Chair Constantine Curris called the committee meetings of the Murray State University (MSU) Board of Regents (BOR) to order at 8:10 a.m. and reported all members were present with the exception of Jerry Sue Thornton who was unable to attend due to inclement weather.

Audit and Compliance Committee
8 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 8:10 a.m. and reported all members were present. He introduced Jeffrey Winter, Partner, and Matt Finke, Audit Supervisor, representing the University’s auditing firm – RubinBrown.


Mr. Winter thanked Tom Denton, Vice President for Finance and Administrative Services, Jackie Dudley, Senior Director for Accounting and Financial Services, and their staff for providing assistance to the auditors. No limitations were placed on the firm’s ability to undertake the audit review. Significant resources are dedicated to the MSU engagement – especially during the first year but also moving forward – and RubinBrown was on campus for two weeks in May and again in July. The American Recovery Act (stimulus bill) significantly affected the University’s audit which necessitated increased transparency and audit requirements specifically related to federal grants. More federal programs at the University were audited this year than in the past. There are required communications RubinBrown must make to those in charge of corporate governance and recommendations were based on observations which surfaced during the audit process. RubinBrown did not audit internal controls but gained an understanding of the systems and procedures in place to focus the audit as appropriate. Items noted represent best practices and observations the Board should take under advisement and strong consideration. They do not represent severe weaknesses in the system but bring to light issues which will help operations run more safely and efficiently. Auditing standards require the firm to express an opinion regarding whether the financial statements prepared by management (with auditor assistance) are fairly presented in all material respects, in conformity with generally accepted accounting principles and if the University complied in all material respects with the applicable compliance requirements of its major federal programs. The audit does not relieve the Board or management of responsibility for the accuracy of the financial statements or compliance with applicable requirements. The audit reports required as part of the MSU engagement were included in the Board packet. Highlights, as stated in the Business Performance Analysis, include:

- An unqualified opinion on the financial statements for the year ended June 30, 2010.
- A report on compliance and internal controls over financial reporting based on an audit of financial statements in accordance with Government Auditing Standards.
- An unqualified opinion on compliance and internal controls over federal financial assistance in accordance with OMB Circular A-133.
- The University’s 2010 audited financial statements will be included in the financial statements of the Commonwealth of Kentucky and to RubinBrown’s knowledge are not included in any other document. Portions of the financial statements are audited while others are not and the statements include management’s discussion and analysis representing a required disclosure. This information is not audited and it is reflected as unaudited on the University’s financial statements.
- The audit was performed according to the scope and timing previously communicated and approved by the BOR in the Engagement Letter dated April 12, 2010, and during a meeting with management and the Audit Committee Chair on May 6, 2010.
- Management is responsible for the selection of appropriate accounting policies which includes recognition, measurement and disclosure considerations related to specific transactions and accounts. More than one approach could be taken with regard to a particular item and all must be disclosed in the financial statements (Note 1). There were no new accounting policies and the application of existing policies was not changed. Two new governmental accounting standards...
were effective June 30, 2010, but did not affect the University’s financial statements. There were no transactions entered during the year for which there was a lack of authoritative guidance and no significant transactions were recognized in a different period from when the transaction actually occurred.

- The use of management’s judgments and accounting estimates are additional aspects of accounting practices important to the preparation of financial statements. Estimates are particularly sensitive from an audit standpoint because they are just that – estimates – and actual results could differ. The responsibility of the audit firm is to evaluate key factors and assumptions used to develop estimates to ensure they were reasonable in relation to the financial statements as a whole. The most notable estimates affecting the University’s financial statements include depreciation and useful life of capital assets, allowance for uncollectible loans and student accounts receivable and self insurance reserves.

- Disclosures are neutral, consistent and clear with regard to financial statements. Certain disclosures are particularly sensitive due to their significance to those utilizing the financial statements. The most sensitive disclosures affecting MSU financial statements include assets held by the Foundation (deposits and investments and endowments), revenue recognition, long-term debt (revenue bonds, notes payable and capital leases) and risk management activities primarily related to self insurance. No audit adjustments were required.

- Professional standards require all known and likely misstatements be identified by the auditing firm during an audit – other than trivial findings – be communicated to the appropriate level of management so they can be corrected. Management received no corrected misstatements requiring an audit adjustment for the year ended June 30, 2010. RubinBrown accumulated uncorrected misstatements as part of the audit which were deemed immaterial by management, both individually and in the aggregate, but those were not posted because they were immaterial and included an overstatement of accrued self insurance liability and an understatement of library additions for a total net effect on net assets of $443,475, representing two-tenths of one percent of the University’s total net assets. Adjustments were not posted to the financial statements and this is a common practice when immaterial differences are discovered.

- There were no disagreements with management related to accounting policies and management representations which are an important part of the audit process and were included as an exhibit in the Business Performance Analysis.

- Clients could consult with an independent accounting firm regarding the treatment of a certain accounting transaction and the “official” auditing firm must be made aware of any such communications. RubinBrown is unaware of MSU participation in such consultations.

- With regard to the Management Letter, RubinBrown considered the University’s internal control over financial reporting as a basis for designating auditing procedures to express an opinion on the financial statements – not for the purpose of expressing an opinion on the effectiveness of internal controls. Consideration of internal controls was for the limited purpose described and would not necessarily identify all deficiencies deemed significant or material weaknesses.

- Internal control deficiencies exist when design or operation controls do not allow management or employees, in the normal course of performing assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control where there is a reasonable possibility a material misstatement of the entity’s financial statements will not be prevented, detected and corrected on a timely basis. No material weakness deficiencies were noted. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness but important enough to merit attention by those charged with governance. One significant deficiency finding included the University should consider implementing procedures to improve the timeliness of its reconciliation and year-end closing and reporting process. Over the past year the University experienced an unusually high level of turnover within Accounting and Financial Services while implementing a new enterprise resources planning (ERP) system. This caused a reallocation in terms of resources and time that would typically have been devoted to reconciling key accounts and record keeping. These factors were taken into consideration and were deemed reasonable in nature and isolated to the period during which RubinBrown has served as auditors for MSU. The lag time in the preparation and reconciliation process which took place throughout the audit served as an indication that staff were unable to reconcile certain key information at various points during the fiscal year, thereby causing the situation where some information that would normally have been available for management to review and base decisions on in a timely manner may not have been available. Auditors felt strongly that management is aware of the issue and has responded appropriately and no information exists to indicate the issue existed in prior years or is anticipated to be an issue moving forward.

Mr. Denton reported the unusually high turnover rate was in large part due to implementation of the ERP system. Some institutions engage outside consultants to perform a larger share of work associated with implementation of an ERP system, but MSU elected to utilize its own employees to develop and implement the ERP system so the University could maintain more control over information being entered into the system. The time commitment required to implement the
ERP system represented time these employees were not able to devote to their regular job duties. It is believed the impact associated with implementation of the ERP system was temporary and the department is now beginning to resume normal function. The University’s chief accountant - Amy Sasseen – also accepted the Internal Auditor position which created another critical situation in that office. RubinBrown has been involved in a number of ERP implementations and is sensitive to the fact that 99.9 percent of the time audit and general accounting functions which take place throughout the year would be affected by implementation of a similar system.

In response to a comment that significant issues still exist with regard to the ERP and Banner system, particularly for faculty, Mr. Denton reminded the Board the University implemented a number of systems within a short period of time which many institutions do not even attempt. MSU was given specific parameters around financial aid software and because the software in place would no longer be maintained by an outside vendor the institution was forced to change systems within a specified timeframe. Before the financial aid component could be established it was first necessary to implement a number of other systems which placed many under a significant time crunch. The process was extremely difficult and was undertaken in a very compressed time frame with MSU employees doing a fantastic job meeting the implementation challenges and scheduled deadlines.

Mr. Finke outlined the following items for consideration by the Board and management:

- Implement a formal institution-wide whistleblower policy or fraud hotline which could be a useful tool to identify instances of fraud or misuse of funds. The administration agreed to review this suggestion although the institution is already covered under the Kentucky whistleblower statute which provides a means to process a complaint or whistleblower action.
- Implement a formal Code of Ethics. This work is currently underway and a draft code of ethics is being prepared to present to the Board for consideration. The Council on Postsecondary Education (CPE) previously requested this issue be given consideration and at that time MSU undertook some preliminary work but the issue was placed on the back burner due to other projects already in progress. The importance attached to the whistleblower policy and the Code of Ethics is the message that it sends to faculty and staff if this message is communicated in an appropriate and efficient manner. Management was encouraged to develop these policies and also determine a means by which members of the institution will annually acknowledge they are aware of the existence of the documents and have read or have been provided with an opportunity to read these policies. Internal meetings have resulted in discussions about how best to convey this information whether through online training or a program developed for new hires to the institution as part of the orientation process.
- Ensure (once per semester) outstanding receivables for students no longer enrolled are transferred from the University’s accounting system to a third-party administrator designated for collections. This has been the University’s procedure in the past but during fiscal year 2010 was completed only once due to some functionality related to the Banner system and student module implementation through a third-party administrator. The process is on schedule for the current fiscal year.

The following recommendations resulted from a RubinBrown information technology (IT) specialist visit to campus:

- The MSU Information Technology Advisory Council should sponsor an information technology risk assessment because there is currently no formal comprehensive IT risk assessment in place and any action identified as appropriate should be undertaken. Benefits from an IT risk assessment which is documented include strengthening internal and operational controls and reducing the risk of fraud and/or deceptive business practices. Linda Miller, Chief Information Officer, is currently coordinating an initiative to identify potential IT risks. Consensus was reached that the BOR Audit and Compliance Committee will be responsible for following the University’s progress in this area and risk management would be an intended agenda item for the Board Retreat in February 2011.
- No formal review of user access in the Banner system is currently undertaken. The absence of this type of review can potentially result in excessive or inappropriate access for one individual. A periodic user access review should be performed to ensure only authorized individuals have appropriate access to specific Banner employee classifications based upon their job responsibilities. A report detailing user privileges to facilitate user access review has already been completed. Report format approval and acceptance is targeted to be completed by the end of 2010 with the report being distributed to functional users on a quarterly basis.
- A formal business continuity exercise for key departments has not been tested. Untested recovery plans can result in unnecessary business interruption. IT and financial/accounting areas should test the business recovery plan to determine whether those departments recover and operate in a timely manner in the event of an emergency. MSU currently has a contract with SunGard to provide equipment for the institution’s use in the event of a disaster. The University is reviewing
possible alternatives to utilizing SunGard because under the current agreement recovery would not be instantaneous. Mrs. Miller is reviewing the potential of utilizing a “hot spot” or duplicate system (located in a different city) essentially reflecting the system currently in place on campus. The contract with SunGard provides the institution with the ability to staff to go to a “cold site” and once there reconstruct MSU systems. The issue this imposes for the institution is the amount of time required to complete the process – likely at least five days. The current vendor contract is standard and is similar to that in place at most universities in Kentucky but limitations include it would only allow for recovery of the ERP process while leaving out other important components of campus. The time required to rebuild systems means functional users will not have the opportunity to test the system to ensure transactions are flowing properly. The lack of functional area review is being addressed through discussions with other institutions to ensure a means is in place to undertake requisite testing. Negotiations are currently underway with another Kentucky institution to serve as the host site for MSU.

- IT management should inventory data editing utilities and initiate the logging/monitoring of direct user access to production databases. Monitoring of databases, including the ability to modify or delete key financial data, was not occurring at the time of the review. Management indicated the University is exploring automated tools and manual logging and database administrators are scheduled to initiate a review process following the Banner 8 upgrade.

Single audit reportable findings – which are relatively common and do not affect the Department of Education’s impression of whether the institution is capable in regard to the management of student financial aid programs – include:

- During the fall semester for 12 out of 40 students tested the University did not provide loan distribution notification within the required 30-day timeframe. The Department of Education requires the institution to notify students of the assignment of their loan funds within 30 days which has typically been accomplished through email notification to students. A recommendation was made for the University to institute a preventative control – such as comparing a listing of students who have received a loan disbursement to those who have received notification of the disbursement on a weekly basis to identify any students in need of notification prior to the end of the 30-day deadline – to prevent this type of procedural error from occurring in the future. Management’s response indicated fall 2009 was the first semester the Banner student module was in production. The first time the process ran, issues surfaced with identifying all appropriate student data and disbursement notices for the first group of students were not distributed until 32 days after the actual loan distribution. The University identified the system issue in August 2009 and has implemented a procedure where the process is reviewed and monitored weekly to ensure this situation does not occur in the future.

- For one out of 40 students selected, unearned financial aid funds for students who had withdrawn were not remitted back to the Department of Education within 45 days from the date University personnel became aware of the withdrawal. A recommendation was made for the University to formally review a population of withdrawn students, determine whether it is necessary to prepare a Return of Title IV Funds calculation and implement a review process to ensure any funds are remitted within the mandated timeframe. Management’s response indicated the offices of the Bursar and Student Financial Aid determined Banner student module setup issues were involved in the Federal Family Education Loan processing and a SunGard consultant was utilized in February 2010 to assist in correcting these system issues. In the summer of 2010, the University moved to Direct Lending and new policies and procedures were developed to ensure the timely return of federal funds.

- A single audit finding with regard to TRIO programs involved an employee of that unit who was terminated receiving a payroll disbursement subsequent to their employment. Based on a review of supporting payroll documentation, the employee inadvertently received a full payroll check without deduction of a previously-issued payroll loan from the MSU Foundation. The University took proper steps to correct the error and the employee repaid the funds in full in July 2010 and during the year implemented a process to prevent such instances from occurring in the future – including a new procedure designed to review personnel status changes prior to payroll processing. The new process was implemented during the 2010 fiscal year and no additional recommendations by RubinBrown are necessary. Management’s response indicated the employee received a payroll loan from the Foundation because the Personnel Action Form was not completed by the grant recipient department in time to be processed by the Payroll Office. The Payroll Office has also implemented additional procedures to verify pay before each payroll is completed.

Mr. Finke reported minor items for consideration but not listed as findings in the A-133 Report included:

- Consider revising the form currently used to monitor sub-recipients to accommodate for-profit organizations’ specific audit requirement. Management indicated review of the content on the standard form is underway to enhance monitoring of sub-recipient controls.
Enhance internal control to ensure management reviews consortium agreements with other universities for transfer students/credits or similar arrangements. Although during the review only one out of 30 agreements could not be located, evidence of this review should exist and the finalized agreement maintained. Management indicated the University will review the existing process to ensure Registrar/Student Financial Aid consortium agreements are fully executed in a timely manner.

Mr. Winter reported with regard to the financial operation of the University:

- Information was provided regarding trends pertaining to major revenue sources, classification of operating expenses and an increase in unrestricted net assets. In light of the economy, the state budget and the unforeseeable future regarding state appropriations, 2010 was as positive a year as it could be due to cost control measures which were utilized.
- Total net assets increased by approximately $4.5 million, primarily cash and cash equivalents (up $1.3 million) and restricted investments. Restricted investments increased $3.4 million, primarily due to endowment contributions and unspent bond proceeds.
- Accounts payable decreased by approximately $1.3 million which reflects decreased construction activities and prior year payables.
- Deferred review decreased by $600,000 primarily due to the Kentucky Institute for International Studies (KIIS) program moving to another university.
- Endowments increased due to several new donations in current year in the form of matching gifts from donors and the state endowment program. Capital projects decreased due to no new projects in 2010 and the completion of prior projects during the year.
- Unrestricted net assets increased by approximately $7.3 million primarily due to increased operating revenue and $4 million in grants and investment income representing a positive trend from last year to this year.
- Net tuition and fees are increased by almost $2 million and total grants and contracts from an operating revenue standpoint are up by almost the same amount.
- Total sales, services and other revenues are down approximately $1.5 million due to the KIIS program and related lost revenues. Auxiliary revenue is up approximately $1.1 million with total net operating revenues being up close to $3 million.
- Total operating expenses are up about $6 million with compensation and benefits ($4 million) and operating activities ($1.5 million) accounting for the increase.
- Net non-operating revenues increased $7.1 million with the majority relating to federal grants and contracts and representing an unprecedented federal grants year for the University.

Mr. Winter indicated the auditors are available throughout the year if any Board member would like to discuss an issue further. In response to a question regarding custodial credit risk for deposits and the auditors note that the University does not have a formal deposit policy for custodial credit risk other than compliance with provisions of state law, it was indicated governmental accounting standards require auditors to disclose whether there is a formal investment policy at the institution level. Following state statutes is, in essence, a policy and is an appropriate way to proceed utilized by the majority of state colleges. The University could develop its own investment policy which may not be necessary because the institution must still follow state statute. This does not represent a negative finding but auditors were required to disclose the University does not currently have a formal investment policy in place.

Appreciation was expressed to the auditors for listening to concerns which have been expressed regarding the various risk management issues the Board faces and for including a listing of those areas in the financial statements. In response to a question regarding why Wellness Center operating expenses increased by $67,000 (14 percent) over the past year, Mr. Denton reported most likely the increase is due to the necessity of changing and replacing equipment leases. Revenues from operations are pledged to pay off debt otherwise these operations would not be disclosed in this condensed format and includes the housing and dining system and the Wellness Center which support the payment of revenue bonds.

In response to a request for an explanation of restricted versus non-restricted assets, Mr. Winter reported net assets by nature represent surplus (or deficit of assets minus liabilities). It is the surplus of liquid or illiquid assets, minus the obligations attached to those assets. Restricted net assets must be separated from unrestricted net assets and primarily consist of those restricted by a third party, such as a bond indenture (which requires money be put aside for payment of debt service) or donors restricting contributions for a particular purpose. Assets can be restricted by enabling legislation, by the BOR or the state of Kentucky. The auditors are required to disclose those restrictions and whether they are debt service (as with a bond indenture) or capital projects and enabling legislation (including any constraints on state money being provided to the institution). Unrestricted assets include everything else and measure the institution’s financial
position at a certain point in time representing a snapshot of the University’s current financial position. This does not mean unrestricted net assets are liquid or can be spent freely but constraints are attached to these assets and they, in essence, represent funds the University has the ability to use for the purposes it deems necessary. The Board can disclose within the unrestricted category a designated portion of funding in the footnotes but on the face of the balance sheet designated funding cannot be shown because priorities could change. Third party restrictions apply to third parties such as state government. The total increase in net assets was approximately $7 million with the increase in unrestricted net assets being approximately the same amount with other net asset categories remaining relatively stable.

**Audited Financial Statements – General, Audited Financial Statement – Federal Funds and Annual Financial Reports – Athletic, accepted**

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, accept the following financial statements and reports for 2009-10:

**Audited Financial Statements – General:**
- a. General Financial Statement for Year Ended June 30, 2010
- b. Management Letter
- c. Independence Letter
- d. House Bill 622 Compliance Report for Year Ended June 30, 2010
- e. Kentucky Lease Law Compliance Report for Year Ended June 30, 2010
- f. Business Performance Analysis (including Representation Letter)

**Audited Financial Statement – Federal Funds:**

**Annual Financial Reports - Athletic:**
- b. Murray State University Athletic Foundation Compilation for Year Ended June 30, 2010

Mr. Waterfield seconded and the motion carried.

**Office of the Internal Audit Report, discussed**

Internal Auditor Amy Sasseen highlighted the following from the Internal Audit status report which was provided in the Board notebook:

- The nature of the work of the Office of the Internal Audit has three broad categories, including recurring projects/reports; providing assistance to the Accounting and Financial Services Office (as needed) and the external audit firm (100 hours); and identifying audit/review projects for the year to be included in the Annual Audit Plan. Three routine and continuous reviews will be conducted each year, including departmental travel reviews and cash counts. This type of review will be especially useful following the implementation of Banner and will enable the Internal Auditor to determine whether procedures in place are working as effectively as expected. Travel review includes determining whether the University is making reasonable decisions in terms of travel destinations and expenditures and the reporting process is correct. Cash counts include determining not only whether the cash is on hand but also whether handling procedures are correct in all areas, including the enforcement of those procedures.
- Specific projects are a component of the Audit Plan and include a review of various projects with campus input. All audits prior to being conducted will have received presidential approval.
- The audit/review process includes identification and planning, fieldwork, audit/review report and follow-up. During the identification and planning stage the person(s) authorized to approve the transactions selected for the engagement will be notified an audit has been scheduled and will be provided with general information regarding what data will be needed and within what timeframe. The Internal Auditor will undertake fieldwork to select and test specific transactions and compliance in accordance with the scope and objectives of the audit being performed. The Internal Auditor then prepares a draft of the audit report which contains observations, findings and recommendations. Department managers will be provided with the opportunity to respond in writing to any issues contained in the draft report and a final report will be issued based on completion of any outstanding items and the approval of the President. If actions were recommended through the audit process, and following a reasonable period of time to implement
such recommendations, a follow-up audit will be scheduled to determine whether the findings have been resolved.

- Recurring projects include a monthly review of President’s Office purchasing card transactions; quarterly review of President’s Office accounts, travel expenses, athletic analysis and West Kentucky Exposition Center reports; periodic review of tax shelter compliance and annual compliance audit of NCAA Special Assistance and Student Opportunity funds, preparation of Rousseau Bequest Annual Report and MyGate (Banner) Balances Report and conducting year end testing of inventory counts for the University Store, Food Service, Facilities Management and Central Stores.

If the BOR desires structured reporting from the Internal Auditor – either through the Audit and Compliance Committee or to the Board as a whole – it would be helpful for management to be informed regarding how this type of reporting is to be handled. Consensus was reached that the issue will be discussed by the committee and a determination made as to how best to address the Internal Auditor providing a brief report to the Board. Mrs. Sasseen was assured she has the full cooperation and support of the Board and if assistance is required should contact Regent Waterfield as Chair of the Audit and Compliance Committee.

**Adjournment**

The Audit and Compliance Committee adjourned at 9:22 a.m.

**Buildings and Grounds Committee**

9 a.m.

William Adams, Chair  
Marilyn Buchanon  
Susan Guess  
Harry Lee Waterfield II

Mr. Adams, Chair of the Buildings and Grounds Committee, called the meeting to order at 9:22 a.m., reported all members were present and introduced Mr. Denton; Kim Oatman, Chief Facilities Officer; and Steve Cobb, Dean of the College of Science, Engineering and Technology.

**Engineering-Physics Space Planning, discussed**

Regent Adams indicated while the Science Complex has not been completed the University has been on the list for some time to receive funding to complete the final building. With regard to funding for the three phases for the complex that has already been obtained, $811,000 remains, and how to expend these funds to best serve the space needs of MSU students must be decided. The Department of Engineering and Physics and a portion of Biological Sciences remain in Blackburn Science Building, representing the units which will be housed in the third building of the Science Complex. Dr. Dunn confirmed $811,000 remains in the Science Complex account, taking into consideration work which has already been accomplished, and these funds must be encumbered and a decision made on how to expend them related to the authorized project or – based on previous experience – the University will be asked to return the funds to the state.

Short of a directive to the contrary from the Buildings and Grounds Committee and subsequently the full Board, the administration will proceed with the project as previously approved. Attached to the recommendation presented to the Board was a list of prioritized capital projects to be funded by the state (approved by this board over one year ago) at the beginning of the 2010 biennial budget session. The Science Complex will remain as the University’s number one capital project and the remaining $811,000 will be utilized for continued planning work for the Engineering and Physics Building. Considering the financial dynamics which have taken place within the Commonwealth the administration wanted to ensure the Board is comfortable with proceeding in this fashion. A complicating factor is that conventional wisdom has indicated the University may not receive money from the state for capital projects until possibly 2014 or beyond. Considering the magnitude of this project, it is difficult to predict whether it could be turned into a two-phase project in order for construction to occur. It could well be 2016-18 before the University is able to complete this final phase which leads to the question of whether the Board remains comfortable utilizing these funds to likely undertake design and schematic work, knowing it could be six to eight years before the project comes to fruition.
The administration has included on the capital projects list the ability to renovate Blackburn for engineering and physics programs and if the Board wanted to undertake this work sooner rather than later the administration has authorization to proceed. A minimalist renovation could be undertaken for $4 million with an optimal renovation costing roughly $9 million with a source of funds still needing to be identified. If the Board decides to change its priority the administration needs to be instructed to approach the Legislature to seek a statutory language change to utilize the remaining funds differently.

Pending Board action, the administration will move forward utilizing the $811,000 to continue to undertake design work, including preparation of schematic drawings. It is not an unwise expenditure of monies to complete this work even if the University is unable to break ground for another six years or more. Much work has already been undertaken with faculty and staff in the College of SET and Dean Cobb is supportive of continuing to work toward completing the third building of the Science Complex. A rendering of the Engineering and Physics Building prepared some number of years ago – based on square footage which would be needed and a potential site plan – was also presented.

Dr. Cobb indicated it is a privilege for his college to operate out of two of the finest science facilities in the state. The Science Campus project has not been completed and over a decade ago when the facility was planned the intent was to move all programs housed in Blackburn Science to the new facility. As the project unfolded, it was “phased in” which left the college somewhat in limbo. The third building is justifiably referred to as the Engineering and Physics Building but that department represents only about one-half of everything to eventually be included in the facility. As designed, the building represents the largest of the three buildings in the Science Complex at 72,000 square feet. In addition to the Department of Engineering and Physics, the plan for the third building takes into account space necessary to finish moving the Department of Biology to the new complex. The new Biology Building is not large enough to hold the entire department and faculty continue to have offices and research laboratories in Blackburn. Biology lecture halls also remain in Blackburn as does the Chemistry Services Laboratory which undertakes much of the contract, support and testing work for the citizenry of the region but is also in need of attention. Laboratory space for Chemistry remains in Blackburn and does not allow for any growth. A Science Resource Library also remains in Blackburn as does all technical support space – including the machine shop and electronics repair for the entire college. All of these units, in addition to the Department of Engineering and Physics, must be moved into the third building on the new Science Campus.

Engineering and Physics needs are significant and the department is overwhelmingly populated with engineering majors and the program is much more project oriented than a decade ago. Due to the accreditation it has received, this program is particularly prestigious and because it is project based it has specific space needs. Students participate in robotics competitions and build Baja cars, dune buggies and moon buggies and projects are built in a hallway located in the basement of Blackburn. The building no longer has a functional freight elevator and when these projects need to be tested students must disassemble and move them upstairs, piece by piece, and then put them back together just to be able to test the design. Once a decision is made regarding how the design should be refined, students again disassemble the project, move it downstairs, put it back together and make necessary changes. Students must complete this cycle multiple times because Blackburn simply does not have space conducive for these types of projects. Non-science departments have also moved into the building and they are not accustomed to the sights, sounds and odors which are part of work that takes place in the sciences. For example, when Plexiglas is cut it emits a unique smell and the building does not have adequate ventilation to evacuate those odors. As solvents are used to build and construct projects this has led to neighbors in the college requesting chemical use be stopped and because the college wants to be a good neighbor this work ceases. This necessitates students and faculty being forced to undertake this work at night and on weekends simply to complete assigned projects. A local businessman has loaned the college garage space which is also used to complete much of the necessary work but at an off-campus location. The college requires a building designed and designated to the academic mission for that department, including sufficient HVAC, electrical systems and the appropriate type of plumbing. The College of SET hopes Murray State and the Board will stay the course and maintain completion of the third building of the Science Complex as its number one capital project priority.
Dr. Dunn indicated it appears as though the Board desires for the University to complete the third building of the Science Campus. Dean Cobb has advocated well for the college and the Engineering and Physics program. The question before the Board involves a cost-benefit analysis and if a $9 million renovation to Blackburn is undertaken it would represent more than just putting lipstick on the facility. The University will not be able to secure everything that is needed but would be able to close in the courtyard to provide a fairly significant space increase – in addition to some of the structural elements which would be important to those programs – and this work could occur relatively quickly. A source of funds for renovation has not yet been identified but there has been significant growth in unrestricted net assets – which is how the Banner system was funded. He is not advocating for the Board to proceed in this fashion but is explaining there is a means by which funding could be identified to support renovation work that – while not optimal – would be beneficial and provide for many of the current needs of the program and the future recruitment of students. The ability exists to accomplish the “good” quickly as opposed to the “best” and the Board must understand the University has already devoted a significant amount of time to the Science Campus which could amount to a total of 18 to 20 years by the time the concept (as visualized) is finalized. This represents a pivotal point and if the Board desires to move forward and apply the $811,000 to accomplish schematic work this will certainly occur but the University must then wait until funding for the project is approved. The question before the Board is whether it is ready to reaffirm this is the path the University should remain on, perhaps for the next couple of decades, as it pertains to MSU’s focus for state capital funding for science.

Regent concerns addressed by Dr. Dunn and Mr. Oatman included:

- Whether between the time design work begins until construction starts the drawings will be out-of-date – Dr. Cobb and his faculty and staff have a firm grasp of program needs and detailed design work will only occur once funding is provided. Undertaking limited design work now would represent a good use of the remaining funds and as the University moves closer to being able to start the project more accurate estimates would be provided for inclusion in the new Capital Plan. This has been part of internal discussions and the recommendation refers to utilizing the remaining $811,000 for another purpose – such as parking – which would also be feasible under the current authorization.

- When the science project was initiated 12 years ago whether three buildings were initially planned or funding for only two buildings was appropriated – The project was initially envisioned as a one-for-one replacement for Blackburn (140,000-square feet). In 2000 the project was turned into three phases (buildings) to house three different programs – Biology, Chemistry and Engineering and Physics. As the project evolved necessary design elements were pushed back to the third building and – considering that state money has never been sufficient to fulfill the desires and needs expressed – decisions were made to move forward with somewhat reduced size buildings to house Biology and Chemistry with the hope the University would receive funding to construct the third building and at that time could address the requisite lab space, lecture halls and offices that would be needed. The way in which funding was provided put the University behind schedule because the first contract for the Biology Building allowed for completion of only the first floor and the University waited over the next two biennia to receive funding to complete the facility – a much more costly endeavor. The University could again find itself in a similar position and if appropriate the Board should reaffirm its desire to stay the course in order to achieve the best.

- Whether the space envisioned for the third building will provide shell space for future needs or if by the time the facility is constructed the program would already be at capacity – The facility would provide room for modest expansion for Chemistry but it is difficult to predict program capacity needs this far in advance. It would be best to utilize the remaining $811,000 to plan for what it is believed will be required – keeping in mind this does not represent the final design and modifications will be necessary. It is likely the same situation which occurred with the other science buildings – causing them to be scaled down – will also occur with the third building. The University may receive a certain level of funding which will determine the type of building it is able to construct. Capital Plan work for the next biennium is underway and CPE discussions have increasingly centered on encouraging renovations, providing an indication there is a greater likelihood of securing funding for renovations than for new construction. The University is involved in formula development – not just for state appropriations but for capital – and one dominant theme which has emerged from this work is that the state (according to those in policy-driving positions) is focusing on asset preservation and decreasing square footage per full-time equivalent student before moving forward with new construction.

- Whether requesting an authorization change would bring unwanted attention to the project – If the University requests an authorization change this would certainly lead the institution down that path – which is not necessarily bad – but is why various options are being discussed. An authorization change would not be requested unless the Board expresses a desire to proceed in
this manner. Consensus was reached that the Engineering and Physics Building should remain the University’s number one capital project priority.

Additional Regent comments included:

- Owe it to the MSU science community to maintain this project as the University’s number one capital projects priority; there is no desire to give money back to the state.
- The Board’s responsibility is not only to the students of today but to the students of tomorrow and the long-term best interests of this University must be considered. Science education is becoming more important and MSU has had a dynamic Engineering and Physics Program for some time. There may be short-term difficulties but it is in the institution’s best interest to maintain this third building as the number one capital projects priority. Past experiences with Cutchin Fieldhouse and the CFSB Center were cited as examples of holding steadfast to those initiatives which are in the long-term best interest of MSU.
- Last year the Engineering and Physics Building was listed as the number two project on the CPE priority list for funding. While the CPE may desire to place emphasis on renovation, once a project is among the top two among all institutions in the state, it should in no way be suggested that the project should not be number two – which would be the risk in asking for a redeployment of assets. The Board should stay the course.
- During the last legislative session this project was not only listed as number two on the CPE list but was included among the Capital Planning Advisory Board (CPAB) top ten projects. The CPAB recommended only ten projects to the legislature and those were subsequently adopted by that body. These projects did not solely represent university projects but projects at all state agencies. To jeopardize this essential building by having it dropped from the list of top ten projects would be tragic to the University, the community and particularly the College of SET.
- The Engineering and Physics Building should remain as the University’s number one priority because the national trend is moving toward STEM initiatives and it would not be a wise move for the institution to take this signature initiative off line.

Dr. Dunn reported the Board is not required to take a vote if it decides to stay the course although reaffirming the Engineering and Physics Building as the University’s number one capital project priority may be desirable. Blackburn has been included on the demolition list for a number of years and was at one point ranked higher than it is now. A survey was also conducted several years ago which revealed MSU has more square footage per student than any other public university in the state and given these results the question of why the University should be allowed to create even more square footage will likely be raised. Blackburn is not suitable to meet the scientific needs of the programs currently housed in that facility but could remain online for other programs. The capital request lists includes every project the University could possibly undertake and covers not only razing Blackburn Science but also renovation. The statewide study indicated Blackburn was not suitable for science education but did not conclude it could not be used for other purposes. As space has been vacated in Blackburn as units have moved to the new Science Campus, primarily Student Affairs offices and related areas have relocated there. Assurance was provided that as funds become available – primarily through the CERR account – they are being used to retrofit Blackburn for various offices and to address maintenance needs. The Board will be provided with an opportunity to explicitly address this issue in six to nine months when it reaffirms its commitment to the Engineering and Physics Building as the University’s number one priority project. Six-Year Capital Plans are renewed every two years in advance of the budget session and as it now stands, the University can move forward with the use of the remaining funds based on prior authorization of the BOR. If the Board desires to move in a different direction, statutory authority would have to be secured in order to do so. If the Board does not take action to reaffirm the project it still remains as the University’s number one priority. Consensus was reached that the Board should reaffirm the Engineering and Physics Building as its number one priority due to the issue already being placed before the public via the agenda.

**Engineering and Physics Building, Capital Construction Priority, reaffirmed**

On behalf of the Buildings and Grounds Committee, Mrs. Buchanon moved that the Board of Regents reaffirm its commitment to the Engineering and Physics Building as Murray State University’s number one capital construction priority on the Capital Projects List. Mr. Waterfield seconded and the motion carried.
Regent Adams indicated Ordway Hall is an historical building which has sentimentality but offices currently housed in that facility are being relocated because the building has been deemed unusable to meet its needed purpose and handicap accessibility issues also exist. Discussion has occurred with regard to the cost associated with renovating the facility and although the building contributes to the University’s square footage it also represents non-usable space. Demolition of the facility is currently number 14 on the Capital Projects List. Dr. Dunn clarified that no recommendation constituting a capital project has been presented to the Board in terms of deciding how to proceed with the project. There are many difficulties associated with Ordway Hall, particularly the HVAC system and the effect of the noise level for the test environment of the Counseling and Testing Center previously housed in the building. A source of funds has not been identified from the state for demolition but the University has attempted to relocate offices where there is an ability to do so whether the building will be renovated or demolished. Internal work continues utilizing renovation and renewal monies to relocate offices but if the Board prefers to consider renovation, that desire could certainly become part of capital planning discussions over the course of the next year. Mr. Oatman reported the VFA Study conducted by the state considered almost all facilities and renovation of Ordway Hall was recommended. Reviewers considered several different factors, including the structure, fire codes and water damage. Renovation of Ordway Hall would basically require gutting the facility and rebuilding which carries a large price tag. The study provided a cost for demolition but not for renovation. The University would be required to undertake a separate study to arrive at a realistic renovation cost and although some structural work has already been performed it was extremely expensive.

Regent Curris summarized with regard to the Engineering and Physics Building the Board has decided to present to the full Board during the afternoon Plenary Session the indication the Buildings and Grounds Committee reaffirms the Engineering and Physics Building as the number one priority on the University Capital Construction Plan and, further, that the Committee desires to utilize the remaining balance in the account – $811,000 – in a manner consistent with the bond indenture but up to the administration to determine the most effective use of those funds. MSU will not request new authorization from the state legislature and will move forward with pursuing the Engineering and Physics Building.
Adjournment

The Buildings and Grounds Committee adjourned at 10:17 a.m.

Enrollment Management and Student Success Committee
10 a.m.

Marilyn Buchanon, Chair
Sharon Green
Kirby O’Donoghue
Phil Schooley
Harry Lee Waterfield II

Mrs. Buchanon, Chair of the Enrollment Management and Student Success Committee, called the meeting to order at 10:30 a.m. and reported all members were present. She distributed handouts entitled “MSU Area of Geographic Responsibility: Kentucky Postsecondary Education Profile 2008-10” (CPE) and “Trends in College Graduation Rates” (December 10, 2010, edition of The Chronicle of Higher Education). As a matter of financial principle she has learned from four different presidents and numerous administrators that money follows students and students today include faculty members taking classes, high school students enrolled in college courses for credit, dual enrollment students and those taking internet courses. Funding formulas across the country are beginning to take into consideration graduation rates—the number of students graduating and receiving a bachelor’s degree within a six-year time period—but the Board must also pay attention to full-time equivalent (FTE) numbers.

According to the CPE profile, the University’s service area population is 439,790 or approximately 11 percent of the population of the entire state. There were 21,664 undergraduate students enrolled in public universities from this area and MSU enrolled 4,449 of those students. The University’s main competitors were the University of Kentucky (972), University of Louisville (476), Western Kentucky University (816), other independent colleges and universities (1,119) and the Kentucky Community and Technical College System (13,589). Over 6,000 students are enrolled in the community education portion of the community college segment and they are taking English 101, math, algebra and history—as are MSU freshmen and sophomores. Considerable discussion has occurred on demographics but CPE information indicates MSU has fertile ground in its 18-county service region and there is room for enrollment growth. Teachers and school superintendents in the state and local area have indicated the number of high school seniors is beginning to hold steady and is no longer declining and the University must not view itself as being constrained geographically.

2010-11 Enrollment Report, discussed

Fred Dietz, Executive Director for Enrollment Management, provided the following enrollment report highlights:

- Overall enrollment for fall 2010 increased by approximately 3.4 percent (10,416 students compared to 10,078 in fall 2009) and, based on a five-year comparison, current enrollment is the highest in institutional history.
- The number of part-time students increased significantly which can be attributed to the economy over the past year and students needing to work more. A survey of incoming freshmen revealed financial issues continue to be at the top of student concerns, particularly for Kentucky residents.
- The freshman class remained fairly static from fall 2009 to fall 2010 but represents a healthy student body. The fall 2008 figure (1,468) is misleading because the CPE began allowing the universities to count in their numbers freshmen graduating from high school and taking college courses during the summer.
- The University experienced a first-time freshmen enrollment decline in Kentucky but enrollment from Illinois and Tennessee increased, with Indiana and Missouri remaining relatively constant.
- A map of freshmen enrolled for fall 2010 was presented illustrating the University’s regional focus. Data has remained constant over the past five years and also applies to transfer students.
- Enrollment decreased by approximately 5 percent in the University’s 18-county service region and this concern is being addressed during the fall 2011 recruitment period. Enrollment increased most notably in Calloway, Henderson, Hopkins, Lyon and McCracken counties. Those counties representing the greatest concern include Graves and Marshall. It appears as though numbers are decreasing with more students choosing to attend community colleges. The graduating class at Marshall County was also smaller which served as an additional decrease factor. Measures have been taken to saturate these markets for fall 2011 and a number of targeted opportunities have
Enrollment Management goals and initiatives for fall 2011 include:

- Confirmation was provided that data through 2008 is available as it pertains to the number of students attending college by county. Factors taken into consideration include overall high school graduating class – number of students planning to attend college, remain in Kentucky, attending a two-year college or a vocational school or those not graduating.
- Enrollment decreased in Graves and Marshall counties but increased by 21 students in McCracken County, potentially as a result of the stronger recruitment effort in that area, success with on-site admissions and additional minority scholarships being offered.
- Particular focus has been placed on dual credit high school enrollment with students either traveling to campus to take a course or doing so online through their high school. MSU dual credit opportunities increased and fall enrollment doubled for students taking these courses. The School of Agriculture embraced the initiative and offered statewide programming for students – immensely contributing to an enrollment increase in this area. Dual credit initiatives are currently being offered in 15 schools throughout the state.
- Overall first-time transfer student enrollment increased by 22 students with the most significant increases occurring in Kentucky, Missouri and Tennessee.
- The University’s 3.4 percent increase in enrollment resulted from first-time transfer students, graduate students, high school dual credit students and international enrollment.
- Similar to most regional institutions, 80 percent of MSU enrollment comes from within a 200-mile radius. First-time transfer enrollment by 18-county service region remained fairly flat. First-time freshmen numbers from the 18-county service region are down but the University’s overall population in Kentucky and from the 18-county service region is up.
- African-American and minority enrollment increased by 15 percent over 2009 due in large part to an increased minority scholarship pool.
- International enrollment numbers remain consistent in the countries providing students to MSU, including China, Saudi Arabia, South Korea, India and Germany. Undergraduate international enrollment was down by 34 students but graduate international enrollment increased by 47 students resulting in an overall 2.7 percent increase. Retention of returning international students was strong and contributed notably to an increase in overall enrollment.
- First-time graduate enrollment increased from 445 in fall 2009 to 453 in fall 2010. One of the largest increases occurred in overall graduate level enrollment due to successful retention efforts and additional certificate programs contributing to higher enrollment numbers.

Enrollment Management goals and initiatives for fall 2011 include:

- Reviewing current recruitment strategies with particular consideration being given to freshmen. Freshmen recruitment should begin much earlier, specifically during the sophomore year of high school. The feasibility of initiating a Student Search Program for this purpose is being considered and would target 2012 and 2013 classes allowing the University to further saturate high schools not only in the 18-county service area but also in other markets.
- Unveiling the Racer Academy in spring 2011 which will expand and place dual credit under one umbrella and allow for these courses to be offered on campus, in the high schools and online.
- Considering a Kentucky In-State Legacy Grant for alumni residing in Kentucky.
- Undertaking a financial aid leveraging analysis as it pertains to freshmen who chose to attend MSU versus those who did not in order to gain an accurate and in-depth understanding of the financial aid packages offered.
- Changing the way Academic Achievement Scholarships are awarded (not the amount) in October 2010 so awards are now made by the Office of Admissions and students are provided with notification much earlier.
- Continuing discussions with information technology staff regarding the feasibility of using the Banner system as a recruitment module. One system instead of two would be more efficient for the University but this would likely not occur until 2012.
- Implementing suggestions and opportunities identified during a recent consulting visit in terms of how units can operate more efficiently. The University’s yield study will also be reviewed by a Vanderbilt University graduate class. Students being accepted for admission but choosing not to attend MSU will be studied to determine issues which factored into their decision. This past fall the University’s yield was approximately 41 percent of admitted students which is higher for a regional public institution compared to sister institutions throughout the country.
- Forming an Enrollment Management Committee to provide greater communication across campus and formulate an enrollment management plan to assist the institution with meeting enrollment goals – 10,800 students for fall 2011 (3 percent increase).
- Revising first-time freshmen recruitment goals and initiatives for fall 2011 by increasing first-time freshmen to 1,500 (7 percent increase), having an overall African-American enrollment of at least 7 percent and increasing participation in the Governor’s Scholars Program (GSP). Last year the University received slightly over 50 applications for admission from GSP students but for fall 2011 has already received 57 applications. These students are awarded a full tuition scholarship based on ACT score and grade point average.
Undertaking a review of the 18-county service region with the goal of conducting more targeted recruitment activities in area high schools. Racer Caravans have been developed where staff travel to high schools in the region and offer activities such as giveaways, music sessions and discussions on admission and scholarship opportunities. In response to a question regarding whether this program is similar to the Roads Scholars Program, Shawn Smee, Director of Recruitment, reported the Roads Scholars Program focused on discussing particular fields of study or the University as a whole and Racer Caravans are casual in nature and provide students with information about study abroad, admission and scholarships (although some academic units attend). Generally the atmosphere is relaxed, t-shirts are given away and staff members talk with senior classes. The first caravan was held at Marshall County High School with 143 participants. The process for determining which students are eligible to participate is very selective and the senior classes attend). Generally the atmosphere is relaxed, t-shirts are given away and staff members talk with information about study abroad, admission and scholarships (although some academic units study or the University as a whole and Racer Caravans are casual in nature and provide students with an opportunity to attend a reception in their area to learn more about MSU. Alumni have been extremely involved in and supportive of this effort.

Transfer Center goals and initiatives for fall 2011 include:

- Increasing first-time new transfer students by 624 (4 percent increase) and increasing on-site admission at each of the four community colleges in the MSU service area. More community colleges in Illinois, Missouri, Tennessee and Alabama are being targeted for additional visits and transfer articulation agreements.

- Developing specific recruitment strategies with the regional campuses to increase the market share of students transferring from the local community college to MSU. The University has subscribed to CollegeFish as a source of identifying high achieving regional community college students and contacting these students earlier in their college careers.

- Consideration is being given to hosting a Transfer Weekend, which would be similar to Racer Days, in addition to developing a system to receive feedback from transfer students who applied to Murray State but did not attend.

International Recruitment Goals and Initiatives for fall 2011 include:

- Maintaining 5 percent international student full-time enrollment. During fall 2010 international recruiters visited 12 countries and visited with over 4,000 students. The international recruitment team is exploring recruitment efforts to new markets in Europe and Latin America and opportunities at community colleges with high international populations (Washington State and California). The international student population in the United States increased by 3 percent and China is now the number one country sending students to this country.

Graduate Recruitment Goals and Initiatives for fall 2011 include:

- Increasing graduate enrollment to 2,100 students (5-6 percent increase over 2010).

- Increasing attendance at regional (Kentucky, Tennessee, Missouri, Indiana, Illinois and Ohio) recruitment fairs and events.

- Introducing four to six new graduate certificate programs.

- Printing new recruitment materials.

- Investing in the 60/40 graduate assistant program to provide greater access in the service region and redesigning the MSU College of Education minority teacher administration program.

- Launching E-recruitment marketing communication program in January 2011, targeting K-12 educators, health care/hospitals and large regional employers.

A summary of the Chronicle Research Services report in June 2009 was provided and states with regard to students in the college of 2020:
“The traditional model is changing, as demonstrated by the proliferation of colleges (particularly for-profit institutions), hybrid class schedules with night and weekend meetings, and, most significantly, online learning. The idyll of four years away from home – spent living and learning and growing into adulthood – will continue to wane. It will still have a place in higher education, but it will be a smaller piece of the overall picture.”

In response to a question regarding undergraduate FTE for 2010, Mr. Dietz indicated the exact figure for MSU could be forwarded to the Regents. The committee reached consensus that FTE information should be included as part of the enrollment report.

Regent Guess thanked Dr. Dunn and Paducah leadership for holding a recent meeting to discuss strengthening and expanding the University’s relationship and presence in Paducah. Building on the property purchased by Murray State is one of the top priorities of the Paducah Chamber of Commerce. While visiting the Crisp Center it was interesting to note there was not only insufficient parking but also classes being held at off site locations. Dr. Dunn reported the Paducah project is included on the University’s Capital Projects List and is fairly highly ranked in order to address long-term needs for this facility. Initial thinking in placing the project as a high priority was to seek state funding to support construction of a building. As other demands for new instruction impinge, this has caused the University to consider whether acceptable alternative approaches exist. One such approach being considered is the ability to secure third-party funding but the challenge in proceeding in this fashion is there is no revenue source. MSU would need to identify a source of funds to be pledged and then – because debt is not being taken on because it is not a bond – the issue of being able to show that pledge over time as opposed to during each two-year biennial budget must be addressed. It is also not out of the realm of possibilities this could be an alternative means of accomplishing this work. Some review has occurred which could have merit as a determination is made regarding how to keep a number of projects moving forward simultaneously as opposed to waiting for the state to approve each project.

During the meeting with Paducah representatives Dr. Dunn shared information on a similar situation in Owensboro when Western Kentucky University was searching for a facility in that community. The community stepped up, constructed the facility and established a lease arrangement with WKU. Murray State remains fully committed to completing the Paducah facility and when the Board prioritizes capital projects in six to nine months the initiative will likely be discussed further. This is an important project for the University and the need for the facility is evident. In lieu of waiting for the state to fund these projects the challenge becomes identifying alternative approaches which will allow for construction. Regent Guess indicated the Board wants to provide as many opportunities as possible for projects such as this while understanding state restrictions. Agreement was reached that additional information should be shared with the Board at the February quarterly meeting regarding third party financing for this project.

Brian Van Horn, Dean of Continuing Education and Academic Outreach, reported the University has been required to offer some coursework at locations outside of the Crisp Center due to space limitations but an attempt is made for this to be the exception and not the rule. If classes met every day from 8 a.m. until 10 p.m. – which would not meet the needs of nontraditional students – there would be adequate space in the facility. However, because the nontraditional student populations requires classes to be offered in the evenings and on weekends – and the fact the University is required to make courses available to those students – the Crisp Center is beyond capacity, particularly on Monday and Tuesday evenings. The issue not only applies to facility space but also parking capacity. Enrollment growth at the Paducah regional campus has remained relatively flat over a number of years but additional space alone will not grow enrollment and new degree programs must be offered to complement the additional space.

Regent Rose reported construction of a facility in Henderson, Kentucky, is not included on the Capital Projects List as a priority. For several years discussions have taken place regarding increasing MSU enrollment from Henderson but the program is currently being held in the basement of one of the oldest buildings on the community college campus. Satellite campuses are critical as are all areas of need identified in the study summary shared with the Regents. Henderson is as much a part of the MSU service region as Calloway County but appears to have
disappeared as a priority. When discussion regarding extended campus facilities occurs the Board was asked to recognize Henderson as part of the University’s service region. Regent Curris indicated this topic could be discussed at the quarterly Board meeting in February as an agenda item for the Regional Services Committee. Dr. Dunn reported the University is currently working with the new President of Henderson Community College in order to facilitate discussion leading to a more optimal arrangement.

Confirmation was provided that graduate program enrollment is increasing and these programs are generally more costly than undergraduate programs. Consensus was reached that additional information would be presented to the Board on graduate programs and the cost associated with offering those programs. In addition, housing occupancy for fall 2010 is estimated to be 2,700 students living on campus (90 percent) which is relatively the same as last year. Exact occupancy figures will be included with other information requested by the Board.

Mr. Smee reported the Office of Recruitment has conducted 752 events which include college visits, dessert receptions, high school visits, church picnics and rotary club meetings. The office carries the MSU banner wherever it travels and has had considerable assistance from the Alumni Affairs Office with alumni ambassadors attending and participating in numerous events. Alumni have helped enable recruitment staff to visit high schools they normally would not have access to in addition to securing meetings with key personnel. Since July 2010, 1,723 students have visited Murray State and coordinating this number of students while conducting 752 events on the road is difficult in terms of ensuring sufficient staff members are available to undertake this work. Unlike most other state universities, MSU conducts individual visits with families because this exemplifies the personal touch Murray State is known for and also allows families to obtain more detailed information about the institution. These numbers represent 200 more events over this period last year and 603 more visitors to campus. Staff members are working tremendously hard and that must not be forgotten as the administration considers the challenges and issues facing the University.

In response to a Regent request for information on whether the number of online students has grown over the last few years and if, in response, MSU has increased the number of courses offered online, Mr. Dietz indicated the number has increased exponentially from 1998 to 2008 and public four-year institutions grew at about 20 percent; private institutions, 19 percent and not-for-profit institutions, 329 percent. These are issues the University must take into consideration from an enrollment standpoint. Dr. Van Horn reported the number of online classes has increased 17 percent between 2009 to fall 2010 with approximately 15 to 17 new classes being brought online over the past year and work continues to increase offering even more courses. Financial incentives pertaining to online courses will also be reworked in order to further increase the number of available online courses.

In response to a question regarding whether the enrollment decline in Hopkinsville has been analyzed, Dr. Van Horn indicated there are several dynamics involved but the University changed some course offerings at the Hopkinsville campus and has moved from offering courses or full degrees to offering cohort programs which last for a two-year period (possibly longer). An increasing number of students in this area are also starting coursework at the community and technical college which will eventually benefit Murray State if the University is able to attract those students. MSU is also challenged in terms of reaching out to the Hopkinsville community but is making strides due to leadership changes over the last year. The University has an increased weekly presence in the community colleges in order to build a stronger bridge between the community college and Murray State. A new Transfer Center is also in operation.

With regard to a statement that according to CPE data it appears as though in 2005 the University had 7,692 FTE and in 2009 was down to 7,166. Mr. Dietz indicated he would review this information and consideration would be given to trends on the other regional campuses because Murray State is likely not an outlier in this area. The importance of the FTE number to the University was expressed again – not only in terms of what it means throughout the region but also how it transforms into graduation rates. Dr. Dunn indicated the Board must understand there are several metrics utilized by the CPE – including square footage and revenue available per student – and all these indicators must be taken into consideration with regard to this data.

Information on the Roads Scholars program was requested for the years following the termination of the program – not counting the transition year but from a equal number of years
prior – to determine what has occurred in those high schools in terms of numbers and ascertain if a correlation exists between the termination of the program and the number of students attending MSU. Confirmation was provided that faculty members remain involved in the various high schools throughout the state and service region although Roads Scholars is no longer an “official” program. It was suggested that the Board, President, Deans, Vice President, faculty and staff must all work to ensure MSU enrollment continues to increase. The Roads Scholars program has potential but previously a significant amount of money was being utilized to support the initiative that was not producing a corresponding enrollment benefit. Dr. Dunn indicated if the Board desires to once again pursue the Roads Scholars Program then some very clear targets and expectations must be set forth that will be met by those accepting funding to support such work. A process must be put in place which will ensure the institution is able to justify utilizing the program as an enrollment growth piece.

Adjournment

The Enrollment Management and Student Success Committee adjourned at 11:35 a.m.

Committee of the Whole
11 a.m.

Constantine Curris, Chair

Chair Curris called the Committee of the Whole to order at 11:35 a.m. and reported all members of the Board were present with the exception of Dr. Thornton. The Board was earlier asked to participate in a strategic direction exercise and four areas of strength for Murray State University were identified:

- Strong reputation in ratings and national publications;
- High quality academic programs, attested to by professional accreditation;
- Deserved reputation as a student-centered university; and
- Great value reflecting quality and affordability.

MSU was also referenced as a safe campus and Murray is considered a safe community. The University has strong and passionate alumni, faculty and staff dedicated to their work and the students and sport programs represent additional institutional strengths. Three widely acknowledged constraints included:

- Funding limitations (with observations about declining state appropriations, an outdated funding formula and the impact of the national economy);
- Location in terms of a rural area’s limited number of high school seniors and Murray State’s setting in a small community; and
- Lack of clarity or consensus on Murray State’s regional outreach mission, including the absence of agreement on how satellite campuses should be funded.

With reference to the Board’s vision for the next decade observations included:

1. Murray State will be known as the premiere student-centered university in Kentucky and the best in the region, recognized for:
   - having a comprehensive educational program (curricular and extracurricular)
   - having excellent retention and graduation rates
   - having the culture of a private university, but being public
   - supporting student programming that encourages students to become supportive alumni

2. Murray State will be viewed as the premier university in Kentucky for academic offerings of the highest quality and one of the best in the region. Specifically, it will be known for:
   - having unique programs and curricular offerings, including programs such as water studies built around regional resources
   - developing cutting edge programs emphasizing innovation and technology
   - expanding online courses and programs
   - providing outstanding enrichment programs, including study abroad opportunities
   - maintaining a reputation among employers as the “university of choice” for its graduates

3. Murray State will be known as a university committed to access and affordability, namely:
   - focusing on first generation students in the service area
   - encouraging an increasingly diverse student body
strengthening working relationships with community colleges in the region

4. Murray State will be known as a university of choice, attracting highly capable students from the state and region by:
   • strengthening its attraction to students from the service region, the Louisville area and central Kentucky
   • being known for emphasizing quality over quantity

5. Murray State will be known as a model university demonstrating how to serve west Kentucky and the entire region by:
   • deploying the University’s human resources in service to individuals, businesses and organizations
   • building partnerships to promote and be actively involved in economic development efforts
   • helping meet workforce needs in the region through curricular offerings, cooperative education placement and other programs that encourage students to remain in the region
   • being active partners with public education to strengthen schools and the academic performance of students, with emphasis on high quality in teacher preparation

6. Murray State will be known for its efficient and effective administration by:
   • having a reputation as a good steward of public funds
   • being financially strong
   • deserving recognition as the “best value” university in the Commonwealth.

The outcome of this exercise amounted to little attention being placed on graduate education, although implications existed in terms of preparing individuals for the workforce and continuing professional education. Not one Regent suggested Murray State move away from its model of being primarily an undergraduate-focused institution. Also, little attention was given to placing a focus on research activities at the institution. This was implied with reference to faculty research and in the context of how the University serves the citizens of west Kentucky but it appears the Board has not reached a consensus regarding how the University should proceed in terms of regional research activities – a challenge which must clearly be addressed as discussions continue. The floor was opened for discussion on MSU’s undergraduate program to determine whether there is Board consensus on items deemed to be important, including the University will be student-centered, emphasize academic quality and be the “university of choice” for students in this region. Additional Regent comments included:

- Considered graduate and undergraduate education together although priority emphasis should be placed on undergraduate education.
- Depending on how the University views its role in regard to graduate education, and if the belief is the University should focus on graduate education, a determination must also be made whether there is a corresponding market to support that decision.
- Graduate education should be encouraged but unsure how to best approach in terms of expending dollars to expand the graduate role of the University when there may not be sufficient student numbers to support the initiative. International students comprise the majority of graduate students, especially in the sciences.
- As long as the economy remains as it is that will play a role in the increase in graduate enrollment numbers. This is an important aspect of the education the University provides but concentration should primarily be placed on undergraduate education.

The Board reached consensus that the following additional information should be provided:

- Number of graduate programs the University currently offers and enrollment in those programs over the last four to five years to help the Board determine whether the University should consider emphasizing a program – or a few programs already in place – rather than establish new programs. There are currently 25 to 30 graduate programs – with the College of Education having the highest number of graduate students. Growth is occurring in the College of Business and through the online Master of Business Administration (MBA) program. There is great interest, particularly within the College of SET, to grow graduate programs to bring graduate students from throughout the country to the University to work in the Hancock Biological Station and in the field of chemistry.
- As graduate programs are reviewed and the future direction of the University is discussed, a fundamental question which must be answered is whether the Board believes graduate programs should be expanded with new programs being geared toward areas of distinction or whether new programs should be related to the manpower needs of the region – opposed to having to draw from beyond the region to survive – although the University will continue to serve students from beyond the region.
Enrollment in graduate programs currently comprises 20 percent of total University enrollment and while these programs may not be cost effective, they significantly contribute to overall enrollment numbers. It would be helpful to have information on courses currently offered at the University’s regional campuses as well as programs offered online or via ITV in addition to the number of students in the various majors and the number of graduates over the last couple of years for both graduate and undergraduate programs).

Regent comments regarding concerns about MSU being known as the student-centered University in the state included:

- Comfortable with the concept because every student will be able to label their MSU experience in this fashion following graduation.
- The Board reached consensus that no members were concerned about MSU being known as the student-centered university in the state.

Several Regents indicated a desire for MSU to be the “university of choice.” Some students will choose to attend Murray State because it is located in their community but for those students who have a choice of attending college anywhere, the Board wants to position the institution at the undergraduate level to be the “university of choice” for these students. Comments included:

- Consensus was reached that it would be helpful for the Board to be provided with numbers in terms of how many students MSU attracts from various counties in comparison to other state public universities.
- With regard to a tagline for Murray State, the former – “Kentucky’s Public Ivy” – is likely not the best moniker or branding for the University, but a clear image of what the University actually is needs to be presented. The University should develop a phrase that will catch the attention of all student populations (in addition to high school teachers) and adequately convey what the institution stands for. “Kentucky’s Public Ivy” may market well but MSU’s goal is to serve students in its service region and educate the public. One philosophy is MSU desires to be the highest quality university the Board can provide and money can buy. Another philosophy is Murray State should be an institution which educates the public. There is a middle ground between the highest quality education and educating the public but nothing is more important to the public in MSU’s region than for its citizens to be able to obtain a postsecondary education that will enable them to become more productive citizens, secure jobs, raise and support families and perhaps send their own children to college. The University may need to lower some standards in order to provide these individuals with access to education and in some respects is already doing this as is evidenced through the number of remedial programs offered. Mr. Carter reported a scientific branding approach was undertaken with regard to the new tagline “Your World to Explore” and MSU students, high school students, alumni, faculty and staff were surveyed resulting in data in support of this being the appropriate logo for Murray State. For the first time the University has a consistent message based on customer opinion and that information can be shared with the Board if requested.

In response to a question regarding how graduation rate affects funding, Dr. Dunn indicated the state is currently rewriting the higher education funding formula. A dominant theme emerging from this work is that there is a policy desire to have in place a performance indicator which would at least drive state appropriations. This raises many questions, including what the performance indicator would be and how much funding it will drive. The CPE funding formula in 2012 will likely contain some performance aspect to perhaps access as much as one-half of state appropriations – whether that would be retention or graduation rate – but graduation rate currently seems to be the coin of the realm. Carl Prestfeldt, Director for Fiscal Planning and Analysis, reported the budget officers are working to collect information to present to the presidents and the CPE. The CPE is preparing a strategic agenda to determine what will be recommended as performance targets and metrics. The presidents and Board Chairs could be asked to appear before the CPE to discuss priorities and performance outcomes will very much be a part of that discussion. There also appears to be an opening for a differential treatment of institutions and if one performs particularly well with regard to whatever metric is used, that university will access a larger portion of funding, assuming there is money to be distributed.

Additional Regent comments included:

- This information could play a role with the Southern Association of Colleges and Schools which accredits the institution generally but accrediting agencies specific to a program or department are beginning to increasingly focus on performance and higher standards of accountability.
- Northern Kentucky University made the decision to restrict enrollment, limiting the amount of remedial education provided and directing lower performing high school students to the local community college. NKU has determined less money will be expended toward remediation –
which is obviously needed across the state – and more of this function will be shifted to the community colleges.

- Increased emphasis should be placed on pursuing first-generation students and striving for an increasingly diverse student body while strengthening relationships with the community colleges. A large Spanish community exists in western Kentucky and a study conducted by a group in Lexington showed test scores for the Latin population placed second only to the Caucasian population and this group should be recruited aggressively.

Areas of consensus which emerged with regard to service to the region include offering coursework to working adults through regional centers and online delivery, engaging in economic development and strengthening the future of this region in terms of jobs and engaging in the public schools through teacher training and establishing partnerships with schools to improve student performance. Additional comments included:

- One of the strongest areas with regard to service to the region is educating teachers so students when they reach the University level do not require as much remediation which could also contribute to lessening the high Kentucky dropout rate.

- In response to an inquiry whether information has been collected from the University’s customers – such as high school counselors and local businesses – and what they see as the University’s strengths and weaknesses or where it does not perform as well and needs improvement, Dr. Dunn reported data is gathered but this work takes place more by program area than institutionally. Many discrete elements gather this type of data and almost every academic college has a college-wide academic advisory council – with the College of Business and the School of Agriculture being most notable. The Regional Stewardship Advisory Council has identified building relationships and projects with K-12 as their first priority and has undertaken limited work on an institutional basis.

**Adjournment**

The Committee of the Whole adjourned at 12:15 p.m.

The committee meetings of the Murray State University Board of Regents adjourned at 12:15 p.m.

Chair

Secretary

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