



# **REPORT TO THE BOARD OF REGENTS**

November 29, 2022

Meeting 359

**STEPHEN F. AUSTIN  
STATE UNIVERSITY**

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**BOARD OF REGENTS MEETING 359**

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**EXECUTIVE SESSION**

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Stephen F. Austin State University  
Board of Regents  
Meeting 359  
November 29, 2022

## **OPEN MEETING NOTICE**

**Stephen F. Austin State University  
Board of Regents Board Meeting and Committee Meetings  
Nacogdoches, Texas  
November 29, 2022  
Meeting 359  
Austin Building, Room 307**

The Board of Regents of Stephen F. Austin State University will convene a one-day Board Meeting and Committee Meetings on November 29, 2022 according to the following agenda. In-person attendance is permitted or view a livestream of the meeting at: <http://www.sfasu.edu/about-sfa/board-of-regents/meeting-information>.

**TUESDAY, November 29, 2022**

**9:00 a.m.**

### **CALL TO ORDER IN OPEN SESSION**

Welcome and Introductions

Presentation and Board Action on Agenda Items 1-2:

1. System Affiliation Evaluation Subcommittee Report and Recommendation

### **RECESS TO EXECUTIVE SESSION**

(Scheduled for approximately 10:30 a.m.)

The board will move to executive session for consideration of the following items:

Consideration of Individual Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of an Officer or Employee, including but not limited to the president. (Texas Government Code, Section 551.074)

### **RECONVENE BOARD MEETING IN OPEN SESSION**

(Scheduled for approximately 11:55 a.m.)

2. Personnel Item (Pending Executive Session)

### **ESTIMATED ADJOURNMENT OF BOARD MEETING**

(Approximately 12:00 p.m.)

Where appropriate and permitted by law, Executive Sessions may be held for the above listed subjects (Section 551.071). Possible action may be taken in Open Session on matters considered in Executive Session. Further details regarding the posted agenda are available for public review in the Office of the Board of Regents, Austin Building 310, and Telephone (936) 468-4048.

**Stephen F. Austin State University  
Board of Regents  
Meeting 359  
November 29, 2022**

**ROLL CALL**

**Regents**

Karen Gantt, Chair  
Tom Mason, Vice Chair  
Jenn Winston, Secretary  
David Alders  
Robert Flores  
Brigettee Henderson  
Judy Olson  
Laura Rectenwald  
Nancy Windham  
Paige Vadnais, Student Regent

**Administrators**

Steve Westbrook  
Damon Derrick  
Jane Ann Bridges  
Gina Oglesbee

# SFA Board of Regents System Affiliation Evaluation Subcommittee

Report to the Board  
November 29, 2022



**STEPHEN F. AUSTIN  
STATE UNIVERSITY**  
NACOGDOCHES, TEXAS

# Process

**Campus Constituent Groups:** Engaged with faculty, staff and students across campus, as well as alumni. These groups developed and submitted 177 questions to system representatives. After receiving responses, these groups developed and presented reports to the board regarding each group's perception of the strengths and weaknesses of each system.

**Public Input:** 1,683 comments submitted via the on-line portal between August 22 and October 14, reviewed by the subcommittee and provided to the entire board.

# Process

**Board Subcommittee:** Conducted over 28 hours of face-to-face meetings with representatives of each university system in September and October. While these meetings included discussions on a wide range of topics relative to affiliation, they were guided by 46 framing questions focused on governance, culture and fit, transition and financial matters.

These meetings were preceded and followed by many hours of work by the subcommittee members, both individually and as a group, to prepare for the meetings and evaluate the meeting results.



# Evaluation

After countless hours of evaluating the written proposals of each system, conducting the face-to-face meetings with representatives of the systems, evaluating the reports from campus constituent groups, reviewing the input submitted through the public portal and working closely with each system to clarify and finalize each of their financial proposals, the Board of Regents System Affiliation Evaluation Subcommittee presents the following report.

# Primary Elements

## Key Areas of Focus

- Autonomy
- Culture & Fit
- Transition
- Intangibles
- Financial Impact

# Autonomy

With each system:

- Significant autonomy is preserved at the institutional level, similar to that at each of the respective system's institutions.
- The SFA President essentially retains the same level of authority as authorized under the current governance structure.
- The curricular autonomy continues to reside with SFA institutional faculty and academic processes.
- SFA continues to manage its own tenure and promotion process.

# Culture & Fit

**All systems agree there will be no change to:**

- Our name – Stephen F. Austin State University
- Our mascot – Lumberjacks / Ladyjacks
- Our colors – **Purple** and **White**

# Culture & Fit

All of the systems:

- Confirm that their respective campuses retain a unique culture and identity.
- Regard SFA's unique brand, culture, traditions and rich history as benefits to be protected.
- Agree that the campus community is the guardian of campus culture – the SFA culture is cultivated and maintained by the SFA community.

# Transition

## **Presidential Search**

Although each system employs slightly different search processes, each indicates that a new president could be named by May 31, 2023.

# Transition

## **FY2024 Budget Submittal and Approval Timing**

The subcommittee believes it is important for the new president to finalize the development of the FY2024 institutional operating budget and submit the budget to the Chancellor and Board of Regents of the system.

The normal quarterly meeting pattern of each system is November, February, May and August, and each system has indicated that having a new president in office at the end of the spring with a budget submittal in August is very manageable.

# Transition

## **Transition Support**

A governance transition will result in a measured change to some processes and procedures. These will occur over a period of time and will require support from both SFA and the system.

Each system has pledged to provide support for whatever is needed to implement an effective process.

A transition that is as smooth and seamless as possible is in the best interest of both the university and the system.



# Transition

## **SACSCOC Governance Change Timeline**

Each of the systems has pledged to participate as needed and required in the development of the substantive change prospectus and all of its inclusions related to governance change, as well as the legislative work needed to effect a governance change that will meet the requirements of the Southern Association of Colleges and Schools Commission on Colleges.

# Transition

## **Legislative Support**

Each of the systems pledged to support the decision of the SFA Board regarding affiliation and to support the enabling legislation.

# Intangibles

Through the subcommittee's work, the members became aware of the level of administrative overhead that our administration is tasked with that, should SFA affiliate with a system, would be accomplished at the system level.

We came to call these benefits “intangibles.”

# Intangibles

## **Intangibles – Benefits Not Found on a Financial Report**

- Subject Matter Expertise (*e.g.*, compliance, operations)
- Shift of Administrative Burden
  - A university system office is exclusively focused on higher ed administration, which allows local university administration to focus on campus operations
  - Results in greater efficiencies on campus and streamlined administrative operations
  - “Deeper Bench”

# Intangibles

- Collaboration Instead of Isolation
  - Opportunities for counterpart collaboration (*e.g.*, system-wide meetings among presidents, provosts, CFOs, etc.)
  - Elimination of isolation when considering mission-critical decisions
  - Outside, professional perspectives on higher ed issues such as enrollment growth, faculty and staff compensation and benefits, etc.

# Intangibles

It is obvious to the subcommittee that the administrative and leadership benefits derived from an affiliation with any of the systems issuing invitations would be beneficial to the long-term health and growth of SFA.

# Financial Evaluation

After reviewing the matters of autonomy, culture and fit, transition, and intangibles, the subcommittee focused on financial impact, particularly what resources and/or cost savings might be available to SFA as the member of a university system that are not available to us otherwise.

# Financial Evaluation

## **Process Review:**

The subcommittee's October meetings addressed follow-up questions from our September meetings, and discussion was largely focused on financial issues.

All system proposals received in our September and October meetings, including financial proposals and written responses to financial questions, were provided to all board members and subsequently posted to SFA's website on October 25<sup>th</sup>.



# Financial Evaluation

Concerning general financial impact, the subcommittee believes that SFA would benefit from system services, including:

- Investment management
- Purchasing power
- Construction management
- Risk management
- Information Technology
- Enhanced bond ratings for debt service

# Financial Evaluation

Concerning specific financial proposals, following the subcommittee's meetings with system representatives and the posting of all financial proposals, SFA's VPFA worked closely with the CFOs of each system to further clarify and expand upon each system's responses to financial questions posed and to receive the best and final proposal from each.

This work focused on developing a concise comparison of the financial benefits offered by each system to SFA over and above what is available to the university if we should choose to remain unaffiliated.

# Financial Evaluation

With the assistance of the CFOs from each system, VPFA Gina Oglesbee and her team prepared a schedule of additional value to SFA through affiliation.

Thank you to these CFOs and their teams for their work:

- Texas A&M University System, **Billy Hamilton**, Deputy Chancellor and CFO
- Texas State University System, **Daniel Harper**, Vice Chancellor and CFO
- Texas Tech University System, **Penny Harkey**, Interim Vice Chancellor and CFO
- University of Texas System, **Jonathan Pruitt**, Executive Vice Chancellor for Business Affairs

# Financial Evaluation

All the schedules that follow should be read as additional value above and beyond the perceived value of enhanced bond ratings, investment management, purchasing power, construction management, and system efficiencies and economies of scale that will be gained through affiliation with any of the systems.

In the schedules, HEF = Higher Education Fund and PUF = Permanent University Fund

HEF amounts shown are the current value and could increase in the future based on legislative action.

Category	SFA Year 1	SFA Year 2	SFA Year 3	SFA Year 4	Total
<b>Calculation of Additional Resources for SFA:</b>					
<b><i>Resources Paid to SFA</i></b>					
HEF or PUF Funding	\$ 11,277,793	\$ 11,277,793	\$ 11,277,793	\$ 11,277,793	\$ 45,111,172
Transition Support **	\$ 3,500,000	\$ 3,500,000	\$ -	\$ -	\$ 7,000,000
Financial Aid	\$ 1,110,000	\$ 1,110,000	\$ 1,110,000	\$ 1,110,000	\$ 4,440,000
Affordability and Access Initiatives	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ -	\$ 3,000,000
<b><i>Subtotal Resources Paid to SFA</i></b>	<b>\$ 16,887,793</b>	<b>\$ 16,887,793</b>	<b>\$ 13,387,793</b>	<b>\$ 12,387,793</b>	<b>\$ 59,551,172</b>
<b><i>Resources Paid on Behalf of SFA</i></b>					
PUF Bond Proceeds - Shared Building *	\$ 15,190,000	\$ -	\$ -	\$ -	\$ 15,190,000
<b><i>Subtotal Resources Paid on Behalf of SFA</i></b>	<b>\$ 15,190,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,190,000</b>
<b>Total Resources</b>	<b>\$ 32,077,793</b>	<b>\$ 16,887,793</b>	<b>\$ 13,387,793</b>	<b>\$ 12,387,793</b>	<b>\$ 74,741,172</b>
<b>Less SFA Current HEF Funding</b>	<b>\$ (11,277,793)</b>	<b>\$ (11,277,793)</b>	<b>\$ (11,277,793)</b>	<b>\$ (11,277,793)</b>	<b>\$ (45,111,172)</b>
<b>Total Additional Resources for SFA</b>	<b>\$ 20,800,000</b>	<b>\$ 5,610,000</b>	<b>\$ 2,110,000</b>	<b>\$ 1,110,000</b>	<b>\$ 29,630,000</b>
<b>Estimated Savings for SFA:</b>					
Estimated Insurance Savings	\$ 67,610	\$ 67,610	\$ 67,610	\$ 67,610	\$ 270,440
Estimated IT Savings	\$ 250,000	\$ 500,000	\$ 750,000	\$ 1,000,000	\$ 2,500,000
Audit/GC/Board/Gov Relations Savings	\$ 1,425,000	\$ 1,425,000	\$ 1,425,000	\$ 1,425,000	\$ 5,700,000
<b>Total Estimated Savings for SFA</b>	<b>\$ 1,742,610</b>	<b>\$ 1,992,610</b>	<b>\$ 2,242,610</b>	<b>\$ 2,492,610</b>	<b>\$ 8,470,440</b>
<b>Estimated Assessments Paid to A&amp;M by SFA:</b>					
Estimated Assessment for Shared Services	\$ (470,087)	\$ (470,087)	\$ (470,087)	\$ (470,087)	\$ (1,880,348)
Estimated Assessment for IT Services	\$ (250,000)	\$ (500,000)	\$ (750,000)	\$ (1,000,000)	\$ (2,500,000)
<b>Total Estimated Assessments Paid to A&amp;M by SFA</b>	<b>\$ (720,087)</b>	<b>\$ (970,087)</b>	<b>\$ (1,220,087)</b>	<b>\$ (1,470,087)</b>	<b>\$ (4,380,348)</b>
<b>Total Additional Value to SFA</b>	<b>\$ 21,822,523</b>	<b>\$ 6,632,523</b>	<b>\$ 3,132,523</b>	<b>\$ 2,132,523</b>	<b>\$ 33,720,092</b>

\*Shared Building of \$31 million proposed for Texas A&M agencies 51% and SFA 49%. Building will be carried on the system's books.

\*\*Transition support of \$3.5 million for two years can be used for debt service, salaries, information technology, etc.



Category	SFA Year 1	SFA Year 2	SFA Year 3	SFA Year 4	Total
<b>Calculation of Additional Resources for SFA:</b>					
<i>Resources Paid to SFA</i>					
Transition Funding	\$ 5,000,000	\$ -	\$ -	\$ -	\$ 5,000,000
HEF Funding	\$ 11,277,793	\$ 11,277,793	\$ 11,277,793	\$ 11,277,793	\$ 45,111,172
<b>Subtotal Resources Paid to SFA</b>	\$ 16,277,793	\$ 11,277,793	\$ 11,277,793	\$ 11,277,793	\$ 50,111,172
<b>Total Resources</b>	\$ 16,277,793	\$ 11,277,793	\$ 11,277,793	\$ 11,277,793	\$ 50,111,172
<b>Less SFA Current HEF funding</b>	\$ (11,277,793)	\$ (11,277,793)	\$ (11,277,793)	\$ (11,277,793)	\$ (45,111,172)
<b>Total Additional Resources for SFA</b>	\$ 5,000,000	\$ -	\$ -	\$ -	\$ 5,000,000
<b>Estimated Savings for SFA:</b>					
Estimated Insurance Savings	\$ 288,281	\$ 288,281	\$ 288,281	\$ 288,281	\$ 1,153,124
Estimated IT Savings	\$ 368,000	\$ 368,000	\$ 368,000	\$ 368,000	\$ 1,472,000
Estimated Audit/GC/Board/Gov Relations Savings	\$ 1,425,000	\$ 1,425,000	\$ 1,425,000	\$ 1,425,000	\$ 5,700,000
<b>Total Estimated Savings for SFA</b>	\$ 2,081,281	\$ 2,081,281	\$ 2,081,281	\$ 2,081,281	\$ 8,325,124
<b>Estimated Assessments Paid to TSUS by SFA:</b>					
Estimated Assessment for Shared Services *	\$ (1,476,522)	\$ (1,476,522)	\$ (1,476,522)	\$ (1,476,522)	\$ (5,906,088)
<b>Total Estimated Assessments Paid to TSUS by SFA</b>	\$ (1,476,522)	\$ (1,476,522)	\$ (1,476,522)	\$ (1,476,522)	\$ (5,906,088)
<b>Total Additional Value to SFA</b>	\$ 5,604,759	\$ 604,759	\$ 604,759	\$ 604,759	\$ 7,419,036

\*Assessment is .65% of actual revenues - TSUS estimated at \$1.4 million to be offset by audit, legal, board and other shared savings.

Category	SFA Year 1	SFA Year 2	SFA Year 3	SFA Year 4	Total
<b>Calculation of Additional Resources for SFA:</b>					
<b><i>Resources Paid to SFA</i></b>					
HEF Funding	\$ 11,277,793	\$ 11,277,793	\$ 11,277,793	\$ 11,277,793	\$ 45,111,172
<b><i>Subtotal Resources Paid to SFA</i></b>	\$ 11,277,793	\$ 11,277,793	\$ 11,277,793	\$ 11,277,793	\$ 45,111,172
<b>Total Resources</b>	\$ 11,277,793	\$ 11,277,793	\$ 11,277,793	\$ 11,277,793	\$ 45,111,172
<b>Less SFA Current HEF funding</b>	\$ (11,277,793)	\$ (11,277,793)	\$ (11,277,793)	\$ (11,277,793)	\$ (45,111,172)
<b>Total Additional Resources for SFA</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Estimated Savings for SFA:</b>					
Estimated Audit/GC/Board Savings	\$ 186,000	\$ 186,000	\$ 186,000	\$ 1,299,000	\$ 1,857,000
<b>Total Estimated Savings for SFA</b>	\$ 186,000	\$ 186,000	\$ 186,000	\$ 1,299,000	\$ 1,857,000
<b>Estimated Assessments Paid to TTUS by SFA:</b>					
Estimated Assessment for Shared Services *	\$ -	\$ -	\$ -	\$ (1,500,000)	\$ (1,500,000)
<b>Total Estimated Assessments Paid to TTUS by SFA</b>	\$ -	\$ -	\$ -	\$ (1,500,000)	\$ (1,500,000)
<b>Total Additional Value to SFA</b>	\$ 186,000	\$ 186,000	\$ 186,000	\$ (201,000)	\$ 357,000

\*TTUS stated no assessments for the first three years.



Category	SFA Year 1	SFA Year 2	SFA Year 3	SFA Year 4	Total
<b>Calculation of Additional Resources for SFA:</b>					
<b>Resources Paid to SFA</b>					
PUF Bond Proceeds \$20 mil Forestry	\$ 20,000,000	\$ -	\$ -	\$ -	\$ 20,000,000
PUF Bond Proceeds \$45 million University's Choice	\$ 45,000,000	\$ -	\$ -	\$ -	\$ 45,000,000
PUF Bond Proceeds Forestry Lab and Agriculture Tech Shop	\$ 15,000,000	\$ -	\$ -	\$ -	\$ 15,000,000
PUF LERR	\$ 4,200,000	\$ 4,200,000	\$ 4,200,000	\$ 4,200,000	\$ 16,800,000
PUF STARS	\$ 800,000	\$ 800,000	\$ 800,000	\$ 800,000	\$ 3,200,000
Financial Aid	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 4,000,000
Additional Support *	\$ 5,500,000	\$ 5,500,000	\$ 5,500,000	\$ 5,500,000	\$ 22,000,000
Grant Support Forestry	\$ 500,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 3,500,000
<b>Subtotal Resources Paid to SFA</b>	\$ 92,000,000	\$ 12,500,000	\$ 12,500,000	\$ 12,500,000	\$ 129,500,000
<b>Resources Paid on Behalf of SFA</b>					
PUF Interest Debt Service on \$80 mil paid by System	\$ -	\$ 4,000,000	\$ 4,000,000	\$ 4,000,000	\$ 12,000,000
Mental Health Resources	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 1,000,000
Cyber Security Initiative	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 800,000
Direct Campus Support	\$ 3,500,000	\$ 3,500,000	\$ 3,500,000	\$ 3,500,000	\$ 14,000,000
Advancement Support	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 800,000
<b>Subtotal Resources Paid on Behalf of SFA</b>	\$ 4,150,000	\$ 8,150,000	\$ 8,150,000	\$ 8,150,000	\$ 28,600,000
<b>Total Resources</b>	\$ 96,150,000	\$ 20,650,000	\$ 20,650,000	\$ 20,650,000	\$ 158,100,000
<b>Less SFA Current HEF Funding</b>	\$ (11,277,793)	\$ (11,277,793)	\$ (11,277,793)	\$ (11,277,793)	\$ (45,111,172)
<b>Total Additional Resources for SFA</b>	<b>\$ 84,872,207</b>	<b>\$ 9,372,207</b>	<b>\$ 9,372,207</b>	<b>\$ 9,372,207</b>	<b>\$ 112,988,828</b>
					\$ -
<b>Estimated Savings for SFA:</b>					\$ -
Estimated Insurance Savings	\$ 912,768	\$ 912,768	\$ 912,768	\$ 912,768	\$ 3,651,072
Estimated IT Savings	\$ 500,000	\$ 500,000	\$ 750,000	\$ 1,000,000	\$ 2,750,000
Estimated Library Savings - digital library	\$ 500,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 3,500,000
Estimated Mental Health Resources Savings	\$ 48,750	\$ 48,750	\$ 48,750	\$ 48,750	\$ 195,000
Board and Gov Relations Savings	\$ 312,000	\$ 312,000	\$ 312,000	\$ 312,000	\$ 1,248,000
<b>Total Estimated Savings for SFA</b>	<b>\$ 2,273,518</b>	<b>\$ 2,773,518</b>	<b>\$ 3,023,518</b>	<b>\$ 3,273,518</b>	<b>\$ 11,344,072</b>
<b>Total Additional Value to SFA</b>	<b>\$ 87,145,725</b>	<b>\$ 12,145,725</b>	<b>\$ 12,395,725</b>	<b>\$ 12,645,725</b>	<b>\$ 124,332,900</b>

\*Additional Support of \$5.5 million for four years can be used for salaries.



System	Summary of Additional Value - 4 Years
Texas A&M University System	\$ 33,720,092
Texas State University System	\$ 7,419,036
Texas Tech University System	\$ 357,000
University of Texas System	\$ 124,332,900

All of the schedules should be read as additional value above and beyond the perceived value of enhanced bond ratings, investment management, purchasing power, construction management, and system efficiencies and economies of scale that will be gained through affiliation with any of the systems.

In the schedules, HEF = Higher Education Fund and PUF = Permanent University Fund

HEF amounts shown are the current value and could increase in the future based on legislative review.

# Recommendation

Based on:

- our review and analysis of the questions from, responses to and reports presented by our campus constituent groups;
- our review and analysis of the responses from each system to the questions posed by our subcommittee;
- our face-to-face meetings with representatives of each system;
- our review of public input; and
- the analysis of financial resources available to SFA through affiliation with a university system,

the SFA Board of Regents System Affiliation Evaluation subcommittee recommends acceptance of the affiliation invitation from **The University of Texas System.**

## AFFILIATION WITH UNIVERSITY SYSTEM

### Explanation:

To evaluate the potential affiliation of Stephen F. Austin State University with a university system, the Board of Regents established a subcommittee tasked with engaging the authorized representatives of the Texas State University System, Texas Tech University System, Texas A&M University System, and University of Texas System. This subcommittee met with representatives of the university systems to discuss governance, financial and other related matters surrounding such an affiliation.

To also engage the campus community in this evaluation process, over the course of five weeks following the start of the fall semester, representative campus groups, including the Deans Council, Chair's Forum, Faculty Senate, Staff Council, Student Government Association, and Alumni Association developed questions from each of their perspectives relative to affiliation with a university system. Each system provided responses to these questions, and after a review of these responses each group provided a report outlining their perception of the strengths and weaknesses of each system. Public input was also received via an on-line portal.

The Board of Regents Subcommittee considered the information it obtained from the university systems, representative campus groups, and public comments and has provided a report to the full Board of Regents.

### Recommendation:

The Board of Regents Subcommittee recommends that the university affiliate with \_\_\_\_\_. The president is authorized to take any action necessary in collaboration with \_\_\_\_\_ to effectuate this affiliation.



## Executive Session

Consideration of Individual Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of an Officer or Employee, including but not limited to the president. (Texas Government Code, Section 551.074)

Possible action may be taken in Open Session on matters considered in Executive Session. (Pending Executive Session)