

ssOKLAHOMA STATE REGENTS FOR HIGHER EDUCATION
655 Research Parkway, Oklahoma City

MINUTES OF THE
COMMITTEE-OF-THE-WHOLE
Wednesday, October 23, 2019

1. **ANNOUNCEMENT OF FILING OF MEETING NOTICE AND POSTING OF THE AGENDA IN ACCORDANCE WITH THE OPEN MEETING ACT.** The Committee-of-the-Whole met at 10:30 a.m. on Wednesday, October 23, 2019, in the Regents Conference Room at the State Regents' offices in Oklahoma City, Oklahoma. Notice of the meeting was filed with the Secretary of State on September 18, 2018. A copy of the agenda had been posted as required by the Open Meeting Act.
2. **CALL TO ORDER.** Participating in the meeting were Regents Jody Parker, Ann Holloway, Toney Stricklin, Jay Helm, Michael C. Turpen, Ron White, and Steven W. Taylor. Absent from the meeting was Regent Jeff Hickman. Regent Parker called the meeting to order.
3. **ONENET.** Mr. Von Royal, Executive Director of OneNet and Higher Education Chief Information Officer, provided Regents with an update on OneNet Operations. Mr. Royal stated that October is National Cybersecurity Month and OneNet hosted a Cybersecurity Forum at Oklahoma City Community College on October 9, 2019, which was well attended and provided OneNet a platform to promote cybersecurity awareness. He mentioned that OneNet is in the last phase of their SOC 2 Audit. Mr. Royal stated that OneNet is on track with their participation in the State Real ID project. OneNet is helping upgrade sites, providing support, and providing network connectivity in this project, and it is anticipated that all sites will be completed by November 15, 2019. He also mentioned Ms. Sonja Wall's appointment as the State Broadband Coordinator.

Regent White asked Mr. Royal for an explanation of OneNet and its customers for the Representative Mark McBride and Representative Toni Hasenback, who were present at the meeting. Mr. Royal stated that OneNet is a non-appropriated entity, where its revenue is driven by user fees and that they work with last-mile providers to provide connectivity to educational entities. He stated that they are re-investing over \$11-12 million annually into the state. As an educational entity, OneNet leverages discounts when purchases are made, ultimately saving the state money – around \$4-5 million annually.

4. **GEAR UP.** Ms. Jolynn Horn, Assistant Vice Chancellor for GEAR UP, explained that the goal of GEAR UP is to prepare high school students earlier in high school for college success. She provided background information on the GEAR UP program, beginning in 1999, as a dollar for dollar match program. She mentioned two different types of grants – state grants and partnership grants – and their guideline differences, with state grants having more freedom than partnership grants.

Ms. Horn discussed the 2011 grant, a seven-year grant. She mentioned that an external evaluation was conducted at the close of the grant to find out what the program did well and what needed to be improved on. The Grant III evaluation deliverables were won by a bid from a North Carolina institute. The North Carolina external evaluator not only took data provided by GEAR UP but also randomly surveyed the public to ask their opinions on GEAR UP. Ms. Horn provided Regents an overview of the feedback and recommendations from the external evaluator, who had

looked at 24 school districts that participated in GEAR UP and compared them to 24 districts without GEAR UP.

Ms. Horn focused on some information provided by the evaluation that is now influencing GEAR UP's work. She stated that they now know that 2.5 hours of contact counseling is the point where students' perception of college changes, and it has caused school specialists to interact with students differently. She stated that three college visits is the turning point for college enrollment and that in Grant IV they are now requiring schools to do three college visits. She also mentioned a platform for college coaches in Grant IV. She stated that the evaluated grant was \$5 million a year from the federal government to support the program, supporting 18 employees and serving 20,000 students. Mr. Horn concluded by mentioning that Congressman Tom Cole would receive a copy of GEAR UP's impact sheet, which is updated twice a year.

5. **EXECUTIVE SESSION.** Oklahoma State Regents for Higher Education General Counsel Mr. Bob Anthony stated that there was no need for Executive Session.
6. **FISCAL VIABILITY REVIEWS.** Chancellor Glen D. Johnson explained that the Task Force on the Future of Higher Education recommended that a fiscal viability review and assessment be conducted for each of the 25 colleges and universities within the State System of Higher Education. Mr. John Curry and Mr. Glen McLaurin from the Huron Consulting Group presented their reports on five institutions – Carl Albert State College, East Central University, Eastern Oklahoma State University, Tulsa Community College, and Oklahoma State University. CASC President Jay Falkner, ECU President Katricia Pierson, EOSC President Steve Smith, and TCC President Leigh Goodson were also present to answer any questions from the Regents.

Regent White asked how many studies such as this were going on in the United States, to which Mr. Curry responded nothing this thorough. He stated that this was a first for Huron Consulting for financial diving and cross-comparison for an entire system. Mr. Curry stated that each campus had taken a different strategy to create revenue due to a decrease in state appropriations and that one of the advantages of this system-wide review is that the institutions can collaborate with one another.

Mr. McLaurin explained that the reports would focus on four main components – financial assessment, operational assessment, capital and debt, and their strategic plans.

- a. **Carl Albert State College.** Mr. McLaurin began by stating that Carl Albert State College (CASC) has responded to the decreasing state revenues with strategic expenditure reductions, a focus on college efficiency, and exploration of alternative enrollment revenue.
 - **Financial Assessment.** The overall financial net position of CASC has increased from 2014 to 2018 due to the pay down of debt and expense reductions in response to declining state appropriations. Sustained improvements in net position have allowed CASC to grow its unrestricted reserves, allowing flexibility for strategic for strategic investments or adaptations to declining economic conditions.
 - **Operational Assessment.** Responses to cuts in state appropriations have emphasized leaner operations through consolidation of academic programs and reductions of administrative expenses. Earnings before interest and depreciation are consistently positive, indicating that operations are generating cash. While total enrollment has declined at CASC, the institution has sought opportunities to expand offerings to non-traditional student groups, including workforce

certification programs and growth in concurrent enrollment. Increasing graduation and persistence rates are consistently higher than the average of peer Oklahoma colleges.

- **Capital and Debt.** CASC has grown its cash reserve due to limited capital expenditures and debt service but may need to consider future capital investments to manage deferred maintenance. The institution has a strong debt service coverage ratio and very low debt leverage.
- **Strategic Plan.** CASC should continue to pursue opportunities to enroll alternative students (concurrent, part-time, workforce certificates, and non-degree seeking) as a means of growing enrollment and increasing community engagement.

President Jay Falkner briefly discussed CASC's deferred maintenance plan. He thanked the Regents for the opportunity to display the hard work and dedication of everyone at CASC. He stated that the experience with Huron was exceptional and that due to the continuing decreases in state funding, CASC's philosophy is to function more like a private institution in order to survive and thrive in the current economy. He stated that they will shrink their reliance on state allocations and increase revenue streams.

- b. **East Central University.** Mr. McLaurin stated that East Central University (ECU) has made difficult financial decisions, but a focus on strategic planning, workforce development, and the strengthening of program offerings has allowed the institution to be successful.

- **Financial Assessment.** The net position of ECU has increased from \$74.4 million to \$79.6 million due to investment in capital assets and growth of cash reserves. Continued declines in enrollment, accompanied by decreases in tuition revenue, represent the greatest threat to ECU's future fiscal health. Reserves are healthy to support investment in high-growth programs as part of an effort to reverse enrollment trends.
- **Operational Assessment.** Decline in enrollment (25% over 5 years) coupled with state appropriations that have fallen from \$17.8 million to \$13.5 million have forced ECU to re-evaluate revenue streams and operational expenses, including engaging in program cost analyses and right-sizing initiatives. Cash-positive operations have led to positive EBIDA margins averaging 5.9% over the past five years, contributing to the growth in unrestricted reserves. Adjusting operating revenues continue to decline faster than operating expenses despite expense management.
- **Capital and Debt.** Strategic capital investments have focused on replacing aging facilities, including a new residence hall and academic building renovations. ECU has taken on debt in recent years to fund capital improvements but is not heavily leveraged. Moderate improvements in operating margins will help ensure operating income is sufficient to cover debt service.
- **Strategic Plan.** Strategic plan objectives are closely aligned with and measured by KPI's related to initiatives to promote student recruitment, retention, and success, offer programs that meet student and workforce needs, and drive greater engagement with the ECU Foundation.

President Katricia Pierson discussed ECU's cost and tuition analysis of every program offered by the institution and how this analysis has helped them right-size these programs. Mr. Curry congratulated President Pierson and ECU with this analysis as it demonstrated they understood the financial dynamics operating within their campus. President Pierson stated that the experience with Huron was exceptional and is optimistic

that ECU can continue working with them to help the institution move toward responsibility-centered management. She stated that once the programs at ECU knew what they were generating, it created an entrepreneurial spirit and that the deans began looking at what they could do differently. Regents discussed ECU's nursing program format and generated revenue with their partnership with Southeastern Oklahoma State University with President Pierson. President Pierson concluded by stating that ECU has to look at the short-term while also looking at the long-term.

- c. **Eastern Oklahoma State College.** Mr. McLaurin stated that Eastern Oklahoma State College (EOSC) has made difficult financial decisions, but a focus on strategic planning and online education has allowed the college to offer successful new programs, operate with a smaller number of faculty, and manage expenses.

- **Financial Assessment.** EOSC implemented budget cuts and constrained expenses in response to state appropriation cuts, limiting the impact on net position. However, the institution has faced limited liquidity between FY14 and FY18. The college is heavily reliant on state appropriations to fund day-to-day operations and continues to evaluate and identify opportunities to grow reserves without reducing the quality of instruction and student services.
- **Operational Assessment.** EOSC has faced declines in total enrollment, although growth in concurrent enrollment coupled with improved reimbursement rates will help grow future revenue. Despite constrained margins, the institution has been active in pursuing grants and contracts to supplement revenues and increase programmatic offerings. The utilization of zero-based budgeting has helped inform and drive expense reductions and prioritize investments. The institution has a proud history of funding programs through U.S. Department of Education grants, including NASNTI Pathways to Success, GEAR UP for Success, and TRIO Student Support Services.
- **Capital and Debt.** Narrow margins and limited reserves represent barriers to making greater investments in capital assets and addressing deferred maintenance. Support from the state for OCIA master lease payments had been an integral element in allowing for capital investments while limiting the cost of debt service.
- **Strategic Plan.** EOSC's strategic plan aligns with its mission and informs its approach to maintaining and improving educational outcomes while seeking to remain efficient and effective in its delivery of administrative services.

President Steve Smith discussed the difficulties that institutions face when enrollment decreases and the challenges created by the decrease in faculty at EOSC. He mentioned EOSC's great success in grant awards but also having to close their development office. He stated that although EOSC is met with challenges each year caused by shifting economics and demographics, they continue to meet their mission. He discussed the fact that rural community colleges receive no ad valorem funding and how EOSC's close proximity to Connors State College and Carl Albert State College causes challenges for all three colleges.

- d. **Tulsa Community College.** Mr. McLaurin stated that Tulsa Community College (TCC) has made difficult financial decisions, but a focus on student success and strategic planning has allowed the college to offer successful programs, manage expenses, and reestablish its reserves.

- **Financial Assessment.** The overall net position of TCC has decreased by \$13.7 million (12%) since 2014 due to large cuts in state appropriations as well as

capital assets depreciating at a faster rate than new investment in capital. Narrow operating margins are offset by strong primary reserve and viability ratios due to a growing unrestricted asset base, strong Foundation support, and a successful fundraising campaign.

- **Operational Assessment.** Operating expenses have been reduced in response to declining operating revenues. State appropriations have fallen by \$13.4 million (32%) over the past five years; however, TCC maintains good revenue diversity drawn from state appropriations, ad valorem property taxes, and tuition and fees. Ad valorem property tax revenue provides TCC a unique advantage and serves as an increasing revenue stream as Tulsa property values are expected to rise. Enrollment has decreased by 4,486 (16%) since 2014, but TCC expects a positive enrollment outlook for 2019-2020.
- **Capital and Debt.** Limited investment in ongoing capital needs has created a backlog of \$50-60 million for deferred maintenance. TCC has engaged with a third-party facilities firm to assist with a capital plan approach to prioritize projects. Low debt leverage and debt service and strong cash operating margins have helped grow TCC's unrestricted cash reserves. TCC has the flexibility to consider taking on additional debt or deploying reserves to increase its rate of capital investments.
- **Strategic Plan.** TCC's strategic plan aligns with its mission and informs its approach to maintaining and improving educational outcomes while seeking to remain efficient and effective in its delivery of administrative services. TCC has made consistent, incremental progress towards meeting or exceeding key performance indicators that reflect strategic plan goals.

President Leigh Goodson thanked the Regents and Huron for the experience. She discussed TCC's \$50-60 million in deferred maintenance, including both deferred maintenance and what they deem as necessities relating to safety and security. She pointed at TCC's capital profile and how the community is very invested and supportive of the college. She mentioned the challenges of the two smaller campuses, the west campus and the northeast campus, which serve populations that have a real need for access. She further stated that enrollment is up at both of those campuses. President Goodson also mentioned the development of four concurrent enrollment centers and getting out of the high schools. She mentioned that TCC is growing their online infrastructure, though they prefer to have a blended environment and therefore have put a lot of emphasis on faculty development and have increased the number of full-time faculty.

e. **Oklahoma State University.**

- **Financial Assessment.** General University unrestricted net position has declined over \$100 million, to \$188 million since FY2014 and capital debt has increased from \$667 to \$887 million. These changes have contributed to below-target primary reserve and viability ratios. The Oklahoma State University Foundation plays a critical role in bringing CFI ratios above target; with inclusion of the OSU Foundation component, the General University is in good financial health. Moody's affirmed AA3 and A1 bond ratings with a stable outlook in May 2016, citing an "*established market position...enrollment, sound operating cash flow..., and on-going philanthropic support.*"
- **Operational Assessment.** Non-capital gifts, along with capital appropriations, capital gifts, and capital-related restricted revenue, have helped maintain positive increases in net position even as operating measures have trended negative. State

appropriations have declined significantly. State appropriations support 17% of operating expenditures, down from 25% in FY2014. Total enrollment has fallen. While undergraduate enrollment has remained stable, graduate enrollment has fallen by 2,000 students (annual headcount) since FY14. The institution faces a competitive landscape for recruiting undergraduate students.

- Capital and Debt. Debt proceeds and funds restricted for capital purposes have supported investment in capital expenditures, but overall cash reserves have fallen 13%, from \$258 million in FY14 to \$224 million in FY18. Proceeds from the sale of investments have also helped to offset capital expenditures and volatility in cash from operating activities. The debt service coverage ratio remains above 1.0, but the institution's leverage has increased as bond and capital lease-related debt has grown faster than net position.
- Strategic Plan. The Stillwater campus strategic plan is underpinned by campus, school, and college-specific plans, and is aligned with a \$375 million Brighter Orange, Brighter Future campaign focused on student scholarships and success initiatives.

There was discussion among the Regents with Mr. McLaurin about adding back state appropriations as a separate line in order to know to what extent the institutions are having to go to looking for money over state appropriations. Regent Taylor wanted to know what institutions are receiving via state support on a nation-wide scale, while Regent Stricklin wanted data on border states.

7. **TASK FORCE ON THE FUTURE OF HIGHER EDUCATION.** Chancellor Glen D. Johnson began by stating that this item was a follow-up on discussion with the Regents to provide a way of tracking progress on Task Force recommendations.

Oklahoma State Regents for Higher Education Vice Chancellor for Administration Ms. Kylie Smith presented the draft document to the Regents, stating that they were looking for the best ways to present the information visually to Regents and other stakeholders. She noted that the draft listed categories and subcategories, the full recommendation, who the lead staff for the recommendation is, a place to add notes and that there would also be a place to put whether the recommendation was in the concept development phase, project development, or whether the implementation had been completed. Ms. Smith stated that after receiving feedback about the draft document, she would send the document to OSRHE's communications department to make it more presentable.

Regents mentioned adding the following columns: a financial cost savings column which was then decided could be titled "Outcomes" as not all recommendations will have cost savings; items requiring legislative approval and a column to track where those items are; and a benefits column. Ms. Smith concluded that she would work on the next draft to be presented to the Regents in December.

8. **PREDICTIVE ANALYTICS.** Mr. Tony Hutchison, Senior Vice Chancellor for Strategic Planning, Analysis, Workforce & Economic Development, presented a proposal for the use of predictive analytics system-wide. He began by reminding Regents of a recommendation made in 2018 from the Task Force on the Future of Higher Education and then explained predictive analytics. He stated that they wanted to create a predictive analytics student success score and discussed what could be included in configuring that score. Mr. Hutchison stated that it was important to make predictive analytics more routine and real-time in order to be able to feed scores back to K-12 to be able to inform them earlier about what they can do to make a student

more successful in higher education. Mr. Hutchison commented on analytics while on college campuses, looking at student profiles to be able to provide personalized recommendations and individualized academic and career plans to be successful. He highlighted the outcomes of using predictive analytics, including: higher graduation and retention rates, decreasing the time it takes to achieve a degree, graduating students with less debt, better matching to major and degree plans, and better workforce outcomes. He noted that a 2 percentagepoint increase in retention throughout the system would generate \$38 million more in revenue for the system.

Mr. Hutchison discussed SAS Analytics and their products, which could be used system-wide. He mentioned that with SAS Product Suite, they would be able to do away with some other products and stated that it would be a significant new investment for the Regents at \$307,675 for the first year and \$136,678 annually thereafter. Chancellor Johnson mentioned that with the upcoming budget request, he thought it was a significant enough investment to present to the Regents and that OSRHE believes that SAS Analytics fulfills the tenants of the Task Force, will save additional money in the long-run, and will also provide services to the smaller institutions. After a discussion, the State Regents strongly supported including the proposal in the budget request.

9. **BUDGET REPORT AND REVENUE UPDATE.** Interim Vice Chancellor for Budget and Finance Sheri Mauck provided Regents with a budget and revenue update. She stated that the first quarter revenue outlook was slightly below the estimate, at 0.4 percent and was driven by gross production in natural gas and oil revenue source. Ms. Mauck stated that gross production was 73.2 percent below the estimate, natural gas was 62.5 percent below the current estimate, and oil was 99.6 percent below the estimate, and that the quarter was \$6.4 million behind the estimate.

She stated that the trend in the three revenue sources will continue to decline. She also briefly mentioned the upcoming November 7 Special Budget Meeting.

10. **LEGISLATIVE UPDATE.** Vice Chancellor for Governmental Relations LeeAnna McNally provided the legislative update. She stated that they are continuing to follow interim studies and that they are beginning to see some pre-filed legislation by Senator Smalley, who wants to fund the junior year of concurrent enrollment, which would be a pipeline for STEM and engineering enrollment. Ms. McNally mentioned that they are continuing to meet with legislators one-on-one to answer their questions about budget needs. She also discussed Senator Dewayne Pemberton's Distinguished Service Award on October 24 and provided a description of his advocacy for higher education.


11. **TASK FORCE REPORTS.**

- a. **Online Education Task Force.** Senior Vice Chancellor for Academic and Student Affairs Debbie Blanke stated that there would be a full meeting of the Online Education Task Force on October 24, 2019. She provided a preview of the meeting, stating that they would give a brief update on online performance, a Council of Online Learning Excellence update, and an Online Consortium of Oklahoma (OCO) update. She stated they would discuss OCO deliverables through an annual report and memberships. They will also discuss next steps and goals for the task force at the meeting.
- b. **State Regents Campus Safety and Security Task Force.** Associate Vice Chancellor for Communications Angela Caddell provided an update on the Campus Safety and Security Task Force, mentioning the expanding partnership with the Oklahoma Department of Mental Health and Substance Abuse Services. She stated that they were partnering on a new project to extend access to suicide prevention online course models free of charge

and that the Oklahoma Department of Mental Health and Substance Abuse Services would be covering the charges for the first two years. Ms. Caddell provided information about the coursework and said that they would provide training to faculty, staff, and students. She concluded by stating that every campus has been asked to provide a liaison and that the next step would be for the liaisons to meet in late November or early December to kick-off this project.

12. **“BEST OF HIGHER EDUCATION.”** Regents received the October 2019 update on institutional activities via e-mail on Tuesday, October 22.
13. **CALENDAR OF EVENTS.** Vice Chancellor for Administration Kylie Smith distributed the calendar of events in written form to the Regents.
14. **ADJOURNMENT.** With no other items to discuss, the meeting was adjourned.

ATTEST:


Jody Parker, Chairman


Jeff Hickman, Secretary