Minutes of the Quarterly Board of Regents Committee Meetings Murray State University Friday, June 1, 2012 Jesse Stuart Room – Pogue Library

Dr. Constantine Curris called the Murray State University (MSU) Board of Regents (BOR) committee meetings to order at 8:30 a.m. in the Jesse Stuart Room in Pogue Library on the main campus of Murray State University. At the request of MSU's external auditing firm – RubinBrown – an adjustment to the order in which committee meetings take place is being made for this particular meeting in order to accommodate the auditor's schedule.

Audit and Compliance Committee

Harry Lee Waterfield II, Chair Constantine Curris Jenny Sewell

Mr. Waterfield convened the Audit and Compliance Committee at 8:33 a.m. and reported all members were present.

The Board received a presentation from the RubinBrown management team of Jeff Winter, Partner, and Matt Finke, Engagement Manager. The following highlights were presented with regard to the Audit Plan for the upcoming year, beginning June 30, 2012:

- The auditors are required to communicate to the Board and management audit items which will be addressed throughout the year. The auditors are interested in obtaining input from the entire Board as well as from members of the Audit and Compliance Committee.
- > Several individuals have been assigned to the Murray State engagement and in addition to Mr. Winter and Mr. Finke, Engagement In-Charge Supervisor Jason Callahan will provide assistance throughout the process, along with two other individuals.
- ➤ The 2012 scope of services include:
 - Audit of the University financial statements for June 30, 2012
 - A-133 single audit which is required when a state or local government or non-for-profit organization spends greater than \$500,000 in federal funds (including loans) and with student financial aid MSU is in the \$65 million range. Student financial aid will always be audited because it is a high-risk program with significant dollar amounts involved. An analysis will be undertaken to determine other programs which need to be audited and this involves not only a formula but the auditor's professional judgment based on program size and associated risk. The University is required to audit 25 percent of total expenditures. Entities that are considered high risk are required to be audited. It is anticipated the research and development cluster and additional high-risk "Type B" programs will be audited.
 - Racer Foundation compilation of financial statements and preparation of Internal Revenue Service (IRS) Form 990
 - Audit of WKMS-FM financial statements and attestation report on the Corporation for Public Broadcasting Schedule of Non-Federal Financial Support
 - Required compliance reports, including House Bill 622, Kentucky Revised Statutes (KRS) 164A.555 through 164A.630 and Kentucky Lease Law statutes KRS 48.111, 48.190 and 56.800 through 56.823
 - Subsequent event audit report that is required because MSU is a component unit of the Commonwealth of Kentucky which means the University's financial statements are included in the financial statements of the state and the University's audit occurs prior to completion of the state's audit.
 - Quality control report which provides notification to the state that RubinBrown is a qualified Certified Public Accountant firm and follows in-house internal control procedures
 - The National Collegiate Athletic Association (NCAA) Agreed-Upon Procedures Report for intercollegiate athletics which is required by the NCAA but also assists the President with annual reporting to that entity.
 - Management Letter letter of recommendations based on observations made during the audit, primarily including internal control items but also those issues that come to the attention of the auditors which are significant enough to discuss with management (good corporate governance, whistleblower reports)
 - Auditor Communication Letter required communications presented in December regarding the results of RubinBrown's audit up to that point
 - Preparation of the University IRS Form 990-T for unrelated business income
- The audit objectives for each scope of services were also provided. It is not RubinBrown's objective to prepare the University's financial statements or take responsibility that those statements are accurate and complete because this is management's responsibility. The auditors must undertake

- sufficient work to express an opinion that the financial statements are fairly presented in all material respects and in accordance with generally accepted accounting principles with the goal of being able to issue an unqualified opinion.
- Approximately 1,200 hours and significant resources are devoted to the engagement and a timeline was presented. The auditors have received and continue to receive great cooperation from management and competent and loyal staff who are devoted to the institution and give the auditors their full attention throughout the entire process. This enables RubinBrown to conduct an effective and efficient audit and provides the information necessary to express a clean opinion.
- ➤ During July the auditors will be on campus to conduct single program audits for major programs and during August and September will conduct financial statement audit fieldwork with the goal of issuing a draft of the statements by the third week in September with final issuance of the reports as required by state mandate by early October, with WKMS and NCAA reports to follow. The target is to present the entire scope of services to the Board at the December meeting.
- ➤ The financial statement audit risk assessment represents RubinBrown's determination of audit risks based on three levels high, moderate and low. The volume of transactions, complexity of underlying transactions and overall sensitivity of the respective areas to financial statement users all determine audit risk. Items considered to be high risk include student financial aid and other federal programs, tuition and related receivables and deferred revenue and net assets. Moderate risks include cash and short-term investments, payroll and employee benefits (including self-insurance), capital assets, bonds payable, cash disbursement (purchasing and current liabilities), institutional loans to students and auxiliary revenues and expenses. Low risk areas include other assets and the University's state appropriation.
- A summary of the audit approach by key area was provided illustrating internal controls underlying each audit area being reviewed.
- ➤ Items required to be discussed with the Audit and Compliance Committee include areas of fraud concern; the Committee's view about the effectiveness of controls in place to mitigate fraud risks; communication of internal control structure by management to the Committee; whistleblower reports; allegations, suspicions or known instances of fraud during the current year; conflicts of interest; legal issues; commitments or contingencies; accounting practices; compensation or incentive reporting; grant compliance or grant availability; stability of the financial institutions at which cash and investments are held and significant transactions during fiscal year 2012. Discussion occurred with the Committee at the end of May and no such concerns that would need to be taken into consideration during the audit process were expressed.
- ➤ In terms of the prior Management Letter and single audit comments, the status of items for consideration identified in 2011 that will be reviewed for implementation include:
 - The University should consider implementing procedures to review the workflow in the equipment inventory control area to ensure records associated with capital assets are reconciled on a timely basis in order to accurately report the quarterly and annual balances within the financial statements.
 - To enhance controls surrounding the cash disbursement process, primarily to avoid duplicate payments, the University should consider implementing a control within the invoice processing system that requires a unique invoice number be assigned prior to further processing.
 - Consider implementing a formal institution-wide Whistleblower Policy or fraud hotline.
 - Information technology recommendations should be considered.
- Low-risk Auditee Status for the University is anticipated for 2012.
- Findings identified during the 2011 single audit will be reviewed for corrective action taken.

In response to a request for additional information regarding a Whistleblower Policy, Mr. Winter reported a couple of years ago the auditors recommended consideration be given to adopting a formal Whistleblower Policy for the University – beyond that currently required by state statute. The state has good policies and procedures in place but the University should control its own written policy indicating there will be no retribution toward an employee for utilizing the system, procedures are effective and the right person is being contacted. Since this auditor recommendation an MSU policy has been implemented so there are not only state statutes the institution must adhere to but also procedures in place in the MSU Code of Conduct. Mr. Waterfield requested a copy of the document Mr. Winter is referring be provided to the members of the Audit and Compliance Committee and/or the full Board for review so a determination can be made regarding whether the Committee desires to move toward adopting a formal Whistleblower Policy. Dr. Dunn reported he and Mr. Waterfield have talked with the auditors and each year since RubinBrown has been the University's audit firm and suggested such a policy be considered the University's position has been to rely on the state statute already in place. An effort should be made to move this issue off dead center to take a more activist stance in regard to a Whistleblower Policy. Mr. Winter indicated he cannot stress enough the importance of having such a policy in place because an estimated 90 percent of frauds are discovered not through policies and procedures or internal controls but by one individual telling another something. To have a vehicle which allows employees to do this with some comfort

level in terms of not being subject to retribution is important and represents good corporate policy and governance.

In response to a question regarding the differences between this audit plan and the last, Mr. Winter indicated things do not change dramatically from year to year but significant transactions and items which have occurred from a financial standpoint would be where the auditors would focus their efforts and such issues are discovered throughout the year. Vice President for Finance and Administrative Services Tom Denton and Senior Director for Accounting and Financial Services Jackie Dudley are very good at keeping RubinBrown informed regarding significant capital or debt transactions and items the auditors should be aware of to assist in audit planning. In terms whether there are new federal regulations which have added to the responsibilities of the auditors, Mr. Winter indicated the compliance supplement and the procedures which must be performed for grants change and the federal government issued in draft form last week the compliance supplement which the auditors are currently investigating. In terms of Kentucky statutes he is not aware of any new statutes that are of significance to affect the audit procedures or the University's compliance with those procedures. Changes this year will focus on the fact the University issued a significant amount of debt in the year to be audited, along with the significant capital campaign that is underway. Dr. Dunn added there could also be a significant change with regard to the threshold for those programs which are required to be audited. Mr. Winter indicated from an audit standpoint their professional standards are also reviewed to determine whether there have been changes in procedure and no significant changes in this area have been noted. The auditors must also be aware of any new accounting standards the University is required to comply with.

This presentation was provided to the Board for information purposes only and required no action.

Adjournment

The Audit and Compliance Committee adjourned at 9 a.m.

Committee of the Whole

Dr. Curris convened the BOR Committee of the Whole at 9 a.m. to consider approval of the issuance of a Request for Proposals (RFP) for electronic board books.

Dr. Dunn reported vendor information has been supplied to the Board and a demonstration of how electronic board books would function has previously been presented. The administration has provided a recommendation for consideration which contains a cost comparison in terms of the estimated expense associated with acquiring and supporting electronic board books.

In response to Regent comments, Chief of Staff Joshua Jacobs indicated:

- > The estimated cost per meeting contains printing, shipping and supplies but does not contain personnel costs, because the majority of this expense represents a "sunken cost" and varies significantly on a per meeting basis.
- > The annual licensing fee is estimated based on conversations with different vendors over the past three years. This fee will vary depending on services requested and the RFP will allow for review of all such costs on a per vendor basis.
- In terms of the actual purchase of iPad equipment, if Regents currently have their own iPad they can continue to use that device or choose to use a laptop or another computing device. The estimate provided represents a maximum cost if it were necessary to purchase new devices for all Regents and all University staff involved in BOR meetings. The annual equipment cost estimate also includes replacement costs on a revolving, three-year cycle. A determination was made that six Regents currently have an iPad with most expressing a preference of continuing to use their own devices.
- Electronic board books belong to the institution and if a Board member retires, resigns or is not reappointed they simply turn in their equipment to the University and their password is then deactivated. The electronic device is already fully loaded and can be passed on to a new member of the Board (with new login credentials).

In response to Dr. Curris' request for each Regent to share their observations the following comments were offered:

➤ Mr. Williams' Board converted to electronic board books over the past year and all are pleased – even those members not previously electronically inclined. Mr. Waterfield indicated his company is

- considering making this move and Dr. Thornton and Mrs. Guess reported their governing bodies utilize electronic board books.
- Mrs. Guess reported with regard to the scope of written materials provided to her board prior to the move to the electronic conveyance of materials (recognizing some Board members may want to print some documents for additional reflection) all have been pleased with information being more readily available due to the ability to quickly search for desired information. Electronic board books would provide an opportunity for all to become more effective as Regents and her Board members have found this to be the case. Mr. Williams concurred, indicating the library and its immediate accessibility would be among the first advantages his Board would cite with utilizing electronic board books. Members of the Board may still want to print certain documents, including financial spreadsheets and documents of that nature. The company has converted approximately 80 to 90 percent of Board meeting materials to electronic delivery. The secure communication offered through electronic board books is also an advantage and information can be sent out in a format similar to emails or secured so it cannot be printed or forwarded. This method of delivery makes it easier for Board members to communicate. Mrs. Thornton reported utilizing electronic board books has represented an effective means of communication due to the travel schedules of many members of her Board and Mr. Williams echoed this sentiment.
- ➤ It would be beneficial for Board members to receive the Supplemental Notebook at least one day ahead of time instead of on the day of the BOR meeting and electronic board books would provide this capability. The iPad also has many features such as highlighting and underlining that BOR members may find particularly useful.
- Many who changed to electronic board books have also utilized a training period to allow all members to feel comfortable with the new delivery method for Board materials and personal orientation was provided which allowed for one-on-one instruction. It might also be possible for Dr. Thornton to provide a sample board book from her institution.
- > Due to turnover associated with various Boards, it would be beneficial to have access to information on discussions or decisions made by prior boards in terms of policies and procedures or required board actions that a new member might not be privileged to in order to determine what has previously been established by the Board.
- ➤ Utilizing electronic board books would be helpful and the opportunity and time of employees putting these Board materials together is a factor that should be considered although it is hard to put a price tag on this cost. This would represent a helpful tool for the Board.
- ➤ If the minutes reflect that Mr. Schooley and Ms. Hunt have assured Regent Rose they will personally help him learn the "ins and outs" of the new system then it is believed electronic board books are the way to go. Given the current budget situation there are issues with moving to a delivery method that costs more than the one currently being utilized. Although the cost factor may be nominal, there is concern about the University purchasing iPads and some Board members may prefer to purchase their own. The cost associated with moving to electronic board books is surprising although some factors such as overtime costs were not included in the current cost estimate. It is likely time to make this move.
- ➤ Clarification was provided that the source of funding for the initiative would be remaining monies within the Banner implementation project. All are generally aware this process is in the stage with final third-party implementations being carried out and the expense could be considered as part of that budget.
- In terms of technology, making the move to electronic board books would pay for itself within two and one-half years.
- ➤ It would be beneficial for all Board members to be able to review past actions of this Board without dedicating a room in one's home to store volumes of material.
- The expense is a concern given the pending budget situation but assurance has been provided that the cost of implementation will eventually even out.
- The administration has been conservative in terms of the estimated cost of assembling and mailing a "hard copy" of Board notebooks and it is believed in the end utilizing e-books would be less expensive.
- ➤ While recently traveling out-of-town it was difficult to determine how to secure the Budget and it ended up being the case that another Regent had to pick up the document and deliver it to another Regent. It would be more efficient for the Secretary to press a button and instantly send the information electronically to each Board member regardless of their location.
- ➤ Would be in favor of a transitional period and President Dunn was asked to work with Regents Thornton and Williams to determine the type of transition which would be helpful.
- In response to the RFP and whether there would be any implications with CSI, Incorporated in Paducah, Kentucky, being a potential successful vendor, Dr. Jacobs indicated this represents an RFP process and if CSI is the selected vendor and meets all RFP requirements, this should not be an issue. Dr. Dunn indicated if this company is among the final vendors at that point General Counsel John Rall could fully vet out the implications of that relationship. Dr. Curris reported he serves on the CSI Board and if that particular vendor reaches this point he would immediately disqualify himself from any further discussions. Although it is unknown whether this firm will bid on the project, in the event they do, it would be important to share the results of the bidding process.

➤ In response to a question regarding the timeframe for this process, Dr. Jacobs reported the RFP was drafted some time ago but needs to be edited and will likely go out some time next week and efforts will be undertaken to ensure the process moves as quickly as possible.

Electronic Board Books, RFP Issuance, approved

On behalf of the Committee of the Whole, Mr. Williams moved, seconded by Mrs. Guess, that the Board of Regents, upon the recommendation of the President of the University, approve the issuance of an RFP for an electronic board book provider and the selection of a vendor per standard University procurement procedures. The motion carried.

Adjournment

The Committee of the Whole adjourned at 9:20 a.m.

Academic Affairs Committee

Jerry Sue Thornton, Chair Jack Rose Phil Schooley Jenny Sewell Stephen Williams

Dr. Thornton called the Academic Affairs Committee to order at 9:20 a.m. and reported all members were present.

College of Health Sciences and Human Services (HSHS) Restructuring, approved

Dr. Thornton introduced Bonnie Higginson, Provost and Vice President for Academic Affairs, and Susan Muller, Dean of the College of Health Sciences and Human Services, who reported:

- This process involves restructuring two of the three departments within the College of Health Sciences and Human Services. HSHS was formed approximately 12 years ago as part of the total University restructuring of academic affairs. Over the course of the years it became apparent some of the disciplines were not well aligned within their respective departments. The Department of Wellness and Therapeutic Sciences in particular housed numerous disciplines resulting in a very large department that is difficult to manage across three buildings on campus.
- ➤ Upon her arrival at MSU Dr. Muller began working with the HSHS faculty to determine how best to restructure the college to continue its course and ensure the best future. The proposed restructuring will help the college build academic programs, better align faculty and increase faculty research productivity.

On behalf of the Academic Affairs Committee, Mr. Williams moved, seconded by Dr. Rose, that the Board of Regents, upon the recommendation of the President of the University, approve the restructuring of the College of Health Sciences and Human Services, effective July 1, 2012. The motion carried.

Academic Honesty Policy, adopted

Jay Morgan, Associate Provost for Graduate Education and Research, reported a new *Academic Honesty Policy* has been submitted to the Board for approval. Work is continuously underway to review and revise academic campus policies as necessary. The current policy was adopted by the Board of Regents in 1975 and is outdated. The proposed policy has been vetted through the University shared governance process and has met with full approval. Dr. Dunn reported as a result of work underway in preparation for the Southern Association of Colleges and Schools (SACS) reaffirmation of institutional accreditation process it has become necessary to revise many campus policies and this particular policy is being revised now for inclusion in the 2012-13 *University Bulletins*.

On behalf of the Academic Affairs Committee, Mr. Williams moved, seconded by Dr. Rose, that the Board of Regents, upon the recommendation of the President of the University, adopt the new *Academic Honesty Policy* as presented, effective July 1, 2012, for inclusion in the 2012-13 *University Bulletins*. The motion carried.

Regents Teaching Excellence Awards, approved

Dr. Higginson is pleased to present to the Academic Affairs Committee the faculty being recommended for Regents Teaching Excellence Awards who were selected through a specific process within their departments and colleges. This represents a coveted award and the faculty recipients are recognized at various campus events.

On behalf of the Academic Affairs Committee, Dr. Rose moved, seconded by Mr. Schooley, that the Board of Regents, upon the recommendation of the President of the University, approve the following faculty as Regents Teaching Excellence Awardees for 2012:

Larry Guin Arthur J. Bauernfeind College of Business Brenda Wilson Arthur J. Bauernfeind College of Business

Lynn Patterson College of Education

Barbara Cobb College of Humanities and Fine Arts
Paula Waddill College of Humanities and Fine Arts

Robert Daniel Johnson College of Science, Engineering and Technology

Iin Handayani Hutson School of Agriculture

Barbara Kearney School of Nursing

The motion carried.

On behalf of the Academic Affairs Committee, Dr. Thornton extended appreciation to the eight faculty members listed above for their service to the University and asked Dr. Higginson to express appreciation to each faculty member on behalf of the Board. She loves driving onto the Murray State campus and seeing the banners with pictures of these individuals. Dr. Rose indicated the banners currently displayed on campus feature faculty members and requested consideration be given to including other personnel on campus – students, staff and administrators – so they can also be recognized in this manner.

SACSCOC Reaffirmation Update, received

Dr. Morgan reported the following:

- ➤ MSU is in the process of moving toward a large scale and important initiative which must be undertaken every ten years the renewal of institutional accreditation. MSU was first accredited by SACS/Commission on Colleges (COC) in 1928.
- ➤ Presently the SACSCOC accredits all public and private institutions from 11 southern states. MSU is considered a "Track B" institution (offering master's degrees and above) and is a member of the 2014 reaffirmation class.
- ➤ Every five years the University submits an interim report to SACS with full institution-wide compliance certification occurring every ten years. The ten-year campus review will take place during spring 2014. During this process the institution is making a case for renewal of accreditation, which has an improvement effect on the University and its systems and programs.
- > The benefits of undertaking this process include the opportunity to review and revise policies, update metrics and ensure compliance standards are met. Whether the University continues to receive federal financial aid, rankings and reputational characteristics and the institution's ability to offer certain programs are all based on overall reaccreditation.
- There are hundreds of core requirements the University must adhere to but examples include:
 - Degree granting authority/continuous operation
 - Governing board composition/policy
 - Chief Executive Officer
 - Institutional mission and effectiveness
 - Program length/content
 - General education
 - Adequate faculty and credentials
 - Learning resources and services
 - Student support services
 - Financial resources
 - Physical resources
 - Quality Enhancement Plan (QEP)
- ➤ There are 69 Comprehensive Standards but a sampling includes:
 - Mission/institutional effectiveness
 - University governance and administration
 - Educational programs
 - Faculty

- Library and learning resources
- Student affairs and services
- Financial and physical resources
- Institutional responsibility for Commission policies
- Federal Requirements include:
 - Student achievement
 - Program curriculum
 - Publication of policies
 - Program length/definition of credit hours
 - Student complaints
 - Recruitment materials
 - Title IV programs
 - Distance and correspondence education ensuring online programs are being run correctly and there is student authentication when an individual takes an examination from an off-site campus
- ➤ The SACSCOC leadership consists of the President, four Vice Presidents, Dr. Morgan (liaison to the accrediting agency) and Adam Murray, Dean of University Libraries, and Bob Pervine, Associate Dean and Professor, College of Science, Engineering and Technology, who serve as the University's Academic Enhancement Plan co-directors.
- ➤ The Compliance Certification Steering Team is broken down by segments, including mission governance administration, institutional effectiveness, educational programs, faculty, QEP, Library, Continuing Education and Academic Outreach/service programs, financial resources, physical resources, federal requirements, specific standards/Commission policies and student affairs and services. Several employees provide resource support to the SACS reaffirmation process, with over 100 individuals university-wide involved in the reaccreditation process.
- ➤ A reaffirmation timeline was presented with two key dates highlighted: September 10, 2013 full compliance certification is due to SACSCOC and December 2013 when the Quality Enhancement Plan is due. The review team will visit the Murray State campus during spring 2014 and a determination regarding reaffirmation of MSU institutional accreditation will be made at the SACSCOC annual meeting in December 2014.
- During the past fall semester an internal readiness review was conducted and items identified for improvement included development of a new Intellectual Property Policy, formal Triple I planning transitioning to the Strategic Plan, updating all campus handbooks and manuals, web and distance learning student authentication, extended campus metrics (full-time, terminally-degreed faculty), updating the Campus Master Plan and a laundry list of systems and processes requiring work.
- > SACSCOC-identified focal points for improvement include:
 - Institutional Assessment As a result of a 5th year report in 2010 MSU was cited as lacking in both breadth and depth of assessment capabilities. This definitely stemmed from not yet having multiple years of assessment data within both academic and non-academic units. Over the past two years work has been underway to correct this long-running deficiency and the need exists to establish a permanent and ongoing assessment process at MSU. If this issue is not corrected and maintained the institution would move to "warning status." This represents the highest, ongoing priority within the reaffirmation process.
 - The MSU Quality Enhancement Plan was found to have issues with its processes in the years leading up to the 5th year report in 2010. To correct this issue staff and processes have been rearranged and last month the University responded positively to a monitoring report regarding progress made over the past two years.
- ➤ Involvement of the Board of Regents in reaffirmation of institutional accreditation will include general support of the process and possible one-day availability during the on-site review in spring 2014.
- In response to a Regent question it was indicated the implementation of Banner has been beneficial to the reaffirmation process while also presenting some challenges.
- ➤ Confirmation was provided that a reaccreditation consultant has visited the University. Regents attending the Governor's Conference on Trusteeship last year will recall the head of the Commission on Colleges addressed the fact that one of the first things the review team will consider is the University's Strategic Plan. The strategic imperatives and the Board's mission and vision statements must be combined into one succinct Strategic Plan outlining the direction of this institution. The Triple I planning system (unit approach) will be meshed with the direction of the Strategic Plan which the consultant specifically recommended calling the document. Determining how to tie these various elements (strategic directions and imperatives, etc.) together is part of what the consultant assisted the University with during his visit.
- It was indicated one of the main changes with SACS over the past couple of decades is an emphasis on assessment and accountability. One situation that exists with regard to faculty teaching courses at off-campus sites is the number of full-time faculty possessing a terminal degree. Dr. Dunn confirmed this has been a challenge but also illustrates extended campuses cannot be established without the funding necessary for them to function properly with appropriate faculty and resources.

Dr. Thornton stated there is a great deal of work that goes into the University's reaccreditation/reaffirmation process and Drs. Higginson and Morgan and the University Steering Team will

undertake the majority of this work and appreciation was expressed to all involved. A greater emphasis is being placed on outcomes and completion and she believes Murray State will score very high in this area. Appreciation was expressed to the Board for their support of this process now and in the future. The presentation was provided to the Board for information purposes only and required no action.

Adjournment

The Academic Affairs Committee adjourned at 9:50 a.m. The Board of Regents committee meetings adjourned at 9:50 a.m.

Reconvene

Dr. Curris reconvened the committee meetings of the Murray State University Board of Regents at 10:05 a.m.

Enrollment Management and Student Success Committee

Marilyn Buchanon, Chair Sharon Green Jeremiah Johnson Phil Schooley Harry Lee Waterfield II

Mrs. Buchanon convened the Enrollment Management and Student Success Committee at 10:05 a.m. and reported all members were present.

Spring 2012 Enrollment Update and Fall 2012 Preview, received

Fred Dietz, Executive Director for Enrollment Management, reported the following highlights:

- > Spring 2012 overall headcount enrollment increased by 365 students and the FTE count increased, two good indicators.
- For the first time a winter term semester was offered and, according to requirements established by the CPE, these numbers are reported during the spring semester and are included in the overall headcount. The winter term was successful with 181 student participants (two-week semester, web classes only).
- > Some students applying to the University for the winter term were first-time enrollees but most participants were currently enrolled students.
- In response to a comment regarding significant issues with the registration process for winter term, Dr. Higginson provided assurance the administration recognized the issues and worked with the Bursar and Registrar's Office to resolve any problems associated with implementing the first winter term, including broadening the registration and fee payment deadlines, and there should be no issues with future registration. Agreement was reached that the University would follow up with those students who registered at MSU for the first time to determine how many attended the University the semester following winter term and this information will be provided to the Board. The winter term also provided an opportunity for students to catch up on courses and move closer toward graduation.
- First-time student enrollment for the spring semester experienced increases in terms of freshmen, transfer, international and graduate students.
- ➤ A FTE comparison for first-time freshmen and transfers was provided and indicated freshmen increased by 15 and transfers increased by 43 students.
- ➤ Information regarding FTEs for the spring semester for undergraduate, graduate and total enrollment was provided over a five-year period for comparison purposes.
- A state and county report for fall 2012 was provided which includes information on freshmen, transfer and international applications for admission and Summer Orientation numbers were provided for first-time freshmen. All indicators from applications are positive and provide confidence for meeting the budgeted 2 percent enrollment increase.
- For the 18-county service region numbers are currently down in Christian County due to the Rotary Scholarship which allows high school graduates to attend their local community college for the first two years at no cost. The Christian County High School Guidance Counselor confirmed this is the route many students choosing not to attend MSU are pursuing instead. The number of students from Heath and Lone Oak high schools in McCracken County choosing to attend MSU decreased due in part to the fact that previously the University sponsored a bus tour to those high schools where students were brought to the main campus and allowed to apply for admission. This initiative was not particularly noteworthy for yielding quality applicants so the decision was made not to participate in the bus tour this year. The Counselor at Lone Oak High School confirmed an increasing number of

- students are choosing to attend the local community college with cost being cited as the major contributing factor.
- First-time freshmen enrollment for Summer Orientation is 80 to 90 students above last year.
- ➤ One key benchmark for fall at this point in time is registration, taking into consideration recurring students registering for the fall and new students registering for classes, and currently numbers are up in all categories (5.4 percent in overall registration).
- Numbers are up in first-time freshmen registrants, first-time transfers and full-time, first-time graduate, international and undergraduate students.
- > It is predicted there will be approximately 1,600 full-time, first-time freshmen in the fall (4 percent increase).
- ➤ The Governor's Scholars Program helped MSU in terms of percentage growth but not actual numbers because prior to hosting the program the University was not attracting any of these students which is also true for the percentage growth from Alabama.
- Enrollment from Oldham and Jefferson counties decreased due to the discontinuance of the busing program. This program helped in terms of the application process and securing admits but it was not beneficial in terms of yielding enrollment. The program will be re-evaluated in the fall.
- ➤ Kenton County and Indiana produced significant enrollment increases although recruitment efforts in those areas have not changed and the University continues to participate in college fairs, taking an active role recruiting in these areas.
- ➤ With regard to whether the University has attracted students who may have enrolled due to publicity the MSU basketball team received last season, it was reported that students will be surveyed this summer and information on how they discovered the University and what led them to apply will be collected. Students generally choose to attend a University based on available financial aid and whether the institution offers the program they want and this has not changed over the years.
- In terms whether MSU is monitoring creative ideas other universities are utilizing to attract quality students it was reported meetings take place with peer institutions throughout the state to share information and new ideas are consistently considered. Discussions have occurred with admission staff and some schools are now admitting students based on self-reported grade point average and test scores and waiting for the transcript to be sent to the University later. This increases turnaround time significantly and helps students get admitted to the University and many major universities are pursuing this route because it greatly reduces student wait time and they become involved in the process more quickly. This option is being considered at MSU but there are many aspects associated with the process which must be evaluated.

The enrollment presentation was provided to the Board for information purposes only and required no action.

Adjournment

The Enrollment Management and Student Success Committee adjourned at 10:25 a.m.

Finance Committee

Stephen Williams, Chair Marilyn Buchanon Constantine Curris Jack Rose

Mr. Williams called the Finance Committee to order at 10:25 a.m. and reported all members were present.

Doctor of Nursing Practice (DNP) Course Fees, discussed

Mr. Denton reported information was presented on each course number, expenditures related to that course and associated fees which would be affected by establishing this schedule. The Board previously approved the tuition rate per credit hour associated with the DNP. Dr. Higginson indicated this issue has been studied carefully and Dr. Morgan and Marcia Hobbs, Dean, School of Nursing, have closely reviewed the fee structures of other institutions in order to keep the MSU tuition and fee structure for the program competitive. The proposal being presented creates a fair balance and Dr. Hobbs and faculty in the School of Nursing undertook an extensive review of the entire program as well as specific needs for those courses requiring new course fee establishment.

Dr. Morgan reported the Doctor of Nursing Practice will require 78 to 85 hours for completion. The average per credit hour cost for tuition plus fees will be reflective of the fact that the DNP

represents a combined master's and a doctorate degree. The total estimated cost for a DNP for a Nurse Practitioner would be approximately \$40,000. The average cost per credit hour would depend largely on whether the course is offered on campus or online. Dr. Dunn indicated if all program costs had been included in tuition alone MSU would have been an outlier in terms of pricing.

Dr. Curris indicated the University may be an outlier if it includes all fees within the tuition rate and it could appear as though the MSU program costs more than that offered by other institutions offering the same degree but the total would be roughly the same and it is a question of how this issue is presented. He believes the University would be better off being honest in terms of what the total tuition cost would be with no additional fees (with some rare exceptions). The recommendation currently being presented represents a fee for virtually every course in the program. He is not opposed to raising funds to support the program but is concerned about whether that is included in tuition at the doctoral level or charged as fees. Looking at the rationale provided, fees will be used for faculty stipends, clinical oversight, access to databases, supplies and support and equipment. He is concerned the Board could be setting a precedent where every major could establish fees in addition to tuition on the grounds the BOR has previously approved such funding being used for faculty, equipment, supplies and services. He is prepared to support the recommendation given the lateness of the hour but thinks the larger issue this Board must discuss is for what purpose student fees over and above tuition can be used. The Board spends a great deal of time determining the appropriate level for tuition and general support of programs and these fees should be incorporated into tuition – although there may be instances where special fees are warranted (such as art courses). When the situation exists where a program has a special fee attached to every course one is really talking about tuition under another name and setting an unhealthy precedent. Dr. Dunn indicated in the materials provided to potential students there will be a full disclosure of all course fees, a great deal of transparency in terms of these charges will exist and course fees are published on the University website during the summer for the upcoming fall semester. The larger policy issue is compelling and to some degree previous boards have taken this institution there. In an earlier communication to the Board it was indicated there are over 100 courses with fees ranging from \$3 per credit hour up to \$200 per course. This will comprise a larger discussion which should include not only new programs because the University has already committed to this in some degree in other courses at a fairly significant level. Mr. Williams indicated if applicants are smart enough to be accepted into the doctoral program they would be able to add up tuition and fees in order to determine total program cost. This represents a policy issue and the Board must determine whether it wants to continue the process already set through precedent or whether the institution should begin to move in another direction but it is difficult to believe the University would lose students due to current procedures. This issue will need to be discussed in the coming years as new program options are proposed.

In response to a question regarding whether the University utilizes differential tuition pricing based on programs, Dr. Dunn indicated there is an online differential between undergraduate and graduate students for web-based courses but the difference is moderate compared to other institutions. He is an advocate for differential tuition to some degree but one must be careful in how this issue is addressed. A comment was made that discussion has previously taken place regarding the cost of a degree from one college compared to another college on the MSU campus. When faculty salaries and the cost of operation are considered, the College of Education requires 200 hours of pre-service (pre-student teaching) in the public schools, and supervision and management of this requirement is expensive. When discussion about differentiated tuition pricing occurs this conversation should include examples of successes and failures other institutions have witnessed with utilizing a similar model.

Doctor of Nursing Practice (DNP) Course Fees, established

On behalf of the Finance Committee, Dr. Rose moved, seconded by Mrs. Buchanon, that the Board of Regents, upon the recommendation of the President of the University, establish course fees effective with the fall 2012 semester as per the schedule which was presented to the Board. It was further moved that this recommendation be approved for the 2012-13 academic year with the understanding one or more scenarios would be presented next year to incorporate the concerns expressed by Dr. Curris. The motion carried.

FY13 University Budget, discussed

Mr. Williams reported the University Budget (approximately \$153 million) has been presented to the Board for approval. The BOR met previously and provided parameters for budget preparation and the Finance Committee held a budget briefing conference call a couple of weeks ago. While it was not an official meeting and no action was taken, it provided an opportunity for the Committee to be briefed and updated, ask questions and request additional information. The process was helpful and effective in moving budget preparation forward.

Mr. Denton provided an overview of the proposed budget with the following highlights:

- Appreciation was expressed to Ms. Dudley and Carl Prestfeldt, Director for Fiscal Planning and Analysis, for their diligent work in preparing the 2012-13 University Budget.
- The total operating budget represents an increase of approximately \$5 million (3.4 percent). The E&G budget (general fund) is being increased by 2 percent (\$2.4 million) and auxiliaries by 10 percent (\$2.6 million approximately \$1 million from Housing, \$1 million from Dining Services and the balance from the University Store and other operations). The numbers are larger for Housing because more students will be living in the residential colleges and for Dining Services because the number of meal plans has increased.
- The two major sources of revenue for the General Fund are state appropriations, which experienced a significant \$3.2 million reduction, and tuition and fees (\$6.9 million in total gross tuition and mandatory fees), which includes a 4 percent rate increase, a 2 percent growth factor and \$1.6 million for the online revenue sharing model.
- The total increase in General Fund revenues and other sources is approximately \$2.4 million, which includes an increase of \$6.9 million (resulting from 4 percent tuition rate increase, 2 percent enrollment increase, gross tuition from online course initiatives and prior year excess and mandatory and course fee increases), less scholarships and waivers of \$3.6 million for a \$3.3 million net increase in tuition and fees. When the \$3.3 million appropriation reduction is subtracted and other revenues (\$443,000) and carryforwards are added (\$1.9 million), the total increase in General Fund revenues and other sources totals approximately \$2.4 million.
- Expenditures include salary increases and reallocations of \$1.3 million, fixed costs increases (includes fringe benefits) of \$910,000 and other expenditures of \$228,000 for a total increase in General Fund expenditures of \$2.4 million. Salaries remained at roughly the same percentage from last year's budget in terms of percentage of total E&G, with personnel costs comprising 77.35 percent of the budget.
- A schedule for salary adjustments includes zero funding for a salary pool for across-the-board or merit raises; \$197,000 (general fund) for non-exempt (hourly) Staff Compensation Study final adjustments; \$57,000 for academic promotions (assistant, associate and full professors); \$486,000 new General Fund monies utilized to fund residential colleges, faculty/staff awards, equity/market adjustments and new positions and \$510,000 for reallocations among departments. Salary adjustments total \$1,250,000.
- Fixed cost adjustments included \$634,000 for health insurance institutional match increase; \$113,000 workers compensation decrease and other fringe benefits increase of \$97,000 for a fringe benefits subtotal of \$618,000. Utilities are predicted to increase by 3 percent (\$120,000) and technology upgrades, audit fees and other expenditures in the amount of \$171,000 are expected for total fixed costs adjustments of \$910,000.
- Budget priority expenditures were embedded in the previously presented expenditures, exclude departmental reallocations and include the following highlights:

Academic Affairs

-	Director of Institutional Assessment	\$55,000
-	Lecturer for Industrial/Engineering Technology (Madisonville)	50,000
-	Veterans Affairs Coordinator (Registrar's Office)	21,168
-	Programmer Analyst/Academic Services (Registrar's Office)	48,000
-	Assistant Professor for Clinical Education Coordinator – Wellness	45,000
	and Therapeutic Sciences	
-	Academic Advisor	32,000
-	Kellogg Grant Position (absorption of remainder of salary line	54,579
	adjustment)	
-	Assistant Professor – School of Nursing (salary line adjustment)	12,000
-	Replacement of appropriations reduction for Telecommunications	69,704
	Systems Management (program of distinction)	
-	Racer Writing Center Graduate Assistants	25,000
-	Online program initiative CEAO overload faculty pay and other	337,365
-	Academic departments in-load faculty pay and other	224,910

- Dr. Dunn indicated the TSM program was originally funded by the state and when funding for such programs is reduced University practice has been, because it is an academic program, to backstop the loss of monies. The University is utilizing \$70,000 to support the TSM program.
- Clarification was provided that for online courses where there is a revenue sharing incentive program with the academic department, 23 percent of gross revenue goes toward continuing education within the academic departments. They pay faculty, whether overload or in-load, and if some funds are left over those remain within the departments. Overload refers to over and above an individual's expected teaching load where the faculty member is paid an additional amount and in-load is where the responsibility is being taught within the faculty member's expected responsibilities. The typical teaching load is 12 hours (4 courses) per semester although this varies if the number of credit hours is higher or courses are taught at the graduate level.
- Dr. Dunn reported the University had reached a plateau in terms of online enrollment and as one of the first adopters of this delivery method Murray State experienced great success early but has reached a wall in terms of being able to grow online enrollment. There were no incentives for academic departments to staff these courses and in some departments the way the workload was structured allowed some faculty to teach online courses but this was not the case in all departments. Some departments did not have that luxury due to staffing issues and were required to offer overload pay to a professor with an already full teaching load to teach an online course in order for that department to simply be able to enter this arena. Provost Higginson and Brian Van Horn, Dean of Continuing Education and Academic Outreach, were given the charge of growing online enrollment but no incentives were provided to the departments to offer online courses because they were already covering necessary areas (teachers for off-campus sites). Revenue sharing must be implemented in order to get all departments and colleges involved in online course delivery and grow online enrollment. This allows Dr. Van Horn to provide overload pay to faculty to build courses and programs while assisting departments with specific staffing needs.
- Dr. Rose indicated there is a situation which exists at the University where there are creative ideas that have not materialized because what those ideas can produce is not being visualized during the budgeting process. Credit was given to Drs. Morgan and Van Horn for work that has taken place to include incentives which will help the University generate additional revenue. There is some "low hanging fruit" the University is not capitalizing on to generate revenue and this year a review needs to be undertaken to identify missed opportunities which would generate additional revenue. Mr. Denton reported approximately \$560,000 has been included for online program initiatives and academic department in-load faculty pay which will produce gross revenue of \$1.6 million. This marks the second year of a three-year breakeven program.
- Dr. Curris indicated information was provided on the various reductions which must be made by virtue of the state appropriation reduction and asked because of the sensitivities associated with constituency groups relative to the Breathitt Veterinary Center (BVC) whether the reduction is proportionate to all other aspects of the University. Mr. Denton reported the reduction is proportionate in terms of the percentage of those units funded directly by appropriations. There is another factor with the BVC and should there be a general across-the-board salary pool (which did not exist this year) then BVC would be totally funded for those purposes. If there were a 3 percent across-the-board salary increase and appropriations were only 1 percent, the University would ensure the BVC had adequate funding to cover the remaining increase. Dr. Dunn reported the BVC benefits because the University subsidizes any salary increases. The BVC is a fee-based organization and, as per previous policy, those fees do not come to this Board for approval but are approved by the BVC advisory body which increased fees to help offset the state reduction.

Finance and Administrative Services

-	Hazardous materials response services	\$ 5,000
-	Audit contract base increase	4,290
-	Software maintenance – Touchnet Mobile Student Payment	20,220
-	Software maintenance – hourly employee timekeeping system	17,957

Student Affairs/Institutional Advancement/General Institution and Athletics

-	Software Maintenance – Enrollment Management Banner System	\$40,195
-	Software Maintenance – Financial Aid Net Price Calculator for	10,000
	website	
-	CFSB Center and Lovett Auditorium Director salary line	15,189
	adjustment	
-	Employee Wellness Incentive Program	15,500
-	Title IX and Ohio Valley Conference dues increase	35,000

Mr. Denton reported that at the April 27, 2012, Board meeting in regard to the use of the fund balance, adopting the proposed 3 percent tuition increase would have left the University beginning the year with a \$3.1 million decrease in fund balance. By shifting to a 4 percent tuition increase, this reduced the amount to between \$2.4 and \$2.5 million which has been

decreased even further. Mr. Williams indicated the deficit was \$3.1 million at the time of the last BOR meeting and making the change in the tuition percentage increase reduced the amount to \$2.4 million. Additional work undertaken by the administration since that time has reduced the deficit even further to \$1.8 million. Dr. Dunn added there was a desire to keep FTEs as close to even as possible and the administration came very close to meeting that goal.

Mr. Schooley indicated \$200,000 has been included in the budget to address the Salary Compensation Study for hourly employees but even though an hourly rate control point was established at the beginning of the process some individuals have not yet reached that level. Mr. Denton reported this marks the third and final year of the Compensation Study salary adjustments and all hourly employees below the goal have now been brought up to that point and the administration completed what it indicated it would. Mr. Schooley provided the example that for a G-14 employee the control point was \$12.77 and there are some individuals at that grade but making \$11.72 which means they are short \$1.05 per hour. Mr. Denton indicated they are not necessarily short but that particular individual and situation would need to be reviewed because several variables could come into play in making hourly rate determinations. The major point is \$800,000 has been expended to reach a certain point and this has been accomplished. Mr. Schooley also indicated hourly employees this year went from 1,958 hours to 1,950 hours and that is eight hours short, although employees will be paid for any hours they work. Mr. Denton responded there are 260 work days in the upcoming fiscal year and most years there are 261 work days. Everyone will get paid for the hours they work but there is simply one less work day during the upcoming year.

Dr. Rose complimented the administration for not having a "knee jerk" reaction to the cut in state appropriation for the coming year or to the amount of funding lost over the past several years. He supports the recommendation although there are concerns he wants to put on the table. Some items included in the proposed new priority spending in Academic Affairs are more critical than others. He knows a request was made to come up with the FTE differences between the budget this year and next year and that number was somewhere around 12 on each side. He is bothered that the 12 FTE being taken out were in auxiliary services because he considers these to be funded from a source significantly different from general fund monies.

Dr. Rose is concerned about the transit system in Murray. It is a great system in terms of getting around town but the buses are also generally empty and for a long time the city ran trolleys without anyone on them. Last year the University contributed slightly over \$10,000 per month toward the transit system, this year will contribute over \$11,000 per month and next year that number will reach almost \$12,000. During hard budget times those numbers are hard to accept although certain student populations need access to transportation from their residence area to local businesses.

The University is trimming in some ways that are bothersome to Regent Rose. Murray, for a smaller community, is fortunate in terms of having a fairly diverse industrial complex and the quality of life has been cited as a major factor in why individuals choose to live in Murray. The City Council recently took action to require anyone living in Murray for 28 days or longer to purchase a city sticker and that ruling applies to students. Participants in the Governor's Scholars Program will be in Murray for over 28 days this summer and requiring them to purchase a city sticker plants a notion about the type of city these students are in and the city sticker issue could hamper efforts to recruit future GSP students. The city has also been promoting that Murray is the friendliest town in America but if the city sticker issues continue all entrances to the City of Murray will need to have a sign with a little box under it which reads, "Welcome to the friendliest city in America and if you are going to be here more than 28 days deposit \$50 and get a sticker out of the box." Students are being penalized and enough is enough. Two City Council members voted against the proposal and are commended for doing so but apparently there are ten other Council members who do not understand the importance of this institution to business and industry and the quality of life in Murray and he does not like this decision. Mr. Waterfield indicated he agrees and questioned how many other regional universities charge students to license their car. Mr. Johnson indicated the only other institution he could identify close by that charges students for having a vehicle is Carbondale, Illinois, and that charge is included as part of student fees. Mrs. Buchanon asked whether the City Council has been reminded how much these students contribute to the economy and a few years ago it was estimated each student coming to campus brings close to \$8,000. Mr. Johnson reported an Economic Impact Study conducted in 2003 revealed MSU students impact the community by

over \$136 million per year. When students do not work or shop in the city but are targeted for using city resources that is not acceptable. Dr. Dunn added an administrative group worked with the Student Government Association and serious discussions took place with city leadership for well over one year. It reached the point where it was getting ugly and because this Board desired to maintain good relationships with other governmental entities, parties and agencies the decision was made for the University to step back from the issue. The SGA was left to carry the mantle and the University stepped back given the reaction from others in the city. Dr. Curris asked how the ordinance differs from the one in place last year and Dr. Dunn reported the clarity in terms of students not being exempted is not there and previously only those students working in the city and living off campus were required to purchase city stickers. Dr. Rose indicated this institution is the economic insulator in the community and has been for years. The University drives the businesses in town and making students purchase city stickers is narrow-minded. Dr. Dunn indicated consideration was given to including the city sticker fee within the University's fee structure but after careful study a decision was made to not pursue this course of action. Mr. Johnson reported individuals are emailing the Office of Recruitment saying if students are required to purchase a city sticker because they are residents of Murray then they should not be required to pay out-of-state tuition. Mr. Waterfield indicated it is important to monitor the impact this decision by the city of Murray will have on recruitment efforts at the University and perhaps those results could be reported to the City Council. It was reported that between \$240,000 to \$255,000 will be raised through MSU students being required to purchase city stickers.

Dr. Curris asked, for Regents not familiar with financing for the Murray Transit System, whether that responsibility belongs to the University or the city and Dr. Dunn reported it belongs to the Transit Authority which services the city and county. The University contracts with the Transit Authority for routes that support the institution. A Task Force was formed approximately five years ago when parking on campus was an issue and this body was charged with reviewing potential solutions to address the parking issue. At that time it was determined something needed to be done but what the University could afford was contract with the local Transit Authority with the idea it would provide an opportunity for bus service across the various points on campus and also to local businesses. The system has been in operation since that time and the University pays an annual amount of money for the routes but it is correct usage is not at full capacity. There is attractiveness to the transit system and when students come to campus with their parents and see the system exists, especially for those students who will arrive on campus without a vehicle, this is especially attractive in terms of recruitment. International students also tend to find the transit system to be a strong benefit. The institution does not program for the City of Murray, instead it programs for Murray State University, and at the time the transit system was initiated there were enough positives to warrant an expenditure of funds from parking proceeds for this purpose. The original equipment was purchased with federal economic stimulus money but the time has come to determine whether the University should continue to support the transit system. Dr. Curris indicated it has been reported the University is contributing \$140,000 to \$160,000 toward this project and questioned what proportion of the Transit Authority budget this represents. Dr. Dunn indicated he does not have an exact figure but Murray State's contribution represents a significant portion of their budget and if the University decides to no longer participate it will be problematic in terms of local transit authority funding.

Mrs. Buchanon indicated funding for the Racer Academy is being increased and asked whether the University is also increasing the number of counties it reaches and Dr. Dunn reported the increased funding would not target particular counties but would be for all current schools as well as for other schools expressing the desire to join the program. Dr. Higginson reported the request was made to increase funding for the Racer Academy based on the level of interest from area schools for expanding the program across the state, not just within the 18-county service region. A request was made for future reports on the number of students participating in the Racer Academy who enroll as full-time MSU students upon graduation from high school.

FY13 University Budget, approved

On behalf of the Finance Committee, Dr. Rose moved, seconded by Dr. Curris, that the Board of Regents, upon the recommendation of the President of the University, approve the FY12 University Budget. The motion carried.

Mr. Williams expressed appreciation to management, especially President Dunn and Mr. Denton, for responding well to concerns and questions from the Board during an extremely difficult budget year.

Program Prioritization and Budget Planning for FY14, discussed

Mr. Williams reported a concept paper was provided to the Board and President Dunn has done an excellent job laying out the significant scope of work to be undertaken over the next several months. Dr. Dunn reported given current challenges in terms of overall revenue support for the University, the institution will have to deal with the same pressures because state appropriations will likely not increase drastically in the coming years and it is of great importance to this Board to keep tuition as moderate as possible. It is known tuition will not provide drastically increased revenues. There comes a time within complex organizations – such as colleges and universities - where every 'x' number of years, primarily driven by the confluence of these other interests (new Boards or administrations and revenue streams), a need emerges to review everything taking place within the scope and operations of the University which involves a strong review of those activities which continue to have value for the institution and those that do not hold as strong of a priority and need to be changed. This review provides an opportunity to identify areas for growth and the process represents cleaning out organizational underbrush. A University by nature is very additive in terms of new programs and services because there is always more that needs to be done. There generally is not an opportunity to review prior expenditure commitments and whether those initiatives continue to warrant investment by the University but it is now time to undertake this work.

Approximately five years ago an administrative review of the budget was undertaken and \$2 million in cuts were identified and areas considered to be "low hanging fruit" were presented to the Board as part of budget adoption that year. This work now needs to be approached more comprehensively and inclusively with greater involvement from the entire campus community in a way that provides more consistency across the various areas. As the Board reviews how this work takes place, members will note Dr. Dunn is proposing three larger teams be formed and tasked with working on issues related to the non-academic side of the house (Programs and Services for People, Organizational Efficiencies and Alternative Revenue Generation). These teams will review the savings, reallocations and other initiatives that can be undertaken nonacademically through this process. On the academic side of the house what had originally been portended is there would be one or two academic teams and as this process was vetted out, particularly with Provost staff and the academic Deans, Dr. Dunn was summoned to a meeting where good dialogue and discussion took place around doing this work on a college-by-college basis. The downside is these college teams will have to undertake a similar process but, in the end, Dr. Dunn agreed with the argument presented by the Deans. Faculty and staff populating the academic colleges are best able to undertake this work, have the most technical expertise and know the history of the programs, new areas to move into and those areas to recede from. This was a compelling argument but another issue was the fact that to some degree the Deans have already contributed in significant ways to balance this year's budget in terms of swept vacancy lines and a 1 percent giveback. The administration will move forward with the approach of having collegiate teams participate in the process to develop an ordered list of areas, along with their recommendations, to be considered for implementation after all non-academic areas have been reviewed.

Dr. Dunn requests the Board's endorsement of this process as it has been presented because there are other ways to approach this work which have been referenced, including the use of an outside consultant. The Board is being asked to endorse this approach so the campus community knows the Board of Regents supports the process they are being asked to undertake. If the BOR does not desire to approve the approach as proposed then it should certainly indicate the approach it desires the University administration to utilize. It has been made clear by the members of this Board that it would not be desirable to undertake another year of deficit budgeting. The Board graciously allowed the administration to utilize carryforwards to get one year of cushion but a plan must be enacted which results in not only a balanced budget but also revenue overage to accomplish other initiatives such as program growth and the addition of services not currently offered.

Mr. Williams expressed appreciation to Dr. Dunn for his openness in approaching this process and he certainly endorses the approach as outlined but would like to make a few comments. All

understand the need for this process originated from current financial circumstances so the University does not have a budget deficit situation next year but it is also as much of a planning process as it is a financial process. This presents an opportunity to review what the University is doing tremendously well and how to positively exploit and expand that – not just for new revenue but for new programs and services – and also identify an inventory of programs that are not performing to the extent originally envisioned and to review those from a financial or strategic standpoint. It is extremely important and critical that the scope, objectivity and thoroughness of this review process be unquestionable. The process will require leadership and coordination by senior and highly regarded faculty and staff – working through the committees as one component of the importance of objectivity and criticalness to the thoroughness and scope of the process. The committees should be populated to ensure thoroughness of non-political agendas. The rules of engagement and review must be well established and it is believed Dr. Dunn is committed to that end. It will be essential to utilize benchmarks throughout the process to determine how Murray State compares with other institutions that are well established and have been utilized previously to understand how the institution compares when evaluating programs. It is extremely important throughout the process to ensure this work is in line with the strategic priorities of the institution. Dr. Dunn's commitment to this goal is appreciated because the institution does not want to come out of this process at odds with itself in the sense of the strategic priorities. The process will require a rigorously disciplined timeline and it has been Regent Williams' experience these types of zero-based comprehensive reviews are usually conducted over 12 to 18 months and, for obvious reasons here, the process is being compressed within a much shorter period of time. The results of this work will be utilized by the Board during the budget process. The committees must be fully functional by the end of the summer so they are able to begin this work. Because of the timeline it will be extremely difficult for this work to be conducted sequentially and the committees will be required to undertake their work concurrently and depend on management to sort the recommendations down from there. Once this information is brought to the Board it should respond to management's prioritization but there will not be the opportunity to take a year and a half to undertake this work sequentially. In that context a timeline should be established whereby during the summer meeting Dr. Dunn would provide a report on the process leadership and populating the committees, including their charge and timelines. By the fall meeting in December a full status report will be presented to the Board with preliminary observations and findings. By the winter meeting there would either be a full report or close to a full report which can be provided to the Board. Between those two meetings briefings with the Finance Committee may be necessary, depending on the nature of the subject. The bottom line is this Board must support the process fully, understanding eventually recommendations will come to this body that will require thorough discussion and tough choices.

Mrs. Buchanon indicated with regard to faculty lines being swept to balance the budget this year all should remember academic affairs also took a budget hit in 2008-09 in the amount of \$574,000. Salaries, benefits and travel added together total roughly 64 to 65 percent of the University's budget and it may be time to put everything on the table. Agreement was reached that all areas of spending must be considered and reviewed. Dr. Rose indicated this process will create a great deal of tension on campus and it is likely Dr. Dunn will be accused of "stacking" committees. Mrs. Buchanon asked what assurance the Board has that there will be reasonable people serving on these committees rather than those trying to push certain agendas. Dr. Dunn indicated this process will be centrally controlled through the President but there is a balance which exists in this type of endeavor. He has tried to find that balance to indicate to constituency bodies they will have a seat on these committees for whomever the various groups wish to name. These bodies can recommend others to serve but Dr. Dunn will be as judicious as possible in ensuring a committee has the technical expertise necessary to understand the issues being discussed and the ability to engage in this type of work while representing various constituency bodies. These committees will also have an equal weighting demographically. He is confident in the ability of the groups to take on this work, particularly as they are staffed and provided with data and a clear charge. Mr. Waterfield wholeheartedly supports this work but would like it to be taken a step further and become a routine process the University undertakes every four to five years. Then everyone on campus is on notice this process will be undertaken in both the good and bad times. If people know in advance this review will take place then no one is surprised. Dr. Dunn indicated there are two individuals at the table who know the rationale behind this process which can be sensitive organizationally. The Chief Executive Officer and senior administrators put themselves on the firing line which is why generally these individuals avoid such a process. According to the Chronicle of Higher Education, in some institutions this

process can lead to no confidence charges for administrators in roles such as those held by Drs. Dunn and Higginson by virtue of their position at the University. There has been significant Board turnover within the past few years along with impinging pressure in terms of revenue and these expenditures have not been reviewed for some time. Mr. Waterfield indicated appropriation cuts will be commonplace in the future and a change is not foreseen until the economy and the state tax system change. Dr. Rose indicated in order for this process to be successful it is important for Dr. Dunn to remain the "top gun." The Provost and the Deans must rise to the top – along with the President – and others ultimately responsible for the different areas. Another person who will play a critical role in the process is Mr. Denton due to his financial background and institutional knowledge. Other individuals do not need to intervene in that level of administration, including the Board of Regents. Dr. Dunn reported Mr. Williams has provided good advice and counsel in regard to this issue which he plans to heed as President.

Dr. Curris indicated the President referenced that he and Dr. Thornton have been in similar positions and he wants to make observations in that regard. The audience he is speaking to are the Deans, Vice Presidents and others. In any such exercise the ultimate objective is to make the institution more focused. If one desires to save money, this can be done across-the-board. The reason one goes through this type of exercise is because at the end one has a stronger, more focused institution with priorities having been identified by the task forces or committees. It is not an easy process and the Finance Committee Chair was absolutely correct when he said it usually lasts 12 to 18 months. Accomplishing this work at the University within two years will be difficult because there are many bright people at this institution desiring to express an opinion and also because the value system in a university is built around developing a consensus with decision making being prolonged in an effort to achieve consensus. These values should be respected and individuals affected by these recommendations should be given an opportunity to react. There is one overwhelming imperative and that is one year from now this Board will have a balanced budget. The Board recognizes the economic difficulties which have occurred forcing some deficit budgeting this year. He commends Dr. Dunn, Mr. Denton and others for being responsive to the Board request to reduce reliance on reserves and bringing the amount utilized below \$2 million, thus responding favorably to the zero-based budgeting approach. This Board will make difficult decisions to ensure a balanced budget, recognizing there will be additional costs which are unavoidable, especially if the number of students continues to increase. A failure to undertake this work would in essence be the Board neglecting its responsibility. This Board has indicated the academic programs of this institution have highest priority and the quality of education for Murray State students is the number one objective. Having said this, Dr. Curris wants to communicate to all that the Board will be supportive of their efforts but, in turn, the individuals undertaking this work must be supportive of the deadlines the Board must meet. All the "perfect" information individuals feel they need to make recommendations may not be readily available but the process cannot be delayed.

Program Prioritization and Budget Planning for FY14, approved

On behalf of the Finance Committee, Dr. Rose moved, seconded by Dr. Curris, that the Board of Regents, upon the recommendation of the President of the University, direct the President to undertake budgetary review and program prioritization during the 2012-13 academic year following those principles as generally outlined in the concept paper presented. Dr. Rose added this recommendation also includes earlier comments. The motion carried.

Adjournment

The Finance Committee adjourned at 12:05 p.m.

The Board of Regents committee meetings adjourned at 12:05 p.m.

Chair

Secretary