



Board of Governors Workshop and Committee Meetings

March 21, 2018



Board of Governors Audit and Compliance Committee

9:00 a.m., March 21, 2018

Agenda

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Committee Members: Samuel H. Smith (Chair), Senator Judith L. Schwank, Harold C. Shields, Cynthia D. Shapira (*ex-officio*), and H. Fred Walker (non-voting presidential liaison).

For further information, contact Peter H. Garland at (717) 720-4010.

Audit and Compliance Committee Meeting

March 21, 2018

SUBJECT: Office of Internal Audit and Risk Assessment Fiscal Year 2018-19 Budget and Staffing Level (ACTION)

BACKGROUND: Board of Governors Policy 1991-06-A: *State System Audit Policy*, places authority with the Audit and Compliance Committee to approve the Office of Internal Audit and Risk Assessment's (OIARA) annual budget and staffing level. The division's cost is to be funded as a direct Board of Governors expense to the legislative appropriation prior to allocation, based on the System's funding formula.

The proposed OIARA fiscal year 2018-19 budget is presented at \$1,029,256 with staffing of seven full-time-equivalent employees (FTE). The proposed staffing level of the department remains consistent at seven FTE.

MOTION: That the Board of Governors Audit and Compliance Committee approve the Office of Internal Audit and Risk Assessment's fiscal year 2018-19 budget of \$1,029,256 and staffing level of seven FTE.

Supporting Documents Included: Office of Internal Audit and Risk Assessment Budget and Staffing Level Summary

Other Supporting Documents Available: Board of Governors Policy 1991-06-A: *State System Audit Policy*

Reviewed by: Samuel H. Smith and Peter H. Garland

Prepared by: Dean A. Weber

Telephone: 717-720-4243

Office of Internal Audit and Risk Assessment (OIARA)
Budget and Staffing Level Summary

OIARA Fiscal Year 2018-19 Proposed Budget

	FY2017/18 Approved Budget	FY2018/19 Budget Office Suggestion	FY2018/19 Budget Request	Change from FY2017/18 Approved Budget
PERSONNEL EXPENDITURES				
Salaries	\$587,604	\$589,565	\$589,565	\$1,961
Salaries--WCD Allowance	540	540	540	\$0
Benefits	299,397	303,661	303,661	\$4,264
TOTAL PERSONNEL EXPENDITURES	\$887,541	\$893,766	\$893,766	\$6,225
OPERATING EXPENDITURES				
Postage	400	400	400	\$0
Cellular Phone Service	750	750	750	\$0
Subscriptions	400	400	400	\$0
Books (not Library)	300	300	300	\$0
Memberships & Dues	2,100	2,100	2,100	\$0
Training/Develop Travel (conferences)	9,500	9,500	9,500	\$0
Administrative Travel (for all other travel)	15,000	14,000	14,000	(\$1,000)
Software License Fees	10,000	9,000	9,000	(\$1,000)
Contracted Maint - Office Equip	800	750	750	(\$50)
Other Miscellaneous Services	500	500	500	\$0
Office Supplies	1,000	900	900	(\$100)
Equipment (<\$5,000)	8,500	1,800	1,800	(\$6,700)
Motor Fuels/Gasoline	500	250	250	(\$250)
Other Current Charges (overhead)	72,733	94,840	94,840	\$22,107
TOTAL OPERATING EXPENDITURES	\$122,483	\$135,490	\$135,490	\$13,007
TOTAL EXPENDITURES	\$1,010,024	\$1,029,256	\$1,029,256	\$19,232

OIARA Fiscal Year 2018-19 Proposed Staffing Level

FTE EMPLOYEES	Approved FY2017/18	Requested FY2018/19	FTE Change	Percent Change
AFSCME	1.00	1.00	0.00	0.00%
Nonrepresented	6.00	6.00	0.00	0.00%
TOTAL EMPLOYEES	7.00	7.00	0.00	0.00%

Audit and Compliance Committee Meeting

March 21, 2018

SUBJECT: Office of Internal Audit and Risk Assessment Fiscal Year 2018-19 Risk Assessment Audit Planning Questionnaire (DISCUSSION)

BACKGROUND: The Office of Internal Audit and Risk Assessment (OIARA) annually develops a fiscal year work plan, approved by the Board of Governors Audit and Compliance Committee, which establishes authority for the performance of location specific internal audit engagements to be conducted at all State System entities.

The work plan identifies project engagements based upon a collaborative risk assessment process managed by the OIARA that includes input from executive leadership at each System university. Risk assessment outcomes are analyzed and utilized by the OIARA in the development of a prioritized annual internal work plan based on recognized levels of risk exposure.

Supporting fiscal year 2018-19 internal audit engagement planning, a risk assessment questionnaire is anticipated for distribution to System university leadership for completion. The intent of the survey is to assess leaderships' current risk perspective, evaluate changes in university operations, and seek input regarding important projects supporting university specific internal audit planning.

The process affords collaboration and transparency in determining potential audit engagements considered for inclusion in the OIARA's internal audit work plan. At a later date, the proposed *State System Fiscal Year 2018-19 Internal Audit Work Plan* will be presented to the Audit and Compliance Committee and chancellor for review and ratification whereby directing resources of the OIARA for the work plan year.

Supporting Documents Included: *DRAFT Office of Internal Audit and Risk Assessment—Risk Assessment Audit Planning Questionnaire*

Other Supporting Documents Available: Board of Governors' Policy 1991-06-A: *State System Audit Policy*

Reviewed by: N/A

Prepared by: Dean A. Weber

Telephone: 717-720-4243



MEMORANDUM

TO: NAME, President
NAME University of Pennsylvania

FROM: Dean A. Weber
Director, Office of Internal Audit and Risk Assessment

DATE: April XX, 2018

RE: Risk Assessment Audit Planning Questionnaire

The Office of Internal Audit and Risk Assessment (OIARA) develops a risk-based work plan each fiscal year, defining internal audit services supporting Pennsylvania's State System of Higher Education.

In support of this planning initiative, I seek NAME University's leadership perspective on changes in institutional activities, as well as recommendations on programs or processes that would benefit from an OIARA review during fiscal year 2018-19. This will be accomplished through your completion and return of the attached *Risk Assessment Audit Planning Questionnaire*.

Your response is kindly requested by Friday, May X, 2018. The questionnaire may be returned to me either electronically (dweber@passhe.edu) or via US Mail service, utilizing the following address:

Pennsylvania's State System of Higher Education
Office of Internal Audit and Risk Assessment
2986 N. Second Street
Harrisburg, PA 17110

I am available, at your convenience, to meet or discuss any aspect of this request and address any questions you may have. I can be reached at (717) 720-4243. Thank you in advance for your participation in this important planning process of the State System of Higher Education, Board of Governors' Audit Committee.

c: Audit and Compliance Committee
Karen M. Whitney, Chancellor
Peter H. Garland, Executive Vice Chancellor
Randy Goin, Jr., Chief of Staff

Office of Internal Audit and Risk Assessment
Fiscal Year 2018-19
Risk Assessment Audit Planning Questionnaire

Background

The Office of Internal Audit and Risk Assessment (OIARA) works to reduce the State System's risk (exposure to loss), ensure the adequacy of internal controls, assess compliance, and support economies and efficiencies of operations.

To that end, each fiscal year an internal audit work plan is collaboratively developed through consultation with executive leadership, an awareness of the System's current operating environment, and an evaluation of risk assessment information. The work plan includes both broad departmental reviews as well as assessments of specific processes or controls. The Board of Governors Audit Committee evaluates proposed engagements and approves the final version of the work plan directing resources of the OIARA.

Purpose

This questionnaire is intended to support development of the OIARA's fiscal year 2017-18 work plan from a risk-based perspective for the State System's internal audit function and to identify any consulting areas that may be desired outside of our regular internal audits.

Governance

Board of Governors Policy 1991-06-A: *State System Audit Policy* states: "The office of internal audit and risk assessment will facilitate conversations and exercises in a multi-layered approach initiating with a university president and senior management, then secondarily with line management and personnel in the identification of potential risks."

Institute of Internal Auditors' Performance Standard 2012—*Planning* states: "The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organization's goals."

Summary

Organizational risks impacting operations constantly change. For example, a risk that existed during the current audit cycle might no longer be relevant due to revisions of policies and procedures, or implementation of other internal controls. Prior high risks might be superseded by new risks that have emerged or were recognized and communicated to internal audit by senior management. Likewise, changes in existing operating environments might also impact risk considerations important to the internal audit planning cycle.

You are kindly requested to complete the following questionnaire, conveying perspectives on governance, institutional risks, and specific areas of internal audit engagement. Outcomes will aid in the development of the State System's internal audit work plan for fiscal year 2018-19.

Name University of Pennsylvania

1. A high-level risk is measured as a process, event, activity, or practice possessing attributes to produce potential significant adverse consequences and/or unfavorable organizational impact, as well as damaging the university's brand and reputation.

All activities contain a certain degree of risk. Risk assessment encompasses recognizing risk events that possess both a high potential likelihood of occurring and an accompanying significant consequential outcome if the event were to occur. The goal in managing risk is to plan accordingly to ensure practical and necessary internal controls and safeguards are in place to mitigate consequential exposure from potential high risk activities.

The State System's internal audit planning process focuses engagement planning surrounding the four primary organizational risk areas of compliance, operations, finance, and information technology.

For the four risk areas below, please identify those institutional concerns or matters that "keep you awake at night," "worry you the most," and/or "what you think could be unfavorably newsworthy."

- a. Significant Compliance Risk:

- b. Significant Operational Risk:

- c. Significant Financial Risk:

- d. Significant Technology Risk:

2. Organizational risk levels are often dependent on situational circumstances, which can change over time. Based on your knowledge and awareness, please evaluate the following areas with regard to any recent institutional change(s) in leadership, operational processes, information technology, and compliance. Place an (X) in any column notating where significant change occurred during the most recent fiscal year; if no change occurred, leave blank.

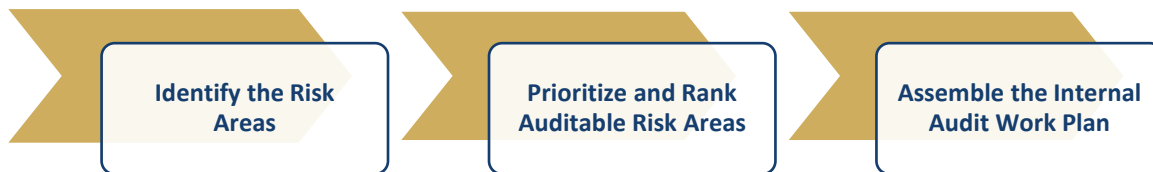
Operational Area	Change in Leadership	Change in Operational Processes	Change in Information Technology	Change in Compliance
Academics				
Accounting				
Admissions				
Athletics				
Auxiliary Operations				
Bursar				
Campus Police				
EH&S/Campus Safety				
Facilities				
Financial Aid				
Grants Administration				
Human Resources				
Information Technology				
Institutional Research				
Payroll				
Procurement				
Registrar				
Social Equity				
Student Health Center				
Student Housing				

3. State SYSTEM REDESIGN of Board of Governors committee structures included enhancements to the former Audit Committee, now renamed the Audit and Compliance Committee. This initiative recognizes the importance of incorporating structured compliance within System operations and committee responsibility. The Audit and Compliance Committee's redesigned purpose is communicated as:

The Audit and Compliance Committee provides strategic leadership and policy oversight to ensure that System and university operations are conducted in accordance with internally established and externally mandated compliance standards. The committee will promote a continuously improving environment to achieve the System's goals and objectives by establishing expectations for: statutory and regulatory compliance; audit and risk assessment practices; operational integrity; and functional accountability. The committee serves as the principal point of contact between the Board of Governors and external auditors/regulators.

While leadership efforts continue in development of organizational and structural design supportive of an enhanced focus sustaining System compliance requirements, OIARA risk evaluation and engagement planning for fiscal year 2018-19 will more closely focus on internal and external compliance evaluation.

CREATING A RISK ASSESSMENT FRAMEWORK



Based on OIARA assessment of high-volume activities, new State System or university initiatives, System policy revisions, external compliance, and trending risks within higher education, the following list of auditable risk areas has been developed and is presented for your risk ranking. Ranking outcomes will be utilized in development of the System's fiscal year 2018-19 Internal Audit Work Plan, submitted to the Audit and Compliance Committee for review and approval.

OIARA development of the following list of auditable risk areas encompassed consideration of the three Board of Governors priorities guiding the SYSTEM REDESIGN, auditable risk areas encompass activities focused on:

- Ensuring Student Success
- Leveraging University Strengths
- Transforming the Governance/Leadership Structure

<p>For each Risk Factor assign a score of 1 to 5 defining consequential impact on university operations.</p> <ul style="list-style-type: none"> • Significant (5) – harsh financial implication, program or operational termination, key accreditation deficiency, major infrastructure impact, substantial legal liability and prosecution. • Moderate (3) – moderate impact on efficiency and effectiveness of operations, non-life threatening injuries, potential enrollment decline, repairable damage of infrastructure, penalties and fines. • Minor (1) – minimal impact to the university, external warnings, little impact on enrollment, finances, academic matters and public perceptions. 	Risk Factor Categories				
	Operational Impact	Financial Impact	Compliance Impact	Health and Safety Impact	Reputational Impact
OIARA Auditable Risk Area:					
Distance Learning Operations					
Registrar Operations					
Campus Safety/Security					
Student Support Animals on Campus					
Americans with Disabilities Act Compliance					
New Academic Program Goal Attainment Data Verification					
Alternative Tuition Structures/Discounts Compliance					
Sabbatical Leave of Absences					
Information Technology Digital/Mobile Applications					
NCAA Compliance					
Employee Benefit Eligibility Compliance					
Title IX Compliance					
Performance Funding Data Verification					
Social Media/Freedom of Speech					
Health Insurance Portability Act Compliance					
Higher Education Opportunity Act Compliance					
Family Educational Rights and Privacy Act Compliance					
Drug Free Schools and Communities Act Compliance					
Occupational Safety and Health Act Compliance					
J-1 Sponsor Exchange Visitor Program Compliance					

4. If any key areas or processes were not identified in the prior questions, where you believe an internal audit would be beneficial during fiscal year 2018-19, please list those areas below. If possible, include a brief description of any specific risks important for audit consideration.

This would include the National Collegiate Athletic Association Agreed-upon Procedures Review, if independent audit attestation is required for fiscal year 2018-19.

5. Providing due diligence as required by the Institute of Internal Auditors, *Professional Practices Framework*, leadership should be periodically surveyed to solicit concerns and/or identification of matters pertaining to potential fraudulent or ethical misconduct. Are any concerns present regarding:

- a. Potential fraudulent activity? (If so, please describe)

- b. Potential ethical misconduct? (If so, please describe)

Audit and Compliance Committee Meeting

March 21, 2018

SUBJECT: Enhanced Compliance Role (DISCUSSION)

BACKGROUND: In the ongoing work on System Redesign, the Board of Governors committees have been re-structured with new and enhanced scopes of responsibility. The former Audit Committee has been renamed the Audit and Compliance Committee to reflect an expanded role in compliance. The Audit and Compliance Committee's redesigned purpose is defined below:

The Audit and Compliance Committee provides strategic leadership and policy oversight to ensure that System and university operations are conducted in accordance with internally established and externally mandated compliance standards. The committee will promote a continuously improving environment to achieve the System's goals and objectives by establishing expectations for: statutory and regulatory compliance; audit and risk assessment practices; operational integrity; and functional accountability. The committee serves as the principal point of contact between the Board of Governors and external auditors/regulators.

The Office of Internal Audit and Risk Assessment and the Office of Chief Counsel along with other senior staff in the Office of the Chancellor are exploring and reviewing university and system compliance programs around the country (organization, structure, and policy) to better determine how to provide compliance related support, guidance, and education to System universities. In addition, the goal is to establish the enterprise compliance program within existing/limited resources. An update on the review will be provided to the committee

Supporting Documents Included: None

Other Supporting Documents Available: None

Reviewed by: N/A

Prepared by: Peter H. Garland

Telephone: 717-720-4010



Board of Governors Audit and Compliance Committee Meeting Pennsylvania's State System of Higher Education

Dean Weber CIA, CRMA
Peter H. Garland, Ph.D.
March 21, 2018



Meeting Agenda

Public Session:

1. OIARA Fiscal Year 2018–19 Budget and Staffing Level (Action)
2. OIARA Fiscal Year 2018-19 Risk Assessment Audit Planning Questionnaire (Discussion)
3. Enhanced Compliance Role (Discussion)



Agenda Item #1

OIARA Fiscal Year 2018-19 Budget and Staffing Level (Action)

- Board of Governors' Policy 1991-06-A, *State System Audit Policy*, requires the Audit Committee to review and approve the Office of Internal Audit and Risk Assessment's annual budget and staffing level.

- Policy states the division's cost is to be funded as a direct Board of Governors' expense to the legislative appropriation based on the System's funding formula.



Proposed Fiscal Year 2018-19 Budget Request

Points of Interest

- Proposed fiscal year 2018-19 budget request of \$1,029,256; 1.9% (\$19,232) increase over current year.
- Anticipated budget increase comprises \$6,225 in structured salary and benefit costs, accompanied by \$13,007 in total operating expenses.
- Net operating expense increase includes:
 - Increase in overhead of \$22,107.
 - Decreases in travel (\$1,000), software license fees (\$1,000), business equipment (\$50), office supplies (\$100), computer equipment (\$6,700), and motor fuels (\$250).
- Proposed fiscal year 2018-19 budget produces an appropriation request of \$950,944 (budget offset by current year carry over funds anticipated at \$78,312) necessary to support projected fiscal year expenses. The appropriation is a 0.42% increase over the current year committee approved appropriation.



OIARA Compensation/Staffing Analysis

Compensation:

	FY2017/18 Approved Budget	FY2018/19 Budget Office Suggestion	FY2018/19 Budget Request	Change from FY2017/18 Approved Budget
PERSONNEL EXPENDITURES				
Salaries	\$587,604	\$589,565	\$589,565	\$1,961
Salaries--WCD Allowance	540	540	540	\$0
Benefits	299,397	303,661	303,661	\$4,264
TOTAL PERSONNEL EXPENDITURES	\$887,541	\$893,766	\$893,766	\$6,225

Staffing:

FTE EMPLOYEES	Approved FY2017/18	Requested FY2018/19	FTE Change	Percent Change
AFSCME	1.00	1.00	0.00	0.00%
Nonrepresented	6.00	6.00	0.00	0.00%
TOTAL EMPLOYEES	7.00	7.00	0.00	0.00%

Active Staff Certifications:

- 3 Certified Public Accountants
- 3 Certified Internal Auditors
- 3 Certified in Risk Management Assurance

- 1 Certified Information Security Professional
- 1 Certified Information System Auditor



Office of Internal Audit and Risk Assessment

Peer System Staffing Benchmark Comparison

Staffing Comparative Benchmark:

Within the internal audit profession, most common staffing benchmarks include the amount of expenditures, assets, employees, and students per auditor. Benchmarking data compare the State System within a cohort group of 30 participating “system” higher education organizations within the United States.

Outcomes:

State System’s internal audit staff size ranks:

- \$339,242,833 annual expenditures per auditor – System ranks 27th lowest of 30
- \$520,808,167 total assets per auditor – System ranks 23rd lowest of 30
- 2,030 employees per auditor – System ranks 24th lowest of 30
- 17,854 students per auditor – System ranks 26th lowest of 30

(Outcomes identifying fewer expenditures/assets/employees/students per auditor, the better.)

Conclusion:

The State System’s internal audit staffing level is conservative in comparison to our peer higher education “system” organizations benchmarked within the study, falling in the lowest quartile within all measured categories.



Proposed OIARA Fiscal Year 2018-19 Budget Summary

	Approved FY2017/18	Requested FY2018/19	Dollar Change	Percent Change
EXPENDITURES AND TRANSFERS				
Compensation Summary:				
Salary & Wages	\$588,144	\$590,105	\$1,961	0.33%
Benefits	299,397	303,661	\$4,264	1.42%
Subtotal Compensation	\$887,541	\$893,766	\$6,225	0.70%
Operating Expenditures	122,483	135,490	\$13,007	10.62%
TOTAL EXPENDITURES AND TRANSFERS	\$1,010,024	\$1,029,256	\$19,232	1.90%

Proposed Fiscal Year 2018-19 Funding Allocation

	Approved FY2017/18	Requested FY2018/19	Dollar Change	Percent Change
REVENUE SOURCE				
Appropriations *	946,925	950,944	4,019	0.42%
Use of Carryforward Fund Balance	63,099	78,312	15,213	24.11%
TOTAL REVENUE	\$1,010,024	\$1,029,256	\$19,232	1.90%

* FY2017/18 actual appropriation was \$919,000 due to recognized position vacancy savings at time of Board funding action.



Audit Committee Action

OIARA Fiscal Year 2018-19 Budget and Staffing Level

BACKGROUND:

In accordance with Board of Governors Policy 1991-06-A: *State System Audit Policy*, the Audit and Compliance Committee approves the annual OIARA budget and staffing level and the director’s appointment.

MOTION:

That the Board of Governors Audit and Compliance Committee approve the Office of Internal Audit and Risk Assessment’s fiscal year 2018-19 budget of \$1,029,256 and staffing level of seven FTE.



Agenda Item #2

OIARA Fiscal Year 2018-19 Risk Assessment Audit Planning Questionnaire (Discussion)

Purpose

- External governance and Board policy support an exercise to assess the current risk perspective of leadership.
- Risks impacting operations constantly change and must be evaluated to structure an effective risk-based internal audit work plan, best utilizing limited internal audit resources.
- Opinions and information sought from university leadership affords valuable input concerning institutional risks and changes in processes or internal controls.
- The risk assessment process provides transparency into the development of the State System’s fiscal year 2018-19 OIARA work plan.
- Questionnaire responses will be summarized and presented to the Audit and Compliance Committee as part of the fiscal year 2018-19 work plan approval process.



Risk Assessment Questionnaire

Leadership Survey Content

Leadership's Insight to Perceived High-Level Risk Concerns

- A high-level risk is measured as a process, event, activity, or practice possessing attributes to produce potential significant adverse consequences and/or unfavorable organizational impact, as well as damaging the university's brand and reputation.
- Internal audit planning focuses engagement development surrounding the four primary organizational risk areas of compliance, operations, finance, and information technology.
- Questionnaire will seek respondent's opinion of significant risks facing the university within each of the four risk factor categories.
- Identified risks will be further evaluated by the OIARA for potential planned audit engagement activity.



Risk Assessment Questionnaire

Leadership Survey Content

Impact of Institutional Change on Risk

- Organizational risks are often dependent on situational circumstances, which can change over time.
- The survey will identify institutional changes in leadership, operational processes, information technology, and compliance for 20 predefined areas comprising university operations.
- Operational areas experiencing significant occurrences of change will be further considered by the OIARA in support of audit engagement planning.



Risk Assessment Questionnaire

Leadership Survey Content

Auditable Risk Areas Presented for Leadership Ranking

- Leadership will be requested to evaluate 20 selected auditable risk areas focused mainly on compliance. Each area is to be numerically ranked from 1 to 5 scaling consequential impact on university operations in the event of noncompliance.

Ensuring Student Success

Distance Learning/Course Offerings	Student Emotional Support Animals	J-1 Sponsor Exchange Visitor Program
Registrar Operations	Americans with Disabilities Act	New Academic Program Goal Attainment
Campus Safety and Security	Drug Free Schools and Compliance Act	

Leveraging University Strengths

Alternative Tuition Structures/Discounts	Occupational Health and Safety Act	Employee Benefit Eligibility
Sabbatical Leave of Absence	NCAA Compliance	Title IX
IT Digital/Mobile Applications	Performance Funding Data Verification	

Transforming the Governance/Leadership Structure

Social Media/Freedom of Speech	Higher Education Opportunity Act
Health Insurance Portability and Accountability	Family Educational Rights and Privacy Act



Risk Assessment Questionnaire

Leadership Survey Content

For each Risk Factor assign a score of 1 to 5 defining consequential impact on university operations.

- **Significant (5)** – harsh financial implication, program or operational termination, key accreditation deficiency, major infrastructure impact, substantial legal liability and prosecution.
- **Moderate (3)** – moderate impact on efficiency and effectiveness of operations, non-life threatening injuries, potential enrollment decline, repairable damage of infrastructure, penalties and fines.
- **Minor (1)** – minimal impact to the university, external warnings, little impact on enrolment, finances, academic matters and public perceptions.

Risk Factor Categories				
Operational Impact	Financial Impact	Compliance Impact	Health and Safety Impact	Reputational Impact

OIARA Auditable Risk Area:				
Distance Learning Operations				
Registrar Operations				
Campus Safety/Security				
Student Support Animals on Campus				



Risk Assessment Questionnaire

Leadership Survey Content

Identification of Other Audit Engagements

- The survey provides an opportunity for university leadership to identify any key area or process not addressed within the survey where it believes internal audit could support university operations during fiscal year 2018-19.

Opportunity to Identify Potential Fraudulent or Ethical Concerns

- Providing due diligence as required by the Institute of Internal Auditors, Professional Practices Framework, leadership should be surveyed to solicit concerns or identification of matters pertaining to potential fraudulent or ethical misconduct.
- Any matters presented through the survey will be communicated to the Audit and Compliance Committee and appropriately considered in development of the State System's fiscal year 2018-19 internal audit work plan.



Agenda Item #3

Enhanced Compliance Role (Discussion)

Purpose

- SYSTEM REDESIGN of Board of Governors committee structures to include recognition of the State System’s compliance function.
- The former *Audit Committee* will now be known as the *Audit and Compliance Committee*.
- Change encompasses recognition of the importance of providing Board-level insight regarding compliance-related activities undertaken in response to regulatory requirements and associated risks.
- Establishment of a System compliance program using limited/existing resources affording compliance related support, guidance, and education to System universities on matters of concern and risk.

Enhanced Compliance Role

Risk Management – The Role of Internal Audit and Compliance

First Line



Risk owners or managers

- * Operating Management
- * Defines Procedures
- * Develops Internal Controls

Second Line



Risk control and compliance

- * Compliance Program
- * Manages Compliance
- * Limited Independence
- * Reports to Management

Third Line



Risk Assurance

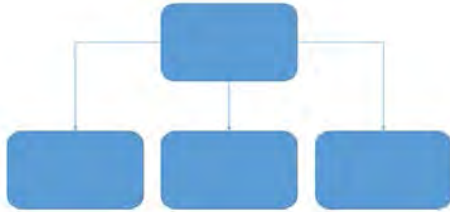
- * Internal Audit
- * Assessment and Evaluation
- * Greater Independence
- * Reports to Governing Body



Enhanced Compliance Role

Potential Compliance Program Reporting Structures

- Create a Compliance Office (in addition to the current Audit Office) with a reporting structure to System leadership.
- Merge the functions of the Internal Audit Office into a new office that also has compliance responsibilities.
- In either case, the functions will report to System leadership (e.g., chancellor, legal, Audit and Compliance Committee of the Board of Governors).





Enhanced Compliance Role

Projected Timeline for Establishing a Compliance Program





Questions/Discussion



Board of Governors Student Success Committee

10:30 a.m. | March 21, 2018

Agenda

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Student Success Committee Members: David Maser (Chair), Marian D. Moskowitz (Vice Chair), Senator Ryan P. Aument, Audrey F. Bronson, Representative Michael K. Hanna, Shaina M. Hilsey, Secretary of Education Pedro A. Rivera, Cynthia D. Shapira (*ex-officio*), and John M. Anderson (non-voting presidential liaison).

For further information, contact Kathleen M. Howley at (717) 720-4200.



Board of Governors (Ensuring) Student Success Committee

10:30 a.m., March 21, 2018



System Redesign Task Group Update

Student Success (Discussion)

Review of Charge and Deliverables

Proposed Student Success Statement and Next Steps

Analytics and State System Decision Making



Student Success Task Group Charge Statement Highlights

Overview:

The Board of Governors recently approved three key strategic priorities: **1) Ensuring Student Success**; **2) Leveraging University Strengths**; and **3) Transforming the Leadership/Governance Structure**.

*A clearly articulated **definition** of student success and the **identification of metrics** is the first step in providing clarity to what **Ensuring Student Success** really means.*



Student Success Task Group Charge Statement *Revised*



Evaluation:

Acceptable definition, metrics and outcomes statement are adopted

Charge:

1. Recommend a definition of “Student Success” and the Metrics by which to measure
2. Recommend an “Ensuring Student Success” outcomes statement



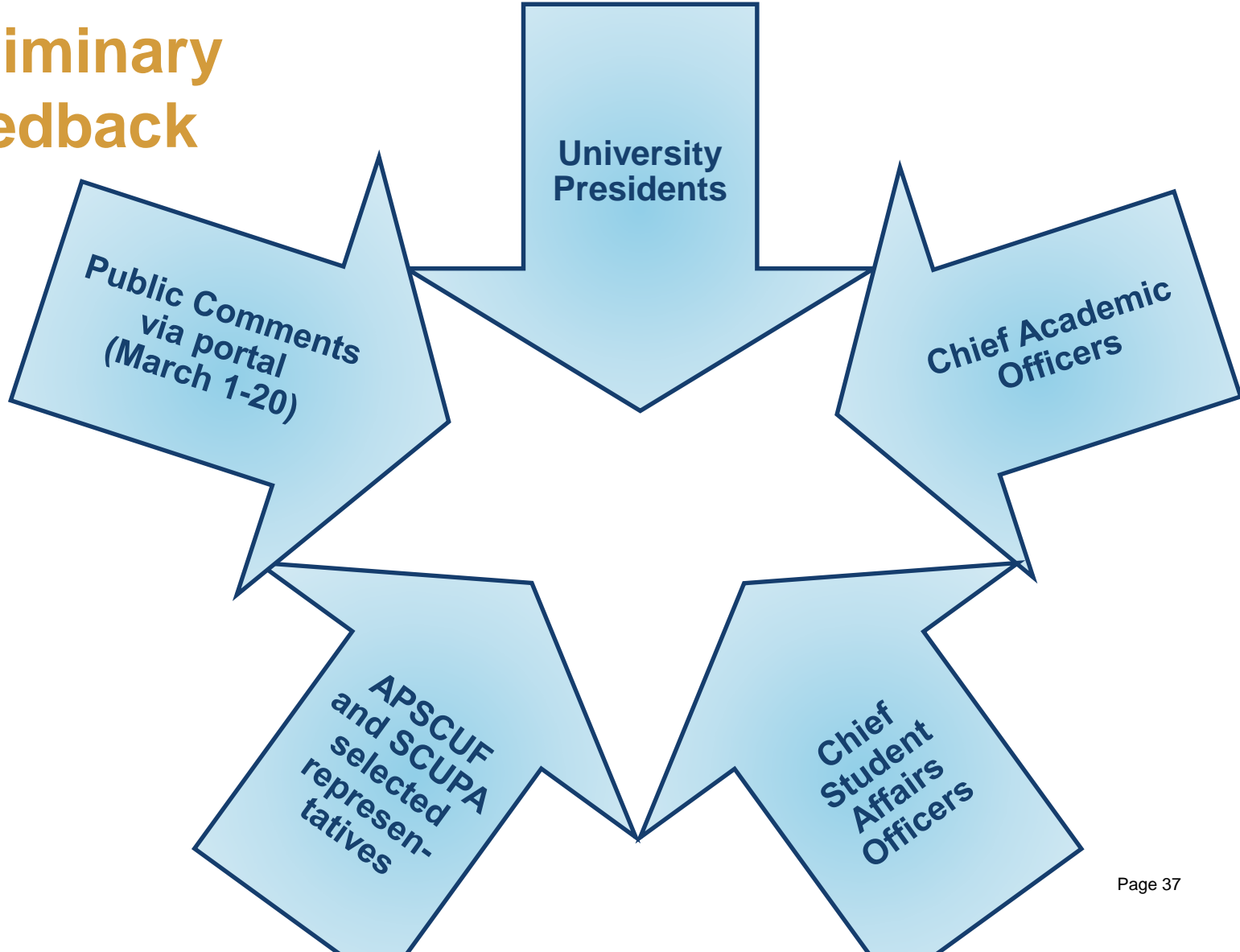
Deliverables:

Draft definition of Student Success; Metrics by which Student Success is measured and an “Ensuring Student Success” outcome statement





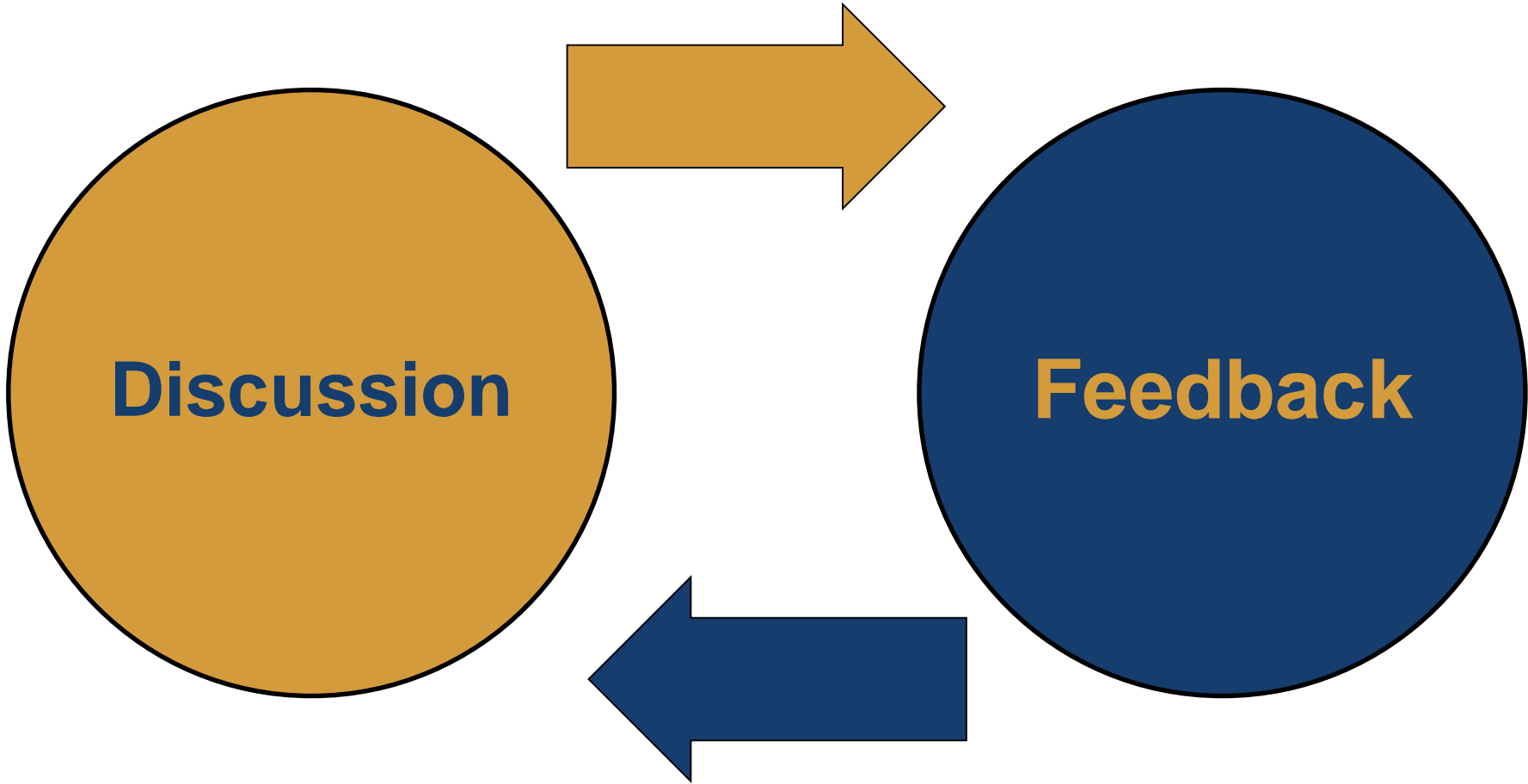
Preliminary Feedback





Proposed Student Success Statement

Our 14 State System universities provide access to high-value, relevant educational experiences that prepare our students in a timely manner for pathways to successful lives and careers.





System Redesign Update—Student Success

Task Group Charges
and Updates

Next Steps



Next Steps

Recommend preliminary metrics and goals by which Student Success is measured by May 31st

Recommend successor task groups to address specific needs in areas such as closing gaps; identifying and removing barriers for adult learners; among others

Create baseline report/results and present to Board of Governors in July 2018 with annual accountability thereafter



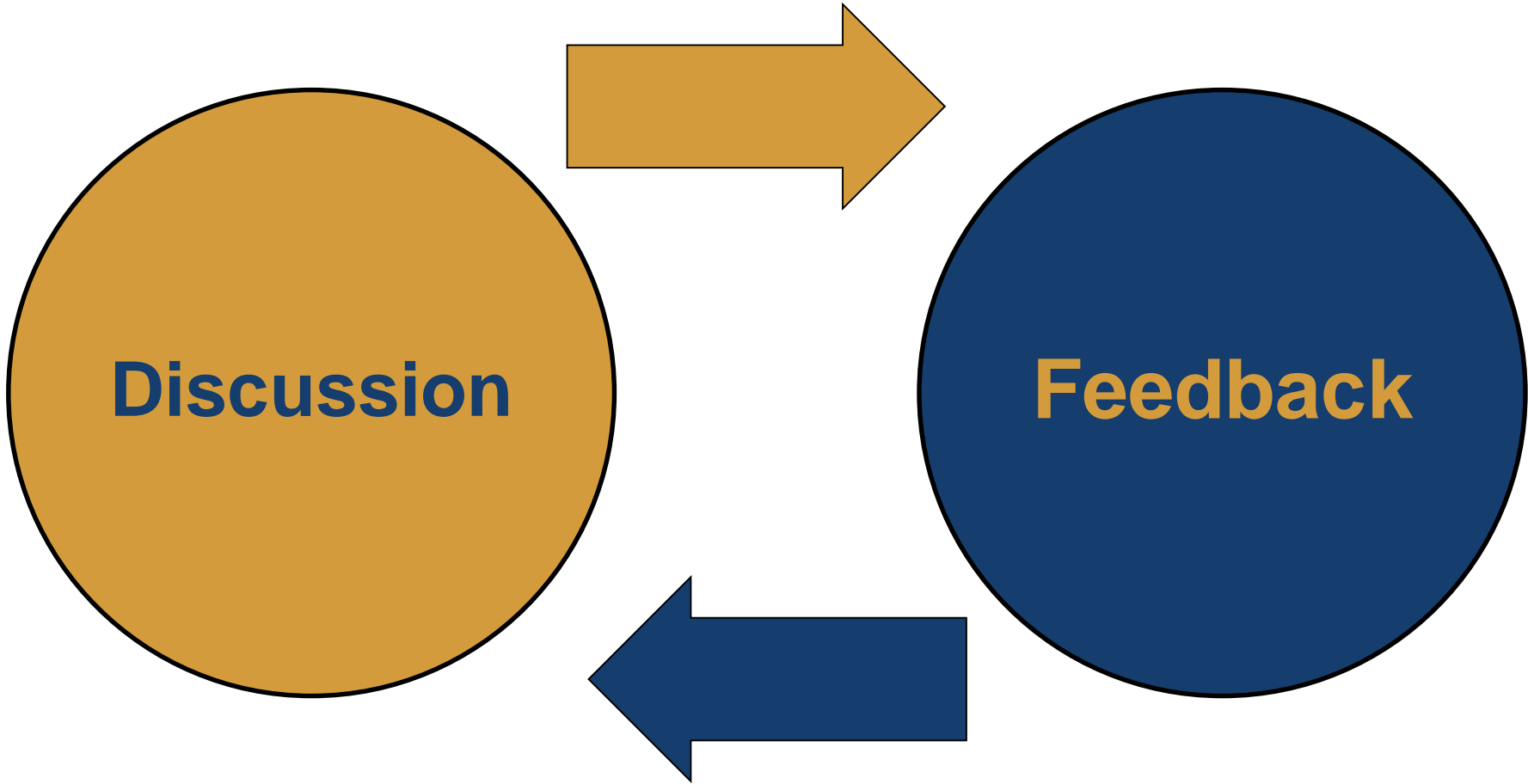
Approval of new academic programs and review of existing academic programs

Performance funding

Shape strategic priorities and plans at every level

Student Success Mission

Student Success is NOT an initiative—it is our CORE business.





A Strategic Student Success Committee Agenda is Key to System Redesign:

Are our students graduating in a timely manner with a path forward that leads to individual fulfillment and career success?

Do we have the right strategies and policies in place to support the universities in enabling student access and success?

Office of Educational Intelligence

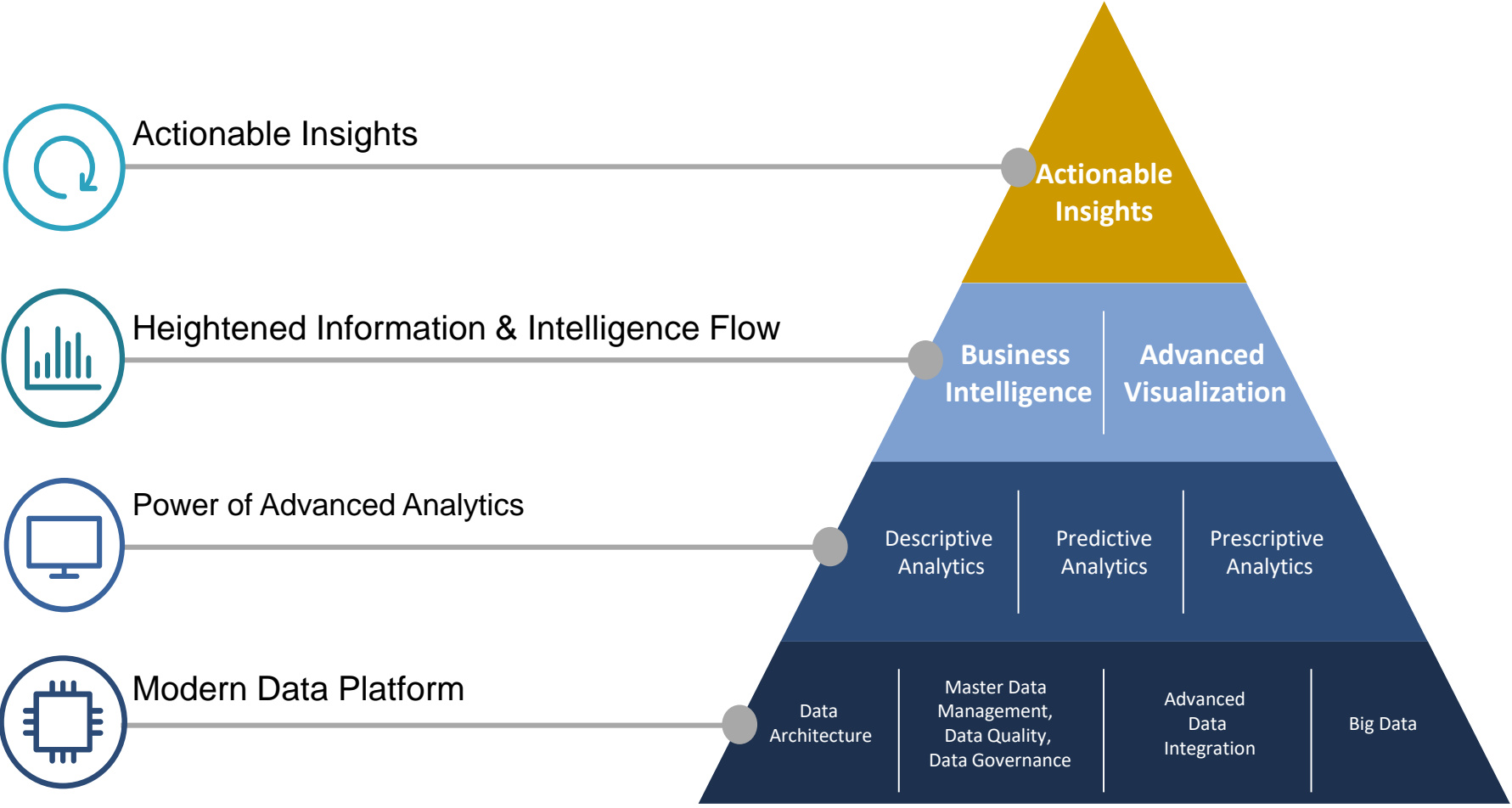
Mission

Increase student success and regional responsiveness through the effective use of data, analytics, and information

Fundamentals of A New Landscape

- Responsibly leveraging one of State System's richest asset: *student data*
- Seamlessly integrating workforce needs and alumni insight
- Modernizing a legacy data collection system/platform/philosophy
- Upskilling, retooling, and changing the data-culture
- Positioning the State System for the future of learning, analyzing, informing, decision-making

Solutions That Drive Insight



Solutions That Drive Insight

What hard skills are attached to the B.S.B.A program from Bloomsburg University? For what occupations does this program prepare students?

What is the trend in student performance for STEM programs?

Which academic programs in the Clarion University workforce region lack sufficient talent production?

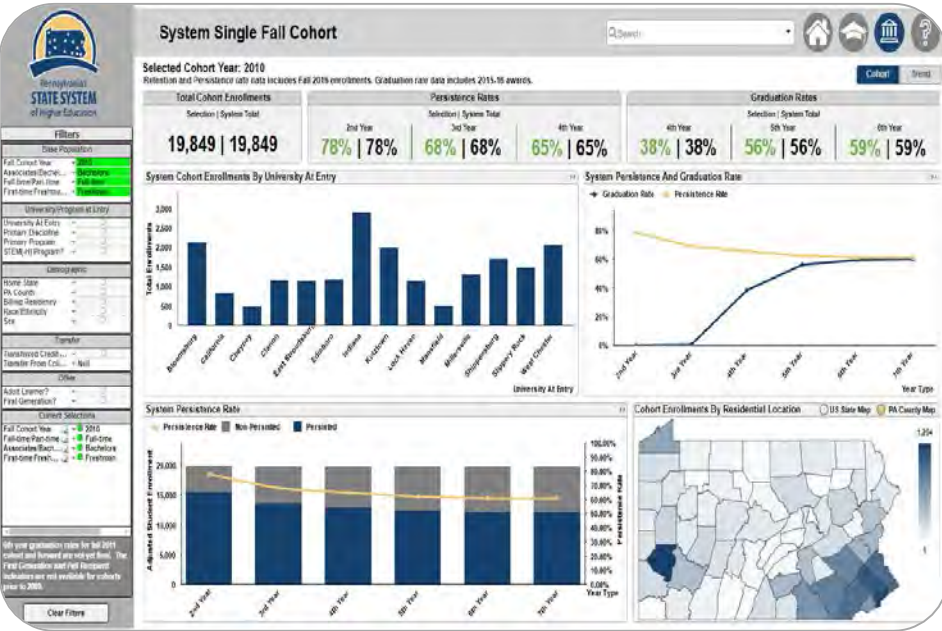
How many students graduated over the past 10 years? Are graduation rates going up or down? Which race/ethnicities have changed the most in graduations?

How do first generation students perform against other students?

What is the workforce footprint of humanities majors from the State System?

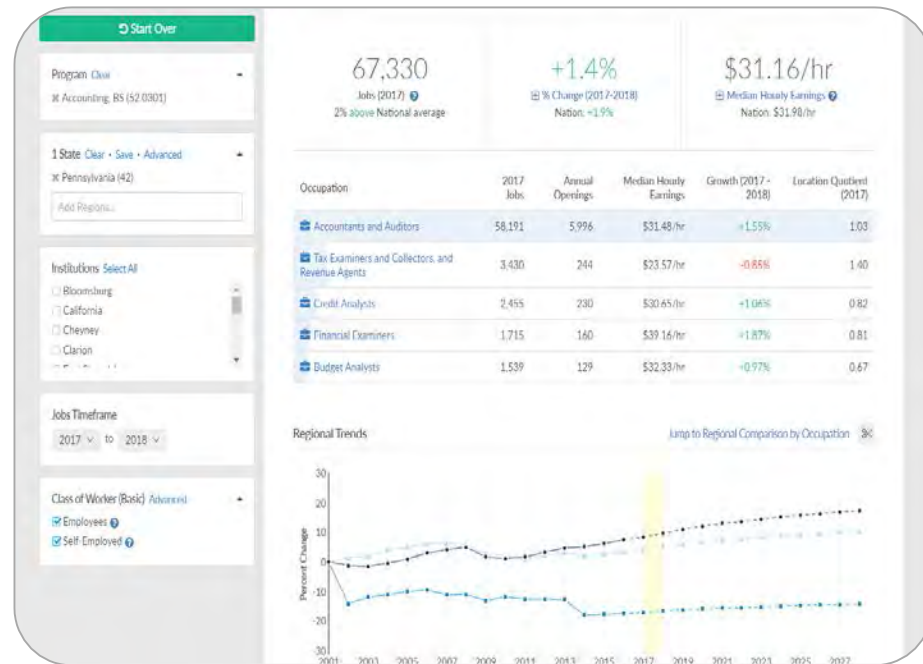
Does student demand for business analytics at California University match the employer demand in that region?

What types of occupations are being filled and what are the top companies hiring these occupations?



State System Analytics Platform: Provides meaningful insight into the factors that influence student retention, persistence, graduation, enrollments, and completions throughout the State System, as well as national benchmarks.

State System's Analytics Portfolio: This dashboard connects student demand to workforce demand for all instructional programs offered by State System universities.





Home About Glossary Contact Us

State System EdHub

Office of Educational Intelligence



The State System's EdHub is an analytics platform with combined data from all 14 State System universities. The platform contains analysis, reports, data tables, and interactive data tools for users to learn about the State System. The State System's EdHub promotes transparency and accountability to State System stakeholders and supports efforts to increase educational intelligence. Data for the State System's EdHub comes from the student data warehouse, commonly known as the Strategic Information Management System (SIMS) primarily. It also contains data from the State System's Alumni Insight Database.

INSIGHTS

EXPLORE

FACT SHEETS

ABOUT

PIPELINE

State System analysis reports

Interactive reports

Data tables and trends across the State System

Background, glossary, and datasets

Information on Pennsylvania's highschools

About
State System's Edhub Background
Glossary of terms
Data Sets

Contact Us

Subscribe for Updates

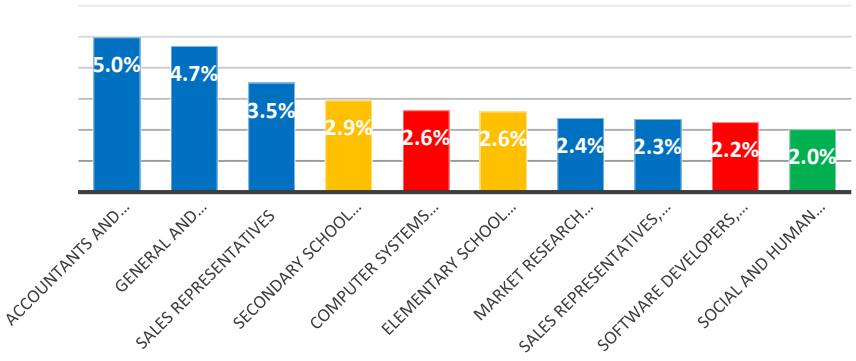


State System's EdHub: is an analytics platform that allows State System's external and internal stakeholders to intuitively analyze and understand critical university metrics across the system. State System's EdHub is organized into the following five key domains: **Insights, Explore, Fact Sheets, About,** and **Pipeline.**

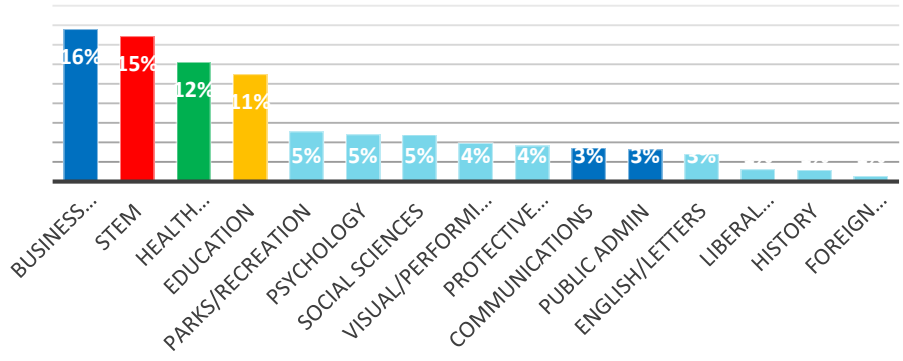


Case Study – Knowledge Workers

Employer Demand 2024



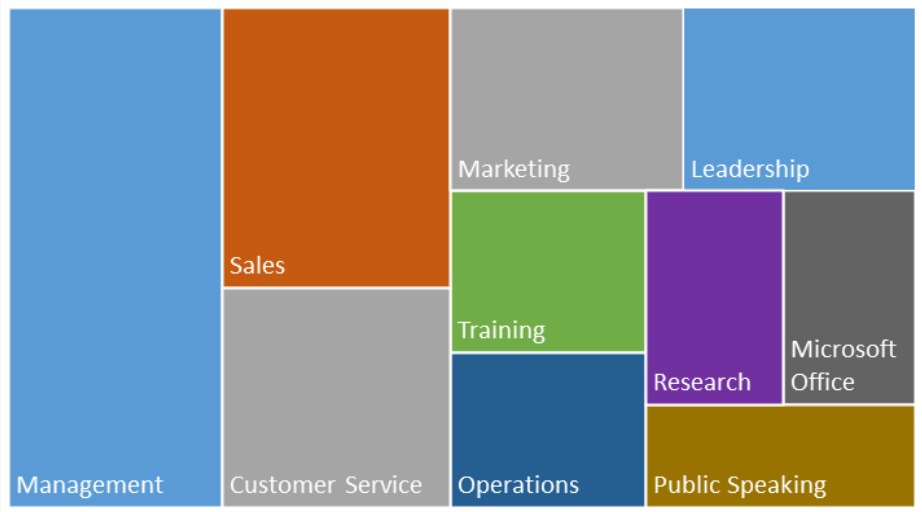
Student Demand 2016



Top Skills Demanded by Employers

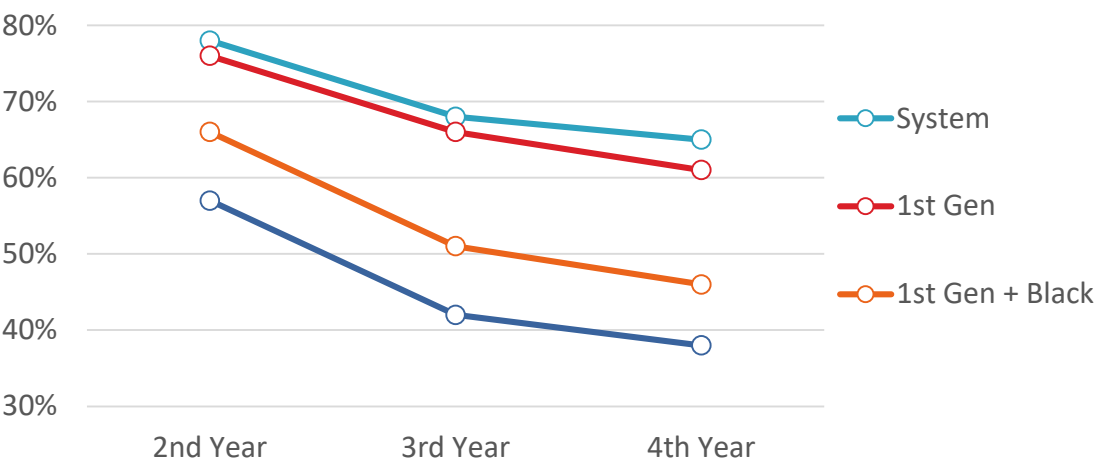


Top Skills Listed by State System Alumni



Case Study - Intersectionality

Persistence Rates



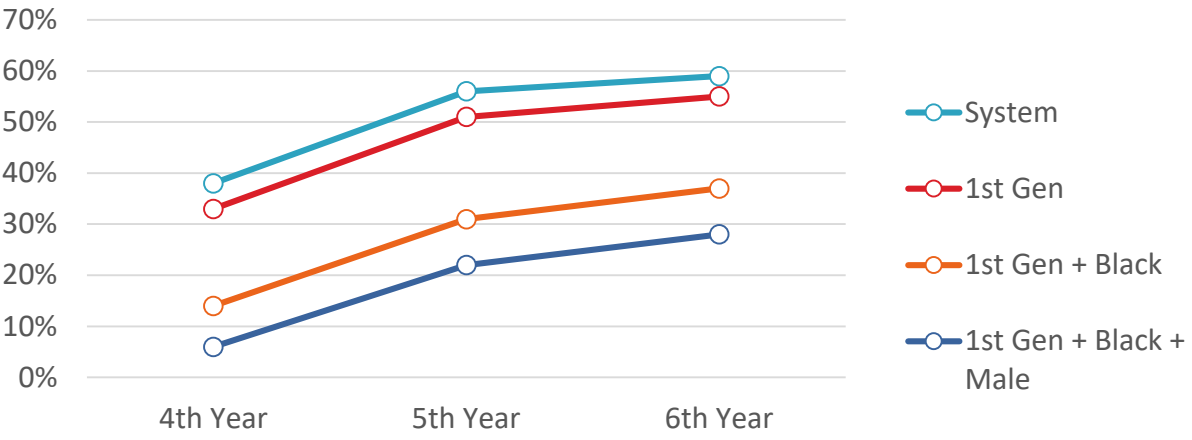
At the intersections of the PA-Resident 2010 cohort:

- First generation Black students had a 6-year graduation rate of 38%
- First generation Black male students had a 6-year graduation rate of 28%

However, there was variability by university and program:

- Millersville University of PA, 71%
- California University of PA, 50%
- Kutztown University of PA, 44%
- STEM Programs, 40%

Graduation Rates



Empowering Student Success Through Analytics

Additional Technology/Information Stacks:

2016-2026 Workforce Needs Assessment: Delivers meaningful awareness into occupational gaps in Pennsylvania. Universities use the assessment to better align educational programs with current demands in the Commonwealth and students may use the assessment to best align their education with career goals that ensure gainful employment upon graduation.

Alumni Insights: Report analyzes student success upon graduation from State System universities. Using labor market and occupational data, the report tracks alumni's occupations, skills, education, and other meaningful metrics.

Career Coach: Helps students achieve their career goals through State System programs.

Appendix – Office of Educational Intelligence, Analytics Technology Stack



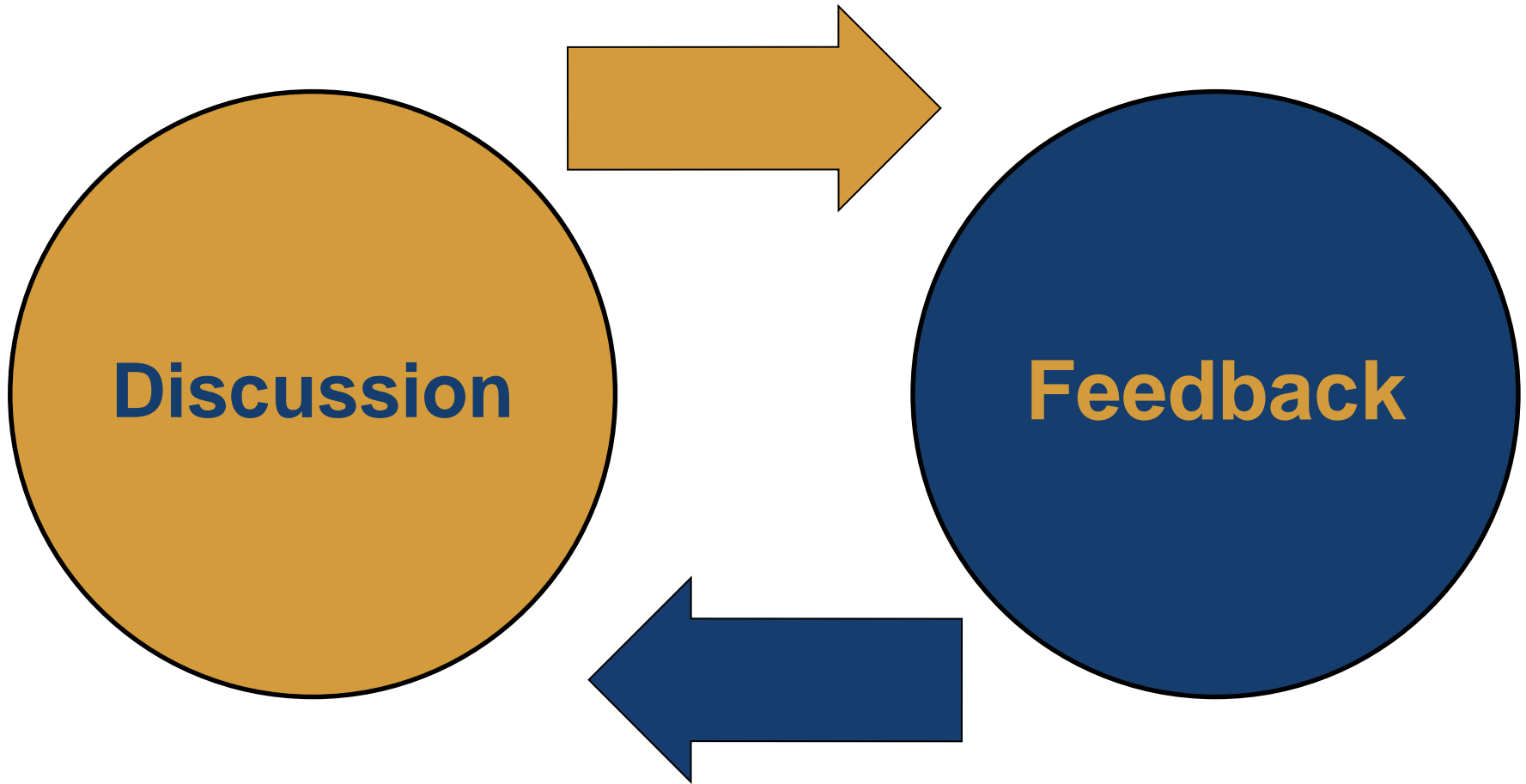
- **Base SAS:** A highly robust analytics platform capable of advanced analytics, predictive analytics, and descriptive analytics
- **SAS Visual Analytics:** A self-service analytics tool that leverages the SIMS data warehouse for reporting



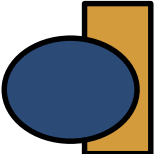
- **QlikView:** An advanced data visualization and discovery tool used to create interactive analytics dashboard reports

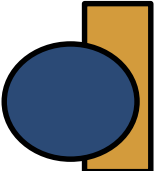


- **SharePoint:** Serves as a single integrated repository for all of the State System analytics toolsets and higher education related analytic publications



Policy Reform for System Redesign (Discussion)

-  • 1985-01-A: *Requirements for Initiation or Change of Credit-Based Academic Programs*
 - Proposed Commitment/Purpose (Statement)

-  • Status of Policy Review related to Student Success



Policy Reform for System Redesign: Follow-Up

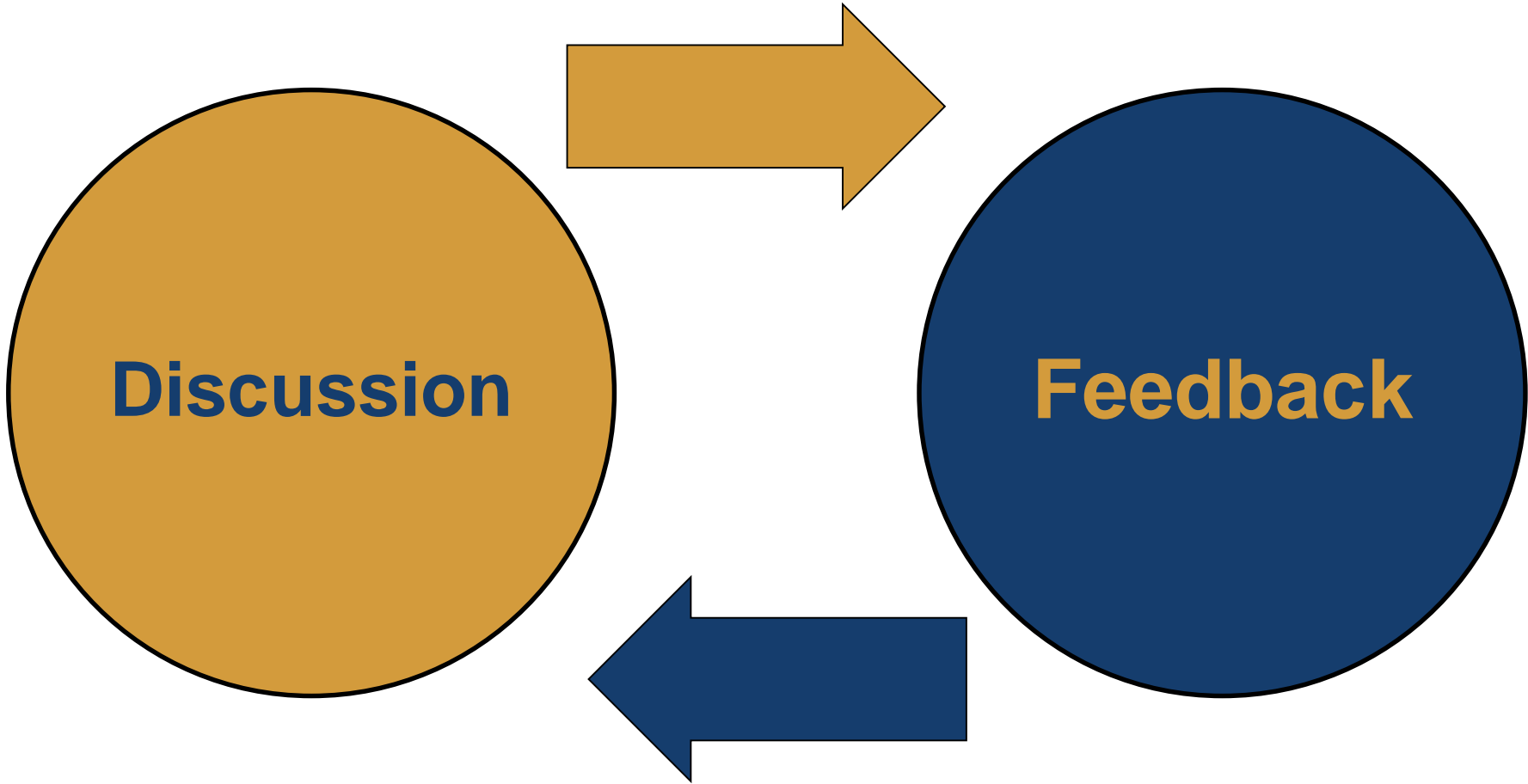
The Board of Governors delegated its authority to the chancellor for the approval of new undergraduate and graduate degree programs (January 25, 2018).



Policy Reform for System Redesign: **Proposed Commitment/Purpose Statement**

***mapped to Strategic Priorities and
Student Success Statement***

The high-quality and relevant academic programs of Pennsylvania's State System of Higher Education universities prepare our students for success in their lives and careers in our global society.





Policy Reform for System Redesign: Additional Updates

Previous
3 years:

Board of Governors Policies:

- 1 new
- 10 revised
- 5 rescinded

System Standards and Procedures:

- 7 new
- 2 revised



Policy Reform for System Redesign: Additional Updates

By April 15—complete review of ALL Academic and Student Affairs policies to determine revision, rescission, no change, convert to System Procedure/Standard



July 2018 and October 2018—recommend Board consider revisions and rescissions



And last on the agenda but not least...



**April 4/5 Board
of Governors
Meeting**



**Preliminary
Conversations
regarding the
Agenda**



Board of Governors University Success Committee Meeting

4 p.m. | March 21, 2018
Conference Call

Agenda

<i>Strategic Discussions and Actions</i>	<u>Page</u>
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b. Consortium Procurement/Consortium Services Task Group	
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a. 1991-05-A: <i>Delegation of Authority for State System Real Property</i>	
b. 2000-02-A: <i>Capital Facilities Planning, Programming, and Funding</i>	
3. Leveraging University Strengths	
a. Property Acquisition, Bloomsburg University of Pennsylvania (ACTION).....	73
b. Housing Acquisition and Financing, Shippensburg University of Pennsylvania (ACTION).....	76
c. Mansfield University of Pennsylvania Alternative Tuition Rates (ACTION).....	78
(NOTE: The Executive Committee is requested to participate in action item 3c.)	
4. Collaborative Allocation of Resources	
a. Bond Issue (ACTION)	80
b. Authorization to Issue Refunding Bonds (ACTION).....	94

All Board members and presidents are encouraged to participate in the meeting via conference call.

University Success Committee Members: Thomas S. Muller (Chair), Neil R. Weaver (Vice Chair), Secretary Sarah E. Galbally, Barbara McIlvaine Smith, Brian H. Swatt, Cynthia D. Shapira (*ex-officio*), and Marcia G. Welsh (non-voting presidential liaison).

For further information, contact James S. Dillon at (717) 720-4100.

University Success Committee Meeting

March 21, 2018

SUBJECT: System Redesign Task Group Updates (DISCUSSION)

UNIVERSITIES AFFECTED: All

BACKGROUND: The Board of Governors has embraced a System Redesign effort to better focus on the System's three new strategic priorities: 1) ensuring student success, 2) leveraging university strengths, and 3) transforming the leadership/governance structure.

In support of those efforts, various cross-functional task groups—comprised of university and Office of the Chancellor representatives—have been created to address System Redesign initiatives. The Board's University Success Committee will be apprised of the continuing work of the following task groups, which are most closely associated with its responsibilities.

- Collaborative pricing and regional affordability/collaborative allocation of resources.
- Consortium procurement/consortium services.
- Policy/procedures/reporting reform.

Supporting Documents Included: None**Other Supporting Documents Available:** <http://systemredesign.passhe.edu/>**Reviewed by:** N/A**Prepared by:** James S. Dillon**Telephone:** (717) 720-4100

University Success Committee Meeting

March 21, 2018

SUBJECT: Policy Reform for System Redesign—Revisions (ACTION)

UNIVERSITIES AFFECTED: All

BACKGROUND: As part of the System Redesign efforts, the System is reviewing all Board of Governors policies to ensure they are appropriate in providing strategic Board oversight while streamlining processes for the universities.

As part of this review, the following facilities management policies have been identified for revision:

- a. 1991-05-A: *Delegation of Authority for Leasing State System Real Property as Lessor and Granting Easements or Licenses for Use of State System Real Property*
- b. 2000-02-A: *Capital Facilities Planning, Programming, and Funding*

These current policies require the Board to be informed of or approve many real property issues that are routine or minor in nature.

Board of Governors Policy 1991-05-A: *Delegation of Authority for State System Real Property* (as it will be renamed), is currently limited to delegated authority related to leases, licenses, and easements. The proposed revision expands the delegated authorities to the university presidents and/or the chancellor. The proposed revision to this policy allows management and execution of these routine issues at a level commensurate with their importance.

Board of Governors Policy 2000-02-A: *Capital Facilities Planning, Programming, and Funding*, identifies the roles and authority for major capital investments in university facilities. The proposed revision to the policy expands some of the authority of the chancellor or designee in the implementation of the allocated capital funds and space classifications. These minor changes will allow the universities and the Office of the Chancellor to be more flexible and responsive to capital funding adjustments and space utilization improvements.

The policy changes allow greater flexibility and quicker execution of facilities projects and real property transactions with appropriate oversight.

MOTION: That the Board of Governors approve amendments to Board of Governors Policy 1991-05-A: *Delegation of Authority for State System Real Property*, and to Board of Governors Policy 2000-02-A: *Capital Facilities Planning, Programming, and Funding*, as attached.

Supporting Documents Included: Board of Governors Policy 1991-05-A: *Delegation of Authority for State System Real Property*, and Board of Governors Policy 2000-02-A: *Capital Facilities Planning, Programming, and Funding*

Other Supporting Documents Available: N/A

Reviewed and Recommended by: N/A

Prepared by: James S. Dillon

Telephone: (717) 720-4100



PA's State System of Higher Education Board of Governors

Effective: October 17, 1991

Page 1 of 42

Policy 1991-05-A: ~~Delegation of Authority for Leasing State System Real Property as Lessor and Granting Easements or Licenses for Use of State System Real Property~~

See Also: *Commonwealth Procurement Code;*
~~PASSHE~~ State System's *Facilities Manual* and
~~PASSHE~~ State System's *Procurement Manual*

Adopted: October 17, 1991
Amended: April 10, 2014,
April XX, 2018

A. Purpose

This policy assigns ~~authority~~ authorities for ~~related to~~ leasing, acquisition, and disposal of ~~as lessor, granting easements, or granting licenses for use of~~ State System real property interests.

B. Definitions

Easement—Allows the limited use of real property by written agreement; the term may be permanent.

License—Allows the limited use of real property by written agreement for a specified period of time.

Real Property—As used in the context of this policy, includes only the real estate (land), and fixed improvements made thereon, including all buildings and structures, infrastructures, and utility systems.

C. Policy

~~On behalf of the Board of Governors, the chancellor shall authorize State System universities to lease real property of the State System as lessor, including granting easements and licenses, i~~n accordance with 24 P.S. §20-2003-A and A.1, and amendments thereto, when such actions are required and determined to be in the best interest of the State System, the Board of Governors delegates the following authorities:

1. University presidents or designees are authorized to lease real property of the State System as lessor or lessee.

2. Universities are authorized to enter into and grant easements and licenses within the authority allowable in 24 P.S. §20-2003-A.1 and 71 P.S. §194, as applicable. The Board will be informed of any easement actions requiring legislative authorization.
3. Universities may acquire (purchase) real property costing up to \$1 million with review and approval of the chancellor. Acquisitions valued greater than \$1 million may be made with the approval of the Board.
4. Universities may demolish university- and System-owned buildings on campus with the review and approval of the chancellor or designee. Demolition of buildings titled in the name of the Commonwealth requires approval by the Department of General Services with endorsement by the chancellor or designee.
5. Disposal (sale) of university- or System-titled real property requires approval of the General Assembly in accordance with 24 P.S. §20-2018-A. Disposal of Commonwealth-titled property shall be accomplished following procedures established by the Department of General Services, with endorsement by the chancellor or designee.

For all transactions above, universities and the Office of the Chancellor will follow all applicable statutes and regulations as well as all applicable procedures identified in the ~~PASSHE State System's Facilities Manual, PASSHE's Procurement Manual, and the Commonwealth Procurement Code will be followed as applicable.~~ This policy does not direct or alter the authority of other state agencies.



PA's State System of Higher Education Board of Governors

Effective: July 13, 2000

Page 6 of ~~x~~35

POLICY 2000-02-A: CAPITAL FACILITIES PLANNING, PROGRAMMING, AND FUNDING

See Also:

Adopted: July 13, 2000
Amended: January 14, 2010,
[April XX, 2018](#)

A. Purpose

This policy establishes requirements for developing and maintaining a capital facilities planning and programming process, identifies approval levels, and provides guidance for allocating Commonwealth capital funding.

~~B. Background~~

~~To support the State System's mission of providing a quality education for its students, quality facilities must be built and well maintained.~~

Act 188 requires Board of Governors' approval of System building projects submitted to the Office of the Budget Secretary. To support the State System's mission of providing a quality education for its students, quality facilities must be built and well maintained. The State System ~~uses~~ has an ~~well~~ established ~~System C~~ capital ~~F~~ facilities ~~P~~ planning and ~~P~~ programming ~~P~~ process (~~CFP3~~) for determining capital facilities requirements, submitting detailed planning documents, and allocating available funding for projects authorized by the Legislature.

~~Since distribution of the State System's funding is determined, in part, by the relative distribution of the general educational space according to the State System's allocation formula, changes that affect funding must be approved to avoid inadvertent or unwarranted modifications to the distribution.~~

B. Definitions

- **Auxiliary Facilities**—Those facilities that house and are funded as entities that furnish goods and services to students, faculty, or staff and charge a fee directly related to, although not necessarily equal to, the cost of the service. Examples of auxiliary facilities are parking lots and structures, residence halls, dining halls, student unions, and recreation centers constructed through student fees.

- **Capital Funding**—State funding typically provided from state bond proceeds. Projects must be authorized by the Legislature in a capital budget and be valued for at least \$100,000 for bond-funded projects.
- **Facilities Inventory**—A listing of the facilities on each university campus, branch campus, educational center, or other State System entity, including leased space, by building and room category, according to a standard classification and measurement system.
- **Facilities Master Plan**—A planning document that specifies the facilities and their existing or planned locations required to conduct the mission of each State System university based upon the academic, financial, and strategic priorities of the university, as endorsed by the State System.
- **Facilities Project**—A project funded by specific Commonwealth funds or financed by the State System for maintenance, repair, or renovation of existing buildings, structures, or infrastructure; or for construction of new buildings, structures, or infrastructure at State System institutions.
- **Facility Replacement**—Replacement of an existing facility for continued performance of the function conducted in the facility, at the same square footage or within approved space guidelines because renewal/renovation of the facility is not feasible, practical to accommodate modern instruction or construction methods, or economically viable.
- **Feasibility Study**—A thorough study of a proposed facilities project to evaluate its economic, financial, technical, functional, environmental, and cultural advisability, resulting in a programmatic diagram of the project showing a possible floor plan and architectural design that satisfy the desired facility requirements.
- **General Educational Facilities**—All facilities, including leased space, other than auxiliary that directly or indirectly support the mission of the State System. The facilities are classified as classroom; laboratory; office; study; special use, such as athletic; general use; support; and healthcare facilities.
- **Public/Private Alliances**—Agreements between or among an entity or entities of the State System and individuals, businesses, corporations, or other organizations that join the parties to share arrangements and responsibilities for financing, operation, and use of public facilities.
- **System Capital Authorization Request**—The annual facilities projects request submitted by the Board to the General Assembly and the Governor’s Office for inclusion in a capital budget project itemization act.

C. Policy

1. **General**—All facilities projects submitted for inclusion in an annual capital funding request or submitted for financing through a State System of Higher Education bond issue must be approved by the Board of Governors according to

the capital facilities planning, programming, and funding policies established herein.

2. **Capital Facilities Planning**—The State System will use a capital facilities planning process to address capital facilities requirements. The process will include, at a minimum, a universally accepted facilities inventory database, a standardized method of auditing and assessing the condition of each facility, a facilities master plan for each university prepared according to published guidelines, and criteria or guidelines for determining space requirements to meet the educational and quality of life standards desired for each university. Only those projects that satisfy a valid space deficiency, a System or Commonwealth educational requirement, or renew an existing facility for a valid mission requirement will be submitted for Board approval.

~~The Finance, Administration, and Facilities Committee of the Board will review each project before it is recommended for Board approval.~~

3. **Capital Facilities Programming**—All facilities projects submitted for inclusion in a State System capital appropriation request or System-financed capital project will be based on detailed project justifications and planning documents. The prepared justifications and planning documents will be in response to the published budget guidance, university mission requirements, and/or workforce development requirements.

4. **Capital Facilities Funding**

- a. **Capital Funding for General Educational Facilities**—Annually, the Commonwealth provides an allocation of capital funding for some System general educational facilities projects. ~~Private gifts, grants and partnerships, and System operating funds also have been used to fund capital facilities requirements.~~ Capital funds are allocated by the Board for authorized capital projects in a capital spending plan. The chancellor or designee may make adjustments to the plan as necessary for its implementation. The Board will consider requests for Commonwealth capital funding according to the following criteria:

- (1) The Board may require universities to contribute funding from alternate sources for some projects to help leverage Commonwealth capital funding, depending on project circumstances. Projects receiving significant private support will receive a higher priority recommendation for public funding. Public/private alliances or private sector support for academic facilities that satisfy System educational requirements and/or contribute to global competitiveness and workforce needs are strongly encouraged.
- (2) Full Commonwealth funding may be requested for projects when alternative funding sources cannot meet the life cycle renewal, renovation, or replacement requirements of facilities or supporting infrastructure systems.⚠

- ~~(a) To maintain health and safety standards, and/or operational continuity of utility and support systems;~~
- ~~(b) To achieve regulatory compliance with existing and/or new legislation; and/or~~
- ~~(c) For life cycle renewal, renovation, or replacement to maintain safe occupancy, efficient operations, and building code habitability standards of existing facilities.~~

(3) System bond financing may be used for general educational facilities when approved by the Board. University financial resources and expected benefits from each project in cost savings/avoidance and improved efficiencies will be taken into consideration.

b. **Capital Funding for Auxiliary Projects**—Bond financing may be used for System auxiliary projects funded by student fees or other revenue. The Board will approve projects submitted for funding through a System bond issue before bond proceeds are released for the project. The Board will approve financing of auxiliary facilities projects according to the following criteria:

- (1) New facilities satisfying a valid requirement to improve the quality of student living or university parking structures first must be pursued through public/private alliances and financed on a user fee self-liquidated basis through appropriate not-for-profit entities.
- (2) The Board may approve System bond financing of projects to renew, renovate, or reconfigure auxiliary facilities when it deems that public/private alliances are not practical or feasible.
- (3) Students may elect, through a student referendum, to raise student fees sufficiently to finance construction of new or renovation of existing recreational and student activity facilities on university property through System bond financing or other appropriate not-for-profit entities.
- (4) The Board may elect to use Commonwealth capital funds for an auxiliary project as a last resort when all other funding options are exhausted.

5. **Space Management**—The ~~Board~~ chancellor or designee must approve increases to space inventory categorized as general educational for which universities will seek funding through the allocation formula. This includes, but is not limited to, increases made through lease, new construction, building additions, or conversion of space categorized as auxiliary. ~~The Board delegates to the Chancellor or designee approval authority of annual space changes of less than 1% of a university's general educational inventory.~~

~~D.~~ **Definitions**

- ~~Auxiliary Facilities—Those facilities that house and are funded as entities that furnish goods and services to students, faculty, or staff and charge a fee directly related to, although not necessarily equal to, the cost of the service. Examples of auxiliary facilities are parking lots and structures, residence halls, dining halls, student unions, and recreation halls constructed through student fees.~~
- ~~Commonwealth Capital Funding—State funding typically provided from State bond proceeds. Projects must be authorized by the legislature in a capital budget and be valued for at least \$100,000 for bond-funded projects.~~
- ~~Facilities Inventory—A listing of the facilities on each university campus, branch campus, educational center, or other State System entity, including leased space, by building and room category, according to a standard classification and measurement system.~~
- ~~Facilities Master Plan—A planning document that specifies the facilities and their existing or planned locations required to conduct the mission of each State System university based upon the academic, financial, and strategic priorities of the university, as endorsed by the State System.~~
- ~~Facilities Project—A project funded by specific Commonwealth funds or financed by the State System for maintenance, repair, or renovation of existing buildings, structures, or infrastructure; or for construction of new buildings, structures, or infrastructure at State System institutions.~~
- ~~Facility Replacement—Replacement of an existing facility at the same square footage or within approved space guidelines because renewal/renovation of the facility is not feasible, practical to accommodate modern instruction or construction methods, or economically viable, but a facility is required for continued performance of the function conducted in the facility.~~
- ~~Feasibility Study—A thorough study of a proposed facilities project to evaluate its economic, financial, technical, functional, environmental, and cultural advisability, which results in a programmatic diagram of the project showing a possible floor plan and architectural design that satisfies the desired facility requirements.~~
- ~~General Educational Facilities—All facilities, including leased space, other than auxiliary that directly or indirectly support the mission of the State System. The facilities are classified as classroom; laboratory; office; study; special use, such as athletic; general use; support; and health care facilities.~~
- ~~Public/Private Alliances—Agreements between an entity or entities of the State System and individuals, businesses, corporations, or other organizations that join the parties to share arrangements and responsibilities for financing, operation, and use of public facilities.~~
- ~~System Capital Authorization Request—The annual facilities projects request submitted by the Board to the General Assembly and the Governor's Office for inclusion in a capital budget project itemization act.~~

E. ~~Repeals~~

~~Board of Governors' Policy 1995-01, Capital Facilities Programming and Planning, and Board of Governors' Policy 1996-02, Programming of Capital Facilities Projects, are repealed upon adoption of this policy.~~

~~F. Effective Date~~

~~July 13, 2000.~~

University Success Committee Meeting

March 21, 2018

SUBJECT: Leveraging University Strengths—Property Acquisition, Bloomsburg University of Pennsylvania (ACTION)

UNIVERSITIES AFFECTED: Bloomsburg University of Pennsylvania

BACKGROUND: Bloomsburg University requests approval to purchase the property known as 1099 Lightstreet Road, Bloomsburg, Pennsylvania.

The property comprises three parcels of land totaling about 3.6 acres with a single family home, detached garage, a large barn, and other small outbuildings. The property abuts, and provides an alternate access to, a 64-acre parcel owned by the university. The alternate access provides additional options to develop the 64-acre parcel and would be helpful should the university choose to sell the properties at some time in the future. Currently, the university intends to use the property for the Environmental, Geographical, Geological Science program in the College of Science and Technology.

The two-story, wood-frame, 1,800-square-foot single family home was built around 1900, with an addition constructed in 1920. The garage is a 2,500-square-foot, two-and-a-half story concrete and stone building with some wood framing. The two-story barn is also wood frame, totaling 3,680 square feet.

The estimated value of the property is \$240,000. This acquisition is consistent with the university's facilities master plan.

MOTION: That the Board of Governors approve Bloomsburg University of Pennsylvania's request to purchase the property known as 1099 Lightstreet Road, Bloomsburg, Pennsylvania.

Supporting Documents Included: Map and photographs of the property

Other Supporting Documents Available: Property Acquisition Planning Documentation

Reviewed by: Bloomsburg University's Council of Trustees, December 6, 2017

Prepared by: James S. Dillon

Telephone: (717) 720-4100



Bloomsburg University of Pennsylvania



**Single Family Home at 1099 Lightstreet Road
Bloomsburg, Pennsylvania**



**Barn at 1099 Lightstreet Road
Bloomsburg, Pennsylvania**

University Success Committee Meeting

March 21, 2018

SUBJECT: Leveraging University Strengths—Housing Acquisition and Financing, Shippensburg University of Pennsylvania (ACTION)

UNIVERSITIES AFFECTED: Shippensburg University of Pennsylvania

BACKGROUND: Shippensburg University requests approval to acquire six student residence halls on campus property. The residence halls were constructed by Shippensburg University Student Services, Incorporated (SUSSI), on property leased from the university using a privatized student housing development and finance model approved by the Board of Governors. It appears advantageous for the university to acquire the buildings with State System bond financing at this time.

The residence halls were constructed in two phases from 2011 to 2013 to replace outdated and obsolete on-campus student housing. The six buildings total 703,500 square feet and contain 826 rental units with 1,836 beds.

The buildings, constructed at a cost of \$134.8 million, currently have outstanding debt of approximately \$130.7 million; acquisition of the buildings will require the university to use System bond funds to refinance the debt. By applying this strategy over the 27-year term, the university expects to reduce debt service payments by about \$28 million (nominal), and avoid an estimated \$25 million (nominal) in operating costs such as reductions in bond covenants and insurance. The savings achieved from this transaction will allow the university to minimize room rental rate changes and provide a Housing Institutional Aid fund.

MOTION: That the Board of Governors approve Shippensburg University of Pennsylvania's acquisition of on-campus student residence halls from Shippensburg University Student Services, Incorporated, and bond financing of the current debt contingent upon approval by Shippensburg University's Council of Trustees.

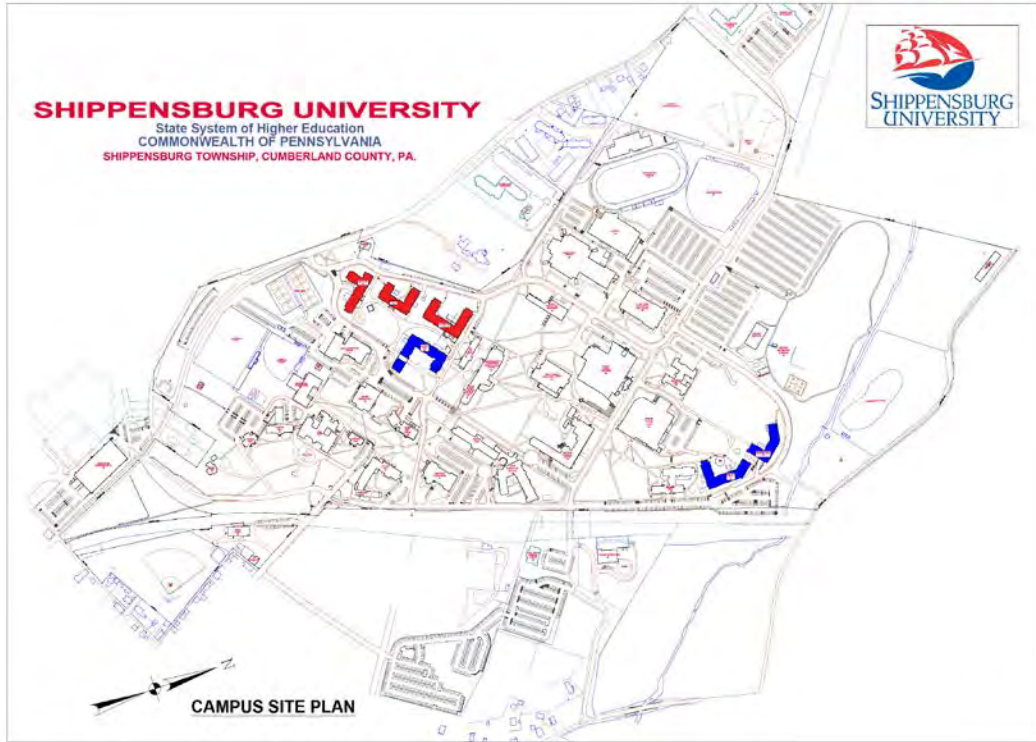
Supporting Documents Included: Property map and photo

Other Supporting Documents Available: Real property acquisition planning data

Reviewed by: Shippensburg University's Council of Trustees, March 30, 2018

Prepared by: James S. Dillon

Telephone: (717) 720-4100



Shippensburg University of Pennsylvania Main Campus



Shippensburg University of Pennsylvania

University Success Committee Meeting

March 21, 2018

SUBJECT: Leveraging University Strengths—Alternative Tuition Rate Structure, Mansfield University of Pennsylvania (ACTION)

UNIVERSITIES AFFECTED: Mansfield University of Pennsylvania

BACKGROUND: In January 2018, the Board of Governors was informed about the current tuition pricing structure at Mansfield University of Pennsylvania, which employs various tuition rates for out-of-state students. Rates are based on the academic achievement of each student, and all undergraduates are charged tuition on a per-credit basis, with a four-year tuition rate guarantee. The combined impact of these two pricing strategies working in tandem is a 2017-18 tuition schedule with 27 distinct rates for undergraduates. As a new cohort is added next year, the tuition schedule will increase to 34 rates.

The combination of these two pilots has resulted in a pricing strategy that is confusing to students and families, and is difficult to administer. The university has been working with an external consultant to determine how to replace this pricing conundrum with a strategy that will help both students and the university to be successful. Given the necessity to implement changes to the pricing strategy in time to effect fall 2018 enrollment decisions, the Board delegated the approval of Mansfield's transitional 2018-19 tuition rate structure to the University Success Committee and the Executive Committee of the Board.

In accordance with Board of Governors Policy 1999-02-A: *Tuition*, Mansfield University seeks to freeze its 2018-19 tuition rates for new in-state and out-of-state undergraduate students at the same rate as charged to the 2017-18 new student cohort. The university has developed this transitional pricing strategy for 2018-19, and given the necessity to market a new strategy in time to affect fall 2019 enrollment inquiries and decisions, anticipates finalizing a formal pricing strategy for 2019-20 by summer 2018.

MOTION: That the University Success Committee and the Executive Committee of the Board of Governors approve the alternative tuition plan for Mansfield University of Pennsylvania to charge the 2018-19 cohort of new students the same tuition rates charged to the 2017-18 cohort, effective fall 2018.

Supporting Documents Included: Mansfield University of Pennsylvania's 2018-19 In-State and Out-of-State Undergraduate Tuition Proposal

Other Supporting Documents Available: Board of Governors Policy 1999-02-A: *Tuition*; Board of Governors meeting materials, July 2014, January 2015, January 2017, April 2017, and January 2018

Reviewed by: Mansfield University's Council of Trustees; Office of the Chancellor

Prepared by: James S. Dillon

Telephone: (717) 720-4100

**Request for Alternative Tuition Strategy
Mansfield University of Pennsylvania
2018-19 In-State and Out-of-State Undergraduate Tuition Proposal**

Overview of Current Rate Structure

Mansfield University has been operating two alternative pricing strategies that were originally approved as tuition pilots in 2014 and 2015. The current price structure includes a per-credit tuition rate with a four-year price guarantee for all in-state and out-of-state students. This pilot pricing, combined with the six out-of-state pricing tiers, results in seven new price points each year for new cohorts. Neither pricing strategy met the anticipated goals for enrollment and revenue; both have resulted in confusion and significant administrative challenges.

The university believes continuing these pricing models is harmful to the university and not in the best interest of students. However, to return to the previous pricing practices would result in an unsustainable reduction in revenue to the university. The university is working with a consultant to determine the most appropriate short- and long-term pricing strategies, based on the university's regional enrollment demographics and pricing sensitivity, and national best practices for net price.

Mansfield's Partnership

EAB Enrollment Services is working with Mansfield to create a more coherent and supportable pricing and discounting strategy. This partnership involves a detailed examination of Mansfield's yield and retention patterns, developing predictive algorithms, and working with the admissions and financial aid staff to ensure all recommendations adhere to institutional and state policies.

The problem is that managing over 30 different price points for undergraduates is internally challenging—for the billing office, the budget office, and financial aid, among others. It is also confusing to the students Mansfield wishes to enroll. While families understand the concept of one tuition price and different scholarship amounts, it is more difficult for an admissions officer to explain many different tuition rates for the same educational product, with fewer scholarships.¹

The analysis is being conducted in two phases, with limited short-term recommendations for undergraduate students entering Mansfield in fall 2018. Significant changes in pricing are not recommended for the new fall cohort, as this class has been recruited based on the existing price structure and it takes time to operationalize new pricing strategies and to communicate changes appropriately to prospective students, current students, alumni, faculty, and staff.

Pricing Recommendations

Given that prospective students will commit to the university this spring for fall 2018 enrollment and that financial aid packaging has already begun, Mansfield University is seeking approval to keep the 2018-19 cohort tuition rates at the same level as tuition rates charged to the 2017-18 cohort, for both in-state and out-of-state students. This will begin to address affordability and prevent additional tuition price points in an already challenging structure.

This transitional, short-term pricing strategy will be in place for 2018-19 only. In summer 2018, a long-term tuition pricing strategy will be presented for consideration for 2019-20 and beyond.

¹ EAB: Preliminary Recommendations 02/26/18 Mansfield University, page 3.

University Success Committee Meeting

March 21, 2018

SUBJECT: Collaborative Allocation of Resources—Bond Issue (ACTION)

UNIVERSITIES AFFECTED: All

BACKGROUND: In accordance with previous actions by the Board of Governors approving facilities projects and their financing, and based on requirements of the Internal Revenue Service, the Board must approve a resolution to authorize the issuance of bonds. The proposed bond issue will provide fixed-rate tax-exempt and taxable financing for the items listed below. The total bond issue is not expected to exceed project cash borrowing of \$217 million.

1. Acquisition of student housing at Shippensburg University of Pennsylvania from Shippensburg University Student Services, Inc. (SUSSI).
2. Construction of a mixed-use facility incorporating educational classroom, office, and laboratory space, as well as auxiliary dining and parking space at West Chester University of Pennsylvania.
3. Contingency and issuance costs.

In keeping with the State System's practice of minimizing expense and risk, the bond issue will be competitively bid. Since the System does not possess statutory bond authority, the bonds will be issued through the Pennsylvania Higher Educational Facilities Authority. The bonds will be a general obligation of the System. The attached *Pennsylvania's State System of Higher Education Taxable/Tax-Exempt Bond Issue History* outlines the System's bond issue financing history and plan for fiscal year 2018-19.

MOTION: That the Board of Governors adopt the attached resolution authorizing the issuance of bonds up to a maximum project cash of \$217 million.

Supporting Documents Included: Resolution; *Pennsylvania's State System of Higher Education Taxable/Tax-Exempt Bond Issue History*

Other Supporting Documents Available: N/A

Reviewed by: N/A

Prepared by: James S. Dillon

Telephone: (717) 720-4100

**Resolution Authorizing the Issuance of Bonds
by the Pennsylvania Higher Educational Facilities Authority**

WHEREAS, the State System of Higher Education of the Commonwealth of Pennsylvania (the "System") desires that the Pennsylvania Higher Educational Facilities Authority (the "Authority") issue its State System Revenue Bonds in one or more series of taxable or tax-exempt bonds (the "Bonds") to finance up to \$217 million of project cash to pay the costs of (1) acquisition of student housing at Shippensburg University of Pennsylvania from Shippensburg University Student Services, Inc.; (2) construction of a mixed-use facility incorporating classrooms, office, and laboratory space, as well as a new dining facility and parking garage at West Chester University of Pennsylvania; and (3) contingency and issuance costs (the "Projects"); and

WHEREAS, the Authority will lend the proceeds of the Bonds to the System to finance the costs of the Projects and pay the expenses incident to issuance of the Bonds; and

WHEREAS, the System may make expenditures relating to clauses (1) through (3) of the definition of the Projects contained above prior to issuance of the Bonds, and the System desires to preserve the ability to reimburse itself with proceeds of the Bonds for any amounts expended for the Projects; and

WHEREAS, the obligation of the System to repay the Bonds will be described in and evidenced by a Loan Agreement, as supplemented (the "Loan Agreement"), between the Authority, as lender, and the System, as borrower, pursuant to which the System will pledge the full faith and credit of the System as security for repayment of the obligation; and

WHEREAS, the Loan Agreement will be assigned by the Authority as security for the Bonds pursuant to a Trust Indenture, as supplemented (the "Indenture"), between the Authority and a trustee; and

WHEREAS, the Authority will, by public invitation, solicit and receive competitive bids from underwriters for the purchase of the Bonds, which bids will contain, among other terms, proposed interest rates on the Bonds.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Governors of the System (the "Board") hereby approve the issuance of the Bonds by the Authority, in an amount in project cash not to exceed \$217 million for the Bonds, the proceeds of which will be used to undertake the Projects and pay the costs of issuance of the Bonds; and be it

RESOLVED, that the Board hereby delegate to the chancellor or vice chancellor for administration and finance the power to accept bids for purchase of the Bonds from underwriters and to determine the principal amount of the Bonds to be issued by the Authority, but not in excess of the amount described above, the rates of interest, dates of maturity, provisions for optional or mandatory redemption, and other details, such approval to be evidenced by acceptance of the bid for purchase of the Bonds by the Authority and the System; and be it

RESOLVED, that the Board hereby authorize the pledging of the System's full faith and credit to repayment of the Bonds, as provided in the Loan Agreement, and hereby authorize and direct the chancellor or vice chancellor for administration and finance to execute, acknowledge, and deliver, and any Responsible Officer to attest such signature to a supplement to the Loan

Agreement in such form as the officers executing it may approve, such approval to be conclusively evidenced by execution thereof; and be it

RESOLVED, that any Responsible Officer is hereby authorized and empowered to approve the content of the Preliminary Official Statement and the Official Statement of the Authority relating to issuance of the Bonds as to information concerning the System and its affairs; and be it

RESOLVED, that any Responsible Officer is hereby authorized and directed to take such further action and to execute and deliver such other instruments and documents as may, in his or her judgment or upon advice of counsel, be necessary or advisable to effect issuance of the Bonds by the Authority, the intent of this Resolution, and the transactions contemplated.

Secretary to the Board

Chair of the Board

Date

Pennsylvania's State System of Higher Education
Taxable/Tax-Exempt Bond Issue History

April 2018

Current Debt Structure

Pennsylvania's State System of Higher Education

Bond Issues

The Series A bonds were issued July 23, 1985, for a par value of \$31.0 million to finance the Indiana University of Pennsylvania cogeneration plant. Scheduled amortization started in June 1988, and was to run through June 1994. Serial interest rates ranged from 6.50 percent to 8.20 percent.

The Series B bonds were issued June 25, 1986, for a par value of \$26.0 million to finance 47 capital projects System-wide. Scheduled amortization started in June 1987 and concluded in June 1994. Serial interest rates ranged from 4.60 percent to 7.10 percent. Series B bonds called for a debt service reserve fund of \$3.9 million to be used to pay the last principal and interest payment. This fund earned an interest rate higher than the cost of borrowing, resulting in realized investment income of \$1 million. Universities with projects that participated in the bond issue received a prorated share of the debt service reserve fund investment income. The Series B issue allowed refinancing of existing capital leases for a savings of \$1.2 million. Also, by financing capital projects, the universities could invest the operating capital in the Short-Term Investment Fund at an interest rate higher than the financing cost, providing investment income and flexibility.

The Series C bonds were issued July 29, 1987, for a par value of \$38.2 million to finance residence halls at Bloomsburg and Kutztown Universities of Pennsylvania and to refund the Series A bonds. Serial interest rates ranged from 4.40 percent to 7.60 percent.

The Series D bonds were issued July 28, 1990, for a par value of \$58.8 million to finance student unions at Clarion, Lock Haven, and Shippensburg Universities of Pennsylvania, and a residence hall at West Chester University of Pennsylvania. This bond issue also provided refinancing of State System internal loans for interest savings of \$1.3 million. The Series D bonds launched the Reimbursement Program, which provided \$17.7 million of capital financing. Serial interest rates ranged from 5.90 percent to 7.15 percent.

The Series E bonds were issued June 27, 1991, for a par value of \$54.8 million to finance student unions at Bloomsburg, California, Clarion, East Stroudsburg, Edinboro, Kutztown, Lock Haven, Millersville, and Shippensburg Universities of Pennsylvania, and a residence hall at West Chester University of Pennsylvania. This bond issue included \$12.3 million of capital reimbursement bonds. Serial interest rates ranged from 4.70 percent to 7.10 percent.

The Series F bonds were issued December 15, 1992, for a par value of \$35.2 million to finance student unions, energy conservation equipment, and the renovation of dining halls at various State System universities. This bond issue provided \$19 million of capital reimbursement bonds. Serial interest rates ranged from 2.70 percent to 6.15 percent.

The Series G bonds were issued December 15, 1992, for a par value of \$14.2 million to refund the Series C bonds maturing on and after September 1, 1996. This refunding issue provided present value savings of \$825,000 to Bloomsburg and Kutztown Universities of Pennsylvania for their student housing projects. Serial interest rates ranged from 2.70 percent to 6.15 percent.

The Series H bonds were issued May 18, 1993, for a par value of \$15.9 million to finance a computer purchase and energy conservation equipment at various State System universities. This bond issue provided \$13.6 million of capital reimbursement bonds. Serial interest rates ranged from 2.70 percent to 5.80 percent.

The Series I bonds were issued May 18, 1993, for a par value of \$61.4 million to refund the Series D bonds maturing on and after June 15, 1993. This refunding issue provided present value savings of \$2.4 million to various State System universities. Serial interest rates ranged from 2.70 percent to 5.80 percent.

The Series J bonds were issued March 16, 1994, for a par value of \$28.3 million to finance a recreation center, a fiber-optic network, a smokestack and engine retrofit, and student unions at various State System universities. This bond issue provided \$14.4 million of capital reimbursement bonds. Serial interest rates ranged from 3.35 percent to 5.75 percent.

The Series K bonds were issued March 16, 1994, for a par value of \$55.4 million to refund the Series E bonds maturing on and after June 15, 1994. This refunding issue provided present value savings of \$1.8 million to various State System universities. Serial interest rates ranged from 2.95 percent to 5.70 percent.

The Series L bonds were issued July 14, 1994, for a par value of \$45.9 million to finance a recreation center, computer equipment, student housing, and student unions at various State System universities. This bond issue provided \$26.8 million of capital reimbursement bonds. Serial interest rates ranged from 3.75 percent to 6.30 percent.

The Series M bonds were issued March 14, 1995, for a par value of \$35.4 million to finance instructional equipment purchased at Clarion University of Pennsylvania, energy conservation measures at two universities, and renovations to various residence halls and dining facilities at Indiana University of Pennsylvania. This bond issue provided \$29.3 million of capital reimbursement bonds. Serial interest rates ranged from 4.50 percent to 5.98 percent.

The Series N bonds were issued April 2, 1996, for a par value of \$44.5 million to finance construction of a recreation center at Mansfield University of Pennsylvania, renovation of a residence hall at Kutztown University of Pennsylvania and a dining hall at Indiana University of Pennsylvania, installation of a campus-wide fiber-optic network at California University of Pennsylvania, and installation of a PBX phone system at Millersville University of Pennsylvania. This bond issue provided \$30.5 million of capital reimbursement bonds. Serial interest rates ranged from 3.65 percent to 5.85 percent.

The Series O bonds were issued June 25, 1997, for a par value of \$46.7 million to finance construction of a recreation center and student housing at Slippery Rock University of Pennsylvania; road and site utilities development at Indiana University of Pennsylvania; various computer and telecommunication purchases at Clarion, Kutztown, and Millersville Universities of Pennsylvania; and a property acquisition at West Chester University of Pennsylvania. This bond issue provided \$17.7 million of capital reimbursement bonds. Serial interest rates ranged from 3.77 percent to 5.35 percent.

The Series P bonds were issued February 25, 1998, for a par value of \$72.9 million to refund a portion of the Series F bonds and a portion of the Series L bonds maturing on and after December 15, 2002, and June 15, 2004, respectively. This refunding issue provided present value savings of \$3.9 million to the State System. Serial interest rates ranged from 3.50 percent to 4.40 percent.

The Series Q bonds were issued June 30, 1998, for a par value of \$22.7 million to finance construction of a recreation center at Clarion University of Pennsylvania; a dining hall addition at Millersville University of Pennsylvania; a comprehensive electrical upgrade at Shippensburg

University of Pennsylvania; various computer and telecommunication purchases at Millersville, Indiana, and Shippensburg Universities of Pennsylvania; and facilities renovations and the acquisition of equipment and furnishings by various State System universities. Serial interest rates ranged from 3.82 percent to 5.05 percent.

The Series R bonds were issued June 17, 1999, for a par value of \$31.1 million to finance an addition to the student center at California University of Pennsylvania, renovation of and addition to the dining facilities at Kutztown University of Pennsylvania, renovation of a library to a student union at Mansfield University of Pennsylvania, purchase and installation of computer and telecommunications equipment at Shippensburg and Clarion Universities of Pennsylvania, purchase and installation of fiber-optic wiring at Clarion University of Pennsylvania, purchase of a building to be used by the Culinary School at Indiana University of Pennsylvania, and facilities renovations at various State System universities. Serial interest rates ranged from 3.40 percent to 5.24 percent.

The Series S bonds were issued June 21, 2000, for a par value of \$51.7 million to finance the design and construction of on-campus apartments at Bloomsburg University of Pennsylvania; design and construction of renovations and additions to the dining accommodations and student union facilities at Kutztown University of Pennsylvania; renovations of student union facilities at California University of Pennsylvania; design and renovation of academic facilities at System universities; purchase and installation of computer and telecommunications equipment at Bloomsburg, Edinboro, and Slippery Rock Universities of Pennsylvania; and purchase of lab equipment at Mansfield University of Pennsylvania. Serial interest rates ranged from 4.54 percent to 5.81 percent.

The Series T bonds were issued July 12, 2001, for a par value of \$69.6 million to finance the design and construction of recreation centers at East Stroudsburg and Lock Haven Universities of Pennsylvania; installation of a central chiller at Indiana University of Pennsylvania; renovation and maintenance of facilities at California University of Pennsylvania; construction of student housing at Bloomsburg University of Pennsylvania; technology initiatives at Clarion, Edinboro, and West Chester Universities of Pennsylvania; installation of residence hall sprinklers; design and renovation of academic facilities at System universities; and a shared administrative computer system. Serial interest rates ranged from 2.50 percent to 5.09 percent.

The Series U bonds were issued August 8, 2002, for a par value of \$14.4 million to finance the Academic Facilities Renovation Program; renovation and maintenance of facilities at Bloomsburg, California, Edinboro, and Mansfield Universities of Pennsylvania; expansion of the fire detection system at Indiana University of Pennsylvania; and design and renovation of a recreation center at East Stroudsburg University of Pennsylvania. Serial interest rates ranged from 1.61 percent to 4.92 percent.

The Series V bonds were issued August 8, 2002, for a par value of \$25.2 million to finance the acquisition and installation of residence hall sprinklers at all the universities and the continued implementation of the shared administrative computer system. This was the System's first variable rate issue, with terms of 20 years for the sprinklers and 7 years for the shared administrative computer system. Weekly resets of interest rates and monthly payments of interest were established for this issue.

The Series W bonds were issued October 15, 2002, for a par value of \$69.1 million to refund the Series H bonds, the Series J bonds, and the Series M bonds. This refunding issue provided present value savings of \$3.8 million to the State System. Serial interest rates ranged from 1.70 percent to 4.41 percent.

The Series X bonds were issued May 29, 2003, for a par value of \$80.9 million to refund the Series G bonds and the Series I bonds. The refunding issue provided a present value savings of \$6.2 million to the State System. The Series X bonds also issued new money for auxiliary facilities renovations and construction at Bloomsburg, California, Indiana, Kutztown, Mansfield, Millersville, and Shippensburg Universities of Pennsylvania; academic facilities renovation and general campus improvements at Bloomsburg and California Universities of Pennsylvania; installation of fire alarm systems at Indiana University of Pennsylvania; and property acquisitions at East Stroudsburg University of Pennsylvania. Serial interest rates ranged from 0.99 percent to 4.33 percent.

The Series Y bonds were issued June 19, 2003, for a par value of \$25.4 million to finance the acquisition and installation of residence hall sprinklers at all the universities and the continued implementation of the shared administrative computer system. This was the System's second variable rate issue, with terms of 20 years for the sprinklers and 7 years for the shared administrative computer system. Weekly resets of interest rates and monthly interest payments were established for this issue.

The Series Z bonds were issued March 17, 2004, for a par value of \$71.8 million to refund the Series K bonds and the Series N bonds. The refunding issue provided a present value savings of \$6.6 million to the State System. Serial interest rates ranged from 1.00 percent to 4.43 percent.

The Series AA bonds were issued July 8, 2004, for a par value of \$28.8 million to finance auxiliary facilities renovations and construction at Bloomsburg, California, Indiana, Kutztown, Mansfield, Millersville, and Shippensburg Universities of Pennsylvania; academic facilities renovations and general campus improvements at Bloomsburg, California, and Kutztown Universities of Pennsylvania; energy savings improvements at Shippensburg University of Pennsylvania; installation of fire alarm systems at Indiana University of Pennsylvania; and property acquisitions at East Stroudsburg University of Pennsylvania. Serial interest rates ranged from 1.66 percent to 5.00 percent.

The Series AB bonds were issued July 8, 2004, for a par value of \$21.0 million to finance the acquisition and installation of residence hall sprinklers at all the universities and the continued implementation of the shared administrative computer system. This was the System's third variable rate issue, with terms of 20 years for the sprinklers and 7 years for the shared administrative computer system. Weekly resets of interest rates and monthly interest payments were established for this issue.

The Series AC bonds were issued July 7, 2005, for a par value of \$52.7 million to finance auxiliary facilities renovations and construction at Bloomsburg, Cheyney, Edinboro, Indiana, Kutztown, Millersville, and Shippensburg Universities of Pennsylvania; academic facilities renovations and general campus improvements at California, Cheyney, Indiana, Kutztown, Shippensburg, and Slippery Rock Universities of Pennsylvania; network equipment upgrade at Clarion University of Pennsylvania; continued installation of fire alarm systems at Indiana University of Pennsylvania; and property acquisitions at East Stroudsburg University of Pennsylvania. Serial interest rates ranged from 2.66 percent to 4.50 percent.

The Series AD bonds were issued July 7, 2005, for a par value of \$7.3 million to finance the acquisition and installation of residence hall sprinklers at all the universities. This was the System's fourth variable rate issue, with a term of 20 years for the sprinklers. Weekly resets of interest rates and monthly interest payments were established for this issue.

The Series AE bonds were issued July 6, 2006, for a par value of \$103.3 million to finance auxiliary facilities renovations and construction at Bloomsburg, Cheyney, East Stroudsburg, Edinboro, Kutztown, Lock Haven, Millersville, and Shippensburg Universities of Pennsylvania; academic facilities renovations and general campus improvements at East Stroudsburg, Kutztown, and Millersville Universities of Pennsylvania; and energy savings improvements at Edinboro and West Chester Universities of Pennsylvania. Serial interest rates ranged from 3.70 percent to 4.82 percent.

The Series AF bonds were issued July 10, 2007, for a par value of \$68.2 million to finance auxiliary facilities renovations and construction at California, Clarion, East Stroudsburg, Kutztown, Shippensburg, and West Chester Universities of Pennsylvania; Academic Facilities Renovation Program and other academic facilities at East Stroudsburg, Indiana, and Kutztown Universities of Pennsylvania; and energy savings improvements at East Stroudsburg and West Chester Universities of Pennsylvania. Serial interest rates ranged from 3.80 percent to 4.60 percent.

The Series AG bonds were issued March 27, 2008, for a par value of \$101.3 million to refund the Series O bonds, the Series P bonds, and the Series Q bonds. The refunding issue provided a present value savings of \$6.9 million to the State System. Serial interest rates range from 2.10 percent to 4.70 percent.

The Series AH bonds were issued July 17, 2008, for a par value of \$140.8 million to finance auxiliary facilities renovations and construction at Bloomsburg, California, Kutztown, Millersville, Shippensburg, Slippery Rock, and West Chester Universities of Pennsylvania; academic facilities at California, East Stroudsburg, Kutztown, and Millersville Universities of Pennsylvania; and energy savings improvements at Bloomsburg, Cheyney, Lock Haven, Mansfield, Millersville, and Slippery Rock Universities of Pennsylvania. Serial interest rates range from 1.75 percent to 4.77 percent.

The Series AI bonds were issued August 7, 2008, for a par value of \$32.1 million to refund the System's variable rate bonds: the Series V bonds, the Series Y bonds, the Series AB bonds, and the Series AD bonds. Serial interest rates range from 2.00 percent to 4.66 percent.

The Series AJ bonds were issued July 9, 2009, for a par value of \$124.0 million to finance auxiliary facilities renovations and construction at Bloomsburg, California, Kutztown, Millersville, Shippensburg, Slippery Rock, and West Chester Universities of Pennsylvania; academic facilities at California, East Stroudsburg, Kutztown, and Millersville Universities of Pennsylvania; and energy savings improvements at Bloomsburg, Cheyney, Lock Haven, Mansfield, Millersville, and Slippery Rock Universities of Pennsylvania. Serial interest rates range from 0.49 percent to 5.17 percent.

The Series AK bonds were issued September 3, 2009, for a par value of \$47.3 million to refund the Series R bonds and the Series S bonds. The refunding issue provided a present value savings of \$4.8 million to the State System. Serial interest rates range from 0.70 percent to 4.00 percent.

The Series AL bonds were issued July 8, 2010, for a par value of \$135.4 million to finance auxiliary facilities renovation and construction at Bloomsburg, Mansfield, Millersville, Shippensburg, Slippery Rock, and West Chester Universities of Pennsylvania; academic facilities renovation and construction at California, East Stroudsburg, Edinboro, Indiana, Kutztown, Millersville, and Shippensburg Universities of Pennsylvania; and student information

systems purchase and implementation at California, Clarion, East Stroudsburg, Shippensburg, and Slippery Rock Universities of Pennsylvania. Serial interest rates range from 0.40 percent to 4.50 percent.

The Series AM bonds were issued July 12, 2011, for a par value of \$119.1 million to finance auxiliary facilities renovation and construction at Bloomsburg, Indiana, Lock Haven, Millersville, Shippensburg, Slippery Rock, and West Chester Universities of Pennsylvania; academic facilities renovation and construction at California, East Stroudsburg, and Millersville Universities of Pennsylvania; and student information systems purchase and implementation at East Stroudsburg University of Pennsylvania. Serial interest rates range from 0.27 percent to 4.64 percent.

The Series AN bonds were issued March 20, 2012, for a par value of \$76.8 million to refund the Series U bonds, the Series W bonds, and the Series X bonds. The refunding issue provided a present value savings of \$13.8 million to the State System. Serial interest rates range from 0.25 percent to 2.22 percent.

The Series AO bonds were issued July 8, 2013, for a par value of \$30.9 million to finance (taxable) auxiliary facilities renovation and construction at Indiana University of Pennsylvania, and (tax-exempt) academic facilities renovation and construction at California and Mansfield Universities of Pennsylvania. Taxable serial interest rates range from 0.80 percent to 5.20 percent, and tax-exempt serial interest rates range from 0.28 percent to 4.66 percent.

The Series AP bonds were issued May 7, 2014, for a par value of \$46.1 million to refund the Series Z bonds and the Series AA bonds. The refunding provided a present value savings of \$5.8 million to the State System. Serial interest rates range from 0.30 percent to 2.65 percent.

The Series AQ bonds were issued on May 7, 2015, for a par value of \$95.0 million to current refund the Series AC bonds and advance refund the Series AE bonds. The refunding provided a present value savings of \$9.1 million to the State System. Serial interest rates range from 0.45 percent to 3.84 percent.

The Series AR bonds were issued September 10, 2015, for a par value of \$102.4 million to finance auxiliary facilities renovation and construction at Bloomsburg, California, and Millersville Universities of Pennsylvania; upgrade of a steam plant at Bloomsburg University of Pennsylvania; and the purchase by California University of Pennsylvania of on-campus student housing from Student Association, Incorporated.

The Series AS bonds were issued June 7, 2016, for a par value of \$47.3 million to advance refund the Series AF bonds. The refunding provided a present value savings of \$7.5 million to the State System. Serial interest rates range from 0.70 percent to 3.22 percent.

The Series AT bonds were issued September 7, 2016, for a par value of \$298.1 million to finance (taxable) auxiliary facilities renovation and construction at Indiana University of Pennsylvania, and (tax-exempt) renovation of an academic facility at Slippery Rock University of Pennsylvania, upgrade of information technology infrastructure at Slippery Rock University of Pennsylvania, upgrade of the steam plant at Bloomsburg University of Pennsylvania, construction of student housing facilities at Bloomsburg University of Pennsylvania, acquisition of student housing at Lock Haven University of Pennsylvania from Lock Haven University Foundation, acquisition of student housing at Edinboro University of Pennsylvania from Edinboro University Foundation, and acquisition of student housing at Mansfield University of Pennsylvania from Mansfield Auxiliary Corporation.

The Series AU bonds were issued September 14, 2017, for a total par value of \$128.3 million to finance the renovation of academic and athletic facilities at Indiana University of Pennsylvania, renovation of academic facilities at Slippery Rock University of Pennsylvania, construction of a guaranteed energy savings act (“GESA”) project at Slippery Rock University of Pennsylvania, and construction of a parking structure at West Chester University of Pennsylvania. Also included were funds to advance refund most of the Series AH bonds (\$91.6 million) using both tax-exempt and taxable bonds. The refunding provided a present value savings of \$10.8 million and \$1.2 million to the State System, respectively. Serial interest rates range from 0.95 percent to 3.32 percent for the tax-exempt portion and 1.48 percent to 2.92 percent for the taxable portion.

Of the original \$2.9 billion principal amount issued, through principal repayment and refunding of bond issues, approximately \$1.1 billion is outstanding as of March 1, 2018.

Pennsylvania's State System of Higher Education Bond Issue History

Issue	True Interest Cost	Originally Issued	Original BP Issue	Principal Paid Through 3/1/18	Balance Remaining on State System Books 3/1/18
Series A	7.99%	July 23, 1985	\$31,000,000	\$31,000,000	\$0
Series B	6.67%	June 25, 1986	25,990,000	25,990,000	0
Series C	6.78%	July 29, 1987	38,240,000	38,240,000	0
Series D	7.19%	July 28, 1990	58,800,000	58,800,000	0
Series E	6.93%	June 27, 1991	54,845,000	54,845,000	0
Series F	5.97%	December 15, 1992	35,210,000	35,210,000	0
Series G	5.97%	December 15, 1992	14,170,000	14,170,000	0
Series H	5.54%	May 18, 1993	15,940,000	15,940,000	0
Series I	5.54%	May 18, 1993	61,425,000	61,425,000	0
Series J	5.49%	March 16, 1994	28,285,000	28,285,000	0
Series K	5.49%	March 16, 1994	55,430,000	55,430,000	0
Series L	6.20%	July 14, 1994	45,855,000	45,855,000	0
Series M	5.93%	March 14, 1995	35,395,000	35,395,000	0
Series N	5.86%	April 2, 1996	44,455,000	44,455,000	0
Series O	5.37%	June 25, 1997	46,745,000	46,745,000	0
Series P	4.97%	February 25, 1998	72,880,000	72,880,000	0
Series Q	4.76%	June 30, 1998	22,675,000	22,675,000	0
Series R	5.01%	June 17, 1999	31,050,000	31,050,000	0
Series S	5.49%	June 21, 2000	51,720,000	51,720,000	0
Series T	4.66%	July 12, 2001	69,555,000	69,555,000	0
Series U	4.30%	August 8, 2002	14,400,000	14,400,000	0
Series V	Variable	August 8, 2002	25,200,000	25,200,000	0
Series W	4.31%	October 15, 2002	69,105,000	69,105,000	0
Series X	3.32%	May 29, 2003	80,910,000	80,910,000	0
Series Y	Variable	June 19, 2003	25,350,000	25,350,000	0
Series Z	3.88%	March 17, 2004	71,760,000	71,760,000	0
Series AA	4.45%	July 8, 2004	28,750,000	28,750,000	0
Series AB	Variable	July 8, 2004	20,970,000	20,970,000	0
Series AC	4.14%	July 7, 2005	52,650,000	52,650,000	0
Series AD	Variable	July 7, 2005	7,310,000	7,310,000	0
Series AE	4.57%	July 6, 2006	103,290,000	103,290,000	0
Series AF	4.66%	July 10, 2007	68,230,000	68,230,000	0
Series AG	3.97%	March 27, 2008	101,335,000	65,265,000	36,070,000
Series AH	4.43%	July 17, 2008	140,760,000	132,110,000	8,650,000
Series AI	4.13%	August 7, 2008	32,115,000	16,135,000	15,980,000
Series AJ	4.37%	July 9, 2009	123,985,000	34,465,000	89,520,000
Series AK	3.15%	September 3, 2009	47,310,000	26,855,000	20,455,000
Series AL	3.72%	July 8, 2010	135,410,000	68,990,000	66,420,000
Series AM	4.00%	July 12, 2011	119,085,000	24,190,000	94,895,000
Series AN	1.54%	March 20, 2012	76,810,000	23,110,000	53,700,000
Series AO-1 (Tax-Exempt)	4.20%	July 8, 2013	12,340,000	1,435,000	10,905,000
Series AO-2 (Taxable)	4.73%	July 8, 2013	18,575,000	2,705,000	15,870,000
Series AP	2.34%	May 7, 2014	46,110,000	6,825,000	39,285,000
Series AQ	2.88%	May 7, 2015	94,975,000	8,565,000	86,410,000
Series AR	3.71%	September 10, 2015	102,365,000	4,295,000	98,070,000
Series AS	2.63%	June 7, 2016	47,280,000	850,000	46,430,000
Series AT (Tax-Exempt)	3.00%	September 7, 2016	279,050,000	4,300,000	274,750,000
Series AT (Taxable)	3.03%	September 7, 2016	19,060,000	600,000	18,460,000
Series AU (New Money)	2.86%	September 14, 2017	36,625,000	0	36,625,000
Series AU (Tax-Exempt)	2.58%	September 14, 2017	76,490,000	0	76,490,000
Series AU (Taxable)	2.62%	September 14, 2017	15,145,000	0	15,145,000
			\$2,932,415,000	\$1,828,285,000	\$1,104,130,000

**State System of Higher Education
Proposed 2018 Bond Issue Summary
Proposed Series AV**

Tax-Exempt Bond Issue

Project	Type	Term (Years)	BOG Approved	Amount
West Chester (The Commons-E&G)	E&G	25	January 2017	\$48,000,000
West Chester (The Commons-Parking)	Auxiliary	25	January 2017	6,000,000
West Chester (The Commons-Dining)	Auxiliary	25	January 2017	14,527,000
Contingency and Issuance Costs at 1.50%				<u>1,027,905</u>
Total Tax-Exempt Debt Issue				<u><u>\$69,554,905</u></u>

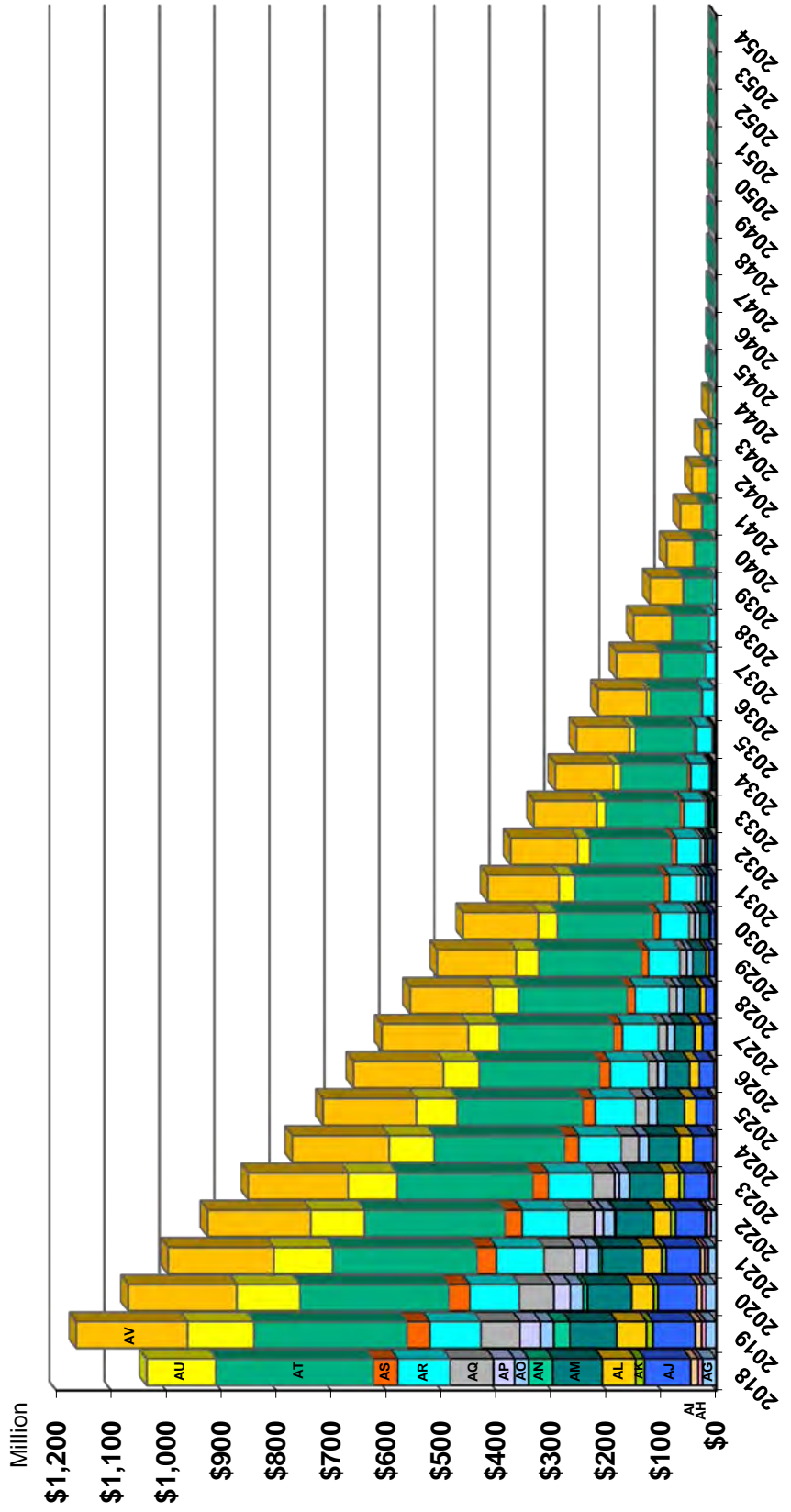
Taxable Bond Issue

Project	Type	Term (Years)	BOG Approved	Amount
Shippensburg Student Housing Acquisition	Auxiliary	27	April 2018	\$145,059,163
Contingency and Issuance Costs at 1.50%				<u>2,175,887</u>
Total Taxable Debt Issue				<u><u>\$147,235,050</u></u>
Total Bond Issue				\$216,789,955

System Debt Outstanding by Bond Issue

Fiscal Years Ending 2018–2054

Including Proposed Series AV



Bond Series Indicated by Letter

University Success Committee Meeting

March 21, 2018

SUBJECT: Collaborative Allocation of Resources—Authorization to Issue Refunding Bonds (ACTION)

UNIVERSITIES AFFECTED: All

BACKGROUND: In the current interest rate environment, opportunities arise to refund all or part of certain State System bond issues. The window of opportunity often opens and closes in a matter of days, and missing the window could cost the System millions of dollars in lost debt service savings. The Treasury staff monitors these market conditions and alerts the Board of Governors when the environment may provide debt service savings. The Internal Revenue Service requires the governing board to pass a resolution authorizing issuance of bonds. It is prudent management for the Board to authorize the chancellor to direct issuance of bonds only when market conditions provide significant savings. It is common for this type of resolution to contain minimum savings limits and an expiration date so control of the bond issuance process is maintained. This Board action will authorize the Office of the Chancellor to issue refunding bonds during fiscal year 2018-19 based upon market conditions to maximize present value savings, provided that the net present value savings equal or exceed 4 percent, and will establish an expiration date for this authorization of June 30, 2019.

In keeping with the State System's practice of minimizing expense and risk, the bond issue will be competitively bid. Since the System does not possess statutory bonding authority, the bonds will be issued through the Pennsylvania Higher Educational Facilities Authority. The bonds will be a general obligation of the System.

MOTION: That the Board of Governors adopt the attached resolution to authorize future issuance of refunding bonds when market conditions permit and after the vice chancellor for administration and finance consults with the chair of the University Success Committee.

Supporting Documents Included: Resolution Authorizing Issuance of Refunding Bonds by the Pennsylvania Higher Education Facilities Authority

Other Supporting Documents Available: N/A

Reviewed by: N/A

Prepared by: James S. Dillon

Telephone: (717) 720-4100

**Resolution Authorizing Issuance of Refunding Bonds
by the Pennsylvania Higher Educational Facilities Authority**

WHEREAS, the State System of Higher Education of the Commonwealth of Pennsylvania (the "System") desires that the Pennsylvania Higher Educational Facilities Authority (the "Authority") undertake a project (the "Project") consisting of the issuance of bonds (the "Refunding Bonds") to refund all or a portion of various series of bonds issued by the Authority on behalf of the System (the "Prior Bonds"); and

WHEREAS, the Board of Governors of the System (the "Board") has determined that it is desirable to authorize the chancellor to proceed with the issuance of the Refunding Bonds when market conditions permit, as long as the net present value savings on the Refunding Bonds equal or exceed 4 percent, and that this authorization will expire June 30, 2019; and

WHEREAS, the Authority will lend the proceeds of the Refunding Bonds to the System to finance the costs of the Project and to pay expenses incidental to issuance of the Refunding Bonds; and

WHEREAS, the obligation of the System to repay the Refunding Bonds will be described in and evidenced by a Loan Agreement, as supplemented (the "Loan Agreement"), between the Authority, as lender, and the System, as borrower, pursuant to which the System will pledge the full faith and credit of the System as security for repayment of the obligation; and

WHEREAS, the Loan Agreement will be assigned by the Authority as security for the Refunding Bonds pursuant to a Trust Indenture, as supplemented (the "Indenture"), between the Authority and the accepted trustee; and

WHEREAS, the Authority will, by public invitation, solicit and receive competitive bids from underwriters for the purchase of the Refunding Bonds, which bids will contain, among other terms, proposed interest rates on the Refunding Bonds.

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby authorize the chancellor to proceed with issuance of the Refunding Bonds by the Authority when market conditions permit, provided that the net present value savings on the Refunding Bonds equal or exceed 4 percent, and that this authorization will expire June 30, 2019; and be it

RESOLVED, that the Board hereby delegate to the chancellor or vice chancellor for administration and finance the power to accept bids for purchase of the Refunding Bonds from underwriters and to determine the principal amount of the Refunding Bonds to be issued by the Authority, the rates of interest, dates of maturity, provisions for optional or mandatory redemption, and other details, such approval to be evidenced by acceptance of the bid for purchase of the Refunding Bonds by the Authority and the System; and be it

RESOLVED, that the Board hereby authorize pledging the System's full faith and credit to repayment of the Refunding Bonds, as provided in the Loan Agreement, and hereby authorize and direct the chancellor or vice chancellor for administration and finance to execute, acknowledge, and deliver, and any Responsible Officer, as defined in the Indenture, to attest such signature to a supplement to the Loan Agreement in such form as the officers executing it may approve, such approval to be conclusively evidenced by execution thereof; and be it

RESOLVED, that any Responsible Officer is hereby authorized and empowered to approve the content of the Preliminary Official Statement and the Official Statement of the Authority relating to issuance of the Refunding Bonds as to information concerning the System and its affairs; and be it

RESOLVED, that any Responsible Officer is hereby authorized and directed to take such further action and to execute and deliver such other instruments and documents as may, in his or her judgment or upon advice of counsel, be necessary or advisable to effect issuance of the Refunding Bonds by the Authority, the intent of this Resolution, and the transactions contemplated.

Secretary to the Board

Chair of the Board

Date