i) the net revenues of the System, (ii) pledged tuition in an amount not to exceed maximum annual debt service (subject to prior payment of operating and maintenance expenses of the System), (iii) the Bond and Interest Sinking Fund account, and (iv) the Repair and Replacement Reserve account. Unrefunded bonds issued in 2001 and prior are additionally secured by the Debt Service Reserve. Total principal and interest remaining on the debt is $442,389,637 with annual requirements ranging from $2,604,000 to $25,267,244. For the current year, principal and interest paid was $22,214,184, and the total revenues pledged were $59,019,652. Total revenue pledged represents 100 percent of the net revenues of the System and 16 percent of net tuition revenue received during fiscal year 2010. Although net tuition is pledged it is not expected to be needed to meet debt service requirements.

The bond resolution requires that debt service coverage on a cash basis be at least 120 percent of the maximum annual debt service. For the year ended June 30, 2010, the maximum annual debt requirement was $25,267,244, and the coverage was 234 percent. The bond resolution also requires the Treasurer to transfer annually to Renewals and Replacements from the funds remaining in unrestricted net assets the sum of 10 percent of the maximum annual net debt service requirement or such portion thereof as is available for transfer. The net assets of Renewals and Replacements were $18,597,589 at June 30, 2010.

All of the refunded bonds are considered to be defeased and, accordingly, have been accounted for as if they were retired. As of June 30, 2010, $7,850,000 of the bonds refunded in 2006 was outstanding. The market value of the related escrow fund was $7,958,924.

Medical Facilities System: These bonds, which are payable through 2026, do not constitute a debt of the State of Illinois or the individual members, officers or agents of the Board of Trustees of the University but, together with interest thereon, are payable from and secured by a pledge of and lien on (i) the net revenues of the System, (ii) pledged tuition (subject to the prior payment of necessary operating and maintenance expenses of the Housing and Auxiliary Facilities System, debt service of the Housing and Auxiliary Facilities System not to exceed the maximum annual debt service, and then necessary operating and maintenance expenses of the System), and (iii) the Bond and Interest Sinking Fund account. Total principal and interest remaining on the debt is $25,630,300 with annual requirements ranging from $543,400 to $1,985,750. For the current year, principal and interest paid was $1,668,487, and the total revenues pledged were $134,688,351. Total revenue pledged represents 100 percent of the net revenues of the System and 84 percent of net tuition revenue received during fiscal year 2010. Although net tuition is pledged it is not expected to be needed to meet debt service requirements.

The bond resolution requires that debt service coverage on the cash basis (net revenues plus pledged tuition) be at least 200 percent of annual debt service and that net revenues shall be at least 100 percent of the annual debt service requirement in each fiscal year. For the year ended June 30, 2010, the maximum annual debt service was $1,985,750, and the coverage was 6,783 percent. The bond resolution also requires the Treasurer to credit funds remaining in the revenue fund into a separate and special account designated the Medical Facilities System Repair and Replacement Reserve account on or before the close of each fiscal year, the sum of not less than 10 percent of the maximum annual debt service, or such portion thereof as is available for transfer and deposit annually, for a repair and replacement reserve. The net assets of Renewals and Replacements were $726,566 at June 30, 2010.

Future debt service requirements for all bonds outstanding are:

<table>
<thead>
<tr>
<th>UNIVERSITY</th>
<th>Principal</th>
<th>Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>$16,120,000</td>
<td>$10,661,107</td>
</tr>
<tr>
<td>2012</td>
<td>16,520,000</td>
<td>10,301,144</td>
</tr>
<tr>
<td>2013</td>
<td>17,105,000</td>
<td>9,904,744</td>
</tr>
<tr>
<td>2014</td>
<td>17,065,000</td>
<td>9,478,281</td>
</tr>
<tr>
<td>2015</td>
<td>17,370,000</td>
<td>9,057,724</td>
</tr>
<tr>
<td>2016-20</td>
<td>87,845,000</td>
<td>37,944,484</td>
</tr>
<tr>
<td>2021-25</td>
<td>79,030,000</td>
<td>24,364,378</td>
</tr>
<tr>
<td>2026-30</td>
<td>67,375,000</td>
<td>12,198,325</td>
</tr>
<tr>
<td>2031-35</td>
<td>19,445,000</td>
<td>3,631,250</td>
</tr>
<tr>
<td>2036</td>
<td>2,480,000</td>
<td>124,000</td>
</tr>
<tr>
<td>Total payments</td>
<td>340,355,000</td>
<td>$127,664,937</td>
</tr>
<tr>
<td>Unaccreted appreciation</td>
<td>(47,431,674)</td>
<td></td>
</tr>
<tr>
<td>Subtotal</td>
<td>292,923,326</td>
<td></td>
</tr>
<tr>
<td>Unamortized premiums on bonds</td>
<td>5,885,961</td>
<td></td>
</tr>
<tr>
<td>Unamortized deferred loss on refunding</td>
<td>(1,536,263)</td>
<td></td>
</tr>
<tr>
<td>Total bonds payable</td>
<td>$297,273,024</td>
<td></td>
</tr>
</tbody>
</table>
9. Capitalized leases

The University has entered into lease purchase contracts for certain items of equipment. Minimum lease payments under capital leases together with the present value of the net minimum lease payments are:

<table>
<thead>
<tr>
<th>UNIVERSITY</th>
<th>Year Ending</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>$ 178,206</td>
<td>46,518</td>
<td>6,753</td>
<td>6,753</td>
<td>6,752</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>244,982</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less amount representing interest</td>
<td>(11,260)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Present value of net minimum lease payments</td>
<td>$ 233,722</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Assets held under capital lease are:

<table>
<thead>
<tr>
<th>UNIVERSITY</th>
<th>Equipment</th>
<th>$ 506,971</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less accumulated depreciation</td>
<td>(215,407)</td>
<td></td>
</tr>
<tr>
<td>Total net assets</td>
<td>$ 291,564</td>
<td></td>
</tr>
</tbody>
</table>

The University leases office and instructional space and equipment (principally office machines, automobiles, and farm equipment) under contracts which are renewable annually and many of which are subject to escalation upon proper notice by the lessor. Rental payments on these operating leases totaled $15,319,183 in 2010.

10. Notes and certificates of participation payable

(A) Edwardsville Foundation note payable

On March 1, 2008, the Southern Illinois University at Edwardsville Foundation entered into a note payable in the amount of $1,100,000 due July 2, 2008, for the purpose of refinancing the construction of an office building. The original debt issued in October 1999 was recorded as a revenue bond. The note was refinanced on July 2, 2008, in the principal amount of $1,100,000. On January 28, 2010, and February 24, 2010, principal payments of $425,000 and $675,000 were made, respectively. As of June 30, 2010, the note is paid in full.

(B) Certificates of Participation

Series 2004A: On June 17, 2004, the University Issued Certificates of Participation (COPS) in the par amount of $32,740,000. The COPS were issued at a discount of $91,480. The certificates were issued to finance, in combination with University funds, the renovation of Morris Library, the construction of a library storage facility, the construction of a Research Park, the replacement of campus signage, the purchase of computer and research equipment, and energy conservation measures, all at Carbondale; the construction of a Pharmacy building and the renovation of the Dental School building, both at Edwardsville; and energy performance measures at the School of Medicine in Springfield. The certificates bear interest at rates ranging from 2% to 5% payable semi-annually, and principal installments ranging from $1,070,000 to $2,720,000 are payable annually on February 15 beginning 2005 through the year 2024. As of June 30, 2010, these certificates were outstanding in the amount of $21,431,596.

Series 2002: On June 5, 2002, the University Issued Certificates of Participation (COPS) in the par amount of $4,180,000. The COPS were issued at a premium of $10,540. The certificates were issued to finance, in combination with University funds, the construction of a new support services building to house business services offices and warehouse space for the University’s Springfield medical campus. The certificates bear interest at rates ranging from 3.25% to 4.40% payable semi-annually, and principal installments ranging from $355,000 to $495,000 are payable annually on August 15 beginning 2003 through the year 2012. As of June 30, 2010, these certificates were outstanding in the amount of $1,425,229.
10. Notes and certificates of participation payable

Annual aggregate principal and interest payments required for years subsequent to June 30, 2010, are:

<table>
<thead>
<tr>
<th>UNIVERSITY:</th>
<th>Certificates of Participation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Principal</td>
</tr>
<tr>
<td>2011</td>
<td>$2,875,000</td>
</tr>
<tr>
<td>2012</td>
<td>2,105,000</td>
</tr>
<tr>
<td>2013</td>
<td>2,190,000</td>
</tr>
<tr>
<td>2014</td>
<td>1,760,000</td>
</tr>
<tr>
<td>2015</td>
<td>1,195,000</td>
</tr>
<tr>
<td>2016-20</td>
<td>5,865,000</td>
</tr>
<tr>
<td>2021-24</td>
<td>6,330,000</td>
</tr>
<tr>
<td>Total payments</td>
<td>12,920,000</td>
</tr>
</tbody>
</table>

Unamortized premiums (discounts) on COPS (62,175)

Total payable $22,857,825

11. Accrued self-insurance

The University is exposed to various risks of loss relative to general liability, professional liability, and certain group coverage of student health and life benefits. The University minimizes its exposure through a combination of risk reduction and self-insurance programs, as well as primary and excess insurance coverage with commercial carriers.

The general and professional liability self-insurance fund provides for comprehensive general and professional liability coverage. The University also purchases excess insurance coverage with commercial carriers for claims that may result in catastrophic losses. The University makes contributions to the general and professional liability self-insurance fund based on yearly actuarial analysis.

The Student Medical Insurance Plan (the "Plan") was established on August 15, 1995, as a secondary coverage plan to supplement the On-Campus Student Health Services in Carbondale and Springfield. The Plan is supported by student fees and covers all students enrolled at the Carbondale campus with the exception of those students who have demonstrated comparable coverage and have applied for a refund. The Plan provides a maximum benefit per student while covered under the Plan of $250,000, subject to other limits of the Plan. To protect against excessive losses, the University established a gap-reserve fund and purchased a stop-loss insurance policy with a commercial carrier in the amount of $5,000,000. Contributions to the Student Medical Insurance Plan are based on historic and estimated future year claims.

As of June 30, 2010, the accrual for self-insurance was $17,500,528 for the general and professional liability fund and $1,328,862 for the Student Medical Insurance Plan, for a total accrued liability for self-insurance of $18,829,390. Because the amounts accrued and funded are estimates, the aggregate actual claims covered by the self-insurance funds could differ from the amount that has been accrued. Changes in these estimates will be reflected in the Statement of Revenues, Expenses, and Changes in Net Assets in the period in which additional information becomes available.
11. Accrued self insurance (continued)

Changes in the self-insurance accrual for the years ended June 30, 2010, and June 30, 2009, are reflected below:

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2010</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>General and</td>
<td>Professional</td>
<td>Student</td>
<td></td>
<td>General and</td>
<td>Professional</td>
</tr>
<tr>
<td>Accrued liability,</td>
<td>$17,727,828</td>
<td>$16,198,924</td>
<td>$1,528,904</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>June 30, 2009</td>
<td>Current year claims and other changes</td>
<td>18,111,678</td>
<td>11,937,413</td>
<td>6,174,265</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payment of Claims</td>
<td>(17,010,116)</td>
<td>(10,635,809)</td>
<td>(6,374,307)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued liability,</td>
<td>$18,829,390</td>
<td>$17,500,528</td>
<td>$1,328,862</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>June 30, 2009</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued liability,</td>
<td>$15,687,720</td>
<td>$13,201,868</td>
<td>$2,485,852</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>June 30, 2008</td>
<td>Current year claims and other changes</td>
<td>11,610,371</td>
<td>6,998,521</td>
<td>4,611,850</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payment of Claims</td>
<td>(9,570,263)</td>
<td>(5,001,465)</td>
<td>(5,668,798)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued liability,</td>
<td>$17,727,828</td>
<td>$16,198,924</td>
<td>$1,528,904</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>June 30, 2009</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

12. Net Assets

Net asset balances by major categories at June 30, 2010:

**UNIVERSITY:**
- Invested in capital assets, net of related debt $387,680,620
- Restricted for:
  - Nonexpendable 3,089,109
  - Expendable 205,047
  - Quasi-endowment 10,232,909
  - Loans 4,903,183
  - Selfinsurance 1,719,495
  - Capital projects 33,073,308
  - Debt service 19,942,981
- Unrestricted 85,004,625
- **Total** $545,851,322

**UNIVERSITY RELATED ORGANIZATIONS:**
- Invested in capital assets, net of related debt $5,898,122
- Restricted for:
  - Nonexpendable 92,036,179
  - Expendable 37,931,087
  - Scholarships, research, instruction and other 114,525
  - Loans 12,577,163
- Unrestricted 175,719,070
- **Total** $175,719,070

13. Donor-restricted endowments

The University entered into an agreement with the Southern Illinois University Foundation at Carbondale on July 1, 2003, in which the University transferred Endowment funds to the Foundation. The Foundation has agreed to hold and administer these funds as agency funds based upon and consistent with the desires of the donor and/or the University. During fiscal year 2010, realized gains on investments totaled $41,529 and unrealized gains on investments totaled $156,304, resulting in a balance of $1,727,520 held by the Foundation at June 30, 2010. The Foundation distributes earnings to the University on a quarterly basis. Payments during fiscal year 2010 totaled $54,542.
13. Donor-restricted endowments (continued)

The State of Illinois adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), effective June 30, 2009. UPMIFA added certain prudent spending measures to the Uniform Management of Institutional Funds Act. In accordance with UPMIFA, the Board of Directors of Southern Illinois University Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation of the fund; the purposes of the donor-restricted endowment fund; general economic conditions; the possible effect of inflation and deflation; the expected total return from income and the appreciation of investments; other resources of the Institution; and the investment policies of the Foundation.

14. State Universities Retirement System

The University contributes to the State Universities Retirement System of Illinois (SURS), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation whereby the State of Illinois makes substantially all actuarially determined required contributions on behalf of the participating employers. SURS was established July 21, 1941 to provide retirement annuities and other benefits for staff members and employees of state universities, certain affiliated organizations, and certain other state educational and scientific agencies and for survivors, dependents, and other beneficiaries of such employees. SURS is considered a component unit of the State of Illinois’ financial reporting entity and is included in the state’s financial reports as a pension trust fund. SURS is governed by Section 5/15, Chapter 40, of the Illinois Compiled Statutes. SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by accessing the website at www.SURS.org or calling 1-800-275-7877.

Plan members are required to contribute 8% of their annual covered salary, and substantially all employer contributions are made by the State of Illinois on behalf of the individual employers at an actuarially determined rate. The current rate for fiscal year 2011 is 21.27% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly. The employer contribution to SURS for the years ended June 30, 2010, 2009, and 2008 were $74,103,976, $47,526,941, and $36,446,327, respectively, equal to the required contributions for the year. The fiscal year 2010 contribution consisted of $71,262,767 from State appropriations and $2,841,209 from other current funds.

All full-time employees of the Foundations, the Alumni Associations, University Park, and the Research Park are paid as University employees. Accordingly, the benefits related to these employees are covered by the University’s plan.

15. Post-employment benefits

In addition to providing the above pension benefits, the State provides health, dental, vision, and life insurance benefits for retirees and their dependents in a program administered by the Department of Healthcare and Family Services along with the Department of Central Management Services. Substantially all State employees become eligible for post-employment benefits if they eventually become annuitants of one of the State sponsored plans. Health, dental, and vision benefits include basic benefits for annuitants and dependents under the State’s self-insurance plan and insurance contracts currently in force. Annuitants may be required to contribute towards health, dental, and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to January 1, 1998, and who are vested in the State Universities Retirement System do not contribute towards health, dental, and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant’s contribution amount is reduced five percent for each year of credited service with the State allowing those annuitants with twenty or more years of credited service to not have to contribute towards health, dental, and vision benefits. Annuitants also receive life insurance coverage equal to the annual salary of the last day of employment until age 60, at which time the benefit becomes $5,000.

The State pays the University’s portion of employer costs for the benefits provided. The total costs of the State’s portion of health, dental, vision, and life insurance benefits of all members, including post-employment health, dental, vision, and life insurance benefits, is recognized as an expenditure by the State in the Illinois Comprehensive Annual Financial Report. The State finances the costs on a pay-as-you-go basis. The total costs incurred for health, dental, vision, and life insurance benefits are not separated by department or component unit for annuitants and their dependents nor active employees and their dependents.
15. Post-employment benefits (continued)

A summary of post-employment benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the financial statements of the Department of Healthcare and Family Services. A copy of the financial statements of the Department of Healthcare and Family Services may be obtained by writing to the Department of Healthcare and Family Services, 201 South Grand Ave., Springfield, Illinois, 62763-3838.

16. University Related Organizations - transactions with related parties

The University has entered into master contracts with the University Related Organizations which specify the relationship between the University and its related organizations in accordance with the Legislative Audit Commission's University Guidelines of 1982 as amended in 1997. Significant transactions for the University during fiscal year 2010 included the receipt of $32,805,245 from SIU Physicians & Surgeons, Inc. (SIU P&S) for services provided by the University. Also, SIU P&S contributed $6,999,382 to the University for Academic Development for the School of Medicine. Additional information concerning transactions with related parties may be obtained by contacting those entities listed in Note 1 on page 14.

17. Commitments and contingencies

Grants and contracts
The University receives monies from federal and state government agencies under grants and contracts for research and other activities, including medical service reimbursements. The costs, both direct and indirect, charged to these grants and contracts are subject to audit and disallowance by the granting agency. During fiscal year 2009 the U.S. Department of Education Office of Inspector General (OIG) performed an audit of the SIUE Upward Bound, Upward Bound Math-Science and Talent Search Programs. The OIG report indicated that there may be disallowed costs, but the Department of Education has not yet issued its final Program Determination Letter. Preliminary results indicate disallowed costs could range from approximately $179,239 to $931,744. The University administration believes that any disallowances or adjustment resulting from this or any other reviews would not have a material effect on the University's financial position.

Legal action
The University is a defendant in several lawsuits. However, University officials are of the opinion, based on the advice of legal counsel, that any ultimate liability which could result from such litigation would not have a material effect on the University's financial position or its future operations.

Forward contract
The University has forward fixed-price purchase contracts with MidAmerican Energy Company for the procurement of electricity that is used in the normal course of operations. The University does not employ futures contracts or other derivative products. At June 30, 2010, the University’s annual commitment related to these contracts is approximately $11,500,000.

Construction projects
The University has active construction projects as of June 30, 2010. These projects include Stadium and Arena construction at the Carbondale campus and other various projects. A total of $87,679,757 has been spent on these projects through June 30, 2010. The University has $137,307,452 committed to the completion of these projects.

18. Subsequent event

Effective October 1, 2010, the agreement between The Partnership for a Connected Illinois (PCI) and the University was terminated, with PCI amending its charter and bylaws to allow it to act as an independent entity, including removal of SIU as a performing partner of PCI, and removal of any and all required SIU action and/or approvals. SIU approved such amendments. Therefore, PCI will no longer be a University Related Organization.
19. Segment information

A segment is an identifiable activity for which one or more revenue bonds or other revenue-backed debt instruments are outstanding. A segment has a specific identifiable revenue stream pledged in support of the revenue bonds or other revenue-backed debt and has related expenses, gains and losses, assets, and liabilities that can be identified.

The University has issued revenue bonds with the net revenues from the two segments pledged to pay the bond interest and principal. The Housing and Auxiliary Facilities System segment is comprised of University owned housing units, student centers, recreation and athletic facilities, and similar auxiliary enterprise units. The Medical Facilities System is comprised of clinical facilities used to provide patient care at the School of Medicine in Springfield. Condensed financial statements for the University's two segments are shown below. Additional information relating to these segments is included in Note 8, Revenue bonds payable.

### CONDENSED STATEMENTS OF NET ASSETS

<table>
<thead>
<tr>
<th></th>
<th>Housing and Auxiliary Facilities System</th>
<th>Medical Facilities System</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td>$93,398,807</td>
<td>$7,449,350</td>
</tr>
<tr>
<td>Capital assets, net</td>
<td>251,195,859</td>
<td>34,804,721</td>
</tr>
<tr>
<td>Other assets</td>
<td>6,275,691</td>
<td>361,482</td>
</tr>
<tr>
<td>Total Assets</td>
<td>350,870,557</td>
<td>42,615,113</td>
</tr>
<tr>
<td>Liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td>35,124,673</td>
<td>1,820,432</td>
</tr>
<tr>
<td>Noncurrent liabilities</td>
<td>266,762,325</td>
<td>19,155,097</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>301,886,998</td>
<td>21,015,529</td>
</tr>
<tr>
<td>Net Assets (Deficit)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invested in capital assets, net of related debt</td>
<td>(8,970,683)</td>
<td>17,066,084</td>
</tr>
<tr>
<td>Restricted - expendable</td>
<td>39,569,460</td>
<td>1,248,569</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>18,384,782</td>
<td>3,284,931</td>
</tr>
<tr>
<td>Total Net Assets</td>
<td>$48,983,559</td>
<td>$21,599,584</td>
</tr>
</tbody>
</table>

### CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

<table>
<thead>
<tr>
<th></th>
<th>Year ended June 30, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenues</td>
<td>$103,697,258</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(91,937,079)</td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>(10,804,559)</td>
</tr>
<tr>
<td>Operating gain (loss)</td>
<td>955,520</td>
</tr>
<tr>
<td>Nonoperating revenues and expenses - net</td>
<td>26,117,209</td>
</tr>
<tr>
<td>Gain before other revenues, expenses, gains or losses</td>
<td>27,072,729</td>
</tr>
<tr>
<td>Other revenues, expenses, gains or losses - net</td>
<td>1,410,188</td>
</tr>
<tr>
<td>Increase in net assets</td>
<td>28,482,917</td>
</tr>
<tr>
<td>Net assets at beginning of year</td>
<td>20,500,642</td>
</tr>
<tr>
<td>Net assets at end of year</td>
<td>$48,983,559</td>
</tr>
</tbody>
</table>

### CONDENSED STATEMENTS OF CASH FLOWS

<table>
<thead>
<tr>
<th></th>
<th>Year ended June 30, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash provided by (used in):</td>
<td></td>
</tr>
<tr>
<td>Operating activities</td>
<td>$24,976,321</td>
</tr>
<tr>
<td>Noncapital financing activities</td>
<td>14,002,718</td>
</tr>
<tr>
<td>Capital financing activities</td>
<td>(69,403,192)</td>
</tr>
<tr>
<td>Investing activities</td>
<td>43,167,580</td>
</tr>
<tr>
<td>Net increase (decrease) in cash</td>
<td>12,743,427</td>
</tr>
<tr>
<td>Cash, beginning of year</td>
<td>49,700,818</td>
</tr>
<tr>
<td>Cash, end of year</td>
<td>$62,444,245</td>
</tr>
</tbody>
</table>
### 20. University Related Organizations

Condensed financial statements for the component units of the University are as follows:

#### CONDENSED STATEMENTS OF NET ASSETS
**JUNE 30, 2010**

<table>
<thead>
<tr>
<th>Assets:</th>
<th>SIUC</th>
<th>SIUE</th>
<th>SIUE PHYSICIANS</th>
<th>SIUC ALUMNI</th>
<th>SIUE ALUMNI</th>
<th>SIUE RESEARCH PARK</th>
<th>SIUE UNIV. PARK</th>
<th>SIUC PCI</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>$ 28,118,282</td>
<td>$ 4,594,748</td>
<td>$ 24,565,419</td>
<td>$ 888,869</td>
<td>$ 62,590</td>
<td>$ 185,422</td>
<td>$ 1,455,623</td>
<td>$ 465,964</td>
<td>$ 60,258,257</td>
</tr>
<tr>
<td>Noncurrent assets</td>
<td>$ 96,730,206</td>
<td>$ 27,531,643</td>
<td>$ 2,514,956</td>
<td>$ 5,611,013</td>
<td>$ 154,236</td>
<td>$ 173,352</td>
<td>$ 1,436,593</td>
<td>-</td>
<td>$ 134,151,869</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$ 124,848,488</td>
<td>$ 32,086,391</td>
<td>$ 27,080,375</td>
<td>$ 6,499,882</td>
<td>$ 217,168</td>
<td>$ 338,674</td>
<td>$ 2,873,216</td>
<td>$ 465,964</td>
<td>$ 194,410,156</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities:</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current liabilities</td>
<td>$ 943,570</td>
<td>$ 209,866</td>
<td>$ 7,541,320</td>
<td>$ 816,146</td>
<td>$ 220,791</td>
<td>$ 10,494</td>
<td>$ 154,637</td>
<td>$ 585,739</td>
<td>$ 10,482,565</td>
</tr>
<tr>
<td>Noncurrent liabilities</td>
<td>$ 5,208,246</td>
<td>$ 580,515</td>
<td>-</td>
<td>$ 1,505,895</td>
<td>-</td>
<td>-</td>
<td>$ 813,865</td>
<td>-</td>
<td>$ 8,208,521</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>$ 6,151,816</td>
<td>$ 790,383</td>
<td>$ 7,541,320</td>
<td>$ 2,432,041</td>
<td>$ 220,791</td>
<td>$ 10,494</td>
<td>$ 968,502</td>
<td>$ 585,739</td>
<td>$ 18,691,086</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net Assets:</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Invested in capital assets</td>
<td>$ 452,651</td>
<td>$ 2,310,366</td>
<td>$ 1,243,575</td>
<td>$ 283,684</td>
<td>-</td>
<td>$ 173,352</td>
<td>$ 1,416,594</td>
<td>-</td>
<td>$ 5,898,122</td>
</tr>
<tr>
<td>Restricted - nonexpendable</td>
<td>$ 78,130,396</td>
<td>$ 13,905,783</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$ 92,036,179</td>
</tr>
<tr>
<td>Restricted - expendable</td>
<td>$ 35,974,161</td>
<td>$ 14,648,614</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$ 50,622,775</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>$ 4,149,484</td>
<td>$ 431,245</td>
<td>$ 329,270,480</td>
<td>$ 3,794,157</td>
<td>(3,625)</td>
<td>$ 154,928</td>
<td>$ 462,120</td>
<td>(119,775)</td>
<td>$ 7,161,964</td>
</tr>
<tr>
<td><strong>Total Net Assets</strong></td>
<td>$ 118,696,672</td>
<td>$ 31,926,008</td>
<td>$ 19,539,053</td>
<td>$ 4,077,841</td>
<td>(3,625)</td>
<td>$ 328,180</td>
<td>$ 1,904,714</td>
<td>(119,775)</td>
<td>$ 175,719,070</td>
</tr>
</tbody>
</table>

#### CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
**Year ended June 30, 2010**

| Operating revenues              | $ 5,524,684 | $ 4,602,879 | $ 85,308,702 | $ 1,075,405 | $ 355,823 | $ 341,932 | $ 466,241 | $ 1,103,059 | $ 99,784,825 |
| Operating expenses              | $ 19,114,271 | $ 3,641,817 | $ 81,551,055 | $ 1,333,548 | $ 426,567 | $ 350,929 | $ 465,050 | $ 1,228,834 | $ 106,628,080 |
| Operating income (loss)         | (13,589,587) | $ 961,162 | $ 3,747,647 | $ 235,857 | (70,744) | (8,997) | 1,182 | (119,775) | (8,843,255) |
| Nonoperating revenues and expenses - net | $ 22,821,953 | $ 1,483,918 | $ 248,530 | $ 514,280 | $ 33,924 | $ 1,897 | 15,443 | - | 25,023,945 |
| Income before other revenues    | $ 9,232,366 | $ 2,445,080 | $ 3,896,177 | $ 700,137 | (36,820) | (7,100) | 20,625 | (119,775) | 16,180,690 |
| Other revenues                  | $ 2,932,874 | $ 190,908 | -           | -           | -           | -     | -     | 3,123,782 |        |
| Increase (decrease) in net assets | $ 12,155,240 | $ 2,355,988 | $ 3,896,177 | $ 700,137 | (36,820) | (7,100) | 20,625 | (119,775) | 15,304,472 |
| Net assets at beginning of year | $ 105,531,432 | $ 28,660,020 | $ 15,642,878 | $ 3,327,704 | $ 33,195 | $ 335,180 | $ 1,884,089 | - | $ 156,414,598 |
| Net assets at end of year       | $ 118,696,672 | $ 31,296,008 | $ 19,539,053 | $ 4,077,841 | (3,625) | $ 328,180 | $ 1,904,714 | (119,775) | $ 175,719,070 |

#### CONDENSED STATEMENTS OF CASH FLOWS
**Year ended June 30, 2010**

| Cash provided by (used in):     | $ (12,687,824) | $ 6,475,114 | $ 602,989 | $ 231,787 | (36,070) | $ 3,448 | (72,264) | $ 11,836 | (5,470,584) |
| Operating activities            | $ 10,496,361 | $ 190,908 | $ 94,259 | $ 2,483 | 342 | - | 152,270 | - | 10,546,623 |
| Noncapital financing activities | (1,221,186) | (1,221,186) | - | - | - | - | - | - | (1,352,675) |
| Capital financing activities    | $ 2,143,306 | $ 4,502,740 | $ 1,241,158 | $ 150,437 | $ 68,909 | $ 1,897 | 18,234 | - | $ 978,239 |
| Investing activities            | (48,157) | $ 542,096 | $ 1,830,007 | $ 382,117 | $ 33,081 | $ 5,365 | 72,220 | $ 11,836 | $ 3,145,565 |
| Net increase (decrease) in cash | $ 286,961 | $ 576,758 | $ 1,111,253 | $ 95,339 | $ 19,349 | $ 58,333 | $ 1,233,034 | - | $ 3,474,026 |
| Cash, beginning of year         | $ 238,804 | $ 1,521,854 | $ 2,021,260 | $ 477,466 | $ 52,429 | $ 63,698 | $ 1,401,254 | $ 11,836 | $ 6,688,581 |
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Honorable William G. Holland
Auditor General, State of Illinois
and Board of Trustees
Southern Illinois University

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the business-type activities of Southern Illinois University (the "University") and its aggregate discretely presented component units (the "University Related Organizations"), collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2010, which collectively comprise the University's basic financial statements and have issued our report thereon dated February 25, 2011. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the University Related Organizations, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of two University Related Organizations, the Southern Illinois University Carbondale Foundation and the Southern Illinois University Carbondale Alumni Association, were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we noted certain matters that we reported to management of the University in a separate letter dated February 25, 2011.
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of the University in a separate letter dated February 25, 2011.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Board of Trustees, University management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Crowe Horwath LLP

Springfield, Illinois
February 25, 2011
August 23, 2011

Dr. Rita Cheng  
Chancellor  
Southern Illinois University Carbondale  
116 Anthony Hall  
Carbondale, IL 62901

Dear Chancellor Cheng:

The progress report you submitted to our office has now been reviewed. A staff analysis of the report is enclosed.

On behalf of the Commission, I accept the report on Finances. No further reports are required. The institution’s next comprehensive evaluation is scheduled for 2019 - 2020.

I am also enclosing a copy of the institution’s Statement of Affiliation Status, which reflects the actions I have taken on behalf of the Commission. If you have any questions about this analysis or any other evaluation matters, please let me know. I can be reached via email at mbreslin@hlcommission.org or by voice at (800) 621-7440 x 107.

Sincerely,

Mary B. Breslin B.V.M.,  
Vice President for Accreditation Relations

Enclosures
During the last 2-3 years, SIUC has been confronted with dwindling financial resources resulting from declining enrollments and reduced state support. For Fiscal Year 2011, SIUC faces a deficit of approximately $15 million. Such financial challenges have existed for several years and may continue to exist for several more years. Given the coming of a new Chancellor (01 Jun 2010), the Team specifically recommends that the Institution immediately undertake a planning process to address the financial situation focusing on longer term strategies, dealing with specific measures to increase revenues as well as to develop plans to reduce expenditures through retrenchment/reorganization to bring longer term financial stability to the Institution. To date, actions to address the financial challenge have largely been short term (using unrestricted funds, not filling positions, etc.) as well as the discussion of other short-term measures.

The report submitted by SIUC was organized into three sections: a summary of current financial issues, an overview of the measures underway to address the University's financial challenges, and financial reports and analysis.

**Summary of Current Financial Issues**

**State Budget**: State appropriations represent approximately 26% of the total operating revenues of the University, and about 51 percent of the total State budget, which also includes Income Fund (tuition) revenue. During fiscal year 2011, appropriations to the University from the State's general revenue fund returned to approximately the fiscal year 2006 funding level. The University received $7.5 million in federal American Recovery and Reinvestment Act (ARRA) funds during fiscal year 2010 to supplement the general revenue appropriation. Without the ARRA funding, SIUC's allocation of general revenue totaled $154.1 million in fiscal year 2011, a decrease of almost 7 percent.

The appropriation for fiscal year 2012 was made from the Education Assistance fund. The appropriation funding level was reduced by an additional 1.15 percent in fiscal year 2012 for all State
institutions of higher education. This will result in approximately $1.3 million less than the fiscal year 2011 allocation for SIUC.

Some facts related to State funding provided in the progress report were the following:

- From FY 2002 to FY 2010, State of Illinois support for community colleges, public universities, need-based financial aid and institutional grant programs decreased 33.6% after accounting for Finance and Infrastructure Lens Group Report-June 2011 inflation.
- From FY 1999 to FY 2008, the state tuition subsidy (share of undergraduate instructional cost per FTE student) has dropped from 60.9% to 44.8%. FY 2011 presented another difficult year for the university.
  - First, the Federal Stimulus funding that was part of FY 2010 state appropriations expired and was not replaced by the legislature or the Governor. The campus' share of the loss was $7.5 million.
  - In addition, an enrollment decline and zeroed out funding for the Illinois Veterans Grant program caused a shortfall of another 7.8 million in the income fund.
- State appropriations are scheduled to be at least 1.1% down for FY 2012, and the University is still waiting on a substantial portion of the FY 2011 funding.

Cash Flow: During fiscal year 2010, the time required to receive the cash reimbursement from the State exceeded six months, and the State statute was amended to extend the lapse period (the time allowed to pay prior year bills) from August 31 to December 31, 2010. The final fiscal year 2010 payment of $4.8 million was received by SIUC on December 9, 2010.

The cash reimbursement situation showed some improvement in the last three months of fiscal year 2011. This may be in part to the increase in the Illinois individual and corporate income tax rates that went into effect on January 1, 2011. However, the total reimbursement due at June 30, 2011, was $72.5 million, compared to $61 million at June 30, 2010. The State statute was once again amended to extend the lapse period until December 31, 2011, and it is likely that the final cash reimbursement will not be received until late in calendar year 2011.

The overall cash and investment balances of the University have remained strong, according to the progress report, but cash held in unrestricted funds dipped to a fiscal year 2011 low of $2.0 million on July 9, 2010. The unrestricted cash balance at June 30, 2011, was $22.7 million.

In anticipation of continued State payment delays, the SIU system executed a $13.8 million line of credit as permitted by Public Act 096-0909. The University did not draw against the line of credit before it expired on December 19, 2010. The University does not currently have the ability to borrow for operating needs. Therefore, the accumulation of unrestricted cash is critical to meet ongoing obligations.

Veterans Programs: The Illinois Veterans Grant (IVG), National Guard, and MIA/POW programs have not been fully funded by the State for several years. The military veterans’ program funding pays tuition and mandatory fees for eligible veteran students, and the State is billed by the University to reimburse these costs. The unfunded amount has grown from $1.5 million in fiscal year 2006 to over $3 million in fiscal year 2011.

The proposed State budget for fiscal year 2012 partially restores IVG funding at approximately a 25 percent level, which could return about $750,000 in funding to the University.
Pensions: The State currently owes $84.2 billion to the State University Retirements System (SURS) of its five public pension systems. There is a change announced by SURS that will impact current employees, i.e. for individuals retiring after July 2, 2012, the change in Money Purchase factors will result in an approximately eight percent downward adjustment in the member's annuity if their Money Purchase calculation was higher than the General Formula calculation. Members can offset this adjustment by delaying retirement by approximately 10 to 11 months, but it is expected that this change will result in a larger number of retirees during fiscal year 2012.

Credit Rating: The University's long-term credit rating was revised to A2 from Al by Moody's Investors Services. The change was directly related to the State's budget deficit and a corresponding downgrade of the State's credit rating. Standard and Poor's maintained the A+ rating.

The impact on the University may be a higher interest rate for future long-term borrowing. The University plans to issue $24.75 million in revenue bonds in November 2011 to fund a Student Services building. The new building will be a student services facility housing the Enrollment Management functions of the University and was identified in the 2006 Campus Master Plan.

Tuition and Enrollment: Tuition is deposited into the University's Income Fund, which represents approximately 25 percent of the total operating revenue budget, or about $111 million in fiscal year 2011. The tuition rate was not increased for the 2011 academic year due to concerns regarding affordability for students. The Board of Trustees has approved a 6.9 percent tuition increase for the 2012 academic year. The increase is expected to raise tuition revenue by $5.4 million, based on static enrollment. The State's Truth in Tuition law generally prevents tuition increases for undergraduates during the first four years of education, so any increases impact only incoming freshmen and transfer students.

The summer 2011 semester enrollment increased for the first time in five years, up by 100 students or 1.2 percent from summer 2010. Budget projections for fiscal year 2012 have been developed based on static enrollment.

The Commission data base provides the following enrollment numbers for SIUC, which indicates concern primarily with full-time undergraduate enrollment numbers:

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Headcount</td>
<td>20037</td>
<td>20350</td>
<td>20673</td>
<td>20983</td>
</tr>
<tr>
<td>FT Undergrad</td>
<td>13625</td>
<td>13619</td>
<td>14314</td>
<td>14489</td>
</tr>
<tr>
<td>PT Undergrad</td>
<td>1872</td>
<td>1932</td>
<td>1666</td>
<td>1704</td>
</tr>
<tr>
<td>FT Graduate</td>
<td>2785</td>
<td>2642</td>
<td>1958</td>
<td>1764</td>
</tr>
<tr>
<td>PT Graduate</td>
<td>2115</td>
<td>2157</td>
<td>2077</td>
<td>2379</td>
</tr>
</tbody>
</table>

Measures Underway to Address the University’s Financial Challenges

Strategic Planning Initiatives: A major strategic planning initiative is in progress. A nine member Strategic Planning Committee is leading the effort. Work began in January 2011, and a final report is scheduled to be issued in January 2012.

Six "lens" committees, or related subcommittees, have been formed and are comprised of over thirty members. The lens committees are focused on specific areas: Teaching and Student Success; Research and Creative Activity; Campus Climate; External Relations; Finance and Infrastructure; and Future Trends.
The Finance and Infrastructure lens group focused on the core issues of a tuition increase policy; performance based appropriations; academic program review; the financial health of non-academic programs and services; facilities renovations and upgrades; and revenue enhancements. A summary of each issue was provided in the progress report.

**University Leadership:** A new Chancellor of Southern Illinois University was appointed, effective June 1, 2010. The progress report provided a summary of the new Chancellor’s activities and reports, including her analysis of the three major financial challenges to address during fiscal year 2011:

1. The FY11 impact of the FY10 enrollment decline ($4.8 million)
2. The loss of Federal stimulus funding ($7.5 million)
3. The impact of the unfunded Illinois Veterans Grant program ($3.0 million)

Strategies implemented in response to the budgetary challenges included continuing the hiring freeze, permanent budget cuts, and increased auxiliary expense charges.

**Planning and Budget Advisory Committee:** The Chancellor’s Planning and Budget Advisory Committee (CPBAC) has taken a more active role in the planning and budgeting process. The 18 member committee represents the Faculty Senate, Graduate Council, Dean’s Council, AIP Staff Council, Civil Service Council, Undergraduate Student Government, Graduate and Professional Student Council, academic and student services, business practices, hiring and personnel practices, and institutional advancement, in addition to members appointed by the Chancellor.

During fiscal year 2011, the Budget subcommittee of CPBAC met twice monthly and addressed several other issues, including a review and update of the 2005 Agility and Efficiency Task Force report and the Budget and Planning Task Force Report (2003) to identify remaining opportunities for savings and efficiencies; the development of a model for a retirement incentive; and a business model for colleges that promotes shared administrative services. Other subcommittees have been formed as the result of topics discussed during the Chancellor's monthly CPBAC meetings. One subcommittee is tasked with identifying new revenue opportunities and another subcommittee reviewed the information technology function on campus and prepared a report containing many functional and organizational recommendations.

**Performance Based Funding:** The State of Illinois adopted performance based funding during the 2011 Spring Session, the result of a three-year effort. Beginning in fiscal year 2013, the Board of Higher Education budget recommendations to the Governor and General Assembly will include allocations to universities based upon performance metrics designed to promote and measure student success in degree completion. As has been done in several other states, funding decisions will be based on outputs rather than inputs.

It is essential that the University anticipate and plan for this change. One requirement will be to ensure that the data needed is capable of capture. Data must also be communicated to and accessible to those in a position to influence the outcomes. Planning is underway for this fundamental change to the appropriation of general revenue funds.

**Reserve Funds:** According to the progress report, while the University has required a 2 percent contingency reserve for State funds for many years, an additional $4.4 million contingency reserve was established to help fund the fiscal year 2011 shortfall. The contingency funds are held centrally
and help provide some cushion for cash flow issues that result from delayed State reimbursements. However, the reserve fund is far less than one month's expenditures from State funding, an estimated $19 million.

Deferred maintenance has increased to an estimated $450 million, and current reserves are inadequate to respond to a major system failure. To begin to address the backlog of classroom and laboratory renovations, infrastructure improvements, and various other deferred maintenance projects, a Facilities and Infrastructure Reserve has been created. The Facilities Maintenance Fee generates approximately $6.6 million annually and is a key source of funding for permanent improvement projects in academic facilities. The University also received capital renewal funding from the State totaling $6.5 million for projects such as research and teaching greenhouses, roof replacements, water line replacement, and electrical feeder upgrades.

**Budget Planning and Development**: Budget planning and development for fiscal year 2012 includes the permanent use of funds to cover a remaining ongoing structural budget shortfall of $5.7 million. This is a significant improvement over the structural deficit of $13 million that existed at the beginning of fiscal year 2011. Preliminary budget planning for Fiscal Year 2012 included scenarios for two levels of reduced General Revenue (GR) State funding.

The ongoing structural budget deficit is the result of enrollment declines in previous fiscal years that were partially covered with non-recurring funds. Examples of non-recurring sources used during fiscal year 2011 to address the budget shortfall included:
- four unpaid administrative closure days for all University faculty and staff, with total savings of $2.1 million;
- the continuation of a hiring freeze that resulted in open salary lines, a savings of $2.7 million; and
- postponing the replacement of equipment, reducing commodities purchases and limiting travel.

**Distance Education**: The Distance Education Council has worked with colleges, support units and constituency groups throughout the University to ensure policies and infrastructure are in place to support the aggressive development of distance education programs.

From a financial perspective, the Distance Education initiative offers the opportunity for increased enrollment, and tuition revenue, through the expansion of online courses and programs. In order to encourage program development and delivery, a revenue distribution model was developed that will return 70.5 percent of tuition revenue for use by the college, 27.5 percent to the University's central Income Fund, and 2 percent to the Provost for support costs.

A plan for creating a central fund to allow start-up monies to be made available for units developing new programs has been created. At least a portion of the initial start-up funding is available from cash reserves held by the Division of Continuing Education.

**Financial Reports and Analyses**

**Financial Reports**: The last annual financial report for the Carbondale campus (fiscal year 2010) showed an increase in net assets of $37.0 million, or over 10 percent, compared to the previous year. A significant portion of the increase was in the unrestricted assets of the University, which increased $19.1 million. Capital assets increased $18.2 million.
Preparation is currently underway for the fiscal year 2011 audited financial report. A cash basis interim statement of revenues and expenses is prepared each quarter for senior administrators. The Interim Report as of March 31, 2011, (attached to the progress report) indicates that fiscal year 2011 net operating income will show an increase over fiscal year 2010, resulting in an increase in the net assets of the University at June 30, 2011.


The Total Composite Financial Indicator Score (CFI) for the past few fiscal years were the following:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>CFI</td>
<td>2.1</td>
<td>3.0</td>
<td>0.8</td>
<td>2.5</td>
<td>4.3</td>
<td>2.3</td>
</tr>
</tbody>
</table>

Staff comment: The progress report submitted by SIUC gives strong evidence and detail regarding the University’s ability to address its financial challenges effectively. In spite of the challenges posed by the State’s financial uncertainties, SIUC has taken sound and well considered measures to assure its continued financial health. Continued careful monitoring and sound planning, particularly with respect to safeguarding and enhancing enrollment, will be necessary for the University’s strong future.

The University is commended for a thorough, clear and insightful progress report.

STAFF ACTION: Accept the report on Finances. No further reports are required. The institution’s next comprehensive evaluation is scheduled for 2019 - 2020.
STATEMENT OF AFFILIATION STATUS

SOUTHERN ILLINOIS UNIVERSITY CARBONDALE
Anthony Hall 116
Carbondale, IL 62901

Affiliation Status: Candidate: Not Applicable
Accreditation: (1913- )

PEAQ PARTICIPANT

Nature of Organization

Legal Status: Public

Degrees Awarded: A, B, M, D

Conditions of Affiliation:

Stipulations on Affiliation Status: Off-campus programs on military bases are limited to the Bachelor's level. Non-military international offerings are limited to programs offered at Nakajo, Japan; and the Executive Master of Business Administration. Out-of-state offerings are limited to the MS in Geology at the National Imagery and Mapping Agency in Missouri, the Master of Science in Health Education at the University of Southern Maine and the Master of Science in Behavior Analysis and Therapy in Ohio.

Approval of New Additional Locations: The Commission's Streamlined Review Process is only available for offering existing degree programs at new sites within the state and at military bases throughout the world or for the Master of Science in Education with a concentration in Workforce Education and the Executive Master of Business Administration at sites within the state and at selected international sites to be determined by the institution.

Approval of Distance and Correspondence Courses and Programs: New Commission policy on institutional change became effective July 1, 2010. Some aspects of the change processes affecting distance delivered courses and programs are still being finalized. This entry will be updated in early 2011 to reflect current policy. In the meantime, see the Commission's Web site for information on seeking approval of distance education courses and programs.

Reports Required: None.

Other Visits Scheduled: Focused Visit: 2012 - 2013; (Spring) A visit focused on Comprehensive Planning.

Summary of Commission Review

Year of Last Comprehensive Evaluation: 2009 - 2010
Year for Next Comprehensive Evaluation: 2019 - 2020
Date of Last Action: 06/20/2011
STATEMENT OF AFFILIATION STATUS

Name Change:
Southern Illinois State Normal University to Southern Illinois University at Carbondale

Academy Participation:
Participating in the Academy for Assessment of Student Learning.