

**Southwest Virginia Higher Education Center
Board of Trustees
Minutes
December 9, 2010**

Board Members/Designees Present: Senator Phillip Puckett, Senator William Wampler, Delegate Bill Carrico, Delegate Joe Johnson, Delegate Dave Nutter, Billy Cannaday (UVA), Andy Casiello (ODU), Kevin Crutchfield, John Dooley (VT), Andrew Fogarty (SCHEV), David Prior (UVA Wise), Bill Kennan (Radford), Fred Marion, Sean McMurray, Terry Mullins, Clo Phillips (VI), Rosalind Reichard (Emory & Henry), John Rainero, Ron Proffitt (VHCC).

Board Members/Designees Absent: Delegate Terry Kilgore, Susie Ellis, Marcia Gilliam (Virginia Community College System), Rex McCarty.

Others Present: Jake Belue, Joyce Brooks, Gerald Blankenship, Connie Estep, Christine Fields, Rachel Fowlkes, Rebecca Harrison, Kathy Hietala, Jacob King, Penny McCallum, Mary Quillen, Ann Risdon, Ed Rogers, Eddie Sproles, Kim Stewart, Ellen Taylor, Sonia Vanhook, Brenda Wilson, Alicia Young, Terry Wheaton.

Call to Order

Chairman Kevin Crutchfield welcomed everyone and called the meeting to order. A quorum was present.

Public Comments

There were no public comments.

Approval of Minutes

The Chairman called for approval of the Minutes for the June 3, 2010 meeting; they were unanimously approved on motion by Delegate Johnson, seconded by Senator Puckett.

Financial Report

Christine Fields, Budget Director, gave the Financial Report. Ms. Fields reported that everything is on schedule with the Operating Budget, and that some new reports have been generated to illustrate the Center's funding history since 1998, the year it moved into the current facility.

General Fund – Funding History:

- In 1998, the Center's operating budget was \$828,000; currently, it is \$1.8 million.
- Peak funding was \$2,015,838 in 2008.
- Received 10% reduction in General Funds since 2008.
- Currently facing additional 2, 4 or 6% cut for FY10 :
 - 2% = \$36,098
 - 4% = \$72,200
 - 6% = \$108,295

Non-General Fund – Funding History:

- The Non-General Fund consists of revenue generated by the Center and received from grants.
- In 1998, the Center's Non-General Fund appropriation (Center-generated) was \$22,000; currently, it is \$618,000.
- Center-generated funds include: partner fees, leased space, College for Older Adults, the WALL program, Conference Services Department, and Special Events (i.e., Hunting & Fishing Expo, A Taste of Home Cooking Show, culinary classes).
- Grant funds are restricted to specific projects, and cannot be expended for operations.
- Grant funds currently total \$6.5 million, the majority of which (over \$4 million) is paid to students as Tobacco Scholarships and Loans.
- Other grants: U.S. Department of Education Title VIB Business and International Education (BIE); and Tobacco Commission grant (TIC) for construction of the new addition.
- Although total Non-General Fund is almost \$7.2 million, only \$618,000 of that goes into day-to-day operations at the Center.
- Peak funding occurred in 2009. Since then, there has been a small decrease due to the economy and external competition.
- Increases in non general fund revenues are projected for FY11 and FY12.

Ms. Fields said that in order to weather the storm, the Center must find ways to generate new revenue, and welcomes suggestions from the board. She advised the board that, in order to meet the 10% budget reduction, the Center has cut several areas, including: travel, office supplies, professional development of staff, and program development (incentives to bring

programs off campus to serve citizens in the region). The Center has not reduced funding for facility management or information technology, as those are assets that draw people to the Center and keep it on the cutting edge.

Ms. Fields referred the Board to a summary report of grant funds awarded to the Center.

HEC Grant Funds:

- Total Grant Funds received: \$20 million.
- Grant Funds remaining, to be spent over the next two fiscal years: \$12 million.

HEC Foundation Grant Funds:

- The Foundation has applied for a number of grants for the R&D Center, and Ms. Fields referred the Board to the summary report contained in the board folders.

Ms. Fields presented the year-to-date (through November 30, 2010) budget report.

Revenue Budget (Items to Note):

- Non-General Fund carry forward: \$160,000. Ms. Fields explained that the carry forward was due to expenses having been incurred but not billed by year-end (June 30); therefore, the funds had to be carried forward to pay for those expenses in July and August.
- Ms. Fields drew the board's attention to the Restricted Revenue, noting that the State had not released bonds to fund the Equipment Trust Fund and Maintenance Reserve, so the Center had not been able to make any purchases in those areas.

Operating Budget (Items to Note):

- The Center operates with 22.5 full-time employees and 12.5 wage employees.
- The building is open six days a week fulltime, and sometimes seven days.
- Hours of operation are 7:30 a.m. to 10:00 p.m.

Senator Wampler recognized all the partner institutions and their monetary contributions, noting that he is painfully aware of what institutions of higher education have gone through to cut their budgets and reduce, and that the Center would not be able to serve the number of students it does or even keep the doors open if not for those partner institutions. He

expressed gratitude to all for their investments of time, effort and money. Delegate Johnson concurred.

Dave Chase noted that it would be helpful to have the financial documents a few days prior to the meeting in order for board members to familiarize themselves with them.

Governor's Commission on Higher Education Reform, Innovation and Investment

Senator Wampler, a member of the Committee, presented the report on the Governor's Commission on Higher Education Reform, Innovation and Investment.

- Committee comprised of business leaders, legislators, others with a passion for education.
- Operated in a very compressed timeline to formulate meaningful recommendations for the Governor as he introduces the budget on December 17, and initiatives to be considered by the legislature in the upcoming session.
- Characterized the report as a blueprint that is not yet finished; a \$50 million down payment toward trying to restore higher education as a priority of state government.

Senator Wampler, noting that he was speaking subjectively, said that about a decade of funding for higher education has been lost due to the state of the economy, more so in respect to the public rather than the private institutions, because the private institutions would probably say that they never had an opportunity to catch up to where public institutions were ten years ago. He said that \$50 million is but a pebble in the pond in the need to regain the ground lost in the last three legislative sessions.

Senator Wampler enumerated distinct objectives based on the findings of the Governor's Commission:

- Graduate students in four years or less;
- Award 100,000 new degrees
- Offer courses year round
- Accelerated delivery
- Allow financial aid to follow students from one institution to another

Senator Wampler said that just as much discussion was held about private as about public institutions, and that much discussion focused on the

Tuition Assistance Grant (TAG), which will probably be a common denominator in some of the funding models that come about as a result of the reform initiatives. He suggested that the HEC needed to pay much closer attention to how the State funds TAG and how that affects the privates as a result of how many students come through and the revenue stream that follows new students as they attend courses at the HEC. Much discussion was given to the need-based financial aid component, not only with respect to TAG, but also what the public institutions are going to do.

The Senator opined that the biggest challenge over the next 24 months, as the legislature moves forward in putting the Commission's recommendations into effect, will be the need to remain cognizant of the unintended consequences of institutions who are unable to meet the standards as they exist today; being more reluctant to offer admission to first-generation college-bound students or students who have the greatest financial need because of the performance results; and the negative connotations that may come from that.

With regard to resetting performance measures, Senator Wampler said it will be a difficult task for the group that will sit down with each institution and determine what the new performance measures will be, because most of the current measures were determined in 2005 or 2006 with a very different economy than the one we have in 2011, and very different student needs. He said it would be his hope that performance measures could be reset so that they are obtainable and, more importantly, relevant to the institutions' missions of trying to offer quality education to the students.

Regarding graduation rates, the Senator said that no one really wanted to mention that the economy is terrible and students that graduate can't find jobs right now, and that many of the students decide to stay in school for another semester to refine their skills in academia before they go out and try to pursue jobs. He said there was no clear answer as to where the Commission would move forward with its recommendations in that respect.

Making a last point about unintended consequences, Senator Wampler expressed his hope that the plan would not be so rigid as to prevent each institution from achieving desired objectives. In explaining why he chose to close on that point, the Senator said that the needs of students who attend the Higher Education Center are probably different today than what they were two years ago, and probably different from what they will be two

years hence. He said that as the partners around the table offer their time, effort and money to support students, flexibility is needed in order to ensure that the Center continues to meet its mission and train the students that it has.

Senator Wampler said that the Commission's work had gone well, but that it will be a work in progress for 24-36 months.

Andrew Fogarty, Executive Director of SCHEV, offered supplemental comments. Noting that it is an interim report, he said that its work will likely continue toward and into the 2012 legislative session. Speaking specifically to the question of performance metrics and the restructuring legislation, Dr. Fogarty said the Commission has explicitly indicated that it wishes a whole additional set of performance metrics to be added to the restructuring act to deal specifically with the question of the economic impact of the various programs offered at the institutions, because the focus is on top jobs in the 21st century and right now one set of metrics that is not reviewed or compiled has to do with how successful the graduates of these programs are going into the job market. The third thing is to confirm the dimensional sense; he said it was absolutely not clear whether there still will be a 2%, 4% or 6% reduction throughout higher education, and a series of initiatives recommended by the Governor that net back to an additional \$50 million. Dr. Fogarty stated that the Council, when it made its recommendations to the Governor and the Assembly this year, with respect to the two highest priorities it identified, restored just the need-based financial aid that was cut last year in \$35 million General Fund, and to provide General Fund operating expense for the 96 new buildings coming online this biennium for which there are no operating funds appropriated is another \$40 million—a total of \$75 million just for those two priorities.

Senator Wampler stated that, although he had not reported on the research and development component of its work, nonetheless, it was an important part of the Commission's work and one of the reasons the report is interim. Though it did very much want to make higher education involved in research and development and funding thereto, the Commission struggled with the problem of how to push that research into the regions, and while numbers from \$250 million to \$1.5 billion were tossed about, and various models from other states were examined, recommendations could not be formulated in a timely manner. In closing,

the Senator said that higher education centers created throughout Virginia have an important part to play in terms of reaching the goal of pushing research out to the region; much remains to be done, and the Commission will continue to work on it.

Addressing the findings of the Commission, Dr. Rachel Fowlkes, one of its members, added that accessibility is one of the key advantages offered by higher education centers to students who lack the ability and/or the financial means to go and be part of a residential campus environment. She said that much of the Commission's time was spent in addressing the question of how to get more programs out and make them more accessible to students.

Delegate Nutter inquired as to whether the Commission had looked at ways to eliminate costs, such as eVA, the web-based purchasing system used by Virginia government, that Delegate Nutter said he receives a lot of complaints about, and which a JLARC study had shown to be a "cash cow." Without responding specifically with regard to eVA, Senator Wampler said that he would choose to illustrate base adequacy as the best way to describe the Commission's position. Rhetorically speaking, he asked how the legislature could ask the institutions to assume a lot of the burden if the legislature is not holding up to its end of funding base adequacy—that is, paying its share in the operating agreement. He said that a lot of the restrictions should be eased, but the bottom line is that graduation rates and timeliness need to improve.

Research & Development Director's Report

Ed Rogers reported on the R&D Center, noting that there have been several positive developments since the June meeting. He described the R&D Center's approach to potential projects as that of an investor, although the Center itself does not have money to invest. Looking at energy technologies and the companies that have them, the R&D Center strives to identify opportunities that are relevant to and synergistic with existing SW VA natural resources, among them:

Natural Gas:

- Center received a half million dollar grant from the Tobacco Commission for the development of a new type of fuel tank for compressed natural gas vehicles. The company was previously located in Ohio, but will be moving its operation to Virginia. Development will be completed here, after which

approval is required from the Department of Transportation before tanks can be sold. The company has made a five-year commitment to region; they have been introduced to a local company that can help them grow and prosper in SW VA.

- Efforts are under way to increase the number of fleets in region using compressed natural gas for transportation. A natural gas symposium held in November at SWVHEC attracted approximately 170 attendees. Among the speakers were the President of Natural Gas Vehicles of America, the national trade group, and a representative from Clean Energy Fuels, a company founded and largely owned by T. Boone Pickens. Also participating were a group from Baker Equipment of Richmond, Virginia, that has been doing conversions of natural gas vehicles for a number of years; gas utilities; gas producers. Mr. Rogers expressed appreciation to Mary Quillen and the Conference Services staff for their assistance in organizing the symposium, saying that it had been successful, creating a lot of connections and beginning a lot of conversations.

Wood:

- Because wood is an abundant resource of the region, the Center was successful in securing a \$2.5 million Tobacco Commission grant for a company that can convert wood to biofuels as well as to biomaterials and biochemical in a cost-effective manner. The company will develop a pilot plant in the region, and is committed to locating their headquarters in the region. In addition, they have committed to build their first full-scale facility in North America in SW VA.

Mr. Rogers said the grant projects he mentioned will bring approximately \$120,000 in revenue to the Higher Education Center Foundation over the next 12 months. That revenue would be there for the benefit of the HEC and could potentially fill in some gaps in the budget.

Coal:

- The R&D Center has a small grant for an algae project, currently in preliminary design work; Stage 2 will be construction of an algae pond at the AEP plant in Carbo to capture CO² and use it to help grow algae, which can then be used as fuel for either the AEP plant or perhaps the Dominion plant.

- The R&D Director assisted a company in Bland County and the Bland County EDA in applying for a Tobacco project grant. The company, AMR

(American Mine Research), in business for about 30 years, designs underground mine communication, and is developing a product that promises to be very helpful in preventing disasters such as the recent occurrence in WV.

Landfill Gas:

- Another Ohio company has a project for upgrading the methane-containing gas produced by landfills and purifying it to natural gas pipeline standards in a cost-effective manner. The project would take place at the Tazewell County landfill in partnership with the Tazewell County Board of Supervisors. As part of that project, the R&D Center has convinced the local utility to build a 7.5 mile extension of their pipeline from Bluefield, VA, down to the Tazewell County landfill to obtain the gas, because the supply is large and significant enough to make construction of an extension worthwhile. The anticipated extension will run past a school, several businesses and a technology park so it could, in turn, contribute to the economic development of Tazewell County. That particular technology is also relevant to the coal industry in that it can be used to upgrade the gas emitted by an abandoned mine once the methane gets down to a level where it's not economical to extract it anymore, purify it and get it into the pipeline.

Executive Director's Report

Dr. Fowlkes recognized Brenda Wilson, a staff member who is retiring after 28 years. Brenda initially worked for UVA and then the Higher Education Center when it was established in 1992. Dr. Fowlkes related that Brenda had earned two degrees during her employment—one from VHCC and the other from Old Dominion. Dr. Fowlkes and all present applauded Brenda for her years of service and upcoming retirement.

Jake Belue, from the Attorney General's Office, joined Dr. Fowlkes at the podium to talk about legislation the Center has proposed to be introduced relating to its fiscal management by UVA. Dr. Fowlkes explained that UVA has served as the fiscal agent for the Southwest Virginia Higher Education Center since 1992—in other words, all of the Center's State money flows through the University of Virginia. Fiscal services they have provided include procurement, facilities management, human resources, budget (not actual money, but budget services), information technology support, risk management (insurance), and grant management through the Office of Sponsored Programs as the Center's grant program has strengthened. The

Center and UVA had entered into a formal Memorandum of Understanding a few years previously which set forth the specific services provided to the HEC by UVA, and charged the Center \$10,000 per year for those services. She said that after the restructuring act was passed giving the colleges and universities more autonomy with the State, UVA continued to provide services to the Center, but ultimately ran into a problem related to the Tax ID on the Center's Human Resources. Jake Belue has worked with the HEC and UVA's General Counsel over the summer to prepare an amendment asking the General Assembly to amend the restructuring act to include the SWVHEC officially under UVA's authority for the specific services it provides to the Center. Mr. Belue said that the proposed legislation is an amendment to the management agreement for UVA that effectively makes what UVA has been doing for the Higher Education Center legal. Dr. Fowlkes asked for the legislators support for the proposal.

Dr. Fowlkes introduced Eddie Sproles, Property Manager, to update the Board on three capital projects:

1. Punch list items for the new addition to the building (where Board meeting is taking place) included a roof leak on adjoining walls between new addition and original structure. Mr. Sproles reported that the contractor went in and tore out all the brick, installed new flashing, sealed it, put the brick back in, and cured the leak. Ballasts on roof and caps have also been installed.
2. Mr. Sproles said that Board members may have noticed construction equipment on French Moore Boulevard near a retention pond. The pond was required when the Center was built in 1996 to collect storm water runoff and water from the roof. Since that time, with the new addition, the Division of Conservation and Recreation determined that it would have to be redesigned with a membrane liner. Mr. Sproles said that in researching the matter, it was found that a membrane lining had been recommended at the time the pond was originally constructed; however, due to cost-saving efforts, it was not installed. He said that when the first design came back, it called for massive excavation to withstand a 100-year flood. A subsequent redesign became necessary because numerous sinkholes began appearing once excavation commenced, and the Center expended a lot of money in the process of trying to cure the sinkholes. Now all the holes are sealed and final grading complete. Ultimately, DCR agreed to a redesign that does not go any deeper, allowed the Center to seal what was there, install the membrane and cover it. Mr. Sproles

said that the membrane will be installed within a week; two weeks later, grading and topsoil will be complete, and by year end it should be closed up for good.

3. Mr. Sproles informed the Board that the current partition walls in the Grand Hall are heavy (panels weigh about 1700 pounds each), limited in the ways they can be configured to subdivide the space, nearing the end of their projected lifespan, and becoming a major safety factor for employees and guests. The Center is investigating different automated wall systems. With a redesign, the Grand Hall could be configured to accommodate more events taking place simultaneously while eliminating the current potential safety risks of manually moving the partitions. He said it would be an expensive undertaking, with a cost of approximately half a million dollars.
4. In closing, Mr. Sproles announced that the Center had received a Gold rating from the U.S. Green Building Council for the new addition, as signified by the glass plaque displayed on the wall in the lobby. Very few facilities in southwest Virginia are Gold-rated, so the HEC is quite proud of the achievement.

Dr. Fowlkes continued her report, crediting the Conference Services department for the outstanding work they have done since the June meeting. She said that one of the Center's performance measures is the number of organizations and companies it serves in SW VA, and noted that 159 different organizations had used the building over the previous six months:

- Major events took place at the Center every weekend in November.
- The Hunting and Fishing Expo was held in the fall.
- Fifty cities participated in an International Conference Call to Beijing with the U.S. Ambassador to China.
- The annual STEM event for 6th grade girls, a successful collaboration by the Center, its college and university partners, local business and industry representatives, and 700+ sixth-grade girls and their teachers from four local school systems.
- Mistletoe Market, a fundraiser for the William King Museum, raised \$105,000 this year.
- March of Dimes Chef Auction raised money for the March of Dimes.
- First LEGO League competition was held again in November; organized by Center staff; for 8-14 year olds all across SW VA; corporate support from Alpha and some other partners around the

region enabled the purchase of Mindstorm robotic kits; 23 teams across SW VA are now competing.

- Two astronauts have been at the Center in the past six months; Katherine Thornton was the keynote speaker for the STEM workshops, and Barter Theatre brought Harrison Schmidt to speak in the summer.
- The Center partnered with Berry Home Center, WJHL Television and Food City to present the Taste of Home Cooking School. Each Board member is receiving a cookbook from the show as a Christmas gift, as well as a gift certificate to attend a culinary class at the HEC.

Dr. Fowlkes directed the Board's attention to the enrollment report in their folders. She said that because the Center's college and university partners register students and report their data differently, it is difficult to find an accurate method to compile the enrollment report each term. Some partners offer a lot of online courses, and students typically enroll online for those courses. Therefore, although they may be coming to our building and using our technology to access their courses, the Site Director for their institution may not know or be able to capture those numbers. Dr. Fowlkes said that the enrollment report shows courses that are taking place in the building, the number of students, and the FTE (a standard way of calculating student enrollment based on credit hours).

Brief discussion followed regarding problems with reporting enrollment and the impact of the economy on enrollment.

Closing Remarks

Chairman Kevin Crutchfield again welcomed the new Trustees to the Board.

Some discussion was held regarding the possibility of moving future December board meetings to the first week in January, since December is such a busy month for everyone. Delegate Johnson said that the legislators would not be able to attend a meeting during the first week of January, because they are normally in Richmond for committee meetings prior to the Session. The discussion was tabled for the time being; Mr. Crutchfield said that he and Dr. Fowlkes would discuss the matter prior to the next board meeting, and perhaps propose some new ideas at that time.

Chairman Crutchfield expressed appreciation to Dr. Fowlkes and Center staff for all they do at the Center, saying he never ceases to be amazed with its capabilities, and giving all the credit to its employees.

He closed the meeting with a reminder to everyone to hold Thursday, June 9th, open for the next meeting, and the meeting was adjourned.