Audit Committee
Board of Regents
Murray State University
Friday, September 12, 2008
Jesse Stuart Room – Pogue Library
8 a.m.

Bill Adams, Chair
Beverly Ford
Laxmaiah Manchikanti
Alan Stout
Jeff Taylor

Chair Stout called the committee meetings of the Murray State University Board of Regents to order at 8:15 a.m. and welcomed Regents and members of the general public and University community.

Acceptance of Kentucky Institute for International Studies (KIIS) Audited Financial Statements, discussed

Mr. Adams, Chair of the Audit Committee, reported that all members were present and indicated the first agenda item before the committee is acceptance of the Kentucky Institute for International Studies (KIIS) Audited Financial Statements. He introduced Mr. Keith Messmer, Partner with BKD auditing firm, and Mr. Tom Denton, Vice President for Finance and Administrative Services.

Mr. Messmer indicated new auditing standards were required this year for all audits performed, including the KIIS audit and the general Murray State University audit. All Board members were provided with a copy of the pre-audit communication informing them of the process BKD followed in evaluating the KIIS Audit. Any risks that should be addressed with respect to the audit will be identified, and there are two that will surface in any audit, including potential for management override of controls and revenue recognition. There are specific audit procedures BKD performs to address these two particular risks. With regard to the KIIS audit, the only other risk identified was properly classified deferred revenues. The program receives a lot of money up front for summer programs and that money is not recognized as revenue until the program is actually started and that is a risk area. He indicated this information is communicated prior to beginning the audit to give management an opportunity to inquire whether BKD has thought about issues which may be pertinent to this risk area. Mr. Messmer indicated that the audit report is straightforward and KIIS is not a complicated entity but has approximately $1 million in assets, $800,000 of which is cash. Approximately $300,000 of that amount is deferred revenue preparing to be spent. The program is not designed to be highly profitable and mainly breaks even from year to year.

Mr. Adams inquired whether the new fee structure went into effect July 1 and Dr. Dunn reported that to be the case and added that there have been discussions with the Chair of the KIIS Board to determine what might be possible for 2009-10. The KIIS Board is living with what the MSU Board approved for 2008-09 but has approached the University to discuss alternative ways to handle providing Murray State with the amount of money it has indicated is necessary from KIIS. The University is open to talking with the KIIS Board and once all discussion has taken place a structured agreement must be developed because to this point there has only been a general understanding between the two parties. If there is a way to develop an agreement that is more amicable to the KIIS Board while still providing the funding MSU requires, the administration is willing to pursue that option.

Mr. Messmer reported that the Board was provided with a letter from BKD that is part of the firm's required communication. The letter essentially contains a lot of "boiler plate" information and if there were any significant matters to report those would have been outlined in the letter. Also attached was Murray State's letter to BKD indicating that it has provided access to all documents, has not hidden any information from the auditors and takes responsibility for the financial statements provided to BKD.

Mr. Adams indicated that the "internal control over financial reporting" section contains the language "Accordingly, we do not express an opinion on the effectiveness of the institution's internal control," but BKD then goes on to discuss internal control and he asked why BKD does not express an opinion. Mr. Messmer responded that if BKD conducts an audit, including an examination of internal controls, within a publicly-traded company they must express an opinion with regard to internal controls and that involves a very intensive review and testing of their key controls. BKD does a walk-through of

MSU's internal controls and instead of testing 30 to 50 transactions they test only one to two to understand how the process works. It would be necessary to test 30 to 50 transactions in order for BKD to offer an opinion on internal reporting controls. Mr. Adams asked with regard to the overall University audit whether more evaluation of internal controls is done in that setting. Mr. Messmer reported it is similar to this process but there are many more processes within Murray State than there are with KIIS but the review still does not involve testing 30 to 50 transactions.

Mr. Messmer indicated that one component of the new auditing standards is the pre-audit communication requirement based on BKD's testing of risk assessment procedures. Murray State faced a lot of changes this year with regard to the audit process, including the new risk assessment procedures, implementing a new financial reporting system campus-wide (ERP) and working with a new audit team although the audit firm, BKD, has not changed. Audits are conducted much the same as in the past but auditor judgment play a role in every audit. The pre-communication is primarily the BKD audit teams' assessment of where they think the risks are and communicating that to the University. If the Regents have concerns above and beyond what has previously been mentioned, Mr. Messmer encouraged them to let the audit team know now while they are in the process of conducting the audit. Any such conversations have already taken place with key administrators to identify their concerns prior to the start of the audit.

Mr. Messmer reported that BKD will provide audit opinions on the Murray State audit, the WKMS-FM Radio Broadcasting Report and the MSU Athletic Foundation audit, taking into consideration Kentucky and NCAA requirements. BKD has preliminarily identified risk of management override of controls and improper revenue recognition as areas of significant risk of material misstatement due to error or fraud and provided an audit approach to address those potential risks. Additional risk areas of significance to Murray State include investments and investment returns; property, plant and equipment; debt; restrictions on net assets; contributions; and compliance with federal student financial aid regulations. A major concern with any university is to not have any issues with regard to how the financial aid program is operated.

Mr. Messmer indicated that a timeline has also been provided and the actual audit process started last week. BKD plans to have the final reports completed by mid to late October. If there are any issues identified such as fraud, illegal acts, significant deficiencies or material weaknesses, those will be communicated early in the process to the Chair of the Audit Committee and University administration, including Dr. Dunn and Mr. Denton, to ensure that all are aware of any issues early in the process. He reported that no such issues have surfaced to this point.

Mrs. Buchanon asked with regard to the area of investments and investment returns if BKD checks to ensure that the intent and wishes of the donor are being respected by the University. Mr. Messmer stated with any large gift the wording is critical and those gifts could be for any purpose (unrestricted) or they could contain a stipulation on spending the money (temporarily restricted) or could be permanently endowed where only the investment earnings can be spent and the principal remains untouched. Any new investments are tested but BKD does not go back and test what has been given to the University in past years.

Judge Taylor asked if BKD does not look at the internal management controls closely how they assess the risk of management override of those controls. Mr. Messmer indicated that they do examine a lot of controls but do not test every single transaction. BKD tests multiple controls but not multiple transactions within those controls. There are 30 to 40 key controls that have been identified through the cash disbursement and purchasing cycle and the revenue and payroll cycle.

Mr. Adams stated that one objective cited by BKD is the issuance of a report on the University's internal control over compliance based on the audit of the University's compliance with the requirements applicable to major federal award programs. If BKD does not issue an opinion Mr. Adams inquired as to how this objective is accomplished. Mr. Messmer indicated this situation is different and what is referenced in this instance is a "GAGAS" opinion - governmentally accepted auditing standards report – and it is a report and not an opinion on internal operating controls. Dr. Dunn clarified if BKD observes a situation where one person is collecting money, filling out the deposit slip and driving it to the bank that will be cause for alarm. They are responsible for determining if within the structure for the different sub-functions there is an arrangement in place that splits out the various duties to provide protection, but these transactions have been occurring for some time and control structures are in place. It is not a new analysis and BKD simply determines how well the University performs the various functions, particularly in reference to purchasing and billing. The University has reported that certain measures are in place to ensure separate individuals are responsible for these duties and BKD determines whether that is actually taking place. Mr. Messmer stated that in

last year's audit under control there could be material weaknesses, significant control deficiencies and that BKD had nothing to report on Murray State in any of those three areas which is highly unusual. Something could happen if there was collusion between two people and BKD is mainly concerned whether there are sufficient compensating controls in place to identify if such a situation is occurring. Mrs. Buchanon stated that several years ago many of these controls were not in place and the University did have some exceptions noted in its audits.

Judge Taylor asked when reviewing individual invoices whether BKD chooses the invoice or if one is presented to them. Mr. Messmer indicated that BKD selects the item to be reviewed but may ask staff to provide the invoice that supports the purchase. Judge Taylor asked who the members of the new audit team are and Mr. Messmer indicated the team is from Evansville, Indiana, and includes: Keith Messmer, Partner-Manager and Natalie Andrews, Katie Barron and Terri Calus as the staff accountants. In response to a question from Ms. Hays, Mr. Messmer indicated that BKD selects what it believes to be the key controls (most overriding) and that is tested by doing a walk-through transaction. This helps ensure that what the University has presented to BKD is actually the process being followed.

Mr. Adams stated that the KIIS Audit states that the University does not have a formal deposit policy for custodial credit risk and asked for clarification on that statement and whether it is an opinion, statement or recommendation. Mr. Messmer indicated that this statement was noted primarily because most of the University's deposits are made through the state of Kentucky and this is a material statement for MSU. Chair Stout requested clarification on what that statement actually means and Mr. Messmer indicated it is a required disclosure and if the University utilized multiple banking institutions for deposits, there may be a policy in place that a governmental entity will not deposit in excess of $200,000 with any one financial institution because that is the FDIC insured limit. The University does not have a formal deposit policy because there really is not an option and deposits must be made with the state of Kentucky. Mr. Denton indicated there are times when the University has more than $200,000 in a local bank account but the University also has pledges of collateral and Mr. Messmer indicated that most governmental agencies do have collateral for funds in excess of the FDIC limit.

Chair Stout asked if the University's bank is U.S. Bank and that was confirmed to be the case. Mrs. Buchanon asked how often contracts are negotiated with local banks and Mr. Denton stated the current contract is on a four-year basis. Mr. Adams asked if Mr. Messmer is suggesting the University needs a formal deposit policy or whether he is simply saying Murray State does not have one. Mr. Messmer indicated that the University could have such a policy with U.S. Bank but the arrangement is so short-term it may not have much effect.

Chair Stout reported that he has reviewed audit reports for governmental agencies and the private sector and banking industry for many years and has been extremely impressed with how clean the audit reports are for Murray State. He thanked and commended Mr. Denton and his staff. Mr. Denton stated that the University made a concerted effort toward progress in this area.

Acceptance of Kentucky Institute for International Studies (KIIS) Audited Financial Statements, approved

Mrs. Ford moved, seconded by Dr. Manchikanti, that the Board of Regents, upon the recommendation of the President of the University, accept the following audited financial reports:

1. Kentucky Institute for International Studies (KIIS) Program Management and Management Representation Letters
2. Kentucky Institute for International Studies Program audit for the year ended December 31, 2007

Motion carried unanimously.

The Audit Committee Adjourned at 8:45 a.m.

Buildings and Grounds Committee
Board of Regents
Murray State University
Friday, September 12, 2008
Jesse Stuart Room – Pogue Library
8:30 a.m.

Peg Hays, Chair
Bill Adams
Marilyn Buchanon
Kara Mantooth
Jeff Taylor

Ms. Hays called the Buildings and Grounds Committee to order at 8:45 a.m. and reported that all members were present.

College Courts Replacement Project, For Information Only

President Dunn reported that work is underway regarding the proposal for a public-private partnership development to replace College Courts and as an information item the Board will be provided with background on progress to date and where the University stands on the project. He requested that Mr. Tom Denton, Vice President for Finance and Administrative Services, and Mr. Kim Oatman, Chief Facilities Officer and Director, Facilities Design and Construction, provide a status report on the College Courts replacement project.

Mr. Denton stated that the University received authorization for third-party financing in the amount of $17.9 million in the 2008-10 biennium for a project to allow for the replacement of the existing married housing units, College Courts, as identified in the 2007-08 Campus Master Plan. This authorization essentially removes the University from the business of financing the project and the liability for construction and the building itself as an asset will not appear on the University's books. The University is leasing land to a third party that will come on site and build a facility and within a certain number of years that facility will eventually revert back to the University. A Request for Proposals (RFP) will be sent out soon and hopefully a number of developers and builders will make a proposal outlining what they would be able to provide for the University. Mr. Oatman will work with potential developers to ensure that the University's interests are protected in regard to design of the facility, codes, etc.
Mr. Denton reported that the University administration has talked to various state agencies to ensure they are on board with the project, including the Capital Projects and Bond Oversight Committee (CPBOC), Capital Planning Advisory Board (CPAB) and State Budget Director's office. Specialized legal counsel has also been provided by Mr. Dirk Bedarff of Peck, Shaffer and Williams, who has been the bond adviser since 1997 for all of the University's bond issuances and provided advice regarding the current housing and dining system bond issues. He
will review the draft RFP, compare the RFP as it relates to the current housing and dining system bond indenture and serve as adviser on other items during the process.

Dr. Dunn reported that one of the difficulties surrounding this project is the bond indenture is very old compared to those of other universities and it was not written to be quite as adaptable to these types of projects. The University must be able to make this work within the confines of the indenture because the University is not going to be able to secure a new indenture. Mr. Bedarff is assisting the University in navigating those waters and ensuring Murray State is doing everything it needs to do and in the appropriate way. Mr. Denton reported that Murray State's indenture is from the 1960s and most other public universities have indentures that are more recent. Dr. Dunn reported this type of project exists at other institutions, including the University of Louisville, University of Kentucky and Western Kentucky University.

Ms. Hays asked when the RFPs will be returned and when the Board can expect to have additional information. Mr. Oatman reported the RFPs are currently being compiled and the materials should be ready to send out shortly. It will most likely take 30 to 60 days before the University gets anything back and is able to conduct the selection process and provide the Regents with additional information. Ms. Hays indicated that the wording "aesthetically pleasing" concerns her and asked whether there would be consistency with the buildings currently on campus. Mr. Oatman indicated the RFP specifies that the building must be consistent with current University standards and the RFP further indicates that certain standards are required such as red brick and columns to fit in with what has been done with the existing housing units. Dr. Dunn indicated there would be a pre-bid meeting and those Regents who are interested would have an opportunity to discuss what the University is looking for but an overall guideline is the building cannot have an "institutional look."

Mrs. Buchanon asked when breaking of ground might occur and Mr. Oatman guessed that might take five to seven months from now. Dr. Dunn stated that one difficulty that must be navigated out of housing is to figure out how the University does this work because there are residents of College

Courts that must be housed while the project is underway. Mr. Oatman indicated that would depend on how the successful company proposes to relocate those students. Mrs. Buchanon asked whether the former Clark College would be available to house these students and Dr. Dunn indicated that it is available but many students who live in College Courts are part of families. Ms. Hays clarified that resolution of issues such as these would be part of the RFP process. Dr. Dunn stated these issues may not specifically be outlined in the RFP but the developer will work through them with the University. Mrs. Ford asked whether this project falls within the Campus Master Plan and Dr. Dunn indicated this is "The Woods" portion of the Campus Master Plan previously approved by the Board.

Mrs. Winchester asked whether the University will gain additional apartments and Mr. Oatman stated the University will replace what it currently has but he believes the end result will yield even more apartments than currently exists. The concept of the project includes the construction of 32 townhouse style apartment units of approximately 3,000 square feet each. Each apartment would contain six beds or a total of 192 beds to replace the existing College Courts complex which was constructed from 1961 to 1966. Mrs. Buchanon asked how many families are currently housed in College Courts. Dr. Don Robertson, Vice President for Student Affairs, indicated he does not have an exact figure but at least one-half of the students housed in College Courts are graduate or international students and even though the priority is for families and married students, there would be less than one-half of such students housed in College Courts. Families now have more options in town and family occupancy is lower than in the past.

Mrs. Travis inquired as to whether MSU staff would maintain the grounds and Mr. Oatman indicated that would be evaluated but the way it is being set up in terms of a "full package" the developer would maintain the grounds and facility. Dr. Dunn also reported that if there is any housing programming to be done the University might take responsibility for such programming. Some companies that are taking over these facilities, however, have very active student programming but it must fit with the themes the University and Student Affairs want to promote. Mr. Denton reported that one of the reasons Mr. Bedarff has been hired is because the bond indenture is very restrictive on how the University can add additional facilities and he will review those types of questions. There may be some programming that the University currently does which would be left up to the responsibility of the developer but the University could also work out an agreement to address this scenario.

Mrs. Buchanon asked who would take responsibility for outside ground maintenance and Mr. Denton indicated that would be decided in the agreement with the developer but there would most likely be a tradeoff. It is a separate housing system and there will be services and programs the University will want to provide. Dr. Dunn indicated there will be services the University could provide and the developer may want the University to provide those services but any such agreement must be approved under the indenture and agreed upon as part of the proposal. Mrs. Buchanon inquired as to how that affects University liability and Dr. Dunn stated the RFP contains language regarding that issue but if an incident does occur at that point it would most likely become a shared liability between the University and the developer. Mr. Oatman indicated the developer would be required to meet all codes in terms of sprinklers, electrical wiring, etc. and the University will remain on top of those issues. Mr. Adams asked if the facility would be managed under housing and Mr. Oatman indicated that would need to be evaluated in regard to the programmatic aspect but the collection of fees and management of the facility will be handled by the developer. Other options will also be evaluated and MSU's Public Safety Department, for example, will be responsible for safety in that building and such is stated in the RFP. Mr. Denton indicated the University is working with the attorney on seven to eight issues to determine how those issues should be handled in the RFP. There is a federal requirement and state statutes that require the University's Public Safety Department to monitor that area.

Mrs. Travis asked how this will affect the awarding of housing scholarships and the percentage of students receiving such scholarships. Dr. Robertson stated that currently there are housing scholarships that could be applied to College Courts and that will most likely change with an outside vendor because it is unlikely the University will provide students with scholarship dollars to pay to an outside agency. Student who may have received a housing scholarship may be able to have those dollars redirected into perhaps a tuition scholarship but the University will continue to assist these students in meeting their scholarship needs. With regard to the number of students receiving such scholarships, most of the families are on federal financial aid because of low income and high need. Depending on their academic status some students may qualify for the need-based scholarship, Racer Advantage, created last year. Mrs. Travis inquired whether federal dollars pay for housing and Dr. Dunn indicated they do. Dr. Robertson added that the scenario is the same for a student who lives off-campus currently who qualifies for a certain amount to be applied toward housing. Mrs. Buchanon indicated there are numerous grants available to single mothers and fathers and those particular individuals would still be able to qualify for those types of grants. Dr. Robertson indicated the money

would go directly to the students to pay for housing just as if they were living in an apartment off campus.

Mrs. Ford asked whether the University should consider changing its bond indenture policy and Mr. Denton indicated he is reviewing that but there will be costs associated with the change. When examining all outstanding bond issues the net present value of the cost of the bonds must be reviewed and a determination made whether it is worth having a more flexible indenture for the future so the University does not have to work around the old one.

Mr. Adams inquired if the $17.9 million includes the design, development, construction and furnishings and Mr. Denton stated that would be the total cost for the facility. Mr. Adams added that the developer would make their money off of management and development fees. Mr. Denton indicated they would structure their housing fee to cover those costs. Dr. Dunn indicated the University is making no financial guarantee or promise and market forces will impact the fees charged by the developer. Mr. Adams wants to avoid the scenario where the cost of someone living in this facility is greater than the market value in the community and Dr. Dunn indicated for the developer to make this situation work they would need to stay within the market they are coming into and the University is making no financial guarantee on the facility. Dr. Robertson indicated that the other significant piece to this scenario is that the University is not guaranteeing capacity where the developer's property must be filled before the University's residential colleges are filled. They will have to keep their costs in line to encourage students to live in their facility.

Mrs. Winchester asked how this facility would affect the revenue normally derived from College Courts. Mr. Denton indicated there will be a sum total of $900,000 that is usually received from all of the College Courts units and the administration has been reviewing how to absorb that loss of revenue. He also reminded the Board that there are certain other costs that will be eliminated. Ms. Hays asked if there is a net figure between the cost and net income change. Mr. Denton indicated that is not known at this time because there are no RFP responses to consider at this point. It may amount to a large cost to the University to accomplish this but it will be a tradeoff in terms of whether it is worth that cost to have new facilities for Murray State students. Dr. Dunn indicated given the other needs the University has around housing this is going to be a workable way to get housing replaced without taking up bond capacity from the state. There is enough renovation already required within the low rises redone and the $40 million renovation on the high rises. Pursuing this option will help get a piece of the housing stock dealt with without taking up bond capacity for other projects that need to be completed. Mr. Adams asked whether the $17.9 million would affect the University's bond capacity and Dr. Dunn reported that the University is not issuing a bond but instead are authorized by the state to do a project to this level and there is no initial outlay of funds.

Chair Stout stated this is a new concept for funding projects such as this and he believes it is a step in the right direction for the University to be able to move forward and the situation would be very difficult for the University to handle otherwise. There is a feel within the financial community that this type of financing will come in at competitive levels and it is not the University that will be doing the financing. Mr. Denton stated that this type of arrangement was very possible and highly desirable several years ago but given the current market conditions that may not be the case at this time. There is definitely interest in the project but market conditions have changed and it is hard to say until after the RFP is done whether anyone will express a serious interest in the project. The more response there is the more competitive the bids will be.

Dr. Dunn indicated that there is no action required on this agenda item. There is a cycle on these types of initiatives and the University has been pushing to get an RFP out by October. Mr. Denton, Mr. Oatman and John Rall, General Counsel, have worked extremely hard to get this RFP turned around quickly.

Ms. Mantooth asked if there are six beds in one apartment how the situation would be handled for a single mother with one child. Mr. Oatman stated the University would work with the developer to provide different options and there will be flexibility. Ms. Mantooth asked if priority would be given to married couples or whether any student can rent these apartments. Dr. Robertson indicated the current model gives priority to married students and single parents and then graduate students and seniors. Whether that process continues to be utilized remains up for discussion. Mrs. Travis asked whether the University would maintain control of this priority and Dr. Robertson indicated this would be included in the negotiation process.

Mrs. Buchanon has recently read about universities that are attempting to eliminate telephones in the residential facilities and asked whether the University would continue to have control over telephones

in the new facility. Dr. Dunn indicated that the University is reviewing the issue but currently is not leasing its phone line so the situation is different from that say at UK. Mrs. Buchanon expressed concern that if those phone lines are eliminated altogether the University would not have a means of communication in emergency situations. Dr. Dunn indicated this would be addressed in the RFP but most likely Voice IP systems like those currently on campus will need to be part of the overall package. Dr. Robertson indicated that UK left some lines in for emergency purposes and UofL went the total opposite direction and installed phones in every room. Mrs. Buchanon asked if this is a national initiative and Dr. Robertson stated there is a national move in this direction because very few people use land lines and opt to use cell phones instead.

The Buildings and Grounds Committee adjourned at 9:20 a.m.

Finance Committee
Board of Regents
Murray State University
Friday, September 12, 2008
Jesse Stuart Room – Pogue Library
9 a.m.

Jeff Taylor, Chair
Bill Adams
Marilyn Buchanon
Peg Hays
Alan Stout

Judge Taylor called the Finance Committee to order at 9:20 a.m. and reported that all members were present. He indicated that the first agenda item before the Committee is designation of the Lowry Endowment as a Quasi Endowment and asked Mr. Tom Denton, Vice President for Finance and Administrative Services, and Mr. Bob Jackson, Associate Vice President for Institutional Advancement, to provide background information.

Designation of the Lowry Endowment as Quasi-Endowment, approved

Mr. Denton recommended the Board of Regents take action to create a quasi-endowment with funds obtained from a gift from Dr. C.C. Lowry. Dr. Lowry's Will did not specifically state the gift was an endowment and the University must, therefore, treat it as if it were not. That has two effects from an accounting standpoint and one is how it appears on the University's financial reports and the second is an investment in the Foundation. If it is classified as a non-endowment it does not receive as high of interest earnings. The Board is being asked to treat this gift as a quasi-endowment which has been done before with other funds. Judge Taylor clarified designating the Lowry Endowment as a quasi-endowment would make interest earned available for use but the principal would not be invaded to make awards. Mr. Denton indicated that is exactly the case. Mr. Jackson reported that he has talked with the family to ensure that the University is meeting their wishes and confirmed this is the manner in which they would like to proceed. The Will simply was not as specific as it perhaps should have been.

Ms. Hays asked whether the University has in writing that this move does meet the wishes of the family and Mr. Jackson confirmed that to be the case and added that a number of years ago Dr. Lowry and his family set up guidelines for this particular scholarships endowment and those guidelines still exist today. Chair Stout stressed that potential donors who earmark their gift for a specific purpose must be confident those restrictions will not be violated. Dr. Dunn reported that due to such restrictions $400,000 was not given away this year. Mr. Jackson indicated that he works diligently to ensure wording is as broad as possible for many reasons but there are guidelines in place between the University and the Foundation that are strictly followed. Mrs. Buchanon stated endowments are important because the principal remains untouched and the interest earned works for the University to help it grow. Judge Taylor asked whether there were stipulations other than the money would be used for scholarships for pre-med students and Mr. Jackson indicated that was the only restriction.

Mrs. Buchanon asked if Murray State remains as one of the top universities in terms of acceptance rate to medical school and Dr. Dunn stated that he does not have the exact numbers but the University remains very strong in this area. This is part of the reason the University of Kentucky is interested in partnering with MSU to provide medical training in the local area.

Mrs. Buchanon moved, seconded by Ms. Hays, that the Board of Regents, upon the recommendation of the President of the University, approve the designation of the Conie Crittenden Lowry Pre-medical Scholarship Fund as a quasi-endowment. The motion carried unanimously.

Endowment Report, approved

Judge Taylor stated Kentucky Council on Postsecondary Education (CPE) Endowment Match Program guidelines require the Board of Regents to approve the annual Endowment Report. The report is prepared by Carl Prestfeldt, Budget Director, and the Provost's Office and has been presented to the Board on several occasions. Mr. Denton reported that state funds received total approximately $8.5 million and the University has matched that amount through donors for a total program value of at least $17 million and these funds are invested in the market for the long term. Mrs. Buchanon asked if this is still the portion the University benefits from with *Bucks for Brains* and Dr. Dunn stated that it is. In the current budget there is *Bucks for Brains* funding for the regional universities in the amount of $10 million with $1.58 million being MSU's share. One notable change to the program is that capital expenditures are now allowed. Discussion has taken place regarding how to best make use of the $1.58 million and as those decisions are made they will be brought before the Board individually for approval.

Ms. Hays moved, seconded by Mr. Adams, 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, 2008, as required by the Kentucky Council on Postsecondary Education. Motion carried unanimously.

The Finance Committee adjourned at 9:35 a.m.

Ad Hoc *Policy Manual* Committee
Board of Regents
Murray State University
Friday, September 12, 2008
Jesse Stuart Room – Pogue Library
9:30 a.m.

Alan Stout, Chair
Beverly Ford
Jay Morgan
Jeff Taylor

Chair Stout called the Ad Hoc *Policy Manual* Committee to order at 9:50 a.m. and reported that all members were present. He publicly acknowledged Ms. Becky Watts, former Deputy to the President, for her work in updating the Board of Regents *Policy Manual* and introduced Mr. Joshua Jacobs, Chief of Staff, who is now heading up the project along with President Dunn. There are five sections of the *Policy Manual* on the agenda and Chair Stout indicated that each section should be handled separately.

***Section VII – The Agreements*, approved**

Chair Stout indicated that all agreements contained in Section VII are either void or voidable and there is no practical reason for them to be reflected in the Board of Regents *Policy Manual*. Dr. Dunn reminded the Board that as the policy revisions were reviewed by section, the President's Office asked the appropriate parties to review the various sections and their opinions are reflected here. Mr. John Rall, General Counsel, has been involved in reviewing and updating the *Policy Manual* from the beginning. Dr. Dunn clarified there is a perception that once the policy revisions were made that the *Policy Manual* would never need to be reviewed again and that is simply not the case. His intention all along has been for the document to be an ongoing and continual process. It may even be the case that at some point there could be submission or review of a policy at every other Board meeting to be incorporated into the *Policy Manual*.

Dr. Dunn reported that *Section VII* was a part of the *Policy Manual* that incorporated all types of agreements that the Board had entered into for various purposes and is recommending that these agreements should not be part of Board policy. Some of the agreements still exist but many are quite old and are no longer valid. In either event, these agreements should be stand-alone documents that are executed for the University by the President and if they demand Board approval they will be placed on a future agenda.

On behalf of the Ad Hoc *Policy Manual* Committee, Dr. Morgan moved, seconded by Judge Taylor, that the Board of Regents, upon the recommendation of the President of the University, approve the deletion of *Section VII – The Agreements* of the BOR *Policy Manual*. Motion carried unanimously.

***Section III – The Employees*, approved**

Chair Stout stated that one of the main reasons for reviewing and updating the *Policy Manual* is to streamline the policies of the Board of Regents. Dr. Dunn stated that anything pertaining directly to procedure has been removed and anything that is fluid and has changed drastically has also been removed. The document is the Board's operating principles and should be written so that a *Policy Manual* change is not required every time a procedural change is made. Mrs. Winchester reported that Staff Congress is updating the *Staff Handbook* which will be reflective of the *Personnel Policies and Procedures Manual* and that is now available on-line. The majority of what is being deleted from the Board *Policy Manual* is contained in the *Personnel Policies and Procedures Manual.*

Mr. Jacobs outlined the changes for each section and noted that obsolete language had been updated, language had been modified to reflect current policies and procedures across University functions, there was a renumbering of policies and the changes reflect proposed language changes. Any procedural issues were removed while policy statements remained and language was reworked for clarification and to provide conformity to current terminology at the University. With regard to specific sections the following issues were discussed:

- *Section 3.3 Tuition Waivers* – Ms. Hays asked that the University consider extending this benefit to Regents so that they would be able to experience the University on a first-hand basis. Dr. Dunn agreed that he would look into this issue separately from approving proposed changes to the *Policy Manual*. Mr. Adams indicated that he is concerned that the tuition waiver can be utilized by an employee who has been at the University for only six months. Dr. Dunn stated the Regents could make changes to the Policy Manual if they so desire but this represents present practice. Mr. Denton clarified that the six-month criteria is based on the fact that the University has a six-month probationary period for new employees and once they reach regular employee status they are granted this benefit. Judge Taylor clarified that he believes the wording with regard to six months applies to an employee wishing to transfer a tuition waiver to a spouse or other family member and that is a requirement that does not exist for the employee. Chair Stout is concerned that if the wording is modified to apply to Regents then their children and spouses would be eligible as well. Dr. Dunn indicated that the other regional universities would be polled to determine how they handle this issue and the wording of any change in policy will be carefully reviewed. Ms. Hays indicated that clarification is also necessary regarding employee entitlement to six (6) credit courses per year and that those credit hours cannot be banked over time. Dr. Dunn believes that this language is contained in the *Personnel Policies and Procedures Manual* but he will ensure the language is contained there and is clear. Mrs. Travis asked how many MSU employees take advantage of this benefit and Mr. Denton indicated that there was approximately $600,000 in tuition waivers for employees or their children and spouses.
- Mrs. Buchanon asked if the Committee has taken into consideration items of policy previously approved by the Board that had not been incorporated into the existing *Policy Manual* and Dr. Dunn indicated that was done to the extent that those policies could be identified and located.
- *Section 3.4 Grants and Contracts* – Language specific to any one particular grant has been removed. Dr. Morgan clarified that the policy with regard to faculty workload is not being changed but is simply being deleted from this section. Dr. Dunn stated there is new language with regard to overload payment that will be adopted. Dr. Morgan asked whether the policy with regard to faculty and staff and the number of hours for instruction is being changed. Mr. Jacobs indicated that policy is not being changed and can still be found in *Section IV* of the *Policy Manual* and also in the *Faculty Handbook*. It is not necessary for it to appear in the *Grants and Contracts* section of the BOR *Policy Manual* because faculty load guidelines are not established under grants and contracts.
- *Section 3.5 Salary Policy* – Refers to the policy and eligibility for extra compensation for faculty and staff. The policy being inserted has been taken directly from the faculty and staff handbooks. The sections that are being deleted are referenced later in the policy. *Section 3.5.1* represents an exception to the salary policy and has been removed because it is no longer relevant. *Section 3.6 Leaves of Absence Without Compensation* had minor language edits and no substantive change.
- *Section 3.7 Personal Computer Loan Program* – Ms. Hays asked for clarification on the reference to the program providing 80 percent of the cost of the computer hardware up to a maximum outstanding balance of $2,000 and asked how that policy would limit someone from buying an $8,000 computer. Mr. Jacobs indicated that individuals are still borrowing money regardless of the cost of the computer and that this program simply provides a loan up to $2,000. The loan is interest-free and is repaid through payroll deduction.

On behalf of the Ad Hoc *Policy Manual* Committee, Dr. Morgan moved, seconded by Judge Taylor, that the Board of Regents, upon the recommendation of the President of the University, approve

suggested modifications to *Section III – The Employees* of the BOR *Policy Manual*. Motion carried unanimously.

***Section IV – The Faculty*, approved**

Mr. Jacobs indicated that the Faculty Senate has reviewed this section of the *Policy Manual* and continues to make revisions to the document but they are comfortable with what is being presented to the Board today with the understanding that additional changes will be forthcoming. Mr. Jacobs outlined changes to various sections of the *Policy Manual* and the following issues were discussed:

- Mr. Adams asked how the comments in the margins from Mr. Rall should be handled and whether by approving the changes the Board is approving Mr. Rall's comments. Mr. Jacobs stated some issues are awaiting Mr. Rall's opinion or there is an ongoing negotiation of language between the parties involved. Mr. Rall is not opposed to the language contained in the policy but has suggestions on how to improve and strengthen that language. Some suggestions have been incorporated and the comment remains simply to provide a history of the origin of the change.
- Numbering in this particular section is not consistent and President's Office staff will ensure that when the revisions are finalized the numbering will be consistent.

On behalf of the Ad Hoc *Policy Manual* Committee, Mrs. Ford moved, seconded by Judge Taylor, that the Board of Regents, upon the recommendation of the President of the University, approve suggested modifications to *Section IV – The Faculty* of the BOR *Policy Manual*. Motion carried unanimously.

Section V – The Students*, with exception of *Section 5.1.1 – Student Rights, approved

Mr. Jacobs outlined the changes for each section and noted that the changes were minor in nature but discussions are still underway and additional changes will result from those discussions and from suggestions provided by Mr. Rall. The following issues were discussed:

- Discussion is taking place to add language regarding an e-mail policy that would establish e-mail as an official form of communication. Dr. Dunn indicated e-mail is currently recognized as an official form of communication but there is benefit to having language in the *Policy Manual* to that extent for legal purposes.
- Mr. Adams stated that the language regarding individuals the University will not discriminate against is not consistent with what the Board approved in February as part of the Affirmative Action Plan. Mr. Jacobs indicated that this language was contained in the original policy. Mr. Adams stated that marital status and political affiliation were submitted as an amendment and were defeated by a vote of 7 to 4 and asked how the Board should approach that issue in this case because the Affirmative Action Policy says one thing and the information contained in the student section states another. At the beginning of the process Dr. Dunn indicated that the Board *Policy Manual* should be consistent with language contained in the faculty, staff and student handbooks but that it has also been stated that there is no requirement for consistency among the documents. He believes there should be consistency across-the-board and the issue must be addressed.
- Dr. Dunn stated that the Board can determine that the nondiscrimination statement adopted for the University in February is what applies to every group. What is presented here is the statement students have made in the past as part of their Constitution and the Board could allow that statement to stand because the students are speaking out regarding the rights they see attached to other students. If there becomes a question as to what is operable he would suggest that would be the University's overall nondiscrimination policy. Another approach is to determine that anywhere the nondiscrimination statement appears it should contain the exact language of the University Nondiscrimination Policy. Mr. Adams indicated that he believes there should be one single statement of nondiscrimination for consistency and Chair Stout agreed that the overall goal is consistency. Dr. Dunn indicated the Board can choose to let the policy stand as written with regard to student rights and it will not change the University Nondiscrimination Policy approved last spring. If students want to go beyond the University Nondiscrimination Policy to make a statement of their own, he does see some merit to that but is not sure it belongs in the Board *Policy Manual*. Mr. Adams asked how the University would handle extreme political affiliation and Dr. Dunn indicated that students are being referred to here, not faculty or staff. A student would have to feel that their rights had been abridged because of political affiliation and they would challenge that their rights were infringed on because of this and would seek redress of that under this language. The University's defense would be that the language was contained in the *Policy Manual* under student rights but the overall University Nondiscrimination Statement that is the blanket statement and this language

is not found there. Dr. Morgan asked that the approval of *Section 5.1.1* be tabled to allow time to examine the respective policies and the Board agreed to approve *Section V* and postponed the approval of *Section 5.1.1*.

- *Section 5.1.2 Student Records* – Ms. Hays indicated that there should be more expansive verbiage regarding the issue of someone running a credit card and then stopping payment and that counterfeiting should also be addressed. Dr. Dunn suggested referring this question to the Ad Hoc Committee to address and all agreed to do so.
- *Section 5.6 Admission Guidelines* – Mr. Adams clarified that Murray State's current ACT composite score requirement is 18 and asked for clarification on the statement that for the spring and summer terms only, a resident of Kentucky or the Tennessee counties of Henry, Obion, Stewart or Weakley who has a minimum ACT composite of 14, but who does not meet the criteria for "admitted" or "admitted with condition" will be considered for "admitted with conditions" status. Dr. Dunn indicated the language simply reflects what has previously been the case with regard to spring and summer terms and can be reviewed at a later date if the Board determines it needs to be revised.
- *Section 5.7.1.1 Extended Campus Fees* – References policy approved by the Board but not added to the *Policy Manual*.
- Mrs. Buchanon asked if a student can serve as President of the Student Government Association regardless of what state they are from but in order to serve on the Board of Regents they must be from Kentucky. Dr. Dunn indicated the operative definition for MSU is one out-of-state Regent and he does not know if there is a special piece of language regarding the student Regent but would check into it. Dr. Robertson indicated that he believes there was a policy some time ago and that requirement no longer exists.

On behalf of the Ad Hoc *Policy Manual* Committee, Dr. Morgan moved, seconded by Mrs. Ford, that the Board of Regents, upon the recommendation of the President of the University approve suggested modifications to *Section V – The Students* of the BOR *Policy Manual,* with the exception of *Section 5.1.1*. Motion carried unanimously.

***Section VI – The Governance Units*, postponed**

The Ad Hoc *Policy Manual* Committee agreed to carry over to the November Board meeting approval of *Section 5.1.1*. and *Section VI* of the *Policy Manual*.

Adjournment

The Ad Hoc Policy Manual Committee adjourned at 11:15 a.m.

Committee of the Whole
Board of Regents
Murray State University
Friday, September 12, 2008
Jesse Stuart Room – Pogue Library
11 a.m.

Regent Jay Morgan called the Committee of the Whole to order at 11:15 a.m. and reported that the following Board members were present: Bill Adams, Marilyn Buchanon, Beverly Ford, Peg Hays, Laxmaiah Manchikanti, Kara Mantooth, Jay Morgan, Alan Stout, Jeff Taylor, Vickie Travis and Gina Winchester. Absent: none.

Chair Alan Stout indicated that members of the Task Force on Developing Murray State University's Extended Campus at Paducah who were present include:

- Randy J. Dunn (MSU President – Administration Representative)
- Laxmaiah Manchikanti (MSU Regent)
- Ms. Kara Mantooth (MSU Regent/Student Representative)
- Pam Matlock (MSU Faculty Representative)
- Alan C. Stout (MSU Regent)
- Brian Van Horn (MSU Administration Representative)
- Daniel Wann (MSU Faculty Representative)
- John A. Williams (Service Area Representative)
- Sandra Wilson (Service Area Representative)

- John Yates (MSU Administration Representative)

The Task Force members who were not able to be in attendance included:

- Phil Bryan (Community Representative) – provided a letter of support
- Eric L. King (MSU Regent/Student Representative)*
- Rex Smith (Service Area Representative)
- Teresa Wheeler (MSU Student Representative) – provided a letter of support

Note: Chair Stout substituted Kara Mantooth, current MSU Student Government President, for Mr. King in August 2008

Chair Stout expressed appreciation to the Task Force on behalf of the Murray State University Board of Regents for their commitment and the time devoted to discussing, investigating and developing the issues presented. The work of the Task Force can serve as a template that the BOR can utilize to explore issues at other extended campus sites or even within the local campus community to allow for intensive exploration of an issue by providing representation of the Board of Regents, administration, staff, faculty, students and the constituent community involved. Chair Stout indicated that the Final Report of the Task Force on Developing Murray State University's Extended Campus at Paducah has been provided in the meeting notebooks. The recommendation of the Task Force to the Murray State Board of Regents is that the most effective means of expanding higher education programs and services in Paducah and McCracken County is to construct a new Paducah Extended Campus facility on the Barkley Woods property optioned by MSU.

Dr. Van Horn stated he has worked at the Paducah regional campus since its development and one of the largest issues with regard to student enrollment is facility space. The Board of Regents is tasked with making decisions for the long-term advancement of the University and one thing that will have to be done without question for the future is for the University to do something. This semester capacity on the Paducah regional campus has been exceeded by three classrooms for courses offered on Thursday evenings and that includes those spaces that were old offices but have been cleaned out and a folding table placed in them to hold classes. He does not believe that is the type or quality of service the MSU Board or anyone from Murray State wants to offer. Something must be done to allow the Paducah regional campus to expand programming especially considering that increasing enrollment and regional outreach are important goals for the institution. Ms. Hays inquired whether there is a furniture need or a building need and Dr. Van Horn indicated the University does not currently have an adequate amount of developed facility space within the building and that it is not simply a furniture need.

Ms. Matlock indicated she teaches out of the College of Education on the main Murray State campus but also teaches courses in Paducah. One of the courses she teaches in Paducah has 46 students and they are currently in a room that is too crowded and has only one exit door so it really is a space issue. Dr. Manchikanti asked whether the situation exists only on Thursday evenings and Ms. Matlock stated that the rooms are very crowded on both Tuesday and Thursday nights with the other nights being less crowded. The majority of students are nontraditional students and a conscious effort has been made to schedule classes after 4 p.m. to accommodate their schedules. Many work as substitute teachers or instructional aides and cannot make a class starting before 4 p.m. Afternoon and evening classes are offered 4-7 p.m. and 7-10 p.m. which amounts to only two classes per evening and that is not sufficient to meet the existing need.

Mrs. Buchanon asked with regard to the current facility what square footage is currently not being utilized and Dr. Yates indicated there are three warehouses that are part of the facility for approximately 75,000 square feet. He added that the warehouses are huge and are uninhabitable and the actual instructional space is around 25,000 square feet. Dr. Van Horn also added that the warehouses referenced do not have systems in place for heating or cooling.

Chair Stout introduced Mr. John Williams, Chair of the Board of CSI in Paducah, Kentucky, who thanked the members of the Board of Regents for the opportunity to speak. He agreed to serve on this Task Force because he has been involved in public education in various capacities for several decades. Most recently in 2007 he served as a member of the Task Force for the state Chamber of Commerce that studied higher education reform from 1997 and what has happened in the subsequent ten-year period. This was a very intensive process and he hopes the members of the Board have had an opportunity to review the results of that work.

Mr. Williams reviewed the following statistics:

- Per capita income in Kentucky is 82 percent of the U.S. average. In the Purchase area, per capita income is between $16,000 and $19,000 compared to $21,000 in the United States. This illustrates there is a direct link between higher education and per capita income level.
- House Bill 1 and the CPE "Double the Numbers" initiative are geared toward enhancing access to public education and raising per capita income in the Commonwealth.
- Only 65 percent of 9th grade students in the Commonwealth of Kentucky complete high school. In the Purchase area the numbers are somewhat above this percentage and in Calloway County the high school graduation rate is 92 percent. Most other counties in the Purchase area are at around 70 percent with the statewide average being 65 percent.
- Of the students who do graduate from high school in Kentucky, 57 percent go on to college which means the other 43 percent are lost in terms of pursuing a bachelor's or master's degree.
- The college graduation rate is measured in terms of six years and in Kentucky only 44 percent of students graduate from college after six years which illustrates the linkages that exist in the system and demonstrates where focus and thinking should be on helping to resolve this problem.
- The statewide graduation rate is 44 percent and in the Purchase area varies from county to county from 43 to 66 percent.
- In the Purchase area, in the 25 to 64 year old age group, with regard to individuals who either received a degree or did not but are in the workforce, only 13 percent hold baccalaureate degrees. Twenty-one percent of these individuals have some college but no degree and 15,000 of those individuals are in McCracken County alone. There are an additional 10,000 individuals with some college but no degree in the surrounding counties and southern Illinois.

Mr. Williams stated that these data indicate if there is going to be a change in per capita income for the Commonwealth there must also be a cultural change and part of that change is educational leadership. All educational leaders must become much more marketing oriented and recognize that this is the key to drawing more of the individuals with some college but no degree back into higher education. The job cycle today is much shorter than it was some years ago and workers are changing jobs every few years and some of those job changes require skill changes, especially for those individuals who are place bound.

Mr. Williams indicated it is also important to note the linkage that must be present between education and economic development. If individuals are trained but there are no jobs available, the state will simply be exporting talent. He stated that some of his best employees are those who exported and received education and training in a large city and decided to return to the area. Although the argument of exporting talent does have some flaws, the other side is that in today's economy there needs to be far more emphasis on growing small businesses. Murray State is doing some outstanding work in the area with the Innovation Center and the new Entrepreneurial Program and focusing on how to help small businesses grow is the way to create more jobs where individuals can utilize their education. There is also a volume of data that indicates jobs will come to an area if that area provides education for its youth.

Mr. Williams stated that the proposal before the Board offers opportunities to more effectively address the issues mentioned above. The Board's directive in November 2007 for the formation of a Task Force to study the Paducah extended campus opened the door to further understand the needs, opportunities and challenges of an extended campus. The diversity of the Task Force was especially beneficial and allowed for a truly objective process. The Task Force reviewed basic data about campus enrollment and demographic data on each of the extended campuses, other extended campuses across Kentucky and other models across the country. The Task Force took into consideration that enrollment on the main campus was flat and enrollments across the country are increasing at extended campus sites, especially among place bound individuals between the ages of 24 to 64. The Task Force reviewed details of the Crisp Center, including student mix and their home counties; programmatic activities and facilities. The Task Force toured the Crisp Center facility, including the warehouse space that is not air conditioned and discussed how that property could possibly be enhanced to be a viable option. Mr. Williams complimented Murray State staff for never failing to provide additional details as requested and in a timely manner.

Mr. Williams reported that the Task Force then defined alternatives and identified pros and cons of those different alternatives. Those pros and cons were then tested and the first test was with the West Kentucky Community and Technical College (WKCTC) and Paducah Junior College (PJC) liaison group. Members of the Task Force also tested what each member had individually expressed and a modified pros and cons document resulted. The Task Force talked about marketing a number of times and at the core of that discussion was to determine what would provide the best marketing platform for Murray State University to draw students and expand the dominance of its presence. The Task Force discussed competition in McCracken County and discovered that among the 24 to 64 age group, MSU's number one competitor is Mid-Continent. It was further noted that at the high school level,

especially over the last few years, the University of Louisville has done a superb job of proactively seeking high school graduates from McCracken County.

Mr. Williams believes strongly that Murray State must consider a far more proactive plan for marketing educational opportunities in today's environment. The opportunity exists and the recommendation before the Board lays the foundation to play a key role in that process. The conclusion of the Task Force, after reviewing five different alternatives and the accompanying pros and cons, was that a Murray State facility needs to have a prominent location on the Interstate 24 corridor as close to the West Kentucky Community and Technical College campus as possible. One Task Force member further indicated that more of a "wow factor" also needed to be created which truly speaks to the importance of the marketing aspect of the process. It was determined that the Crisp Center will not provide that "wow factor" and would not fare well in the overall marketing scheme. If a facility is constructed at the I-24 location on the Barkley Woods property that is under option, Mr. Williams' conviction is that facility would create a marketing location that will become the welcome center for high school graduates who will then come to the main Murray State campus. The programs offered at that facility will be geared toward the 24 to 64 year olds who are place bound from a work standpoint.

Mr. Williams indicated the Task Force studied the possibility of locating a facility on the WKCTC campus and that option simply did not work. Two criteria emerged for locating a facility along the I-24 corridor and those included the marketing location and convenience for students taking course on both campuses. The Barkley Woods property currently under option would accommodate both of those objectives and it is for this reason that he endorses and agrees with the conclusion and recommendation of the Task Force. He encouraged the Board to support the recommendation to construct a facility with a "wow factor" and expand program offerings utilizing the Barkley Woods site.

Dr. Morgan thanked Mr. Williams for his remarks and asked if other Task Force members had comments. Chair Stout indicated with regard to the "Double the Numbers" mandate and objectives outlined by the CPE, the Board met with CPE leadership during their Retreat last week and they reaffirmed their commitment to the concept of increasing enrollment significantly in order to meet the "Double the Numbers" mandate. Research has shown that much of this enrollment increase is going to come from the extended campus sites. Enrollment will continue to be promoted for the main campus but any increase will come from nontraditional students and how the University services those students through all the extended campus sites.

Dr. Manchikanti stated that he is a member of the Task Force but for public information asked how the Mid-Continent expansion along the I-24 corridor will affect future expansion plans for the University. Chair Stout indicated that expansion will not affect what Murray State does but if Mid-Continent has purchased ground and they move forward with construction of a facility that will in essence create an education corridor along I-24. Murray State will have a presence as well and what the University does in the area will be independent of Mid-Continent. Mr. Williams pointed out that there is a programmatic difference between what Murray State will deliver and what Mid-Continent will deliver. The increased programmatic scope that Dr. Dunn has recommended will build on what Murray State does currently will allow it to compete relatively easily with Mid-Continent. The educational world today is becoming increasingly competitive and is no longer an exclusive market geographically.

Dr. Dunn indicated that the numbers are there but there is also a continuing push for attainment and acquisition. The question becomes whether Mid-Continent or the regional state university provides service to that area. Students are going to seek out and find education and because of their nontraditional status they are going to find it in the most convenient, feasible way and that is through delivery in the Paducah and McCracken County area. If Murray State does not move forward it will be giving up this market share because the target students are not going to come to the flagship campus and someone else will move into the Paducah area to serve those students. He encouraged all to review the Mid-Continent schedule of classes and that will illustrate how very different the two institutions are. When Murray State and Mid-Continent go "head to head" MSU will fare well but the difficulty now is the decrease in market share as others determine how to get in the education game.

Ms. Hays asked where Mid-Continent holds their classes in Paducah and Mr. Williams indicated there are 55 to 60 locations, ranging from company conference rooms to church basements. Ms. Hays indicated that not having a centralized location obviously has not affected their enrollment and although they are moving it the direction of a central location they have had great success with their current model. Mr. Williams stated that he has not seen the detailed plans for the Mid-Continent

building previously mentioned by Dr. Manchikanti, but he is told it will be primarily utilized for administration space and not classrooms.

Chair Stout reported WKCTC indicated to him that 28 percent of their two-year graduates who have gone on to attend a four-year institution went to Mid-Continent. Dr. Dunn argued that the demand is so great that individuals are willing to earn their college degree in a church basement and if an opportunity is presented with an expanded range of programs within a facility, utilizing the talent and expertise of skilled faculty, those students will be able to access a highly visible facility with a close linkage to Murray State and the University will fare well. Mid-Continent and others like them will always have a slice of the market but Murray State can hold its own with the range of offerings and the nature of the course that will be provided in a location that has the facilities that are envisioned for the 25,000 individuals mentioned earlier. Ms. Wilson stated that the individuals going to college in a church basement are there simply to earn their degree and there is a different feel and those individuals do not develop a long-term relationship with that school. Ms. Hays indicated extended campus students do not have the same connection with an institution that they would have if they attended college on the main campus. She indicated that mention was made regarding the number of high school students in McCracken County and that this facility would serve as a welcome center to hopefully convince those students to come to the main campus but she thinks high school students need to be on the main Murray State campus. She is unsure the University needs a tourism building in that location to send students to the main campus. Mr. Williams indicated he obviously did not express himself well on this point and clarified that whether there is a welcome center with a registrar service in the building encouraging students to come to the MSU campus or not, the marketing presence of the building will strengthen MSU's image in the area.

Mr. Williams provided fall 2006 data for Mid-Continent with regard to students who transferred from the community college. Out of those students, 146 transferred to Murray State, 67 to Mid-Continent, 34 to UK and the numbers decrease from there. The point the Board needs to know is that 67 students going to Mid-Continent did not exist six to seven years ago and only 11 percent continue their education and complete their junior and senior years. The biggest single failure identified in the forecast of doubling the numbers was increasing the number of transfers from the community colleges to higher education and that is currently 11 to 12 percent across the Commonwealth.

Dr. Wann reported it is also important to know if the "wow factor" exists that gives the transfer student that moves on to Murray State a connection with the University as a whole. When a student moves on to Mid-Continent and those students don't really feel the connection, there are very few advantages of supporting the university post-graduation. When reviewing predictors of giving back to the university as alumni, one of the predictors is whether or not that individual has as part of their identity that they were a student at Murray State University and not just that they were a college student. If there is a location that has some identity and students incorporate that identity the benefits will extend beyond just the numbers to the point where alumni dollar potential is increased. Ms. Matlock reported this issue was a major concern to her and Dr. Wann and that they were concerned about the Murray State identify factor. As a fundraiser Murray State t-shirts are sold and of the 46 students she teaches in Paducah, 38 purchased t-shirts because they want to make that connection and identify with Murray State University.

Mr. Adams asked for elaboration on the discussion that took place among Task Force members regarding how increasing enrollment at the extended campus in Paducah will enhance enrollment on the main Murray State campus. Mr. Williams indicated that enrollment on the main campus is currently flat. His personal opinion from experience in marketing is that the more the University builds its identity throughout the region, the more students it will draw to the main campus. Having a more prominent and impressive facility in Paducah will lead to more students wanting to come to the main campus. If Murray State does not take advantage of this window of opportunity and a proactive move is not made by the University, someone else will make that move. If MSU truly has as its mission serving this region of the Commonwealth, taking into consideration the changing human needs and the environment of the region from just 20 years ago, the only way the University will holistically address the needs of the region are not just through the main campus but through the extended campuses as well. If the Board makes the choice to not continue to build quality educational programs in Paducah and McCracken County, it limits the long-term viability and growth of the regional university and the long-term growth of Murray State will be harmed if it does not fulfill its core regional mission.

Ms. Matlock reported that many individuals currently walk into the Crisp Center looking for information so it is already facilitating contact with the main campus. If a course if not offered at the MSU extended campus site in Paducah, staff will provide the individual with the contact information

they need for someone on the main campus and Dr. Van Horn agreed this is protocol for everyone who works at the regional campuses. Every student should be encouraged to come to the main campus so that they may have the entire social experience of being in a college environment and that cannot be replaced with the regional campuses. The facility will serve as a welcome center because currently students are regular visitors to the extended campus site and even if they are 21 years old they have some barrier that prohibits them from attending college on Murray State's main campus. If Murray State does not provide this service and help those students then they must find the alternative and that alternative is not just Mid-Continent anymore. It is the click of a mouse with thousands of institutions and there are two other Kentucky institutions that currently have signs and offices in Paducah. Dr. Van Horn added that this also provides an opportunity to continue developing a relationship with graduates from the Murray State main campus. As individuals go out into the workforce in Paducah and McCracken County a larger MSU existence in the area allows more opportunity to retain that student as a graduate student down the line. Without additional opportunities the University is limited in what it can do and he sees this as an opportunity, mainly through the undergraduate side but it also complements Murray State's ability as a graduate school, to provide the Paducah region with expanded programmatic needs.

Mrs. Buchanon asked if the Paducah extended campus is currently serving 400 students. Dr. Van Horn indicated for unduplicated headcount that figure would be correct and extended campus enrollment is up again this year in Paducah with an excess of 1,050 enrolled this fall. Mrs. Buchanon asked if this figure represents a student who may be enrolled in more than one course and Dr. Van Horn indicated that to be the case. Mrs. Buchanon asked what percentage of students served are from McCracken County and Dr. Van Horn indicated 75 to 85 percent of students taking courses at Murray State's regional campus were from within a 20-mile radius of McCracken County and clarified that students who are coming to the Paducah campus from Murray are doing so because of a scheduling conflict. Mr. Williams reported that 160 students taking courses at the MSU extended campus in Paducah are from McCracken County. Ms. Hays asked how many students were from Christian County and Mr. Williams reported there were none but the data refers to the Purchase area only.

Ms. Hays thanked the members of the Task Force and stated that she understands this has been a daunting task involving a long and complicated process and commended them on their work in preparing a very concise and comprehensive report.

The Committee of the Whole adjourned at 12:10 p.m.

Chair

Secretary

(The remainder of this page has intentionally been left blank to allow inclusion of committee minutes and attachments.)