

# Agenda Book

Commission Meeting  
November 18-20, 2019  
Indianapolis, IN



**Indiana Commissioners:** Charles R. Johnson Jr., Jack Jordan, Ken Sauer, David W. Wantz, and Andy Zay  
**Indiana Commissioner Alternate:** Teresa S. Lubbers

- 1) The role of the commissioner is a two-fold responsibility:
  - a. To the compact as a whole; and
  - b. To the constituents served by the compact.
- 2) Commissioners are expected to attend the compact's annual meeting in November and other meetings of committees to which they are assigned. The location of annual meetings rotates among the twelve member states of the compact. Two commissioners from each state serve on the Executive Committee, which acts for the Commission in the interim between annual meetings and oversees the development of the compact's short-and long-range activities. The Executive Committee meets in June and November. Other committees are appointed to oversee programs or special initiatives and meet by conference call when possible.
- 3) Commissioners will have a general knowledge and understanding of public and private higher education trends in their state and in the Midwest.
- 4) Commissioners will develop an understanding of MHEC governance, programs, services, and policy.
- 5) Commissioners will work to build regional partnerships for effective and efficient access to, and quality of, higher education in their state and in the Midwest.
- 6) Commissioners are expected to act as an ambassador for MHEC and will identify opportunities to increase visibility for MHEC within their states, regionally and nationally and disseminate information about MHEC's programs and services wherever possible.
- 7) In conjunction with the MHEC president, commissioners will pursue annual meetings with their governor and other state leaders to report to them on MHEC programs and activities, and to solicit their ideas.
- 8) Commissioners will promote legislation and policies on a non-partisan basis to encourage use of MHEC programs and services within their state.
- 9) Commissioners will aid in ensuring timely payment of their state's annual commitment.
- 10) Commissioners will be available to compact staff for consultation.

# Midwestern Higher Education Compact

Annual Commission Meeting

November 18-20, 2019

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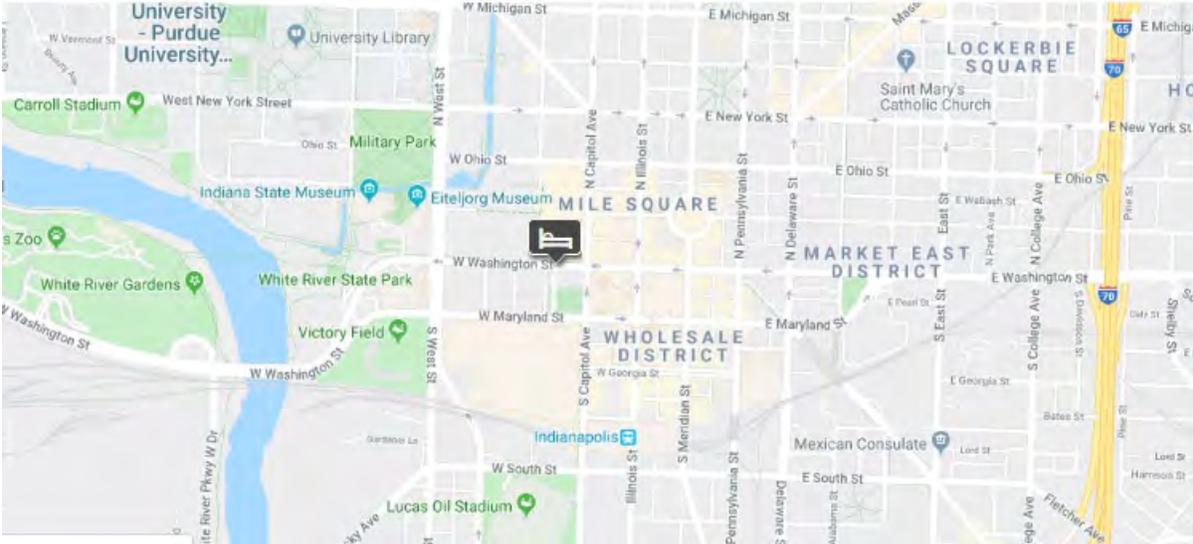
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## Meeting Detail

### Meeting Location

The Westin Indianapolis  
241 W. Washington St.  
Indianapolis, IN 46204

### [Directions](#)



### Airport Transportation

Should you be arriving through the Indianapolis International Airport (IND), there is no complimentary airport shuttle service. A one-way taxi will be approximately \$35. You may also choose to use transportation services like Lyft or Uber.

Go Express Travel has a Downtown express shuttle leaving every half hour, available for \$12 each way. Reservations are not required but are suggested. To reserve, or for more information visit:

[https://goexpresstravel.com/indy\\_express](https://goexpresstravel.com/indy_express)

\*Note: The Westin is located at the Convention Center stop #2.

### Parking

Please use the valet parking garage located in front of the hotel main entrance (enter off of Washington St.) The rate is \$45. Parking costs will be routed to MHEC's Master Bill.

\*Note: The self-parking garage located next door is a higher rate, does not have in and out privileges, and cannot be billed to your guestroom.

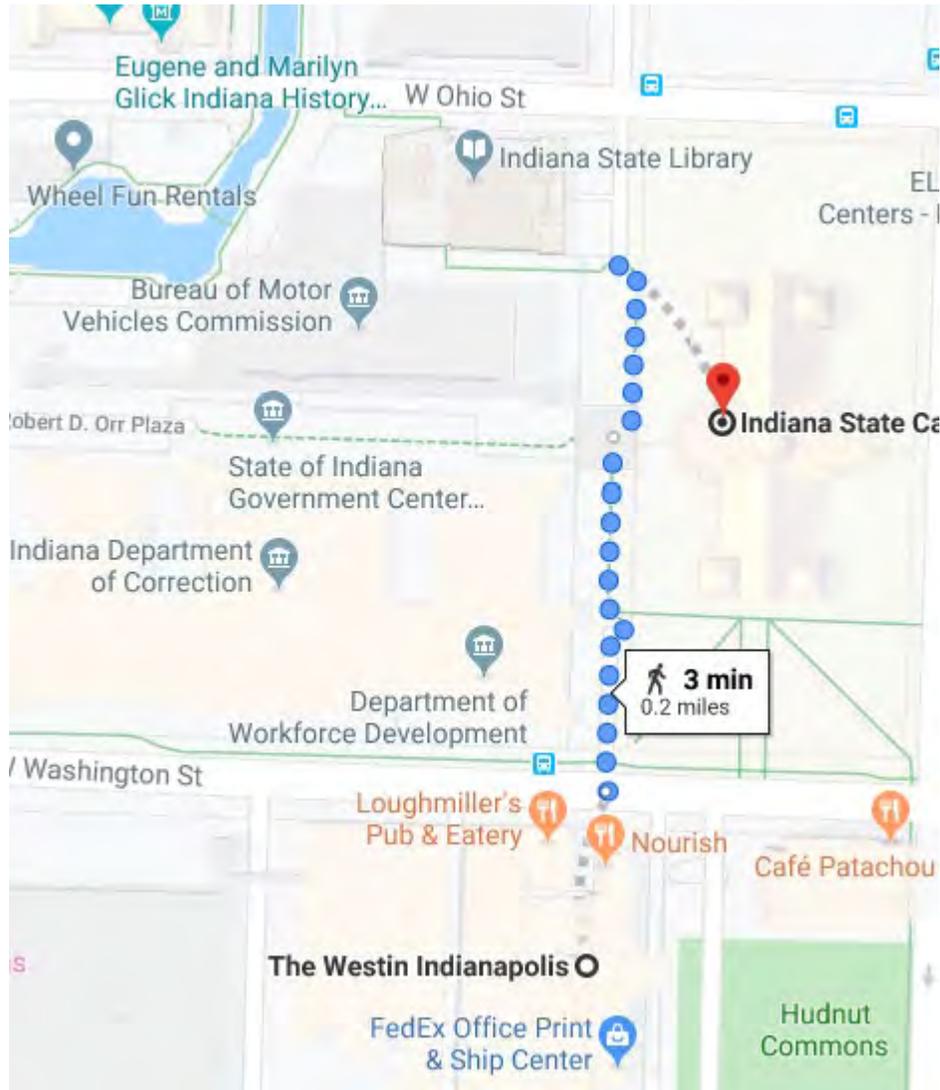
**Monday, November 18**

**Optional Tour of Indiana Statehouse**

3:30 p.m.  
200 W Washington St.  
Indianapolis, IN  
(0.2 miles)

**Reception/Dinner at The Westin**

241 W. Washington St.  
Indianapolis, IN  
6:00 p.m. – Reception  
6:30 p.m. – Dinner



**Tuesday, November 19**  
**Indiana State Museum**

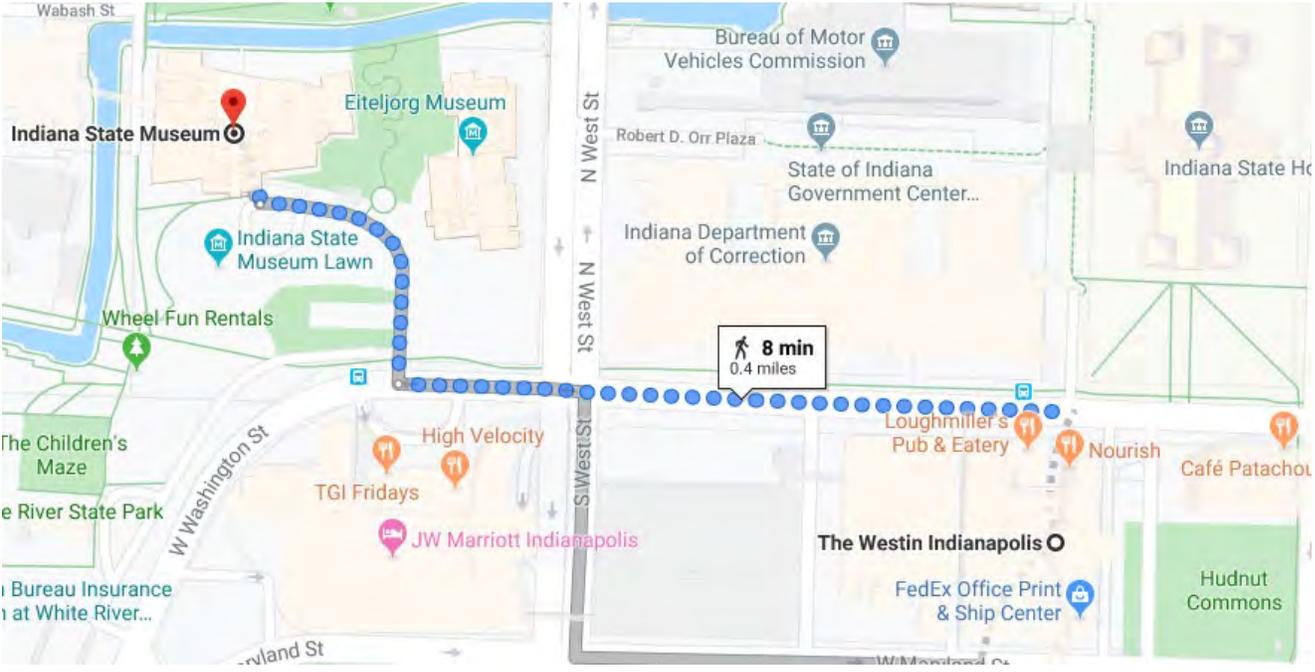
650 W. Washington St.

Indianapolis, IN

(0.4 miles)

5:30 p.m. – Reception

6:30 p.m. – Dinner



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ANNUAL COMMISSION MEETING  
November 18-20, 2019  
Westin, Indianapolis, IN  
A G E N D A

Monday, November 18, 2019

- 2:00 p.m. Senate 2 Finance and Audit Committee Meeting
- 2:00 p.m. Senate 3 Ad Hoc Governance Committee Meeting
- 3:30 p.m. Optional Tour of Indiana Statehouse  
(Meet in lobby for prompt departure.)
- 5:00 p.m. Grand Ballroom 3 First-time Attendee Orientation and Gathering
- 6:00 p.m. Grand Ballroom 4 RECEPTION
- 6:30 p.m. Grand Ballroom 4 DINNER – MHEC Commissioners and Guests
- 7:00 p.m. Welcome, Opening Remarks, and Awards Presentation – Dr. Ken Sauer (IN), MHEC Chair; Ms. Susan G. Heegaard, MHEC President
- 7:15 p.m. *Driving Student Success with Innovation and Preserving the Midwest’s Talent* – Mr. Jamie Merisotis, President and CEO, Lumina Foundation

Tuesday, November 19, 2019

- 7:00 a.m. Grand Ballroom 3 BREAKFAST
- 8:00 a.m. Grand Ballroom 1 & 2
  1. Call to order – Dr. Ken Sauer (IN), MHEC Chair; Ms. Susan G. Heegaard, MHEC President
    - a. Roll Call of the States
    - b. Introductions of Commissioners, Guests, and Staff
  2. Indiana Welcome – Sen. Andy Zay (IN), MHEC Commissioner
  3. Review of the Roles and Responsibilities of MHEC Commissioners – Ms. Susan Heegaard, MHEC President (refer to handout)
- 8:35 a.m.
  4. Approval of Minutes, November 14-16, 2018 (pp. 9-32)  
Action Item 1
  5. Report of the Chair – Dr. Ken Sauer (IN), MHEC Chair

- 6. Report of the President: MHEC Convening, Programs, Research, and Contracts; MHEC State Update – Ms. Susan Heegaard, MHEC President (pp. 33-35)
- 7. Unfinished Business
- 9:20 a.m. BREAK
- 9:30 a.m. 8. New Business
  - a. Finance and Audit Committee Report – Dr. David Eisler (MI), MHEC Treasurer
  - b. Treasurer’s Report – Dr. David Eisler (MI), MHEC Treasurer
    - 1. Budget Highlight for FY 2019 (pp. 37-40)
    - 2. FY 2019 Audit Report – Accept (pp. 41-62)
    - 3. Proposed Unrestricted Fund Balance Policy Changes (pp. 63-79)
    - 4. Consideration and Recommendation on the State Compact Commitment
  - c. Ad Hoc Governance Committee Report – Ms. Olivia Madison (IA), MHEC Vice Chair
    - 1. Awards Report
    - 2. Nominations and Elections of Officers Vice Chair and Treasurer
    - 3. Proposed Bylaw Changes (pp. 81-89)
- 10:15 a.m. Action Item 2
- Action Items 3-9
- Action Item 10
- 11:00 a.m. BREAK and Collection of Conflict of Interest Forms
- 11:15 a.m. 9. *Regional Perspective from the Midwest’s State Capitols* – Mr. Mike McCabe, Director, Council of State Governments, Midwest Office
- 11:45 a.m. 10. *Federal Higher Education Policy: What’s Next from DC? And Why Does It Matter?* – Dr. Thomas Harnisch, Director of State Relations and Policy Analysis, American Association of State Colleges and Universities
- 12:15 p.m. LUNCH  
Grand Ballroom 3 Table topics for discussion
- 1:15 p.m. 11. Moderated Q&A with Mr. Mike McCabe, Director, Council of State Governments, Midwest Office, and Dr. Thomas Harnisch, Director of State Relations and Policy Analysis, American Association of State Colleges and Universities  
Grand Ballroom 1 & 2 Moderator: Past Chair Tim Flakoll (ND), Governor’s Designee

- 1:45 p.m.  
Grand Ballroom 1 & 2
12. *Issues Facing the Midwest: Future Workforce Needs, Changing Demographics, and the Value Proposition of Higher Education*  
Presenters: Mr. Neil Ridley, Senior Fellow, Georgetown University Center for Education and Workforce; and Mr. Henry Stoeber, President and CEO, AGB
- 2:45 p.m.
- BREAK
- 3:00 p.m.  
Grand Ballroom 1 & 2
13. *Lessons Learned from the Governor's Workforce Cabinet (GWC), State of Indiana*  
Presenters: Ms. Teresa Lubbers, Commissioner, Indiana Commission for Higher Education; Mr. PJ McGrew, Executive Director, Governor's Workforce Cabinet; Mr. Frederick D. Payne, Commissioner, Indiana Department of Workforce Development; and Mr. Dan Peterson, Vice President, Industry & Government Affairs, Cook Group, Inc.
- 4:00 p.m.
14. Credential Engine – Dr. Ken Sauer (IN), Chair
- 4:20 p.m.  
Grand Ballroom 1 & 2
15. ANNOUNCEMENTS
- 4:30 p.m.
- RECESS
- 5:20 p.m.
- Depart to Indiana State Museum (650 W. Washington St.)  
(Exit out main entrance of the Westin.)  
0.4 mile walk  
Transportation will be arranged as needed on request.
- 5:30 p.m.
- RECEPTION and Gallery viewing at Indiana State Museum  
(650 W. Washington St.)
- 6:30 p.m.
- DINNER at Indiana State Museum (650 W. Washington St.)  
Welcome – Dr. Ken Sauer (IN), MHEC Chair
- 7:15 p.m.
- Awards Presentation – Ms. Susan Heegaard, MHEC President, and Dr. Ken Sauer (IN), MHEC Chair
- 7:30 p.m.
- Ivy Tech Pathways for Student Success and Meeting the Workforce Needs of the Midwest*  
Keynote: Dr. Sue Ellspermann, President, Ivy Tech Community College; and former Indiana Lieutenant Governor
- 9:00 p.m.
- Return to the Westin

**Wednesday, November 20, 2019**

7:30 a.m. BREAKFAST  
Grand Ballroom 1 & 2

8:30 a.m. 16. *MHEC: A Midpoint Reflection and Strategic Priorities for the Future*  
Grand Ballroom 1 & 2 HCM Strategists

10:45 a.m. 17. Concluding Remarks – Ms. Susan Heegaard, MHEC President, and  
Dr. Ken Sauer (IN), MHEC Chair

11:00 a.m. ADJOURN and PASSING OF THE GAVEL – Dr. Ken Sauer (IN), MHEC Chair,  
and Ms. Olivia Madison (IA), Chair-Elect

**Midwestern Higher Education Compact**  
**Annual Commission Meeting and Policy Forum**

Delta Hotels-Fargo  
November 14-16, 2018

**Minutes**

**Commissioners Present**

- IL** Commissioner Karen Hunter Anderson, Executive Director, Illinois Community College Board  
Commissioner Suzanne Morris, Board Member, Illinois Community College Board
- IN** Commissioner Charles Johnson, President, Vincennes University  
Commissioner Ken Sauer, Senior Associate Commissioner and Chief Academic Officer, Indiana  
Commission for Higher Education  
Commissioner Andy Zay, State Senator, Indiana General Assembly  
Commissioner Alternate Teresa Lubbers, Commissioner, Indiana Commission for Higher Education
- IA** Commissioner Derrick Franck, Commissioner, Iowa Association of Community College Trustees  
Commissioner Olivia Madison, Dean Emerita of Library Services, Iowa State University  
Commissioner Sharon Steckman, State Representative, Iowa Legislature
- KS** Commissioner Kevin Jones, State Representative, Kansas Legislature  
Commissioner Richard Short, Commissioner, North West Kansas Technical College Board Member  
Commissioner Alternate Barbara Ballard, State Representative, Kansas Legislature
- MI** Commissioner David Eisler, President, Ferris State University  
Commissioner Bill Pink, President, Grand Rapids Community College  
Commissioner Tonya Schuitmaker, State Senator, Michigan Legislature  
Commissioner Alternate Daniel Hurley, CEO, Michigan Association of State Universities
- MN** Commissioner Devinder Malhotra, Chancellor, Minnesota State  
Commissioner Bud Nornes, State Representative, Minnesota State Legislature  
Commissioner Larry Pogemiller, Commissioner, Minnesota Office of Higher Education  
Commissioner Alternate Lyndon Carlson, State Representative, Minnesota State Legislature
- MO** Commissioner Mark, Smith, Associate Vice Chancellor and Dean of Career Services, Washington  
University in St. Louis
- NE** Commissioner Randolph Ferlic, Governor's Appointee  
Commissioner Deb Frison, Vice Chair, Coordinating Commission for Postsecondary Education  
Commissioner Alternate Michael Baumgartner, Executive Director, Coordinating Commission for  
Postsecondary Education

- ND** Commissioner Kyle Davison, State Senator, North Dakota Legislative Assembly  
 Commissioner Tim Flakoll, Provost, Tri-College University  
 Commissioner Mark Hagerott, Chancellor, North Dakota University System  
 Commissioner Dennis Johnson, State Representative, North Dakota Legislative Assembly  
 Commissioner Don Morton, Chairman, North Dakota State Board of Higher Education
- OH** Commissioner Gary Cates, Senior Vice Chancellor, Innovation and Enterprise Development, Ohio  
 Department of Higher Education
- SD** Commissioner Michael Cartney, President, Lake Area Technical Institute  
 Commissioner Larry Tidemann, State Senator, South Dakota Legislature  
 Commissioner Janelle Toman, Director of Communications, South Dakota Board of Regents
- WI** Commissioner Joan Ballweg, State Representative, Wisconsin State Legislature  
 Commissioner Alternate Morna Foy, President, Wisconsin Technical College System

**Guests**

- Mr. Steve Ahrens (MO)  
 Dr. Rayane Alamuddin, Associate Director for Research and Evaluation, Ithaca S+R (NY)  
 Mrs. Maureen Biehl, Senior Vice President, Marsh USA Inc. (IN)  
 Mr. Kent Brown (MI)  
 Ms. Pam Byrnes, Consultant, UM-SJTU Joint Institute (MI)  
 Dr. William Craft, President, Concordia College (MN)  
 Ms. Anne Craft, Academic Counselor, Concordia College (MN)  
 Ms. Tammy Dolan, Vice Chancellor for Administrative Affairs, North Dakota University System  
 Mrs. Jessica Doty Associate Director/Medical Office Manager, University of North Dakota Student Health Services  
 Mrs. Jane Downer (IA)  
 Mr. Robert Downer, Attorney, Meardon, Sueppel & Downer P.L.C. (IA)  
 Mr. John Dunning, Vice President for Information Technology, Wayne State College (NE)  
 Mrs. Patsy Eisler (MI)  
 Dr. Eric Eliason, Dean of the College, Concordia College (MN)  
 Mr. Gary Findell (MN)  
 Dr. Barry Fishman, Arthur F. Thurnau Professor, University of Michigan  
 Mrs. Jody French, Assistant CIO for Enterprise Services, North Dakota University System  
 Mrs. Marion Goetz (ND)  
 Mr. William Goetz (ND)  
 Mrs. Laura Goldhahn, Vice President of Administration, Sanford Health – Fargo (ND)  
 Mr. Tony Grindberg, City Commissioner, City of Fargo (ND)  
 Dr. Kevin Gwaltney, Executive Director, Joint Committee on Education, Missouri General Assembly  
 Ms. Trina Hall, Director of Development, Concordia College (MN)  
 Mr. Dave Hansen System, Chief Information Officer, South Dakota Board of Regents  
 Ms. Teresa Harland, Vice President for Advancement, Concordia College (MN)  
 Dr. Todd Harmening, System Director for Academic Programs & Collaboration, Minnesota State  
 Dr. Thomas Harnisch, Director of State Relations and Policy Analysis, American Association of State Colleges and  
 Universities (DC)

Ms. Sheila Harsdorf, Secretary, Wisconsin Department of Agriculture, Trade and Consumer Protection  
Mr. Dirk Huggett, Director, P3/M, North Dakota University System  
Mrs. Ruth Isaak (CA)  
Mr. Dennis Jones, President Emeritus, NCHEMS (CO)  
Ms. Debra Kidwell, Director of Purchasing and Risk Management, Lincoln University (MO)  
Mr. Aric Kirkland, Director, Desktop and Classroom Technologies, Eastern Michigan University  
Ms. Rosi Kloberdanz, Director, North Dakota Educational Technology Council  
Mr. Monte Kramer, System Vice President of Finance and Administration, South Dakota Board of Regents  
Mr. Loren Malm, Interim Vice President for Information Technology, Ball State University (IN)  
Mr. Mike McCabe, Director, The Council of State Governments - Midwestern Office (IL)  
Dr. James McCormick, Senior Consultant, AGB Search (PA)  
Dr. Julia Melkers, Associate Professor, Georgia Institute of Technology  
Ms. Terry Meyer, Deputy Chief of Staff/Executive Assistant to Chancellor, North Dakota University System  
Mr. Jody Meyer (ND)  
Mr. Roger Moe, MHEC Founder (MN)  
Mrs. Angela Neria, Chief Information Officer, Pittsburg State University (KS)  
Mrs. Joyce Nornes (MN)  
Mrs. Lana Oleen, Consultant, Former MHEC Chair/Interim President (KS)  
Mr. Gregory Palermo (IA)  
Dr. James Palmer, Professor of Higher Education, Illinois State University  
Mr. John Pierce, Senior Gift Planner, Concordia College (MN)  
Ms. Donna Pierce, Concordia College (MN)  
Mr. Jerry Rostad, Assistant CIO, North Dakota University System  
Ms. PamSchutt (MN)  
Mr. James Sheppard, Director of External Affairs, Western Governors University (OH)  
Mrs. Sarah Short (KS)  
Dr. Peter Smith, Orkand Chair, Professor of Innovative Practices in Higher Education, University of Maryland  
University College (NM)  
Dr. Debbie Storrs Senior Vice Provost, University of North Dakota, University of North Dakota  
Dr. Chet Strebe, Associate Vice President of Information Technology, CIO, Northcentral Technical College (WI)  
Dr. Greg Summers, Provost and Vice Chancellor for Academic Affairs, University of Wisconsin-Stevens Point  
Dr. Sonjaa Wentling, Professor, History, Concordia College (MN)  
Mr. Robert Young, Senior Consultant / Account Engineer, Global Risk Consultants (ND)

#### **MHEC Staff**

Carla Ahrens, Property Program Manager  
Sara Appel, Multi-State Collaborative on Military Credit; Midwest Student Exchange Program Manager  
Katie Chock, Meeting and Event Manager  
Kristin Coffman, Director of Finance and Administration  
Jennifer Dahlquist, Senior Vice President  
Susan Heegaard, President-Elect  
Aaron Horn, Vice President of Policy Research  
Larry Isaak, President  
Emily Jacobson, Midwestern State Authorization Reciprocity Agreement Manager  
Amy Johnson Korba, Program Management and Development Intern

Ben Millard, Data and Analytics Officer  
Daniel Moser, Chief Financial Officer  
Ken Ries, Chief Information Officer  
Mary Roberson, Senior Director of Communications and Marketing  
Nathan Sorensen, Director of Government Contracts  
Rob Trembath, Senior Vice President and General Counsel  
Shaun Williams-Wyche, Policy Research Assistant

## Wednesday, November 13

### **Dinner and Reception**

Outgoing MHEC President Larry Isaak was recognized for his service by MHEC staff, representatives from each member state, former commission chairs, and special guests.

## Thursday, November 14

### **1. Call to Order.**

Commission Chair Tim Flakoll (ND) called the meeting to order at 8:07 a.m. and welcomed commissioners and guests to Fargo. The roll call of the states was taken, and representatives from all member states were present. Chair Flakoll introduced President-elect Susan Heegaard and she provided introductory remarks. Commissioners, staff, and guests introduced themselves.

### **2. North Dakota Welcome.**

Fargo City Commissioner and Former MHEC Commissioner Tony Grindberg welcomed attendees to Fargo.

### **3. Approval of the Minutes.**

*Commissioner Larry Tidemann (SD) moved and Commissioner Kyle Davison (ND) seconded the motion to approve the minutes of the commission meeting held November 13-14, 2017, (agenda book, pages 7-17).*

*Motion carried.*

### **4. Roles and Responsibilities of the MHEC Commissioner.**

MHEC President Larry Isaak reviewed the roles and responsibilities of the MHEC commissioner.

### **5. Report of the Chair.**

Commission Chair Tim Flakoll (ND) highlighted his year as chair mentioning the importance of state visits and the opportunity to attend many of the visits. Much of his year as chair was spent working with the Presidential Search Committee. Chair Flakoll recognized the members of the committee and the time they put into the search. He also mentioned exploratory committees into a leadership training institute and opportunities for fundraising and creating an endowment strategy for MHEC.

### **6. Report of the President.**

MHEC President Larry Isaak highlighted the activity that occurred among MHEC's convening, research, programs, and contracts since the last meeting. He highlighted \$1 billion in cumulative savings for member states.

### **7. Unfinished Business.**

There was no unfinished business.

## 8. New Business.

### a. **Treasurer's Report.**

Commissioner Olivia Madison presented the FY 2018 Audit Report submitted by Eide Bailly, LLP which indicated that overall the Compact's financial condition remains strong. (See Addendum A for updated draft audit documents.)

*Commissioner Olivia Madison (IA) moved and Commissioner Barbara Ballard (KS) seconded the motion to accept the FY 2018 audit.*

*Motion carried.*

Commissioner Olivia Madison, MHEC treasurer, reviewed the FY 2018 budget highlights (agenda book, pages 40-41).

### b. **Report of the Phillip Sirotkin and Outstanding Service Awards Committee.**

Commissioner Olivia Madison (IA) chair of the Phillip Sirotkin and Outstanding Service Awards Committee, presented the report of the committee. She announced that the committee had met and the commissioners had voted online. Presentations will be given at the Thursday evening event at the Sanctuary Event Center in Fargo. She thanked the other members of the committee for their evaluation of the applications.

### c. **Report of the 2018 Nominations Committee.**

Commissioner Dick Short (KS), chair of the 2018 Nominations Committee, reported that the 2018 Nominations Committee met via conference call on October 10 (agenda book, pages 42-43) and thanked them for their service. He reminded commissioners that Commissioner Ken Sauer (IN) will assume the position of chair after this meeting with no action needed by the commissioners.

*Commissioner Dick Short (KS) moved and Commissioner Suzanne Morris (IL) seconded the motion to elect Commissioner Olivia Madison (IA) as vice chair.*

*Motion carried.*

*Commissioner Dick Short (KS) moved and Commissioner Tanya Schuitmaker (MI) seconded the motion to elect Commissioner David Eisler (MI) as treasurer.*

*Motion carried.*

**9. Shared Medical Simulation Center.**

Dr. Charles D. Peterson, dean of the College of Health Professions at North Dakota State University, and Ms. Laura Goldhahn, vice president of administration, Sanford Health shared how Sanford has teamed up with five Tri-College University partner campuses to move observational learning to hands-on, interdisciplinary medical training. Sanford is America's largest rural hospital organization.

**10. Collection of Conflict of Interest Forms.**

Annual Conflict of Interest forms were collected, any conflicts will be noted and filed in the MHEC office.

**11. CSG Midwest Update.**

Mr. Mike McCabe, director of the Midwestern office of The Council of State Governments (CSG), provided an update including 2018 session highlights, a 2018 legislative session preview, and a current economic and fiscal picture. (Addendum B)

**12. Federal Issues Update.**

Dr. Thomas Harnisch, director of State Relations and Policy Analysis for the American Association of State Colleges and Universities, provided an update on federal higher education policy.

**13. The Forces Driving Higher Education.**

Dennis Jones, president emeritus of the National Center for Higher Education Management Systems, provided a forward-looking presentation on higher education, sustainability models, and suggested public policy changes.

**14. President's Reflections.**

Larry Isaak provided comments on Dennis Jones' presentation.

**15. Letter to the Next President.**

Chair-elect Ken Sauer (IN) introduced the activity to be conducted at each table. Staff recorded comments to the following two questions: "What are the top pressing issues you are anticipating in your state?" And "How could MHEC add value to your state in addressing the pressing issues identified?" Commissioners and guests were given approximately 20 minutes to discuss the questions.

**16. Letter to the Next President.**

Chair-elect Ken Sauer (IN) and President-elect Susan Heegaard shared a dialogue in response to the questions presented to commissioners and guests. Responders were called upon to elaborate further on their responses.

**17. Recess and Evening Event.**

Commission Chair Tim Flakoll (ND) recessed the business meeting at 4:10 p.m. for the reception, and dinner at Sanctuary Event Center. Clint Hill and Lisa McCubbin were guest presenters. Hill is a former North Dakota native and former secret service for First Lady Jacqueline Kennedy

After dinner, the following acknowledgments were given:

Outgoing commissioners Karen Hunter Anderson (IL); Kevin Jones (KS); Tonya Schuitmaker (MI); and Larry Tidemann (SD) were acknowledged for their service to the commission.

- a. Ms. Pamela J. Schutt, former MHEC Director of State Relations, was presented with the 2018 MHEC Outstanding Service Award.
- b. President Larry Isaak, outgoing MHEC president, was presented with MHEC's highest award, the Phillip Sirotkin Award honoring his exemplary leadership service.
- c. Commission Chair-Elect Ken Sauter (IN) presented Commission Chair Tim Flakoll (ND) with a gavel plaque in acknowledgement of his term as MHEC chair.

### **Friday, November 16**

#### **1. Welcome.**

At 8:06 a.m. Commission Chair Tim Flakoll (ND) called the meeting to order.

#### **2. Policy Forum**

MHEC welcomed Dr. Peter Smith, professor of innovative practices in Higher Education and Orkand Chair, University of Maryland University College, as the keynote presenter on Envisioning Higher Education in 2030. Dr. Smith set the framework for dialogue on the topic of *Creating a Sustainable Future for Colleges and Universities* and for the following panel sessions.

Following the keynote, attendees heard from a panel on *Improving Funding Structures and Resource Allocation*. Discussion was moderated by Commissioner Teresa Lubbers (IN). Presenters and their topics of discussion included:

- *The State of Funding for Community Colleges and Prospects for the Future* – Dr. James Palmer, Professor, Educational Administration and Foundations, Illinois State University
- *Sustaining the Liberal Arts at Regional Public Universities* – Dr. Greg Summers, Provost and Vice Chancellor for Academic Affairs, University of Wisconsin - Stevens Point
- *Addressing the Cost Challenges of Maintaining Rural Institutions* – Dr. Todd Harmening, System Director for Academic Programs and Collaboration, Minnesota State

A second panel on *Innovative Approaches to Access and Success* closed out policy forum. Discussion was moderated by Commissioner Kyle Davison (ND). Presenters and their topics of discussion included:

- *Using Digital Badges to Assess College Readiness* – Dr. Barry Fishman, Arthur F. Thurnau Professor and Professor of Learning Technologies, School of Information and School of Education, University of Michigan
- *Expanding STEM Career Pathways through Online Education* – Dr. Julia Melkers, Associate Professor, School of Public Policy, Georgia Tech

- *The Role of Proactive Advising Systems in Promoting Student Success* – Dr. Rayane Alamuddin, Associate Director for Research and Evaluation, Ithaca S+R.

Q & A was held after each session of the policy forum. MHEC President Larry Isaak provided concluding remarks.

### **3. Announcements**

- a. Commission Chair Tim Flakoll (ND) thanked the commissioners and staff for their support during his term as the chair, and he officially recognized Commissioner Ken Sauer (IN) as the incoming chair with the passing of the gavel.
- b. The new Commission Chair Ken Sauer (IN) thanked Commissioner Tim Flakoll (ND) for his service.

### **5. Adjournment**

The meeting was adjourned at noon.



Financial Statements  
June 30, 2018  
(With Comparative Totals for June 30, 2017)  
**Midwestern Higher Education  
Compact**

# Midwestern Higher Education Compact

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June 30, 2018 (With Comparative Totals for June 30, 2017)

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## Independent Auditor's Report

To the Commission  
Midwestern Higher Education Compact  
Minneapolis, Minnesota

### Report on the Financial Statements

We have audited the accompanying financial statements of Midwestern Higher Education Compact (the Compact) which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Compact's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Compact as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited the Compact's 2017 financial statements, and our report dated December 1, 2017, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

The image shows a handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Minneapolis, Minnesota  
November 6, 2018

Midwestern Higher Education Compact  
Statement of Financial Position  
June 30, 2018 (With Comparative Totals for June 30, 2017)

	2018	2017
<b>Assets</b>		
Cash and cash equivalents	\$ 2,256,674	\$ 2,954,434
Certificates of deposit	1,359,645	827,191
Receivables, less allowance for doubtful accounts of \$21,400	565,977	503,773
Prepaid expenses	150,738	172,690
Property and equipment, net	290,277	344,630
	\$ 4,623,311	\$ 4,802,718
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 305,437	\$ 262,225
Accrued payroll and related expenses	138,099	225,630
Deferred state commitments	115,000	115,000
Deferred compensation	323,117	291,691
Deferred lease incentive	239,802	259,344
	1,121,455	1,153,890
<b>Net Assets</b>		
Unrestricted		
Board-designated	1,918,681	1,876,410
Undesignated	879,058	879,253
Total unrestricted	2,797,739	2,755,663
Temporarily restricted	704,117	893,165
	3,501,856	3,648,828
	\$ 4,623,311	\$ 4,802,718

See Notes to Financial Statements

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Midwestern Higher Education Compact

Statement of Activities

Year Ended June 30, 2018 (With Comparative Totals for Year Ended June 30, 2017)

	2018			2017
	Unrestricted	Temporarily Restricted	Total	
<b>Revenues</b>				
State commitments	\$ 1,380,000	\$ -	\$ 1,380,000	\$ 1,380,000
Program revenue				
Master property program	401,493	10,667	412,160	392,131
MHECare	209,113	-	209,113	160,761
M-SARA	430,000	40,000	470,000	600,000
Contract revenue				
Technology	849,580	-	849,580	895,297
Grants	-	-	-	190,651
Other revenue	10,253	-	10,253	5,214
Sponsorships	36,000	-	36,000	39,000
Interest income	19,531	-	19,531	10,901
Net assets released from restriction	239,715	(239,715)	-	-
Total revenues	<u>3,575,685</u>	<u>(189,048)</u>	<u>3,386,637</u>	<u>3,673,955</u>
<b>Expenses</b>				
Program services				
Operations	1,982,639	-	1,982,639	1,747,407
Services				
Master property program	147,096	-	147,096	123,326
MHECare	2,017	-	2,017	2,693
M-SARA	41,201	-	41,201	44,509
Other	2,941	-	2,941	10,163
Contract				
Technology	114,531	-	114,531	109,898
Research	28,717	-	28,717	11,532
Grants/Convening	243,248	-	243,248	513,529
Total program services	2,562,390	-	2,562,390	2,563,057
Management and general expenses	968,537	-	968,537	822,635
Fundraising expenses	2,682	-	2,682	8,939
Total expenses	<u>3,533,609</u>	<u>-</u>	<u>3,533,609</u>	<u>3,394,631</u>
Change in Net Assets	42,076	(189,048)	(146,972)	279,324
Net Assets, Beginning of Year	<u>2,755,663</u>	<u>893,165</u>	<u>3,648,828</u>	<u>3,369,504</u>
Net Assets, End of Year	<u>\$ 2,797,739</u>	<u>\$ 704,117</u>	<u>\$ 3,501,856</u>	<u>\$ 3,648,828</u>

See Notes to Financial Statements

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Midwestern Higher Education Compact  
Statement of Functional Expenses  
Year Ended June 30, 2018 (With Comparative Totals for Year Ended June 30, 2017)

	2018				2017
	Program Services	Management and General	Fundraising	Total	
Salaries and Benefits	\$ 1,454,050	\$ 779,293	\$ 2,682	\$ 2,236,025	\$ 2,287,785
Professional Fees	17,965	9,862	-	27,827	19,448
Contract Services	216,456	27,778	-	244,234	119,124
Office Space Lease	95,407	46,579	-	141,986	139,570
Auto and Parking	472	69	-	541	745
Office Supplies	4,857	1,516	-	6,373	3,929
Postage	487	264	-	751	4,767
Printing	27,305	7,492	-	34,797	11,262
Subscriptions	17,199	1,865	-	19,064	18,393
Software/Maintenance Contract	71,312	38,455	-	109,767	54,479
Telephone	2,282	1,196	-	3,478	41,237
Insurance	13,313	7,308	-	20,621	20,838
Miscellaneous	23,783	15,928	-	39,711	22,788
Depreciation	41,316	22,680	-	63,996	106,819
Travel/Meetings/Conference	568,813	4,729	-	573,542	519,624
Office Equipment	7,373	3,523	-	10,896	23,823
Total Expenses by Function	<u>\$ 2,562,390</u>	<u>\$ 968,537</u>	<u>\$ 2,682</u>	<u>\$ 3,533,609</u>	<u>\$ 3,394,631</u>

See Notes to Financial Statements

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Midwestern Higher Education Compact

Statement of Cash Flows

Year Ended June 30, 2018 (With Comparative Totals for Year Ended June 30, 2017)

	<u>2018</u>	<u>2017</u>
Operating Activities		
Change in net assets	\$ (146,972)	\$ 279,324
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation	63,996	106,819
Changes in operating assets and liabilities		
Receivables	(62,204)	45,951
Prepaid expenses	21,952	(16,516)
Accounts payable	43,212	63,494
Accrued payroll and related expenses	(87,531)	107,104
Deferred compensation	31,426	21,869
Deferred lease incentive	(19,542)	(17,358)
Net Cash from (used for) Operating Activities	<u>(155,663)</u>	<u>590,687</u>
Investing Activities		
Purchase of property and equipment	(9,643)	(4,005)
Purchase of certificates of deposit	(1,460,000)	998,000
Proceeds from maturity of certificates of deposit	<u>927,546</u>	<u>(300,000)</u>
Net Cash from (used for) Investing Activities	<u>(542,097)</u>	<u>693,995</u>
Net Change in Cash and Cash Equivalents	(697,760)	1,284,682
Cash and Cash Equivalents, Beginning of Year	<u>2,954,434</u>	<u>1,669,752</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,256,674</u>	<u>\$ 2,954,434</u>

See Notes to Financial Statements

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## **Note 1 - Principal Activity and Significant Accounting Policies**

### **Organization**

The Midwestern Higher Education Compact (the Compact) commenced operations in 1991 as a not-for-profit corporation to improve higher education opportunities and services in the midwestern United States through interstate cooperation. States become members of the Compact through passage of legislation. The member states of the Compact include Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin.

The Compact's mission is to advance education through cooperation and collaboration. The Compact seeks to fulfill its interstate mission through programs that reduce administrative costs, encourage student access and education affordability, facilitate public policy analysis and information exchange, facilitate regional academic cooperation, and encourage quality educational programs and services in higher education.

### **Comparative Financial Information**

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with our audited financial statements for the year ended June 30, 2017, from which the summarized information was derived.

### **Cash and Cash Equivalents**

The Compact considers all cash and highly liquid financial instruments with original maturities of three months or less when purchased to be cash equivalents, excluding certificates of deposit. At times, cash and cash equivalents, including certificates of deposit, may be in excess of FDIC insurance limits.

### **Receivables and Credit Policies**

Accounts receivable consists primarily of amounts due for dues and fees. Intentions to give and conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. The Compact uses the allowance method to determine uncollectible contributions and other receivables. The allowance is based on prior year experience and management's analysis. The Compact does not charge interest on past due accounts. Accounts receivable are written off when deemed uncollectible. At June 30, 2018 and 2017, the allowance was approximately \$21,400.

### Property and Equipment

Property and equipment additions over \$3,500 are recorded at cost or, if donated, at the estimated fair value at the date of donation. Depreciation of property and equipment is provided using the straight-line method over the estimated useful lives of the assets.

Computers	3 years
Office improvements	5 years
Software and IT equipment	5 years
Furniture	10 years
Leasehold improvements	15 years

When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any remaining gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Compact reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2018 and 2017.

### Investments in Certificates of Deposit

Purchases of certificates of deposit are recorded at cost. Investment interest income is reported in the statement of activities as an increase in unrestricted net assets. The certificates of deposit have maturity dates ranging from six months to five years.

### Deferred State Commitments

State commitments received in advance of the applicable period are recorded as deferred revenue until earned.

### Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets available for use in general operations. Unrestricted Board-designated net assets consist of net assets designated by the Board of Directors for various purposes.

Temporarily Restricted Net Assets – Net assets subject to donor restrictions that may or will be met by expenditures or actions of the Compact and/or the passage of time. The Compact reports contributions restricted by donors as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of the Compact. The Compact has no permanently restricted net assets.

### **Support and Revenue Recognition**

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Revenue from state commitments is recognized in the year earned. State commitments are billed at the beginning of each fiscal year, due upon receipt of billing, and are typically received during July. Other fees consist of fees earned based on a percentage of sales or cost savings to member institutions in accordance with various program agreements. Other fee revenue is recognized when earned. Unsecured credit is extended to these organizations in the normal course of business.

### **Donated Materials and Services**

Contributed goods are reflected as support in the financial statements at their estimated values on the date of donation. The Compact records donated professional services at the fair value of the services received.

### **Functional Allocation of Expenses**

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

### **Income Taxes**

The Compact qualifies as a tax-exempt organization under Section 501(c)(3) and is not a private foundation under Section 509(a) of the Internal Revenue Code. The Compact is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Compact is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. The Compact has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990T) with the IRS.

The Compact believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Compact would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

### **Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

**Subsequent Events**

The Compact has evaluated subsequent events through November 6, 2018, the date the financial statements were available to be issued.

**Note 2 - Property and Equipment**

Property and equipment consists of the following at June 30, 2018 and 2017:

	2018	2017
Computers	\$ 30,407	\$ 30,407
Office improvements	7,520	7,520
Software and IT equipment	295,369	285,725
Furniture	176,952	176,952
Leasehold improvements	362,552	362,552
	872,800	863,156
Less accumulated depreciation	(582,523)	(518,526)
Net property and equipment	\$ 290,277	\$ 344,630

**Note 3 - Leases**

The Compact leases office space located at 105 Fifth Avenue South through May 2026. Rent expense is prorated over the term of the lease and expensed as incurred.

Office space expense was \$74,137 and \$71,952 for the years ended June 30, 2018 and 2017, respectively. Approximate future annual rental commitments are as follows:

Years Ending June 30,	Amount
2019	\$ 76,387
2020	78,704
2021	81,088
2022	83,538
2023	86,054
Thereafter	266,058
	\$ 671,829

**Note 4 - Retirement Plan**

Employees of the Compact participate in a TIAA tax sheltered deferred annuity plan upon completion of a 30-day waiting period. The employee must contribute to the plan through payroll withholdings. The Compact contributes 13% of the employee's salary to the plan. Employees are required to contribute 2.5% of their annual salary to the plan. An employee may choose to increase their contribution according to federal guidelines. Employer contributions were \$189,068 and \$185,218 for the years ended June 30, 2018 and 2017, respectively.

**Note 5 - Temporarily Restricted Net Assets**

Temporarily restricted net assets consist of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Marsh		
Master property program	\$ 462,718	\$ 452,051
Multi-State Collaborative on Military Credit (MCMC)		
MCMC - Lumina	-	145,268
MCMC - USA funds	26,399	120,000
Programmatic Activities		
SARA	215,000	175,000
Other		
Tides Center	-	846
	<u>\$ 704,117</u>	<u>\$ 893,165</u>

Net assets released from restrictions for the years ended June 30, 2018 and 2017, were comprised of the following:

	<u>2018</u>	<u>2017</u>
Satisfaction of purpose restrictions		
MCMC - Lumina	\$ 145,268	\$ 56,765
MCMC - USA funds	93,601	-
Tides Center	846	-
Interstate passport	-	12,348
	<u>\$ 239,715</u>	<u>\$ 69,113</u>

**Note 6 - Board-Designated Net Assets**

At June 30, 2018 and 2017, Board-designated net assets are available for the following purposes:

	2018	2017
Risk management	\$ 25,000	\$ 25,000
Operations reserve	1,300,000	1,300,000
Special projects		
State authorization	8,980	8,980
Higher education redesign	1,906	1,906
Open education resources	160,000	160,000
Organizational capacity		
Technology	40,960	40,960
Presidential search	49,998	-
Capital asset reserve		
Future lease payments	294,546	302,273
Capital investments	37,291	37,291
	\$ 1,918,681	\$ 1,876,410

The Board established a policy to maintain a reserve for three purposes. (1) The operations reserve is intended to cover shortfalls in the operating budget as a result of unanticipated loss in funding or greater than anticipated expenses. The target operations reserve is a set amount approved by the Compact's commission. (2) The opportunity reserve is intended to provide funds to meet special targets of opportunity or need that further the mission of the Compact which may or may not have specific expectation of incremental or long-term increased revenue. (3) The capital asset reserve is intended to provide a ready source of funds for repair or acquisition of leaseholds, furniture, fixtures, and equipment necessary for the effective operation of the Compact and programs.



*Midwestern State Partisan Control  
2019 Legislative Sessions*

**Party in Control**

<b>State</b>	<b>Governor</b>	<i>Governor</i>	<i>House</i>	<i>Senate</i>
Illinois	<b><i>J.B. Pritzker</i></b>	<i>D</i>	D	D
Indiana	Eric Holcomb	R	R	R
Iowa	Kim Reynolds	R	R	R
Kansas	<b><i>Laura Kelly</i></b>	<i>D</i>	R	R
Michigan	<b><i>Gretchen Whitmer</i></b>	<i>D</i>	R	R
Minnesota	<b><i>Tim Walz</i></b>	D	<b><i>D</i></b>	R
Missouri	Mike Parson	R	R	R
Nebraska	Pete Ricketts	R		**
North Dakota	Doug Burgum	R	R	R
Ohio	<b><i>Mike DeWine</i></b>	R	R	R
South Dakota	<b><i>Kristi Noem</i></b>	R	R	R
Wisconsin	<b><i>Tony Evers</i></b>	<i>D</i>	R	R

**BOLD/ITALICS** = change from 2018

\*\* Officially, the Nebraska Unicameral is nonpartisan.

**Unified Republican:** Indiana, Iowa, Missouri, North Dakota, Ohio, South Dakota

**Unified Democrat:** *Illinois*

**Republican Governor, Democratic Legislature:**

**Democratic Governor, Republican Legislature:** *Kansas, Michigan, Wisconsin*

**Republican Governor, Non-Partisan Legislature:** Nebraska\*\*

**Republican Governor, Split Legislature:**

~~A~~ **Democratic Governor, Split Legislature:** *Minnesota*

To: MHEC Commission  
From: Susan Heegaard  
Re: MHEC President Report  
Date: November 18, 2019

## **Background**

It's hard to believe that a little over a year has passed since my first day with the Midwestern Higher Education Compact (MHEC), Halloween 2018, when I attended an NC-SARA Board Meeting in Memphis, Tennessee. I was familiar with the Compact from my time as a commissioner alternate, when I served as commissioner for higher education in Minnesota and when I worked with HCM Strategists, serving as an advisor to the Lumina Foundation for six years, just prior to coming to MHEC. My husband and I are parents of a college sophomore and a high school senior, who is just now winnowing college choices. I've filled out the FAFSA and have seen first-hand how that well-intentioned process can be a huge barrier, even for well-educated people. I am a Midwesterner, who chooses to live in the Midwest and believe that this is the best place to live in our country.

I am fortunate and grateful to all of you and to our staff who have been supportive, frank, patient, and very helpful to me. Leadership transition is not easy and often most difficult for staff. You all have helped build a strong foundation here at MHEC, which has made my transition smooth. I want to thank our officers, especially MHEC Chair, Dr. Ken Sauer, for helping to guide and support my transition.

My hope is that we'll continue to build on what is strong and works for our states, then strategically identify, with fresh eyes, what makes sense to adjust, change, start, and/or perhaps stop. We want to be transparent and relevant, as well as a trusted and valuable resource for all of you. As one of four regional compacts in the country, there are similarities and differences among us, but as a Midwesterner I believe that we are unique with respect to our history, culture and can-do attitude. I am committed to working with you to identify how we can best serve, support, and add value to each of our states and the many institutions and students who choose to live and work in the Midwest.

We are in good financial shape, with a healthy mix of revenue from our members states, contract and program revenues, as well as philanthropic support.

During our meeting you will learn about some of the exciting work and accomplishments our staff and colleagues have been focused on and some of the key initiatives we've undertaken. Reports summarizing and detailing each of these areas are included in your agenda books.

## **Environmental Scan**

Late last year we engaged Maya Kirkhope with Academic Search to conduct an environmental scan of MHEC, to gauge and clarify how the Compact is perceived and valued. The series of surveys and interviews are helping us identify what path we should take in the future, based upon data and articulated needs. We need to understand the value proposition we offer, what differentiates us and how we can best serve our states at a time of changing demands, demographics and resources. The scan was shared during a presentation by Maya with the

Executive Committee and staff in June 2019. You will find a copy of the key themes and findings in the form of PowerPoint slides is available to each of you during the meeting.

### **Midpoint Reflection and Strategic Positioning**

We are currently working with HCM Strategists, a public policy focused firm that provides support and strategic guidance to help organizations like ours, advance organizational success. HCM met with the MHEC officers and staff in Early November to identify strategic, actionable next steps for the Compact. We are between strategic plans and the timing is right for this honest reflection and planning opportunity.

### **Collaboration and Partnership**

Over the past year we've logged many miles by foot, car, train, and plane. Three of the four regional compact presidents (MHEC, New England Board of Higher Education (NEBHE), Southern Regional Education Board (SREB), and Western Interstate Commission for Higher Education (WICHE) are new to their positions in the past 18 months. We have developed a constructive and close working relationship which has been helpful and fun. I have met with and attended gatherings including with our regional accreditor, the Higher Learning Commission (HLC), The State Higher Education Executive Officers Association (SHEEO) and the Council of State Governments Midwest Legislative Conference (MLC), technology experts throughout the country, as well as philanthropic organizations including Lumina, Strada, Joyce, and Hewlett. We'll continue to expand and deepen these relationships, as we more clearly develop our strategic next steps.

### **Governance**

Two Committees were designated by the Executive Committee at their meeting this past June to begin to provide additional structure, clarity, accountability and focus to the compact's work. I am grateful to the commissioners who agreed to serve on and lead these two committees.

#### **Ad Hoc Governance Committee**

This past summer and fall an Ad Hoc Governance Committee was asked to review the Compact's governance practices, namely appointments, as well as update the bylaws. At their June meeting, The Executive Committee decided to add a past chair to the current three officers and is proposing to have the treasurer ascend to vice chair and then chair, as it has been the practice for many years. Other issues under consideration pertain to the size of the Executive Committee and processes for appointing commissioners and commissioner alternates.

#### **Finance and Audit Committee**

A Standing Finance and Audit Committee was also designated by the Executive Committee in June. This committee, chaired by the treasurer, is proposing to add some important fiscal accountability measures, such as spending limits and an updated reserve policy, to ensure that our investment is protected and used wisely.

### **Convening, Programs, Research, and Contracts**

I am very proud of the excellent work that the staff and committee members have been engaged with and accomplished this past year. Details regarding our programs and contracting work can be found in the agenda book, thus I'll just provide a few highlights here.

- Dual Credit/Concurrent Enrollment Teacher Credentialing – Brought stakeholders together to address challenges presented by new requirements regarding teacher credentialing.
- Multi-State Collaborative on Military Credit (MCMC) – Facilitating an interstate partnership of midwestern and other states to work on translating competencies from military service to college credentials.
- Open Education Resources (OER) – Created an OER Advisory Committee, brought stakeholders together, collaborated with the three other compacts and successfully received funding to further the work.
- Technologies Committee – Working with committee members to identify best next steps including a new contract for security services and an accessibility initiative and community-based structure for future committee work.
- Master Property Program (MPP) - Continuing to work with members to provide affordable and quality insurance coverage as well as surveying members on coverages and benefits to gauge member value.
- Cyber Insurance - Offering institutions flexibility of carrier choice with broadest coverage available to address needs in the face of rapidly changing cyber security threats.
- MHECare Health Insurance Solutions – Providing over thirty campuses across all four compacts, with a sustainable student health insurance program.
- Midwest Student Exchange Program (MSEP) – Preparing a report that looks strategically at regional and state-to-state reciprocity programs and the relevancy of the current program, in the face of changing demographics and growing elimination of out-of-state tuition.
- Midwestern State Authorization Reciprocity Agreement (M-SARA) – collaborated with colleagues within MHEC states, strengthened relationships with sister compacts and developed constructive relationships with new NC-SARA leader Lori Williams.
- Research – Developed an interactive state student data dashboard, produced relevant and timely reports, soliciting ideas for future research topics.
- Technology – Provided a wide range of technology contract options to stakeholders in the Midwest and across the U.S. resulting in a very successful year.

**What's next?** We plan to continue to gather your feedback about our effectiveness and how we can best serve you, identify strategic priorities for the future, share best practices and seek more opportunities to connect and meet in person and remotely.

Stealing the opening words of many state-of-the-state speeches that I've listened to, I want to proudly say that the state of the Midwestern Higher Education Compact is strong and invites your feedback

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## Budget Highlights for FY 2019

### Overview

- MHEC's budget is presented on a cash basis; however, MHEC accounting operations and the audit are based on an accrual basis. This is why the carry over number will differ from the budget to the prepared audited financial statements.
- MHEC's budget (revenues over expenses) concluded FY 2019 with \$3.7M in revenues, \$369,495 over budget helped by MHECare and technology contract revenue coming in significantly more than estimated. Overall, MHEC's expenses were \$65,737 under budget, resulting in a one-time surplus of \$435,232 revenues over expenses at the end of FY 2019.
- MHEC is currently engaging in a strategic positioning exercise to identify priority next steps for the compact which could affect future expenditures. In addition, MHEC is still evaluating how best to fill two senior level full-time positions (Director of State Government Relations and Chief Information Officer) that have opened up over the past year and a half.
- The proposal to increase current operations reserve from \$1.3M to a six (6) month reserve of \$1.636M (based on FY 2019's current expenses) is estimated to be a total of \$336,632.

### Revenues

- 12 State Commitments           \$1,380,000
  - Miscellaneous Income           \$93,430  
(e.g. sponsorships,  
interest income, and  
other income)
  - Program Revenues               \$1,193,992
  - Contract Revenue                \$1,041,073
- **Miscellaneous Income:** Interest income was \$50,681 more than estimated. At the beginning of FY 2019, MHEC closed seven (7) Certificates of Deposit (CDs) totaling \$1,145,395 and opened an Insured Cash Sweeps (ICS) account. Five (5) CDs remain open and will be closed once they meet their maturity dates. A number of CDs were initially purchased for \$200,000 and earned approximately 1 to 1.5 percent in interest. The ICS account is now earning 1.5 percent on amounts ranging from \$1.5M to \$2M, resulting in increased interest income due to the consolidation. The APR is based on the market. See example:
    - $1.5 * \$200,000 / 100 = \$3000$  (CD)
    - $1.5 * \$2,000,000 / 100 = \$30,000$  (ICS)

- **MHECare Student Health Insurance Solutions:** MHECare revenue earned \$160,838, considerably more than estimated. MHECare revenue is based 100 percent on plan participation and how many students enroll, which can significantly fluctuate from year-to-year. In addition, the MHEC budget is determined prior to the timeline of when campuses make critical decisions regarding their student health plans.
- **Master Property Program (MPP):** MPP revenue earned \$10,154 more than estimated. MPP revenues are agreed upon during the renewal period. If an institution joins the program midway through the coverage period, the program revenues fluctuate.
- **Technology Contracts:** MHEC revenues from technology contracts exceeded the budgeted amount by \$141,073, due to Dell's 4<sup>th</sup> Quarter sales being significantly higher than anticipated.

## Expenses

- **Salaries, Payroll Taxes, and Employee Benefits:** Staffing fluctuated due to transitions. MHEC had one full-time employee and one part-time intern leave the organization for new opportunities. MHEC's former president retired and MHEC's new president began in the fall of FY 2019, overlapping salaries by one (1) month. This transition resulted in a total of \$21,615 exceeding the budget for salaries, payroll taxes, and employee benefits.
- **Contracted Services:** Staff development funds were not fully utilized in FY 2019. Various consulting costs were \$45,946 over budget, including a new and more robust registration system and technology services support, as well as strategic consulting support.
- **Operations Expenses**
  - Rent/Leases
  - Conferences/Training
  - Printing and Duplicating
  - Promotional and Award Items
  - Office Supplies and Equipment
  - Travel and Lodging
- **Rent and Leases:** Rent and lease expenses were \$21,325 under budget. MHEC has a schedule of what the payments will be for the base rent each year for the life of the lease agreement. However, the Common Area Maintenance (CAM), which varies, is an estimate every year during the budget process, increasing over time.
- **Conference and Training (Meals and Entertainment):** The expenditure for conference and training was \$17,062 under budget due to fewer regional convenings.

- **Printing and Duplicating:** The printing and duplicating expense was significantly reduced as a result of MHEC moving to print more materials in-house, resulting in lower expenditures of \$34,338 under budget.
- **Promotional and Awards Items:** Overall expenditures for awards decreased in FY 2019 which resulted in it being \$9,497 under budget.
- **Office Supplies and Equipment:** MHEC has implemented a computer replacement plan where computer purchases are staggered avoiding replacement costs occurring all at one time. MHEC purchased the first four (4) computers of the cycle in FY 2019 resulting in expenditures at \$15,099 over budget.
- **Travel and Lodging (Airfare and Hotels):** In FY 2019 there were fewer regional convenings, allowing MHEC to make adjustments in related expenses, resulting in \$49,642 under budget.

## Unrestricted Funds Budget FY 2019

	FY19 Approved Budget	FY19 Actual Budget	Difference
<b>REVENUES</b>			
State Commitment Income	\$ 1,380,000.00	\$ 1,380,000.00	\$ -
Interest Income	\$ 7,000.00	\$ 57,681.44	\$ 50,681.44
Other Income	\$ -	\$ 3,748.79	\$ 3,748.79
Sponsorships	\$ 29,000.00	\$ 32,000.00	\$ 3,000.00
<b>PROGRAM REVENUES</b>			
MHECare	\$ 180,000.00	\$ 340,838.02	\$ 160,838.02
Master Property Program	\$ 400,000.00	\$ 410,154.00	\$ 10,154.00
M-SARA	\$ 443,000.00	\$ 443,000.00	\$ -
<b>CONTRACT REVENUES</b>			
MHECtech	\$ 900,000.00	\$ 1,041,072.91	\$ 141,072.91
<b>TOTAL REVENUES</b>	<b>\$ 3,339,000.00</b>	<b>\$ 3,708,495.16</b>	<b>\$ 369,495.16</b>
<b>EXPENSES</b>			
<b>Personnel</b>			
Salaries	\$ 1,641,064.45	\$ 1,681,825.49	\$ 40,761.04
Payroll Taxes	\$ 141,952.07	\$ 113,638.77	\$ (28,313.30)
Employee Benefits	\$ 492,216.29	\$ 501,384.16	\$ 9,167.87
<b>TOTAL PERSONNEL</b>	<b>\$ 2,275,232.81</b>	<b>\$ 2,296,848.42</b>	<b>\$ 21,615.61</b>
<b>Contractors</b>			
Staff Development	\$ 30,500.00	\$ 4,571.95	\$ (25,928.05)
Consultants	\$ 166,465.00	\$ 212,411.41	\$ 45,946.41
Other Contractors	\$ -	\$ -	\$ -
<b>TOTAL CONTRACTED SERVICES</b>	<b>\$ 196,965.00</b>	<b>\$ 216,983.36</b>	<b>\$ 20,018.36</b>
<b>Operations</b>			
Advertising	\$ 2,450.00	\$ -	\$ (2,450.00)
Publications	\$ 450.00	\$ 2,458.57	\$ 2,008.57
Dues & Subscriptions	\$ 15,450.00	\$ 21,051.03	\$ 5,601.03
Shipping (FedEx)	\$ 3,150.00	\$ 3,009.79	\$ (140.21)
Interest Charges & Fees	\$ 1,500.00	\$ 2,328.69	\$ 828.69
Rent/Leases	\$ 140,000.00	\$ 118,674.67	\$ (21,325.33)
Conferences/Training (Meals & Entertainment)	\$ 161,500.00	\$ 144,437.98	\$ (17,062.02)
Meeting Room Rental Fees	\$ 4,000.00	\$ 622.66	\$ (3,377.34)
Postage	\$ 1,200.00	\$ 683.76	\$ (516.24)
Printing & Duplicating	\$ 37,650.00	\$ 3,311.94	\$ (34,338.06)
Professional Fees	\$ 45,950.00	\$ 48,349.93	\$ 2,399.93
Promotional & Award Items	\$ 10,350.00	\$ 852.66	\$ (9,497.34)
Repairs & Maintenance	\$ 1,000.00	\$ 5,993.62	\$ 4,993.62
Office Supplies & Equipment	\$ 8,000.00	\$ 23,099.42	\$ 15,099.42
Phone/Fax/Internet	\$ 20,000.00	\$ 19,831.57	\$ (168.43)
Travel & Lodging	\$ 394,902.18	\$ 345,259.70	\$ (49,642.48)
Insurance	\$ 17,250.00	\$ 18,584.21	\$ 1,334.21
Miscellaneous	\$ 2,000.01	\$ 881.46	\$ (1,118.55)
Depreciation	\$ -	\$ -	\$ -
<b>TOTAL OPERATIONS</b>	<b>\$ 866,802.19</b>	<b>\$ 759,431.66</b>	<b>\$ (107,370.53)</b>
<b>TOTAL EXPENSES</b>	<b>\$ 3,339,000.00</b>	<b>\$ 3,273,263.44</b>	<b>\$ (65,736.56)</b>
<i>Surplus (Deficit)</i>	<i>\$ -</i>	<i>\$ 435,231.72</i>	

[Date]

To the Commission  
Midwestern Higher Education Compact  
Minneapolis, Minnesota

We have audited the financial statements of Midwestern Higher Education Compact (the Compact) as of and for the year ended June 30, 2019, and have issued our report thereon dated [Date]. Professional standards require that we advise you of the following matters relating to our audit.

#### **Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated September 12, 2019, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Compact solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

#### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

#### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, and our firm utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

## **Qualitative Aspects of the Entity's Significant Accounting Practices**

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Compact is included in Note 1 to the financial statements. As described in Note 1, the Compact changed its accounting policy related to the presentation of the financial statements by adopting the provisions of Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The accounting changes have been retroactively applied to the financial statements presented. We noted no transactions entered into by the Compact during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. There were no accounting estimates identified during the audit as significant to the financial statements.

### **Significant Difficulties Encountered During the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole.

The following misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management:

- Increase Master Property Program revenue and expense - \$150,000

There was no effect to net assets as a result of this misstatement.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the financial statements or the auditor's report. No such disagreements arose during the course of the audit.

## **Representations Requested from Management**

We have requested certain written representations from management that are included in the management representation letter dated "[insert date of management representation letter]" .

## **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

## **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the Compact, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Compact's auditors.

## **Recent Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). The core principle of ASU 2014-09 is that revenue should be recognized in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Compact expects to be entitled in exchange for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle, which may require the use of judgment and estimates. The Compact may adopt ASU 2014-09 either by using a full retrospective approach for all periods presented or a modified retrospective approach. This standard is effective for annual reporting periods beginning after December 15, 2018.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), which requires lessees to recognize leases on the balance sheet and disclose key information about leasing arrangements. The new standard establishes a right-of-use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for most leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of the expense recognition in the statement of activities. The effective date for this standard has been delayed to annual reporting periods beginning after December 15, 2020.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 605). ASU 2018-08 clarifies and refines existing guidance to help explain the scope of contributions and applies to both resource providers and resource recipients. ASU 2018-08 clarifies two revenue recognition issues. First, in the case of grants and similar contracts with government agencies, unless the resource provider receives commensurate value from the resource recipient, the transaction is most likely a contribution, not an exchange transaction. Second, relates to distinguishing between conditional and unconditional contributions. For a donor-imposed condition to exist, it must have both a measurable barrier that must be overcome and a right of return of the gift to the donor or a release from the donor's promise to give. The Compact may adopt ASU 2018-08 by using a modified prospective approach. A full retrospective approach for all periods presented is also permitted. For resource recipients, this standard is effective for annual reporting periods beginning after December 15, 2018. For resource providers, this standard is effective for annual reporting periods beginning after December 15, 2019. Early adoption of the amendment is permitted.

This communication is intended solely for the information and use of management, the Commission, and others within the Compact and is not intended to be, and should not be, used by anyone other than these specified parties.

"Eide Bailly Signature"

Minneapolis, Minnesota

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[Date]

To the Commission  
Midwestern Higher Education Compact  
Minneapolis, Minnesota

In planning and performing our audit of the financial statements of Midwestern Higher Education Compact (the Compact) as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the Compact's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the Compact's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur

We consider the following deficiency in the Compact's internal control to be a significant deficiency:

**Limited Size of Office Staff**

At times during the year, the limited number of staff in the accounting department results in the lack of segregation of duties associated with certain functions. However, certain administrative controls are in place which somewhat mitigate the risks of the incompatible duties resulting from the limited number of staff. We recommend the Compact continue to review the duties and assignments within its operations to ensure appropriate segregation of duties where possible in order to strengthen internal control and that appropriate oversight is provided.

This communication is intended solely for the information and use of management, the Commission, and others within the Compact and is not intended to be, and should not be, used by anyone other than these specified parties.

"Eide Bailly Signature"

Minneapolis, Minnesota

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Financial Statements

June 30, 2019

(With Comparative Totals for June 30, 2018)

**Midwestern Higher Education Compact**

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## Independent Auditor's Report

To the Commission  
Midwestern Higher Education Compact  
Minneapolis, Minnesota

### Report on the Financial Statements

We have audited the accompanying financial statements of Midwestern Higher Education Compact (the Compact), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Compact as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited the Compact's 2018 financial statements, and our report dated November 6, 2018, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Minneapolis, Minnesota  
\_\_\_\_\_, 2019

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Midwestern Higher Education Compact  
Statement of Financial Position  
June 30, 2019 (With Comparative Totals for June 30, 2018)

	2019	2018
<b>Assets</b>		
Cash and cash equivalents	\$ 2,871,215	\$ 2,256,674
Certificates of deposit	460,000	1,359,645
Receivables, net	830,061	565,977
Prepaid expenses	157,881	150,738
Property and equipment, net	247,525	290,277
	\$ 4,566,682	\$ 4,623,311
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 268,761	\$ 305,437
Accrued payroll and related expenses	219,691	138,099
Deferred state commitments	115,000	115,000
Deferred compensation	-	323,117
Deferred lease incentive	218,010	239,802
	821,462	1,121,455
<b>Net Assets</b>		
Without donor restrictions		
Board-designated		
Risk management	25,000	25,000
Operations reserve	1,300,000	1,300,000
State authorization	-	8,980
Higher education redesign	-	1,906
Open education resources	80,963	160,000
State educational performance indicators	2,537	-
Technology	40,960	40,960
Presidential search	-	49,998
Future lease payments	261,819	294,546
Capital investments	37,291	37,291
Undesignated	1,319,223	879,058
Total without donor restrictions	3,067,793	2,797,739
With donor restrictions		
Purpose restricted	677,427	704,117
	3,745,220	3,501,856
	\$ 4,566,682	\$ 4,623,311

Midwestern Higher Education Compact

Statement of Activities

Year Ended June 30, 2019 (With Comparative Totals for Year Ended June 30, 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>Revenues</b>				
State commitments	\$ 1,380,000	\$ -	\$ 1,380,000	\$ 1,380,000
Program revenue				
Master property program	410,154	10,000	420,154	412,160
MHECare	340,838	-	340,838	209,113
M-SARA	443,000	7,000	450,000	470,000
Cyber insurance	726	-	726	-
Contract revenue				
Technology	1,041,071	-	1,041,071	849,580
Other income	2,723	-	2,723	10,253
Sponsorships	32,000	-	32,000	36,000
Conference registration income	300	-	300	-
Interest income	57,681	-	57,681	19,531
Net assets released from restriction	43,690	(43,690)	-	-
Total revenues	<u>3,752,183</u>	<u>(26,690)</u>	<u>3,725,493</u>	<u>3,386,637</u>
<b>Expenses</b>				
Program services				
Operations	2,059,135	-	2,059,135	1,982,639
Services				
Master property program	148,243	-	148,243	147,096
MHECare	1,023	-	1,023	2,017
M-SARA	41,090	-	41,090	41,201
Other	206,910	-	206,910	2,941
Contract				
Technology	120,653	-	120,653	114,531
Research	62,637	-	62,637	28,717
Grants	-	-	-	243,248
Total program services	<u>2,639,691</u>	<u>-</u>	<u>2,639,691</u>	<u>2,562,390</u>
Management and general expenses	839,614	-	839,614	968,537
Fundraising expenses	2,824	-	2,824	2,682
Total expenses	<u>3,482,129</u>	<u>-</u>	<u>3,482,129</u>	<u>3,533,609</u>
Change in Net Assets	270,054	(26,690)	243,364	(146,972)
Net Assets, Beginning of Year	<u>2,797,739</u>	<u>704,117</u>	<u>3,501,856</u>	<u>3,648,828</u>
Net Assets, End of Year	<u>\$ 3,067,793</u>	<u>\$ 677,427</u>	<u>\$ 3,745,220</u>	<u>\$ 3,501,856</u>

See Notes to Financial Statements

Midwestern Higher Education Compact  
Statement of Functional Expenses  
Year Ended June 30, 2019 (With Comparative Totals for Year Ended June 30, 2018)

	2019				2018
	Program Services	Management and General	Fundraising	Total	
Salaries and Benefits	\$ 1,629,136	\$ 664,887	\$ 2,824	\$ 2,296,847	\$ 2,236,025
Professional Fees	17,022	6,976	-	23,998	27,827
Contract Services	91,791	30,729	-	122,520	244,234
Office Space Lease	105,015	43,041	-	148,056	141,986
Auto and Parking	1,907	714	-	2,621	541
Office Supplies	4,678	1,745	-	6,423	6,373
Postage	485	199	-	684	751
Shipping	3,037	345	-	3,382	-
Printing	2,652	660	-	3,312	34,797
Subscriptions	20,439	1,864	-	22,303	19,064
Software/Maintenance Contract	114,780	22,010	-	136,790	109,767
Telephone	14,276	5,574	-	19,850	3,478
Insurance	13,182	5,403	-	18,585	20,621
Miscellaneous	7,131	1,326	-	8,457	39,711
Depreciation	30,324	12,428	-	42,752	63,996
Travel/Meetings/Conference	559,133	31,937	-	591,070	573,542
Office Equipment	24,703	9,776	-	34,479	10,896
<b>Total Expenses by Function</b>	<b>\$ 2,639,691</b>	<b>\$ 839,614</b>	<b>\$ 2,824</b>	<b>\$ 3,482,129</b>	<b>\$ 3,533,609</b>

Midwestern Higher Education Compact

Statement of Cash Flows

Year Ended June 30, 2019 (With Comparative Totals for Year Ended June 30, 2018)

	<u>2019</u>	<u>2018</u>
Operating Activities		
Change in net assets	\$ 243,364	\$ (146,972)
Adjustments to reconcile change in net assets to net cash used for operating activities		
Depreciation	42,752	63,996
Changes in operating assets and liabilities		
Receivables	(264,084)	(62,204)
Prepaid expenses	(7,143)	21,952
Accounts payable	(36,676)	43,212
Accrued payroll and related expenses	81,592	(87,531)
Deferred compensation	(323,117)	31,426
Deferred lease incentive	(21,792)	(19,542)
Net Cash used for Operating Activities	<u>(285,104)</u>	<u>(155,663)</u>
Investing Activities		
Purchase of property and equipment	-	(9,643)
Purchase of certificates of deposit	-	(1,460,000)
Proceeds from maturity of certificates of deposit	899,645	927,546
Net Cash from (used for) Investing Activities	<u>899,645</u>	<u>(542,097)</u>
Net Change in Cash and Cash Equivalents	614,541	(697,760)
Cash and Cash Equivalents, Beginning of Year	<u>2,256,674</u>	<u>2,954,434</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,871,215</u>	<u>\$ 2,256,674</u>

## **Note 1 - Principal Activity and Significant Accounting Policies**

### **Organization**

The Midwestern Higher Education Compact (the Compact) commenced operations in 1991 as a not-for-profit corporation to improve higher education opportunities and services in the midwestern United States through interstate cooperation. States become members of the Compact through passage of legislation. The member states of the Compact include Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin.

The Compact's mission is to advance education through cooperation and collaboration. The Compact seeks to fulfill its interstate mission through programs that reduce administrative costs, encourage student access and education affordability, facilitate public policy analysis and information exchange, facilitate regional academic cooperation, and encourage quality educational programs and services in higher education.

### **Comparative Financial Information**

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with our audited financial statements for the year ended June 30, 2018, from which the summarized information was derived.

### **Cash and Cash Equivalents**

The Compact considers all cash and highly liquid financial instruments with original maturities of three months or less when purchased to be cash equivalents, excluding certificates of deposit. At times, cash and cash equivalents, including certificates of deposit, may be in excess of FDIC insurance limits.

### **Receivables and Credit Policies**

Accounts receivable consists primarily of amounts due for dues and fees. Intentions to give and conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. The Compact uses the allowance method to determine uncollectible contributions and other receivables. The allowance is based on prior year experience and management's analysis. The Compact does not charge interest on past due accounts. Accounts receivable are written off when deemed uncollectible. At June 30, 2019 and 2018, the allowance was approximately \$21,400.

### Property and Equipment

Property and equipment additions over \$3,500 are recorded at cost or, if donated, at the estimated fair value at the date of donation. Depreciation of property and equipment is provided using the straight-line method over the estimated useful lives of the assets.

Computers	3 years
Office improvements	5 years
Software and IT equipment	5 years
Furniture	10 years
Leasehold improvements	15 years

When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any remaining gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Compact reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2019 and 2018.

### Investments in Certificates of Deposit

Purchases of certificates of deposit are recorded at cost. Investment interest income is reported in the statement of activities as an increase in net assets without donor restriction. The certificates of deposit have maturity dates ranging from six months to five years.

### Deferred State Commitments

State commitments received in advance of the applicable period are recorded as deferred revenue until earned.

### Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets for use in general operations and not subject to donor (or certain grantor) restrictions. The governing Board has designated, from net assets without donor restrictions, net assets for an operations reserve, risk management reserve, and a capital asset reserve.

Net Assets Without Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restricted are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Compact reports contributions restricted by donors as increases in net assets with donor restriction expires, that is, when stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets released from restrictions. Donor-imposed restrictions are released when the resource was restricted has been fulfilled, or both.

### **Revenue Recognition**

Revenue from state commitments is recognized in the year earned. State commitments are billed at the beginning of each fiscal year, due upon receipt of billing, and are typically received during July. Other fees consist of fees earned based on a percentage of sales or cost savings to member institutions in accordance with various program agreements. Other fee revenue is recognized when earned. Unsecured credit is extended to these organizations in the normal course of business.

### **Donated Materials and Services**

Contributed goods are reflected as support in the financial statements at their estimated values on the date of donation. The Compact records donated professional services at the fair value of the services received.

### **Functional Allocation of Expenses**

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expense that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses allocated include salaries and benefits, professional fees, contract services, office expenses including office supplies, postage, shipping, and printing; software and maintenance contracts, insurance, depreciation, and travel costs, which are allocated on the basis of estimates of time and effort.

### **Income Taxes**

The Compact qualifies as a tax-exempt organization under Section 501(c)(3) and is not a private foundation under Section 509(a) of the Internal Revenue Code. The Compact is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Compact is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. The Compact has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990T) with the IRS.

The Compact believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Compact would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

### **Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

### **Recent Accounting Guidance**

As of July 1, 2018, the Compact adopted the provisions of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities*. The provisions of the ASU replace the existing three classes of net assets with two new classes (net assets without donor restrictions and net assets with donor restrictions). The ASU introduces new disclosure requirements to provide information about what is included or excluded from the Compact's intermediate measure of operations as well as disclosures to improve a financial statement user's ability to assess the Compact's liquidity and exposure to risk. The ASU also introduces new reporting requirements to present expenses by both function and natural classification in a single location and to present investment returns on the statements of activities net of external and direct internal investment expenses.

The amendments should be applied on a retrospective basis; however, if presenting comparative financial statements, the ASU allows for the option to omit, for any periods presented before the period of adoption, the analysis of expenses by both natural classification and functional classification (the separate presentation of expenses by functional classification and expenses by natural classification is still required), and the disclosure about liquidity and availability of resources. The Compact has elected not to present comparative information for these amendments.

### **Subsequent Events**

The Compact has evaluated subsequent events through **XXX XX, 2019**, the date the financial statements were available to be issued.

**Note 2 - Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 2,871,215
Certificates of deposit	460,000
Accounts receivables	<u>830,061</u>
	<u>4,161,276</u>
Less amounts not available to be used within one year	
Board-designated funds	<u>(1,748,570)</u>
	<u><u>\$ 2,412,706</u></u>

The Compact regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Compact has various sources of liquidity at its disposal, including cash and cash equivalents, certificates of deposits, and accounts receivable. Board-designated funds represent a portion of cash and cash equivalents that is not considered liquid or available for general operating activities because it has been designated by the Board for various purposes (Note 7).

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Compact considers all expenditures related to its ongoing activities of programs, research, and technology contracts as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Compact operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the Compact's cash and shows positive cash generated by operations for fiscal years 2019 and 2018.

As part of the liquidity management plan, the Compact has investments held in long-term certificate of deposits. Although some of the certificates of deposits have maturities greater than one year, the Compact has the option to withdraw the funds with an interest penalty that is minimal to the overall certificate of deposit. Although the Board does not intend to spend long-term investments, these amounts could be made available if necessary. As such, they are considered to be available for general expenditures within one year.

**Note 3 - Property and Equipment**

Property and equipment consists of the following at June 30, 2019 and 2018:

	2019	2018
Computers	\$ 30,407	\$ 30,407
Office improvements	7,520	7,520
Software and IT equipment	295,369	295,369
Furniture	176,952	176,952
Leasehold improvements	362,552	362,552
	872,800	872,800
Less accumulated depreciation	(625,275)	(582,523)
	\$ 247,525	\$ 290,277

**Note 4 - Leases**

The Compact leases office space located at 105 Fifth Avenue South through May 2026. Rent expense is prorated over the term of the lease and expensed as incurred.

Office space expense was \$76,764 and \$74,137 for the years ended June 30, 2019 and 2018, respectively. Approximate future annual rental commitments are as follows:

Years Ending June 30,	Amount
2020	\$ 78,704
2021	81,088
2022	83,538
2023	86,054
2024	88,638
Thereafter	177,420
	\$ 595,442

**Note 5 - Retirement Plan**

Employees of the Compact participate in a TIAA tax sheltered deferred annuity plan upon completion of a 30-day waiting period. The employee must contribute to the plan through payroll withholdings. The Compact contributes 13% of the employee's salary to the plan. Employees are required to contribute 2.5% of their annual salary to the plan. An employee may choose to increase their contribution according to federal guidelines. Employer contributions were \$204,207 and \$189,068 for the years ended June 30, 2019 and 2018, respectively.

**Note 6 - Net Assets With Donor Restrictions**

Net assets with donor restrictions consist of the following at June 30, 2019 and 2018:

	2019	2018
Programmatic activities		
Master property program	\$ 432,718	\$ 462,718
M-SARA	222,000	215,000
Multi-State Collaborative on Military Credit (MCMC)		
MCMC - Strada Education Network	22,709	26,399
	\$ 677,427	\$ 704,117

Net assets released from restrictions for the years ended June 30, 2019 and 2018, were comprised of the following:

	2019	2018
Satisfaction of purpose restrictions		
Master property program	\$ 40,000	\$ -
MCMC - Strada Education Network	3,690	93,601
MCMC - Lumina	-	145,268
Tides Center	-	846
	\$ 43,690	\$ 239,715

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**Note 7 - Net Assets Without Donor Restrictions – Board Designated**

At June 30, 2019 and 2018, net assets without donor restrictions designated by the Board are available for the following purposes:

	<u>2019</u>	<u>2018</u>
Risk management	\$ 25,000	\$ 25,000
Operations reserve	1,300,000	1,300,000
Special projects		
State authorization	-	8,980
Higher education redesign	-	1,906
Open education resources	80,963	160,000
State education performance indicators	2,537	-
Organizational capacity		
Technology	40,960	40,960
Presidential search	-	49,998
Capital asset reserve		
Future lease payments	261,819	294,546
Capital investments	37,291	37,291
	<u>\$ 1,748,570</u>	<u>\$ 1,918,681</u>

The Board established a policy to maintain a reserve for three purposes. (1) The operations reserve is intended to cover shortfalls in the operating budget as a result of unanticipated loss in funding or greater than anticipated expenses. The target operations reserve is a set amount approved by the Compact's commission. (2) The special projects and organizational capacity reserve funds are intended to provide funds to meet special targets of opportunity or need that further the mission of the Compact which may or may not have specific expectation of incremental or long-term increased revenue. (3) The capital asset reserve is intended to provide a ready source of funds for repair or acquisition of leaseholds, furniture, fixtures, and equipment necessary for the effective operation of the Compact and programs.

## **DRAFT – Finance and Audit Committee**

### Action Items for Full Commission Consideration and Action on the Unrestricted Fund Balance Policy

The Finance and Audit Committee recommend to the full Commission the following action items:

- Proposed Action Item 1: Establish a six-month Operations Reserve Fund requiring MHEC to retain an Operations Reserve Fund equal to six-months of average annual operating costs. This six-month Operations Reserve Fund proposal can be found at page 7 of the Proposed Unrestricted Fund Balance Policy. Currently, the operations reserve fund amount is set at \$1.3M which is approximately four months of average annual operating costs. It will take approximately an additional \$336,000 to move from the current \$1.3M up to the six months of average annual operating costs required per the proposed policy. This would be reviewed annually by the Finance and Audit Committee.

**Proposed Action:** *The Commission approve that MHEC retain an Operations Reserve Fund equal to six-months of its average annual operating costs.*

- Proposed Action Item 2: Provide MHEC staff three years' time to build up the Operations Reserve Fund to the six months of average annual operating costs required by the Operations Reserve Fund Policy. In order to preserve the proper balance between building up the operations reserve and still having the available resources to be able to pursue potential opportunities, the MHEC staff requests three years' time to build up the Operations Reserve Fund to meet the policy's requirement of six months of average operating costs.

**Proposed Action:** *The Commission approve providing MHEC staff three years' time beginning January 1, 2020, to build up the operations reserve fund to the six months of average annual operating costs required by the Operations Reserve Fund Policy.*

- Proposed Action Item 3: Delegate to the president in consultation with the treasurer the authority to spend up to \$165,000 annually from operating reserves or an amount not to exceed 5 percent of the designated operations reserves, whichever is greater. Currently, the president's authority is set at one-third of the \$1.3M operating reserves. This proposed change was incorporated into the Proposed Unrestricted Fund Balance Policy at page 8.

**Proposed Action:** *The Commission approve delegating to the president in consultation with the treasurer the authority to spend up to \$165,000 annually from operating reserves or an amount not to exceed 5 percent of the designated operations reserves, whichever is greater.*

- Proposed Action Item 4: Limit the Executive Committee's authority to authorize the spending of operations reserves to an amount not to exceed 25 percent of the Operations Reserve Fund. This allows for a distinction between the amount of operating reserves the Executive Committee can approve and the amount of operating reserves the full Commission approves. This proposed change was incorporated into the Proposed Unrestricted Fund Balance Policy at page 9.

**Proposed Action:** *The Commission approve limiting the Executive Committee's authority to authorize the spending of operations reserves to an amount not to exceed 25 percent of the Operations Reserve Fund.*

- Proposed Action Item 5: Delegate to the MHEC officers (chair, vice chair, treasurer, and past chair) the authority to spend up to \$100,000 of opportunity reserves without needing prior approval from the Commission. This provision is in the Proposed Unrestricted Fund Balance Policy at page 11.

**Proposed Action:** *The Commission approve delegating to the MHEC officers the authority to spend up to \$100,000 of opportunity reserves without needing prior approval from the Commission.*

- Proposed Action Item 6: Delegate to the MHEC officers (chair, vice chair, treasurer, and past chair) the authority to spend up to \$25,000 of capital asset reserves without needing prior approval from the Commission. This provision is in the Proposed Unrestricted Fund Balance Policy on page 12.

**Proposed Action:** *The Commission approve delegating to the MHEC officers the authority to spend up to \$25,000 of capital asset reserves without needing prior approval from the Commission.*

- Proposed Action Item 7: Approval of the proposed Unrestricted Fund Balance Policy.

**Proposed Action:** *The Commission approve the proposed Unrestricted Fund Balance Policy.*



## Proposed Unrestricted Fund Balance Policy

**Proposed Unrestricted Fund Balance Policy**

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Midwestern Higher Education Compact  
Unrestricted Fund Balance Policy

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## Overview and Purpose

The Midwestern Higher Education Commission's (MHEC) funds fall into one of three categories:

- (1) **Unrestricted operations budget:** funds set aside for the year to use on daily operations of the organization. These funds are represented in the budget the Commission approves every year.
- (2) **Donor restricted funds:** funds provided to the organization by an outside donor specifically for a dedicated purpose. The use of these funds is restricted for the specific purpose(s) designated by the donor.
- (3) **Unrestricted funds:** Remaining funds of the organization that are neither set aside as part of the operations budget nor donor restricted funds. The unrestricted funds are classified into one of two types:
  - a. (a) *Board Designated Funds* which are funds that the organization, itself, has placed constraints on its use. Currently, under the Board Designated Funds category, the Commission has designated funds for the following purposes:
    - i. Operations Reserve Fund-funds intended to cover shortfalls in the operations budget as a result of unanticipated loss in funding or greater than anticipated expenses;
    - ii. Opportunity Reserve Fund-funds intended to meet special targets of opportunity or need that further the mission of the organization; and
    - iii. Capital Asset Reserve Fund-funds intended for repair or acquisition of leaseholds, furniture, fixtures, and equipment necessary for the effective operation of the organization and programs;

- b. (b) *Undesignated Funds* which are funds that do not have any specific purpose identified for their use.

The purpose of this proposed Unrestricted Fund Balance Policy is to provide guidelines and processes around the appropriate amounts and uses of the unrestricted funds.

An unrestricted fund balance policy helps ensure the stability of the mission, programs, employment, and ongoing operations of an organization such as MHEC. If adopted it will be implemented in concert with the other governance and financial policies of the Midwestern Higher Education Commission and is intended to support the goals and strategies contained in these related policies and in strategic and operational plans. The goal of this memorandum is to explain the nature of MHEC unrestricted funds and the processes under which the funds are to be used.

## **Proposed BOARD DESIGNATED FUNDS**

MHEC unrestricted funds are grouped into one of two categories, board designated funds or undesignated funds. The board designated funds are defined as designated funds set aside by the Commission. Currently the Commission has designated funds for the following three primary purposes: (1) operations reserves; (2) opportunity reserves; and (3) capital asset reserves.

### **I. Operations Reserve Fund**

#### **A. Operations Reserve Fund Definition and Goals**

The operations reserve fund is intended to provide an internal source of funds for situations such as a sudden increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding, or uninsured losses. The operations reserve fund may also be used for one-time, nonrecurring expenses that will build long-term capacity, such as staff development, research and development, or investment in infrastructure. The operations reserve funds are not intended to replace a

permanent loss of funds or eliminate an ongoing budget gap. It is a recommended best practice that operations reserve funds be used and then replenished within a reasonably short period of time.

According to the National Council of Nonprofits, each nonprofit organization needs to determine, based on its own operations, the appropriate level of cash reserves it should set aside. Accordingly, the Commission should decide the minimum amount of funds to designate as operations reserves based on MHEC's overall operations. The amount should be sufficient to maintain ongoing operations and programs for a set period of time, measured in months of the budget. The operations reserves will then serve a dynamic role and will be reviewed and adjusted in response to internal and external changes as recommended by the Finance and Audit Committee.

The minimum target for the operations reserve fund is equal to six months of average operating costs.<sup>1</sup> The calculation of average monthly operating costs includes all recurring, predictable expenses such as salaries and benefits, occupancy, office, travel, programs, and ongoing professional services. Depreciation, in-kind, and other non-cash expenses are **NOT** included in the calculations. The calculation of average monthly expenses also excludes some expenses such as office supplies, publications, parking, etc. The target minimum operations reserve fund amount will be calculated each year based off the previous year's the annual budget expenses, reported to the Finance and Audit Committee and the Commission Executive Committee, and included in the regular financial reports.

## **B. Accounting for Operations Reserve Fund**

The operations reserve fund is recorded in the financial records as Board Designated - Operations Reserve. The fund is made up of cash or cash equivalent assets. The designated operations reserve fund is maintained in a segregated bank account or

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<sup>1</sup> In 2011 the Commission approved a six (6) month reserve. In 2015 the six (6) month reserve was changed to \$1.3M (or approximately 4.2 months of MHEC's budget). That \$1.3M amount was agreed upon again in 2017.

investment account (ICS Account), in accordance with Commission investment policies.

### **C. Funding the Operations Reserve Fund**

The designated operations reserve fund is funded with unrestricted funds or some other source of funds as directed by the Commission. The Commission may from time to time direct that a specific amount of unrestricted funds or some other source of funding be set aside for designated operations reserves. Example of other sources may include one-time gifts or bequests or other board restricted funds.

### **D. Use of Operations Reserve Fund**

Use of the existing operations reserve fund requires three steps:

#### **1. Identification of appropriate use of operations reserve fund:**

The President and MHEC staff identify the need for access to the designated operations reserve funds and confirm that the use is consistent with the purpose of the designated operations reserves as described in this policy. This step requires analysis of the reason for the shortfall, the availability of any other sources of funds before using designated operations reserves, and evaluation of the time period that the funds will be required and replenished within the next fiscal year.

#### **2. Authority to use operations reserve funds:**

Authority for use of up to \$165,000<sup>2</sup> of designated operations reserves or an amount not to exceed 5% of the designated operations reserves, whichever is greater, is delegated to the President in consultation with the Treasurer of the Commission<sup>3</sup>. The use of the designated operations reserves will be reported to the Commission Officers and then to the

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<sup>2</sup> This amount represents approximately one month of MHEC salaries and benefits

<sup>3</sup> The current policy allows the President, in consultation with the Treasurer, to use up to 1/3 of the \$1.3M presently sitting in operations reserves without prior approval from the Commission.

Executive Committee and the full Commission at their next respective scheduled meetings, accompanied by a description of the analysis and determination of the use of funds and plans for replenishment to restore the designated operations reserve fund to the target minimum amount set by this policy. **The Executive Committee has the authority to authorize the spending of up to 25% of the designated operations reserve fund.** The President must receive prior approval: (1) from the Executive Committee for any use of designated operations reserves in an amount in excess of \$165,000 or 5% of the designated operations reserve fund, whichever is greater, but less than 25% of the designated operations reserve fund and (2) from the full Commission for any use of designated operations reserves in excess of 25% of the designated operations reserve fund.

### **3. Reporting and Monitoring**

The Chief Financial Officer is responsible for ensuring that the designated operations reserve fund is maintained and used only as described in the policy. Upon approval for the use of designated operations reserve funds, the Chief Financial Officer will maintain records of the use of the funds and plan for replenishment. S/he will provide regular reports to the Finance and Audit Committee and the Commission Officers of progress to restore the fund target minimum amount.

## **II. Opportunity Reserve Fund**

### **A. Opportunity Reserve Fund Definition and Goals**

The opportunity reserve funds are designated funds set aside by the Commission to meet key initiatives, special targets of opportunity, or needs that further the mission of the organization. The minimum amount to be designated as opportunity reserves will be established by the Commission in an amount sufficient to build organizational capacity for special projects for a set period of time. The designated opportunity

reserve fund serves a dynamic and evolving purpose and will be reviewed and adjusted by the Commission in response to internal and external changes.

The amount of opportunity reserve funds will be revisited each year by the Commission after approval of the annual budget and be recorded and included in the regular financial reports.

## **B. Accounting for Opportunity Reserve Funds**

The opportunity reserve fund is recorded in the financial records as Board Designated - Opportunity Reserve. The fund is made up of cash or cash equivalent assets. Opportunity reserve funds are maintained in a segregated bank account or investment account (ICS Account), in accordance with Commission investment policies.

## **C. Funding the Opportunity Reserve Fund**

The opportunity reserve fund is funded with unrestricted funds or some other source of funds as directed by the Commission. The Commission may from time to time direct that a specific amount of unrestricted funds or some other source of funding be set aside for opportunity reserve funds. Example of other sources may include one-time gifts or bequests or other board restricted funds.

## **D. Use of Opportunity Reserve Funds**

Use of the existing opportunity reserve funds requires three steps:

### **1. Identification of appropriate use of opportunity reserve funds:**

The President and MHEC staff identify the need for access to the designated opportunity reserves and confirm that the use is consistent with the purpose of the opportunity reserve funds as described in this policy.

## **2. Authority to use opportunity reserve funds:**

Authority for use of existing opportunity reserve funds is delegated to the Commission Officers. **The Commission Officers shall have the authority to use up to \$100,000 of opportunity reserve funds without approval from the Commission.** Prior approval from the Executive Committee or full Commission is required should the amount contemplated for use exceed \$100,000. Provide a notification to the Executive Committee at its next regularly scheduled meeting and provide an update to the full Commission at the next annual meeting.

## **3. Reporting and Monitoring**

The Chief Financial Officer is responsible for ensuring that the opportunity reserve funds are maintained and used only as described in the policy. Upon approval for the use of designated opportunity reserves, the Chief Financial Officer will maintain records of the use of the funds. S/he will provide regular reports to the Finance and Audit Committee and Commission Officers.

# **III. CAPITAL ASSET RESERVE FUND**

## **A. Capital Asset Reserve Fund Definition and Goals**

The capital asset reserve funds are funds set aside by the Commission for purposes of future lease payments, and the purchase and repair of office furniture and equipment. The capital asset reserve fund serves a dynamic and evolving purpose and is reviewed and adjusted by the Commission in response to internal and external changes.

The amount of the capital asset reserve fund is reported to the Finance and Audit Committee and the Commission and will be included in the regular financial reports.

## **B. Accounting for Capital Asset Reserve Fund**

The capital asset reserve fund is recorded in the financial records as Board Designated – Capital Asset Reserve. The Fund is made up of cash or cash equivalent assets. Designated capital asset reserves are maintained in a segregated bank account or investment account (ICS Account), in accordance with Commission investment policies.

## **C. Funding the Capital Asset Reserve Fund**

The capital asset reserve fund is funded with unrestricted funds or some other source of funds as directed by the Commission. The Commission may from time to time direct that a specific amount of unrestricted funds or some other source of funding be set aside for the capital asset reserve fund. Example of other sources may include one-time gifts or bequests or other board restricted funds.

## **D. Use of Capital Asset Reserve Fund**

Use of the existing capital asset reserve fund requires three steps:

### **1. Identification of appropriate use of capital asset reserve fund:**

The President and MHEC staff will identify the need for access to the capital asset reserve fund and confirm that the use is consistent with the purpose of the capital asset reserve fund as described in this policy.

### **2. Authority to use capital asset reserve funds:**

Authority for use of existing capital asset reserve funds is delegated to the Commission Officers. **The Commission Officers shall have the authority to use up to \$25,000 of capital asset reserve funds without approval from the Commission.** Prior approval from the Executive Committee or full Commission is required should the amount contemplated for use exceed \$100,000. The use of the capital asset reserve funds is reported to the Commission Officers and then to the Executive Committee and full

Commission at their next respective scheduled meetings, accompanied by a description of the analysis and determination of the use of funds.

### **3. Reporting and Monitoring**

The Chief Financial Officer is responsible for ensuring that the designated capital asset reserve funds are maintained and used only as described in the policy. Upon approval for the use of designated capital asset reserves, the Chief Financial Officer will maintain records of the use of the funds. S/he will provide regular reports to the Finance and Audit Committee/Commission Officers.

## **IV. UNDESIGNATED FUNDS**

### **A. Undesignated Funds Definition and Goals**

The Undesignated Funds are funds that do not have any specific purpose identified for their use and generally derive from a carryover of revenues over expenses from previous fiscal years. When MHEC has a carryover from a prior fiscal year, the funds go into the undesignated funds on the unrestricted fund balance workbook. Those funds are then set aside in MHEC insured cash sweeps (ICS) account. These funds can be used by MHEC for one-time expenses, unexpected expenses, and investment ventures without any additional Commission or committee approval. These funds are also used to cover any shortfall in MHEC's primary checking and savings accounts. The Commission may also delegate the funds or a portion thereof for specific purposes and move the funds into a board designated fund.

### **B. Accounting for Undesignated Funds**

The undesignated funds are recorded in the financial records as Undesignated Total. The undesignated funds are made up of cash or cash equivalent assets. Undesignated funds are maintained in a segregated bank account or investment account (ICS Account), in accordance with Commission investment policies.

## **C. Funding for Undesignated Funds**

The undesignated funds will be funded with surplus of revenues over expenses from prior fiscal years. All carryover revenues from previous fiscal years that are not allocated to expenses will be placed in the undesignated funds.

## **D. Use of Undesignated Funds**

Use of the undesignated funds requires three steps:

### **1. Identification of appropriate use of undesignated funds:**

The President and/or Chief Financial Officer identify the need for access to the undesignated funds and confirm that the use is consistent with the purpose of the undesignated funds as described in this policy. This step requires analysis of the needs for the funds, the availability of any other sources of funds before using undesignated funds, and the balance remaining in the undesignated fund account.

### **2. Authority to use undesignated funds:**

Authority for use of undesignated funds is delegated to the Commission, President, Vice Presidents, and Chief Financial Officer. The use of the undesignated funds will be reported to the Finance and Audit Committee at the next scheduled meeting, accompanied by a description of the analysis and determination of the use of the undesignated funds and the balance remaining in the undesignated fund account.

### **3. Reporting and Monitoring**

The Chief Financial Officer is responsible for ensuring that the undesignated funds are maintained and used only as described in the policy. Upon use of undesignated funds, the Chief Financial Officer will maintain records of the use of the funds and the plan, if any, for

replenishment. S/he will provide regular reports to the Finance and Audit Committee and Commission Officers of progress to restore the funds.

## **Relationship to Other Policies**

Midwestern Higher Education Commission shall maintain the following policies which may contain provisions that affect the creation, sufficiency, and management of the unrestricted funds.

- Accounting Policy
- Investment Policy
- Grant Procedures
- Business Continuity Plan

## **Review of Policy**

This policy will be reviewed every other year, at minimum, by the Finance and Audit Committee or sooner if warranted by internal or external events or changes. Changes to the policy will be recommended by the Finance and Audit Committee to the Commission.

## Consideration and Recommendation on the State Compact Commitment

In 1991 when MHEC was established, the annual state compact commitment was \$58,000. The state commitment remained at \$58,000 through 1999 when the Commission approved increasing it to \$75,000. The Commission again voted to increase the state commitment to \$82,500 in 2001, to \$90,000 in 2005, and to \$95,000 in 2008. In 2015 the Commission approved increasing the state compact commitment an additional \$20,000 to \$115,000 and then subsequently approved to keep it at \$115,000 through FY21.

The Finance and Audit Committee is recommending MHEC increase the state compact commitment 1.5% annually starting in FY22. An annual increase of 1.5% will allow MHEC to keep pace with its cost increases without requiring it to periodically go to the member states asking for a more sizable state commitment increase as happened back in 2015 when MHEC asked for a \$20,000 increase. Intervals between requests ranged from two to nine years. A similar strategy has been adopted by the Southern Regional Education Board (SREB) and the Western Interstate Commission for Higher Education (WICHE). SREB, whose current dues are \$208,508 per state, has voted to increase its state commitment 1.5% annually while WICHE, with a current state commitment of \$153,000 per state, has voted to increase its dues 2% annually.

A 1.5% increase in the MHEC state compact commitment for FY22 would mean the state commitment would increase to \$116,725 in FY22, or an increase of \$1,725. As a comparison, SREB's state commitment will be \$211,636 in FY21 and WICHE's state commitment will be \$156,060 in FY21. (The New England Board of Higher Education's state commitment is based on the member state's population and ranges from a high of \$367,500 for Massachusetts to a low of \$84,000 for Vermont.)

**Proposed Action:** *The Commission approve increasing the state compact commitment 1.5% annually beginning in FY 2022.*

## DRAFT – Ad Hoc Governance Committee

Action Items for Full Commission Consideration and Action to the MHEC bylaws

**1. Treasurer succeed to the office of vice chair following a one-year term.** Article III of the MHEC bylaws establishes the commission’s four officers and sets forth their election, succession and duties. The officers, as currently stated in the bylaws, are chair, vice chair, past chair and treasurer. The current bylaws state that the treasurer serves a one-year term (renewable for no more than four successive terms). Recent past practice has been that the treasurer, after a one-year term of office, has succeeded to the office of the vice chair. In an effort to promote a better understanding of the organization and continuity amongst the officers the Ad Hoc Governance Committee recommends this practice be codified into the MHEC bylaws.

Article III. Officers

Section 1. Election and Succession

As provided by the compact, the officers of the commission shall include a chair, vice chair, past chair, and treasurer, all of whom shall be duly appointed commission members.

Officers shall be elected by the commission at any meeting at which a quorum is present. The chair, vice chair and treasurer shall serve one-year terms or until their successors are elected by the commission. The vice chair shall succeed to the office of chair upon completion of the chair’s term of office. The treasurer shall **succeed to the office of vice chair upon completion of the vice chair’s term of office.** ~~not serve more than four terms successively.~~

**Proposed Action:** *The Commission approve the amendment to Article III Section 1 of the MHEC bylaws.*

**2. Finance and Audit Committee.** Article VI Section 2 of the MHEC bylaws states the commission may establish committees as it deems necessary to carry out its objectives. At the June 2019 Executive Committee meeting in Columbus Ohio, the Executive Committee approved the establishment of a standing Finance and Audit Committee to provide guidance on all MHEC financial matters. The committee shall act in an advisory manner and shall consist of seven to nine commissioners, including the MHEC treasurer, who shall serve as the committee’s chair. The Ad Hoc Governance Committee recommends this standing committee be codified into the MHEC bylaws.

Article VI. Committees

Section 1. Executive Committee

Section 2. **Finance and Audit Committee**

**The Finance and Audit Committee acts as an advisory committee to the commission and is charged with reviewing and providing guidance on all MHEC financial matters.**

Section 23. Other Committees

The commission may establish such other committees as it deems necessary to carry out its objectives. The composition, procedures, duties, budget and tenure of such committees shall be determined by the commission.

*Proposed Action:* The Commission approve the amendment to Article VI Sections 2 and 3 of the MHEC bylaws.

**3. Editorial Revisions.** Upon review of the MHEC bylaws, the Ad Hoc Governance Committee noted some editorial revisions that would improve the bylaw's clarity and consistency. These editorial changes include pagination, punctuation, consistent use of "chair" and "vice chair" and use of president instead of executive director.

See accompanying amended bylaws

*Proposed Action:* The Commission approve the editorial amendments to the MHEC bylaws

# Midwestern Higher Education Commission

## Bylaws

**Proposed Editorial Revisions**  
**Includes pagination, punctuation, consistent use of**  
**“Chair” and “Vice Chair”, and use of “President” instead of Executive Director**

### Article I. Commission Purpose, Functions and Bylaws

#### Section 1. Purpose.

Pursuant to the terms of the Midwestern Higher Education Compact (hereinafter referred to as "the compact"), the Midwestern Higher Education Commission (hereinafter referred to as "the commission") is established to fulfill the objectives of the compact, including the development and promotion within the compacting states, of new and more efficient opportunities in higher education.

#### Section 2. Functions.

In pursuit of the fundamental objectives set forth in the compact, the commission shall, as necessary or required, exercise all of the powers and fulfill all of the duties delegated to it by the compacting states. The commission's activities shall include the preparation of reports, studies and recommendations, the provision of information and consulting services, the facilitation of resource sharing and exchanges, and the promotion and implementation of other initiatives related to the improvement of higher education in the compacting states, as provided by the compact, or as determined by the commission to be warranted by, and consistent with, the objectives and provisions of the compact.

The president (referred to as executive director in the compact statute) serves as the commission's principal administrator.

#### Section 3. Bylaws.

As required by the compact, these bylaws shall govern the management and operations of the commission. As adopted and subsequently amended, these bylaws shall remain at all times subject to, and limited by, the terms of the compact.

### Article II. Membership

#### Section 1. Commission Compact Members.

The commission membership shall be comprised as provided in the compact. The appointing authorities in each of the compacting states shall forward the names of their appointees to the commission chairperson. After verifying compliance with the compact provisions governing commission appointments, the commission chairperson shall promptly acknowledge the receipt of all qualified appointments by letter to both the appropriate appointing authorities and the designated appointees. The commission chairperson shall promptly advise the appropriate appointing authorities of the need to appoint new commission members upon the expiration of designated terms or the occurrence of mid-term vacancies.

## Section 2. Affiliate Members.

States not eligible to become a party to the ~~Ec~~compact and/or Canadian Provinces may become affiliate members of the ~~Ec~~commission when mutual interests exist and when it would benefit the ~~Ec~~compact to enter into such arrangements. Such other states and/or Canadian Provinces may be afforded status as affiliate members to the ~~Ec~~commission in accordance with policies and procedures approved by the ~~Ec~~commission.

The ~~Ec~~compact legislation must be approved by affiliate member states or provinces prior to being afforded affiliate member status.

## Section 3. Associates ~~Members~~.

Entities not eligible to become members of the ~~Ec~~compact may be afforded status as associates ~~members~~ of the ~~Ec~~commission in accordance with the policies and procedures approved by the ~~Ec~~commission.

## Section 4. Compact Participation in MHEC Programs.

For the 12 states identified in Article VI of the MHEC compact statute, the MHEC compact statute must remain in effect in order for those states to participate in MHEC programs and services

## Article III. Officers

### Section 1. Election and Succession.

As provided by the compact, the officers of the commission shall include a chair~~person~~, vice chair~~person~~, past chair~~person~~, and a treasurer, all of whom shall be duly appointed commission members.

Officers shall be elected by the commission at any meeting at which a quorum is present. The chair~~person~~, and vice chair~~person~~ and treasurer shall serve one-year terms or until their successors are elected by the commission. The vice chair~~person~~ shall succeed to the office of chair~~person~~ upon completion of the chairperson's term of office. The treasurer shall ~~succeed to the office of vice chair upon completion of the vice chair's term of office. serve a one-year term or until a successor is elected by the commission. The treasurer shall not serve more than four terms successively.~~

### Section 2. Duties.

The ~~four~~ officers shall perform all duties of their respective offices as provided by the compact and these bylaws. Such duties shall include, but are not limited to, the following:

- a. Chair~~person~~. The chair~~person~~ shall call and preside at all meetings of the commission, shall prepare agendas for such meetings, shall make appointments to all committees of the commission, and, in accordance with the commission's directions, or subject to ratification by the commission, shall act on the commission's behalf during the interims between commission meetings.
- b. Vice Chair~~person~~. The vice chair~~person~~ shall, in the absence or at the direction of the chair, perform any or all of the duties of the chair~~person~~. In the event of a vacancy in

the office of chairperson, the vice chairperson shall serve as acting chairperson until a new chairperson is elected by the commission.

- c. Treasurer. The treasurer, with the assistance of the commission's president executive director, shall act as custodian of all commission funds and shall be responsible for monitoring the administration of all fiscal policies and procedures set forth in the compact or adopted by the commission. Pursuant to the compact, the treasurer shall execute such bond as may be required by the ~~C~~commission covering the treasurer, the president executive director and any other officers, commission members and commission personnel, as determined by the commission, who may be responsible for the receipt, disbursement, or management of commission funds.
- d. Past Chairperson. Commencing upon completion of the term of office of chairperson, the past chairperson, if still a duly appointed MHEC commissioner, shall serve one year in the position of past chairperson. The past chairperson shall, in the absence or at the discretion of the chairperson and vice chairperson, perform any or all of the duties of the chairperson. In the event of a vacancy in the office of the chairperson and vice chairperson, the past chairperson shall serve as acting chairperson until a new chairperson or vice chairperson is elected by the commission.

## Article IV. Commission Personnel

### Section 1. Commission Staff and Offices

The commission shall appoint an ~~executive director~~ president, who shall serve at its pleasure and who shall act as chief executive officer and secretary to the commission. The ~~executive director~~ president shall hire and supervise such other staff as may be authorized by the commission. The ~~executive director~~ president shall establish and manage the commission's office or offices, which shall be located in one or more of the compacting states as determined by the commission. ~~The executive director may be entitled president of the commission.~~

### Section 2. Duties of the ~~Executive Director~~ President.

~~The president serves as the commission's principal administrator and secretary. As secretary to the commission, the executive director shall keep minutes of all commission meetings and shall act as the custodian of all documents and records pertaining to the status of the compact and the business of the commission.~~

1. Principal Administrator. As the commission's principal administrator, the ~~executive director~~ president shall ~~also~~ perform such ~~other~~ duties as may be delegated by the commission or required by the compact and these bylaws, including, but not limited to, the following:
  - a. Recommend general policies and program initiatives for the commission's consideration.
  - b. Recommend for the commission's consideration administrative and personnel policies governing the recruitment, hiring, management, compensation and dismissal of commission staff.
  - c. Implement and monitor the administration of all policies and program initiatives adopted by the commission.

- d. Prepare draft annual budgets for the commission's consideration.
- e. Monitor all commission expenditures for compliance with approved budgets and maintain accurate records of account.
- f. Assist commission members as directed in securing required appropriations from the compacting states;
- g. ~~Executive~~ Execute contracts on behalf of the commission as directed.
- h. Receive service of process on behalf of the commission.
- i. Prepare and disseminate all required reports ~~s~~and notices as directed by the commission.

2. Secretary. As the commission's secretary, the president shall keep minutes of all commission and executive committee meetings and shall act as the custodian of all documents and records pertaining to the status of the compact and business of the commission.

### Section 3. Policy and Programmatic Committees.

In functioning as the commission's principal administrator, the ~~executive director~~ (president) may establish committees to help explore and implement commission policies and program initiatives. The ~~executive director~~ president shall appoint the members of the committees and shall determine the composition, procedures, duties, budget and tenure of such committees.

At the discretion of the ~~executive director~~ president, the positions of chair and vice chair may be established for each ~~of the~~ committees. If a chair and vice chair is established, the ~~executive director~~ president shall appoint the chair ~~person~~ and vice chair ~~person~~ following nominations from members of the respective committees. The term of office for the chair and vice chair shall be two years. The vice chair shall succeed the chair upon the expiration of the chair's term. The chair and vice chair shall serve at the pleasure of the ~~executive director~~ president. The duties of the chair and vice chair shall include, but not be limited to, the following:

- a. Chair ~~person~~: The chair ~~person~~ shall call and preside at all meetings of the committee, shall prepare agendas for such meetings, and in accordance with the committee's directions and subject to the ~~executive director~~ president's approval, shall act on the committee's behalf during the interim between committee meetings.
- b. Vice Chair ~~person~~: The vice chair ~~person~~ shall, in the absence or at the direction of the chair ~~person~~, perform any or all of the duties of the chair ~~person~~. In the event of a vacancy in the office of the chair ~~person~~, the vice chair ~~person~~ shall serve as acting chair ~~person~~ until the ~~executive director~~ president appoints a new chair ~~person~~.

## **Article V. Meetings of the Commission.**

### **Section 1. Meetings and Notice.**

The commission shall meet at least once each calendar year at a time and place to be determined by the commission. Additional meetings may be scheduled at the discretion of the chairperson, and must be called upon the request of a qualified number of commission members, as provided in the compact. All commission members shall be given written notice of commission meetings at least 30 days prior to their scheduled dates.

Final agendas shall be provided to all commission members no later than 10 days prior to any meeting of the commission. Thereafter, additional agenda items requiring commission action may not be added to the final agenda, except by a vote of the commission in which two-thirds of the compacting states vote aye. All commission meetings, except executive sessions limited to personnel matters, shall be open to the public and prior public notice shall be provided in a manner consistent with the customs and practices of the compacting states.

### **Section 2. Quorum.**

Commission members representing a majority of the compacting states and affiliate members shall constitute a quorum for the transaction of business, except as otherwise required in these bylaws. The presence of one or more commission members from a compacting state is sufficient to constitute the presence of that state for purposes of determining the existence of a quorum, provided the delegation present is entitled to vote on behalf of the state represented. The presence of a quorum must be established before any vote of the commission can be taken.

### **Section 3. Voting.**

Each compacting state represented at any meeting of the commission is entitled to one vote. Fractional voting is prohibited. Each affiliate member represented at any meeting of the commission is entitled to one vote. The commission members representing a single compacting state may, subject to applicable state laws, employ the means of their choice for determining their state's vote.

In the event that a minimum number of commission members is required by a compacting state to be present at a commission meeting in order to vote on behalf of such state, the presence of that number of commission members shall also be required by the commission for purposes of determining the existence of a quorum. Except as otherwise required by the compact or these bylaws, any question submitted to a vote of the commission shall be determined by a simple majority.

### **Section 4. Procedure.**

Matters of parliamentary procedure not covered by these bylaws shall be governed by Robert's Rules of Order.

## Article VI. Commission Committees

### Section 1. Executive Committee.

The commission shall establish an executive committee, which shall be empowered to act on behalf of the commission during the interims between commission meetings. The composition, procedures, duties, budget, and tenure of such an executive committee shall be determined by the commission, except that each compacting state shall be entitled to equal representation and voting rights on the committee.

Past chairpersons of the commission that remain duly appointed commission members or that serve as alternate commission members shall serve on the executive committee as ex officio members. The power of such an executive committee to act on behalf of the commission shall at all times be subject to any limitations imposed by the commission, the compact or these bylaws.

### Section 2. Finance and Audit Committee.

The Finance and Audit Committee acts as an advisory committee to the commission and is charged with reviewing and providing guidance on all compact financial matters.

### ~~Section 23.~~ Other Committees.

The commission may establish such other committees as it deems necessary to carry out its objectives. The composition, procedures, duties, budget and tenure of such committees shall be determined by the commission.

## Article VII. Finance

### Section 1. Fiscal Year.

The commission's fiscal year shall begin on July 1 and end on June 30.

### Section 2. Budget.

The commission shall operate on an annual budget cycle and shall, in any given year, adopt budgets for the following fiscal year or years by such time as may be necessary to allow legislative appropriations from the compacting states to be secured. Commission budgets shall be submitted to the compacting states as required by the compact.

### Section 3. Accounting and Audit.

The commission, with the assistance of the ~~executive director~~ president, shall keep accurate and timely accounts of all receipts and disbursements of commission funds. The treasurer, through the ~~executive director~~ president, shall cause the commission's records of account to be audited annually by a certified or licensed public accountant, and, as required by the compact, the report of such audit shall be made a part of the commission's annual report.

#### Section 4. Debt Limitations.

The commission shall monitor its own and its committees' affairs for compliance with all provisions of the compact and these bylaws governing the incursion of debt and the pledging of credit.

#### Section 5. Travel Reimbursement.

Subject to the availability of budgeted funds, and unless otherwise provided by the commission, commission members shall be reimbursed for any actual and necessary expenses incurred pursuant to their attendance at all duly convened meetings of the commission or its committees.

### Article VIII. Required Reports

In addition to such other reports as may from time to time be required by the compact, these bylaws, or any action of the commission, the commission shall prepare and disseminate the following reports as required by the compact:

- a. An annual report documenting the commission's activities during the preceding year and including the annual audit report and any recommendations that may have been adopted by the commission.
- b. A biannual compact evaluation report, ~~the first of which shall be prepared by January, 1995,~~ analyzing the effects of the compact on higher education in the compacting states and including recommendations concerning the continuance of the compact.

### Article IX. Adoption and Amendment of Bylaws

Any bylaw may be adopted, amended or repealed by a majority vote of the compacting states, provided that written notice and the full text of the proposed action is provided to all commission members at least 30 days prior to the meeting at which the action is to be considered. Failing the required notice, a two-thirds majority of the compacting states shall be required for such action.

*As adopted by the Midwestern Higher Education Commission on March 10, 1991; May 20, 1995; June 20, 2003; November 18, 2004; November 14, 2006; November 14, 2011; June 3, 2019; and XXXXXX.*

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## **CONVENING**

MHEC CONVENING empowers the member states to connect for the purpose of exchanging expertise, sharing ideas and experiences, and collaboratively pursuing efforts that help further higher education. This convening and collaborating leads to many programs and activities that produce a variety of outcomes and results ranging from the dissemination of knowledge and expertise about practical solutions, to leveraging the collective purchasing power of the region to achieve efficiencies and savings. MHEC covers the cost of these meetings, including the travel expenses of participating members, so states and institutions do not have to use travel funds to participate.

## CONVENING - 2019 MHEC State Visit Summary

### Background

MHEC began annual state visits to all twelve member states beginning January 22, with a visit to Topeka, Kansas, in an ice storm and ended April 23, with a visit to Lansing, Michigan, in the midst of spring blooms. Typically, MHEC staff spent one night and two full days in each state, visiting with the legislative and executive branches, postsecondary education, business, and community leaders. With respect to the legislature, MHEC staff tried to meet with majority and minority party leadership, committee leadership and staff, as well as with new legislators serving on higher education related policy and funding committees. Similar to years past, a dinner was held in the evening with MHEC commissioners and key leaders. The size of the dinner was scaled back and MHEC's formal presentation on the Compact's programs and activities was shortened to allow for more time to discuss the pressing higher education related issues in each state. In addition to sharing MHEC materials, the Georgetown Center on Education and the Workforce generously developed and provided tailored slides for each state highlighting demographic, attainment, and labor data. MHEC sent a survey to participants after each dinner to gauge their experience and the meeting's effectiveness. The feedback was generally very positive, with respondents noting that they liked the new format and approach.

### Issues Raised During the State Visits

- Workforce - Challenges faced by every state regarding number of participants, preparedness and skill levels
- Funding - While funding levels have generally increased, most states noted ongoing challenges with appropriations trends and concern about the future
- Affordability – Tuition levels, affordability, and student financial aid were priority issues for many states
- Demographics – The shift in population by age, race, and ethnicity was mentioned as something that most states were facing, exacerbated by declining population and outmigration in most Midwestern states
- Value proposition – How to make the case for postsecondary education and show value and ROI to the state was raised as an important issue in the face of rising criticism
- Regional institutions and declining enrollment – Requests for support and guidance for them and their communities during this period of change
- Rising textbook costs – Many individuals reiterated concern about costs and increased interest and engagement in Open Education Resources (OER)
- Other issues raised – Transfer policy, credentialing, dual credit and concurrent enrollment, universal course numbering, completion and retention, challenges presented by flooding and other natural disasters, state-level strategic plan development, data usability for decision making, identifying shared best practices, student barriers (e.g. filling out the FAFSA), outmigration of students, and identifying philanthropic opportunities

### Next Steps

The plan is to identify some priority topics from the issues raised during the state visits for the coming year that could be the focus of a convening, webinar, research project, or other initiative with potential to attract philanthropic support.

## CONVENING - Dual Credit/Concurrent Enrollment Teacher Credentialing

Prepared by

Jenny Parks, Senior Director of Policy and Academic Initiatives

### Background

Concurrent enrollment (also referred to as dual enrollment) provides high school students the opportunity to take college credit-bearing courses. In the last two decades, concurrent enrollment and other early college practices have spread to all 50 states. In 2015, amidst this growth in the number of students enrolled in concurrent enrollment courses, the [Higher Learning Commission \(HLC\)](#), the regional accreditor for Midwestern states, refined the policy language used to describe expectations for the educational credentials of postsecondary faculty, including concurrent enrollment instructors in high schools. The change by HLC brought to light a long-standing problem in the world of concurrent enrollment: many high school teachers without full credentials were serving as instructors for concurrent enrollment courses, some for years.

As a result, many states suddenly faced a looming crisis: did the concurrent enrollment instructors throughout the state hold the credentials that would allow them to teach the growing number of concurrent enrollment courses desired by students and families and sometimes mandated by statute? State-level stakeholders began to collect data about the status of concurrent enrollment teacher credentials and discovered in some cases that more than 50% of the teachers in a state lacked the required degrees and/or graduate credits. HLC's executive leadership team developed an extension in 2015 which provides a seven-year (2015-2022) window for instructors to obtain additional academic credentials they might need to be qualified in the discipline they teach.

MHEC's research on this issue in 2018 and [findings from that research](#) are summarized on the MHEC website. These findings informed a policy [research brief authored in collaboration with the Education Commission of the States](#) (ECS). In conjunction with the National Association of Concurrent Enrollment Partnerships (NACEP), MHEC hosted a [Concurrent Enrollment Teacher Credentialing Summit in May 2018](#), where stakeholders from all MHEC states convened to share frustrations, successes and ideas to address the problem at both state and regional levels.

### Current Status

MHEC staff revisited their research from spring 2018 and learned from state level stakeholders that most do not believe they will be able to meet the 2022 HLC deadline for all concurrent enrollment instructors to be fully credentialed. Jenny Parks remains involved in regional and national concurrent enrollment conversations, including two panel presentations at the [annual meeting](#) of the National Alliance of Concurrent Enrollment Partnerships ([NACEP](#)) in October 2019. Jenny also made a presentation at the annual HLC State Agency Meeting in November 2019.

### Next Steps

MHEC has created three advisory groups to address different aspects of the dilemma. Sources of external funding will be sought to support this initiative. MHEC staff are developing a thought paper that showcases innovative ways institutions are responding to the need for more fully credentialed concurrent enrollment instructors. It is anticipated that this paper will appear on the HLC website and be introduced at the HLC Annual Conference in spring 2020. A full [summary](#) of MHEC's work in this area can be found on MHEC's website.

# Multi-State Collaborative on Military Credit (MCMC)

Prepared by  
Sara Appel, MCMC and MSEP Manager

## Background

The mission of the [Multi-State Collaborative on Military Credit](#) (MCMC) is to facilitate an interstate partnership of the 12 Midwestern Higher Education Compact (MHEC) states plus Kentucky, other states are welcome to join. MCMC works to translate competencies acquired by military-connected students and veterans through military training and experiences to college credentials that lead to employment in the civilian workforce. States exchange information and share best practices via knowledge communities in the areas of articulation of academic credit; communication and outreach; data, technology, and systems; and licensure and certification.

Grants were awarded to MHEC by the Lumina Foundation and the Strada Education Network in 2015 to address barriers for military-connected students to access, participation, and completion in postsecondary education. This was accomplished through a comprehensive review and advancement of effective policy and practice within and among institutions, states, federal agencies, and not-for-profit organizations.

## Current Status

In August, the MCMC and their partner, the National Center for Higher Education Management Systems (NCHEMS), was awarded \$25,000 from the National Research Collaborative for Competency-Based Education and Learning and from The Lumina Foundation. The funding will support a multi-state scan of military postsecondary credit policies and practices.

In 2019, MCMC had additional funds remaining from the Strada Education Network grant. This money was reallocated to support the 2019 annual convening held in Chicago, Illinois, during October. Topics of discussion were the awarding of general education credit for military, licensing and certification, enhanced institutional collaboration with the military, improved data collection, and identification of crucial data points.

Communication with MCMC participants, institutions, military, and other stakeholders has increased. Since January 2019 to today, six webinars on various military-connected student issues have been held with over 600 attendees. By distributing monthly MCMC Updates and utilizing social media, the presence and knowledge of MCMC continues to grow throughout the nation. In April an article co-authored by Katie Giardello, former MCMC co-chair, and Sara Appel was published in the *Journal of Military Learning* and another article co-authored by Gina Johnson, senior associate of NCHEMS, and Sara Appel, will be published this fall by NCHEMS. The article addresses basic information about military-connected students and veterans.

## Next Steps

Many of the MCMC states are being encouraged by their governor or other state leaders to focus on career technical credit and workforce development. MCMC is examining the role(s) that military-connected students could play in these fields. MHEC is also using its expertise in meeting the needs of military-connected students to contribute to national presentations with NC-SARA and (Midwestern-State Authorization Reciprocity Agreement (M-SARA) to clarify student complaint options. Opportunities to blend this same expertise with MHEC's work with Open Educational Resources (OER) are also being explored in FY20.

## CONVENING – Open Educational Resources

Prepared by  
Jenny Parks, Senior Director of Policy and Academic Initiatives

### Brief Background

Open Educational Resources (OER) are textbooks and ancillary learning materials that are accessible via the Internet at little or no cost to students or institutions. To make the cost of postsecondary education more affordable, [many states and institutions have adopted or are seeking to implement the use of OER](#). However, the majority of faculty, administrators, and legislators across the nation still know relatively little about OER. Those who do know about it still face myriad [implementation barriers](#) which can only be addressed through collaborative action within and among states.

### Current Status

MHEC worked to assist states and institutions in OER implementation by creating an [OER Advisory Committee](#) comprised of institutional representatives from across the Midwest. Per the recommendation of that Committee, MHEC teamed up with [WCET](#) with funding from the [Hewlett Foundation](#) to convene Midwestern OER stakeholders in November 2018 at the [OER Implementation and Policy Summit for the MHEC States](#). At the Summit, state representatives learned from national experts in the field of OER, as well as from individuals and groups who have already successfully adopted OER to varying degrees across the Midwest. A strong list of suggested state and regional actions was generated at the Summit and has informed MHEC's work with OER in 2019. A [summary](#) of MHEC's OER work is posted on the MHEC website.

That work includes an OER List Server to keep Summit participants and additional members of state OER action teams connected to each other and informed about OER efforts across the Midwest. For the first 6 months of 2019, MHEC staff facilitated monthly phone calls of state OER action teams and supported their work to build OER capacity in their respective states. In addition, MHEC staff continue to produce a monthly OER newsletter and webinars that reach a wide range of stakeholders and inform them of the work of the 12 state action teams as well as recommended OER practices. Each of the 12 state OER action teams have already reported significant increases in their state's capacity to scale and enhance OER implementation.

### Next Steps

In FY20, MHEC is continuing to support the OER State Action Teams as part of its 12-month OER plan. Jenny Parks, Senior Director of Policy and Academic Initiatives, remains connected to the regional and national OER community via presentations at events such as the 2019 [OpenEd Conference](#) in October and collaborating with the other regional compacts in planning a nationwide OER effort. The compacts have received a planning grant from the [William and Flora Hewlett Foundation](#) for this work. Collaboration with national OER leaders is also continuing, as MHEC is providing along with the [Open Textbook Network](#) a first-of-its-kind OER training event for institutional leadership in December 2019, the cost of which is being underwritten by the Hewlett Foundation as well.

# CONVENING – Technologies Committee

Prepared by

Debra Kidwell, Consultant, and Rob Trembath, Vice President and General Counsel

## Background

The [Technologies Committee](#) is composed of college, system, and university chief information officers, telecommunications directors, computing service directors, procurement officers, and educational planners representing both individual campuses and systems in the MHEC member states. The purpose of the Technologies Committee is to:

- Develop strategic sourcing methods to assist institutions in member states provide technology solutions more efficiently and effectively in an ever-changing landscape;
- Utilize collaborative sourcing to deliver cost savings, risk avoidance, and staff time efficiency on technology purchases for institutions in member and sister compact states;
- Utilize market share and strategic partnerships to advocate for higher education in the development of new and improved technology delivered solutions;
- Expand information exchange opportunities; and
- Produce revenue to fund the work of the committee and other MHEC initiatives.

## Current Status

MHEC's Chief Information Officer Ken Ries, accepted a new position at the University of Wisconsin -River Falls and Stout campuses in July. To ensure the Technologies Committee could continue its work, Debra Kidwell, a procurement specialist and MHEC volunteer for approximately 15 years, is currently working with the committee in a consultant capacity, to research and report on the feasibility of new technology contracts, and to help identify and implement an effective approach to building and maintaining a technologies community. New initiatives researched include a data security services RFP, an accessibility convening initiative, a higher education peer consulting platform, and a new community-based structure for the Technology Committee.

## Next Steps

MHEC to review recommendations to implement the following projects:

- An RFP for a flexible plan of data security services.
- Program development to enable learning and convening activities related to accessibility, which is the ongoing process by which an organization ensures its current and future IT can be used effectively by everyone, including individuals with disabilities.
- Working with the Technologies Executive Committee to identify how best to structure MHEC's work in technology so as to best serve the MHEC states and institutions

Continued research on the feasibility of the following projects:

- A community building project.
- A comprehensive learner record initiative. The Comprehensive Learner Record standard is secure verifiable digital records for learners that contain all nature of learning experiences and achievements including courses, competencies, skills, co-curricular achievements, prior learning, internships, and experiential learning.
- A pilot program around digital fluency, which is the ability to select and use the appropriate digital tools and technologies to achieve a particular outcome.
- A top 20 list of common higher education contract issues.
- A collaboration with vendors to develop higher education friendly terms and conditions.

## **PROGRAMS**

MHEC PROGRAMS are initiated in response to identified needs in one or more of the member states. Bringing together expertise from across the region, MHEC identifies activities needed to address the identified needs. Those problems best solved through persistent interstate cooperation are then developed into MHEC programs. MHEC programs are unique in that postsecondary education institutions are the primary participants, although MHEC programs address the needs and perspectives of all constituencies in the midwestern region. Each MHEC program provides the program participants with governance and leadership structures to guide and maintain programmatic outcomes.

# PROGRAMS - Master Property Program (MPP)

Prepared by  
Carla Ahrens, Property Program Manager

## Background

The [Master Property Program](#) (MPP), was developed in 1994 to broaden property insurance coverage, reduce program costs, and encourage improved asset protection strategies for Midwestern 2- and 4-year and not-for-profit colleges and universities. Because of its success, the program has developed a program mission to be the premier property insurance program focused on strategic growth, program stability, and member value for institutions in the MHEC region, and the three other regional compacts which includes the Western Interstate Commission for Higher Education (WICHE), the New England Board of Higher Education (NEBHE), and the Southern Regional Education Board (SREB).

## Current Status

The MPP faced a difficult renewal this year due to a challenging property insurance market and several large property losses that have occurred the past two years in the MPP program. The MPP experienced a successful renewal July 1, with 98 institutions renewing their policies which included more than 165 campuses with total insured values of approximately \$81.78B. In FY 2019, it is estimated that the program saved its participating institutions approximately \$21.5M of which \$17.6M of these savings were for the Midwest participants alone.

One of the many benefits of the MPP is the existence of the loss fund (captive) layer within the program structure that offers the potential for a dividend when an institution's losses and program losses are favorable. At the end of December 2018, a total of \$860,520 was distributed back to the participating institutions in dividends. Since the program's inception \$20.1M in dividends have been distributed to the Midwest MPP members. The members of the MPP view the program as a long-term relationship rather than just another insurance market. The MPP's 92.9% retention rate speaks to the commitment of its members to remain in the program long term.

## Next Steps

The MPP Leadership committee met October 22-23, in Chicago, IL. The committee debriefed on the July 1, renewal and started working on renewal strategies for the 2020 renewal. MHEC is also currently working with the MPP's Program Administrator, Marsh, to prepare a survey to send out to membership. This survey will give the MPP members an opportunity to advise the program's Leadership Committee on what coverages are most important to their campus, how they wish to have future dividend disbursements applied, and to see if there are other insurance programs that MHEC could offer to benefit their institutions.

The Underwriting Subcommittee has taken on the task of developing a deductible buy down for the \$300,000 hail and tornado deductible. This project is a result of listening to the members who are requesting the need for a lower deductible for the hail and tornado risk.

The MPP and Marsh are currently working on a quote for a small private college in South Dakota. If accepted, this would be the first South Dakota institution to participate in the MPP.

# **PROGRAMS - Cyber Insurance**

Prepared by  
Carla Ahrens, Property Program Manager

## **Background**

The number one issue for higher education IT leaders this year is information security, according to EDUCAUSE, a nonprofit association of IT leaders in higher education.

The MHEC [Cyber Insurance](#) initiative was established in 2018 to provide an option to institutions in the MHEC region as well as sister compacts the Western Interstate Commission for Higher Education (WICHE), the New England Board of Higher Education (NEBHE), and the Southern Regional Education Board (SREB) to purchase cyber insurance coverage. Higher Education institutions continue to face significant and increasing cyber threats due to the valuable information stored on their networks and the ability for threat actors to use network infrastructure to launch operations against other targets. College and university networks can be difficult for administrators to effectively secure because of their size and sharing of information.

Institutions in the MHEC member states have been asking for a cyber insurance solution which is tailored to deliver the right mix of risk transfer and advisory solutions for institutions to assess, manage, and respond to their risk.

## **Current Status**

Along with Marsh, MHEC's Program Administrator for programs of insurance, MHEC is now able to offer institutions the flexibility of insurance carrier choice, the broadest coverage available, and access to limits that meet institutional coverage needs. The MHEC Cyber Insurance approach analyzes the institution's threat environment, assesses the significance of the vulnerabilities in security controls, and determines how much financial exposure the institution faces. MHEC's approach can also provide benchmarking on how much cyber coverage institutions of similar risk are buying.

## **Next Steps**

Many large institutions are currently purchasing cyber liability insurance, therefore the MHEC Cyber Liability market for this program focuses on mid-size and smaller institutions that are not currently purchasing cyber liability insurance and are experiencing funding obstacles to consider additional insurance protection.

Our next steps include considering a survey to gather input followed by a webinar to raise awareness of the potential risks with cyber liability and make institutions aware of the MHEC Cyber program.

## **PROGRAMS**

### **MHECare Health Insurance Solutions**

Prepared by  
Jennifer Dahlquist, Vice President

#### **Brief Background**

In 2008 MHEC received a grant from the Lumina Foundation to provide member institutions with a sustainable student health insurance program. Created in conjunction with MHEC's Student Health Benefits Advisory Committee, MHECare provides campuses that offer students a school-sponsored plan the flexibility to tailor plans specifically to meet the needs of their students with national carrier UnitedHealthcare StudentResources.

As states continue to adjust to changes due to the Affordable Care Act, MHECare campuses will be well-served by a carrier that is compliant and fully equipped to rapidly respond to changes in regulations. Campuses can leverage MHECare knowing that MHEC has performed its due diligence through a comprehensive and extensive RFP process, enabling student health administrators the opportunity to spend their time focused on efforts that will directly impact students.

The program is also available to postsecondary institutions of MHEC's sister compact regions in the New England Board of Higher Education, the Southern Regional Education Board, and the Western Interstate Commission for Higher Education.

For those institutions in the MHEC region only that are unable to offer a school-sponsored plan, MHEC also provides an option with IXSolutions for private student health insurance exchanges. Through a private health insurance exchange, campuses can offer students multiple coverage options, provide support from insurance experts, and save valuable administrative time.

#### **Current Status**

Thirty-one campuses from across the US participate for the 2019-20 school year through the option with UnitedHealthcare StudentResources and six campuses are providing the IXSolutions private exchange to their students.

#### **Next Steps**

MHEC met with UnitedHealthcare StudentResources senior leadership in mid-October to discuss growth strategies and ways in which MHEC can provide additional benefits to its participating institutions. This winter MHEC will be pulling together its Student Health Benefits Advisory Committee to conduct an RFP for MHECare as existing contracts with carriers are nearing completion. As part of this process the committee will consider additional offerings that may assist in supporting student health.

# **PROGRAMS - Midwest Student Exchange Program (MSEP)**

Prepared by  
Sara Appel, MCMC and MSEP Manager

## **Background**

The [Midwest Student Exchange Program](#) (MSEP) offers reduced tuition rates to students in the states of Illinois, Indiana, Kansas, Minnesota, Missouri, Nebraska, North Dakota, Ohio and Wisconsin. Although the Compact has 12 member states, the MSEP is a voluntary program (as are all MHEC programs) with Michigan recently moving to an inactive status, and Iowa and South Dakota electing not to participate in the 2018-2019 academic year.

Since 1994, MHEC has been providing more affordable educational opportunities and options for students to attend out-of-state institutions at reduced costs. MSEP serves as the Midwest's largest multi-state tuition reciprocity program. Nearly 60 campuses from the participating states have opened their doors to students at reduced rates. Public institutions enrolling students under the program agree to charge no more than 150% of the in-state resident tuition rate while private institutions offer a 10% reduction on their tuition rates. This program sits alongside and in addition to other state-to-state reciprocity programs.

There is a twofold benefit to the program. When students from other states attend out-of-state colleges, they are more likely to stay in that state, work, become part of the community, and contribute to the economy. It is also a good enrollment management tool. Institutions can utilize MSEP to attract students to fill programs and/or courses to reach capacity.

## **Current Status**

There are 9 states (Michigan moved to inactive with the program in September 2019) participating with 58 institutions in the MSEP including 2- and 4-year public and private campuses. For FY18, there were 13,166 students participating in the program which saved students and families over \$94M.

MSEP institutional participants maintain MSEP webpages providing current information for potential students in the program. Institutions also submit annual data. Actual savings through the program will vary from institution to institution depending upon the tuition rates. Participating students will typically realize savings between \$500 and \$5,000 annually.

This past year MHEC began a biannual MSEP electronic newsletter to share news items and examples of ideal MSEP web pages, as well as conducted a webinar that highlighted how to use the program effectively. MSEP institutional participants have appreciated these improvements in communication to stay informed.

## **Next Steps**

In order to provide better service to students and institutions, in fall 2019, MHEC is developing a report that will include a national scan, research and thorough program review to determine the current relevance and value of the program. The final report of those findings is expected in early 2020.

# **PROGRAMS - Midwestern-State Authorization Reciprocity Agreement(M-SARA)**

Prepared by  
Emily Jacobson, Associate Director of M-SARA

## **Background**

The [State Authorization Reciprocity Agreements](#), commonly known as SARA, provide a voluntary, regional approach to state oversight of postsecondary distance education. When states join SARA -- and membership is voluntary -- they agree to follow uniform processes for approving their eligible institutions' participation in SARA. They also agree to deal with other states' SARA institutions in a common way when those institutions carry out activities in SARA states other than their own. SARA's uniform standards and policies provide benefits to both states and institutions carrying out distance education in multiple states. Since 2013, this approach has streamlined, improved, and added consistency to the approach an institution must take to offering distance education programs or courses across state lines. It has improved and streamlined what was once a much more time intensive and cost prohibitive process.

## **Current Status**

As of October 3, 2019, 49 states, the District of Columbia, Puerto Rico and the U.S. Virgin Islands are members of SARA. 2,020 institutions participate in SARA, and of that total, 561 institutions are in MHEC states. California is the only state that is not a member.

In May of 2019, NC-SARA implemented the fourth round of institutional data collection and enhanced data collection with reporting of clinical field placements. NC-SARA continues to host annual meetings devoted to state portal agents, to strengthen connections between SARA portal agents, and promote consistency in SARA practice across the nation. M-SARA hosts its own set of annual meetings for M-SARA Regional Steering Committee (RSC) members and M-SARA state portal agents. A portion of these meetings are dedicated to a joint meeting between both groups, where NC-SARA representatives are also present. Both groups continue to engage in active discussions about the future of SARA.

In August of 2019, NC-SARA launched a new institutional and student support website. The State Authorization Guide is included in NC-SARA's updated website and is an NC-SARA project, with contributions from the Western Interstate Commission for Higher Education's (WICHE) WCET/State Authorization Network (SAN). "The Guide" is a comprehensive tool to browse state authorization and compliance state-by-state such as exemptions, physical presence policies, types of education providers authorized by agencies, and so on.

## **Next Steps**

After nearly six years of being MHEC's M-SARA RSC chair, Gretchen Bartelson, dean of the Center for Teaching and Learning at Northwest Iowa Community College, will be stepping down from that role. In addition to selecting a new chair, the RSC is also adding a new vice chair role and selecting an individual to fill that position. Dr. Lori Williams, a 25-year veteran of online higher education, recently joined NC-SARA as the new president and CEO.

## RESEARCH

MHEC RESEARCH is meant to inform institutional and state efforts in improving postsecondary policies, practices, and outcomes. Through its efforts MHEC seeks to provide policy guidance, showcase best practices, and convene thought leaders on important higher education issues facing MHEC member states and the region. To help its efforts, MHEC has established a higher education research review panel for state policy and performance evaluation to help guide it in its policy research work. MHEC produces timely briefs, reports, and technical papers that assist in the evaluation of postsecondary performance, the analysis of state policies, and the identification of effective institutional practices. The intended audience for MHEC's research includes commissioners, state legislators and agency staff, institutional and system leaders, and the broader community of higher education researchers.

# RESEARCH

Prepared by Aaron Horn, Associate Vice President of Research

## Background

MHEC's approach to [higher education research and policy analysis](#) informs institutional and state efforts in improving postsecondary policies, practices, and outcomes. MHEC supports the work of commissioners, state legislators and agency staff, institutional and system leaders, and the broader community of higher education administrators and researchers in several ways:

1. Maintaining a national repository of state, system, and non-profit related expertise, knowledge and best practices for guiding policy and practice
2. Conducting applied research and analysis on critical topics in higher education
3. Developing innovative approaches to improve educational opportunity and effectiveness
4. Providing public outreach and service to institutions and governments

## Current Status

- **Interactive Dashboard.** MHEC is soliciting feedback from state agency staff and other interested stakeholders on a piloted version of an online tool that allows users to select from a comprehensive set of performance indicators; multiple data years; any peer state in the U.S.; figure/table type; and export data/figure/table.
- **Reports and Briefs.** Five publications were released in [Affordability and Finance](#), and a [performance update](#) was produced for each member state.
- **Postsecondary attainment gap projections.** A MHEC-coordinated research team is developing postsecondary enrollment and attainment projections by race and ethnicity for Illinois through 2030. The study is partly funded through a grant from the Joyce Foundation. The study will serve as the basis for creating projections for other MHEC states.

## Next Steps

- **Student Loan Debt.** MHEC is producing a policy brief that examines recent trends in student loan debt, the amount of debt accumulated during college by race/ethnicity and family income, research on the effects of debt accumulation, and policy options for institutions and states in collaboration with the federal government.
- **Higher Education in Focus.** This biennial report is intended to inform public discourse on higher education by providing key performance indicators relevant to the goal of increasing educational attainment. Performance indicators are categorized within five dimensions: Preparation, Participation, Affordability, Completion, and Finance.
- **Regional Research Agenda.** Stakeholder feedback will be solicited to inform MHEC's research priorities over the next two years.

## **CONTRACTS**

MHEC CONTRACTS leverage the potential volume of the region's purchasing power, while saving entities time and money by simplifying the procurement process and negating the need to conduct a competitive sourcing event. By offering a turnkey solution with the ability to tailor the already negotiated contract to match the entity's specific needs and requirements, MHEC contracts shift some of the negotiating power back to the entities. Additionally, because of MHEC's statutory status, many of these contracts can also be adopted for use by K-12 districts and schools, as well as cities, states and local governments. Smaller institutions benefit from these contracts as they allow these institutions to receive some pricing and terms normally reserved for larger institutions. Committee members participate in the negotiations, sharing strategies, and tactics on dealing with specific contractual issues and vendors.

# CONTRACTS - Technology

Prepared by  
Nathan Sorensen, Director of Government Contracts

## Background

MHEC's approach to education technology contracts is rooted in delivering timely, effective, cost efficient technology solutions. By entering into agreements for the benefit of its member states, MHEC provides institutions with a procurement tool that allows more flexibility while still maintaining compliance with applicable procurement statutes. MHEC has adopted a policy that requires MHEC contracts to be awarded based on competitive bid requirements that are consistent with the statutory procurement rules of the Compact member states. The agreements are a product of a representative group of stakeholders from the higher education technology community conducting a competitive sourcing process that leverages the potential purchasing power of the 12 MHEC member states. The end result is a master agreement that facilitates a direct relationship between the technology providers and institutions and contains discounted pricing as well as terms and conditions that are better than most higher education institutions can negotiate individually. This process is designed to minimize the burden on administrative resources for institutions in the 12 MHEC member states, saving both time and money, while expediting technology acquisitions. Additionally, it allows an institution to focus most of its energy on finding the technology solution that best fits its needs instead of the contract itself.

## Current Status

Increasingly, an information technology (IT) investment is needed to support student success, faculty, and staff functions, which is no small matter to a college campus, large or small. MHEC currently focuses on technology contracts with mega vendors including the likes of Dell, HP Enterprise, HP Inc., Lenovo, Oracle, SAS, VMware, and Xerox. [All of these contracts](#) are available for use by all public and private not-for-profit institutions of higher education in the 12 MHEC member states, and in most instances, also include the other regional compacts: The New England Board of Higher Education (NEBHE); the Southern Regional Education Board (SREB); and the Western Interstate Commission for Higher Education (WICHE) member states. In efforts to support education overall, some of the contracts extend eligibility for use by K-12 districts, local governments and states. These mega vendors are often where the majority of an institution's IT budget is spent and can be the most difficult to manage in terms of compliance, negotiation, and general relationship. Nationally, all four compact regions have benefited from MHEC contracts, as usage has significantly grown over the last three years from \$308M to over \$450M in sales. According to the Center for Digital Education, it is estimated that \$1.3B dollars, across the MHEC region, was invested in higher education technology in 2019, with 8% of the region's investment spent using MHEC's education technology contracts. Overall the estimated savings in the MHEC region was \$27M during FY19.

## Next Steps

MHEC continually develops strategic contracts that provide easier and quicker access to IT hardware, software, and services. Anticipated IT solicitations over the next year encompass virtualization, research and advisory services, transcript services, and creative software. Each of the categories will be thoroughly researched, scope of the objective defined, vendor environment scanned, and input from the higher education community included. Workgroups of five to seven subject-matter experts, representing the MHEC region, will be formed to act as the selection committee for the solicitation and make the recommendation to the MHEC president for award(s). Once a contract is awarded, the workgroup is conveyed as needed to assist MHEC with managing the vendor relationship.

## MHEC Annual Estimated Savings for Entities and Citizens

MHEC Member States	2018-2019 Annual State Commitment	Total Annual Savings	Contracts			Programs		
			Computing Hardware <sup>1</sup>	Computing Software <sup>2</sup>	Technology Services <sup>3</sup>	Master Property Program <sup>4</sup>	Midwest Student Exchange Program <sup>5</sup>	Midwestern-State Authorization Reciprocity Agreement <sup>6</sup>
Illinois	115,000	63,504,264	7,932,299	338,993	18,917	1,786,556	50,731,499	2,696,000
Indiana	115,000	6,621,689	3,312,053	231,213	NP <sup>7</sup>	NP <sup>7</sup>	1,734,423	1,344,000
Iowa	115,000	1,590,435	250,215	10,365	NP <sup>7</sup>	225,855	NP <sup>7</sup>	1,104,000
Kansas	115,000	17,878,832	809,310	109,872	28,459	10,714,389	5,088,802	1,128,000
Michigan	115,000	12,284,219	4,114,927	121,741	4,036	233,683	6,289,832	1,520,000
Minnesota	115,000	11,401,412	1,948,891	661,923	53,965	NP <sup>7</sup>	7,088,633	1,648,000
Missouri	115,000	16,109,248	2,180,775	82,481	NP <sup>7</sup>	3,298,688	8,707,304	1,840,000
Nebraska	115,000	3,321,424	667,572	107,862	NP <sup>7</sup>	1,293,351	588,639	664,000
North Dakota	115,000	7,232,018	38,649	97,901	NP <sup>7</sup>	NP <sup>7</sup>	6,735,468	360,000
Ohio	115,000	6,233,866	1,536,321	176,174	18,941	125,723	2,256,707	2,120,000
South Dakota	115,000	78,194	45,024	33,170	NP <sup>7</sup>	NP <sup>7</sup>	NP <sup>7</sup>	NP <sup>7</sup>
Wisconsin	115,000	7,692,643	1,910,078	138,562	1,335	NP <sup>7</sup>	4,322,668	1,320,000
<b>Program Totals</b>	<b>\$1,380,000</b>	<b>\$153,948,244</b>	<b>\$24,746,114</b>	<b>\$2,110,257</b>	<b>\$125,653</b>	<b>\$17,678,245</b>	<b>\$93,543,975</b>	<b>\$15,744,000</b>

Footnotes:

1. Contracts include: Dell, HP, Lenovo, Alcatel-Lucent, Ciena/Walker and Associates, and Xerox.
2. Contracts include: Novell/MHEC Collaborative Program, Oracle, Arrow/VMWare, SAS, and Corel.
3. Contracts include: Info-Tech Research Group and Parchment.
4. Based on premium and loss information as of June 30, 2019.

5. Student tuition savings for the academic year 2018-2019.
6. Savings does not include personnel and travel cost savings.
7. Non-participating state for 2018-2019.

# MHEC Cumulative Estimated Savings for Entities and Citizens through June 2019

MHEC Member States	Contracts				Programs			Cumulative State Savings	What Member States Paid Cumulative (State Commitment)
	Computing Hardware <sup>1</sup>	Computing Software <sup>2</sup>	Technology Services <sup>3</sup>	Legacy Initiatives <sup>4</sup>	Master Property Program <sup>5</sup>	Midwest Student Exchange Program <sup>8</sup>	State Authorization Reciprocity Agreement <sup>9</sup>		
<b>Illinois</b> Member Since 8/20/1991	98,475,662	6,860,828	3,403,391	15,672,186	49,869,867	227,092,311	7,296,000	408,670,245	2,397,000
<b>Indiana</b> Member Since 3/14/1996	32,870,877	3,197,729	2,659,416	5,358,571	440,095	10,006,495	3,960,000	58,493,183	2,107,000
<b>Iowa</b> Member Since 6/6/2005	6,726,376	381,156	11,399	231,371	542,127	\$0	3,560,000	11,452,429	1,375,000
<b>Kansas</b> Member Since 4/25/1990	10,135,960	2,109,246	144,137	3,025,262	22,013,634	78,299,352	3,264,000	118,991,591	2,397,000
<b>Michigan</b> Member Since 7/24/1990	54,090,335	4,002,103	3,550,509	43,222,866	17,248,001	57,031,923	4,104,000	183,249,737	2,397,000
<b>Minnesota</b> Member Since 4/26/1990	19,934,443	5,136,615	499,431	10,876,074	15,306,381	50,082,828	4,744,000	106,579,771	2,397,000
<b>Missouri</b> Member Since 5/9/1990	24,319,032	2,144,349	45,081	5,484,930	41,327,712	57,608,366	5,424,000	136,353,469	2,397,000
<b>Nebraska</b> Member Since 6/5/1991	5,451,189	1,653,243	57,678	2,127,919	12,740,847	67,510,846	1,992,000	91,533,721	2,397,000
<b>North Dakota</b> Member Since 4/22/1999	1,628,962	947,399	31,581	1,000,822	0	11,417,631	1,056,000	16,082,395	1,875,000
<b>Ohio</b> Member Since 1/9/1991	29,882,794	3,828,867	1,560,409	32,198,285	349,707	2,918,489	6,000,000	76,738,551	2,397,000
<b>South Dakota</b> Member Since 3/13/2008	564,413	424,910	\$4,950	NA	492,535	0	0	1,486,808	1,125,000
<b>Wisconsin</b> Member Since 4/18/1994	20,781,722	1,052,466	392,665	6,747,463	0	42,704,072	4,024,000	75,702,389	2,223,000
<b>TOTAL</b>	<b>\$304,861,765</b>	<b>\$31,738,909</b>	<b>\$12,360,647</b>	<b>\$125,945,750</b>	<b>\$160,330,906</b>	<b>\$604,672,313</b>	<b>\$45,424,000</b>	<b>1,285,334,289</b>	<b>25,484,000</b>

FOOTNOTES:

1. Contracts include: Dell, HP, Lenovo, Juniper, Enterasys, Systemax, Mitel, Sun, EIQ, Alcatel-Lucent, Ciena/Walker and Associates, and Xerox.
2. Contracts include: Novell/MHEC Collaborative Program, Oracle, Corel, Arrow/VMWare, SAS, and Open Systems.
3. Contracts include: Info~Tech Research Group, Parchment, and CampusEAI.
4. Expired contracts include: office products, telecommunications, equipment maintenance, and academic scheduling, Interactive video, and APN.
5. Based on premium and loss information as of June 30, 2019.
6. Iowa State University asked MHEC to bid their property insurance for FY 2009. The MHEC bid, with a much lower deductible, was \$186,205 less per year than ISU was paying. ISU selected their current carrier at a price of \$858,824 or \$201,532 less than paid in FY 2008.
7. In 2009, 2012, and 2013, SD Office of Risk Management requested a quote for property insurance at its six SD Regent institutions. Even though the SD Offices of Risk Management kept its current carrier, they indicated the MHEC quotes saved the institutions \$85,000, \$239,302, and \$168,233 respectively.
8. Student tuition savings through the academic year 2018-2019.
9. Savings does not include personnel and travel cost savings.

## Guest Presenters



### **Dr. Sue Ellspermann**

President  
Ivy Tech Community College

Dr. Sue Ellspermann is president of Ivy Tech Community College, the nation's largest singly accredited statewide community college system. From 2010-2016, Ellspermann served as a State Representative and Lieutenant Governor of Indiana.

In 2006, Ellspermann founded the Center for Applied Research and Economic Development at the University of Southern Indiana. For 20 years she facilitated, trained and consulted in problem solving and strategic planning. Ellspermann's early career was in manufacturing and engineering with Frito-Lay, Michelin, and General Motors.

Ellspermann holds a Ph.D. and M.S. from the University of Louisville and a B.S. from Purdue University in Industrial Engineering.



### **Dr. Tom Harnisch**

Director of State Relations and Policy Analysis  
American Association of State Colleges and Universities

Dr. Thomas Harnisch joined AASCU in 2007 and currently serves as Director of State Relations and Policy Analysis. His responsibilities include research, policy analysis and communication to the AASCU membership and other external stakeholder groups. He helps craft the AASCU Public Policy Agenda and plans the Higher Education Government Relations Conference. His research interests include state higher education finance, access, affordability, and other state-related higher education topics. He is also an adjunct faculty member at Georgetown University and The George Washington University.

Harnisch previously worked as a graduate assistant at the Midwestern Higher Education Compact in Minneapolis.

He earned a bachelor's degree from the University of Wisconsin-Madison, a master's degree from the University of Minnesota, and a doctorate from The George Washington University.



**Ms. Teresa Lubbers**

Commissioner  
Indiana Commission for Higher Education

Ms. Teresa Lubbers was appointed in 2009 to serve as commissioner for Indiana’s Commission for Higher Education, the coordinating agency charged with ensuring the state’s postsecondary education system is aligned to meet the needs of students and the state. Prior to joining the Commission, Lubbers served in the Indiana State Senate for 17 years, leading on education and economic development issues as chair of the Senate Education and Career Development Committee.

As commissioner, Lubbers works to increase college completion, ensure academic quality and student learning and align postsecondary credentials with meaningful careers. She partners with policymakers and higher education leaders to develop and implement the state’s higher education strategic plans, including the Commission’s recently adopted third plan, “Reaching Higher, Delivering Value.”

Lubbers is a past chair and a current member of both the State Higher Education Executive Officers and the Midwestern Higher Education Compact. She serves as chair for the National Council for State Authorization, commissioner for both the Education Commission of the States and the Postsecondary Value Commission, a member of the Advisory Council for both the Council for Adult and Experiential Learning and the Level Up Advisory Council and is the chair of Indiana’s Governor’s Workforce Cabinet. Additionally, she serves on the Higher Learning Advocates Board of Directors.

Lubbers is past chair and current member of the YMCA of Great Indianapolis and Chair of the YMCA Foundation. She is the co-founder of the Lugar Excellence in Public Service Series.

Lubbers holds an undergraduate degree from Indiana University and a master’s in public administration from the Kennedy School of Government at Harvard University.



**Mr. Michael McCabe**

Director  
Council of State Governments, Midwest Office

Mr. Mike McCabe is the director of the Midwestern Office of The Council of State Governments (CSG). In that role, he oversees the efforts of an eleven-member team that provides research and staff support services to several groups of state officials, including primarily the Midwestern Legislative Conference. Prior to assuming his current duties, he served first as a policy analyst and later as the assistant director of the Midwestern Office. Before joining CSG, McCabe worked as an attorney with a private law firm in Des Moines, Iowa. A graduate of Iowa State University, he earned his law degree at the University of Illinois.



**Mr. PJ McGrew**

Executive Director, Governor’s Workforce Cabinet  
State of Indiana

Mr. PJ McGrew has dedicated his professional career to serving individuals through education and training services. He has diverse experience both in and out of the classroom through his years as an educator and state government. He served Indiana’s students as Education Policy Director for then-Governor Mike Pence and current-Governor Eric J. Holcomb. With the link between education and workforce growing ever stronger, McGrew was named director of policy for the Governor’s Workforce Cabinet created in the 2018 legislative session. In 2019, he became the executive director for the Governor’s Workforce Cabinet.

Prior to his work in state government, McGrew spent nearly ten years teaching high school math in a variety of school settings—including traditional public, public charter, private and alternative schools in Idaho and Indiana. Among the many highlights of his teaching career, he served as a school leader and mentor, and he was instrumental in turning around a school that had never achieved federal measures of Adequate Yearly Progress (AYP). Upon returning to his home state of Indiana, McGrew became an engaged advocate for alternate routes to teacher licensure and found he had a passion for public service and education policy.

Since then, McGrew has served in a variety of roles in state government, helping to shape Indiana’s education and workforce policy. Aside from his work in the governor’s office, he was the associate policy director for the Education Roundtable, director of special projects with the Department of Workforce Development, and chief of staff with the State Board of Education. He lives in Avon, Indiana, with his wife of 12 years, Jaclyn, and their two sons, Patrick, 7, and Frankie, 3.



**Mr. Jamie Merisotis**

President and Chief Executive Officer  
Lumina Foundation

Mr. Jamie Merisotis is a globally recognized leader in philanthropy, education, and public policy. Since 2008, he has served as president and CEO of Lumina Foundation, an independent, private foundation that is committed to making opportunities for learning beyond high school available to all. He previously served as co-founder and president of the nonpartisan, Washington, D.C.-based Institute for Higher Education Policy, and as executive director of a bipartisan national commission on college affordability appointed by the U.S. President and Congressional leaders. Merisotis is the author of the widely-acclaimed book *America Needs Talent*, named a Top 10 Business Book of 2016 by Booklist.

He is frequently sought after as a media commentator and contributor. His writing has appeared in *The Washington Post*, *New York Times*, *Wall Street Journal*, *National Journal*, *Stanford Social Innovation Review*, *Washington Monthly*, *Politico*, *Roll Call*, and other publications.

His work includes extensive global experience as an adviser and consultant in southern Africa, the former Soviet Union, Europe and other parts of the world. A respected analyst and innovator, Merisotis is a member of the Council on Foreign Relations in New York.

He is the recipient of numerous awards and holds honorary degrees from several universities and colleges. Merisotis also commits his time and energies as trustee for a diverse array of organizations around the world. He serves as chair of the Council on Foundations in Washington, D.C., and past chair of The Children’s Museum of Indianapolis, the world’s largest museum for children. He also serves on the boards of the Central Indiana Corporate Partnership and the UK-based European Access Network. Merisotis lives with his wife Colleen O’Brien and their children Benjamin and Elizabeth in Indianapolis.



**Mr. Frederick D. Payne**

Commissioner  
Indiana Department of Workforce Development

Mr. Fred Payne joined the Indiana Department of Workforce Development (DWD) in December 2017, as commissioner, after being appointed by Governor Eric Holcomb. The commissioner serves as DWD’s chief executive.

Payne came to DWD from Honda Manufacturing of Indiana, LLC (HMIN), as chief administrator where he was responsible for the Business Division, which consisted of all support functions including legal, IT, accounting/finance, planning, corporate affairs, facilities, administration and inclusion and diversity. Payne was one of three senior and executive leaders on the Company Operating Committee responsible for overall operations. During his time at HMIN, he served in a variety of leadership roles, including, general counsel, secretary, and compliance officer, as well as representing HMIN across North America on the Retirement and 401(k) Committee and Inclusion Committee.

In addition to his leadership roles, Payne is credited with starting the following foundational processes and units at HMIN: corporate governance, risk management, and the office of inclusion and diversity.

Prior to Honda, Payne was in private practice representing employers in employment and labor law matters before federal and state courts and governmental/administrative agencies throughout the U.S. such as the National Labor Relations Board, civil rights commissions, and the Department of Labor.

Payne is a member of the board of directors for the IndyEleven Foundation, Honda Federal Credit Union, and Indianapolis Urban League.

He is a graduate of the Indiana University Maurer School of Law and Grambling State University. Payne and his wife, Kelly, reside in Indianapolis.



**Mr. Dan Peterson**

Vice President, Industry & Government Affairs  
Cook Group, Inc.

Mr. Dan Peterson is vice president of Industry and Government Affairs for Cook Group Incorporated based in Bloomington, Indiana. Since joining Cook in 1989, he has held a variety of leadership roles over his 30 years. Peterson’s current responsibilities involve industry, government, and external relations.

Peterson earned a B.S. in biology from Indiana University in 1984 and an MBA in Finance also from Indiana University in 1989.

He serves on the Board of Directors for a variety of organizations throughout Indiana including BioCrossroads, Indiana Health Industry Forum, Regional Opportunities Initiative, Inc., and the Bloomington Economic Development Corporation. He also serves as chairman of the South Central Region Board of Directors of Indiana University Health, and is one of the founding board members for the Indiana Bioscience Research Institute. Peterson also serves as a commission member of the Indiana Commission for Higher Education and is a past chairman.



**Mr. Neil Ridley**

Senior Fellow  
Georgetown Center for Education and Workforce

Mr. Neil Ridley is now a senior fellow with the Georgetown University Center on Education and the Workforce. He has co-authored a number of reports on good jobs in the U.S. economy, which describe trends in the job opportunities available to workers at all education levels. He also has contributed to a number of state-focused reports, including *Certificates in Oregon*, *The Economic Value of Bachelor's Degrees in Texas*, and *Lifting Latinos and Closing Equity Gaps in Colorado*.

Prior to joining the Georgetown Center, he was a senior policy analyst with the postsecondary education and workforce team at CLASP where he focused on federal and state workforce development and postsecondary education issues. He also was a senior staff member at the John J. Heldrich Center for Workforce Development, located at Rutgers University. Ridley received a master's degree from the University of Texas at Austin and a bachelor's degree from Occidental College.



**Mr. Henry Stoever**

President & CEO  
AGB

Mr. Henry Stoever is the president and CEO of the Association of Governing Boards of Universities and Colleges (AGB) and is the president of AGB Search. He leverages his deep understanding and passion for exemplary board leadership to help trustees drive student success and institutional vitality. Prior to joining AGB, Stoever was the chief Marketing Officer at the National Association of Corporate Directors (NACD) where he oversaw marketing, partner relations, and board-development teams, providing insights on issues shaping board agendas.

At AGB, Stoever leads the oldest and largest organization in the world exclusively focused on empowering board members to lead with confidence and govern with knowledge with more than 1,300 boards, representing over 40,000 individual trustees across more than 2,000 member institutions.

He is a trustee for the United States Naval Academy Foundation's Academic and Scholarship Programs board, and he is a member of the board of directors for the Boulder Crest Retreat for Wounded Warriors.

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## MHEC Commissioners

### Executive Officers

Chair: Ken Sauer, Indiana  
Vice Chair: Olivia Madison, Iowa  
Treasurer: David Eisler, Michigan  
Past Chair: Tim Flakoll, North Dakota

### Executive Committee

Illinois: La Shawn Ford, Suzanne Morris  
Indiana: Ken Sauer, **TBD**  
Iowa: Carrie Koelker, Olivia Madison  
Kansas: Blake Flanders, Marci Francisco  
Michigan: David Eisler, **TBD**  
Minnesota: Connie Bernardy, Devinder Malhotra  
Missouri: Allen Andrews, Kayla Hahn  
Nebraska: Deborah Frison, Rick Kolowski  
North Dakota: Mark Hagerott, Dennis Johnson  
Ohio: Rick Carfagna, Stephanie Davidson  
South Dakota: Janelle Toman, **TBD**  
Wisconsin: Joan Ballweg, Rolf Wegenke

\*Ex Officios: Lyndon Carlson (MN); Randy Ferlic (NE);  
Tim Flakoll (ND); and Teresa Lubbers (IN)

### ILLINOIS

<https://www.mhec.org/states/illinois>



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State Representative; Chair, Appropriations-Higher Education  
Illinois General Assembly



**Mollie Foust**  
Senior Counselor to the Deputy Governors  
Illinois Governor's Office



**Alice Marie Jacobs**  
Board Member  
Illinois Board of Higher Education

*\*Former MHEC Chairperson*



**Pat McGuire**  
State Senator; Chair, Higher Education Committee  
Illinois General Assembly



**Suzanne Morris**  
Board Member  
Illinois Community College Board

## INDIANA

<https://www.mhec.org/states/indiana>



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President  
Vincennes University



**Jack Jordan**  
State Representative  
Indiana General Assembly



**Ken Sauer**  
Indiana Governor's Designee; and Senior Associate Commissioner and Chief  
Academic Officer, Indiana Commission for Higher Education



**David W. Wantz**  
President and CEO  
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**Andy Zay**  
State Senator  
Indiana General Assembly



**Teresa S. Lubbers** (Commissioner Alternate)  
Commissioner  
Indiana Commission for Higher Education

## IOWA

<https://www.mhec.org/states/iowa>



**Nancy Boettger**  
Regent  
Board of Regents, State of Iowa



**Derrick R. Franck**  
Board Member  
Iowa Association of Community College Trustees



**Olivia M.A. Madison**

Iowa Governor's Designee; and Professor Emerita and Dean Emerita of Library Services, Iowa State University



**Joe Mitchell**

State Representative; Member, Education Appropriations Subcommittee  
Iowa Legislature



**Herman Quirnbach**

State Senator; Ranking Member, Education Committee  
Iowa Legislature



**Andrew J. Baumert (Commissioner Alternate)**

Vice President for Marketing and Outreach  
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**Todd Brown (Commissioner Alternate)**

Division Administrator, Financial Aid Program Administration  
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**Timothy Fitzgibbon** (Commissioner Alternate)  
Governor's Designee; and Senior Vice President  
First National Bank



**Carrie Koelker** (Commissioner Alternate)  
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Iowa Legislature



**Sharon S. Steckman** (Commissioner Alternate)  
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Iowa Legislature

## KANSAS

<https://www.mhec.org/states/kansas>



**Molly Baumgardner**  
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Kansas Legislature



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Associate Director, Robert J. Dole Institute



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**Marci Francisco (Commissioner Alternate)**  
State Senator  
Kansas Legislature



**Ken Rahjes (Commissioner Alternate)**  
State Representative; Chair, Higher Education Budget  
Kansas Legislature

## MICHIGAN

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**David L. Eisler**  
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**Kim LaSata**  
State Senator; Chair, Appropriations Subcommittee on Universities and Community  
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**Bill Pink**  
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Grand Rapids Community College



**Scott VanSingel**  
State Representative; Chair, Higher Ed. & Community Colls. Appropriations  
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## MINNESOTA

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**Connie Bernardy**  
State Representative; Chair, Higher Education Finance and Policy Division  
Minnesota Legislature



**Karen Hanson**  
Executive Vice President and Provost  
University of Minnesota – Twin Cities



**Devinder Malhotra**  
Chancellor  
Minnesota State



**Dennis Olson**  
Minnesota Governor's Designee; and Commissioner  
Minnesota Office of Higher Education



**Lyndon R. Carlson** (Commissioner Alternate)  
State Representative; DFL Lead, Ways and Means Committee  
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President  
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**MISSOURI**

<https://www.mhec.org/states/missouri>



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State Representative; Member, Subcommittee on Appropriations – Education  
Missouri General Assembly



**Kayla Hahn**  
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**Gary Romine**  
State Senator; Chair, Senate Education Committee, and Chair, Joint Committee on  
Education  
Missouri General Assembly



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President  
Truman State University



**Margie Vandeven**  
Commissioner of Education  
Missouri Department of Elementary and Secondary Education



**Zora Mulligan** (Commissioner Alternate)  
Commissioner of Higher Education  
Missouri Department of Higher Education & Workforce Development

**NEBRASKA**

<https://www.mhec.org/states/nebraska>



**Randolph M. Ferlic**  
Nebraska Governor's Designee



**Deborah A. Frison**  
Vice Chair  
Coordinating Commission for Postsecondary Education



**Susan M. Fritz**  
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University of Nebraska System



**Rick Kolowski**  
State Senator; Member, Education Committee  
Nebraska Legislature



**Julie Slama**  
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Nebraska Legislature



**Mike Baumgartner** (Commissioner Alternate)  
Executive Director  
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**NORTH DAKOTA**

<https://www.mhec.org/states/north-dakota>



**Kyle Davison**

State Senator; Member, Education Committee  
North Dakota Legislative Assembly



**Tim Flakoll**

North Dakota Governor's Designee



**Mark Hagerott**

Chancellor  
North Dakota University System



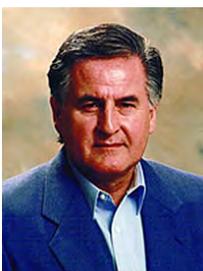
**Dennis Johnson**

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**James L. Davis** (Commissioner Alternate)

Former President  
Turtle Mountain Community College

## OHIO

<https://www.mhec.org/states/ohio>



**Rick Carfagna**

State Representative; Chair, Finance Subcommittee on Higher Education  
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Ohio Department of Higher Education



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**David H. Ponitz** (Commissioner Alternate)  
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## **SOUTH DAKOTA**

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**Michael Cartney**  
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**V.J. Smith**  
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**Larry J. Tidemann**  
South Dakota Governor's Designee



**Janelle K. Toman**  
Director of Communications  
South Dakota Board of Regents



**Reynold Nesiba** (Commissioner Alternate)  
State Senator; Member, Committee on Appropriations  
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## WISCONSIN

<https://www.mhec.org/states/wisconsin>



**Joan Ballweg**

State Representative; Member, Assembly Committee on Colleges and Universities  
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**Julie Underwood**

Wisconsin Governor's Designee; and Dean of Education  
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**Rolf Wegenke**

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**Morna K. Foy** (Commissioner Alternate)  
President  
Wisconsin Technical College System



**Sean P. Nelson** (Commissioner Alternate)  
Vice President of Finance  
University of Wisconsin System

## MHEC Committees

<https://www.mhec.org/about/committees>

M-SARA Steering Committee

Master Property Program Leadership Committee

Master Property Program Loss Control Workshop Subcommittee

Midwest Student Exchange Program Council

Multi-State Collaborative on Military Credit Steering Committee

Open Educational Resources Advisory Committee

Review Panel for State Policy and Performance Data

Technologies Executive Committee

Technologies Committee

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## OVERVIEW

The opening statement in the statute enacted into law in the **TWELVE MEMBER STATES** of the Midwestern Higher Education Compact (**MHEC**) provides the defining mission of the organization:



*The purpose of the Midwestern Higher Education Compact shall be to provide **GREATER HIGHER EDUCATION** opportunities and services in the Midwestern region, with the aim of furthering regional access to, research in and choice of higher education **FOR THE CITIZENS** residing in the several states which are parties to this Compact.*



MHEC's success over the **PAST 25 YEARS** has been defined by its ability to build successful programs providing a broad range of outcomes that support this mission.

As MHEC launches into its **NEXT 25 YEARS**, the region is dealing with a multitude of challenges that will drive it to deliver new innovative programs and services and require it to constantly evaluate the effectiveness of current programs. **THIS STRATEGIC PLAN IS BASED ON THAT REALITY.**

After listening to stakeholders and carefully analyzing capacities, it became clear the Strategic Plan needs to focus on three things.

### — 1 —

Define the organization's outcomes; the products it delivers, and the outcomes to measure its success

### — 2 —

Outline the common themes raised by Commissioners, employees, committee members, and other stakeholders as they examined the work the Compact should be engaged in during the next five years

### — 3 —

Provide an overview of the process to filter and shape ideas into actionable efforts providing benefit to the region and states served by the Compact

# OUTCOMES

MHEC has traditionally focused its narrative on the programs and services offered to the member states. As MHEC embarks on the next phase of development it will refocus the conversation around the **OUTCOMES** that arise from its programs and services. This will help **BUILD CONNECTIONS** across and within the organization, as well as **CREATE COMMON THREADS** that tie MHEC's work together.

## Professional Development

Disseminate knowledge and expertise about practical solutions

## Best Practices

Showcase successful efforts in the member states and provide a forum to share successes

## Organizational Revenue

Reinvest in MHEC programs and services and maintain an affordable state commitment

## Market Influence

Impact the market to better meet the unique needs of higher education

## Peer Connectivity

Network and solve problems together

## Initiative Metrics

Document the breadth and depth of MHEC's constituent reach



## Policy Guidance

Advance forward-looking ideas in a non-partisan, collaborative environment

## Solution Accessibility

Provide access to options not readily available to all constituents

## Efficiencies

Do more with less, address costs that cannot be measured in hard dollars

## Procurement Process

Ensure compliance and quality control through a trusted procurement process

## Savings

Save entities in the member states millions of dollars, opening doors for broader conversations

# THEMES

MHEC will focus its efforts in the next five years around these four key themes. The Commission will evaluate these themes on an annual basis to **ENSURE CONTINUED RELEVANCY** to the region.

## SHIFTING DEMOGRAPHICS – CHANGING COMPOSITION OF THE STUDENT BODY

- Increasing racial, ethnic, and economic diversity
- Lack of population growth resulting in excess capacity
- Persistent achievement gap for socioeconomically challenged students
- Amplified need to serve students with some college but no credential

## EVOLVING MODES OF PACKAGING AND DELIVERING EDUCATION

- Challenge to deliver better outcomes through technology
- Increased focus on competencies
- Demand for flexibility in higher education from early college to post-graduate studies – credit transfer, degree options, stackable credentials, and unbundling learning
- Diversification of credentials – licensures, badges, certificates, and certifications

## DECLINING SHARE OF PUBLIC INVESTMENT IN HIGHER EDUCATION

- Students paying a larger share of the cost of education resulting in greater student debt
- Increased expectations for return on investment and postsecondary education as practical career preparation to address workforce goals
- Heightened discussion about the value of liberal arts education

## DESIRE FOR COLLABORATION BEYOND THE INSTITUTION

- Push for higher education to build capacity to better collaborate with other institutions, K12, accreditors, Federal government, legislatures, and employers
- Drive to leverage increasingly complex data and link longitudinal data systems together

1

2

3

4



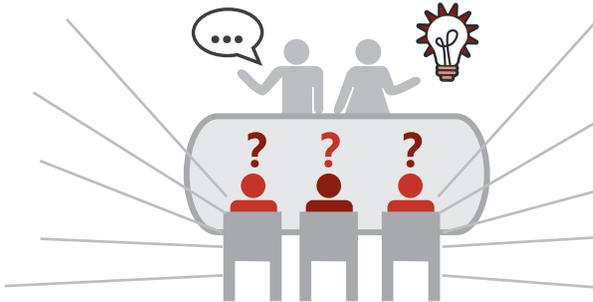
# PROCESS

MHEC relies on the **THOUGHT LEADERSHIP** provided by its Commissioners, committee members, staff, and other stakeholders to generate ideas that **RESULT IN ACTION**. In order to best use MHEC’s resources, acting on those opportunities with the greatest potential to **BRING VALUE TO THE MEMBER STATES**, MHEC will develop a transparent process for evaluating each idea while setting up a process to continuously evaluate existing work.



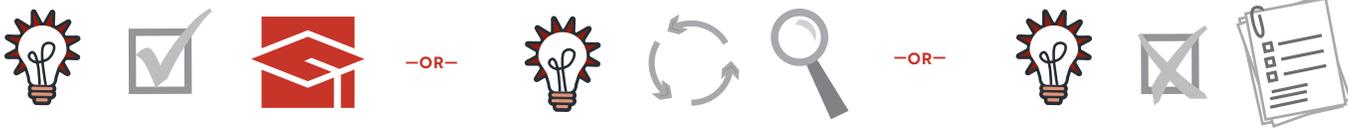
Ideas generated will be **CONNECTED** to one or more of the aforementioned themes articulated by MHEC’s constituency. Those who generate the ideas will be engaged with key stakeholders and MHEC staff to define the problem or opportunity and engage in data collection through a **SERIES OF QUESTIONS** that may include:

- How can MHEC deliver value linked to the articulated outcomes?
- How does the initiative benefit the region and member states?
- What type of activity would best suit the task?
- What is the scope of the effort?
- Who needs to be involved?



- What resources and expertise are required and does this align with MHEC’s existing capacities?
- Are others actively working to address the issue?
- What does success look like?
- Is timing a concern?
- What happens if we don’t act?

Based on the information gathered, a **BUSINESS CASE OR PROJECT CHARTER** will be developed. Depending on the nature of the opportunity, stakeholders will determine whether the idea should **MOVE FORWARD** as a project or initiative, **CONTINUE IN THE RESEARCH** phase, or be **SET ASIDE**.



**THE FINAL, AND PERHAPS MOST IMPORTANT STEP,** is the evaluation of the project or initiative, which will include these queries:

<input checked="" type="checkbox"/>	<b>Were the objectives met?</b>	<input checked="" type="checkbox"/>	<b>Has the environment or opportunity changed?</b>	<input checked="" type="checkbox"/>	<b>Did this help the stakeholders it set out to assist?</b>	<input checked="" type="checkbox"/>	<b>Are themes identified within the Strategic Plan still being addressed?</b>
<input type="checkbox"/>		<input type="checkbox"/>		<input type="checkbox"/>		<input type="checkbox"/>	

**CONCLUSION:** MHEC is an organization created to be responsive to the needs of Midwestern higher education. In launching this Strategic Plan, MHEC recognizes it will be called upon to serve a higher education community that is rapidly changing. The approach outlined in this Strategic Plan recognizes this. The plan creates a process enabling MHEC to be proactive and innovative while grounding it to common themes and challenges for the region.

# The Midwestern Regional Higher Education *Compact*

*Entered into by and between the States signatory hereto, to advance higher education through interstate cooperation to meet the needs of the Midwestern Region of the United States of America.*

## **ARTICLE I. PURPOSE**

The purpose of the Midwestern Higher Education Compact shall be to provide greater higher education opportunities and services in the Midwestern region, with the aim of furthering regional access to, research in and choice of higher education for the citizens residing in the several states which are parties to this Compact.

## **ARTICLE II. THE COMMISSION**

The compacting states hereby create the Midwestern Higher Education Commission, hereinafter called the Commission. The Commission shall be a body corporate of each compacting state. The Commission shall have all the responsibilities, powers and duties set forth herein, including the power to sue and be sued, and such additional powers as may be conferred upon it by subsequent action of the respective legislatures of the compacting states in accordance with the terms of this Compact.

The Commission shall consist of five resident members of each state as follows: the governor or the governor's designee who shall serve during the tenure of office of the governor; two legislators, one from each house (except Nebraska, which may appoint two legislators from its Unicameral Legislature), who shall serve two-year terms and be appointed by the appropriate appointing authority in each house of the

legislature; and two other at-large members, at least one of whom shall be selected from the field of higher education. The at-large members shall be appointed in a manner provided by the laws of the appointing state. One of the two at-large members initially appointed in each state shall serve a two-year term. The other, and any regularly appointed successor to either at-large member, shall serve a four-year term. All vacancies shall be filled in accordance with the laws of the appointed states. Any commissioner appointed to fill a vacancy shall serve until the end of the incomplete term.

The Commission shall select annually, from among its members, a chairperson, a vice chairperson and a treasurer.

The Commission shall appoint an executive director who shall serve at its pleasure and who shall act as secretary to the Commission. The treasurer, the executive director and such other personnel as the Commission may determine, shall be bonded in such amounts as the Commission may require.

The Commission shall meet at least once each calendar year. The chairperson may call additional meetings and upon the request of a majority of the Commission members of three or more compacting states, shall call additional meetings. Public notice shall be given of all meetings and meetings shall be open to the public.

Each compacting state represented at any meeting of the Commission is entitled to one vote. A majority of the compacting states shall constitute a quorum for the transaction of business, unless a larger quorum is required by the bylaws of the Commission.

### **ARTICLE III. POWERS AND DUTIES OF THE COMMISSION**

The Commission shall adopt a seal and suitable bylaws governing its management and operations.

Irrespective of the civil service, personnel or other merit system laws of any of the compacting states, the Commission in its bylaws shall provide for the personnel policies and programs of the Compact.

The Commission shall submit a budget to the governor and legislature of each compacting state at such time and for such period as may be required. The budget shall contain specific recommendations of the amount or amounts to be appropriated by each of the compacting states.

The Commission shall report annually to the legislatures and governors of the compacting states, to the Midwestern Governors' Conference and to the Midwestern Legislative Conference of the Council of State Governments concerning the activities of the Commission during the preceding year. Such reports shall also embody any recommendations that may have been adopted by the Commission.

The Commission may borrow, accept, or contract for the services of personnel from any state or the United States or any subdivision or agency, from any interstate

agency, or from any institution, foundation, person, firm or corporation.

The Commission may accept for any of its purposes and functions under the Compact any and all donations and grants of money, equipment, supplies, materials and services (conditional or otherwise) from any state or the United States or any subdivision or agency thereof, or interstate agency, or from any institution, foundation, person, firm, or corporation, and may receive, utilize and dispose of the same.

The Commission may enter into agreements with any other interstate education organizations or agencies and with higher education institutions located in non-member states and with any of the various states of these United States to provide adequate programs and services in higher education for the citizens of the respective compacting states. The Commission shall, after negotiations with interested institutions and inter-state organizations or agencies, determine the cost of providing the programs and services in higher education for use of these agreements.

The Commission may establish and maintain offices, which shall be located within one or more of the compacting states.

The Commission may establish committees and hire staff as it deems necessary for the carrying out of its functions.

The Commission may provide for actual and necessary expenses for attendance of its members at official meetings of the Commission or its designated committees.

#### **ARTICLE IV. ACTIVITIES OF THE COMMISSION**

The Commission shall collect data on the long-range effects of the Compact on higher education. By the end of the fourth year from the effective date of the Compact and every two years thereafter, the Commission shall review its accomplishments and make recommendations to the governors and legislatures of the compacting states on the continuance of the compact.

The Commission shall study issues in higher education of particular concern to the Midwestern region. The Commission shall also study the needs for higher education programs and services in the compacting states and the resources for meeting such needs. The Commission shall from time to time prepare reports on such research for presentation to the governors and legislatures of the compacting states and other interested parties. In conducting such studies, the Commission may confer with any national or regional planning body. The Commission may redraft and recommend to the governors and legislatures of the various compacting states suggested legislation dealing with problems of higher education.

The Commission shall study the need for provision of adequate programs and services in higher education, such as undergraduate, graduate or professional student exchanges in the region. If a need for exchange in a field is apparent, the Commission may enter into such agreements with any higher education institution and with any of the compacting states to provide programs and services in higher education for the citizens of the respective compacting states. The Commission shall, after negotiations with interested institutions and the compacting states, determine the costs of providing the

programs and services in higher education for use in its agreements. The contracting states shall contribute the funds not otherwise provided, as determined by the Commission, for carrying out the agreements. The Commission may also serve as the administrative and fiscal agent in carrying out agreements for higher education's programs and services.

The Commission shall serve as a clearinghouse on information regarding higher education activities among institutions and agencies.

In addition to the activities of the Commission previously noted, the Commission may provide services and research in other areas of regional concern.

#### **ARTICLE V. FINANCE**

The monies necessary to finance the general operations of the Commission not otherwise provided for in carrying forth its duties, responsibilities and powers as stated herein shall be appropriated to the Commission by the compacting states, when authorized by the respective legislatures by equal apportionment among the compacting states.

The Commission shall not incur any obligations of any kind prior to the making of appropriations adequate to meet the same; nor shall the Commission pledge the credit of any of the compacting states, except by and with the authority of the compacting state.

The Commission shall keep accurate accounts of all receipts and disbursements. The receipts and disbursements of the Commission shall be subject to the audit and accounting procedures established under its

bylaws. However, all receipts and disbursements of funds handled by the Commission shall be audited yearly by a certified or licensed public accountant and the report of the audit shall be included in and become part of the annual report of the Commission.

The accounts of the Commission shall be open at any reasonable time for inspection by duly authorized representatives of the compacting states and persons authorized by the Commission.

#### **ARTICLE VI. ELIGIBLE PARTIES AND ENTRY INTO FORCE**

The states of Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota and Wisconsin shall be eligible to become party to this Compact. Additional states will be eligible if approved by a majority of the compacting states.

As to any eligible party state, this Compact shall become effective when its legislature shall have enacted the same into law; provided that it shall not become initially effective until enacted into law by five states prior to the 31st day of December 1995.

Amendments to the Compact shall become effective upon their enactment by the legislatures of all compacting states.

#### **ARTICLE VII. WITHDRAWAL, DEFAULT AND TERMINATION**

Any compacting state may withdraw from this Compact by enacting a statute repealing the Compact, but such withdrawal shall not become effective until two years

after the enactment of such statute. A withdrawing state shall be liable for any obligations which it may have incurred on account of its party status up to the effective date of withdrawal, except that if the withdrawing state has specifically undertaken or committed itself to any performance of an obligation extending beyond the effective date of withdrawal, it shall remain liable to the extent of such obligation.

If any compacting state shall at any time default in the performance of any of its obligations, assumed or imposed, in accordance with the provisions of this Compact, all rights, privileges and benefits conferred by this Compact or agreements here-under shall be suspended from the effective date of such default as fixed by the Commission, and the Commission shall stipulate the conditions and maximum time for compliance under which the defaulting state may resume its regular status. Unless such default shall be remedied under the stipulations and within the time period set forth by the Commission, this Compact may be terminated with respect to such defaulting state by affirmative vote of a majority of the other member states. Any such defaulting state may be reinstated by performing all acts and obligations as stipulated by the Commission.

#### **ARTICLE VIII. SEVERABILITY AND CONSTRUCTION**

The provisions of this Compact entered into hereunder shall be severable and if any phrase, clause, sentence or provision of this compact is declared to be contrary to the constitution of any compacting state or of the United States or the applicability thereof to any government, agency, person or circumstance is held invalid, the validity of

the remainder of this Compact and the applicability thereof to any government, agency, person or circumstance shall not be affected thereby. If this Compact entered into hereunder shall be held contrary to the constitution of any compacting state, the Compact shall remain in full force and effect as to the remaining states and in full force and effect as to the state affected as to all severable matters. The provisions of this Compact entered into pursuant hereto shall be liberally construed to effectuate the purposes thereof.

*This compact is now in full force and effect, having been approved by the governors and legislatures of more than five of the eligible states.*

**MEMBER STATES**

State of Illinois  
By Jim Edgar  
August 20, 1991

State of Michigan  
By James A. Blanchard  
July 24, 1990

State of North Dakota  
By Edward T. Schafer  
April 22, 1999

State of Indiana  
By Evan Bayh  
March 14, 1996

State of Minnesota  
By Rudolph Perpich  
April 26, 1990

State of Ohio  
By Richard F. Celeste  
January 9, 1991

State of Iowa  
By Tom Vilsack  
June 6, 2005

State of Missouri  
By John D. Ashcroft  
May 9, 1990

State of South Dakota  
By Mike Rounds  
March 13, 2008

State of Kansas  
By Michael Hayden  
April 25, 1990

State of Nebraska  
By Ben Nelson  
June 5, 1991

State of Wisconsin  
By Tommy Thompson  
April 18, 1994

# Midwestern Higher Education Commission

## *Bylaws*

### Article I. Commission Purpose, Functions and Bylaws

#### Section 1. Purpose.

Pursuant to the terms of the Midwestern Higher Education Compact (hereinafter referred to as "the compact"), the Midwestern Higher Education Commission (hereinafter referred to as "the commission") is established to fulfill the objectives of the compact, including the development and promotion within the compacting states, of new and more efficient opportunities in higher education.

#### Section 2. Functions.

In pursuit of the fundamental objectives set forth in the compact, the commission shall, as necessary or required, exercise all of the powers and fulfill all of the duties delegated to it by the compacting states. The commission's activities shall include the preparation of reports, studies and recommendations, the provision of information and consulting services, the facilitation of resource sharing and exchanges, and the promotion and implementation of other initiatives related to the improvement of higher education in the compacting states, as provided by the compact, or as determined by the commission to be warranted by, and consistent with, the objectives and provisions of the compact.

#### Section 3. Bylaws.

As required by the compact, these bylaws shall govern the management and operations of the commission. As adopted and subsequently amended, these bylaws shall remain at all times subject to, and limited by, the terms of the compact.

### Article II. Membership

#### Section 1. Compact Members.

The commission membership shall be comprised as provided in the compact. The appointing authorities in each of the compacting states shall forward the names of their appointees to the commission chairperson. After verifying compliance with the compact provisions governing commission appointments, the commission chairperson shall promptly acknowledge the receipt of all qualified appointments by letter to both the appropriate appointing authorities and the designated appointees. The commission chairperson shall promptly advise the appropriate appointing authorities of the need to appoint new commission members upon the expiration of designated terms of the occurrence of mid-term vacancies.

#### Section 2. Affiliate Members.

States not eligible to become a party to the Compact and/or Canadian Provinces may become affiliate members of the Commission when mutual interests exist and when it would benefit the Compact to enter into such arrangements. Such other states and/or Canadian

Provinces may be afforded status as affiliate members to the Commission in accordance with policies and procedures approved by the Commission.

The Compact legislation must be approved by affiliate member states or provinces prior to being afforded affiliate member status.

### Section 3. Associates.

Entities not eligible to become members of the Compact may be afforded status as associates of the Commission in accordance with the policies and procedures approved by the Commission.

### Section 4. Compact Participation in MHEC Programs.

For the 12 states identified in Article VI of the MHEC compact statute, the MHEC compact statute must remain in effect in order for those states to participate in MHEC programs and services

## Article III. Officers

### Section 1. Election and Succession.

As provided by the compact, the officers of the commission shall include a chairperson, vice chairperson, past chairperson, and a treasurer, all of whom shall be duly appointed commission members. Officers shall be elected by the commission at any meeting at which a quorum is present. The chairperson and vice chairperson shall serve one year terms or until their successors are elected by the commission. The vice chairperson shall succeed to the office of chairperson upon completion of the chairperson's term of office. The treasurer shall serve a one year term or until a successor is elected by the commission. The treasurer shall not serve more than four terms successively.

### Section 2. Duties.

The officers shall perform all duties of their respective offices as provided by the compact and these bylaws. Such duties shall include, but are not limited to, the following:

- a. *Chairperson.* The chairperson shall call and preside at all meetings of the commission, shall prepare agendas for such meetings, shall make appointments to all committees of the commission, and, in accordance with the commission's directions, or subject to ratification by the commission, shall act on the commission's behalf during the interims between commission meetings.
- b. *Vice Chairperson.* The vice chairperson shall, in the absence or at the direction of the chairperson, perform any or all of the duties of the chairperson. In the event of a vacancy in the office of chair-person, the vice chairperson shall serve as acting chairperson until a new chairperson is elected by the commission.
- c. *Treasurer.* The treasurer, with the assistance of the commission's executive director, shall act as custodian of all commission funds and shall be responsible for monitoring the administration of all fiscal policies and procedures set forth in the compact or adopted by the commission. Pursuant to the compact, the treasurer shall execute such bond as may be required by the Commission covering the treasurer, the executive director and any other officers, commission members and commission personnel, as determined by the commission, who may be responsible for the receipt, disbursement, or management of commission funds.

d. *Past Chairperson.* Commencing upon completion of the term of office of chairperson, the past chairperson, if still a duly appointed MHEC commissioner, shall serve one year in the position of past chairperson. The past chairperson shall, in the absence or at the discretion of the chairperson and vice chairperson, perform any or all of the duties of the chairperson. In the event of a vacancy in the office of the chairperson and vice chairperson, the past chairperson shall serve as acting chairperson until a new chairperson or vice chairperson is elected by the commission.

## **Article IV. Commission Personnel**

### **Section 1. Commission Staff and Offices**

The commission shall appoint an executive director, who shall serve at its pleasure and who shall act as chief executive officer and secretary to the commission. The executive director shall hire and supervise such other staff as may be authorized by the commission. The executive director shall establish and manage the commission's office or offices, which shall be located in one or more of the compacting states as determined by the commission. The executive director may be entitled president of the commission.

### **Section 2. Duties of the Executive Director.**

As secretary to the commission, the executive director shall keep minutes of all commission meetings and shall act as the custodian of all documents and records pertaining to the status of the compact and the business of the commission. As the commission's principal administrator, the executive director shall also perform such other duties as may be delegated by the commission or required by the compact and these bylaws, including, but not limited to, the following:

- a. Recommend general policies and program initiatives for the commission's consideration;
- b. Recommend for the commission's consideration administrative and personnel policies governing the recruitment, hiring, management, compensation and dismissal of commission staff;
- c. Implement and monitor the administration of all policies and program initiatives adopted by the commission;
- d. Prepare draft annual budgets for the commission's consideration;
- e. Monitor all commission expenditures for compliance with approved budgets, and maintain accurate records of account;
- f. Assist commission members as directed in securing required appropriations from the compacting states;
- g. Executive contracts on behalf of the commission as directed;
- h. Receive service of process on behalf of the commission; and

- i. Prepare and disseminate all required reports and notices as directed by the commission.

### **Section 3. Policy and Programmatic Committees.**

In functioning as the commission's principal administrator, the executive director (president) may establish committees to help explore and implement commission policies and program initiatives. The executive director shall appoint the members of the committees and shall determine the composition, procedures, duties, budget and tenure of such committees.

At the discretion of the executive director, the positions of chair and vice chair may be established for each of the committees. If a chair and vice chair is established, the executive director shall appoint the chairperson and vice-chairperson following nominations from members of the respective committees. The term of office for the chair and vice chair shall be two years. The vice chair shall succeed the chair upon the expiration of the chair's term. The chair and vice chair shall serve at the pleasure of the executive director. The duties of the chair and vice chair shall include, but not be limited to, the following:

Chairperson: The chairperson shall call and preside at all meetings of the committee, shall prepare agendas for such meetings, and in accordance with the committee's directions and subject to the executive director's approval, shall act on the committee's behalf during the interim between committee meetings.

Vice Chairperson: The vice-chairperson shall, in the absence or at the direction of the chairperson, perform any or all of the duties of the chairperson. In the event of a vacancy in the office of the chairperson, the vice-chairperson shall serve as acting chairperson until the executive director appoints a new chairperson.

## **Article V. Meetings of the Commission.**

### **Section 1. Meetings and Notice.**

The commission shall meet at least once each calendar year at a time and place to be determined by the commission. Additional meetings may be scheduled at the discretion of the chairperson, and must be called upon the request of a qualified number of commission members, as provided in the compact. All commission members shall be given written notice of commission meetings at least 30 days prior to their scheduled dates. Final agendas shall be provided to all commission members no later than 10 days prior to any meeting of the commission. Thereafter, additional agenda items requiring commission action may not be added to the final agenda, except by a vote of the commission in which two-thirds of the compacting states vote aye. All commission meetings, except executive sessions limited to personnel matters, shall be open to the public and prior public notice shall be provided in a manner consistent with the customs and practices of the compacting states.

### **Section 2. Quorum.**

Commission members representing a majority of the compacting states and affiliate members shall constitute a quorum for the transaction of business, except as otherwise required in these bylaws. The presence of one or more commission members from a compacting state is sufficient to constitute the presence of that state for purposes of

determining the existence of a quorum, provided the delegation present is entitled to vote on behalf of the state represented. The presence of a quorum must be established before any vote of the commission can be taken.

### Section 3. Voting.

Each compacting state represented at any meeting of the commission is entitled to one vote. Fractional voting is prohibited. Each affiliate member represented at any meeting of the commission is entitled to one vote. The commission members representing a single compacting state may, subject to applicable state laws, employ the means of their choice for determining their state's vote. In the event that a minimum number of commission members is required by a compacting state to be present at a commission meeting in order to vote on behalf of such state, the presence of that number of commission members shall also be required by the commission for purposes of determining the existence of a quorum. Except as otherwise required by the compact or these bylaws, any question submitted to a vote of the commission shall be determined by a simple majority.

### Section 4. Procedure.

Matters of parliamentary procedure not covered by these bylaws shall be governed by Robert's Rules of Order.

## Article VI. Committees

### Section 1. Executive Committee.

The commission shall establish an executive committee, which shall be empowered to act on behalf of the commission during the interims between commission meetings. The composition, procedures, duties, budget, and tenure of such an executive committee shall be determined by the commission, except that each compacting state shall be entitled to equal representation and voting rights on the committee. Past chairpersons of the commission that remain duly appointed commission members or that serve as alternate commission members shall serve on the executive committee as ex officio members. The power of such an executive committee to act on behalf of the commission shall at all times be subject to any limitations imposed by the commission, the compact or these bylaws.

### Section 2. Other Committees.

The commission may establish such other committees as it deems necessary to carry out its objectives. The composition, procedures, duties, budget and tenure of such committees shall be determined by the commission.

## Article VII. Finance

### Section 1. Fiscal Year.

The commission's fiscal year shall begin on July 1 and end on June 30.

## Section 2. Budget.

The commission shall operate on an annual budget cycle and shall, in any given year, adopt budgets for the following fiscal year or years by such time as may be necessary to allow legislative appropriations from the compacting states to be secured. Commission budgets shall be submitted to the compacting states as required by the compact.

## Section 3. Accounting and Audit.

The commission, with the assistance of the executive director, shall keep accurate and timely accounts of all receipts and disbursements of commission funds. The treasurer, through the executive director, shall cause the commission's records of account to be audited annually by a certified or licensed public accountant, and, as required by the compact, the report of such audit shall be made a part of the commission's annual report.

## Section 4. Debt Limitations.

The commission shall monitor its own and its committees' affairs for compliance with all provisions of the compact and these bylaws governing the incursion of debt and the pledging of credit.

## Section 5. Travel Reimbursement.

Subject to the availability of budgeted funds, and unless otherwise provided by the commission, commission members shall be reimbursed for any actual and necessary expenses incurred pursuant to their attendance at all duly convened meetings of the commission or its committees.

## Article VIII. Required Reports

In addition to such other reports as may from time to time be required by the compact, these bylaws, or any action of the commission, the commission shall prepare and disseminate the following reports as required by the compact:

- a. An annual report documenting the commission's activities during the preceding year and including the annual audit report and any recommendations that may have been adopted by the commission.
- b. A biannual compact evaluation report, the first of which shall be prepared by January, 1995, analyzing the effects of the compact on higher education in the compacting states and including recommendations concerning the continuance of the compact.

## Article IX. Adoption and Amendment of Bylaws

Any bylaw may be adopted, amended or repealed by a majority vote of the compacting states, provided that written notice and the full text of the proposed action is provided to all commission members at least 30 days prior to the meeting at which the action is to be considered. Failing the required notice, a two-thirds majority of the compacting states shall be required for such action.

*As adopted by the Midwestern Higher Education Commission on March 10, 1991.*

*As amended by the Midwestern Higher Education Commission on May 20, 1995.*

*As amended by the Midwestern Higher Education Commission on June 20, 2003.*

*As amended by the Midwestern Higher Education Commission on November 18, 2004.*

*As amended by the Midwestern Higher Education Commission on November 14, 2006.*

*As amended by the Midwestern Higher Education Commission on November 14, 2011.*

*Aa amended by the Midwestern Higher Education Commission on June 3, 2019.*

## GENERAL OPERATING PRINCIPLES FOR PROGRAM SELECTION AND DEVELOPMENT

1. The Commission of the compacting states must formally approve, as described in the bylaws, each MHEC program before it is started.
2. Programs shall relate primarily to or affect postsecondary education (public, proprietary, or private) including basic college or university programs (technical, professional, and graduate), and other forms of education for persons beyond high school age--such as continuing education, vocational training, and nontraditional programs that permit people to return to the learning process at any time in their lives.
3. Programs will be initiated in response to demonstrated or defined needs in more than one of the midwestern states.
4. Problems addressed by MHEC programs must be best solved through interstate cooperation. (Occasional single-state requests for services will be met, staff resources permitting.)
5. MHEC programs will address the needs and perspectives of all constituencies in the midwestern region, with particular regard to those groups that historically have been under-represented in postsecondary education.
6. Programs are initiated only after determining that MHEC can appropriately provide the service.
7. The primary beneficiaries of each program must be within the MHEC region and they must have signified their desire for MHEC services.
8. MHEC will cooperate with states, agencies, organizations, or individuals outside the region if such out-of-region cooperation is for the benefit of states and citizens in the region.
9. All MHEC programs will be evaluated regularly and systematically, and the results will be made public.
10. Any and all programs selected by the Commission shall be adopted in accordance with the bylaws of the Commission.

## **Midwestern Higher Education Commission Conflict of Interest Policy for Commissioners**

WHEREAS, the proper governance of the Midwestern Higher Education Commission (MHEC) depends on Commissioners who give their time for the benefit of MHEC; and

WHEREAS, the giving of this service, because of the varied interests and background of Commissioners, may result in situations involving a dual interest which might be interpreted as a conflict of interest; and

WHEREAS, this service should not be rendered impossible solely by reason of duality of interest or possible conflict of interest; and

WHEREAS, this service nevertheless carries with it a requirement of loyalty and fidelity to MHEC, it being the responsibility of the Commissioners to govern MHEC's affairs honestly and economically, exercising their best care, skill and judgment for the benefit of MHEC; and

WHEREAS, the matter of any duality of interest or possible conflict of interest can be handled through full disclosure of any such interest, together with non-involvement in any vote wherein the interest is involved;

NOW, THEREFORE, BE IT RESOLVED: That the following policy of duality and conflict of interest is hereby adopted for MHEC:

1. Timely full disclosure of any duality of interest or possible conflict of interest on the part of any Commissioner should be made to the President of MHEC, who shall advise the Chair of the Commission on a timely basis. It is the responsibility of the President to make a permanent record of any such disclosure and to make such a record available for inspection during normal business hours to any Commissioner or other authorized person.
2. Any Commissioner having a duality of interest or possible conflict of interest on any matter coming to a vote of the full Commission or any of its committees should disclose that prior to such vote and should not vote or use his/her personal influence on the matter. Such Commissioner may, however, be counted in determining the quorum for the meeting. The minutes of the meeting should reflect that a disclosure was made and the abstention from voting.
3. The foregoing requirements should not be construed as preventing the Commissioner from briefly stating his/her position in the matter, nor from answering pertinent questions of other Commissioners, since his/her knowledge may be of great assistance.
4. Meals and other activities provided at Midwestern Higher Education Commission sponsored meetings and events shall not be considered a conflict of interest for Commissioners.
5. All Commissioners shall sign a conflict of interest statement

BE IT FURTHER RESOLVED, that this policy be reviewed periodically for the information and guidance of members of the Commission, and that any new member be advised of the policy upon appointment to the Commission.

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November 2019

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