

Minutes
Murray State University
Quarterly Board of Regents Committee Meetings
September 17, 2010

Chair Constantine Curris called the committee meetings of the Murray State University (MSU) Board of Regents (BOR) to order at 8:05 a.m. and reported all Regents were present. He welcomed Student Regent Kirby O'Donoghue and Faculty Regent Jack Rose to the Board.

Finance Committee
8 a.m.
Stephen Williams, Chair
William Adams
Marilyn Buchanon
Constantine Curris

Mr. Williams, Chair of the Finance Committee, called the meeting to order at 8:05 a.m. and reported all members were present.

Authorization for Issuance of General Receipts Bonds, 2010 Series A, discussed

Mr. Williams indicated all Board members have been provided with an opportunity to review the information contained in the meeting notebook as well as Dr. Dunn's email responding to additional Regent questions.

Tom Denton, Vice President for Finance and Administrative Services, introduced Greg Phillips, Senior Vice President for Public Finance with Hilliard Lyons, the bond financial advising firm which has been engaged under the University's state contract. The firm of Peck Shaffer is also engaged as the University's bond attorney but there are also other state offices that review bond transactions, including the Commonwealth of Kentucky's Office of Financial Management and the Capital Projects and Bond Oversight Committee which undertake substantial review and work with regard to bonds. Mr. Denton presented the following highlights pertaining to the proposed bond refinancing:

- Currently the University has \$58 to \$59 million in long-term debt.
- One Consolidated Education (ConEd) bond has been issued that is a revenue bond under the old bond issuance (for administrative or classroom type buildings). The University holds the debt and makes the payment but the state has provided an appropriation to cover the debt service. There is a balance of \$720,000 remaining on this bond issuance.
- Old housing and dining bonds (revenue bonds from the housing and dining system) amount to \$21 million which is being proposed for refunding today.
- There are \$20.4 million in general receipt bonds – the new style bonds issued for Richmond College and projects in housing and dining (\$600,000 or less each) – but a multitude of projects combined amount to a total bond issue of \$7.6 million.
- The University has a Master Lease agreement with the City of Murray where the city issued bonds for the Student Recreation and Wellness Center and the University makes payments through that entity. The original issue was for \$10 million and currently stands at \$9.4 million in principal remaining.
- There is a Master Lease Agreement for energy performance in the residence halls (lighting replacement) which was originally a \$6.5 million issuance. The Board recently approved an additional \$1.5 million Master Lease Agreement to install a two-megawatt generator in the residence hall area to provide emergency electricity. The University also has the Crisp Center lease-purchase arrangement for the building in Paducah, Kentucky.
- Because current interest rates are lower than what the University presently has for bonds this action will result in a cash flow savings. It is also desirable to move older housing and dining bonds off the old indenture because it has several disadvantages, including the requirement the University have in place a debt service reserve which amounts to one year's annual payment. General receipts bonds eliminate this requirement and provide the University with additional money it is not required to reserve on the front end with future bond issuances. Making this change would eliminate a specific debt coverage ratio - an old restriction. The old housing and dining indenture contains a non-compete clause for other housing systems. If the University attempts to bring in a privatized public-private partnership it is difficult for this type of arrangement to exist under the current indenture and the provision would be eliminated under the

new structure. There are many incentives to make this change, not only economic in nature but as they would pertain to future transactions.

Mr. Phillips presented the following:

- Hilliard Lyons' undertook an overall review of the University to identify potential new funding opportunities and over the last several months credit market interest rates have dropped to historical lows. The bellwether index is used as the standard and approximately one year ago it was above 375 (almost 4 percent). In June 2010 when it appeared the economic recovery was slowing and there were questions in terms of whether the country would go into a double-dip recession (along with other economic conditions), the rate dropped dramatically, to the point where it reached a low of about 245. In a matter of months the bellwether index dropped 60 to 70 basis points and it is currently trading at 275 (low). At this point Hilliard Lyons identified viable refunding opportunities in the housing and dining system.
- Since refunding was being undertaken on three-fifths of what the University had outstanding, the determination was made to add separate Series P and Series Q issues and not only would economic benefits accrue to the University but non-economic issues could also be addressed. The owner's covenants attached to the original bond indenture were standard in 1965 but are also extremely restrictive. Once an indenture is in place it can never be changed to be more lenient unless bonds are defeased, which is the action being recommended.
- All debt will essentially be refunded to relieve the University from the current indenture. Cost is estimated to be \$20.5 million and the bonds being refunded currently carry interest rates from 4 to almost 5.5 percent. The rates estimated on the new bonds will be approximately 3 percent but this will not be definitely known until bonds are actually sold on September 30.
- In terms of cash flow, it is estimated the University's annual debt service would be substantially less (initially up to \$300,000 for several years) and as some bonds mature this amount would decrease further. Total cash flow savings of \$3.4 million could be realized – due to the fact the University is buying down its bond issue because the debt service reserve is being used – a wise use of this reserve. It is important to note that while the University is refunding debt no maturity dates will be extended. The Office of Financial Management supports this action, especially today in terms of what is taking place at other universities across the country with regard to housing. Public-private partnerships are emerging but this arrangement is simply not permitted under Murray State's current bond indenture due to the non-compete clause. The non-economic reasons for making this change are compelling and cash flow savings are an added bonus.
- In response to a Regent question regarding whether the Board should be concerned about moving from pledging housing and dining revenues to general receipts revenue, Mr. Phillips indicated general receipts is a stronger bond issue. Several years ago many universities moved from ConEd bonds to general receipts. The University's rating has recently been enhanced to Aa2 which is far better than what can be earned on housing and dining bonds. The University is effectively pledging those revenues anyway either under housing and dining or general receipts. The University can receive a much better rate and will no longer need to fund the reserve in general receipts (except for housing and dining bonds issued as general receipts due to the outstanding indenture). Rating agencies will view this action as improving the institution's financial structure in terms of general receipts. The majority of Kentucky universities are using general receipts as a pledge on bonds – even for housing and dining projects.
- The University's excellent bond rating is in place due in part to strong state supervision and the intercept principle and MSU benefits from the state's rating which allows the institution to secure more favorable marketplace interest rates.

In response to a Regent question regarding a reserve no longer being required under the new structure and whether the University could “max out” on bonding, assurance was provided the University would continue to retain a reserve fund – although not of the same magnitude – and would remain within bonding safety limits (although there is currently no statutory debt limitation for state universities). The University has adequate capability for future projects and in many cases is issuing the debt which is, in turn, paid for by the state. In those situations the University in essence receives a credit because the state is allocating debt service. Mr. Denton indicated with regard to debt service coverage, when issuing housing and dining bonds the requirement is 1.2 debt service coverage. Revenues must at least be 1.2 times the annual debt service payment. The University has always been in the upper range in this regard and as it issues additional bonds will need to pay attention to where it stands in terms of debt. Dr. Dunn indicated an additional benefit is that the reserves which will be freed up – or cash assets – can be applied to begin work in Elizabeth College. The University will be freeing up cash assets to address renovation needs in the high rise residential college facilities. Sufficient reserves exist within the University's General Fund balance and with the state intercept law if the University experienced difficulty in making a bond payment essentially the state forces it to make the bond

payment by using undistributed state appropriations. From the University's perspective sufficient reserves exist if a determination is made to designate a portion of reserves for this purpose.

In response to a Regent question, Mr. Denton provided confirmation there is no commitment with regard to the \$300,000 and this funding could be used to complete renovation projects. It is not foreseen that general receipts (such as tuition dollars) will be needed to pay off the bond indebtedness or support the housing and dining system and refunding is proposed as a means to lighten the burden in this area. Management constantly evaluates revenue and expenditures and how the housing system is performing in terms of occupancy loads and housing rates compared to the local market. Dr. Dunn indicated one overall goal of making this move is to reduce the debt load burden on housing and dining. Housing and dining rates continue to increase each year and what is driving that in large part is debt the University is carrying in the housing and dining area. The University has an authorization for the T-Room in the amount of \$1.2 million but the administration is considering moving away from using that authorization in order to limit housing cost increase percentages each year. Clarification was provided that the new bond issue does not contain restrictive covenants above those the University currently follows for any general receipts bond issue.

Authorization for Issuance of General Receipts Bonds, 2010 Series A, adopted

On behalf of the Finance Committee, Mr. Adams moved that the Board of Regents, upon the recommendation of the President of the University, adopt a resolution for the authorization, issuance and sale of up to \$22,620,000 General Receipts Refunding Bonds, 2010 Series A of Murray State University, pursuant to the Trust Agreement dated as of May 1, 2007, and a Third Supplemental Trust Agreement to be dated as of the first day of the month in which the bonds are issued. Dr. Curriss seconded and the motion carried.

Endowment Match Program Report, approved

Mr. Denton reported the following:

- The Council on Postsecondary Education (CPE) requires the University to submit an annual Endowment Match Program Report and a copy was provided for BOR review.
- New endowments include the David and Ashley Dill Distinguished Professorship in Accounting; the Center for Free Enterprise and Organizational Democracy; the Jesse D. Jones Scholarship Endowment for the College of Science, Engineering and Technology; Jones Science Library in the New Chemistry Building – Jesse D. Jones Hall; the Conie Crittenden Lowry Pre-medical Scholarship Fund; the Charles and Marlene Johnson Endowed Scholarship in Music; the Dan C. Hutson II Scholarship Endowment and the Doris Dudley Scholarship Endowment.
- As of June 30, 2010, the current market value of University endowments is \$18.9 million which is particularly favorable compared to prior year. The University has matched 100 percent of the \$1,580,000 in state funding through private funds.

Mr. Williams encouraged the Board to review the report in detail, indicating it provides a great deal of insight into MSU endowment programs.

On behalf of the Finance Committee, Mrs. Buchanon moved that the Board of Regents, upon the recommendation of the President of the University, approve the Endowment Match Program Report for the period ended June 30, 2010, as required by the Kentucky Council on Postsecondary Education. Mr. Adams seconded and the motion carried.

Adjournment

The Finance Committee adjourned at 8:43 a.m.

Academic Affairs Committee
8:45 a.m.

Jerry Sue Thornton, Chair
Phil Schooley
Stephen Williams

Dr. Thornton, Chair of the Academic Affairs Committee, called the meeting to order at 8:45 a.m. and reported all members were present.

Establishment of the Doctor of Nursing Practice Degree Program (DNP), discussed

Dr. Dunn reported a broader financial pro forma with regard to the DNP was provided in the supplemental notebook. Bonnie Higginson, Provost and Vice President for Academic Affairs, indicated if the DNP proposal is approved it will represent the first doctorate for Murray State and will bring many new opportunities to campus. The administration recognizes the critical need for preparing advanced practice nurses and the MSU bachelor's and master's nursing degree programs are highly regarded and have a strong history at the institution. All are confident the Doctor of Nursing Practice will add to Murray State's tradition of excellence.

Dina Byers, School of Nursing Graduate Coordinator, reported the Doctor of Nursing Practice is a clinical doctorate degree in nursing designed to move Bachelor of Science in Nursing (BSN)-prepared registered nurses to the advanced practice level. Advanced practice nursing can be defined as a level of nursing practice that utilizes extended and expanded skills and experience and knowledge in assessment planning, implementation, diagnosis and evaluation of the care of individuals and groups. The basis of advanced practice is the high degree of knowledge, skill and experience that is applied within the nurse-patient relationship to achieve optimum outcomes through critical analysis, problem solving and evidence-based nursing decisions. Advanced practice nurses demonstrate effective integration in theory, practice and experience, along with increasing degrees of autonomy in judgments and interventions. Examples of advanced practice nurses include the nurse anesthetist, clinical nurse specialist, nurse midwives and nurse practitioners. Currently the MSU School of Nursing prepares advanced practice nurses in three areas, including the Clinical Nurse Specialist, Nurse Anesthetist and Family Nurse Practitioner. All programs are approved by the Kentucky Board of Nursing (KBN) and are accredited by the Commission on Collegiate Nursing Education. The MSU Nurse Anesthetist Program is the only one in the Commonwealth of Kentucky, is accredited by the Council on Accreditation of Nurse Anesthesia Education Programs and the University has a well-established partnership with the Trover Foundation in Madisonville, Kentucky, in addition to a satellite site at St. Claire Regional Medical Center in Morehead, Kentucky. As healthcare needs have become more complex and the knowledge base necessary to meet those needs has grown and expanded, the educational requirements for advanced practice nurses have also increased. In response to the changing healthcare environment, the American Association of Colleges of Nursing has recommended moving the entry-level of advanced practice nursing from the master's level to the doctoral level by the year 2015. The American Academy of Nurse Anesthetists has established a deadline of 2025 as the date all programs of nurse anesthesia must educate students at the doctoral level. It is important to note these agencies will not continue to accredit master's degree programs after 2015. As the movement progresses, Doctor of Nursing Practice Degree programs must be in place to ensure advanced practice nurses receive the education necessary to provide safe quality care, aid in reducing healthcare costs and eliminate health disparities. Murray State has successfully educated master's-prepared advanced practice nurses for the past 15 years which provides healthcare for persons in rural areas.

During the spring 2010 legislative session, Senate Bill 26 passed allowing Kentucky's six comprehensive universities to provide DNP programs upon approval of the CPE, in collaboration with the Kentucky Board of Nursing. In March 2010 MSU posted on the CPE website a proposal announcing the University's intention to implement the DNP pending Kentucky Board of Nursing approval. The MSU Academic Council approved the DNP academic program in April 2010 and in July 2010 the KBN developed proposed administrative regulations for schools of nursing desiring to offer the DNP. These regulations will be voted on by the Kentucky Board of Nursing on October 1, 2010. In July 2010 President Dunn notified the Southern Association of Colleges and Schools (SACS) of the University's intent to offer a more advanced degree level.

Also in July the MSU School of Nursing submitted a substantive change report to the Commission on Collegiate Nursing Education informing them of the change in administrative structure and the intent to begin offering the DNP. The movement to the DNP as an entry-level requirement for advanced practice nurses is about producing the most competent clinicians needed to meet the changing healthcare needs of the nation. In order to continue the excellence Murray State's graduate education program has developed it will be required to provide the DNP to advanced practice nursing students. The enhanced education received through the DNP will better prepare advanced practice nurses to become leaders in healthcare policy and reform.

Michael Perlow, Interim Dean of the School of Nursing, reported as this idea began to gain momentum in 2006, the American Association of the College of Nursing set forth a document whereby eight essentials of DNP education were identified. MSU faculty then created a curriculum based on those essentials and arranged courses in three particular areas. There is a scholarly core of courses leading to the DNP, clinical core courses which cut across all specialties and provide the science background for specialty education and clinical courses with three distinct clinical tracts. Each tract has a director or program manager skilled in that specialty area to monitor each particular tract. The curriculum is similar to that of the master's degree program with the exception of particular essentials which are enhanced with the Doctor of Nursing Practice, including systems leadership and theory where professionals learn to understand the structure of systems and how to manage those systems. A second issue becoming more important to nursing and nursing education is the understanding of information systems, including the utilization and manipulation of systems and understanding how those systems affect health care. A third issue is health policy and doctorally-prepared individuals must help provide for health policy in order to facilitate legislation and provide umbrella care to populations. For this collaboration to be successful these individuals cannot work in a vacuum and must be able to work with groups of individuals to utilize the expertise of these groups to provide care. The clinical health and promotion component of the DNP promotes a healthier population and this work will increasingly be shifted to the professional doctorate the MSU School of Nursing will provide.

Jay Morgan, Associate Provost for Graduate Education and Research, indicated the DNP has been a prize possession on MSU's horizon and has represented preparation in motion. Work has continued diligently to file applications and prepare reports with October 1 being the important "trigger" date. Pending the outcome of the Board's decision today, work will continue toward meeting the October 1 deadline. As the University begins to prepare for the transition from the MSN to the Doctor of Nursing Practice a variety of factors have been taken into consideration. Board members were provided with information in the supplemental notebook, including a three-year estimated annual expense projection. Cohorts will be phased in over three years with each cohort consisting of 34 individuals simultaneously enrolled in both programs. The information presented provides an idea of how the University will expense out several factors. As work began with Drs. Perlow and Beyers, a cost-benefit analysis was undertaken with 15 students from the master's program transitioning to the full DNP and all involved are comfortable with the associated cost benefits. The shift to the DNP after the second year is where the University will begin to reclaim some upfront costs. Offering the DNP represents an investment and the program will operate at a relative net loss for two years with those monies being reclaimed in the third year because the third year is over and above what a master's degree student would enroll in. Calculations were based on each DNP student taking 32 semester credit hours over and above what an MSN student would take which produces additional revenue enabling the program to closely meet estimated expenses. This proposal represents a business model that will change over time as the University is required to meet different aspects of reporting and accreditation.

Regent Thornton thanked all presenters and expressed appreciation for the additional information provided in the supplemental notebook. In response to a Regent question regarding whether there will only be 34 students in the program over the next three years with another cohort being added at the end of year three, Dr. Morgan reported at the end of year three there will be 100 to 102 students in the DNP program – the same number of students currently enrolled in the master's program. There will be a transition period as students begin to fully understand what is involved in changing from the MSN to the DNP and once all elements are incorporated into the process and this type of program becomes common throughout the region, it is predicted enrollment numbers will remain steady.

In response to a Regent question regarding how other Kentucky universities plan to proceed, it was reported the Board of Regents at Eastern Kentucky University approved the DNP in May 2010 but did not follow appropriate CPE protocol for program approval. Within the last ten days the CPE emailed approval for the degree program proposal to be placed before the MSU Board although the full CPE has not yet approved the program. It is believed the only institution that will not request permission to offer the DNP degree is Morehead State University which currently offers only the bachelor's degree in nursing and will partner with the University of Kentucky. Dr. Perlow reported Kentucky State also does not intend to pursue the DNP. Dr. Dunn indicated internally the time is right to move forward because other non-public programs will start being approved and advertised and will begin attracting students before MSU starts the initiative. Groundwork over some number of months with nursing faculty and administrators of the School of Nursing has already taken place and the determination was made to move forward at this time.

In response to a question regarding the differential in pay a student with a masters degree in nursing and a DNP recipient can expect to receive, Dr. Byers reported in the clinical setting the difference would not be significant. The average salary for a nurse practitioner is approximately \$80-\$85,000 per year but for a nurse anesthetist the salary would be quite higher. The intent is to also prepare students for faculty positions to help alleviate the shortage of nursing faculty. Regent Williams reported from the standpoint of supply and demand in the field, including an incredible increase in demand for advanced nursing practitioners – both nurse anesthetists and other types of advanced practitioners (particularly the nurse practitioner as an extension of physicians) – is occurring. Demand was already significantly outpacing supply but healthcare reform to be implemented over the next decade will further increase demand for more physicians and advanced practitioners. If 50 million people are added to the insured (in response to a law requiring primary care) there will be an increased demand for healthcare professionals but at the same time the law does not provide for how to attract or produce those individuals. No provision is contained in legislation to increase the number of primary care physicians or require medical schools to increase the pipeline for primary care. There will be a large increase in demand for physician extenders and nurse practitioners but currently no national or state mandates exist for increasing the supply of physicians or advanced nurse practitioners. An opportunity exists for Murray State to meet what will absolutely amount to a significant demand in Kentucky and beyond. The timing for eliminating the master's degree and moving to the doctorate is somewhat an unfortunate juxtaposition; in the same era when requirements and demands will be much higher and the cost to achieve these requirements will be greater, pay scales will not necessarily be that much higher, creating a supply and demand issue. MSU is in position to be at the front of this movement in the state but the program will also likely attract some out-of-state students because demand will exist for these types of programs. He supports the recommendation being advanced because the MSU nursing program is already strong and offering the DNP would advance that strength even further.

Dr. Perlow indicated there could possibly be short-term issues which will need to be addressed but the purpose of making this change is to create a long-term program that will thrive for decades. This is how the School of Nursing should proceed and now is the time to start the process with rewards ultimately coming over the next twenty to thirty years. Dr. Dunn reported about six weeks ago he, Mr. Jackson and Dr. Perlow spoke before the Board of the Kentucky Hospital Association (KHA) – an opportunity provided in large part through the good auspices of Regent Williams and his support – and presented to the Board changes occurring in nursing, information about the creation of the School of Nursing at MSU and the fact the University was close to moving toward offering the DNP degree. All were excited about the possibility that within the next year to year and a half there could be an investment from KHA in support of these programs. They are supportive of what Murray State is accomplishing and the University looks forward to a continued favorable relationship with the KHA. Dr. Dunn expressed appreciation to Regent Williams for his efforts to assist the University in this regard.

In response to a Regent question regarding the number of faculty the School of Nursing will initially require to make this change, Dr. Perlow indicated the program can start with current faculty but as each cohort is added into the program it is anticipated an additional faculty member will need to be added. Of particular concern is ensuring the quality of other nursing programs does not decrease as the DNP is implemented. Dr. Dunn clarified the number of faculty will need to be increased and the Board will see (through the priority budgeting process)

a faculty member added during each of the two upcoming years. MSU will begin offering the DNP in fall 2012, pending approval by the Kentucky Board of Nursing and the CPE. The role of the CPE has not yet been clearly defined but the Council has indicated it will defer to the KBN. It appears KBN will take the lead in this initiative and the CPE will play a secondary role but the final decision as to what that role will be has not yet been made.

In response to a Regent question regarding whether moving to the doctoral-level carries implications with SACS which go beyond the immediate nursing program, Dr. Morgan responded this move does carry implications and by October 1 the University must make application for approval of the first advancement in degree-seeking authority. In the history of Murray State, programs leading to the Master of Science degree have been offered but the University is in the process of making application to increase its degree-seeking level. The application process includes submitting an extremely large number of reports. Once the information has been submitted to SACS and approval has been received, future doctoral degrees the University might desire to offer would become incrementally easier to add to the program inventory. MSU is slightly behind in this process and primary obstacles are the reporting process and likely some questions from SACS regarding the number of publications the University Library currently contains, the role of the faculty and their credentials. Work will be undertaken not only with the nursing faculty but also upper administration and affiliated bodies to resolve some of these obstacles. Dr. Dunn added that the Library budget for FY11 has been increased in part looking forward to the potential of this first doctoral program. In response to a Regent question of whether SACS takes into consideration students can obtain a vast amount of information via the Internet (as well as through other opportunities) and if MSU will be reviewed based solely on collections, Dr. Morgan indicated this is yet to be determined until the University's report has been filed and analyzed by SACS. Work has taken place with the Dean of University Libraries to identify resources students will have access to which is especially important because a portion of the DNP will be delivered online.

In response to a Regent question regarding SACS accreditation and which national accrediting agency has standards for this program, Dr. Perlow responded the American Association of Colleges of Nurses has an accreditation arm – the Collegiate Council on Nursing Education (CCNE) – that is fully approved to accredit primarily baccalaureate and higher degree programs. All current School of Nursing programs are accredited by the CCNE but the agency does not accredit doctoral-level programs until the first class has graduated. When the DNP program begins CCNE will be informed and once the first cohort has graduated full accreditation for the program will be pursued. The University is currently accredited at the master's level and will continue accreditation at that level until the doctoral program is fully accredited.

Regent Rose indicated it was earlier reported the DNP program can begin with School of Nursing faculty currently in place but it is anticipated an additional faculty member will need to be added during each of the next two years. Program accreditation from SACS will be pursued but when the standards of the agency which will be accrediting the program – CCNE – are taken into consideration, standards are typically higher and much more specific for a particular academic area. In response to an inquiry regarding additional resources which would be necessary on the horizon, Dr. Perlow indicated in conversations with CCNE additional resources the University will need are reflected in the initial budget information presented to the Board. It is anticipated faculty resources will be available as well as the clinical agencies which are already in place and currently serving the MSU master's degree program. Resources which are needed but are not in place include Library holdings and access to information systems (currently being upgraded through the Banner and new Blackboard systems). Dr. Perlow has worked closely with Dean of University Libraries Adam Murray to determine the necessary program resources and it is believed what is needed to begin offering the DNP is included in the budget presented.

A Regent indicated the heart of Murray State's nursing programs over the years has been the preparation of practitioners at the baccalaureate level and as the profession has evolved MSU is on the brink of being on the forefront in the state of Kentucky. It was asked whether there is any assurance the number of students enrolled in or the quality of the Bachelor of Science in Nursing program will not decrease, Dr. Higginson reported she and Dr. Perlow have discussed the critical importance of not lessening in any way the quality of the undergraduate nursing program. While it is true the School of Nursing could begin offering the DNP immediately, it is also the case

faculty and administrative staff are pleased it does not yet have to do so because additional doctoral-level, Ph.D. or DNP-prepared faculty will be necessary not only to teach in the new doctoral program but also in the undergraduate program. All are sensitive to the importance of maintaining the quality of the undergraduate nursing program. It has been reported that when some of the other comprehensive universities in the state began offering terminal degrees, primarily in Ed. D. programs, the quality of the undergraduate programs has suffered. Dr. Perlow indicated this situation simply would not be allowed to occur at MSU as long as he is involved with the nursing program. The pre-licensure program is the essence of the MSU School of Nursing and assurance was provided this will remain the same. Regent Curris reported that in Iowa there is one public university producing nurses – the University of Iowa – and faculty recently voted to eliminate the baccalaureate programs in order to focus on graduate programs. Although the situation in Kentucky is not similar, all are very much aware what frequently occurs as advanced degree programs come into play in that the base programs are neglected and he very much appreciates the strong statements which have been expressed indicating this will not be a concern for Murray State. Dr. Perlow reported not one faculty member in the School of Nursing believes the pre-licensure program could be anything but excellent and to think otherwise would be inconceivable. Dr. Dunn added MSU has a history of balancing these demands and a master's program is not a doctoral program, certainly in terms of faculty expectations around scholarship and research, but the University has had a vibrant master's program for some years and last year nursing was the largest undergraduate major. As the transition to doctoral programming is made, at least to the extent history is a predictor, the program has been able to maintain a strong master's program with no loss of enrollment at the undergraduate level or a decrease in board passage rates. Dr. Higginson reported in most cases universities have in place a bachelor's and master's degree program and then add a doctoral degree program. With the DNP the middle level (master's) is being removed which lessens the potential negative impact on undergraduate programs. Regent Williams is concerned and believes the Board should also be concerned about how daunting the elimination of this interim level will be for a bachelor's level person realizing that in order to earn their next degree they must take more hours and there will be an associated "sticker shock." Scholarship demand will increase and students will be justifiably concerned about how to move from the bachelor's degree to the DNP degree and the financial burden alone will be daunting. At a time when demand is high for more advanced practice nurses it is also becoming more difficult financially to obtain this level of education and work to determine the appropriate manner in which to help students take the next major step must take place.

Dr. Thornton thanked the Board for providing substantial discussion on this topic and expressed appreciation to the presenters for leading the team that will bring this initiative to fruition.

Establishment of the Doctor of Nursing Practice Degree Program (DNP), approved

On behalf of the Academic Affairs Committee, Mr. Williams moved that the Board of Regents, upon the recommendation of the President of the University, approve the proposal from the University Academic Council for a new degree program - Doctor of Nursing Practice (DNP). Mr. Schooley seconded and the motion carried.

Adjournment

The Academic Affairs Committee adjourned at 9:25 a.m. The Board of Regents adjourned for a break beginning at 9:25 a.m. and ending at 9:40 a.m.

Audit and Compliance Committee 9:15 a.m.

**Harry Lee Waterfield II, Chair
William Adams
Constantine Curris**

Mr. Waterfield, Chair of the Audit and Compliance Committee, called the meeting to order at 9:40 a.m. and reported all members were present.

Revision to RubinBrown Audit Contract, discussed

In February 2010 the MSU Board of Regents issued a contract to the accounting firm of RubinBrown to perform the University's financial and compliance audits for fiscal year 2010 for \$113,000 which included three subsequent contract renewals. Since that time the Office of Management and Budget revised audit guidance which now requires further work be undertaken at an additional cost of \$18,600.

Mr. Denton reported as a result of July 2010 federal regulation changes the auditors have now included in the audit three additional major federal program reviews. Previously the University undertook program reviews – Student Financial Aid and TRIO Programs – but because the threshold is now lower and is based on the University's numbers in terms of total federal awards, this creates the necessity to review three additional programs. Of the five programs to be reviewed, two are already included in the University's original audit fee but the three additional will cost approximately \$6,200 each (\$18,600 increase in contract). The original audit contract is for \$113,500 and the increase will bring the total to \$132,100. In response to a Regent inquiry whether the \$18,600 increase will be incurred each year, Mr. Denton reported this inquiry has been made to the auditors and from their perspective as long as the University's threshold remains relatively unchanged with approximately the same number of programs continuing to be reviewed, the audit firm's additional fee would remain relatively the same each year. It is believed there will be sufficient activity in the three additional areas to necessitate an audit being performed each year. As an example, American Recovery and Recruitment Act (ARRA) state federal fiscal replacement funds were in place last year and will continue this year but it is believed this funding will not be available in the third year in terms of the state's substitution of federal monies for appropriations. If this occurs, this audit reporting necessity could be eliminated, unless there are programs which fall under ARRA.

Revision to RubinBrown Audit Contract, approved

On behalf of the Audit and Compliance Committee, Mr. Adams moved that the Board of Regents, upon the recommendation of the President of the University, approve an increase of \$18,600 in the contract amount for the June 30, 2010, auditing services by RubinBrown. Dr. Curris seconded and the motion carried.

Internal Auditor/Board of Regents Relationship, discussed

Regent Adams requested the Board consider meeting with the Internal Auditor – perhaps once a year – because previously there has been no interaction between the Audit Committee and the Internal Auditor and much of the work undertaken by the external auditors has actually been prepared by the Internal Auditor. Dr. Dunn indicated having the Board meet with the Internal Auditor would not be unusual and the topic is on the agenda for the BOR Retreat. Chair Curris has certainly mentioned the desire for the Board to meet with this individual and now would be the time to initiate such a practice. External auditors undertake a majority of the work associated with the University audit although they also will utilize reports prepared by the Internal Auditor who must meet rigorous requirements, including maintaining a Certified Public Accountant license. Consensus was reached that as the Board fulfills its fiduciary responsibilities it must recognize the Internal Auditor as the primary person within the University who is on alert for any type of fraud or financial misbehavior. Providing the Internal Auditor with a forum with the Board gives this individual some level of protection by providing a direct connection to this body.

Adjournment

The Audit and Compliance Committee adjourned at 9:51 a.m.

Institutional Advancement Committee
9:45 a.m.

Susan Guess, Chair
Marilyn Buchanon
Jerry Sue Thornton

Mrs. Guess indicated the agenda item before the Institutional Advancement Committee is the review of the *Policy on Naming of Campus Facilities, Programs and Activities*. Supplemental information was provided earlier regarding a naming opportunity for a campus facility.

Regional Special Events Center Naming Opportunity, added to agenda

On behalf of the Institutional Advancement Committee, Mrs. Buchanon moved that the naming opportunity for the Regional Special Events Center (RSEC) be added to the full Board of Regents agenda. Mrs. Guess seconded and the motion carried.

Policy on Naming of Campus Facilities, Programs and Activities, reviewed

The Institutional Advancement Committee reviewed the current *Policy on Naming of Campus Facilities, Programs and Activities* which was provided in the Board notebook. The policy was adopted in 1979 and has been reviewed and amended several times, most recently in 2008, and is being reviewed today at the request of a Regent to determine if changes are in order. Jim Carter, Vice President for Institutional Advancement, and Bob Jackson, Associate Vice President for Institutional Advancement, were present to answer questions regarding the current *Policy on Naming of Campus Facilities, Programs and Activities*.

Regent Curris reported a broad but inclusive policy is currently in place and as staff in the Office of Development are asked to raise philanthropic funds in support of the University which includes naming opportunities, all must be aware that although rare, there have been instances where the naming of a facility has created difficulty for universities or other charitable groups. An example is a facility in Colorado being named after a philanthropist who was recently convicted. The University will most likely not enter into this type of situation but a need exists to review the policy to ensure appropriate measures are in place to prevent the University from becoming involved in a situation where it has made public a naming opportunity or committed to a donor on the assumption the request will be approved by the Board. A determination should be made regarding how to provide Development Office staff with some assurance when negotiating a naming opportunity that the proposal will not be turned down by the Board based on information it may have. The Board must determine how to avoid situations where it is placed in the position of having to reject a negotiation which has already been consummated.

Dr. Dunn reminded the Board that information was presented in a recent *Briefing Report* which outlined three major gift opportunities but did not include a donor name. The particulars of any negotiation could be shared with the Board through the *Briefing Report* but it should also be understood every effort must be made to protect the high degree of confidentiality expected with these types of initiatives. In many instances there is great concern on the part of the donor that the gift could be revealed prematurely in a public fashion. This could represent more of an issue of procedural protocol between the Board and the Office of Development in terms of how the Board is informed about particular donor naming opportunities. In response to a Regent statement regarding the Board not being placed in a situation where it is “boxed in,” Mr. Jackson provided assurance that he, Dr. Dunn and Mr. Carter spend a great deal of time discussing each naming opportunity. It is important for guidelines – especially in a comprehensive campaign – to be in place but there must also be flexibility. Assurance was provided that the Development Office would never intentionally place the President or the Board in an undesirable position. An intensive vetting process takes place and although naming opportunities at most comprehensive universities have historically been honorific, within the last few years they have become a fundraising mechanism – a change which has required several adjustments. The naming opportunity today and one likely to be included on the agenda for the next quarterly meeting represent large institutional-changing gifts and although guidelines are important when making these types of decisions, flexibility is also essential.

In undertaking a review of other university policies it was discovered that one piece may be lacking in Murray State's *Policy on Naming of Campus Facilities, Programs and Activities* – the inclusion of a morals clause. All involved on the front end conduct research to prevent this situation from developing and Dr. Dunn indicated the entire administration has the same interests as the Board and takes seriously its responsibility for due diligence. In response to a Regent comment that the University and the Board must ensure when a multi-year gift has been cultivated there are procedures in place to see the gift to fruition, the Board was reminded there is always some degree of risk associated with any gift although benefits are generally greater than the risk involved. Mr. Jackson confirmed this to be the case but there are also a number of gifts which have not been brought before the Board for approval, illustrating the administration is extremely careful in determining which gifts to place before the Board for approval. Naming opportunities have resulted in some of the largest gifts in the University's history representing the positive benefits associated with this process. In response to a Regent request for an explanation of how the vetting process works, whether there is a confidentiality agreement with the donor that the gift not be discussed beyond this group, how much time is allowed to inform the Board about a particular gift and whether there is a rush to make the gift public before the Board feels comfortable in terms of being able to review the gift, Mr. Jackson indicated this varies from situation to situation. Donors or their loved ones and families (legacy gifts) sometimes request that a gift remain confidential. There is no formal agreement with the donors but the University must take necessary steps to ensure all donor wishes are honored. Some gifts happen very quickly and require complete confidentiality while others are not as confidential, depending on donor preference. The President, BOR Chair, Vice President for Institutional Advancement and Mr. Jackson are involved early in this process and are integrally included in all decisions in order to work through any "issues." The intent behind this work is not to surprise any member of the Board or cause questions to be raised in that regard.

Regent Buchanon indicated with regard to the University's agreement with the MSU Foundation (pertaining to the purchase of land), if the Foundation buys property the Board should not be "boxed in" to make a decision regarding a particular agreement and should be given advance notice of potential opportunities. Regent Waterfield indicated his experience with the Foundation has been when a request is presented those requests are not made without information being presented to the Foundation Board in advance to determine whether this is the manner in which it would like to proceed. Standard practice has been to provide the Foundation Board with prior knowledge so it is able to discuss the purchase in considerable detail. Dr. Dunn reported since becoming President the Foundation has not been used in this manner although at one point purchasing potential property under this type of arrangement was included in the summer *Briefing Report* to the BOR and in that document property was named (although it remains unknown whether the initiative will come to fruition). He prefers not to use the Foundation in this manner and prefers not to ask the Foundation to make a purchase for the University in order to escape a bidding requirement or cut an informal deal. That is not to say this would never be done and, in fact, the situation the Board was briefed about would be one example where he would not follow the general rule although he remains hesitant about using the Foundation as the University's independent bank. Occasionally an exception may need to be made – particularly pertaining to an opportunity not otherwise available to the University due to timing issues – but for the most part this approach is not utilized. The Foundation would be inclined, more so than the President, to make land purchases because it would then have real estate in its portfolio (purchased on the University's behalf) and MSU would buy property utilizing a lease-payment arrangement. The Foundation would build an investment return and is not against proceeding in this fashion because it expands their portfolio. Regent Buchanon clarified she was referring to the risk of bringing a recommendation before this Board with the possibility that it might not be approved. Dr. Dunn indicated the Foundation would still be sitting on an asset and would not be upset to have certain real estate assets to diversify. Regent Buchanon stated she is referring to the Foundation purchasing property and making an agreement with the University on how to repay the investment before the state's involvement is known in terms of when reimbursement would be provided. Regent Waterfield cannot recall an incident when the Foundation was not made aware of such opportunities in advance so members could discuss the proposal and Dr. Dunn added the Foundation cannot always guarantee the Board of Regents will vote a certain way to either buy back the property over a certain period or undertake a naming but two members of the BOR serve as ex-officio members of the Board of Trustees and would have advance notice of any such discussions.

Regent Curris indicated to the degree possible the Board should be kept informed of these potential opportunities in the event a concern arises so there is a process already in place to immediately address potential issues. If the two BOR representatives serving on the Foundation Board of Trustees perceive any difficulty they should bring that concern to the attention of the entire Board. It was agreed the Vice President for Institutional Advancement and Development Director will keep the Chair of the Institutional Advancement Committee informed of naming opportunities so that individual can determine whether issues exist which could concern the entire Board or cause it to be reluctant to support a proposed naming. Proceeding in this manner will help prevent the Board from getting into a position where it must approve something it does not believe is appropriate. Mrs. Guess feels comfortable undertaking this work in her role as Chair of the Institutional Advancement Committee but also believes each Regent has their own sphere of influence and any one Regent may know information others do not. This provides a safeguard in one respect but risk remains at some level. In response to a Regent question regarding a corporate naming and what happens when a firm changes its name or goes out of business, Mr. Jackson clarified the policy being discussed does not affect the naming opportunity the Board will be asked to approve later. As it relates to the agreement which will be in front of this committee and the full Board later today, there is a provision which specifically addresses this point. If the corporation name changes in the future the facility name would change as well, assuming Board approval. Dr. Dunn indicated background discussion took place with the predecessor Board and Development/Investments Committee and in terms of the internal flow chart some consensus should be reached in terms of what point discussion begins to take place with the Chair of the committee as well as the Board Chair in order to provide structure.

Regent Williams indicated when a naming opportunity is being considered the issue of disclosure is automatically elevated to a higher level. This work is undertaken in a candid manner to ensure no one is embarrassed and generally the process is not insulting to the donor who understands the necessity to move discussions to another level. With regard to his company it would be detrimental to pursue a naming opportunity with a corporation or individual engaged in unhealthy behavior which would be contrary to the mission of his organization. His experience with Foundations indicates most donors do not take offense to the process because they understand it is necessary and represents standard protocol. Consensus was reached that there is an opportunity for amendment to the policy if in practice circumstances arise where the Board feels it needs further review. Mr. Jackson confirmed this is how such opportunities have historically been handled at MSU but previously no Development Director was in place to recommend naming opportunities. Flexibility is important for many reasons in undertaking this work and as Chair of the Institutional Advancement Committee Regent Guess will be informed of such endeavors. When the comprehensive campaign began the *Case Statement* distributed to the BOR outlined several naming opportunities that were important to this institution and would play a key role in the success of the campaign and many discussions occurred during the quiet phase of the campaign. The naming opportunity being presented to the Board today was front and center in the campaign *Case Statement*.

Consensus was reached that at this time no changes to the *Policy on Naming of Campus Facilities, Programs and Activities* are recommended.

Naming Opportunity, reviewed

Regent Guess reported a gift being presented to the Board represents the largest gift in the history of the University for Racer Athletics. Community and Financial Services Bank (CFSB) has generously donated \$3.3 million for renaming the current Regional Special Events Center as the CFSB Center. Dr. Dunn indicated while naming opportunities customarily occur during the construction phase or shortly after a facility is built, this particular opportunity was included in the comprehensive campaign *Case Statement*. The gift is the largest in the history of Racer Athletics and the University could not be more pleased with the partnership it has achieved with CFSB. MSU could not have asked for better cooperation and more willingness to engage in what resulted in a lengthy contribution agreement to effectuate this deal. For all at MSU who worked on the project and also the University's partners at CFSB, it is a happy day to be able to present this recommendation to the Board. An intensive week of work has transpired and CFSB certainly had interests in advancing the initiative sooner rather than later in consideration of upcoming athletic events. Appreciation was expressed to General Counsel John Rall for his diligent work to ensure this project reached fruition.

A number of CFSB representatives were present, including Jennifer Apple, Vice President for Business Development; Jeremy Rose, Marketing Director and Jason Pittman, Calloway County Banking Center Director. Mr. Rose spoke on behalf of CFSB and thanked the Regents for the opportunity to address the group. This process has been many years in the making on all parts and CFSB is absolutely delighted to have this opportunity to give back to the University and hopefully expand the banks' market share by doing so. This represents a win-win situation for both the University and CFSB and the teams present today really came together and he expects the partnership to be a fantastic marriage. CFSB looks forward to the opportunities which will become available through this agreement. Mr. Pittman reported CFSB is excited about this opportunity and it is very special for him to see this project through to fruition. All are excited about the partnership and look forward to continuing a wonderful relationship with the University for many years to come.

Athletic Director Allen Ward reported two nationally-televised basketball games are scheduled with the potential for a couple more to become televised games. Mr. Carter indicated unveiling this naming opportunity now is important for a number of reasons. On October 8 country music star Miranda Lambert will perform, the basketball season begins shortly and the CFSB Center will host Sesame Street later this year and a nationally-televised sporting event – the *FLW Fishing Tour* – in June. This is the year the University needed to make this move and although it has been a tough road over the last few weeks, all should be proud that an organization in the University's backyard stepped up to make a mark. Mr. Ward stated CFSB has certainly stepped up at a time when it can capitalize on what some consider to be the most successful season of Racer basketball. The timing could not have been better and the impact of the opportunities the University will be able to provide to student athletes, coaches and fans cannot be overstated. Community and Financial Services Bank stepped up in a big and mighty way and it is going to be a great partnership that will have a lasting impact on the Athletic Program and this University. Last season illustrated what athletics can bring to the table when it comes to positive exposure and he looks forward to the home opener on November 15 at the CFSB Center.

In response to a Regent question regarding how this initiative will unfold, Mr. Carter reported Mr. Rose did an amazing job of putting together graphics that integrate the University's current image and branding (to be presented during the full Board meeting) and which illustrate how exterior and interior signage will look. No one will doubt they are in the CFSB Center. Mr. Rose travels to various arenas and stadiums to see what other organizations do in this regard. Marketing staff at Hultman provided invaluable assistance and Mallory Smith, CFSB Executive Vice President, developed the concept for the logo which intertwines the shield with the CFSB logo due to the importance of the arena being known as a Murray State facility. A preview of the logo was provided in the supplemental notebook.

Regent Williams recognized that given difficult days in the past three years for the financial and banking world – and knowing there are many banks in Kentucky having a hard time – it is gratifying to know there is a strong local bank – CFSB – that can undertake this project and he applauded the organization for that accomplishment. Mr. Rose reported on behalf of CFSB all are thrilled to be in this moment and CFSB President Betsy Flynn is excited about this opportunity. She and Executive Vice President Gary Smith could not be present today but each asked that their sentiments be extended to the Board. A special thank you was issued to Linda Blanchford, Chief Financial Officer, and the entire CFSB marketing committee.

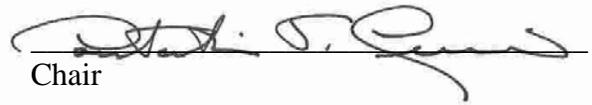
Naming Opportunity, approved

On behalf of the Institutional Advancement Committee, Mrs. Buchanon moved that the Board of Regents, upon the recommendation of the President of the University and the University Committee on Naming of Facilities, Programs and Activities, approve the naming of the Regional Special Events Center the "CFSB Center." Mrs. Guess seconded and the motion carried.

Adjournment

The Institutional Advancement Committee adjourned at 10:45 a.m. The Board of Regents Committee meetings adjourned at 10:45 a.m.

Board of Regents Committee Minutes – September 17, 2010



Chair



Secretary

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