

DRAFT

Sustaining Public Higher Education Services in Every Region of West Virginia

The Future of the Regional Comprehensive Colleges and Universities



The National Center for Higher Education Management Systems

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Introduction

Project rationale and focus

Access to higher education opportunity is threatened in several regions of West Virginia, largely because the universities serving these regions are struggling to survive. Against this backdrop, the National Center for Higher Education Management Systems (NCHEMS) was asked to undertake a project to examine the question of how to sustain higher education opportunity in each region of West Virginia. The project's focus is on the following seven colleges and universities: Bluefield State College, Concord University, Fairmont State University, Glenville State College, Shepherd University, West Liberty University, and West Virginia State University (identified as "regional institutions" in this report).

In the conduct of the project, NCHEMS considered other public colleges and universities (West Virginia University, Marshall University, and the West Virginia Community and Technical College System) primarily in terms of their impact on the regional institutions.

The project focused on these institutions for these reasons:

- Most of the regional institutions, especially Glenville State College, Bluefield State College and Concord University, are critical to higher education opportunity for the students and population of their region. If one of these institutions were to close, it would have a major impact on its region. Historic disparities persist among the state's regions in poverty, educational attainment and postsecondary education participation rates. The regions served by these institutions are particularly disadvantaged.
- Several of the institutions draw their students primarily from counties with the highest poverty rates in West Virginia and enroll a major proportion of the high school graduates from these counties. Higher education institutions serving counties with high concentrations of poverty face major challenges in serving students with significant deficiencies in preparation for college-level academic success.
 - Bluefield State College draws 72 percent of its students from McDowell and Mercer counties. McDowell County has 35 percent of the population below the poverty level (highest in the state) and Mercer County has 22 percent compared to the statewide average of 18 percent (US Census Bureau, 2010-2014 American Community Survey 5-Year Estimates).
 - Glenville State College is located in Gilmer County with the second-highest level of poverty (30 percent). It enrolls 13 percent of its students from this county but this 13 percent constitutes 73 percent of the high school graduates in the county. Glenville State College is the dominant public provider in several other counties with high levels of poverty (Braxton, Calhoun, and Clay).
- These regional institutions are the most vulnerable among West Virginia's public four-year institutions for reasons outlined below.

Approach to project

In carrying out this project, NCHEMS conducted the following activities:

- Analysis of data on demographic, enrollment and workforce trends
- Interviews

- Leadership teams from each institution
- Legislative leaders and staff
- Office of the Governor
- Higher Education Policy Commission:
 - Chair
 - Senior Staff

The information gleaned from these activities formed the basis for the recommendations presented later in this report.

Analytic Findings

Demography

The state of West Virginia has experienced steady population decline over the past decade and projections through 2030 show that this trend will continue.¹ These trends are having a major impact on resident student enrollment in higher education and on the regional institutions in particular.

- The population under age 20, the population primarily served by the regional institutions, is projected to decrease by 4.5 percent. The biggest decline will be in the workforce age group of 25-64 (12.3 percent).
- Significant regional difference: 44 of 55 counties will experience a decline in population; most of the growth will be concentrated in the north-central and northeastern counties.
- The number of high school graduates remained relatively stable over the past decade; however, the Western Interstate Commission for Higher Education report, *Knocking at the College Door*, projects a steady decline in the period from 2014-15 to 2030-31.²

Enrollment and participation

Enrollments are declining across the public higher education sector. This decline is intensifying competition for a shrinking pool of youth and adults. Because of the direct relationship between enrollments and institutional revenues, these trends are threatening the long-term financial viability of the regional institutions. Over the most recent five-year period for which data are available (2010-2011 to 2014-2015) public higher education annualized full-time enrollment decreased 10 percent.³ Resident enrollment (approximately two-thirds of the enrollment) decreased 15 percent, reflecting the population dynamics summarized above. A slight increase in non-resident enrollment (1.4 percent) partially offset the decline in resident enrollment.

The enrollment decline among regional institutions varied depending on the institution's location. Those in areas with population growth (urban areas, the north-central region and eastern panhandle) fared better than those in southern West Virginia and isolated rural areas.

- Two institutions experienced decreases of over 20 percent: Bluefield State College (27 percent) and Glenville State College (23 percent),

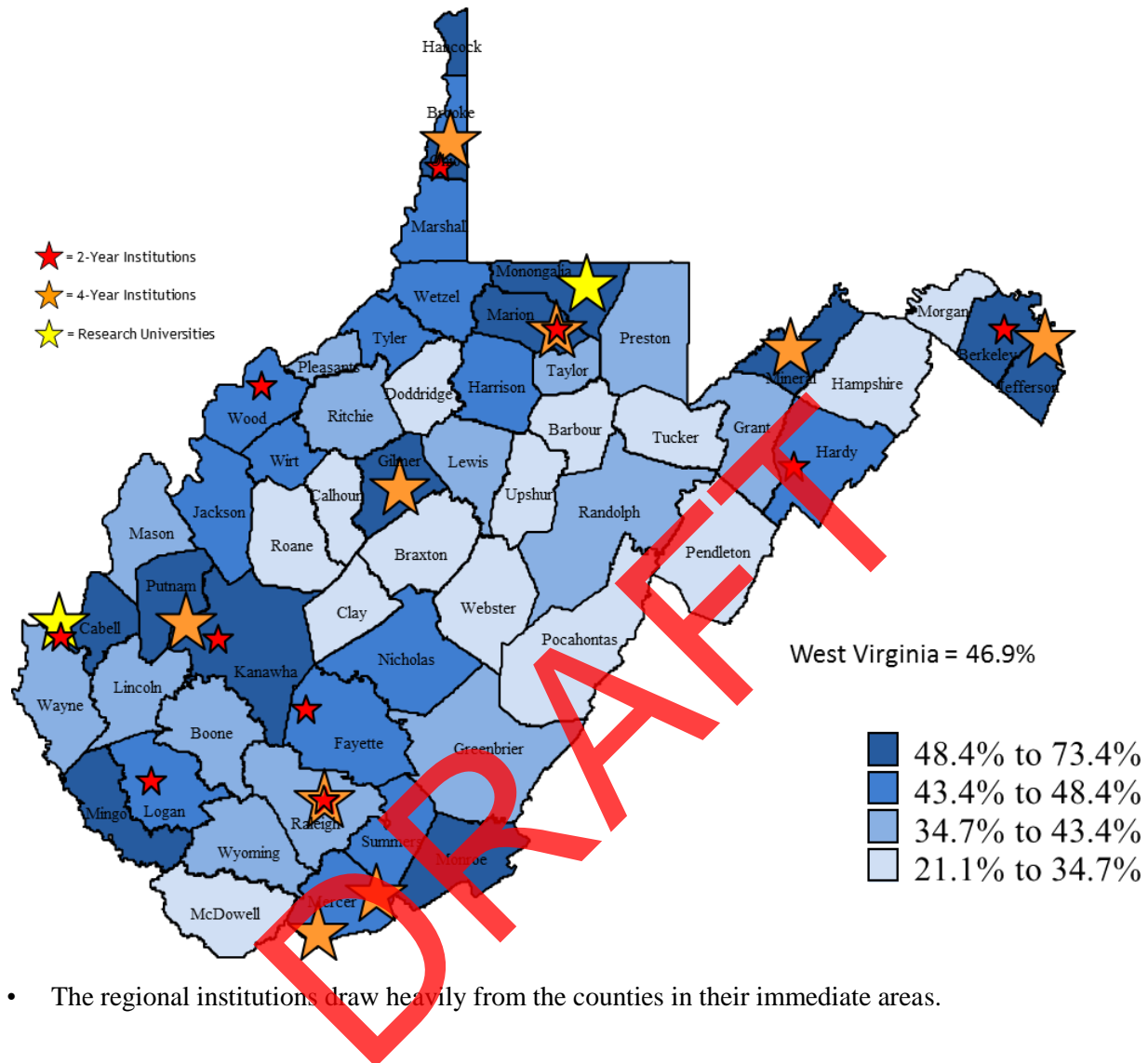
- Two institutions experienced decreases from 15 percent to 18 percent: Concord University (15 percent) and Fairmont State University (18 percent).
- Three institutions experienced smaller decreases: West Liberty University (5 percent), Shepherd University (6 percent), and West Virginia State University (5 percent). It is notable that these three are located in the only parts of the state projected to have population growth.

The regional institutions vary greatly in their ability to offset declines in resident enrollment with non-resident (out-of-state) students.⁴

- Five institutions enroll fewer than 20 percent of their students from out-of-state: Concord University (19 percent), Glenville State College (18 percent), Bluefield State College (15 percent), Fairmont State University (12 percent), and West Virginia State University (11 percent).
- In contrast, two institutions enroll more than 30 percent of their students from out-of-state: Shepherd University near the borders of Maryland and Virginia (38 percent) and West Liberty University near the borders of Ohio and Pennsylvania (35 percent). Again, these are the institutions in the growing parts of the state.
- Four institutions experienced sharp decreases in non-resident enrollment over the five-year period: Bluefield State College (20 percent), Concord University (18 percent), Glenville State College (18 percent), and West Virginia State University (14 percent). All of these institutions had relatively few nonresident students in the first place. This decline, however, suggests that seeking non-resident students as a solution to enrollment declines is not likely to be a successful strategy.
- Two institutions had small increases in non-resident enrollment: Shepherd University (10 percent) and Fairmont State University (12 percent).

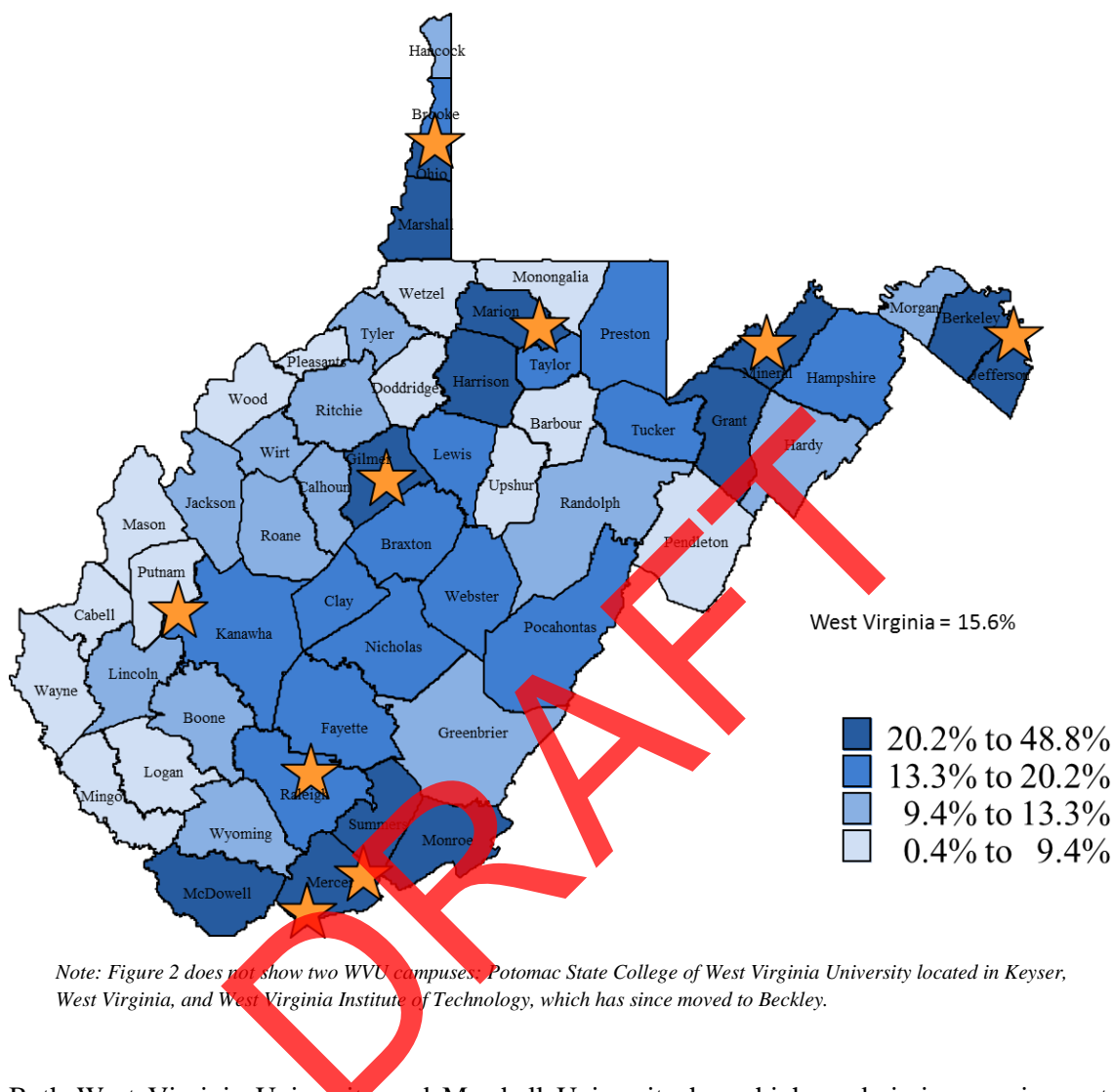
Significant disparities exist among counties in their socio-economic conditions; these conditions are typically highly correlated with preparation for, and participation, in postsecondary education. The location of a public institution in a county also has a major impact on the postsecondary participation in that county.

Figure 1. West Virginia Public Institutions – First-Time Freshmen Directly Out of High School as a Percent of Public High School Graduates, 2015



- The regional institutions draw heavily from the counties in their immediate areas.

Figure 2. West Virginia Public Four-Year Comprehensive Institutions-First-time Freshmen Directly Out of High School as a Percent of High School Graduates



- Both West Virginia University and Marshall University have higher admission requirements than other West Virginia public institutions. As a result, the average ACT and SAT scores for students admitted to these institutions are higher than those of students entering other institutions. This means that the regional institutions that enroll less well-prepared students have to work harder to ensure student success, a task made more difficult by the limited resources they have to devote to it. However, with West Virginia University admitting more than 35 percent of high school graduates in 22 counties, it seems improbable that all these students would have been the top-performing students in their counties. The more-selective institutions are dipping deeper into their applicant pools to the detriment of the regional institutions. The reality is that a combination of the eligibility requirements for Providing Real Opportunities of Maximizing In-State Student Excellence (PROMISE) scholarships, the prestige of West Virginia University and Marshall University, and greater depth in institutional-funded student financial aid give these two institutions a decided advantage in

competition for students with other public institutions serving the same county. In the absence of some external forces, this predation will continue.

Degree production and future West Virginia workforce needs

According to Workforce West Virginia (2012), nearly two-thirds of the state's 34 jobs with the greatest demand will require some type of postsecondary training or degree. These findings correlate with other economic studies that call for West Virginia to increase the proportion of its adult population having postsecondary credentials. By 2020, 55 percent of all jobs in West Virginia will require a postsecondary certificate or above (Carnevale, Smith, and Strohl, 2013). Healthcare, business, and education-related positions are expected to experience the most growth.

- A shift in state employment trends also raises questions about the appropriate mix of two- and four-year capacity the state will need in the future. Many of the jobs of today and in the future will not require a bachelor's degree, but will require a certificate or associate's degree from a community or technical college instead. However, the West Virginia higher education system remains focused predominantly on bachelor's degree production (from HEPC Futures paper).
- The changes in the early 2000s to establish the West Virginia Community and Technical College System appear to have had a positive impact in terms of increasing the number of certificates produced. The changes resulted in much smaller changes in the production of degrees at the associate's and bachelor's degree levels.

Table 1. Change in degrees, 2005 to 2014

Degree Level	2005	2014	2005-2014 Percent Change
Certificates	376	1,694	350.5
Associate's Degrees	2,579	3,552	37.7
Bachelor's Degrees	8,025	9,530	18.8
<i>Source: 2015 Report Card, p. 6</i>			

West Virginia degree production remains heavily weighted toward the bachelor's degree-level compared to Southern Regional Education Board (SREB) states—another measure of likely imbalance.

Table 2. Proportion of degrees granted in West Virginia, by level, compared to SREB states

	West Virginia				SREB States
	Degrees Produced		% of Total Degrees		% of Total Degrees
	2005	2014	2005	2015	2015
Cert/AD	2,973	5,246	21%	28%	42%
Bachelor's	8,025	9,530	56%	52%	41%
Advanced	3,226	3,634	23%	20%	17%
Total	14,224	18,410	100%	100%	100%
<i>Source: 2015 Report Card, p. 6</i>					

With the separation of the community colleges in the early 2000s, the regional institutions, with the exception of Bluefield State College and Glenville State College, became primarily bachelor's degree-granting institutions.

Table 3. Percent of degrees by level

	Associate's	Bachelor's	Master's
Glenville State College	28.6%	71.4%	-
Bluefield State College	33.9%	66.1%	-
West Virginia State University	-	97.5%	2.5%
Concord University	-	85.0%	15.0%
West Liberty University	5.7%	86.0%	8.2%
Fairmont State University	11.6%	77.5%	10.9%
Shepherd University	-	91.6%	8.4%
<i>Source: NCES IPEDS Surveys, 2014-15</i>			

The bachelor's degree focus of the regional institutions could be a source of risk. Many of the jobs of today and in the future will not require a bachelor's degree, but a certificate or associate's degree in a workforce related field. Nevertheless, the projected decline in the state's working age population will make the education attainment/skill level of the remaining population increasingly important. To remain competitive, the regional institutions will need to revise academic programs to ensure alignment with the needs of the state. As indicated below, the majority of the degrees granted by the regional institutions is in professional fields that are likely to have continued relevancy to the West Virginia economy. However, the relatively low production of degrees in STEM fields points to a potential disconnect between offerings and the future needs of the state.

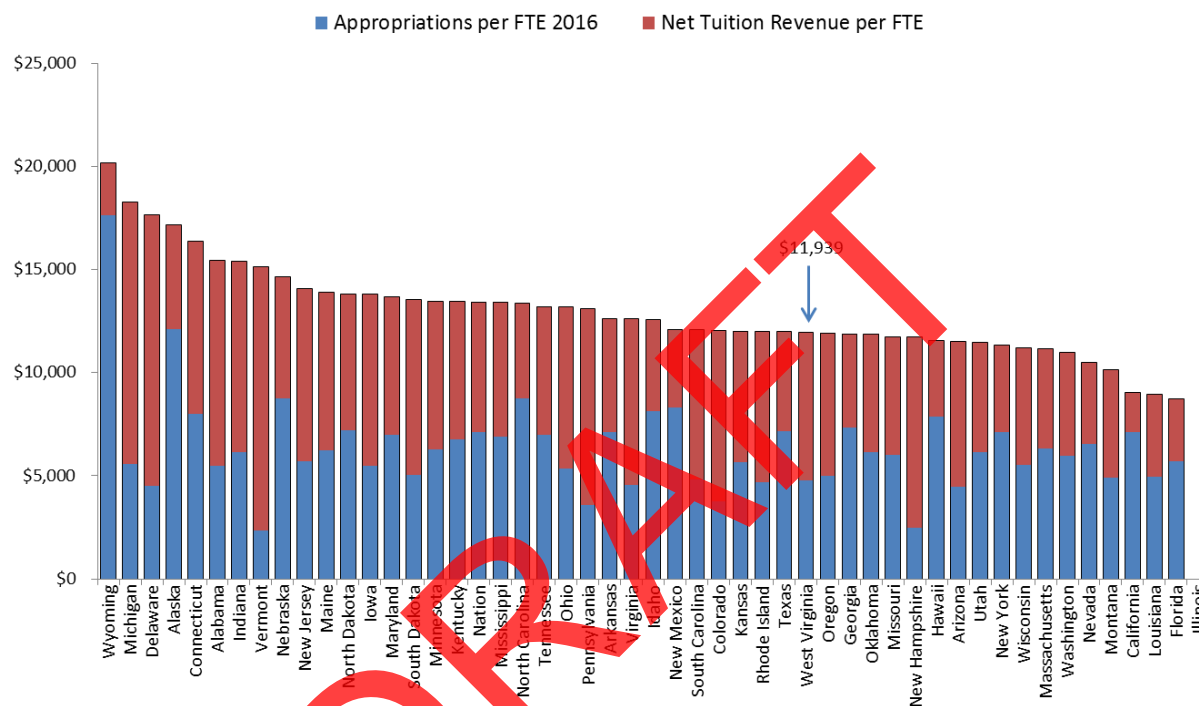
Table 4. Percent of degrees by field

	Academic	Natural Science	Social Science	Humanities	Health Science	Engineering	Business	Education	Computer
Glenville State College	33.6%	2.9%	12.4%	7.3%	0.0%	0.0%	16.8%	21.2%	0.0%
Bluefield State College	38.2%	0.0%	11.2%	0%	16.5%	18.8%	8.2%	8.8%	2.9%
West Virginia State University	37.2%	4.7%	10.8%	4.5%	4.1%	0.0%	8.3%	18.2%	0.5%
Concord University	42.6%	7%	11%	3.4%	3.8%	0.0%	18.4%	21.8%	0.6%
West Liberty University	26.8%	3.2%	4.5%	6.3%	175	0.0%	12.9%	20.9%	0.0%
Fairmont State University	23.7%	2.3%	10.9%	2.2%	9%	10.6%	15.1%	17.3%	2.0%
Shepherd University	36.4%	5.2%	10%	7.9%	8.9%	1.3%	13.9%	15.5%	2.8%
<i>Source: NCES IPEDS Surveys, 2014-15</i>									

Economic realities

West Virginia faces severe economic limitations resulting in significant cuts across all dimensions of state government, including higher education. State funding per FTE is lower in West Virginia than in most other states as is shown in Figure 3. Data that include all public institutions can be misleading since they mask differences in the mix of institutions within the state (e.g., West Virginia enrolls a relatively high proportion of students in high-cost research universities while states like Oregon, Arizona, Washington, California, and Florida enroll the majority of their students in lower-cost community colleges).

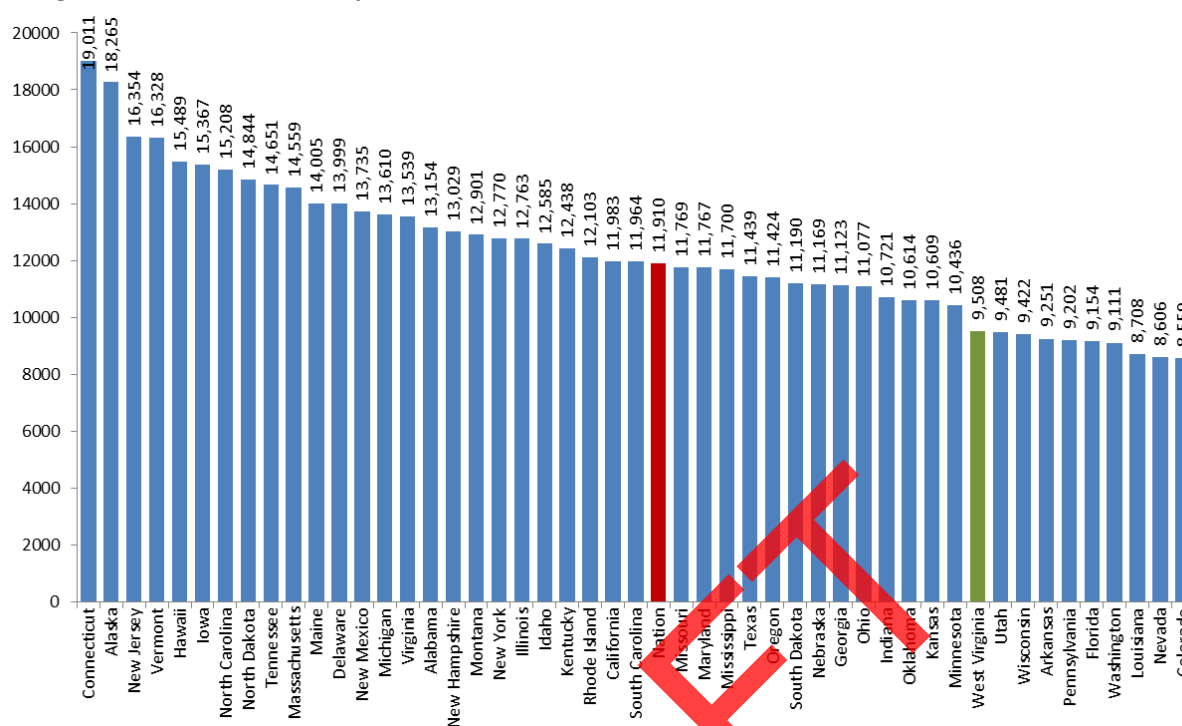
Figure 3. Appropriations and Net Tuition per FTE, FY 2016



Source: SHEEO SHEF FY 2016.

Note: The figure presented here does not include Illinois, which has one of the country's largest student enrollments (and therefore a great potential to influence the national numbers). Illinois' data for 2016 were affected by the lack of an adopted state budget and data reporting errors, and are currently being revised for inclusion in next years' report.

A much clearer picture of funding levels for the four-year institutions is provided by Figure 4. This figure shows West Virginia's regional institutions are funded at levels even further below the national average. The fact that West Virginia is at the low end of per student funding suggests that there is not much fat to squeeze out of institutional budgets.

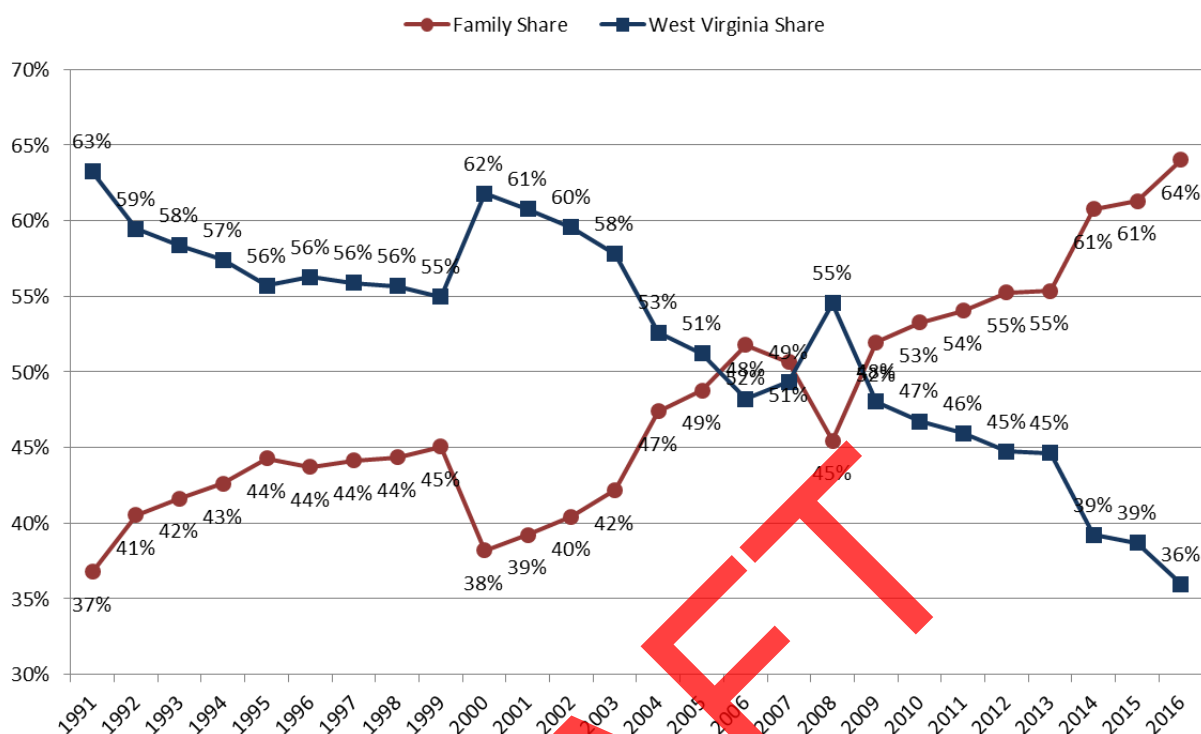
Figure 4. Revenues per FTE Students, Public Masters & Baccalaureate Institutions, 2015

Sources: NCES, IPEDS 2014-15 Provisional Release Finance Files; f1415_f1a, f1415_f2, and f1415_f3 Finance Files; NCES, IPEDS 2014-15 Instructional Activity File; efi2015 Provisional Release Data File; NCES, IPEDS 2014-15 Institutional Characteristics File; hd2015 Provisional Release Data File.

Note: Due to reporting challenges for ASU Branch Campuses, data for Arizona has been excluded.

State institutional funding for higher education (not including student financial aid) has declined to the point that the state and student shares have reversed (see Figure 5). During the period from 2000-01 to 2015-16, the share of public institution funding from the state dropped from 62 percent to 36 percent (not including the West Virginia School of Osteopathic Medicine). Tuition and fee revenue is now providing 64 percent of the overall funding.

Figure 5. Family Share of Public Higher Education Operating Revenues



- The regional institutions are responding to the demographic and economic conditions with strategies that, given the experience throughout the country, are unlikely to be successful for long-term sustainability:
 - Discounting tuition to the extent that tuition revenue at some institutions is as low as 20 percent of gross tuition revenues. Tuition discounting is putting institutions at significant financial risk.
 - Attempting to recruit out-of-state students (with decreasing success, as noted above) when every neighboring state is pursuing the same strategy to compensate for overall declining student population in their states.
 - Attempting to recruit international students when costs of international recruitment and the increasingly competitive environment make this strategy highly problematic. The national picture points to a decline in international students, even for the most-attractive universities.
 - Pursuing various, often costly, strategies to increase prestige, marketability, or visibility (e.g., attempting to move up competitive levels in sports).
 - Shifting the teaching load increasingly to part-time, adjunct faculty with inadequate consideration of the long-term impact on quality and on student retention.
 - Disinvesting in student services personnel, giving priority to preserving faculty capacity, negatively affects efforts to improve student retention and success.
- What they have not done is develop strategies for serving adults that represent a regional market that is badly underserved.

Institutional financial condition

The 2016 Consolidated Audit of the institutions within the jurisdiction of the West Virginia Higher Education Policy Commission (Commission) (all the regional institutions as well as WVU and Marshall but excluding the West Virginia School of Osteopathic Medicine) outlines the stark realities related to the public higher education system's financial conditions. The following are excerpts from the Audit Report:⁵

- Net operating results indicate that most of the institutions are not generating enough resources and they are depleting reserves;
- For the majority of institutions across the system, the performance of financial assets provides insufficient support for their respective core missions;
- The inclusion of OPEB and pension liabilities results in scores that indicate poor financial health for all the institutions except for Marshall University⁶; and
- The Composite Financial Indexes for most of the institutions demonstrate that resources are not sufficient and flexible enough to support the schools' missions. The financial strength for all institutions has deteriorated under the strain imposed by continuous state budget cuts. A composite value of 1.0 is the equivalent of weak financial health. A value of 3.0 signifies relatively strong financial health.

Table 5. Composite Financial Indexes for Regional Institutions

	BSC	CU	FSU	GSC	SU	WLU	WVSU
FY 2015	-0.7	0.51	1.2	-0.06	1.33	2.38	0.7
FY 2016	-1.91	0.04	-0.56	1.01	-0.04	0.31	-1.54
<i>Source: West Virginia Higher Education Policy Commission, Meeting of June 23, 2017, Fiscal Year 2016 Consolidated Audit Presentation</i>							
<i>Note: GASB accounting reporting standards require the reporting of postemployment expenditures, assets and liabilities (OPEM/Pension Liabilities). The CFI data above do not include these data. Including the liabilities would show that the financial health of the regional institutions is even worse than shown in the above table.</i>							

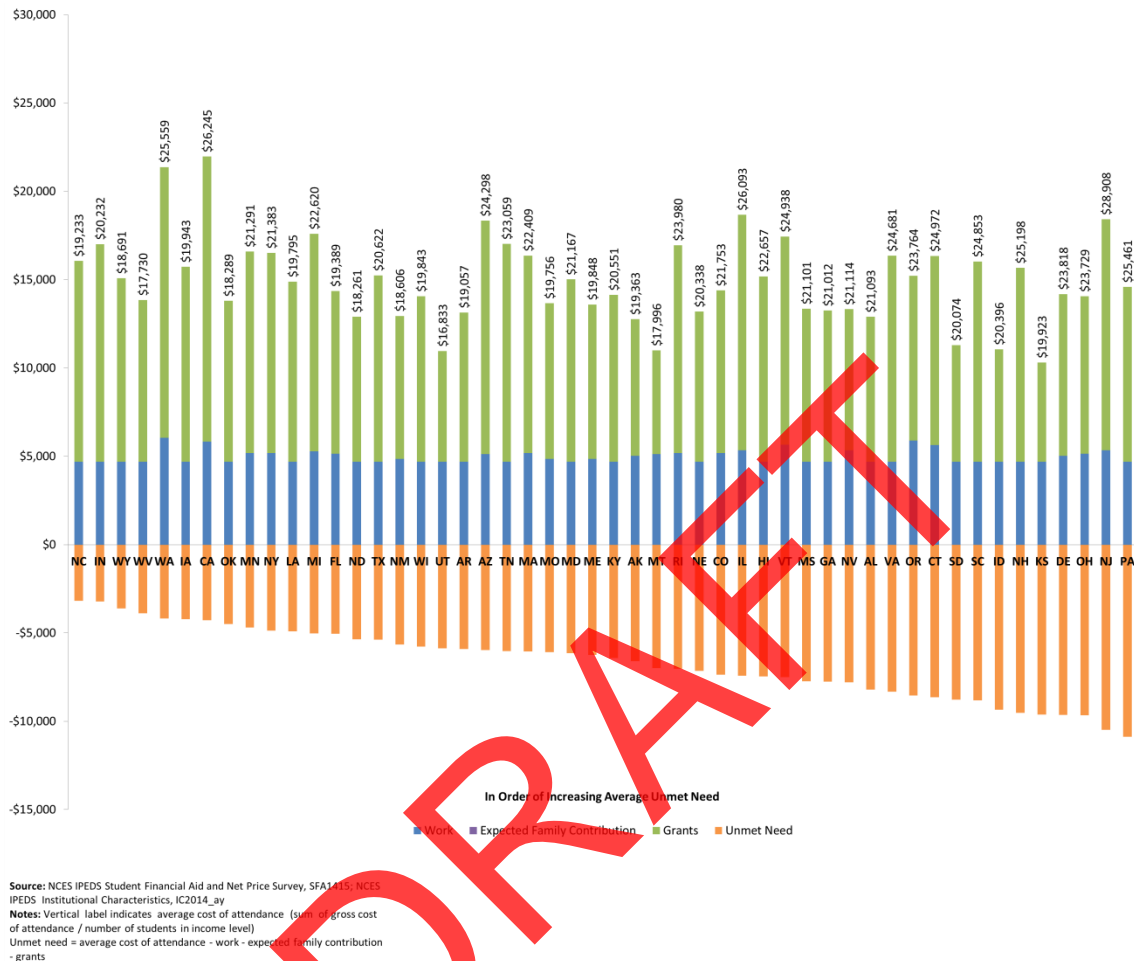
In West Virginia, capital expenditures, including new facilities and renovation of older ones, are financed through student fees. As indicated in the audit report;

For most institutions, a high level of debt is required to maintain adequate facilities because the state has not consistently supported capital funding. Tuition and fee rates for resident students are limited; consequently, some institutions are not in a position to incur additional debt. Without the ability to incur debt, aging facilities are not renewed or replaced. The excess dependency upon student fees for capital improvements reduces institutions' debt capacity for strategic mission advancement.⁷

The dependence on student fees, not only for capital improvements but also for institutional operations, provides a particular threat to institutions who serve low-income students who cannot afford increases in tuition. Figure 6 indicates that low-income West Virginia students have in excess of \$3,000 of unmet need, even after an expectation of student contribution from work, parental contribution and all grant aid. This is in spite of the fact that West Virginia has the lowest average net cost of attendance in any of the 50

states. This low-income group represents a substantial portion of the students served in the four-year institutions.

Figure 6. Public Four-year Institutions, \$0-\$30,000 Income Level, 2014-15



Impact of Changes in Governance on Regional Institutions

Long-standing issues

A long-standing issue in West Virginia is the maintenance of mission differentiation and a degree of balance among institutional missions. West Virginia continues to face a particular challenge in maintaining a balance between the prestige, scale, statewide reach and political influence of West Virginia University and Marshall University on the one hand, and the needs of the regional institutions on the other. The need to ensure balance between the missions of the research universities and the regional comprehensive institutions has been behind many of the changes in statewide coordination and system/institutional governance over the past 50 years.⁸

History of changes⁹

In 1989, on the recommendations of a study by the Academy for Educational Development (AED), the West Virginia Legislature abolished the West Virginia Board of Regents that oversaw the entire public

higher education system, and established two state boards to replace it. The West Virginia Board of Trustees governed West Virginia University, Marshall University, and the West Virginia School of Osteopathic Medicine. The State College System Board of Directors governed eight four-year institutions (six of which had community college divisions) and two freestanding community colleges (West Virginia Northern Community College and Southern West Virginia Community and Technical College). A central administrative staff served both state boards.

In 2000, the West Virginia Legislature again changed the governing structure. The legislation (Senate Bill 653):

- Abolished the University System of West Virginia Board of Trustees and the State College System of West Virginia Board of Directors.
- Established governing boards for each four-year institution.
- Established the West Virginia Higher Education Policy Commission with responsibilities of being a statewide coordinating board for the entire public higher education system. The Legislature also assigned to the Commission responsibility for the statewide administrative entity providing legal, human resources, procurement, and other services for the locally governed colleges and universities.
- Established the four-year institutions' community college divisions as independently accredited colleges, each with its own governing board. The legislative intent was that these colleges remain "administratively linked" to the original sponsoring institution as a way of achieving efficiency of operation but academically separate in order to allow focus on technical/vocational programs that were getting too little attention.
- Established a statewide coordinating body for the locally governed community and technical colleges.

Subsequent legislation enacted in the early 2000s increased the authority of the West Virginia Community and Technical College System and granted the system substantial independence from the Commission. The changes reduced the authority of the Commission to coordinate the entire system and restricted its role to essentially two functions: statewide coordination of the four-year institutions (including both West Virginia University and Marshall University) and the regional institutions, and overseeing the centralized administrative functions serving both the four-year and community college sectors.

The early 2000s governance changes resulted in a highly fragmented public higher education system: 20 public institutions (12 baccalaureate, 8 community and technical colleges) overseen by 22 governing boards and 20, often duplicative, administrative teams. The legislative intent in the enactment of SB 653 in 2000 was that the newly independently accredited community colleges remain administratively linked to their previously regional institution host. Nevertheless, the community and technical colleges proceeded to establish their own administrative structures by the mid- to late-2000s. For the regional institutions—and the higher education system as a whole—this resulted in loss of intended economies-of-scale between the two sectors. The net effect has also been to systematically eliminate capacity to deal with issues in any collective way—every institution is left to cope with problems on its own.

Impact of changes on authority and powers of the West Virginia Higher Education Policy Commission

Over the 17-year period since the enactment of SB 653, the legislature has reduced the role of the Commission from a powerful overall coordinating entity for the entire system to an entity with only limited coordinating authority primarily for the remaining seven regional institutions and a reduced capacity to provide shared services for the system.

Further legislative changes enacted in 2017 (HB 2815) further reduced the powers of the Commission in critical areas such as:

- Power to approve presidential hiring, compensation and firing
- Program approval and termination
- Approval of all capital projects including public-private projects with implications for the higher education system as a whole
- Authority to require consolidation of administrative, financial and/or academic functions among or between institutions

The 2017 legislation also eliminated the ability of the Commission to fund its core operations through a student fee levied at each institution.

Implications of changes for regional institutions

These changes have had major implications for the regional institutions:

- West Virginia now has no state-level entity with authority and power to maintain a balance among missions and to counter actions of either West Virginia University or Marshall University that have the potential to seriously undermine the regional institutions' sustainability. The changes have left the regional university sector vulnerable to the power of larger institutions with the brand name and the resources to compete for students and state resources.
- The establishment of local boards of governors worked well for institutions with sufficient scale and stability to thrive on their own, at least in the short- to medium-term. However, local governance is not working well for smaller institutions in adverse demographic and economic environments (Medium to High Risk).
- High level of fragmentation in the regional institution sector has left a void in state-level advocacy for their mission of serving:
 - Students not well-served by the research universities (first-generation, from rural schools, adults with some postsecondary education and no degree)
 - Regional workforce and economic development needs
- The establishment of independently accredited community and technical colleges appears to have worked well in some cases but not in others. Generalizations about the impact of this change will inevitably ignore important differences across West Virginia. From the perspective of Fairmont State University, the changes resulted in a dysfunctional relationship between two entities attempting to share the same campus. In other cases, the changes appear to have led to the development of new

unsustainable community and technical colleges co-existing in the same regions with their former sponsoring regional universities increasingly at the risk of failure. In still other instances, the separation led to the establishment of community colleges effectively serving previously unserved workforce needs.

- The Commission now lacks the authority and capacity to play a pro-active role in assisting the most economically fragile institutions, either individually or collectively, to move to a more sustainable status.

Observations from Interviews

Sustainability

The viability/sustainability of institutions and opportunities for students in the regions that they serve differs greatly depending on several variables: mission, geographic location, population served, market position/competition, scale/size, leadership, management, array of academic programs, etc. Understanding these differences is important to defining a path forward.

In the longer-term, as suggested by the Consolidated Financial Index (CFI), all the regional institutions are at risk of failure. However, that risk varies significantly. Institutions are at essentially two levels of risk:

- Low-to Medium-Risk: These institutions are sustainable in the near term; however, their future is still at risk given the competitive market and potential for uncertain circumstances in the future. The following institutions are in this category: Fairmont State University, Shepherd University, and West Liberty University. These institutions have advantages that some of the other institutions do not have:
 - Location in a West Virginia region with some population growth and a stronger economy
 - Capacity to generate revenue from out-of-state students
 - Institutional leadership making changes needed for sustainability
 - Sufficient stability to allow adaptation at rates that will not be destructive

However, the institutions face uncertainties in the future:

- Institutional leadership changes
 - Small scale that makes cost-effective delivery a challenge
 - Competitive market for tuition-paying students essential to sustain revenue
- Medium Risk to High Risk: These institutions are sustainable in the short-term, but their futures are uncertain. Institutions in this category include Bluefield State College, Concord University, Glenville State College, and West Virginia State University. Uncertainties include:
 - Inability to generate sufficient revenue from tuition to cover costs and offset declines in state support.
 - Significant challenges in making changes needed to align faculty capacity with mission and enrollment.

- History of uneven institutional leadership. Even in instances where capable institutional leaders have made exceptional efforts, the barriers of scale and diminishing financial capacity make sustainability problematic.
- Size that makes it difficult to develop solutions to problems as a stand-alone institution—collaboration is necessary, but difficult in the existing governance environment.

Institutional Leadership

NCHEMS' interviews with institutional teams underscored the important differences in the challenges facing each institution. For all institutions, institutional leadership at the levels of the board of governors, the president, and the provost is essential to:

- Maintain or increase revenue from enrollment consistent with mission. The institutions' missions, programs, and services must be successful in attracting students, especially students from new populations (e.g., adults with some postsecondary education and no degree).
- Align human resources, especially faculty, with mission and enrollment. Eighty percent of costs are in human resources and the largest percent is in faculty.
- Make strategic financial decisions (both operating and capital expenditures, tuition and fees, etc.) that are consistent with institutional mission and which will improve the institution's financial health. For example, most of the institutions face high levels of debt financed by student fees that undermines their ability to address long-standing deferred maintenance issues. As noted below, Bluefield State is embarking on major capital investments that will require funding from future students' fees.

NCHEMS' observation is that, aside from advantages of location, the effectiveness of institutional leadership is the most important explanation of the differences in the long-term viability of the regional institutions. Much depends on the decisions by the board of governors regarding presidential appointments and other critical matters (such as a willingness to seek collaborative solutions). Some institutions have done reasonably well despite adverse conditions. Others are struggling today due to external conditions and decisions made over the past decade and before.

The decentralization of governance with the establishment of boards of governors for each institution had several positive effects. Under their own governing board, each institution:

- Has greater flexibility, free of some of the previous state oversight, to pursue strategies appropriate to each institution's unique mission
- Gained the benefits of having a group of business and civic leaders deeply engaged in, and committed to, the future of the institution

For larger institutions such as West Virginia University and Marshall University, the decentralization of governance within the framework of statewide coordination and accountability, was feasible. For the regional institutions that had the advantage of location and market position, local governance appears to have worked reasonably well. For others, however, decentralized governance has not proven to be up to the task of leading the institutions to a sustainable future. The reality is that because of the governance changes enacted since 2000, most especially those enacted in 2017 (House Bill 2815), the capacity of the Commission to play a pro-active role in strengthening local governance at some institutions where it is

sustainable or intervening at other institutions to avert serious issues was eliminated. The Commission has authority to intervene in extreme cases of governance failure. However, by the time that conditions deteriorate to the point where the commission is empowered to step in, it may be too late to save the institution.

Economies-of-scale through shared services

Achieving economies-of-scale through shared services is an important way the regional institutions can reduce costs. NCHEMS' observation from interviews that all the regional institutions recognize the critical role that the Commission plays in providing shared services in areas such as:

- General counsel/legal services
- Financial services
- Data/information services
- Student financial aid administration
- Procurement

The changes enacted in House Bill 2542 that deregulated state human resource policies appear to be having a positive impact on the ability of the regional institutions to make needed institutional-level decisions in the face of financial distress. The changes may also have a positive impact on the Commission in that the Commission will not be drawn into the detail of human resource rulemaking that in the past detracted from its more important policy leadership role.

The institutional teams expressed appreciation for the quality and sensitivity of the Commission's leadership in academic affairs in review and approval of academic programs and addressing inter-institutional issues such as articulation and transfer. The provosts of the campuses have a good working relationship among themselves and with the Commission in sharing information and resolving common problems. The institutions cited other opportunities for increased collaboration, including:

- Shared library services
- Establish an online course clearinghouse to more efficiently manage the development and use of a common online course delivery platform like WV Rocks. Since West Virginia institutions seem to be at an early stage in developing and offering online courses, this would be a feasible strategy.

Another area where institutional teams urged a stronger role is in advocating for the small institutions with the State Department of Administration for relief from the costs of implementing the department's new software program for payroll and other functions administered by the state government (wvOASIS). In 2016, the DAS began a three-year implementation of wvOASIS, a computer program designed to merge more than 100 different government systems. The system is intended to increase efficiency and create greater transparency in state government. For the regional institutions, the new system is anything but efficient or transparent. Designed for large state agencies, wvOASIS is far too complex for the scale of the smaller regional institutions. The cost of the staff time to implement the new system is draining already limited resources. West Virginia University has apparently obtained software that interfaces with wvOASIS and greatly simplifies the transmission of data from Morgantown to Charleston for financial transactions. The regional institutions have considered contracting with West Virginia University to have them transmit data to wvOASIS for them. Again, the problem is that the West Virginia system is

appropriate for a large university. In addition, there are concerns that the staff is focused on serving West Virginia University that they would not give adequate attention to the smaller institutions' priorities. The question remains then: Could the Commission provide these services? Alternatively, could the Commission contract with West Virginia University on behalf of the institutions? In any event, the Commission needs the portfolio and the authority to deal with this and similar issues.

Collaboration in academic program delivery

As noted earlier, the focus of this NCHEMS study is on how to sustain higher education opportunities to each region of West Virginia. With 80 percent of institutional costs in human resources (and the largest in faculty), savings in this area will be necessary for institutions to survive. In most of the regional institutions, academic leaders are already making needed changes—changes that inevitably occur on a case-by-case basis as faculty members retire. However, institution-by-institution change will likely be insufficient to scale back the academic capacity of institutions to a sustainable level. In time, opportunistic (as opposed to strategic) retrenchment can result in an institution without the academic capacity to fulfill its mission and to continue to provide opportunities to the region's population and communities. An important way to avoid this end is to replace, supplement, or enhance the institution's academic programs through collaboration with other institutions. The goal of collaboration should be to continue high quality academic programs for the institution's students but to do so without the cost of faculty capacity. Academic collaboration can take many forms from small- to large-scale, ranging from faculty from one campus teaching at another campus by physically commuting to that campus to courses or academic programs being delivered by faculty at from one institution to students at another using the capacity of technology. One can find multiple examples and models for collaborative delivery of academic programs, but success requires a supportive policy environment.

NCHEMS' observation from interviews is that most institutional leaders recognize that academic collaboration is a critical strategy toward sustainability. Nevertheless, the competition and lack of trust among institutions and lack of financial incentives are major barriers. The intense competition for revenue-generating students and the disincentives in the state funding model provide barriers to collaboration. As a result, each institution is working through its own survival strategy in isolation. Theoretically, the regional institutions could share academic capacity among themselves or with West Virginia University or Marshall University. A major obstacle to collaboration with West Virginia University or Marshall University is a fear that the larger institutions will collaborate only out of their self-interest to stifle competition or ultimately take over the smaller institutions. Effective use of resource allocation strategies will be required to address the inherent problems—the model has to promote mutual benefits to collaboration.

NCHEMS' interviews indicate that there are short-term practical ways in which the Commission could play more of a role in facilitating collaboration. The Commission could:

- Establish an online course clearinghouse and more efficiently manage the development and use of a common online course delivery platform like WV Rocks (the fact that West Virginia institutions are at an early stage in developing and offering online courses makes a collaborative approach more feasible).
- Facilitate efforts to create a statewide library network.
- Include within the new funding policy incentives for collaborative delivery of academic programs.

However, the Commission lacks the mandate, staff capacity, and funding to lead, if not require, inter-institutional collaboration on a scale needed to address the current fiscal crisis. In the absence of substantial assistance from the commission, institutional leaders are clinging to the hope that they can survive on their own.

Immediate issue: the future of those regional institutions in greatest fiscal distress

NCHEMS' observation is that for the institutions at highest risk, Bluefield State College and Concord University, the challenges are so serious that only a major restructuring will preserve postsecondary education opportunity for students in Southern West Virginia. Implementing this restructuring will require external pressure, leadership, and on-going facilitation to mandate and implement a consolidation of academic, student and administrative capacity of the two institutions while maintaining, to the extent feasible, the names and traditions of each campus. The two institutions have already explored in some detail how they could:

- Share academic capacity that would make it possible for each campus to retain or enrich academic offerings to their students that will not be possible if each institution retrenches in isolation of the other
- Consolidate administrative services
- Utilize excess residence hall capacity at Concord University to provide residences for Bluefield State College students

Nevertheless, forces at both institutions continue to resist needed changes. Bluefield State College continues to pursue construction of a residence hall, with partial support from a local foundation, with hopes that this will enable the institution to recruit and retain more students. This while Concord has empty dormitory space. NCHEMS' assessment is that, without immediate action to mandate that these two institutions pursue an integrated approach to their future, each institution will continue on its downward trajectory with major negative consequences for their students, their communities, and the future of Southern West Virginia. Two other realities make the situation in Southern West Virginia even more complex: the uncertain future of New River Community College and the impact of the recent relocation of West Virginia Institute of Technology to Beckley. Glenville State College and West Virginia State University are also in tenuous positions, positions that will become more dire, unless institutional leaders can act to reverse current trends. In time, solutions being considered to address the problems of Concord University and Bluefield State College may need to expand to encompass these other institutions; however, the futures of Bluefield State College and Concord University are the most pressing issues.

Criteria for solution

- Sustainability requires action at multiple levels in order to foster sharing both “back” office and academic capacity statewide
 - Each institution
 - Among institutions serving the same region or population
 - West Virginia Higher Education Policy Commission

- State government (Department of Administrative Services)
- Reform of finance policy is critical to:
 - Align resource allocation with institutional mission, scale and state priorities
 - Address inequities in allocation of state appropriations
 - Provide incentives for collaboration
- Statewide leadership and coordination is essential to:
 - Support leadership at the institutional level for needed changes
 - Develop essential shared services
 - Lead in increasing academic collaboration
 - Advocate for changes in state policies (including DAS) that support sustainability

Recommendations

- Consolidate governance of the two most at-risk institutions
 - Consolidate both institutions under one governing board, both Concord University and Bluefield State College, as a single corporation
 - Eliminate separate governing boards
 - Retain campus names (e.g., Concord University campus; Bluefield State College campus)
 - Leave open:
 - That Concord University/Bluefield State College could become a single accredited institution
 - The potential of including New River Community and Technical College within the new structure while retaining its unique mission as a community college
- Policy leadership for system
 - Reinstate critical powers:
 - Power to approve presidential hiring, compensation and firing, at least at the most financially threatened institutions
 - Program approval and termination
 - Approval of all capital projects, including public-private ones with implications for the higher education system as a whole
 - Authority to consolidate administrative, financial, and/or academic functions among or between institutions.
 - Assign responsibility to the Commission to develop and recommend funding policy to the Governor and Legislature
- Implement comparatively low-cost strategies to:
 - Establish an online course clearinghouse and more efficiently manage the development and use of a common online course delivery platform like WV Rocks (given that West Virginia institutions seem to be at an early stage in developing and offering online courses)
 - Facilitate efforts to create a statewide library network

- Include within the new funding policy incentives for collaborative delivery of academic programs
- Support the strengthening of local governance of regional institutions:
 - Consider forming a statewide association composed of members of institutional boards of governors
 - Undertake training for boards focused on strategies (including inter-institutional collaboration) as a path to long-term sustainability
- Distinguish the Commission policy leadership functions from its functions as provider of shared services to institutions:
 - Organize, under the Commission, a service organization focused primarily on the regional institutions
 - Finance, through combination of base appropriation plus institutional fees, those services which the institutions determine to be of benefit for economies of scale
 - Utilize state appropriations to supplement revenue from institutional fees
 - Include use of software that interfaces with wvOASIS to be used by all participating institutions; consider financing this based on dollars per employee

Longer-term

- Re-establish the Commission as coordinating body for all public higher education in West Virginia, including:
 - Functions
 - Establishing statewide goals
 - Maintaining a statewide higher education database and drawing on that database to conduct analyses that inform policymaking and monitor progress toward achievement of state goals.
 - Operating the shared service organization for both West Virginia Council for Community and Technical Colleges and West Virginia Higher Education Policy Commission
 - Implementing state student financial aid programs
 - Licensing and regulating non-public postsecondary institution operating in West Virginia
- Establish a state regional college and university governing board
 - Headed by a chancellor
 - Include initially:
 - Bluefield State College
 - Concord University
 - Glenville State College
 - West Virginia State University
 - Eliminate separate governing boards for these institutions
 - Establish powers of the new board to be similar to those of the Board of Governors of the individual institutions with broad powers to restructure the institutions and system as needed to ensure long-term sustainability

- Initially retain local boards of governors for Fairmont State University, Shepherd University and West Liberty University but with additional powers regarding governance of institutions explicitly delegated to the Commission.
 - Grant the Commission authority to withdraw delegated powers
 - Make presidential appointments, evaluation, and compensation subject to review and approval of the Commission
 - Grant the Commission authority to mandate that these institutions participate in collaborative initiatives and shared services

DRAFT

Endnotes

¹ WVU Business and Economic Research (2014) Population Trends in WV through 2030.

² Western Inter-State Commission for Higher Education (WICHE)(2016)

³ Higher Education Policy Commission https://www.wvhepc.org/resources/Dashboard/Yearly/FTE/Public/2014-2015/annualized_fte.html

⁴ The regional institutions offer a variety of programs to attract out-of-state students including reduced tuition for students from border counties and in targeted urban areas. See for example, Concord University's out-of-state tuition reduction policy: <http://catalog.concord.edu/content.php?catoid=8&navoid=423> and Bluefield State's "metro rate." The Bluefield metro rate originally targeted border counties but the college has since extended the metro rate to non-contiguous counties from which it seeks to attract students.

⁵ West Virginia Higher Education Policy Commission (WVHEPC), Meeting of June 23, 2017. Fiscal Year 2016 Consolidated Audit Presentation, pp. 157-173

⁶ WVHEPC Fiscal Year 2016 Consolidated Audit Presentation, p. 169

⁷ WVHEPC Fiscal Year 2016 Consolidated Audit Presentation, p. 168

⁸ This paper makes a careful distinction between *governing* boards and *coordinating* boards. Governing boards have authority commonly assigned to boards of trustees of individual institutions including establishing educational policy, carrying out fiduciary responsibilities, appointing and evaluating institutional presidents, granting degrees, granting faculty tenure, etc. Systems or multi-campus governing boards have powers to govern two or more institutions. Coordinating boards, in contrast, perform functions such as statewide strategic/master planning; developing and recommending finance policies and operating and capital budgets to the governor and state legislature; developing the formulas for allocating state appropriations among institutions, approving institutional missions, new academic programs, and new off-campus sites; and administering state student aid programs and other state-level initiatives. Coordinating boards do not have authority to govern institutions. These boards oversee the system as a whole, while the responsibility for governance is assigned to institution-level boards of trustees or regents. McGuinness, Aims C., Jr. (2015). *State Policy Leadership for the Future: State Coordination and Governance*.

⁹ In 1969, West Virginia consolidated all public higher education including WVU, Marshall, the School of Osteopathic Medicine, and the regional colleges under a single system governing board, the Board of Regents, headed by a chancellor. From the beginning of this new board, tensions arose with the larger institutions arguing that the new Board of Regents was insensitive to their scale and unique missions while the smaller institutions argued that a culture dominated by WVU and Marshall gave insufficient attention to their missions.