Monday, November 7, 2005

9.30 - 10.00 am
Century Room

Committee of the Whole, Call to Order

Agenda

Call to Order: Diane Barrans, chair

Welcome

Introduction of new commissioners and guests 2-3

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Report of the chair

Report of the executive director

Report of the Nominating Committee

Recess until November 8, 2005, at 11.00 am
New Commissioners

**Thomas Buchanan** was appointed the 23rd president of the University of Wyoming (UW) in July. Prior to accepting the presidency, he served as vice president for academic affairs at the university and, before that, as chief academic officer, with responsibility for all academic programs at UW. Buchanan is a long-term UW faculty member and administrator, having served as associate provost, associate dean of the College of Arts and Sciences, and head of the Department of Geography. In 1988, he received the Ellbogen Meritorious Classroom Teaching Award and in 1990 the Seibold Professorship in the College of Arts and Sciences; in 1993 he was recognized as an “exemplary alumni” by the College of Arts and Sciences. He is a former chair of the Northwest Academic Forum (NWAF), a consortium of higher education institutions and systems offices (WICHE is NWAF’s secretariat). He received a B.S. from the State University of New York, an M.S. from the University of Wyoming, and a Ph.D. from the University of Illinois at Urbana-Champaign.

**Michael Gallagher** was appointed interim president of Idaho State University (ISU) in October. He has spent 36 years in higher education, beginning as a business instructor. He was dean of the ISU College of Business for two years and ISU vice president for academic affairs from 1989 to 1996. He recently retired as the president of Mesa State College in Grand Junction, CO, where he worked for seven years. Gallagher also gained extensive corporate experience working for such companies as Procter & Gamble and Phillips Petroleum. He received his Ph.D. in management from Texas A&M University.

**Dwight Johnson** was named interim executive director of the Idaho State Board of Education in October. Previous to this, he was the assistant deputy director for Idaho Commerce and Labor, where he spent nearly 11 years, overseeing the tourism, international business, and communications and research divisions. He also served as the department’s legislative and congressional liaison and was involved in critical workforce-training issues, helping to ensure the passage of Idaho’s Workforce Development Training Fund and the Farm Worker Minimum Wage law. He has served twice as the interim executive director for the Idaho Rural Partnership and was a key staff member to Governor Dirk Kempthorne’s 2020 Blue Ribbon Task Force. During Governor Phil Batt’s administration, Johnson was a member of the Governor’s Welfare Reform Advisory Council. He has a master’s in public administration from Boise State University and a bachelor’s in political science from Brigham Young University.

**David Lorenz** retired from Northern Arizona University in October 2004 after working in higher education for 37 years in various administrative positions. He moved to Flagstaff, AZ, in 1982 and served as the university’s director of university services, associate vice president of business affairs, and vice president of administration and finance. Previous to that, he served at Grand Valley State University in Michigan for 15 years. Lorenz has been very active in professional organizations and foundations, including serving as president of the National Association of College Auxiliary Services (he received that organization’s highest honor, the Robert F. Newton Award for distinguished service in 2004). He has 10 years of experience in public and county school boards. He received his B.A. from Central Michigan University in 1962 and a M.A. from Michigan State University in 1967. In 1988 he completed the Business Management Institute for Senior College and University Officers.

**Beverlee McClure** is cabinet secretary to the newly established New Mexico Higher Education Department. Previously, she was president of Clovis Community College, where she led the effort to create the Center for Student Success, which received the Quality New Mexico Award from the governor. She also served as provost of the St. Augustine Campus of St. Johns River Community College in St. Augustine, FL, as assistant vice president for student services and university center operations at Westark Community College in Fort Smith, AR, and in other administrative and teaching posts. She received her bachelor’s in business administration from Texas A&M, Commerce, her M.B.A. from the University of Arkansas, Fayetteville, and her doctorate in education from the University of Texas at Austin.
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Committee of the Whole
Meeting Minutes
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PARTICIPANTS

Commissioners

A L A S K A
Diane M. Barrans, WICHE Chair 2005
Executive Director
Alaska Com. on Postsecondary Education
Juneau
   Kelly Kirkpatrick

Johnny Ellis
State Senator
Anchorage

Marshall L. Lind
Former Chancellor of Higher Education
University of Alaska Fairbanks
Juneau
   Lois Lind

A R I Z O N A
Lawrence M. Gudis
Former Senior Vice President
Apollo Group
Axia College, Central Services
Phoenix
   Barbara Gudis

John Haeger
President
Northern Arizona University
Flagstaff

Joel Sideman
Executive Director
Arizona Board of Regents
Phoenix

C A L I F O R N I A

C O L O R A D O
William F. Byers
Consumer and Public Relations Manager
Grand Valley Power
Fruita

William J. Hybl
Chairman and CEO
El Pomar Foundation
Colorado Springs

Richard O’Donnell
Executive Director
Colorado Commission on Higher Education

H A W A I I
Doris Ching
Vice President for Student Affairs
University of Hawaii System
Honolulu
   Wilbert Ching

Roy T. Ogawa
Attorney at Law
Honolulu

Roberta M. Richards
State Officer
Hawaii Department of Education
Honolulu

I D A H O
Richard Bowen
President
Idaho State University
Pocatello
   Connie Bowen

Robert W. Kustra
President
Boise State University
Boise
   Kathy Kustra

M O N T A N A
Ed Jasmin
Immediate Past Chair
Montana Board of Regents
Big Fork
   Bobbi Jasmin

Sheila Stearns
Commissioner of Higher Education
Montana University System
Helena
   Hal Stearns

Cindy Younkin
Former State Representative
Bozeman
   Terry Koral
Commissioners (continued)

**NEVADA**
Jane A. Nichols  
Former Chancellor of the University and Community College System of Nevada  
Department of Education Leadership  
University of Nevada, Reno  
Reno

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Department of Education Leadership  
University of Nevada, Reno  
Reno

**NEW MEXICO**
Letitia Chambers  
Former Executive Director  
New Mexico Commission on Higher Education  
Santa Fe

Patricia Sullivan  
Assistant Dean  
College of Engineering  
New Mexico State University  
Las Cruces

**NORTH DAKOTA**
Richard Kunkel  
Member  
State Board of Higher Education  
Devils Lake

Dave Nething  
State Senator  
Jamestown

Robert Potts  
Chancellor  
North Dakota University System  
Bismarck

**OREGON**
Ryan P. Deckert  
State Senator  
Portland

Camille Preus-Braly  
Commissioner  
Oregon Department of Community Colleges and Workforce Development  
Salem  
Bill Braly

**SOUTH DAKOTA**
Robert Burns  
Distinguished Professor  
Political Science Department  
South Dakota State University  
Brookings  
Donna Burns

James O. Hansen  
Regent  
South Dakota Board of Regents  
Pierre

Robert T. (Tad) Perry, WICHE Chair 2002  
Executive Director  
South Dakota Board of Regents  
Pierre

**UTAH**
Richard E. Kendell  
Commissioner of Higher Education  
Utah System of Higher Education  
Salt Lake City

**WASHINGTON**
Don Carlson, WICHE Chair 2004  
Former State Senator  
Vancouver

Phyllis Gutierrez Kenney  
State Representative  
Seattle

James Sulton, Jr.  
Executive Director  
Higher Education Coordinating Board  
Olympia

**WYOMING**
Tex Baggs  
State Senator and President  
Western Wyoming Community College  
Rock Springs

Klaus Hanson  
Professor of German and Chair  
Department of Modern and Classical Languages  
University of Wyoming  
Laramie
**Guests**

Stephanie Butler  
Director of Operations and Outreach  
Alaska Commission on Postsecondary Education  
Juneau, AK  
  Amy O’Mara

Cheryl Frasca  
Former WICHE Commissioner and Director  
Office of Management and Budget  
Juneau, AK

Mark Hamilton  
Former WICHE Commissioner and President  
University of Alaska System  
Fairbanks, AK

Bill Hogan  
Director  
Alaska Division of Behavioral Health  
Juneau, AK

Robert O. Kelley  
Certifying Officer for Wyoming and Dean, College of Health Sciences  
University of Wyoming  
Laramie, WY  
  Marcia Kelley

Paul Lingenfelter  
Executive Director  
State Higher Education Executive Officers (SHEEO)  
Denver, CO

Chris Morphew  
Associate Professor  
University of Kansas  
Lawrence, KS

Pat K. Pitney  
Associate Vice President  
Planning and Budget  
University of Alaska Statewide Office  
Fairbanks, AK

Lori Steadman  
Special Programs Coordinator  
Alaska Commission on Postsecondary Education  
Juneau, AK

Kelly Stout  
Administrative Assistant to the Executive Director  
Alaska Commission on Postsecondary Education  
Juneau, AK

**Staff**

Cheryl Blanco  
Director  
Policy Analysis and Research

Sally Johnstone  
Director  
WCET

David Longanecker  
Executive Director

Michelle Médal  
Administrative Assistant  
Policy Analysis and Research and  
Programs and Services/Communications

Jere Mock  
Director  
Programs and Services/Communications

Dennis Mohatt  
Program Director  
Mental Health

Mary Myers  
Director  
Administrative Services  
  Mary Myers

Margo Schultz  
Program Coordinator  
Student Exchange Programs  
Programs and Services/Communications

Marla Williams  
Assistant to the Executive Director and Executive Secretary to the Commission
Chair Barrans called the May 16, 2005, first session of the Committee of the Whole meeting to order.

**Introduction: New WICHE Commissioners and Guests**

Chair Barrans introduced guests in attendance and welcomed three new WICHE commissioners: James O. Hansen of South Dakota (a returning commissioner), William J. Hybl of Colorado, and Phyllis Gutierrez Kenney of Washington.

Chair Barrans also announced that John Haeger of Arizona and David Nething of North Dakota had been reappointed to the WICHE Commission. She said this would be the last meeting attended by WICHE Commissioner Larry Gudis of Arizona because he has accepted a position located outside of the WICHE region. She presented Gudis with a token of the commission’s appreciation for his service to WICHE.

**Report of the Chair**  
**Diane Barrans, WICHE Chair**

Chair Barrans thanked her assistant, Kelly Stout, for her efforts in preparing for this meeting. She thanked Senator Johnny Ellis for providing Alaska coffee table books for the meeting participants. After many introductions and announcements during this opening session, she had no further report.

**Report of the Executive Director**  
**David Longanecker, WICHE Executive Director**

**Office Facility Update**

Executive Director David Longanecker said that within a month the State Higher Education Policy Center (SHEPC) will be housing 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). The new office facility, located at 3035 Center Green Drive in Boulder, CO, has been stripped out and is currently being remodeled to suit the needs of each organization. A substantial debt is owed to Marv Myers who marshaled this entire process every step of the way.

While the SHEPC building will be a fine facility, a portion of it will remain unfinished until external funding can be secured to fully equip it as envisioned. The future high tech resource and learning center will be a conference room until such funding is secured. He has volunteered to take the lead in this effort for the three organizations and will begin this activity after the move takes place.

**California Dues Payment Update**

Longanecker said no other issue receives more questions than, “Where are we with the dues payment from California, anyway?” The bad news is: the dues have not been paid. The good news is: there is fairly solid strategy and effort underway to secure payment of those dues. WICHE has secured the services of Nielsen, Merksamer, Parrinello, Mueller, & Naylor to assist in obtaining California’s dues. He said contracting for the services of a firm in California was necessary for several reasons: WICHE does not have a strong presence in Sacramento; WICHE does not have active participation from its current California commissioners; and WICHE does not have any commissioners appointed by the current California governor. These disadvantages present WICHE with a unique challenge in securing the dues payment. One reason for selecting this particular lobbying firm is that one of the principals, Dede Alpert, is a former California state senator who was term-limited. Alpert has been a long-term member of WICHE’s Legislative Advisory Committee and has been a very active supporter of WICHE. Alpert was WICHE’s champion in California during last year’s initiative to obtain the dues payment.

Currently, the logistical strategy is to have WICHE’s dues imbedded in the budget of the California State University System. The system’s president, Charlie Reed, has agreed to this, as has David Spence, who is Reed’s executive vice chancellor, and both have been actively working towards this effort. The California State University System does not want to pay for WICHE’s dues out of its budget, but it is willing to have the funds placed in their budget for WICHE.

There have also been some recent and positive developments in California. For a long time, the California Maritime Academy was the only California institution participating in the Western Undergraduate Exchange (WUE) program. Currently, there are a number of California State University institutions investigating participation in WUE. Some of
these institutions are also interested in participating in the Western Regional Graduate Program (WRGP) and a few have expressed interest in the Professional Student Exchange Program (PSEP). California may soon have more substantial participation in WICHE’s programs than ever before (that is, if they are able to pay their dues and maintain membership).

Currently, the legislative strategy to get the dues paid is to identify sponsors on the Budget Committee (a joint Assembly/Senate committee). Senator Jack Scott, who used to be a member of WICHE’s Legislative Advisory Committee when he was in the Assembly, currently holds the position vacated by Dede Alpert – chair of the Education Subcommittee of the Budget Committee. Senator Scott will carry the initiative for WICHE in the Senate. In the Assembly, Assemblywoman Carol Liu, with the assistance of the California Assembly Higher Education Committee’s chief consultant, Bruce Hamlett (former New Mexico WICHE commissioner), is working to find two Assembly members of the Budget Committee to carry WICHE’s initiative. Potential candidates are: Assemblyman Marvin Dymally of Los Angeles and Lynn Daucher of Orange County. WICHE has also been working with the Budget Committee chairs of both houses: Senator Wesley Chesbro, whose district includes the California Maritime Academy, and Assemblyman John Laird from Santa Cruz. Longanecker said he thinks the strategies are strong ones and is hopeful that California’s dues will soon be paid.

Dede Alpert cannot work directly with the California Legislature because of California’s conflict-of-interest laws. Instead, Alpert’s partner is working with WICHE on this effort; she has helped lay the groundwork in the governor’s office and the office of the director of finance.

There is a chance that the request for dues payment will be split into two parts. The first part would be for the arrears portion, which is the largest portion, at more than $250,000. The arrears portion may prove to be easiest to receive because of funds available for one-time expenses. The second part would be the current annual dues owed, at $108,000. The current dues may prove to be more difficult to obtain because this funding would be new and recurring.

The timing for action on the dues is difficult to estimate. California’s fiscal year ends on June 30. The Budget Committee currently has the governor’s revised budget proposal and will work at finalizing it over the next six weeks. However, the likelihood that this will be accomplished by June 30 is not high. California has not had a budget by June 30 for the past eight years. It is more likely that the state’s final budget will be finalized sometime in July.

Longanecker reported that none of California’s commissioners will be present at the May meeting. Commissioner Francisco Hernandez has been very helpful to WICHE and would have attended this meeting, but he had a scheduling conflict. Commissioner Robert Moore is no longer the director of the California Postsecondary Education Commission, so he isn’t in a position to fund his own attendance at WICHE Commission meetings; while Moore is no longer employed in the field of higher education, he remains a very strong proponent of WICHE. Commissioner Herbert Medina is no longer active in WICHE; technically he is still a WICHE commissioner, but he no longer considers himself one.

Report of the Nominating Committee (special session)

Don Carlson, Committee Chair

Don Carlson of Washington, who is immediate past WICHE chair, and chair of the Nominating Committee, thanked his colleagues who served on the committee with him: Cam Preus-Braly of Oregon and Gary Stivers of Idaho. He also thanked members of the commission for their very thoughtful and careful nominations of candidates for the vice chair’s position.

COMMISSIONER CARLSON, ON BEHALF OF THE NOMINATING COMMITTEE, MOVED THE NOMINATION OF DAVID NETHING OF NORTH DAKOTA AS THE VICE CHAIR AND CHAIR-ELECT OF WICHE FOR CY 2005. The committee’s motion did not require a second. The commission will take action on this motion during the second session of the Committee of the Whole, on Tuesday, May 17.

[Note: Vice Chair Phil Dubois’ departure from the WICHE region created the vice chair vacancy requiring the special election. Election of WICHE’s vice chair usually takes place during the November meeting.]

Chair Barrans recessed the Committee of the Whole until Tuesday, May 17, at 11:00 a.m.
Chair Barrans reconvened the Committee of the Whole for its second session.

**Consent Agenda Item**

**Action Item**
Approval of the Committee of the Whole Meeting Minutes of November 8-9, 2004, and the Executive Committee Meeting Minutes of November 8, 2004, and January 12, February 9, and April 6, 2005


**Non-Consent Agenda Items**

**Report and Action of the Executive Committee, Open Session**
Diane Barrans, WICHE Chair

Chair Barrans reported that during the open session of the Executive Committee, the committee approved its April 6 conference call meeting minutes, heard a report about the Mental Health Program’s activities, and reviewed the schedule for this May’s meeting.

**Report and Action of the Executive Committee, Closed Session**
Diane Barrans, WICHE Chair

Executive Director’s Evaluation and Compensation
Chair Barrans reported that during the closed session of the Executive Committee, the committee reviewed David Longanecker’s self-evaluation for FY 2005 and approved his proposed performance objectives for FY 2006, located on pp. 1-37 through 1-44 of the agenda book.

As background to the discussion about David Longanecker’s compensation, Barrans said, it is important to note that the dues recommendation for FY 2005 was decreased by the commission during its May 2003 meeting. This was done in reaction to the fiscal constraints the states were experiencing at the time. During that same meeting, the staff recommendation for salary and benefit increases was to have no salary increase and to provide an increase to staff benefits that would cover the increased cost of health insurance. So while staff would not receive a salary increase, they were protected from experiencing a loss in benefits or an increase in the cost of maintaining their existing health insurance benefits. The action to freeze the dues level contributed to the need to cut back staff and to limit the funds available for staff salary increases in FY 2005. Last year, Longanecker refused to accept a salary increase even though the Executive Committee had strong views about the quality of his leadership and the desire to compensate him for his exceptional performance. The committee went along with his request to put his salary increase into a bonus pool for staff because he believed the staff deserved more of a salary increase than what would be possible with the recommended 3.5 percent merit pool. Barrans reported that the committee would not allow him to do this again this year and presented the following Executive Committee recommendations regarding his compensation for FY 2006:

COMMISSIONER BARRANS, ON BEHALF OF THE EXECUTIVE COMMITTEE, MOVED APPROVAL TO INCREASE DAVID LONGANECKER’S ANNUAL SALARY FOR HIS OUTSTANDING PERFORMANCE BY 5 PERCENT, TO INCREASE HIS AUTOMOBILE ALLOWANCE BY $900, FROM $4,800 TO $5,700, AND TO INCREASE HIS EXPENSE ACCOUNT BY $1,500, FROM $3,500 TO $5,000, FOR FISCAL YEAR 2006. THIS ACTION, EFFECTIVE JULY 1, IS ESTIMATED TO COST A TOTAL OF $10,000 FOR FISCAL YEAR 2006. The motion passed unanimously.

[Note: Please see the committee minutes located elsewhere in this agenda book for additional detail about the open session of the Executive Committee.]
Acting Committee Chair Doris Ching reported about the meeting of the Programs and Services Committee, held on Tuesday, May 17. During this meeting the committee approved its meeting minutes and approved the Programs and Services section of the FY 2006 workplan (pp. 10-6 and 10-7 of the agenda book).

The committee heard updates on several projects, including NEON (the Northwest Educational Outreach Network). It also heard reports on and accepted staff recommendations for two issues related to WICHE’s Student Exchange Program (more on this to follow). The committee also received Chris Morphew’s report during a joint meeting of the committees on Monday, May 16.

**Discussion Item**

**Member States’ Use of Out-of-Region Schools for WICHE’s Professional Student Exchange Program**

Ching reported that the committee discussed the member states use of out-of-region schools under the Professional Student Exchange Program (PSEP). Nine out-of-region institutions received $845,000 in PSEP support fees in FY 2004-05. WICHE does not receive any compensation for administering these contracts, and the states where these schools are located do not pay WICHE dues. The question was whether or not these states or institutions should be charged for using the PSEP program. The staff recommendation was not to charge an administrative assessment at this time for two primary reasons. First, staff believes that over time, students will begin to move away from these out-of-region schools with the addition of two new dental schools in the WICHE region, located in Arizona and Nevada. Second, staff believes that assessing a fee might impede access to enrolling students, particularly in optometry programs, because the institutions might pass these fees on to the students. The committee agreed with the staff recommendation, which is not to implement an administrative assessment to out-of-region institutions participating in PSEP at this time.

**Discussion Item**

**Western Undergraduate Exchange (WUE) Program: Preserving Access through the 150 Percent Formula**

Ching said the committee discussed an evaluation of the Western Undergraduate Exchange (WUE) program’s 150 percent formula. Again, the committee agreed with the staff findings that no adjustment to this formula should be made at this time. She said the evaluation of this formula was initiated in response to several institutions requesting an increase in the tuition rate for WUE students. The staff recommendation includes four possible actions that schools could take should they find it necessary to reduce WUE participation. The recommendations, located on pp. 10-10 through 10-12 of the agenda book, are:

1. Raise or lower the GPA or SAT scores to limit enrollment.
2. Establish an early application deadline.
3. Set a cap on the number of WUE students received in a year.
4. Restrict WUE access by specifying certain programs available under the WUE program.

[Note: Please see the committee minutes located elsewhere in this agenda book for additional detail about this committee’s meeting.]

**Report and Action of the Issue Analysis and Research Committee**

**Jane Nichols, Committee Chair**

Committee Chair Jane Nichols reported about the meeting of the Issue Analysis and Research Committee, held on Tuesday, May 17. During this meeting the committee approved its meeting minutes and heard updates on several grants that will be ending. Staff asked for help in identifying potential funding sources for several continuation projects. The committee discussed and approved several projects, as well as the committee’s section of the FY 2006 workplan, with one amendment, detailed below. It also received Chris Morphew’s report during a joint meeting of the committees on Monday, May 16.
Information Item
State Policies and Issues Related to Residency

The committee reviewed an information item about a potential study on state policies and issues related to residency. It encouraged the staff to develop a more detailed plan for study and to seek funding to provide more information on a national level, perhaps working in partnership with the State Higher Education Executive Officers (SHEEO) to help clarify state policies related to residency. This effort would be inclusive and not just focus on residency for purposes of tuition issues. This item will come back to the committee in November for action.

Discussion Item
Benchmarks Document

The committee reviewed and approved the benchmarks document, with a few modifications and a lively discussion. The committee recommended approval of a revision to this document, which will come to the commission in November.

Action Item
FY 2006 Workplan – Issue Analysis and Research Committee

The committee reviewed and approved the workplan section that related to this committee’s area of responsibility (pp. 11-7 to 11-8 of the agenda book). The committee added an item that would empower the staff to seek funding for a project to evaluate Colorado’s controversial College Opportunity Fund. A request has been made that WICHE, possibly in partnership with other organizations, put together an evaluation plan for this Colorado program. Nichols advised the commission to consider this addition when it takes action on the workplan. The project, “Evaluation of the Colorado College Opportunity Fund,” would fall in the “Accountability/On the Horizon” section of the workplan.

Action Item
Establishing the Center for Transforming Student Services

The committee reviewed and approved WCET’s action item to seek funding for a project titled “Establishing the Center for Transforming Student Services.” This center would continue WCET’s work with campuses and systems to use technology to deliver student services that will enhance student movement through academic courses of study. Creating this center would mean that the service would not be completely dependent upon the funding of one project after another; it would become an ongoing student service.

Action Item
Founding AdjunctMatch: An E-Resource for Institutions and Online Faculty

The committee reviewed and approved a second WCET action item to seek funding for a project titled “Founding AdjunctMatch: An E-Resource for Institutions and Online Faculty.” This project was requested by WCET’s membership and would establish a database and a means for institutions to locate adjunct faculty to teach online distance courses. This service would be fee-based, but funding would be sought for its initial service and base operation.

[Note: Please see the committee minutes located elsewhere in this agenda book for additional detail about this meeting.]

Action Item
FY 2006 General Fund Budget and Salary and Benefit Recommendations

David Longanecker said the FY 2006 budget is a balanced budget, as usual. This year there are new budget presentation elements, which were initiated by former Wyoming Commissioner Phil Dubois. Dubois asked that the budget presentation contain more complete information about the full WICHE budget. Therefore, staff has prepared information that includes the non–general fund accounts, in addition to the usual information presented about the general fund budget. Dubois felt strongly (and Longanecker agrees) that the WICHE Commission is responsible for all of the organization’s funds and not just the portion pertaining to the general fund. He said the approximate totals for each of the fund areas are: $2 million for the general fund, $5 million for the total operation, and $12 million in PSEP pass-through funds. In addition, another budget piece also raised by Dubois was the new debt service WICHE acquires once it closes on its new office facility. The WICHE Commission is responsible for all of these accounts.
While the budget presentation material has focused on WICHE’s general fund accounts, one way the commission has been informed about WICHE’s total operation is through the annual audit. He said commissioners’ involvement in WICHE’s finances will expand with the formation of new Audit Committee. He said staff will endeavor to present the commission with a complete picture of the organization’s finances.

This year’s budget presentation attempts to incorporate all of the information requested, but this is a process: Longanecker welcomed commissioners’ suggestions for content and format. He then asked Marv Myers to review the proposed budget for FY 2006.

**FY 2005 Budget**

Myers referred to Table 2 (on p. 12-17 of the agenda book) which is the familiar general fund table showing: 1) Column B, the FY 2005 “approved budget” — the budget approved by the commission at the beginning of the fiscal year; 2) Column C, the FY 2005 “actual budget” — which includes actual figures for eight months and projected figures for four months; and 3) Column F, the FY 2006 “proposed budget” — which is being presented to the commission for approval at this meeting.

Myers referred to Column C, reporting that it reflects the most recent projections for the FY 2005 budget for the end of this current fiscal year. For FY 2005, the revenue shortfall shown is primarily due to California’s nonpayment of dues. FY 2005 interest income is higher; indirect cost recovery is slightly lower; and expenditures are close to original projections, resulting in a projected deficit for FY 2005 in the amount of $82,262 (line 22). This deficit is tied directly to California’s nonpayment of dues and was anticipated last year when the commission approved a contingent carry-forward figure of $238,291 (line 34). The end result is a change in reserve levels from $779,245 (line 24, column C) at the beginning of FY 2005 to $389,597 (line 24, column F) at the end of FY 2005.

**FY 2006 Budget**

Myers moved on to FY 2006 budget in Column F, reporting that the revenue figures include the receipt of dues from all 15 member states at the approved level of $108,000 per state (an increase from $105,000 in FY 2005). Other items in Column F are pretty straightforward. A new item reported on Line 17 reflects the figures resulting from the commission’s approval of the cost-sharing mechanism, where WICHE, the “parent” organization, shares with the self-supporting units a portion of its indirect cost recovery income. Indirect cost revenue is generated by grants and contracts awarded, primarily, to WICHE’s self-supporting units (WCET and the Mental Health Program). Myers said the FY 2006 proposed budget results in an overall surplus of $3,865.

Myers said the proposed budget for FY 2006 includes a 4 percent overall salary increase for staff. This means the FY 2006 budget already contains a good portion of the $10,000 increase just approved for the executive director’s compensation package. Myers is fairly certain that the existing budget proposal will provide the funds needed for the increase in the executive director’s compensation package increase and that it will not push the bottom line into a deficit position.

Myers then referred to the newer budget presentation material, stating the Table 3 (on p. 12-18 of the agenda book) provides a detailed breakdown of the general fund budget items for both FY 2005 and FY 2006, which are also reported on Table 2. Table 4 (on p. 12-19 of the agenda book) itemizes WICHE’s non–general fund account totals, providing revenue and expenses for FY 2005 and FY 2006, including total expenditures for the Mental Health Program and WCET. Table 5 (on p. 12-20 of the agenda book) provides a detailed breakdown of the non-general fund accounts by revenue and expense by unit (Programs and Services, Policy Analysis and Research, WCET, and the Mental Health Program) for FY 2005 and FY 2006. Table 5 excludes all general fund contributions to these units and reports the total expenditures for all non–general fund accounts on line 20 at $3,116,875 in FY 2005 and at $2,959,547 in FY 2006 – showing expenditures are fairly constant from one year to the next. Table 1 (on p. 12-16 of the agenda book) shows revenue by source and expenditure by item for FY 2005 and FY 2006 for general fund accounts in Column 1, non–general fund accounts in Column 2, and a combination of both accounts in Column 3. Line 22 of Table 1 shows that the organization’s total operating budget from all sources is $5,026,138 in FY 2005 and $4,924,682 in FY 2006. It is important to note, too, that Table 1 excludes figures from pass-through PSEP support fees.

Myers asked if there were any questions about the budget material or if the commission would like him to move into the salary and benefit recommendations proposed for FY 2006 on Table 6 (on p. 12-21 of the agenda book).
**Staff Bonuses Proposed for FY 2006**
Commissioner Carlson referred to p. 12-15 of the agenda book, which is the budget narrative. Paragraph five describes a 3.5 percent salary increase for staff, and the budget includes .5 percent for “staff bonuses.” Last year, when Longanecker forfeited his own salary increase in order to provide it to some staff as bonuses, the Executive Committee agreed to it as a one-time item. Carlson said he doesn’t have a problem with the 3.5 percent salary increase, but he does have a problem with the .5 percent proposed for staff bonuses. He said this item should not automatically be carried over again this year. He recalled an Executive Committee recommendation that the WICHE chair consider appointing a committee that would evaluate a long-term plan for WICHE’s staff salaries and salary increases. He said consideration does need to be given to WICHE’s ability to compete for and maintain its current top-shelf staff, but the bonus item approved last year should not automatically be carried over again this year.

**Motion to Amend Budget**
COMMISSIONER CARLSON/YOUNKIN (M/S) TO REMOVE THE STAFF BONUSES FROM THE FY 2006 BUDGET.

Longanecker said the reason he included the .5 percent bonus item with the salary and benefits recommendation is that last year he found it a useful way of rewarding exceptional staff performance. WICHE does not provide any cost-of-living increases for its staff. All staff members’ salary increases are based only on merit, which is determined by an evaluation of their performance during the previous year. He included the bonus in the FY 2006 budget because he again wanted to have the flexibility to provide staff with incentives/rewards. He very much appreciated being able to use this tool last year. He is sensitive to issue raised by Carlson and to the fact that last year this was considered as a one-time expenditure; now he is asking for a change of sorts.

**Discussion of Budget Amendment**
Many commissioners spoke about the motion to eliminate staff bonuses from the FY 2006 budget, making comments such as:

- Last year’s bonus pool was $5,400 and did not go into salaries; therefore, it did not become an ongoing expense. Last year, had the executive director received a salary increase for that amount rather than using it for staff bonuses, this expense would have been added to his base salary and carried forward every year.

- The cost of the proposed staff bonuses will not impact greatly on the FY 2006 budget.

- Staff bonuses are an important management tool and not an annual expense to be carried forward on an ongoing basis.

- We should consider that the executive director has requested a bonus pool for FY 2006 and the request ought to be voted on for its merits.

- This request for a bonus pool again in FY 2006 does not set a precedent or obligate the organization to have another bonus pool ever again. It wouldn’t appear in the base salaries so it does not affect future budgets. Whether approved or not, the action is not is setting a precedent of any kind. It is a one-time decision for FY 2006, and it should be viewed in this way.

- WICHE has been blessed with an exceptional staff; the Executive Committee was very positive in its evaluation of the executive director and recognizes WICHE is fortunate to have the staff that it has.

- Staff bonuses were approved last year and might have automatically been approved again this year if it had not been raised for discussion. Suddenly, this item just becomes a part of the budget. Commissioners need to be conscious and aware of what we are approving. If we are going to approve staff bonuses again this year, it shouldn’t just happen without a conscious decision.

- This decision is being made within the context of the revenue stream that we currently have, and it is not an item that is going to cause a massive dues increase for WICHE. This question has been fairly and correctly put on the table so the commission can make a conscious decision about the bonus item.

- A bonus program is one of the most important budget tools in some ways because it allows you to increase or decrease compensation, as needed, based revenue flows. The concept of a bonus pool is excellent, and it should
be considered every year. In some years there may not be a bonus pool because of revenue flows; in other years it might be considerably larger if there is revenue from extraordinary sources that would allow for such an increase.

- Staff should make a recommendation about the size of the bonus pool and the commission should review this item annually, along with decisions about the annual budget. The bonus pool should be continued, with the understanding that it is an annual decision.

Committee to Review Salaries
As part of the discussion about eliminating staff bonuses, several commissioners recalled a past recommendation that WICHE’s chair appoint a committee to review staff salaries. Those comments/recollections follow:

- If the Executive Committee suggested that a committee review this whole area for WICHE, perhaps the decision about staff bonuses should wait and be a part of that committee’s discussion.

- The Executive Committee meeting discussion was to analyze the compensation structure for the organization with specific attention paid to those areas where there is competition in the workplace for certain types of expertise. The reason for this suggestion was because of concern about WICHE being able to retain and attract quality staff in these particular areas over the years.

- The Executive Committee’s discussion was not about a far-reaching task force that looks at every employee but was focused on the executive director’s compensation and whether his salary was competitive. The review was going to include all of the different components of his compensation, including an automobile, etc.

- The Executive Committee’s discussion included a related issue about the relationship between the executive director’s compensation and the unit directors/other managerial employees’ compensation. In some key positions, there might be a chain of succession within the organization, and in order to keep integrity in scale from a relationship standpoint, the review needs to include some other key positions.

- The Executive Committee’s discussion was not about a comprehensive study of all of WICHE’s positions; it was focused on the executive director’s position and on forecasting what might be needed if we had to recruit and hire another executive director. The question for the committee then was to determine if the executive director’s compensation was market competitive. The current question is whether or not such a review should be expanded to include more than just the executive director’s position.

- How is it possible for WICHE to be competitive in retaining a top-notch staff? If this review committee is appointed, and it decides that WICHE is not competitive and should increase compensation levels, this increase is going to require an increase in the states’ membership dues. Consideration needs to also be given to what an increase in compensation or capacity is going to cost in terms of an increase in state dues. How do we defend a dues increase with our state legislative groups and our governors, who approve WICHE’s dues? We need to be conscientious in our decision making and not see this as being only about staff salary increases.

Chair Barrans said she believes everyone knows how they would like to vote on the motion to amend the budget. She said the question before the body is specific to the FY 2006 budget and concerns the .5 percent bonus pool for staff. She said if the motion to amend the budget is approved, the FY 2006 budget proposal will exclude the staff bonus pool element. If the motion to amend the budget fails, the commission will consider the original staff recommendation, which includes the staff bonus pool element. She repeated the motion to amend and called for the question.

Motion to Amend Budget Fails
COMMISSIONER CARLSON/YOUNKIN (M/S) TO REMOVE THE STAFF BONUSES FROM THE FY 2006 BUDGET. The motion failed by a voice vote.

Potential Revenue Shortfall: California’s Dues Payment
Chair Barrans asked Longanecker if he had any other items to report concerning the FY 2006 budget. Longanecker said he wanted to make sure the commission understood that the FY 2006 budget does not contain an element that it contained in FY 2005: a contingency fund from the reserves to cover the organization’s revenue shortfall should California not pay its dues. He said for FY 2006, the budget does not include this element because he is hopeful that California will pay its dues. If, however, California does not pay its dues, there will be a substantial revenue shortfall.
If this occurs, it will be necessary to either make substantial cuts in the services provided (staff layoffs) or to amend the budget to provide a contingency fund to carry the shortfall from the reserves. He said a decision about this might occur as early as August; however, between now and then, he will be making some decisions about the potential consequences for WICHE if California does not pay its dues again this year. If, at some point, California is not going to pay its dues, he will have to restructure WICHE to be able to function at a reduced level of funding. The FY 2006 budget does not anticipate nonpayment from California. Last year, Longanecker did not want to make cuts in the services WICHE provides to the states. However, he hopes it will not be necessary to make these cuts. He said he brings this to the attention of the commission because it needs to be aware of the nature of the FY 2006 budget.

**Reserve Fund Modification**

Longanecker said he will be working on redefining or somehow modifying the reporting of WICHE’s reserves funds. Currently, the reserves have three categories within the budget, and they are all blended together. Those categories are: 1) reserves that are dedicated for some purpose; 2) reserves that are available for dedication for some purpose; and 3) reserves that have an obligation associated with them. The reserves in this third area are usually from grants received by the non–general fund program areas. These grant funds usually need to be spent in certain areas and are essentially dedicated reserves. However, other grant reserves are from funds received for performing under contract; a balance of funds may remain because the contract work was accomplished more efficiently than anticipated. These funds sometimes accrue to WICHE, but in most cases, they accrue back to the self-supporting unit that was awarded the contract. Longanecker said he’d explore alternative reporting methods in an attempt to make the WICHE’s reserve fund categories more readily apparent.

**Staff Retirement**

Commissioner Jasmin asked about WICHE’s pension plan and how it was structured. WICHE’s retirement fund is through TIAA/CREF. Under this plan, WICHE doubles the staff member’s retirement contribution by up to 5 percent. For example, if a staff member contributes 5 percent of his/her salary to his/her retirement fund, WICHE contributes 10 percent to his/her retirement fund. The maximum cap for WICHE’s contributions is 10 percent. Employees may contribute more, but WICHE does not match anything above the 10 percent level. All funds contributed by WICHE and staff belong to the staff member from the very start of participation in the program. Participation after one year of employment is mandatory. While WICHE’s salary structure could be more competitive, it does have very good benefits.

**Staff Salary Comparisons**

Longanecker said a quality salary administration program is very important, and incentive compensation or bonuses motivate people to excel in their performance. It is very difficult to find comparisons for WICHE’s staff salaries because WICHE is part of three very different industries: 1) the nonprofit 501(c) 3 world, in which WICHE competes pretty well; 2) the public-sector (state) employee world, in which it also competes pretty well; and 3) the higher education world, which has sort of lost its head in recent years. It is difficult for WICHE to compete with the staff salaries in the higher education world, and yet this where WICHE has its closest associates. WICHE’s unit directors mingle with colleagues in higher education, yet most of the individuals employed in the higher education world are earning approximately 150 to 200 percent more than WICHE’s staff are earning.

Chair Barrans said she would entertain a motion to approve the budget, salary, and benefit recommendations for FY 2006, as recommended by staff and found on p. 12-16 of the agenda book.

**Motion to Approve Budget Passes**

COMMISSIONERS BYERS/KENDELL (M/S) APPROVAL OF THE FY 2006 GENERAL FUND BUDGET, SALARY, AND BENEFIT RECOMMENDATIONS. The motion passed by voice vote.

Chair Barrans clarified that the action just approved by the commission means that staff bonuses will be reviewed annually, along with other items related to WICHE’s proposed annual budget.
Action Item
FY 2006 WICHE Workplan

The ensuing discussion raised the following questions/comments:

Action Item
Election of New Vice Chair for CY 2005


Meeting Evaluation

Chair Barrans asked the commission to complete the meeting evaluation form, located on p. 12-35 of the agenda book.

Special Thanks

David Longanecker thanked Marla Williams and Diane Barrans for putting on a delightful program. Special thanks also went to Kelly Stout for her many contributions to this meeting.

The meeting adjourned.

Special Events Held During this Meeting

• “Changing Direction in Four WICHE States”: State Reports from Arizona, Hawaii, New Mexico, and Washington.
• Policy Discussion: “The National Commission on Accountability and the National Student Record Data Base,” with speaker Paul Lingenfelter, executive director, State Higher Education Executive Officers.
• Policy Discussion: “Perspective from the ‘For-Profit Sector,’” with speaker Larry Gudis, WICHE commissioner and senior vice president of international development, Apollo Group, Axia College.
• “What’s Up in Alaskan Higher Education?” with speaker Mark Hamilton, president, University of Alaska System.
• Policy Discussion: “Results of the Study on Student Mobility,” a joint meeting of the Programs and Services and Issue Analysis and Research committees, with speaker Christopher Morphew, associate professor, University of Kansas.
• Reception at the University of Alaska Southeast, Auke Bay Campus.
• Dinner on Mt. Roberts, with entertainment by Tlinglit Dancers, a local Alaska Native dance group.
• “What’s Up in the WICHE West?” with speakers David Longanecker and Cheryl Blanco of WICHE.