Call to Order/Roll Call

The Board of Regents (BOR) of Murray State University (MSU) met on Friday, May 13, 2016, in Special Session in the Jesse Stuart Room in Pogue Library on the main campus of Murray State University. Chair Harry Lee Waterfield II called the meeting to order at 10 a.m. and welcomed those present.

The roll was called and the following members were present: Clinton Combs, Sharon Green, Susan Guess, Martin Jacobs, Daniel Kemp, Phil Schooley, Jenny Sewell, Harry Lee Waterfield II and Stephen Williams. Absent: Jerry Rhoads and Jerry Sue Thornton.

Others present were: Robert O. Davies, President; Jill Hunt, Senior Executive Coordinator for the President, Coordinator for Board Relations and Secretary to the Board; Renae Duncan, Acting Provost and Vice President for Academic Affairs; Jackie Dudley, Vice President for Finance and Administrative Services and Treasurer to the Board; Don Robertson, Vice President for Student Affairs; Adrienne King, Associate Provost for Graduate Education and Research; Fred Dietz, Associate Vice President for Enrollment Management; Renee Fister, Senior Presidenti; Joyce Gordon, Director of Human Resources; John Rall, General Counsel and members of the faculty, staff, students, news media and visitors.

AGENDA

Roll Call

Council on Postsecondary Education 2016-17 Tuition and Mandatory Fees Recommendation (For Information Only)

Endorsement of 2016-17 New Strategic Tuition and Scholarship Model*

Regional Tuition Discount Calculation*

2016-17 University Executive Budget Summary (For Information Only)

Authorization of 2016-17 Tuition and Mandatory Fee Rates*
a. Returning Students and New Students

Free Application for Federal Student Aid (FAFSA) Completion Requirement*

Closed Session – Pursuant to Kentucky Revised Statute 61.810(1)(f) a. Discussions or hearings which might lead to the appointment, discipline or dismissal of an individual employee, member or student

Presidential Contract Extension*

Adjournment

(*Requires Board of Regents Action)
Council on Postsecondary Education 2016-17 Tuition and Mandatory Fees Recommendation Update, received

The Board discussed the Council on Postsecondary Education (CPE) 2016-17 Tuition and Mandatory Fees Recommendation approved at their April 26, 2016, meeting as follows:

1. Tuition and mandatory fee caps were set for comprehensive universities at $432 per academic year. Historically, the CPE has established fee caps at a percentage of tuition.
2. A non-resident student tuition and mandatory fee policy was approved that requires institutions to generate a sufficient amount of net tuition and fee revenue per non-resident student to equal or exceed 100 percent of direct instructional and student services costs per student.
3. The CPE will now allow universities to submit for approval market competitive resident and non-resident tuition and mandatory fee rates for graduate and online courses.
4. Murray State University’s new tuition and scholarship model was endorsed.

The comprehensive report of action taken by the CPE was provided in the eBoard book.

Dr. Davies reported that although the CPE has historically set tuition policy for two years, this year it set a cap on tuition for one year due to the fluidity of the state budget situation. The CPE also typically limits the amount tuition can be increased at a percentage of tuition. In discussions over the past two years, it was discovered that the discrepancy between tuition among the comprehensive universities does not provide a tracking of the true nature of each of the institutions and there are gaps between the highest university and the lowest in terms of tuition. Murray State is slightly above the university with the lowest tuition. Tuition percentage increases affect the universities with higher tuition differently than they do for universities with lower tuition. For this reason and for this year, the CPE has established a dollar cap of $432 per academic year. That cap was established because Western Kentucky University, the state comprehensive institution with the highest tuition, was projecting a 4.65 percent tuition increase which equated to $432. It is important to remember that this cap is on the aggregate average of all students. All recommendations being made today fit within the $432 cap on the average (5.7 percent for Murray State University).

Ms. Dudley indicated that the $432 cap represents a dollar value that amounts to different percentage rates for each of the universities. For Murray State, as a weighted average, that amounts to a 5.7 percent increase. For Western Kentucky University, for which the base was set, the increase is 4.65 percent. This illustrates how the maximum dollar increase ceiling affects each of the universities differently in terms of percentage increases. A graph was presented showing resident undergraduate tuition and fees. In 2001-02 tuition rates for all universities were very close together but over the years rates have experienced a greater dispersion. In 2015-16, Western Kentucky had the highest tuition among the comprehensive schools ($9,482).

Kentucky State has the lowest tuition among the comprehensive schools ($7,364) which amounts to a gap of $2,118. Murray State’s tuition is at $7,608 and the gap which exists today between the University and Western is slightly over $1,800. The goal is not to totally close the gaps but to certainly bring them closer in line with one another. With Murray State’s new tuition rates and new tuition and scholarship model that the Board will be asked to approve later this morning, there will be a tuition rate gap between Murray State and Western of approximately $1,500. The University will lose some ground with current students because the tuition for that population at Western will be increasing more than it will be for Murray State students which will amount to a gap of slightly more than $1,900. This will continue to be monitored if the CPE remains on track with flat dollar amount tuition increases instead of percentage increases.

Dr. Davies added that Murray State University wants to remain affordable for the Commonwealth while continuing to present a good value for students and the institution is doing so even with the new model and tuition increases which will be proposed later today. Murray State will still be at the lower end of the quartile in terms of tuition but will also be making significant strides for the financial viability and sustainability of the University.

Dr. Davies indicated that another change which needs to be noted refers to nonresident tuition and fee rates. For over a decade, the CPE has adhered to a practice of requiring published tuition and fee charges for nonresident undergraduate students to be at least two times the resident undergraduate rate for comparable programs of study. This practice has been only partially effective. CPE staff have recommended a new approach for the upcoming academic year which
requires every institution to manage their tuition and fee rate structure, price discounting and scholarship aid for out-of-state students, such that the average net tuition and fee revenue generated per nonresident student equals or exceeds 100 percent of direct instructional and student services costs per student. This represents an effort to have out-of-state students cover their direct instructional and student support costs. Murray State does, and has for the past several years, met this requirement in terms of the nonresident tuition and fee rates. This change does not impact the institution greatly but it does impact the way some of the other universities in the state are setting their residential rates. In response to whether this change is close to the two times the resident undergraduate rate, Ms. Dudley indicated it is slightly less. Two times the resident undergraduate rate was never a policy but was instead a practice encouraged by the CPE and Murray State has been well within this parameter for quite some time. The University will need to monitor discounts and tuition rates moving forward in order to ensure that as a net of total nonresident tuition – not a rate – the institution exceeds the 100 percent rate of direct instructional and student services costs per nonresident student. This does not represent a significant difference but is certainly something that should be monitored. The nonresident tuition and fee rates will be calculated at the end of the year once the University’s costs are known and, unless costs increase dramatically, Murray State should remain within this parameter. A certain amount of net tuition and fees for nonresident students, including regional student discounts, must cover the instructional and student support costs for nonresident students. Instructional and student support costs per FTE will be calculated and applied to the nonresident total which provides the institution with a great deal of flexibility. Dr. Davies indicated that the arrangements with reciprocal counties where students receive the in-state tuition rate are not calculated within this particular model. The model only applies to those students who are outside of those reciprocal counties which border Kentucky. Ms. Dudley added that there is only a formal reciprocity agreement and that is with the counties in Tennessee – the other regional rates are institutionally-approved discounts, not reciprocity agreements.

Dr. Davies reported that another element proposed by the CPE involves web classes and graduate programs. They are providing great flexibility to the institutions to use market rates instead of providing a formula and this does not harm the institution in any way. The last item the CPE undertook at their meeting was the new Murray State tuition and scholarship model that Dr. Davies and Ms. Dudley presented in great detail. The Board should be aware that the CPE Board endorsed the model. There was very robust and positive discussion and only one member of the CPE did not support the new model. All other members present at the meeting viewed the model as being positive and provided their support. Many on campus have already received emails and other communications from the CPE with regard to the model that has been labeled as extremely innovative and proactive. A key component of the model is the aggressive and progressive nature of the scholarship methodology which was utilized. The CPE has undertaken a full vetting of Murray State’s new tuition and scholarship model and have endorsed that model. One reason stated by the CPE member who did not support the model was that for the first year it does represent a large tuition increase percentage wise. The other members understood that the University is still positioning itself as being of great value and the institution is not trying to move from the bottom of the tuition gap to the top of the tuition gap and only moves ahead of the institution with the second lowest tuition by $2. Murray State remains an extreme value in terms of providing opportunities to students. Confirmation was provided that students entering Murray State in the Fall have been made aware of the new tuition and scholarship model.

This report was presented for informational purposes only and required no action.

2016-17 New Strategic Tuition and Scholarship Model, endorsed

Dr. Davies reported that over the past two years Murray State, under the leadership and guidance of the Board, has conducted numerous studies and research efforts into the University’s tuition model, tuition packaging, marketing and market positioning. At the December meeting the Board was presented with the proposed new strategic tuition and scholarship model for discussion. In order to be strategic in terms of how the University positions itself within the marketplace while still emphasizing the extreme value and opportunities afforded to students, the decision was made to undertake a tier system of admissions to make a conscious effort to attract high caliber students that are not only college-prepared but college-ready so their probability of success at Murray State is significantly increased. This work was very strategic in nature and a major part of that package is the new tuition and scholarship model. The presentation given to
the CPE in April was included in the eBoard books and represents an accumulation of all of the work and details that were utilized in putting this model together.

A key component of the tuition and scholarship model is that it resets Murray State’s tuition to a level that will allow financial stability moving forward. The University will eventually be able to utilize modest increases in tuition while still remaining financially viable. The model addresses the institution’s long-term fiscal position and also provides the opportunity to employ a mechanism that will attract and retain well-qualified students that are not only college-prepared but college-ready – specifically ready for Murray State University. This new model will help address retention, progression and graduation rates because these numbers have slipped somewhat at Murray State due to the previous goal of being “all things to all people.” This will allow the institution to focus on those students who will be very successful at Murray State. This will also play a significant role when the performance funding model is employed by the state. Since the proposed tuition and scholarship model was presented to the Board there have been approximately 30 additional public discussions throughout the campus and the community to present and explain the model. The new model has been promoted to all incoming students – freshmen and transfer students – and, with the increased level of tuition in addition to the aggressive and progressive scholarship model, the University’s admitted rates are up by 25.5 percentage points. The enrolled rate from last year to this year is also up nearly 13 percent as of the last report. The Honors Student Orientation represented the largest outpouring of students for that event. The next day the first orientation for all students was held and, again, this represented the largest orientation class for that event. In those two days the number of discussions or complaints that hit Dr. Davies’ office were very, very few and they did not even involve the new tuition and scholarship model. Mr. Dietz has been on the front line in addressing any concerns and has received a few more discussion points but the pushback has not been about the level of tuition.

Dr. Davies reported that as part of the new tuition and scholarship model web classes will be treated differently. The undergraduate web course premium rate of 130 percent of resident tuition for all web/online courses is being eliminated. These courses will now be handled in the same manner as face-to-face courses in terms of tuition. There is a web fee of $65 per credit hour that goes back to the departments and other areas so they are able to continue to spur innovation for web classes. This also helps with the proposal to charge for any credit hours above 16 because right now web courses would not be counted in that model. Currently, the University does not charge above 15 credit hours and web classes do not count towards that element. If a student takes 12 credit hours face-to-face and then they take five credits extra, if those credits are for face-to-face classes they do not get charged. If those five extra credit hours are for web classes, they are charged tuition plus a 130 percent premium and the new model will help streamline that issue.

A very important element of the proposed tuition and scholarship model is the scholarship grid. The scholarship grid is very aggressive and awards students for doing well academically in their high school years. The grid is aggressive because the University is awarding more scholarship dollars academically than it has in the past but it is also progressive because it is set at a percent of tuition. As tuition increases, scholarship dollars also increase. The New York Times recently published an op-ed piece about lambasting universities because they were giving scholarships to students as freshmen and they were able to determine what the gap would be between tuition and the scholarship award. Once tuition increased but the scholarship amount remained the same, the gap grew for their sophomore year and continued to grow even more to their junior year and, again, for their senior year. The new model is progressive because it sets scholarships at a percentage of tuition and the scholarship award will continue to grow with the student throughout their college tenure. The proposed new tuition and scholarship model is being brought back to the Board today for endorsement. Ms. Dudley added that part of the new model does eliminate the final cap on tuition and where tuition was previously capped at 12 hours it will now be capped at 15 hours. This model allows the University to charge per credit hour for any hours that students take over 15. Confirmation was provided that this will apply to all students, even those attending on a 100 percent scholarship basis. If a student is on a 100 percent scholarship, the grid scholarships will cover 100 percent of tuition up to 15 hours. If a student has other scholarship awards and available funding, those can certainly be applied to the cost for any hours taken over 15. The resident per credit hour rate for current students will be $331 and for new students will be $350.
Mr. Combs indicated he has large concerns moving forward with the uncapping at 15 hours. When one looks at peer institutions across Kentucky – with the exception of Northern Kentucky University – Western, Morehead and Kentucky State will all move to a 12 to 18 hour cap. Eastern Kentucky University is under Murray State’s current model of being capped at 12 hours. The only institution that is different is Northern Kentucky which is moving from a 12 to a 16 hour cap. It worries him that the proposed model may be a little too progressive and might actually start hurting students who will eventually have to start taking over 15 credit hours. “15 to Finish” is the goal from the state and he is glad the University has agreed to move to this level from where original discussions started but is still concerned that the uncapping of hours is not higher than 15. He presented a sample schedule from a current student who is taking a Math 230 (5 credits), Global Awareness elective (3 credits), World Civilization (3 credits), ITV 120 (3 credits) and another elective (3 credits). This totals 17 credit hours for this one student and for an in-state student this would amount to a $700 increase. If they are a regional student this would amount to an additional $1,400 and if they are an out-of-state student that amounts to an additional $1,890. Semesters like the example provided are going to happen more often than not just due to the fact that not all courses are three credit hours, especially in the sciences. This continues to represent a huge concern for Mr. Combs. In response to a question regarding what the cap should be, Mr. Combs indicated he would like to see the University fall in line with the majority of the other state universities at 12 to 18 hours. Mrs. Guess indicated that an effort is being made to address budget constraints and asked if students were given the choice of the cap or higher tuition which they would choose, Mr. Combs indicated that would be hard to say unless he knows what that tuition range would be.

Dr. Davies respects the comments made by Regent Combs and there is no question that the affordability of higher education is a key component of this discussion. One thing that all need to be mindful of is determining how the institution maintains affordability, quality and the high standards that currently exist given the fiscal constraints which also exist. More and more universities that do have the plateaus or caps are removing them and the majority of universities do not even have these caps. In relation to the University’s peer institutions, for example, Western and Northern Kentucky, even when students are taking additional credits, given the gap that was mentioned earlier. Murray State is still within the range of being competitive with its peer institutions. This is especially true when one takes into consideration the qualities, standards and opportunities Murray State affords to its students. Across the range, Murray State still represents a strong value. Ms. Dudley added that eliminating the web premium model is the offset and being able to do away with that model impacts many more students. This was the financial trade-off of making that model feasible. Eliminating the web premium affects 17,000 credit hours at the undergraduate level while 6,800 credit hours are impacted by students taking over 15 credit hours.

Dr. Jacobs indicated that the proposed new tuition and scholarship model has been fully vetted and options were considered in terms of getting to the same dollar amount needed. The Budget Summary which has been provided to the Board is sobering. The approach being presented does have a sense of choice and if students can live within the parameters they will have less of a tuition increase. If they must take additional credits they will have to pay those additional costs but, along with the elimination of the web premium and that the scholarship award will now be based on a percentage of tuition, an effort has been made to balance a number of issues moving forward with this recommendation.

Dr. Davies indicated Mr. Combs has raised valid concerns but another way to look at the issue at hand is that when courses are taught the institution incurs the cost for all courses – even those at the 16, 17 or 18 credit hour mark. Currently students taking 12 credit hours are subsidizing those credit hours above that mark. A determination must be made in terms of how the institution can remain sustainable and what is being proposed represents an attempt to ensure the University provides value, while still offering the incentive to take from 12 to 15 hours. A federal mandate identifies the full-time student as one taking 12 credit hours but if students only take 12 hours per semester they will not graduate in four years regardless of major. The typical mantra is that by taking 15 hours per semester for most programs students will graduate in four years. It is noted that some programs do require additional hours but that is due to accreditation requirements. A number of issues are being balanced at the same time to ensure the institution remains affordable and still provides value for students. Ms. Dudley confirmed that the number of students taking over 18 credit hours is significantly less than the number taking 16, 17 and 18 credit hours. If the cap is raised to 18 a decision would have to be made not to eliminate the web premium. In response to a question, Dr. Davies reported that performance-based programs – such as major
Ms. Dudley reported the following:

Regional Tuition Discount Calculation, approved for the students just for the heck of it and a lot of thought has been put into this process. Dr. Davies stated he respects Mr. Combs’ no vote and he does respect his stance. Mr. Combs indicated he respects the vote of the Board and does not think the intention was to raise tuition for the students just for the heck of it and a lot of thought has been put into this process.

Regional Tuition Discount Calculation, approved

Ms. Dudley reported the following:

- Currently, the University’s calculations for regional tuition discounts for the states of Illinois, Indiana, Missouri and Alabama are based on the previous year’s average percentage increase for the benchmark universities of each respective state. The Tennessee regional tuition discount is based on the current year’s average percentage increase for the benchmark universities in Tennessee. This is done to ensure the University is providing a market value to students from those states. These discounts are deducted from the nonresident tuition and mandatory fee rate. The University will continue to use this calculation for current/returning regional students because that is the premise under which they entered the institution.

- For new/first-time regional students, the calculation of the regional discounts will not be based on the average for the benchmark universities. Beginning Fall 2016, there will be a regional tuition and mandatory fee rate. Discounts for the regional tuition and mandatory fee rates will be a flat market-based net rate for each of the regional states and will increase at the rate of tuition increases for Murray State moving forward. This allows Murray State to be able to provide those rates more quickly so they can be marketed accordingly. This also provides the University with the variability that if there is elasticity within a particular state – even though the state has not utilized that elasticity – Murray State has the option to use it. The states of Illinois, Indiana, Missouri, Alabama and Tennessee will remain regional states. These discounts will be reviewed annually to ensure they remain competitive and do not exceed elasticity levels. As has been standard practice, the Board will not be asked to approve those regional discount rates but a request is being made today for the Board to approve the calculation revision for the regional tuition discounts.

- Under this new calculation, if a student does not qualify for the regional tuition discount they would pay $8,400. If they qualify for the discount, that amount would be reduced through discounting. The Board is not approving the discount but is approving how that discount is calculated. The regional discount rates have been calculated and are very similar to what they are for current students but will be based on the 10.4 percent rate increase. For example, the Illinois net rate has been increased by 10.4 percent for the new class and that represents the Illinois net rate. The Board is voting on the calculation revision of the regional tuition discount from the net rate. Dr. Davies added that in 2007 the Board approved a recommendation to create the current practice of using averages and what is being proposed today represents a revision to that practice.

- All undergraduate students receiving the regional discount will still be required to be a full-time student and pay for on-campus housing. Undergraduate students not meeting these criteria will be
Mr. Williams moved that the Board of Regents, upon the recommendation of the President of the University, approve the calculation revision for the regional tuition discounts which is based on a flat market-based net rate for regional states, effective for new students for Fall 2016. Mrs. Sewell seconded and the Chair called for a voice vote. All regents voted yes and the motion carried.

2016-17 University Executive Budget Summary, received

The Board received a 2016-17 University Executive Budget Summary which contains preliminary recommendations that will be presented to the Board at the June meeting. Dr. Davies highlighted the following:

- He commended and expressed deep appreciation to the Deans for all of their hard work and diligence because this process has not been easy. Appreciation was also expressed to the Vice Presidents for showing exemplary leadership throughout this tense and fluid process that was filled with ambiguity. He expressed a deep sense of appreciation to the leadership and bodies of shared governance – Faculty Senate, Staff Congress and the Student Government Association – along with the associated committees within those elements. They provided excellent feedback throughout the entire process and maintained as much of a sense of calmness as possible during discussions which have occurred over the past months. All put their personal thoughts and feelings to the side in order to determine what can best be done to benefit the entire University. Dr. Davies specifically thanked the constituent Regents who served on the Budget Task Forces.

- On January 26, 2016, the Governor gave the State of the Commonwealth Address and outlined his budget recommendations. The very next day work began at the University to contemplate structure and how the institution would deal with the eventuality of state budget reductions, combined with cost increases at the University and other cost pressures that it was known would be forthcoming. Shortly thereafter, a Budget Task Force Organization was established and in doing so several commitments were made. The work of this organization needed to be strategic and comprehensive and it was understood there would not be across-the-board reductions – everything had to be on the table. In undertaking this work the question was asked that given the new fiscal constraints, projected expectations with performance funding and other trends, what are the programs, services and activities that definitely need to be maintained or even invested in for the future of this University. The areas, items, services and programs that could be reduced while still maintaining the core commitment to the vision of being the best student-centered comprehensive University in the nation also needed to be considered. Those things that, even though they may provide value and service, given current fiscal constraints the University would no longer be able to do were to also be considered. As part of this work, there was the desire to maintain quality and excellence in programs and the University by basically building on the institution’s strengths while focusing on the long-term viability and sustainability of Murray State. When necessary, resources would be reallocated to enhance success and ensure the University would not be damaged in performance funding models. There was also a desire to ensure that reductions would not adversely impact accreditations, compliance, audit, Title IX or other regulatory activities. In and of itself this did not represent a reduction exercise and consideration was given to how the University could increase revenue. An effort was also made to communicate when appropriate, and in as timely a manner as possible, to all interested parties while focusing on meeting the current demands of the University as well as long-term success. Through this process an effort was made to be as inclusive as possible and engage the University leadership in meaningful ways by including shared governance and the Deans and by empowering the Vice Presidents and Deans to make critical decisions. Ultimately, any decision rests with the Board of Regents because this body approves the budget based upon his recommendation as President.

- Two Budget Task Force teams were created to undertake this process and were empowered to plan the process by establishing their metrics, rubrics and designs as well as allowing them to have their paradigms.

- The first team was the Academic Task Force which created a matrix of mission criticality, including program aspects ranging from resources required, past and current; student success; trends and future growth. The Deans engaged Department Chairs in these discussions and through other means. The President and the Provost held initial meetings with each of the Deans and they provided thoughts and ideas as well as an indication of where they stood, including challenges and opportunities. The final decision on the recommendations to be advanced rested with the Provost. A key component of this work is that it did not represent an across-the-board reduction. The Provost and Deans worked very well in addressing the challenges associated with the process. As part of their work, the Academic Task Force looked at many factors, including adjunct pay; summer pay; high school dual credit revenue and costs; class sizes; workload as it relates to teaching, service and research; extra compensation; the delivery of remedial and web courses; course fees; viability of graduate programs on a cost/revenue basis; undergraduate program structures and new revenue programs. This group did a phenomenal job in a relatively short period of time. On January 26 what could be the worst case
The second task force was the Support Task Force and included the Vice Presidents, the staff Regent and Staff Congress President, the student Regent and Student Government Association President and the Athletic Director. This group created a rubric that analyzed all support programs and units for the University. They weighted these programs for mission criticality to programs that, given the fiscal constraints, are less critical and might need to be eliminated or reduced in some manner. The results from the rubrics were given to the Vice Presidents to make decisions. The Vice Presidents did yeoman’s work using their best judgment to make some very difficult decisions on the budget reductions as well as looking for ideas for revenue. Ms. Dudley compiled all of this information and worked with the President directly. The President and Ms. Dudley worked with the Vice Presidents to make the preliminary recommendations which will be forwarded to the Board for approval at the June meeting. One element that was discussed was outsourcing of services but the current recommendation does not include outsourcing of services at this time. The administration continues to investigate different services and which, if any, can be outsourced. This represents a business decision but also a cultural decision.

Challenges that the University faces include a 4.5 percent reduction from the state ($2,161,100), an increase in pension funds which for the next fiscal year will be $1.1 million, overtime law due to proposed federal law changes which will impact 230-250 employees ($1.6 million) and salary obligations ($1.3 million). Part of the salary obligations represent increases due to promotions — either in faculty rank or through job audits where an individual has taken on additional responsibilities and authority and is being upgraded in classification. A large portion of this work represents a philosophical, ethical and moral decision. This Board of Regents has established the priority to move employee salaries forward to be in line with competing institutions. In addition, the University must work to increase the wages of its lowest paid employees while still maintaining an hourly grade level structure. Adjustments are needed to help with health insurance increases, possible parking increases and FICA changes for those individuals who make $7.54 an hour. The University may face legislative action to increase the minimum wage to $10.10 or $15 per hour. This is not just about putting the University in a better position if that should occur. It is about the ethical and moral obligation to ensure that employees, members of the Murray State family, do not live below the poverty line. At the Annual Advance last year this Board talked about this issue and encouraged him and Ms. Dudley to, in future budget discussions, have a three-year plan to move the lowest paid employees, in a step-wise process, up to the $10.10 level. The salary obligation line contains funds to do that. In addition, one of the discussions of this Board has been to have a consistent increase in wages for all employees that will help offset additional costs that they face — not only costs that are inflationary but costs and the need to maintain a competitive nature and this proposal contains that element as well. If an individual is receiving the adjustment because of their low salary they do not also get the 1 percent salary adjustment. They will receive whichever one is highest. The three-year strategy is to move the University forward in a disciplined manner and it is also the right thing to do. In time of reductions it may seem strange to also include salary and wage increases but in looking at the long-term viability of this University, it is the right thing to do and is the ethical thing to do in many cases as well. Other universities are facing similar constraints and while some are including wage increases, others are not.

The University is also facing an enrollment loss of revenue. This is due to the fact that for the last two years there has been a slightly lower freshman class from previous years. In addition, the institution has also experienced record graduation numbers. Tomorrow 1,566 students will graduate and this is one of the largest graduation classes in the history of Murray State. This is good news as more graduates are being sent out into the world but fewer are coming in. Dr. Davies is encouraged by the freshmen numbers as of right now but they are not at the number that will offset the two lower-numbered freshman classes that are working their way from freshmen this year to sophomores next year and from sophomore to junior. This represents approximately $2.6 million in lost revenue due to the salaries and the issue must be addressed in the budget process. This represents $300,000 in miscellaneous other expenses such as health care increases and unemployment insurance. This amounts to $9.1 million in total estimated expenditures (7 percent of total budget). The leadership team was tasked with developing a model to decrease the $9.1 million to $6.1 million by identifying new revenue sources of $3 million and the tuition increase that the Board will be asked to approve shortly is part of that effort.

At the high level – the proposed reduction and new revenue sources include the elimination of 12 filled positions ($573,000) and approximately 30 vacant positions ($1,679,000). The University will work diligently with each of the 12 individuals to place them in other positions on campus or with community partners — although placement cannot be guaranteed. In some cases there is a vacant position which represents a very easy match for an individual and they will certainly be considered for that position. Positions are being eliminated for a savings of $573,000 but a very humanistic approach is being taken and Dr. Davies is confident the University will be able to place these individuals in other areas on campus or with community partners if they choose to accept such an offer — which cannot be guaranteed. There are 30 positions that are currently vacant and those will
remain unfilled and will be eliminated from the budget. A listing of various other salary reductions was provided and includes individuals moving from a 12-month contract to a 10-month contract.

Some positions are being consolidated and those affected individuals could be dropping down a pay grade. The positions which are not being refilled also include some individuals who have resigned or are retiring. In total, $3.6 million will be put forward from positions for the budget reduction (60 percent of the total reductions). The University’s budget is roughly 80 to 85 percent personnel and a very clear effort is being made to preserve human capital because that is what makes the University move forward.

- Non-salary items that are being recommended include travel reductions, possible increases in parking permit rates, possible new revenues/fees and FY18 academic reallocations. A modest course fee for a certain set of programs has been discussed for some time and those recommendations will be presented to the Board in June and involve a particular segment of the student population in terms of experiential learning and study abroad. It is not a large overall student fee. Academic reallocations of $341,000 represent a one-year gap. Some of the recommendations put forward by the Academic Task Force will take one year to implement and this figure represents savings of a one-time nature that the University will have over the next year. In total there is $6.1 million in reductions, eliminations and a few increased revenue streams.

Chair Waterfield complimented Dr. Davies, the Vice Presidents, Deans and others involved in this most difficult process. To make these cuts and affect basically 12 individuals – and hopefully even less if they are placed elsewhere at the University – is amazing and all were commended for taking the human side of this work into consideration. Assurance was provided that the reference to the elimination of 30 vacant positions does not include all positions at the University that are not filled and some of those remaining critical positions will be filled in order for Murray State to continue operating as a high quality, high caliber University that continues to offer students amazing opportunities. Murray State’s commitment to rigor, relevance and excellence, with the vision of being the best student-centered university in America, is what makes this institution special and this was taken into consideration in the planning process.

Confirmation was provided that while there could be some slight modifications the numbers presented today will be fairly close to the recommendations that will be presented to the Board at the Quarterly Meeting in June. Clarification was provided that the $2.6 million is not a recurring cost and represents a change from this year’s budget to next year’s budget due to the enrollment decrease. The budget for last year contained a contingency for $2 million but the freshman class numbers were lower than anticipated and the graduating class number came in higher than anticipated. The contingency fund that was in place buffered the enrollment and graduation shift. In talking with fellow University Presidents, Dr. Davies indicated that while the dollar amounts differ by and large the percentages and numbers are very similar although the individual universities may be addressing these issues in a different fashion.

Dr. Jacobs asked that as final numbers are put together consideration be given to going back and reviewing some of the programs and perhaps lessening the reductions in any given area. Dr. Davies indicated that this particular budget is extremely tight and does not have a lot of wiggle room. The formulation of this budget was very strategic in nature and while there may be slight variations with regard to the $2.6 million contingency they will not be significant. What the future holds for the institution must also be taken into consideration. During this biennia $1 billion was put toward the pension solution but the pension problem is $38 billion and what may happen in the next biennia – and even further out – must be taken into consideration. The University is enrollment driven but is becoming even more and more so and needs to position itself in a way that it is able to modify those fluctuations. It has also been reported that since enrollment at the universities is down costs will also go down. That is not necessarily the case because institutions do not have variable manufacturing costs but instead have a large number of fixed costs. Mrs. Sewell indicated that Mr. Dietz reported in December that as of 2021 there should be an upswing in high school numbers but that is five years away and the University must plan accordingly.

A question was asked with regard to the decrease in student worker positions and graduate assistantships and whether that decrease will affect students already in those positions or if it represents not filling positions as they become vacant moving forward. Dr. Davies indicated this represents one area where the University will work to provide as many available opportunities for students as possible given the current budget constraints.

Dr. Davies again stated his sincere appreciation to the University Community. This unfortunate situation has been handled in the best way possible with a great deal of grace, comradery and
Mr. Williams stated that as Chair of the Finance Committee he would like to thank Ms. Dudley and her staff specifically for their work over the past several months. To go through all of the tuition modeling options – which is a very complex process – while also going through the budget reduction process and the reallocation models, this entire process has been extraordinarily, exponentially complex for a financial officer. Ms. Dudley and her staff have done an incredible job and she has gone above board to be transparent in her efforts to keep him engaged during these incredibly challenging times. The individuals involved in this work have done the University a great service in providing models and options for the Board to consider but, moreover, they will allow the President to make decisions as solidly as he has done under the current circumstances. Dr. Davies added his personal thanks to Ms. Dudley. She is actually one person down with the retirement of Carl Prestfeldt and, while she has a wonderful team, they are playing without a second baseman.

This report was presented for informational purposes only and required no action.

**Authorization of 2016-17 Tuition and Mandatory Fee Rates for Returning Students and New Students, approved**

Dr. Davies reported that, as mentioned previously, one of the key components of the University’s budget process was that the entire financial burden would not be placed solely upon Murray State students. That would not be fair and would not serve students well and if this had been the route chosen it would have amounted to a 17 percent tuition increase which simply was not feasible. All worked diligently throughout this process to develop a balance, maintain affordability and maintain high value for students. Multiple models were considered but the ultimate goal was to identify tuition and mandatory fee rates that would be financially sustainable and would impact as few students as possible. The recommendation being advanced is a 4.5 percent increase on the undergraduate resident tuition rate. A recommendation is also being put forward for all new students that students taking above 16 credit hours will pay for those credits. In doing so, web classes would not be subject to the current 130 percent premium and a $65 per credit hour fee for web classes would also be introduced. In making this decision, as compared to a higher increase in tuition and not charging at 15 credit hours and above, this model would impact fewer students. A higher tuition base could have been recommended but that would impact an even larger number of students. Regent Combs has a different opinion which is respected. Two options were presented to the Student Government Association and discussion followed. Although the majority preferred the lower tuition rate and charging for any credit hours above 15 there are others who preferred the other approach even though more students benefit from a lower base tuition rate. Assurance was provided that the recommendation being made also follows the criteria approved by the Council on Postsecondary Education.

Mr. Combs stated he is concerned about turning the current student model into a completely different model than what students have been used to as most have already planned for the upcoming year. This will come as a huge surprise to students and is a more recent development that has come about. Unfortunately, due to timing during the year, the SGA has not been able to do a great deal in terms of educating current students. The model was presented to SGA and most of those who were in attendance and spoke up were in favor of the recommendation being advanced. Although no formal vote has been taken, Mr. Combs did send his thoughts out to the group and did not receive any rebuttals. He wants to be careful not to associate the Student Government Association with any one particular side at this point just because no formal vote has been taken. Two options were presented to SGA – the 4.5 percent tuition increase with the shift to charging for credit hours above 15 – which is the plan being recommended. The SGA was also presented with a plan for a 5 percent increase but still utilizing the same credit hour model. This equates to a $22.20 savings for 12 credit hours ($1.85 per credit hour) saved between the two models. Both of the models presented were expected to meet the $3 million threshold. To put this new model through now, especially when he feels like he has not had ample time to educate students, concerns Mr. Combs. Given the fact that both models net the same amount of money needed, and given that in six years any new student will be under the new model, this provides no added benefit to students except perhaps for those taking a large number of web classes. The new freshman model, at a reduced rate without the benefit of the new scholarship model, will harm current students. He has reservations moving forward with the
model being proposed as it relates to current students. He is not against considering the model but, given time constraints, he does not feel comfortable saying students are either against or for the recommendation.

Dr. Davies indicated that Mr. Combs is correct in that a full-blown discussion of this has been limited but the recommendation has been talked about considerably on multiple fronts. The Murray State News did a wonderful article on the topic and presented both sides and information was provided on the Budget Task Force website. An SGA Forum was held as well as the University Hall meeting. He, personally, has received quite a few comments with regard to the model and students have stopped him on campus to talk about both sides directly. A lot of people look at this issue from their own perspective but the model being presented does impact less students at a 4.5 percent tuition increase versus a 5 percent increase. Some students may be surprised but all students understand that their tuition bill is going to increase and they will be paying more next year. Functionally, moving to this model also helps on the back end as well in terms of efficiency.

Mr. Williams moved that the Board of Regents, upon the recommendation of the President of the University:

1. Authorize the attached undergraduate, graduate and doctoral tuition and mandatory fee rates for current/returning students representing a 4.5 percent increase and new/first-time students representing a 10.4 percent increase for the 2016-17 academic year;
2. Approve the elimination of the 130 percent web tuition premium for undergraduate students and begin the assessment of regular tuition and mandatory fees for web courses and
3. Approve the assessment of tuition and fees at the part-time hourly rate based on residency for all undergraduate student hours over 15.

Dr. Jacobs seconded and the roll was called with the following voting: Mr. Combs, no; Ms. Green, yes; Mrs. Guess, yes; Dr. Jacobs, yes; Mr. Kemp, yes; Mr. Schooley, yes; Mrs. Sewell, yes; Mr. Williams, yes and Mr. Waterfield, yes. The motion carried by a vote of 8 to 1.

(See Attachment #2)

Mrs. Guess asked how the University will help a student who comes back and is not able to pay the additional cost. Dr. Davies indicated that Financial Aid Counselors work diligently with all students and can provide a lot of different opportunities depending upon a student’s particular circumstance. This is not to say that every student issue will be solved and all must realize that the cost of a higher education is not inexpensive. Sometimes it is impossible to find a solution but every stone is overturned before a particular student is not afforded an opportunity.

Free Application for Federal Student Aid (FAFSA) Completion Requirement, approved

Dr. Davies reported the Board is being asked to approve a policy that will require every student who receives a financial packet from Murray State to complete the FAFSA. In many instances the University can identify need-based opportunities for students but they must first complete the FAFSA.

Dr. Jacobs indicated that in terms of employees and the current tuition waiver benefit there have been some conversations regarding whether completion of the FAFSA will be required moving forward or if they will be able to utilize this benefit as they have in the past. Confirmation was provided that for this next year the tuition waiver benefit will not change for employees. Confirmation was provided that the current stacking model will be changed which could reduce the refund some students receive from institutional aid but this applies to new students entering the institution. The FAFSA requirement applies to all students but the change in the stacking model will only apply to new students. Mr. Dietz added that this does not represent a huge cultural shift for the institution and 75 percent of students currently complete the FAFSA. Clarification was provided that in terms of employee waivers, if those taking classes are receiving any other type of institutional aid beside the tuition waiver they will be required to complete the FAFSA.

Mr. Williams moved that the Board of Regents, upon the recommendation of the President of the University, approve that all undergraduate students receiving any form of institutional aid will be
required to file and complete the Free Application for Federal Student Aid (FAFSA), effective Fall 2016. Mr. Kemp seconded and the Chair called for a voice vote. All Regents voted yes and the motion carried.

Closed Session – Pursuant to Kentucky Revised Statute 61.810(1)(f), convened

Chair Waterfield solicited a motion that the Board of Regents go into Closed Session pursuant to Kentucky Revised Statute (KRS) 61.810(1)(f) to discuss matters which might lead to the appointment or dismissal of individual employees. Mr. Kemp so moved, seconded by Mrs. Guess, and the motion carried.

President Davies, Secretary Hunt, Ms. Dudley, Ms. Gordon, Mr. Rall and Dr. Fister were asked to remain in the meeting room.

Closed Session began at 11:37 a.m.

Open Session, reconvened

Chair Waterfield solicited a motion for the Board of Regents to reconvene in Open Session. Mr. Schooley so moved, seconded by Mrs. Guess, and the motion carried. Open Session began at 11:56 a.m. Chair Waterfield reported that the Board took no action during Closed Session.

Presidential Contract Extension, approved

Chair Waterfield reported that President Davies has a four-year contract and language contained within the contract allows the Board of Regents to extend his contract but not beyond a four-year period. It is the Chair’s recommendation that Dr. Davies’ contract be extended for an additional two years. The two Regents who were unable to be present today – Regent Jerry Sue Thornton and Regent Jerry Rhoads – have both provided letters to the Chair of the Board in support of the action being proposed with regard to extension of the President’s contract. The floor was opened for discussion. Dr. Jacobs indicated there is no mention of salary in regard to the proposed extension and wants to ensure any such increases are consistent with any percentage increase all employees might receive. Chair Waterfield indicated that this recommendation includes no discussion of salary and is simply a two-year extension on the President’s contract due to the importance of keeping a good man in place and showing the Board’s confidence in Dr. Davies. This also illustrates to the Legislature the strength and confidence the Board has in President Davies.

Mr. Schooley expressed appreciation to Chair Waterfield for distributing the Presidential Evaluation packets earlier this week. Chair Waterfield confirmed that the Board will undertake an evaluation of the President with the results to be presented at the June meeting.

Mr. Kemp stated that Dr. Davies has done a great job for Murray State University and he has particularly done a great job over the past several months. He was recently with Raymond Burse, President of Kentucky State University, who indicated Dr. Davies has taken on a leadership role in the meetings of University Presidents. President Burse also has a lot of confidence in Dr. Davies and Mr. Kemp believes the contract extension represents a good move to show continued confidence in Dr. Davies’ leadership. Mr. Williams concurred and believes Dr. Davies has done a wonderful job with his great leadership given the circumstance with higher education in the state. With the opportunities and challenges at Murray State it is very important for the University to have continuity of great leadership and that is the purpose of this contract extension.

Mr. Williams moved that the Board of Regents, upon the recommendation of the Chair of the Board, approve a two-year contract extension to the current Contract of Employment for President Robert O. Davies, with a new effective date through June 30, 2020. Further, it is recommended that the Chair of the Board be authorized to execute the amended contract. Mrs. Guess seconded and the roll was called with the following voting: Mr. Combs, yes; Ms. Green, yes; Mrs. Guess, yes; Dr. Jacobs, yes; Mr. Kemp, yes; Mr. Schooley, yes; Mrs. Sewell, yes; Mr. Williams, yes; and Mr. Waterfield, yes. The motion carried.
Chair Waterfield requested that the letters from Regent Thornton and Regent Rhoads become part of the permanent record for this meeting.

(See Attachments #3 and #4)

Dr. Davies thanked the Regents for their vote of confidence and support and stated it means a lot and he will live up to the Board’s standards.

**Adjournment**

There being no further business to come before the Board, Mr. Schooley moved to adjourn. Mrs. Guess seconded and the motion carried. The Special Meeting of the Murray State University Board of Regents adjourned at 12:02 p.m.

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