

Monday, November 10, 2003

Page No.

8.00 - 8.30 am  
Pine

### Executive Committee (Closed)

Executive Committee Members:

Chuck Ruch (SD), chair

Don Carlson (WA), vice chair

Tad Perry (SD), immediate past chair

Diane Barrans (AK)

Linda Blessing (AZ)

Robert Moore (CA)

Bill Kuepper (CO)

Clyde Kodani (HI)

Gary Stivers (ID)

Frank Kerins (MT)

Jane Nichols (NV)

Everett Frost (NM)

David Nething (ND)

Diane Vines (OR)

Bob Burns (SD)

George Mantes (UT)

Marc Gaspard (WA)

Phil Dubois (WY)

### Agenda

Information item: Informal Review of the Executive  
Director's Performance

1-3



# INFORMATION ITEM

## Informal Review of the Executive Director's Performance Executive Director's 2003 Activities Outside of the Office

### January

- 1/5-6/03 Participate in Northwest Academic Forum (NWAFF) Executive Committee Meeting, Denver, CO (no expense)
- 1/13/03 Participate in and Present at Wyoming's 50th Anniversary Reception, Cheyenne, WY (paid by WICHE)
- 1/15/03 Participate in and Present at Arizona's 50th Anniversary Legislative Luncheon, Phoenix, AZ (paid by WICHE)
  - 1/16/03 Work with CONAHEC staff, Tucson, AZ
- 1/22/03 Participate in and Present at Symposium on Postsecondary Education Accountability in California, Sacramento, CA (paid by Ford grant)
  - Meeting with Senator Alpert
- 1/23/03 Participate in and Present at Western Governors' Association (WGA) Meeting, Denver, CO (no expense)
- 1/31/03 Participate in and Present at Lumina State Technical Assistance Workshop, Phoenix, AZ (paid by Lumina grant)

### February

- 2/1/03 Continue Participation in Lumina State Technical Assistance Workshop, Phoenix, AZ (paid by Lumina)
- 2/2/03 Participate in Officers' Retreat, Portland, OR (paid by WICHE)
- 2/6/03 Participate in an invitational meeting of the Center for Competency Measured Education, Institute for State Studies' Board of Overseers Meeting, Salt Lake City, UT (paid by institute)
- 2/7-8/03 Participate in ACT Education Division Advisory Board, Orlando, FL (paid by ACT)
- 2/13/03 NIH Colorado Research Day at University of Colorado Health Sciences Center, Denver, CO (no expense)
- 2/18/03 Participate in and Present at Oregon's 50th Anniversary Celebration Breakfast, Salem, OR (paid by WICHE)
  - Meet with State Board of Education Finance Taskforce, Tualatin, OR
  - Testify to Oregon Senate Education and Appropriations Committees
- 2/21-22/03 Participate in and Present at Gear Up Conference, Honolulu, HI
  - Meeting with Representatives Mark Takai and Tulsı Tamayo, Chair and Vice Chair of the House Education Committee, Manoa, HI (paid by Lumina grant)

2/27/03 Participate in and Present at Nevada's 50th Anniversary Celebration, Reno, NV (paid by WICHE)

- Meeting with Governor Kenny Guinn

## March

3/10/03 Participate in ACE Commission on International Education Meeting, Washington, DC (paid by WICHE)

3/11-12/03 Visit Montana (paid by WICHE)

- Meetings with Governor Judy Martz and Commissioners Krause and Younkin, Helena, MT

3/13-17/03 Participate in New Millennium Project Invitational Seminar, American Association for Higher Education (AAHE) Annual Meeting, Meeting with Current and Former AAHE Board Members Regarding the Future of AAHE, and AAHE Board of Directors Meeting, Washington, DC (paid by WICHE)

3/24-25/03 Participate in CONAHEC Board Meeting, Guadalajara, Mexico (paid by WICHE)

3/26-27/03 Participate in and Present at Washington's 50th Anniversary Reception at the State Capitol and Governor's Mansion, Olympia, WA (paid by WICHE)

- Present at Washington House Higher Education Committee and at Washington Senate Higher Education Committee Meeting

3/29/03 Present at University Continuing Education Association (UCEA) Annual Meeting "The Next University – Emerging Agendas," Chicago, IL (paid by UCEA)

## April

4/2/03 Participate in and Present at University of Colorado Health Science Center Chancellors/ Deans Meeting, Denver, CO (no expense)

4/8-10/03 Visit New Mexico (paid by New Mexico Commission on Higher Education)

- Meetings with Phil Eaton, Vice President for Health Sciences, University of New Mexico in Albuquerque, and New Commissioner Patricia Sullivan in Las Cruces, and New Mexico Commission on Higher Education New Commissioner Training, Albuquerque, NM

4/11/03 University of Wyoming and University of Colorado Health Science Center Collaboration Meeting, Laramie, WY (no expense)

4/14/03 Participate in "Standards for Success" Meeting, Aurora, CO (no expense)

4/28/03 Participate in National Postsecondary Education Cooperative (NPEC) Executive Committee Meeting, Washington, DC (paid by NPEC)

4/29/03 Present at California's 50th Anniversary Celebration, Sacramento, CA (paid by WICHE)

## May

- 5/4-6/03 Participate in National Center for Public Policy and Higher Education Forum on State Policy Implementation, San Jose, CA (paid by National Center)
- 5/14-16/03 Participate in the "Access to Baccalaureate" conference by the American Association of State Colleges and Universities (AASCU) and American Association of Community Colleges (AACC), Washington, DC (paid by Lumina grant)
- 5/17-21/03 Participate in WICHE Commission Meeting and Utah's 50th Anniversary Celebration, Salt Lake City, UT (paid by WICHE)

## June

- 6/6-7/03 Participate in ACT Education Division Advisory Board, Iowa City, IA (paid by ACT)
- 6/10-11/03 Participate in and Present at Macalester Forum on Governance, Macalester College in St. Paul, MN (paid by Macalester Forum)
- 6/12/03 Present at Colorado Community College Board Planning Conference, Denver, CO (no expense)
- 6/13/03 Present at SHEEO K-16 Forum for Rural States, Denver, CO (no expense)

## July

- 7/1-3/03 Participate in American Association for Higher Education (AAHE) Presidential Interviews, Washington, DC (paid by AAHE)
- 7/10/03 Participate in California Higher Education Accountability Advisory Group, Sacramento, CA (paid by Ford grant)
  - 7/11/03 Meeting with Mike Smith, The William and Flora Hewlett Foundation, Menlo Park, CA
- 7/13-16/03 Participate and Present at in Education Commission of the States (ECS) National Forum on Education Policy, Denver, CO (no expense)
- 7/21/03 Participate in and Present at WICHE's Legislative Advisory Committee Meeting, San Francisco, CA (paid by Ford grant)
- 7/22-23/03 Participate in American Association for Higher Education (AAHE) Board Meeting re: Presidential Finalists, Washington, DC (paid by AHHE)
- 7/24/03 ATAlliance Board of Directors Meeting, Portsmouth, NH (paid by ATA)
  - Present at 7/25-27/03 State Higher Education Executive Officers Annual Meeting, Portsmouth, NH (paid by WICHE)
- 7/29-31/03 Present at Council of State Governments-West (CSG-West) Annual Meeting, Honolulu, HI (paid by Ford grant)

## August

- 8/14-16/03 Participate in and Present at SHEEO Professional Development Conference, Lake Tahoe, NV (paid by WICHE)
- 8/28/03 Participate in California Higher Education Accountability Advisory Group, Sacramento, CA (paid by Ford grant)
  - Meeting with California WICHE Commissioner Bob Moore

## September

- 9/11/03 Participate in and Present at Hawaii's 50th Anniversary Celebration, Honolulu, HI (paid by WICHE)
- 9/14-16/03 Present at Western Governors' Association (WGA) Annual Meeting, Big Sky, MT (paid by WICHE)
- 9/15/03 Presentation at National Governors' Association (NGA) Annual Meeting, San Francisco, CA (paid by NGA)
- 9/20/03 Participate in and Present at Rural Mental Health in the WICHE West: Meeting Workforce Demands through Regional Partnership, Reno, NV (paid by WICHE)
- 9/25-26/03 Participate in and Present at Montana's 50th Anniversary Celebration, Billings, MT (paid by WICHE)
- 9/29-30/03 Participate in National Postsecondary Education Cooperative (NPEC) Executive Committee Meeting, Washington, DC (paid by NPEC)

## October

- 10/2-3/03 Participate in WICHE IT Policy Forum "Weathering the Perfect Storm: Information Technology in a Limited-Resource Environment," Salt Lake City, UT (paid by Ford grant)
- 10/10/03 Present at Workshop for Institutional Boards, Policy Commission and Presidents, Charleston, WV (paid by West Virginia)
- 10/11/03 Participate in Northwest Academic Forum (NWAFF) Executive Committee Meeting, Seattle, WA (paid by WICHE)
- 10/13-14/03 AAHE Board of Directors Meeting, Washington, DC (paid by WICHE)
- 10/15-16/03 Participate in and Present at ACT Annual Meeting, Iowa City, IA (paid by ACT)
- 10/20-21/03 Participate in and Present at North Dakota's 50th Anniversary Celebration, Bismarck, ND (paid by WICHE)
- 10/22/03 Lumina Equity Meeting (NCHEMS), Boulder, CO (no expense)
- 10/23-24/03 Present at Jobs for the Future (JFF) Conference, Washington, DC (paid by JFF)
- 10/26/03 Participate in "Strategies to Preserve Access and Affordability," Lansdowne, VA (paid by National Center for Public Policy and Higher Education)
- 10/27-29/03 Present at Wingspread Conference Series, Implementing the National Action Agenda for Civic Engagement in Higher Education, Racine, WI (paid by The Johnson Foundation)
- 10/30/03 Participate in Ford Foundation Meeting, New York, NY (paid by WICHE)

November (anticipated)

- 11/3/03 Present at WCET Annual Meeting, San Diego, CA (paid by WICHE)
- 11/4/03 Participate in California Higher Education Advisory Group, Sacramento, CA (paid by Ford grant)
- 11/9-11/03 Participate in WICHE Commission Meeting, Broomfield, CO (paid by WICHE)
- 11/12/03 Participate in and Present at Daniels Fund Access Summit, Cherry Creek, CO (no expense)
- 11/17-18/03 Present at Policy Forum on Financial Aid and Financing Higher Education, Louisville, Kentucky (paid by State of Kentucky)
- 11/20-21/03 Present at National Conference of State Legislators (NCSL) Legislative Leadership Forum on Higher Education, Denver, CO (no expense)

December (anticipated)

- 12/1-2/03 Participate in South Dakota Roundtable (paid by Ford grant)
- 12/3/03 Facilitate a panel at 2003 FIPSE Project Directors Meeting, Denver, CO (no expense)
- 12/4/03 Participate in and Present at Alaska's 50th Anniversary Celebration (paid by WICHE)
- 12/8/03 Participate in Milbank Foundation Forum on Preparing Healthcare Workers for the Future, Denver, CO (no expense)



8.30 - 9.30 am [Tab 1]  
Centennial

### Executive Committee (Open)

Executive Committee Members:

Chuck Ruch (SD), chair  
Don Carlson (WA), vice chair  
Tad Perry (SD), immediate past chair  
Diane Barrans (AK)  
Linda Blessing (AZ)  
Robert Moore (CA)  
Bill Kuepper (CO)  
Clyde Kodani (HI)  
Gary Stivers (ID)  
Frank Kerins (MT)  
Jane Nichols (NV)  
Everett Frost (NM)  
David Nething (ND)  
Diane Vines (OR)  
Bob Burns (SD)  
George Mantes (UT)  
Marc Gaspard (WA)  
Phil Dubois (WY)

### Agenda



Approval of the Executive Committee Minutes,  
May 19, 2003, August 20, 2003, and  
September 18, 2003

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Approval of the Auditors Report for  
Fiscal Year 2003

1-24



Approval of a Professional Student Exchange  
Program Accreditation Policy Exception for  
Two Western Dental Schools

1-26

### Information Items:

- a. Report of the Subcommittee on Deferred Compensation
- b. Report of the Subcommittee on the Role and Responsibilities of the WICHE Commissioner
- c. Office Space Update 1-31
- d. Mental Health Program Update 1-46
- e. CONAHEC Update 1-48
- f. Commission Meeting Agenda Review

### Other Business



**Executive Committee**  
**Meeting Minutes**  
**May 19, 2003 – Salt Lake City, Utah**

Committee members present  
Chuck Ruch (ID), chair  
Don Carlson (WA), vice chair  
Tad Perry (SD), immediate past chair  
Diane Barrans (AK)  
Linda Blessing (AZ)  
Francisco Hernandez for  
Bob Moore (CA)  
Bill Kuepper (CO)  
Clyde Kodani (HI)  
Frank Kerins (MT)  
Carl Shaff for Jane Nichols (NV)  
Everett Frost (NM)  
David Nething (ND)  
Diane Vines (OR)  
Bob Burns (SD)  
Cecelia Foxley for  
George Mantes (UT)  
Marc Gaspard (WA)  
Phil Dubois (WY)

Committee member unable to attend  
Gary Stivers (ID)

Other commissioners present  
Larry Gudis (AZ)  
John Haeger (AZ)  
Doris Ching (HI)  
Carrol Krause (MT)  
Cindy Younkin (MT)  
Dede Feldman (NM)  
Patricia Sullivan (NM)  
Larry Isaak (ND)  
Richard Kunkel (ND)  
Ryan Deckert (OR)  
James Hansen (SD)  
David Gladwell (UT)  
Debora Merle (WA)  
John Barrasso (WY)  
Klaus Hanson (WY)

Guests present  
Frank Besnette, former commissioner and consultant for WICHE's evaluation  
Vicki Falsgraf, WICHE certifying officer for Oregon  
Linda Fife, WICHE certifying officer for Utah  
David Iha, WICHE certifying office Coordinator for Hawaii  
Linda Langan, WICHE certifying officer for Washington  
Paul Lingenfelter, SHEEO

Staff present  
David Longanecker  
Marla Williams  
Cheryl Blanco  
Caroline Hilk  
Sandy Jackson  
Deborah Jang  
Chuck McGee  
Jere Mock  
Dennis Mohatt  
Marv Myers  
Russell Poulin

Chair Ruch called the meeting of the Executive Committee to order.

**ACTION ITEM**  
**Approval of the Executive Committee Minutes**

COMMISSIONERS PERRY/BARRANS (M/S) APPROVAL OF THE EXECUTIVE COMMITTEE MEETING MINUTES OF THE NOVEMBER 11, 2002, MEETING, AND THE CONFERENCE CALL MINUTES OF JANUARY 17, 2003, FEBRUARY 25, 2003, AND OF APRIL 9, 2003. The motion passed unanimously.

**ACTION ITEM**  
**Fiscal Year 2004 Salary and Benefits**

David Longanecker said the action requested contains no salary increase or benefit enhancements for FY 2004. The item requests funding to provide existing staff benefits. He said there is a cost increase associated with providing existing benefits because health insurance costs have increased for both WICHE and the staff's share. He said the cost of providing existing benefits is included in the FY 2004 budget item that will be addressed in the next agenda item.

Marv Myers said many of the states have had financial difficulties and for WICHE this has meant not proposing any salary increases. He said the results of WICHE's annual survey of state institutions in the WICHE region is included in the commissioner's packets. He said the cost of providing existing benefits, primarily health insurance, is \$33,739.

Vice Chair Carlson reported that the WICHE Executive Committee met in closed session earlier this morning. He said it had an extensive discussion related to compensation and other items. He said there was consensus that the extraordinary success and positive results of the evaluation of WICHE are due to the brilliant, tenacious leadership of the executive director and an excellent focus of senior staff. He said the committee is also aware of the fiscal dilemmas that are facing WICHE and the states whose dues WICHE depends upon. It was the consensus of the executive committee that the chair appoint a subcommittee to examine the potential of deferred compensation for the executive director and senior staff. He said this subcommittee would make recommendations to the executive committee. The executive committee also wanted it noted that while it seriously discussed the potential of increasing compensation for the executive director, given the strength of his performance, reflected in the organizational evaluation, the executive director requested that he receive no increase in compensation unless the entire staff could be considered in a like manner. The committee felt that his response was complimentary of David and of the staff that support him.

Commissioner Dubois asked about the percentage increase for health insurance and the other options explored by staff around health insurance. Myers said staff have done extensive work in this arena over the past several years. Each year WICHE has changed health insurance carriers after exploring all options with WICHE's insurance broker. This has caused some stress and concern for the staff each time a change has been made. This year, after exploring all options, it was determined it was best to stay with the existing health insurance carrier at a 36 percent increase in premiums. WICHE's portion and the staff's portion of this increase will be 36 percent. Other insurance companies had been explored with various adjustments in coverage. Over the past several years, WICHE has made changes in coverage to increase the deductibles and copays paid by staff.

Longanecker said it is going to be very difficult for organizations such as WICHE if somehow things don't come into more balance over time. What has been happening to health insurance premiums is exceptional and small organizations are being hit particularly hard. It is a very difficult time. If WICHE were to step down to the next level of health insurance coverage, WICHE would be into the HMO-coverage-only level. He said staff have enjoyed physician choice, but it may not be possible to sustain that level of coverage in the future.

COMMISSIONERS SHAFF/FOXLEY (M/S) APPROVAL OF THE COST INCREASE TO PROVIDE EXISTING BENEFITS TO STAFF FOR FY 2004 AS SPECIFIED IN THE GENERAL FUND BUDGET ACTION ITEM. The motion passed unanimously.

#### ACTION ITEM Fiscal Year 2004 Budget and Review of FY 2003 Budget

Myers reported on income for both FY 2003 and FY 2004. In FY 2003, member dues have been received from all of the states except for California, which paid approximately one half of the dues (owing \$51,000). Indications from California are that it will be the same situation next year. This has been

reflected in the budget for FY 2004. Interest income is higher than projected because the base was higher than projected. Indirect cost recovery income is down from projections due to existing project activity being slower than anticipated. He said WICHE will experience a significant decline in externally funded program and project activities and this is reflected in the indirect cost income projected for FY 2004. Overall, WICHE's income projected for both FY 2003 and FY 2004 is almost identical, with \$1,945,000 this year and \$1,905,000 next year. He reminded the executive committee that they rescinded a dues increase, keeping the dues flat at \$103,000 per state for FY 2004 and increasing by \$2,000 to \$105,000 per state in FY 2005.

Myers reported on expenditures for both FY 2003 and FY 2004. He said expenditures have been less than projected primarily because of staff reductions that have occurred throughout the organization. Staff reductions have been necessary because of losses in revenue. It is projected that WICHE's expenses will be \$147,000 under budget, leaving a \$65,000 surplus in FY 2003. In FY 2004, a break-even budget was achieved by cutting staff.

Myers reported on the reserves. The commission has a mandated minimum reserve of 12 percent of the operating budget. The amount above the minimum is available for designation, and lines 28-34 of the budget show items previously designated by the commission from the reserves; \$71,051 of the current reserves have been designated for activities related to WICHE's 50<sup>th</sup> anniversary celebrations in the states during FY 2003. At the end of FY 2003, the proposed budget leaves reserves available for designation at \$118,637.

Commissioner Dubois asked about the California dues situation. Longanecker said WICHE's dues are contained in one line item of the California state budget along with 12 other regional and national organizations, and this line item has been cut by 50 percent, thus reducing all of these organizations' dues by 50 percent. As a result, since WICHE's dues are equally apportioned among the 15 states, WICHE is not realizing 1/30<sup>th</sup> of its dues. The impact for other organizations, whose dues are apportioned by population, can be as high as 50 percent cut from their total dues revenue. Last month, during a California legislative reception, two Californian legislators who are on WICHE's Legislative Advisory Committee apologized publicly for not paying all of WICHE's dues and promised to restore the dues in full as they are able to restore them. California will also be affected by the newly approved policy for states in arrears in paying WICHE dues. This means that meetings will no longer be scheduled in California, travel expenses for WICHE commissioners and others from California will no longer be reimbursable, and interest will be attached to the outstanding balance. Under the new policy if the dues arrearage were to continue through to year five, all services to the state would be terminated, including the Student Exchange Programs. Commissioner Hernandez reported that he and the other California commissioners will be working on getting the balance of the dues paid to WICHE. Longanecker also reported that former New Mexico WICHE Commissioner Bruce Hamlett is a new staff member for the California Appropriations Committee and that he will be sensitive to getting the WICHE dues paid in full.

Commissioner Kerins asked how the other organizations affected by the dues cut are handling the situation and if there was any value in working with the other organizations in a coordinated effort to restore the dues funding at the full amount. Longanecker said the Council of State Governments-West's offices are located in Sacramento, and its executive director, Kent Briggs, has taken the lead for all of these organizations, working closely with the California legislature. Bill Pound, the executive director of the

National Conference of State Legislatures, has also been actively involved in this effort. Longanecker said the primary members of these two organizations are legislators, the very same legislators who are making decisions about payment of the dues.

Commissioner Frost asked if the loss of indirect cost income was due to fewer grants and contracts or due to a change in the rate for this income. Longanecker said it is due to a smaller number of grants.

COMMISSIONER FOXLEY/BARRANS (M/S) APPROVAL OF THE FY 2004 BUDGET AS PRESENTED IN THE AGENDA BOOK, P. 1-41. The motion passed unanimously.

#### INFORMATION ITEM WICHE State Dues History

Chair Ruch reported that the WICHE Executive Committee had delayed for one year the originally proposed dues increase in deference to demanding economic situations across the WICHE states. He said the plan is to implement the dues increase one year out.

#### INFORMATION ITEM Mental Health Program

Dennis Mohatt reported that it has been a bad year for mental health funding in the states. The Mental Health Oversight Council meeting will be held tomorrow, and eight of the state directors in the WICHE states have travel restrictions so tight that they can't travel even if WICHE pays for their travel. Mohatt noted that the Mental Health Program's report to the commission is contained in the agenda book (pp. 1-47 to 1-50). He reported that he has had to cut a position out of the Mental Health Program and will instead purchase support services from WICHE. He said sharing a staff position with WICHE will also help WICHE to maintain its infrastructure.

Mohatt highlighted the Mental Health Program's accomplishments that are reported more fully in the agenda book. He reported on several projects in South Dakota and on his work in rural mental health issues for the President's New Freedom Commission on Mental Health. He reported on a policy roundtable meeting in Oregon and the program's needs assessment work in Wyoming, Oregon, and Utah.

He said the findings of the President's Commission show that every rural county in the West has shortages of mental health professionals, and this has been the case for 40 years. Strategies employed in the past have failed. He said a process to examine mental health workforce issues will begin with a meeting in Nevada to examine fresh strategies around behavioral health. He said the program has been invited to write a book on rural mental health surveys over the last decade for the Federal Office of Rural Health Policy.

#### DISCUSSION ITEM May 2003 Meeting Schedule

David Longanecker reviewed the schedule for the next two days. He emphasized the importance of commissioners attendance at the committee meetings and their active involvement in the development of the workplan.

The meeting adjourned.

# Agenda

## Executive Committee Conference Call

August 20, 2003

### Committee members present

Chuck Ruch (SD), chair  
Don Carlson (WA), vice chair  
Tad Perry (SD), immediate past chair

John Haeger for Linda Blessing (AZ)  
Robert Moore (CA)  
Bill Byers for Bill Kuepper (CO)  
Clyde Kodani (HI)  
Gary Stivers (ID)  
Carrol Krause for Frank Kerins (MT)  
Jane Nichols (NV)  
Everett Frost (NM)  
David Nething (ND)  
Diane Vines (OR)  
Bob Burns (SD)  
George Mantes (UT)  
Klaus Hanson for Phil Dubois (WY)

### Committee members unable to attend

Diane Barrans (AK)  
Marc Gaspard (WA)

### Staff present

David Longanecker, executive director  
Cheryl Blanco  
Jere Mock  
Marv Myers  
Marla Williams

Chair Ruch called the conference call meeting of the Executive Committee to order.

### INFORMATION ITEM Review of Final FY 2003 Budget and Approved FY 2004 Budget

David Longanecker reported that the budget realized for FY 2003 was improved over projections by \$180,315. While revenue in FY 2003 fell short of projections by \$57,946, expenditures were \$238,621 under budget. He said \$51,000 of the revenue shortfall is due to California's partial payment of dues. FY 2003 ends the year with \$259,591 in reserves over the mandated reserve of 12 percent of the budgeted expenses.

The FY 2004 budget was approved by the commission in May. It is a balanced budget. It anticipates another shortfall in dues from California in the amount of \$51,000. Longanecker said at this time, it appears that California may not be able to pay any of its dues for FY 2004. He said he would be speaking with the executive committee about how to resolve this. He reported that in discussions last week with Sen. Dede Alpert from California, she said she hopes to find funds in a Senate account that would eliminate the arrears from FY 2003. If they are able to do this, it would offset the anticipated nonpayment of dues in FY 2004. He said if Sen. Alpert is successful, it would mean this budget, as presented, would be accurate. He said former commissioner Bruce Hamlett, who is a legislative staff member in California and who was present at the discussions with Sen. Alpert, agreed to work to help WICHE. He said the FY 2004 budget shows \$241,710 available for dedication (earmarking for specific expenses).

## INFORMATION ITEM California's Membership Status

Longanecker reported that WICHE's dues are in a line item that includes dues for 12 other organizations. He said he is continuing to work on this with some of these organizations, in particular with the National Conference of State Legislatures and the Council of State Governments-West. He said he would be seeking help from the commissioners to determine if it is best to work in a group or individually in the appropriations arena with the various states. Commissioner Moore agreed to assist Longanecker in his efforts to collect the California dues.

Longanecker said a letter describing WICHE's policy on states in arrears of dues payment was sent to California and was attached to the material distributed for this conference call.

Chair Ruch expressed the commission's appreciation for Longanecker's efforts.

## INFORMATION ITEM Review of Proposed Schedule for the November 2003 Commission Meeting

Longanecker reported the draft schedule includes only one confirmed speaker: the Monday evening dinner speaker will be David Ward, who is the president of the American Council on Education. Colorado Lt. Gov. Norton has been invited to speak during Monday's lunch. There will be three policy discussion topics, two on Monday and one on Tuesday. He said while the schedule has placeholders for these discussions, he wants to have the commissioners' perspectives on these ideas and more. He said possibilities include:

- Tony Carnevale, who is an economist with the Educational Testing Service. Carnevale would talk about the general economy and the importance of higher education as a component of the economy. Longanecker said he recently heard him speak: he said the economic recovery we are currently experiencing is a jobless recovery, and in fact we are not only exporting low-skill/low-wage jobs but also high-skill/high-wage jobs.
- Dennis Jones, who is the president of the National Center for Higher Education Management Systems (NCHEMS). Jones is exploring returns on investment in higher education, state by state. Jones' work is showing why it is good for some states to invest in higher education, while it does not make sense for some others.
- A policy discussion on benchmarks. Longanecker recommends this discussion be deferred until May because staff are working on overload and this would compound the pressure. Also, he said staff are working on *Projections of High School Graduates*. He said there are some other topics that might be better for now:
- Mike Kirst from Stanford University would speak on the "connect" or "disconnect" between high school exit standards and college admissions and placement standards. This would build on a publication that Stanford recently published, *Bridging the Gap*, which talks about the fact that many at-risk students think they are prepared for college because they have graduated from high school but find that they are not prepared because they did not take a rigorous high school curriculum. It is a very interesting issue.

- What the different states are doing in terms of student/learner outcomes and measuring student learning. In the *Measuring Up* report, every state got an “Incomplete” in this area. This prompted a lot of interest in the area of student learning. Nevada is involved in a national experimental project; South Dakota has some very interesting things to share in this regard; Washington State’s master plan includes a call for graduation standards for baccalaureate and associate degree students; and the national reauthorization of the Higher Education Act is almost certain to include something about this.
- Policy issues that the other regional organizations (SREB, NEBHE, and MHEC) are involved in, with these organizations sharing information about this.

Longanecker asked for comment on these ideas for the November meeting so the staff could firm up the program.

Commissioner Frost said he would like one of the discussions to be about the high school exit and college entrance standards linkages. Several other commissioners agreed. Commissioner Nichols said that this builds on discussions from other WICHE meetings. Longanecker said both The College Board and the ACT organization have presented information connected to this issue. He added that Stanford University has proposed legislation about this on their Web site. Chair Ruch said it would be important for the commissioners to understand this issue. Longanecker said California has been very forward thinking in this area and is working with the State Department of Education to embellish the 11<sup>th</sup>-grade exam to use as a placement exam and a high school exit exam and to help high schools develop a curriculum for seniors who don’t pass it so that they can get up to speed and prepare for college.

Chair Ruch said he thinks it is important for the commissioners to hear Anthony Carnevale’s message even though it might be a downer. He said there is growing interest in economic development and workforce issues, and the commissioners need to understand this.

Longanecker thanked the executive committee for its input.

#### INFORMATION ITEM Update on the 50<sup>TH</sup> Anniversary Celebrations

Jere Mock reported three states are planning 50<sup>th</sup> anniversary activities over the next two months. First, Hawaii will hold a reception for legislators, community leaders, Professional Student Exchange Program alumni, and others on September 11 at the University of Hawaii; Montana will hold a dinner in Billings on September 25; and North Dakota has tentatively planned a dinner on October 20 as part of the North Dakota Roundtable Series involving policymakers from around the state. She said Colorado is planning an anniversary luncheon at the November commission meeting in Broomfield, and there will be some commemorative activities at the dinner that evening, as well as a symposium at the end of the commission meeting focusing on the history of higher education in the West. In addition, at a related event – the annual meeting of the Western Governors’ Association on September 14 in Big Sky, Mont. – Longanecker has been invited to describe WICHE’s service to the states over the past 50 years and its current programs.

## INFORMATION ITEM Update on Office Space

Longanecker said a staff member from the Ford Foundation will visit WICHE on August 21-22 to collect information about the organizations involved as partners with WICHE in future office facilities. Information about the area real estate market will also be collected. Ford is being asked help support this through a PRI (program-related investment). Longanecker said he will soon be involved in viewing potential properties available in the area. He said discussions continue with WICHE's current landlord, who would like WICHE to remain a lessee. WICHE has expressed an interest in purchasing its existing, leased office space.

## INFORMATION ITEM Update on Upcoming Meetings

- Jere Mock reported on a statewide meeting in Albuquerque, NM, focusing on dental health and whether or not New Mexico has adequate access to dental education programs, including access through WICHE's Professional Student Exchange Program (PSEP). She said WICHE will be represented at this meeting, which will be attended by U.S. Sen. Jeff Bingaman and the deans of most of the dental programs in the WICHE region, as well as deans from Creighton and Baylor. This should be an interesting meeting, and she will prepare an advisory report following it.
- Jere Mock said WICHE is planning a meeting in Reno, Nev., on September 19-20, which will involve WICHE's Mental Health Program and will examine rural mental health workforce needs throughout the Western states. Several WICHE commissioners and Mental Health Program Advisory Committee members have indicated they will attend. Participants will explore whether a regional mechanism, such as the current PSEP program, would help address some of the mental health workforce needs in rural areas. Dennis Mohatt has secured a small grant from the Office of Rural Health to offset the costs of this meeting and to produce a report following the meeting.
- Mock informed the committee of a related activity that involves Commissioner Rawson. Sen. Rawson chairs the Reforming States Group, which includes senior legislative and executive branch leaders from 45 states and the Canadian Provinces. The New York-based Milbank Memorial Fund, which has supported its work for the past 10 years, has contacted WICHE and invited our participation in a meeting this fall involving the group's steering committee and leaders from higher education and health committees throughout the West, as well as executive branch and institutional leaders. A teleconference has been set for September 15 with the steering committee of this group, and more details will be available at that time. Mock said it would likely be late October or November before the meeting is held.
- Cheryl Blanco reported that Don Boyd from the Rockefeller Institute is in the process of updating his report on state tax structures and economic development. WICHE will host a small meeting in September to look at his updated report and to talk about the issues and how to use this information most effectively. By the November meeting, a final report should be available, which will include a state-by-state analysis of tax structures and related issues.
- Blanco said another upcoming meeting is being cosponsored with Ford Foundation grant on issues around information technology. The meeting will be held on October 2-3 in Salt Lake City, Utah, and will focus on information technologies and the lack of available funds for investing in these

technologies in the current fiscal environment. The meeting, "Weathering the Perfect Storm: Information Technology in a Limited Resource Environment," will bring together experts from institutional, business, and industrial areas, and policy experts to look at issues around information technology, particularly in the areas of access to higher education, teaching and learning, and administrative issues.

#### Other

- David Longanecker said WICHE has two very large grant proposals awaiting approval. One is the second round of funding for the Changing Direction project from the Lumina Foundation, and the other is a second year of funding from the U.S. Department of Education for the Advanced Placement project. Longanecker praised Idaho's Department of Education for being an excellent partner in the current Advanced Placement project. He thanked Gary Stivers and his staff for their excellent work on this project.
- WCET (the Western Cooperative for Educational Telecommunications) is working with the North American Council for Online Learning (NACOL). He said NACOL is a network organization similar to WCET that is being set up for virtual high schools. WICHE was asked by the Hewlett Foundation and the Gates Foundation to assist in setting up this new organization because of WICHE's success in creating WCET. WICHE is simply fostering the development of this new organization. WICHE will assist NACOL until it has its feet on the ground. This means that WICHE will have two new staff members this fall.
- Commissioner Carlson reported on the Council of State Governments-West meeting he attended with David Longanecker in July in Honolulu, Hawaii. A WICHE session was held as part of this meeting, and legislators seemed particularly interested in the economic development and higher education agenda. The Council of State Governments will include an article by David Longanecker in its national publication.
- Jere Mock reported there was good attendance at WICHE's Legislative Advisory Committee meeting held July in San Francisco, Calif. She said the meeting was chaired by Sen. Carlson. Commissioner Vines asked for a participant list from this meeting.

The meeting adjourned.

# Minutes

## Executive Committee Conference Call

September 18, 2003

### Committee members present

Chuck Ruch (SD), chair  
Don Carlson (WA), vice chair  
Tad Perry (SD), immediate past chair

John Haeger for Linda Blessing (AZ)

Robert Moore (CA)  
Bill Kuepper (CO)  
Clyde Kodani (HI)  
Gary Stivers (ID)  
Frank Kerins and Sheila Stearns (MT)  
Jane Nichols (NV)  
Everett Frost (NM)  
David Nething (ND)  
Diane Vines (OR)  
Bob Burns (SD)  
Phil Dubois (WY)

### Committee members unable to attend

Diane Barrans (AK)  
George Mantes (UT)  
Marc Gaspard (WA)

### Staff present

David Longanecker, executive director  
Cheryl Blanco  
Jere Mock  
Marv Myers  
Marla Williams

Chair Ruch called the conference call meeting of the Executive Committee to order.

### INFORMATION ITEM

#### Review of Proposed Schedule for the November 2003 Commission Meeting

David Longanecker reviewed the most recent draft of the November meeting schedule.

Monday morning's speakers have confirmed: Anthony Carnevale and Dennis Jones will participate in the meeting.

Monday's lunch speaker has yet to confirm. The governor and lieutenant governor of Colorado are unable to participate, and U.S. Sen. Allard would not be able to confirm until a couple of weeks out. Some suggestions for speakers for the lunch session, focusing on Colorado, are the chair of the Colorado Commission on Higher Education and either the chancellor of the University of Colorado Health Sciences Center or the president of the University of Colorado. The University of Colorado is in the process of building a half-billion-dollar Health Sciences Center that is being designed as a regional resource. Longanecker said it would be interesting to hear what they have envisioned for this new facility. Several commissioners agreed that a presentation by the University of Colorado would be great, and it was suggested that either President Hoffman or James Shore would be excellent speakers on this topic.

Monday afternoon has been expanded to talk about what is happening in the West. WICHE has two very significant projects with major reports that will be available at the time of the meeting. One is the revenue project, which will have a report on the unique circumstances facing tax and revenue policies in the Western states; the other relates to some of the major findings of the *Projections of High School Graduates* project in the 50 states.

Monday evening there will be a celebration of WICHE's 50<sup>th</sup> anniversary, with confirmed dinner speaker David Ward, the president of the American Council on Education.

Tuesday morning David Spence and Jane Nichols have confirmed, and one other speaker will be added to the policy discussion "Aligning High School Exit with College Entrance Standards."

### Status of the Western History Project Symposium

Longanecker said it is not clear if the "Symposium on the History of Higher Education in the West" will be held or not. He said he would be in touch with the commissioners if this session is cancelled.

### Nominating Committee to Select the Nomination for Vice Chair for FY 2004

Commissioner Perry said the nominating committee is still accepting nominations for the vice chair in 2004, and he encouraged commissioners to get their nominations in.

### Other

Longanecker said he received a request from William Tierney, a well-known researcher-scholar from the University of Southern California, who would like to hold some focus groups with the WICHE commissioners. He said since this person does a lot of research on access issues, this may be the subject of the focus groups. He said he doesn't know when he wanted to do this, but it is likely to be around the time of the meeting.

Commissioner Stearns of Montana asked about the new commissioner orientation session on Nov. 9. Longanecker said this session is for all of the newly appointed commissioners, and any commissioner regardless of his or her tenure is welcome with advanced notice.

### Subcommittee to Review the Role of the WICHE Commissioners

While this item was on the agenda; it was not addressed during this conference call meeting.

### INFORMATION ITEM

#### Phase II Funding by Lumina for Changing Direction (Oral Report)

Cheryl Blanco reported she received word that the Phase II proposal to the Lumina Foundation had been approved, but that no details regarding the amount, start date, or project term had been given. She said a meeting with a principle from the foundation will be held next week, and more details would be known at that time. She said the proposal submitted was a continuation grant in the amount of approximately \$1 million for a term of three years.

### INFORMATION ITEM

#### "Achieving the Dream" – Another Lumina Project

Cheryl Blanco said this Lumina project is very complex, involving the improvement in the number of students in community college who either graduate or advance into four-year colleges. She said this is a large national project funded by the Lumina Foundation, and WICHE was invited to participate in the data collection and analysis by the Center for Urban Education at the University of Southern California. It is a separate project from the Changing Direction project and involves working with community colleges in six states: Alabama, Colorado, Illinois, Maryland, New Mexico, and Texas. Longanecker said this

project, if it is successful, would need to be added to the WICHE workplan. Because of this, this item will be brought back to the executive committee or to the commission for approval. He added that WICHE would not propose to participate in this unless it is a fully funded project with external support.

### INFORMATION ITEM Diversity Scorecard Project

Jere Mock said this project also comes from an invitation to WICHE from the Center for Urban Education at the University of Southern California. The center, directed by Estella Bensimon, has headed the very successful Diversity Scorecard project for the past four years. It involves 14 institutions in California – a mix of four-year institutions, community colleges, and private institutions. The center has conducted a comprehensive process with each of those institutions to determine how they can better serve the academic, financial, and administrative needs of underrepresented ethnic and minority students on their campuses. They've had a grant from the James Irvine Foundation in the amount of \$800,000 and USC also provides funding, making it a \$1 million project. The director of the center has determined that it is time to expand this process to other institutions, and she has approached WICHE to see if we are interested in partnering with her. She has had preliminary conversations about this with program officers at the Ford Foundation, and there is an early indication of some interest. She has invited David Longanecker to join her in a meeting with the Ford Foundation in New York in October. There are many similarities between this project and a project that WICHE managed in the mid- and late-1990s called The Institute on Ethnic Diversity. The difference is that, with the institute, multiple institutions in a state were asked to participate, and they worked collaboratively on the process along with the state governing or coordinating board. With the Diversity Scorecard, one or more institutions in a state nominate themselves and project staff work directly with them. Mock said this is at the very early stages, but she said want to get commissioners' ideas and comments.

Commissioner Kuepper expressed concern that participation in the Diversity Scorecard project, if successful, could extend the commitment of a staff that, as reported in the last meeting, is already overly committed. He inquired about whether the project was central to WICHE's mission, indicating that if it was not, he would be concerned about overextending staff on such a project. Longanecker responded that he believes that this project legitimately fits under WICHE's access umbrella and thus is central to WICHE's role, but that he shares Commissioner Kuepper's concern about the limits of the staff. He indicated that oversight and managerial responsibilities of this project would extend both himself and Jere Mock beyond where they are today, and that this would be a concern of his, particularly for Jere. He said he will not enter into this unless WICHE is adequately compensated for its share of the commitment. He said if this project progresses, he would like to invite Estella Bensimon in to describe the project to the commissioners because they have had some remarkable experiences with institutional change – with institutions becoming more receptive and successful with students of color. He said up until now, this project has only worked with institutions that are minority-serving institutions, or institutions with a large proportion of minority students. The nature of the Diversity Scorecard project really points out where institutions are succeeding and where and how they can improve. He said this project has led to some substantial changes in engaged institutions. He said he is extremely sensitive to the fact that WICHE's plate is full, and the only way WICHE can take more is to get a slightly larger plate, not to heap more on the same-sized plate.

Commissioner Moore asked if California was the only state that felt it had a huge diversity issue. Several commissioners said no and added that diversity is an important issue in every state.

**INFORMATION ITEM**  
**Continuation Funding by FIPSE for NEON**

Jere Mock reported that after one year, the FIPSE project officer is very pleased with the NEON project and will provide continuation funding of \$210,000 for the second year of the project. The mission of NEON is to encourage collaboration across institutions and states in utilizing distance-delivered programs in high-demand discipline programs. The project officer said NEON is by far the most aggressive, ambitious, and comprehensive project being funded by FIPSE's comprehensive program.

**INFORMATION ITEM**  
**Update on the 50<sup>TH</sup> Anniversary Celebrations**

Jere Mock reported that Hawaii had just recently held its 50<sup>th</sup> anniversary event. Montana has an event scheduled this month, and North Dakota's is next month. States with events yet to be scheduled are: Alaska, Idaho, and New Mexico. There was also an anniversary recognition at the Western Governors' Meeting this month.

**INFORMATION ITEM**  
**Update on Office Space**

David Longanecker reported that a staff member from the Ford Foundation had visited the offices of all three of the organizations seeking to partner in the purchase of an office facility. He indicated the foundation's board of directors will act on the PRI proposal during an early November meeting. Longanecker said that even with the loan from the Ford Foundation, additional funders would be needed to complete the facility.

The partner organizations are investigating the type of entity that would manage the office facility complex. Currently, they are interviewing prospective attorneys to determine who will assist in the establishment of this managing entity.

**Other**

**California Dues**

Longanecker was asked if California had paid its dues. Longanecker reported that key California legislators are working to bring the dues up to date for FY 2003. Longanecker was asked about the ramifications for California's delinquency. He said WICHE is not able to hold meetings in California or reimburse commissioners or others for their travel expenses to WICHE meetings; in addition, interest accruing at the rate of inflation will be attached to the state's dues obligation. Longanecker said he is optimistic about California being able to make its dues commitment to WICHE.

The meeting adjourned.

## ACTION ITEM

### Auditors Report for the Fiscal Year 2003

A copy of the auditors report for the year ended June 30, 2003, and a letter from the auditors regarding internal control are being sent to each commissioner along with the agenda materials for this meeting. The Denver branch of the national CPA firm Clifton Gunderson, LLP, performed the audit for the first time. For many previous years, WICHE used another local CPA firm, but changed to Clifton Gunderson after going out for bids last autumn.

The financial statement formats comply with the *Government Auditing Standards* issued by the Comptroller General of the United States.

#### Cover Letter from Auditors

The auditors commented that the limited number of office personnel prevents segregation of duties necessary to assure maximum internal control. As the auditors note, this situation is not uncommon for organizations of WICHE's size, and management involvement in certain areas reduces the organization's exposure to major error. This note has been made annually.

For example, operating units receive a monthly detail of income and expenditures on accounts for the unit, which has budget responsibility. By monitoring these on a regular basis, unit staff can check for proper recording of cash receipts and disbursements. Also, funds received on federal awards and interest are direct deposited to WICHE's bank or money market accounts by the payor. Thus, no cash comes into the WICHE office for these items.

#### Independent Auditors Report (p. 1)

In the regular audit, which is performed annually, the auditors test whether the financial statements prepared by WICHE accurately portray our true financial position. The auditors report that these financial statements present fairly, in all material respects, the financial position of WICHE as of June 30, 2003, and are in conformity with U.S. generally accepted accounting principals.

#### Statement of Financial Position (p. 3)

This statement is a summary of the financial position of WICHE as of June 30, 2003.

The lower section titled "Net Assets" is similar to net worth for profit-making companies; "Undesignated Net Assets" consist of the General Fund carryover of \$501,093, plus balances in the revolving funds for Printing, Information Technology, and Telephone Services of \$59,714, the Facilities Expense Fund of \$19,605, and the Furniture and Equipment Fund of \$185,232, primarily the book value of WICHE-owned furniture and equipment.

"Net Assets Designated for the Future Program Activity" primarily reflect the balance in the Professional Student Exchange Program (PSEP).

"Board Designated for Contingencies" is the \$243,258 minimum reserve, based upon 12 percent of budgeted expenditures, as approved by the commission in May of 2000.

### Statement of Activities (p. 4)

This statement reports revenue by source and expenditures divided between program services and supporting services. Expense totals for program services and supporting services are presented and tie to the bottom line in the "Statement of Functional Expenses" (pp. 5 and 6). At the bottom of the page, the "Net Assets at the End of the Year" ties to the next to the last line of the previous page.

### Statement of Functional Expenses (pp. 5 and 6)

This statement reports program areas by groupings of expenditure categories. The lower portion reports pass through expenditures for the Student Exchange support fees, the internal charge-back allocations, and the indirect cost allocations.

### Statement of Cash Flows (p. 7)

This statement provides an analysis of the changes during the year in cash and "cash equivalents." On June 30, 2003, cash and cash equivalents included funds in checking, interest bearing savings, and the money market account.

### Auditors Report on Compliance and Internal Control in the Regular Audit (p. 16)

In the regular audit, the auditors noted no matters involving the internal control over financial reporting and our operation that they considered to be material weaknesses. An opinion on internal control is expressed by the auditors in a separate letter (summarized above) regarding instances that they determined are not material. When the level of federal expenditures reaches the \$300,000 threshold, an additional audit (summarized below) is needed to test compliance with federal programs. The results of the auditors' tests disclosed no instances of noncompliance that are required to be reported under government auditing standards.

### Auditors Report on Compliance in the required A-133 Federal Audit (p. 18)

In addition to the regular audit, an audit of federal awards was conducted as required by the Office of Management and Budget Circular A-133, "Audits of Institutions of Higher Education and Other Non Profit Organizations." This audit tests whether WICHE is in compliance with the requirements of the major federal programs. The auditors report that WICHE was found to be in compliance in all material respects with the requirements of each of its major federal programs.

### Action Requested

Approval of the Auditors Report for Fiscal Year 2003.

## ACTION ITEM

### Approval of a Professional Student Exchange Program Accreditation Policy Exception for Two Western Dental Schools

#### Summary

WICHE policy currently requires that professional programs that receive students through the Professional Student Exchange Program (PSEP) have full accreditation status. Full accreditation is granted to programs after their first class graduates and they are fully operational. Our policy also requires that if a participating program experiences a change of status affecting its accreditation, the program must report the change to WICHE. If the new status involves a loss of the rights and privileges accorded to graduates of fully accredited programs, the participation of new students will be suspended pending restoration of full accreditation. This policy has insured that the programs provide the necessary core of required education, training, and experience for their graduates, and it provides students enrolled in the programs with reasonable assurance that the professional programs are meeting their stated objectives.

In spring 2003, WICHE was asked to make an exception to this rule by the new Arizona School of Dentistry and Oral Health (ASDOH) at the Arizona School of Health Sciences (ASHS) in Mesa, Arizona, a subsidiary of the Kirksville College of Osteopathic Medicine. The policy exception would apply only to these two dental schools and would be granted in recognition of the thoroughness of the Commission on Dental Accreditation (CODA) review process and CODA's assurance that students enrolled in the two programs are protected and are considered students/graduates of an accredited program. This action will also help address the growing shortage of dentists in many rural communities and anticipated shortages due to high levels of expected retirements of practicing dentists over the next decade.

The Programs and Services Committee discussed this request at its May 2003 meeting and directed staff to obtain more information and to contact other participating dental schools to solicit input. Staff believes the programs are on track as they complete the necessary steps of the accreditation process; they provide models of dental education that others are watching with interest, and will expand access for students in Western states who want to enroll in dental schools. The Programs and Services Committee voted to approve the accreditation policy exception during its Oct. 15 teleconference.

#### Background

Dr. Jack Dillenberg, dean of the Arizona School of Dentistry and Oral Health, presented his request for an exception to the PSEP policy to the commission's Programs and Services Committee at its May 20, 2003, meeting and provided details regarding the status of the new school. The ASDOH is the only dental school in Arizona and it was granted initial accreditation status by the Commission on Dental Accreditation on January 31, 2003. Two more accrediting team site visits will occur in the spring of 2005 and 2007 before the school can gain full accreditation status. The initial accreditation designation provides the full benefits of accreditation for the next four years to ASDOH students including scholarship eligibility, student loans, the ability to sit for state licensure exams, and the opportunity to apply to postgraduate programs.

Dr. Dillenberg told the committee that the CODA review recognized the program's innovative curriculum development and noted it may provide a national model for future dental curriculum development. In addition, the report commended ASDOH for its innovative and integrated biomedical sciences curriculum. The commission included three recommendations related to requests for: 1) a list of first-and second-year faculty with confirmed appointment dates, to ensure that the program's faculty and staff are sufficient to meet the dental school's mission; 2) floor plans and timelines for the school's pre-clinical and clinical facilities; and 3) measurable standards for the school's quality assurance plans including evaluation forms for patient review and record review, mechanisms to identify treatment deficiencies, and procedures to implement corrective measures.

The Programs and Services Committee discussed whether it should take immediate action on the request for an exception or postpone its decision until the November 2003 commission meeting. Commissioner Dede Feldman described the extreme shortage of dentists in rural areas of the Southwest and encouraged the committee to approve the policy exception. She noted that the ASDOH's program emphasizes preparing future dentists to serve children, seniors, Native Americans, and underserved rural communities in the Southwest. Committee Chair Diane Barrans and Commissioner Carrol Krause said they would like feedback from other dental schools that have had to comply with the PSEP full accreditation policy. Commissioner Phil Dubois said he wanted the commission to consider the consequences of something going amiss with the accrediting process and suggested that if an exception is approved, it should stipulate that WICHE must be notified immediately regarding any developments affecting the programs' accreditation status. A motion to immediately approve the policy exception failed; the committee directed staff to contact other dental schools to discuss this issue and gather additional information.

In June, Jere Mock visited the campus of the Arizona School of Dentistry and Oral Health and met with Dr. Dillenberg and Dr. Richard Simonsen, associate dean for pre-clinical affairs and research, to learn more about the program and to tour the instructional and clinical facilities. In August, she attended a New Mexico Dental Education Summit, where representatives of the American Dental Association, dentists, legislators, and others discussed the oral health care needs of the state, region and nation, as well as projected shortages of dentists in several Western states.

During the summit Mock had further conversations with ASDOH's Simonsen; discussed the WICHE PSEP program with Dr. Patrick Ferrillo; dean of the UNLV School of Dentistry and had subsequent conversations with UNLV's executive associate dean, Dr. Richard Clark. Ferrillo and Clark request that their program be included in PSEP if the policy exception is approved by the WICHE Commission. The UNLV dental program received its initial accreditation status on Aug. 1, 2002, and enrolled its second class this fall. The accrediting team's next site visit will be in spring 2004 and the final visit will be in 2006.

### Contacts with other Western Dental Schools and the Commission on Dental Accreditation (CODA)

Dental Schools: Jere Mock and Sandy Jackson contacted all of the dental schools in the Western region to inform the deans, or associate deans, that the WICHE Commission is considering whether to make an exception to the PSEP full accreditation policy to enable the Arizona School of Dentistry and Oral Health and the University of Nevada Las Vegas School of Dental Medicine to become "receiving" institutions in the PSEP program with initial accreditation status. Six of the deans said they have no concerns about adding the new schools to the PSEP, and they believe the schools will receive full accreditation; one individual, new to the position, declined to comment; another offered to fully support the WICHE

Commission's decision. The consensus view: the accreditation process is very thorough, it protects students, and dental programs operate in a free and competitive market.

Commission on Dental Accreditation: Mock also talked with Karen Hart, director of the Commission on Dental Accreditation (CODA), and Rosemary Monehen, director of the Predoctoral Dental Education program, regarding the initial accreditation designation and ASDOH's and UNLV's accreditation status. The commission, under the auspices of the American Dental Association, has sole authority for activities pertaining to the accreditation of more than 1,300 educational programs in the dental and dental-related disciplines. Its accreditation review process is based on nationally accepted standards to guide program administrators, faculty, and staff in developing and maintaining acceptable quality in their programs in areas including outcome assessment, administration, curriculum, faculty, financial support, and physical facilities. According to Hart, once the commission grants initial accreditation status, the program is considered to be accredited; she said "initial accreditation" is not a candidacy status. Students are considered to be in an accredited school; they can apply for financial aid, sit for state and national boards, and apply for postgraduate programs. (The commission recently changed the name of this accreditation status from "accreditation eligible" to "initial accreditation.") Dental schools must obtain initial accreditation prior to the acceptance of their first class.

Following the accreditation review process and site visits, and once the school is fully operational, it may receive: 1) *approval without reporting requirements*, a classification granted to indicate the program achieves or exceeds the basic requirements for accreditation or 2) *approval with reporting requirements*, a classification indicating that specific deficiencies or weaknesses exist in one or more areas of the program. Evidence of compliance must be demonstrated within two years or accreditation will be withdrawn, unless the commission extends the period for achieving compliance for good cause. To maintain an accreditation status, all programs must be reevaluated with an on-site review at regular intervals. All programs are reviewed every seven years, except for programs in the specialty of oral and maxillofacial surgery, which are reviewed every five years.

Monehen said three new dental schools have applied for accreditation in the last two years: ASDOH, the UNLV School of Dental Medicine, and a new dental school at Nova University in Florida. Before that, no new dental schools had been built in the U.S. over the last 25 years. Monehen emphasized that no U.S. dental schools that have received initial accreditation status have been closed prior to receiving full accreditation in the history of the commission.

### Taking a Closer Look at the Programs

The Arizona School of Dentistry and Oral Health: Fifty-four students are in its inaugural class which began in July 2003, some 1,200 students applied. The first class has students from four Western states: eight from California, eight from Utah, five from Arizona, and three from New Mexico. Four students are Native Americans. The program's tuition is \$30,000 per year. The program offers a doctor of dental surgery (D.D.S) degree with a certificate in public health management.

ASDOH's program emphasizes preparing students to expand access to dental care to underserved populations and communities in the Southwest, rural West, and Native lands. The ASDOH dental program will make a strong commitment to providing students' clinical training in communities of need. The school plans to have its students spend the first three years at the Mesa campus and provide extensive

clinical experiences via a campus clinic and other community sites. During their fourth year students will return to their home states to provide dental care to underserved populations, in the Indian Health Service, or in community health centers under the supervision of local dentists.

An accrediting team from the Commission on Dental Accreditation made a pre-enrollment site visit to ASDOH in October 2002, following review of its application for accreditation and its self-study report. (The self study report reflects the program's assessment of its mission, resources, curriculum, and the effectiveness of its operational and student policies and practices. The site visit team members are selected on the basis of their expertise in the discipline. They interview administrators, faculty, and staff to determine if the program will meet minimum accreditation standards and to verify the information provided in the self-study report.) The team's report was reviewed by the full commission in January 2003 and initial accreditation status was granted on January 31, 2003. Two more site visits will be conducted before the school gains full accreditation status. The second visit will be in spring 2005 at the end of the second year of enrollments; the accrediting team will review the third and fourth year curricula and clinical training opportunities. A final visit by the accrediting team will occur in spring 2007 before the first class graduates. The commission will make a final determination in July 2007.

The ASDOH is a new program of the Mesa-based Arizona School of Health Sciences that opened in 1997. The A.T. Still University of Health Sciences, headquartered in Kirksville, Missouri, is the founding institution of the osteopathic profession and trains primary care physicians who practice in rural and underserved areas. The Arizona School of Health Sciences has participated in WICHE's PSEP program since 1998, enrolling students in its occupational therapy, physical therapy, and physician assistant programs. The Kirksville College of Osteopathic Medicine has participated in PSEP since 1980 through a contract with the state of Arizona.

The University of Nevada Las Vegas School of Dental Medicine had an entering class of 75 in September 2002; 52 percent of the class was from Nevada and it was selected from an applicant pool of 1,400. The program's tuition and fees are \$29,700 for Nevada residents and \$49,200 for nonresidents. The school currently has 28 faculty members and continues to hire more. Using a SAIL, Student Active Integrated Learning, approach, students work in small groups on cases and then come together with faculty in larger groups. The major part of students' clinical experiences will be community based. All students must be able to converse in Spanish. The program is working to link all of its clinical and classroom sites via technology, and collaborations are being developed with the UNLV nursing school to educate nursing students about patients' oral health needs.

In addition to its academic programs, the school also provides low cost dental services to Southern Nevadans. The School of Dental Medicine operates three full-service dental clinics. In the spring of 2004, the school will open an additional clinical facility on the UNLV Shadow Lane Campus; the clinics are open to all Nevadans including those participating in the state's Medicaid programs. To date, more than 60,000 patients have been served. Through the school's "Crackdown on Cancer" program, students and faculty of the dental school travel to public high schools throughout Nevada via a mobile RV health clinic to screen students for oral health problems and to provide treatment, preventive education, and counseling.

## Workforce Projections

The national need for dentists is high and will remain so, according to the American Dental Association. There are approximately 160,000 dentists in the U.S., with some 4,200 graduating (down from 6,000 20 years ago) and roughly 6,000 retiring per year. The U.S. Department of Labor lists moderate growth in demand for dentists, but the supply and demand is regionally disproportionate. There continues to be a significant and critical shortage of dentists for certain populations nationally and in most rural communities in the West. Oral disease is most prevalent in lower socioeconomic groups. The federal Indian Health Service also has a critical need for dentists and considers this among its greatest health professions' needs, with a 20 percent employment vacancy rate. Student demand significantly exceeds enrollment slots at the nation's dental schools.

### Dental School Participation in WICHE's PSEP Program

Eight institutions in the West that have dental schools participate in PSEP, enrolling 97 WICHE students. They include:

Dental Schools	2003 – 2004 PSEP Enrollments
Loma Linda	7 (3 AK, 3 AZ, 1 NV)
University of California, Los Angeles	1 (NM)
University of California, San Francisco	3 (1 HI, 2 MT)
University of the Pacific	15 (6 AZ, 1 HI, 1 MT, 5 NV, 2 NM)
University of Southern California	4 (AZ)
Univ. of Colorado Health Sciences Center	39 (19 AZ, 1 HI, 4 NV, 8 NM, 1 ND, 6 WY)
Oregon Health & Science University	23 (3 AK, 9 AZ, 1 HI, 1 MT, 6 NV, 1 NM, 1 ND, 1 WY)
University of Washington	5 (1 AZ, 1 HI, 1 MT, 1 NV, 1 WY)

WICHE administers contracts for states that are sending 44 students to out-of-region dental schools. This group includes:

Creighton University	27 (11 NV, 6 NM, 3 ND, 7 WY)
Marquette University	1 (ND)
University of Nebraska	11 (7 ND, 4 WY)
University of Missouri, Kansas City	5 (NM)

### Committee Recommendation

The Programs and Services Committee recommends that the WICHE Commission approve an exception to the PSEP full accreditation policy for two dental schools with initial accreditation status, the Arizona School of Dentistry and Oral Health and the University of Nevada Las Vegas (UNLV) Dental School. This exception should be approved with the stipulation that if the accrediting status of either institution changes, or if their accreditation is not approved once they have graduated their first classes in 2006 at UNLV and 2007 at the ASDOH, the schools will notify WICHE immediately.

### Action Requested

Approval of an exception to the PSEP accreditation policy for the Arizona School of Dentistry and Oral Health and the University of Nevada Las Vegas, as detailed in the Programs and Services Committee Recommendation.



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**INFORMATION ITEM**

July 17, 2003

John Colborn  
Deputy Director  
The Ford Foundation  
Economic Development Unit  
320 East 43<sup>rd</sup> Street  
New York, NY 10017

Dear John:

This letter and attachments responds to the key questions/issues you identified in your email of April 28 and discussed in our June 26 conference call about our request for a Program-Related Investment (PRI) to support the development of office and program space for The Center for Higher Education Policy. We, Paul Lingenfelter at the State Higher Education Executive Officers (SHEEO), Dennis Jones at the National Center for Higher Education Management Systems (NCHEMS) and David Longanecker at the Western Interstate Commission for Higher Education (WICHE), are very pleased that the request has passed the Foundation's "early stage" and has moved on to the "due diligence" stage. We appreciate your continued interest and look forward to meeting with you on August 21 and 22.

For the purpose of brevity this letter refers to the three organizations, NCHEMS, SHEEO, and WICHE as "the partners" and the Ford Foundation as the "foundation."

**The real estate criteria:**

While we understand why the foundation would like to have specific information on the property to be secured, it is too early to identify a specific property. We don't anticipate purchasing the facility until early next year, and at least some of the properties currently on the market will no doubt be purchased by others before that time while other properties, which may better meet our needs, may become available. And to some extent, the type of facility that we can purchase will depend upon whether or not we receive the PRI. In our presentation below we have tried to provide you with sufficient information to help you assess the viability of our plan within the context of the current Boulder, Colorado commercial real estate market. If the foundation agrees to provide a PRI for this purpose, we stand prepared to provide you with appropriate assurances and contingency agreements to protect the foundation's investment once we identify a specific property.

For the purpose of due diligence, the following real estate criteria are presented:

Total project cost: \$5 million, including land, building and remodeling

Maximum debt: \$5 million

Debt to value ratio: \$5,000,000/100 percent. It is anticipated that the facility will be fully financed at its current value. It is quite possible, however, that the facility could be purchased under value, giving the partners an immediate equity position and a better debt to value ratio.

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**NCHEMS:** National Center for Higher Education Management Systems, P. O. Box 9752, Boulder, CO 80301-9752; 303-497-0301; fax 303-497-0338; [www.nchems.org](http://www.nchems.org)

**SHEEO:** State Higher Education Executive Officers, 700 Broadway, Suite 1200, Denver, CO 80203-3460; 303-299-3685; fax 303-296-9016; [www.sheeo.org](http://www.sheeo.org)

**WICHE:** Western Interstate Commission for Higher Education, P. O. Box 9752, Boulder, CO 80301-9752; 303-541-0200; fax 303-541-0291; [www.wiche.edu](http://www.wiche.edu)

Minimum square footage  
(& other amenities):

25,000 sq. ft. would meet the partners' office space needs. An additional 5,000 sq. ft. would be needed to house the shared learning center (the purpose of which was described in our initial PRI request).

Minimum equity/grant  
funds raised:

The three non-profits prefer that 100 percent of the funds required to purchase the facility be financed. If necessary, the partners are prepared to provide funding from reserves to support a 10 percent equity position.

Real estate market conditions:

The most recent (February 2002 to March 2003) commercial transactions in the City of Boulder are listed in the enclosure, "Building Sales Comparables." This enclosure also lists buildings currently available for sale in the Boulder area. In addition, the building currently leased by WICHE may become available for purchase. This particular facility (picture enclosed) was built in 2000; WICHE was its first tenant and currently occupies the first floor of the two story facility. Quite a number of high-tech firms have gone out of business in the Boulder area, leaving a glut of commercial properties available at attractive prices, so that, as mentioned earlier, an immediate equity position may be possible. The enclosure also demonstrates that the financial assumptions underlying our proposed financing are consistent with the current commercial real estate market.

#### **Ownership/structure of the borrowing entity:**

As described more thoroughly in the enclosure, the property would be owned by a new, not-for-profit service organization established by the partners. This new organization is referred to here as Service.Org. While formal operating principles and bylaws would be established, the following will provide a glimpse of Service.Org's basic structure. Service.Org would be governed by a three-member board of directors (the CEO, from each of the three founding partner organizations). Each of the three founding partner organizations would have one vote (three total votes) regardless of their organizational share (discussed next). The assets and liabilities of Service.Org would be allocated among the three partner organizations based on the ownership share of each partner. Ownership shares would be determined by the proportion of total, cumulative occupancy charges paid to Service.Org by each organization. Initially and in the foreseeable future, WICHE would hold the largest organizational share at 55 percent, followed by NCHEMS at 30 percent, and SHEEO at 15 percent.

Service.Org would manage all aspects of the facility under a "director of services" who would be appointed by and serve at the pleasure of the board of directors. Service.Org would operate by majority rule with certain actions requiring unanimous consent of the board. As an example, unanimous consent would be required to approve the leasing of office space to another qualifying, not-for-profit organization and for any change in Service.Org's organizational structure, operating principles or bylaws.

Service.Org would be liable for shortfalls and windfalls. Profit would be distributed among the partner organizations based on the percentage of their ownership share. Conversely, any losses incurred would be distributed as a proportion of ownership share. Should one of the partners fail and go out of business (an unlikely scenario given all of the organizations' long histories), the remaining partners would either assume a larger portion of ownership shares or would identify other qualifying, not-for-profit partner(s) to become partners of Service.Org.

**Deal Structure:**

The time line for coming to closure on finance issues is fairly immediate. WICHE's current lease expires in September 2004, thus the new facility needs to be ready for occupancy at that time. If financed entirely by one or more PRIs, the lending foundation or foundations would have the first-position on Service.Org's note. If PRI funding is blended with funding from other sources (i.e. a commercial loan or revenue bond), it is most likely that those other entities would demand a first position on the note.

The partners have approached other foundations to garner interest in partnering on the PRI. Currently we are in most serious discussions with the Daniels Fund, Colorado's largest foundation, about becoming a PRI partner with the Ford Foundation. The Daniels Fund has a major focus on higher education in the West, thus its mission is very compatible with the mission of the three partner organizations, yet PRIs would be a new line of activity for the Daniels Fund so it is very interested in working in partnership with a more experienced foundation in this arena.

**Project Management:**

The real estate purchase will ultimately be approved by the three members of the board of directors. None of the three organizations have facilities development expertise, so consultants will be secured to assist the partners at each stage of the project. Marv Myers, WICHE's director of administrative services, will serve as the primary staff member responsible for the day-to-day coordination of subcontractors, consultants, and building services. Marv will work closely with the three directors to assure their active engagement in the progress of the project. Subcontractors or consultants will be selected and approved by the board of directors.

**Viability – Partner Organizations:**

All three of the partner organizations have been operational for a number of years: WICHE is celebrating its 50<sup>th</sup> Anniversary, NCHEMS has been operating for 30 years, and SHEEO was established in 1954, almost 50 years ago. Actual budgets for the current Fiscal year (FY 2003) and projected budgets for three years (FY 2004, 2005 and 2006) are enclosed for the three partners. As you will see from this material, no significant change in operation or funding is anticipated by any of the partner organizations.

**Viability – The Center:**

Included with this material is copy of the original narrative proposal to the Ford Foundation that provides information about "The Center for Higher Education Policy," including the proposed, "Policy Learning Center," a shared conference facility. Please also see the enclosed document, "Payments Estimate for Purchasing a Building." It includes financial projections for the shared office facility, including maintenance costs, depreciation/replacement reserves, and other shared costs.

Costs and revenues associated with The Policy Learning Center would be small and any income generated from this activity would be used to cover the costs of maintenance and up-keep. This revenue, as such, is expected to be insignificant and non-threatening to the non-profit status of the partner organizations.

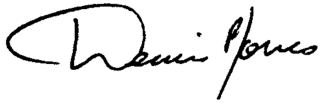
The three partners are seeking external capital grant support for the Policy Learning Center, but there is no assurance that such funding will be secured. Therefore, we have included full funding of the Policy Learning Center in the PRI request. If successful in securing separate grant funding for the Policy Learning Center, the request for PRI funding will be reduced.

**Occupancy/charity:**

Occupants and beneficiaries of The Center for Higher Education Policy, including The Policy Learning Center, will be exclusively for the benefit for not-for-profit organizations. Fees, if any, will be nominal to cover out-of-pocket expense.

We look forward to meeting with you in Boulder and Denver on August 21-22, 2003 to further your understanding of our organizations and the unique value The Center for Higher Education Policy will create for our three organizations. Please let us know if we can provide additional information that would be helpful to you in advance of our meeting.

Sincerely,



Dennis Jones  
President  
NCHEMS



Paul Lingenfelter  
Executive Director  
SHEEO



David Longanecker  
Executive Director  
WICHE

Enclosures:

1. Building Sales Comparables (sold and available within the Boulder area)
2. Photograph of WICHE's current office building (a potentially available office facility)
3. Proposed Ownership Structure for The Center for Higher Education Policy
4. Payment Estimate for Purchasing a Building (costs per year, per square foot)

## Building Sales Comparables

### Buildings Sold Within the Boulder Area

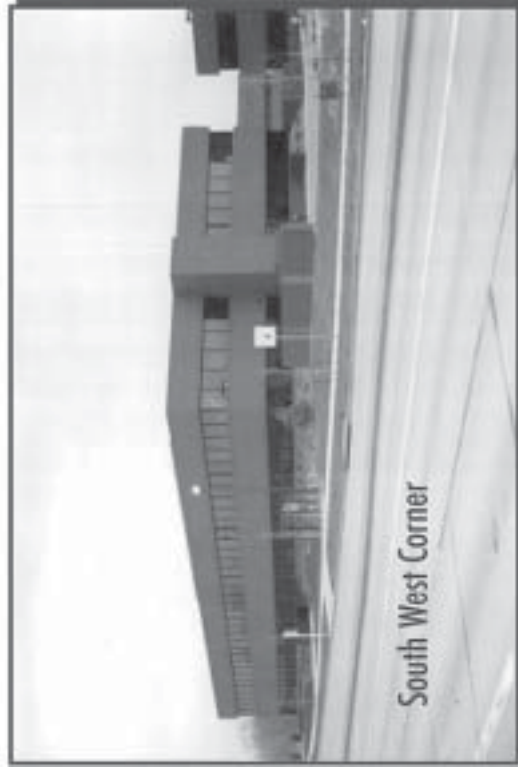
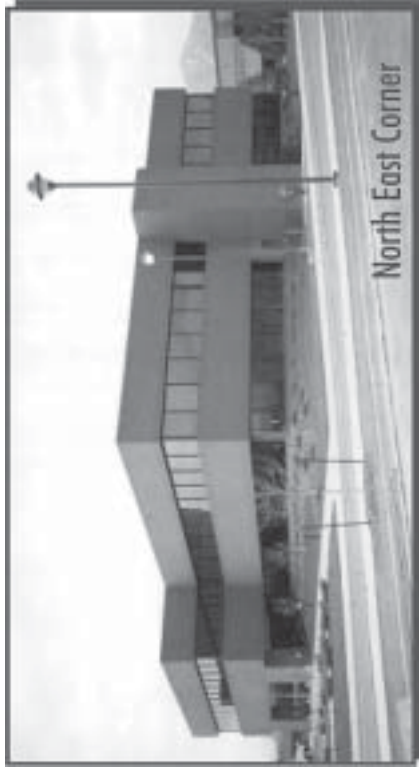
Date	Location	Sq. Ft.	Price	Buyer	Seller	Cost per Sq. Ft.
3/21/03	2300 55th Street Boulder, CO	60,700	\$ 6,750,000	U of C Federal Credit Union	Xilinx, Inc.	\$ 111.20
Jan '03	1777 Exposition Boulder, CO	86,599	\$ 8,500,000	Regents of Univ. of Colo.	Exabyte Corp.	\$ 98.15
Feb '02	5665 Airport Road Boulder, CO	19,414	\$ 2,112,000	LRS, LLC	WW Reynolds	

### Buildings Available for Sale Within the Boulder Area

Date	Location	Sq. Ft.	Asking Price
Current	4865 Sterling Dr. Boulder, CO	27,000	\$ 3,200,000
Current	1319 W. Baseline Rd. Lafayette, CO	19,400	\$ 1,950,000
Current	1909 26th Boulder, CO	15,900	\$ 3,000,000

# WICHE's New Office Location

Ground Floor  
2520 55th Street - Flatiron Park  
Boulder, CO 80301



**Proposed Ownership Structure for the  
National Center for Higher Education Policy**

First, most preliminary draft of May 29, 2003

The National Center for Higher Education Management Systems (NCHEMS), the State Higher Education Executive Officers (SHEEO), and the Western Interstate Commission for Higher Education (WICHE) propose to purchase and own jointly an office building to house their operations and provide a setting for education programs and conferences related to their work in higher education policy.

Toward this end, and to serve other common purposes of the three organizations, they propose to create a new not for profit corporation, tentatively named HE Policy Services, Inc. ("Services").

**Functions of "Services"**

1. Own the office building shared by the three organizations;
2. Manage the physical property, including repair and maintenance, financial management (collecting payments from the tenants based on their proportionate use of the building, paying debt service, utilities, etc., maintaining necessary reserves), and all other functions necessary to sustain the functionality of the facility and its value.
3. Provide other services to NCHEMS, SHEEO, and WICHE as they individually or collectively establish contractual agreements to purchase from Services. Such agreements could include insurance, payroll services, accounting, telephone and information technology services, or any other such services identified by the corporate parents of "Services."

**Governance of "Services" and Ownership assets and liabilities**

1. "Services" shall be governed by a Board of three Directors, one representative duly appointed by the Boards of each of the three founding organizations. "Services" will be governed by majority of the Board except for certain actions, specified below, which require unanimous consent of the Board. Members of the Board of Services shall serve at the pleasure of the appointing Boards. In the event of a vacancy, no action requiring unanimous consent may occur until the Board again has three fully qualified members. (Proxies?)
2. The Board shall appoint a Managing Director of "Services," who shall hold administrative responsibility for "Services" and serve at the pleasure of the Board.

3. The charter of "Services" shall include covenants requiring "Services" to assess charges to the founding organizations based on a fair and equitable assessment of benefits provided and costs incurred by Services.
4. "Services" shall establish a contractual relationship with each of the founding organizations to lease a share of the owned office building, the shares of which shall total 100%, unless a portion of the space is leased to another qualified non-profit organization by unanimous consent of the Board of Directors. The Board of Directors may, by consent of a majority of the Board, change the proportionate allocation of space in the building among the three organizations.
5. The assets and liabilities of "Services" shall be allocated among the three founding organizations in the following manner: The ownership share of each organization shall be established by the proportion of total, cumulative occupancy charges paid to "Services" by each of the three organizations during the existence of "Services." Occupancy charges include all fees and charges assessed based on the square feet of space occupied from time to time by each organization. In the event that any space is subleased to an organization without an ownership share in "Services," revenues from subleases shall be allocated to "Services" and then distributed to the owners.
6. The ownership structure of "Services" and its bylaws may be changed only through unanimous vote of the Board of Directors.
7. "Services" may provide additional, non-occupancy services to one or more of the founding organizations by contract approved by a majority of the Board of Directors.
8. Each of the founding organizations is bound by the Charter to occupy space owned by "Services" for a period of no less than fifteen years. In the event that any of the organizations is required to dissolve or chooses to leave the building without the unanimous consent of the Board of Directors, "Services" shall have the rights normally held by a lease holder.

**THE CENTER FOR HIGHER EDUCATION POLICY**

**PROPOSAL TO THE FORD FOUNDATION**

**Statement of Purpose**

Three well-established policy centers in the field of higher education – the **National Center for Higher Education Management Systems (NCHEMS)**, the **State Higher Education Executive Officers (SHEEO)**, and the **Western Interstate Commission for Higher Education (WICHE)** – propose to relocate their organizations to a single permanent facility. Tentatively called the Center for Higher Education Policy, this facility will be located in the Denver metropolitan area, where all three organizations are currently housed in leased space.

The incentives for seeking a shared facility are both programmatic and financial. NCHEMS, SHEEO, and WICHE share a natural programmatic affinity and a geographical proximity that have led to extensive collaboration over the last several decades. We work together frequently, and our collaborations and effectiveness will be enhanced if we share the same building. Also, rental costs in the Denver/Boulder market have become an increasing financial burden for all three organizations. By moving quickly in the current market downturn, we anticipate being able to acquire a building at a reasonable cost, avoid future escalations in rents, and build equity.

**Scope of this Proposal**

**This proposal requests funding in the form of a Program-Related Investment (PRI) from The Ford Foundation to finance a jointly owned facility, the Center for Higher Education Policy. We seek favorable consideration by the foundation of a \$3 million PRI, to be repaid over 15 years with an APR between 1 and 3 percent interest.**

Additional PRI and grant funds will be sought from other foundations. Commercial or bond funding will be considered to secure any supplemental funds that might be needed to complete the entire \$6 million anticipated cost.

The three organizations are nonprofits, with 501(c)(3) status, and are grantees of The Ford Foundation. The governing boards of each organization support the purchase of a joint facility. These governing bodies will provide continuing oversight of the financing, acquisition, and operation of the center. If agreeable with the foundation, the Western Interstate Commission for Higher Education will serve as the fiscal agent on behalf of the three collaborating organizations.

## **Introduction**

The growth of American higher education during the last half of the 20<sup>th</sup> century has been accompanied by the development of a national higher educational policy community in the Denver metropolitan area. The Western Interstate Commission for Higher Education (WICHE) began operations in 1953 and located in Boulder, CO, soon thereafter. The National Center for Higher Education Management Systems (NCHEMS) was created in 1969 as a part of WICHE and became an independent organization in 1977. The State Higher Education Executive Officers association (SHEEO), founded in 1954, located its permanent staff in Denver in 1984.<sup>1</sup> (Further information on each organization is in the Appendices.)

While the three organizations have distinctive missions and organizational assets, they also have strongly convergent interests. They have collaborated throughout their history and currently are working together on several policy-related projects. The programmatic benefits of current and past collaborations are clear. The principal impetus for this proposal is to facilitate and perpetuate collaboration among these organizations by bringing them together in a single facility, enhancing their effectiveness and fostering financial stability.

## **Benefits of a Joint Facility**

Specifically, we expect that sharing a physical facility will yield:

- More informal cross-fertilization of thinking, as well as a quicker dissemination of information and new ideas throughout the organizations and among the policymakers they serve.
- Increased operational efficiencies and longer-term financial stability and flexibility for each organization.
- Greater synergy in activities, both in the selection of projects and in the concepts utilized within projects.
- Improved capacity for effective collaboration, yielding more formal collaborations among the staff and members of the three organizations.
- Richer educational experiences (and more opportunities) for interns and graduate students involved with each organization.

To augment these benefits, NCHEMS, SHEEO, and WICHE seek to create a Higher Education Policy Learning Center as part of this shared facility. This center will enhance the ability of the organizations to carry out their work in

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<sup>1</sup> The Education Commission of the States, the National Conference of State Legislatures, and the Western Governors' Association also are important Denver-area assets in the national policy community and frequent collaborators with WICHE, NCHEMS, and SHEEO on higher education policy issues.

policy development and implementation, providing a setting for conferences (both physical and virtual) of higher education leaders from around the country (and, potentially, the world). The Policy Learning Center will utilize current and emerging technologies to create virtual opportunities for policy education, as well as supporting face-to-face meetings of up to 50 participants. We anticipate that this setting would be ideal for the activities of governing boards, leadership forums, small seminars, and faculty and administrative retreats.

**A facility with approximately 30,000 square feet is needed to accommodate the needs of the three organizations — about 25,000 feet for office space and 5,000 square feet for the Higher Education Policy Learning Center.**

A preliminary study of the local real estate market indicates that finding an existing building at a favorable price over the next 18 months is quite feasible.

### **Financial Advantages of the Proposed Center**

Despite their longevity and stability, the three organizations have always leased space in the Denver-Boulder metropolitan area commercial real estate market. WICHE has paid rent for nearly 50 years, NCHEMS for 35 years, and SHEEO for nearly 20. WICHE leased space on the University of Colorado campus from 1955-2000, and NCHEMS has leased space in the same university building since its inception. SHEEO has subleased space from the Education Commission of the States in Denver since 1984. Consequently, the three organizations have not benefited from the growth in property values or any buildup of property equity.

In recent years, rental costs in the Denver/Boulder market have become an increasing financial burden for all three organizations. Rent costs grew rapidly from 1990 to 2000, when two of the organizations were forced to move due to competitive pressures for space in the Denver/Boulder real estate market. WICHE was forced to lease space on the open market at \$26 per gross square foot, double the amount it had paid the previous year to the university. SHEEO absorbed an increase of more than 20 percent in rental costs, accompanied by a decrease in the functional quality of its space. NCHEMS has seen its lease rates increase by 100 percent over five years. WICHE's current lease expires on Sept. 30, 2003; SHEEO's lease will expire in 2004; the NCHEMS lease can be renewed or terminated on an annual basis.

Because of a recent economic downturn, metropolitan Denver tenants vacated up to four million square feet of office space in 2001 and another two million in 2002.<sup>2</sup> By moving quickly in the current market downturn, we should be able to acquire an existing building at a reasonable cost, avoid future escalations in rents, and build equity.

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<sup>2</sup> *The Denver Post*, January 15, 2003, page 2C.

In addition to the programmatic advantages of sharing space, each of the three organizations seeks to increase its financial strength and flexibility by owning a facility in which to work and support professional development for its staff and constituents. Over the next 20 to 30 years, owning shared space will free up resources for program activities that otherwise would be spent on increased lease costs. Ownership would have other benefits as well: giving each organization freedom from the disruption imposed by involuntary moves, increasing their net worth and financial stability, and achieving economies of scale through shared resources.

We seek Program-Related Investment funding for similar reasons. Reducing the cost of financing the shared facility clearly will benefit all three organizations and will substantially improve the feasibility of acquiring an appropriate facility. WICHE currently bears the highest cost per square foot at its facility. With PRI funding, WICHE could reduce its facilities costs, which now total nearly \$400,000 annually. Without PRI funding, a move to the new facility would require NCHEMS and SHEEO to bear rental costs that may increase by 75 to 95 percent when current leases expire. For SHEEO and NCHEMS, PRI financing could well be essential for their participation. NCHEMS will spend \$95,000 on its leased space in 2003 and does not anticipate an increase in next year's lease rates; it is estimating 5 percent annual increases for subsequent years contingent upon the university's continuation of the lease.

### **Risks of Ownership**

While the advantages of the proposed shared facility are obvious, the three organizations also have considered the risks. We believe these are modest or manageable. Even if financial distress did occur, holding an ownership position in the space is likely to assist rather than hinder a return to financial health.

Financial difficulties. Financial distress could conceivably threaten one or more of the organizations' ability to meet debt service requirements in the future. However, we believe that this is an unlikely possibility, as discussed below.

WICHE and SHEEO were established by state entities, with their base funding emanating from their member states. Furthermore, WICHE was established through the Western Regional Education Compact, a constitutionally sanctioned interstate agreement enacted by the compacting states. The purposes served by WICHE and SHEEO are essential ones, and likely to remain so. In addition to providing policy advice and support in several program areas, WICHE manages the West's regional student exchange, which provides clear benefits to both sending and receiving states. WICHE also coordinates several multistate programs that help states and their higher education institutions to share resources, achieve efficiencies, and enhance their effectiveness through collaborations.

SHEEO provides a range of services to state higher education agencies, including administering a federal contract for the past 26 years as a liaison between the states and the National Center for Educational Statistics. While NCHEMS has perhaps a “softer” financial base, it has accumulated an enormous reservoir of credibility and good will in the field of higher education policy analysis. NCHEMS is a very attractive employer for higher education policy analysts, and it is likely to be able to maintain its ability to draw talent, contracts, and grants for the indefinite future. Moreover, NCHEMS has developed larger reserves, relative to the size of its annual budget, than the other partners and is in an excellent position to withstand short-term fiscal uncertainty.

Misalignment between facility size and future needs. By purchasing a shared facility, the organizations could find that their future growth is constrained or that future reductions in staffing could impose a burden of maintaining unnecessary space. While this is a concern, the collaborators believe it is not a serious threat because:

- All three organizations are mature; they are comfortable with their current size (or modest growth), and they do not expect substantial growth in their core functions. Short-term growth through grants or contracts can be accommodated by employing staff or external contractors who work off-site.
- The potential for greater collaboration could mitigate the need for future staff growth.
- Excess space could be subleased by one of the collaborators or another organization, or a shortage of space accommodated through telecommuting by staff or contractors.

### **Options for Structuring a Program-Related Investment**

A Program-Related Investment, or a combination of Program-Related Investments and grants for this facility, could be structured in many ways. The three organizations are eager to explore options that meet the needs of The Ford Foundation and other potential donors or lenders. Our objectives are to minimize both the cost and the complexity of the financing and to meet the goals of both donors or lenders.

1. An outright gift. The potential cost of the facility is likely to be approximately \$6 million. Naturally, we would welcome a gift for all or any portion of the project. A gift to finance the Policy Learning Center would require approximately \$1 million.
2. PRI financing of the entire project. One or more foundations could choose to finance the project with Program-Related Investments. The structure of such an investment could take many forms, based on the requirements and priorities of the foundation or foundations involved. The ideal scenario would provide long-term financing (25 to 30 years) at a rate of interest well below market rates – typical

for a PRI. NCHEMS, SHEEO, and WICHE would provide a security interest in the facility to the lender and are open to any affordable strategy for the return of principal: gradual amortization, as in a typical mortgage; one or more balloon payments of principal (supported by the accumulation of mandatory reserves); or others.

The three organizations also would entertain a shorter-term maturity for a Program-Related Investment if that is required to meet the lender's policies for loan maturities. Commercial refinancing of the facility after seven to 15 years could be viable and affordable after establishing some equity and experiencing appreciation in the value of the property.

3. Partial PRI or grant financing of the project. If total PRI financing is not feasible, it may be possible to finance the project through a combination of partial PRI or grants and bond financing. It is important to note that bond financing will be both more affordable and feasible if the risk to bond holders is reduced through subordinate PRI debt or gifts.
4. Loan guarantees. While the feasibility of the project would be greatly enhanced through a combination of grants and PRIs, it could also be accomplished if one or more foundations agreed to guarantee some or all of the financing obtained through the sale of tax-exempt bonds, either by securing the debt with the foundations' credit rating or by indemnifying the debt through escrowed funds.

A \$3 million Program-Related Investment from The Ford Foundation for the Center for Higher Education Policy would make a substantial and permanent contribution to the strength and impact of NCHEMS, SHEEO, and WICHE and to the quality of higher education policy development for many years to come.

Payments Estimate for Purchasing Building										Oct. 1 <sup>e</sup>
With Itemized Costs per Year Based Upon Square Footage										
Assumed starting July 1, 2004 with 5.0% equity position by the 3 organizations										
PRI Loan: \$4,750,000 at 1.0% for 15 Years										
Fiscal Year	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011			
Year	1	2	3	4	5	6	7			
Loan Payments	\$ 341,142	\$ 341,142	\$ 341,142	\$ 341,142	\$ 341,142	\$ 341,142	\$ 341,142			
Loan Balance:										
5 Beginning of the Year	\$ 4,750,000	\$ 4,455,009	\$ 4,157,054	\$ 3,856,105	\$ 3,552,134	\$ 3,245,109	\$ 2,934,999			\$ 2,622
6 End of the Year	\$ 4,455,009	\$ 4,157,054	\$ 3,856,105	\$ 3,552,134	\$ 3,245,109	\$ 2,934,999	\$ 2,621,774			\$ 2,300
7 Costs/Square Foot										
8 Loan payment (principal & intrst.)	\$ 11.37	\$ 11.37	\$ 11.37	\$ 11.37	\$ 11.37	\$ 11.37	\$ 11.37			\$
9 Learning Center upgrades	0.92	0.92	0.92	0.92	0.92	0.92	0.92			\$
10 Common Area Maint. (CAM):										
11 Utilities	3.60	4.03	4.52	5.06	5.66	6.34	7.11			
12 Other	1.10	1.14	1.19	1.24	1.29	1.34	1.39			
13 Miscellaneous	3.79	1.98	2.06	2.14	2.22	2.31	2.40			
14 Building Maintenance Reserve	1.50	1.75	2.00	2.25	2.50	2.50	2.50			
15 Total Cost/Sq Ft.	\$ 22.28	\$ 21.19	\$ 22.05	\$ 22.97	\$ 23.97	\$ 24.79	\$ 25.69			\$
16 Total Yearly Costs:										
17 NCHEMS (8,760 sq ft)	\$ 195,191	\$ 185,660	\$ 193,181	\$ 201,255	\$ 209,945	\$ 217,129	\$ 225,077			\$ 230
18 SHEEO (4,680 sq ft)	104,280	99,188	103,206	107,520	112,162	116,000	120,247			\$ 120
19 WICHE (16,560 sq ft)	368,990	350,973	365,192	380,455	396,882	410,463	425,488			\$ 440
20 TOTAL (30,000 sq ft)	\$ 668,461	\$ 635,821	\$ 661,579	\$ 689,230	\$ 718,989	\$ 743,592	\$ 770,812			\$ 800
21 Fiscal Year	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019			
22 Year	9	10	11	12	13	14	15			
23 Loan Payments	\$ 341,142	\$ 341,142	\$ 341,142	\$ 341,142	\$ 341,142	\$ 341,142	\$ 341,142			
24 Loan Balance:										
25 Beginning of the Year	\$ 2,305,403	\$ 1,985,853	\$ 1,663,093	\$ 1,337,090	\$ 1,007,813	\$ 675,228	\$ 339,301			\$
26 End of the Year	\$ 1,985,853	\$ 1,663,093	\$ 1,337,090	\$ 1,007,813	\$ 675,228	\$ 339,301	\$ -			\$
27 Costs/Square Foot										
28 Loan payment (principal & intrst.)	\$ 11.37	\$ 11.37	\$ 11.37	\$ 11.37	\$ 11.37	\$ 11.37	\$ 11.37			\$
29 Learning Center upgrades	0.92	0.92	0.92	0.92	0.92	0.92	0.92			\$
30 Common Area Maint. (CAM):										
31 Utilities	8.91	9.98	11.18	12.52	14.03	15.71	17.59			
32 Other	1.51	1.57	1.63	1.69	1.76	1.83	1.90			
33 Miscellaneous	2.60	2.70	2.81	2.92	3.04	3.16	3.29			
34 Building Maintenance Reserve	2.50	2.50	2.50	2.50	2.50	2.50	2.50			
35 Total Cost/Sq Ft.	\$ 27.81	\$ 29.05	\$ 30.41	\$ 31.93	\$ 33.62	\$ 35.50	\$ 37.58			\$
36 Total Yearly Costs:										
37 NCHEMS (8,760 sq ft)	\$ 243,626	\$ 254,435	\$ 266,425	\$ 279,735	\$ 294,517	\$ 310,943	\$ 329,207			\$ 240
38 SHEEO (4,680 sq ft)	130,156	135,931	142,337	149,447	157,345	166,120	175,878			\$ 130
39 WICHE (16,560 sq ft)	460,554	480,986	503,653	528,813	556,758	587,811	622,336			\$ 460
40 TOTAL (30,000 sq ft)	\$ 834,336	\$ 871,352	\$ 912,415	\$ 957,995	\$ 1,008,620	\$ 1,064,874	\$ 1,127,421			\$ 850
a	Assumes replacement of the Learning Center's information technology items every 3 years and furniture every 7 years.									
b	Includes parking, snow removal, trash removal, landscaping and maintenance, security, and HVAC.									
c	Includes janitorial services, insurance, property management, building signage, misc. supplies, and etc. During first year, includes establishing a 10% reserve/contingency fund.									
d	Reserve to pay for major repairs, remodeling, and updating of the building in the future.									

# Mental Health Program

The mission of the WICHE Mental Health Program is to support service improvement in the public mental health systems of the WICHE states and to work with higher education to ensure a high-quality workforce is prepared to support and sustain these systems of care. FY 2003 strained the resources of the program to meet its mission. While the program accomplished many positive contributions, the deepening crisis in state revenues has limited the ability of state mental health programs to either support their own mission or that of the WICHE Mental Health Program. The late notification by several state's of their inability to pay FY 2003 affiliation fees to the Mental Health Program resulted in an inability to finish the year without a negative fund balance of nearly \$50,000. In response, the program eliminated the position of staff assistant and now purchases support services as needed from the Programs and Services Unit.

During FY 2003 the Mental Health Program accomplished several significant projects to support public mental health systems in the WICHE West.

- Cohosted a public hearing of the Rural Issues Subcommittee of the President's New Freedom Commission on Mental Health in Portland, Oregon.
- Facilitated the South Dakota Task Force on Children's Mental Health and delivered the report to the legislature and governor.
- Completed the consumer-focused performance appraisal of the South Dakota and Wyoming public mental health systems.
- Prepared the needs assessment and gap analysis for public mental health services in South Dakota and Wyoming, initiating new contracts to complete this process for Oregon and California.
- Prepared the written report of the Rural Issues Subcommittee of the President's New Freedom Commission for Mental Health.
- Facilitated a community consensus building process to redesign the children's system of care for the Division of Mental Health in Wyoming.
- Provided the keynote address focused on the integration of primary care and mental health services at the 2003 Colorado Rural Health Association Annual Meeting.

During FY 2004 the Mental Health Program anticipates several new activities:

- With support from the federal Health Resources and Services Administration (HRSA), conducted a regional policy roundtable focused on mental health professional shortages in Reno, Nev., on September 19-20, 2003.
- Under an 18-month contract with HRSA, will author a book, to be published by the U.S. Government Printing Office, that provides an overview and annotated bibliography focused on rural mental health. This is the third edition of this document; the second edition was coedited by Mental Health Program Director Dennis Mohatt and is the most highly cited rural mental health resource in the literature.
- Is engaged in a contract with the University of Alaska System to facilitate an internal and external strategic planning initiative focused on mental health workforce training strategies.

- Is assisting in the facilitation of public mental health finance and administration reform analysis in the State of Washington.
- Is continuing support of children's mental health system innovation in Wyoming and South Dakota.
- Is negotiating a contract to support comprehensive needs assessment and gap analysis for the Division of Behavioral Health in Alaska.
- One staff member, Chuck McGee, will have .50 FTE shifted to contract work with the State of Wyoming to work on a two-year Medicaid data project.

## CONAHEC Update

CONAHEC, the Consortium for North American Higher Education, helps colleges and universities in the United States, Canada, and Mexico strengthen relationships among themselves. CONAHEC's headquarters are located at the University of Arizona in Tucson, and its second office is located at WICHE in Boulder.

CONAHEC is making strides in developing its new Student Exchange Program, which allows institutions to extend their international study offerings easily and affordably. Participating institutions have access to dozens of North American colleges and universities without negotiating separate articulation agreements. The program trades "seats" with other participating CONAHEC members, making it possible for undergraduate and graduate students to pay tuition at their home schools while studying tuition-free at host institutions. CONAHEC now has 34 institutions participating. Combined, they offer more than 250 academic programs to prospective students in the three countries. In addition to the tuition model, one of the program's most innovative features is its streamlined and paperless administration of the program through a searchable Web site that is available to participating campuses and their students.

Because of budget constraints, CONAHEC's Web tech, Sean Manley Casimir, was relocated to CONAHEC's Tucson office at the UA, along with the portal and its servers. Users can plug into the North American higher education community and its many opportunities through CONAHEC's robust Internet portal.

CONAHEC also offers constituents opportunities to network with peers and explore critical issues on higher education through its trinational conferences. The next one, its ninth, will be held March 17-20, 2004, in Guadalajara, Jalisco, Mexico. The theme is "Discovering North American Potential: Higher Education Charts a New Course."

As part of Border PACT, a U.S.-Mexico border network of higher education institutions working for social change, CONAHEC awarded \$209,400 to 14 projects through the generosity of the William and Flora Hewlett Foundation and The Ford Foundation. The grant recipients will develop collaborative binational projects that focus on academic and border community development in the areas of health, education, environment, economic development, and community issues.