



## Board of Governors Meeting (via phone) Agenda

**January 30, 2020**

Dixon University Center  
Board Room  
2986 North Second Street  
Harrisburg, PA 17110-1201

### **Thursday, January 30, 2020**

#### **8:00 a.m. Board of Governors Meeting**

Roll Call

Public Comment

Remarks by APSCUF President

Board Action Items:

1. Fiscal Year 2019/20 – 2021/22 Supplemental Capital Spending Plan (ACTION)
2. Repayment of Cheyney University of Pennsylvania's Liabilities to the State System (ACTION)

New Business

Adjournment

(Executive session will be call as needed)

**Board of Governors Meeting**  
January 30, 2020

**SUBJECT:** Fiscal Year 2019/20 – 2021/22 Supplemental Capital Spending Plan (ACTION)

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**UNIVERSITIES AFFECTED:** All

**BACKGROUND:** Funding for System Commonwealth-funded capital projects is annually allocated in a five-year capital spending plan. The System Capital Spending Plan was last updated and approved by the Board at the October 16, 2019 meeting. To be funded in the spending plan, projects must also be authorized by the General Assembly in a capital project itemization act. Governor Wolf has recently pledged to supplement the State System's normal capital appropriation with an additional \$15 million per year over three fiscal years (2019/20 through 2021/22).

To best benefit the System, it is proposed the supplemental funds be utilized to replace university committed funds on existing eligible projects, allowing the previously committed funds to be used to satisfy other investments needs. Three projects have been identified that appear to best meet that objective:

- DGS 412-55, Electric Distribution and Telecommunication System Upgrade, Shippensburg University (\$1,500,000).
- DGS 401-61 Waller Administration Building Replacement, Bloomsburg University (\$2,000,000).
- Science and Engineering Center and The Commons [Construction of Applied and Integrated Health Science Building and Commons], West Chester University (\$42,000,000).

**MOTION:** That the Board of Governors approve the allocation plan above and delegate to the chancellor the authority to modify it as necessary and thereafter finalize the allocation and any adjustments needed to ensure the most efficient execution of the supplemental allocation of capital funding in fiscal years 2019/20 – 2021/22.

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**Supporting Documents Included:** Letter from Secretary of the Budget to Sharon Minnich, January 15, 2020 (appendix A)

**Other Supporting Documents Available:** None

**Reviewed by:** Legal Counsel

**Prepared by:** Sharon Minnich

**Telephone:** (717) 720-4100

**Board of Governors Meeting**  
January 30, 2020

**SUBJECT:** Repayment of Cheyney University of Pennsylvania's Liabilities to the State System (ACTION)

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**UNIVERSITIES AFFECTED:** All

**BACKGROUND:** Over the course of the past several years, the State System has provided lines of credit, System notes and other support to Cheyney University.

On November 13, 2019, Governor Wolf pledged support to the System through a letter to President Aaron Walton assuring that "Cheyney's obligations to other PASSHE institutions and the Office of the Chancellor, totaling \$40,264.814, is eliminated. This outstanding balance is comprised of the \$34,386,550 for the Lines of Credit and \$5,878,264 for the Anticipated Financial Aid Note."

On January 15, 2020, an additional \$45 million of Commonwealth Public Improvement Project Capital Funding (PIP) was allocated to the State System, over and above the System's annual PIP funding for fiscal years 2019/20, 2020/21, and 2021/22. These funds will be provided on a reimbursement basis in \$15 million increments in each of fiscal years 2019/20, 2020/21, and 2021/22.

These additional unanticipated funds will be used to reimburse the State System for capital expenditures that the universities had intended to fund with their own unrestricted cash resources. In doing so, \$45 million of the State System's unrestricted cash resources that were intended to fund capital projects, will be available to replenish the System's investment portfolio and repay Cheyney's obligations to other PASSHE institutions and the Office of the Chancellor.

**MOTION:** That the Board of Governors in the interest of resolving Cheyney University's debt obligations to Pennsylvania's State System of Higher Education, consistent with Governor Wolf's letter to President Walton dated November 13, 2019, and as required by Middle States Commission on Higher Education in its letter to President Walton reaffirming accreditation (dated November 22, 2019):

- rescind Action Item #2 of August 22, 2017, *Cheyney University of Pennsylvania Loan Forgiveness*;
- approve the elimination of Cheyney University's debt to the system totaling \$40,264,814;
- approve the use of additional capital dollars totaling \$45,000,000 to remediate losses experienced by the Universities or the Office of the Chancellor as a result of the forgoing debt elimination;
- delegate to the chancellor the authority to determine
  - the appropriate accounting for: the receipt of such funds, the elimination of the aforementioned Cheyney University debt, and the restoration of the State System's investment pool.
  - the allocation of any remaining funds.

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**Supporting Documents Included:** Detail of Cheyney University's outstanding obligation (appendix B); Board of Governors Action Item #2 of August 22, 2017, *Cheyney University of Pennsylvania Loan Forgiveness* (appendix C); letter from Governor Wolf to President Aaron Walton, November 13, 2019 (appendix D); letter from Middle States to Cheyney, November 22, 2019 (appendix E); letter from Secretary of the Budget to Sharon Minnich, January 15, 2020 (appendix A)

**Other Supporting Documents Available:** letter from Secretary of the Budget to James Dillon, August 20, 2019.

**Reviewed by:** Legal Counsel

**Prepared by:** Sharon Minnich

**Telephone:** (717) 720-4100

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# APPENDICES



COMMONWEALTH OF PENNSYLVANIA  
OFFICE OF THE GOVERNOR

JEN SWAILS  
SECRETARY  
GOVERNOR'S OFFICE OF THE BUDGET

January 15, 2020

Ms. Sharon P. Minnich  
Vice Chancellor – Administration and Finance  
Pennsylvania State System of Higher Education  
Dixon University Center  
2986 North Second Street  
Harrisburg, Pennsylvania 17110

**Re: \$45 million of additional public improvement project funding for Pennsylvania State System of Higher Education projects**

Dear Vice Chancellor Minnich:

Governor Wolf has agreed to allocate \$45 million of Commonwealth Public Improvement Project Capital Funding for the Pennsylvania State System of Higher Education (PASSHE) during Fiscal Years 2019-2020, 2020-2021, and 2021-2022 in such amounts as PASSHE may require during those years. This \$45 million is in addition to the \$73 million of Capital Project funding already allocated by Governor Wolf for PASSHE for FY 2019-20 via my letter addressed to James Dillon dated August 20, 2019. The \$45 million will be available to PASSHE in equal installments of \$15 million per fiscal year. If PASSHE does not expend all of the \$45 million by June 30, 2022, then the unexpended amount will carry over only into Fiscal Year 2023-2024. Any amount of this funding which is not fully expended by PASSHE by June 30, 2024 shall not be available to PASSHE to expend for any reason after that date except for the payment of capital project costs funded from this \$45 million that incurred but not paid by that date.

Once PASSHE has determined which capital projects it will fund with this additional \$45 million of Commonwealth Capital Budget funding, please have PASSHE staff contact Bonnie Sowers who administers the Department of General Services' Capital Planning process. Ms. Sowers can be reached at 717-787-4054, and she will assist PASSHE with coordinating this additional funding along with the annual funding from the Commonwealth's Capital Plan.

The Office of the Budget and the Department of General Services look forward to working with PASSHE on its continuing capital improvement program.

Sincerely,

A handwritten signature in cursive script, appearing to read "J Swails".

Jen Swails  
Secretary of the Budget

# Appendix B

## Cheyney University's Outstanding Obligations As of June 30, 2020

	Principal	Interest	Total
West Chester University	\$1,793,562.76	-	\$1,793,562.76
Federal Financial Aid Anticipation Notes	5,878,264.00	208,077.68	6,086,341.68
System Loans	30,500,000.00	347,993.91	30,847,993.91
Office of the Chancellor	4,518,253.17	-	4,518,253.17
Total Outstanding Obligations as of June 30, 2020	<u>\$42,690,079.93</u>	<u>\$556,071.59</u>	<u>\$43,246,151.52</u>
Total Estimated Interest due in FY 2021/22 and FY 2022/23		\$477,747.98	

## Board of Governors' Meeting

August 22, 2017

**SUBJECT:** Cheyney University of Pennsylvania Loan Forgiveness (ACTION)

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**UNIVERSITIES AFFECTED:** Cheyney University of Pennsylvania

**BACKGROUND:** To maintain Middle States accreditation, Cheyney University has undertaken many steps to address the out-of-compliance status of multiple standards. The university is undertaking an overhaul of the academic enterprise, right sizing the staff and administration, and concentrating operations into fewer buildings. Cheyney University has already insourced business operations to West Chester University, and has outsourced grounds, janitorial, IT services, HVAC, and financial aid.

Through the initiatives listed above, Cheyney is addressing the major Middle States standard with which it is out of compliance—Adequate Financial Resources.

As requested by Middle States, Cheyney must submit a plan to mitigate the debt owed to other State System universities through repayment, state appropriations, forgiveness, or any other source of funds. To that end, the university proposes to work toward loan forgiveness by the State System over a four fiscal year basis, beginning in the current fiscal year 2017/18. The formula provides a mechanism to hold Cheyney University accountable for operating within the available financial resources. This approach should alleviate a considerable component of the out-of-compliance finding for the Middle States financial resources standard, and will result in the forgiveness of all funds lent to or spent on behalf of Cheyney University (\$30.5 million State System Loans and \$3.9 million from the Office of the Chancellor spent directly on behalf of Cheyney).

**MOTION:** That the Board of Governors forgives the total funds owed to the State System by Cheyney University of Pennsylvania over a four fiscal year period, beginning in the current fiscal year, provided that the university meets the conditions listed below.

- FY 2017/18: Cheyney University demonstrates \$7.5 million of annual expense reduction from current operations as verified by the Vice Chancellor for Administration and Finance = 0% forgiven.
- FY 2018/19: Cheyney University maintains a balanced budget of revenues greater or equal to annual expenses = 33.4% of amount outstanding forgiven.
- FY 2019/20: Cheyney University maintains a balanced budget of revenues greater or equal to annual expenses = 50% of amount outstanding forgiven.
- FY 2020/21: Cheyney University maintains a balanced budget of revenues greater or equal to annual expenses = Remainder of outstanding balance forgiven.

Failure to meet these requirements during the four fiscal year term will render any and all outstanding amounts due and payable.

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**Supporting Documents Included:** Loan balance information

**Other Supporting Documents Available:** N/A **Prepared by:**

James S. Dillon

**Telephone:** (717) 720-4100





COMMONWEALTH OF PENNSYLVANIA  
OFFICE OF THE GOVERNOR  
HARRISBURG

THE GOVERNOR

November 13, 2019

Aaron A. Walton  
President  
Cheyney University  
1837 University Circle  
Cheyney, PA 19319

Dear President Walton:

I write to express my total commitment to Cheyney University, its students, faculty, and alumni as the Middle States Commission on Higher Education (MSCHE) nears a decision regarding accreditation of Cheyney University on November 21, 2019.

As the oldest historically black college in the United States and one of fourteen schools that make up the Pennsylvania State System of Higher Education (PASSHE), Cheyney continues to be an integral part of the system that is responsible for delivering affordable, high quality, and accessible education to students in Pennsylvania and around the world.

As you are well aware, Cheyney has faced difficult circumstances over the last several years, both financially and academically. However, in the face of those challenges and under your leadership, the university is in the midst of a major transformation. In recent years, corporate partnerships, intensive alumni engagement, ambitious and successful fundraising targets, and strong enrollment growth have begun to breathe life back into the university.

After implementing your aggressive “shrink to grow” policy in 2017 in order to focus on existing student needs, Cheyney saw enrollment growth north of 31 percent from 469 students to 618 students between the Fall of 2018 and Fall of 2019. Additionally, Cheyney University finished the 2018-19 Fiscal Year with a balanced budget, as well as demonstrated progress toward reducing expenditures and diversifying revenue streams.

Since your appointment as president in mid-2017, the university has overcome incredible odds. First and most importantly, Cheyney took ownership of the problems they were facing. With you at the helm, the Board of Trustees, executive leadership, and faculty renewed their commitment to student and financial success. Collectively, you made difficult decisions that included staffing overhauls, program cuts, reprioritizing student outcomes and academic standards, and reversing an open enrollment policy in favor of strong, targeted admissions procedures.

Aaron A. Walton  
November 13, 2019  
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As a result of this deep commitment to rebuilding from the ground up, Cheyney is an institution on a comeback. Our nation's historically black colleges and universities are critical to diversifying and strengthening our workforce, promoting cultural competency, and providing a space for young students of color to be educated by teachers that represent them and the communities from which they come. The value of historically black colleges and universities like Cheyney cannot be overstated in terms of creating a coherent and equitable education system.

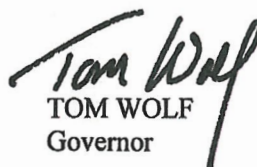
While there are challenges that remain at Cheyney University, we cannot let those deter the university from moving forward as an accredited, four-year degree-granting institution in the Pennsylvania State System of Higher Education. While we must recognize and own the mistakes of the past, we must also learn from them so they can shape the future of the system. If the system were to move forward without Cheyney, it would lose a critical part of its identity. We owe the alumni, faculty and staff, and current and future students much more than that.

As governor of the great Commonwealth of Pennsylvania and as a member of the PASSHE Board of Governors, I am committed to ensuring that Cheyney specifically and the system as a whole are the best they can be. My staff and I will work closely with PASSHE to ensure new accountability and transparency standards are rigidly enforced systemwide. We are taking immediate steps to address the financial support that Cheyney has received from other PASSHE member institutions, and will be working closely with the chancellor, the Board of Governors, and the legislature to identify long-term solutions to reduce debt systemwide.

This letter signifies my assurance that Cheyney's obligation to other PASSHE institutions and the Office of the Chancellor, totaling \$40,264,814, is eliminated. This outstanding balance is comprised of the \$34,386,550 for the Lines of Credit and \$5,878,264 for the Anticipated Financial Aid Note. By leveraging existing commonwealth resources, we will be addressing financial issues quickly, and in a sustainable and responsible manner.

I stand ready to answer any and all questions that MSCHE might have. It is my hope that the commission will stand with me in support of Cheyney University and the potential it has to influence thousands of lives in the future as a part of a robust PASSHE system

Sincerely,

  
TOM WOLF  
Governor

cc: Chairwoman Margaret McMenamin, Middle States Commission on Higher Education  
Under Secretary Diane Jones, U.S. Department of Education



## Middle States Commission on Higher Education

3624 Market Street, Philadelphia, PA 19104 Tel: 267-284-5000 [www.msche.org](http://www.msche.org)

November 22, 2019

Mr. Aaron Walton  
President  
Cheyney University of Pennsylvania  
1837 University Circle  
P. O. Box 200  
Cheyney, PA 19319-0200

Dear Mr. Walton:

On behalf of the Middle States Commission on Higher Education, I am writing to inform you that on November 21, 2019, the Commission acted as follows:

To acknowledge receipt of the show cause report. To note the visit by the Commission's representatives. To acknowledge receipt of the institution's Intent to Appear before the Commission to present its reasons why its accreditation should not be withdrawn. To note the presentation by the institution's representatives on November 21, 2019. To acknowledge receipt of the institution's request to present the following new information at the presentation, as approved by the Chair of the Commission: (1) Updated Response to the Report of the Team Visiting Cheyney University September 9-10, 2019, (2) accompanying appendices, and (3) a formal presentation for the appearance as approved by the Vice-Chair of the Commission.

To reaffirm accreditation because the institution is now in compliance with Standard VI (Planning, Resources, and Institutional Improvement) and Requirement of Affiliation 11. To note that the Commonwealth of Pennsylvania, Office of the Governor, has provided written assurance of the elimination of Cheyney University's debt to the Pennsylvania State System of Higher Education (PASSHE) and the Office of the Chancellor.

To request a monitoring report, due September 1, 2020, demonstrating sustainability of implemented corrective measures and further evidence of (1) documented financial resources, funding base, and plans to assure long-term financial stability (Requirement of Affiliation 11); and (2) fiscal and human resources adequate to support its operations (Standard VI Planning, Resources and Institutional Improvement).

In addition, to request a supplemental information report, due March 1, 2020, providing evidence of the resolution of Cheyney University's debt

obligations to PASSHE and evidence of the payment plan negotiated with the United States Department of Education to satisfy the institution's title IV repayment obligations (Standard VI and Requirement of Affiliation 11).

To direct a follow-up team visit following submission of the monitoring report. To direct a prompt Commission liaison guidance visit to discuss the Commission's expectations. To remind the institution of its obligation to inform the Commission about any and all significant developments relevant to this action. The next evaluation visit is scheduled for 2022-2023.

To note that the Mid-Point Peer Review will be delayed.

Pursuant to the Commission's *Communication in the Accreditation Process Policy and Procedures*, this letter serves as the Commission's official notification of this action. This accreditation action will be publicly available on the Commission's website within 24 hours of informing the institution. This action will also appear on the institution's Statement of Accreditation Status (SAS). If any of the information contained within the action appears to be factually incorrect, please send an email within 60 calendar days of the action to [actions@msche.org](mailto:actions@msche.org).

The following resources provide additional information that may be helpful to understanding the Commission's actions and the institution's accreditation status:

[Accreditation Actions Policy and Procedures](#)

[Accreditation Review Cycle and Monitoring Policy and Procedures](#)

[Communication in the Accreditation Process Policy and Procedures](#)

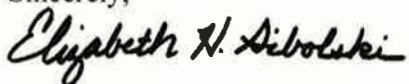
[Public Disclosures Policy and Procedures](#)

[Standards for Accreditation and Requirements of Affiliation](#)

[Substantive Change Policy and Procedures](#)

For questions about the Commission's actions, please contact the institution's assigned Commission staff liaison. Questions from the public about the institution's accreditation phase or accreditation status can be directed to [communications@msche.org](mailto:communications@msche.org).

Sincerely,



Elizabeth H. Sibolski, Ph.D.  
President