

**BOARD OF REGENTS MEETING
MOREHEAD STATE UNIVERSITY**

DeMoss Suite, Center for Health, Education and Research
9:00 a.m., Friday, March 18, 2016

Agenda

- I. CALL TO ORDER**
- II. ROLL CALL**
- III. AD HOC NOMINATING COMMITTEE REPORT – ELECT OFFICERS:
CHAIR, VICE CHAIR, AND SECRETARY; APPOINT TREASURER**
- IV. PRESIDENT’S RECOMMENDATIONS AND REPORTS**
 - A. Consent Agenda (Action)**
 - 1. Approve Minutes of December 3, 2015, Meeting 1-6
 - 2. Approve Honorary Doctor’s Degrees for Mr. Joseph Craft III,
Dr. Ernst and Mrs. Sara Volgenau, and Brig. Gen. Stephen R. Hogan . 7-9
 - 3. Approve Naming of Facility 10
 - 4. Approve Personnel Actions 11-15
 - 5. Approve Contracts for Banking Services..... 16
 - 6. Approve Appointment of Auditing Firm 17
 - B. Recommendations (Action)**
 - 1. Approve Tenure with Promotion 18
 - 2. Approve Sabbatical Leaves 19
 - 3. Approve PAc-22 Faculty Discipline and Removal for Cause20-31
 - 4. Approve PAc-26 Termination of Faculty for Financial Exigency
and Discontinuance of Program32-39
 - 5. Accept Second Quarter Financial Report and Amend
Operating Budget40-50
 - 6. Approve Acquisition of Real Property-
Rowan County Board of Education51-52
 - 7. Approve Disposal of Real Property-West Liberty.....53-54
 - C. Reports**
 - 1. Preliminary Spring Enrollment Report 55
 - 2. Report on Personal Service Contracts.....56-57
 - D. President’s Report**

V. OTHER BUSINESS

A. Future Meetings

1. Retreat, Friday, April 22
2. Work Session, Friday, May 13, 2016, 9 a.m.
3. Spring Commencement Programs, May 14, 2016, 10 a.m. and 2 p.m.
4. Quarterly Meeting, Friday, June 10, 2016, 9 a.m.

VI. ADJOURNMENT

Agenda materials are available online at <http://www.moreheadstate.edu/bor>

**BOARD OF REGENTS MEETING
MOREHEAD STATE UNIVERSITY
December 3, 2015**

The Board of Regents of Morehead State University met at 10:00 a.m. on Thursday, December 3, 2015, in the Riggle Room of the Adron Doran University Center in Morehead, Kentucky.

CALL TO ORDER

Chair Goodpaster called the meeting to order.

ROLL CALL

The following Board members were present: Royal Berglee, Austin Casebolt, Paul Goodpaster, Shannon Harr, Eric Howard, Debbie Long, Wayne Martin, Craig Preece, and Kathy Walker. Patrick Price and Kevin Pugh were unable to attend the meeting.

MEDIA

Jason Blanton, Director of Media Relations, introduced Jordan Simonson, student reporter for Morehead State Public Radio.

CONSENT AGENDA

Chair Goodpaster asked if the Board would like to discuss any item on the Consent Agenda as follows:

1. Minutes of September 24, 2015 (IV-A-1)
2. Honorary Doctor's Degree for Dr. Carl Rollins (IV-A-2)
3. 2015 Fall Graduates (IV-A-3)
4. Administrator Rank (IV-A-4)
5. Personnel Actions (IV-A-5)
6. 2014-15 Audit Report and Amend Operating Budget (IV-A-6)

Mr. Goodpaster asked if any member would like to request an item removed from the Consent Agenda. Dr. Berglee raised a question about the Governor's Scholarship reimbursement listed in the first quarter financials. Dr. Berglee then raised a question concerning the source of the funds related to the personnel action on the President's incentive bonus. The source was from private funds given to the Foundation for that purpose and earnings. Dr. Berglee then raised an issue with the granting of administrator rank, stating that the granting of rank was essentially a promotion, and therefore should have been brought to the college and university promotion committees. Dr. Ralston stated that the applicable policy, PAc-24, was followed for this appointment at rank.

Mr. Preece moved that the items on the Consent Agenda be approved. Ms. Walker seconded the motion. The motion carried with Dr. Berglee opposed.

**PRESIDENT'S
RECOMMENDATIONS***First Quarter Financial
Statements*

The President recommended:

RECOMMENDATION: That the Board approve the financial statements and amend the operating budget for the first quarter of the fiscal year that will end June 30, 2016.

(Financial Report and additional background information attached to these minutes and marked IV-B-1)

Beth Patrick, Chief Financial Officer and Vice President for Administration, introduced Kelli Owen, Director of Accounting and Financial Services, and Teresa Lindgren, Executive Director of Budgets and Financial Planning, who discussed the first quarter financial statements.

Ms. Owen reported that MSU's financial picture remained stable through the first quarter of the 2015-16 fiscal year. She said that the University operated with a surplus of revenues over expenditures and transfers of \$16.5M, which is common for this point in the year. She said that total revenues increased by \$525K due to an increase in tuition and housing rates. Food service revenue was down compared with the previous year due to the changes in profit sharing arrangements as a result of Aramark's contribution to the new dining hall and parking garage.

There was a total increase of \$2.8M in expenditures, which was budgeted and made up of increases in scholarships, insurance premiums, debt service payments and expenses related to campus renovation and construction projects. Ms. Owen noted a significant increase in cash due to the sale of bonds for the new residence hall. She also made note of the net pension liability from the state of \$194.7M.

Ms. Lindgren said the total operating budget for the University has increased by \$1.2M in the first quarter due to carry forwards and budgeted fund balance for construction projects. She discussed budget amendments and some of the significant adjustments to revenue and other additions.

MOTION: Mr. Martin moved that the Board approve the President's recommendation. Ms. Walker seconded the motion.

VOTE: The motion carried unanimously.

The President recommended:

**2016-2018 Executive
Branch Biennial Budget
Request**

RECOMMENDATION: That the Board ratify the University's 2016-2018 Executive Branch Budget Request.

(2016-2018 Operating Request for MSU and other background information attached to these minutes and marked IV-B-2)

Ms. Lindgren discussed the University's 2016-2018 Executive Branch Budget Request that was submitted to the Governor's Office for Policy and Management, the Legislative Research Commission, and the Council on Postsecondary Education (CPE). This submission was based on the recommendation regarding the state appropriation and capital project request approved by CPE on November 13, 2015.

MOTION: Dr. Harr moved that the Board approve the President's recommendation. Mr. Casebolt seconded the motion.

VOTE: The motion carried unanimously.

The President recommended:

**Refunding General
Receipts Obligations,
2007 Series A**

RECOMMENDATION: That the Board adopt a resolution relating to the sale of the University's General Receipts Obligations:

A RESOLUTION PROVIDING FOR THE AUTHORIZATION, ISSUANCE AND SALE OF APPROXIMATELY \$4,000,000 GENERAL RECEIPTS REFUNDING OBLIGATIONS OF MOREHEAD STATE UNIVERSITY, PURSUANT TO THE TRUST AGREEMENT DATED AS JULY 1, 2007.

FURTHERMORE, IN ACCORDANCE WITH THE PROVISION OF HOUSE BILL 7 OF THE 2014 REGULAR SESSION OF THE KENTUCKY GENERAL ASSEMBLY, THE BOARD OF REGENTS OF MOREHEAD STATE UNIVERSITY HEREBY CERTIFIES THAT THE ISSUANCE OF THESE GENERAL RECEIPTS OBLIGATIONS WILL NOT RESULT IN INCREASES IN TUITION RATES.

(Resolutions along with background information attached to these minutes and marked IV-B-3)

Ms. Patrick said current market rates indicate that the University has a potential opportunity to achieve debt service savings through the issuance of University's General Receipts Refunding Bonds. The previously issued bonds that have been identified for refunding are titled Morehead State University General Receipts Bonds, 2007 Series A. The refunding of these prior bonds will be financed through the issuance of General

Receipts Obligations, 2016 Series A, to be sold in the first quarter of 2016, depending on market performance.

MOTION: Mr. Preece moved that the Board approve the President's recommendation. Mr. Martin seconded the motion.

VOTE: The motion carried unanimously.

REPORTS

Fall 2015 Enrollment

Tim Rhodes, Interim Assistant Vice President for Enrollment Services, presented the final enrollment report for Fall 2015. He reported that final headcount enrollment is 10,875, a 1.6% decrease from fall 2014. Also, first time freshmen numbered 1,461, a decline of 3.4% from the previous fall. There are 2,499 students enrolled in the Early College (high school dual-credit) Program, and 60 Craft Academy students enrolled.

(Final Enrollment Report for Fall 2015 attached to these minutes and marked IV-C-1)

Health Insurance & Benefits for 2015

Harold Nally, Director of Human Resources, reported on health insurance and benefits for the plan year 2016. He said the overall objective of MSU's plan is to provide the best possible health insurance and benefits at the best possible cost. The University will remain fully insured for 2016 in continued partnership with MSU's health insurance provider, Anthem Blue Cross Blue Shield of Kentucky.

Mr. Nally said the University has contracted with Sibson Consulting for assistance in meeting the health plan objectives in the future. He indicated there will be a 9.9% increase in health care premiums for employees in 2016. The Health Reimbursement Account contribution has been reduced by half to lower the impact of the premium cost, and the tobacco users will pay an additional \$50 premium per month. Costs for dental remain the same as last year. Employee life insurance will now be provided through Minnesota Life, with age-rated premiums. Mr. Nally also noted that the University achieved full participation in Title IX training.

(Report attached to these minutes and marked IV-C-2)

Personal Service Contracts

Ms. Patrick reported on personal service contracts, which represent all such contracts issued with amounts greater than \$10,000 between September 1, 2015 and October 31, 2015. These include contracts with the following:

Harris Search Associates in the amount of \$140,000
Murphy Graves Trimble in the amount of \$37,000

Ms. Patrick noted that the contract with Harris Search Associates is to conduct national searches for several high level positions.

(Report attached to these minutes and marked IV-C-3)

**PRESIDENT'S
REPORT**

Dr. Andrews reported on the following:

- **Rowan County Board of Education** – At the September 24, 2015 meeting, the Board of Regents gave Morehead State University permission to negotiate with the Rowan County Board of Education for its property located at the corner of Second Street and Tippet Avenue. The University placed a bid for the Rowan County Board of Education building for \$2 million in a sealed bid. The school board has approved the sale and is awaiting approval by the Kentucky Department of Education. The University plans to utilize the building by moving offices that are currently housed in ADUC when that building is closed in May for renovation.
- **Student Government and CPE** – CPE is working with Student Government organizations to get students and parents involved in advocating for better funding for higher education in Kentucky.
- **Student Response to Inclusion & Diversity** – Dr. Andrews met with a group of students on campus who refer to their group as #BlackOnCampus and also participated in a forum before Thanksgiving where students expressed their thoughts on inclusion and diversity at Morehead State University. The themes of the student comments were: 1) not enough African-American students, faculty and staff, 2) lack of purposeful activities, 3) desire for lower costs and more scholarships, 4) some examples of racial insensitivity both in the classroom and in social media, and 5) the need for diversity training. Dr. Andrews and other administrators plan to continue to meet with the student groups.
- **Athletic Analysis** – Board members recently received the University's response to recently published articles in The Chronicle of Higher Education and the Huffington Post concerning funding for athletics. The article's analysis was misleading because Morehead State University does not charge an athletic fee, is a smaller sized institution, and does not have football scholarships.

CLOSED SESSION

Chair Goodpaster stated that the Board would now retire into Closed Session pursuant to KRS 61.810(1)(c) to discuss pending litigation. The Board would take no action while in Closed Session. He opened the floor for a motion to go into Closed Session. Mr. Casebolt moved that the Board go into Closed Session. Ms. Walker seconded the motion. The motion carried, and the Board retired to Closed Session.

OPEN SESSION

At 12:15 p.m., Chair Goodpaster opened the floor for a motion that the Board return to Open Session. Dr. Harr moved that the Board return to Open Session. Ms. Walker seconded the motion. The motion carried. Chair Goodpaster stated that the Board was now returned from Closed Session and is again in Open Session and that no action was taken during the Closed Session.

ANNOUNCEMENTS

Chair Goodpaster reminded the Board that the 2015 Fall Commencement is scheduled for Saturday, December 12. He also announced the Board meeting dates for 2016.

ADJOURNMENT

There being no further business to conduct, Ms. Walker moved that the meeting adjourn at 12:20 p.m. Ms. Long seconded the motion. The motion carried.

Respectfully submitted,



Sharon S. Reynolds, Secretary
Board of Regents

HONORARY DOCTORAL DEGREES

BOR (IV-A-2)
March 18, 2016

Recommendation:

That the Board of Regents ratify the awarding of the honorary degrees of Doctor of Public Service to Joseph Craft III, Ernst and Sara Volgenau, and Stephen R. Hogan at Commencement ceremonies in 2016-2017.

Background:

Since 1973, the Board of Regents has awarded honorary doctoral degrees to outstanding individuals to recognize personal achievement and/or exemplary public service. The Ad Hoc Honorary Degree Advisory Committee screens nominations for such recognition and makes appropriate recommendations to the President. The committee is composed of active and retired faculty and staff members and a representative of the MSU Alumni Association, Inc.

Joseph W. Craft III

Joseph “Joe” Craft III, is a Hazard, Kentucky native. He is an entrepreneur, attorney and energy industry leader as well as a philanthropist. He has served as the president and chief executive officer of Alliance Resource Partners, L.P. since 1999.

In 2014, Mr. Craft pledged \$4 million to Morehead State University to provide funding for the purpose of supporting a dual-credit residential high school for academically gifted and talented Kentucky high school junior and seniors at Morehead State University. It was the single largest cash gift in the history of the University.

In August 2015, Morehead State University opened the Craft Academy for Excellence in Science and Mathematics. Mr. Craft’s financial resources provide students with a residential learning experience and environment that promotes excellence, innovation and creativity while developing the full potential of Kentucky’s brightest minds and most promising future leaders. The college-level curriculum will allow students to finish high school while also completing up to two years of university coursework.

Mr. Craft received an undergraduate degree in accounting and a law degree from the University of Kentucky. He is also a graduate of the Senior Executive Program of the Alfred P. Sloan School of Management at Massachusetts Institute of Technology.

Mr. Craft’s commitment to providing unique educational opportunities to academically gifted and talented students will provide lasting impact to Kentucky. Craft Academy students will forever benefit from his legacy.

Ernst and Sara Volgenau

The Volgenau name is associated by many people with words like vision, engineering and philanthropy. In the summer of 2013, a gift from MSU alumna Sara Volgenau and her husband, Dr. Ernst Volgenau, allowed MSU's College of Science and Technology to host two weeks of Project to Elevate Aerospace Careers in Kentucky (PEACK) workshops at the Space Science Center. Exceptional teachers from middle schools in Eastern Kentucky received training in project-based activities and engineering practices which helped them address the Next Generation Science Standards which focus more on performance than on simple knowledge.

The Volgenau's increased their commitment to preparing teachers in the STEM fields through their support of MSUTeach in 2015. UTeach (called MSUTeach at Morehead State University) is an innovative teacher preparation program working to increase the number of qualified science, technology, engineering and mathematics (STEM) teachers in U.S. secondary schools. The program combines rigorous STEM degrees with secondary teaching certification without adding time or cost to four-year degrees. The UTeach Institute partners with 43 universities to provide programs in 21 states and the District of Columbia. MSUTeach is only the second UTeach program in the state.

Selection to become a UTeach university is very competitive and requires a significant financial investment. Ernst and Sara Volgenau provided resources totaling nearly \$4 million to ensure Morehead State University was fiscally able to be successful as a UTeach site.

Mrs. Volgenau is a 1957 graduate of MSU with a degree in elementary education. Dr. Volgenau graduated from the U.S. Naval Academy and later earned a Ph.D. in engineering at UCLA. Early in his career, Dr. Volgenau worked on research and development for satellite and other space projects. In 1978, he founded SRA International Inc., an information technology company that was listed on the New York Stock Exchange and for 10 years in a row, was named to the Fortune magazine list of the Best Companies to work for in America.

The Volgenaus believe improving education in science, technology, engineering and mathematics will help the economy of Kentucky and the entire nation.

Brig. Gen. Stephen T. Hogan

Morehead State University alumnus Brig. Gen. Stephen R. Hogan was appointed as the 52nd Adjutant General of the Commonwealth of Kentucky in December 2015.

A native of Hebron, Gen. Hogan served as assistant adjutant general for the Kentucky Army National Guard. In that role, he was responsible for balancing the requirements of readiness, modernization, force structure and sustainment of the National Guard for mobilization and domestic missions. Most recently, he led efforts to protect the dependents of service members as the chief executive officer of the Military Interstate Children's Compact Commission. He developed the national commission's policies, procedures and support to highly mobile dependents of active duty military members, ensuring level treatment with respect to education issues.

Gen. Hogan was commissioned through the Reserve Officer Training Corps program at Morehead State University in 1985. He earned a Master of Strategic Studies from the

U.S. Army War College in 2008. In 2010 and 2013, he completed the U.S. Northern Command Joint Task Force Command Course and U.S. Northern Command Joint Dual Status Commander's Course.

Gen. Hogan's significant active duty assignments include tours with the 101st Airborne Division (Air Assault), Fort Campbell, KY; 6th Infantry Division Light, Fort Richardson, AL; The Army Operations Center, Pentagon, Washington, D.C.; and Multi-National Corps Iraq, Baghdad, Iraq. When not serving on federal active duty, Gen. Hogan served in the Kentucky Army National Guard as an active duty guardsman with the State's Counter-Drug Unit, from June 1993 to February 2011.

Among many awards and commendations, Gen. Hogan has been awarded the Meritorious Service Medal (with 3 Bronze Oak Leaf Clusters); Army Commendation Medal (with 1 Bronze Oak Leaf Cluster); Army Reserve Components Achievement Medal (with 1 Silver Oak Leaf Cluster); and the National Defense Service Medal (with 1 Bronze Service Star).

**APPROVE CONTRACTS FOR
BANKING SERVICES**

**BOR (IV-A-5)
March 18, 2016**

Recommendation:

That the Board exercise the option to renew the banking services contracts for the period July 1, 2016 to June 30, 2017 with US Bank of Morehead for the main campus banking, Citizens National Bank in Ashland, Traditional Bank in Mt. Sterling and US Bank local branch in Prestonsburg to serve as depositories for funds collected at those respective regional campus centers.

Background:

The University is required by KRS Chapters 41 and 164A to designate depository banks for all funds collected. The method for selecting the banks is set forth in the Kentucky Model Procurement Code, KRS Chapter 45A.

Using the guidelines for competitive bidding of contracts in KRS Chapter 45A, proposals for banking services were requested in 2012 from the four banks having a presence in Morehead. At the close of that process, a contract was awarded to US Bank for the period beginning July 1, 2012 and ending on June 30, 2013. The contract contained options for four additional one-year renewal periods.

Contracts were also initially awarded to banks in Ashland, Prestonsburg, West Liberty, and Mt. Sterling for banking services for the regional campus centers. These accounts function as clearing accounts for regional campus business transactions. Receipts deposited into the accounts are transferred to the main campus account on a frequent basis. Renewal is being recommended only for the accounts at the Citizens National Bank in Ashland and the Traditional Bank in Mt. Sterling. MSU at Prestonsburg no longer requires a clearing account as US Bank has opened a local branch at that location and the closing of the MSU at West Liberty campus eliminates the need for the Commercial Bank account.

All contract renewals will be effective from July 1, 2016 to June 30, 2017.

APPROVE APPOINTMENT OF AUDITING FIRM

**BOR (IV-A-6)
March 18, 2016**

Recommendation:

That, based on the recommendation of the Audit Committee, the Board approve the extension of the auditing services contract with Dean Dorton Allen Ford, PLLC in Lexington to conduct the required annual audits for Morehead State University for the fiscal year that will end on June 30, 2016.

Background:

KRS 164A.570 requires an annual audit to be conducted for all universities in the state system. The bylaws of the Board of Regents provide that the Audit Committee will review, evaluate, and recommend to the full Board, an accounting firm to conduct the University's required annual audits. State statutes specify that the auditing firm must be selected through a request for proposal process, and that a personal services contract be issued to engage the firm.

On January 11, 2016, the University issued a request for proposals from qualified public accounting firms to perform the auditing services. The request for proposals was posted on the University's online plan room and registered vendors were notified. The process closed on February 10, 2016. Responses were submitted by two firms:

- Crowe Horwath, LLP, Lexington
- Dean Dorton Allen Ford, PLLC, Lexington

The proposals were independently evaluated by the Chief Financial Officer and VP for Administration, the Director of Internal Audits, the Director of Accounting and Financial Services, the Assistant Director of Accounting and Financial Services, and the Director of Finance for the MSU Foundation. The evaluations were based (40%) on cost factors and (60%) on technical factors; such as the audit firm's technical experience and the audit firm's experience with performing public higher education audits.

The Audit Committee met on March 18, 2016. Based on the evaluations, the Audit Committee recommends the Board approve the appointment of Dean Dorton Allen Ford, PLLC to conduct the annual audits. The contract will be awarded for the fiscal year that will end on June 30, 2016 with the option to extend the contract for four additional one year periods. The fee for the first year of the contract will be \$80,250. Fee adjustments for future contracts will be based on the consumer price index.

Recommendation:

That the Board of Regents approve the granting of tenure and promotion to those who are assistant professors to the associate professor rank for the following faculty members with the issuance of their contracts for the 2016-2017 year:

Dr. Karen Pierce, assistant professor of accounting
Dr. Kimberly Nettleton, assistant professor of education (ECES)
Mr. Seth Green, assistant professor of art and design
Dr. Christina Conroy, assistant professor of philosophy
Dr. Elizabeth Perkins, assistant professor of criminology
Dr. Lynn Geurin, assistant professor of social work
Mr. Charles Rogers, assistant professor of nursing (BSN)
Mr. Kevin Brown, assistant professor of space science

Background:

Assistant professors who successfully gain tenure are automatically promoted to the rank of associate professor without further review by the University Promotion Committee. Faculty members are responsible for developing their own tenure portfolios for submission to their peers and administrative supervisors for analysis and review during the first semester of the last year of their probationary period. These portfolios are reviewed by departmental committees, as well as by the candidate's department chair/associate dean and college dean. The University Tenure Committee receives and reviews the recommendations from these peer groups and administrators and forwards its recommendations to the Provost. The President, based upon recommendations from the Provost, submits his recommendations to the Board of Regents.

Recommendation:

That the Board of Regents approve the granting of sabbatical leaves for the following faculty:

Dr. Steve Chen, associate professor of sports management, spring 2017
Dr. Karen Taylor, associate professor of French, spring 2017

Background:

Faculty members desiring sabbatical leaves submit their application to be evaluated by their departmental committee, department chair/associate dean, college dean, and the excellence in Teaching Committee. These committee evaluations are forwarded to the Provost who recommends to the President for his recommendation to the Board of Regents.

Recommendation:

That the Board of Regents approve PAC-22, Faculty Discipline and Removal for Cause.

Background:

Careful review indicated that revision was necessary to clarify processes and to move policy about termination for cause from PAC-26 to PAC-22. The Faculty Senate and Academic Affairs appointed reconciliation teams to consider the necessary revisions. The two teams worked diligently to craft an improved policy document.

At Morehead State University, academic policy guides faculty disciplinary actions. The policy is outlined in PAC-22, previously approved by the Board of Regents.

The draft document developed by the reconciliation teams was presented to the Faculty Senate for approval. The Faculty Senate approved the revised document with some changes during the fall 2015 semester. The revised PAC-22 presented for Board of Regents approval largely represents the agreement reached by the Faculty Senate and Academic Affairs reconciliation teams.

The revised PAC-22 now incorporates all policy matters concerning faculty discipline and removal for cause.

1 **Policy: PAc-22**

2
3 **Subject: Faculty Discipline and Removal for Cause**

4
5 Approval Date:

6 Revision Date:

7
8 **PURPOSE**

9
10 The purpose of this policy is to establish the procedures for the discipline of faculty and
11 librarians (henceforth referred to as faculty).

12
13 **GENERAL PRINCIPLES**

14
15 Faculty misconduct may be subject to disciplinary action. Disciplinary actions include oral or
16 written reprimand, written censure, suspension without pay, reassignment of duties, removal, or
17 an action appropriate to the conduct of the faculty member (henceforth, the accused). The length
18 of written censure, suspension without pay, reassignment of duties or other discipline will be in
19 accordance with the severity of the misconduct and in consideration of the accused's work
20 record.

21
22 Tenured faculty may be removed only for incompetence, neglect of or refusal to perform duties,
23 or immoral conduct as outlined in KRS 164.360 (henceforth, cause).

24
25 Disciplinary action for tenured faculty will be taken subject to the procedures set forth in this
26 policy. Disciplinary action for fixed term faculty will proceed under this policy if the fixed term
27 faculty member is to be disciplined or removed during the contract year. If a faculty member is
28 tenure track, this policy shall apply if the faculty member is to be disciplined or removed during
29 the academic period(s) for which he/she is guaranteed employment under PAc-27.

30
31 All individuals involved in the disciplinary process will exercise absolute discretion. Information
32 gathered during the disciplinary process by any individual will be disseminated by that
33 individual only as stipulated by university policy or by law.

34
35 All documents that need to be delivered from one party to another shall be by hand delivery or
36 priority mail with delivery confirmation.

37
38 **REPRESENTATION**

39
40 At any point in the disciplinary process, the accused may, at his or her expense, consult with or
41 retain legal counsel to provide representation.

46 **RECONCILIATION**

47

48 At any point in the disciplinary process, the accused or representatives of the administration may
49 request a meeting with the other for the purpose of discussing a mutual settlement. A mutual
50 settlement must be in writing and signed by the accused and the President. A mutual settlement
51 will terminate the disciplinary process.

52

53 **ALLEGATIONS OF MISCONDUCT**

54

55 An allegation of misconduct brought to the attention of a supervisor within the accused's chain
56 of authority will be forwarded to the Dean of the accused's college and to the Provost/Vice
57 President for Academic Affairs (VPAA). If the allegation involves Sexual Misconduct or Sexual
58 Harassment as governed by PG-6 and relevant UARs, then the allegation will be handled in
59 accordance with same. Otherwise, the Provost/VPAA will determine if investigation of the
60 allegation is required.

61

62 If the Provost/VPAA determines that investigation of the allegation is not required, the
63 Provost/VPAA will refer the matter to the Dean of the accused's college. The Dean will
64 determine whether to issue an oral or written reprimand or to dismiss the allegation. The Dean's
65 action will terminate the disciplinary process.

66

67 If the Provost/VPAA determines that investigation of the allegation is required, the matter will
68 be referred by the President to the appropriate University offices for investigation. The period of
69 investigation will not exceed 40 business days. (A "business day" is a day in which the
70 University is open regardless of whether academic classes are in session.) If deemed necessary
71 by the President, the accused may, without prior notice, be placed on leave with pay or have his
72 or her duties reassigned. Leave with pay will not extend beyond completion of the disciplinary
73 process. Reassignment of duties will not extend beyond completion of the disciplinary process
74 except if reassignment of duties is the disciplinary action issued by the President at the
75 completion of the disciplinary process. The President may terminate leave with pay or
76 reassignment of duties prior to completion of the disciplinary process.

77

78 At the conclusion of an investigation, a written report will be produced and sent to the President,
79 the Provost/VPAA, and the Dean of the accused's college. After reviewing the report, the Dean
80 will inform the foregoing individuals in a signed, written statement that:

81

82 1. Facts have not been established to support the allegation and the matter should be dismissed;
83 or

84

85 2. Facts have been established that warrant an oral or written reprimand by the Dean; or

86

87 3. Facts have been established that warrant written censure, suspension without pay, or
88 reassignment of duties or other appropriate discipline; or

89

90 4. Facts have been established that warrant removal for cause.

91

92 **NOTICE OF INTENT**

93

94 After reviewing the Dean's statement, the President—in consultation with the Provost/VPAA, the
95 Dean of the accused's college, the Chair/Associate Dean of the accused's department, and the
96 Chair of the Faculty Rights and Responsibilities Committee—will determine whether:

97

98 1. To dismiss the matter altogether, thereby terminating the disciplinary process; or

99

100 2. To refer the matter to the Dean of the accused's college for issuance of an oral or written
101 reprimand, in which case the action will terminate the disciplinary process; or

102

103 3. To proffer charges warranting written censure, suspension without pay, reassignment of duties
104 or other appropriate discipline, in which case the President will issue a signed, written Notice of
105 Intent to Discipline; or

106

107 4. To proffer charges warranting removal for cause, in which case the President will issue a
108 signed, written Notice of Intent to Remove for Cause.

109

110 A Notice of Intent will include (1) a detailed statement of the charges and their basis; (2) the
111 intended disciplinary action, (3) the proposed date of the action, and, if applicable, the proposed
112 duration of the action; (4) the accused's right to respond to the charges and intended disciplinary
113 action; (5) the accused's right to request a hearing before a board; (6) the accused's right to
114 request a meeting with representatives of the administration for the purpose of discussing a
115 mutual settlement, and (7) the relevant policies dealing with faculty discipline.

116

117 If a Notice of Intent is issued by the President, the Provost/VPAA will provide the accused with
118 a copy of the Notice of Intent.

119

120 **RESPONSE TO NOTICE OF INTENT**

121

122 If the accused receives a Notice of Intent to Discipline, the accused may elect to:

123

124 1a. Exercise his or her right to an evidentiary hearing before a Faculty Hearing Board (FHB)
125 according to the procedures set forth below;

126

127 2a. Respond to the charges and intended disciplinary action, and decline a hearing; or

128

129 3a. Neither respond to the charges and intended disciplinary action nor exercise his or her right
130 to a hearing.

131

132 If the accused receives a Notice of Intent to Remove for Cause, the accused may elect to:

133

134 1b. Exercise his or her right to either (i) an evidentiary hearing before a FHB with a subsequent
135 hearing on the record (not evidentiary) before the Board of Regents (BOR) according to the
136 procedures set forth below, or (ii) an evidentiary hearing before the BOR with no hearing before
137 a FHB;

138
139 2b. Respond to the charges and intended disciplinary action, and decline a hearing; or
140
141 3b. Neither respond to the charges and intended disciplinary action nor exercise his or her right
142 to a hearing.
143
144 The accused will have 10 business days from the date of receipt of the Notice of Intent to elect
145 one option (1a, 2a, 3a, 1bi, 1bii, 2b, or 3b) and to inform the President, the Provost/VPAA, and
146 the Dean of the accused's college, in writing, of the option elected. If the accused fails to inform
147 the foregoing individuals of the option elected within the allotted time, then the accused will
148 have passively elected option (3a) for a Notice of Intent to Discipline or option (3b) for a Notice
149 of Intent to Remove for Cause.
150
151 If the accused elects option (3a), the President will proceed with the intended disciplinary action
152 outlined in the Notice of Intent and so advise the accused in writing. A copy shall be sent to the
153 Provost/VPAA, Dean of the accused's college and the Office of Human Resources (OHR). If the
154 accused elects (3b) the President shall proceed to an abbreviated hearing before the BOR.
155
156 If the accused elects option (2a) or (2b), the accused may file a detailed written response to the
157 charges and/or intended disciplinary action within fifteen (15) business days of receipt of the
158 Notice of Intent. The accused will send his or her response to the President, the Provost/VPAA,
159 and the Dean of the accused's college. The President will review the accused's response and may
160 consult with the Provost/VPAA, the Dean of the accused's college, the Chair/Associate Dean of
161 the accused's department, and/or the Chair of the Faculty Rights and Responsibilities Committee,
162 among others. The President will determine whether to:
163
164 a) Dismiss the matter altogether, thereby terminating the disciplinary process;
165
166 b) Refer the matter to the Dean of the accused's college for issuance of an oral or written
167 reprimand by the Dean, in which case the Dean's action will terminate the disciplinary process;
168 or
169
170 c) Proceed with a disciplinary action no greater than the intended disciplinary action outlined in
171 the Notice of Intent. If the disciplinary action that the President decides upon is not removal for
172 cause, then the President will issue a signed, written Notice of Disciplinary Action to be sent to
173 the accused. If the President determines that removal for cause should occur, he/she shall
174 forward, to the BOR, the Notice of Intent to Remove for Cause and the accused's response to the
175 charges and intended disciplinary action outlined in the Notice of Intent and proceed to an
176 abbreviated hearing before the BOR.
177
178 If the accused elects option (1a) or (1bi), the President will convene a FHB.
179
180 If the accused elects option (1bii), the President will convene a hearing before the BOR.
181
182

183

184 **THE FACULTY HEARING BOARD (FHB)**

185

186 **Membership**

187

188 The FHB will consist of the following voting members:

189

190 1. One member of the Faculty Rights and Responsibilities Committee chosen by that
191 committee's chair. The member chosen from that committee will serve as Chair of the FHB; and

192

193 2. Four tenured faculty members holding an academic rank equal to or higher than that of the
194 accused and who will be selected and agreed upon by the President or his/her designee, the
195 Provost/VPAA, the Chair of the Faculty Rights and Responsibilities Committee, and the Chair of
196 the Faculty Senate.

197

198 The Provost/VPAA will select one individual to serve as a non-voting, ex officio member of the
199 FHB. That individual must be an Academic Dean not of the accused's college or a Department
200 Chair not of the accused's department. In addition, the Provost/VPAA and the Chair of the
201 Faculty Senate may serve as non-voting, ex officio members of the FHB.

202

203 No member of the FHB will be a member of the accused's department or school.

204

205 FHB members shall be excused due to conflict of interest and may be excused due to health or
206 unavoidable absence from campus. If a member is excused, a replacement will be selected as set
207 out above.

208

209 **Pre-Hearing Procedure**

210

211 The Chair of the FHB will provide the accused with a signed, written Notice of Hearing. The
212 Notice of Hearing will state (1) the names of the FHB members; (2) the accused's right to
213 challenge the appointment of one or more FHB members on the grounds of conflict of interest;
214 and (3) the date of the hearing.

215

216 The accused will have 5 business days from the date of receipt of the Notice of Hearing to
217 challenge the appointment of one or more FHB members on the grounds of conflict of interest.
218 The challenge must be submitted in writing to the Chair of the FHB who will rule on the
219 challenge within 5 business days of receipt of the challenge. If the challenge is to the FHB Chair,
220 the Chair of the Faculty Rights and Responsibilities Committee shall rule in that instance. The
221 Chair will inform the accused in writing of the ruling and the reasons for the ruling. The ruling
222 will be final and may not be challenged by the accused.

223

224 The date of the hearing will be no less than 15 business days and no more than 30 business days
225 from the date that the accused received the Notice of Hearing. The accused may file a written
226 response to the charges and/or intended disciplinary action outlined in the Notice of Intent with
227 the FHB chair prior to the hearing with a copy to the administrator proffering the charge
228 (henceforth, plaintiff).

229
230
231
232
233
234
235
236
237
238
239
240
241
242
243
244
245
246
247
248
249
250
251
252
253
254
255
256
257
258
259
260
261
262
263
264
265
266
267
268
269
270
271
272
273
274

Hearing Procedure

The accused will have the option of having a hearing that is open or closed to the public, except as may be required by law.

The accused may consult with or retain legal counsel at his or her own expense to provide representation during the hearing. The FHB shall be advised by Morehead State University’s Office of the General Counsel or its designee. The plaintiff may consult with or be represented by separate legal counsel contracted by the University to provide representation during the hearing.

The hearing proceedings will not be governed by formal, legal rules of procedure and evidence. The FHB may consider any information that has probative value.

Statements to the FHB, documentary evidence, and testimony by witnesses will be subject to requirements of civility and relevance.

The plaintiff or his/her counsel will have the right to call and cross-examine witnesses and to present documents and other evidence supporting the charges in the Notice of Intent to Discipline or the Notice of Intent to Remove for Cause.

The accused or his/her counsel will have the right to call and cross-examine witnesses and to present documents and other evidence disputing the charges in the Notice of Intent to Discipline or the Notice of Intent to Remove for Cause.

The plaintiff, or his/her counsel, and the accused, or his/her counsel, will have the right to confront and cross-examine each other's witnesses.

The Chair of the FHB may restrict redundant testimony in the interest of ensuring an efficient hearing process.

Any individual scheduled to appear as a witness, with the exception of the accused and the plaintiff, will not be present in the hearing room except when testifying.

A written record of appearances and sworn testimony of the concerned parties and witnesses will be maintained.

The written record will include the Notice of Intent to Discipline or the Notice of Intent to Remove for Cause and if applicable the accused's response to the charges and/or intended disciplinary action outlined in the Notice of Intent.

A verbatim record of the hearing will be recorded by a court reporter and may be transcribed as requested. The recording and transcription will be provided at no cost to the accused upon request.

275 The burden of establishing a preponderance of the evidence for the charges rests at all times with
276 the plaintiff.

277
278 The following hearing agenda will apply:

- 279
280 1. A reading, by the Chair of the FHB, of the charges proffered by the plaintiff and the response
281 to the charges by the accused;
282
283 2. Presentation of evidence by the plaintiff or his/her counsel supporting the charges;
284
285 3. Presentation of evidence by the accused or his/her counsel refuting the charges;
286
287 4. Presentation of rebuttal evidence as may be appropriate;
288
289 5. Summation or statement not to exceed 30 minutes by the accused or his/her counsel; and
290
291 6. Summation or statement not to exceed 30 minutes by the plaintiff or his/her counsel.
292

293 At the conclusion of the hearing, the FHB will go into closed session to discuss the evidence
294 presented at the hearing and to vote on whether there is a preponderance of the evidence for the
295 charges proffered by the plaintiff. The FHB may request the presence of the General Counsel at
296 any time during the deliberations.

297
298 The FHB will produce a written report of the board's "findings of fact" (evidence that the FHB
299 believes to be true) and "conclusions of law" (application of facts to the legal standard) based
300 upon the record considered as a whole, and recommendations regarding disciplinary action. The
301 report will also include the vote count regarding the charges. Dissenting minority opinions shall
302 be included in the report.

303
304 Copies of the FHB's report will be sent to the President, the Provost/VPAA, the Dean of the
305 accused's college, the plaintiff, and the accused.

306
307 The accused may elect to respond in writing to the FHB's decision and shall file such response
308 with the President within 10 business days of the FHB's decision. Copies shall be sent to the
309 Provost/VPAA and to the plaintiff.

310
311 The President will review the FHB's report and, if any, the accused's response, and will
312 determine whether to:

- 313
314 1. Dismiss the matter altogether, thereby terminating the disciplinary process;
315
316 2. Refer the matter to the Dean of the accused's college for issuance of an oral or written
317 reprimand by the Dean, in which case the Dean's action will terminate the disciplinary process;
318 or
319

320 3. Proceed with a disciplinary action no greater than the intended disciplinary action outlined in
321 the Notice of Intent. If the disciplinary action that the President decides upon is not removal for
322 cause, then the President will issue a signed, written Final Determination of Disciplinary Action
323 to be sent to the accused. A copy shall be sent to the Provost/VPAA, Dean of the accused's
324 college and OHR. If the President determines that removal for cause should occur, he/she shall
325 proceed as outlined below for a hearing at the BOR on the record.

326
327 **HEARINGS BEFORE THE BOARD OF REGENTS (BOR)**

328
329 A hearing before the BOR may be an evidentiary hearing or a hearing on the record from the
330 FHB hearing. An abbreviated hearing before the BOR shall occur (1) if the accused has
331 responded to the charges for removal and not requested a hearing or (2) if the accused has failed
332 to respond to the removal charges and failed to ask for a hearing.

333
334 If the accused requested an evidentiary removal hearing before the Board of Regents, rather than
335 the FHB, the President shall notify the Chair of the Board of Regents of the request for an
336 evidentiary hearing. The President shall proceed as outlined above in the Response to Notice of
337 Intent to begin the process of the evidentiary hearing.

338
339 If the disciplinary action is removal for cause, and the evidentiary hearing has been held before
340 the FHB, the President will forward, to the BOR, the complete record of the FHB including the
341 FHB's Findings of Fact and Conclusions of Law, any additional response filed by the accused,
342 the transcript of the FHB hearing, and the President's decision.

343
344 If the accused has (1) responded to the charges but declined a hearing, the President will forward
345 to the BOR the Notice of Intent to Remove for Cause and intended disciplinary action and the
346 accused's response to the BOR for abbreviated hearing; if (2) the accused has failed to respond
347 and failed to request a hearing, the President shall forward to the BOR the Notice or Intent to
348 Remove for Cause and intended disciplinary action.

349
350 **A. PROCEDURE FOR AN EVIDENTIARY HEARING AT THE BOR**

351
352 The Board Chair shall provide the accused with a written, signed notice of either a special
353 meeting called for the purpose of providing an evidentiary hearing on removal or of the next
354 regularly scheduled meeting of the Board of Regents at which time the evidentiary hearing shall
355 take place. The hearing shall be not less than twenty (20) business days from the date that notice
356 is delivered to the accused.

357
358 No later than ten (10) business days prior to the scheduled hearing date, the accused may file a
359 written response to the charges and/or intended disciplinary action outlined in the Notice of
360 Intent to Remove for Cause with the Board Chair at the President's Office. A copy shall also be
361 provided to the plaintiff.

362
363 The hearing shall be conducted in accordance with the Hearing Procedures set forth in this
364 Policy as used by the evidentiary hearing before the FHB.

365

366 At the conclusion of the hearing, the Board of Regents may go into closed session to discuss the
367 evidence presented at the hearing and review the President's Recommendation for Removal and
368 the accused's response. The Board may consult with its legal counsel as it deems appropriate
369 during the process. The Board may (1) find in favor of removal, (2) reject removal and remand
370 the matter to the President for recommended disciplinary action as determined by the Board, or
371 (3) reject the matter in its entirety. The Board will issue written findings of fact and conclusions
372 of law in support of its decision and take final action on the decision in open session.

373
374 The President shall inform the accused in writing of the final action of the Board of Regents. A
375 copy shall be sent to the Provost/VPAA, Dean of the accused's college and OHR. The informing
376 shall occur within 10 business days of the BOR's decision.

377
378 **B. PROCEDURE FOR A HEARING ON THE RECORD AT THE BOR**

379
380 If the accused has had an evidentiary hearing before the FHB, the BOR shall provide a de novo
381 hearing on the record produced at the FHB level, including all exhibits, all charges, and all
382 responses. The Board Chair shall provide the accused with written, signed notice of either a
383 special meeting or of the next regularly scheduled meeting of the Board of Regents when the
384 issue of removal shall be brought before the Board. The hearing shall not be less than twenty
385 (20) business days from the date of notice.

386
387 The Board may retire into Executive Session to consider the case and review all the materials.
388 The BOR may consult with its legal counsel as it deems appropriate during the process. The
389 BOR shall take final action upon the issue of removal only in open session.

390
391 The BOR may:

- 392
393 1. Dismiss the matter altogether, thereby terminating the disciplinary process;
394
395 2. Refer the matter to the Dean of the accused's college for issuance of an oral or written
396 reprimand, in which case the action will terminate the disciplinary process;
397
398 3. Proceed with disciplinary action other than removal for cause, in which case the President will
399 issue a signed, written Notice of Disciplinary Action to be sent to the accused; or
400
401 4. Proceed with removal for cause, thereby terminating the disciplinary process.

402
403 The President shall inform the accused of the final action of the Board of Regents in writing. A
404 copy shall be sent to the Provost/VPAA, Dean of the accused's college and OHR.

405
406 **C. ABBREVIATED HEARING AT THE BOR**

407
408 If the accused responds to the President's Notice of Intent to Remove and Recommendation for
409 Removal for cause, but declines a hearing on the matter, the President shall forward to the Chair
410 of the Board of Regents the President's Notice of Intent to Remove and Recommendation for
411 Removal with cause as well as the accused's response for consideration and action by the Board.

412
413 If the accused has neither filed a response nor requested a hearing, the President shall forward to
414 Chair of the Board of Regents the President Notice of Intent to Remove and Recommendation
415 for Removal.

416
417 In both such cases, the Board Chair shall provide the accused with written, signed notice of
418 either a special meeting or of the next regularly scheduled meeting of the Board of Regents when
419 the issue of removal shall be brought before the Board. The hearing shall not be less than twenty
420 (20) business days from the date of notice.

421
422 At a special or regular meeting of the Board of Regents, the Board may go into executive session
423 to discuss and review the President's Notice of Intent to Remove and Recommendation for
424 Removal and the response of the accused, if any. The Board may consult with its legal counsel
425 as it deems appropriate during the process. The BOR shall take final action upon the issue of
426 removal only in open session.

427
428 The BOR may:

- 429
430 1. Dismiss the matter altogether, thereby terminating the disciplinary process;
431
432 2. Refer the matter to the Dean of the accused's college for issuance of an oral or written
433 reprimand, in which case the action will terminate the disciplinary process;
434
435 3. Proceed with disciplinary action other than removal for cause, in which case the President will
436 issue a signed, written Notice of Disciplinary Action to be sent to the accused; or
437
438 4. Proceed with removal for cause, thereby terminating the disciplinary process.

439
440 In all cases, the President shall inform the accused of the final action of the Board of Regents in
441 writing within ten (10) days of the Board's decision. A copy shall be sent to the Provost/VPAA,
442 Dean of the accused's college and OHR.

443
444 **RESIGNATION**

445
446 At any point in the disciplinary process, the accused may submit his or her resignation, thereby
447 terminating the disciplinary process.

448
449 **EXTENSION OF TIME**

450
451 Prior to the expiration of any time limit stated in this policy, an extension may be requested of
452 and granted by the President.

453
454 **EXCEPTIONAL CIRCUMSTANCES**

455
456 If a situation arises during the disciplinary process that is not covered in this policy, then the
457 Provost/VPAA or his/her designee and the Chair of the Faculty Rights and Responsibilities

458 Committee or his/her designee will meet to discuss a mutually acceptable solution. If the
459 situation arises during a hearing, then the chair of the board hearing the case will rule.

**PAC-26 TERMINATION OF FACULTY FOR
FINANCIAL EXIGENCY AND DISCONTINUANCE
OF PROGRAM**

**BOR (IV-B-4)
March 18, 2016**

Recommendation:

That the Board of Regents approve PAC-26, Termination of Faculty for Financial Exigency and Discontinuance.

Background:

At Morehead State University, policy guides the termination of faculty for financial exigency and the discontinuance of academic programs. The policy is outlined in PAC-26, previously approved by the Board of Regents.

Careful review of PAC-26 indicated that it included policy regarding termination for cause, which rightfully belongs in PAC-22. The Faculty Senate and Academic Affairs appointed reconciliation teams to address the apparent problem. The two teams worked diligently to craft an improved policy document.

The draft document developed by the reconciliation teams was presented to the Faculty Senate for approval. The Faculty Senate approved the revised document with some changes during the fall 2015 semester. The revised PAC-26 presented for Board of Regents approval largely represents the agreement reached by the Faculty Senate and Academic Affairs reconciliation teams.

The revised PAC-26 now incorporates all policy matters concerning the termination of faculty for financial exigency and program discontinuance.

Policy: PAc-26

Subject: Termination of Faculty for Financial Exigency and Discontinuance of Program

Approval Date: 05/22/87

Revision Date:

GENERAL POLICY:

The Board of Regents has a paramount statutory duty to the people of Kentucky to maintain a quality educational program consistent with the mission statement and within available financial resources as determined by the Council on Postsecondary Education, the Governor, and the General Assembly. Accordingly, determination of the existence of financial exigency or discontinuance of program based essentially on educational considerations, that may involve the termination of tenured faculty members, is a prerogative reserved for the Board and will not be delegated.

The Board of Regents is fully aware of the fact that adjustments due to financial exigency or discontinuation of a program that include the termination of tenured faculty members are matters of gravity and require thoroughly considered balancing of the public and private interests. These actions are to be taken under exacting criteria and with assurance of requisite safeguards of academic due process to maintain a quality education program consistent with the mission statement and available financial resources.

Upon a documented report of the University needs and available fiscal resources and recommendation of the President that a case of financial exigency or need to discontinue a program exists, faculty termination decisions will be made by the Board of Regents. The President's report to the Board of Regents shall result from and reflect the advice and written recommendations of the Faculty Senate and ad hoc committees which are listed in the specific procedures which follow.

In making specific recommendations for termination of individual tenured faculty appointments, the President shall take into account the following:

1. If funded vacancies exist, an offer will be made to the tenured faculty members concerned existing positions for which they are qualified by education and/or experience. If any faculty members are unqualified by education or experience, the University will grant the maximum of a one-year period of sabbatical leave during which the faculty member will retrain and prepare for the specific vacancy. Financial support will be granted in accordance with the sabbatical leave policy.
2. In the event of the termination of a tenured faculty member, that faculty member will not be replaced for a period of three years:
 - a. By another person of comparable qualifications at the same or higher salary without first offering reinstatement to the terminated tenured faculty member and allowing thirty calendar days for acceptance;

- b. By another person at a reduced level of compensation without first offering reinstatement to the faculty member's most recent compensation and allowing thirty calendar days for acceptance.
3. In the event of the termination of all tenured faculty members in a particular area or discipline for discontinuance of program, that area or discipline will not be reinstated at the University for a period of five years.
4. Faculty members, who have been employed full-time at Morehead State University for seven or more consecutive years and are untenured, shall be afforded the same rights of Academic Freedom and Due Process as a tenured faculty member, upon recommendation of the President and approval of the Board of Regents.

ORDER OF TERMINATION SEQUENCE:

1. Tenured faculty members will have the preference of retention over nontenured faculty members.
2. A faculty member who has attained tenure prior to another faculty member has preference of retention.
3. If the time of tenured service is equal, then tenured faculty of superior academic rank will have preference of retention.
4. If service and rank considerations are the same for two faculty members, the faculty member with the longer period of employment at the University will have preference of retention.

SECTION 1: PROCEDURE FOR FACULTY TERMINATION FOR FINANCIAL EXIGENCY:

This procedure will be used when it is proposed by the President that the University reduce the total number of faculty positions on a campuswide basis due to a case of financial exigency. It specifically outlines the rights and academic due process that are accorded a faculty member on a tenured or non-tenured contract and does not attempt to deal with other staff and University personnel procedures.

IDENTIFICATION OF A CASE OF FINANCIAL EXIGENCY:

The Vice President for Administration will identify that a case of financial exigency exists at Morehead State University and will inform the President of the situation with supporting documentation.

STEP ONE:

The President will submit a written report to the Faculty Senate which states that a case of financial exigency exists and give budgetary and financial information which would support that position. The President should also give preliminary recommendations regarding the number of faculty positions which are proposed to be eliminated and/or the dollar amount of savings in faculty salaries which are necessary to deal with the situation. The preliminary recommendations should also outline what other cuts are being proposed.

STEP TWO:

Following notification by the President, the Faculty Senate will determine whether or not a case of financial exigency exists. If the Senate decides that the President's case for financial exigency has not been sufficiently documented, the President will be invited by the Chair of the Faculty Senate to make a presentation to the Senate at a regularly scheduled Faculty Senate meeting to present more supporting evidence for the position. If the Faculty Senate determines that a reasonable case for financial exigency exists, the matter will be referred to the three independent ad hoc committees listed in STEP THREE. The Senate may also choose at this time to prepare an independent and more comprehensive report for submission to the Faculty Regent and the President.

If the Senate decides that a case of financial exigency has not been adequately demonstrated, the Senate will submit a dissenting opinion to the President with a copy to the Faculty Regent.

If after receiving a Faculty Senate dissenting opinion, the President feels that a case of financial exigency does exist, the President may proceed to develop a full report to the Board of Regents regarding the financial condition of the University. The report will include, but not be limited to, information and reports from the Faculty Senate and a recommended procedure to be followed regarding the termination and due process rights of tenured faculty affected by the financial exigency.

STEP THREE:

The Faculty Senate will elect the nine faculty members who are to serve on the three ad hoc committees listed below. Every effort will be made to have an equitable representation from nontenured as well as tenured faculty, since it is the former who are likely to bear the brunt of the reduction. There will also be a faculty representative from each of the three colleges on each ad hoc committee. The committees will work independently on the determination of financial exigency and will propose possible solutions and alternative courses of action. Faculty positions to be eliminated, but not specific faculty members, may be identified at this point in the process.

1. **AD HOC COMMITTEE CHAIRED BY VICE PRESIDENT FOR ADMINISTRATION.** The nine-member committee will consist of the Deans of the four academic colleges and one faculty member from each of the four colleges appointed by the Faculty Senate as outlined above, and will be chaired by the Vice President for Administration.
2. **AD HOC COMMITTEE CHAIRED BY PROVOST/VICE PRESIDENT FOR ACADEMIC AFFAIRS.** The eight-member committee will consist of the Faculty Regent, the Faculty Senate Chair, the Chair of the Faculty Senate Issues Committee and one faculty member from each of the four colleges appointed by the Faculty Senate as outlined above, and will be chaired by the Provost/Vice President for Academic Affairs.
3. **AD HOC COMMITTEE CHAIRED BY FACULTY RIGHTS AND RESPONSIBILITIES CHAIR.** The eight-member committee will consist of three Department Chairs/Associate Deans and one faculty member from each of the four colleges appointed by the Faculty Senate as outlined above, and will be chaired by the Chair of the Faculty Rights and Responsibilities Committee. The Department Chairs/Associate Deans will be appointed

by the President, and every effort should be made to choose Chairs/Associate Deans that will be most adversely affected by the proposed eliminations of faculty positions.

STEP FOUR:

The three ad hoc committees will present written reports to the President within 120 calendar days from the time the committees are convened. Copies of the reports will be sent to the Faculty Senate, the Faculty Regent, and the chairs of the other ad hoc committees. Dissenting minority reports shall be included in the final reports.

STEP FIVE:

The President, after receiving the reports of the three ad hoc committee and the final recommendations of the Faculty Senate, will make recommendations regarding the specific faculty positions and faculty members who will be terminated for a case of financial exigency. The President will follow the Order of Termination Sequence in determining the faculty members to be terminated.

These specific recommendations will be submitted to the Provost/Vice President for Academic Affairs who will notify in writing, within five business days, those faculty members whose positions are proposed to be eliminated. The Provost/Vice President for Academic Affairs will also convene the ad hoc Committee on Reconciliation listed in STEP SIX.

STEP SIX: AD HOC COMMITTEE ON RECONCILIATION.

The seven-member committee will consist of the Provost/Vice President for Academic Affairs, the Vice President for Administration, the Chair of the Faculty Senate, one faculty member elected by the Faculty Senate from each of the three committees listed in STEP THREE, and the Faculty Regent who will serve as Chair. There should be a faculty member from each College represented on the committee. The committee will meet individually with each affected faculty member and will make every effort to reach some accommodation with the individual regarding his/her rights and possible courses of alternative action. Such advice may include, but not be limited to, proposing such alternatives as a reassignment of work duties, sabbatical leave for the purpose of retraining or re-adapting teaching skills towards a new position, and informed of any early retirement incentive programs available. The faculty member affected will be afforded the opportunity to present documentation or other evidence in support of his/her objection to the proposed elimination of position due to financial exigency and the resulting intention to terminate the faculty member's contract. If the faculty member and the ad hoc Committee on Reconciliation can reach a mutually agreeable solution, the faculty member and the Committee will submit a written proposal of settlement to the President outlining the conditions of acceptance.

If the matter cannot be resolved successfully with the faculty member, the ad hoc Committee on Reconciliation will issue a written report to the President within five business days from the time of the final meeting with the affected faculty member. The report will outline the areas of disagreements. A copy of the report will be sent to the Chair of the Faculty Senate and the Faculty Regent. Dissenting minority reports shall be included in the final report.

If the faculty member feels that he/she has not received due process, he/she has the right to file an appropriate grievance with the Faculty Rights and Responsibilities Committee which will investigate the matter within four weeks and submit a recommendation to the President. A copy

of the report will be sent to the Provost/Vice President for Academic Affairs, the Chair of the Faculty Senate, and the Faculty Regent. Dissenting minority reports shall be included in the final report.

STEP SEVEN:

The President will meet personally with the faculty member and will attempt to reconcile the areas of disagreement regarding the termination of the faculty member. The President, after consultation with the Vice President for Administration, the Provost/Vice President for Academic Affairs, the Faculty Regent, the Chair of the Faculty Rights and Responsibilities Committee, and a person of the faculty member's choosing, will then make a final recommendation regarding the position of the faculty member which will be submitted to the Board of Regents for consideration and action. A written copy of the formal recommendation will be given to the faculty member within five business days of the final meeting. This ends the formal process of academic appeal but does not preclude the possibility of seeking redress through the legal system for perceived injury and harm.

SECTION 2: PROCEDURES FOR FACULTY TERMINATION FOR DISCONTINUANCE OF PROGRAM:

This procedure will be used when the President proposes that the University eliminate all faculty positions in a particular department, discipline, or program area (hereafter referred to only as Program) for a case of discontinuance of program which is based essentially on educational considerations. It specifically outlines the rights and academic due process that are accorded a faculty member on a continuing contract and does not attempt to deal with other staff and University personnel procedures. It is recommended that, in the general interest of Morehead State University, a procedure be developed for these employees and that a process be set up to reconcile the interests of the University as a whole.

NOTE. "Educational considerations" do not include cyclical or temporary variations in enrollment. They must reflect long-range judgments that the educational mission of the institution as a whole will be enhanced by the discontinuance.

INITIAL DETERMINATION OF THE NEED TO TERMINATE TENURED FACULTY POSITIONS FOR DISCONTINUANCE OF PROGRAM:

Recognizing that the President has authority for program discontinuance, the University will generally rely upon the Provost/Vice President of Academic Affairs to determine whether it would be desirable and in the best interests of the University as a whole, based essentially on educational considerations, to discontinue a Program and to eliminate all of the tenured faculty positions in that Program. After consultation with the appropriate Dean(s) and Department Chair(s)/Associate Dean(s), the Provost/Vice President of Academic Affairs will inform the President in writing of the situation with supporting documentation.

STEP ONE.

The President will submit a written recommendation to the Faculty Senate which states that the President intends to propose to the Board of Regents that a particular Program be discontinued and that all faculty positions in that Program be terminated due to the changing program needs of the University. The recommendation will include, but not be limited to, the rationale for

discontinuing the Program, the perceived effect that the elimination of the Program will have on the University as a whole, and the number of faculty positions that will be terminated. The President will also submit copies of the recommendation to the Dean of the College in which the Program is located, the specific Program Chair/Associate Dean, and the Chair of the appropriate University curriculum committee. Graduate and undergraduate programs in the same Program will be handled as separate recommendations.

STEP TWO.

The President will convene a seven-member ad hoc Committee on Program Elimination to report on the effects that the elimination of the Program will have on University curricula. The ad hoc Committee on Program Elimination will consist of the two college representatives on the appropriate graduate or undergraduate University curriculum committee from the College in which the Program is located; two members from the Academic Issues Committee of the Faculty Senate elected by the Faculty Senate; two faculty members from the affected Program elected by faculty within the Program; and the Dean of the College in which the Program is located who will serve as Chair. The Program Chair(s)/Associate Deans may serve as nonvoting, ex officio member(s) of the committee. The ad hoc Committee on Program Elimination will have at least 120 calendar days in which to prepare and submit its finished report to the President with a copy to the Faculty Senate Chair and Faculty Regent. The appropriate graduate or undergraduate University curriculum committee and the Faculty Senate shall also prepare separate reports and recommendations for the President.

STEP THREE.

If the ad hoc Committee on Program Elimination recommends that elimination of the Program and its faculty positions is in the best interest of the University based essentially upon educational considerations, and if the appropriate University curriculum committee and the Faculty Senate concur in this recommendation, the President will ask the Provost/Vice President for Academic Affairs to convene an ad hoc Committee on Reconciliation as constituted in STEP FOUR.

If the Faculty Senate and the appropriate University curriculum committee concur with an opinion from the ad hoc Committee on Program Elimination that the discontinuance of the Program(s) and its faculty positions is not in the best interest of the University, and if the President feels that the need for a program(s) discontinuance exists, the President may proceed to develop a full report to the Board of Regents regarding Program discontinuance. The report will include, but not be limited to, information and reports from the Faculty Senate, the appropriate University curriculum committee, and the ad hoc Committee on Program Elimination; and a recommended procedure to be followed regarding the termination and due process rights of tenured faculty affected by the Program discontinuance.

STEP FOUR.

AD HOC COMMITTEE ON RECONCILIATION. If the President decides to convene the seven-member ad hoc Committee on Reconciliation, the seven-member committee will consist of the Provost/Vice President for Academic Affairs, the Vice President for Administration, the Chair of the Faculty Senate, and three members elected by the Faculty Senate, and will be chaired by the Faculty Regent. There shall be a faculty member from each College represented on the committee.

The committee will meet individually with each affected faculty member and will make every effort to reach some accommodation with the individual regarding their rights and their possible courses of alternative action. Such advice would include, but not be limited to, proposing such alternatives as a reassignment of work duties, sabbatical leave for the purpose of retraining or re-adapting teaching skills towards a new position, and informed of any early retirement incentive programs available. The faculty member affected will be afforded the opportunity to present documentation or other evidence in support of his/her objection to the proposed elimination of position due to financial exigency and the resulting intention to terminate the faculty member's contract. If the faculty member and the committee can reach a mutually agreeable solution, the faculty member and the committee will submit a written proposal of settlement to the President outlining the conditions of acceptance.

STEP FIVE.

If the matter cannot be resolved successfully with the faculty member, the ad hoc Committee on Reconciliation will issue a written report to the President within five business days from the time of the final meeting with the affected faculty member. The report will outline the areas of disagreements. Dissenting minority reports shall be included in the final report.

If the faculty member feels that he/she has not received due process, he/she has the right to file an appropriate grievance with the Faculty Rights and Responsibilities Committee which will investigate the matter within four weeks and submit a recommendation to the President. A copy of the report will be sent to the Provost/Vice President for Academic Affairs, the Chair of the Faculty Senate, and the Faculty Regent. Dissenting minority reports shall be included in the final report.

STEP SIX.

The President will meet personally with the faculty member and will attempt to reconcile the areas of disagreement regarding the termination of the faculty member. The President, after consultation with the Vice President for Administration, the Provost/Vice President for Academic Affairs, the Faculty Regent, the Chair of the Faculty Rights and Responsibilities Committee, and a person of the faculty member's choosing will then make a final recommendation regarding the position of the faculty member which will be submitted to the Board of Regents for consideration and action. A written copy of the formal recommendation will be given to the faculty member within five business days of the final meeting. This ends the formal process of academic appeal but does not preclude the possibility of seeking redress through the legal system for perceived injury and harm.

**ACCEPT SECOND QUARTER
FINANCIAL REPORT AND
AMEND OPERATING BUDGET**

**BOR (IV-B-5)
March 18, 2016**

Recommendation:

That the Board accept the financial statements and amend the operating budget for the second quarter of the fiscal year that will end June 30, 2016.

Background:

The University has a statutory requirement to furnish quarterly financial reports to the Board of Regents. Financial statements have been prepared as of December 31, 2015, the second quarter of the fiscal year ending June 30, 2016. The statements, along with management's discussion and analysis and budget amendment information are attached.

**Morehead State University
Management's Discussion and Analysis
Second Quarter Financial Statements
December 31, 2015**

This discussion and analysis of Morehead State University's financial statements provides an overview of the University's financial activities for the six months that ended on December 31, 2015. The statements and this discussion and analysis have been prepared by Accounting and Financial Services staff.

Using These Financial Statements

This report consists of two basic financial statements. The Statements of Net Position include information about the assets, deferred outflows, liabilities, deferred inflows, and net position, of the entire University. The Statements of Revenues, Expenditures and Changes in Net Position provide information about the unrestricted current funds revenues, expenditures and transfers of the University. The statements are prepared on an accrual basis and reflect the results of all transactions that affect the financial status of Morehead State University. These financial statements have not been prepared in full accordance with *Government Accounting Standards Board Statement 35* (GASB 35). Interim statements are prepared using a fund approach to facilitate budget comparisons and management decisions. Year-end statements are prepared in the GASB 35 format.

Financial Highlights

Morehead State University's financial picture remains stable through the second quarter of the 2015-2016 fiscal year. During the period July 1, 2015 through December 31, 2015, the University operated with a surplus of revenues over expenditures and transfers in the amount of \$35,063,186. This level of operating surplus is expected at this time, since most of the billings for the Spring 2016 semester are reflected in the tuition and fees revenue and only expenditures through December 31, 2015 are reflected. As the fiscal year proceeds, the variance between revenues and expenditures will continue to decrease and should reflect a more appropriate operating surplus or deficit.

Significant trends and variances for the six months are summarized as follows:

- ▶ Total revenues increased \$1.6 million over last year to \$112.3 million. This is primarily related to the increase in state appropriations to support the new Craft Academy for Excellence in Science and Mathematics which began in Fall 2015. The increase is also related to a 2.9% increase in student tuition and fee rates and a 7.0% increase in residence hall rates.
- ▶ The percent of actual total revenue to budget was 70.78% at December 31, 2015 and 71.22% at December 31, 2014. This percentage would be expected at this time, since most of the billings for the Spring 2016 semester are reflected in revenue.
- ▶ Total expenses were approximately \$77.3 million at December 31, 2015 and \$74.9 million at December 31, 2014. The \$2.4 million increase in actual expenses is related to budgeted increases in fixed costs such as scholarship commitments, insurance premiums, debt service payments and expenses related to campus renovations and construction projects. The Office of Financial Aid was reorganized from Academic Affairs to the Division of Administration and Fiscal Services. As a result of this reorganization, scholarships and tuition waiver budgets were also moved from Academic Affairs to Administration and Fiscal Services.
- ▶ Net change in net position decreased \$819 thousand to \$35.1 million as compared to \$35.9 million at December 31, 2014. This is the result of the net effect of the increase in revenues and the increase in expenditures.

Prepared by: Accounting & Financial Services Staff

Morehead State University
Unrestricted Current Funds
Statements of Revenues, Expenditures & Changes in Net Position
For the Six Months Ended December 31, 2015 and 2014

	2015-2016			2014-2015		
	Amended Budget	Actual	Percent of Actual to Budget	Amended Budget	Actual	Percent of Actual to Budget
Revenues						
Educational and General						
Tuition and Fees	\$74,728,245	\$66,992,532	89.65%	\$74,796,350	\$66,661,105	89.12%
Govt Appropriations	43,339,500	23,861,475	55.06%	41,545,925	22,601,509	54.40%
Indirect Cost Reimbursement	923,047	431,637	46.76%	585,000	406,660	69.51%
Sales & Services Ed Activities	1,813,773	1,217,292	67.11%	1,957,183	1,509,224	77.11%
Other Sources	3,296,593	2,640,294	80.09%	3,167,310	2,617,803	82.65%
Budgeted Fund Balance-E&G	13,864,597	-	0.00%	13,428,640	-	0.00%
Total Educational and General	\$137,965,755	\$95,143,230	68.96%	\$135,480,408	\$93,796,301	69.23%
Auxiliary Enterprises						
Housing	\$13,389,000	\$13,367,255	99.84%	\$12,553,400	\$12,686,898	101.06%
University Store	5,352,577	2,824,484	52.77%	4,877,432	2,845,909	58.35%
Food Services	771,000	508,196	65.91%	966,343	940,538	97.33%
Other	1,069,800	503,902	47.10%	1,069,300	464,694	43.46%
Budgeted Fund Balance - Auxiliary	183,742	-	0.00%	527,263	-	0.00%
Total Auxiliary Enterprises	\$20,766,119	\$17,203,837	82.85%	\$19,993,738	\$16,938,039	84.72%
Total Revenues	\$158,731,874	\$112,347,067	70.78%	\$155,474,146	\$110,734,340	71.22%

Morehead State University
Unrestricted Current Funds
Statements of Revenues, Expenditures & Changes in Net Position
For the Six Months Ended December 31, 2015 and 2014

	2015-2016			2014-2015		
	Amended Budget	Actual	Percent of Actual to Budget	Amended Budget	Actual	Percent of Actual to Budget
Expenditures and Transfers by Division						
Educational & General						
President & Administration	\$1,313,234	\$688,675	52.44%	\$1,122,331	\$512,609	45.67%
University Advancement	4,786,549	2,488,107	51.98%	5,060,791	2,693,157	53.22%
Administration & Fiscal Services	44,354,945	24,521,762	55.29%	21,985,620	13,607,671	61.89%
Student Life	14,469,115	7,704,994	53.25%	13,994,754	7,447,503	53.22%
Academic Affairs	59,969,363	26,771,346	44.64%	83,126,456	37,844,362	45.53%
Other	13,953,758	6,151,122	44.08%	12,138,323	4,436,980	36.55%
Total Educational & General	\$138,846,964	\$68,326,006	49.21%	\$137,428,275	\$66,542,282	48.42%
Auxiliary Enterprises						
Housing	\$13,350,088	\$5,068,423	37.97%	\$11,697,240	\$4,339,283	37.10%
University Store	4,637,750	2,871,476	61.92%	4,450,135	3,016,767	67.79%
Food Services	512,828	228,656	44.59%	484,446	218,966	45.20%
Other	1,384,244	789,320	57.02%	1,414,050	734,967	51.98%
Total Auxiliary Enterprises	\$19,884,910	\$8,957,875	45.05%	\$18,045,871	\$8,309,983	46.05%
Total Expenditures and Transfers by Division	\$158,731,874	\$77,283,881	48.69%	\$155,474,146	\$74,852,265	48.14%
Net Change in Net Position		\$35,063,186			\$35,882,075	

Morehead State University
Statements of Net Position
December 31, 2015 and 2014

Assets and Deferred Outflows	2015	2014
Current assets:		
Cash and cash equivalents	\$ 59,046,499	\$ 30,716,126
Accounts, grants and loans receivable, net	46,732,490	49,352,244
Inventories	1,633,592	1,673,116
Other current assets	1,252,460	-
Total current assets	108,665,041	81,741,486
Noncurrent assets:		
Accounts, grants and loans receivable, net	3,676,586	3,803,772
Investments	12,932,357	12,906,087
Capital assets, net	207,148,065	199,998,346
Total noncurrent assets	223,757,008	216,708,205
Total assets	332,422,049	298,449,691
Deferred Outflows of Resources:		
Pensions	8,370,393	-
Total deferred outflows of resources	8,370,393	-
Total assets and deferred outflows of resources	\$ 340,792,442	\$ 298,449,691
Liabilities, Deferred Inflows and Net Position		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 9,590,824	\$ 8,872,810
Unearned revenue	1,876,602	1,586,347
Bonds and capital lease obligations, current portion	4,668,602	4,850,549
Total current liabilities	16,136,028	15,309,706
Long-term liabilities:		
Bonds and capital lease obligations, noncurrent portion	91,493,404	59,884,364
Advances from federal government for student loans	3,397,769	3,507,148
Unearned revenue	290,235	290,235
Net pension liability	194,699,258	-
Total long-term liabilities	289,880,666	63,681,747
Total liabilities	306,016,694	78,991,453
Deferred Inflows of Resources:		
Deferred bond reoffering premium	2,526,389	2,526,389
Pensions	10,704,804	-
Total deferred inflows of resources	13,231,193	2,526,389
Net Position:		
Net investment in capital assets	108,459,668	132,737,042
Restricted:		
Expendable	38,923,955	9,066,733
Nonexpendable	12,921,661	12,900,006
Unrestricted	(138,760,729)	62,228,068
Total net position	21,544,555	216,931,849
Total liabilities, deferred inflows and net position	\$ 340,792,442	\$ 298,449,691

See Attached Notes To Statements of Net Position

Morehead State University
Notes to the Statements of Net Position
December 31, 2015 and 2014

1. The Statements of Net Position include the unrestricted current funds, restricted current funds, endowment funds, loan funds, and plant funds of the University. Agency funds held for others are not included.
2. Accounts, grants, and loans receivable are shown net of allowance for uncollectible student accounts of \$2,580,385 at December 31, 2015 and \$2,370,335 at December 31, 2014. Also, included in this category is \$3.7 million in receivables from federal and state grant agencies at December 31, 2015 and \$5.9 million at December 31, 2014.
3. Other current assets include financial commitments from the MSU Foundation for campus construction and renovation projects.
4. Noncurrent accounts, grants and loans receivable represent balances owed to the University from borrowers who have participated in the Federal Perkins Loan Program.
5. Capital assets, net increased approximately \$7.1 million from the previous year. This increase was due to expenditures for construction projects which include the student residential facilities, IT infrastructure, food service/parking structure, student services facility expansion/renovation and McClure pool renovations. Accumulated depreciation on buildings and equipment was \$171,224,508 at December 31, 2015 and \$161,773,150 at December 31, 2014.
6. Deferred outflows of resources include the amount of pension contributions paid to KTRS and KERS from July 1, 2014 through June 30, 2015. These contributions were paid subsequent to the June 30, 2014 measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.
7. Accounts payable and accrued liabilities include amounts due to vendors and amounts due for withheld and matching portions of payroll taxes and estimated claims payable, but not paid until after the Statements of Net Position date.
8. Unearned revenue from federal and state grants represent amounts received but not expended at the Statements of Net Position date.
9. Bonds and capital lease obligations include the current and long-term portions of amounts borrowed to finance the purchase of plant assets. On March 25, 2015 the University issued 2015 Series A General Receipts Bonds in the amount of \$28.2 million. These bonds were issued to construct student residential facilities on campus and at the Derrickson Agricultural Complex. Capital leases also increased by \$5 million for the IT Infrastructure project. The University also made principal payments on outstanding debt in the amount of \$4.6 million.
10. Net pension liability is due to the implementation of GASB 68 which required Morehead State University to record its proportionate share of the Commonwealth of Kentucky's net pension liability.
11. Deferred inflows of resources include the bond reoffering premium from the issuance of the 2014 Series A and B General Receipts Bonds. The premium will be amortized over the life of the refunded bond issuances. Also, included in this category is the projected difference between projected and actual investment earnings on pension plan investments and changes in assumptions. The pension amount will be amortized over the next five years.

MOREHEAD STATE UNIVERSITY
Unrestricted Current Funds
Budget Amendments
For the Period October 1, 2015 to December 31, 2015

Description	Opening Budget As of 10/1/2015	Adjustments	Amended Budget As of 12/31/2015
Revenues and Other Additions			
Tuition and Fees	\$ 74,722,836	\$ 5,409	\$ 74,728,245
Government Appropriations	43,339,500	-	43,339,500
Indirect Cost Reimbursement	900,000	23,047	923,047
Sales and Services of Ed. Activities	1,698,335	115,438	1,813,773
Other Sources	2,759,927	536,666	3,296,593
Budgeted Fund Balance - E&G	14,345,962	(481,365)	13,864,597
Auxiliary Enterprises	20,579,520	2,857	20,582,377
Budgeted Fund Balance - AUX	657,041	(473,299)	183,742
Total Revenues and Other Additions	<u>\$ 159,003,121</u>	<u>\$ (271,247)</u>	<u>\$ 158,731,874</u>
Expenditure Authorizations by Division			
Educational & General			
President & Administration	\$ 1,163,902	\$ 149,332	\$ 1,313,234
University Advancement	4,732,656	53,893	4,786,549
Administration & Fiscal Services	44,094,158	260,787	44,354,945
Student Life	14,425,267	43,848	14,469,115
Academic Affairs	61,036,983	(1,067,620)	59,969,363
Debt Service & Mandatory Transfers	3,594,642	-	3,594,642
Other	10,198,874	160,242	10,359,116
Total Educational & General	<u>\$ 139,246,482</u>	<u>\$ (399,518)</u>	<u>\$ 138,846,964</u>
Auxiliary Enterprises			
Administration & Fiscal Services	\$ 13,495,700	\$ 545,567	\$ 14,041,267
Student Life	853,371	62,003	915,374
Debt Service	4,928,269	-	4,928,269
Other	479,299	(479,299)	-
Total Auxiliary Enterprises	<u>\$ 19,756,639</u>	<u>\$ 128,271</u>	<u>\$ 19,884,910</u>
Total Expenditure Authorizations	<u>\$ 159,003,121</u>	<u>\$ (271,247)</u>	<u>\$ 158,731,874</u>

MOREHEAD STATE UNIVERSITY
Unrestricted Current Funds
Budget Amendments
For the Period October 1, 2015 to December 31, 2015
Notes of Significant Adjustments to Revenue and Other Additions

Sales and Services of Educational Activities

Unbudgeted revenue allocated during the second quarter totaled \$115,438

- Eagle Excellence Fund (EEF) support from the MSU Foundation totaled \$23,105
- Men's Basketball Guarantee allocations were \$45,000
- Women's Basketball Guarantee allocations were \$25,000
- Career/Placement Revenue allocations to Career Services were \$1,500
- Other miscellaneous revenue totaling \$20,833 was allocated to Academic Affairs

Other Sources

Unbudgeted revenue allocated during the second quarter totaled \$536,666

- Unbudgeted support from the MSU Foundation totaled \$491,167
 - \$249,237 Administration & Fiscal Services – Auxiliary Facility Remodeling (*Craft Academy*)
 - \$150,000 President & Administration
 - \$38,500 Student Life – E&G
 - \$32,284 Academic Affairs
 - \$14,244 University Advancement
 - \$6,082 Administration & Fiscal Services – E&G
 - \$820 Student Life – Auxiliary
- Endowment income allocations to Academic Affairs totaled \$57,112
- Other miscellaneous revenue totaled (\$11,613)
 - \$19,000 Administration & Fiscal Services – Auxiliary Facility Remodeling (*Derrickson Agricultural Complex*)
 - \$532 Student Life
 - \$25 Administration & Fiscal Services – E&G
 - (\$31,170) Academic Affairs

Fund Balance E&G

Budgeted allocations from Fund Balance for educational and general purposes during the second quarter totaled (\$481,365)

- \$140,000 Harris Search Associates to provide professional search and recruiting services
- \$6,176 Supplemental pay to Athletic Director for achieving an overall APR
- \$5,816 Supplemental pay to Director of Accounting and Financial Services
- \$2,059 Supplemental pay for faculty member to serve as SACS QEP Director
- (\$55,760) Reimbursement to Fund Balance for vacated Admissions Liaison for School & Alumni Relations position
- (\$579,656) Reimbursement to Fund Balance of overestimated carry forward for capital constructions projects

Fund Balance – Auxiliary

Budget allocations from fund balance for auxiliary purposes during the second quarter totaled (\$473,299)

- \$6,000 Eagle Trace Golf Course utilities (due to water leak)
- (\$479,299) Reimbursement to Auxiliary Fund Balance of overestimated carry forward for capital constructions projects

MOREHEAD STATE UNIVERSITY
Budget Amendments Greater Than \$200,000
For the Period October 1, 2015 to December 31, 2015

From: Revenue and Other Additions	To: Division/ Budget Unit	Amount	Description
Other Sources	Administration & Fiscal Services Auxiliary Facility Remodeling	\$ 249,237	Funds were transferred from the MSU Foundation to contribute toward the cost of renovating Grote-Thompson Hall that houses the Craft Academy for Excellence in Science and Mathematics. The funding originated from the donation received from Mr. Joe Craft to support the new dual enrollment high school academy. The project scope of the renovation project in 2016 is \$500,690 with \$251,453 to be funded from state appropriation allocated specifically for the Craft Academy.
Fund Balance - E&G	E&G - Other Non-Mandatory Transfers	\$ (579,656)	Fund balance was allocated in the July 1 opening budget to cover the estimated carry forward of prior year funds for ongoing capital construction projects. The opening budget allocation for E&G projects was overestimated by \$579,656. Therefore, the allocation of fund balance was reduced during the second quarter to the exact amount needed to cover the carry forward.
Fund Balance - Auxiliary	Auxiliary - Other Housing Transfers	\$ (479,299)	The July 1 opening budget fund balance allocation for auxiliary facility renovation projects was overestimated by \$479,299. Therefore, the allocation of auxiliary fund balance was reduced during the second quarter to the exact amount needed to cover the carry forward.

MOREHEAD STATE UNIVERSITY
Capital Outlay Status Report
Agency Funds
For the Period of October 1, 2015 to December 31, 2015

	<u>Estimated Project Scope</u>	<u>Completion Date</u>	<u>Project Status</u>
I. Equipment Purchases \$200,000 or Greater			
None			
II. Capital Construction Projects, Information Technology Systems or Land Acquisitions \$600,000 or Greater			
East Parking Structure and Dining Commons - Phase I <i>(Reduced total project scope from \$17,600,000 and separated into two phases. Estimated project scope for Phase II is \$6,600,000)</i>	\$ 15,416,100		Under Construction
McClure Pool Renovation/Volleyball Facility	\$ 1,400,000		Under Construction
Residence Hall - Derrickson Agricultural Complex	\$ 2,735,000		Under Construction
Residence Hall - On Campus	\$ 28,000,000		Under Construction
Unified Security and Access Control	\$ 1,400,000		In Progress
IT Infrastructure/Fiber Upgrade	\$ 8,600,000		In Progress

Recommendation:

That the Board approve the acquisition of the Rowan County Board of Education Property.

Background:

The University has the opportunity to acquire property located within the Campus Master Plan currently owned by the Rowan County Board of Education. The property is located on the corner of Second Street and Tippet Avenue with a street address of 121 East Second Street, Morehead, KY. The property real estate consists of a two-story brick special use building containing 23,219 +/- square feet in structural improvements, 0.97 +/- acres of land and site improvements.

The \$2,000,000 purchase price of the property is supported by an appraisal completed in March 2015 by James Doran, Certified General Appraiser of Lexington, Kentucky. The owners have agreed to a finance term of three annual payments of \$700,000 at closing, \$700,000 due July 1, 2017 and a final installment of \$600,000 due July 1, 2018. The property would be acquired in accordance with procedures for acquisition of real property contained in the Kentucky Revised Statutes.

The Policies Related to Real Property Management adopted by the Board on November 17, 1999 provide that the President may initiate the acquisition of real property included in the Campus Master Plan. This property was designated in the Campus Master Plan as a "High Priority" property identified as having immediate adjacency to the University and is critical for the continued growth of programs and facilities. Per the property sale/purchase agreement for the purchase of this property, the University's Board of Regents must approve the acquisition.

Resolution for Acquisition of Property

WHEREAS, upon the recommendation of the President on March 18, 2016, the Board of Regents has reviewed the request to acquire real property described as:

A parcel of land located on the corner of Second Street and Tippet Avenue in Morehead, Rowan County, Kentucky with a street address of 121 East Second Street. The property consists of a two-story brick special use building containing 23,219 +/- square feet in structural improvements, 0.97 +/- acres of land and site improvements. The legal description is found in Deed Book 132, Page 248, recorded in the Rowan County Court Clerk's Records.

WHEREAS, the acquisition of the above mentioned property is consistent with the needs of the University; and

WHEREAS, the acquisition of the above mentioned property is in the best interest of the Commonwealth of Kentucky; and

WHEREAS, an independent appraisal has been obtained for the purpose of establishing that the fair market value of the property supports the acquisition price of the property; therefore

BE IT RESOLVED, by the Morehead State University Board of Regents that upon approval of the appraisals by the Secretary of the Finance and Administration Cabinet the President is authorized to acquire the above described property from the Rowan County Board of Education.

RECOMMENDED:

Wayne D. Andrews, President

Date

APPROVED:

Paul Goodpaster, Chair
MSU Board of Regents

Date

APPROVE DISPOSAL OF REAL PROPERTY

**BOR (IV-B-7)
March 18, 2016**

Recommendation:

That the Board approve the Order to Dispose of Property relating to the sale of the MSU West Liberty Regional Campus facility.

Background:

MSU maintains a regional campus facility in West Liberty, Morgan County, Kentucky. Over the past decade, significant growth in online course delivery combined with a decline in population within the region has significantly reduced the demand for delivery of face-to-face courses. The overhead of the facility exceeds the net tuition revenue generated annually.

The Morgan County Board of Education has expressed a desire to acquire the facility as a system office and educational resource facility to support the school district. Authorization is being requested from the Board to declare the MSU West Liberty facility surplus to allow for sale of the facility to the Morgan County Board of Education.

MSU has negotiated with the Morgan County Board of Education a purchase price of \$1.849 million based on appraisals completed in 2015 by Curd Professional Appraisal Services of Morehead, Kentucky and James Doran of Lexington, Kentucky. The price also includes consideration for the University to retain long-term space in the facility at no cost to accommodate the MSU Adult Education Center and other ongoing and future academic and regional outreach efforts offered to the region.

Statutory Authority

KRS 164A.575 (7) provides that the governing board shall sell or otherwise dispose of all real or personal property of the institution that is not needed for the institution's use, or would be more suitable consistent with the public interest for some other use, as determined by the board. The determination of the board shall be set forth in an order, and shall be reached only after review of a written request by the institution desiring to dispose of the property. Such request shall describe the property and state the reasons why the institution believes disposal shall be effected.

Written Request to Dispose of Property

MSU at West Liberty Regional Campus Facility

MSU maintains a regional campus facility in West Liberty, Morgan County, Kentucky. Over the past decade, significant growth in online course delivery combined with a decline in population within the region has significantly reduced the demand for delivery of face-to-face courses reducing the space needed at the regional campus. The operating overhead of the facility exceeds the net tuition revenue generated annually.

With Board approval, the University would like to pursue a sale of the facility to the Morgan County Board of Education. Terms of the sale will include retaining sufficient space in the facility to support the MSU Adult Education Center and other ongoing and future academic or outreach services within the region.

ORDER TO DISPOSE OF PROPERTY

WHEREAS, upon the recommendation of the President on March 18, 2016, the Board of Regents has reviewed the Written Request to Dispose of Property in reference to the sale of the MSU at West Liberty Regional Campus Facility, and

WHEREAS, the President of Morehead State University declares that the referenced buildings have become surplus to the University's needs, and

WHEREAS, the sale of the property referenced above is consistent with the University's Campus Master Plan adopted by the Board, and is in the best interest of the University and the Commonwealth of Kentucky.

BE IT RESOLVED, that the President is authorized to proceed with the final negotiation and sale of the MSU at West Liberty Regional Campus Facility.

RECOMMENDED: _____
Wayne D. Andrews, President Date

APPROVED: _____
Paul Goodpaster, Chair Date
MSU Board of Regents

Table 1: Winter Term Enrollment, Credit Hours, and FTE*

	Headcount	Credit Hours Generated	FTE
Winter 2015	324	1,075	76

*The Kentucky Council of Postsecondary Education includes the winter term with the spring term for reporting purposes.

Table 2: Spring Enrollment, Credit Hours, and FTE as a Percentage of Fall Numbers

Term	Headcount	Spring as a % of Fall	Credit Hours Generated	Spring as a % of Fall	FTE	Spring as a % of Fall
Fall 2011	10,971		106,315		7,241	
Spring 2012	9,424	85.9%	95,232	89.6%	6,498	89.7%
Fall 2012	11,172		110,859		7,537	
Spring 2013	9,516	85.2%	96,994	87.5%	6,603	87.6%
Fall 2013	11,358		114,224		7,741	
Spring 2014	9,728	85.6%	101,387	88.8%	6,876	88.8%
Fall 2014	11,053		113,494		7,678	
Spring 2015	9,519	86.1%	99,912	88.0%	6,766	88.1%
Fall 2015	10,875		112,282		7,592	
Spring 2016*	9,352	86.0%	99,046	88.2%	6,706	88.3%

Table 3: Enrollment by Classification

Classification	Fall 2015	Winter 2015	Spring 2016*	Spring as a % of Fall
High School	2,499	0	1,714	68.6%
Craft Academy	60	0	59	98.3%
Freshman	1,901	45	1,253	65.9%
Sophomore	1,442	32	1,255	87.0%
Junior	1,600	44	1,572	98.3%
Senior	2,025	116	2,138	105.6%
UnderGrad-Nondegree	183	3	215	117.5%
PostBacc UG Degree Seeking	70	4	70	100.0%
Auditor	3	0	5	166.7%
Undergraduate Total	9,783	244	8,281	84.6%
Masters	844	57	832	98.6%
Specialist	64	1	68	106.3%
Doctor's Degree Prof. Practice	70	7	69	98.6%
Graduate Certificate	1	0	1	100.0%
Graduate-Nondegree	113	15	101	89.4%
Graduate Total	1,092	80	1,071	98.1%
Grand Total	10,875	324	9,352	86.0%

*All Spring 2016 data is preliminary.

REPORT ON PERSONAL SERVICE CONTRACTS

**BOR (IV-C-2)
March 18, 2016**

The attached list of personal service contracts represents all such contracts issued with amounts greater than \$10,000 between November 1, 2015 through February 15, 2016.

PERSONAL SERVICE CONTRACTS
November 1, 2015 through February 15, 2016

Individual/Firm	Contract Description	Contract Beginning Date	Contract Ending Date	Contract Amount	Method of Selection
Brenda Wilburn	Provide healthcare to students	1/19/16	6/30/16	\$ 27,000.00	Request for Proposal