Tuesday, November 13, 2012

8:30 - 10:15 am
Douglas Ballroom

Greetings from Governor Gary Herbert

Committee of the Whole – Business Session

Agenda

Reconvene Committee of the Whole: Bonnie Jean Beesley, WICHE chair

Report and recommended action of the Audit Committee:
Joe Garcia, committee chair and immediate past WICHE chair

Action Item
FY 2012 audit report (separate document)

Report and recommended action of the Executive Committee:
Bonnie Jean Beesley, WICHE chair

Action Item
Approval of a process for the evaluation of the WICHE president [Tab 1]

Report and recommended action of the Programs and Services Committee: Patricia Sullivan, committee chair [Tab 4]

Report and recommended action of the Issue Analysis and Research Committee: Jeanne Kohl-Welles, committee chair [Tab 5]

Report and recommended action of the Self-funded Units Committee: James Hansen, committee chair [Tab 6]

Committee of the Whole Action Items

Action Item
Approval of the State Authorization Reciprocity Agreement 10-3

Action Item
Approval of accepting Pacific island U.S. territories and free-standing states into WICHE membership 10-25

Action Item
Election of chair, vice chair, and immediate past chair as officers of the WICHE Commission

Discussion Items

Update on WICHE’s budget 10-27
Report on the Legislative Advisory Committee annual meeting: Senator Dave Nething, LAC member

Remarks of outgoing chair

Remarks of new chair

Selection of 2013 committee members

Electronic meeting evaluation: www.surveymonkey.com/s/KRSLV22

Other business

Adjourn Committee of the Whole business session
ACTION ITEM
State Authorization Reciprocity Agreement

Background
Last November the WICHE Commission authorized staff to begin developing a reciprocity agreement for the WICHE states to make it easier for accredited institutions delivering distance education in states beyond their home state to gain state authorization in other states where they are providing education services. Following the commission action, WICHE President David Longanecker formed the WICHE State Authorization Steering Committee (see box on p. 10-4) to develop a draft reciprocity agreement, with representatives including institutional and system leaders in the public, private, and proprietary sectors; accrediting agency staff; a state legislator; and a state authorization agency representative.

The committee has met in Boulder four times since February, and on September 5 it finalized the draft agreement for the commission's approval in concept. This new initiative, the WICHE State Authorization Reciprocity Agreement (W-SARA), protects state interests, safeguards student interests, and offers a consistent and affordable way for accredited institutions to achieve authorization to provide education beyond the states where they are based.

Over the past two years, the Council of State Governments (CSG) and the Presidents' Forum of Excelsior College formed a national drafting committee and also developed a model reciprocity agreement; the most recent draft was released in August. The draft W-SARA builds on the CSG/Presidents’ Forum model agreement, but it proposes using the existing higher education compacts for ongoing management and governance of the program, rather than creating a new organization. At Longanecker’s invitation, Presidents’ Forum and CSG representatives Paul Shiffman, Jim Hall, and Crady deGolian participated in several of the WICHE regional steering committee meetings and have indicated their support for WICHE’s draft agreement, going forward, as have the presidents of the three other regional higher education compacts, who also took part in the WICHE regional steering committee meetings along with some of their staff members. The leaders of the other compacts, the Midwestern Higher Education Compact (MHEC), the New England Board of Higher Education (NEBHE), and the Southern Regional Education Board (SREB), have said they will use WICHE’s draft agreement as a model as they seek their commissions’ endorsement of the agreement. This approach will foster interregional reciprocity and enable states and institutions to participate on a voluntary basis to gain reciprocity nationwide.

Another group involved in this issue is the Commission on the Regulation of Postsecondary Distance Education. This commission was created by the Association of Public Land Grant Universities (APLU) and the State Higher Education Executive Officers (SHEEO) last May. Joe Garcia, Colorado lieutenant governor, executive director of the Colorado Department of Higher Education, and WICHE commissioner, serves on the commission, along with other state policymakers and institutional and higher education organization leaders. The commission is developing a report and recommendations on state authorization issues and has indicated initial concurrence with the general context of WICHE’s draft reciprocity agreement. Once the commission’s recommendations are disseminated, staff from the four compacts will work with representatives of the Presidents’ Forum, CSG, SHEEO, and APLU to address any outstanding issues in an effort to harmonize the approaches before finalizing the State Authorization Reciprocity Agreement.

SARA's Essential Elements
Over time SARA will make state authorization policy and regulatory mechanisms more consistent, and it will facilitate expanded access for students to distance courses and degree programs. The new framework uses common and consistently applied processes and standards across states, regions, and the nation. Our approach enables participating accredited, degree-granting institutions to be authorized by their home state and eliminates the need for them to obtain individual approvals in all of the states where they serve students.

The State Authorization Reciprocity Agreement is built upon three essential partnerships. The first partnership is between states that chose to become voluntary reciprocal partners for state authorization within one of the four regions served by the higher education compacts. The states will work together through their representatives, who will serve on their compact’s regional steering committee, to agree on terms of engagement and collaboration to achieve reciprocity. The second partnership brings together the four interstate compacts to create a nationwide authorization framework through interstate recognition of authorized institutions. A nationwide coordinating board will provide a governance umbrella for the four regional compacts and their states participating in SARA. Finally, the
third partnership is between nationally recognized accreditors, the federal government, and the states, which will use the SARA framework to assure: quality postsecondary education through accreditation, institutions’ financial integrity through U.S. Department of Education oversight, and consumer protection through state agency regulations.

The regional steering committees will be composed of one representative from each state participating in the reciprocity program; the representatives will be selected by the regional compact’s commissioners from a slate developed by the respective compact’s chief executive officer to represent communities of interest not covered by the state representatives. The nationwide SARA coordinating board will be composed of three members from each of the compacts, including the chief executive officer of each regional organization plus two members appointed by each compact’s commission. The nationwide coordinating board will also include one representative from the Presidents’ Forum and one from CSG.

### WICHE’s State Authorization Reciprocity Agreement Steering Committee Members

WICHE expresses gratitude to the members of the State Authorization Reciprocity Agreement Steering Committee for their efforts and for the care they took in creating a draft agreement that will help the region’s students, institutions, and states.

- **Sona Karentz Andrews**, provost and vice president for academic affairs, Portland State University, Portland, OR
- **Chris Bustamante**, president, Rio Salado College, Tempe, AZ, and WICHE commissioner representing Arizona
- **Teri Cannon**, former executive vice president, Western Association of Schools and Colleges, Accrediting Commission for Senior Colleges and Universities, Alameda, CA
- **Heather DeLange**, academic policy officer, Colorado Department of Higher Education, Denver, CO
- **Rhonda Epper**, assistant provost, Colorado Community College System, Denver, CO
- **Toni Larson**, executive director, Independent Higher Education of Colorado, Denver, CO
- **Senator Carol Liu**, California State Senate, Sacramento, CA
- **John Lopez**, vice president, state government affairs, Apollo Group, Phoenix, AZ
- **Jane Sherman**, vice provost for academic policy and evaluation, Washington State University, and interim executive director, Council of Presidents, Olympia, WA

### WICHE Staff

- **David Longanecker**, president
- **Jere Mock**, vice president of programs and services
- **Russell Poulin**, deputy director, research and analysis, WCET, and member of the Presidents’ Forum/CSG drafting team

### Other Participants in Steering Committee Meetings

- **Bruce Chaloux**, executive director and CEO, Sloan Consortium, Newburyport, MA, and member of the Presidents’ Forum/CSG drafting team
- **Sharmila Basu Mann**, senior policy analyst, State Higher Education Executive Officers (SHEEO), Boulder, CO
- **Marianne Boeke**, research associate, National Center for Higher Education Management Systems (NCHEMS), Boulder, CO
- **R. Crady deGolian**, director, the National Center for Interstate Compacts, Council of State Governments, Lexington, KY
- **Kathryn Dodge**, consultant, New England Board of Higher Education, Boston, MA
- **Marshall Hill**, executive director, Coordinating Commission for Postsecondary Education, Lincoln, NE, and member of the Presidents’ Forum/CSG drafting team
- **Larry Isaak**, president, Midwestern Higher Education Compact, Minneapolis, MN
- **Charlie Lenth**, vice president for policy analysis and academic affairs, SHEEO, Boulder, CO
- **Chris Rasmussen**, vice president for research and policy analysis, Midwestern Higher Education Compact, Minneapolis, MN
- **Paul Shiffman**, assistant vice president for strategic and governmental relations, Presidents’ Forum of Excelsior College, Albany, NY
- **Dave Spence**, president, SREB, Atlanta, GA
- **Michael Thomas**, president, New England Board of Higher Education, Boston, MA
The two major areas of responsibility for the participating states are authorizing responsibility and complaint resolution. SARA defines the home state for all institutions as the state an institution claims as its principal location for accreditation purposes. States must assure that they have the appropriate laws, policies, practices, and processes for authorizing all accredited postsecondary education institutions that operate from within their borders. This includes authorizing all distance-learning activities of these institutions, including those institutions providing education to students in other states (defined in SARA as host states). After an institution’s initial authorization, the home state must review the institution at least every other year to affirm or deny authorization. States are also required to assure the regional compacts that they have reasonable processes for monitoring authorized institutions and for handling complaints or concerns that are raised concerning those institutions.

SARA provides the criteria states will use to determine what activities an authorized institution can or cannot conduct, including criteria for determining an institution’s physical presence, as well as listing institutional activities that do not trigger physical presence (see pp. 8-10 of the draft agreement that follows for details regarding physical presence). Criteria that address how institutions must demonstrate academic integrity, financial integrity, and consumer protection in order to operate under the reciprocity agreement are also provided (see pp. 11-14), along with criteria for states to use in overseeing authorized institutions to ensure they are abiding by the commitments they made in seeking authorization (see pp. 15-16).

Other key principles of the agreement include the following.

- Participation in the agreement is entirely voluntary, for states and institutions. Institutions that do not want to be subjected to the level of oversight that’s needed for interstate reciprocity can opt not to participate and either chose not to provide educational services beyond the boundaries of their state or seek separate authorization to operate in those states in which they wish to offer educational services.
- The home state uses its existing structure for authorizing institutions. Participation in the agreement does not require the creation of a new authorizing structure in a state or that one agency authorize all institutions in a state. The participating states will be asked to choose a single point of contact for authorization reciprocity issues, but the authority and responsibility will still reside with each designated agency within a state.
- The home state also has responsibility for the collection and sharing of information about its authorized institutions among states participating in the agreement, to assure the quality of education services and consumer protection.

Collaborating Organizations
The six entities that have united to create SARA include national and regional organizations with the expertise and credibility needed to attain and sustain a nationwide reciprocity agreement.

- WICHE.
- Midwestern Higher Education Compact, a 12-state compact based in Minneapolis. Its member states are: Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin.
- Southern Regional Education Board, a 16-state compact based in Atlanta. Its members include: Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and West Virginia.
- Presidents’ Forum, hosted by Excelsior College in Albany, NY, a collaborative of accredited institutions and programs offering online higher education. It provides institutions from all higher education sectors with the opportunity to exchange knowledge and perceptions of current models and tools for successful operation in an online environment.
- Council of State Governments, based in Lexington, KY, a nonpartisan, nonprofit organization that represents elected and appointed officials in the three branches of state government in the 50 states and U.S. territories. CSG offers guidance and technical assistance in dealing with interstate compacts and other interstate agreements.

Financing SARA
Grant support is needed to initiate and further develop this regional and nationwide approach over a three-year period. Subsequently, a fee-based revenue structure will provide financial sustainability. WICHE submitted a grant proposal on Oct. 3 to Lumina Foundation, requesting a three-year grant of $3,570,657 to implement the SARA initiative. The grant would cover the staffing and administrative costs of all four regional higher education compacts’ work associated with SARA, as well as staffing to coordinate the initiative across the four regions and support the nationwide coordinating board. WICHE will serve as the fiscal agent, if funded. The proposal requests Lumina support of $1,499,942 for the first year of SARA; $1,554,495 for the second year; and $516,219 for the third year, during which time the nationwide coordinating board will begin collecting fees from institutions in the participating member states. Beginning in 2016 we anticipate the activity will be self-sustaining with revenues from institutional fees.

Fees will be collected annually from institutions in SARA member states that have chosen to participate in the agreement and that have been authorized by the appropriate state entity. The fees will be managed and distributed by the Nationwide State Authorization Reciprocity Coordinating Board. The fees will be sufficient, in aggregate, to fund the expenses associated with the coordinating board and the regional compacts’ SARA operations and will be low enough to encourage institutional participation. The formula for calculating fees will use a graduated scale, based on the number of students enrolled or served by an institution. The tiered fee levels and the metrics to measure students will be determined by the coordinating board, and a fee schedule will be published annually.

It is anticipated that costs of operating the four regional compacts’ SARAs and the national coordinating board will be approximately $1.5 million in the first year, with 3 to 5 percent inflationary increases in subsequent years. We hope to have sufficient institutional participation by year three to cover half of the operating costs and be fully self supporting by 2016. The fee schedule will be dependent on the number of participating institutions and their headcount. We are estimating that the annual fee for small institutions (with fewer than 10,000 headcount) would be in the neighborhood of $1,500; for medium-sized institutions (with headcount of 10,001 – 20,000), the fee would be approximately $2,500; and for large institutions (with headcounts greater than 20,000), it would be approximately $5,000.

Participating in SARA does not infringe upon the right of any member state to charge fees to its home state institutions. The home state shall retain all such fees to cover the costs associated with review, approval, and monitoring of operations of institutions in its state.

Staffing SARA
The regional compacts will each hire program directors (1.0 FTE) with substantial professional experience in state-level regulation of postsecondary institutions. The directors will be assisted by a program coordinator (.50 FTE) and an administrative coordinator (.50 FTE). The program director (.50 FTE) who will coordinate SARA implementation across the four regional compacts and provide support to the nationwide board will be a nationally regarded expert on state authorization regulations and distance education. Other staff working on national SARA (N-SARA) initiatives will include a project coordinator (.50 FTE) and an administrative assistant (.50). The nationwide staff and the W-SARA staff will be based at the WICHE offices in Boulder.

Timeline
Key phases will include the following.

- Securing approval of the SARA agreement by the governing boards of the four interstate compacts (October 2012 – January 2013).
- Finalizing a governance and finance framework for SARA (January – May 2013).
- Providing draft legislation for states developing authorization processes (October 2012 – March 2013).
- Selecting staff to manage SARA operations for each of the regional compacts and the nationwide board (upon receipt of grant funds).
- Developing databases and websites to provide for the uniform collection and sharing of authorization information among participating states, as well as providing a compendium of state regulations for authorization, lists of authorized institutions, and contact information for state authorization agencies (January – June 2013).
- Partnering with the Presidents’ Forum and CSG staff to disseminate information on SARA to state policymakers and higher education leaders (ongoing).
- Harmonizing the SARA agreement with the forthcoming report/recommendations of the Commission on the Regulation of Distance Education (expected by February 2013), and getting concurrence from the Presidents’ Forum and CSG leadership (February – April 2013).
• Recruiting states to participate in the State Authorization Reciprocity Agreement (ongoing).
• Convening meetings of the regional steering committees to vote on state participation, establish and implement review processes, and provide oversight (February, June, and October of 2013, 2014, and 2015).
• Convening meetings of the nationwide board to oversee the interregional reciprocity process and provide oversight (March, July, and November of 2013, 2014, and 2015).
• Conducting annual evaluations of SARA implementation process and procedures (September 2013, 2014, and 2015).
• Providing status reports on the biennial review of authorized institutions (2014 and beyond).

**Requested Action**

Staff seeks WICHE Commission approval of the WICHE State Authorization Reciprocity Agreement in concept and authorization to continue working with the other three regional compacts, the Presidents’ Forum, the Council of State Governments, and the Commission on Regulation of Postsecondary Distance Education to develop the nationwide reciprocity framework, governing structures, and financing model.

Staff also seeks approval to receive and expend grant funds to implement SARA if Lumina Foundation provides funding for the State Authorization Reciprocity Agreement consortium. WICHE’s portion of the grant funds over the three years would be $647,606, plus a prorated share of funded travel and meeting expenses, based on the number of WICHE states that participate in the agreement. Once implemented, and no later than 2015, institutional fees will begin to cover a portion of annual operating and staffing expenses, and it is currently anticipated that the consortium will be funded entirely by institutional fees by 2016.
WICHE STATE AUTHORIZATION RECIPROCITY AGREEMENT

September 25, 2012 Draft

PREAMBLE

Americans deserve and require access to high quality postsecondary education, not only because the economic vitality of the nation depends upon how well our population is educated but because a well educated population also contributes greatly to the social and civic vitality of the nation. The Western Interstate Commission for Higher Education (WICHE) operates as a regional interstate compact between the 15 Western states to promote this national imperative within the Western United States.

Historically, the federal government, state governments, and the postsecondary education community through its accrediting processes and organizations have collaborated to assure that the providers of higher education services were meeting standards of quality and access to serve the nation and its citizens well. Through what is often referred to as the federal triad the federal government has accepted responsibility for assessing the financial viability of education providers; the states have accepted primary responsibility for assuring that students, as the consumers of educational services, are protected from fraud, abuse, or inadequate provision of services by educational providers; and the educational community through accreditation has accepted responsibility for assuring the adequacy of educational services offered by educational providers. This three way collaboration has traditionally worked well to assure reasonable quality, accountability, and consumer protection.

As the nature of postsecondary education has evolved, particularly since the advent of the Internet and the exponential growth of education offered “off campus,” each leg of the federal triad has faced challenges, but the states’ role in assuring consumer protection has come under particular scrutiny. What state is responsible when an institution physically located in one state (the traditional criteria for state oversight) provides education in other states?

To clarify the federal government’s understanding of state responsibilities in this regard, in October 2010 the U.S. Department of Education issued regulations indicating that, consistent with existing federal law, states were responsible for all education offered to residents within their state boundaries, regardless of where this education “originated.” This regulation appropriately applied to all types of postsecondary education for which students qualified for federal student assistance, regardless of the sector or level of higher education. While this was consistent with existing law, it was counter to the way in which many states were overseeing education; relatively few states were either overseeing or were even aware of the substantial amount of education being provided within their boundaries by institutions from other states.
This clarification of federal expectations had major implications for postsecondary institutions and states. In addition to existing state regulations, there was now a clear federal requirement that all institutions offering education in other states be able to demonstrate that they had the approval to serve students in each of those other states. With the expansion of distance education (via Internet-based education, telecommunications, or other means) many institutions increasingly served students from other states. While some institutions had sought and received such authorization, in many cases at substantial expense, most institutions offering such instruction had not done so. This federal clarification, therefore, had significant potential implications for institutions, including incurring the costs of securing and maintaining such approvals to operate and the substantial time and effort in securing such authorizations. In some cases access for students to quality higher education was eliminated if their institution decided not to incur the cost of complying. States also faced substantial new expectations, with the potential of thousands of institutions requesting approval from all states, well exceeding the management capacity of current state authorization agencies.

Although a federal district court has vacated this regulation and an appeals court affirmed the lower court’s decision, those rulings dealt only on technical issues regarding the Department of Education’s processes for notification in development of the regulation. The Department’s ultimate authority to regulate in this area was upheld. The Department continues to believe strongly in the role of the states in overseeing the delivery of these educational services. While it will not enforce the regulation as originally written, we believe that some form of the regulation will emerge that addresses the court’s concerns but maintains a strong state role in overseeing all education delivered within their boundaries.

Despite the difficulties arising from the federal regulatory action, the federal expectation of a strong state role in authorization makes sense. This is, in fact, an appropriate state role and responsibility with or without the federal mandate. Consistent with their collaborative missions, we believe that the four existing regional higher education interstate compacts are uniquely positioned to quickly and effectively assist on this issue. In addition to WICHE, the compacts include the Midwestern Higher Education Compact (MHEC), the New England Board of Higher Education (NEBHE), and the Southern Regional Educational Board (SREB). The compacts operate with the express purpose of expanding educational opportunity within their respective regions. We believe that states within a region, working together and agreeing on terms of engagement and collaboration, can trust each other to work cooperatively and consistently toward reciprocally accepting each other’s authorization of institutions to operate. Interstate recognition within a region would also extend to cover all participating states regardless of region. Trust, thus, becomes a guiding principle for a state authorization reciprocity agreement. Trust, however, requires confidence that each of the partners takes seriously its responsibilities with regard to authorizing only institutions that provide high quality education, whether that is through traditional campus-based classroom experiences or through technology mediated or off-campus based experiences.

Similarly, this agreement presumes the efficacy of the federal triad.

This WICHE State Authorization Reciprocity Agreement (W-SARA), therefore, is built upon these three partnerships: the first being between the WICHE member states as reciprocal partners, the second being agreement between the four higher education regional compacts, and finally the partnership between
nationally recognized accreditors, the federal government, and the states.\footnote{W-SARA is an agreement among states; it is not an agreement among institutions. Institutions need to seek authorization from their home state to participate in the reciprocity agreement.}

**Definitions**

A good agreement must be easily and consistently understood by all partners. Definitions of terms, therefore, become very important. Throughout this agreement, where references are made to terms that might be interpreted differently by different partners, definitions are included in footnotes to ensure maximum transparency.

**This is a Voluntary Agreement**

This agreement establishes reciprocity between willing WICHE member states that accept each others’ authorization of accredited institutions to operate in their states to offer educational services beyond state boundaries. Participation in this agreement is entirely voluntary on the part of the state. This agreement is intended to facilitate expanded access to high quality distance education opportunities for students by improving state policy and operational mechanisms. This agreement applies only to educational services provided by institutions outside of their home state boundaries, and in no way affects the unique processes that states may use to authorize institutions to operate or to exempt\footnote{Exempt means: an institution that by state regulation is not required to have a full approval to operate within the state based on meeting certain criteria in that state. Exempt institutions will not be eligible to participate in the state authorization reciprocity agreement unless they seek and obtain approval from their home state to operate under the terms of this agreement.} institutions from oversight within their own state.

Just as participation at the state level is voluntary, so too is participation at the institution level. Institutions that wish not to subject themselves to the level of oversight consistent with interstate reciprocity can opt not to participate and thus either choose not to provide educational services beyond the boundaries of their state or to seek separate authorization to operate in those states in which they wish to offer educational services.

**Benefits of Reciprocity**

Significant benefits will accrue to students, institutions and states if the current lack of uniformity in the patchwork of state regulation can be improved through sharing in common, high quality and consistently applied processes and standards.

- Institutions will reap financial benefits by no longer having to engage in the confusing and duplicative process of seeking approval to operate on an individual, case-by-case basis in each state in which it serves students.

- States will benefit by maintaining their rights and responsibilities to assure quality
programs are offered by institutions within their state. States will also benefit by focusing their limited resources on the oversight of institutions within their state, regardless of where that institution serves students. As the number of institutions serving students in multiple states continues to increase, state regulatory offices would find it difficult to conduct meaningful reviews and on-going oversight of the hundreds, if not thousands, of out-of-state institutions operating in their states.

- Students will benefit as lower costs for institutions will mean fewer costs passed on to students. Some students are finding their options limited as institutions choose not to serve students in states with onerous authorization requirements. Since regulators will focus their reviews on their “home state” institutions, they will have more confidence in the review process and that complaints will be handled and resolved.

Ultimately, the quality of postsecondary education is reflected in the outcomes derived from education. But quality outcomes result from quality processes, and state authorization must focus on both the processes that enable students to acquire the pertinent knowledge and skill as well as the outcomes that demonstrate the acquisition of knowledge and skills.

Partnerships

WICHE has benefitted greatly in the development of this agreement from the work of the Presidents’ Forum and Council of State Governments. With support from Lumina Foundation, they have been engaged in an effort to create a model nationwide interstate reciprocity program. Now both efforts are being brought together, establishing a framework for the four regional interstate compacts, and states and territories that do not currently belong to one of the four interstate compacts, to join together in a collaborative effort to ensure nationwide coverage through four collaborative regional reciprocal agreements. We believe that collaboration between these well-established and highly-regarded regional interstate compacts is the most cost-effective and viable approach to achieve nationwide coverage and will achieve the purposes imbedded within the work of the Presidents’ Forum and Council of State Governments.

PURPOSES

This compact builds upon and strengthens the existing efforts of states, accrediting bodies, and the federal government to facilitate expanded access to high quality education by:

1. Establishing common, high quality and consistently applied processes and standards endorsed by participating states, which are efficient and cost-effective.

2. Providing for consumer protection and a complaint resolution process.

3. Providing for the uniform collection and sharing of information between and among member states for the purposes of assuring adequate quality for education services provided by institutions operating outside their home state boundaries.
4. Reducing barriers to innovation in educational delivery.

5. Increasing access to postsecondary education and degree completion.

RESPONSIBILITIES OF THE REGIONAL COMPACTS AND THE RECIPROCATING STATES

Responsibilities of the Regional Compacts

Each of the regional compacts will manage reciprocity between its member states in the acceptance of state authorization from all reciprocating states that meet the criteria for reciprocity as defined in this agreement. Each compact will establish a regional State Authorization Reciprocity Agreement (SARA) steering committee. The regional steering committees shall be composed of one representative from each state participating in the reciprocity program selected by the regional compact’s commissioners from that state, and up to five additional members selected by the regional compact’s commissioners from a slate developed by the respective compact’s chief executive officer to represent communities of interest in this agreement that have not been included naturally through the selection process outlined above. Examples of communities of interest include, but are not limited to: state regulators, accreditors, institutions from all sectors of higher education, and state government. Steering committee members’ terms of service will be determined by the respective regional compact’s governing board.

Three states (New Jersey, New York, and Pennsylvania), the District of Columbia, and all of the U.S. territories and protectorates, do not currently belong to a regional compact. They all have access to all federal education programs and thus are captured at least by the federal government’s interest in this set of regulatory issues. These states and territories, subsequently referred to as “non-affiliated” states in this agreement, have the option of paying a $50,000 annual fee to align with one of the regional compacts so that they can participate in the reciprocity agreement. If they do so, they will each have one representative on the respective compact’s regional steering committee.

Each of the regional State Authorization Reciprocity Agreement (SARA) steering committees will establish the criteria for state participation in this reciprocity program and will adjust these criteria, as appropriate, over time. A state seeking to participate in its region’s SARA program will submit a plan as to how it will meet the criteria for participation. The regional steering committee will review the plan and work with the state to improve the plan until the committee is able to recommend its approval by that region’s regional compact. The steering committee also recommends other procedural details and actions regarding participation in SARA to their regional compact’s commissioners.

Each regional compact will develop processes for informing states of the requirements for joining the regional reciprocity agreement, accepting states into the reciprocal arrangement, rejecting

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3 State means: any state, commonwealth, district, or territory of the United States.
states from acceptance into the reciprocal arrangement, sanctioning states that fail to meet fully
the requirements for participation, and dismissing from the reciprocal arrangement states that
fail to respond to concerns that they are not meeting the requirements for participation. These
processes must include a process for appeal in the event that a state disagrees with the
compact’s decision. All states entering into the reciprocity agreement will be reviewed on at
least a biennial basis by their respective regional compact to assure that their authorization
processes and participating institutions continue to meet all of the criteria for inclusion in the
reciprocity agreement.

In the West, the program will be operated by WICHE under the bylaws of the organization,
consistent with all other WICHE programs. The other three regional interstate compacts, the
Midwestern Higher Education Compact (MHEC), the New England Board of Higher Education
(NEBHE), and the Southern Regional Education Board (SREB) will oversee the agreement in their
regions.

Creating Reciprocity Nationwide

The four regional compacts jointly accept the responsibility for working together and with states
and territories that currently do not belong to a regional compact, for the purposes of
harmonizing the State Authorization Reciprocity Agreement across the regions and assuring that
the quilt of regional agreements will cover the nation as a whole. This will include creating an
organizational structure for the coordination of efforts between these various entities. This
Nationwide SARA Coordinating Board will be composed of three members from each of the
compacts, including the chief executive officer of the regional organization plus two members
appointed by each compact’s commission. The nationwide coordinating board will also include
one representative of the Presidents’ Forum of Excelsior College and one representative of the
Council of State Governments, organizations which have contributed substantially to the
development of the state reciprocity concept.

In addition, up to five additional members will be selected by the members of the nationwide
coordinating board to represent communities of interest in this agreement that have not been
included naturally through the selection process outlined above, including state authorizing
entities, accreditors, institutions from all sectors, and state and federal governments.

Below is a diagram of how this network of collaborative efforts will fit together to provide a
nationwide framework. An organizational flow chart follows.
This organizational structure will work as follows. The states will be the principal guardians of consumer protection. They will develop processes for authorizing and overseeing all accredited degree-granting postsecondary education institutions within their state that wish to offer educational services outside the state’s boundaries. The regional SARA Steering Committees will

4 Postsecondary education includes all education beyond high school and includes all public, non-profit private, and for-profit private institutions as well as all institutions offering certificates, diplomas, and/or degrees. For purposes of this reciprocity agreement, however, institutional participation will be restricted only to degree granting institutions.

5 Institution means: a college, university, or other postsecondary education institution or collection of such entities doing business as one organization, with an institutional identification from the Office of Postsecondary Education within the U.S. Department of Education (OPEID).
develop processes for recognizing\textsuperscript{6}, for purposes of reciprocity in state authorization, states that demonstrate that they have developed and operate agencies that appropriately authorize\textsuperscript{7} and oversee all degree granting postsecondary education institutions within their state that wish to offer educational services outside state boundaries. The nationwide coordinating board will develop processes for recognizing reciprocity between regional SARAs, for assuring that each SARA is appropriately overseeing the states within its regional reciprocity agreement, and for harmonizing procedures among the regions to make the reciprocal recognition of state authorization as seamless and uniform as possible for institutions.

Responsibilities of the Reciprocating States

States participating in this reciprocity agreement have two major areas of responsibility.

\textbf{Authorizing Responsibility:} First, the states must assure that they have appropriate laws, policy, practice, and processes for authorizing all accredited\textsuperscript{8} postsecondary education institutions that operate from their state. The state is defined as the home state\textsuperscript{9} for all institutions claiming the state as its principal location for accreditation purposes. This includes authorizing all distance learning activities of these institutions not only in the home state, but in all other states (defined as host states\textsuperscript{10}) in which the institutions provide educational services. After initial authorization, the home state must review the institution at least every other year for the purposes of affirming or denying authorization. To demonstrate a state’s adequacy in authorizing institutions, the state must demonstrate to the regional SARA that it meets all of the criteria for authorizing institutions outlined in the next section of this agreement.

\textbf{Physical Presence}

One of the most difficult tasks in crafting an interstate agreement on state authorization is determining what activities an institution can or cannot conduct in a state, whether those activities be at a distance or face-to-face. While states use different monikers for these criteria used to determine which activities are allowed in a state, they tend to fall under the notion of “physical presence.” It is imperative, therefore, to clearly define what “physical presence” means for institutions participating in SARA for two reasons: 1) because institutions with a physical presence in a host state will not be eligible for reciprocal authorization; and 2) to clearly define

\textsuperscript{6} \textit{Recognize} means: states participating in the reciprocity agreement agree to accept each other’s institutional authorization decisions.

\textsuperscript{7} \textit{Authorized} means: holding a current valid charter, license or other written document issued by a state, federal government or government of a recognized Indian tribe, granting the named entity the authority to issue degrees.

\textsuperscript{8} \textit{Accredited} means: holding institutional accreditation by name to offer distance education as a U.S.-based institution from an accredits recognized by the U.S. Department of Education. Only institutions holding such accreditation can participate in interstate state authorization reciprocity.

\textsuperscript{9} \textit{Home State} means: a state where the institution holds its principal institutional accreditation.

\textsuperscript{10} \textit{Host State} means: a state in which an institution operates under the terms of this agreement, other than the home state.
what activities can be conducted in a state as a result of participating in this agreement.

The following sections begin to describe the activities that an institution participating in SARA can or cannot conduct in other states that are part of the Agreement. There are so many variations on these activities that it is impossible to cover all contingencies. The items listed below provide initial guidelines to each regional compact, but it is anticipated that each region’s steering committee will need to review specific instances of activities conducted in other states and provide additional guidance.

Physical Presence Activities in a Host State Allowed by SARA

If an institution is authorized by its home state and that home state is an approved participant in SARA, the institution is eligible to conduct the following activities in any of the SARA states. Physical presence (or “to operate”) is not triggered in a state participating in this agreement by any of the following activities:

1. Courses offered at a distance (online, through the United States mail or similar delivery service) that do not require the physical meeting of a student with instructional staff in a host state.
2. Academic offerings among institutions from SARA states that are participating in a consortia agreement approved by each of those participating institutions.
3. Advertising to students within a state, whether through print, billboard, direct mail, Internet, radio, television or other medium.
4. An educational experience arranged for an individual student, such as a clinical, practicum, residency, or internship.
5. An educational field experience arranged for a group of students that are participating in campus-based programs in another state.
6. An offering in the nature of a short course or seminar, if instruction for the short course or seminar takes no more than 20 classroom hours.
7. A portion of a full-term course that comprises less than one-fourth of the requirements necessary to complete the course.
8. Course offerings by an accredited institution on a U.S. military installation, limited to active and reserve military personnel, dependents of military personnel, and civilian employees working on the military installation.
9. Operation of a server, router or similar electronic service device when such device is not housed in a facility that otherwise would constitute a physical presence; the presence of a server or similar pass-through switching device in a state.
10. Having faculty, adjunct faculty, mentors, tutors, recruiters, or other academic personnel residing in a state. The presence of instructional faculty in a state, when those faculty offer entirely online or other distance-education instruction and never meet their students in person for educational purposes while in that state, does not establish a presence of the institution in that state or an offer of a course or program from that state for purposes of this agreement.

11. Requiring a student to take a proctored exam at a location or with an entity in the host state prescribed by the institution.

12. Having a contractual arrangement in a state.

Physical Presence Activities in a Host State Not Covered by SARA

For purposes of this agreement, any of the following activities in a host state are not covered by this agreement since they constitute a “physical presence.” An institution would be subject to the laws and regulations of each individual state in which it conducts these activities:

1. Establishing a physical location in a state for students to receive synchronous or asynchronous instruction; or

2. Requiring students to physically meet in a location in the state for instructional purposes as required for the course; or

3. Establishing an administrative office in the state, including:
   a. Maintaining an administrative office in the state for purposes of providing information to prospective students or the general public about the institution, enrolling students, or providing services to enrolled students;
   b. Providing office space to instructional or non-instructional staff; or
   c. Establishing an institutional mailing address, street address or phone number in the state.

Complaint Resolution Responsibility: The states must assure that they have reasonable processes for monitoring authorized institutions and for addressing and redressing complaints or concerns that are raised concerning authorized institutions. To demonstrate a state’s adequacy in monitoring and adjudicating the actions of authorized institutions, the state must demonstrate to WICHE that it meets all of the criteria for monitoring and adjudicating actions of authorized institutions, as outlined in the next section of this agreement.
The previous section described the responsibility of states in two essential, related, but distinctly different types of activities: authorization of accredited institutions to operate and oversight of institutions that are authorized to operate. Because the criteria for these two functions differ, they are detailed separately in this section.

Criteria for Authorizing Institutions to Operate and to Continue Operating

**Academic Integrity:** States wishing to participate in this regional interstate reciprocity agreement will agree to accept accreditation by a federally recognized accrediting agency as both necessary and sufficient evidence of reasonable institutional academic quality for purposes of delivering services outside their home state or receiving services from other states participating in the reciprocity agreement. Accreditation, therefore, will be acceptable evidence of adequacy with respect to curriculum, measurement and achievement of student learning outcomes, award of credit, faculty qualifications, student support services, and academic support services. States that wish to require more documentation for their home institutions certainly have the prerogative of doing so, but for purposes of reciprocal acceptance of institutional authorization from other states to offer educational services beyond state boundaries, accreditation by an accrediting agency recognized by the U.S. Secretary of Education upon the advice of the U.S. Department of Education’s National Advisory Council on Institutional Quality and Integrity (NACIQI) must be accepted as sufficient evidence of reasonable institutional academic quality. Additional criteria to be used in resolving student academic complaints about an institution are provided in the complaint section below.

**Financial Integrity:** WICHE states wishing to participate in this interstate reciprocity agreement will agree to accept the standards established by the federal government for demonstrating financial responsibility. The U.S. Department of Education considers a public institution to be financially responsible if its debts and liabilities are backed by the full faith and credit of the state or other government entity. The school must provide the Department with a letter verifying that backing from the state, local, or municipal government entity, tribal authority, or other government entity that has the legal authority to make that designation. While accrediting associations also collect financial information, the federal government has developed a robust and well-accepted process for assessing independent nonprofit and for-profit institutions’ financial data based on audited financial statements. Relying on this federal information provides a high quality mark that is updated annually and reduces redundancy of reporting by institutions, thus reducing administrative burden. All institutions deemed financially responsible by the federal government for participation in federal Title IV programs, with a composite financial responsibility score of 1.5 or better, will be deemed financially responsible for purposes of approval to operate within the State Authorization Reciprocity Agreement. Institutions with a federal composite financial responsibility score of 1.0 to 1.5 may be deemed financially responsible within the State Authorization Reciprocity Agreement if the home state, upon broad review of the institution’s financial information, determines that the institution’s financial condition is sound. No institution with a federal composite financial responsibility score less than 1.0 will be considered eligible for interstate reciprocity, even if it has been deemed to be
Title IV eligible by the U.S. Department of Education. Any institution that wishes to participate in the State Authorization Reciprocity Agreement but that does not have an established federal composite financial responsibility score because it has chosen not to participate in federal Title IV programs must be determined by the state authorizing entity in its home state to be financially responsible based on audited financial information and calculations comparable to those used by the U.S. Department of Education.

**Consumer Protection:** The federal triad gives states the lead responsibility for protecting consumers of postsecondary education. Some of the criteria in this arena are also included within institutional accreditation and within federal oversight, but the primary responsibility of the states lie in this area. The potential adverse consequences for the citizens of the states are so significant that these criteria cannot be assigned solely to either the accreditors or the federal government. States will maintain responsibility for:

**Recruitment, Marketing, and Other Institutional Disclosures:** To qualify for acceptance into the State Authorization Reciprocity Agreement, a state must demonstrate that institutions authorized by the state are held accountable for and have attested to the veracity and adequacy of the institutions’ recruitment material, marketing efforts, and other institutional disclosures. This must include each institution being held accountable for and attesting to at least the following:

- Providing full information about institutional and program requirements in a format that prospective students and the public can easily understand and access.
- Assuring that program advertisements and promotional information include all special or exceptional program requirements.
- Ensuring that job placement and related salary information are supported by evidence of their accuracy and efficacy.
- Providing information on programs that prepare students for licensed professions that explicitly states whether the program, including clinical or experiential practice, meets licensure standards in all states in which the institution has students enrolled.
- Monitoring and accepting responsibility for assuring professional conduct of recruiting and marketing staff.
- Disclosing institutional and programmatic accreditation status and providing a brief explanation of what the accreditation status means along with respective accreditor’s information.
Tuition, Fees, and Other Charges: With respect to tuition, fees, and other charges, states require their authorized institutions do at least all of the following:

- Disclose all tuition, fees, and other costs associated with attendance, including fees and costs that are unique to specific programs of study.

- Publish clear policies and practices regarding refunds to students, including transparent and readily available information on refund deadlines and refund amounts.

- Provide accurate and complete information about financial aid available to students attending the institution, including all forms of financial aid (grants, scholarships, loans, and work-study) and the sources (institutional, private philanthropic, state, and federal) of each form of aid.

Admissions: To qualify for acceptance into the State Authorization Reciprocity Agreement, a state must demonstrate that it assesses the efficacy of the admissions process for every institution seeking new or renewal of authority to serve students via distance delivery in other states. Admissions criteria must include at least the following:

- Clearly stated and comprehensive requirements for admission to the institution must be available to prospective students and this information must also be available as applicable for programs resulting in a certificate, degree, or diploma.

- Reasonable assurance the admitted students have the capacity to succeed in the program(s) to which they are accepted.

Complaints and Concerns: To qualify for acceptance into the State Authorization Reciprocity Agreement, a state must assure that it requires all institutions seeking authorization to demonstrate that they do at least all of the following with respect to complaints against the institution and resolution of such complaints:

- Establish and sustain a complaint procedure that includes clearly understood and published processes for lodging a complaint, both within the institution, to the state authorizing entity, and to the institution’s accrediting agency;

- Establish and sustain processes within the institution for responding appropriately to complaints and for documenting their resolution;

- Establish and sustain a process for reporting formal complaints and their resolution to the state authorizing entity, including procedures that ensure that an institution’s complaint resolution process has been exhausted before the complaint is elevated to the state authorizing entity; and
• Establish and sustain a process for working with the state authorizing entity on resolving complaints that have been lodged and not resolved with that entity.

In addition to requiring institutions to provide such assurances of responsiveness to consumer complaints, the state must demonstrate that it has processes for following up on both formal complaints that it receives and on concerns that come to the attention of the state authorizing entity. The state must demonstrate that it is prepared to accept and act on all legitimate complaints and concerns registered with the state agency with regard to an institution that it has authorized for operation, whether the education provided by the institution was provided in the home state or in a host state. The state authorizing entity must have processes for responding to complaints and concerns from students as consumers, institutions, accrediting agencies, other states within the reciprocity program, the federal government, or other interested parties. Because the states have the primary responsibility for consumer protection and because the accrediting bodies focus more directly on institutional issues, rather than individual student or consumer complaints, it is the responsibility of the state to follow up on all legitimate complaints. The responsibility includes complaints not only related to violations of the consumer protection requirements or of financial solvency of the institution but also include academic standards initially established with an institution’s accreditation.

With respect to resolving complaints regarding academic standards, all states participating in the State Authorization Reciprocity Agreement will be guided by the standards for the evaluation of distance education (on-line learning) adopted by the Council of Regional Accrediting Commissions (C-RAC), which is composed of all of the regional accrediting associations. Abiding by the C-RAC guidelines will ensure that the standards used by accreditors for initial authorization of institutions by the state will be consistent with the guidelines used by states in responding to complaints or concerns lodged with them regarding matters of academic integrity. If deemed necessary in the future, SARA can review and replace these guidelines that are consistent with those used by other entities in reviewing institutional practices.

The state must demonstrate that it accepts affirmative responsibility to promptly report, as appropriate, complaints and concerns to both the institutions about whom the complaints/concerns were lodged and, as appropriate, to the body that accredits the institution. While the host state is not responsible for following up on complaints regarding an institution operating within the state but based elsewhere, the host state must have a process of transferring such complaints that it receives to the home state that has authorized the institution to operate. The home state is responsible for informing the host state of the status or outcome of a complaint lodged through the host state.
Criteria for Overseeing Authorized Institutions

As important as assuring that institutions seeking authority to operate within a state are fit for this purpose is the responsibility of the state to assure that the institution abides by the assurances and commitments it made in seeking authorization.

Complaints: The state must periodically demonstrate at least every other year to its State Authorization Reciprocity Program that the formal complaint process on which it was approved works effectively to protect students from possible institutional malfeasance, abuse, incompetence, or criminality. This must include evidence of at least the following:

- Evidence that consumers (students and subsequent employers) have reasonable access to information about the complaint process.
- Documentation of: (1) all formal complaints received, (2) notifications of complaints provided to institutions and accrediting agencies, and (3) complaint resolutions.
- Demonstration that complaint resolutions were appropriate to the severity and veracity of the complaints, including punishment and restitution for violations (within clearly described guidelines) including specific criteria for the termination of authorization to operate.

Each regional SARA steering committee will establish the specific criteria for these reporting requirements.

Concerns: The state authorizing entities will become aware of potential problems or possible violations of state authorization, either through staff inquiries or other sources. It is the affirmative obligation of the state entity to address appropriately such concerns. All states participating in a regional State Authorization Reciprocity Agreement must periodically demonstrate that they have clear and well documented policies and practices for addressing such concerns, and that they have followed these policies and practices, consistent with the processes identified in the preceding paragraph. Each regional SARA steering committee will establish the specific criteria for these reporting requirements.

Catastrophic Responses: State authorizing entities must respond on occasion to catastrophic events at one or more of the institutions that they oversee. All states must periodically demonstrate to their regional SARA entity that they have clear and well documented policies and practices for addressing such catastrophic events, including at least the following.

- In the event of the unanticipated closure of an institution, that the state has a process of assuring that students receive the education they contracted for or reasonable financial compensation for what they did not receive. Such assurances can come in various forms – tuition assurance funds, surety bonds, teach-out provisions, etc. – and they can come from individual institutional
requirements, multi-institutional cooperatives, or state-supported activities. A participating state can choose its own approach, but it must demonstrate regularly that the approach it has selected adequately protects students as consumers.

- The state entity must also assure that it either requires institutions to have disaster recovery plans, particularly with respect to the protection of student records, or that the state provides such a plan.

Financing SARA

To finance the expenses of establishment, organization, and ongoing activities and to assist states in fulfilling their roles in the State Authorization Reciprocity Agreement, the Nationwide State Authorization Reciprocity Coordinating Board has the authority to collect fees. Fees will be collected from institutions from SARA member states that have chosen to participate in the Agreement and have been authorized by the appropriate state entity.

These fees will be managed and distributed by the coordinating board and will be guided by the following principles:

A. Participation in SARA does not infringe upon the right of any member state to charge fees to its home state institutions to cover the costs associated with review, approval, and monitoring of operations of institutions in its state. The home state shall retain all such fees.

B. Institutions operating in states other than their home state under the provisions of this agreement shall pay a SARA fee annually to the Nationwide SARA Coordinating Board.

C. The SARA fees will be sufficient, in aggregate, to fund the operational expenses associated with the Nationwide SARA Coordinating Board and the regional compacts’ SARA related work and will be low enough to encourage institutional participation in this activity.

D. The SARA fee will be standardized across all regions.

After receiving input from each regional compact and participating states and institutions, the coordinating board shall annually approve and publish the SARA fee schedule for institutions. The SARA fee will use a graduated scale based upon the number of students enrolled in or served by an institution. The tier levels and the metrics to measure students will be determined by the coordinating board and openly published as part of the fee schedule. It is anticipated that the annual operating costs for the four regional compacts’ SARAs and the
nationwide coordinating board will be approximately $1.5 million. If as few as 300 institutions choose to participate in these agreements, which is the fewest we can imagine would do so, the average cost would be approximately $5,000 per institution. If as many as 1,000 institutions choose to participate, which would represent slightly more than 20 percent of all degree-granting institutions currently participating in the federal Title IV student aid programs, and which represents a reasonable target for participation, the average cost per institution would be $1,500. Initial fees will probably range between $1,500 and $5,000 per year and will be adjusted over time as more institutions participate.

Such are the criteria for participating in the State Authorization Reciprocity Agreement. Any of the states who meet these criteria, and are deemed to have done so by the relevant SARA steering committee, will be accepted into this reciprocal agreement.
ACTION ITEM
Accepting Pacific Island U.S. Territories and Free-standing States into WICHE Membership

Background
At the November 2011 commission meeting, David Longanecker discussed with the Executive Committee an inquiry from the Northern Mariana Islands regarding the islands joining WICHE. Sharon Hart, president of the Northern Marianas College, presented the case for the Pacific islands being allowed to join WICHE, including their membership in other regional compacts such as Council of State Governments – West. She also provided a resolution, approved by the islands’ legislature and governor, endorsing the islands’ membership. The Executive Committee discussed this possibility, reacting quite favorably to the idea, and requesting that President Longanecker continue the discussions with Hart and her colleagues from the other Pacific island territories and free-standing states. General discussion included the possibilities of the Pacific islands joining either as a community of islands in one membership or perhaps under the umbrella of Hawai’i’s membership.

Since that time Longanecker has met on two occasions with the postsecondary leaders of the Pacific island U.S. territories and free-standing states and has investigated the status of their membership with other national and regional compacts. He recommends to the commission that they welcome the Pacific islands into WICHE membership within the concept reflected below.

Concept for Acceptance of the Pacific Island U.S. Territories and Free-standing States into WICHE Membership
Consistent with the language of WICHE’s original federal authorization, the Western Regional Education Compact, which authorizes “the States and Territories” of the Western region to enter into a compact to work collaboratively to expand educational access and excellence for all citizens of the West, the opportunity for membership in the Western Interstate Commission for Higher Education (WICHE) is extended to the Pacific island U.S. territories (American Samoa, Northern Marianas, and Guam) and free-standing states (Marshall Islands, Federated States of Micronesia, and Palau). This single state membership opportunity is extended to these territories and free-standing states as a group, rather than individually, and will be recognized within a new membership category, to be known as single state membership for a group. This particular group will be known as the Pacific Islands Member.

If any or all of the named territories should join WICHE, they would enjoy, collectively as a single member, the full benefits of WICHE membership and would also share fully in the responsibilities associated with WICHE membership, including participation in the organization and its programs and supporting the organization through annual dues (per single member), as developed by the commission and reflected in the organizations bylaws, policies, and procedures. To achieve this, the following governance structure is proposed.

Recognizing that not all territories and free-standing states may wish to join WICHE, those that do will share in the payment of dues and in the appointment of commissioners to the WICHE Commission.

- First, consistent with WICHE’s original federal charter, each Pacific territory or state wishing to join WICHE must be approved to do so by action of both its legislature and governor or president.
- Annual dues are approved biennially by the commission and have been established as $125,000 for fiscal year 2013 (the current fiscal year), $131,000 for fiscal year 2014, and $137,000 for fiscal year 2015. If only one territory or free-standing state seeks WICHE membership, that territory or state would be required to provide the entire dues annually. If more than one territory or free-standing state seeks membership, the dues would be equally split between the member territories and states.
- The group of territories and states joining WICHE will, through collaboration of the governors and presidents of the entities joining WICHE, appoint three commissioners to WICHE, at least one of whom shall be “an educator engaged in the field of higher education in the state or territory from which appointed.” Terms for WICHE commissioners are for four years, but commissioners can be reappointed for as many terms as the appointing governors or presidents, so long as the commissioner rotation process outlined below is adhered to. If only one territory or state joins, then that territory or state will appoint all three WICHE commissioners from the Pacific Islands Member.
region. At the point that another state or territory joins, one of the original commissioners must resign so that the new member territory or state can have representation. Should more than three territories or states wish to join, then the four-year terms of the commissioners will rotate amongst the members, though all territories and states without a commissioner will be allowed to have an appointed representative attend the commission meetings and participate in the commission’s deliberations, albeit without vote. Commissioners serve without compensation, though all expenses associated with attending WICHE meetings or officially representing WICHE are covered by the organization. Expenses would also be paid for an appointed representative.

**Recommended Action**
Acceptance of the Pacific island U.S. territories and free-standing states, within the concept described above, with the Northern Mariana Islands as the first territory to be granted membership and with the hope the other U.S. territories and free-standing states of the Pacific will chose to join in the consortium membership in the future.
DISCUSSION ITEM
Update on WICHE’s Budget

WICHE did not budget for any deficits for FY 2012 and did not realize any in the general fund, as you can see on the report titled “General Fund Budget Comparing FY 2012 with FY 2013.” However, as can be seen on the report “Program Area Revenue and Expense Summary,” one of our program areas did realize a loss; but even that did not cause WICHE to realize a deficit in FY 2012.

Since WICHE is the majority partner in the State Higher Education Policy Center (SHEPC), all the financial activity at SHEPC is combined with the WICHE financial activity and presented in the WICHE financial statements. As can be seen on the “Statement of Revenues, Expenses, and Changes in Fund Equity,” WICHE’s contribution to the change in fund equity was $144,213 and the minority contribution was $222,918 for fiscal year 2012.

The Programs and Services unit, the Policy Analysis and Research unit, the Professional Student Exchange Program (PSEP), and the Compact for Faculty Diversity all experienced small gains or no changes. No change is the normal result for programs like PSEP or the Bridges to the Professoriate, which are not designed to do anything other than pay their expenses.

The Mental Health Program experienced a loss of $76,070. Since it began the year with a fund balance of $118,339, it has decreased its fund balance to $42,269.

WCET experienced a gain of $44,059. Since it began the year with a fund balance of $27,345, it is now at a fund balance of $71,404.

The general fund began the year with a reserve of $1,300,784, of which a total of $16,194 was spent by action of the commission; $287,641 was added by underspending on the approved FY12 budget and realizing more revenue than budgeted, in nearly equal measure. The reserve ended the year at $1,572,231, as seen on the report titled “General Fund Budget Comparing FY 2011 with FY 2012.”

Looking Ahead to Fiscal Year 2013
Again, WICHE did not budget for a deficit for FY 2013. Due to the tight economy, WICHE did not budget for any increases in revenue but did budget an 8.1 percent increase in expenditures, due to the large underspending on the FY 2012 budget. Nonetheless, it will be a challenge for all our program areas to manage these budgets, which have little or no room for excess spending.
### Western Interstate Commission for Higher Education  
**General Fund Budget**  
**Comparing FY 2012 with FY 2013**

#### Revenue and Expenditures

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<th>Revenue</th>
<th>FY 2012</th>
<th>FY 2012 Actual</th>
<th>Higher or (Lower) than Budget</th>
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<td>4102 Indirect Cost Reimbursements</td>
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<td><strong>Total Revenue</strong></td>
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<td><strong>Total Expenditures</strong></td>
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| Surplus (Deficit) for the Fiscal Year | $27,952 | $287,641 | $259,689 | -929.1% | $21,638 | ($33,396) | 56.2% | ($293,085) | 59.6% |

#### Reserves at Beginning of Year

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<td>$563,462</td>
<td>$0</td>
<td>0.0%</td>
<td>$825,989</td>
<td>$262,527</td>
<td>46.6%</td>
<td>$262,527</td>
<td>46.6%</td>
<td></td>
</tr>
<tr>
<td><strong>Reserves at Beginning of Year</strong></td>
<td>$1,300,784</td>
<td>$1,300,784</td>
<td>$0</td>
<td>0.0%</td>
<td>$1,572,231</td>
<td>$271,447</td>
<td>50.6%</td>
<td>$271,447</td>
<td>50.6%</td>
<td></td>
</tr>
</tbody>
</table>

#### Reserves Dedicated during Year

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>6 Deferred Compensation / President</td>
<td>$16,194</td>
<td>$16,194</td>
<td>$0</td>
<td>0.0%</td>
<td>$22,678</td>
<td>($6,484)</td>
<td>-40.0%</td>
<td>($6,484)</td>
<td>-40.0%</td>
<td></td>
</tr>
<tr>
<td>7 Deficit (Surplus) for the Fiscal Year above</td>
<td>$(27,952)</td>
<td>$(287,641)</td>
<td>$259,689</td>
<td>-929.1%</td>
<td>$(1,040)</td>
<td>$(26,912)</td>
<td>96.3%</td>
<td>$(26,912)</td>
<td>99.6%</td>
<td></td>
</tr>
<tr>
<td><strong>Reserves Dedicated during the Fiscal Year</strong></td>
<td>$(11,758)</td>
<td>$(271,447)</td>
<td>$259,689</td>
<td>-929.1%</td>
<td>$21,638</td>
<td>($33,396)</td>
<td>56.2%</td>
<td>($293,085)</td>
<td>59.6%</td>
<td></td>
</tr>
</tbody>
</table>

| Reserves at End of Year | $1,312,542 | $1,572,231 | $259,689 | -929.1% | $1,550,593 | $238,051 | 46.6% | ($21,638) | -3.0% |

(a) FY 2013 Dues of $125K were reduced to that level by the Commission from the original $131K action due to budget difficulties in the WICHE states. This same reduction action was taken by the Commission for FY 2012 and FY 2011 so that the dues have remained at the FY 2010 level for 4 years. At the May 2012 meeting the Commission set the FY 2014 dues to $131K and the FY 2015 dues to $137K.

(b) California unpaid Dues.

(c) Minimum reserve by the commission is 12% of Budgeted Expenses. Set May 2000.

(d) Facility Payments reserve set by commission at 6 months of cost. Set May 2007.

(e) Unexpected Shortfall reserve set by commission at 10% of Budgeted Expenses. To be used only if anticipated funding does not materialize. Set May 2007.

(f) CECFA Bond reserve. Legal requirement of bond financing.

(g) Deferred compensation plan for President approved by Commission at the November 2010 meeting.
Program Area Revenue and Expense Summary for FY 2012

<table>
<thead>
<tr>
<th>Programs &amp; Services</th>
<th>Policy Services</th>
<th>PSEP &amp; Bridges</th>
<th>Mental Health</th>
<th>WCET</th>
<th>Self Supporting Services</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Membership Dues and Fees</td>
<td>$ 135,456</td>
<td></td>
<td></td>
<td></td>
<td>$ 171,000</td>
</tr>
<tr>
<td>Conference Registration Fees</td>
<td>$ 9,400</td>
<td></td>
<td></td>
<td></td>
<td>$ 235,181</td>
</tr>
<tr>
<td>Grants and Contracts</td>
<td>$ 414,288</td>
<td>$ 1,351,054</td>
<td>$ 221,876</td>
<td>$ 1,683,131</td>
<td>$ 827,930</td>
</tr>
<tr>
<td>Indirect Cost Sharing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$ 74,261</td>
</tr>
<tr>
<td>Interest</td>
<td>$ 87</td>
<td></td>
<td></td>
<td></td>
<td>$ 52</td>
</tr>
<tr>
<td>Miscellaneous Income</td>
<td>$ 23,972</td>
<td>$ 10,303</td>
<td></td>
<td></td>
<td>$ 103,090</td>
</tr>
<tr>
<td>General Fund Allocation</td>
<td>$ 474,153</td>
<td>$ 304,434</td>
<td></td>
<td></td>
<td>$ 293,678</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>$ 1,057,356</td>
<td>$ 1,665,791</td>
<td>$ 515,554</td>
<td>$ 1,860,482</td>
<td>$ 1,810,826</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries</td>
<td>$ 369,390</td>
<td>$ 410,921</td>
<td>$ 187,330</td>
<td>$ 651,734</td>
<td>$ 374,441</td>
</tr>
<tr>
<td>Benefits</td>
<td>$ 131,214</td>
<td>$ 156,790</td>
<td>$ 69,059</td>
<td>$ 239,401</td>
<td>$ 128,582</td>
</tr>
<tr>
<td>Audit, Legal &amp; Consulting</td>
<td>$ 156,845</td>
<td>$ 324,500</td>
<td>$ 3,000</td>
<td>$ 267,679</td>
<td>$ 36,590</td>
</tr>
<tr>
<td>Subcontracts</td>
<td>$ 11,153</td>
<td>$ 210,971</td>
<td>$ 40,333</td>
<td>$ 93,606</td>
<td>$ 744,330</td>
</tr>
<tr>
<td>Travel</td>
<td>$ 94,130</td>
<td>$ 258,727</td>
<td>$ 152,676</td>
<td>$ 333,305</td>
<td>$ 249,925</td>
</tr>
<tr>
<td>Printing and Copying</td>
<td>$ 3,821</td>
<td>$ 11,485</td>
<td>$ 6,325</td>
<td>$ 3,118</td>
<td>$ 6,935</td>
</tr>
<tr>
<td>Rent</td>
<td>$ 33,743</td>
<td>$ 47,794</td>
<td>$ 20,570</td>
<td>$ 69,134</td>
<td>$ 38,819</td>
</tr>
<tr>
<td>Computer/Network</td>
<td>$ 35,790</td>
<td>$ 42,127</td>
<td>$ 15,241</td>
<td>$ 71,158</td>
<td>$ 59,279</td>
</tr>
<tr>
<td>Communications</td>
<td>$ 8,473</td>
<td>$ 9,317</td>
<td>$ 3,405</td>
<td>$ 21,286</td>
<td>$ 11,902</td>
</tr>
<tr>
<td>Supplies and Expense</td>
<td>$ 8,592</td>
<td>$ 14,511</td>
<td>$ 1,180</td>
<td>$ 66,224</td>
<td>$ 10,273</td>
</tr>
<tr>
<td>Marketing</td>
<td>$ 167</td>
<td>$ -</td>
<td></td>
<td>-</td>
<td>$ 11,229</td>
</tr>
<tr>
<td>Indirect Costs</td>
<td>$ 36,799</td>
<td>$ 165,402</td>
<td>$ 16,435</td>
<td>$ 194,168</td>
<td>$ 144,217</td>
</tr>
<tr>
<td>Credits for other programs</td>
<td>$ 25,512</td>
<td>$ 45</td>
<td></td>
<td>$(74,261)</td>
<td>$(49,755)</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>$ 915,629</td>
<td>$ 1,652,590</td>
<td>$ 515,554</td>
<td>$ 1,936,552</td>
<td>$ 1,766,767</td>
</tr>
<tr>
<td><strong>Excess Revenue (Loss)</strong></td>
<td>$ 141,727</td>
<td>$ 13,201</td>
<td>$ -</td>
<td>$(76,070)</td>
<td>$ 44,059</td>
</tr>
</tbody>
</table>