

**WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION**

**December 15, 2023 | 9:00 a.m. | West Virginia Regional Technology Park**

By Phone: 1-646-558-8656 and enter meeting ID 870 9083 3298

[Or by Zoom Video](#)

**AGENDA**

- I. Call to Order**
- II. Chairman’s Report**
- III. Chancellor’s Report**
- IV. Annual Updates from Constituent Groups**
  - A. Advisory Council of Classified Employees
  - B. Advisory Council of Students
  - C. Advisory Council of Faculty
- V. Approval of Minutes.....3**
- VI. Approval of Interim Presidential Compensation.....5**
- VII. Presentation of Campus Facilities Master Development Plan – Bluefield State University.....6**
- VIII. Presentation of Campus Facilities Master Development Plan– Marshall University.....7**
- IX. Approval of Bachelor of Science in Aviation/Commercial Pilot: Fixed Wing Joint Degree.....8**
- X. Report on Fall 2023 Enrollment.....10**
- XI. Presentation of 2023 Financial Aid Comprehensive Report.....11**
- XII. Approval of Extending Deadline for the Promise Scholarship Program and the West Virginia Higher Education Grant Program.....14**
- XIII. Presentation of 2023 Health Sciences and Rural Health Report.....15**

**XIV. Presentation of Fiscal Year 2023 Consolidated Audit.....18**

**XV. Additional Board Action and Comment**

**XVI. Adjournment**

## DRAFT MINUTES

### WEST VIRGINIA HIGHER EDUCATION POLICY COMMISSION

September 15, 2023

#### I. Call to Order

Chairman Andrew A. Payne convened a meeting of the West Virginia Higher Education Policy Commission (Commission) on September 15, 2023, at 9:00 a.m., by Zoom videoconference and conference call. The following Commission members participated: James W. Dailey; James Denova, Michael J. Farrell; Diana Lewis Jackson, Andrew A. Payne; and Gail Pitchford. Other participants included university representatives, Chancellor Sarah Armstrong Tucker, and Commission staff.

Chairman Payne secured a quorum and welcomed all participants to the meeting.

#### II. Chairman's Report

Chairman Payne thanked Chancellor Tucker and Commission staff for their work to support students.

#### III. Chancellor's Report

Chancellor Tucker acknowledged the smooth and successful start to the fall semester.

#### IV. Approval of Minutes

Commissioner Jackson moved to approve the minutes of the June 16, June 28, July 12, and July 31, 2023 Commission meetings. Commissioner Pitchford seconded the motion. Motion passed.

#### V. Approval to Repeal Series 46, Procedural Rule, Standards for Subject Area Content in Secondary-Level Teacher Preparation Programs

General Counsel Kristin Boggs explained the need to repeal the rule.

Commissioner Farrell moved approval of the following resolution:

*Resolved*, That the West Virginia Higher Education Policy Commission approves the repeal of Series 46, Procedural Rule, Standards for Subject Area Content in Secondary-Level Teacher Preparation Programs and directs its staff to proceed with the Secretary of State's process to effectuate such repeal.

Commissioner Denova seconded the motion. Motion passed.

#### VI. Additional Board Action and Comment

There were no additional board actions or comments.

**VII. Adjournment**

There being no further business, Commissioner Denova moved to adjourn the meeting. Commissioner Farrell seconded the motion. Motion passed.

**VIII.** \_\_\_\_\_  
Andrew A. Payne, Chairman

**IX.** \_\_\_\_\_  
Diana Lewis Jackson, Secretary

**West Virginia Higher Education Policy Commission  
Meeting of December 15, 2023**

**ITEM:** Approval of Interim Presidential Compensation

**INSTITUTION:** Bluefield State University

**RECOMMENDED RESOLUTION:** *Resolved*, That the West Virginia Higher Education Policy Commission approves the compensation contract for Dr. Darrin Martin as Interim President of Bluefield State University as proposed by the institutional board of governors.

**STAFF MEMBER:** Kristin Boggs

**BACKGROUND:**

Pursuant to W. Va. Code §18B-1B-4(a)(15), the Commission must approve the total compensation package from all sources for presidents of institutions under its jurisdiction proposed by institutional governing boards.

**Bluefield State University**

At its meeting on November 20, 2023, the Bluefield State University Board of Governors (Board) approved the appointment of Dr. Darrin Martin as its interim president. Subsequently, the Board approved the total compensation package for Interim President Martin.

This proposed contract comports with the provisions of Series 5 of the Commission's rules, *Guidelines for Governing Boards in Employing and Evaluating Presidents*; therefore, it is recommended that the Commission approve the proposed compensation package as submitted.

**West Virginia Higher Education Policy Commission  
Meeting of December 15, 2023**

**ITEM:** Bluefield State University Campus Facilities  
Master Development Plan Informational Update

**INSTITUTIONS:** Bluefield State University

**RECOMMENDED RESOLUTION:** Informational item

**STAFF MEMBER:** Misty Price

**BACKGROUND:**

Bluefield State University has submitted and is presenting their Campus Facilities Master Plan in accordance with W. Va. Code §18B-19-4 for informational purposes. The Campus Facilities Master Plan must cover a ten-year period and each governing board must update its Master Plan at least once during each ten-year period.

**West Virginia Higher Education Policy Commission  
Meeting of December 15, 2023**

**ITEM:** Marshall University Campus Facilities Master Development Plan Informational Update

**INSTITUTIONS:** Marshall University

**RECOMMENDED RESOLUTION:** Informational item

**STAFF MEMBER:** Misty Price

**BACKGROUND:**

Marshall University has submitted and is presenting their Campus Facilities Master Plan in accordance with W. Va. Code §18B-19-4 for informational purposes. The Campus Facilities Master Plan must cover a ten-year period and each governing board must update its Master Plan at least once during each ten-year period.

**West Virginia Higher Education Policy Commission  
Meeting of December 15, 2023**

**ITEM:** Approval of Bachelor of Science in Aviation/  
Commercial Pilot: Fixed Wing Joint Degree

**INSTITUTIONS:** West Liberty University and Marshall University

**RECOMMENDED RESOLUTION:** *Resolved*, That the West Virginia Higher Education Policy Commission approves the joint degree in Aviation/Commercial Pilot: Fixed Wing to be offered simultaneously by both West Liberty University and Marshall University effective August 2024.

**STAFF MEMBER:** Corley Dennison

**BACKGROUND:**

West Liberty University seeks approval for the Bachelor of Science degree in Aviation/Commercial Pilot: Fixed Wing as a joint program with the Marshall University-Bill Noe Flight School. Upon completion of the program, students obtain Federal Aviation Administration (FAA) certification to become a commercial pilot of single and multi-engine aircraft. The projected implementation date is August 2024. The complete program description may be found here:

[https://www.wvhepc.edu/wp-content/uploads/2023/12/Submission-of-New-Program-Aviation-Commercial-Pilot -Fixed-Wing-BS.pdf](https://www.wvhepc.edu/wp-content/uploads/2023/12/Submission-of-New-Program-Aviation-Commercial-Pilot-Fixed-Wing-BS.pdf)

Approval by the Commission shall establish a cooperative joint degree program utilizing the West Liberty campus and the Ohio County Airport. West Liberty University, along with Marshall University shall award a joint degree designated as a Bachelor of Science in Aviation/Commercial Pilot: Fixed Wing. The diploma shall indicate both institutions with West Liberty University maintaining student records and serving as the registrar. The joint degree shall be offered through a consortial arrangement in accordance with requirements from the Higher Learning Commission (HLC) and the West Virginia Higher Education Policy Commission.

Admission to the Aviation/Commercial Pilot: Fixed Wing program is selective. Not all applicants who qualify for general admission to the university can be admitted to the aviation program. Program applicants must have at a minimum, FAA Second Class Medical Status (First Class Status is preferred) and must hold a Student Pilot Certificate (Private Pilot Certificate is preferred).

Approximately 15,000 openings for airline and commercial pilots are projected annually over the remainder of the decade. U.S. Bureau of Labor estimates that the pilot shortfall



will reach its peak in 2026 when pilot demand will outstrip pilot supply by an estimated 17,000 positions.

**West Virginia Higher Education Policy Commission  
Meeting of December 15, 2023**

**ITEM:** Report on Fall 2023 Enrollment

**INSTITUTIONS:** All

**RECOMMENDED RESOLUTION:** Information Item

**STAFF MEMBER:** Zorrie Georgieva

**BACKGROUND:**

The presentation will provide an analysis of current enrollment data derived from the Fall Census 2023 data collection along with a discussion of historical enrollment trends. Data elements to be discussed include:

- Headcount Enrollment
- First Time Freshmen Enrollment
- Fall to Fall Retention Rates
- College-Going Rate
- Transfer Patterns
- FTE Enrollment
- Student Demographics and Changes in Trends

Following the Commission meeting, the enrollment report will be available at <https://www.wvhepc.edu/resources/data-and-publication-center/>.

**West Virginia Higher Education Policy Commission  
Meeting of December 15<sup>th</sup>, 2023**

**ITEM:** Presentation of 2023 Financial Aid Comprehensive Report

**INSTITUTIONS:** All

**RECOMMENDED RESOLUTION:** Information Item

**STAFF MEMBER:** Brian Weingart

**BACKGROUND:**

In accordance with W. Va. Code §18C-1-1f, this report represents the fourteenth annual Financial Aid Comprehensive Report. It contains (a) descriptions of and changes to West Virginia aid programs, (b) policy recommendations for West Virginia aid programs, and (c) longitudinal data about recipients of state financial aid. The Financial Aid Comprehensive Report, coupled with data published on the online higher education data portal, provides a comprehensive view of the principal sources of financial aid at West Virginia colleges and universities. It should be noted that the data presented are for the 2022-23 academic year.

The full report is available here:

[https://www.wvhepc.edu/wp-content/uploads/2023/11/FA-Comprehensive-Report\\_2023.pdf](https://www.wvhepc.edu/wp-content/uploads/2023/11/FA-Comprehensive-Report_2023.pdf)

**PROGRAM CHANGES:**

The testing criteria for Promise stayed the same for the Class of 2024 compared to the Class of 2023, and the maximum award was increased to \$5,200 for 2023-24.

For the West Virginia Higher Education Grant, the deadline was extended to November 1, 2023 for 2023-24 awards. The maximum award was increased to \$3,300 from \$3,200 for the 2023-24 award year.

The 2024-25 Free Application for Federal Financial Aid (FAFSA) is going through significant changes. The Commission is making necessary changes in those areas that impact state financial aid and is working with various groups throughout the state to help students with the new FAFSA application. Because of the significant changes, the U.S. Department of Education is delaying the opening of the 2024-25 FAFSA from October 1, 2023 to December 2023.

## **POLICY REFLECTIONS AND RECOMMENDATIONS:**

### **PROMISE Scholarship Program**

The standardized test score requirement to qualify for Promise for the Class of 2024 was maintained at the same level as the Class of 2023. Students continue to be able to use superscoring to meet the standardized test score requirement. The award amount was increased from \$5,000 to \$5,200 for the 2023-24 award year.

### **West Virginia Higher Education Grant Program**

The Higher Education Student Financial Aid Advisory Board recommended that the maximum award for 2023-24 be increased to \$3,300 for students with an Expected Family Contribution (EFC) of under 13,000.

## **DATA HIGHLIGHTS:**

### ***PROMISE Scholarship Program***

- The number of Promise recipients decreased from 9,503 in 2021-22 to 8,943 in 2022-23.
- The total cost of the scholarship decreased from \$42,883,055 in 2021-22 to \$42,432,489 in 2022-23.
- Approximately 90.5 percent of Promise recipients in 2022-23 attended a four-year public institution. Public community and technical colleges accounted for 3.6 percent of Promise scholars in 2022-23.

### ***Higher Education Grant Program (HEGP)***

- The number of HEGP recipients decreased from 15,131 in 2021-22 to 14,284 in 2022-23, with total awards increasing from \$37,974,960 to \$38,066,517. The average award amount increased from \$2,510 to \$2,665 during the same period.
- In the 2022-23 academic year, 65.2 percent of HEGP recipients attended public four-year institutions. Public community and technical colleges accounted for 21.1 percent of HEGP awardees in 2022-23.

### ***Higher Education Adult Part-Time Student (HEAPS) Grant Program***

- The number of students receiving a HEAPS Part-Time Component award increased slightly from 3,060 in 2021-22 to 3,101 in 2022-23. The actual dollars awarded increased from \$3,609,009 to \$3,707,933 during the same period.
- The average award increased slightly from \$1,179 in 2021-22 to \$1,216 in 2022-23.
- About 48.4 percent of recipients were enrolled at public four-year institutions, while 46.3 percent were enrolled at public two-year institutions in 2022-23.

### ***Underwood-Smith Teacher Scholars***

- The 2022-23 academic year is the third year of implementation of the scholarship program. Currently, there are a total of 67 recipients across three cohorts who received a total of \$632,603 of funding. The average award in 2022-23 was \$9,442.
- Out of all recipients, 89.6 percent attended public four-year institutions and 10.4

percent enrolled in private four-year institutions.

### ***Engineering, Science, and Technology Scholarship***

- The number of Engineering, Science, and Technology (WV STEM) Scholarship recipients increased from 253 in 2021-22 academic year to 264 in 2022-23. The total amount awarded also increased during this period, from \$705,344 in 2021-22 to \$749,215 in 2022-23.
- Recipients received an average award of \$2,838 in 2022-23, an increase from \$2,788 the year before.
- Most recipients, 92.4 percent, attended a public four-year institution, with West Virginia University enrolling 65.2 percent of the total recipients and Marshall University enrolling 16.3 percent.

### ***Nursing Scholarship Program***

- The West Virginia Nursing Scholarship Program was the recipient of CARES Act funding as a part of Governor Jim Justice's Nursing Expansion Program in 2022-2023. This allowed the program to provide the statutory maximum value of awards as outlined in West Virginia Code.
- A total of 295 scholarships to nursing students at all levels were awarded during the 2022-23 academic year, an increase from 223 awards in 2021-22.
- The total awarded amount increased from \$383,550 in 2021-22 to \$1,244,750 in 2022-23.

**West Virginia Higher Education Policy Commission  
Meeting of December 15, 2023**

**ITEM:** Approval of Extending Deadline for the Promise Scholarship Program and the West Virginia Higher Education Grant Program

**INSTITUTIONS:** All

**RECOMMENDED RESOLUTION:** *Resolved*, That the West Virginia Higher Education Policy Commission approves extension of the deadline for the Promise Scholarship Program and the West Virginia Higher Education Grant Program.

**STAFF MEMBER:** Brian Weingart

**BACKGROUND:**

The FAFSA Simplification Act, 2021 and the Consolidated Appropriations Act, 2022 made significant changes to the Free Application for Federal Student Aid (FAFSA) and Title IV aid. The amount of changes along with the restarting of student loan repayment has caused the FAFSA for 2024-25 to be delayed until December 2023 when it normally is available by October 1. In addition there is going to be a delay in processing FAFSA applications by the U.S. Department of Education until late January or early February.

**Extend Promise and FAFSA Deadline**

Staff recommend extending the deadline for the Promise Scholarship and the West Virginia Higher Education Grant to May 1, 2024 for completing the Promise application and FAFSA. There have been challenges and upcoming delays with the 2024-25 FAFSA and because it is a brand new process, it is anticipated that there may be some difficulty by students and families in completing the FAFSA. The current deadline is March 1 for the Promise Scholarship and April 15 for the West Virginia Higher Education Grant Program.

**West Virginia Higher Education Policy Commission  
Meeting of December 15, 2023**

**ITEM:** Presentation of 2023 Health Sciences and Rural Health Report

**INSTITUTIONS:** Marshall University, West Virginia School of Osteopathic Medicine, and West Virginia University

**RECOMMENDED RESOLUTION:** Information Item

**STAFF MEMBER:** Jordyn Reed

**BACKGROUND:**

The *2023 West Virginia Health Sciences and Rural Health Report Card* includes admissions data, licensure exam data, and student debt data from the state's three medical schools; graduation data from other health professions programs; West Virginia Nursing Scholarship Program, Health Sciences Service Program, Choose WV, Mental Health Loan Repayment Program and Medical Student Loan Program data; and, Rural Health Initiative program profiles.

The full report is available here:

[https://www.wvhepc.edu/wp-content/uploads/2023/11/2023-Health-Sciences-Report\\_11172023.pdf](https://www.wvhepc.edu/wp-content/uploads/2023/11/2023-Health-Sciences-Report_11172023.pdf).

**Highlights**

- The state's three medical schools collectively enrolled 393 students in their first-year classes. Of these 393 students, 138 were in-state students. This is 36 fewer in-state students enrolled when compared to last year.
- In-state tuition at West Virginia medical schools is among the most affordable in the nation, with all three medical schools setting in-state tuition below \$34,000 per year.
- All three medical schools had licensure exam (COMLEX Level 3 or USMLE Step 3) passage rates on first attempt at or above 95 percent.
- Medical school indebtedness ranged from an average of \$121,925 (Marshall University) to \$187,443 (West Virginia University) to \$266,304 (West Virginia

School of Osteopathic Medicine) for the Class of 2023. Higher debt at the West Virginia School of Osteopathic Medicine is attributed to most of the class consisting of out-of-state students and higher tuition costs for this group.

- For the graduating classes of 2013-2018 who have now completed residency training, 24 percent of West Virginia medical school graduates were retained for practice in West Virginia (up from 20 percent for the graduating classes of 2012-2017); 13 percent were retained for practice in primary care in West Virginia (up from 12 percent for the graduating classes of 2012-2017); and 7 percent were retained for practice in rural areas of West Virginia (up from 6 percent for the graduating classes of 2012-2017).
- The location of a medical school graduate's residency program frequently predicts whether that graduate will practice in West Virginia. For the 2018 graduates of West Virginia medical schools, 207 graduates went on to complete primary care residency programs. Upon completing residency, 68 percent of those who completed in-state primary care residencies were retained in West Virginia to practice, while 10 percent of graduates who completed out-of-state primary care residencies returned to West Virginia to practice.
- Over the last decade, West Virginia has experienced sizeable growth in the number of health profession degree programs offered. This growth is important in meeting the healthcare needs of the state but should be monitored to ensure sufficient clinical training opportunities for trainees exist, all graduates wishing to work in West Virginia can secure employment, and that the programs produce graduates interested in serving in all areas of the state. As with last year's report, this year's report contains data about public pharmacy and dental graduates in addition to medical school graduates. Nursing data will be included in subsequent years.
- The report includes an overview of the Rural Health Initiative (RHI). In Fiscal Year (FY) 2023, \$587,000 grants were given to each of the state's three academic health centers. The grants support programming designed to increase the recruitment of healthcare providers to rural areas, increase the retention rate of healthcare providers in rural areas, develop pipeline programs to enhance student interest in healthcare careers, and involve rural areas of the state in the health education process.
- In addition to the grants to the academic health centers, the RHI program funding is also used to make smaller grants to other higher education programs, healthcare facilities, and nonprofit organizations.
- The report includes an overview of the different scholarship and loan repayment programs that the Health Sciences Division oversees. The West Virginia Nursing Scholarship Program, which offers scholarships in exchange for completing service obligations, is gaining in popularity, receiving nearly 700 applications



during the 2022-2023 award year. The Health Sciences Service Program, which offers loan repayment to a variety of health professions in exchange for serving in underserved areas of West Virginia, offered 11 awards during its last award cycle, totaling \$240,000. The Medical Student Loan Program, which is a need-based program offering loans that do not need to be repaid should recipients practice in underserved areas of West Virginia, had 154 awards last year totaling \$1,264,257. Choose WV, which offers out of state medical students in-state tuition in exchange for practicing in West Virginia after completing residencies, had 6 new awards and 11 continuing awards last year. The Mental Health Loan Repayment Program, which offers loan repayment awards to mental health professionals in exchange for working in West Virginia's underserved communities, gave 24 awards last year totaling \$240,000.

- The statewide housing system was created to allow students to complete clinical rotations away from main campuses and immerse themselves in rural and underserved areas of the state. It is utilized by a variety of health sciences students. Last year it was most frequently used by medical, pharmacy, physician assistant, physical therapy, and dental students. In FY 2023, there are 26 housing units located in 21 cities across the state. A total of 1,756 weeks of housing were utilized in FY 2023.

**West Virginia Higher Education Policy Commission  
Meeting of December 15, 2023**

**ITEM:** Fiscal Year 2023 Consolidated Audit Presentation

**INSTITUTIONS:** All

**RECOMMENDED RESOLUTION:** Resolved, That the West Virginia Higher Education Policy Commission accepts the audited financial report for the Higher Education Fund for the fiscal year ending June 30, 2023.

**STAFF MEMBER:** Misty Price

**BACKGROUND:**

The Commission is statutorily charged with the preparation of audited financial statements for West Virginia's Higher Education Fund (Fund). The Fund is made up of all activity related to institutional operations of Commission and Council member institutions. Each institution is independently audited as part of the Fund Statement. The Commission is charged only with approving the Fund Statement. The Fund audit is completed by CliftonLarsonAllen, LLP under a contractual arrangement with the Chancellor's Office.<sup>1</sup>

Staff believes that the overall status of the fund is sound, although there are areas that should be monitored to ensure its continued viability. A discussion of these ratios is provided below.

**The Audit Process**

Independent Auditors' Reports on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards were issued for all financial reports. The reports included management comments, which identify internal control deficiencies that were considered to be material weaknesses.

The combined financial statements, as well as the financial statements for each institution, the Commission, and the Council can be viewed on the Commission's website: <https://www.wvhepc.edu/resources/purchasing-and-finance/financial-statements-2023/>.

<sup>1</sup> CliftonLarsonAllen, LLP subcontracted with Suttle and Stalnaker, PLLC, to complete audits for several institutions. The ultimate responsibility for performance is with CliftonLarsonAllen, LLP.

## **Summary of Financial Results**

A summary of the financial information for the Fund is provided in this section. As a point of reference, the dollar amount numbers are presented in thousands.

### *Net Position*

The Net Position is the total assets and deferred outflows of resources less the total liabilities and deferred inflows of resources of the Fund. The net position of the Fund increased in Fiscal Year (FY) 2023 by \$69.3 million. This follows an increase of \$33.6 million in FY 2022.

<b>Net Assets (Dollars in Thousands) - FY 2023</b>	
	<b>Change</b>
<b>Net Position</b>	\$69,259
<b>Cash and cash equivalents</b>	-\$64,280
<b>Accounts Receivable</b>	\$19,933
<b>Noncurrent cash and cash equivalents</b>	-\$13,693
<b>Investments</b>	\$12,114
<b>Capital assets - Net</b>	-\$4,125
<b>Deferred Outflows of Resources</b>	\$1,459
<b>Accrued Liabilities</b>	-\$29,548
<b>Notes Payable</b>	-\$4,680
<b>OPEB liability</b>	\$12,745
<b>Bonds Payable</b>	\$1,488
<b>Deferred Inflows of Resources</b>	-\$78,688

### *Bond and Capital Lease Activity*

The total bonds, capital leases, and notes payable held by public higher education institutions has remained consistent over the past two fiscal years at approximately \$1,509 million as of June 30, 2023 compared to \$1,514 million as of June 30, 2022.

## Revenues

FY 2023 operating revenues increased about \$77 million to \$1.31 billion from the \$1.23 billion earned in FY 2022. This increase is primarily related to higher grants and contracts revenue.

Nonoperating revenues decreased \$1.7 million, primarily because of the decrease in COVID relief grant funding, which totaled \$39.7 million in FY 2023 compared to \$164.8 million in FY 2022.

Change in Revenues - FY 2023			
	FY 2022	FY 2023	Change
Auxiliary Enterprise Revenues	\$204,557	\$205,071	514
CARES Act Grant Revenue	164,812	39,679	-125,133
Federal Grants and Contracts	174,652	205,907	31,255
Federal Pell Grants	90,462	90,668	206
Gifts	83,524	116,512	32,988
Investment Income	-42,680	41,365	84,045
State Appropriations and State Lottery Appropriations	520,587	555,184	34,597
State Grants and Contracts	40,810	68,454	27,644
Tuition and Fees	620,343	602,649	-17,694

## Operating Expenses

Operating expenses increased \$62.6 million over FY 2022. As shown in the table below, all other categories increased except Scholarships and Fellowships.

Operating Expenses								
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	Change
Salaries and Wages	\$866,409	\$868,270	\$896,299	\$914,359	\$911,863	\$948,416	\$1,004,306	\$55,890
Benefits	255,542	251,119	244,334	235,632	186,473	158,846	183,629	\$24,783
Supplies and Other Services	419,698	411,415	416,592	418,256	421,833	458,924	493,913	\$34,989
Utilities	62,755	64,534	62,751	59,835	59,366	65,452	72,952	\$7,500
Student Financial Aid- Scholarships and Fellowships	106,164	100,969	112,131	150,209	159,117	209,221	127,027	-\$82,194
Depreciation and Amortization	138,312	135,879	130,294	129,763	144,842	177,316	196,730	\$19,414
Operating Expenses Percent Changes								
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	
Salaries and Wages	1.63%	0.21%	3.23%	2.01%	-0.27%	4.01%	5.89%	
Benefits	7.59%	-1.73%	-2.70%	-3.56%	-20.86%	-14.82%	15.60%	
Supplies and Other Services	6.59%	-1.97%	1.26%	0.40%	0.86%	8.79%	7.62%	
Utilities	4.51%	2.83%	-2.76%	-4.65%	-0.78%	10.25%	11.46%	
Scholarships and Fellowships	-6.97%	-4.89%	11.05%	33.96%	5.93%	31.49%	-39.29%	
Depreciation and Amortization	5.96%	-1.76%	-4.11%	-0.41%	11.62%	22.42%	10.95%	

## **Analysis: Ratios and Financial Information**

The purpose of this section is to provide a summary and analysis of the data included in the financial statements. Only financial information is provided; therefore, this information should be combined with key performance indicators in other areas such as academics, and student and faculty satisfaction to acquire a more complete understanding of institutional strength.

To ascertain the financial health of a college or university, four questions should be asked:

1. Are resources sufficient and flexible enough to support the mission?
2. Does financial asset performance support the strategic direction?
3. Do operating results indicate the institution is living within available resources?
4. Is debt managed strategically to advance the mission?

To address the four questions listed above, a financial analysis is presented using the Composite Financial Index (CFI) and several other ratios.<sup>2</sup> The CFI calculation uses the primary reserve, net operating revenues, return on net position, and viability ratios. These ratios are converted into strength factors which in turn are weighted to allow summing of the four resulting ratio scores into a single, composite value. The strength factors are limited to a scale of -4 to 10.

The primary reserve ratio and viability ratio are measures of financial condition based on expendable net position. These ratios are each weighted 35 percent in the calculation. The net operating revenues ratio measures an institution's ability to live within its means on a short-term basis, and it is assigned a weight of 10 percent. The return on net position assesses a school's capacity to generate overall return against all net resources, and its weight is 20 percent. The West Virginia School of Osteopathic Medicine has no capital project-related debt and Bluefield State University does not have significant capital project-related debt; consequently, a viability score was not calculated for these schools. The primary reserve, net operating revenues and return on net position ratios for both institutions were assigned weights of 55 percent, 15 percent and 30 percent respectively. Because its scores were unusually high, a separate chart was completed for the West Virginia School for Osteopathic Medicine. Because the liability was substantial, the CFI was calculated without the OPEB information as well as the pension liability and its related expenses.

Other ratios were calculated to provide additional insight into the schools' financial health. Because the CFI primary reserve indices for some institutions were relatively low, the number of day's cash on hand was also determined. The age of the physical plant for each institution was estimated to assess the physical resources available to advance the schools' missions.

<sup>2</sup> The CFI methodology is described in the *Strategic Financial Analysis for Higher Education* (Seventh Edition), jointly developed and sponsored by Prager, Sealy & Co., LLC, KPMG, LLP and BearingPoint, Inc.

The CFI is designed to measure financial performance (income statement) and financial position (Statement of Net Position). The Statement of Net Position components comprise 70 percent of the index, focusing primarily on debt and reserves. The operating margin and net position return are highlights of the income statement analysis.

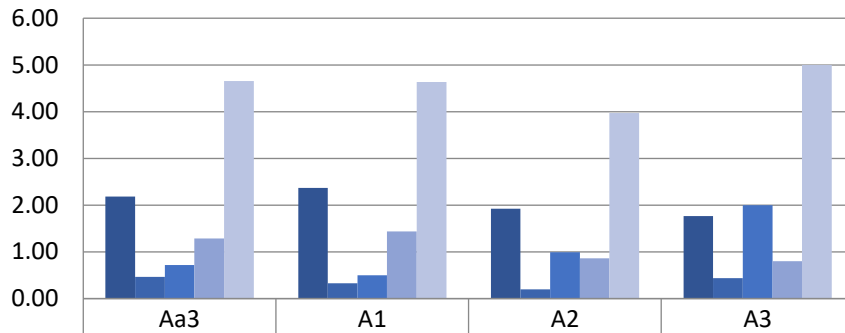
Although the CFI is a very useful tool for analysis, its limitations should be considered. The index only describes financial health and does not provide an indication of an institution’s success in realizing its mission. Because colleges and universities have unique missions, funding compositions, and phases of growth, inter-institutional comparisons may not be valid. The component unit data has been excluded for this analysis; therefore, the scores will differ from those provided to the Higher Learning Commission which requires the inclusion of component units.

The *FY 2022 U.S. Public College and University Medians* published by Moody’s Investors Service was utilized to provide benchmark data for comparison purposes. The report includes median ratios for each rating category and provides data for the following entities:

<b>Institution/Agency</b>	<b>Rating</b>
Concord University	Baa3
Fairmont State University	A2
Marshall University	A2
Shepherd University	Baa2
West Virginia Higher Education Policy Commission	Aa3
West Virginia University	Aa3

It should be noted that Moody’s reviews many additional institutional characteristics such as management performance and other market factors to determine their ratings. The CFI strength factors were applied to the Moody’s median ratios to derive scores for the ratings assigned to West Virginia institutions.

## Moody's Ratios

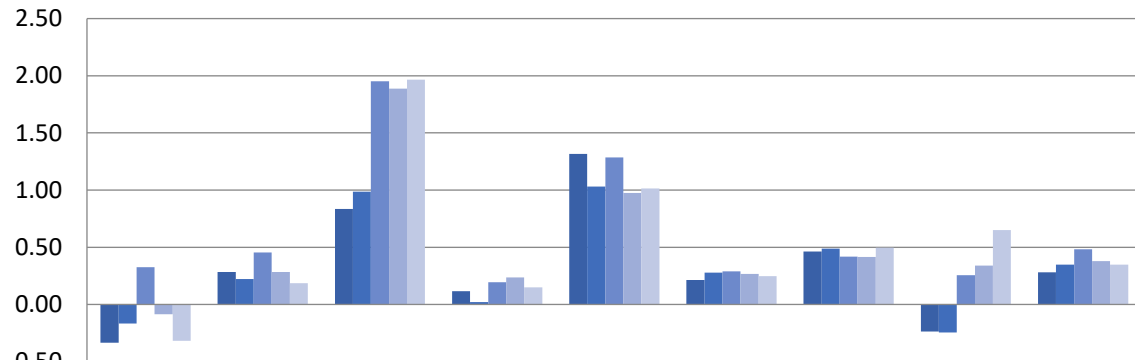


	Aa3	A1	A2	A3
Primary Reserve Ratio Score	2.18	2.37	1.92	1.76
Net Operating Revenue Score	0.47	0.33	0.20	0.44
Return on net position Score	0.72	0.50	0.99	2.00
Viability Ratio Score	1.28	1.44	0.86	0.80
Composite Financial Index	4.65	4.63	3.97	5.00

### Primary Reserve Ratio

The primary reserve ratio is used to calculate the primary reserve score. It is determined by dividing expendable net position into expenses and applying the appropriate strength factor. The scores calculated for all the institutions except for Fairmont State University and Marshall University are significantly less than their associated rating level scores calculated from the Moody's data.

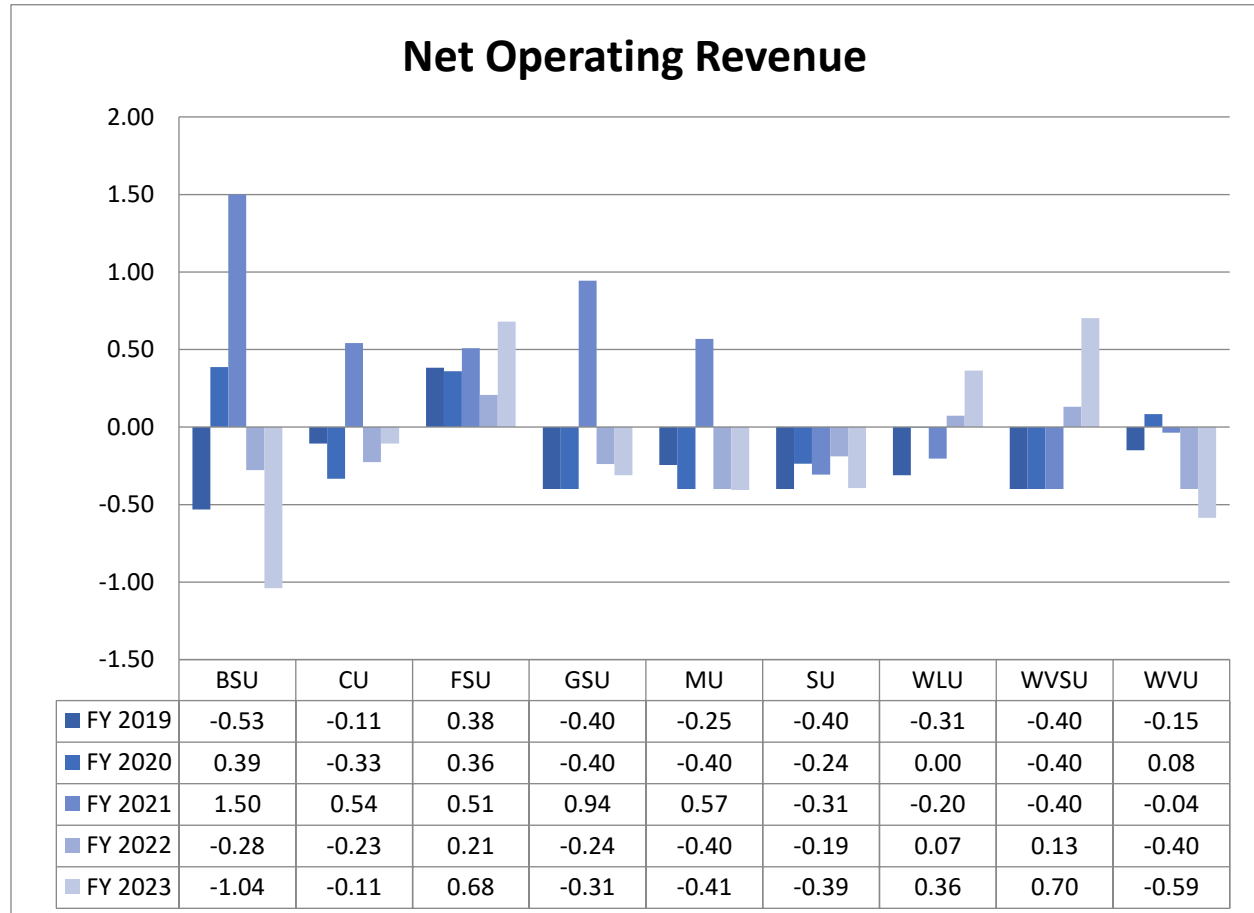
## Primary Reserve



	BSU	CU	FSU	GSU	MU	SU	WLU	WVSU	WVU
FY 2019	-0.34	0.28	0.83	0.11	1.32	0.21	0.46	-0.24	0.28
FY 2020	-0.17	0.22	0.99	0.02	1.03	0.28	0.49	-0.24	0.35
FY 2021	0.32	0.45	1.95	0.19	1.29	0.29	0.42	0.26	0.48
FY 2022	-0.09	0.28	1.89	0.24	0.97	0.27	0.42	0.34	0.38
FY 2023	-0.32	0.19	1.96	0.15	1.01	0.25	0.50	0.65	0.35

## Net Operating Revenue

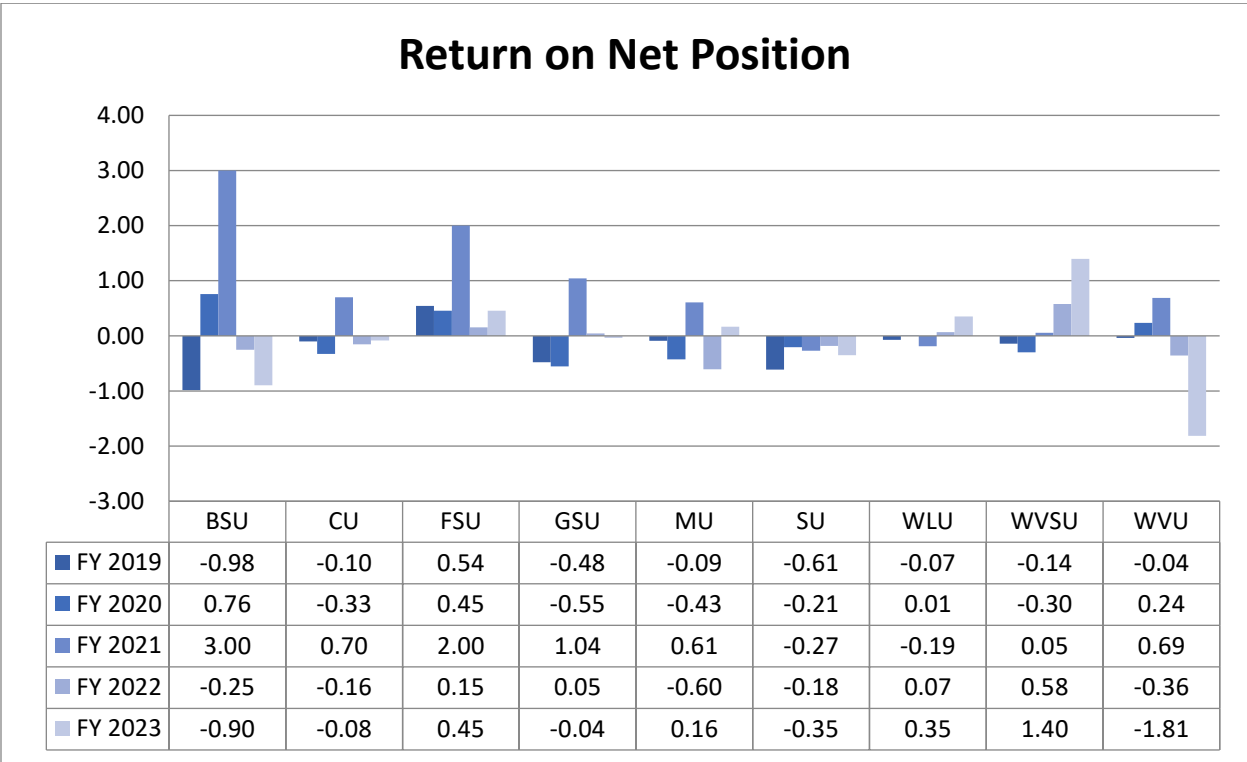
The increase or decrease in net position resulting from on-going operations is divided into the revenues from on-going operations to determine the net operating ratio. Excluding the OPEB and pension liability related expenses, Concord University, Fairmont State University, West Liberty University, and West Virginia State University experienced an increase in net operating revenue scores over FY 2022. The majority of the institutions have net operating revenue scores that are significantly below the scores calculated for the Moody's report after the exclusion of the OPEB and pension liability related expenses.





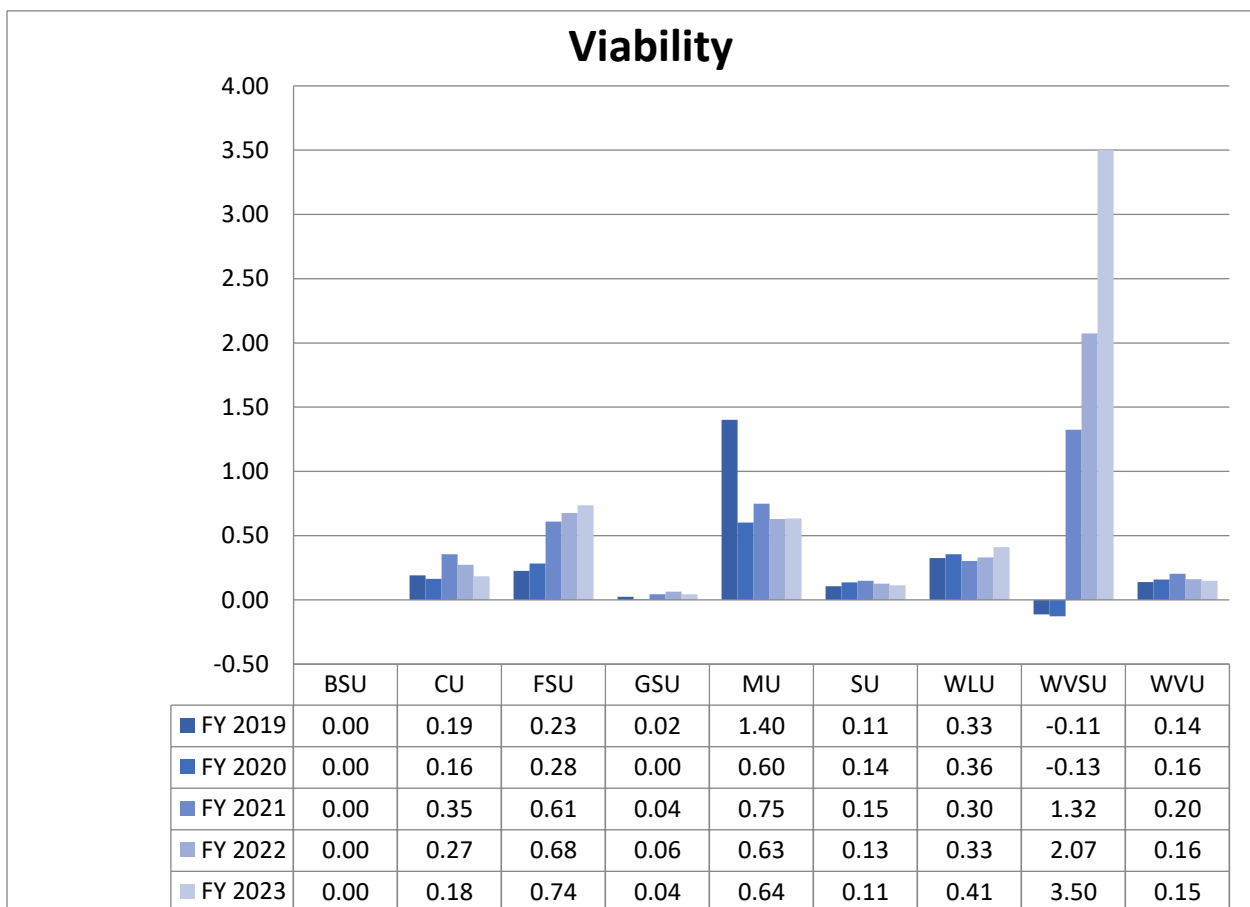
*Return on Net Position*

The return on net position ratio is calculated by dividing the change in net position by the beginning net position. The resulting ratio is used to determine the return on net position score. This score is influenced by income, capital grants and gifts, and capital bond proceeds. While the scores of four institutions decreased from the previous year, the performance of financial assets for the majority of institutions across the system increased from the previous year.



## Viability

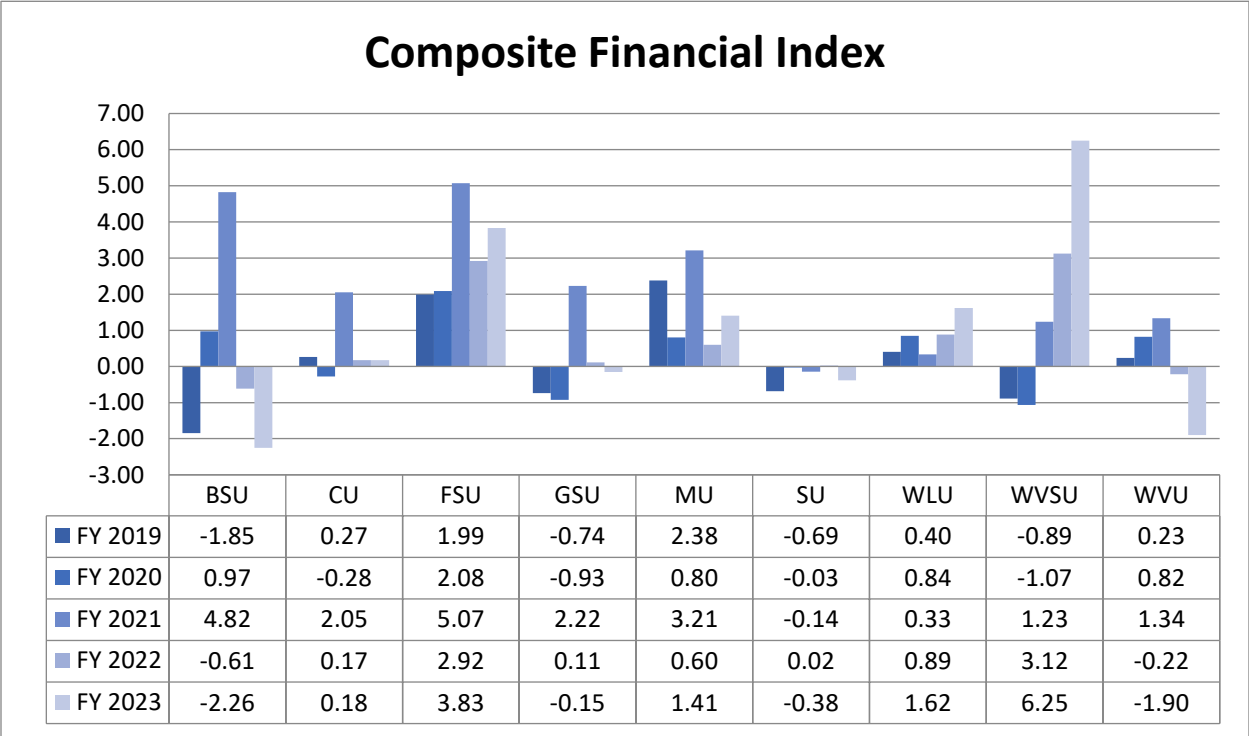
To determine the viability ratio, the expendable net position is divided into capital project related debt. The result of this calculation is used to determine the viability score for each institution. As stated above, Bluefield State University is not included because it has minimal debt. An institution's market position and capacity to raise fees to support debt service will influence its level of debt. 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 excessive dependency upon student fees for capital improvements reduces institutions' debt capacity for strategic mission advancement. All the institutions except for West Virginia State University have net viability scores that are significantly less than the scores calculated for the Moody's report after the exclusion of the OPEB and pension liability related expenses.



*Composite Financial Index*

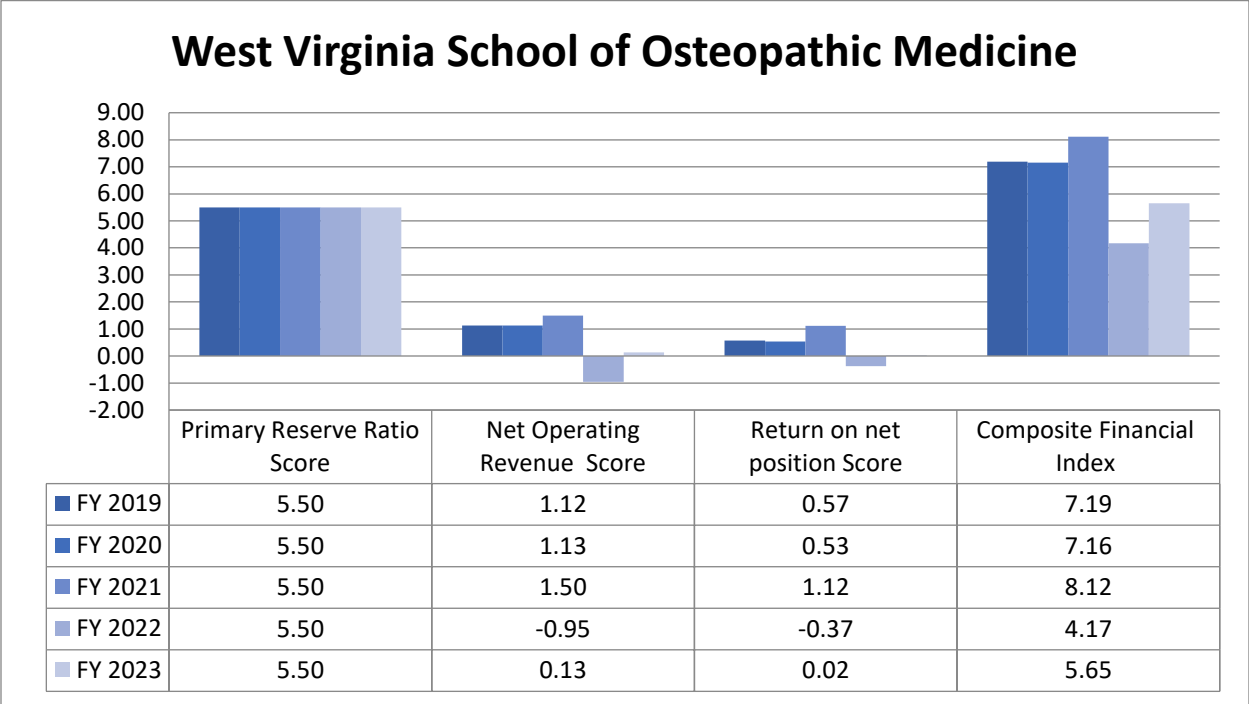
The four ratio scores were combined to determine the CFI. A composite value of 1.0 is typically equivalent to weak financial health, a value of 3.0 typically signifies relatively strong financial health, and scores above 3.0 typically indicate increasingly stronger financial health. The CFI must be assessed in light of the strategic direction for each institution. Strong financial results are not beneficial unless resources are deployed effectively to advance mission specific goals and objectives. These indices are best used to track institutional performance, both historically and as a planning tool, over a long time horizon, rather than compare to other institutions as each institution is unique in terms of specific goals, objectives and funding composition.

Concord University, Fairmont State University, Marshall University, West Liberty University, and West Virginia State University saw improvements in the CFI calculated for FY 2023 compared to the previous year, while all other institutions saw decreases in their CFI.



West Virginia School of Osteopathic Medicine

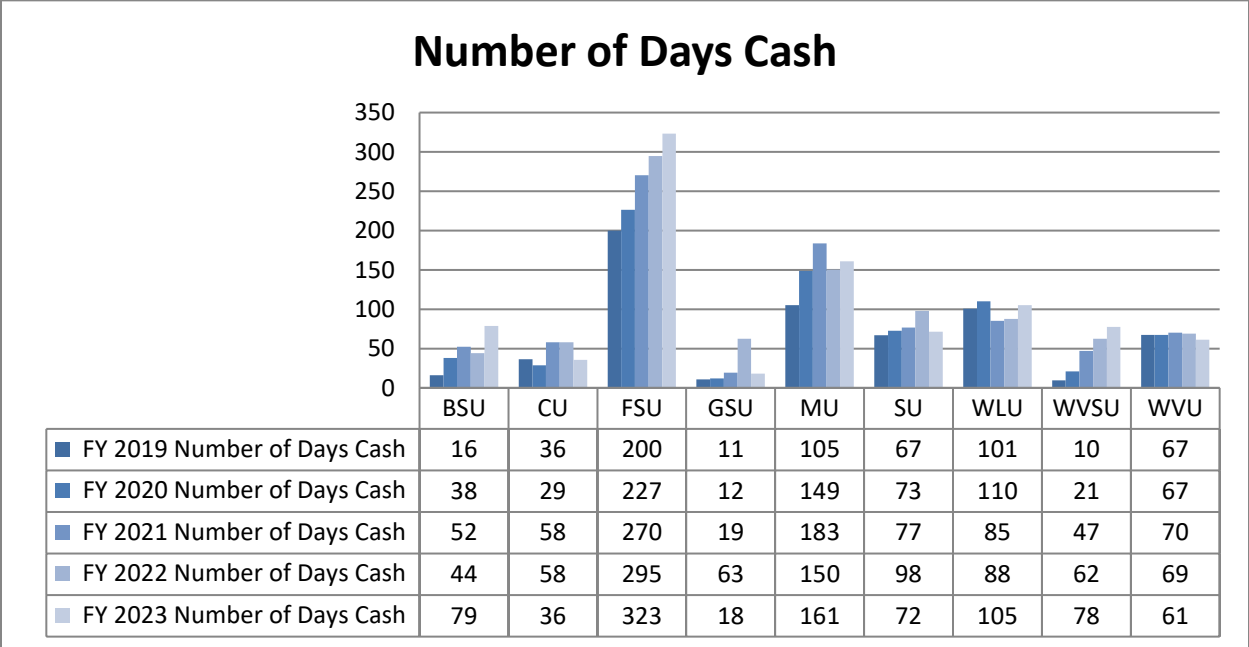
The scores for all components of the CFI for the West Virginia School of Osteopathic Medicine indicated unusual financial strength, as has been the case in previous years. Its exceptional financial health must also be reviewed in light of its strategic mission.



*Number of Days Cash*

The number of day’s cash ratio was calculated to provide additional liquidity analysis. This ratio is calculated by multiplying the institutions’ June 30 cash balances by 365 and dividing the result into total expenses less depreciation and the OPEB and pension liability related expenses. Data for discrete component units was not included in this calculation. Bluefield State University, Concord University, Glenville State University, Shepherd University, West Virginia State University and West Virginia University have comparatively low ratios.

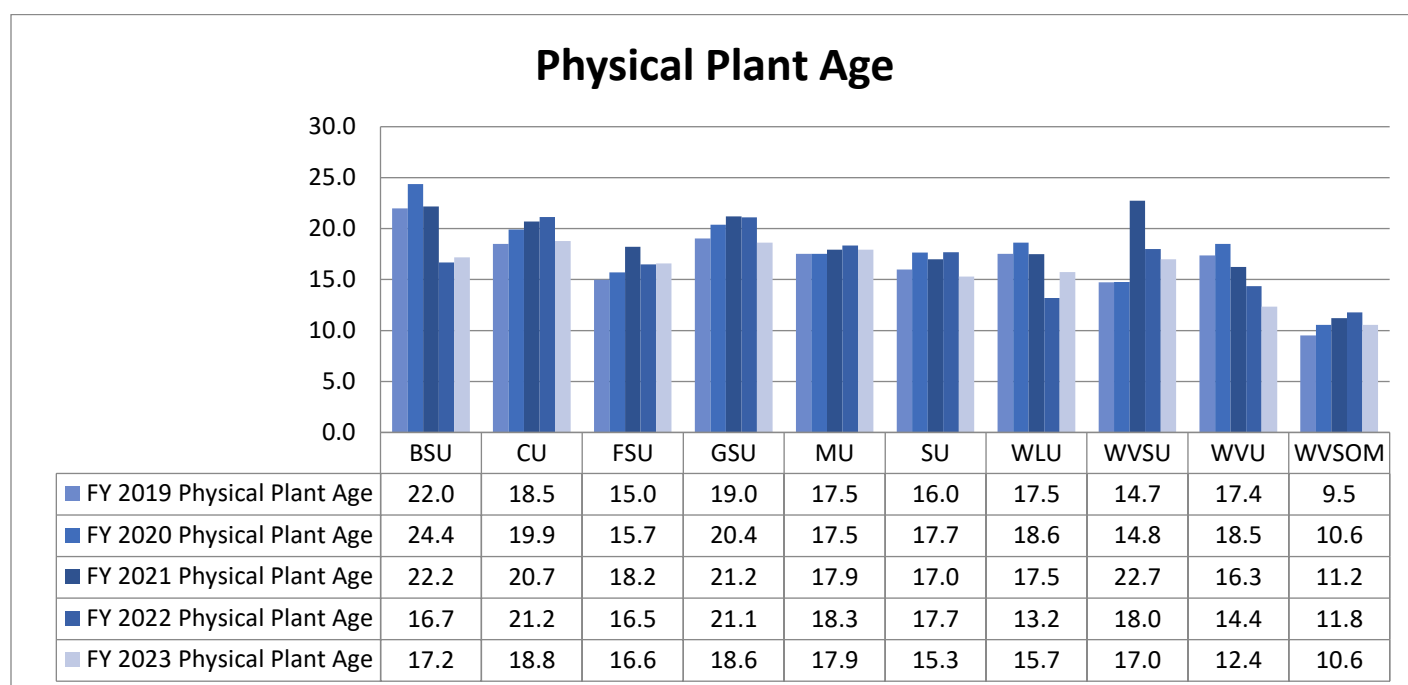
The West Virginia School of Osteopathic Medicine is not included in the chart because its characteristics as an outlier have historically distorted the presentation. WVSOM’s days cash equaled 659 as of June 30, 2023, compared to 641 days cash as of June 30, 2022. The institution has historically been able to fund well over a year and a half’s worth of operating expenses from its cash reserves.



## Physical Plant Age

The physical plant age was calculated to estimate the adequacy of institutions' physical resources. This ratio is computed by dividing the annual depreciation expense by the accumulated depreciation. Generally, institutions that have received capital appropriations, borrowed funds or used institutional resources for capital projects reflect a lower physical plant age.

The results of this calculation demonstrate that dependency upon student fees for capital improvements does not produce adequate facilities. Schools that do not have the capacity to increase student fees to pay debt service are not in a position to improve their facilities.



## **Conclusion**

The net position of the West Virginia Higher Education Fund increased by \$69.3 million over FY 2022. Operating revenues increased by \$77 million, while nonoperating revenues only decreased by \$1.7 million compared to FY 2022. Expenses were up \$62.6 million, but were offset by the increase in operating revenues. The financial health of most institutions remained consistent or decreased somewhat over the previous year.