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CLARION UNIVERSITY



# Board of Governors Meeting Overview

**October 16-17, 2019**  
McFarland Student Union Building  
274 College Boulevard  
Kutztown, PA 19530

## Wednesday, October 16, 2019

### **1:30 p.m. Board of Governors Convenes**

- 1. Roll Call**
- 2. Pledge of Allegiance**
- 3. Public Comment**
- 4. Approval of Consent Agenda**
  - a. Minutes from July 10, 2019, and July 11, 2019, meetings.  
(Sent separately) (ACTION)
  - b. Updated Committee Assignments (ACTION) (Page 3)
  - c. State System Foundation Recertification (ACTION) (Page 4)
  - d. Meeting calendar (ACTION) (Page 8)
- 5. Overview from Chair and Chancellor**
- 6. University Success Committee**
  - a. Policy Changes to Support University Success
    - i. Proposed: Board of Governors Policy 2019-01: *University Financial Sustainability* (ACTION) (Page 12)
    - ii. Revision: Board of Governors Policy 1986-02-A: *Investment* (ACTION) (Page 16)
    - iii. Revision: Board of Governors Policy 1996-03-A: *Defining Auxiliary Enterprises and Associated Cost Allocation* (ACTION) (Page 27)
  - b. Building a Sharing System (INFORMATION/ACTION) (Page 30)
  - c. Fiscal Year 2020/21 Appropriations Request
    - i. FY 2020/21 Educational and General Appropriation Request (ACTION) (Page 31)

- ii. FY 2020/21 System Redesign Investment Request (ACTION) (Page 43)
- d. Fiscal Year 2019/20 Capital Spending Plan and Capital Budget Authorization Request (ACTION) (Page 44)

**7. Board Consideration of Committee Items (ACTION)**

**Thursday, October 17, 2019**

**9:00 a.m. Board of Governors reconvenes**

**8. Welcome from the Chair**

**9. Host Campus Presentation**

**10. Student Success Committee**

- a. System Redesign Update (Page 47)
- b. Meeting the Commonwealth's Workforce Needs (Page 48)
- c. System Academic Master Planning to Foster Student Success (Page 49)
  - i. Overview
  - ii. Breakout sessions
  - iii. Group reports
- d. Suspension: Board of Governors Policy 1986-04-A: *Program Review* (ACTION) (Page 50)

**11. Governance and Leadership Committee**

- a. Commission on Faculty Shared Governance Update (Page 54)
- b. Revision: Board of Governors Bylaws (ACTION) (Page 55)
- c. Proposed – Board of Governors Policy 2019-02: *Guidance on Campus Police Authority to Effect Arrests* (ACTION) (Page 61)

**12. Board Consideration of Committee Actions (ACTION)**

**13. New Business**

**14. Adjournment**



## Board of Governors Standing Committee Assignments

### **Student Success**

**CHAIR** – David M. Maser  
**VICE CHAIR** – Marian D. Moskowitz  
 Aven O. Bittinger (student at Shippensburg)  
 Representative Timothy P. Briggs  
 Audrey F. Bronson  
 Secretary of Education Pedro A. Rivera  
 Cynthia D. Shapira (ex officio)  
 President Laurie A. Carter (nonvoting president liaison)

### **Audit and Compliance**

**CHAIR** – Samuel H. Smith  
 Senator Judith L. Schwank  
 Cynthia D. Shapira (ex officio)  
 President Christopher M. Fiorentino  
 (nonvoting president liaison)

### **University Success**

**CHAIR** – Thomas S. Muller  
**VICE CHAIR** – Neil R. Weaver  
 Nicole L. Dunlop (student at Slippery Rock)  
 Representative Brad Roae  
 Secretary Meg C. Snead  
 Janet L. Yeomans  
 Cynthia D. Shapira (ex officio)  
 President Marcia G. Welsh (nonvoting president liaison)

### **Governance and Leadership**

**CHAIR** – Donald E. Houser, Jr.  
**VICE CHAIR** – TBD  
 Alexander H. Fefolt (student at IUPUI)  
 Samuel H. Smith  
 Senator Judith L. Schwank  
 David M. Maser  
 Senator Scott Martin  
 Cynthia D. Shapira (ex officio)  
 President Bashar W. Hanna (nonvoting president liaison)

**Executive** - Defined by the Board's bylaws as the officers and chairs of each standing committee

Cynthia D. Shapira – **Board Chair**  
 David M. Maser – **Board Vice Chair; Chair of the Student Success Committee**  
 Samuel H. Smith – **Board Vice Chair; Chair of the Audit and Compliance Committee**  
 Thomas S. Muller – **Chair of the University Success Committee**  
 Donald E. Houser, Jr. – **Chair of the Governance and Leadership Committee**

Updated: October 16, 2019

**CONSENT AGENDA ITEM****Board of Governors Meeting**

October 16, 2019

**SUBJECT: State System Foundation Recertification (ACTION-CONSENT AGENDA)**

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***NOTE: Prior to approval of the consent agenda, any Board member may request an item be removed from the consent agenda and be considered separately.***

**UNIVERSITIES AFFECTED:** This resolution certifies that the State System Foundation is in compliance with Board [Policy 1985-05, State System of Higher Education External Financial Support](#).

**WHEREAS**, Board of Governors Policy 1985-05, State System of Higher Education External Financial Support, permits the Office of the Chancellor to establish relationships with private organizations that exist solely for the benefit of the State System;

**WHEREAS**, the Office of the Chancellor has established such a relationship with Pennsylvania's State System of Higher Education Foundation, and a memorandum of understanding exists between the parties;

**WHEREAS**, a statement for Fiscal Year 2018-2019 has been provided summarizing the direct support and contributions provided by Pennsylvania's State System of Higher Education Foundation to the Office of the Chancellor;

**WHEREAS**, the Board of Governors certifies that, to the best of its knowledge, information, and belief, the Pennsylvania's State System of Higher Education Foundation is in compliance with Board of Governors Policy 1985-05, in that it exists solely for the benefit of the State System and the expectations of the relationship between the Office of the Chancellor and Pennsylvania's State System of Higher Education Foundation are recorded in a memorandum of understanding;

**NOW, THEREFORE, BE IT RESOLVED**, that this resolution is approved by action of the Board of Governors during the quarterly meeting held October 16, 2019, in Kutztown, Pennsylvania.

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**Supporting Documents Included:** State System Foundation Fiscal Year 2018-2019

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

**Reviewed by:** Legal Counsel

**Prepared by:** Randy Goin Jr.

**Telephone:** (717) 720-4010

**Pennsylvania's State System of Higher Education Foundation**  
 Pennsylvania's State System of Higher Education  
 Annual Reporting Template for Component Units

Statement of Financial Position	June 30, 2019	<i>As restated</i> June 30, 2018
<b>Assets</b>		
Cash and cash equivalents	\$848,929	\$938,134
Accounts and interest receivable	0	0
Contributions/pledges receivable	0	0
Due from university	0	0
Inventories and prepaid expenses	0	0
Restricted cash and cash equivalents	0	0
Short-term investments	0	0
Long-term investments	2,959,665	2,940,412
Land, buildings, and equipment, net	0	0
Other assets	0	0
Total Assets	<u>\$3,808,594</u>	<u>\$3,878,546</u>
<b>Liabilities</b>		
Accounts and interest payable	\$0	\$0
Deferred revenue	0	0
Annuity liabilities	0	0
Due to university	0	0
Deposits payable	0	0
Interest rate swap agreements	0	0
Capitalized leases	0	0
Bonds and notes payable	0	0
Other liabilities	0	0
Total Liabilities	<u>0</u>	<u>0</u>
<b>Net Assets</b>		
Without donor restrictions	2,780,017	2,770,797
With donor restrictions	1,028,577	1,107,749
Total Net Assets	<u>3,808,594</u>	<u>3,878,546</u>
Total Liabilities and Net assets	<u>\$3,808,594</u>	<u>\$3,878,546</u>

<b>Edit Check:</b> <i>Assets must = liabilities + net assets.</i>		
Assets	3,808,594	3,878,546
Liabilities + Net Assets	3,808,594	3,878,546
Difference	<u>0</u>	<u>0</u>
	<b>ok</b>	<b>ok</b>

**Pennsylvania's State System of Higher Education Foundation**

Pennsylvania's State System of Higher Education

Annual Reporting Template for Component Units

**\*DRAFT\***

Statement of Activities	FY 2018/19	<i>As restated</i> FY 2017/18
<b>Changes in net assets without donor restrictions:</b>		
Revenues and Gains		
Contributions	\$367,740	\$351,722
Sales & services	9,100	16,300
Student Fees	0	0
Grants and contracts	93,388	0
Rental income	0	0
Investment return, net	74,257	109,535
Other revenues and gains	0	0
Net assets released from restrictions	765,970	372,899
<b>Total Revenues and Gains</b>	<b>1,310,455</b>	<b>850,456</b>
Expenses and Losses		
Program Services:		
Scholarships and grants	494,617	444,315
Student activities and programs	629,015	135,447
University stores	0	0
Housing	0	0
Other programs	0	0
Management and general	93,620	121,695
Fundraising	83,983	77,613
<b>Total Expenses</b>	<b>1,301,235</b>	<b>779,070</b>
Investment return, net	0	0
Other losses	0	0
<b>Total Expenses and Losses</b>	<b>1,301,235</b>	<b>779,070</b>
<b>Change in net assets without donor restrictions</b>	<b>9,220</b>	<b>71,386</b>
<b>Changes in net assets with donor restrictions:</b>		
Contributions	684,514	514,952
Investment return, net	2,284	2,175
Other revenue and gains	0	0
Other expenses and losses	0	0
Net assets released from restrictions	(765,970)	(372,899)
<b>Change in net assets with donor restrictions</b>	<b>(79,172)</b>	<b>144,228</b>
<b>Change in Total Net Assets</b>	<b>(69,952)</b>	<b>215,614</b>
Net assets at beginning of year	3,878,546	3,662,932
Net assets at end of year	<b>\$3,808,594</b>	<b>\$3,878,546</b>

**Edit Check:** Net Assets on the Statement of Activities must = Net Assets on the Balance Sheet.

Net Assets per Statement of Activities	3,808,594	3,878,546
Net Assets per Balance Sheet	3,808,594	3,878,546
Difference	0	0
	<b>ok</b>	<b>ok</b>

**Pennsylvania's State System of Higher Education Foundation**  
 Pennsylvania's State System of Higher Education  
 Annual Reporting Template for Component Units

**\*DRAFT\***

**\*DRAFT\***

**\*DRAFT\***

<b>Natural Expense by Function</b>										
<b>FY 2018/19</b>	<b>Program Activities</b>						<b>Supporting Activities</b>			
Natural Expense	Scholarships and grants	Student activities and programs	University stores	Housing	Other programs	Total Programs	Management and general	Fundraising	Total Supporting	Total Expenses
Salaries and benefits	\$36,507	\$13,894	\$0	\$0	\$0	\$50,401	\$57,324	\$66,000	\$123,324	\$173,725
Gifts and grants	454,414	578,798	0	0	0	1,033,212	0	0	0	1,033,212
Supplies and travel	2,915	3,014	0	0	0	5,929	7,289	5,828	13,117	19,046
Services and professional fees	507	67	0	0	0	574	26,373	372	26,745	27,319
Office and occupancy	274	33,242	0	0	0	33,516	2,634	11,783	14,417	47,933
Depreciation	0	0	0	0	0	0	0	0	0	0
Interest	0	0	0	0	0	0	0	0	0	0
<b>Total Expenses</b>	<b>\$494,617</b>	<b>\$629,015</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,123,632</b>	<b>\$93,620</b>	<b>\$83,983</b>	<b>\$177,603</b>	<b>\$1,301,235</b>
<i>Difference from Stmt. of Activ.</i>	0	0	0	0	0	0	0	0	0	0
<i>Edit Check: Row 17 must = 0</i>	ok	ok	ok	ok	ok	ok	ok	ok	ok	ok

<b>Natural Expense by Function</b>										
<b>FY 2017/18</b>	<b>Program Activities</b>						<b>Supporting Activities</b>			
Natural Expense	Scholarships and grants	Student activities and programs	University stores	Housing	Other programs	Total Programs	Management and general	Fundraising	Total Supporting	Total Expenses
Salaries and benefits	\$31,380	\$19,020	\$0	\$0	\$0	\$50,400	\$56,857	\$65,282	\$122,139	\$172,539
Gifts and grants	408,986	108,135	0	0	0	517,121	0	0	0	517,121
Supplies and travel	3,332	3,431	0	0	0	6,763	7,539	7,163	14,702	21,465
Services and professional fees	380	159	0	0	0	539	54,774	349	55,123	55,662
Office and occupancy	237	4,702	0	0	0	4,939	2,525	4,819	7,344	12,283
Depreciation	0	0	0	0	0	0	0	0	0	0
Interest	0	0	0	0	0	0	0	0	0	0
<b>Total Expenses</b>	<b>\$444,315</b>	<b>\$135,447</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$579,762</b>	<b>\$121,695</b>	<b>\$77,613</b>	<b>\$199,308</b>	<b>\$779,070</b>
<i>Difference from Stmt. of Activ.</i>	0	0	0	0	0	0	0	0	0	0
<i>Edit Check: Row 32 must = 0</i>	ok	ok	ok	ok	ok	ok	ok	ok	ok	ok



***Board of Governors 2019-2022 Meeting Calendar***

<b>January – December 2019</b>			
<b>DATE</b>	<b>DAY</b>	<b>BOARD MEETINGS AND CONFERENCE CALLS</b>	<b>TIME</b>
January 16 January 17	Wednesday Thursday	Board Meeting Board Meeting	1:30 p.m. 9:00 a.m.
March 26	Tuesday	Audit Committee Meeting	3:00 p.m.
April 3 April 4	Wednesday Thursday	Board Meeting Board Meeting	1:30 p.m. 9:00 a.m.
July 10 July 11	Wednesday Thursday	Board Meeting Board Meeting	1:30 p.m. 9:00 a.m.
August 15	Thursday	Board Update Conference Call (Board members only)	8:30 a.m.
September 11 September 12	Wednesday Thursday	Board Retreat Board Retreat (Board members only)	TBD TBD
October 16 October 17	Wednesday Thursday	Board Meeting (Kutztown) Board Meeting (Kutztown)	12:00 Noon 9:00 a.m.
December 12	Thursday	Board Update Conference Call (Board members only)	8:30 a.m.





## Board of Governors 2019-2022 Meeting Calendar

January – December 2020			
DATE	DAY	BOARD MEETINGS AND CONFERENCE CALLS	TIME
January 15 January 16	Wednesday Thursday	Board Meeting Board Meeting	12:00 Noon 9:00 a.m.
<del>January 22</del> <del>January 23</del>	<del>Wednesday</del> <del>Thursday</del>	<del>Board Meeting</del> <del>Board Meeting</del>	<del>12:00 Noon</del> <del>9:00 a.m.</del>
April 1 April 2	Wednesday Thursday	Board Meeting Board Meeting	12:00 Noon 9:00 a.m.
<del>April 8</del> <del>April 9</del>	<del>Wednesday</del> <del>Thursday</del>	<del>Board Meeting</del> <del>Board Meeting</del>	<del>1:30 p.m.</del> <del>9:00 a.m.</del>
July 15 July 16	Wednesday Thursday	Board Meeting Board Meeting	12:00 Noon. 9:00 a.m.
September 16 September 17	Wednesday Thursday	Board Retreat Board Retreat (Board members only)	TBD TBD
October 14 October 15	Wednesday Thursday	Board Meeting Board Meeting	12:00 Noon 9:00 a.m.
December 10	Thursday	Board Update Conference Call (Board members only)	8:30 a.m.



## **Board of Governors 2019-2022 Meeting Calendar**

<b>January – December 2021</b>			
<b>DATE</b>	<b>DAY</b>	<b>BOARD MEETINGS AND CONFERENCE CALLS</b>	<b>TIME</b>
February 3 February 4	Wednesday Thursday	Board Meeting Board Meeting	12:00 Noon 9:00 a.m.
April 14 April 15	Wednesday Thursday	Board Meeting Board Meeting	12:00 Noon 9:00 a.m.
July 14 July 15	Wednesday Thursday	Board Meeting Board Meeting	12:00 Noon 9:00 a.m.
September 14 September 15	Tuesday Wednesday	Board Retreat Board Retreat (Board members only)	TBD TBD
October 13 October 14	Wednesday Thursday	Board Meeting Board Meeting	12:00 Noon 9:00 a.m.
December 9	Thursday	Board Update Conference Call (Board members only)	8:30 a.m.



## **Board of Governors 2019-2022 Meeting Calendar**

<b>January – December 2022</b>			
<b>DATE</b>	<b>DAY</b>	<b>BOARD MEETINGS AND CONFERENCE CALLS</b>	<b>TIME</b>
February 2 February 3	Wednesday Thursday	Board Meeting Board Meeting	12:00 Noon 9:00 a.m.
April 13 April 14	Wednesday Thursday	Board Meeting Board Meeting	12:00 Noon 9:00 a.m.
July 13 July 14	Wednesday Thursday	Board Meeting Board Meeting	12:00 Noon 9:00 a.m.
September 14 September 15	Wednesday Thursday	Board Retreat Board Retreat (Board members only)	TBD TBD
October 19 October 20	Wednesday Thursday	Board Meeting Board Meeting	12:00 Noon. 9:00 a.m.
December 8	Thursday	Board Update Conference Call (Board members only)	8:30 a.m.

*(Updated: October 16, 2019)*

**University Success Committee Meeting**

October 16, 2019

**SUBJECT:** Proposed: Board of Governors Policy 2019-01: *University Financial Sustainability*  
(ACTION)

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**UNIVERSITIES AFFECTED:** All

**BACKGROUND:** As a follow up to the July Board of Governors meeting, this policy has been developed in support of ongoing System Redesign efforts. Pursuant to the Board of Governors' and the chancellor's respective responsibilities, as set forth in 24 P.S. §2005-A and 24 P.S. §2006-A(a)(4) to establish broad fiscal policies under which System universities shall operate, this policy provides a proactive framework by which university and System leaders can collaborate to enhance an institution's financial success.

**MOTION:** That the Board of Governors approve the new policy 2019-01: *University Financial Sustainability*.

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**Supporting Documents Included:** Proposed Board of Governors Policy 2019-01: *University Financial Sustainability*

**Other Supporting Documents Available:** July Board of Governors materials, Draft University Financial Sustainability Procedure/Standard

**Reviewed by:** University Administrative and Fiscal Vice Presidents, Chief Academic Officers, Executive Leadership Group, Councils of Trustees

**Prepared by:** Sharon P. Minnich

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

## **Policy 2019-01: *University Financial Sustainability Policy***

See Also:

Adopted: **October xx, 2019**

Amended:

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### **I. Purpose**

The Board of Governors (Board) has established annual reporting mechanisms that allow all stakeholders to have greater awareness of each university's academic, financial, and operational conditions. These tools (e.g., financial risk assessment, university financial statements) provide data for each university at the local and System levels.

As reflected in the everchanging national landscape of higher education, universities may face financial pressure from shifting and declining student populations, stagnant or declining appropriations, unfunded mandates, economic downturns, employee compensation costs, and other challenging events. Additionally, as new opportunities or innovations occur in this environment, universities may seek seed funding to spur growth.

Pursuant to the Board's and thus the chancellor's responsibility, as set forth in 24 P.S. §2005-A and 24 P.S. §2006-A(a)(4) to establish broad fiscal policies under which System universities shall operate, this policy provides a proactive framework by which university and System leaders can collaborate to enhance an institution's financial success.

### **II. Definitions**

- A. Liquidity Loan—Loans, temporary cash for operations for universities that have declining cash balances and are to be repaid according to loan agreements, which include loans from within university accounts (intra-university) and loans from within the System.
- B. Investment Initiative—Start-up funding for strategic or innovative investments to enhance a university's success which must comply with established reinvestment agreements.
- C. Executive Leadership Group (ELG)—The State System Executive Leadership Group (ELG) comprised of university presidents and the chancellor of the State System for the purpose of effective leadership and management oversight of the State System strategies and initiatives for the advancement of System students and the Commonwealth.

### **III. Guiding Principles**

- A. University financial goals must be realistic, mission-driven, explicit, and transparent.
- B. In a healthy system, a university's resource base should be stable and secure enough to perform its mission in a sustainable and predictable shared environment.
- C. The university should have sufficient organizational capacity and autonomy for the president to oversee the successful operation of the university and fulfill his/her responsibilities to the Board as prescribed in Act 188 of 1982.
- D. Each university also has a net impact on the long-term wellbeing of the System; as such, decisions of the university must align to the mission of the university and the System.
- E. Loans and/or investments to a university must not jeopardize the overall financial health and stability of the System or place undue burden on any other individual university.

### **IV. Processes for Enhancing University Financial Sustainability**

- A. For each university, a collaborative review process inclusive of the chief academic officers, chief financial officers, presidents and Council of Trustees will occur on a periodic basis. (Refer to administrative procedures and standards.)
- B. In consultation with the Executive Leadership Group, the chancellor/designee shall receive the review of the specific conditions and financial indicators based on the administrative procedures and standards in order to determine the financial status of each university. This review may lead to ameliorative actions.
- C. In consultation with the Executive Leadership Group, the chancellor/designee shall review requests for investment initiatives and render a decision.
- D. In consultation with the Executive Leadership Group, the chancellor/designee shall review requests for liquidity loans as part of the financial sustainability plan (refer to administrative procedures and standards). The financial sustainability plan shall be developed through a collaborative process.
  - i. For intra-university loans, the financial sustainability plan will be presented to the university and the Council of Trustees for consideration and acceptance.
  - ii. For loans from within the System for universities at risk of insolvency, the Board may authorize and approve any loan recommendation coming forward from the Executive Leadership Group and the chancellor/designee.

### **V. Criteria for Determining University Financial Status**

- A. Universities will be considered across a spectrum of indicators as described in the administrative procedures and standards including but not limited to:
  - 1. Enrollment trends.
  - 2. Revenue.
  - 3. Operating margin.
  - 4. Assets/liabilities.
  - 5. University reserves.
  - 6. Projected cash balances.
  - 7. Additional Board-affirmed metrics.

- B. Based on the review of the university-specific conditions and financial indicators as described in the administrative procedures and standards, universities will be placed across a spectrum which will require varying levels of financial sustainability plans.
- C. Ameliorative actions may be required depending on the university's status at the time of evaluation. Actions will be enumerated within the administrative procedures and standards.
- D. If, as part of the foregoing actions, a financially insolvent university has received a liquidity loan from within the System and the loan cannot be repaid, or circumstances dictate the need for immediate action, the chancellor/designee, in consultation with the Executive Leadership Group, and as directed by the Board of Governors, may temporarily or indefinitely suspend some or all operations of a university that has been deemed to be financially insolvent.

## VI. Policy Implementation

- A. The chancellor, in consultation with the Executive Leadership Group and Board of Governors as appropriate, shall promulgate procedures, standards, related policies and guidelines as necessary to ensure proper implementation of this policy.
- B. Any changes to procedures, standards, and guidelines shall be promulgated through the chancellor, after consultation with the Executive Leadership Group and Board of Governors.
- C. **Effective Date**—Immediately.

**University Success Committee Meeting**

October 16, 2019

**SUBJECT:** Revision: Board of Governors Policy 1986-02-A: *Investment* (ACTION)

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**UNIVERSITIES AFFECTED:** All

**BACKGROUND:** As part of the System Redesign efforts, the System continues reviewing 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, Board of Governors Policy 1986-02-A: *Investment*, has been identified for revision. This policy is being revised to align with the new structural organization of the Board of Governors. It also will provide clarity for internal lending practices of the System Investment Fund to universities for temporary funding of projects before receiving permanent bond financing or appropriation anticipation notes. Each internal loan must be executed with a promissory note that includes specific terms and conditions for repayment.

**MOTION:** That the Board of Governors approve the revisions to Board of Governors Policy 1986-02-A: *Investment*.

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**Supporting Documents Included:** Board of Governors Policy 1986-02-A: *Investment*

**Other Supporting Documents Available:** None

**Reviewed by:** University Administrative and Fiscal Vice Presidents, Executive Leadership Group

**Prepared by:** Sharon P. Minnich

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





# PA State System of Higher Education Board of Governors

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**Effective:** January 21, 1986

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## **POLICY 1986-02-A: INVESTMENT**

**See Also:**

**Adopted:** January 21, 1986

**Amended:** January 19, 1988; October 19, 1989; October 18, 1990; October 21, 1993; October 19, 1995; October 9, 1997; January 15, 2009; ~~and~~ January 19, 2012; and October xx, 2019

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### **A. Introduction**

The purpose of this policy is to provide the basis for the State System of Higher Education (the "System") to manage responsibly the funds in its custody in accordance with the investment philosophy and objectives herein articulated. Under Act 188 of 1982, responsibility for the establishment of such policy is vested in the Board of Governors.

### **B. Investment Philosophy**

The State System of Higher Education, in keeping with its legal status as a system of public universities, recognizes a fiduciary responsibility to invest all funds prudently in accordance with ethical and prevailing legal standards. In addition, the State System recognizes that the funds in its custody can be classified according to purpose, time frame for use, source, and other similar classifications. Differential investment guidelines and objectives are required to manage various funds classifications appropriately and optimally.

Regardless of funds classifications, certain general tenets apply. Investments in all classifications should seek to minimize investment risks while maximizing asset value. Adequate liquidity should be maintained so assets may be held to maturity. Reasonable portfolio diversification should be pursued to ensure that no single security or investment or class of securities or investments will have a disproportionate or significant impact on the total portfolio. Investments may be made in U.S. dollar-denominated debt of high quality U.S. and non-U.S. corporations. Investment performance in all classifications should be monitored on a frequent and regular basis to ensure that objectives are attained and guidelines are followed.

### **C. Definitions**

- **Locally Managed Funds**—Those funds which, by covenant or preexisting conditions, must be managed by a university or other designated representative.
- **Long-Term Investment Funds**—Those funds which comprise the endowment, quasi-endowment, and life-income groups, as defined by the National Association of College and University Business Officers (NACUBO); further, this shall mean those funds which are not current in nature, i.e., the principal of which is not needed to finance current operations.

- **Operating Funds**—Those current funds that generally accrue as a function of state appropriations, tuition and fees, auxiliary operations, contracts and grants, and gifts and donations. These funds shall be invested in the System Investment Fund (the “Fund”), which will be comprised of two portfolios—the Short-Term Portfolio and the Intermediate-Term Portfolio. “Operating Funds” are further classified as follows:
  - **Short-Term Operating Funds**—Those funds which will be required to satisfy projected expenditures during the fiscal year; they are further identified as those funds between the high point and the low point of the annual cash projection of the System. These funds will comprise the Short-Term Portfolio of the Fund.
  - **Intermediate-Term Operating Funds**—Those funds which are not projected as being required to satisfy expenditures during the fiscal year; they are further identified as the low point on the annual cash flow projection for the System. These funds will comprise the Intermediate-Term Portfolio of the Fund.

#### D. Investment Oversight

The ~~Finance, Administration, and Facilities~~ University Success Committee of the Board of Governors of the System (the “Committee”) and Treasury staff (the “Staff”) shall be charged with the responsibility of monitoring the performance of all System investments and reporting on an annual basis to the Chair of the Board of Governors and the Executive ~~Council~~ Committee through the Chancellor.

The performance of the Fund’s investment manager(s) will be actively monitored by the Staff, who will report any meaningful observations and performance deviations to the ~~Committee~~ Vice Chancellor for Administration and Finance in a timely manner. Quarterly performance will be evaluated versus appropriate benchmarks, but emphasis will be placed on relative performance over longer investment periods. In addition to performance measurement, the Staff will monitor for consistent implementation of investment strategy and philosophy, appropriate risk controls, adherence to stated guidelines, and any material changes in the investment manager’s organization and/or investment personnel.

A Treasury Report consisting of various financial and investment information, including, but not limited to, performance of all System investments, investment balances, and a debt profile, shall be prepared quarterly and presented for review to the ~~director, Office of Internal Audit and Risk Assessment~~ Vice Chancellor for Administration and Finance. The most recent Treasury Report will be reviewed by the Vice Chancellor for Administration and Finance ~~vice chancellor for administration and finance~~ and presented by him/her ~~biannually~~ annually to the chair of the Committee.

#### E. Duties and Responsibilities of the Investment Manager(s)

Investment managers are expected to comply with the following list of duties and responsibilities; these items will be communicated in writing to all investment managers, along with any specific guidelines or constraints to the investment mandate.

1. Promptly inform the Staff in writing regarding all significant and/or material matters and changes pertaining to investment of the Funds, including, but not limited to, investment strategy, portfolio structure, tactical approaches, ownership/organizational structure, professional staff, financial condition, guideline changes, and all Securities and Exchange Commission (SEC) and other regulatory agency proceedings affecting the investment management firm.

2. Promptly execute all responsibilities associated with the investments in a manner consistent with long-term interests and objectives of the Fund. Each investment manager shall keep a record of actions required in the management of the portfolio and comply with all regulatory obligations related thereto.
3. Use the same care, skill, prudence, and due diligence under the circumstances then prevailing that experienced investment professionals acting in a similar capacity and fully familiar with such matters would use in similar activities for similar investment portfolios with similar aims in accordance and in compliance with applicable local, state, and federal laws, rules, and regulations, including, but not limited to, those pertaining to fiduciary duties and responsibilities.

**F. Investment Objectives and Guidelines for Operating Funds in the System Investment Fund**

Safety of principal and liquidity are the top priorities for the investment of the Fund. Within those guidelines, income optimization should be pursued. Speculative investment activity is not allowed. Speculative investment activity includes, but is not limited to, investing in asset classes such as commodities, equities, or venture capital; investing in futures, private placements, letter stocks, or unlisted securities; or entering into short sales, option contracts, or utilizing leverage. The operating funds of the State System shall be invested and reinvested in the following types of instruments with qualifications as provided.

1. United States Government Securities, which includes obligations issued or guaranteed by the United States Treasury, United States Federal Agencies, and United States Government Sponsored Enterprises (GSEs). At all times, at least 20% of the market value of the Fund shall be invested in U.S. Government Securities including repurchase agreements. However, debt obligations issued directly by GSEs that are not explicitly guaranteed by the United States Government are limited to 5% of the Fund's assets, as measured on a market-value basis; GSE guarantor obligations related to mortgage-backed securities are not included in the 5% limitation.
2. Repurchase Agreements
  - a. Such agreements shall require that the underlying collateral be direct obligations of the United States Treasury, excluding interest-only and principal-only Treasury securities (IO and PO Strips), and the collateral be in the custody of the State System or its agent. At all times, the market value of the collateral plus the accrued interest on the security to the date of valuation must equal at least 102% of the invested principal. Repurchase agreements with maturities beyond 30 days should comprise less than 10% of the Fund, as measured on a market-value basis.
  - b. Reverse repurchase agreements, used to take advantage of unique market opportunities, where the relative value of securities with similar terms can be exchanged for gain only, and not to leverage the Fund or speculate on interest rate directions. Proceeds of the transaction are to be reinvested in highly liquid securities with minimal credit and duration risk.
  - c. Repurchase agreements and reverse repurchase agreements may be entered into only with parties having a short-term credit rating of "Prime-1" ("P-1") by Moody's Investors Service, or the equivalent by Standard & Poor's, and a long-term rating of "A" or above by Moody's Investors Service, or the equivalent by Standard & Poor's. No more than 5% of the market value of the Fund may be invested with a single repurchase agreement dealer.

- d. The total allocation to repurchase agreements in the Fund shall be limited to 30% of the market value of the Fund.
3. Commercial Paper, which shall mean unsecured promissory notes issued either in discount or interest-bearing form by a corporation and which carries a Moody's Investors Service "P-1" or "Prime-2" ("P-2") rating, or the equivalent by Standard & Poor's subject to the restrictions below.
  - a. For issues rated "P-1," no more than 5% of the market value of the Fund shall be invested in any single issuer of commercial paper at any given time.
  - b. For issues rated "P-2," issuers must be U.S. corporations with a long-term debt rating of "Baa2" or better by Moody's Investors Service; no more than 3% of the market value of the Fund shall be invested in any single issuer of commercial paper that is rated "P-2;" the "P-2"-rated commercial paper must have a maximum maturity of 30 days; and no more than 5% of the market value of the Fund assets may be invested in commercial paper and corporate bonds in which the issuer has a long-term credit rating of "Baa2" or "Baa1" from Moody's Investors Service, or the equivalent by Standard & Poor's.
  - c. The Fund shall not invest in asset-backed commercial paper (ABCP) that carries a rating below "A-1/P-1."
4. Certificates of Deposit and Bank Notes from commercial banks with a maturity of up to and including two years, provided that any such issuing bank shall have a Moody's Investors Service "P-1" rating, or the equivalent by Standard & Poor's. No more than 5% of the market value of the Fund shall be invested in any single issuer of certificates of deposit.
5. Bankers Acceptances, defined as short-term financing agreements secured by the accepting bank and the goods purchased, which shall be limited to banks whose parent companies bear a Moody's Investors Service "P-1" rating, or the equivalent by Standard & Poor's, provided that no more than 5% of the market value of the Fund shall be invested in any single issuer or guarantor of Bankers Acceptances.
6. U.S. Money Market Funds that are substantially of the same kinds, classes, and investment grades as those eligible for investment under the provisions of this Policy.
7. Municipal Bonds with a long-term debt rating of "A" or better by Moody's Investors Service, or the equivalent by Standard & Poor's. Investments in municipal bonds will not exceed 20% of the market value of the Fund. No more than 5% of the market value of the Fund shall be invested in any single municipal issuer, and municipal bond investments must be diversified by geography. On a combined basis, no more than 10% of the market value of the Fund shall be exposed to a single municipal bond guarantor.
8. U.S. dollar-denominated Corporate Bonds, whose allocation shall not exceed 20% of the market value of the Fund. Within the corporate bond allocation, 15% of the securities must carry a long-term debt rating of "A" or better by Moody's Investors Service, or the equivalent by Standard & Poor's; 5% of the corporate securities may be rated between "Baa2" and "Baa1" by Moody's Investors Service or the equivalent by Standard & Poor's. Corporate bond issues rated below "A," or the equivalent by Standard & Poor's, shall be restricted to a maximum final maturity within five years of the date of purchase.
9. Collateralized Mortgage Obligations (CMOs) and mortgage pass-through securities rated "Aaa" by Moody's Investors Service, or the equivalent by Standard & Poor's, and composed entirely of securities guaranteed by U.S. Government Agencies or U.S. GSEs, excluding interest-only, principal-only, and inverse floating-rate securities. The combined

total of CMOs and mortgage pass-through securities shall not exceed 20% of the market value of the Fund. CMOs and mortgage pass-through securities held within the Short-Term Portfolio must have an estimated average life of less than 15 months; and CMOs and mortgage pass-through securities held in the Intermediate-Term Portfolio must have an estimated average life of less than seven years.

10. Asset-Backed Securities, rated “Aaa” by Moody’s Investors Service, or the equivalent by Standard & Poor’s. The total of asset-backed securities shall not exceed 20% of the market value of the Fund. No more than 5% of the market value of the Fund shall be invested in any single commercial paper conduit issuer.
11. System Investment Fund Loans
  - a. System Notes, defined as ~~an intermediate~~ a debt obligation of one of the PASSHE universities. System Notes may be issued as ~~an intermediate-term~~ a project financing alternative to taxable or tax-exempt bonds. ~~The term of the loan is not to exceed five years. Construction projects requiring financing including System Notes must be approved by the Board of Governors.~~

~~There shall not, at any time, be more than 20% of the market value of the Fund invested in System notes nor more than 5% of the market value of the Fund invested in System Notes of any single entity, unless a waiver to these limitations is expressly approved by the Committee.~~
  - b. Bridge Notes, defined as a short-term obligation of one of the PASSHE universities. This security is issued as needed to meet project construction cash flow needs in anticipation of permanent future financing through the issuance of taxable or tax-exempt bonds managed by the Treasury Office of the Office of the Chancellor. ~~These notes are usually issued for 12 months or less. Construction projects requiring financing including Bridge Notes must be approved by the Board of Governors.~~
  - c. Appropriation Advance Notes, defined as a short-term obligation of one of the PASSHE universities. This security is issued as needed to meet cash flow needs of a university and is paid back as appropriations are received from the Commonwealth as allocated to the respective university.
  - d. There shall not, at any time, be more than 20% of the market value of the Fund invested in System notes or Bridge notes nor more than 5% of the market value of the Fund invested in System Notes or Bridge notes of any single entity, unless a waiver to these limitations is expressly approved by the Committee.
12. With prior written approval from the chair of the Committee, the Fund may invest in publicly traded debt securities, which:
  - a. Are direct obligations of affiliates of System member institutions. ~~;~~ ~~and~~
  - b. Possess a Committee on Uniform Securities Identification Procedures (CUSIP) number. ~~;~~ ~~and~~
  - c. Total investment in the debt of said affiliates is limited to a maximum of 0.5% of the market value of the Fund.

In all securities types, variable rate notes are allowed; however, investment in variable rate demand notes (VRDN), variable rate demand obligations (VRDO), or auction rate securities (ARS) is prohibited. The interest rate on the variable rate notes must reset at least annually. The interest rate must be based on a well-known, readily published, generally accepted index, such

as the London Inter Bank Offer Rate (LIBOR), U.S. Treasury Bills, or Fed Funds. The interest rate must be directly related to the index not leveraged, deleveraged, or inversely related. Securities with interest rate caps are not permitted.

With regard to select permitted investments described above, the following limitations apply.

- The combined total investments in commercial paper, certificates of deposit, bank notes, and bankers acceptances may not exceed 30% of the total market value of the Fund; and
- The combined total of commercial paper issued by financial institutions, certificates of deposit, bank notes, and bankers acceptances and corporate obligations issued by financial institutions may not exceed 40% of the total market value of the Fund.

The Fund shall not engage in securities lending activity.

Commercial paper, certificates of deposit, bank notes, and bankers acceptances may be split-rated; however, the credit rating cannot be below quality levels indicated above and, when calculating quality exposure, the lower rating must be used. Securities that are rated acceptable by one rating agency and unrated by the other are acceptable for purchase.

Each security in the Intermediate-Term Portfolio will have an "interest rate risk value" of ten or less at the time of purchase. Interest rate risk value is defined as follows. For securities with a positive or zero convexity, the "interest rate risk value" is equal to the duration measured in years. For securities with negative convexity, the "interest rate risk value" is equal to the duration measured in years plus the absolute value of the convexity measure. All securities that comprise the Intermediate-Term Portfolio shall have a maximum final maturity of ten years or less, with the exception of corporate bond issues rated below "A" by Moody's Investors Service, or the equivalent by Standard & Poor's, which shall be restricted to a maximum final maturity of five years, measured at the date of purchase.

Callable bonds, excluding mortgage-backed securities, shall comprise no more than 10% of the market value of Fund assets. Reporting should identify callable bonds in the portfolio and list the call date for each bond. Duration and convexity of the mortgage-backed security allocation should be reported on a monthly and quarterly basis.

Securities that fall below the minimum standards for purchase, as described herein, should be noted on the monthly report and monitored closely. Dispensation of the monitored security will depend upon the relative risk presented to the portfolio and market conditions at the time. Any action regarding the security shall be documented and reported to the Committee at its next ~~quarterly~~ available briefing.

## **G. Further Investment Objectives and Guidelines for the Short-Term Portfolio and the Intermediate-Term Portfolio**

1. Short-Term Portfolio
  - a. All securities that comprise the Short-Term Portfolio shall have a maximum final maturity of 15 months or less.
  - b. The Short-Term Portfolio shall be maintained at a level sufficient to fund the System's operations plus an amount to cover any unforeseen emergency. Cash flow forecasts should be maintained and updated on an ongoing basis and submitted monthly along with other reporting requirements to the System.
  - c. The Short-Term Portfolio shall be measured against the Standard & Poor's U.S. Commercial Paper Index, U.S. 3-month LIBOR, the Three-Month Treasury Bill Index, and the Barclays Capital Short-Term Government/Credit Index, or then

prevailing, comparable, generally accepted market indices that have been approved by the Committee and Staff.

2. Intermediate-Term Portfolio
  - a. A portfolio duration target of 1.8 years should be maintained with an upper limit of 2.5 years. The portfolio's weighted average convexity shall be greater than -0.5. The duration of the Intermediate-Term Portfolio may be maintained outside the target range or in excess of the upper limit with the approval of the Staff.
  - b. The portfolio will be measured against the Barclays Capital 1–3 Year Government/Credit Bond Index and the Barclays Capital 1–3 Year Government Bond Index, or the then prevailing, comparable, generally accepted market indices that have been approved by the Committee and Staff.
  - c. The portfolio will be accounted for on a constant dollar-in, dollar-out basis, and the yield and income will be reported monthly. The portfolio also will be marked-to-market monthly, and the monthly data will be reported on a quarterly basis.

#### **H. Investment Reporting**

1. Along with the requirements mentioned herein, the investment manager shall submit a monthly report that describes significant events that occurred in the portfolio and what actions were taken, and a general narrative discussing the portfolio's activities and general direction.
2. The investment manager shall report total return performance of the investments and their respective benchmarks on a monthly basis, and detailed investment and performance reports will be provided on a quarterly basis. In addition to customary reporting requirements, monthly and quarterly reports shall include yield to maturity, weighted average maturity, convexity, quality distribution, duration distribution, duration by sector, sector allocations, and spread duration for the investments and benchmarks.
3. Monthly and quarterly reporting should include details on the types of instruments classified as cash; risk and sector reporting should look to the underlying issuer of each instrument and include investments in the cash segment of the portfolios.
4. Reports should include the Short-Term and Intermediate-Term Portfolios on a separate and consolidated basis.
5. Equivalent metrics shall be reported for the benchmark indices of the Short-Term and Intermediate-Term Portfolios and shall be included in the monthly and quarterly reports.
6. The investment manager shall promptly report any material changes to the financial or business condition of the investment management firm, as well as any changes to the investment team or investment process. The investment manager must promptly notify The Staff of any material litigation or investigations involving the investment management firm; and,
7. The investment manager will certify, with each monthly report, their compliance with this Policy.

#### **I. Investment Objectives and Guidelines for Long-Term Funds**

The long-term funds shall consist of a multi-year corpus which could have either or both a growth and income orientation. The investment objective for long-term funds is to produce the highest total return without undue risk. For funds with primarily a growth orientation, the annual total rate

of return should be measured against the Standard & Poor's 500 annual rate of return; for funds with primarily an income orientation, the annual total rate of return should be measured against the Barclays Capital Bond Index or the then prevailing, comparable, generally accepted market indices. Total return is defined as conventional income plus capital gain (loss) or appreciation (depreciation), whether realized or unrealized.

Management of long-term funds shall be the responsibility of the individual university. Each university, with the approval of the local council of trustees, will establish local guidelines for the investment of long-term funds consistent with the provisions contained in this policy. Each university may, with the approval of the local council of trustees, elect to manage and invest these funds using internal staff. Other permissible investment options are as follows: the Common Fund, the American Association of State Colleges and Universities (AASCU) Capital Fund, a professional investment manager, a pooling arrangement between universities for common investment purposes, and/or through a fiduciary agreement with a qualified affiliated organization. The professional manager/affiliated organization will be required to operate within the principles contained within this policy and the guidelines promulgated by the respective university. Procedure/Standard Number 2012-12, *Fiduciary Agreement*, is to be used as a guideline in preparing such a fiduciary agreement. All fiduciary agreements are subject to the approval of the Office of the Chancellor prior to final execution.

At the end of each fiscal year, a statement of operations reflecting beginning of year value, end of year value, income, disbursements, realized and unrealized gains (losses) will be prepared for locally managed long-term investments. A copy of the statement of operations will be submitted to the vice chancellor for administration and finance and presented by him/her annually to the chair of the Committee.

The asset mix of the funds invested should be congruent with the purpose for which the funds were donated and/or are to be utilized. For example, funds with a predominant income orientation (e.g., scholarship funds) should be invested primarily in government and/or corporate securities with a predictable income stream. Funds with a greater emphasis on long-term growth or appreciation should be more heavily weighted toward equities.

Long-term funds shall be invested and reinvested in the following types of instruments with qualifications as provided:

1. United States Treasury and United States agency obligations.
2. Corporate Bonds with a long-term debt rating of "Baa2" or better by Moody's Investors Service, or the equivalent by Standard & Poor's.
3. Taxable-municipal bonds with a long-term debt rating of "A" or better by Moody's Investors Service, or the equivalent by Standard & Poor's.
4. Corporate equities in U.S. dollar-denominated, high quality U.S. and non-U.S. corporations listed on one of the three stock exchanges—New York Stock Exchange, American Stock Exchange, and NASDAQ Stock Exchange—that meet the following minimum criteria:
  - a. At least five million shares outstanding and at least \$100 million in equity market value and
  - b. A "3" or better safety rating by Value Line.
  - c. Items I.4.a. and I.4.b. will not be applied to item I.5.b.



5. Equity holdings are restricted to:
  - a. U.S. dollar-denominated, high quality U.S. and non-U.S. corporations listed on the New York Stock Exchange, American Stock Exchange, and NASDAQ Stock Exchange that meet the minimum criteria in I.4.a. and I.4.b.
  - b. Mutual funds/exchange-traded funds.

Valuation of equity holdings will be measured on a cost basis. The specific asset classes and strategies to be employed by the investment manager will be approved by the Chancellor or his/her designee in consultation with the chair of the Committee.

6. Covered Call Option, which shall mean to write an option to sell corporate equities owned for more than 30 days at a stated price.
7. Commercial paper, which shall mean unsecured promissory notes issued either in discount or interest-bearing form by a corporation that carries a Moody's Investors Service "P-1" or "P-2" rating, or the equivalent by Standard & Poor's, subject to the following provisions:
  - a. For issues rated "P1," no more than 5% of the total invested long-term investment funds shall be invested in any single issuer of commercial paper at any given time.
  - b. For issues rated "P-2," issuers must be U.S. corporations with long-term debt ratings of "Baa2" or better by Moody's Investors Service, or the equivalent by Standard & Poor's. No more than 3% of the total invested long-term investment funds shall be invested in any single issuer of commercial paper that is rated "P-2."
  - c. No more than 10% of the long-term investment funds may be placed in combined direct commercial paper, letter-of-credit commercial paper, corporate bonds, or corporate equities of a single issuer. There shall not, at any time, be invested in commercial paper more than an aggregate of 25% of the total long-term investment funds of the State System.
8. Certificates of deposit from commercial banks, provided that any such issuing bank shall be rated "C" or better by Keefe, Bruyette and Woods and be insured by the Federal Deposit Insurance Corporation. No more than 5% of the total long-term investment funds shall be invested in any single issuer of certificates of deposit. There shall not, at any time, be invested in certificates of deposit more than an aggregate of 25% of the total long-term investment funds.
9. Bankers Acceptances, defined as short-term financing agreements secured by the accepting bank and the goods purchased, which shall be limited to banks whose parent companies bear a Moody's Investors Service "A Rating," or the equivalent by Standard & Poor's, on long-term securities, provided that no more than 5% of the total investable long-term funds shall be invested in any single issuer or guarantor of Bankers Acceptances. There shall not, at any time, be invested in Bankers Acceptances more than an aggregate of 20% of the total long-term investment funds.
10. Repurchase Agreements. Such agreements shall require that the underlying collateral be direct obligations of the United States Treasury, and the collateral be in the physical possession of the State System or its agent. At all times, the market value of the collateral plus the accrued interest on the security to date of valuation must equal at least 102% of the invested principal. Additionally, the collateral may not have a maturity of more than four years.

11. The Short-Term Investment Fund or the Intermediate-Term Investment Fund of the State System.
12. With the exception of direct obligations of the United States Treasury, no more than 20% of the investable long-term funds may be concentrated in any single industry nor more than 6% in any single company.
13. Investments in commodity futures, margin purchases, short sales, letter stock purchases, or purchase of securities with similar marketability are prohibited.

**University Success Committee Meeting**

October 16, 2019

**SUBJECT:** Revision: Board of Governors Policy 1996-03-A: *Defining Auxiliary Enterprises and Associated Cost Allocation* (ACTION)

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**UNIVERSITIES AFFECTED:** All

**BACKGROUND:** As part of the System Redesign efforts, the System continues reviewing 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, Board of Governors Policy 1996-03-A: *Defining Auxiliary Enterprises and Associated Cost Allocation*, has been identified for revision. The policy defines auxiliary enterprises and provides direction regarding expense allocations and revenue sources. As System universities face the financial pressures experienced throughout the national landscape of higher education, new tools may be necessary to support the continued operations of the university as a whole.

It is recommended that this policy be amended to allow for limited internal lending between auxiliary and educational and general funds to sustain operations within either enterprise on a temporary basis. Any such lending must be repaid according to loan agreements.

**MOTION:** That the Board of Governors approve the revisions to Board of Governors Policy 1996-03-A: *Defining Auxiliary Enterprises and Associated Cost Allocation*.

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**Supporting Documents Included:** Board of Governors Policy 1996-03-A: *Defining Auxiliary Enterprises and Associated Cost Allocation*

**Other Supporting Documents Available:** None

**Reviewed by:** University Administrative and Fiscal Vice Presidents, Executive Leadership Group

**Prepared by:** Sharon P. Minnich

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

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**Effective:** July 1, 1996

Page 1 of 2

**POLICY 1996-03-A: *DEFINING AUXILIARY ENTERPRISES  
AND ASSOCIATED COST ALLOCATION***

**See Also:**

**Adopted:** April 18, 1996

**Amended:** July 12, 2018 [and October xx, 2019](#)

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**A. Purpose**

Auxiliary enterprises are university operations that furnish goods or services to students, faculty, or staff, where a fee is charged directly to the users to cover the costs of providing the goods or services. This policy further defines auxiliary enterprises and provides direction regarding expense allocations and revenue sources, including associated fees. It also provides for temporary loans between auxiliary funds and educational and general (E&G) funds for periods of time when a loan is necessitated due to shortfalls in operations.

**B. Definition**

**Auxiliary Enterprises:** Self-supporting operations of the university that exist to furnish a service to students, faculty, or staff, other institutional departments, or incidentally to the general public, and that charge a fee that is directly related to, although not necessarily equal to, the cost of the goods or services. The following must be designated as auxiliary enterprises:

- Residence halls.
- Food service operations.
- Student unions and student centers.
- Student recreational centers.

Other operations may be designated as auxiliary enterprises, as appropriate. For accounting purposes, health centers will not be reflected as auxiliary enterprises, but universities are not precluded from charging a fee directly to the users of health centers to cover the costs of providing these services.

**Life-Cycle Maintenance Requirements:** An annualized cost analysis that predicts and models the deterioration of building systems and includes the need for routine maintenance, component repair or replacement, and renovation and renewal over the facility's useful life. Planning, funding, and execution of the least-cost life-cycle maintenance requirements allows resources to be optimized over the life of the facility.

## C. Policy

1. Auxiliary enterprises must be self-supporting.

The full cost of operations, including related costs of operating and maintaining auxiliary plant and of administration, must be covered with revenue generated by the enterprise, and not with tuition or appropriation revenue. Once an operation is deemed auxiliary in nature for financial statement purposes, the annual profitability of the operation must not be a factor for inclusion or exclusion as an auxiliary operation on the university's audited financial statements.

2. Universities must charge each auxiliary operation for its related direct and indirect costs, whether charged directly as expenses or allocated as a proportionate share of costs of other departments or units, including:
  - a. Personnel, including accounting, purchasing, information technology, maintenance and grounds, etc.
  - b. Supplies and services, including utilities, phone services, technology services, etc.
  - c. Capital expenditures.
  - d. Interest expense.
  - e. Annual debt principal payments.
  - f. Unfunded pension, postretirement healthcare, and compensated absences liabilities. (The annual associated expenses of the unfunded liabilities are excluded when determining whether or not the operation is self-sustaining.)
3. The allocation of indirect costs should be based upon best estimates of usage. If usage cannot reasonably be measured, the allocation should be based upon square footage, number of personnel, or another measure that best approximates usage.
4. Revenue generated from auxiliary operations, including interest income, shall be recorded as auxiliary revenue. Auxiliaries may charge related entities (e.g., student government associations, foundations) and the university's educational and general operations for the use of buildings or for other services rendered.
5. Fees charged shall include adequate funding for a life-cycle reserve in the amounts necessary to fund projected life-cycle maintenance requirements for capital renewal, replacement, repairs, and maintenance of the auxiliary facilities as required.
6. Construction of parking garages shall not be funded by tuition or appropriation revenue.
7. Funds may be transferred between auxiliary funds and E&G funds on a temporary basis to support those operations when needed. Terms for the temporary loan, including interest charged and other provisions are specified in the Auxiliary/E&G Fund University Loan Promissory Note. A copy of the executed note shall be sent to the Vice Chancellor of Administration and Finance in the Office of the Chancellor.

- D. **Effective Date:** July 1, 1996.

**University Success Committee Meeting**

October 16, 2019

**SUBJECT:** Building a Sharing System (INFORMATION/ACTION)

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**UNIVERSITIES AFFECTED:** All

**BACKGROUND:** At its meeting on July 10, 2019, the Board of Governors affirmed the next steps of System Redesign in relation to a sharing system providing the possibility to reduce operational costs, improve efficiencies and productivity, strengthen mission focus, enhance services quality and performance, reduce risk, and improve compliance.

To that end, the System employed the services of a consulting firm to work in conjunction with the universities and the Office of the Chancellor to assist in identifying up to four areas of focus in the creation of a sharing system. The following areas were recommended:

1. Establishment of a shared services consortium
2. Analysis of next steps around Online Pathways
3. Creation of IT governance and strategies
4. Analysis around facilities sharing

**MOTION:** That the Board of Governors affirm its commitment to build a sharing system, approve the formation of the shared services consortium, and endorse continued efforts to advance the four areas listed above.

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**Supporting Documents Included:** N/A

**Other Supporting Documents Available:** [System Redesign website](#); Board of Governors meeting materials and minutes, July 10, 2019; Advisory Committee and Leadership Group PowerPoint

**Reviewed by:** University Presidents, System Leadership Group, System Redesign Advisory Committee, Union Representatives

**Prepared by:** Sharon P. Minnich

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

**University Success Committee Meeting**

October 16, 2019

**SUBJECT:** Fiscal Year 2020/21 Educational and General Appropriation Request (ACTION)

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**UNIVERSITIES AFFECTED:** All

**BACKGROUND:** As part of System Redesign, the System is creating a multiyear budgeting process that provides for the consistent application of terms, guidelines, and expectations by all universities to result in reliable, consistent, and realistic projections. The budget request cycle for fiscal year (FY) 2020/21 is the transitional year to this new process and positions the System for full implementation of a multiyear budget strategy and process in the following year.

Educational and General (E&G) financial projections for FY 2019/20, 2020/21 and 2021/22 have been developed to support the ongoing operations of State System universities based upon the most accurate information available. Act 188 of 1982 requires the Board of Governors to approve the universities' FY 2019/20 budgets (Attachment 1) as the basis for the development of the System's appropriations request.

The System's financial requirements are provided in the attached FY 2020/21 E&G Appropriation Request Overview (Attachment 2). These requirements incorporate revenue projections that include a 2.0 percent increase in state appropriations and a price of attendance that maintains the current level of affordability.

Both the FY 2019/20 and 2020/21 budget projections exclude unknown changes in pay for System employees that may result from future collective bargaining negotiations. (This is not a bargaining position.)

It is proposed, as reflected in Table 1 of Attachment 2, that the State System seek an E&G appropriation request of \$487.0 million, an increase of \$9.5 million, or 2 percent. Notwithstanding the aggregate effect of creating a balanced budget, several universities will continue to face significant financial challenges.

**MOTION:** That the Board of Governors approve:

1. The FY 2019/20 E&G budgets for the State System universities and Office of the Chancellor, reflected in Attachment 1, as the basis for the System's appropriation request; and,
2. An FY 2020/21 E&G appropriation request of \$487,019,000, an increase of \$9.5 million or 2.0 percent, reflected in Attachment 2.

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**Supporting Documents Included:** FY 2019/20 University Educational and General Budgets; FY 2020/21 Educational and General Appropriation Request Overview

**Other Supporting Documents Available:** None

**Reviewed by:** Executive Leadership Group

**Prepared by:** Sharon P. Minnich

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

**Attachment 1**  
**Fiscal Year 2019/20 University Educational and General Budgets**  
**for Pennsylvania's State System of Higher Education Entities**  
*As of October 16, 2019*

In accordance with Act 188 of 1982, the Board of Governors approves the current year (FY 2019/20) Educational and General (E&G) budgets as the basis for the development of the System's FY 2020/21 E&G appropriation request.

E&G budgets support ongoing general academic, administrative, and physical operations. Restricted (sponsored programs and most financial aid) and auxiliary (dining, housing, recreation centers, and student centers) activities are excluded. University budgets vary from one another due to the unique nature of each university's enrollment, employee complement, instructional offerings, physical plant, and strategic direction. Expenditure estimates and projections for university-based revenue sources are used to determine the System's financial plan request parameters.

Below are explanations of the enrollment, revenue, and expenditure expectations for System universities and the Office of the Chancellor for FY 2019/20, as submitted by the universities in September 2019 and reviewed by the Office of the Chancellor. A summary for each entity is provided in Table 1 at the end of this overview.

**Fiscal Year 2019/20 Highlights**  
**Financial Realignment**

In the midst of declining enrollment, the System's emphasis continues to be on addressing the structural gap between revenues and expenses through strategic changes to its business models to ensure university financial sustainability and student success. System universities are retooling in order to meet changing student demographics and new program content needs and modalities. This includes a multiyear approach to align human and fiscal resources with strategic direction and operational responsibilities.

Universities have incorporated these structural adjustments into their budgets in different ways, as they are at various stages in their planning processes. Some universities have reflected a Planned Use of Carryforward or loans from auxiliary funds in FY 2019/20 as a one-time funding source while plans are being finalized for structural realignment.

**Revenue/Sources**

**Tuition**—The Board of Governors froze tuition for FY 2019/20. The FY 2019/20 tuition revenue projections reflect the impact of changes in enrollment. Most System universities—like others in Pennsylvania—continue to experience enrollment declines with a corresponding adverse effect on tuition and fee revenues. The System's overall anticipated FY 2019/20 reduction of approximately 2,600 annualized full-time equivalent (FTE) students, or 2.9 percent, is consistent with preliminary fall 2019 enrollment statistics. System-wide, tuition revenue is expected to decrease \$25.7 million, or 3.0 percent.

**Fees**—The universities' councils of trustees set institution-based student fee rates. Student fees include mandatory fees charged to all students, such as instructional support fees and health center fees, as well as optional fees charged to students for specific services or privileges, such as parking fees.

Also included in this revenue category is the Technology Tuition Fee, set by the Board of Governors, which is budgeted to generate \$48.4 million in revenue for instructional technology purposes. All fee revenue reflects the combined impact of rate adjustments and enrollment changes. The combined E&G fee revenue decreased on average 1.1 percent. University fee practices vary significantly.



**State Appropriation**—The System’s 2019/20 E&G appropriation of \$477.5 million represents a \$9.4 million, or 2.0 percent, increase over the prior year. The increase in state appropriations was prorated across all universities based on the prior year’s total appropriation allocation, as approved by the Board of Governors at its July 2019 meeting.

**All Other Revenue**—Included in this category are unrestricted gifts, contracts, and grants; investment income; educational fees for noncredit activity; parking and library fines; corrections from prior years; and other miscellaneous revenue sources. Activities generating these revenues vary widely by university and tend to be nonrecurring. Most universities do not anticipate increases and/or continuation of certain miscellaneous revenue sources in this category, and limit expenditures supported by these specific revenue streams in their budget estimates accordingly.

**Planned Use of Carryforward**—From time to time, some universities may have the opportunity, either through greater than anticipated enrollment/revenue growth or through disciplined multiyear planning, to set aside revenues for future year activities. This is represented by a negative number in Planned Use of Carryforward. When a university is using funds carried forward from previous years, a positive number will appear on this line. This practice is a management tool allowing universities to anticipate and fund large one-time purchases and multiyear projects. Typical initiatives funded in this manner include new academic programs, major equipment purchases and upgrades, facilities improvements, and transitions through demographic changes. Since Carryforward funds are one-time in nature, a corresponding one-time expenditure is associated with the use of these funds. However, most universities reflect a Planned Use of Carryforward in 2019/20 to partially fund ongoing expenses as a transitional tool while implementing multiyear realignments. When this has occurred previously, the actual amount of Carryforward used by the end of the fiscal year tends to be less than the amount projected. Please note that two universities reflect a surplus, as this year’s revenues/sources are expected to exceed expenditures/transfers.

### **Expenditures/Transfers**

**Compensation**—Universities estimate budgeted FTE positions based upon known complement and anticipated vacancies. Given the continuing budget challenges, universities review all vacated positions to determine if they must be refilled, eliminated, or repurposed to meet a more critical function. Most System universities are planning to fill some key positions in FY 2019/20. In total, 10,560 E&G FTE positions are budgeted for FY 2019/20, representing an increase of 108 FTE positions over the FY 2018/19 actual complement, net of turnover. The FY 2019/20 change in E&G employees primarily provides faculty and staff in support of enrollment increases, new academic programs, and student success initiatives.

Compensation adjustments have been incorporated in the FY 2019/20 estimates for all known requirements. Employee benefits allow multiple choices for healthcare and retirement programs. Each university’s mix of employees among the bargaining units that represent them, the benefits choices they make, and their years of service result in varying increases in personnel costs. Universities budget compensation expenses based upon anticipated filled positions, taking into consideration retirements, vacancies, enrollment changes, programmatic requirements, efficiency and productivity efforts, and regular annual turnover in employee complement.

**Salaries and Wages**—FY 2019/20 begins with most bargaining units operating under expired contracts. At this time, future compensation requirements are unknown for all employees except those represented by the American Federation of State, County and Municipal Employees (AFSCME) and the Service Employees International Union (SEIU). Compensation adjustments include contractual requirements for these two units and only the remaining residual impact of contractual pay adjustments in the previous fiscal year for other bargaining units, combined with the complement adjustments. These changes result in an overall increase in salary and wage expenditures of 0.6 percent.

**Benefits**—The vast majority of System employees are enrolled in either the System’s healthcare program or the Commonwealth’s Pennsylvania Employees Benefit Trust Fund (PEBTF) program for

health benefits. Recent plan changes helped to reduce the System’s healthcare costs over the last four years. In FY 2019/20, the System’s plan experienced a 7.8 percent rate increase (after a significant reduction in the prior year); the PEBTF rates remained level. The System’s retiree healthcare rates remained level, while the Commonwealth’s retiree healthcare rates decreased 18.6 percent.

The most common employer contribution rates for the State Employees’ Retirement System (SERS) and Public School Employees’ Retirement System (PSERS), in which approximately half of the System’s eligible employees participate, increased approximately 4.1 percent and 2.6 percent, respectively. In total, employee benefits expenses are projected to increase 1.6 percent.

**Student Financial Aid**—Given the growing emphasis on affordability, retention, enrollment management, and the net price to the student, E&G expenditures for student financial aid are reflected as a separate category in the budget summary. The use of institutional unrestricted resources for student aid increased \$7.1 million, or 11.3 percent in FY 2019/20.

**Utilities**—Each university’s utilities costs vary widely, depending on the mix of utilities (gas, coal, oil, and electricity), local providers, contractual obligations, usage, energy savings projects, and changes in space. FY 2019/20 utilities costs net of energy savings are estimated to remain fairly stable.

**Other Services and Supplies**—Expenditures in this category support all the day-to-day university operations, including professional services; teaching, office, and custodial supplies; travel; subscriptions and memberships; postage; and noncapital equipment. Costs in several commodity areas were contained through Systemwide strategically sourced procurements. In addition, universities routinely purchase products and services under Commonwealth and other governmental contracts to reduce costs. During FY 2019/20, other services and supplies expenditures are expected to increase \$11.7 million or 4.4 percent in total.

**Capital Expenditures and Transfers**—Capital expenditures and transfers represent the System’s investment in its physical resources from the E&G budget. These costs are reflected in the following three categories.

- **Capital Expenditures**—Included in this category are purchases of items such as equipment, furniture, and library materials, as well as land and building improvements that have a useful life that is depreciated over time. The System budgets these expenditures on a cash basis, rather than budgeting depreciation. Please note: Commonwealth capital funding provided for projects listed in the System’s Five-Year Capital Plan are not reflected in the System’s revenue or expenses.
- **Debt Principal Payments**—This category includes all university principal debt payments owed for outstanding System bonds associated with university-funded E&G facility projects.
- **Other Transfers**—This category generally funds physical plant expenditures, which often are multiyear projects addressing deferred maintenance and life cycle renewal. In some cases, transfers may also reflect a loan to/from auxiliary enterprises.

University capital expenditures and transfers vary widely from year to year.

Table 1

**Pennsylvania's State System of Higher Education  
FY2019/20 Educational and General Budgets**

Revenue/Sources	East							
	Bloomsburg University	California University	Cheyney University	Clarion University	Stroudsburg University	Edinboro University	Indiana University	Kutztown University
Tuition	\$74,935,354	\$59,741,058	\$5,417,532	\$35,073,000	\$57,943,110	\$39,655,017	\$98,316,400	\$65,947,544
Fees	21,219,522	14,336,000	1,821,695	11,833,460	12,425,804	10,716,459	30,604,478	16,428,133
State Appropriation	38,405,845	34,181,375	13,497,667	26,512,315	29,102,386	28,576,510	56,058,332	37,769,690
All Other Revenue	6,402,090	5,770,038	6,600,220	7,168,584	5,800,572	3,390,249	17,925,004	5,067,000
Planned Use of Carryforward	7,977,982	2,837,527	(4,039,958)	0	1,751,008	15,994,471	5,082,703	0
<b>Total Revenue/Sources</b>	<b>\$148,940,793</b>	<b>\$116,865,998</b>	<b>\$23,297,156</b>	<b>\$80,587,359</b>	<b>\$107,022,880</b>	<b>\$98,332,706</b>	<b>\$207,986,917</b>	<b>\$125,212,367</b>
<b>Expenditures and Transfers</b>								
Compensation Summary:								
Salaries and Wages	\$73,605,326	\$56,924,438	\$7,500,827	\$41,291,404	\$50,721,612	\$47,761,299	\$103,580,315	\$63,300,019
Benefits	36,950,262	27,186,761	3,594,175	20,415,369	22,859,441	25,026,739	49,270,495	30,327,846
Subtotal, Compensation	\$110,555,588	\$84,111,199	\$11,095,002	\$61,706,773	\$73,581,053	\$72,788,038	\$152,850,810	\$93,627,865
Student Financial Aid	4,281,724	7,967,483	400,000	3,992,133	4,239,684	3,347,286	12,095,000	5,970,750
Utilities	2,537,864	2,188,741	810,076	1,862,115	1,521,927	2,263,061	5,034,326	2,643,857
Other Services and Supplies	26,314,393	19,873,114	7,509,411	17,515,094	18,526,002	13,672,615	30,371,852	19,708,029
Subtotal, Services and Supplies	\$33,133,981	\$30,029,338	\$8,719,487	\$23,369,342	\$24,287,613	\$19,282,962	\$47,501,178	\$28,322,636
Capital Expenditures	2,308,712	262,418	100,000	816,000	30,000	40,000	1,539,000	1,165,000
Debt Principal Payments	1,125,752	2,913,631	1,861,469	363,900	3,240,627	982,520	2,044,358	1,850,572
Other Transfers Out/(In)	1,816,760	(450,588)	1,521,198	(5,668,656)	5,883,587	5,239,186	4,051,571	246,294
Subtotal, Capital Expenditures and Transfers	\$5,251,224	\$2,725,461	\$3,482,667	(\$4,488,756)	\$9,154,214	\$6,261,706	\$7,634,929	\$3,261,866
<b>Total Expenditures and Transfers</b>	<b>\$148,940,793</b>	<b>\$116,865,998</b>	<b>\$23,297,156</b>	<b>\$80,587,359</b>	<b>\$107,022,880</b>	<b>\$98,332,706</b>	<b>\$207,986,917</b>	<b>\$125,212,367</b>
<b>Revenue/Sources Less Expenditures/Transfers</b>	<b>\$0</b>							
<b>Annualized FTE Enrollment</b>								
	<b>FY 2019/20</b>	<b>FY 2019/20</b>	<b>FY 2019/20</b>	<b>FY 2019/20</b>	<b>FY 2019/20</b>	<b>FY 2019/20</b>	<b>FY 2019/20</b>	<b>FY 2019/20</b>
In-State Undergraduate	6,900.07	3,942.00	497.83	3,173.60	4,135.52	2,560.00	7,204.07	5,749.53
Out-of-State Undergraduate	647.33	479.00	136.60	261.57	1,073.89	454.00	630.99	914.20
In-State Graduate	523.78	1,170.00	0.00	428.63	496.50	771.00	988.97	482.75
Out-of-State Graduate	62.06	555.00	0.00	175.17	133.07	293.00	396.41	37.75
<b>Total FTE Enrollment</b>	<b>8,133.24</b>	<b>6,146.00</b>	<b>634.43</b>	<b>4,038.97</b>	<b>5,838.98</b>	<b>4,078.00</b>	<b>9,220.44</b>	<b>7,184.23</b>
<b>E&amp;G FTE of Budgeted Employees</b>								
	<b>FY 2019/20</b>	<b>FY 2019/20</b>	<b>FY 2019/20</b>	<b>FY 2019/20</b>	<b>FY 2019/20</b>	<b>FY 2019/20</b>	<b>FY 2019/20</b>	<b>FY 2019/20</b>
Faculty	479.75	319.65	40.85	259.38	292.29	299.60	600.69	437.17
AFSCME	322.69	185.02	12.60	161.29	184.57	153.87	368.85	190.57
Nonrepresented	115.86	97.30	25.72	74.56	100.40	84.59	185.98	104.71
SCUPA	58.31	52.45	4.00	31.94	37.74	30.44	56.38	31.53
All Other	55.55	51.28	10.63	37.41	47.06	39.50	59.65	43.79
<b>Total FTE of Budgeted Employees</b>	<b>1,032.16</b>	<b>705.70</b>	<b>93.79</b>	<b>564.58</b>	<b>662.06</b>	<b>608.00</b>	<b>1,271.55</b>	<b>807.77</b>
<b>Total FTE, Net of Turnover</b>	<b>963.16</b>	<b>684.70</b>	<b>93.04</b>	<b>544.87</b>	<b>651.77</b>	<b>585.00</b>	<b>1,256.25</b>	<b>781.12</b>

\*Includes Systemwide initiatives and shared service employees.

Table 1

**Pennsylvania's State System of Higher Education  
FY2019/20 Educational and General Budgets**

<b>Revenue/Sources</b>	<b>Lock Haven University</b>	<b>Mansfield University</b>	<b>Millersville University</b>	<b>Shippensburg University</b>	<b>Slippery Rock University</b>	<b>West Chester University</b>	<b>Office of Chancellor 1/2 of 1%</b>	<b>State System Total*</b>
Tuition	\$28,186,965	\$12,616,578	\$71,976,400	\$56,520,462	\$79,709,646	\$155,328,343	\$0	\$841,367,409
Fees	7,329,655	2,707,206	15,119,689	11,932,702	18,549,953	36,575,601	0	211,744,166
State Appropriation	25,746,354	18,074,506	35,567,379	31,352,960	39,786,283	58,194,345	2,384,000	477,470,000
All Other Revenue	3,947,234	1,412,464	5,766,113	6,756,546	5,510,302	9,991,220	5,803,464	100,033,721
Planned Use of Carryforward	4,063,918	9,751,699	745,391	7,978,551	0	6,357,672	336,349	59,000,183
<b>Total Revenue/Sources</b>	<b>\$69,274,126</b>	<b>\$44,562,453</b>	<b>\$129,174,972</b>	<b>\$114,541,221</b>	<b>\$143,556,184</b>	<b>\$266,447,181</b>	<b>\$8,523,813</b>	<b>\$1,689,615,479</b>
<b>Expenditures and Transfers</b>								
Compensation Summary:								
Salaries and Wages	\$37,571,107	\$21,000,005	\$64,074,491	\$62,082,510	\$73,602,453	\$136,536,331	\$4,367,025	\$844,824,190
Benefits	19,323,664	10,608,356	30,077,444	29,389,942	35,007,018	61,731,676	1,857,110	404,068,899
Subtotal, Compensation	\$56,894,771	\$31,608,361	\$94,151,935	\$91,472,452	\$108,609,471	\$198,268,007	\$6,224,135	\$1,248,893,089
Student Financial Aid	2,776,646	3,343,000	3,284,483	5,244,265	5,214,382	7,585,033	0	69,741,869
Utilities	1,267,960	1,145,224	2,309,519	1,226,925	2,331,410	3,045,985	3,500	30,192,490
Other Services and Supplies	7,954,907	8,500,067	19,855,745	14,996,745	20,753,221	44,335,767	2,121,048	275,855,760
Subtotal, Services and Supplies	\$11,999,513	\$12,988,291	\$25,449,747	\$21,467,935	\$28,299,013	\$54,966,785	\$2,124,548	\$375,790,119
Capital Expenditures	429,565	35,000	358,748	888,803	1,402,073	1,940,000	0	11,755,319
Debt Principal Payments	966,027	358,729	121,279	404,197	2,132,019	3,806,553	111,081	22,282,714
Other Transfers Out/(In)	(1,015,750)	(427,928)	7,757,963	307,834	3,113,608	3,988,424	64,049	26,081,526
Subtotal, Capital Expenditures and Transfers	\$379,842	(\$34,199)	\$8,237,990	\$1,600,834	\$6,647,700	\$9,734,977	\$175,130	\$60,119,559
<b>Total Expenditures and Transfers</b>	<b>\$69,274,126</b>	<b>\$44,562,453</b>	<b>\$127,839,672</b>	<b>\$114,541,221</b>	<b>\$143,556,184</b>	<b>\$262,969,769</b>	<b>\$8,523,813</b>	<b>\$1,684,802,767</b>
<b>Revenue/Sources Less Expenditures/Transfers</b>	\$0	\$0	\$1,335,300	\$0	\$0	\$3,477,412	\$0	\$4,812,712
<b>Annualized FTE Enrollment</b>	<b>FY 2019/20</b>	<b>FY 2019/20</b>	<b>FY 2019/20</b>	<b>FY 2019/20</b>	<b>FY 2019/20</b>	<b>FY 2019/20</b>	<b>FY 2019/20</b>	<b>FY 2019/20</b>
In-State Undergraduate	2,465.68	1,239.00	5,655.07	4,597.33	6,948.32	12,708.76	n/a	67,776.77
Out-of-State Undergraduate	146.88	274.00	522.17	390.26	697.24	1,483.09	n/a	8,111.22
In-State Graduate	355.17	16.00	700.96	389.83	1,063.17	1,703.89	n/a	9,090.64
Out-of-State Graduate	100.35	3.00	39.13	41.83	226.90	273.59	n/a	2,337.27
<b>Total FTE Enrollment</b>	<b>3,068.08</b>	<b>1,532.00</b>	<b>6,917.33</b>	<b>5,419.25</b>	<b>8,935.63</b>	<b>16,169.32</b>	<b>0.00</b>	<b>87,315.91</b>
<b>E&amp;G FTE of Budgeted Employees</b>	<b>FY 2019/20</b>	<b>FY 2019/20</b>	<b>FY 2019/20</b>	<b>FY 2019/20</b>	<b>FY 2019/20</b>	<b>FY 2019/20</b>	<b>FY 2019/20</b>	<b>FY 2019/20</b>
Faculty	219.87	128.75	375.39	342.15	445.76	896.54	0.00	5,137.85
AFSCME	145.47	102.43	236.45	206.24	279.90	374.44	4.49	2,945.32
Nonrepresented	60.24	42.56	114.84	99.72	98.53	258.07	31.49	1,581.08
SCUPA	19.89	9.40	51.14	44.88	48.10	99.38	0.00	575.58
All Other	40.71	28.35	49.28	38.46	56.99	66.99	0.10	626.19
<b>Total FTE of Budgeted Employees</b>	<b>486.18</b>	<b>311.49</b>	<b>827.10</b>	<b>731.46</b>	<b>929.28</b>	<b>1,695.42</b>	<b>36.08</b>	<b>10,866.01</b>
<b>Total FTE, Net of Turnover</b>	<b>471.18</b>	<b>291.49</b>	<b>815.03</b>	<b>715.96</b>	<b>907.99</b>	<b>1,661.51</b>	<b>35.36</b>	<b>10,559.76</b>

\*Includes Systemwide initiatives and shared service employees.

**Attachment 2**  
**Pennsylvania's State System of Higher Education**  
**Fiscal Year 2020/21 Educational and General (E&G) Appropriation Request Overview**  
*As of October 16, 2019*

**E&G Appropriation Request Highlights**

In fiscal year (FY) 2019/20, Pennsylvania's State System of Higher Education received \$477.5 million in state appropriations. Over the past five years, the Commonwealth's budget has provided the System with a combined increase in appropriations of \$64.7 million (16 percent in nominal dollars), following six years of reduced or stagnant appropriations. The State System is appreciative of the increased support provided by the General Assembly and Governor Wolf, and acknowledges the continued fiscal challenges facing the Commonwealth.

The System's FY 2020/21 Educational and General (E&G) appropriation request builds upon the Commonwealth's commitment to increase funding for its state-owned universities, while addressing real affordability constraints experienced by Pennsylvania's low- and middle-income students. As such, this request is built upon a budget that incorporates the following assumptions.

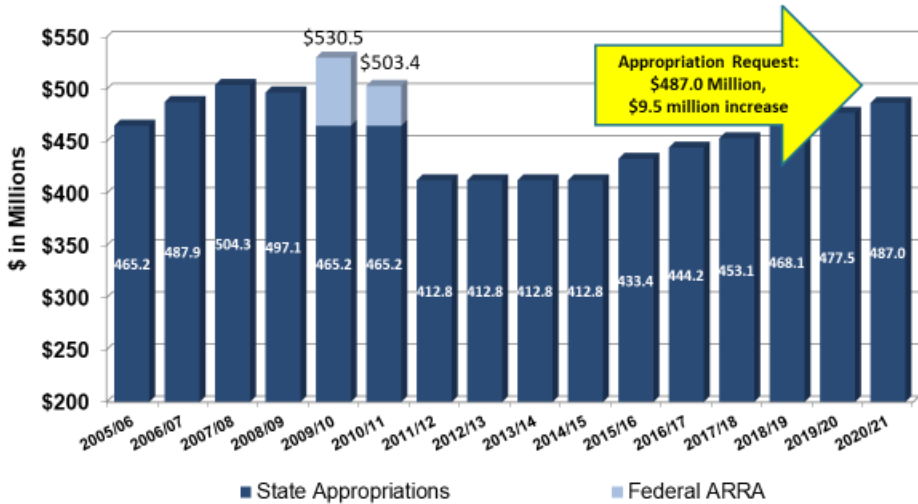
- Over the past five years, the State System has received appropriation increases annually, ranging from 5.0 percent in FY 2015/16 to 2.0 percent in both FY 2017/18 and 2019/20. Recognizing this trend for moderate increases in state funding, the System's FY 2020/21 budget estimates incorporate a 2.0 percent increase in state appropriations for both the request and future year projections. This recognizes a modest increase in the "cost to carry" current operations into the upcoming year. An appropriation request of \$487,019,000, an increase of \$9,549,000, or 2 percent, if fully funded, will continue the combined efforts of the Governor and the Legislature to support the Commonwealth's proportional share of the cost to carry operations into the upcoming year for its state-owned universities.
- As some universities consider potential multiyear pricing strategies that may be presented to the Board of Governors for consideration this spring for implementation as early as fall 2020, many universities will continue to operate within the System's traditional tuition structure. In the absence of approved multiyear net price strategies, tuition and fee revenue assumptions include adjustments that mirror the rate of inflation, maintaining the current level of affordability. In addition, most universities continue to address affordability for individual students through increases in institutional financial aid. Tuition proposals for FY 2020/21 will be presented in April 2020.
- Universities projected an overall 1 percent reduction in enrollment. Anticipated enrollment trends vary significantly due to differences in regional demographics, program mix, student success initiatives, etc.
- Mandatory cost increases are anticipated, especially in employee pay, healthcare, and pension obligations. Note: pay components of all collective bargaining agreements ended summer 2019; only two (American Federation of State, County and Municipal Employees [AFSCME] and the Service Employees International Union [SEIU]) of nine successor collective bargaining agreements have been reached at this time. Estimates exclude unknown future changes in pay for System employees represented by all other unions and nonrepresented employees. (*This is not a bargaining position.*)

With these modest adjustments to revenue and expenditure requirements, universities will plan to address the structural surpluses or deficits between revenues and expenses through reinvestment in strategic initiatives or through changes to their business models to enable financial sustainability. As universities implement lasting changes to their cost structure, available one-time resources (unrestricted net assets or reserves) may be used as a transitional step, typically reflected as a funding source referred to as “planned use of carryforward funds.”

## State Appropriations

### *Historical Trends in Nominal Dollars*

**If the System's appropriation request of \$487.0 million is fully funded, state support will be fully restored in nominal dollars to the 2006/07 level.**



## Fiscal Year 2020/21 Educational and General Budget Requirements

As part of System Redesign, the FY 2020/21 budget request cycle has been modified to ensure consistent data across all universities and to position the System for full implementation of a multiyear budget strategy and process in the following year. Beginning with the FY 2021/22 budget request cycle, the budget process will also be fully aligned with integrated strategic planning, incorporating System and university goals, multiyear net price strategies, and investment priorities.

To begin this multiyear implementation process, the FY 2020/21 budget request process required universities to submit four years of data: audited data for FY 2018/19; the current budget for FY 2019/20, and projections for both the request year (FY 2020/21), and one future year (FY 2021/22). Adding this fourth year will support the multiyear planning that is integral to both the implementation of the recently amended Board of Governors Policy 1999-02-A, *Tuition*, and to System and university goals that are being developed.

The System's E&G budget for all four years, comprised of the actual, current, and projected budgets of the 14 universities and the Office of the Chancellor, as presented in Table 1, provides context for multiyear planning. However, the System's E&G appropriation request will only address FY 2020/21, which incorporates the following adjustments.

### 2020/21 Anticipated Revenue

**Enrollment**—Preliminary fall 2019 enrollment reflects a decline at 10 System universities due to the compounding impact of reductions in the number of high school graduates and the proportion of those who pursue a higher education, increased admissions standards at several universities designed to improve long-range retention, and the impacts of larger graduating than entering classes. This resulted in an overall reduction of approximately 2,600 full-time equivalent (FTE) students, or 2.9 percent for FY 2019/20. Estimates for FY 2020/21 reflect a further decline of approximately 900 FTE students, or 1 percent. Enrollment stability will be reached in the future as the effects of enhanced enrollment management strategies, student retention efforts, and improved admissions standards begin to take hold.

**Tuition and Fees**—The System's FY 2020/21 tuition and fee revenues are estimated at levels to maintain the current level of affordability. The Board will set tuition in April 2020 for FY 2020/21. Tuition and fee revenue projections also include an estimated 1 percent reduction in enrollment throughout the System and changes in the mix of students (e.g., full-time versus part-time, residency, and student level). The result is an increase of \$6.4 million in gross tuition and fee revenue.

**State Appropriation**—The state appropriation in Table 1 reflects requested funding of the E&G appropriation at \$487.0 million, an increase of \$9.5 million, or 2.0 percent.

**All Other Revenue**—Most universities do not anticipate increases and/or continuation of certain miscellaneous revenue sources until these revenues are received. In addition, they limit expenditures supported by these specific revenue streams in their budget estimates.

**Planned Use of Carryforward**—Typical initiatives funded with Carryforward include implementation of new academic programs, major equipment purchases and upgrades, necessary facilities maintenance and improvements, and transitions through demographic changes. Some universities also reflect a Planned Use of Carryforward as

a transitional tool to partially fund ongoing expenses, while implementing multiyear realignments of programs to workforce needs.

### **Anticipated Expenditures**

Projected expenditures reflect the cost to continue operations into the ensuing years for the anticipated enrollment, referred to as the “cost to carry” budget.

**Employee Complement**—The System has worked diligently in recent years to manage its human resources, filling only essential positions as they become vacant. Continuing to align human and fiscal resources remains a priority. As part of the new budget process, definitions and guidelines for the reporting of workforce and associated costs have resulted in a more consistent reporting of annualized, full-time equivalent employee complement. In addition, the annual impact of normal employee turnover is applied to both employee complement and compensation cost estimates. The resulting effect is an expected flat employee complement in FY 2020/21 of approximately 10,560 annualized FTE employees.

**Salaries and Wages**—State System universities operate in a competitive environment for faculty and staff. Compensation requirements for 85 percent of System employees are established in nine collective bargaining agreements, of which only two have current contracts: the American Federation of State, County and Municipal Employees (AFSCME) and the Service Employees International Union (SEIU). At this time, future compensation requirements are only known for approximately 30 percent all employees. Therefore, as has been the case with respect to prior appropriation requests, FY 2020/21 projections incorporate the increases for AFSCME and SEIU employees outlined in the successor contracts, and impact of changes in complement, but exclude unknown future changes in pay for all other employee groups. (*This is not to be viewed as a bargaining position.*) Salaries and wages, as well as associated benefits, are adjusted annually to reflect the historical savings due to employee turnover throughout the fiscal year.

Given these assumptions, salary and wage expenditures are projected to increase \$3.8 million, or 0.4 percent, in FY 2020/21. These pay adjustments also generate a corresponding fiscal impact on social security and retirement benefit costs.

**Employee Benefits**—Overall, FY 2020/21 employee benefits expenditures are expected to increase \$10.8 million, or 2.7 percent.

Social security and retirement expenses are planned to change with known salary/wage changes and plan contribution rates. Approximately half of the System’s employees have chosen one of the two primary Commonwealth pension programs—State Employees’ Retirement System (SERS) and Public School Employees’ Retirement System (PSERS)—as their retirement vehicle. In accordance with Commonwealth budget guidelines, pension rates affecting all employee participants in the SERS and PSERS plans are projected to increase 4.0 percent and 1.4 percent, respectively. The alternative retirement plan rates remain unchanged. Total retirement costs are expected to increase \$4.2 million, or 3.0 percent.

Of those employees who receive health benefits, approximately 65 percent are enrolled in the System’s healthcare program. The employer share of healthcare rates for active and annuitant employees within the System-managed programs is projected to increase an average of 4.0 percent next year for employees and retirees, based upon a



combination of national trends, the System's healthcare experience, participation in the wellness program, and the anticipated change in complement. The remaining 35 percent of System employees receive healthcare through the Pennsylvania Employees Benefit Trust Fund (PEBTF). The Commonwealth budget guidelines include a 3.3 percent increase in the FY 2020/21 employer contribution rates, and contribution rates for the Commonwealth's retiree healthcare program are projected to remain at the same level as FY 2019/20. Combined healthcare costs are anticipated to increase \$6.0 million, or 3.5 percent.

**Student Financial Aid**—In April 2019, the Board of Governors approved a new framework for pricing that focuses on the net price to the student to ensure affordability. These actions, building upon existing university practices, support the use of institutional financial aid to reduce financial barriers to higher education. Given the growing emphasis on affordability, retention, enrollment management, and the net price to the student, continued growth is projected in the use of institutional unrestricted resources for student aid. E&G student aid expenditures in FY 2020/21 are expected to grow an additional \$3.7 million, or 5.2 percent.

**All Other Basic Operating Expenditures**—Given the current fiscal environment, universities continue to limit nonmandatory spending and seek further efficiencies through strategic sourcing. Therefore, anticipated expenditures for all other services, supplies, and materials are projected to decrease \$5.6 million, or 2.0 percent.

The System's FY 2020/21 utilities costs are projected to increase \$0.5 million, or 1.5 percent, to address anticipated rate adjustments. Rate increases are partially offset by energy conservation efforts derived, in part, through the use of energy savings contracts and some universities converting to more efficient energy sources. In total, expenditures on services, supplies, institutional aid for students, and utilities are estimated to decrease \$1.5 million, or 0.4 percent.

**Capital Expenditures and Transfers**—Capital expenditures and transfers, which primarily represent each university's investment in its physical resources from the E&G budget, are projected to remain relatively stable from a Systemwide perspective, although activity varies significantly by university. This category includes the purchase of "capital" items—those with a long life over which their cost can be depreciated—such as major equipment, technology and furniture purchases. It also includes debt payments for E&G facilities projects that were previously approved by the Board, and "transfers" to other funds, most commonly to set aside resources for long-term deferred maintenance E&G facilities projects. (Please note: Commonwealth capital funding is not part of the System's budget.) In total, capital expenditures and transfers remain fairly steady, with a decrease of \$0.3 million, or 0.5 percent.

The combined impact of the revenue and expenditure assumptions result in an overall System E&G budget of \$1.7 billion for FY 2020/21, an increase of \$12.8 million or 0.8 percent.

The requested appropriation of \$487.0 million, combined with other projected changes in the System's revenue and anticipated mandatory expenditures, results in a balanced E&G budget of \$1.7 billion. Notwithstanding the aggregate effect of creating a balanced budget, several universities will continue to face significant financial challenges. Although a modest net price adjustment to maintain current affordability levels has been incorporated into these projections, tuition rates for FY 2020/21 will not be addressed by the Board of Governors until spring 2020.

**Table 1**  
**Pennsylvania's State System of Higher Education**  
**Fiscal Year 2020/21 Educational and General Budget Requirements**  
*As of October 16, 2019*

Revenue/Sources	(\$ in Millions)						
	Actual FY 2018/19	Projected FY 2019/20	Percent Change	Projected FY 2020/21	Percent Change	Projected FY 2021/22	Percent Change
Tuition	\$867.0	\$841.4	-3.0%	\$846.2	0.6%	\$861.5	1.8%
Fees	214.2	211.7	-1.1%	213.3	0.7%	217.7	2.1%
State Appropriation	468.1	477.5	2.0%	487.0	2.0%	496.8	2.0%
All Other Revenue	107.1	100.0	-6.6%	98.1	-1.9%	97.8	-0.3%
Planned Use of Carryforward	4.6	54.2	1089.1%	53.0	-2.2%	39.6	-25.3%
<b>Total Revenue/Sources</b>	<b>\$1,661.0</b>	<b>\$1,684.8</b>	<b>1.4%</b>	<b>\$1,697.6</b>	<b>0.8%</b>	<b>\$1,713.4</b>	<b>0.9%</b>
<b>Expenditures and Transfers</b>							
Compensation Summary:							
Salaries and Wages	\$840.0	\$844.8	0.6%	\$848.6	0.4%	\$850.0	0.2%
Benefits	397.8	404.1	1.6%	414.8	2.7%	426.1	2.7%
Subtotal, Compensation	\$1,237.9	\$1,248.9	0.9%	\$1,263.5	1.2%	\$1,276.1	1.0%
Student Financial Aid	62.6	69.7	11.3%	73.4	5.2%	76.9	4.8%
Utilities	30.0	30.2	0.6%	30.7	1.5%	31.8	3.6%
Other Services and Supplies	264.2	275.9	4.4%	270.3	-2.0%	269.1	-0.4%
Subtotal, Services and Supplies	\$356.8	\$375.8	5.3%	\$374.3	-0.4%	\$377.8	0.9%
Capital Expenditures	12.3	11.8	-4.4%	10.7	-8.9%	10.6	-1.2%
Debt Principal Payments	21.3	22.3	4.6%	21.8	-2.4%	20.4	-6.2%
Other Transfers Out/(In)	43.6	26.1	-40.2%	27.3	4.8%	28.5	4.3%
Subtotal, Capital Expenditures and Transfers	\$77.2	\$60.1	-22.2%	\$59.8	-0.5%	\$59.5	-0.5%
<b>Total Expenditures and Transfers</b>	<b>\$1,671.9</b>	<b>\$1,684.8</b>	<b>0.8%</b>	<b>\$1,697.6</b>	<b>0.8%</b>	<b>\$1,713.4</b>	<b>0.9%</b>
<b>Revenue/Sources Less Expenditures/Transfers</b>	<b>(\$10.9)</b>	<b>\$0.0</b>		<b>\$0.0</b>		<b>\$0.0</b>	
<b>Annualized FTE Enrollment</b>							
	<b>FY 2018/19</b>	<b>FY 2019/20</b>	<b>Percent Change</b>	<b>FY 2020/21</b>	<b>Percent Change</b>	<b>FY 2021/22</b>	<b>Percent Change</b>
In-State Undergraduate	70,004.97	67,776.77	-3.2%	66,827.73	-1.4%	66,996.39	0.3%
Out-of-State Undergraduate	8,463.84	8,111.22	-4.2%	8,161.84	0.6%	8,295.09	1.6%
In-State Graduate	9,100.13	9,090.64	-0.1%	9,152.55	0.7%	9,187.47	0.4%
Out-of-State Graduate	2,316.93	2,337.27	0.9%	2,289.59	-2.0%	2,292.00	0.1%
<b>Total FTE Enrollment</b>	<b>89,885.87</b>	<b>87,315.91</b>	<b>-2.9%</b>	<b>86,431.71</b>	<b>-1.0%</b>	<b>86,770.95</b>	<b>0.4%</b>
<b>E&amp;G FTE of Budgeted Employees</b>							
	<b>FY 2018/19</b>	<b>FY 2019/20</b>	<b>Change</b>	<b>FY 2020/21</b>	<b>Change</b>	<b>FY 2021/22</b>	<b>Change</b>
Faculty	5,060.05	5,137.85	77.80	5,131.75	(6.10)	5,124.18	(7.57)
AFSCME	2,811.89	2,945.32	133.43	2,965.51	20.19	2,955.96	(9.56)
Nonrepresented	1,443.80	1,581.08	137.28	1,603.01	21.93	1,597.60	(5.41)
SCUPA	540.09	575.58	35.49	578.93	3.34	577.40	(1.53)
All Other	595.96	626.19	30.22	629.97	3.79	630.15	0.18
<b>Total FTE of Budgeted Employees</b>	<b>10,451.79</b>	<b>10,866.01</b>	<b>414.22</b>	<b>10,909.17</b>	<b>43.16</b>	<b>10,885.28</b>	<b>(23.89)</b>
<b>Total FTE, Net of Turnover</b>	<b>10,451.79</b>	<b>10,559.76</b>	<b>107.98</b>	<b>10,555.51</b>	<b>(4.26)</b>	<b>10,527.56</b>	<b>(27.95)</b>

**University Success Committee Meeting**  
October 16, 2019

**SUBJECT:** Fiscal Year 2020/21 System Redesign Investment Request (ACTION)

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**UNIVERSITIES AFFECTED:** All

**BACKGROUND:**

As part of System Redesign, several areas were analyzed to transform the System and improve student success and university sustainability. To support the core infrastructure to transform the System—including components such as the shared services consortium, student information, online, and student success centers initiatives—initial investments are required to generate savings and/or additional revenue. The System Redesign Investment Request provides the System with the additional funding needed to support these initiatives to enable student success.

**MOTION:** That the Board of Governors approve a System Redesign Investment Request of \$100 million spread over five fiscal years and authorize the chancellor—in consultation with the Board's Executive Committee—to determine an appropriate amount to seek each fiscal year.

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**Supporting Documents Included:** None

**Other Supporting Documents Available:** None

**Reviewed by:** None

**Prepared by:** Sharon P. Minnich

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

**University Success Committee Meeting**

October 16, 2019

**SUBJECT:** Fiscal Year 2019/20 Capital Spending Plan and Capital Budget Authorization Request (ACTION)

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**UNIVERSITIES AFFECTED:** All

**BACKGROUND:** For a Commonwealth-funded capital project to start design and construction, funding must be allocated in the Capital Spending Plan, and the project must have specific authorization from the General Assembly in a capital bill. The spending plan is a rolling five-year plan wherein the Board of Governors approves the execution of projects in the first year of the plan and tentatively approves the remaining four years, subject to annual reviews and updates. Projects not currently authorized by the General Assembly must be submitted for approval in the next capital bill. The General Assembly's authorization in a capital bill does not guarantee project funding.

**Capital Spending Plan**—Earlier this year, the universities provided input for the Capital Spending Plan in accordance with Board of Governors Policy 2000-02-A: *Capital Facilities Planning, Programming, and Funding*, and the procedures in Volume IV of the State System's *Facilities Manual*. Projects submitted were evaluated, prioritized, and compiled into the spending plan considering the following elements:

- University priority.
- Prior year position in the spending plan.
- Academic benefit.
- Space, ADA, safety, and code compliance deficiencies.
- New revenue or matching funds potential.
- Cost savings potential.
- Impact on the deferred maintenance backlog.

The funding distribution was also compared to the plant portion of the allocation formula to attempt to maintain equitable distribution.

**Capital Authorization Bill**—Most projects in this spending plan were previously authorized by the General Assembly in capital itemization acts. Projects that need authorization have been submitted previously and are currently listed in Senate Bill 167.

**MOTION:** That the Board of Governors approve the fiscal year 2019/20 Capital Spending Plan.

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**Supporting Documents Included:** Capital Spending Plan

**Other Supporting Documents Available:** University-submitted project justifications

**Reviewed by:** University Presidents (by email), October 7, 2019, and Fiscal and Administrative Vice Presidents, September 25, 2019

**Prepared by:** Sharon Minnich

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

**DRAFT—Subject to Board of Governors Approval  
 Pennsylvania’s State System of Higher Education Capital  
 Spending Plan—Financial Summary**

Financial Summary in Current Year Dollars (\$000)							Historical Funding Analysis (\$000) <sup>1</sup> Not Including Cheyney		
University	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	Five-Year Total	Total Capital Funding FY1996/7 - FY2018/19	Over- or Underfunded Before Spending Plan <sup>2</sup>	Over- or Underfunded After Spending Plan <sup>3</sup>
Bloomsburg		\$2,000			\$2,800	\$4,800	\$116,324	10,059	(10,878)
California	\$12,200		\$35,000	\$3,500		50,700	77,157	(13,468)	15,594
Cheyney	2,500	4,000				6,500	193,740	--	--
Clarion	3,100			8,500		11,600	121,321	33,023	25,549
East Stroudsburg	1,200				800	2,000	115,434	29,788	8,986
Edinboro	13,100					13,100	96,657	1,195	(6,153)
Indiana	10,200			35,000		45,200	181,939	(7,219)	(6,067)
Kutztown	7,200		600	18,600	22,800	49,200	82,492	(27,351)	(4,911)
Lock Haven	21,000		1,600			22,600	65,777	(8,815)	(3,327)
Mansfield					14,300	14,300	63,116	1,615	2,179
Millersville	500		1,000			1,500	105,895	4,114	(19,606)
Shippensburg		44,000	4,800			48,800	94,044	(9,318)	15,690
Slippery Rock	1,000	18,100				19,100	99,841	(7,476)	(14,663)
West Chester	1,000		20,000		22,000	43,000	149,709	(6,146)	(2,394)
<b>Five-Year Total<sup>4</sup></b>	<b>\$73,000</b>	<b>\$68,100</b>	<b>\$63,000</b>	<b>\$65,600</b>	<b>\$62,700</b>	<b>\$332,400</b>	<b>\$1,563,444</b>	<b>(\$0)</b>	<b>(\$0)</b>

**Notes**

- <sup>1</sup> Parentheses ( ) indicate underfunded.
- <sup>2</sup> Compares funding received **from FY1996/97 to FY 2018/19** to funding if distributed by the plant portion of the allocation formula.
- <sup>3</sup> Compares funding received **from FY1996/97 to FY 2023/24** to funding if distributed by the plant portion of the allocation formula.
- <sup>4</sup> Annual totals add to less than expected annual allocation to allow for future adjustments and inflation.  
Numbers may not add due to rounding.

**DRAFT—Subject to Board of  
Governors Approval  
Project Execution Schedule**

Execution Year	University	Project Description	Original Furniture and Equipment	Authorization Act	Total Authorization (\$000)	Facility Use	University Funds	Commonwealth Capital Funding (Current Year \$000)
2019/20	California	Demolition of Underutilized and Obsolete Buildings	—	52/17	\$7,000	General Education	—	5,200
		Replace Science Building (Design)	—	40/04, 52/17	65,093	Science and Technology	—	7,000
	Cheyney	Deferred Maintenance Repairs, Phase 2	—	82/10	7,000	General Education	—	2,500
	Clarion	Facility Space Renovation, Consolidation, and Demolition	OF&E	52/17	1,000	Administrative	—	900
		Additional Funds, Tippin Gymnasium Renovation	—	35/99,40/04, 41/08,82/10	13,285	Athletics	—	2,200
	East Stroudsburg	Demolition of Underutilized and Obsolete Buildings, Phase 1	—	52/17	8,000	General Education	—	1,200
	Edinboro	B.F. Library Addition and Renovation	OF&E	52/17	2,000	Mixed Usage	—	1,100
		Demolition of Underutilized and Obsolete Buildings	—	82/10, 52/17	17,000	General Education	—	12,000
	Indiana	Demolition of Underutilized and Obsolete Buildings	—	52/17	10,000	General Education	—	2,200
		Deferred Maintenance Repairs (Chilled Water Plant Expansion)	—	82/10	8,000	Infrastructure	—	3,500
		Deferred Maintenance Repairs (Eberly HVAC Upgrade)	—	82/10	4,500	General Education	—	4,500
	Kutztown	Poplar House Renovation/Addition	—	82/10, 82/17	7,000	Administration	—	6,500
		Additional Funds, DeFrancesco Hall Renovation	—	82/10, 85/13	4,300	General Education	—	700
	Lock Haven	Robinson Learning Center Renovation	—	52/17	20,000	General Education	—	17,000
		Demolition of Underutilized and Obsolete Buildings	—	52/17	5,000	General Education	—	4,000
	Millersville	Demolition of Underutilized and Obsolete Buildings	—	52/17	8,000	General Education	—	500
Slippery Rock	Additional Funds, Renovation of East/West Gymnasium and Miller Auditorium	—	83/06	30,000	General Education	—	1,000	
West Chester	Demolition of Underutilized and Obsolete Buildings	—	52/17	10,000	General Education	—	1,000	
<b>2019/20 Total</b>								<b>73,000</b>
2020/21	Bloomsburg	McCormick Center Renovation	OF&E	85/13	2,500	General Education	—	2,000
	Cheyney	Cope Hall Renovation/Addition	OF&E	85/13	5,000	Athletics	—	4,000
	Shippensburg	Franklin Science Center Renovation (Construction)	—	82/10, 85/13, 52/17	75,000	Science and Technology	—	44,000
	Slippery Rock	Electrical Infrastructure Upgrade	—	52/17	20,000	Infrastructure	—	18,100
<b>2020/21 Total</b>								<b>68,100</b>
2021/22	California	Replace Science Building (Construction)	—	40/04, 52/17	65,093	Science and Technology	—	35,000
	Kutztown	Poplar House Renovation/Addition	OF&E	52/17	600	Business Education	—	600
	Lock Haven	Robinson Learning Center	OF&E	52/17	2,000	General Education	—	1,600
	Millersville	Stayer (Jefferson Hall) Building Renovation	OF&E	82/10	1,000	Athletics	—	1,000
	Shippensburg	Franklin Science Center Renovation	OF&E	52/17	9,000	Science and Technology	—	4,800
	West Chester	FH Green Library Renovation	—	40/04, 52/17	50,400	Libraries	—	20,000
<b>2021/22 Total</b>								<b>63,000</b>
2022/23	California	Replace Science Building	OF&E	52/17	5,000	Science and Technology	—	3,500
	Clarion	Deferred Maintenance Repairs	—	82/10	10,000	Infrastructure	—	8,500
	Indiana	Academic Building Replacement	—	SB167	50,000	General Education	—	35,000
	Kutztown	Educational Building (Lytle Hall) Renovation or Replacement	—	41/08	30,000	Mixed Usage	\$6,200	18,600
<b>2022/23 Total</b>								<b>65,600</b>
2023/24	Bloomsburg	Demolition of Underutilized and Obsolete Buildings	—	52/17	7,000	General Education	—	2,800
	East Stroudsburg	Demolition of Underutilized and Obsolete Buildings, Phase 2	—	52/17	8,000	General Education	—	800
	Kutztown	Keystone Hall/Fieldhouse Upgrade	—	40/04, 41/08, 82/17	29,034	Athletics	—	21,100
		Educational Building (Lytle Hall) Renovation or Replacement	OF&E	85/13	3,000	General Education	—	1,700
	Mansfield	Campus Utility Infrastructure	—	85/13, 52/17	25,000	Utilities Infrastructure	—	14,300
	West Chester	Lawrence Hall Renovation	—	131/02, 52/17	31,387	Administration	—	20,000
		FH Green Library Renovation	OF&E	131/02	1,855	Libraries	—	2,000
<b>2023/24 Total</b>								<b>62,700</b>
<b>Grand Total</b>								<b>332,400</b>

**Student Success Committee Meeting**

October 17, 2019

**SUBJECT:** System Redesign Update (DISCUSSION)

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**UNIVERSITIES AFFECTED:** All

**BACKGROUND:** In 2016, the State System undertook a strategic review of all operations with the goal of identifying areas of necessary change to help ensure the long-term success of the State System. Coming out of the review, the Board established three priorities to guide System Redesign efforts: 1) Ensuring student success 2) Leveraging university strengths and 3) Transforming the governance/leadership structure

In 2017, the System moved from "review" to "redesign" mode. During Phase 1 of the System Redesign, the Chancellor developed a process to operationalize the System Redesign—establishing small, focused task groups to accomplish specific objectives related to the three strategic priorities. In 2018, System Redesign moved into Phase 2a with three new task groups: 1) Student Success, 2) University Success, and 3) Systemness—defining recommendations for a general vision on the next steps of redesign. Now in Phase 2b, System Redesign teams are focused on building an implementation plan to meet the objectives that will be executed against in Phase 3.

The quarterly System Redesign updates originate in the Student Success Committee to demonstrate how every transformation effort contributes to “ensuring student success,” which is the Board’s top priority. The update will include status reports on all teams and progress toward stated outcomes.

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**Supporting Documents Included:** N/A**Other Supporting Documents Available:** N/A**Reviewed by:** N/A**Prepared by:** Rosa Lara**Telephone:** (717) 720-4100

**Student Success Committee Meeting**  
October 17, 2019

**SUBJECT:** Meeting the Commonwealth's Workforce Needs (DISCUSSION)

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**UNIVERSITIES AFFECTED:** All

**BACKGROUND:** In February 2019, Governor Wolf signed an executive order that created the Economic and Workforce Command Center with the goal of addressing the skills gap and worker shortages across the Commonwealth. The State System institutions play a vital role in the success of this effort given their reach across the state and their depth in serving students in the rural areas. With declining traditional enrollments and significant disruption through automation and digitization of jobs, it is critical to engage new non-traditional populations to strengthen regional economies and reduce the skills gap for middle and high-skilled jobs.

To meet industry needs and expectations of students, this work:

- Aligns with the Governor's workforce initiative by bringing together industry leaders from high priority occupations to map the requisite skills and competencies needed for skilling, reskilling and upskilling the workforce.
- Provides working adults with industry recognized and approved stackable credentials focused on soft and hard skills.
- Tests high-impact practices that uniquely support the adult learner population, such as apprenticeships, internships, and co-ops.
- Identifies opportunities for strengthening and improving performance of the higher education ecosystem as well as practical strategies for mitigating them, e.g., through public policy, private-public partnership, or changes in key practices on the part of education providers and/or employers.

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**Supporting Documents Included:** N/A

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

**Reviewed by:** N/A

**Prepared by:** Sarah J. Bauder

**Telephone:** (717) 720-4158



**Student Success Committee Meeting**  
October 17, 2019

**SUBJECT:** System Academic Master Planning to Foster Student Success (DISCUSSION)

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**UNIVERSITIES AFFECTED:** All

**BACKGROUND:** System academic master planning will provide an analytically based framework for coordinated decision making that contributes to shared goals. As any other planning process, it must be anchored in the organizational mission, informed by data, organized around high-level goals, and inclusive in process. Each of the universities engages in academic planning continuously, and now rapidly changing demographic, economic, work, and higher education landscapes make it incumbent on the State System to be more purposeful in developing a systemwide framework for academic planning.

- A high-level look at the System's program array and workforce data tells a story about student and workforce demand for academic credentials, cost and revenue drivers, and the field of competition.
- Academic planning is a complex process in which there are inevitably trade-offs that must be made among shared goals, such as student access and fiscal sustainability; further, high demand programs are in some cases also high-cost programs.
- System academic master planning is not simply a conglomerate of local academic plans; there are decisions to be made about the level of granularity and the content of a System-level academic plan.

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**Supporting Documents Included:** N/A

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

**Reviewed by:** N/A

**Prepared by:** Donna Wilson

**Telephone:** (717) 720-4205

**Student Success Committee Meeting**  
October 17, 2019

**SUBJECT:** Suspension: Board of Governors Policy 1986-04-A: *Program Review*  
(ACTION)

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**UNIVERSITIES AFFECTED:** All

**BACKGROUND:** The Program Review Policy requires that the universities submit reviews of academic programs and programs in support of the student experience at least once every five years. The purpose is to assure program quality, ensure compliance with accreditation standards related to educational effectiveness, and to document that programs are being assessed in a systematic fashion.

While it is important to ensure effective and efficient programmatic operations, the current policy does not comport with the stated goal of transitioning the Office of the Chancellor from a compliance and administrative organization to one focused on driving strategy, ensuring data-driven outcomes, and fostering connectivity for the universities. Further, the current program review process is not aligned with regional accreditation standards and is now redundant of the System's new goal setting and alignment process. As such, the policy will ultimately be reviewed for revision or recession.

**MOTION:** That the Board of Governors suspend Board of Governors Policy 1986-04-A: *Program Review* and charge the Office of the Chancellor to align the program review process with appropriate accreditation standards and with the goal setting and alignment process currently underway.

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**Supporting Documents Included:** Board of Governors Policy 1986-04-A: *Program Review*

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

**Reviewed by:** N/A

**Prepared by:** Donna Wilson

**Telephone:** (717) 720-4205

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**Effective:** July 15, 1986

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**Policy 1986-04-A: *Program Review***

**Adopted:** July 15, 1986

**Effective:** July 16, 1986

**Amended:** October 17, 1991, October 9, 2003, October 6, 2016, and July 12, 2018

**Suspended:** **October xx, 2019**

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**Background:** The high-value 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. Periodic program review is a best practice in American higher education that involves stakeholders in the continuous improvement of existing academic programs and programs in support of the student experience. Such review includes an analysis of past performance that is used to inform present and future directions and decision-making. The review process must be integrated with strategic-planning and budgeting processes, with regional and specialized accreditation processes, and with student-learning outcomes assessment. Criteria that direct the implementation of this policy can be found in the System Procedure/Standard for review of academic programs and programs in support of the student experience.

**A. Definitions**

1. Academic Programs. All programs defined in Board of Governor's Policy 1985-01-A: Requirements for Initiation or Change of Credit-Based Academic Programs. This includes all academic degree programs (academic majors) along with all tracks/concentrations, academic minors, and certificates.
2. Programs in Support of the Student Experience. A broad network of programs and services delivered either in-person or virtually that directly contributes to students' educational experience and fosters student success. Examples of such programs may include the library, student life, enrollment services (e.g. undergraduate admissions, graduate admissions, bursar, and registrar), public safety, judicial affairs, financial aid, counseling, athletics, residence life, Greek life, student union and student activities, health and wellness programs, career services, academic support services, diversity and inclusion programs, tutoring, advising, and disability services.
3. Modified Review: A modified review is for academic programs subject to specialized accreditation. The modified review shall include the accreditation report, the accreditor's recommendations/suggestions, and any criteria for the *five-year academic program review* which were not addressed in the accreditation review process.

## **B. Purposes of Program Review**

1. To assure deliberate and continuous attention to enhancement of the quality and to assess mission centrality of academic and academic programs and programs in support of the student experience within State System universities.
2. To ensure compliance with regional accreditation standard related to educational effectiveness. Middle States Commission on Higher Education requires assessment of student learning and achievement for all programs, all levels, and regardless of instructional modality.
3. To ensure compliance with regional accreditation standard related to supporting the student experience. Middle States Commission on Higher Education requires assessment of all programs and services that enhance the quality of the learning environment, contribute to the educational experience, and foster student success.
4. To analyze and employ quantitative and qualitative data, including student-learning outcomes, academic program completion metrics, and program effectiveness related to individual programs which will contribute to both university and State System planning.
5. To provide the chancellor and Board of Governors, as well as the council of trustees of each university, with assurance that university programs are being assessed in a systematic fashion and that plans for making continuous improvements are developed, implemented, and communicated.

## **C. Guidelines for Program Review**

1. Cycle. All university programs not subject to specialized accreditation shall be evaluated at least once every five years; when deemed necessary, the university president (or designee) or the Chancellor (or designee) may require a shorter review interval for given programs. At least once every 10 years (or more frequently at the University's discretion), each program not subject to specialized accreditation shall be reviewed by an appropriate external evaluator. Programs with specialized accreditation will conduct a modified program review as outlined in the System Procedure/Standard for academic program review and programs in support of the student experience. Exceptions to the modified review will be given on a case-by- case basis by approval from the Chancellor or designee.
2. Criteria for Full Review of Academic Programs. In consultation with State System Universities, the Office of the Chancellor shall establish criteria for the academic program reviews. These criteria will be detailed in the System Procedure/Standard for academic program review and programs in support of the student experience.
3. Criteria for Full Review of Programs in Support of the Student Experience. Review criteria for reviews of programs in support of the student experience will be determined by the individual university. These criteria shall support the university continuous improvement efforts and Middle States accreditation requirements.

## **D. Reporting**

1. The president or designee shall keep the council of trustees apprised of program reviews and their outcomes.
2. The Office of Academic and Student Affairs will develop an appropriate procedure and timeline for periodic reporting to the Board of Governors.

## **E. Implementation**

Immediately for Programs in Support of the Student Experience. Academic program reviews due August 15, 2017, will continue to use previously established criteria. Academic program reviews due August 15, 2018, may use the new processes and criteria established in this State System Standard/Procedure for Program Review. Academic program reviews due August 15, 2019, will be required to use the new processes and criteria established in this State System Standard/Procedure for Program Review.

**Governance and Leadership Committee Meeting**  
October 17, 2019

**SUBJECT:** Commission on Faculty Shared Governance Update (DISCUSSION)

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**UNIVERSITIES AFFECTED:** All

**BACKGROUND:** At the July 2019 Board meeting, Chair Cindy Shapira announced the formation of the Board's Commission on Faculty Shared Governance, which seeks to strengthen faculty shared governance for the State System by recommending consistent, high-level expectations for the universities and the design and operationalization of a body that works at the System level to enable effective consultation in regard to System-level strategy planning, budgeting, policies and other matters as may be deemed appropriate. (The Commission is specifically *not* asked to make recommendations about the practice of shared governance at the university level.)

The Commission will:

- Actively engage faculty members, union leadership, administrators, trustees, and Board members in a dialogue to develop a shared understanding of the purpose and scope of shared governance in the context of the State System.
- Learn from the current state of faculty shared governance as it is practiced both at system and university levels.
- Learn from the current state of faculty shared governance at other university and college systems, focusing especially on those where faculty are organized by collective bargaining units—engaging external expertise where appropriate.
- Maintain a commitment to transparency and frequent communications among stakeholders and offer quarterly reports to the Board leading to recommendations provided no later than May 1, 2020.

The Governance and Leadership Committee will receive a progress report from committee chair Don Houser, who also chairs the Commission.

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**Supporting Documents Included:** N/A

**Other Supporting Documents Available:** [www.passhe.edu/SharedGovernance](http://www.passhe.edu/SharedGovernance)

**Reviewed by:** N/A

**Prepared by:** Randy Goin Jr.

**Telephone:** (717) 720-4010

**Governance and Leadership Committee Meeting**

October 17, 2019

**SUBJECT:** Revision: Board of Governors Bylaws (ACTION)

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**UNIVERSITIES AFFECTED:** All

**BACKGROUND:** From time to time, the Board updates its bylaws in response to changing or new circumstances or to clarify language to ensure the Board maintains its fiduciary responsibilities while maintaining nimbleness and effectiveness.

The attached document shows the proposed changes along with notes to provide a rationale for each proposed edit.

**Motion:** That the Board of Governors approve the changes to the bylaws as outlined in the Board materials.

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**Supporting Documents Included:** Proposed updated bylaws

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

**Reviewed by:** Board Chair

**Prepared by:** Randy Goin Jr. and Andrew C. Lehman

**Telephone:** (717) 720-4010



# PA State System of Higher Education Board of Governors

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**Effective:** April 26, 1983

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## **BYLAWS**

**See Also:**

**Adopted:** April 26, 1983

**Amended:** October 21, 1986; July 19, 1988; October 17, 1991;  
July 15, 1993; Oct. 20, 1994; January 16, 1997;  
April 10, 2003, July 7, 2014; January 8, 2018; October 17, 2019.

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1. **Preamble:** These bylaws are established by the Board of Governors of the Pennsylvania State System of Higher Education (Board) for the internal organization, governance, and management of the Board and to facilitate the effective discharge of its powers and duties.
2. **General Powers:**
  - 2.1 **Membership:** The composition of the membership of the Board, the terms of office, and the conditions of membership are as provided in Act 188 of 1982 (24 P.S. §20-2001-A et seq.), as amended.
  - 2.2 **Exercise of Powers:** Powers vested in the Board shall be discharged by the Board. No individual Board member shall speak nor act on behalf of the Board without formal authorization by the Board.
  - 2.3 **Executive Committee:** The Executive Committee of the Board shall be authorized to act for the Board on matters of urgency requiring immediate action. Actions taken by the Executive Committee shall be subject to ratification by the full membership of the Board at the next publicly noticed meeting of the Board.
  - 2.4 **Expenses of Members:** Board business-related and travel expenses, including lodging and meals encountered in connection with meetings of the Board or duly constituted committees thereof, shall be reimbursable at rates established by the State System.
3. **Meetings:**
  - 3.1 **Regular Meetings:** The Board shall meet at least quarterly each year, the dates and places of such meetings to be approved for each year at the last meeting of the preceding year.



- 3.2 Special Meetings:** Special meetings of the Board may be called for any purpose by the chairperson, the chancellor, or upon written request to the chairperson from six other members of the Board. Members shall state the purpose of the requested meetings.
- 3.3 Executive Sessions:** Executive sessions of the Board may be convened in accordance with the Sunshine Act (65 Pa.C.S. § 701, *et seq.*).
- 3.4 Meeting Schedules:** The chancellor shall prepare an annual schedule of regular meetings, conferences, and—to the extent feasible—committee meetings, which shall be disseminated to Board members and published in accordance with the Sunshine Act. Board meetings shall normally be held at Dixon University Center in Harrisburg; however, the Board may meet at another location as deemed appropriate by the chairperson of the Board. Members of the Board shall periodically visit the campus of each university of the State System.
- 3.5 Notice:** The chancellor shall give each Board member at least seven days written notification of regularly scheduled meetings and 24 hours notification of special meetings. Notifications of special meetings may be made by any written or electronic means. Notifications of emergency meetings also may be disseminated by the same means.

The chancellor shall advertise public meetings in accordance with the Sunshine Act (65 Pa.C.S. § 701, *et seq.*).

- 3.6 Agendas:** The chancellor, in consultation with the Board, shall prepare written agendas for all meetings. Written agendas shall be transmitted along with notifications of regularly scheduled meetings and—to the extent feasible—shall be transmitted for special and emergency meetings as well. The chancellor shall transmit communications to Board members' official addresses. A consent agenda may be utilized at the discretion of the Board chairperson. Members may request individual items be moved from the consent agenda at any time prior to the approval of the consent agenda. Such a request does not require a motion nor the consent of the chairperson.
- 3.7 Quorum:** Eleven members attending shall constitute a quorum for transaction of business at public meetings of the full Board. A majority of committee members shall constitute a quorum for transaction of business at public meetings of Board committees.
- 3.8 Voting:**
- a. Proxy voting shall not be permitted.
  - b. Votes by acclamation shall be permitted, unless otherwise requested by a Board member prior to the vote being taken.
  - c. Abstentions shall be permitted only when a member identifies a conflict of interest or a direct personal or pecuniary interest in connection with a vote on a matter before the Board.

- d. Formal votes shall be taken on all matters requiring Board action. Voice votes or roll call votes may be used at the discretion of the chairperson. Upon the request by any Board member, a roll call vote shall be taken.
- e. Any Board member attending telephonically or by other remote modality shall have his/her vote recorded via roll call vote in the event a voice vote is not unanimous.

**3.9 Adjourned/Recessed Meetings:** The Board may adjourn any regular or special meeting to any date it may set. If a quorum is not present, any regular or special meeting may be recessed by the chair until a quorum is present.

**3.10 Minutes:** Written minutes of all public meetings shall be prepared and maintained by the chancellor in accordance with the Sunshine Act (65 Pa.C.S. § 701, *et seq.*). Minutes of each regular meeting and of subsequent special meetings shall be circulated for consideration of the members prior to the next regular meeting, at which time they shall be approved by the Board and attested to by the chancellor or the chancellor's designee.

**3.11 Public Comment:** A period of public comment shall be provided at any public meeting of the Board prior to the consideration of any item for action.

- a. All speakers shall state their name prior to giving their comments.
- b. The chairperson may set a reasonable time limit for the public comment period or for each individual to speak. Speakers may not give or yield their time to other speakers.
- c. The public comment period is set aside for members of the public to speak before the Board; therefore, members of the Board shall refrain from speaking during the public comment period.

**4. System Office:** The System office, housing the Office of the Chancellor, shall be located at Dixon University Center, 2986 North Second Street, Harrisburg, Pennsylvania 17110-1200.

**5. Committees of the Board:**

**In General:** The Board shall create an Executive Committee, which shall have the authority to act for the Board, subject to ratification of all actions at the next regular meeting of the Board of Governors. The Executive Committee shall be composed of the officers of the Board and the chairpersons of committees established by the Board. The Board shall also establish other standing and special committees as necessary to carry out its functions. Annually, following the election of officers, the chairperson will make appointments to Board committees—including designation of committee chairperson and committee vice chairperson—subject to approval of the Board. The committee vice chairpersons shall perform the duties and have the powers of the committee chairperson during the absence or disability of the committee chairperson or for the efficient conduct of the committee meeting when the chairperson of the committee is participating remotely. The chairperson may make interim appointments to Board committees as necessary when vacancies arise. Interim appointments shall be subject to approval of the Board at the next public meeting of the Board.

All Board members are eligible to participate in committee deliberations, but the offering of motions and voting on committee business shall be confined to committee members. A majority of the members of a committee shall constitute a quorum for the transaction of business. The Board or the chairperson may, from time to time, authorize special committees with whatever membership is desired by the Board or the chairperson. Each standing or special committee shall report to the Board periodically or at the request of the chairperson of the Board.

The chancellor shall be an *ex officio* member of all committees without the right to vote.

## 6. **Officers and their Duties:**

**6.1 Officers:** The officers of the Board of Governors shall be the chairperson and two vice chairpersons. The Board may, from time to time, establish other offices needed to carry out the functions of the Board. In accordance with the provisions of Act 188, neither the Governor, Secretary of Education, their designees, nor any member of the General Assembly may be elected to these offices.

**6.2 Election and Term of Office:** The term of office of each officer shall commence upon election and continuing until his/her successor is chosen and assumes office. Officers shall be elected each year by the Board at the third quarterly meeting of each calendar year and may be re-elected.

Should either office of vice chairperson become vacant prior to the annual election of officers, the chairperson shall appoint a nominating committee of no fewer than three members of the Board, to report at the next regularly scheduled meeting.

**6.3 Removal of Officers:** Officers may be removed at any time by the Board by the affirmative vote of 11 members of the Board.

**6.4 Chairperson:** The chairperson shall preside at the meetings of the Board. The chairperson shall be an *ex officio* member of all committees with the authority to vote.

**6.5 Vice Chairpersons:** The vice chairpersons shall perform the duties and have the powers of the chairperson during the absence or disability of the chairperson.

The chairperson shall have the authority to designate a vice chairperson to act on his/her behalf when temporarily unable to discharge his/her official duties.

In the event that the chairperson is unable to make such a designation, or if a vacancy occurs prior to the annual election of officers, the vice chairperson who is senior in service to that position shall assume the position of acting chairperson and shall appoint a nominating committee of no fewer than three members of the Board, to report at the next regularly scheduled meeting.

If both vice chairpersons were elected at the same time, the vice chairperson who has seniority in service as a member of the Board shall assume the position of acting chairperson.

If both vice chairpersons were confirmed by the Senate of Pennsylvania at the same time, they shall act as co-chairs until an election can be held.

7. **Amendment of Bylaws:** These bylaws may be amended or repealed at any meeting by an affirmative vote of not less than 11 members of the Board.

The chancellor shall maintain a bylaws book in which all bylaws and any changes, additions, or deletions thereto shall be recorded.

8. **Parliamentary Authority:** The rules contained in Robert's Rules of Order, most recently revised, shall govern the Board in all cases to which they are not inconsistent with the bylaws or any special rules of order of this Board.

**Governance and Leadership Committee Meeting**  
October 17, 2019

**SUBJECT:** Proposed: Board of Governors Policy 2019-02: *Guidance on Campus Police Authority to Effect Arrests (ACTION)*

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**UNIVERSITIES AFFECTED:** All

**BACKGROUND:** System legal staff met with university Chiefs of Police and discussed a discrepancy among campuses regarding the ability of campus police officers to initiate arrests without a warrant for certain common summary offenses. These four offenses are: (1) disorderly conduct; (2) public drunkenness; (3) underage drinking or possession of alcohol; and (4) obstruction of roadways.

The law recognizes that the foregoing criminal offenses—when viewed by a police officer—give that officer probable cause to make an arrest without a warrant when there is risk to “personal security of any person or endangers public or private property.”

Notwithstanding the risks to persons or property, arrest without a warrant is only permissible after a governing body promulgates guidelines to be followed by a police officer when making a warrantless arrest for these crimes. Therefore, it is advisable that all State System police departments have this option to effect warrantless arrests should a campus police department choose to do so. This proposed policy is not a mandate of arrest; however, it does allow each department—and thus its officers—to determine the best course of action given the circumstances they are encountering, especially if they believe personal safety is at risk. The attached policy will allow campus police to continue to help keep safe those who they encounter under the foregoing circumstances. The purpose of this Board policy is to better equip campus police officers to keep campus communities safe.

**Motion:** That the Board of Governors approve the new Board of Governors Policy 2019-02: *Guidance on Campus Police Authority to Effect Arrests* as outlined in the Board materials.

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**Supporting Documents Included:** Proposed: Board of Governors Policy 2019-02: *Guidance on Campus Police Authority to Effect Arrests*

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

**Reviewed by:** Legal Counsel; University Chiefs of Police; University Presidents

**Prepared by:** Andrew C. Lehman

**Telephone:** (717) 720-4030

**Policy 2019-02: *Guidance on Campus Police Authority to Effect Arrests***

See Also:

Adopted: **October xx, 2019**

Amended:

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**A. Purpose and Scope**

The purpose of this policy is to establish guidelines, in conformity with 42 Pa. C.S. § 8902, for use by campus police in determining when an arrest may be made without a warrant for a summary offense.

**B. Policy**

**1. Authority to Effect Arrest for Enumerated Offenses**

Pursuant to 42 Pa.C.S. § 8902, campus police officers shall, upon the officer's personal view, have the right to arrest without warrant upon probable cause where there is ongoing conduct that imperils the personal security of any person or endangers private or public property for any of the following offenses, when such offense constitutes a summary offense pursuant to the Pennsylvania Crimes Code, 18 Pa.C.S. § 101 et seq.:

- A. 18 Pa.C.S. § 5503 (relating to disorderly conduct);
- B. 18 Pa.C.S. § 5505 (relating to public drunkenness);
- C. 18 Pa.C.S. § 6308 (relating to purchase, consumption; possession or transportation of liquor or malt or brewed beverages); and
- D. 18 Pa.C.S. § 5507 (relating to obstructing highways and other public passages).

**2. Procedural Guidelines**

The procedures outlined in the Pennsylvania Rules of Criminal Procedure relating to arrests in summary cases without a warrant (Pa. R. Crim. P. 441) shall be followed in all cases where a warrantless arrest is made for the offenses enumerated above. Warrantless arrests shall not be utilized except as authorized by the Pennsylvania Rules of Criminal Procedure, or where otherwise expressly permitted by law.

**C. Effective Date:** Immediately.

**Board of Governors Meeting  
October 17, 2019**

**SUBJECT:** Nonrepresented Employee Compensation (ACTION)

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**UNIVERSITIE AFFECTED:** All

**BACKGROUND:** Historically, the State System has provided compensation adjustments for its nonrepresented employees similar to those approved for union-represented employees, as agreed to through the collective bargaining process.

As per [Policy 1985-07](#), the Chancellor is requesting that the Board create a merit pool for FY 2020/21 for nonrepresented employees in an amount not to exceed compensation adjustments that may be forthcoming in the collective bargaining agreement with APSCUF—the State System’s largest bargaining unit.

The chancellor and university presidents may distribute merit increases to eligible employees based on their performance in the current year (FY 2019/20) and in accordance with guidelines promulgated by the chancellor. The merit pool is effective no earlier than July 1, 2020.

**MOTION:** That the Board of Governors approve a merit pool for FY 2020/21 for nonrepresented employees to follow the pattern of compensation adjustments for that fiscal year in the forthcoming collective bargaining agreement with APSCUF.

Any salary adjustments would be based on the employee’s performance in the 2019/20 fiscal year. Prior to determining merit increases, nonrepresented employees must have completed evaluations for the performance period, pursuant to all applicable Board of Governors’ policies and in accordance with guidelines promulgated by the Chancellor.

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**Supporting Documents Included:** N/A

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

**Reviewed by:** N/A

**Prepared by:** Randy Goin Jr.

**Telephone:** (717) 720-4010