

**Minutes of the Quarterly Board of Regents Meeting
Murray State University
Friday, March 2, 2012
Jesse Stuart Room – Pogue Library**

The Board of Regents (BOR) of Murray State University (MSU) met on Friday, March 2, 2012, in quarterly session in the Jesse Stuart Room of Pogue Library on the main campus of Murray State University. Chair Constantine Curris called the meeting to order at 8:05 a.m.

Roll Call

The roll was called and the following members were present: Marilyn Buchanon, Constantine Curris, Sharon Green, Susan Guess, Jeremiah Johnson, Jack Rose, Phil Schooley, Jenny Sewell, Jerry Sue Thornton, Harry Lee Waterfield II and Stephen Williams. Absent: none.

Others present were: Randy J. Dunn, President; Jill Hunt, Senior Executive Coordinator for the President, Coordinator for Board Relations and Secretary to the Board of Regents; Tom Denton, Vice President for Finance and Administrative Services and Treasurer to the Board of Regents; Bonnie Higginson, Provost and Vice President for Academic Affairs; Don Robertson, Vice President for Student Affairs; Jay Morgan, Associate Provost for Graduate Education and Research; Bob Jackson, Associate Vice President for Institutional Advancement; John Rall, General Counsel; Joshua Jacobs, Chief of Staff; and members of the faculty, staff, students, news media and visitors.

AGENDA

1. **Minutes of the Quarterly Meeting and Committee Meetings of the Board of Regents December 9, 2011***
2. **Public Participation**
3. **Report of the President** **Dr. Dunn**
4. **MSU Spotlight: Falcon Academy Dual Enrollment Project** **Kenny Wilson
Superintendent
Hickman County
Schools**
5. **Report of the Chair** **Dr. Curris**
6. **Report of the Constituency Regents** **Dr. Rose/
Mr. Schooley/
Mr. Johnson**
7. **Report of the Treasurer*** **Mr. Denton**
8. **Naming Proposals*** **Dr. Dunn**
 - A. *Arthur J. Bauernfeind College of Business*
 - B. *Bill and Irene Morgan Court – Racer Men’s Basketball*
 - C. *Suiter Family Head Coach’s Suite – Racer Men’s Basketball*
9. **Policy Actions*** **Dr. Dunn**
 - A. *Board of Regents Policy Manual Sections 2.1 and 6.6*
10. **Personnel Changes*** **Dr. Dunn**
 - A. **Appointment of Registrar**
 - B. **Salary Roster**
 - C. **Faculty Sabbatical Leaves**
 - D. **Faculty Leave Without Pay**
 - E. **Staff Leaves of Absence Without Pay**

(*Indicates Board Action Item)

11. Committee Reports/Recommendations (Action Items Only Listed):

- | | |
|---|----------------------|
| A. Academic Affairs | Dr. Thornton |
| B. Audit and Compliance
Waterfield
1) WKMS-FM Audit
2) Audit Contract/Engagement Letter | Mr. |
| C. Buildings and Grounds | Dr. Rose |
| D. Enrollment Management and Student Success | Mrs. Buchanon |
| E. Finance
1) FY13 Budget Preparation Authorization
2) City of Murray – Wellness Center Resolution
3) Property Acquisition – 1629 Hamilton | Mr. Williams |
| F. Institutional Advancement | Mrs. Guess |
| G. Regional Services | Mrs. Green |

12. Other Business

13. Adjournment

(*Indicates Board Action Item)

Minutes of the Quarterly Meeting and Committee Meetings December 9, 2011, approved

Mr. Williams moved, seconded by Mrs. Buchanon, that the Minutes of the Board of Regents Quarterly Meeting and Committee Meetings on December 9, 2011, be approved as submitted. The motion carried unanimously.

Murray State University Men's Basketball Team Resolution, approved

Mr. Waterfield moved that the Board of Regents approve a Resolution in honor of the Murray State University Racer Basketball teams for the great season they have had and the positive recognition brought to the University as a result. The Board wishes them success in the Ohio Valley Conference and National Collegiate Athletic Association tournaments. Dr. Rose seconded and the motion carried unanimously.

Minutes of the Quarterly Board of Regents Committee Meetings Audit and Compliance Committee

Harry Lee Waterfield II, Chair
Constantine Curris
Jenny Sewell

WKMS-FM Audit, discussed

Mr. Waterfield called the Audit and Compliance Committee to order at 8:10 a.m. and reported all members were present. The Committee received a report via telephone from RubinBrown representatives Jeff Winter, Partner, and Matt Finke, Manager, with the following highlights:

- Appreciation was expressed to Mr. Denton; Jackie Dudley, Senior Director for Accounting and Financial Services and Kate Lochte, WKMS-FM Station Manager, for their cooperation. There were no limitations placed on the auditors in conducting this work.
- RubinBrown issued a clean, unqualified opinion for the financial statements for the year ended June 30, 2011. A few audit adjustments were required but did not prevent the issuance of a clean opinion. The most significant audit item was the Station incorrectly reclassified expenditures related to the Water Valley Transmitter project during 2011. Upon completion, it was determined project costs did not meet the University's capitalization policy requirements and \$68,469 was previously

classified as “construction in progress assets” as of June 30, 2010. A prior period adjustment was recorded to reduce capital assets and fund balance at June 30, 2010, to reflect the expenses related to the project in the proper period. Another item which arose resulted in an uncorrected misstatement – asset adjustment – which would not materially affect the financial statements but resulted from the amount of depreciation expense recognized in excess of the useful life of the asset. In December the firm brought to management’s attention certain internal control deficiencies prevalent in equipment and inventory control. These represent small dollar amounts but are material relative to WKMS and reporting the occurrence represents the auditor’s professional judgment.

- WKMS had a straightforward year for 2011 – assets remained the same at approximately \$1 million, net assets remained the same and there was little liability on the radio station balance sheet. There was a slight decrease in operations, primarily because in 2010 there was a significant federal grant for capital purposes (approximately \$350,000 which was recognized as revenue last year) but that was not a repeating item in 2011. Operations for the radio station were relatively flat although there was a slight loss for 2011 compared to income received in prior year.
- The auditors were responsible for reviewing submissions made online with the Corporation for Public Broadcasting to provide some assurance regarding the handling of such transactions.
- The Engagement Letter is prepared annually for all audits and is required by the profession and RubinBrown policy. The letter addressed to members of the Board of Regents and the Audit and Compliance Committee does not enter the Board into anything beyond the personal services contract. The contract includes the Engagement Letter and the Request for Proposals as well as any contractual documents generated by the University. It outlines RubinBrown’s extensive scope of services, as well as tax services related to the University. Included in the document are audit objectives for RubinBrown, management responsibilities for the University, audit procedures from a general standpoint in relation to internal controls and compliance with applicable laws and regulations, tax-related disclosures the auditors are required to make, administrative fees, timing of the audit and expectations of management during audit preparation.

Dr. Dunn reported that typically the Engagement Letter is not brought before the Board for action but under the prior four-year contract the administration would renew the letter annually. However, given discussions with RubinBrown, all felt more comfortable submitting the Engagement Letter to the Board annually for approval. This provides an opportunity to disclose whether anything has changed in the scope or terms of where the auditors will focus their work. Mr. Winter confirmed there was nothing incorrectly done in prior years and this represents another practice which made sense from a corporate governance standpoint and the Audit and Compliance Committee should be aware of information included in the Engagement Letter. This does not change any contractual terms or conditions which have existed over the past two years.

In response to a question regarding whether the amount the University pays for the audit is included in the four-year agreement, Mr. Denton confirmed that to be the case and the only change is there is an amount included for major federal programs and the basic contract provides for auditing financial aid and one additional major program. If there are other programs that need to be audited – which will not be known until auditors are on-site – then this amount increases and, in this case, is based on three additional major program audits because those federal programs exceeded the threshold and this is how the University proceeded last year.

WKMS-FM Audit, accepted

On behalf of the Audit and Compliance Committee, Mrs. Sewell moved that the Board of Regents, upon the recommendation of the President of the University, accept the audited financial statement for WKMS-FM for the year ended June 30, 2011. Dr. Curriss seconded and the motion carried.

Internal Auditor, discussed

Dr. Dunn reported the search for an Internal Auditor continues and three potential candidates will interview at the end of the month. Mr. Waterfield indicated in his capacity as Chair of the Audit and Compliance Committee met with Interim Internal Auditor Al Choate.

Audit Contract/Engagement Letter, approved

On behalf of the Audit and Compliance Committee, Mrs. Sewell moved that the Board of Regents, upon the recommendation of the President of the University, approve the engagement letters for the June 30, 2012, audit and Racer Foundation compilation by RubinBrown. Dr. Curriss seconded and the motion carried.

Adjournment

The Audit and Compliance Committee adjourned at 8:21 a.m.

Finance Committee

Stephen Williams, Chair
Marilyn Buchanon
Constantine Curris
Jack Rose

Mr. Williams called the Finance Committee to order at 8:21 a.m. and reported all members were present.

FY13 Budget Preparation Authorization, discussed

Mr. Williams indicated the Board annually adopts budget preparation guidelines to provide general direction to management for preparation of the fiscal year budget. These guidelines are intended to provide budget parameters to be followed and a preview of the funding necessary to cover operating expenses of the institution. The following highlights with regard to the Budget Preparation Authorization were presented:

- The same drivers are being followed to guide budget preparation to ensure the University continues to be successful by considering areas where priority budgeting will be provided.
- Over the past five years there has been a gradual and incremental loss of state support to operating base appropriations (total of \$8.1 million or 4.3 percent for MSU). The Governor's proposed budget includes a \$3.2 million cut in state operating support for Murray State (6.4 percent) over the next biennium, effective July 1, 2012, for 2012-13 and information was provided on how the institution initially plans to address the decrease in funding.
- Areas beyond general operations were noted representing appropriations coming to the University which were rolled into the base. Management will review the underlying pillars which make up the base budget and take appropriate cuts from each area to reach a total of \$3.2 million.
- On the tuition side of the revenue discussion, a number of issues were noted, including the modeling of a 5 percent growth in tuition (\$4.3 million) which is based on the assumption the University will follow the recommendation the Council on Postsecondary Education (CPE) identifies as a tuition ceiling and this figure could change depending on final CPE action. Management will continue to operate on this assumption unless directed by the Board to proceed differently. There has been unbudgeted tuition growth this year (\$.5 million) and these monies will be applied to next year's budget. There is also a projected enrollment increase of 2 percent (\$1.7 million), representing a one-year lag.
- In order to make this year's budget management has changed standard practice to absorb the state cut. The administration would normally "lag budget" revenue growth from tuition once the students are actually on campus but in reviewing the history of the situation and anticipated enrollment growth based on signals to this point, a slight growth of less than 2 percent has been projected and included in the budget.
- The CPE will not set a tuition parameter or act upon their authority until April 20, 2012. If the CPE sets a tuition ceiling of 5 percent or above, the University administration will proceed apace with the budget planning process. If the CPE sets the tuition cap at 3 percent or less, the internal University team will reconvene to determine how to accommodate lesser tuition growth but there is only limited means to do so.
- In terms of expenditures, fixed cost increases must be accounted for and include employee health insurance, Kentucky Employee Retirement System and Kentucky Teachers' Retirement System rate increases and other fixed cost increases (slightly over \$1.5 million).
- In terms of faculty and staff salaries, typical increases have been maintained, including promotions and reclassifications, residential college participation, hourly staff Compensation Study adjustments and other salary adjustments for a total of approximately \$473,000. The University is not budgeting for across-the-board or merit salary increases at this time – although the Board has spoken in the past regarding their desire, if the revenue picture improves, for a merit pool to be considered. Short of a directive from the Board to provide for such an increase, it will not be included in the budget. If the Board desires to include a merit pool for consideration, adjustments would be made accordingly but providing a 1 percent merit pool, with concomitant fringe benefit increase, would cost approximately \$760,000.
- The budget guidelines include new spending in program support areas that are priorities for the University and are mainly centered on program excellence, recruitment and other essential areas to maintain an expected level of service. The President's Office had hoped to establish an "innovation fund" of approximately \$85,000 annually to seed promising projects that would have a beneficial

impact on a range of quality-of-life factors in the region. The feasibility of funding such an initiative through reallocation will continue to be considered. Other critical needs exist within Academic Affairs and those will remain under review and prioritization until the tuition/revenue picture solidifies.

- With regard to recruitment and retention expenses, the largest area which must be addressed is an increase in scholarships and waivers based on a 5 percent tuition increase.
- Technology improvements for FY13 will largely come from the initial project budget of \$8 million established for Banner/myGate in FY08.
- Other priorities include the 2014 reaffirmation of institutional accreditation by the Southern Association of Colleges and Schools (SACS) and the need to establish an institutional effectiveness and planning unit as part of that process. This office would coordinate all functions related to planning, training, data analysis and assessment across the entire University – largely to support ongoing work required by regional accreditors throughout the region. This would be accomplished by buying out faculty time and reviewing and restructuring non-faculty extant positions at the University. There is concern more needs to be done in order for the University to show commitment to this initiative as the reaccreditation process continues.
- A budget preparation calendar was provided indicating a Special Meeting of the Board of Regents is anticipated for Friday, April 27, 2012, to discuss tuition and mandatory fees. It may or may not be necessary for the Board to meet at that time, depending on whether issues develop pertaining to tuition through action taken by the CPE or any direction provided by this Board so adjustments can be made prior to full budget adoption.

Dr. Curris appreciates the thoroughness of the materials presented and indicated the Murray State appropriation, before anticipated action by the legislature to reduce that appropriation, represents an amount less than what the University received in 2001-02. This means the University is receiving less money today from the state than it did ten years ago and that amount will be further reduced this coming year. At the same time the University has been given directives by the state government, and in particular the CPE, to expand enrollment. MSU has responded, like all other institutions, through appreciable tuition increases. To the credit of previous boards, tuition levels at Murray State are at the bottom of the spectrum and this institution has been more considerate of the needs of students and their families than others. Moving forward the Board must begin to face the reality that an institution cannot maintain and strengthen academic quality and enroll additional students while maintaining tuition at current affordability levels. When state appropriations are reduced something else has to give. He wants to ensure the Board addresses, with the excellent support of the administration, the ultimate priorities at MSU. It must be determined whether the Board wants to maintain quality and keep tuition affordable, consequently capping enrollment so the University does not take in more students when it cannot provide the necessary academic resources. The Board must decide whether it wants the University to continue expanding enrollment while keeping tuition affordable, resulting in larger classes, fewer faculty and a decline in the quality of MSU educational services. A determination should also be made whether the Board desires to maintain and strengthen the quality of academic programs to attract more students but in the process also increase revenue by raising tuition. It is easy in higher education for various individuals to keep perpetuating myths that the University can tighten its belt further. As the Board engages in the budget process today and in the months to come, those initiatives most important to the institution must be ascertained and clearly stated.

Dr. Rose does not want to jeopardize the financial standing of the University and appreciates funding being included in the budget to address the last phase of the hourly staff Compensation Study. He asked the Board to consider including in the budget a merit pool (up to 2 percent) pending final action by the CPE and University budget approval. This funding would be tentative in terms of the judgment of the administration and the ability to maintain institutional financial stability. In response to how the administration would address the mechanics of this request, Dr. Dunn indicated over the coming months there exists a severe magnitude to which situations can change, including the amount of funding the institution will lose in state support and the fact that tuition increase percentages could vary between a 2 to 7 percent depending on the CPE. He anticipates the administration will communicate with the Board through a series of budget updates as various pieces of the budget picture begin to solidify. If including a merit pool is supported within this motion, the administration would begin modeling that component to determine what must be done to accommodate the request. Such information would also be communicated to the Board via the update reports.

Mr. Schooley favors the inclusion of a merit pool in the budget but stressed the importance of ensuring staff Compensation Study adjustments are brought to conclusion. The administration

should also establish guidelines to ensure merit increases are distributed fairly. Dr. Dunn reported merit increases have not been provided at the University since FY08 but at that time it became clear, particularly with non-academic hourly staff, that the University does not have an acceptable procedure in place to address merit increases. This issue will be reviewed and all units will have access to merit, if provided, and steps will be taken to ensure these monies are used for merit purposes.

FY13 Budget Preparation Authorization, failed

On behalf of the Finance Committee, Dr. Rose moved that the Board of Regents, upon the recommendation of the President of the University, approve the Budget Preparation Guidelines and the proposed calendar. Approval of the recommendation would include the additional stipulation that an option be included in the budget for up to a 2 percent merit pool with accompanying strategies as to how the initiative could be funded should the Board choose to move in this direction. The motion failed for lack of a second and additional discussion followed.

FY13 Budget Preparation Authorization, discussed

Dr. Curris is not necessarily in agreement with the merit pool recommendation – not because he believes faculty and staff are overpaid but he is concerned this action would translate into higher tuition for students. Every time additional money is spent for important purposes it ultimately means students at this institution will be asked to fund these initiatives. He is not quite in agreement with proceeding in this fashion although he has no issue with exploring the possibility of offering a merit salary pool. Dr. Rose appreciates the difference in thought but hopes the institution does not get into a situation where any type of increase in tuition would be passed off as a faculty situation because the issue involves the entire institution. Integrated Postsecondary Education Data System numbers in Kentucky for 2010-11 illustrate among the Kentucky public institutions Murray State is at the low to middle end of the average faculty salary pay scale.

In response to a question regarding options which exist for reassignment of positions within the institution to accomplish the intended outcomes of the priority spending items, Dr. Dunn confirmed those opportunities exist but by including the priority items in this document the administration is indicating these initiatives are of a sufficient nature to merit support and should be listed as priority items but that does not mean the administration will not also review potential reallocations.

In response to a question regarding anticipated program support for the Paducah campus in the next year, Dr. Dunn reported he does not foresee funding being provided over and above that currently being allocated for work being undertaken at the Crisp Center. The University will not occupy the new building until the next academic year but will continue offering existing programs in the current facility. Programmatically it is anticipated research study will begin to identify potential new majors for the Paducah area and this work will be undertaken with general University operating funds.

Mrs. Buchanon requested the Board be provided with the dollar amount associated with University travel costs over the course of one year and Mr. Denton indicated he would need to research the issue but a report containing this information could be prepared.

Mr. Williams stated that the Board will ultimately be required to make choices and establish priorities and it is during those times when everything must be considered – operating and capital – in a zero-based way to ensure the Board is keeping its eye on the core mission of the University in making judgments related to institutional priorities. In that context, he would hope – through input from the Committee or Board members – that Chair Curris, Dr. Dunn and the administration will be given direction as to the type of information Regents desire to be included in the budget in terms of revenue and expenditures so this body is confident it is reviewing all available information to ensure it understands the issues, questions and answers in terms of priority setting. Any Regent requiring additional background or comparison information should state that request now or forward such to the Finance Committee Chair. The Board must understand how the University compares to in-state peer institutions (as well as some out-of-state institutions) on expenditures and revenues. He would like for the Board to develop a dashboard

of key comparisons to be used moving forward but, particularly with this budget, if any Board member has a need for additional information that should be articulated as soon as possible.

Dr. Thornton asked with regard to recruitment and retention if funding is built into the budget which would provide for initiatives designed to enhance graduation rates since that has become a national priority. Dr. Dunn indicated retention alert software included in the budget builds into this overall work. A specially-funded initiative has not been established for graduation rate enhancement but support services to push toward progress-to-degree graduation are infused throughout a number of offices at the University and many areas have this work as part of their charge. Advisement is one area which must also be addressed and although the initiative has not yet made the budget, a Retention Coordinator has been hired.

Dr. Curris indicated the model which has been presented to the Board is based on a 5 percent tuition increase. Considering the amount of revenue expected from the tuition increase, as well as from new students compared to what is being projected as expenses under recruitment and retention, the University is approaching a 40 percent discount rate which reduces the amount of net income available to be used for valuable purposes and work to address this particular area should be undertaken. Dr. Dunn indicated as the direction of the institution is determined for the next nine months, larger questions remain which have not been referenced and involve discounting, ratio of graduate to undergraduate students and how out-of-state tuition for regional universities is determined. A host of questions exist in terms of revenue and expenditures and these must be comprehensively reviewed. Unless the Board directs otherwise, Dr. Dunn plans to move forward with the formation of a number of budget planning teams to address such issues over the course of the next nine months and these groups will be reflective of all University constituency groups. Anticipated teams include those charged with studying academic programs, student services and support, organizational efficiencies and alternative revenue generation. Tuition and fee pricing could also represent a separate planning team. Once the teams are formed a timeline will be provided and an administrative staff liaison will be assigned to each group to gather data, answer questions and help the groups keep their work on track to the extent this guidance is needed. As this Board comes together one year from now it becomes a longer, more complicated budgeting process and the administration would begin more detailed work earlier at the committee and Board level to review the recommendations from the planning teams for all areas studied. This provides the University with one year to undertake this work and appreciation was expressed to Dr. Rose for making a comment earlier that the administration did not have a “knee jerk” reaction to the reduction in state funding. The University has the benefit of one year where carryforwards – saved for this purpose – can be utilized to allow the institution to go through FY13 with things for the most part remaining “status quo.” Quick decisions about discounting or pushing up out-of-state tuition would not be made until planning team work can be completed. After the first of the year it is anticipated information will be presented to the committees and the Board in an effort to work through what will likely be a substantial set of recommendations for the various areas. A key part of this process is ensuring the Board is supportive of the approach of utilizing carryforwards to essentially keep next year’s budget stabilized. Board sentiment was for the administration to proceed in the manner proposed. Mr. Williams stated the Regents are extremely sensitive to any action which would raise tuition further but are also aware of fiscal realities and management must be provided with appropriate feedback. Dr. Curris endorses the work taking place but is concerned the document as presented is predicated on assumptions, one being a 5 percent tuition increase, and he does not want to vote for the motion if it implies he supports a 5 percent tuition increase because it is too early to address that particular issue.

Mr. Williams indicated the Board and administration will try to identify multiple budget options that would prevent the necessity of a 5 percent tuition increase but he would also like to see an option presented to build a merit pool into the budget with accompanying information on how that goal could be reached. Multiple scenarios need to be presented to the Board. Dr. Dunn indicated part of the interim communication which will be provided to the Regents will potentially be the budget summary to illustrate the effect of various tuition level increases. The current document states the University will model the tuition percent increase ceiling set by the CPE and Dr. Dunn asked whether the Board is directing the administration to remain at a 5 percent tuition increase at the maximum. Mrs. Buchanon indicated she has always been a proponent for access and it bothers her when the institution continues to increase tuition because this definitely limits those who are able to attend college, especially for individuals from the area which she serves. Dr. Curris indicated he is not committing to any particular level of tuition

increase. The strength of what Dr. Dunn and staff have compiled is a priority listing of expenditures and he endorses those areas and depending on what the Board approves in terms of tuition, this priority listing could be re-examined. His reservations are not with the priorities identified in terms of expenditures but potential revenue sources as outlined cause him some angst. Mr. Williams clarified the Board should be presented with more than one option based on a 5 percent tuition increase ceiling which may be set by the CPE. The assumption contained within the document in terms of an enrollment increase is significant and the Board needs to understand the integrity and reliability of that number. Dr. Dunn agreed this represents a change in practice but as the administration vetted out the issue it would not have chosen to proceed in this fashion if it was not certain this target was feasible.

Dr. Curris asked for the total amount of accrued balances – one-time money – that would be utilized and Mr. Denton reported there are two sources of funds for carryforwards, one from June 30, 2009 (\$2.8 million) and roughly one-half of the June 30, 2011, carryforwards (\$3.4 million). Overall \$6.2 million has been set aside for this one-time expenditure. Dr. Dunn clarified the intent is not to utilize the full amount but to receive permission from the Board to do so if it becomes necessary. All understand the attractiveness of proceeding in this fashion but also the danger of addressing structural imbalances in the budget with one-time money. The question was raised about how peer institutions are proceeding and any enrollment increases that are expected and Dr. Dunn indicated in terms of this particular variable he does not know what other institutions are assuming but believes in terms of the comprehensive universities the enrollment increases would be relatively flat. Most of the state universities have not experienced the same level of growth as Murray State over the last couple of years. Mr. Denton indicated in terms of tuition increases several of the universities are modeling 5 percent.

In response to whether the Eggners Ferry Bridge being out of commission will effect enrollment, Dr. Dunn reported there are approximately 480 commuter students from Trigg and Christian counties. Those currently enrolled will complete the semester but it is uncertain the impact the bridge will have on fall 2012 enrollment. It is also known that a significant number of these “commuter” students bend the University’s residency policy and actually live in Murray in off-campus housing instead of the residential colleges. Discussions are taking place in terms of work which needs to take place for fall 2012 with general studies classes being offered on the other side of the bridge and ITV equipment upgrades.

Mr. Williams reported it is the sentiment of the Finance Committee to move forward with the budget preparation document as recommended by the President and for it to serve as a preliminary budget planning guideline but with the caveat the Board has requested multiple budget scenarios be provided relative to revenue, specifically tuition increases. Those scenarios can include the ceiling set by the CPE but the Board also wants to review other approaches which would include the alternative outlined for up to a 2 percent merit pool, along with an indication as to how such an initiative would be funded.

FY13 Budget Preparation Authorization, approved with stipulations

On behalf of the Finance Committee, Dr. Curris moved that the Board of Regents, upon the recommendation of the President of the University, approve the attached Budget Preparation Guidelines and the proposed calendar. Approval of the recommendation included additional BOR stipulations as follows:

- 1) Multiple options should be made available to the Board for consideration during the budget review process to provide more than one alternative relative to revenue source assumptions, specifically with regard to tuition increases and any tuition ceiling which could be set by the Council on Postsecondary Education (CPE). The information provided should include tuition increase alternatives less than the potential CPE percentage ceiling.
- 2) An option should be included in the budget for up to a 2 percent merit pool with accompanying options on how this initiative could be funded should the Board choose to move in this direction.

Dr. Rose seconded and the motion carried.

City of Murray – Wellness Center Resolution, adopted

Mr. Denton reported that approximately ten years ago the city of Murray issued bonds for the Student Recreation and Wellness Center and the University entered into a *Memorandum of Agreement* with the city where MSU provides funding to pay for the debt service (30-year issue). Greg Phillips, Senior Vice President of Finance with Hilliard Lyons, assists the University with various bond issues and reported the current interest rate environment, when compared to 2002, allows the bonds to be refunded at a lower interest rate (2.75 percent or lower) which would save the University over \$80,000 per year (\$1.8 million total). Dr. Dunn reported the city of Murray carries the bonds which are paid for through a mandatory student fee for the Wellness Center. The University has an agreement with the city that specifies this information and in essence the agreement is being amended to allow the refunding to take place. The bonds would be issued by the city of Murray as general obligation bonds and will technically be on their credit but there is another agreement whereby the University will reimburse the city for the debt service. The possibility of the University assuming the debt was considered but for a number of reasons a decision was made to not move forward with that plan and an amendment to the original lease agreement is now being proposed.

On behalf of the Finance Committee, Mrs. Buchanon moved that the Board of Regents, upon the recommendation of the President of the University, adopt the Resolution approving the execution of a First Amendment to the *Memorandum of Agreement* with the City of Murray, relating to the financing of the construction, installation and equipping of the Susan E. Bauernfeind Student Recreation and Wellness Center; authorizing the execution of various documents related to such First Amendment; ratifying and continuing the collection of the Wellness Center Fee in connection with such plan of refinancing and authorizing other actions in connection therewith. Dr. Rose seconded and the motion carried.

Property Acquisition – 1629 Hamilton, authorized

Mr. Williams reported the recommendation before the Board is to purchase property located at 1629 Hamilton in Murray, Kentucky. A structure currently on the property will be razed to allow for additional parking (adjacent to existing parking) and campus green space.

On behalf of the Finance Committee, Dr. Rose moved that the Board of Regents, upon the recommendation of the President of the University, authorize the University to purchase property located at 1629 Hamilton in Murray, Kentucky. Dr. Thornton seconded and the motion carried.

Expenditures Over \$25,000 Schedule, received

Finance Committee Chair Steve Williams and the members of the Committee are considering the format for presentation of Murray State University invoice transactions over \$25,000 for inclusion as a component of future Report of the Treasurer – Quarterly Financial and Investment Reports. Last year State Auditor Crit Luallen released a memorandum relative to recommendations on various responsibilities of boards for not-for-profit organizations. The memorandum included a reminder that boards were ultimately responsible for all expenditures and one area they tend to not review closely is extraordinary grants and expenditures of such nature they could fall into a category which should receive greater scrutiny. Current policy indicates only expenditures over \$600,000 will be brought before the Board for approval. The report provided contains three categories of expenditures, including facilities, grants and non-recurring or non-routine expenditures. The report does not include routine and recurring expenditures, payroll and fringe benefits, items for resale, utilities or operational reimbursements to the Foundation.

Library Capital Project Recommendation, approved

Mr. Williams reported ongoing discussion about the potential Library project is not on the agenda but it is timely for the Board to have discussion on the issue at this time. A new Library has been on the Murray State capital projects listing for some time, but in terms of finances, the University faces new circumstances with further cuts in state funding and it must proceed judiciously in terms of how money is spent, particularly any action which would result directly or indirectly in higher costs for students. If this project moves forward, one financing mechanism which has been discussed on campus and in Frankfort is the potential to utilize an

approach for potential funding which has not been used before for this particular type of project – the student fee option. Given the University's current situation every option needs to be examined carefully before proceeding with any project, particularly one which would impact student fees. It would be prudent for this Committee to consider, pending review of this project by the Buildings and Grounds Committee and subsequent recommendation to the Board at some appropriate time, suspending indefinitely pursuing financing for this project until more about the project and associated timing issues are known. The Board would defer any activity on this issue – internally and externally. When the project matures to the point where the Committee would recommend that the Board give it consideration, it would then come back to the Finance Committee to review potential financing options and make a recommendation to the Board. Extremely valuable time and resources should not be utilized pursuing how to finance a facility when all are unsure what type of facility would be constructed or when it would be built. This work would be suspended but would resume if and when it becomes appropriate for the Committee to consider how to potentially finance this type of project. Mr. Johnson reported that, without further research, he cannot support the use of student fees for a Library or any academic building. He would love to see the option remain open for additional student facilities but is not yet completely sold on this academic project. Mr. Williams indicated the reason he mentioned this topic was not to get into the jurisdiction of the Committee relative to the justification, rationale, nature and scope of the potential project – that is work the Buildings and Grounds Committee should undertake – but his comments apply solely to the pursuit of financing for the project. It will take some time for this project to mature and for the Board and University to define exactly what it will entail. This Board and management should focus their attention on the budget for this and next year and not be fretting internally or externally as to how to finance a facility when it is unknown what that project will be or when it will happen. This activity needs to be curtailed and can be revisited at the appropriate time.

On behalf of the Finance Committee, Mr. Williams moved that the Board of Regents, given the increased limitations on the University's resources – both operating and capital – and given the BOR's desire not to take actions which would further financially burden students, and pending a thorough review of the Library project (its nature, scope and feasibility) by the Buildings and Grounds Committee, the Finance Committee recommends to the Board of Regents that management suspend all internal and external exploration of financing options for a potential Library project and specifically (given Committee and Board discussion) that the ability to use student fees for such a project not be pursued internally, with the Council on Postsecondary Education or in the General Assembly. Mrs. Buchanon seconded and the motion carried.

Dr. Dunn indicated based upon the Board's action last August a new Library facility was the number one agency bond project on the general fund capital expenditure listing and would have been funded through student fees. On the basis of that vote the administration moved forward with planning for a new Library facility. He questioned whether the Board now wants to consider renovation, the administration should revisit the case for new construction or the issue should be left alone considering Board sentiment. His earlier understanding was there would be a two-stage analysis – the first being a review of need, justification and rationale to support a new Library facility – and that was the essence of today's planned presentation. The second stage would be to address the question of how the facility would be paid for but that discussion would not need to occur if new construction is removed as an option. Mr. Williams indicated he is only addressing financing for the project and no more time and resources need to be spent here or in Frankfort to pursue a financing option and those activities should be suspended until the Board reaffirms or determines the type of project desired. The Committee is not second guessing prior Board or management activities relative to the project but this Board must look at everything – both capital and operating – to ensure prudent utilization of resources, particularly in relation to the use of student fees or tuition. His motion is specific to suspending activities relative to financing. Once more is known about the project, it is advanced through the BOR Buildings and Grounds Committee and it becomes relevant in the future for the Board to review options and preferences in terms of how to finance the project, this work can resume at that time.

Dr. Dunn explained, based on prior action of the Board and the priorities listing approved last August, the administration moved forward in working with the CPE under their Special Use Fee Policy to identify a potential funding method which could be used for Library construction. In following CPE policy, Murray State was obligated to meet with the Council to discuss the possibility of a project although nothing had been officially adopted by the Board as a means to fund any project. The administration entered into discussions with the CPE to inquire about

utilizing the Special Use Fee Policy for new Library construction. At that time the CPE indicated the project represents an academic building and they were unsure whether student fees should be used to construct such a facility. The University administration continued to engage in discussions with the CPE regarding the issue which at one point considered changing its own policy to specifically prohibit a library and academic buildings from being funded in this manner. The Council ultimately decided to retain the policy as originally written because CPE staff acknowledged the desire to have flexibility within the policy to handle all types of projects but likely would not be supportive of the University proceeding in the proposed fashion. On that basis, the administration approached the legislature requesting language be included so any university would be allowed to utilize the CPE Special Use Fee Policy for the purpose of constructing an academic building. This represents changing legislative language in an attempt to make progress on the priority listing this Board adopted last August. It is unknown whether MSU was successful in having the language included but the House budget is anticipated to be released next week and there is a good chance the language described will be included to allow the option to be in place for future use if there is the desire to pursue it. He questioned whether the Committee wants the administration to try to retract the language so issues do not arise later for which the administration will be held accountable – given the motion on the table – for something it has tried to take action on to move forward on a priority this Board voted on. If the Committee desires for the University to pull back that language and have it removed – as is implied in the motion – it would be helpful to know that and the administration will try to act accordingly. At this point, barring that instruction, there could be statutory language instructing the CPE to allow the Special Use Fee to be used for such purposes.

Dr. Curris indicated the Regents approved at the August meeting a list of projects and, as it was explained to the Board at that time, authorization must be obtained for any project undertaken on campus – resulting in an extensive list. The Board made it very clear in public session that in the process of moving the Library project down on the list in terms of priority it did not want the project to conflict with priorities the Board already had set. The Board approved two messages at the August meeting and his interpretation is the BOR would prefer not to see any legislative language that could be tracked back to this Board or Murray State. For clarity purposes, given the motion on the table that will be voted on by the Finance Committee. The entire Board is present and given the needs of the institution considering the special cutback all were asked whether they favor the use of tuition or student fees for the purpose of constructing a Library. No Board member raised their hand. The Board can move forward on the motion as this provides clarity in terms of what needs to occur.

Mr. Williams further clarified the intent of the motion was to include the discontinuation of pursuit of policy language. Dr. Dunn indicated, as was shared internally and individually with a number of Board members, he appreciates the clarity being provided and will act accordingly but would be remiss if he did not point out the larger environment in which the University finds itself. This language certainly was not intended (nor did it operationally) get in the way of the Engineering and Physics Building. It simply brought the CPE to bear on a policy that entity had approved and Murray State wanted to utilize as a future option to construct a new Library. When the CPE did not agree the administration felt there were other ways for this issue to be addressed and took action to seek the language change statutorily. The Board must understand for all intensive purposes the University will likely have to delay the Library to some point well into the future short of revisiting this issue. There were no projects approved under general fund bond support for new capital construction. The Engineering and Physics Building – along with everyone else's number one request – is not going to happen for 2012-14, particularly with the way things have unfolded around gaming proposals. In the best of all worlds during the 2014-16 biennium it is hoped the Engineering and Physics Building will be maintained as the number one project when the Board approves the Capital Plan in fall 2013. Unless something happens where revenue turns – whether through tax reform or gaming – there stands the real potential the University will see the first phase of an Engineering and Physics Building in 2014, second phase in 2016 and completion in 2017-18. Literally two hours before the Governor's budget speech Mr. Jackson and Dr. Dunn were informed there would be an announcement of \$4 million for site acquisition and planning money for the Breathitt Veterinary Center (BVC). The administration has been mindful this Board has been clear, unequivocal and explicit that the Engineering and Physics Building should be the University's number one priority and this project must move forward and be completed. It is known where \$4 million for BVC came from but it remains unknown who carried the project and why it was included in the Commonwealth Budget. Discussion occurred with the University's lobbyists regarding whether an attempt should be

made to change the language from site acquisition and planning to renovations for the BVC and an internal determination was made, in consultation with lobbyists and legislators, that there was a reason funding for BVC was announced in the Governor's budget as a \$4 million re-appropriation for site acquisition and planning. There is the potential for BVC to become "the" Murray State project because someone wanted the project to move forward and has now been able to successfully have it included in the budget. If a decision is made to two-phase this project with \$4 million for site acquisition and planning in 2012 (Phase I) and in 2014 (Phase II) then in 2016 Phase I of the Engineering and Physics Building would be considered with Phase II following in 2018. This means it is entirely likely discussion regarding the Library will not occur until 2020-22. This represents speculation in terms of how the situation could unfold but for all intensive purposes when the Capital Plan is reviewed in fall 2013 all need to be realistic about the possibility of a new Library – particularly once the BVC situation is better understood. Shutting the door to an alternative funding source for a new Library could be an indication the University and the Board are willing to take a ten-year hiatus on that facility. Clarification was provided that funding to draw up plans for the new Library came from donors who gave their blessing for earlier donations to be used to support activities aimed at addressing the need for renovations or a new facility. Renovation of the Library was considered in the 2004 Capital Plan but following studies on the facility a decision was made to change to new construction which is evidenced in the 2008 Capital Plan. Dr. Dunn met with the donors to determine whether they would be supportive of the administration utilizing a portion of those funds to apply to this type of design work, study and siting analysis. Donors were supportive at that time and staff understood the work necessary to support the case for a new Library. It was on that basis this work was undertaken and the *New Library Task Force* was created.

Dr. Rose indicated the \$4 million will help Murray State maintain Breathitt Veterinary Center as part of this institution. Dr. Dunn indicated MSU representatives and political groups have rallied politically to make clear this project is viewed as a project of the agricultural community. This is a difficult message to navigate because MSU does not want to lose BVC and values the facility and the services it provides within the ray of outreach for the University. All are also mindful this project cannot be seen as Murray State's project for the next three biennia. The Board can help reinforce the message that this cannot be Murray State's project although the University wants to be supportive and maintain the facility within the sweep of services it provides because it serves as a great outreach mechanism for the Hutson School of Agriculture. This is an agricultural project that is being carried by Kentucky Farm Bureau and others so the University does not have to wait for another six to eight years, if nothing changes in terms of state revenue, to move forward on the Engineering and Physics Building.

Adjournment

The Finance Committee adjourned at 9:57 a.m.

Buildings and Grounds Committee

Jack Rose, Chair
Marilyn Buchanon
Susan Guess
Jeremiah Johnson
Harry Lee Waterfield II

Dr. Curris clarified that the Board is clearly interested in strengthening library services on the Murray State University campus although some dilemmas have been outlined. This Board wants to review the detailed plans for a potential new Library but options other than those provided should be presented as well and agreement was reached that these presentations should be made at the next quarterly Board meeting. Due to this consensus of the Board, the Buildings and Grounds Committee did not meet.

Adjournment

The MSU Board of Regents adjourned for a break beginning at 10 a.m.

Minutes of the Quarterly Board of Regents Meeting (Continued)

Convene

Dr. Curris convened the Quarterly Meeting of the MSU Board of Regents at 10:18 a.m. and reported all members were present.

Public Participation

Dr. Curris reported there were no signees for the Public Participation portion of the meeting.

Report of the President

President Dunn reported the following:

People

• **Major Gift Announcement**

- Squires Piano Fund established by Karen Jones-Squires and Jim Squires of Norfolk, Virginia, to provide over \$100,000 to acquire new pianos to be used by the College of Humanities and Fine Arts. Mrs. Jones-Squires is a 1978 MSU graduate, is a political science and French major and is very supportive of the arts.

• **Recent Appointments and Honors**

- Paula Amols – Director, MSU Dining Services – Cornell University

Ms. Amols indicated she is enjoying her time at MSU and very much appreciates the welcome and support she has received from Drs. Dunn and Robertson and the MSU family.

- Mickey Webb – Director, West Kentucky Livestock and Exposition Center
- Dr. Harry Fannin – Chair, Department of Chemistry (effective July 1, 2012)

Dr. Fannin stated he appreciates the opportunity to serve as Department Chair and intends to build on the department's already strong foundation.

- Dr. Murphy Smith – Dill Distinguished Professor of Accounting – was hired during the past year and received the *Journal of American Taxation Associations' Paper of the Year Award*. When the University has the opportunity to hire endowed chairs and professorships that work is taken seriously and no place has this been more so than with this Department of Accounting hire. The charge was given to Dean of the College of Business Tim Todd and the Department of Accounting to “hit a home run” and with Dr. Murphy joining the University in the Distinguished Professor role that initiative has been accomplished.
- MSU is hosting two Gates Millennium Scholars – Heather Burgard and Martika Clark
- Congratulations to Regent Jenny Sewell – new Mayor of Dawson Springs, Kentucky

Programs

- Athletic Training received continuing accreditation through 2015 but in the final action of the accrediting body this has been extended through the 2020-21 academic year to indicate the level of support and trajectory the program is on. Enrollment opportunities exist with this program but challenges remain with staffing and Dean Susan Muller, College of Health Sciences and Human Services, has put forth a yeoman's effort to determine how to keep this program strong and moving forward.
- The Telecommunications Systems Management Program (TSM) was selected as 2012 Program of the Year by the International Telecommunications Education and Research Association (ITERA) – with Mike Bowman, MSU Associate Professor of Business, serving as ITERA President this year. Mr. Schooley reported that TSM Administrative Assistant John Young serves as ITERA Secretary and Dr. Dunn indicated this type of international service from MSU faculty and staff should continue to be encouraged.

Policy

- There has been a long history in Kentucky, through the CPE Committee on Equal Opportunity, of state universities previously having to meet equal opportunity objectives or standards. Under the CPE's move to a *Statewide Diversity Policy*, those have now become diversity goals, but must still be tracked and MSU must show performance on six of eight objectives every year or the institution loses automatic eligibility to submit new degree programs to the CPE. Murray State maintained its “Degree Program Eligibility Status” through successful completion of seven of eight goals per the CPE's *Statewide Diversity Policy*. The goals pertain to issues centered on faculty and staff recruitment and graduation and retention rates.
- The Kentucky House Budget is close to passage but all should continue to follow the news because there is uncertainty whether the University will have any agency bond projects included

in the House budget because they may leave that work for the Senate to undertake. This will be known within the next three to four days as the House budget comes to closure.

- The proposal to transition the University of Pikeville into a public institution remains fluid and there has been a pivot over the past couple of days to begin talking instead about scholarship programs that may be used for students from coal-producing counties as well as support going to the public institutions and extended campuses in that area. MSU has remained quiet on the issue but is supportive of reviewing all options. The National Center for Higher Education Management Systems Consultant Study is pending.
- President Obama's FFY13 budget proposal has been released and highlights include loan interest costs on Stafford Loans over what was scheduled to take effect, Pell Grant awards would increase by approximately \$150 and there is a move to use competitions for higher education at the state level similar to what has been done at the K-12 level with "Race to the Top" and "First in the World" where the University competes for state dollars for innovation to ramp up this work.

Point of View

Dr. Dunn provided the following quote from Robert Reich, an economist who has served in various cabinet-level roles, which appeared in "Stop Starving Public Universities and Shrinking the Middle Class," the *Huffington Post*, February 29, 2012:

"Public higher education has been the gateway to the middle class but that gate is shutting – just when income and wealth are more concentrated at the top than they've been since the 1920s, and when America needs the brainpower of its young people more than ever.

What's the answer? Partly to make public universities more efficient. Every bureaucracy I've ever been associated with (and I've been in some very big ones) has some fat to be trimmed. Yet universities are necessarily labor-intensive enterprises; research and teaching can't be outsourced abroad or turned over to computerized machine tools.

Another part of the answer is to raise tuition and fees for students from higher-income families and use the extra money to subsidize medium and lower-income kids. Even now relatively few pay the official sticker price; many receive some discount proportional to family income. But this won't solve the underlying problem, either.

A big part of the answer has to be more government support for public education at all levels. This requires more tax revenues – especially from Americans who are best able to pay."

Report of the Chair

Dr. Curris reported with regard to the University of Pikeville proposal the Morehead State University (MoSU) Board of Regents took action to oppose the proposal and for the record he acknowledged the Chair of the MoSU Board sent a copy of their action to the MSU Board and that letter has been received. Subsequently, discussions have occurred regarding using an alternate approach of utilizing a portion of coal severance tax funds for scholarships but the question is which institutions would benefit from such action. This initiative may or may not pass simply because local government officials in those counties currently receiving these funds would be reluctant for them to be distributed elsewhere. The MSU Board needs to follow this issue closely because, while the proposal deals with coal severance revenues for counties in eastern Kentucky, on a much smaller scale – approximately 25 percent of the total amount – funds from coal severance tax revenues from west Kentucky coal fields is provided to counties here. This Board must be aware of what happens in eastern Kentucky simply because there may be unfortunate consequences (or opportunities) for west Kentucky.

MSU Spotlight: Falcon Academy Dual Enrollment Project

Kenny Wilson, Superintendent of Hickman County Schools, introduced Casey Henderson, Assistant Superintendent; and from Hickman County High School Larry Farlee, Principal; Dianne Owen, Director of Supervision and Instruction and Amy Boaz, Guidance Counselor. Also introduced were two seniors at Hickman County High School – Kelsey Grubbs who will graduate with 21 college credit hours and Alex Richards who will graduate with 20 college credit

hours – and current MSU students Allison Wilson, who graduated with 16 college credit hours and Brett Mitchell who graduated with 25 dual credit college credit hours.

Mr. Wilson reported the following:

- In 2009 Hickman County High School undertook a review of the senior class and realized students were poorly prepared for college. Some were taking a college-level English class but many others worked to become office aides or undertake community service or co-op activities. The remainder of the school population had an attendance rate of 96.5 percent while the senior class had an attendance rate of 91 percent.
- College career and readiness scores were 140th in the state and ACT scores were mediocre (17.6). A determination was made that it was not the students' fault but instead the high school had let its kids down because school was being taught in the old fashioned way. Changes were made and students were told a more rigorous curriculum would be designed. Office aides, community service and co-ops were eliminated in order to initiate the change process.
- Areas of effective teaching were reviewed to determine what teachers needed in order to be effective in the classroom. In October 2009 Robbie Rudolph came forward to help the school through the Four Rivers Scholarship initiative. He provided scholarships for high school students and books in the elementary schools. Dr. Bobbie Weatherly was also hired to assist with improving ACT scores.
- During the development of the Falcon Academy there were two goals: 1) the program had to be available to every student in the school, not just the best and brightest and 2) the program had to be offered free of charge. Charging \$325 per hour for a college credit class amounted to a total of \$975 per class which parents could not afford.
- Discussions were then held with three local businesses – Clinton Bank, First Community Bank and the Jackson Purchase ACA to outline the plan and how it would benefit students. All three entities indicated a willingness to put forth funding to pay for tuition for the students. Discussions occurred with Barbara Veazey, President, West Kentucky Community and Technical College; David Smith of Mid-Continent University and President Dunn. All were informed about the Hickman County initiative aimed toward benefitting high school students. Each entity was helpful and supportive but none more so than Dr. Dunn.
- Agreement was reached that lower tuition and more course offerings were necessary on the Hickman County High School campus and online. During this time students did not yet know how to communicate with teachers via Blackboard.
- Tony Brannon, Dean of the Hutson School of Agriculture, visited the administration working on this initiative and indicated he offered a program that would mesh with the work of the high school. The program consisted of four Agriculture classes (12 hours) for \$400 which represented a bargain. The program is working at Hickman County High School and students are feeding directly from the high school into Dr. Brannon's program.
- Meetings were held with parents to inform them about the initiative and Judge-Executive Greg Pruitt, county leaders and the Rotary Club all became involved to ensure they understood what the school was trying to accomplish because this had not previously been communicated well.
- There were 54 seniors in the first Falcon Academy class and those students took and successfully completed 777 college credit hours. Every student took at least one dual credit class – all offered free-of-charge. Students who participated in the academy indicated when they registered for classes at Murray State for the spring semester they were able to do so as sophomores which made it easier for them to register for the classes they wanted to take and also gave them access to better parking than freshman students. This group now knows how to use Blackboard to communicate with teachers and they were not scared to come to Murray State.
- The number of students coming from Hickman County High School to Murray State doubled from last year. Information on courses taken, from which institution and Grade Point Averages (GPA) was provided for fall 2011 academy students (3.25 overall GPA). The current academy has 48 participants who will graduate with 842 college credit hours, representing an average of 17.5 hours per student. The main courses taken include sociology, psychology, English, history, art, education, geosciences and agriculture.
- The annual cost for the academy is \$30,969 and the Hickman County Board of Education agreed to purchase textbooks for participating students. This year local contributions and donations totaled \$16,450 – with an additional \$12,000 being provided by Mr. Rudolph for a total investment this year of \$28,450, although additional donations have been received since these figures were originally compiled. Taking 17.5 hours at \$325 per hour for each participant would have cost a total of \$273,000 if the courses had not been offered through the Falcon Academy. Savings to students and parents were substantial.
- Falcon Academy sponsors include First Community Bank (R.E. Hales Family); Clinton Bank; Jackson Purchase ACA; Hickman County Board of Education; Jerry Peery (Monsanto Award); W.D. Steele Construction/ACE Designs (Danny Steele); Pearson Safety Services (Donna Pearson Chadwick); Owen Farms (Ted and Dianne Owen); J.T. Workman, Jr. Farms; Hutson, Incorporated; Millins Farms; Kimbell Farms; Samuel Farms; Mary Ann Deweese and Robbie and Lisa Rudolph. All are fortunate to live in a community that cares about its students and supports the local schools.

- Hickman County students need Murray State to be involved in their lives and that need continues to increase. All are excited an MSU Professor will teach speech three days per week at Hickman County High School beginning in the fall. Students taking this course will be better prepared when they leave high school and will know how to present themselves in college.
- Appreciation was expressed to Dr. Brannon who has helped Hickman County High School, Dr. Rose who mentored Mr. Wilson and his staff and has championed the students of Hickman County for many years and Dr. Dunn who visited the high school five years ago to assure the administration Murray State would branch out and help students in that school system. He has been true to his word and has helped in every possible way. Murray State has provided courses at an affordable cost and access to individuals such as Dr. Todd; Gina Winchester, Executive Director for Regional Outreach; Dean Brian Van Horn, Continuing Education and Academic Outreach and others. These students could not attend a university any better than Murray State.
- The Falcon Academy has changed the culture of the Hickman County school district. College and career readiness scores were significantly lower before this program began and the high school now ranks second in the state. The hours reported earlier do not include the hours and certifications students received in vocational and technical schools but it is important for students to become involved in the community so they do not have to go elsewhere to work. This would not have happened without the support of all the universities, especially Murray State.
- The average ACT score at Hickman County High School started at 17.6 but for this class is 19.2, with the next group scoring 19.8.

Dr. Dunn reported the University administration will continue to share more information with the Board about work occurring at K-12 sites, particularly with the Murray State feeder districts, because it is powerful and presents many opportunities.

Report of the Constituency Regents

Faculty Regent

Dr. Rose complimented Mr. Wilson and the Hickman County School System. He has had the pleasure of working with most of the individuals present today and it is important to “get outside the box” and they have certainly done a tremendous job in that regard.

Athletic Program Appreciation, expressed

On behalf of the faculty, Dr. Rose complimented the Athletic Program, Athletic Director, all coaches and particularly the Men’s Basketball Coach who has had an exemplary season. All are naturally proud of national rankings received in the different academic areas as well as student accomplishments but everyone should also be proud of the Athletic Program and it would be nearly impossible to estimate the dollar value associated with news coverage Murray State University has received from a successful season. Dr. Curris added that Dr. Dunn earlier reported on significant events, including the excellent work of the David Dill Professor of Accounting, but it may not be known his father Mike Dill was Assistant Basketball Coach at MSU which is how the University was able to attract Dr. Dill – through his prior association with the basketball program.

Staff Regent

Mr. Schooley reported Regents were provided with a copy of the Staff Survey which was distributed to 1,206 staff members, with 617 responding, for a 51 percent response rate. Appreciation was expressed to Beth Sloan, Academic Technology Coordinator in the Center for Teaching, Learning and Technology, who has done an excellent job providing assistance for this endeavor over the past two years. It is hoped the Board will take time to review the Staff Survey which largely represents the same survey distributed over the past five years with the exception of changing the administrative section this year to focus specifically on Dr. Dunn’s evaluation. Results showed 90.6 percent of staff agreed or strongly agreed with the overall direction MSU is going with regard to the institutional mission and goals.

Mrs. Winchester reported the election process for Staff Regent has led to one individual submitting their name – Phil Schooley – who will remain Staff Regent. Staff Congress enjoys working with Mr. Schooley and feels he has done a great job in this role.

Many individuals serve on Staff Congress and committees work on various initiatives throughout the year and one such committee works to collect money for the Marie Jones Book Scholarship.

Mrs. Jones was the first Staff Regent at MSU and a scholarship was created in her honor. The current chair of that committee – Debbie Plummer, Administrative Assistant I in the Department of Biological Sciences – has helped raise over \$1,000 this year for the Marie Jones Book Scholarship.

Student Regent

Mr. Johnson reported Drs. Dunn and Jacobs provided funding for MSU students to attend a Higher Education Rally held in Frankfort, Kentucky, in January. Six MSU students participated last year and that number increased to 35 students this year. This represented the largest rally ever held and so many students were in attendance they were forced to move out of the rotunda onto the second and third levels of the Capitol.

At the beginning of February Secretary of State Alison Grimes and the Student Government Association (SGA) hosted the High School Student Government Day in partnership with the city, county and local high schools. Seniors were able to “job shadow” and that work even took place at the presidential level.

In January SGA worked with the Athletic Department to promote the *Stampede Student Section* at MSU home basketball games. Last year a goal was set and a challenge issued to the student body – to have 2,500 students in attendance per game. He is pleased to report the goal was exceeded and Dick Vitale even came to campus and visited directly with the students. The entire Athletic Program is phenomenal and the members of the Men’s Basketball Team – no matter what kind of national recognition they are receiving – remain humble which speaks volumes for the character of this University.

Report of the Treasurer – Quarterly Financial and Investment Reports, accepted

Mr. Denton provided the following financial report highlights:

- As of December 31, 2011, cash, cash equivalents and investments, general – increased by \$12.3 million compared to prior year with the majority being for Elizabeth Residential College bonds (\$7.5 million bond issue).
- Bonds were refinanced in July which released \$1.7 million in housing and dining repair and maintenance funds.
- For the six-month period ended December 31, 2011, net student tuition and fees were \$64.5 million compared to a \$67 million budget which means the University is within \$2.5 million of its budget with the summer term remaining. Net tuition represents gross tuition less discounts (waivers and scholarships) and the University is approximately \$500,000 ahead of last year at this point in time.
- Auxiliaries are above last year but several project expenditures in the Dining Services area (\$700,000) will need to be deducted.
- The news is still not positive with regard to the investment earnings report and when the economy and the market improve that situation will change.

Mr. Williams moved that the Board of Regents, upon the recommendation of the President of the University, accept the quarterly unaudited Financial and Investment reports for the period July 1, 2011, as presented. Mr. Waterfield seconded and the motion carried unanimously.

(See Attachment #1)

Naming Proposals, approved

Arthur J. Bauernfeind College of Business

Mr. Williams moved that the Board of Regents, upon the recommendation of the President of the University and the University Committee on Naming of Campus Facilities, Programs and Activities, approve the naming of the College of Business in honor of Arthur J. Bauernfeind to be known as the *Arthur J. Bauernfeind College of Business*. Mrs. Guess seconded and the motion carried unanimously.

Bill and Irene Morgan Court

Mrs. Buchanon moved that the Board of Regents, upon the recommendation of the President of the University and the University Committee on Naming of Campus Facilities, Programs and Activities, approve the naming of the Basketball Practice Facility court in honor of Bill and Irene

Morgan to be known as the *Bill and Irene Morgan Court*. Dr. Rose seconded and the motion carried unanimously.

Suiter Family Head Coach's Suite

Mrs. Green moved that the Board of Regents, upon the recommendation of the President of the University and the University Committee on Naming of Campus Facilities, Programs and Activities, approve the naming of the Men's Basketball Head Coach's Office Suite in the proposed Basketball Practice Facility in honor of the Suiter family to be known as the *Suiter Family Head Coach's Suite*. Mr. Schooley seconded and the motion carried unanimously.

Policy Actions, approved

Board of Regents Operating Policy – Section 2.1

Dr. Jacobs reported in preparation for the Southern Association of Colleges and Schools (SACS) reaffirmation of accreditation site visit in 2014 a review of internal institutional policies identified areas for clarifications that require approval by the Board of Regents. Clarifying the role of the President in *Section 2.1* of the *Board of Regents Policy Manual* explicitly stating oversight of intercollegiate athletics and fundraising activities will strengthen written policy, more accurately reflect current institutional practice and meet Ohio Valley Conference and National Collegiate Athletic Association expectations.

Mr. Williams moved that the Board of Regents, upon the recommendation of the President of the University, approve the addition of the language of athletic oversight to the President's job description in the *Board of Regents Policy Manual Section 2.1*. Dr. Thornton seconded and the motion carried unanimously.

(See Attachment #2)

Board of Regents Operating Policy – Section 6.6

Dr. Jacobs reported *Section 6.6* adds a standing committee to the University governance structure – the University Assessment Committee. This is aimed at institution-wide assessment of units, whether they are academic or administrative, based on core standards 2.5 and 3.31 in the SACS reaffirmation of institutional accreditation process. Additionally, it is mentioned through the Quality Enhancement Plan. Dr. Rose recommended specifically including a Faculty Senate representative on the committee and Dr. Dunn reported technical expertise will be necessary to undertake this assessment function and the committee will be comprised predominately of faculty members given the nature of that work. The administration must be able to identify individuals across the academic colleges who have the background or willingness to undertake this work.

Mr. Williams moved that the Board of Regents, upon the recommendation of the President of the University, approve the addition of the "University Assessment Committee" language to the *Board of Regents Policy Manual Section 6.6* under the "University Standing Committees" subheading. It was further agreed that an appropriate member of the Faculty Senate would also be named to this committee. Mr. Waterfield seconded and the motion carried unanimously.

(See Attachment #3)

Personnel Changes, approved

Appointment of Registrar

Mr. Johnson moved that the Board of Regents, upon the recommendation of the President of the University, approve the appointment of Ms. Tracy Roberts as Registrar of Murray State University, effective March 1, 2012, at a fiscal year salary of \$75,000. Mr. Schooley seconded and the roll was called with the following voting: Mrs. Buchanon, yes; Mrs. Green, yes; Mrs. Guess, yes; Mr. Johnson, yes; Dr. Rose, yes; Mr. Schooley, yes; Mrs. Sewell, yes; Dr. Thornton, yes; Mr. Waterfield, yes; Mr. Williams, yes; and Dr. Curris, yes. The motion carried unanimously.

Salary Roster

Dr. Thornton moved that the Board of Regents, upon the recommendation of the President of the University, approve the Salary Roster as of December 31, 2011, which includes new employment, retirements, resignations and terminations. Mr. Williams seconded and the roll was called with the following voting: Mrs. Buchanon, yes; Mrs. Green, yes; Mrs. Guess, yes; Mr. Johnson, yes; Dr. Rose, abstain; Mr. Schooley, yes; Mrs. Sewell, yes; Dr. Thornton, yes; Mr. Waterfield, yes; Mr. Williams, yes; and Dr. Curris, yes. The motion carried.

(See Attachment #4)

Faculty Sabbatical Leaves

Dr. Rose moved that the Board of Regents, upon the recommendation of the President of the University, grant the requests for sabbatical leaves for the individuals and periods indicated below:

<u>NAME / DEPARTMENT</u>	<u>EFFECTIVE</u>	<u>SALARY</u>
BRENDA SHEETS , Management, Marketing and Business Administration ➤ Review literature on topics pertaining to business of sports industry and write manuscripts for publication.	8/15/12-12/31/12	full salary/1 semester
SARAH GUTWIRTH , Art and Design ➤ Complete significant volume of paintings and begin collaboration toward building a new show.	8/15/12-12/31/12	full salary/1 semester
PEGGY SCHROCK , Art and Design ➤ Conduct research, revise and update contemporary art world course content to reflect the latest field research.	1/1/13-5/15/13	full salary/1 semester
JEFFREY OSBORNE , English and Philosophy ➤ Complete scholarly article based on data collected from assessments in ENG 105.	8/15/12-12/31/12	full salary/1 semester
JOHN FANNIN , Music ➤ Write several concert band works for publication.	1/1/13-5/15/13	full salary/1 semester
TERRY DERTING , Biological Sciences ➤ Complete synthesis of research conducted for publication and development of new extramurally-funded research projects.	8/15/12-12/31/12	full salary/1 semester
CLAIRE FULLER , Biological Sciences ➤ Consolidate and document data from research of populations of dragonflies and Caribbean termites.	8/15/12-12/31/12	full salary/1 semester
HALUK CETIN , Geosciences ➤ Complete draft of textbook for use in remote sensing, GIS and digital image processing courses.	8/15/12-12/31/12	full salary/1 semester
KELLY PEARSON , Mathematics and Statistics Continue research in her area of mathematical interest. Results will be submitted to professional journals.	8/15/12-5/15/13	half salary/academic year

Dr. Thornton seconded and the roll was called with the following voting: Mrs. Buchanon, yes; Mrs. Green, yes; Mrs. Guess, yes; Mr. Johnson, yes; Dr. Rose, yes; Mr. Schooley, yes; Mrs. Sewell, yes; Dr. Thornton, yes; Mr. Waterfield, yes; Mr. Williams, yes; and Dr. Curris, yes. The motion carried unanimously.

Faculty Leave Without Pay

Dr. Thornton moved that the Board of Regents, upon the recommendation of the President of the University, grant a request for a leave of absence without pay for Marcia Edson for the period January 1, 2012, through May 15, 2012. Mr. Waterfield seconded and the motion carried unanimously.

Staff Leaves of Absence Without Pay

Mr. Williams moved that the Board of Regents, upon the recommendation of the President of the University, approve the Staff Leaves of Absence Without Pay as listed below:

<u>Name</u>	<u>Department</u>	<u>Effective Date</u>
Ray Chapman	Dining Services	1/05/12-2/13/12
Rebecca Easley	Facilities Management	10/14/11-10/14/11
Hicham Elbazouni	Dining Services	1/9/12-1/24/12
Anthony Jones	Facilities Management	10/10/11-10/17/11* 10/21/11-10/21/11** 1/24/12-1/24/12** 2/2/12-2/2/12**
Rita McDonald	Facilities Management	10/18/11-3/30/12

Anita Ross	Dining Services	10/10/11-11/20/11
Mattie Smith	Facilities Management	11/16/11-12/1/11
Mary Wells	Facilities Management	10/19/11-12/15/11
Whitley Wilson	Student Financial Aid	11/22/11-12/15/11
*FMLA		
**Intermittent FMLA		

Mr. Schooley seconded and the motion carried unanimously.

Academic Affairs – Dr. Thornton – No report.

Audit and Compliance – Mr. Waterfield

WKMS-FM Audit, accepted

On behalf of the Audit and Compliance Committee, Mr. Waterfield moved that the Board of Regents, upon the recommendation of the President of the University, accept the audited financial statement for WKMS-FM for the year ended June 30, 2012. Dr. Rose seconded and the motion carried unanimously.

(See Attachment #5)

Audit Contract/Engagement Letter, approved

On behalf of the Audit and Compliance Committee, Mr. Waterfield moved that the Board of Regents, upon the recommendation of the President of the University, approve the attached engagement letters for the June 30, 2012, audit and Racer Foundation compilation by RubinBrown. Mr. Williams seconded and the roll was called with the following voting: Mrs. Buchanon, yes; Mrs. Green, yes; Mrs. Guess, yes; Mr. Johnson, yes; Dr. Rose, yes; Mr. Schooley, yes; Mrs. Sewell, yes; Dr. Thornton, yes; Mr. Waterfield, yes; Mr. Williams, yes; and Dr. Curris, yes. The motion carried unanimously.

(See Attachment #6)

Buildings and Grounds – Dr. Rose – No report.

Enrollment Management and Student Success – Mrs. Buchanon – No report.

Finance – Mr. Williams

FY13 Budget Preparation Authorization, approved with stipulations

On behalf of the Finance Committee, Mr. Williams moved that the Board of Regents, upon the recommendation of the President of the University, approve the attached Budget Preparation Guidelines and the proposed calendar. Approval of the recommendation included additional BOR stipulations as follows:

- 1) Multiple options should be made available to the Board for consideration during the budget review process to provide more than one alternative relative to revenue source assumptions, specifically with regard to tuition increases and any tuition ceiling which could be set by the CPE. The information provided should include tuition increase alternatives less than a potential CPE percentage ceiling.
- 2) An option should be included in the budget for up to a 2 percent merit pool with accompanying options on how this initiative might be funded should the Board choose to move in this direction.

Mr. Williams reported this represents a fluid situation over the next three months and the Board desires to have flexibility in options but also be able to move forward with the Budget Guidelines as presented to allow management to continue FY13 budget preparation.

Mrs. Sewell seconded and the motion carried unanimously.

(See Attachment #7)

City of Murray – Wellness Center Resolution, adopted

On behalf of the Finance Committee, Mr. Williams moved that the Board of Regents, upon the recommendation of the President of the University, adopt the attached Resolution approving the execution of a First Amendment to the Memorandum of Agreement with the City of Murray, relating to the financing of the construction, installation and equipping of the Susan E. Bauernfeind Student Recreation and Wellness Center; authorizing the execution of various documents related to such First Amendment; ratifying and continuing the collection of the Wellness Center Fee in connection with such a plan of refinancing and authorizing other actions in connection therewith. Dr. Rose seconded and the roll was called with the following voting: Mrs. Buchanon, yes; Mrs. Green, yes; Mrs. Guess, yes; Mr. Johnson, yes; Dr. Rose, yes; Mr. Schooley, yes; Mrs. Sewell, yes; Dr. Thornton, yes; Mr. Waterfield, yes; Mr. Williams, yes; and Dr. Curris, yes. The motion carried unanimously.

(See Attachment #8)

On behalf of the Board of Regents, Chair Curris expressed appreciation to the City of Murray for partnering with MSU on this project and the refinancing proposal. This represents an excellent example of the type of Town and Gown relationships that benefit all.

Property Acquisition – 1629 Hamilton, approved

On behalf of the Finance Committee, Mr. Williams moved that the Board of Regents, upon the recommendation of the President of the University, authorize the University to purchase property located at 1629 Hamilton in Murray, Kentucky. Mr. Waterfield seconded and the roll was called with the following voting: Mrs. Buchanon, yes; Mrs. Green, yes; Mrs. Guess, yes; Mr. Johnson, yes; Dr. Rose, yes; Mr. Schooley, yes; Mrs. Sewell, yes; Dr. Thornton, yes; Mr. Waterfield, yes; Mr. Williams, yes; and Dr. Curris, yes. The motion carried unanimously.

Library Capital Project Recommendation, approved

On behalf of the Finance Committee, Mr. Williams moved that the Board of Regents, given the increased limitations on the University's resources – both operating and capital – and given the BOR's desire not to take actions which would further financially burden students, and pending a thorough review of the Library project (its nature, scope and feasibility) by the Committee on Buildings and Grounds, the Finance Committee recommends to the Board of Regents that management suspend all internal and external explorations of financing options for a potential Library project and specifically (given Committee and Board discussion) that the ability to use student fees for such a project not be pursued internally, with the Council on Postsecondary Education or in the General Assembly. Mrs. Buchanon seconded and the recommendation carried unanimously.

Dr. Dunn indicated as President he would be remiss if he did not enter into the public record a couple of statements. He absolutely recognizes the Board's authority to make this determination and is sure this has been done carefully, with due deliberation, and the administration understands its marching orders and will proceed accordingly. As shared earlier, he is concerned because an option is being shut off that could represent the ability to move forward in some fashion on the Library – whether new construction or renovation – which would be determined by the BOR Buildings and Grounds Committee. The action the Board has taken brings this work to a halt although that does not mean the issue cannot be revisited in the future. It concerns him that this option has been shut off because, as he described in at least one political scenario, it may be ten years from now before there is any means to address a new Library facility. There is no revenue source for this project given other demands at the University – although he understands the Board's thinking in taking the action. For all intensive purposes this action puts a new Library on the back burner for potentially eight to ten years. A second issue relates to whether the CPE approves a 3 percent cap next year and since the "hit" of a special use fee above the cap is taken in one year – every increase is always cumulative whether it is tuition or tuition and fees – the hit is taken only in the first year and from there it is recurring as pricing goes forward. The proposed special use fee would have provided a way to complete the Library project in a manner that was affordable for students. The last point Dr. Dunn wants to share is the University will be required to speak to this issue as part of the SACS reaffirmation of institutional accreditation work. In the materials the Board would have received in the Buildings and Grounds Committee

presentation that was cancelled, information would have been provided indicating the Library was an issue cited in MSU's last SACS accreditation visit and there is a specific requirement to address this during the 2014 visit. That can be accomplished by indicating the Board continues to take the Library issue under advisement but wanted to review further options over the course of the coming months and years and the need has certainly not been forgotten by this Board. The administration had hoped for Board approval to show the institution is making progress in terms of a new Library. In that reporting the University will need to be more judicious in the comments about the reality of this happening in the near future. Dr. Dunn expressed appreciation for the opportunity to place his comments into the public record.

Institutional Advancement – Mrs. Guess – No report.

Regional Services – Mrs. Green – No report.

Other Business

Dr. Dunn reported the Supplemental Notebook includes the PowerPoint presentation used when University representatives gave Budget Subcommittee testimony in the House. Every institution was summoned to Frankfort, Kentucky, as part of the budget making process – particularly on the House side although the University may also get called on by the Senate – to talk about the direction of the University, needs which exist and pricing. As was indicated in an earlier email communication, Dr. Dunn wanted to provide a copy of this presentation to the Regents.

Also included in the Supplemental Notebook are the standing quarterly reports. When major construction or renovation projects are taking place on campus Dr. Dunn utilizes the *Board Briefer* to provide an update on projects underway. A new internal report which provides information on all active major projects has also been prepared and will be included with the standing reports. A spring enrollment update was also included in the Supplemental Notebook showing 2012 and 2011 corresponding data counts. The University is up approximately 312 students this year and a fall enrollment update will likely be provided by Fred Dietz, Director for Enrollment Management, at the June meeting. Currently admitted students for the fall semester number approximately 300 over this same period last year.

Dr. Rose suggested the Chair and President consider how the Buildings and Grounds Committee can become more involved in reviewing the overall facilities plan so it can keep the entire Board more informed. Agreement was reached that this would constitute a good recommendation from the Buildings and Grounds Committee and could be addressed at the next Board meeting.

Dr. Curris reported as this meeting concludes it is highly likely the Board of Regents will need to call a special meeting. There is always the option not to do that but it strikes him as though some pivotal decisions will need to be made, assuming action from the state legislature. Ms. Hunt will poll the Regents to determine whether there is a date which meets with everyone's approval, beginning with the proposed date of April 27, 2012. The Board is limited in terms of time to hold this special meeting by virtue of when the legislature adjourns and the CPE acts.

Dr. Curris reported he has worked with Allegheny College in Pennsylvania that will be celebrating its 200th anniversary in a couple of years, representing the oldest college west of the Alleghenies. A budget and planning guide was provided to him by the college and incorporated into that document are some of the best indices given to the Board and the community there in terms of progress of the institution – the dashboard. Allegheny College is a private institution so their dashboard may not be what Murray State wants in its own but the indices outlined work well for that institution and their Trustees are pleased with the concept. Regents were provided with a copy of the document and with time the MSU Board may develop a document to reflect the key indices for this institution.

Adjournment

Mr. Waterfield moved that the Quarterly Board of Regents meeting adjourn. Dr. Rose seconded and the motion carried unanimously. Adjournment was at 11:42 a.m.


Chair


Secretary

(The remainder of this page intentionally left blank for inclusion of attachments.)

(This page intentionally left blank for inclusion of attachments.)