

**BOARD OF GOVERNORS
MINUTES OF
FINANCE COMMITTEE
JUNE 10, 2010**

Chair L. Vincent Williams called the Finance Committee, which was meeting in the Cleveland Room of the Erickson Alumni Center on the campus of West Virginia State University, to order at 11:05 A.M. Members present were Chair L. Vincent Williams and Mrs. Millie Booker. Member absent was Mr. Larry Salyers. Others present were: Dr. Joseph Badgley, Ms. Sharon Banks, Mr. Bryce Casto, Mr. Eric Coleman, Mrs. Brunetta Dillard, Dr. Gregory Epps, Dr. Tom Gutezloff, Dr. Orlando McMeans, Mr. Joseph Oden, Mr. Robert Parker, Mr. William Porterfield, Mrs. Patricia Shafer, Mr. Lawrence Smith, Dr. John Thralls, Dr. Cassandra Whyte, and Mrs. Kristi Williams.

Mrs. Booker made a motion to accept the minutes as written, motion was duly seconded. Motion passed.

Mr. Parker reported that the stimulus contract was signed and the funds were received this week in the amount of \$702,302, the amount related directly to the university. The negative amount of \$736,575 is the balance that we had in March in the service agreement from the Kanawha Valley Community and Technical College. That amount has now been paid in full.

Last year the total personnel and benefits totaled \$13,431,708 and year-to-date this year we have spent \$13,382,576. The total projected for this year is \$18,260,000 and we are still projecting that we will spend \$17,866,000 by the end of the year. Mr. Parker stated that we are expecting to be slightly over the projected amount of expenses for this year. (Approximately \$100,000.)

According to Mr. Parker, the '09 tuition revenue income as of April 30 is \$342,789 more than this time of the current year. However, we are on the line to meet the general revenue this year over last year.

Mr. Williams asked since we were going to be over in the budget in expenses, will the amount that we are saving in personnel services be enough to cover the shortage. Mr. Parker assured him that it would be with an excess. Mr. Parker also stated that all expenses are transferred into the general revenue fund to zero it out. Any excess revenue would appear in the University operations fund and that money is reserves for the University. It will be an increase in net assets on the balance sheet. We are projecting that we will have excess revenues in the amount of approximately \$500,000.

In reference to the three-year Budget Plan, Mr. Parker reported that West Virginia State University is currently completing Year Two of the Three-Year Budget Plan. The 2009-2010 Fiscal Year has seen many significant events that have and will affect the fundamental principles and assumptions upon which the plan was based.

The overarching goals of the Three-Year Budget Plan and Budget Deficit Elimination are unchanged:

To eliminate annual operating deficits, thereby achieving a balanced budget for each of the next three years, and

To steadily reduce the deficit balances in the distressed accounts until all deficits are resolved.

The financial projections for the second year of the Three-Year Budget Plan indicate that these goals will be attained for Fiscal Year 2010. The April 30, 2010, Budget Report shows that the actual expenditures are within the projected expenditures for FY 2010.

However, West Virginia State University must address numerous issues during the third and final year of the Three-Year Budget Plan. The nature of the issues are varied and include the national economic situation and how it affects West Virginia and higher education in West Virginia, legislative issues regarding fair treatment, the future relationship with Kanawha Valley Community and Technical College and increased costs for employee health insurance and post employment benefits.

According to Chancellor Brian Noland of the West Virginia Higher Education Policy Commission, there are two significant factors that college and university administrations and boards of governors will have to face in FY 2011:

1. Fiscal Year 2011 will represent the final year in which State Stabilization Funds will be available from the American Reinvestment and Recovery Act (ARRA). Institutions will receive stabilization funds commensurate with the five-percent budget reduction imposed for FY 2011, thereby restoring base budgets to FY 2009 funding levels. The State Budget Office anticipates significant budget reductions in FY 2012 and such reductions will be calculated using FY 2009 base appropriation levels.

2. In his annual State of the State address, Governor Manchin challenged higher education institutions to freeze tuition levels for the 2010-2011 academic year.

Effective on December 28, 2009, Governor Joe Manchin III issued Executive Order No. 17-09 that directed that general revenue appropriations be reduced by 3.4% for Fiscal 2010. This was the second general revenue cut for the fiscal year for West Virginia State University and totaled \$702,302.00 or 6.5% for the year. In addition, the West Virginia State University Land Grant Program was cut by \$125,493.00.

The impact of the \$702,302.00 budget reduction in general revenue for Fiscal 2009-2010 was mitigated through the reallocation of State Stabilization Funds that were available from the American Reinvestment and Recovery Act (ARRA) in the amount of \$702,302.00. Accordingly, the general revenue appropriation was reduced from \$10,734,590.00 to \$10,032,288.00.

For Fiscal Year 2010-2011, West Virginia State University was appropriated \$9,877,879.00 (\$10,391,801.00 to \$9,877,879.00), a cut of \$513,922.00. There will be State Stabilization Funds available in FY 2011 to mitigate the impact of the State general revenue reduction. However, FY 2011 is the last year State Stabilization Funds funds will be available to offset the general revenue reductions.

In addition to the challenges of declining revenue collections by the State of West Virginia due to the current economic climate, the State of West Virginia and higher education institutions are also facing increasing costs for health care. WVSU was informed by the Public Employee Insurance Agency (PEIA) that insurance premiums for WVSU employees and post employment benefits for WVSU retirees would be increased by about by 4% for FY 2011.

Just prior to the April 22, 2010, West Virginia State University Board of Governors meeting, administrators of the Kanawha Valley Community and Technical College informed administrators of West Virginia State University of their intent to reduce the FY 2011 Service Agreement from the current amount of \$2,946,300.00 to \$1,360,608.00 for FY 2011. This represents a reduction of \$1,585,692.00 or a reduction of 54% in the level of services that KVCTC had previously purchased from WVSU. Negotiations with administrators of KVCTC regarding the Service Agreement are continuing.

The State of West Virginia has also placed constraints on possible actions that West Virginia State University could consider in addressing the declining general revenue appropriation. The Department of Revenue Cabinet Secretary for the State of West Virginia informed state agencies that reductions to filled full-time equivalent positions is not an option for addressing reductions in general revenue appropriations.

There are many factors and challenges affecting the assumptions contained in the Three-Year Budget Plan that began in Fiscal Year 2009. The following is an analysis of those assumptions:

Basic Assumptions

- (1) *This Plan will not adversely affect the mission of the university;*

(2) *Appropriations from the State of WV will remain flat or decrease over the 3-year period of this plan;*

(3) *Costs recaptured by the University through the charge-back agreement will likely decline; and*

(4) *Tuition increases will be moderate over the next 3 years.*

Analysis of Basic Assumptions

Assumptions 1 and 2 are still valid, though it might be said that the decrease in appropriations from the State of WV is steeper than we might have anticipated - especially since the decreases are cumulative, not restoring funds to our base budget before the next decrease is levied. For FY 2010 and FY 2011, the application of federal stimulus funds has helped to mitigate the decreases.

Assumption 3 is less valid: while it was anticipated the amount of the recaptured costs would decline, it was not anticipated the decline would be in the magnitude proposed for FY 2011.

Assumption 4 is less valid because for Fiscal Year 2010-2011, West Virginia State University will hold tuition at the FY 2009-2010 level for all students attending West Virginia State University. This is in compliance with the Governor's directive that State colleges and universities not increase tuition for the FY 2011.

Revenue Enhancement Assumptions

(1) *Marketing efforts will be coordinated through all media to better brand WVSU.*

(2) *Increases in enrollment will be realized through:*

a. *One individual to recruit new students full-time;*

b. *Earlier advising and registration of new students;*

c. *Advising and Registration will be done in Colleges;*

d. *Early Commitment Initiative between new students and WVSU faculty and staff;*

e. *Freshman Experience orientation course for all new University freshmen;*

f. *Tuition enhancements will be considered, such as the Metro Tuition rate and the redefinition of transient student status;*

g. *Implementation of the Central Services model for reimbursement of services;*

h. *Grants will be sought to fund ancillary programs; and*

i. *Utilization of programs funded through federal grants for retention activities will continue to be a priority.*

Analysis of Revenue Enhancement Assumptions

Marketing efforts are being coordinated and a branding strategy is being developed both at the Board of Governors level and at the staff level.

Increases in enrollment were realized for FY 2010. Primarily, the increase resulted from 2f - the redefinition of transient student status. For Fall, 2009, Kanawha Valley CTC students who enrolled in University courses were counted as WVSU students where they never had been before. This caused a large bump in enrollment that may likely decline somewhat for Fall, 2010.

Metro Tuition, which begins in Fall, 2010, was approved at all levels.

Items 2b and c were implemented for the Fall, 2009, incoming students. These strategies are continuing for Fall, 2010; two advising and registration sessions were held in early May, 2010 with 62 students registered to attend - most did and some who had not registered also attended. For the summer advising and registration sessions, 83 students are already registered to attend those, with the earlier ones more heavily subscribed to date.

Item 2d was implemented during summer 2009 and is continuing for summer 2010.

Item 2e Freshman Experience course was implemented in Fall, 2009, continued to Spring, 2010, and several sections of this course are on the schedule for each college for Fall, 2010. During academic year 2009-2010, approximately 400 students were enrolled in sections of this course - taught by colleges as well as sections for undecided students. Faculty in the colleges are enthusiastic about the benefits of the course.

In item 2h some grants were obtained (energy efficiency grants) to help fund the costs of various physical requirements.

Expenditure Containment Assumptions

(1) *Continue close monitoring of all expenditures to conform to budget and/or 50/50 match of capital expenditures;*

- (2) *Ensure that expenditures comply with these containment efforts;*
- (3) *Analyze areas where the level of services can be reduced or eliminated; and*
- (4) *Seek to consolidate areas where services are now duplicated.*

Analysis of Expenditure Containment Assumptions

Close monitoring of all expenditures has been, is and continues to be a prime step in the approval of the expenditures process.

Budgets are scrutinized to ensure expenditures are within the budgeted amounts.

Services have been consolidated in some areas; e.g. as when vacancies occur, collapsing of duties is investigated to contain costs.

The governor has stated that we cannot layoff employees, however, we can combine an employees' duties with someone that has retired or quit their employment.

Mr. Williams suggested that we try to find a way to cut our budget for 2011 by 21/2% so that we will only have to face a 21/2% cut in 2012 instead of the full 5% at one time. Dr. Thralls added that up to this point we have not been hiring employees and expenses have been decentralized between the President and the Vice Presidents. Mr. Coleman asked how the budget was made, whether each department had input in the process. Mr. Parker explained that each Vice President had input in the process and Mr. Coleman suggested that some of the academic areas that are not creating revenue be cut. Dr. Thralls added that he feels that strategic thinking needs to be institution-wide and we need to undertake the task, it cannot be on a volunteer basis.

Chair Williams asked about the Daycare situation. Mr. Parker remarked that right now we are looking at some things that we are anticipating cutting and closing. There are some things in the works that a final decision is to be made, restructuring, etc. Daycare is one of those areas under consideration. There are other options for keeping the employees of the Daycare Center.

Dr. Whyte informed there have been ongoing meetings with a consultant regarding severance packages for employees that would retire. All the employees would not be replaced, jobs would be combined and the savings would be spent for the severance package. The faculty have agreed to a severance deal but Dr. Carter has asked other questions that as of this date have not been answered. It would always be on a volunteer basis, never forced.

Mr. Williams asked about the bond debts and Mr. Parker stated that the institution-wide debt only has one more payment, the Student Union debt is separate and the housing bond is still

out there. It is the one with the least favorable rate. All schools are included in the same bond issue and if one school defaults on their payment, it is taken from the escrow account of the other schools participating in the program.

Prior to 2010, the way the tuition was charged has changed. Now if a student takes an institution class, the student pays institutional rates instead of CTC rates which were discounted.

Mrs. Booker made a motion that looking at the FY09/10 budget for 10/11 with a 2.5% reduction that budget that would not be an across the board reduction. Because we have to keep area of priority funded at a higher amount, I would like to exclude the area of Admission, Recruitment and Public Relations. Also, the budget is not to include any service amount figures with the Kanawha Valley Community and Technical College until both institutions have agreed on a service amount.

Dr. Gutezloff suggested that we have a tuition increase in the middle of the year. The governor has asked that educational institutions not increase tuition this year.

Mr. Parker's interpretation of House Bill 3215 was to be phased in over a five-year period. Starting in 2009 we began reducing fees for the KVCTC and in the current year, we had eliminated recruitment, the Capitol Center, Human Resources had been reduced and taken over by the KCTC in the current agreement. We expected a \$200,000 to \$300,000 reduction.

Dr. Badgely sent a letter about the reductions they were seeking. Their Financial Person is Pat Hunt who has been working closely with Dr. Badgely and Mr. Parker about the amount of the agreement. Dr. Badgely discussed the data base that they would have to have do what Dr. Carter required that they do. They have acquired the Banner system, finding skilled staff, and the services they expected from the institution. They are assuming responsibility for their students. Dr. Badgely said it was no longer possible for the institution to provide all the services that they were providing in the past, i.e. financial aid. There was communication regarding the agreement between Pat Hunt, Dr. Badgely and Mr. Parker for the 2011 year. The KVCTC is asking the university to make an adjustment of \$1.3 million after we don't have any way to get relief. Dr. Badgely remarked that the legislature laid out a plan for those CTC's that were becoming independent. A three-year period in which they would move from purchasing services from their former parent institution, that they transition over that period of time to an independent institution. Mr. Williams quoted Section 18b-2a-7a which was the legislation that basically gave the transition beyond 2012 and the division of assets and liabilities and Section I of that legislation that it could not reduce the services that it provides from the other institution by more than 10% in any one year and a reduction that exceeds \$200,000, the institution shall obtain the approval of both the Council and the Commission before doing so. Dr. Badgely said it requires the permission of both Boards, which means the Board of the CTC and the Board of the University and the approval of both the Council and the Commission. The CTC Board acted favorably upon this proposal on Tuesday of this week. Mr. Williams informed him that our full Board of Governors have not considered the question. The Finance Committee had some information at the last meeting to talk about that issue. To address the issue and our concern as it is now, it is so late in the process to make that adjustment and from our standpoint would have

difficulty meeting the test of I one through four of this plan. Mr. Williams feels there has been a failure to communicate there was a reduction of approximately 10%. Dr. Thralls added that there was a proposal or notification to the university with respect to that level of reduction and he couldn't anticipate the response to the BOG to that except to say that the magnitude of it, there be some fairly serious discussion about approving it at that level. The CTC has already taken steps with regard to the personnel and other things that has committed them to taking on these capabilities themselves and we are at the point of no return. Dr. Badgely stated that in March of this year they began meeting with the financial staff. And they began meeting with what he would call a transition crew, folks from admission, financial aid, registration in which we discussed how we would affect this transition because having our own data base and our own staff was only a part of that. There's a change of information how you move people back and forth and we had made our intentions as clear as we could at that point. It was their intention to deliver all the student services themselves. In response to Dr. Thrall's question, Dr. Badgely said they had acquired some considerable expense in the Banner System, they have hired admissions, and registration and registrar and financial aid and finance staff. So the reduction for payment for CTC services to the university are going into paying for those staff they have now acquired. Now CTC needs those dollars to pay for the delivery of those services themselves. Mr. Parker agreed that there was a group formed this year that was primarily talking about registration and how those things would be handled. Mr. Parker was invited to those meetings. Mr. Parker, consistently at each meeting, asked for a plan how those things would be carried out. The response that he consistently received was that "we will let you know, when we know." He has not received a copy of their transition plan to date.

Dr. Thralls pointed out that there are several approvals with respect to the governing boards, the Community and Technical College Council and so forth. He stated that he would not be surprised if there were several areas of some disagreement both here and other places. The question is does anyone know if there is any arbitration or similar process provided for when institutions are not able to agree how they would handle this?

Mr. Coleman stated that there was. The statute makes specific reference to that. The first step is the two chancellors, failure at that point then it goes to the council and the commission, if there is no agreement at that point, it goes again to the person appointed by each council and the commission and the third person who is agreed to by those councils and the third person handles the decision. Mr. Parker added that statute that Dr. Badgely referred to was the separation of assets agreement. The statute that is being talked about now does not have any reference to the university getting approval or approving any plan reduction greater than 10% or more than \$200,000. It puts the burden on the institution that is decreasing services by more than 10% or \$200,000 to get approval not from the Board, but from the Council and from the Policy Commission. Chair Williams agreed with Mr. Parker. He stated that there has to be agreement by the Council and the Commission under (I). There has been so much done that the Finance Committee is not in a position to make a recommendation that this scale of modification to the Service Contract be allowed because we do not see a way to replace revenue that allows us to honor other commitments.

Mr. Coleman stated that when the two institutions were separated by the law, the chair of the CTC Board sat down with him, and had conversations about how various situations would be handled. He said he was a little taken aback because he was not afforded that same level of courtesy as we were moving toward this step. It is a logical step that someday the CTC will be completely separate with their own individual services but when you are talking about something that is of material impact to the institution, you are talking about hearing about it from the Chair one week before the actual draft comes out. Mr. Coleman stated that he was a little taken aback by that. It is on public record that he wanted this institution to make sure we worked hand-in-hand with the CTC to make sure there was a smooth transition.

Mr. Williams made a motion that we defer the Boards' proposal and processes for making these changes and he recommends that this committee recommend that to the Board. Motion passed.

Dr. Gutezloff reminded Chair Williams that there was a motion on the floor that had not been voted on. The motion was made by Mrs. Booker and seconded by Mr. Williams. Motion passed.

Mr. Williams asked for further information regarding the dollar amount for tuition for the next budget year. Mr. Casto informed him that it was too early to give a dollar amount but he feels that we are going to be flat in terms of enrollment.

Mr. Williams made a motion to approve that they recommend to the full Board that we conditionally approve the July 1 budget. We do have the ability to adjust in September. The motion was amended to approve the budget minus 2 ½% in expense reduction, take out the charge back agreement and the service agreement until we have some resolution on those. Mrs. Booker seconded the motion. Motion passed.

On a motion duly made and seconded, the meeting was adjourned at 1:10 P.M.

Respectfully submitted,

Mary Flores

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Administrative Assistant