

MINUTES
Washington State University Board of Regents
June 17, 2024

The Board of Regents of Washington State University (WSU or University) met pursuant to call in open meeting at 9:04 a.m. on Monday, June 17, 2024, virtually.

Regents present: Chair Lisa Keohokalole Schauer; Regents Brett Blankenship, Enrique Cerna, Marty Dickinson, Isaac Marroquin, Judi McDonald, Doug Picha, Lura Powell, Jenette Ramos, John Schoettler; President Kirk H. Schulz

I. CALL TO ORDER

Chair Lisa Keohokalole Schauer called the special meeting of the Board of Regents to order.

II. EXECUTIVE SESSION

Chair Schauer announced that the Regents would convene in executive session to discuss with counsel pending or potential litigation, per RCW 42.30.110. This session would be closed and would conclude at 9:30 a.m. unless extended by further announcement. Chair Schauer stated that if any action was to be taken due to these discussions, it would be taken during open session at a future meeting.

At the conclusion of the executive session, the regents reconvened in open session.

III. PUBLIC COMMENT PERIOD

No requests for public comment were received.

IV. FINANCE AND ADMINISTRATION COMMITTEE INFORMATION ITEM

1. Fiscal Year 2025 Budget Development Update

Regent Ramos invited Executive Vice President for Finance and Administration and CFO Leslie Brunelli and Assistant Vice President for Business and Planning Chris Jones to present an update on the fiscal year 2025 budget development.

V. FINANCE AND ADMINISTRATION COMMITTEE ACTION ITEMS

1. Athletics Budget Transfers for Fiscal Year 2024

Regent Ramos invited Brunelli, Assistant Vice President for Business and Financial Services and Athletics CFO Jon Haarlow, and Interim Athletics Director Anne McCoy to present the athletics budget transfer for fiscal year 2024.

Chair Schauer noted for the record that it was decided that this item would be presented as an action item rather than a future action item in accordance with the Board of Regents Bylaw II.12.B.

It was moved and seconded that the Board of Regents approve transfers necessary at Fiscal Year 2024 year-end to cover the deficit balance. Carried.

Athletics Budget Transfers for Fiscal Year 2024

Projected Cumulative Athletics Deficit for FY24* (88.4)

Projected Cash Transfer (based on May 31, 2024 cash balances)

Housing, Dining and Other Self-Sustaining auxiliaries	60.0
Parking and Transportation	10.0
Central, Non-Core Reserves	18.4
Total Available	88.4

	FY23	FY24
Plant and Operations Cash Balance at 6/30	(102.0)	(102.0)
Capital Donation Balance at 6/30	42.3	23.6
Buffer for timing in payments at year end		(10.0)
Transfer at 6/30	(59.7)	(88.4)

(in millions)

*The projected deficit and related transfers include a \$10M buffer for timing payments in year-end cash activities.

2. WSU Spokane, Elson S. Floyd College of Medicine – Faculty Practice Plan Restructure

Regent Ramos invited Brunelli, WSU Spokane Chancellor and Executive Vice President Daryll DeWald, Senior Associate Vice President and Deputy CFO Matt Skinner, Executive Director for Policy and Governance Danielle Hess, and Dean of Elson S. Floyd College of Medicine James Record to present the WSU Spokane, Elson S. Floyd College of Medicine – Faculty Practice Plan Restructure information.

It was moved and seconded that the Board of Regents approve the proposed plan to restructure the faculty practice plan for the Elson S. Floyd College of Medicine and delegate authority to the President or designee to take action needed to implement the restructure, contingent on the completion of any prerequisite internal and external processes and due diligence steps (resolution #240617-714). Carried. (Exhibit A)

3. License Agreement for WA-64

Regent Ramos invited Brunelli; Chief Compliance and Risk Officer Sharyl Kammerzell; and Director of Innovation and Commercialization for the College of Agricultural, Human, and Natural Resource Sciences Jeremy Tamsen to present license agreement for WA-64 information.

It was moved and seconded that the Board of Regents enter into a license agreement for the commercialization of WA-64, WSU's newest apple variety, and delegate authority to the President or designee to negotiate and execute the contract (resolution #240617-715). Carried.

4. 2025-2027 Operating Budget Request

Regent Ramos invited Brunelli and Vice President for External Affairs and Government Relations Glynda Becker-Fenter to present the 2025-2027 operating budget request.

Chair Schauer noted for the record that it was decided that this item would be presented as an action item rather than a future action item in accordance with the Board of Regents Bylaw II.12.B.

It was moved and seconded that the Board of Regents approve the 2025-2027 Biennial Operating Budget Request and that the Board delegate authority to the President to approve the final request and any adjustments that may be needed prior to the submission to the Office of Financial Management (OFM), including development of additional decision packages if required to address strategic needs. The delegation of authority would be contingent upon the final request being presented to the full Board of Regents as an information item at the September 2024 meeting (resolution #240617-716). Carried. (Exhibit B)

IV. ADJOURN

The meeting adjourned at 10:56 a.m.

Approved by the Board of Regents at its meeting held on September 20, 2024.

Chair, Board of Regents

Secretary, Board of Regents

ACTION ITEM #2

WSU Spokane, Elson S. Floyd College of Medicine
Faculty Practice Plan Restructure
(Leslie Brunelli /Daryll DeWald/Jim Record/Matt Skinner/Danielle Hess)

TO ALL MEMBERS OF THE BOARD OF REGENTS

SUBJECT: Faculty Practice Plan Restructure

PROPOSED: That the Board of Regents approve the proposed plan to restructure the faculty practice plan for the Elson S. Floyd College of Medicine and delegate authority to the President or designee to take action needed to implement the restructure, contingent on the completion of any prerequisite internal and external processes and due diligence steps

SUBMITTED BY: Leslie Brunelli, Executive Vice President, Finance and Administration/CFO
Daryll DeWald, Executive Vice President for Health Sciences and Chancellor, WSU Spokane

**SUPPORTING
INFORMATION:**

As WSU's Elson S. Floyd College of Medicine (ESFCOM) has grown and evolved, it has become increasingly important for the college to develop and maintain clinical education opportunities for faculty and students, whether through operation of its own clinics or through affiliations with other entities. To better position WSU and ESFCOM to exercise financial and compliance oversight and to support the operation of mission critical clinical activities, we are proposing that the Board approve the proposed restructure plan by (1) supporting a decision by the college's faculty practice plan, currently operated as a separate 501(c)(3), to dissolve the separate entity, and (2) authorizing ESFCOM and the WSU Spokane campus to move the faculty practice plan internally to ESFCOM.

Background

In March 2017, the Board of Regents approved the establishment of a faculty practice plan as a separate 501(c)(3) to support ESFCOM. The 501(c)(3) (BaviHealth d/b/a Range Community Clinic) (Range) was established and in 2018, WSU and Range entered into an affiliation/operating agreement, with WSU providing financial and administrative staffing support. In exchange, Range was to operate clinical sites, recruit and employ physicians and other health care providers, and take other actions in support of ESFCOM and WSU's other

health sciences programs. Subsequently, it became clear that Range did not have the fiscal or administrative resources to employ health care providers, and the agreement was amended so that providers working at Range are WSU faculty assigned to Range via a master staff assignment agreement.

Range currently operates several clinics under the umbrella of "Range Community Clinic." These include the Speech-Language Pathology Services Clinic, the Autism and Neurodevelopmental Clinic (both established in 2023), and Range's mobile unit activities (currently one mobile unit in operation, with another recently purchased). In fall 2023, to address accreditation concerns regarding student health care, Range also began a pilot program providing limited health care services to WSU Spokane students.

To date, Range has not been able to generate any significant revenue. It has been operating at a deficit and posted a \$1.14 million net loss for calendar year 2023. It also has been unable to meet its financial obligations under the 2020 master staff assignment agreement. In addition to financial concerns, Range has struggled to build out its compliance and administrative structure.

Because Range is organized as a separate 501(c)(3), WSU has very limited authority and oversight with respect to its activities or financial management. However, due to WSU's extensive financial, personnel, and administrative support, Range's activities create potential liability and financial exposure to WSU.

Proposal

We are working with the Range Board to bring the faculty practice plan in-house to ESFCOM, a structure that several medical schools have adopted. As part of this transition, the separate 501(c)(3) would be dissolved.

Bringing the faculty practice plan in-house allows more direct support from WSU's infrastructure to better position ESFCOM to focus on its mission-critical clinical activities, while also allowing for more robust compliance, legal, and financial oversight. The faculty practice plan also would benefit from direct WSU support in other areas, such as assistance with external grants and donor relations, opportunities to partner with WSU's Governmental Relations on requests for state funding, and marketing and potential rebranding to increase public and community awareness of WSU health sciences overall.

Once the faculty practice plan has been relocated into ESFCOM, the intent is to establish an academic center following WSU's internal process. Although the new unit/center would be located within ESFCOM, its multidisciplinary approach would be maintained by including Nursing and Pharmacy leads designated by the respective college deans as part of the unit's executive team. The Executive Vice President for Health Sciences, who has oversight over ESFCOM and this proposed unit, would help ensure WSU system and multidisciplinary considerations remain at the forefront.

The consolidation of clinical activities within the college is a logical step in the overall evolution of WSU health sciences. Although review, scoping, and potential refocusing of clinical activities will need to occur regardless of the restructure, the move will create increased opportunities for support and, ultimately, potential for growth to support ESFCOM's mission.

We are requesting that the Regents approve the proposed plan and delegate authority to the President or designee to work with the Range board to take action necessary to execute the restructure, contingent on the completion of any prerequisite internal and external processes, including execution of contracts and other written instruments, and recommended due diligence steps.

ATTACHMENTS: Attachment A – March 24, 2017 Approval of Faculty Practice Plan and Delegation of Authority

Attachment B – Range Financial Summary

BOARD OF REGENTS
WSU Spokane, Elson S. Floyd College of Medicine
Faculty Practice Plan Restructure

Resolution # 240617-714

WHEREAS, RCW 28B.30.095, RCW 28B.30.100, and RCW 28B.30.150 vest the governance and management of Washington State University (WSU) in the Board of Regents of WSU (Board); and

WHEREAS, the Board, by virtue of RCW 28B.10.528, has the authority to delegate by resolution to the President of WSU, or designee, any of the powers and duties vested in or imposed upon the Board by law;

NOW, THEREFORE, IT IS RESOLVED that the Board approves the proposed plan to restructure the faculty practice plan for the Elson S. Floyd College of Medicine and delegates authority to the President or designee to work with the Range Community Clinic Board of Directors and others to execute any contracts or other written instruments and take other action as needed to implement the restructure, contingent on the completion of any prerequisite internal and external processes and due diligence steps.

Signed the 17th day of June, 2024.

Chair, Board of Regents

Secretary, Board of Regents

BOARD OF REGENTS

Delegation of Authority – Faculty Practice Plan

Resolution #170324-550

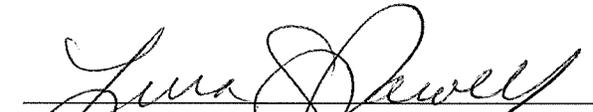
WHEREAS, RCW 28B.30.095, RCW 28B.30.100, and RCW 28B.30.150 vest the governance and management of Washington State University (WSU) in the Board of Regents of WSU;

WHEREAS, the Board of Regents is authorized by RCW 28B.10.528 to delegate to the President of WSU or designee powers and duties vested in or imposed upon the Board of Regents by law and to enable the President or designee to act on behalf of the Board of Regents in matters relating to the administration and governance of WSU;

WHEREAS, the Board of Regents has determined that it is in the best interests of WSU for the President to have such authority;

NOW, THEREFORE, BE IT RESOLVED that the Board of Regents hereby delegates authority to the President or designee to enter into operating and other agreements related to the proposed faculty practice plan.

DATED this 24th day of March, 2017.



Chair, Board of Regents



Vice Chair, Board of Regents

ACTION ITEM #2

Approval of Faculty Practice Plan for Elson S. Floyd College of Medicine And Delegation of Authority to Execute Operating Agreements (Daniel Bernardo/John Tomkowiak)

March 24, 2017

TO ALL MEMBERS OF THE BOARD OF REGENTS

SUBJECT: Approval of Faculty Practice Plan and Delegation of Authority

PROPOSED: That the Board of Regents approve the proposed faculty practice plan concept and delegate authority to the President or designee to enter into operating and other agreements related to the proposed faculty practice plan.

SUBMITTED BY: Daniel J. Bernardo, Provost and Executive Vice President

**SUPPORTING
INFORMATION:**

In order to carry out the mission of the Elson S. Floyd College of Medicine, an organizational structure is needed to recruit and retain the highest quality faculty to deliver clinical services while providing community-based clinical education to students.

The proposed practice plan would involve the creation of a separate non-profit entity to employ health care practitioners who would also hold adjunct faculty appointments in the College of Medicine. The practice plan includes the following significant provisions:

- The newly created 501(c)(3) would operate independently of WSU, with some actions requiring WSU approval
- The entity will bill and collect all revenue for professional services and will create a competitive, incentive-based compensation structure for practitioners
- Clinical services revenue would support College of Medicine operations

- WSU would enter into operating agreements with the entity for the use of space, teaching services, provision of administrative personnel, etc.

Attachment B: Range Health - Financial Summary

WSU and Range have an operating support agreement through which WSU provides financial and administrative staffing support to Range. As a result, the Elson S Floyd College of Medicine has accumulated a \$2,917,000 deficit associated with staff and support expenses that Range has not been able to reimburse. To cover these costs, WSU Spokane has allocated nearly \$1,500,000 in one-time funding, and the College has allocated discretionary gift funds of nearly \$854,000. The College forecasts nearly \$600,000 in unreimbursed expenses remaining on June 30, 2024.

WSU Support of Range Community Clinic	Net Outstanding
Staff Assignments Expenses January 2021 - December 31, 2023	
AWD003893: Staff Assignment	(33,595)
AWD003772: BAVIHealth Staff Assignment	(1,398,063)
AWD003814: Staff Assignment	(38,058)
Existing Staff Assignment Accounts (A)	(1,469,716)
WSU College of Medicine Current Account Balances	
PG00021269 ASD & Neurodevelopmental Disorders Program of Excellence (FY24 expenses and obligations projected ending account balance)	(853,652)
Other core funds and colleges accounts - PG00011728 COM Mobile Units	(593,430)
Subtotal Account Balances (B)	(1,447,082)
Transfers	
Onetime funding from Spokane Campus	1,469,716
Estate Gift + Transfer to new staff assignment account	853,652
Pending Transfers (C)	2,323,368
Range Projected Balance Owing 6/30/2024 (A+B +C)	(593,430)

Range Proforma Financial Statements January 1 – June 30, 2024

Range currently forecasts a net operating loss of \$661,000 over the six-month period from January 1 to June 30, 2024. This loss is in addition to a \$1,148,000 loss incurred from January 1 to December 31, 2023. These losses include accrued expenses owed to WSU via the support agreement. Cash balance is projected to be \$178,000 at June 30, 2024, with accounts receivable of \$203,000.

**Range Financial Summary
Proforma Income Statement - January 2024 through June 30 2024**

	Jan-Jun 24
Revenues	355,798
Expenses	1,016,890
Net Income	-661,092

Range Unaudited Financial Statements January 1 – December 31, 2023

The following financial analysis is based on the unaudited financial statements prepared by Range's accounting firm in conjunction with the Range Treasurer for the fiscal year ended December 31, 2023, with comparative information for December 31, 2022. Range's fiscal year is from January 1 to December 31. As the faculty practice plan is brought back in the College, the fiscal year will conform to the University fiscal year (July 1 – June 30)

Revenue: Range reported revenue of \$410,500 during 2023, an increase of \$334,534 over the prior year. However, more than half of the increase is attributable to accrued revenue from accounts receivable from third-party payers. These receivables and related accrued revenue should be analyzed for collectability and with a proper estimate of uncollectable expenses.

Expenses: While revenues have grown, expenses nearly tripled from 2022, totaling \$1,558,000 for 2023.

Net Income: Range reported a substantial net loss of -\$1,147,000 in 2023, widening by \$665,000 from the previous period. The net loss expanded by 138%, indicating that revenue growth has not translated proportionately into profitability. This raises concerns about the entity's ability to manage expenses and generate sustainable revenues.

Cash Position: The cash balance has decreased significantly by \$607,000 or 53% during 2023, leaving a balance of \$542,000 as of December 31, 2023. Cash balances appear to be insufficient to cover another year of operations. There is significant doubt about the entity's liquidity and ability to meet short-term obligations without the further financial intervention of the University.

Liabilities: Range's liabilities have grown significantly, primarily due to \$1,167,000 in accrued payroll and benefits owed to the University via the staff assignment agreement.

Conclusion: Based on the financial statements provided and the executive analysis above, the entity's financial condition is concerning. The widening net loss, declining cash position, and substantial increase in liabilities raise doubts about the entity's ability to continue operating in the foreseeable future without significant changes and financial intervention from the University. It is essential that management take immediate action to prioritize the scope and breadth of operations, set realistic revenue targets, and streamline expenses.

Range Financial Summary

From Preliminary Unaudited Financial Statements for the year ended December 31, 2022 and 2023

Summary Income Statement

	Jan - Dec 23	Jan - Dec 22	Change	%
Revenues	410,544	76,009	334,534	440%
Expenses	1,558,262	558,924	999,338	179%
Net Income	(1,147,718)	(482,915)	(664,804)	-138%

Summary Balance Sheet

Cash (checking and savings)	542,419	1,149,907	(607,488)	-53%
Accounts Receivable	167,623	-	167,623	
Other Current Assets	142,002	27,724	114,278	412%
Fixed Assets	773,714	697,370	76,344	11%
Total Assets	1,625,758	1,875,000	(249,242)	-13%
Liabilities				
Accounts Payable	72,972	7,866	65,105	828%
Accrued expenses	20,668	4,001	16,667	417%
Accrued Payroll & Benefits	1,167,056	350,352	816,703	233%
Total Liabilities	1,260,696	362,220	898,476	248%
Equity				
Temp. Restricted Net Assets	53,527	53,527	-	0%
Unrestricted Net Assets	1,459,253	1,945,282	(486,029)	-25%
Net Income	(1,147,718)	(486,029)	(661,689)	136%
Total Equity	365,062	1,512,780	(1,147,718)	-76%
Total Liabilities and Equity	1,625,758	1,875,000	(249,242)	-13%

Exhibit B

The proposed request for the 2025-2027 State Biennial Operating Budget Request is described below:

1. Compensation:

- a. WSU will request a compensation increase for both years of the biennium for faculty and staff commensurate with previous years' requests. The actual percentage will be determined just prior to the September submission to promote alliance with other public four-year institutions of higher education and reflect the most current outlook on the state's fiscal health.
- b. WSU is also requesting improvements to the state appropriation-plus-tuition funding formula to make compensation enhancements at any prescribed level achievable. This change, if funded, would reduce prescribed reliance on tuition revenues unlikely to materialize over the next two years due to enrollment reductions and capped tuition rate increases.
- c. WSU will also request an enhancement for civil service employees commensurate with what is awarded to such workers throughout state government.

Request amount: \$TBD.

2. Academic Student Employee (ASE) Bargaining Contract:

The 2024 state supplemental budget partially funded the ASE bargaining contract on a one-time basis and the University reduced unit budgets to meet contract requirements. WSU will request a recurring appropriation to cover the total 2025-27 biennial costs of the contract for state-funded ASEs.

Request amount: \$10.5 million biennially.

3. College of Medicine Accreditation

Funding is needed to support the Elson S. Floyd College of Medicine's ongoing accreditation effort.

Request amount: \$3.6 million biennially.

4. Native American Scholarship

Funding is needed to make permanent the one-time appropriations authorized by the Legislature in 2023 and 2024 to establish the Native Cougar Scholars Fund at WSU, which helps meet unmet financial need for Native American students. The second cohort of program participants will receive scholarships this fall. State funding will discontinue if not reauthorized.

Request amount: \$2.2 million biennially.

5. Maintenance and Operations of New Buildings

Funds are requested as is commonplace to provide support for the Schweitzer Engineering Hall currently under construction at WSU Pullman.

Request amount: \$1.0 million biennially.