



# WEST VIRGINIA STATE UNIVERSITY

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February 15, 2008

Dr. Brian E. Noland, Chancellor  
WV Higher Education Policy Commission  
1018 Kanawha Boulevard, East  
Charleston, WV 25301

Dear Chancellor Noland:

West Virginia State University's (WVSU) financial reserves have been diminished over the last five (5) fiscal years due to the continuing required subsidies to West Virginia State Community and Technical College (WVSCTC). **The accumulated subsidy now totals \$2,913,355.** The West Virginia State Community and Technical College has accumulated **unrestricted** net assets of \$917,057 over this same time period while not fully reimbursing West Virginia State University for services rendered. Enclosed is a history of the charge-back agreements, payments and the accumulated subsidy provided by West Virginia State University from 2004 to 2008.

This financial situation is a direct consequence of the brokered compromise charge-back agreement between West Virginia State University and West Virginia State Community and Technical College for the 2005 fiscal year which called for West Virginia State Community and Technical College to reimburse West Virginia State University at a level of only 20 percent of the shared administrative and faculty costs, rather than the 30 percent level set forth in the charge-back model.

For more than one-half century "State" offered associate degrees. In 1978 a community college component was established on our campus. Community college education ventures proved to be successful.

During FY 2005, the charge-back agreement negotiations between West Virginia State Community and Technical College and West Virginia State University were challenging. Finance staff of the WV Higher Education Policy Commission (HEPC) and the WV Council for Community and

Technical College Education (CCTCE) offered their assistance. An external auditor was retained by the WV Council for Community and Technical College Education to review the financial information prepared by West Virginia State University. The auditors confirmed the veracity of West Virginia State University's financial data.

The following are some examples of the consequences of subsidizing the West Virginia State Community and Technical College and the financial impact it has had on the University's operations and its constituents. Funds were not available to:

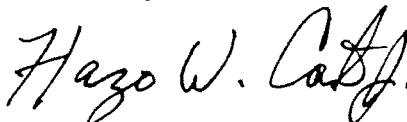
- reduce the amount of tuition increases for WVSU students;
- provide substantial salary increases to faculty and to fully implement the Mercer salary schedule for classified employees;
- add new faculty positions in order to address enrollment increases;
- address current needs and future enhancements to the library;
- develop new or expanded undergraduate academic programs;
- upgrade campus classroom technology and equipment;
- develop new graduate programs; and
- acquire property to expand parking.

The West Virginia State Community and Technical College should be reimbursing West Virginia State University at a rate of 30 percent and not at the current 20 percent rate. Additionally, pursuant to a November 30, 2005, memorandum from Dennis Taylor, Vice Chancellor for Administration at the HEPC and Patricia Hunt, then Director of Finance and Facilities for the CCTCE, the compromise agreement called for the deficit associated with the charge-back agreement to: **"...be carried by West Virginia State University because the University has sufficient net assets to absorb the deficit, while the West Virginia State Community and Technical does not." ..."It must be recognized, however, that this level of reimbursement cannot continue indefinitely."** (Memorandum enclosed.)

This underfunding has produced significant budgetary challenges for both West Virginia State University and the West Virginia State Community and Technical College in having adequate financial resources to meet their

respective missions. Thank you for your immediate attention to this pressing financial issue.

Sincerely,



Hazo W. Carter, Jr.  
President

Enclosures

c: Members - West Virginia State University Board of Governors

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