

Business Meeting Agenda
Thursday, July 10, 2014
8:30 – 9:45 AM
Evergreen Ballroom, The Grove Hotel
Boise, Idaho

- **Report of the Chair of the Executive Committee**
Teresa Lubbers, Commissioner, Indiana Commission for Higher Education
- **Report of the Treasurer**
Andy Tompkins, President and CEO, Kansas Board of Regents
 - FY 2013 Audit, FY 2015 Budget and Dues [ACTION ITEM]
- **Report of the President**
George Pernsteiner, President, State Higher Education Executive Officers
- **Committee Reports**
 - Federal Relations**
 - Chair: Robert L. King, President, Kentucky Council on Postsecondary Education
 - Vice Chair: Daniel Klaich, Chancellor, Nevada System of Higher Education
 - Nominating**
 - Chair: Jack R. Warner, Executive Director & Chief Executive Officer, South Dakota Board of Regents
 - Election of Officers [ACTION ITEM]
 - Time and Place**
 - Chair: Peter Blake, Director, State Council of Higher Education for Virginia
- **Other Matters – Resolution and Bylaws Change**
- Next year's SHEEO Annual Meeting will be held at The Inn and Spa at Loretto in Santa Fe, New Mexico, July 6-10, 2015.



SHEEO

STATE HIGHER EDUCATION EXECUTIVE OFFICERS ASSOCIATION

MEMORANDUM

To: SHEEO Members

From: Andy Tompkins, Treasurer and Chair of the Budget and Finance Committee, and George Fernsteiner, President, SHEEO

Date: July 10, 2014

Re: Audit report for Fiscal Year 2013 and Proposed Budget for Fiscal Year 2015

We are pleased to convey to you SHEEO's audited financial statements for Fiscal Year 2013 (compared to FY 2012) and a proposed budget for Fiscal Year 2015.

SHEEO Finances	FY 2012 Audited Statement	FY 2013 Audited Statement	Adopted FY 2014 Budget	Proposed FY 2015 Budget
Total Revenues	\$2,922,104	\$2,785,380	\$2,398,663	\$2,549,000
Total Expenditures	\$2,747,992	\$2,668,362	\$2,352,200	\$2,528,000
Revenues over Expenditures	\$174,112	\$117,018	\$46,463	\$21,000

The increase in SHEEO's net assets during the past year leaves the association with a fund balance of \$2,332,231 including the reserve of \$550,000 established by the Executive Committee to assure operating stability and to set aside funds for a balloon payment on our mortgage due in 2016. Of our assets, \$609,336 is non-liquid: our interest in the SHEPC office building totals \$601,652, and furniture and equipment, less depreciation, totals \$7,684.

Analysis of year-end results--2013

Despite a drop in revenues (approximately \$136,724 over FY12), SHEEO ended the fiscal year with a net increase in the fund balance of \$117,018. Favorable market conditions in FY13 allowed SHEEO's investments to appreciate in all months except three—October, June, and August—finishing strong with a credit balance of \$95,606. State dues provided 23% of SHEEO's total revenue (compared to 20% in FY12), reflecting the positive effect of increasing the dues by 10% annually. Three states did not pay dues in FY2013 but only one has not done so for 2014. The dues loss in 2013 was \$37,684, meaning that SHEEO collected nearly 95% of the dues it assessed.

Management Letter

Kristin L. Rewelling, CPA, conducted the SHEEO audit for the fourth year, and I am pleased to report that Ms. Rewelling found no material weaknesses in SHEEO's internal procedures. Once again, she cited a "significant" deficiency in that SHEEO does not—in conformity with generally accepted accounting principles (GAAP)—have a CPA on staff to oversee its accounting. This finding is repeated from the last three years. The Executive Committee concluded in 2010, 2011, 2012, and again for 2013 that the president's financial experience (and that of the Executive Committee itself), is sufficient, as long as we have a qualified auditor review our books.

Ms. Rewelling also pointed out that there are times during the year when bank accounts did not have the maximum FDIC coverage; and recommended that we analyze and adopt a new way to fairly provide group health insurance benefits to SHEEO staff under the new health care law.

2014 Preliminary Results

Continued increases in grant and contract activity and the dues payment by nearly every member is expected to lead to revenues in excess of \$2.5 million for FY2014, as much as \$150,000 more than the amount budgeted last July. Increased medical insurance costs in 2014 were offset by reduced salary expenses due to carrying a vacancy for several months. However, overall expenditures are likely to be higher than budgeted due to additional grant and contract work and can be expected to approach \$2.5 million. As of May 31, it would appear that the net revenues over expenditures are likely to be about \$50,000, in line with the July 2013 forecast. Additional revenue from possible upcoming grant activity could increase that somewhat (but may bring some increased expenditures also).

2015 Proposed Budget

The 2015 Proposed Budget is attached to this report. It anticipates revenue of \$2,549,000 and expenditures of \$2,528,000. A large contributor to revenue is member dues at \$824,000, up from 2014 levels due to an additional member and a planned and proposed dues increase of 10 percent (the third of five such increases projected upon the loss of a major federal contract in 2012.) This will mean that dues will comprise 32% of SHEEO revenue, up slightly from the 31% budgeted for 2014. Grant and contract income is budgeted at \$1,201,000 plus \$108,000 of indirect cost recovery. This totals \$1,219,000, a decrease of 4% from the 2014 budget and contemplates significant support from the Lumina and Bill and Melinda Gates Foundations and a subcontract from the U.S. Department of Education's contract with the Synergy Corporation to support the IPEDS data conference. Expenditures are expected to rise due to higher costs for the Annual Meeting and the Higher Education Policy Conference and a large anticipated increase in employee health care insurance premiums. (SHEEO pays two-thirds of the medical insurance premiums for its employees.)

Concluding comments

SHEEO continued to have a strong financial position in 2012-13. The association continued the cost control efforts begun when the NCE contract ended and was able, through the leadership of Paul Lingenfelter, to acquire significant grant resources to support its activities. Most salient of these was the operating grant of about \$500,000 per year in both 2013-14 and 2014-15 from the Lumina Foundation. SHEEO has reserved funds to permit it to purchase its share of the building it occupies with WICHE and NCHES when the balloon payment comes due in 2016. The reliance on external grant funding, occasioned by the loss of the NCE funding, is causing us to consider changing the category under which the organization enjoys exempt status from federal income tax. The current category requires significant governmental funding, a situation

that clearly prevailed through 2011 and probably still does. However, significant revenue now comes from grants from foundations and not from government sources. Our external auditor will help us determine whether and how to transition from one tax exempt category to another.

With respect to the findings raised in the auditor's report, we reiterate the recommendation made by Paul Lingenfelter over the past few years with regard to the finding that our accounting is not overseen by a certified public accountant. That remains true, but our fiscal house has been managed for many years—and managed effectively—by Gladys Kerns. That situation has not changed, and in March the Executive Committee accepted our recommendation that we continue to operate in this regard as we have. The basis for that recommendation by Dr. Lingenfelter was that his own financial experience and that of the members of the Executive Committee was sufficient to provide the association with the needed expertise to offset the lack of a CPA on staff. The current president's experience includes oversight of financial matters for a number of universities and city agencies. The members of the Executive Committee, collectively, continue to have significant experience overseeing large public higher education entities. Therefore, the Executive Committee accepted our recommendation that we continue our current approach and not hire a CPA at this time.

We opened an additional bank account at Chase Bank in order to help ensure that our bank balances do not exceed the FDIC-insured limit of \$250,000 (a level reinstated this year after being raised temporarily to \$500,000 in the wake of the financial crisis of 2008). We have asked our insurance broker to prepare alternatives for our consideration with regard to health insurance benefit for employees. Those alternatives are intended not only to address the audit finding but also to provide us approaches for employee health care coverage in 2015 and beyond. (We were able to extend our pre-existing coverage and plans through November 2014.) Preliminary estimates by the broker suggest that we may pay an additional \$50,000 in health care insurance premiums in 2015 due to higher premium costs, the age of SHEEO employees and dependentents, and efforts to address the auditor's recommendations about equity. (Some employees did not elect coverage in prior years.)

All in all, 2012-13 was a financially successful year for SHEEO. However, the heavy reliance of the association on short-term grants means that the organization must always be attentive to costs and to new revenue opportunities. In the past three months, we have secured or been asked to apply for grants which will provide almost \$685,000 of revenue to the 2015 budget.

Other proposals for lesser amounts will be submitted in the next few weeks and at various times during the year. These have not been included in the budget since the likelihood of receiving them is not known.

We would like to thank Paul Lingenfelter for his careful and creative stewardship of SHEEO's finances and Gladys Kerns for her tireless efforts to keep us solvent and in compliance with the many and detailed requirements of our multiple funding agents.

**STATE HIGHER EDUCATION
EXECUTIVE OFFICERS
ASSOCIATION**

**Financial Statements
with Accompanying
Independent Auditor's Report**

September 30, 2013 and 2012

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1
Financial Statements:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to Financial Statements	5 - 11



287 Century Circle, Suite 200
Louisville, Colorado 80027
[p] 303.499.7445
[f] 303.967.2373
www.flewellingcpa.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
State Higher Education Executive Officers Association
Boulder, Colorado

We have audited the accompanying financial statements of State Higher Education Executive Officers Association (SHEEO), which comprise the statement of financial position as of September 30, 2013 and 2012, and the related statements of activities and cash flows for the years 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 audits. We conducted our audits 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 of 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 SHEEO as of September 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Flewelling & Company, PC

December 19, 2013

**STATE HIGHER EDUCATION
EXECUTIVE OFFICERS ASSOCIATION**

**Statement of Financial Position
September 30, 2013 and 2012**

ASSETS

	<u>2013</u>	<u>2012</u>
Current Assets		
Cash and cash equivalents	\$ 678,589	\$ 587,123
Investments	1,729,740	1,268,156
Accounts receivable, net of allowance for doubtful accounts of \$0 in 2013 and 2012, respectively	26,284	25,931
Grants and contracts receivable	57,724	109,873
Prepaid expenses	1,159	2,274
Certificates of deposit	<u>322,896</u>	<u>303,558</u>
Total Current Assets	2,816,392	2,296,915
Certificates of deposit	—	321,682
Furniture and equipment, less accumulated depreciation of \$248,115 and \$249,045 in 2013 and 2012, respectively	7,684	7,891
Investment in SHEPC, LLC	<u>601,652</u>	<u>586,235</u>
Total Assets.....	<u>\$ 3,425,728</u>	<u>\$ 3,212,723</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	\$ 4,103	\$ 65,637
Accrued liabilities	134,055	91,287
Deferred state fees	512,061	534,024
Deferred revenue	<u>443,278</u>	<u>306,562</u>
Total Current Liabilities	<u>1,093,497</u>	<u>997,510</u>
Commitments and Contingencies	—	—
Unrestricted Net Assets		
Undesignated net assets	1,782,231	1,665,213
Designated reserve fund	<u>550,000</u>	<u>550,000</u>
Total Unrestricted Net Assets	<u>2,332,231</u>	<u>2,215,213</u>
Total Liabilities and Net Assets	<u>\$ 3,425,728</u>	<u>\$ 3,212,723</u>

See accompanying *Notes to Financial Statements*

**STATE HIGHER EDUCATION
EXECUTIVE OFFICERS ASSOCIATION**

**Statement of Activities
For the Years Ended September 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
Revenue and Support		
Contributions and sponsorships	\$ 147,500	\$ 79,000
Grant revenue	1,534,451	1,753,455
Indirect cost revenue	126,550	137,227
State fees	650,757	592,574
Collaborative dues	42,900	44,700
Higher Education Policy Conference	103,900	132,416
Annual meeting	45,430	35,355
Investment income (loss)	95,606	107,957
Change in equity in SHEPC, LLC	15,417	16,845
Other income	22,519	22,575
Gain on equipment disposal	<u>350</u>	<u>—</u>
Total Revenue and Support.....	<u>2,785,380</u>	<u>2,922,104</u>
Expenses		
Program Services:		
Grant expenses	1,291,394	1,496,397
Project activity	375,265	387,655
Higher Education Policy Conference	173,635	191,245
Annual meeting	103,047	46,898
Executive committee	<u>33,088</u>	<u>13,320</u>
Total Program Services.....	1,976,429	2,135,515
Supporting services - administration	<u>691,933</u>	<u>612,476</u>
Total Expenses.....	<u>2,668,362</u>	<u>2,747,991</u>
Increase (Decrease) in Net Assets	117,018	174,113
Net Assets at Beginning of Year	<u>2,215,213</u>	<u>2,041,100</u>
Net Assets at End of Year	<u>\$ 2,332,231</u>	<u>\$ 2,215,213</u>

See accompanying *Notes to Financial Statements*

**STATE HIGHER EDUCATION
EXECUTIVE OFFICERS ASSOCIATION**

**Statement of Cash Flows
For the Years Ended September 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities		
Cash received from contractors, grantors and sponsors	\$ 1,997,366	\$ 1,649,953
Cash received from members	808,646	1,067,230
Cash paid to suppliers and employees	(2,576,409)	(2,603,671)
Interest and other income received	59,784	58,094
Net Cash Provided by Operating Activities	<u>289,387</u>	<u>171,606</u>
Cash Flows from Investing Activities		
Purchase of furniture and equipment	(11,628)	—
Proceeds from sale of equipment	350	—
Capital contributions paid to SHEPC, LLC	(101,161)	(101,161)
Net redemptions (purchases) of certificates of deposit	302,344	(46,704)
Net sales (purchase) of investments	(387,826)	(556,761)
Net Cash Used by Investing Activities	<u>(197,921)</u>	<u>(704,626)</u>
Net Increase (Decrease) in Cash and Cash Equivalents.....	91,466	(533,020)
Cash and Cash Equivalents at Beginning of Year	<u>587,123</u>	<u>1,120,143</u>
Cash and Cash Equivalents at End of Year	<u>\$ 678,589</u>	<u>\$ 587,123</u>
Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities		
Change in net assets	\$ 117,018	\$ 174,113
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	11,835	15,899
Bad debt expense	12,025	300
Realized and unrealized losses (gains) on investments	(73,758)	(89,283)
SHEPC, LLC net operating costs	85,744	84,316
(Gain) loss on equipment disposal	(350)	—
Decreases (increases) in operating assets:		
Accounts receivable	(12,378)	(9,527)
Grants and contracts receivable	52,149	113,508
Prepaid expenses	1,115	(2,264)
Increases (decreases) in operating liabilities:		
Accounts payable	(61,534)	43,717
Accrued liabilities	42,768	2,352
Deferred state fees	(21,963)	271,712
Deferred revenue	136,716	(433,237)
Net Cash Provided by Operating Activities.....	<u>\$ 289,387</u>	<u>\$ 171,606</u>

See accompanying Notes to Financial Statements

**STATE HIGHER EDUCATION
EXECUTIVE OFFICERS ASSOCIATION**

Notes to Financial Statements
September 30, 2013 and 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The State Higher Education Executive Officers Association (SHEEO) is a national nonprofit organization formed in 1954 to assist higher education executives and the states as they seek to develop and sustain excellent systems of higher education. SHEEO fulfills its mission by sponsoring seminars and an annual meeting, producing publications, and performing grant and project activities. Regular membership is open to the executive officers of statewide boards of post-secondary education. SHEEO is supported primarily through grants and contracts, and state fees.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

Under FASB ASC 958-205, *Not-for-Profit Entities - Presentation of Financial Statements*, SHEEO is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. All of SHEEO's net assets are unrestricted.

Contributions

SHEEO follows the accounting requirements of FASB ASC 958-605, *Revenue Recognition*. In accordance with this standard, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Restrictions met in the same period in which the related contributions are received are recorded as unrestricted support.

State Fees

State fees consist of appropriations from participating states and U.S. possessions. Revenue is recognized ratably over the appropriation period, which is generally October 1 through September 30. At September 30, 2013 and 2012, deferred state fees of \$512,061 and \$534,024, respectively, consisted principally of state fees received prior to the beginning of the respective fiscal years to which they relate.

**STATE HIGHER EDUCATION
EXECUTIVE OFFICERS ASSOCIATION**

**Notes to Financial Statements
September 30, 2013 and 2012**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

Cash and cash equivalents include money market funds totaling \$205,401 and \$276,300 at September 30, 2013 and 2012, respectively. For purposes of the statements of cash flows, SHEEO considers all unrestricted highly liquid investments with original maturities of three months or less to be cash equivalents.

Certificates of Deposit

Certificates of deposit consisted of the following at September 30, 2013 and 2012:

	2013	2012
Short-term certificates of deposit	\$ 322,896	\$ 303,558
Long-term certificates of deposit		321,682
Total	\$ 322,896	\$ 625,240

The certificates bear interest ranging from 0.75% to 4.85%, and have maturities ranging from 1 month to 8 months.

Investments

Investment in marketable securities with readily determinable fair values and all investments in debt securities are stated at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the Statement of Activities.

Fair Value Measurements

SHEEO follows the provisions of FASB ASC 820, *Fair Value Measurements and Disclosures*, which requires the use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels: quoted market prices in active markets for identical assets and liabilities (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs for the asset or liability (Level 3).

Furniture and Equipment

SHEEO capitalizes at cost all expenditures for furniture and equipment in excess of \$5,000. Depreciation on furniture and equipment is computed using the straight-line method over the estimated useful lives of the assets ranging from three to five years.

Accounts Receivable

SHEEO considers all accounts receivable for work performed under grants and contracts to be fully collectible. Accordingly, no allowance for doubtful accounts is considered necessary for these receivables. Accounts deemed uncollectible are charged to bad debt expense when that determination is made.

**STATE HIGHER EDUCATION
EXECUTIVE OFFICERS ASSOCIATION**

**Notes to Financial Statements
September 30, 2013 and 2012**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Grant and Contract Revenue

Revenue is recognized on all grants and contracts when allowable reimbursable expenditures are incurred. Grant revenue and indirect cost revenue were recognized from the following sources during the fiscal years ended September 30:

	<u>2013</u>	<u>2012</u>
Lumina Foundation	\$ 236,181	\$ 309,779
U.S. Dept of Education	311,740	313,399
Carnegie Corporation of New York	12,500	37,500
Applied Engineering Management Corporation	—	40,000
College Readiness Partnership	—	40,000
Complete College America, Inc.	141,598	145,000
Bill and Melinda Gates Foundation	556,775	766,231
Hewlett Foundation	77,972	102,490
Institute for Higher Education Policy	92,722	41,213
Synergy Enterprises, Inc.	162,600	—
American Association of State Colleges and Universities	43,228	—
Other projects	<u>25,685</u>	<u>95,070</u>
Total	<u>\$ 1,661,001</u>	<u>\$ 1,890,682</u>

Cash received in excess of allowable expenditures is recorded as deferred revenue; allowable expenditures incurred in excess of cash received are recorded as grants receivable. At September 30, 2013 and 2012, deferred revenue of \$443,278 and \$306,562 respectively, consisted of the unexpended grant proceeds from various organizations. Grants receivable consisted of allowable expenditures incurred but not yet reimbursed of \$57,724 and \$109,873 at September 30, 2013 and 2012, respectively.

Uncertain Tax Positions

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on income derived from unrelated business activities. The Organization has determined that it does not have any income which is subject to tax on unrelated business income. The Organization believes that it has appropriate support for any tax positions taken, and as such does not have any uncertain tax positions that are material to the financial statements. The Organization's federal Exempt Organization Business Income Tax Returns Form 990 for 2010, 2011 and 2012 are subject to examination by the IRS, generally for three years after they were filed.

**STATE HIGHER EDUCATION
EXECUTIVE OFFICERS ASSOCIATION**

**Notes to Financial Statements
September 30, 2013 and 2012**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentrations of Credit Risk

Financial instruments which potentially subject SHEEO to concentrations of credit risk consist principally of cash and cash equivalents, investments including certificates of deposit, and receivables. SHEEO places its cash and cash equivalents and investments with credit-worthy, high-quality financial institutions located in Denver, Colorado. At times, a portion of these cash balances may not be insured by the Federal Deposit Insurance Corporation or related entity. Though the market value of investments is subject to fluctuations on a year-to-year basis, management believes that the investment policy is prudent for SHEEO's long-term welfare. Credit risk with respect to receivables is generally diversified due to the large number of entities and credit-worthiness of the organizations that comprise SHEEO's customer base.

As of September 30, 2013 and 2012, the Organization's uninsured balances totaled \$334,914 and \$0, respectively.

Functional Allocation of Expenses

The costs of providing the various programs and administrative activities have been summarized on a functional basis in the accompanying Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 2: INVESTMENTS

The market value of SHEEO's investments at September 30 consisted of the following:

	<u>2013</u>	<u>2012</u>
Equity mutual funds	\$ 471,376	\$ 387,870
Bond mutual funds	927,765	556,843
Life insurance annuities	235,000	226,581
Government agency fixed income securities	<u>95,599</u>	<u>96,862</u>
Total	<u>\$ 1,729,740</u>	<u>\$ 1,268,156</u>

Investment income (loss) consisted of the following for the years ended September 30:

	<u>2013</u>	<u>2012</u>
Net realized and unrealized gains (losses)	\$ 73,758	\$ 89,283
Interest income	<u>21,848</u>	<u>18,674</u>
Total	<u>\$ 95,606</u>	<u>\$ 107,957</u>

**STATE HIGHER EDUCATION
EXECUTIVE OFFICERS ASSOCIATION**

**Notes to Financial Statements
September 30, 2013 and 2012**

NOTE 3: FAIR VALUE MEASUREMENTS

In determining fair value, the SHEEO uses various valuation approaches within the FASB ASC 820 fair value measurements framework. Fair value measurements are determined based on the assumption that market participants would use in pricing an asset or liability. FASB ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. FASB ASC 820 defines levels within the hierarchy based on the reliability of inputs as follows:

Level 1: Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2: Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets.

Level 3: Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

The following table summarizes the valuation of SHEEO's investments by the above fair value hierarchy levels:

<u>September 30, 2013</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equity mutual funds	\$ 471,376	\$ 471,376	\$ —	\$ —
Certificates of deposit	322,896	—	322,896	—
Bond mutual funds	927,765	—	927,765	—
Life insurance annuities	235,000	—	235,000	—
Government agency securities	95,599	—	95,599	—
Total	<u>\$ 2,052,636</u>	<u>\$ 471,376</u>	<u>\$ 1,581,260</u>	<u>\$ —</u>
<u>September 30, 2012</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equity mutual funds	\$ 387,870	\$ 387,870	\$ —	\$ —
Certificates of deposit	625,240	—	625,240	—
Bond mutual funds	556,843	—	556,843	—
Life insurance annuities	226,581	—	226,581	—
Government agency securities	96,862	—	96,862	—
Total	<u>\$ 1,893,396</u>	<u>\$ 387,870</u>	<u>\$ 1,505,526</u>	<u>\$ —</u>

The fair value of investments in equity mutual funds is based on quoted market values and other observable inputs (Level 1). The fair value of certificates of deposits, bond mutual funds, life insurance annuities and government agency securities is based on pricing inputs directly observable and on quoted prices for similar assets in active markets (Level 2).

**STATE HIGHER EDUCATION
EXECUTIVE OFFICERS ASSOCIATION**

**Notes to Financial Statements
September 30, 2013 and 2012**

NOTE 4: INVESTMENT IN SHEPC

SHEEO has a 19.3% ownership interest in State Higher Education Policy Center, LLC (SHEPC), which was formed on December 17, 2003 for the purpose of owning and operating a building located in Boulder, Colorado, in which its three owners—SHEEO, National Center for Higher Education Management Systems and Western Interstate Commission for Higher Education—are tenants. SHEEO has guaranteed SHEPC's \$1,423,499 in debt obligations in the event that SHEPC does not make full and prompt payment when its debt payments come due, and along with the other two owners is responsible for sharing the costs of operating the building.

SHEEO's interest in SHEPC is accounted for by using the equity method of accounting. SHEEO's share of net operating costs of SHEPC is considered to be primarily occupancy expenses of SHEEO and is included in expenses in the Statement of Activities. These expenses totaled \$101,161 in both 2013 and 2012. During the years ended September 30, 2013 and 2012, SHEEO made capital contributions to SHEPC of \$101,161, each year.

Selected summarized audited financial data related to SHEPC's operations, as of and for the years ended June 30, 2013 and 2012, is as follows:

	<u>2013</u>	<u>2012</u>
Revenue	\$ 2,678	\$ 2,115
Expenses	(446,953)	(443,258)
Net Loss	<u><u>\$ (444,275)</u></u>	<u><u>\$ (441,143)</u></u>
Total Assets	<u><u>\$ 4,607,896</u></u>	<u><u>\$ 4,653,169</u></u>
Total Liabilities	<u><u>\$ 1,461,845</u></u>	<u><u>\$ 1,586,641</u></u>
Members' Equity	<u><u>\$ 3,146,051</u></u>	<u><u>\$ 3,066,528</u></u>

NOTE 5: DESIGNATED RESERVE FUND

During 2002, SHEEO's executive committee voted to designate \$300,000 of the unrestricted net assets to finance important non-recurring priorities and to maintain a continuity of services and staffing at SHEEO in the event of unexpected revenue declines. At the March 6, 2003 executive committee meeting, the executive committee voted to increase the designated reserve fund to \$350,000. At the July 19, 2007 executive committee meeting, the executive committee voted to increase the designated reserve fund to \$550,000. At September 30, 2013 and 2012, the designated reserve fund totaled \$550,000 and was invested in certificates of deposit and cash.

**STATE HIGHER EDUCATION
EXECUTIVE OFFICERS ASSOCIATION**

**Notes to Financial Statements
September 30, 2013 and 2012**

NOTE 6: DEFINED CONTRIBUTION PLAN

SHEEO has a defined contribution pension plan covering all full-time employees. SHEEO contributes monthly to the plan an amount equal to 10% of gross salaries of the participants. Total pension expense for the years ended September 30, 2013 and 2012 was \$133,608 and \$137,788, respectively.

NOTE 7: LEASES

SHEEO had a noncancellable operating lease for a copier machine that expired in December 15, 2013. On September 30, 2013, SHEEO entered into a new operating lease for a copier machine that expires on September 30, 2017. Total rent expense for the leases were \$7,288 in 2013 and \$7,818 in 2012.

Future minimum lease payments as of September 30, 2013 are as follows:

2014	\$	4,476
2015		4,476
2016		4,476
2017		4,476
Thereafter		<u>17,904</u>

NOTE 8: CONCENTRATIONS OF REVENUE

SHEEO recognized the following revenues from significant grants and contracts during the years ended September 30, 2013 and 2012:

	<u>2013</u>		<u>2012</u>	
	<u>Amount</u>	<u>% of Total Revenue</u>	<u>Amount</u>	<u>% of Total Revenue</u>
Bill and Melinda Gates Foundation	\$ 556,775	20.0%	766,231	26.2%
Lumina Foundation	236,181	8.5%	309,779	10.6%
U.S. Dept of Education	311,740	11.2%	313,399	10.7%

NOTE 9: COMMITMENTS AND CONTINGENCIES

SHEEO receives grants from various sources which are subject to final review and approval, depending on the allowability of corresponding expenses charged to those programs. Any expenses not allowed by the granting authority would be reimbursable by SHEEO.

NOTE 10: SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 19, 2013, which was the date the financial statements were available to be issued. There were no significant subsequent events noted.

Table 1
 State Higher Education Executive Officers
 FY 2012 and FY 2013 Audited Results
 FY 2014 and FY 2015 Budgets

REVENUE				
Source	Audit 2012	Audit 2013	Budget FY 2014	Budget FY 2015
Unrestricted Revenues:	\$ 1,188,649	\$ 1,250,929	\$ 1,148,663	\$ 1,348,000
State Dues	\$ 592,574	\$ 630,757	\$ 754,214	\$ 824,000
Other Income	\$ 101,575	\$ 170,969	\$ 107,761	\$ 100,000
Investment Income	\$ 107,957	\$ 95,606	\$ 50,000	\$ 75,000
Annual Meeting	\$ 35,355	\$ 45,430	\$ 37,508	\$ 41,000
HE Policy Conference	\$ 132,416	\$ 103,900	\$ 140,480	\$ 148,000
Indirect	\$ 137,227	\$ 126,650	\$ -	\$ 108,000
Prof Develop Collaborative	\$ 44,700	\$ 42,900	\$ 44,700	\$ 40,000
SHPE-LLC Contribution	\$ 16,845	\$ 15,417	\$ 14,000	\$ 12,000
Restricted Revenues	\$ 1,753,455	\$ 1,534,451	\$ 1,250,000	\$ 1,201,000
Grants and Contracts	\$ 1,753,455	\$ 1,534,451	\$ 1,250,000	\$ 1,201,000
TOTAL REVENUE	\$ 2,922,104	\$ 2,785,380	\$ 2,398,663	\$ 2,549,000
Dues as % of total revenue	20%	23%	31%	32%

Grants as % of total revenue 60% 55% 52% 47%

EXPENDITURES				
Source	Audit FY 2012	Audit FY 2013	Budget FY 2014	Budget FY 2015
General Administration	\$ 612,476	\$ 691,933	\$ 650,000	\$ 685,000
SHPEO Committees	\$ 13,520	\$ 33,088	\$ 14,200	\$ 15,000
Annual Meeting	\$ 46,898	\$ 103,047	\$ 65,000	\$ 75,000
HE Policy Conference	\$ 191,245	\$ 173,635	\$ 140,000	\$ 200,000
General Program Activities	\$ 387,655	\$ 375,265	\$ 233,000	\$ 460,000
SHPEO/NCES Communication Network	\$ -	\$ -	\$ -	\$ -
Grant and contract funded expenditures	\$ 1,496,397	\$ 1,291,394	\$ 1,250,000	\$ 1,093,000
TOTAL EXPENSE	\$ 2,747,991	\$ 2,968,362	\$ 2,332,200	\$ 2,528,000
Revenue over (under) exp	\$ 174,113	\$ 117,018	\$ 46,463	\$ 21,000

State Higher Education Executive Officers

Fiscal Year 2015 Dues Schedule (10% increase)

State	Average of FY14, FY13, and FY12 Appropriations (Dollars in Thousands)	Class	Dues	Notes
Alabama	1,447,448	5	\$ 19,597	
Alaska Commission on Postsecondary Education	369,984	2	\$ 6,334	a
University of Alaska System	369,984	2	\$ 6,334	a
Arizona	846,916	4	\$ 18,088	
Arkansas	911,364	4	\$ 18,088	
California	9,862,154	5	\$ 19,597	
Colorado	655,863	3	\$ 14,698	
Connecticut Board of Regents for Higher Education	972,442	4	\$ 10,853	a
Connecticut Office of Higher Education	972,442	4	\$ 10,853	a
Delaware	219,098	2	\$ 10,556	
District of Columbia		1	\$ 6,405	
Florida	3,632,328	5	\$ 19,597	
Georgia	2,707,122	5	\$ 19,597	
Hawaii	514,554	3	\$ 14,698	
Idaho	356,128	2	\$ 10,556	
Illinois	3,748,047	5	\$ 19,597	
Indiana	1,602,053	5	\$ 19,597	
Iowa	783,701	4	\$ 18,088	
Kansas	783,154	4	\$ 18,088	
Kentucky	1,201,845	4	\$ 18,088	
Louisiana	1,176,823	4	\$ 18,088	b
Maine	269,270	2	\$ 10,556	
Maryland	1,649,543	5	\$ 19,597	
Massachusetts	1,005,632	4	\$ 18,088	
Minnesota Office of Higher Education	1,321,597	5	\$ 11,758	a
Minnesota State Colleges and Universities	1,321,597	5	\$ 11,758	a
Mississippi	950,994	4	\$ 18,088	
Missouri	947,756	4	\$ 18,088	
Montana	210,418	2	\$ 10,556	
Nebraska	666,061	3	\$ 14,698	
Nevada	477,567	3	\$ 14,698	
New Hampshire Division of Higher Education Higher Education Commission	92,440	1	\$ 3,843	a
University System of New Hampshire	92,440	1	\$ 3,843	a
New Jersey	1,959,069	5	\$ 19,597	
New Mexico	835,929	4	\$ 18,088	
New York	4,979,348	5	\$ 19,597	
North Carolina	3,653,491	5	\$ 19,597	
North Dakota	365,821	2	\$ 10,556	
Ohio	2,053,383	5	\$ 19,597	
Oklahoma	1,024,037	4	\$ 18,088	
Oregon	592,618	3	\$ 14,698	
Pennsylvania Department of Education Office of Postsecondary and Higher Education	1,787,721	5	\$ 11,758	a
Pennsylvania State System of Higher Education	1,787,721	5	\$ 11,758	a
Puerto Rico		1	\$ 6,405	
Rhode Island	170,386	2	\$ 10,556	
South Carolina	891,706	4	\$ 18,088	
South Dakota	191,838	2	\$ 10,556	
Tennessee	1,485,984	5	\$ 19,597	
Texas	6,474,235	5	\$ 19,597	
Utah	758,676	4	\$ 18,088	b
University of Vermont	90,589	1	\$ 3,843	a
Vermont State Colleges	90,589	1	\$ 3,843	a
Virginia	1,702,451	5	\$ 19,597	
Washington	1,435,149	5	\$ 19,597	
West Virginia	535,104	3	\$ 14,698	
Wisconsin	1,128,223	4	\$ 18,088	
University of Wyoming	357,980	2	\$ 6,334	a
Wyoming Community College Commission	357,980	2	\$ 6,334	a
TOTAL			\$ 831,522	

Source: State Support for Higher Education Database (SSDB)

- a) In states with two members, each agency pays 60% of class fee.
- b) State changed class this year.

State Higher Education Executive Officers

Fiscal Year 2015 Dues Schedule

(10% increase from FY14)

Class	Appropriations Size	FY14 Dues	FY15 Proposed Dues
1	\$170 M or Less	\$5,823	\$6,405
2	\$170.1 M - \$450 M	\$9,596	\$10,556
3	\$450.1M - \$740 M	\$13,362	\$14,698
4	\$740.1 M - \$1.3 B	\$16,444	\$18,088
5	More than \$1.3 B	\$17,815	\$19,597

STATE HIGHER EDUCATION EXECUTIVE OFFICERS
Executive Committee Officers
Fiscal Year 2014



Teresa Lubbers, Chair
Commissioner
Indiana Commission for Higher Education



Robert L. King, Chair Elect
President
Kentucky Council on Postsecondary Education



Andy Tompkins, Treasurer
President and CEO
Kansas Board of Regents



Jack R. Warner, Past Chair
Executive Director and CEO
South Dakota Board of Regents



STATE HIGHER EDUCATION EXECUTIVE OFFICERS ASSOCIATION

ANNUAL REPORT 2013-2014
Review of Activities

SHEEO is a go-to place for states and for the federal government regarding higher education policy and financial data, but also is called upon by a variety of organizations to help shape policy and legislation. Han [redacted] Orange [redacted] participation on the Technical Symposium for the U.S. Department of Education [redacted] Postsecondary Institution Ratings System and in the White House meetings regarding sexual assault on campus illustrates the value the national government sees in its work with SHEEO. SHEEO has worked with three divisions within the Department of Education on a variety of topics from the ratings system to First in the World, financial aid, workforce, and veteran [redacted] education. Clearly, the federal government turns to SHEEO for advice, for outreach to states, and for analysis. We have become a conduit to our members and to others within the higher education community with respect to getting out the word on federal programs and initiatives.

Charles Lenth continues to work with the largest of the regional accrediting agencies—the Higher Learning Commission—on a joint approach to the issues raised by the impending reauthorization of the Higher Education Act. Virtually every member of the SHEEO staff has been asked directly by state, federal, and association leaders to help them frame and implement policies or to find out the pulse of SHEEO members on a given topic or approach.

Student success is one of the paramount challenges facing American society. The issues we confront (fewer high school graduates, changing ethnic characteristics of the college population, fewer state resources per student to support higher education, lower incomes for families of future students than those that prevailed in the past, and high numbers of students who are not ready to perform effectively in college-level work) are all matters that SHEEO already is addressing or can be expected to deal with in the upcoming year. In addition, the effective use of data and data systems to inform and advance policies aimed at improving student success will be on SHEEO [redacted] radar [redacted] in the next year unfold [redacted].

Active partnerships with states (as exemplified by the nine-state Multi-State Collaborative to Advance Learning Outcomes Assessment, which also includes active engagement by the Association of American Colleges and Universities (AAC&U)); with other associations (such as the work with the Association of Governing Boards (AGB) on board member education and the Education Commission of the States (ECS) on admissions policy and remedial education definitions); and also the active work with the American Association of State Colleges and Universities (AASCU) and the Council of Chief State School Officers (CCSSO) on the College and Career Readiness Partnership (CCRP) and with the National Governors Association (NGA), the National Council of State Legislatures (NCSL), and others on the Improving Student Learning at Scale project); with the federal government (as evidenced by the recent participation by Han [redacted] Orange noted above plus the SHEEO work supporting the national IPEDS data conference); and even with international organizations (with the Organisation for Economic Co-operation and Development (OECD) on the AHELO project and with the Wellington Group on sharing

ideas, policies, and practices about higher education among eight English-speaking countries) are ways of extending the impact of SHEEO work. On that last note, Bob King and Mike Rush joined Jeff Appel and George Fernsteiner as the U.S. delegation to the Wellington Group biennial meeting in Edinburgh, learning how similar are the issues that confront public higher education in many English speaking countries.

After several meetings with representatives of the Bill and Melinda Gates Foundation, SHEEO was invited to submit a proposal for a \$1 million two-year grant to update work done earlier regarding state policy. The Bill and Melinda Gates Foundation report will determine how data actually are used by states to advance policy and improve student success. Also, part of this work will be the development of examples of how states are using data most effectively and convening to share effective practices in the use of data with both data collection and analysis professionals and with state policy makers. Many states have increasingly powerful data systems, linking postsecondary education information with that from K-12 and the workforce, but few have yet found ways of using the information from these systems to drive policy change and student success. Part of this grant would be to shine a light on those who are most successful and develop suggestions about what other states might be able to do to use data to inform policy and practice.

During 2014, SHEEO president Paul Lingenfelter has spoken at governing and coordinating boards in several states about effective organization and practice in SHEEO offices and how states and their SHEEOs can promote and advance student success agendas and efforts. This work tied in, too, with the joint effort with the Association of Governing Boards regarding board member education, and led to the development of a template of the kinds of functions that effective SHEEO offices tend to have.

Many of these undertakings began under the leadership of Paul Lingenfelter, and his very positive stamp remains on this organization. His work in securing the financial support of a number of national foundations (Lumina, Hewlett, Gates, Spencer) has connected SHEEO with some of the major funders and most prominent voices in contemporary higher education.

This report of activities highlights some of the most salient work SHEEO and its staff have undertaken since the start of the fiscal year in October 2013. Obviously, many more such efforts could have been included. The SHEEO staff is exceptionally dedicated, qualified and committed to the effectiveness of state higher education policy and to student success more generally. Their work is intended to provide members with assistance that will matter in their states, and to provide a voice for our members with national organizations and the federal government.

This report is organized around the themes adopted by SHEEO in 2012: student learning/accountability (now renamed Student Learning, in line with the change in the name of the Policy Collaborative Network team), and data & information management (a category that, in this progress report, has been expanded to include finance and affordability in order to more accurately express its scope). This report does not chronicle the vast amount of time and thought that go into preparing for and presenting the Annual Meeting and Higher Education Policy Conference—opportunities that permit our members not only to learn what is happening and expected to happen in higher education policy, but also to interact with and learn from one another. Nor does it report about the learning opportunities afforded by the three Peer Collaboration Networks, the Leadership Seminar for new SHEEOs, or the Leadership Academy for policy staff. These activities provide the professional development opportunities so central to SHEEO's mission of supporting its members.

STUDENT LEARNING/ ACCOUNTABILITY

Through the College and Career Readiness Project (CCRP), SHHEO partners with CCSSO and AASCU to work with state-designated leadership teams to promote understanding and implementation of the Common Core State Standards in English language arts and mathematics. Now finishing its third year, the CCRP project is supported by both the Lumina Foundation and the William and Flora Hewlett Foundation. Over time, this project has grown to include 11 states (Arizona, Connecticut, Maryland, Michigan, Missouri, Nevada, New York, Oregon, South Dakota, West Virginia, and Wisconsin). At the third national CCRP state team meeting, held March 5-7, 2014, in Baltimore, participating states outlined plans and strategies for the remaining months of the project, including a number of state summits or other initiatives to help prepare for new college and career readiness standards in the upcoming academic year.

In late 2013, a second cross-state project on Common Core implementation was initiated in partnership with the National Governors Association, the National Council of State Legislatures, and CCSSO. The Improving Student Learning at Scale (ISLS) project works with state teams from Arizona, California, New Hampshire, Washington, West Virginia, and Wyoming, where implementing the Common Core faces particular challenges because of changes in state structures, lack of coordination, leadership changes or other factors. The initial national state team meeting took place in late 2013, and technical assistance and planning meetings have been held in all five states, led by NGA. Supported by the Helmsley Trust and the GE Foundation, fundraising activities are continuing so that we and the other partners can complete the project work, hopefully in 2014-15.

SHHEO also convened a dozen SHHEO agencies in early January to discuss communication challenges around the Common Core and how higher education voices can be most effectively heard in the states concerning this timely and important education initiative whose impact on higher education and on student success is expected to be profound. SHHEO also encouraged members who were willing to do so, to endorse Common Core efforts to show higher education support for standards and for assessments tied to measuring student progress against those standards.

SHHEO continues to participate in the two state consortia developing new College and Career Readiness assessments based on the Common Core. George Pernsteiner serves as one of the national higher education leaders on the PARCC Advisory Council for College Readiness; Charles Lenth has been one of two higher education members of the Smarter Balanced Executive Committee since 2012. SHHEO member agencies participate in state leadership teams for both consortia, and SHHEO regularly provides joint meeting opportunities for both consortia at annual meetings.

During the past year, SHHEO collaborated with AAC&U and Richard Freeland, SHHEO for Massachusetts, in launching the Multi-State Collaborative to Advance Learning Outcomes Assessment (MSO). This new consortium of nine states and 68 colleges and universities will use selected AAC&U LEAP VALUE rubrics and common analytic frameworks to permit faculty to assess samples or "artifacts" of actual student work, and then rate, "scale," and potentially compare student learning by institutional level or type within and across states based on three VALUE rubrics: written communication, quantitative reasoning, and critical thinking. Julie Carnahan led efforts to develop this project to the point that it could secure external funding late in 2013, through a sub-grant from AAC&U as part of a larger, integrated set of activities funded by the Bill & Melinda Gates Foundation. A pilot study is underway to determine the

feasibility of broad implementation of this approach. A further phase will be developed with AAC&U and partner states.

The SHEEO P-16 Teacher Professional Development Collaborative operates as a network for information sharing, strategizing, data collection and reporting, and collective problem-solving for grant administrators from all 50 states (generally, SHEEO agency staff) responsible for the ESEA Title II, Part A, Subpart 3, Improving Teacher Quality Partnership State Grants. The latest data collection to demonstrate the impact of the program is underway, along with plans for the annual Collaborative meeting in conjunction with SHEEO Higher Education Policy Conference in August.

In late 2013, SHEEO became a national partner in COSSO's Network for Transforming Educator Preparation (NTEP) initiative, which engages cross-sector state teams in moving educator preparation program approval, licensure, and data systems to a performance-based model. One of SHEEO's national partners is to work through its members in the seven NTEP states—Connecticut, Georgia, Idaho, Kentucky, Louisiana, Massachusetts and Washington—to ensure substantial and effective higher education engagement in the initiative. NTEP's most recent convening and information sharing was in June 2014.

SHEEO continues to work with the National Association of System Heads (NASI), an organization to which a large percentage of SHEEO members belong, to highlight the work of higher education agencies, systems, and institutions in transforming educator preparation programs. The Advancing Educator Preparation Initiative (AEPI) began last year with meetings and conference calls of higher education leaders from eight states—Idaho, Kentucky, Maryland, New York, North Carolina, South Dakota, Texas, and Wisconsin. Work is progressing to enhance the project's web resources and to co-sponsor webinars highlighting effective strategies and practices. Nancy Zimpher, the chancellor of the State University of New York, conducted the most recent webinar this spring. The NASI/SHEEO Initiative participants will meet again at the Higher Education Policy Conference in August to share ideas and to chart future work.

Sharmila Mann of SHEEO, who facilitates both the NTEP and AEPI efforts, also serves on the Council for the Advancement of Educator Preparation Continuous Improvement Accreditation Commission as well as the CAEP State Alliance, following Paul Lingenfelser's service on CAEP's Commission on Standards and Performance Reporting.

The State Authorization Reciprocity Agreement (SARA) arose out of efforts by SHEEO, the Association of Public and Land-grant Universities (APLU), the Western Interstate Commission for Higher Education (WICHE), the Council of State Governments (CSG), and the President's Forum to create a smoother path to the authorization of distance education providers across state borders. The SHEEO State Authorization Survey has provided the field with an open, periodically updated source for program authorization requirements in all 50 states, the District of Columbia and Puerto Rico. As development and implementation of new State Authorization Reciprocity Agreements ramp up, SHEEO continues to connect with national and regional SARA directors and state agency staff, and to provide a variety of summary reports. On May 28, 2014, SHEEO—in cooperation with the Pearson Company—launched a web-based platform for the authorization survey that permits easier updates, simplified report generation, and more timely information.

SHEEO also continues to work through various other channels to improve communications and working relationships between regional accrediting associations and state agencies. For example, collaboration continues to expand between the Higher Learning Commission and the 19 states in which it accredits

colleges and universities, in three areas—reducing redundancy in data reporting, quality assurance for dual credit programs, and distance education authorization and consumer protection. In support of another collaborative effort, SHEEO participated in a meeting of the Multistate Collaborative for Military Credit (MCMC), a rapidly expanding group of states and institutions committed to working together with the U.S. Departments of Veterans Affairs, Defense, and Education, and a White House task force, the American Council on Education, CAEL, and others to facilitate the transition of military training and skills into postsecondary degree and certificate credits.

DATA & INFORMATION MANAGEMENT, FINANCE AND AFFORDABILITY

Effective educational policy and practice require sound data on attainment, student progression, the cost and price of education, degrees by field of study, and more. Data and information resources, research, and productivity have been integral components of SHEEO's mission. In some cases, we have undertaken specific data projects; in many other cases, providing general information on state and national data activity has been useful to our members as they implement policies that impact student success. The following are components of our current data and information management agenda:

Postsecondary Institutional Ratings System (PIRS) is a United States Department of Education initiative to assess the performance of all institutions of higher education with the stated goals of advancing institutional accountability while also enhancing consumer information. There is a significant amount of development work needed under a very tight schedule (operational by the 2015 academic year) and the National Center for Educational Statistics has asked for input on the data elements, metrics, methods of data collection, methods of weighting or scoring, and presentation frameworks needed for a PIRS. The details are still being determined, but the Department of Education intends, through these ratings, to compare colleges with similar missions and identify colleges that do the most to effectively educate disadvantaged and underrepresented students, as well as colleges that are improving their performance. In the upcoming reauthorization of the Higher Education Act, the President may propose allocating financial aid based upon these college ratings, by 2018. SHEEO was among the national organizations that provided comments to the United States Department of Education concerning the parameters of the high performance PIRS, and SHEEO's Panel Orange was one of seven expert panels to participate in the first (and, thus far, only) technical panel on the system.

SHEEO continues to develop the idea for a federal-state matching need-based grant program, voted on by the membership at the 2014 Annual Meeting. SHEEO will continue to work to develop this idea. Senior Policy Analysts Andy Carlson and Katie Zaback recently co-authored Moving the Needle: How Financial Aid Policies Can Help States Meet Student Completion Goals, a SHEEO white paper written with support from the Lumina Foundation as part of its series exploring new models of student financial support. Published in the spring of 2014, this paper focuses on how states with unique systems and structures can independently and in partnership with the federal government use financial aid to improve completion in order to meet national and state goals, and it makes a specific recommendation for a federal-state matching program that focuses on reducing net price for the lowest income students, and increasing completion.

Common Education Data Standards (CEDS) development continues and Version 4.0 was released in late January 2014. CEDS is not a data collection, but a list of data elements with definitions, option sets, and an XML schema, to be used in the development of a common vocabulary for a core subset of data elements in multiple data systems. We anticipate future versions to increasingly have a P-20W focus.

SHHEO and Complete College America (CCA) continued their four-year partnership to collect the Common Completion Metrics. SHHEO worked with the 35 participating states this spring collecting both state and institutional level data. SHHEO also provides standard reports for each year at CCA's Annual Convening as well as supporting CCA's efforts to disseminate CCA's 2013 report and other data to highlight a series of five game changers, state level policies that show promise in improving student completion. The policies encouraged greater state focus on degree attainment, improving remediation and clarifying student pathways. As we move into year five in collecting these metrics, SHHEO looks forward to working with CCA and its member agencies to understand how we might improve the metrics to reduce burden and ensure the greatest value.

The American Association of Community Colleges (AACC), in partnership with APLU and AASOU, has begun a new Gates funded initiative, Post Collegiate Outcomes (PCO), designed to develop a strategic framework to identify and report on post-collegiate outcomes. SHHEO, through Hank Orange, is participating on the advisory committee charged with defining the scope and anticipated accomplishments of the initiative.

The WICHE multistate data exchange is concluding its pilot with state-level reports detailing the regional K-12, postsecondary education, and workforce trends for Washington, Oregon, Idaho and Hawaii. The data sharing among the four states has demonstrated the value in following students and their data across state borders. SHHEO has been an active team member since the project inception. WICHE expects to be able to continue and expand this work and SHHEO intends to continue participating in this important and timely effort.

State Data Conference and IPEDS Coordinator Workshop. Each year a national data conference is held to address IPEDS data collection, federal and state data issues, and related postsecondary education topics. Typically, about 140-150 individuals from the state agencies, representatives of the independent sector, and national associations attend this conference sponsored by NCES and supported by SHHEO.

The 2014 State Data Conference and IPEDS Workshop was held on April 14-16 in Washington, D. C. The Workshop portion of the conference included training for new state coordinators, a review of recent changes in the IPEDS data collection, and anticipated refinements for the upcoming year. The Data Conference continued with plenary and concurrent sessions on a variety of timely postsecondary data and policy topics including:

- Proposed Postsecondary Institution Ratings System;
- State Longitudinal Data Systems;
- Gainful Employment Disclosure Template;
- Using Data to Meet College and Career Readiness Goals;
- Assessing Community College Student Outcomes;
- Moving the Needle: How Existing Financial Aid Policy Recommendations May be Used to Help States Meet Their Completion Goals; and
- Student Achievement Measures (SAM) Project.

Reporting on fiscal issues and policies in the states continues to be a priority at SHHEO. The 2013 edition of the State Higher Education Finance (SHEF) report was issued this spring and will be available in print format by the time of the Annual Meeting. The report again received significant press attention and continues to be the primary resource for understanding state trends in financing higher education. Andy

Carlson, SHEF project manager, is currently working with stakeholders to review the current data and report and make recommendations for future enhancements and adjustments that may make SHEF even more useful to our members and the policy community. Our periodic update on State Tuition, Fees and Financial Assistance Policies For Public Colleges and Universities was published in September 2013. This year we were able to use this report to inform our work on "Moving the Needle," and we hope to continue to use the results of this survey to inform work around college affordability.

We continue to monitor and consult on K-12 and postsecondary data alignment and have participated in preliminary discussions in a National Academy of Sciences initiative for developing a data system for teacher preparation.

The possible support from the Bill & Melinda Gates Foundation is expected to provide SHEEO with the resources to help state systems better use the data from their systems (including longitudinal data systems linked to K-12 and workforce) to track and advance student success, and to offer opportunities for state data and policy leaders and staff to learn how to effectively use the massive amounts of student data now available to them to help achieve state goals.

CONCLUSION

In addition to the extraordinary work of the SHEEO staff summarized in this report, SHEEO was involved over the past nine months in a wide variety of activities in support of its members (as with member-requested surveys about specific topics and member-posted position recruitments) and student success (from Common Core State Standards to expanding participation in the American College Application Campaign initiative sponsored by the federal government and the American Council on Education).

But a large part of the value of SHEEO is to look forward to identify and share with members some of the more important trends and developments that can be expected to affect their work. Often, these cannot be foreseen a year or more in advance (as with President Obama's call for a ratings system). But many of the challenges and opportunities can be anticipated and work begun, either with members or with the support of external funders, in advance of crises. Further, some aspects of the American higher education work can and must be expanded in order for SHEEO and its members to be effective in future years.

The issues facing American higher education identified earlier in this report have been the meat of SHEEO's public work in the past few years. The focus on student success has been our touchstone has led us into investigations into affordability for students, into performance funding, into teacher preparation and professional development, into improved data systems, into assessing the quality of learning, and into strong connections with K-12 schools with respect to the Common Core and dual enrollment. Those same issues also will lead us, inescapably, into institutional cost control, educational technology, high school noncompletion, equity of outcomes, valuing learning proficiencies earned outside the traditional classroom, veteran education, and effective remedial education. It will not be possible for the United States or its states to achieve needed educational attainment goals without strong and effective efforts in those areas. SHEEO will need to delve into effective educational practice and into scaling lower cost, but high quality education options. It will demand that we understand better how to help students finish high school and master the learning needed to succeed in college level courses, with or without effective remediation. It will necessitate that we learn more about and partner more closely with America's community colleges. It will demand that we understand the challenges faced by real students as they move through (or even around) our traditional educational system. And it

will require that we understand, can measure and certify learning much better than we do today. As a nation, and as states, we have learned how to educate our most academically and financially advantaged students. And, in the past, that might have been seen as enough. But the demands of a global society and economy require that what once was good enough is good enough no longer. Tomorrow we must provide ALL students with the learning they need to succeed.

The challenges for American higher education, and the challenges for SHEEO and its members, are to educate more students, educate them better, educate them less expensively, demonstrate their learning more clearly, and certify that learning—even if it did not all come through our traditional colleges and universities. We need to partner with K-12 more directly and meaningfully than ever before and become much more expert in remediation, in acceleration, and in learning assessment. We need to understand and use data more effectively as a tool for student success and for accomplishing state and national goals. These are tall orders, and these will be the areas of focus for much of SHEEO's pursuit of grant requests in the coming months and years.

In addition, the profession of state higher education policy is becoming more complex and the role of SHEEOs more difficult. Consequently, we have proposed to Lumina Foundation this year that a much more deliberate professional development pathway be developed and deployed, from early-career professionals to mid-career policy and finance leaders to SHEEOs themselves.

SHIED STAFF AND THEIR AREAS OF EXPERTISE AND RESPONSIBILITY



John Armstrong, Information Analyst; data analysis, data visualization, Complete College America (CCA) data collection, analysis, and technical support, SHIED state authorization survey support, State Higher Education Finance (SHEF) support



Gloria Auer, Executive and Editorial Assistant and Administrative Director of the Multi-State Collaborative to Advance Learning Outcomes Assessment (MSC); website and database content management; editing; proofreading; annual salary survey; meeting planner; support for all policy and administrative staff



Andy Carlson, Senior Policy Analyst; higher education finance, productivity, State Higher Education Finance (SHEF) report, tuition and fees, financial aid, State Policy Research Center (SPRC) analytic studies and policy reports, Multi-State Collaborative Sampling Subgroup



Julie Carnahan, Senior Associate; leadership and coordination for the Multi-State Collaborative to Advance Learning Outcomes Assessment (MSC), Peer Collaboration Networks (PCNs), and Higher Education Policy Conference (HEPC)



Gladys Kerns, Director of Administrative Operations; accounting, meeting planner of Annual Meeting and Higher Education Policy Conference, overall administrative support and supervision



Charles S. Lenth, Vice President for Policy Analysis and Academic Affairs; academic policy, quality assurance, accreditation, assessment, Smarter Balanced Executive Committee, Assessment of Higher Education Learning Outcomes (AHELO) national project manager, College and Career Readiness Partnership (CCRP) and Improving Student Learning at Scale (ISL) project teams



Hans PeL'Orange, Vice President for Research and Information Resources; information resources and technology in higher education, Common Education Data Standards (CEDS), P-20W data development and alignment, data interoperability standards, higher education analytics and metrics, institutional research, NCES liaison and data support, Integrated Postsecondary Education Data System (IPEDS), annual NCES IPEDS Coordinators Data Conference, Postsecondary Institution Ratings System (PIRS)



Sharmila Basu Mann, Senior Policy Analyst; college access, P-20 alignment, educator quality, state authorization; leadership of SHEEO K-16 Teacher Professional Development Collaborative, SHEEO state authorization survey, and NASH-SHEEO collaboration; SHEEO liaison to Council for Accreditation of Educational Preparation (CAEP), CCSSO Network for Transforming Educator Preparation (NTEP), and the Institute of Higher Education Policy (IHEP) Pathways to College Network; College and Career Readiness Partnership and Improving Student Learning at Scale project teams, Multi-State Collaborative Working Group and Faculty Engagement Subgroup



Chris Ott, IT Administrator; IT system management, research support, Complete College America (CCA) data collection and technical support



George Pernsteiner, President; overall direction of SHEEO operations and programs, direct connection with members, participation in several SHEEO projects (including the Board Member Education Program partnership with AGB) and in the efforts of other organizations (including membership on the Remedial Education Task Force commissioned by ECS to develop a common set of definitions for remedial and developmental education for use by all states), PARCC, ACAC, development of professional development pathway, etc.



Angela Sanchez, Executive Assistant; support for George Pernsteiner, Han Orange, Katie Zaback, Andy Carlson, and John Armstrong; meeting planner for data conference, SHEEO Academy and SHEEO Leadership Seminars, CCA data collection customer support



Katie Zaback, Senior Policy Analyst; Complete College America data collection and analysis, Common Education Data Standards, Multi-State Collaborative Data Management and Sampling Subgroup member, higher education metrics, institutional research and higher education data sets, financial aid, State Policy Research Center (SPRC) analytic studies and policy reports

SHEEO BYLAWS CHANGE PROPOSAL

Last year, the members approved a change to the bylaws that permitted the organization to extend membership to certain types of institutions. As a result, California State University has requested to join and others may do so in the future.

However, when a U.S. territory recently inquired about membership, it appeared that SHEEO's current bylaws do not permit membership by a territory. Since Puerto Rico, a territory, has been an active member for many years, it would appear that at some point in the past the term "state" was interpreted to mean state or territory or (in the case of another member, the District of Columbia) other type of legal entity that has the same functions as does a SHEEO agency.

It would seem appropriate to amend the bylaws to permit membership by entities such as Puerto Rico and the District of Columbia. It also appears that the current language allows membership by an entity that has responsibility for the majority of four-year institutions in a state, but no such language embraces an entity that might have such responsibility for the majority of the two-year institutions in a state.

Staff is proposing a set of housekeeping amendments to the bylaws that clarify that entities with SHEEO responsibilities in and for territories, districts, and possessions of the United States can be treated in the same manner as entities with similar responsibilities in states. Staff also is proposing that an entity with responsibilities for two-year institutions be eligible in the same way as is an entity with responsibility for four-year institutions.

Although these amendments would permit the admission (with the approval of 2/3 of the Executive Committee) of additional U.S. territories, they also clarify and ratify the membership status of several current members.

Constitution and Bylaws

ARTICLE I - NAME

The name of the organization shall be: The State Higher Education Executive Officers Association.

ARTICLE II - OBJECTIVES

The objectives of this association shall be to:

1. Assist state higher education executives and the states as they seek to develop and sustain excellent systems of higher education.
2. Emphasize the importance of state planning and coordination for higher education by promoting effective strategic planning and statewide coordination and governance in meeting state needs and obtaining public confidence and support for higher education.
3. Develop policies and procedures and speak as a national organization in public and private forums with the goals of promoting the interests of the states in effectively planning and financing higher education.
4. Promote cooperative relationships with federal agencies, colleges and universities, and higher education and other associations in the:
 - a. collection and exchange of data and information,
 - b. development of standard definitions and practices,
 - c. conduct of studies, and
 - d. development of higher education in the public interest.