

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

MINUTES OF THE
COMMITTEE-OF-THE-WHOLE
Wednesday, December 4, 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, December 4, 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, Jeff Hickman, Toney Stricklin, Jay Helm, Michael C. Turpen, Ron White, and Steven W. Taylor. Regent Parker called the meeting to order.
3. **HIGHER EDUCATION DISTINGUISHED SERVICE AWARD.** Chancellor Glen D. Johnson and the State Regents presented Representative Trish Ranson (Stillwater) with the Higher Education Distinguished Service Award for her support during the 2019 legislative session. Representative Ranson provided remarks about the important role education plays in the development of the state.
4. **EXECUTIVE SESSION.** Regent Holloway made a motion, seconded by Regent Stricklin, to enter executive session pursuant to Title 25, Oklahoma Statutes, Section 307(B)(1) to discuss the performance review of the Chancellor. Voting for the motion were Regents Parker, Holloway, Hickman, Stricklin, Helm, Turpen, White, and Taylor. Voting against the motion were none.

Following executive session discussions, Regents returned to open session.

5. **TASK FORCE ON THE FUTURE OF HIGHER EDUCATION.**
 - a. **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, Mr. Glen McLaurin, and Ms. Lilly Leyh-Pierce from the Huron Consulting Group presented their reports on five institutions – Murray State College (MSC), Northwestern Oklahoma State University (NWOSU), Seminole State College (SSC), University of Science and Arts of Oklahoma (USAO), and Western Oklahoma State College (WOSC). MSC President Joy McDaniel, NWOSU President Janet Cunningham, SSC President Lana Reynolds, USAO President John Feaver, and WOSC President Chad Wiginton were also present to answer questions from the Regents.

Mr. Curry provided a brief reflection on the process used for the fiscal viability reviews and assessments and thanked all of the institution presidents for their assistance. He stated that the institutions had responded accordingly to state cuts and remained resilient.

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

1. **Murray State College.** Mr. McLaurin began by stating that Murray State College (MSC) has recently implemented overall budget reductions and salary freezes in the face of declining total enrollments and state appropriations to help maintain an overall stable financial position. He mentioned MSC’s utilization of its master campus plan and Colbert Trust resources to invest in capital assets.
 - Financial Assessment. The overall net position of MSC has increased from \$25.6 million in 2014 to \$79.6 million 2018, largely due to the established charitable trust and sale of mineral rights in FY2018. MSC’s high level of expendable resources, is largely due to the Colbert Trust, results in above-target primary reserve and viability ratios drive the institution’s overall CFI score of 9.53 in FY18.
 - Operational Assessment. Cuts in state appropriations have caused MSC to disinvest and/or cut low enrollment programs while offering minimal increases in faculty and staff salaries over the past five fiscal years. Earnings before interest and depreciation have been significantly positive within the past two years, driven by dramatic increases in investment returns associated with the aforementioned charitable trust. Total enrollment has declined on average 2.3 percent annually over the last six academic years, increasing financial strain on both MSC, which has a smaller base for tuition revenues, and its students, who have faced tuition increases.
 - Capital and Debt. MSC’s increasing net operating revenues have provided significant improvements in the institution’s debt service coverage ratio (1,348 percent in FY2018), improving financial flexibility and reducing operational risk. Significant capital investments, including a new allied health building, combined with negative cash generated from operations, have contributed to a declining cash balance over the past five fiscal years.
 - Strategic Plan. MSC’s strategic plan remains focused on four overcharging themes: fostering student success, elevating teaching and learning standards, creating workforce development partnerships, and cultivating partnerships for civic engagement.

President Joy McDaniel stated that MSC appreciated the opportunity for the fiscal viability report to occur and to have an objective, outside opinion. She said that they had learned that it was important to watch the CFI scores and how important the Colbert Trust was to MSC. President McDaniel discussed the Colbert Trust, explaining that it was an existing trust which did not have substantial value; however, in the last few years wells and mineral rights have generated value, providing around \$2.5 million per year that MSC is able to use to recruit students from Stephens County. She mentioned the sale of mineral rights on certain wells but that MSC still owns some wells and is still receiving revenues from oil and gas production.

2. **Northwestern Oklahoma State University.** Mr. McLaurin stated that although Northwestern Oklahoma State University (NWOSU) has faced enrollment declines and steady decreases in state appropriations, NWOSU has responded to these challenges through a successful capital campaign, emphasis on program quality, and investments in the Complete College America programs.

- **Financial Assessment.** NWOSU's net position has increased each year since 2014, with 17.8 percent overall growth from FY14 to FY18 due to investment in capital assets and paydown of capital debt. This increase in net position has also been driven by improvement in the institution's unrestricted balances since FY16, aided by reduced operating expenditures.
- **Operational Assessment.** Total enrollment declined by 10 percent from FY14 to FY18, while net tuition and fees grew by an annual average of 6.7 percent over that time, due to a 42 percent growth in online enrollment. Retention and graduation rates at NWOSU are below the state average for regional universities, suggesting a need for greater investment in student services and continued expansion into non-traditional student programs, such as online course offerings.
- **Capital and Debt.** Addressing deferred maintenance will become a priority for the university in future years (as the average age of facilities has increased), particularly surrounding roofing and AC unit repairs in multiple buildings. Cash reserves have grown in each of the last five years except for FY16, during which a large operating deficit of \$18.1 million and capital expenditures of \$2.8 million led to a decrease in cash of approximately \$104,000.
- **Strategic Plan.** NWOSU's strategic plan is focused on four principal areas aimed at assessing and revitalizing the institution in the currently challenging financial climate: 1) assessing the relevance and quality of academic program offerings, 2) enhancing the student experience, 3) fostering a sustainable and accountable culture, and 4) building beneficial partnerships for the future.

President Janet Cunningham echoed President McDaniel's remarks that it was beneficial to have an outside perspective of NWOSU's finances. She stated that they are pleased to have a strong foundation and strong community support for higher education. She mentioned \$8.6 million waiting to be matched in an endowed chairs program, which would make around a \$275,000 to \$300,000 operating impact on an annual basis. President Cunningham mentioned that NWOSU has focused on raising funds for operations and facilities. A discussion regarding online and hybrid courses began after it was noted that NWOSU has seen a 42 percent increase in online enrollment. President Cunningham stated that NWOSU takes a very strategic viewpoint to online enrollment, complete with a robust online committee and continuing evaluation of online and hybrid courses to maintain the rigor for online courses. Mr. Curry added that hybrid courses have become the norm in higher education, mentioning that students are learning both from faculty members online and from in-person student group problem solving sessions, which research shows is beneficial to students in the learning process. President Cunningham mentioned that demographics in northwestern Oklahoma are set to improve over the course of the next few years and that NWOSU needs to reinvest in student services.

3. **Seminole State College.** Mr. McLaurin stated that Seminole State College (SSC) has responded to the decreasing state appropriations by limiting new hires, cutting underperforming programs, and increasing tuition, which has led to an increase in its net position in each of the past four years.
 - **Financial Assessment.** The overall net position of SSC has increased from \$691,000 in FY14 to \$4.2 million in FY18, an increase of approximately \$4.9 million, largely due to improved operating margins, capital donations,

and the paydown of debt. Below target primary reserve and viability ratios, driven by limited expendable net assets, contribute heavily to SSC's low CFI score of 2.07, which factors in resources controlled by the school's foundation.

- **Operational Assessment.** Cuts in state appropriations have caused SSC to cut several underperforming academic and athletic programs, implement a temporary hiring freeze, and increase tuition in recent years. Earnings before interest and depreciation are consistently positive, indicating that operations are generating cash. Total enrollment has declined annually by 8 percent over the last six years, increasing financial strain on both the school, which has a smaller base for tuition revenues, and students, who have faced tuition increases. Three-year graduation rates are consistently at least 9 percent higher than the average of Oklahoma community colleges.
- **Capital and Debt.** SSC is still highly leveraged, which has limited its financial flexibility, but it has become less leveraged in recent years. A new sports complex has been approved and will be financed by the school's foundation and leased to the school and local community for use.
- **Strategic Plan.** SSC is currently evaluating opportunities to increase enrollment by improving engagement with schools in its service area, increasing its digital presence for both current and potential students by redesigning the school website and offering 100 percent online programs, and expanding academic offerings.

President Lana Reynolds echoed the other presidents' remarks that the experience was a great opportunity to look introspectively and that the process of the interviews was very positive in helping administrators with discussions on campus about what is happening around SSC. She stated that they were proud to have steady graduation and retention rates through the unsteady time of state funding. She also mentioned SSC's deferred maintenance issues and stated that the SSC Board of Regents will be looking at an energy investment grade audit that, if approved, would be able to address items on campus. She also addressed a transition of funds in FY16-17 due to the construction of the Boren Center on campus. President Reynolds concluded by mentioning the tribal support that SSC receives.

4. University of Science and Arts of Oklahoma. Mr. McLaurin began by stating that the University of Science and Arts of Oklahoma's (USAO) expansion of its enrollment strategy, reinvestment into the historic campus, and retention of enrollment levels are several ways in which USAO has responded to increasing budget constraints.

- **Financial Assessment.** USAO's overall net position increased by \$1.7 million from FY14 to FY18, which was driven by a \$1.9 million increase of net investment in capital assets and offset by declines in restricted assets. Support from the USAO Foundation, which has grown its asset base due to recent significant donations, helps bring USAO's CFI scores above target.
- **Operational Assessment.** Currently, state appropriations and tuition and fees revenues are declining at a faster rate than adjusted expenses, requiring USAO to rely on greater assistance from the Foundation to fund the University. Declining enrollment trends impact the primary revenue drivers, where tuition and fees, federal grants and contracts, and auxiliary services are highly dependent on growing enrollment to offset the negative operating

margin. Retention rates have been identified as an area for improvement as overall enrollment has declined despite an increase in the number of new students each fall.

- **Capital and Debt.** USAO has reduced its restricted reserves for capital projects by \$1.8 million to \$600,000 due to extensive capital expenditures, but will continue to identify capital funding sources in order to address the deferred maintenance of the historic campus. The institution has a low debt leverage ratio and can expect debt service coverage to increase from reduced debt service payments, giving USAO greater flexibility to refund capital projects or support operations in the future.
- **Strategic Plan.** USAO must continue to reconcile how to market its strong liberal arts mission and institutional capacity with a changing student demographic.

President John Feaver began by stating that the experience with Huron was an important stress test for the institution and that the Board adopted a strategic plan through 2025 and that they plan to adopt a full-scale campus master plan at their December meeting and that this precedes their intent to undertake a major capital campaign effort in 2020 to focus on improving cash flow and increasing enrollment and retention. President Feaver stated that he thought USAO had a healthy foundation with roughly over \$30 million. There was discussion with the Regents about community support and President Feaver stated that some years ago USAO asked for a commitment as part of a sales tax request to the community and it was voted down because the community wanted to recruit from within the Chickasha community and not provide scholarships for those from outside the community. President Feaver concluded by stating that if the community wants the institution to remain as an earning asset, the community needs to support the institution.

5. **Western Oklahoma State College.** Mr. McLaurin stated that Western Oklahoma State College (WOSC) has made difficult financial decisions but a focus on student success, strategic planning, and technological innovation has allowed the college to offer successful programs and manage expenses.
 - **Financial Assessment.** The overall net position of WOSC has decreased by approximately \$0.5 million since FY14, as the institution experienced an overall decline in net assets in FY14, FY15, and FY18. Strong primary reserve and viability ratios are the most significant contributors to WOSC's CFI score of 2.86, although negative adjusted operating margins and declining cash reserves will need to continue to be monitored.
 - **Operational Assessment.** Operating expenses have been reduced by 12 percent in response to declining revenues from large state appropriation cuts. State appropriations have fell by approximately \$1.35 million between FY14 and FY18, and as a result, tuition and fees became WOSC's largest source of revenue in FY18, comprising 40 percent of adjusted operated revenue. Enrollment has decreased by 585 students since 2014, which includes elimination of Technology Center enrollment (with a limited budget impact of approximately \$26,000); however, WOSC anticipates enrollment growth in 2020 and 2021.
 - **Capital and Debt.** With expected increases in future capital appropriations and a detailed capital improvement plan, WOSC is well-positioned to address its estimated \$4.4 million in deferred maintenance. In 2012, WOSC engaged

in an Energy Performance Contract for \$1.3 million in which \$500,000 was financed through the Foundation to be repaid over eight years. The final installment owed to the Foundation will be due in 2020. By 2022, the only remaining debt will be OCIA capital lease obligations with the expectation that the state will continue to make debt service payments.

- **Strategic Plan.** WOSC'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. WOSC has extensive measures and performance indicators in place to track strategic plan initiatives.

President Chad Wiginton began by stating that WOSC is a realist and that the Huron report affirmed what WOSC thought. He stated that FY19, which is not listed in the report, has been a good year for WOSC. In FY19, they added \$368,000 to their E&G fund balance, maintained \$3.5 million in reserves, and only have \$70,000 in debt outside of OCIA. He said that WOSC has a history of being extremely conservative with their money and that, like other institutions, they have faced difficulties with enrollment. President Wiginton also discussed the issues WOSC has had with the Higher Learning Commission but that this spring they were able to come away with full accreditation and that they are better poised for the future because of that experience. He stated that WOSC had high concurrent enrollment and that they have great enrollment with area partner schools. President Wiginton concluded by discussing WOSC's \$7 million foundation and stating that the investment committee had been very conservative over the years, averaging one to two percent on their returns, so there have been serious discussions about making changes to get a better return on investments.

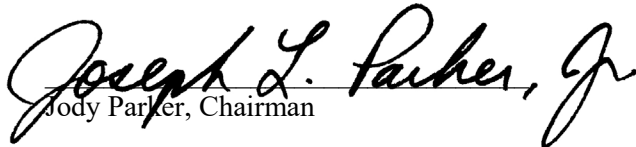
- b. **MATH PATHWAYS.** Assistant Vice Chancellor for Workforce and Economic Development Matt Eastwood demonstrated a math pathways dashboard, which was created based on a recommendation from the Math Pathways Task Force. This three-step system will help students identify which math courses are relevant based on a chosen degree program and institution. Dr. Rachel Bates, Associate Vice Chancellor for Educational Partnerships, provided background for the creation of the pathway, mentioning that the math discipline has morphed in the last several decades and they have tasked institutions to create alternative solutions focused on the relevance of math courses as opposed to rigor. Dr. Bates mentioned that institutions had created four alternatives: college algebra, quantitative reasoning, functions and modeling, and statistics, and that institutions have been tasked with offering at least two alternative courses to college algebra.
- c. **ADULT DEGREE COMPLETION.** Senior Vice Chancellor for Academic and Student Affairs Dr. Debbie Blanke presented State Regents with the redesign of the Reach Higher website. She stated that the original \$777,000 grant from the Lumina Foundation over three years will end in December 2019 and that Lumina has provided a no-cost extension. Dr. Blanke stated that there has been a request made to Lumina for additional funds. Dr. Blanke then discussed the FlexFinish program, which is the original program designed to support students who are almost completed with their programs, and the DirectComplete program, which is designed to help adults who have earned some college credit complete a degree linked to one of the identified 100 critical occupations. She then summarized Reach Higher participating institutions and outside partners to the program, activities that the Reach Higher program has put on to engage the adult student, and community partner asset mapping. Dr. Blanke concluded by mentioning that Dr. Robert Anderson, President

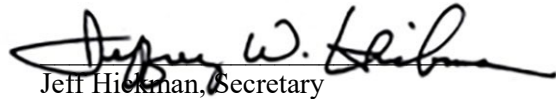
of SHEEO, stated that there were three key elements to any adult program: make it transparent and simple, a financial commitment to the adult students, and have support programs. Dr. Blanke stated that adult learners in Oklahoma have the Oklahoma Tuition Aid Grant but that Oklahoma's adult programs are lacking financial assistance to students.

- d. **IMPLEMENTATION SCORECARD.** Oklahoma State Regents for Higher Education Vice Chancellor for Administration Kylie Smith presented a revised version of an implementation scorecard to the Regents. The revised version presented included the addition of a column regarding legislation requirements and a column for outcomes as a way to measure metrics. There was discussion amongst the Regents regarding the length of the list and they decided they would prefer condensing the list for public consumption but maintaining a comprehensive list for internal purposes. It was also suggested that there be a timeline or status category, or possibly to color-code the scorecard.
6. **BUDGET REPORT AND REVENUE UPDATE.** Interim Vice Chancellor for Budget and Finance Sheri Mauck provided Regents with a budget and revenue update. Ms. Mauck stated that the revenue outlook through October was 1 percent over the estimate. She stated that income and sales tax were up in October and counteracted gross production sources, which continue to be down significantly. She provided data from the October collections to the Regents, stating that gross production was down 48.5 percent, natural gas down 64.3 percent, and oil collections down 23.5 percent. She concluded by stating that Higher Education's budget performance hearing with the House and Senate is scheduled for January 30, 2020.
 7. **LEGISLATIVE UPDATE.** Vice Chancellor for Governmental Relations LeeAnna McNally provided the legislative update. Ms. McNally stated that they were seeing a lot of pre-filed bills, a lot of positivity regarding the junior concurrent enrollment funding, and a lot of discussion about the Endowed Chairs program. She stated that Higher Education Day at the State Capitol is scheduled for February 11, 2020.
 8. **TASK FORCE REPORTS.**
 - a. **Online Education Task Force.** Senior Vice Chancellor for Academic and Student Affairs Debbie Blanke stated that the Online Education Task Force would not be meeting in December but would next meet in February. She stated that the Task Force is currently working on creating a one-page draft of information regarding online education in the state, which was discussed during the last Online Education Task Force meeting, and provided an update on membership in the Online Consortium of Oklahoma.
 - 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, stating that planning has begun for the next statewide summit and they were currently discussing the possibility of having Scott Lewis, a nationally-recognized member of the Behavioral Intervention Team Association, as their keynote speaker. She mentioned the fee for Mr. Lewis and the attempt to get multiple sponsors and partners to help offset the cost. Ms. Caddell also provided Regents with an update on the partnership with the Department of Mental Health and Substance Abuse Services regarding providing free access to online course modules on suicide prevention and training. She stated that all campuses have identified a liaison for this project and that they will launch their training on December 13, 2019.

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

ATTEST:


Joseph L. Parker, Jr.
Jody Parker, Chairman


Jeffrey W. Hickman
Jeff Hickman, Secretary