

**BOARD OF REGENTS MEETING  
MOREHEAD STATE UNIVERSITY**  
Center for Health, Education and Research, DeMoss Suite  
9:00 a.m., Friday, June 10, 2016

**Agenda**

- I. CALL TO ORDER**
- II. ROLL CALL**
- III. ADOPT RESOLUTION OF COMMENDATION FOR AUSTIN CASEBOLT**
- IV. REPORT ON STUDENT GOVERNMENT ASSOCIATION – AUSTIN CASEBOLT**
- V. APPROVE AWARDING OF FOUNDERS AWARD FOR UNIVERSITY SERVICE TO MYRON DOAN**
- VI. APPROVE PERSONNEL POLICIES PAC-22 FACULTY DISCIPLINE AND REMOVAL FOR CAUSE, PAC-26 TERMINATION OF FACULTY FOR FINANCIAL EXIGENCY AND DISCONTINUANCE OF PROGRAM, AND PG-63 EMPLOYEE FURLOUGHS**
- VII. PRESIDENT’S RECOMMENDATIONS AND REPORTS**
  - A. Consent Agenda (Action)**
    - 1. Approve Minutes of March 18, 2016, Meeting..... 1-6
    - 2. Ratify 2016 Spring Graduates .....7
    - 3. Ratify Personnel Actions .....8-14
    - 4. Approve Minimum Scope of the Annual Audit .....15-19
  - B. Recommendations (Action)**
    - 1. Approve Promotions, 2016..... 20
    - 2. Approve Emeritus Status, 2016..... 21
    - 3. Approve Academic Administrator Rank and Tenure ..... 22
    - 4. Accept Third Quarter Financial Report and Amend Operating Budget .....23-32
    - 5. Approve 2016-17 Operating Budget, Fee Schedule And Personnel Roster .....33-42
    - 6. Authorize Financing for Phase II Construction of Parking Garage/Dining Commons Facility..... 43
    - 7. Approve Request to Locally Manage Capital Construction Projects..... 44
  - C. Reports**
    - 1. Final 2016 Spring Enrollment Report ..... 45
    - 2. Report on Personal Service Contracts.....46-47
  - D. President’s Report**

**VIII. OTHER BUSINESS**

**A. Executive Session**

**B. President's Contract**

**C. President's Goals for 2016-17**

**D. Future Meetings**

1. Work Session – Friday, August 26
2. Quarterly Meeting – Friday, September 30
3. Work Session – Friday, November 11
4. Quarterly Meeting – Friday, December 9

**IX. ADJOURNMENT**

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

## FOUNDERS AWARD FOR UNIVERSITY SERVICE

**BOR (V)**  
**June 10, 2016**

### **Recommendation:**

That the Board of Regents approve the selection of Myron Doan as the recipient of the 2016 Founders Award for University Service.

### **Background:**

The Founders Award for University Service was established by the Board of Regents in 1978 and has been presented each year to individuals with records of outstanding service to the University over a sustained period.

Previous recipients have included W. E. Crutcher, 1978; Linus A. Fair, 1979; Carl D. Perkins, 1980; Dr. Warren C. Lappin, 1981; Dr. Ted L. Crosthwait, 1982; Monroe Wicker, 1983; Lloyd Cassity, 1984; Grace Crosthwaite, 1985; Boone Logan, 1986; Dr. Rondal D. Hart, 1987; George T. Young, 1988; John E. Collis, 1989; Dr. Wilhelm Exelbirt, 1990; Dr. R. H. Playforth, 1991; Dr. Mary Northcutt Powell, 1992; Senator Woody May, 1993; Dr. J. E. Duncan, 1994; Sherman R. Arnett and Harlen L. Hamm, 1995; Dr. Adron Doran, 1996; Robert S. Bishop and Martin Huffman, 1997; Dr. Charles J. Pelfrey, 1998; Carolyn S. Flatt, 1999; Dr. Earl J. Bentley, 2000; Mrs. Mignon Doran, 2001; Dr. C. Nelson Grote, 2002; Merl F. Allen, 2003; Dr. John C. Philley, 2004; Dr. Charles M. Derrickson, 2005; Dr. John R. Duncan, 2006; Steve A. Hamilton, 2007; Dr. Marshall Banks, 2008; Dr. Randy Wells, 2009; Dr. Jack D. Ellis, 2010; Ms. Lucille Caudill Little, 2011; Rocky J. Adkins, 2012; Clyde I. James, 2013; Keith R. Kappes, 2014; and W.H. Honie Rice and Carol Johnson, 2015.

The University Service Award Committee has recommended that Myron Doan be the recipient of the 2016 Founders Award for University Service. Mr. Doan retired from Morehead State University in 2004 after 34 years of loyal and dedicated service. A native of Falmouth, Kentucky, Mr. Doan held Bachelor's and Master's degrees from Morehead State University.

Mr. Doan began his MSU career in 1971 at WMKY where he served as Music and Promotions Director, and Program Director and Assistant Manager. Mr. Doan joined the student life staff in 1985 as Assistant to the Vice President and was named Dean of Students in 1993, serving in that capacity until his retirement in November 2004.

Mr. Doan was introduced to college cheerleading when he agreed to accompany the cheer squad on road trips and immersed himself in trainings, workshops and learning rules and procedures. The MSU cheer program exploded onto the competitive scene in 1988, winning its first national title under Coach Doan. That championship was just the beginning. During Mr. Doan's coaching career, the coed squad captured 13 national championships, while the all-girl squad (added in 1994) held six national championships during his tenure.

Mr. Doan's coaching career is one of the most celebrated in the world of cheerleading. He was named Cheerleader Magazine's Coach of the Year in 2002, was inducted into

the MSU Hall of Fame in 2004 and the University's cheerleading practice room was named in his honor in 2006.

In addition to his work with the cheerleading program, Mr. Doan also served as chapter advisor for Tau Kappa Epsilon, mentoring young men during their university experience.

After Mr. Doan's retirement from MSU in 2004, he remained dedicated to the institution, staying involved with the cheerleading program and even serving as an interim coach in 2010. Mr. Doan remained a loyal supporter of Morehead State University until his death on June 22, 2014.

It is fitting that Mr. Doan be recognized for his outstanding service to the University.

**PAC-22, FACULTY DISCIPLINE AND  
REMOVAL FOR CAUSE,  
PAC-26 TERMINATION OF FACULTY  
FOR FINANCIAL EXIGENCY AND  
DISCONTINUANCE OF PROGRAM  
AND PG-63 EMPLOYEE FURLOUGHS**

**BOR (VI)  
June 10, 2016**

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**Background:**

At Morehead State University, academic policies guide faculty disciplinary actions and the termination of faculty for financial exigency and the discontinuance of academic programs. The policies are outlined in PAC-22 and PAC-26, previously approved by the Board of Regents.

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.

The draft documents developed by the reconciliation teams were presented to the Faculty Senate for approval. The Faculty Senate approved the revised documents with some changes during the fall 2015 semester. The revised PAC-22 and PAC-26 presented for Board of Regents approval in March 2016 largely represented the agreement reached by the Faculty Senate and Academic Affairs reconciliation teams.

At the March 18, 2016 Board of Regents meeting, the Board chair appointed a three member work group and remanded PAC-22 and PAC-26 to the work group for further discussion.

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

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

The furlough section of the proposed PAC-26 contemplates furloughs of both faculty and staff. Since PAC's deal exclusively with academic employees, the furlough policy better fits as a general policy. The furlough section may be adopted as a separate policy, PG-63, to reflect its coverage of all employees.

# **Policy: PAc-22**

## **Subject: Faculty Discipline and Removal for Cause**

Approval Date:

Revision Date:

### **PURPOSE**

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

### **GENERAL PRINCIPLES**

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

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

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

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

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

### **REPRESENTATION**

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

## **RECONCILIATION**

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

## **ALLEGATIONS OF MISCONDUCT**

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

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

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

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

1. Facts have not been established to support the allegation and the matter should be dismissed; or
2. Facts have been established that warrant an oral or written reprimand by the Dean; or
3. Facts have been established that warrant written censure, suspension without pay, or reassignment of duties or other appropriate discipline; or
4. Facts have been established that warrant removal for cause.

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;



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

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

The accused will have 10 business days from the date of receipt of the Notice of Intent to elect one option (1a, 2a, 3a, 1bi, 1bii, 2b, or 3b) and to inform the President, the Provost/VPAA, and the Dean of the accused's college, in writing, of the option elected. If the accused fails to inform the foregoing individuals of the option elected within the allotted time, then the accused will have passively elected option (3a) for a Notice of Intent to Discipline or option (3b) for a Notice of Intent to Remove for Cause.

If the accused elects option (3a), the President will proceed with the intended disciplinary action outlined in the Notice of Intent and so advise the accused in writing. A copy shall be sent to the Provost/VPAA, Dean of the accused's college and the Office of Human Resources (OHR). If the accused elects (3b) the President shall proceed to an abbreviated hearing before the BOR.

If the accused elects option (2a) or (2b), the accused may file a detailed written response to the charges and/or intended disciplinary action within fifteen (15) business days of receipt of the Notice of Intent. The accused will send his or her response to the President, the Provost/VPAA, and the Dean of the accused's college. The President will review the accused's response and may consult with the Provost/VPAA, the Dean of the accused's college, the Chair/Associate Dean of the accused's department, and/or the Chair of the Faculty Rights and Responsibilities Committee, among others. The President will determine whether to:

a) Dismiss the matter altogether, thereby terminating the disciplinary process;

b) Refer the matter to the Dean of the accused's college for issuance of an oral or written reprimand by the Dean, in which case the Dean's action will terminate the disciplinary process; or

c) Proceed with a disciplinary action no greater than the intended disciplinary action outlined in the Notice of Intent. If the disciplinary action that the President decides upon is not removal for cause, then the President will issue a signed, written Notice of Disciplinary Action to be sent to the accused. If the President determines that removal for cause should occur, he/she shall forward, to the BOR, the Notice of Intent to Remove for Cause and the accused's response to the charges and intended disciplinary action outlined in the Notice of Intent and proceed to an abbreviated hearing before the BOR.

If the accused elects option (1a) or (1bi), the President will convene a FHB.

If the accused elects option (1bii), the President will convene a hearing before the BOR.

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

### **Membership**

The FHB will consist of the following voting members:

1. One member of the Faculty Rights and Responsibilities Committee chosen by that committee's chair. The member chosen from that committee will serve as Chair of the FHB; and
2. Four tenured faculty members holding an academic rank equal to or higher than that of the accused and who will be selected and agreed upon by the President or his/her designee, the Provost/VPAA, the Chair of the Faculty Rights and Responsibilities Committee, and the Chair of the Faculty Senate.

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

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

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

### **Pre-Hearing Procedure**

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

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

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

229  
230 **Hearing Procedure**  
231

232 The accused will have the option of having a hearing that is open or closed to the public, except  
233 as may be required by law.  
234

235 The accused may consult with or retain legal counsel at his or her own expense to provide  
236 representation during the hearing. The FHB shall be advised by Morehead State University's  
237 Office of the General Counsel or its designee. The plaintiff may consult with or be represented  
238 by separate legal counsel contracted by the University to provide representation during the  
239 hearing.  
240

241 The hearing proceedings will not be governed by formal, legal rules of procedure and evidence.  
242 The FHB may consider any information that has probative value.  
243

244 Statements to the FHB, documentary evidence, and testimony by witnesses will be subject to  
245 requirements of civility and relevance.  
246

247 The plaintiff or his/her counsel will have the right to call and cross-examine witnesses and to  
248 present documents and other evidence supporting the charges in the Notice of Intent to  
249 Discipline or the Notice of Intent to Remove for Cause.  
250

251 The accused or his/her counsel will have the right to call and cross-examine witnesses and to  
252 present documents and other evidence disputing the charges in the Notice of Intent to Discipline  
253 or the Notice of Intent to Remove for Cause.  
254

255 The plaintiff, or his/her counsel, and the accused, or his/her counsel, will have the right to  
256 confront and cross-examine each other's witnesses.  
257

258 The Chair of the FHB may restrict redundant testimony in the interest of ensuring an efficient  
259 hearing process.  
260

261 Any individual scheduled to appear as a witness, with the exception of the accused and the  
262 plaintiff, will not be present in the hearing room except when testifying.  
263

264 A written record of appearances and sworn testimony of the concerned parties and witnesses will  
265 be maintained.  
266

267 The written record will include the Notice of Intent to Discipline or the Notice of Intent to  
268 Remove for Cause and if applicable the accused's response to the charges and/or intended  
269 disciplinary action outlined in the Notice of Intent.  
270

271 A verbatim record of the hearing will be recorded by a court reporter and may be transcribed as  
272 requested. The recording and transcription will be provided at no cost to the accused upon  
273 request.  
274

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

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

## **HEARINGS BEFORE THE BOARD OF REGENTS (BOR)**

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

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

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

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

### **A. PROCEDURE FOR AN EVIDENTIARY HEARING AT THE BOR**

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

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

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

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

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

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

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

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

The BOR may:

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

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

## **C. ABBREVIATED HEARING AT THE BOR**

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

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

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

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

The BOR may:

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

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

## **RESIGNATION**

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

## **EXTENSION OF TIME**

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

## **EXCEPTIONAL CIRCUMSTANCES**

If a situation arises during the disciplinary process that is not covered in this policy, then the 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.



Subject: Policy for Furlough of Faculty or Elimination of Standing Faculty Appointments Due to Reorganization, Consolidation, or Elimination of Academic Programs, Financial Exigency, or Significant Operating Budget Deficit

Approval Date:  
Revision Date:

**PURPOSE:**

To establish the University's policy and related procedures for the furlough of faculty or the elimination of standing faculty appointments due to reorganization, consolidation, or elimination of academic programs, or as a result of financial exigency or a significant operating budget deficit.

**GENERAL POLICY:**

The Board of Regents has a paramount statutory duty to the people of Kentucky to maintain quality academic programs consistent with its mission statement, strategic plan and oversight by the Council on Postsecondary Education and as governed by the General Assembly. Accordingly, determination of the need to declare financial exigency, the existence of a significant operating budget deficit, or the need for reorganization, consolidation or elimination of an academic program that may involve the termination of tenured faculty members is a prerogative reserved for the Board and will not be delegated. As used in this policy an "Academic Program" may include a department, school, or other degree-granting unit or sub-unit within a department which offers a distinct degree, or a track within a degree that is described as a distinct option in the University catalog.

It is recognized that a tenured appointment of a faculty member results in a commitment to successive reappointment of the faculty member; however, the tenured status of a faculty member may be terminated due to retirement; resignation and acceptance thereof; removal for cause; or the decision of the Board of Regents that elimination of faculty appointments is

necessary due to financial exigency, significant operating budget deficit, or due to reorganization, consolidation or elimination of an academic program.

Recognizing that the Board of Regents has authority over appointments and for the academic composition and administration of the University, the Board of Regents shall make faculty position elimination decisions upon the recommendation of the President that the need exists, as supported by documented University needs and/or available financial resources. The Board of Regents is fully aware of the fact that reorganization, consolidation or elimination of an academic program, unanticipated severe operating budget deficits, or the declaration of financial exigency that includes the elimination of faculty appointments which impacts both tenured and non-tenured faculty members are matters of gravity and require a thoroughly considered balancing of the public and private interests. These actions are to be taken subject to review and with assurance of requisite safeguards of due process to maintain quality academic programs consistent with the mission statement, strategic plan, and available financial resources of the University.

#### REORGANIZATION, CONSOLIDATION OR ELIMINATION OF ACADEMIC PROGRAMS:

Reorganization, consolidation and/or elimination of an Academic Program(s) which shall result in the elimination of faculty shall be based upon the reasonable needs of the University and may include, but is not limited to, the following:

- An elimination of duplication of programs within the University and/or among state institutions of higher education;
- An ability to achieve effective and efficient program delivery through the creation of cooperative programs with other institutions of higher education through traditional or non-traditional means;
- A pattern or history of a decrease in, or consistently low, numbers of degrees awarded;
- A pattern or history of a decrease in, or consistently low, numbers of qualified applicants to the Academic Program;
- A pattern or history of low or declining enrollment in classes offered within an Academic Program;
- A pattern or history of low and/or declining scores on standardized/national examining instruments;

- An inability to meet standards for obtaining and/or maintaining credentials and/or accreditation;
- An apparent lack of marketplace demand for the Academic Program;
- A prioritization of the current academic objectives of the University,
- A reallocation of resources due to budget priorities, and/or a reduction of or elimination of restricted program funds.

A “restricted program” is one which is funded from an outside source that requires the funds designated for that specific program may only be used for that purpose.

In the evaluation of the need to eliminate faculty appointments as a result of reorganization, consolidation or elimination of Academic Programs, the Provost/Vice President for Academic Affairs (“Provost/VPAA”) shall first consider the ability to eliminate instructor appointments and secondly tenure track faculty appointments within the subject academic program. In making specific recommendations for elimination of specific faculty appointments required by a proposed reorganization, consolidation and/or elimination of an Academic Program, the Provost shall take into account the following Criteria for Faculty Selection:

Tenured faculty members will have preference of retention over non-tenured faculty members, unless there is a compelling academic or accreditation reason to do otherwise. Absent a compelling academic or accreditation reason, the following sequence will be observed:

- Tenured faculty of superior academic rank will have preference of retention over tenured faculty of lesser rank;
- A faculty member who has attained tenure prior to another faculty member of the same rank would have preference of retention over the latter faculty member;
- If tenure in rank considerations are the same for two faculty members, i.e., both were tenured on the same date and were promoted in their current rank on the same date, preference of retention shall be based on unique or specialized credentials and/or area of instruction, the needs of the program, department/school and College, past performance and the potential for future contributions to the development of the University.

- If funded vacancies exist, reasonable effort will be made to offer the tenured faculty member concerned another existing position within the University for which the tenured faculty member is qualified by education and experience; and
- In the event of the termination of a tenured faculty member, that faculty member will not be replaced for a period of three (3) years by another person of comparable qualifications at the same or higher salary in a discipline in which the terminated, tenured faculty member is qualified to teach and/or perform the job duties without first offering reinstatement to the terminated tenured faculty member and allowing a reasonable time for acceptance;
- By another person at a reduced level of compensation in a discipline in which the terminated, tenured faculty member is qualified to teach and/or perform the job duties without first having offered the position at the reduced compensation to the tenured faculty member concerned and allowing a reasonable time for acceptance.

A terminated tenured faculty member who is recalled within the three (3) year period shall be reinstated with full tenure and time in rank as of the date of termination.

#### PLAN DEVELOPMENT:

The Provost will submit a written Proposal to the President, Chair of the Faculty Senate and Faculty Regent regarding the reorganization, consolidation, and/or elimination of any Academic Program(s) that require the elimination of faculty lines. The Proposal will include, but not be limited to, the rationale for the reorganization, consolidation and/or elimination of the identified Academic Program(s), the perceived effect that the reorganization, consolidation and/or elimination of the Academic Program(s) will have on the University as a whole, and the number of faculty appointments which will be recommended for elimination. The proposed timeline for closing or phasing out an Academic Program and displacing of faculty members will be based on consideration of the time required for anticipated completion by students currently enrolled or for facilitation of their placement in acceptable alternative programs. At the conclusion of this process, the faculty line for each eliminated appointment shall terminate.

The Provost will also submit copies of the Proposal to the Dean of the College and Chair of the department in which the affected Academic Program(s) is located. The copy of the Proposal shall be accompanied by a notice stating that a Response, if any, from the Faculty Senate to the Proposal be made, in writing, to the Provost by a designated date not less than sixty (60) calendar days from the date the Proposal is submitted to the Faculty Senate Chair. If, however, the notice is given thirty (30) days or less prior to the close of the spring semester (graduation day), then the Senate shall have no less than ninety (90) days calendar days to respond to the proposal.

The Faculty Senate as a body of the whole, or through its appointment of an *ad hoc* committee or committees, may study and review the Proposal. The Faculty Senate may provide a written Response to the Proposal no later than the designated date to the Provost either (1) concurring with the Proposal or, (2) setting forth arguments and statements of fact in opposition to the Proposal and which may contain alternative proposals.

Within thirty (30) calendar days of receipt of the Faculty Senate's Response, the Provost shall review the Response and shall prepare a written Plan for the elimination of faculty positions due to reorganization, consolidation and/or elimination of Academic Program(s) ("Provost's Plan"). The Provost's Plan may incorporate modification to the Proposal based upon consideration of the Faculty Senate Response. The Provost's Plan shall be forwarded to the President accompanied by copies of the Provost's Proposal and the Faculty Senate Response. A copy of the Provost's Plan shall also be forwarded to the Faculty Senate and Faculty Regent.

The President shall review the Provost's Plan and accompanying documentation, giving special attention to any proposal for termination of tenured (and non-tenured) faculty. The President's decision shall take careful account of the impact of the elimination of faculty appointments on the University's ability to perform its educational role and mission. The President may determine that no further action should be taken by the University, thereby ending the process; or, the President may accept or modify the Provost's Plan and forward to the Board of Regents a Plan for Reorganization, Consolidation and/or Elimination of Academic Program(s) ("President's Plan").

The President shall forward to the Provost, Faculty Senate and Staff Congress a copy of the President's Plan submitted to the Board of Regents. Affected University employees will be informed, in writing, of the action of the Board of Regents.

#### FINANCIAL EXIGENCY AND SIGNIFICANT OPERATING BUDGET DEFICIT:

The determination of the existence of financial exigency or a significant operating budget deficit is a prerogative reserved for the Board and will not be delegated. Determination that a financial exigency or significant operating budget deficit exists shall be made by the Board upon the presentation by the President and Chief Financial Officer/Vice-President for Administration and Fiscal Services (hereinafter "CFO") of an analysis of institutional needs, requirements and available resources.

#### Financial Exigency

"Financial Exigency" is defined as a serious financial condition within the University due to reductions in state funding, loss of revenue from endowments or investments, decline in institutional enrollment, acts of terrorism or significant public crisis, other action, events or combinations thereof, which have required the elimination of non-tenured positions and operating expenditures to such a point that further reductions in these categories would seriously jeopardize the quality of the University's academic programs and the ability of the University to fulfill its obligations to the public. Projections of enrollment, state funding and of other sources of revenue must indicate that the shortage of funds will be both severe and persistent.

The making of specific recommendations for the elimination of Academic Programs and faculty appointments due to financial exigency shall be made similarly to that for reorganizations, consolidations and eliminations of programs as set forth above. In selecting academic reductions to be made, the President shall consider the following:

- An elimination of duplication of programs within the University and/or among state institutions of higher education;
- An elimination of duplication of programs within the University and/or among state institutions of higher education;

- An ability to achieve effective and efficient program delivery through the creation of cooperative programs with other institutions of higher education through traditional or non-traditional means;
- A pattern or history of a decrease in, or consistently low, numbers of degrees awarded;
- A pattern or history of a decrease in, or consistently low, numbers of qualified applicants to the Academic Program;
- A pattern or history of low or declining enrollment in classes offered within an Academic Program;
- A pattern or history of low and/or declining scores on standardized/national examining instruments;
- An inability to meet standards for obtaining and/or maintaining credentials and/or accreditation;
- An apparent lack of marketplace demand for the Academic Program;
- A prioritization of the current academic objectives of the University,
- A reallocation of resources due to budget priorities, and/or a reduction of or elimination of restricted program funds.

In the evaluation of the need to eliminate faculty appointments as a result of financial exigency, the Provost/Vice President for Academic Affairs (“Provost/VPAA”) shall first consider the ability to eliminate instructor appointments and secondly tenure track faculty appointments. In making specific recommendations for elimination of specific faculty appointments due to financial exigency, the Provost shall take into account the following Criteria for Faculty Selection:

Tenured faculty members will have preference of retention over non-tenured faculty members, unless there is a compelling academic or accreditation reason to do otherwise. Absent a compelling academic or accreditation reason, the following sequence will be observed:

- Tenured faculty of superior academic rank will have preference of retention over tenured faculty of lesser rank;
- A faculty member who has attained tenure prior to another faculty member of the same rank would have preference of retention over the latter faculty member;
- If tenure in rank considerations are the same for two faculty members, i.e., both were tenured on the same date and were promoted in their current rank on the same date, preference of retention shall be based on unique or specialized credentials and/or

area of instruction, the needs of the program, department/school and College, past performance and the potential for future contributions to the development of the University.

- If funded vacancies exist, reasonable effort will be made to offer the tenured faculty member concerned another existing position within the University for which the tenured faculty member is qualified by education and experience; and
- In the event of the termination of a tenured faculty member, that faculty member will not be replaced for a period of three (3) years by another person of comparable qualifications at the same or higher salary in a discipline in which the terminated, tenured faculty member is qualified to teach and/or perform the job duties without first offering reinstatement to the terminated tenured faculty member and allowing a reasonable time for acceptance;
- By another person at a reduced level of compensation in a discipline in which the terminated, tenured faculty member is qualified to teach and/or perform the job duties without first having offered the position at the reduced compensation to the tenured faculty member concerned and allowing a reasonable time for acceptance.

A terminated tenured faculty member who is recalled within the three (3) year period shall be reinstated with full tenure and time in rank as of the date of termination.

- An ability to achieve effective and efficient program delivery through the creation of cooperative programs with other institutions of higher education through traditional or non-traditional means;
- A pattern or history of a decrease in, or consistently low, numbers of degrees awarded;
- A pattern or history of a decrease in, or consistently low, numbers of qualified applicants to the Academic Program;
- A pattern or history of low or declining enrollment in classes offered within an Academic Program;
- A pattern or history of low and/or declining scores on standardized/national examining instruments;
- An inability to meet standards for obtaining and/or maintaining credentials and/or accreditation;
- An apparent lack of marketplace demand for the Academic Program;



- A prioritization of the current academic objectives of the University,
- A reallocation of resources due to budget priorities, and/or a reduction of or elimination of restricted program funds.

In the evaluation of the need to eliminate faculty appointments as a result of financial exigency, the Provost/Vice President for Academic Affairs (“Provost/VPAA”) shall first consider the ability to eliminate instructor appointments and secondly tenure track faculty appointments. In making specific recommendations for elimination of specific faculty appointments due to financial exigency, the Provost shall take into account the following Criteria for Faculty Selection:

Tenured faculty members will have preference of retention over non-tenured faculty members, unless there is a compelling academic or accreditation reason to do otherwise. Absent a compelling academic or accreditation reason, the following sequence will be observed:

- Tenured faculty of superior academic rank will have preference of retention over tenured faculty of lesser rank;
- A faculty member who has attained tenure prior to another faculty member of the same rank would have preference of retention over the latter faculty member;
- If tenure in rank considerations are the same for two faculty members, i.e., both were tenured on the same date and were promoted in their current rank on the same date, preference of retention shall be based on unique or specialized credentials and/or area of instruction, the needs of the program, department/school and College, past performance and the potential for future contributions to the development of the University.
- If funded vacancies exist, reasonable effort will be made to offer the tenured faculty member concerned another existing position within the University for which the tenured faculty member is qualified by education and experience; and
- In the event of the termination of a tenured faculty member, that faculty member will not be replaced for a period of three (3) years by another person of comparable qualifications at the same or higher salary in a discipline in which the terminated, tenured faculty member is qualified to teach and/or perform the job duties without first offering

reinstatement to the terminated tenured faculty member and allowing a reasonable time for acceptance;

- By another person at a reduced level of compensation in a discipline in which the terminated, tenured faculty member is qualified to teach and/or perform the job duties without first having offered the position at the reduced compensation to the tenured faculty member concerned and allowing a reasonable time for acceptance.

A terminated tenured faculty member who is recalled within the three (3) year period shall be reinstated with full tenure and time in rank as of the date of termination.

#### PLAN DEVELOPMENT:

The Provost will submit a written Proposal to the President, Chair of the Faculty Senate and Faculty Regent regarding financial exigency that requires the elimination of faculty lines. The Proposal will include, but not be limited to, the rationale for the reorganization, consolidation and/or elimination of the identified Academic Program(s) as well as the reduction in faculty positions within ongoing programs; the perceived effect that the reductions will have on the University as a whole, and the number of faculty appointments which will be recommended for elimination. The proposed timeline for closing or phasing out an Academic Program and displacing of faculty members as a result of financial exigency will be based on consideration of the time required for anticipated completion by students currently enrolled or for facilitation of their placement in acceptable alternative programs and the availability of funding. At the conclusion of this process, the faculty line for each eliminated appointment shall terminate.

The Provost will also submit copies of the Proposal to the Dean of the College and Chair of the department in which the affected programs and/or positions are located. The copy of the Proposal shall be accompanied by a notice stating that a Response, if any, from the Faculty Senate to the Proposal be made, in writing, to the Provost by a designated date not less than ninety (90) calendar days from the date the Proposal is submitted to the Faculty Senate Chair. If, however, the notice is given thirty (30) days or less prior to the close of the spring semester (graduation day), then the Senate shall have no less than ninety (90) days calendar days to respond to the proposal.

The Faculty Senate as a body of the whole, or through its appointment of an *ad hoc* committee or committees, may study and review the Proposal. The Faculty Senate may provide a written Response to the Proposal no later than the designated date to the Provost either (1) concurring with the Proposal or, (2) setting forth arguments and statements of fact in opposition to the Proposal and which may contain alternative proposals.

Within thirty (30) calendar days of receipt of the Faculty Senate's Response, the Provost shall review the Response and shall prepare a written Plan for the elimination of faculty positions due to financial exigency ("Provost's Plan"). The Provost's Plan may incorporate modification to the Proposal based upon consideration of the Faculty Senate Response. The Provost's Plan shall be forwarded to the President accompanied by copies of the Provost's Proposal and the Faculty Senate Response. A copy of the Provost's Plan shall also be forwarded to the Faculty Senate and Faculty Regent.

The President shall review the Provost's Plan and accompanying documentation, giving special attention to any proposal for termination of tenured (and non-tenured) faculty. The President shall further consult with the CFO or his/her designee as well as representatives from constituencies from across the campus in evaluating administrative options to respond to the financial exigency.

The President's decision shall take careful account of the impact of the elimination of faculty appointments on the University's ability to perform its educational role and mission. The President may accept or modify the Provost's Plan.

The President will submit a Plan to Address Financial Exigency, ("President's Plan") as (s)he deems appropriate, encompassing both academic and non-academic programs and related elimination of faculty and staff appointments to the Board of Regents for its official action. The President shall forward to the Provost, Faculty Senate and Staff Congress a copy of the President's Plan submitted to the Board of Regents. Affected University employees will be informed, in writing, of the action of the Board of Regents.

## Significant Operating Budget Deficit

A “significant operating budget deficit” is defined as a documented substantial decline in the financial resources of the institution that is brought about by an unanticipated and significant reduction in state funding or institutional enrollment, acts of terrorism or significant public crisis, or by other action, events or combinations thereof, that compel a sudden and imminent reduction in the available operating budget. A “significant operating budget deficit” may also exist within a restricted program upon notice of a reduction or elimination of program funds.

In the event of a significant operating budget deficit the President shall look at all options within the University to redress the deficit, including the use of furloughs, staff reductions in force and the elimination of faculty appointments. In identifying faculty appointments the President may look to any currently existing program review process in place and/or any Proposal or Plan currently existing with respect to the Reorganization, Consolidation or Elimination of Academic Programs under this Policy to identify faculty appointments that may be eliminated to help address the significant operating budget deficit.

In evaluating options to respond to the imminent financial needs of the institution resulting from a significant operating budget deficit, the President shall consult with Academic Affairs and the CFO or his/her designee, as well as representatives from constituencies from across the campus, including specifically the Faculty Senate.

The President will submit a Plan to Address Significant Operating Budget Deficit, as (s)he deems appropriate, encompassing both academic and non-academic programs and related elimination of faculty and staff appointments to the Board of Regents for its official action. In making recommendations for elimination of specific faculty appointments required by a significant operating budget deficit the President shall take into account the following:

- Elimination of duplication of programs within the University and/or among state institutions of higher education;

- An ability to achieve effective and efficient program delivery through the creation of cooperative programs with other institutions of higher education through traditional or non-traditional means;
- A pattern or history of a decrease in, or consistently low, numbers of degrees awarded;
- A pattern or history of a decrease in, or consistently low, numbers of qualified applicants to the Academic Program;
- A pattern or history of low or declining enrollment in classes offered within an Academic Program;
- A pattern or history of low and/or declining scores on standardized/national examining instruments;
- An inability to meet standards for obtaining and/or maintaining credentials and/or accreditation;
- An apparent lack of marketplace demand for the Academic Program;
- A prioritization of the current academic objectives of the University,
- A reallocation of resources due to budget priorities, and/or a reduction of or elimination of restricted program funds.

In the evaluation of the need to eliminate faculty appointments as a result of a significant budget deficit, the President in conjunction with the Provost/Vice President for Academic Affairs (“Provost/VPAA”) shall first consider the ability to eliminate instructor appointments and secondly tenure track faculty appointments. In making specific recommendations for elimination of specific faculty appointments due to significant budget deficit, the President and Provost shall take into account the following Criteria for Faculty Selection:

- Tenured faculty members will have preference of retention over non-tenured faculty members, unless there is a compelling academic or accreditation reason to do otherwise. Absent a compelling academic or accreditation reason, the following sequence will be observed:
- Tenured faculty of superior academic rank will have preference of retention over tenured faculty of lesser rank;
- A faculty member who has attained tenure prior to another faculty member of the same rank would have preference of retention over the latter faculty member;
- If tenure in rank considerations are the same for two faculty members, i.e., both were tenured on the same date and were promoted in their current rank on the same date, preference of retention shall be based on unique or specialized credentials and/or

area of instruction, the needs of the program, department/school and College, past performance and the potential for future contributions to the development of the University.

- If funded vacancies exist, reasonable effort will be made to offer the tenured faculty member concerned another existing position within the University for which the tenured faculty member is qualified by education and experience; and
- In the event of the termination of a tenured faculty member, that faculty member will not be replaced for a period of three (3) years by another person of comparable qualifications at the same or higher salary in a discipline in which the terminated, tenured faculty member is qualified to teach and/or perform the job duties without first offering reinstatement to the terminated tenured faculty member and allowing a reasonable time for acceptance;
- By another person at a reduced level of compensation in a discipline in which the terminated, tenured faculty member is qualified to teach and/or perform the job duties without first having offered the position at the reduced compensation to the tenured faculty member concerned and allowing a reasonable time for acceptance.

A terminated tenured faculty member who is recalled within the three (3) year period shall be reinstated with full tenure and time in rank as of the date of termination.

Criteria for Faculty Selection set forth in this Policy, except in the instance of a significant operating budget deficit within in a restricted program, in that event any reduction in faculty appointments shall be made from the subject program. The President shall forward to the Provost, Faculty Senate and Staff Congress a copy of the Plan to Address Significant Operating Budget Deficit submitted to the Board of Regents. Affected University employees will be informed, in writing, of the action of the Board of Regents.

#### APPEAL:

Any tenured member of the faculty, or tenure track faculty member, receiving notice of position elimination under this policy may appeal the determination to the Board of Regents by providing notice to the Secretary of the Board of Regents within fourteen (14) days of receiving such notice

on the basis that the faculty member's position was not appropriately selected for elimination. The Board Chair shall designate a panel of three (3) Board members to hear such appeal(s) and make a written recommendation to the full Board for final action.

Any elimination of staff positions necessitated by a plan approved by the Board of Regents under this policy shall be administered pursuant to PG-58.

#### EMPLOYEE FURLOUGHS:

In times of significant budgetary constraints, including situations that do not yet constitute financial exigency, the University may implement an employee furlough. If the President determines that the University is facing a significant operating budget deficit, a mandatory furlough plan may be implemented in accordance with the procedures in this policy. A program specific furlough may also be initiated if the University receives notice that funds for that restricted program have been reduced or eliminated.

A furlough is the placement of an employee in a temporary leave without pay status for a specified number of hours or days within a specified time frame. A furlough is not a layoff or reduction in workforce and may be used to avoid or delay such action. The plan shall be implemented in a manner that ensures the continuation of essential services with minimum disruption to the institution, particularly with respect to the maintenance of class schedules, essential student services and campus safety.

#### PLAN DEVELOPMENT:

Furloughs will be implemented in a fair manner that is sensitive to the mission of the University. Upon announcement that furloughs are necessary, the President shall consult and discuss with Academic Affairs and the Vice President for Administration and Fiscal Services/Chief Financial Officer and/or his/her designee in the development of a furlough plan. The President may consult with other persons he/she deems appropriate. Consultation may, by necessity, require intense effort during limited periods of time for planning. In the event a furlough is deemed necessary by the President, the number of furlough days will be communicated to employees as soon as possible and every effort will be made to provide notification at least thirty (30) days in advance.

## IMPLEMENTATION

If, after consultation, the President reasonably believes the University is facing a significant operating budget deficit, or in the event a restricted program has received notice of reduced funding or closure, a furlough may be implemented. The President shall report the furlough to the Board. This policy supersedes all other University policies and may apply to all employees regardless of source of funds, place of work, or appointment terms or status, including faculty and exempt administrative staff. The plan shall not be subject to grievance or appeal at the University or Board level under this or any other University policy.

### Scheduling

Scheduling of furlough days or portions of days shall be the responsibility of the President or the President's designee(s), but in no event will the University close completely. Furloughs may be implemented on a differential, intermittent, or staggered basis based on pay/salary level, employee classification or nature of appointment. For example, furloughs may take into account the essential operating and safety needs of the University, the availability of designated federal funding, or income generated by the division, department, unit, or program. Days that the University is normally closed or days that may not normally be work days for certain groups of employees (i.e. Spring Break and winter break and holidays) may be designated as furlough days. Employees may not be furloughed for more than fifteen (15) working days in a fiscal year.

### Pay and Benefits During a Furlough Period

Except as otherwise noted, all regular University employees (full or part time, hourly or exempt, including those subject to contract) may be subject to furlough. Student employees, graduate teaching assistants, and employees who are holders of H-1B visas, as defined by 20 CFR 655.731, are not subject to furlough. A furlough plan may exclude employees who perform functions essential to maintain health and safety on campus. Any such exclusion must be approved by the President.



Employees may not use accrued paid leave during periods of furlough or in lieu of a furlough day or period. The University may allocate employees' reduction in pay over the balance of the fiscal year for the payroll purposes regardless of the payroll period within which the furlough occurs. No overtime or compensatory time may be granted to compensate for the loss of services of furloughed employees. Employees cannot be required to work in their areas or perform official duties during a day/period of furlough. Non-exempt employees covered by the Fair Labor Standards Act cannot be at work on furlough days.

An employee's social security and retirement contributions shall be affected under a furlough, as contributions are based on actual earnings. All other benefits, including the accrual of vacation and sick leave, health and dental care, and life insurance benefits, shall continue, notwithstanding other guidance to the contrary. A furlough shall not affect an employee's continuous service, length of service, review date, employment status, or eligibility for authorized holiday leave or pay.

## POLICY: PG-63

Subject: Employee Furloughs

Approval Date:

### Policy

In times of significant budgetary constraints, including situations that do not yet constitute financial exigency, the University may implement an employee furlough. If the President determines that the University is facing a significant operating budget deficit, a mandatory furlough plan may be implemented in accordance with the procedures in this policy. A program specific furlough may also be initiated if the University receives notice that funds for that restricted program have been reduced or eliminated.

A furlough is the placement of an employee in a temporary leave without pay status for a specified number of hours or days within a specified time frame. A furlough is not a layoff or reduction in workforce and may be used to avoid or delay such action. The plan shall be implemented in a manner that ensures the continuation of essential services with minimum disruption to the institution, particularly with respect to the maintenance of class schedules, essential student services and campus safety.

### PLAN DEVELOPMENT:

Furloughs will be implemented in a fair manner that is sensitive to the mission of the University. Upon announcement that furloughs are necessary, the President shall consult and discuss with Academic Affairs and the Vice President for Administration and Fiscal Services/Chief plan. The President may consult with other persons he/she deems appropriate. Consultation may, by necessity, require intense effort during limited periods of time for planning. In the event a furlough is deemed necessary by the President, the number of furlough days will be communicated to employees as soon as possible and every effort will be made to provide notification at least thirty (30) days in advance.

## IMPLEMENTATION

If, after consultation, the President reasonably believes the University is facing a significant operating budget deficit, or in the event a restricted Financial Officer and/or his/her designee in the development of a furlough program has received notice of reduced funding or closure, a furlough may be implemented. The President shall report the furlough to the Board. This policy supersedes all other University policies and may apply to all employees regardless of source of funds, place of work, or appointment terms or status, including faculty and exempt administrative staff. The plan shall not be subject to grievance or appeal at the University or Board level under this or any other University policy.

### Scheduling

Scheduling of furlough days or portions of days shall be the responsibility of the President or the President's designee(s), but in no event will the University close completely. Furloughs may be implemented on a differential, intermittent, or staggered basis based on pay/salary level, employee classification or nature of appointment. For example, furloughs may take into account the essential operating and safety needs of the University, the availability of designated federal funding, or income generated by the division, department, unit, or program. Days that the University is normally closed or days that may not normally be work days for certain groups of employees (i.e. Spring Break and winter break and holidays) may be designated as furlough days. Employees may not be furloughed for more than fifteen (15) working days in a fiscal year.

### Pay and Benefits During a Furlough Period

Except as otherwise noted, all regular University employees (full or part time, hourly or exempt, including those subject to contract) may be subject to furlough. Student employees, graduate teaching assistants, and employees who are holders of H-1B visas, as defined by 20 CFR 655.731, are not subject to furlough. A furlough plan may exclude employees who perform functions essential to maintain health and safety on campus. Any such exclusion must be approved by the President.

Employees may not use accrued paid leave during periods of furlough or in lieu of a furlough day or period. The University may allocate employees'

reduction in pay over the balance of the fiscal year for the payroll purposes regardless of the payroll period within which the furlough occurs. No overtime or compensatory time may be granted to compensate for the loss of services of furloughed employees. Employees cannot be required to work in their areas or perform official duties during a day/period of furlough. Non-exempt employees covered by the Fair Labor Standards Act cannot be at work on furlough days.

An employee's social security and retirement contributions shall be affected under a furlough, as contributions are based on actual earnings. All other benefits, including the accrual of vacation and sick leave, health and dental care, and life insurance benefits, shall continue, notwithstanding other guidance to the contrary. A furlough shall not affect an employee's continuous service, length of service, review date, employment status, or eligibility for authorized holiday leave or pay.

**BOARD OF REGENTS MEETING  
MOREHEAD STATE UNIVERSITY  
March 18, 2016**

The Board of Regents of Morehead State University met at 9:00 a.m. on Friday, March 18, 2016, in the DeMoss Suite of the Center for Health, Education and Research 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, Patrick Price, Kevin Pugh and Kathy Walker.

**MEDIA**

Jason Blanton, Director of Media Relations, introduced Dan Conti of Morehead State Public Radio.

**NOMINATING  
COMMITTEE REPORT**

Mr. Price, chair of the Nominating Committee, said the committee recommended that the Board re-elect Paul Goodpaster, Chair; elect Wayne Martin, Vice Chair; and Sharon Reynolds, Secretary; and reappoint Beth Patrick, Treasurer. Dr. Pugh made the motion; Ms. Walker seconded the motion. The motion carried unanimously.

Chair Goodpaster thanked Mr. Price and the other members of the Nominating Committee for their report.

**CONSENT AGENDA**

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

1. Minutes of December 3, 2015 (IV-A-1)
2. Honorary Doctor's Degrees for Mr. Joseph Craft III, Dr. Ernst and Mrs. Sara Volgenau, and Brig. Gen. Stephen R. Hogan (IV-A-2)
3. Naming of Facility (IV-A-3)
4. Personnel Actions (IV-A-4)
5. Contracts for Banking Services (IV-A-5)
6. Appointment of Auditing Firm (IV-A-6)

Mr. Preece moved that the items on the Consent Agenda be approved. Dr. Pugh seconded the motion.

VOTE: The motion carried unanimously.

**PRESIDENT'S  
RECOMMENDATIONS***Tenure with Promotion*

The President recommended:

RECOMMENDATION: That the Board 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 2016-17 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

*(Additional background information attached to these minutes and marked IV-B-1)*

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

VOTE: The motion carried unanimously.

*Sabbatical Leaves*

The President recommended:

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

*(Additional background information attached to these minutes and marked IV-B-2)*

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

VOTE: The motion carried unanimously.

*PAC-22 and PAC-26  
Policies*

The President recommended:

RECOMMENDATION: That the Board of Regents approve PAC-22, Faculty Discipline and Removal for Cause, and PAC-26, Termination of Faculty for Financial Exigency and Discontinuance of Program.

Chair Goodpaster appointed Mr. Price, Ms. Long, and Dr. Berglee to a work group and

**Second Quarter Financial Statements**

remanded PAc-22 and PAc-26 to the work group for further discussion at the next work session.

The President recommended:

RECOMMENDATION: That the Board approve the financial statements and amend the operating budget for the second 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-5)*

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 second quarter financial statements.

Ms. Owen reported that MSU's financial picture remained stable through the second quarter of the 2015-16 fiscal year. She said that the University operated with a surplus of revenues over expenditures and transfers of \$35M, which is common for this point in the year as billings for fall semester 2015 and spring semester 2016 are reflected in tuition and fees revenue, while only expenditures through December 31, 2015 are reflected. She said that total revenues increased by \$1.6M over last year due to state appropriations to support the Craft Academy for Excellence in Science and Mathematics, as well as increases in tuition and housing rates.

There was a total increase of \$2.4M in expenditures, which is partly due to timing issues, but also is due to budgeted increases in scholarships, debt service payments, insurance premiums, salaries and benefits, and expenses related to campus renovation and construction projects. Ms. Owen noted a significant increase in the Administration & Fiscal Services budget due to the reorganization of the office of Financial Aid (and its related budget for scholarships and tuition waivers) from Academic Affairs.

Ms. Lindgren said the total operating budget for the University has decreased by \$271K in the second quarter due to the balance of unbudgeted revenue allocations from the MSU Foundation in support of athletics and the Craft Academy, and reductions in budgeted fund balance allocations. The east parking structure and dining commons project has been separated into two phases, with the first phase of parking structure construction (which is currently underway) and the second phase comprised of the completion of the dining commons (to be funded by agency bonds if authorized).

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

**Acquisition of Real  
Property-Rowan County  
Board of Education**

VOTE: The motion carried unanimously.

The President recommended:

RECOMMENDATION: That the Board approve the acquisition of the Rowan County Board of Education property.

*(Additional background information attached to these minutes and marked IV-B-6)*

Ms. Patrick said the University has the opportunity to acquire property located within the Campus Master Plan currently owned by the Rowan County Board of Education, located on the corner of Second Street and Tippet Avenue 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 and 0.97+/- acres of land. The \$2,000,000 purchase price is supported by independent appraisal. 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 used for offices currently located in the Adron Doran University Center when it is closed for renovation as well as offices currently located in the Enrollment Services Building.

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

VOTE: The motion carried unanimously.

**Disposal of Real Property-  
MSU West Liberty**

The President recommended:

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

*(Additional background information attached to these minutes and marked IV-B-7)*

Ms. Patrick said that the significant growth in online course delivery combined with declining population within the region has significantly reduced the demand for delivery of face-to-face courses at this location. The overhead of the West Liberty facility exceeds the net tuition revenue generated annually. The Morgan County Board of Education has expressed a desire to acquire the facility to support the school district. MSU has negotiated with the Morgan County Board of Education a sale price of \$1.849M based on independent appraisals. The price also includes consideration for the University to retain long-term space in the facility at no cost to accommodate the MSU Adult Learning Center and other ongoing and future academic and regional outreach efforts offered to the region. The proceeds from this sale would fund the purchase of the Rowan County Board of Education property previously authorized.



MOTION: Mr. Howard moved that the Board approve the President's recommendation. Mr. Price seconded the motion.

VOTE: The motion carried unanimously.

#### RECESS

Chair Goodpaster declared a 10 minute break. The meeting resumed at 10:28 a.m.

#### REPORTS

##### *Preliminary Spring 2016 Enrollment*

Tim Rhodes, Interim Assistant Vice President for Enrollment Services, presented a preliminary enrollment report for Spring 2016, including the new Winter Term. He reported that preliminary spring semester headcount enrollment is 9,352, and 324 students enrolled during the Winter term. *(Preliminary Enrollment Report for Spring 2016 attached to these minutes and marked IV-C-1)*

##### *Personal Service Contracts*

Ms. Patrick reported on personal service contracts, which represent all such contracts issued with amounts greater than \$10,000 between November 1, 2015 and February 15, 2016. These include just one contract with Brenda Wilburn in the amount of \$27,000. Ms. Patrick noted that the contract with Ms. Wilburn is to provide healthcare to students as needed in the Counseling & Health Services clinic. *(Report attached to these minutes and marked IV-C-2)*

#### PRESIDENT'S REPORT

Dr. Andrews reported on the following:

- **Biennial Budget Session in General Assembly** – Dr. Andrews reported that he, Jane Fitzpatrick (as the institution's Biennial University Legislative Liaison or BULL) and Beth Patrick have spent considerable time in Frankfort speaking with legislators, Cabinet secretaries and the Governor. He reviewed a document that he is sharing with legislators that addresses common misconceptions among legislators and the general public about higher education sources of revenue, trends in tuition and institutional financial aid, and average net tuition actually paid by students. He said that the average student graduating from MSU has \$18K in debt. He also asserted that a dollar appropriated by the state provides more money to the institution than a student paying tuition due to discounting through scholarships and other aid. He said the University must be very prudent when planning in an uncertain future. Therefore, the current situation with an enrollment shortfall led to the decision to furlough employees for one week (faculty will take an equivalent salary reduction in the 2016-17 fiscal year).
- **Budget Planning & Advisory Task Force** – Dr. Andrews reviewed the membership of this task force and its work since January. He expects recommendations from the task force by early April.

Chair Goodpaster commended the President and his team for being proactive with planning for the current budget situation. Vice Chair Martin also commended the President for transparent communication, and Mr. Casebolt stated the administration has been transparent with him and SGA as well.

**ANNOUNCEMENTS**

Chair Goodpaster said that the Board will have a Retreat on April 22. He also mentioned the Spring Gala on April 30 and Spring Commencement on May 14. He announced the next Board work session is May 13, and encouraged full attendance at the next quarterly meeting on June 10.

**ADJOURNMENT**

There being no further business to conduct, Ms. Walker moved that the meeting adjourn at 11:46 a.m. Mr. Howard seconded the motion. The motion carried.

Respectfully submitted,



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Sharon S. Reynolds, Secretary  
Board of Regents

**Recommendation:**

That the awarding of degrees to the candidates who successfully completed all degree requirements as approved by the faculty of the University at the 2016 Spring Commencement on May 14, 2016, be ratified.

**Background:**

At the May 14, 2016, Spring Commencement, students were awarded degrees from Morehead State University. This included 105 associate degrees, 940 bachelor degrees, 209 master degrees, 23 education specialist degrees and 17 doctor of education degrees.

**APPROVE MINIMUM SCOPE  
OF THE ANNUAL AUDIT**

**BOR (VII-A-4)  
June 10, 2016**

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**Recommendation:**

That, based on the recommendation of the Audit Committee, the Board approve the minimum scope of the University's audit for the year ending June 30, 2016.

**Background:**

The University is required to have an annual audit conducted of its financial activities. The bylaws of the Board of Regents specify that the Audit Committee review, evaluate, advise and recommend to the full Board the minimum scope of the annual audit.

The Director of Accounting and Financial Services and the Director of Internal Audits have outlined the scope of the audit that will comply with all local, state, and federal audit requirements. A summary of the audit scope is attached.

The Audit Committee met on March 18, 2016. The Committee approved the minimum scope of the audit.

**MOREHEAD STATE UNIVERSITY  
MINIMUM SCOPE OF THE ANNUAL AUDIT  
FOR THE YEAR ENDING JUNE 30, 2016**

**June 10, 2016**

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**This document outlines the minimum scope of the annual audit of Morehead State University (MSU), and any applicable related entities, to be conducted by the University's auditors (the Firm) for the year ending June 30, 2016. Additional audit requirements and procedures may be added as situations warrant.**

**Internal Controls**

The audit will include a review and evaluation of the existing internal control structure. The evaluation will provide a basis for reliance thereon in determining the nature, timing and extent of selective audit tests to be applied to recorded transactions and data for certain periods of the year.

**General Purpose Financial Statements**

The Firm will perform an audit of and issue its independent auditor's report on the financial statements of MSU as of June 30, 2016 and the results of its operations for the fiscal year then ended. The audit will be performed in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* (GAGAS), issued by the United States Government Accountability Office. The audit should include a determination as to whether Morehead State University's federal expenditures have met the Single Audit threshold established by the Single Audit Act Amendments of 1996 and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and the performance of a single audit in accordance with these standards, if required. The report will also include an independent auditor's report on supplemental information covering those supplemental schedules suggested to be reported on by the AICPA Audit Guide *Audits of Colleges and Universities*.

**Federal Awards Programs**

The audit will include a Schedule of Expenditures of Federal Awards, which will be subjected to the auditing procedures applied in the audit of the financial statements. An opinion will be rendered on whether the Schedule is presented fairly in all material respects in relation to the financial statements taken as a whole.

The audit will report on the internal controls over financial reporting and on compliance with laws, regulations, and provisions of contracts or grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts in accordance with *Government Auditing Standards*. A report will also be issued on compliance with requirements applicable to each major program and internal control over compliance with requirements of laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

### **Kentucky Lease Law Compliance Audit**

The Firm will issue a separate report on compliance with the Kentucky Lease Law. This report should include documentation of testing procedures performed, sample selection methods, and summary of the auditor's result in accordance with KRS 56.800 through 56.823, and KRS 48.111.

### **Intercollegiate Athletics Department**

The Firm will perform certain agreed-upon procedures and issue a separate report covering the limited examination of the Intercollegiate Athletics Department and its related booster organization, for the year ending June 30, 2016. These procedures will be performed in accordance with the latest version of the *NCAA Financial Audit Guidelines*.

### **Corporation for Public Broadcasting (CPB)**

The Firm will issue its independent auditor's report on the financial statements of WMKY-FM for the year ending June 30, 2016. The audit will be performed in accordance with auditing standards generally accepted in the United States of America and the *Public Telecommunications Audit Guide and Requirements* as they relate to the CPB Annual Financial Report for the year ending June 30, 2016.

### **Compliance Report Under KRS 164A.555 to 164A.630 (House Bill 622)**

The Firm will also issue a separate letter covering its study of MSU's internal accounting controls and administrative control procedures considered relevant to the criteria established by the Commonwealth of Kentucky Finance and Administration Cabinet as set forth in the latest version of the Cabinet's *Minimum Audit Scope for Compliance*.

### **Management Letter**

As required by generally accepted auditing standards (*Statement on Auditing Standards No. 60*), the Firm will prepare a letter of reportable conditions noted during the audit related to inherent weaknesses of controls, procedures, policies or noncompliance with governmental laws or regulations and suggest possible improvements. The Firm will comment and discuss those or other matters with the Director of Accounting and Financial Services, the Internal Auditor, the Chief Financial Officer and VP for Administration, and the President and the University Board of Regents. The Firm will also submit ideas or observations that will help achieve the University's objectives or improve efficiency in operations. As required by the Commonwealth of Kentucky Auditor of Public Accounts, all such matters conveyed to management will be documented in writing to be forwarded to the Auditor of Public Accounts.

Recommendations to management will be in the format prescribed by the Auditor of Public Accounts. The Firm will document the resolution status of prior year recommendations.

### **Closing Package**

In accordance with the directive from the Commonwealth of Kentucky Auditor of Public Accounts, the Firm will provide a copy of the comprehensive financial statements and management letter to the Auditor of Public Accounts. In addition, a report issued under *Codification of*

*Statements on Auditing Standards* AU 623.11 through 623.17 applicable to the “closing package” furnished by the University to the Finance and Administration Cabinet will be provided to the Auditor of Public Accounts by October 3, 2016 (or date specified by the Commonwealth). If requested by the Auditor of Public Accounts and approved by the University, all working papers prepared by the audit team will be made available for review.

### **Audit of Subsequent Events**

In accordance with the directive from the Auditor of Public Accounts, the Firm will update the audit procedures related to events subsequent to June 30, 2016 from the last day of field work (projected for late September 2016) to December 14, 2016. The Firm will report the results of these updated procedures in a separate letter, which shall be delivered to the Auditor of Public Accounts and to the University, no later than noon on December 15, 2016.

### **Other Reports**

The Firm will issue any other letter reports as may be required by the Finance and Administration Cabinet or the Auditor of Public Accounts of the Commonwealth of Kentucky.

### **Exit Conferences**

Separate exit conferences may be required to be held with the MSU Board of Regents, the Board of Regents Audit Committee, the MSU President and other members of the administration. Also, it is expected that exit conferences will be held with major unit heads as appropriate to the areas or functions audited.

### **Timing of Reports**

1. The audited financial statements and management letter shall be furnished to the Auditor of Public Accounts no later than October 3<sup>rd</sup> (or other such date as specified by the Commonwealth). If final reports are not available as of October 3<sup>rd</sup> (or other such date as specified by the Commonwealth), drafts will be submitted by that date. The reports will contain the following items:
  - (a) Audited financial statements and an opinion thereon.
  - (b) A report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards*. Where applicable, this report must refer to a separate schedule of findings and questioned costs.
  - (c) A report on compliance in accordance with KRS 164A.555 through 164A.630 (House Bill 622) based on the audit of financial statements.
  - (d) The closing package forms, in accordance with *Codification of Statements on Auditing Standards*, AU 623.11 through 623.17.
  - (e) If applicable, the Firm shall also obtain and submit management’s summary schedule of prior audit findings and corrective action plan for

current year audit findings.

- (f) The reports described above should be presented in a manner prescribed by the AICPA Audit and Accounting Guide and Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Guidance. Notwithstanding the provisions of the AICPA Audit Guide, any “other matter” conveyed to management should be in writing, and a copy of that correspondence forwarded to the Auditor of Public Accounts.
- 2. The Firm will certify, on line, the CPB audit report by November 30<sup>th</sup> of each year.
- 3. The Firm will prepare the KFAC form 990 & 990-T by February 15<sup>th</sup> of each year.
- 4. The Firm will provide a representation letter by July 29<sup>th</sup> (or other such date as specified by the Commonwealth) to the Auditor of Public Accounts stating that the Firm is in compliance with auditing standards generally accepted in the United States of America and the *Government Auditing Standards* concerning continuing education requirements, independence and internal quality control system and peer review requirements. The representation letter should be prepared in accordance with the provisions of the Auditor of Public Accounts related to independence.
- 5. The Firm shall notify the Auditor of Public Accounts of matters which come to its attention which may have a significant impact on the Commonwealth’s financial statements. The Firm shall be available to the Auditor of Public Accounts to address questions about the University’s financial statements.
- 6. The Firm will provide, by the date requested, a letter to the Auditor of Public Accounts reporting the results of the application of subsequent events audit procedures.
- 7. The Firm will provide a copy, in Adobe (pdf) format, each of the audited financial statements to the University (both including and excluding the report on Federal Awards Program (Uniform Guidance)), in electronic form to be used when required by outside agencies for reporting purposes.
- 8. The Firm will prepare the University’s form 990-T by February 15<sup>th</sup> of each year and provide consulting services related to unrelated business income.



**Recommendation:**

That the Board of Regents approve the granting of promotions to the following faculty with the issuance of their contracts for the 2016-2017 year:

**Professor**

Steve Chen, sports management (SBA)

Sam Nataraj, computer information systems (SEIS)

Christopher Schroeder, mathematics

Lucy Mays, nursing (ADN)

**Background:**

In accordance with personnel policies, faculty members and librarians desiring promotion are responsible for developing their portfolios for submission to their peers and administrative supervisors for analysis and review. Recommendations from these peer groups and administrators are forwarded 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 Emeritus Status to the following:

L. K. Williams, professor of accounting

C. Steven Hunt, professor of information systems

James Knoll, department chair of early childhood, elementary and special education  
and professor

Suanne Blair, assistant professor of music

Susan Creasap, associate director of bands and professor of music

John Hennen, professor of history

Sarah Morrison, professor of English

Barb Lewis, associate professor of veterinary technology

Charles Mason, professor of geoscience

**Background:**

In accordance with PAc-3 and UAR 116.04, the faculty members listed above were recommended for emeritus status by their peers and immediate supervisors to the Provost. The President, based upon recommendations from the Provost, submits his recommendations to the Board of Regents. The emeritus status will become effective upon the date of retirement.

**Recommendation:**

That the Board of Regents approve the granting of tenure and the rank of Professor of Biology to Dr. Charles Lydeard, Chair, Department of Biology and Chemistry.

That the Board of Regents approve the granting of tenure and the rank of Professor of Entrepreneurship to Dr. William McDowell, Smith Endowed Chair of Entrepreneurship.

**Background:**

Morehead State University's personnel policy, PAc-27, provides a procedure for employing academic administrators with tenure.

The search committee, the department of Biology and Chemistry faculty, and the Dean of Science recommend that Dr. Lydeard be employed with tenure and the rank of professor. The Provost and the President support this recommendation.

The search committee, the School of Business Administration faculty, and the Dean of Business and Technology recommend that Dr. McDowell be employed with tenure and the rank of professor. The Provost and the President support this recommendation.

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

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**BOR (VII-B-4)  
June 10, 2016**

**Recommendation:**

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

**Background:**

The University has a statutory requirement to furnish quarterly financial reports to the Board of Regents. Financial statements have been prepared as of March 31, 2016, the third 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  
Third Quarter Financial Statements  
March 31, 2016**

This discussion and analysis of Morehead State University's financial statements provides an overview of the University's financial activities for the nine months that ended on March 31, 2016. 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 third quarter of the 2015-2016 fiscal year. During the period July 1, 2015 through March 31, 2016, the University operated with a surplus of revenues over expenditures and transfers in the amount of \$13,483,136. 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 March 31, 2016 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 nine months are summarized as follows:**

- Total revenues increased \$3.2 million over last year to \$130.2 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 81.68% at March 31, 2016 and 80.93% at March 31, 2015. 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 \$116.7 million at March 31, 2016 and \$115.3 million at March 31, 2015. The \$1.4 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 increased \$1.8 million to \$13.5 million as compared to \$11.7 million at March 31, 2015. 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 Nine Months Ended March 31, 2016 and 2015

	2015-2016			2014-2015		
	Amended Budget	Actual	Percent of Actual to Budget	Amended Budget	Actual	Percent of Actual to Budget
<b>REVENUES</b>						
<b>Educational and General</b>						
Tuition and Fees	\$74,973,529	\$69,831,542	93.14%	\$74,940,972	\$68,893,938	91.93%
Govt Appropriations	43,339,500	34,710,245	80.09%	41,545,925	32,875,160	79.13%
Indirect Cost Reimbursement	923,047	598,566	64.85%	585,000	548,498	93.76%
Sales & Services Ed Activities	1,881,136	1,789,134	95.11%	2,131,461	2,068,723	97.06%
Other Sources	3,628,609	3,961,966	109.19%	3,462,932	3,494,627	100.92%
Budgeted Fund Balance-E&G	13,830,121	-	0.00%	13,672,597	-	0.00%
<b>Total Educational and General</b>	<b>\$138,575,942</b>	<b>\$110,891,453</b>	<b>80.02%</b>	<b>\$136,338,887</b>	<b>\$107,880,946</b>	<b>79.13%</b>
<b>Auxiliary Enterprises</b>						
Housing	\$13,408,222	\$13,278,571	99.03%	\$12,553,400	\$12,524,695	99.77%
University Store	5,367,123	4,643,061	86.51%	4,877,899	4,794,770	98.30%
Food Services	771,000	751,056	97.41%	1,018,343	1,151,309	113.06%
Other	1,129,800	664,911	58.85%	1,099,300	649,176	59.05%
Budgeted Fund Balance - Auxiliary	183,742	-	0.00%	1,033,171	-	0.00%
<b>Total Auxiliary Enterprises</b>	<b>\$20,859,887</b>	<b>\$19,337,599</b>	<b>92.70%</b>	<b>\$20,582,113</b>	<b>\$19,119,950</b>	<b>92.90%</b>
<b>TOTAL REVENUES</b>	<b>\$159,435,829</b>	<b>\$130,229,052</b>	<b>81.68%</b>	<b>\$156,921,000</b>	<b>\$127,000,896</b>	<b>80.93%</b>

Morehead State University  
Unrestricted Current Funds  
Statements of Revenues, Expenditures & Changes in Net Position  
For the Nine Months Ended March 31, 2016 and 2015

	2015-2016			2014-2015		
	Amended Budget	Actual	Percent of Actual to Budget	Amended Budget	Actual	Percent of Actual to Budget
<b>EXPENDITURES AND TRANSFERS BY DIVISION</b>						
<b>Educational &amp; General</b>						
President & Administration	\$1,312,634	\$944,871	71.98%	\$1,122,788	\$763,245	67.98%
University Advancement	4,811,706	3,531,145	73.39%	5,117,724	3,746,679	73.21%
Administration & Fiscal Services	44,927,336	40,186,110	89.45%	22,632,659	19,147,333	84.60%
Student Life	14,452,243	11,822,444	81.80%	14,066,971	11,319,486	80.47%
Academic Affairs	60,496,223	40,834,678	67.50%	83,590,121	61,131,415	73.13%
Other	13,377,343	6,493,678	48.54%	11,702,381	7,576,429	64.74%
<b>Total Educational &amp; General</b>	<b>\$139,377,485</b>	<b>\$103,812,926</b>	<b>74.48%</b>	<b>\$138,232,644</b>	<b>\$103,684,587</b>	<b>75.01%</b>
<b>Auxiliary Enterprises</b>						
Housing	\$13,448,976	\$7,289,778	54.20%	\$12,256,099	\$6,145,377	50.14%
University Store	4,652,296	4,149,582	89.19%	4,451,761	4,078,997	91.63%
Food Services	512,828	394,632	76.95%	536,446	364,761	68.00%
Other	1,444,244	1,098,998	76.10%	1,444,050	1,041,271	72.11%
<b>Total Auxiliary Enterprises</b>	<b>\$20,058,344</b>	<b>\$12,932,990</b>	<b>64.48%</b>	<b>\$18,688,356</b>	<b>\$11,630,406</b>	<b>62.23%</b>
<b>TOTAL EXPENDITURES AND TRANSFERS BY DIVISION</b>	<b>\$159,435,829</b>	<b>\$116,745,916</b>	<b>73.22%</b>	<b>\$156,921,000</b>	<b>\$115,314,993</b>	<b>73.49%</b>
<b>NET CHANGE IN FUND BALANCE</b>		<b>\$13,483,136</b>			<b>\$11,685,903</b>	

Morehead State University  
Statements of Net Position  
March 31, 2016 and 2015

Assets and Deferred Outflows	2016	2015
Current assets:		
Cash and cash equivalents	\$ 63,184,290	\$ 64,087,572
Accounts, grants and loans receivable, net	9,309,102	21,998,631
Prepaid interest	16,082	-
Inventories	1,633,805	1,673,466
Other current assets	1,252,460	-
Total current assets	<u>75,395,739</u>	<u>87,759,669</u>
Noncurrent assets:		
Accounts, grants and loans receivable, net	3,744,832	3,780,451
Prepaid interest	192,995	-
Investments	15,051,340	14,380,183
Capital assets, net	215,573,716	198,993,994
Total noncurrent assets	<u>234,562,883</u>	<u>217,154,628</u>
Total assets	<u>309,958,622</u>	<u>304,914,297</u>
Deferred Outflows of Resources:		
Pensions	8,370,393	-
Total deferred outflows of resources	<u>8,370,393</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 318,329,015</u>	<u>\$ 304,914,297</u>
Liabilities, Deferred Inflows and Net Position		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 4,402,998	\$ 4,278,085
Unearned revenue	2,680,944	2,003,990
Bonds and capital lease obligations, current portion	4,668,602	4,850,549
Total current liabilities	<u>11,752,544</u>	<u>11,132,624</u>
Long-term liabilities:		
Bonds and capital lease obligations, noncurrent portion	93,408,772	90,537,678
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	<u>291,796,034</u>	<u>94,335,061</u>
Total liabilities	<u>303,548,578</u>	<u>105,467,685</u>
Deferred Inflows of Resources:		
Deferred bond reoffering premium	2,605,424	2,526,389
Pensions	10,704,804	-
Total deferred inflows of resources	<u>13,310,228</u>	<u>2,526,389</u>
Net Position:		
Net investment in capital assets	115,099,994	101,079,377
Restricted:		
Expendable	33,782,851	44,894,742
Nonexpendable	12,928,144	12,914,208
Unrestricted	(160,340,780)	38,031,896
Total net position	<u>1,470,209</u>	<u>196,920,223</u>
Total liabilities, deferred inflows and net position	<u>\$ 318,329,015</u>	<u>\$ 304,914,297</u>

See Attached Notes To Statements of Net Position



**Morehead State University**  
**Notes to the Statements of Net Position**  
**March 31, 2016 and 2015**

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 \$2,563,972 at March 31, 2016 and \$2,649,243 at March 31, 2015. Also, included in this category is \$4.1 million in receivables from federal and state grant agencies at March 31, 2016 and \$13.1 million at March 31, 2015.
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 \$16.6 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 \$173,558,859 at March 31, 2016 and \$164,169,624 at March 31, 2015.
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 22, 2016 the University issued 2016 Series A General Receipts Refunding Bonds in the amount of \$3.28 million. These bonds were issued to advance refund the 2007 Series A General Receipts Bonds. Capital leases also increased by \$7 million for the IT Infrastructure project. The University also made principal payments on outstanding debt in the amount of \$4.5 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 and the issuance of the 2016 Series A General Receipts Refunding 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 January 1, 2016 to March 31, 2016**

<b>Description</b>	<b>Opening Budget As of 1/1/2016</b>	<b>Adjustments</b>	<b>Amended Budget As of 3/31/2016</b>
<b>Revenues and Other Additions</b>			
Tuition and Fees	\$ 74,728,245	245,284	\$ 74,973,529
Government Appropriations	43,339,500	-	43,339,500
Indirect Cost Reimbursement	923,047	-	923,047
Sales and Services of Ed. Activities	1,813,773	67,363	1,881,136
Other Sources	3,296,593	332,016	3,628,609
Budgeted Fund Balance - E&G	13,864,597	(34,476)	13,830,121
Auxiliary Enterprises	20,582,377	93,768	20,676,145
Budgeted Fund Balance - AUX	183,742	-	183,742
<b>Total Revenues and Other Additions</b>	<b>\$ 158,731,874</b>	<b>\$ 703,955</b>	<b>\$ 159,435,829</b>
<b>Expenditure Authorizations by Division</b>			
<b>Educational &amp; General</b>			
President & Administration	\$ 1,313,234	\$ (600)	\$ 1,312,634
University Advancement	4,786,549	25,157	4,811,706
Administration & Fiscal Services	44,354,945	572,391	44,927,336
Student Life	14,469,115	(16,872)	14,452,243
Academic Affairs	59,969,363	526,860	60,496,223
Debt Service & Mandatory Transfers	3,594,642	-	3,594,642
Other	10,359,116	(576,415)	9,782,701
<b>Total Educational &amp; General</b>	<b>\$ 138,846,964</b>	<b>\$ 530,521</b>	<b>\$ 139,377,485</b>
<b>Auxiliary Enterprises</b>			
Administration & Fiscal Services	\$ 14,041,267	\$ 172,494	\$ 14,213,761
Student Life	915,374	940	916,314
Debt Service	4,928,269	-	4,928,269
Other	-	-	-
<b>Total Auxiliary Enterprises</b>	<b>\$ 19,884,910</b>	<b>\$ 173,434</b>	<b>\$ 20,058,344</b>
<b>Total Expenditure Authorizations</b>	<b>\$ 158,731,874</b>	<b>\$ 703,955</b>	<b>\$ 159,435,829</b>

**MOREHEAD STATE UNIVERSITY**  
**Unrestricted Current Funds**  
**Budget Amendments**  
**For the Period January 1, 2016 to March 31, 2016**  
**Notes of Significant Adjustments to Revenue and Other Additions**

**Tuition and Fees**

Tuition and Fees revenue allocated during the third quarter totaled \$245,284

- Unbudgeted winter session tuition revenue allocated to cover associated expenses totaled \$150,820
  - \$111,436 Winter supplemental pay and fringe benefits
  - \$39,384 Winter tuition waivers
- Unbudgeted course fee revenue allocated to various academic departments totaled \$94,464

**Other Sources**

Unbudgeted revenue allocated during the third quarter totaled \$332,016

- Unbudgeted support from the MSU Foundation totaled \$257,769
  - \$240,421 Academic Affairs (*Includes \$195,501 for MSU Teach program*)
  - \$12,370 University Advancement
  - \$2,842 Administration & Fiscal Services – E&G
  - \$2,136 Student Life – E&G
- Endowment income allocations primarily to Academic Affairs totaled \$33,162
- Other miscellaneous revenue totaled \$41,085
  - \$21,101 Academic Affairs
  - \$17,670 Purchasing Card Rebate transferred to budget reduction holding account
  - \$8,542 Student Life – E&G
  - (\$6,228) Administration & Fiscal Services – E&G

**Auxiliary Enterprises**

Unbudgeted revenue allocated during the third quarter totaled \$93,768

- Document Center Revenue totaling \$60,000 allocated to Document Services for outsource printing expenses
- Bookstore Commission totaling \$14,546 allocated to the Bookstore for promotional activities
- Revenue from Craft Academy Housing totaling \$19,222 allocated to support Craft Academy Enrollment Services Counselor

**MOREHEAD STATE UNIVERSITY**  
**Budget Amendments Greater Than \$200,000**  
**For the Period January 1, 2016 to March 31, 2016**

<b>From:</b>	<b>To:</b>		
<b>Revenue and Other Additions</b>	<b>Division/ Budget Unit</b>	<b>Amount</b>	<b>Description</b>

None.

**MOREHEAD STATE UNIVERSITY**  
**Capital Outlay Status Report**  
**Agency Funds**  
**For the Period of January 1, 2016 to March 31, 2016**

	<u>Estimated Project Scope</u>	<u>Completion Date</u>	<u>Project Status</u>
<b>I. Equipment Purchases \$200,000 or Greater</b>			
None			
<b>II. Capital Construction Projects, Information Technology Systems or Land Acquisitions \$600,000 or Greater</b>			
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

**APPROVE THE 2016/2017 OPERATING BUDGET,  
FEE SCHEDULE AND PERSONNEL ROSTER**

**BOR (VII-B-5)  
June 10, 2016**

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**Recommendation:**

That the Board approve the recommended 2016/2017 Operating Budget, which totals \$150,940,000, the 2016/2017 Personnel Roster, and the 2016/2017 Fee Schedule.

**Summary:**

The 2016/2017 Operating Budget totals \$150.9 million, a decrease of \$6.8 million (4.3 percent) compared to the current fiscal year. The two primary fund sources in the operating budget are student tuition and fee revenue and state appropriation. New revenue from a combination of a 5.33 percent tuition rate increase for undergraduate students, winter session tuition revenue, and a 4.0 percent increase in residence hall rates is included in the operating budget. An overall \$4.6 million net decrease in tuition revenue is budgeted due to declining undergraduate and graduate enrollment and changes in the non-resident tuition rate and scholarship program. State appropriation decreased by \$1.4 million in 2016/2017 from the current fiscal year. The recommended budget demonstrates the University's commitment to student success and fiscal responsibility by including support for strategic investments and fixed and unavoidable costs such as employee retirement benefits, service contracts, property insurance premiums, and scholarship commitments.

**Background:**

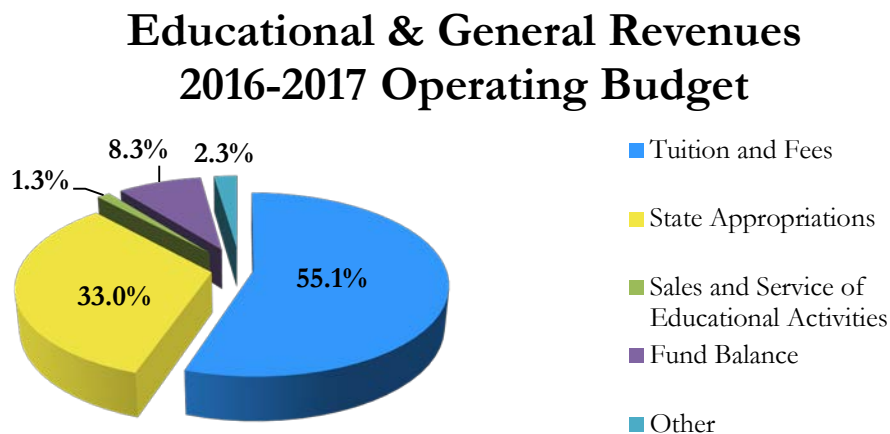
The budget reflects the continued commitment to advance the University's mission by focusing on the goals and objectives as defined in the *ASPIRE 2014-2018 Strategic Plan*. The budget preparation process was inclusive of campus input and representation. Early in the budget development process, the Budget Planning and Advisory Task Force was established which included members of the President's Cabinet, five Deans from Academic Affairs and leadership from Faculty Senate, Staff Congress and Student Government. The task force was charged with considering all resources across the institution for potential budget reduction while maintaining a focus to identify strategies that would minimize the impact on students and academic quality.

The parameters outlining the administration's management responsibilities related to the 2016/2017 Operating Budget and periodic reporting requirements to the Board of Regents are specified in the Budget Adoption Resolution on pages A-11 and A-12 of the separately bound 2016/2017 Operating Budget.

### Analysis – Operating Budget:

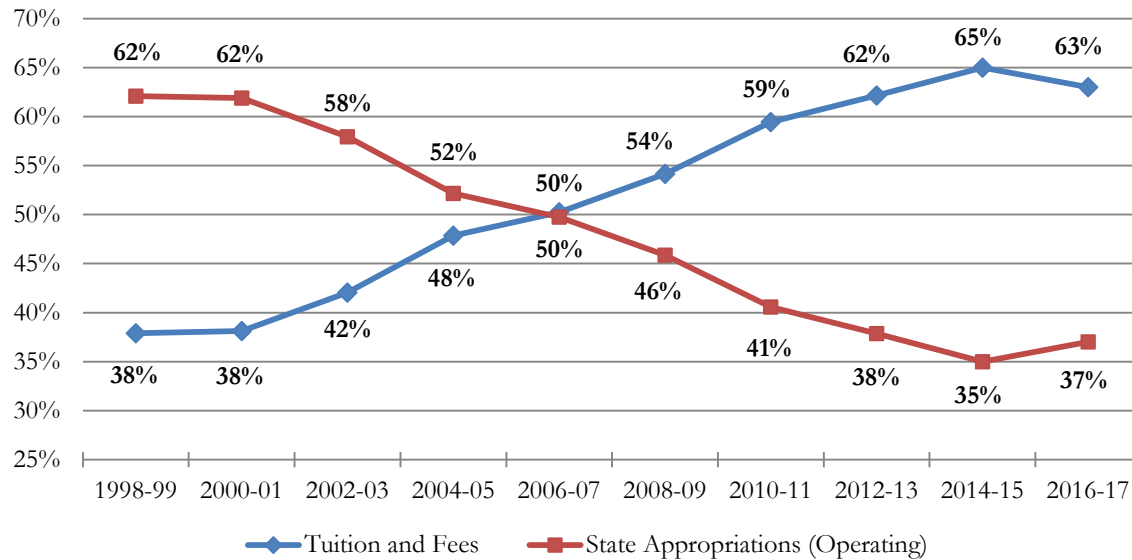
**Educational and General Funds (E&G)** represent 84.4 percent of the total unrestricted Operating Budget and are the primary source of funds for the instructional and engagement missions of the University. The primary sources of the E&G budget include tuition and fee revenue of \$70.1 million (55.1 percent) and state appropriation for operating of \$42.0 million (33.0 percent). The total reflects a decrease in tuition and fee revenue of \$4.6 million (6.1 percent) and a decrease of \$1.4 million (3.2 percent) in state operating appropriation over the current year budget. The net decrease in tuition and fee revenue is a result of offsetting factors. In 2015/2016, the budgeted tuition revenue was not met due to declines in both undergraduate and graduate enrollment. The resulting tuition budget shortfall was \$2.7 million (3.6 percent). The enrollment projection for 2016/2017 includes 60 new Craft Academy students, a decrease of 88 (6.0 percent) first time freshman, a decrease of 92 (1.1 percent) returning undergraduate students, a decrease of 53 (4.9 percent) graduate students, a 10 percent increase in winter session enrollment, and stable summer enrollment. Additionally, the non-resident (domestic) tuition rate for undergraduate students is set at 1.5 times the resident rate beginning in the fall 2016 semester. Previously, the non-resident tuition rate was 2.5 times the resident rate. The tuition rate for international undergraduate students is set at 2.5 times the resident rate. New tuition revenue based on the projected enrollment with a 5.33 percent rate for undergraduate students and the updated tuition model for non-resident students is \$3.1 million. The net reduction in state appropriation includes the loss of \$1.95 million (4.5 percent) offset with \$580,000 additional state support for the Craft Academy for Excellence in Science and Mathematics.

The following chart summarizes 2016/2017 budgeted unrestricted E&G revenue by major revenue category.



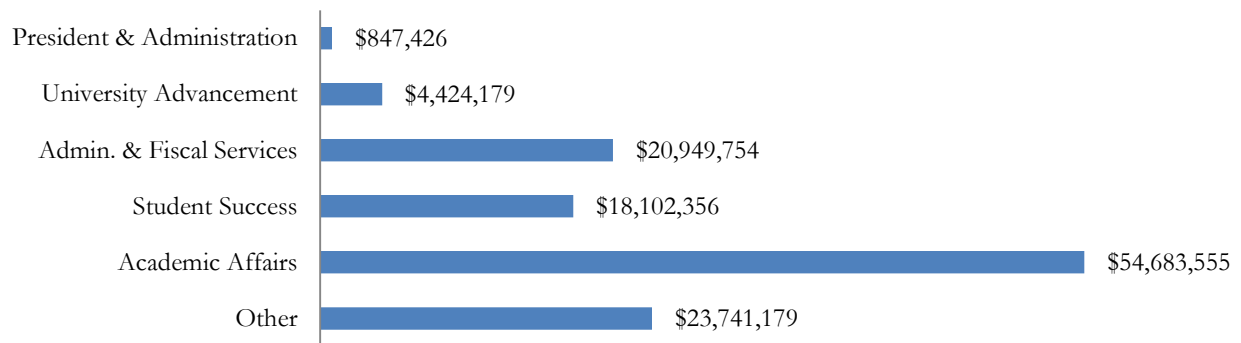
The 2016/2017 E&G Operating Budget reflects a continuation of the multi-year trend of the institution's dependency on tuition and fee revenue as state support has continued to decline as illustrated below.

### Student Share vs. State Share



The following chart summarizes the 2016/2017 budgeted unrestricted E&G expenditures by organizational area.

### 2016-2017 E&G Operating Budget by Division



Note: President and Administration includes President's Office, Board of Regents and Chief Diversity Officer



There is a significant decrease in the percentage of the E&G budget supported from **Fund Balance** included in the budget. Fund balance reserves are generally budgeted within the unrestricted operating budget to address strategic needs of a non-recurring nature such as renovation projects or investments in property and equipment. The \$3.2 million (23.5 percent) decrease in E&G fund balance support is primarily related to larger capital construction and capital renewal projects planned for 2015/2016 that are not planned for 2016/2017.

**Auxiliary Funds** are generated by enterprises that are essentially self-supporting through charging fees to students and others external to the institution. Auxiliary enterprises generate approximately 15.6 percent of the University's operating revenues and include services for student housing, dining, concessions and vending, document services, the University's bookstore operation and the Eagle Trace Golf Course. The budget includes an increase of \$2.4 million (11.3 percent) in revenue over the current year budget for auxiliary enterprises. This is primarily attributed to an increase in student housing rates effective in the fall 2016 semester and an increase in auxiliary fund balance support to carry forward funds allocated in 2015/2016 with anticipated expenditure in 2016/2017.

The following chart aligns the various sources of funds with the University's use of funds to illustrate where University resources originate and what they support.

<b>Funds</b>	<b>Source of Funds</b>	<b>Use of Funds</b>
Recurring E&G Revenues	<ul style="list-style-type: none"> <li>▪ State Appropriation</li> <li>▪ Tuition and Mandatory Fees</li> <li>▪ Investment Income</li> <li>▪ Course and Program Fees</li> <li>▪ Athletic Revenues</li> <li>▪ Transfers</li> <li>▪ Student Service Fees</li> </ul>	<ul style="list-style-type: none"> <li>▪ Instruction</li> <li>▪ Public Service</li> <li>▪ Administrative Support</li> <li>▪ Student Financial Aid</li> <li>▪ Instructional Support</li> <li>▪ Student Services</li> <li>▪ Operations &amp; Maintenance of E&amp;G Facilities</li> <li>▪ Research</li> </ul>
Fund Balance	<ul style="list-style-type: none"> <li>▪ Savings and reserves from prior years</li> </ul>	<ul style="list-style-type: none"> <li>▪ Capital Projects</li> <li>▪ Non-recurring Strategic Investments</li> </ul>
Auxiliary Enterprise Revenues	<ul style="list-style-type: none"> <li>▪ Rental of Housing Facilities</li> <li>▪ Dining Revenue</li> <li>▪ University Bookstore</li> <li>▪ Eagle Trace Golf Course</li> <li>▪ Concessions and Vending</li> <li>▪ Document Printing Services</li> </ul>	<p><i>Self-supporting auxiliary units pay their expenses and receive no taxpayer or tuition support. Auxiliary revenue is the fund source for three current capital construction projects including a new on-campus student residence hall, student residence hall at the DAC, and a new parking garage/ student dining facility.</i></p>

### **Analysis – Fee Schedule:**

A comprehensive review of the University's fee schedule is conducted annually and recommended changes are presented to the Board for approval. The recommended 2016/2017 Fee Schedule is presented on pages C-1 through C-26 of the Operating Budget. A summary of the recommended resident undergraduate tuition and average residence hall rate is listed below.

	Fall 2015	Fall 2016	Increase
<b>TUITION and FEES</b>			
Resident Undergraduate Base Tuition (12-18 hours)	\$3,983	\$4,199	\$216
Special Use Fee (Student Recreation Fee)	\$66	\$66	\$0
Total Tuition & Fees (Resident Undergraduate 12-18 hours)	\$4,049	\$4,265	\$216
<b>HOUSING</b>			
Average Residence Hall Rate per Semester	\$2,317	\$2,481	\$164

### **Tuition and Mandatory Fees:**

On April 26, 2016, the Council on Postsecondary Education (CPE) approved resident, undergraduate tuition and mandatory fee ceiling for 2016/2017 that does not allow base rate increases to exceed \$432 per academic year for all public comprehensive universities. The base rate excludes CPE approved Special Use Fees. On June 10, 2011, CPE approved a Special Use Fee for MSU to assess a \$5 per credit hour (equivalent of \$66 for 15 credit hours under current rate structure) student-endorsed fee dedicated to pay construction costs of the Student Recreation Center.

CPE adopted a new non-resident student tuition and fee policy effective with the fall 2016 semester that requires institutions to generate a sufficient amount of net tuition and fee revenue per non-resident student to equal or exceed 100 percent of direct instructional and student services costs per student. This policy replaced the former practice of requiring institutions to charge non-resident students at least two times the resident rate for comparable programs of study. The recommended non-resident (domestic) undergraduate rates are set at 1.5 times the resident rate. International undergraduate rates are recommended at 2.5 times the resident rate. The decrease in tuition revenue from the adjustment in the non-resident (domestic) rate is offset in the budget by a decrease in the scholarship budget. That change is discussed in the Analysis – Student Financial Aid section of this agenda item.

The proposed rate schedule listed below is within the tuition increase parameters set by the Council on Postsecondary Education for Kentucky Comprehensive Universities for 2016/2017.

<p style="text-align: center;"><b>Morehead State University</b>  <b>Tuition and Mandatory Fee Schedule</b>  <b>Effective Fall Semester 2016</b></p>		
<b>Tuition &amp; Mandatory Fees</b>	<b>Undergraduate Full-Time Rate (12-18 Credit Hours)</b>	<b>Per Credit Hour Rate</b>
<b>Undergraduate</b>		
Resident	\$4,265	\$356
Non-Resident (Domestic)	\$6,398	\$534
International	\$10,663	\$889
<b>Graduate</b>		\$579
<p><i>Notes:</i></p> <ol style="list-style-type: none"> <li><i>1. Full-time status is achieved for undergraduate students when enrolled in at least 12 credit hours per semester.</i></li> <li><i>2. Undergraduate students enrolled in more than 18 credit hours will be charged the Full-Time Rate plus the additional Per Credit Hour Rate for each credit hour above 18.</i></li> <li><i>3. The Full-Time Rate does not apply to graduate students. All graduate students are charged on a per credit hour basis.</i></li> <li><i>4. Resident, Non-resident, and International graduate students will be charged at the same per credit hour rate.</i></li> <li><i>5. Per credit hour rates also apply to students enrolled in a summer or winter session.</i></li> <li><i>6. Non-resident (domestic) and International undergraduate students enrolled exclusively in internet courses and/or enrolled exclusively at a regional campus center will be assessed tuition and fees at the undergraduate resident rate. Academic courses delivered with at least 50% of the instruction online are categorized as internet courses.</i></li> </ol>		

## **Housing:**

Recommendations made by Brailsford & Dunlavey in the Comprehensive Housing Master Plan completed for Morehead State University in April 2006 included a 5 percent increase for residence halls and apartment housing for the 2016/2017 academic year. However, to remain competitive with local housing rental rates, the average rate increase recommended in the 2016/2017 Operating Budget is 4 percent for existing residence halls. Rental rates on new residence halls are competitive with the local housing market with similar amenities. Revenue generated from the increase in housing rates will be used to cover debt service associated with the ongoing renovation of the housing facilities as identified in the Comprehensive Housing Master Plan.

## **Analysis – Personnel Roster:**

### **Salary and Benefit Increase:**

Due to the unprecedented budget challenges facing the University with continued reductions in state appropriation, enrollment decline and rising fixed costs, no annual salary increase is recommended for faculty and staff in the 2016/2017 Operating Budget. Contractual obligations for salary increases associated with faculty promotion and tenure policies, education attainment policies, career ladders or other policy or employment agreements have been honored and are included in the 2016/2017 Operating Budget recommendation at a cost of \$216,956.

The University implemented its first winter session in 2015/2016 and plans to offer winter session courses in 2016/2017. Similar to summer session instruction, faculty receive supplemental pay to teach winter session courses. The 2016/2017 Operating Budget includes \$126,390 for estimated winter session supplemental salary and associated fringe benefit costs.

An increase of \$841,728 (23.74 percent) is included in the employee benefit accounts in the 2016/2017 Operating Budget to cover a mandatory increase of 9.82 percent in the employer contribution rate for non-hazardous positions and a decrease of 2.52 percent in the contribution rate for hazardous positions in the Kentucky Retirement System (KERS).

A significant expense in the University's budget is the cost of the employee insurance programs. The 2016/2017 Operating Budget includes \$6,671,210 for the cost of the health insurance program, \$315,588 for the dental insurance program, and \$100,534 for the life insurance program. The University's health insurance program is fully insured with Anthem Blue Cross/Blue Shield. Premiums increased by 10.2% in calendar year 2016 based on claim activity in calendar year 2015. Premiums for the 2017 calendar year will be established in fall 2016 and will be based primarily on claims experience in calendar year 2016. Based on current premium rates and no rate increase projected in 2017, the total cost of the health insurance program is projected to increase by \$315,432. To offset this projected cost increase, we will evaluate our existing health insurance program in fall 2016 with a plan to reduce the overall expense by \$250,000.

The 2016/2017 Personnel Roster contains a listing of the recommended authorized positions as of July 1, 2016. Funding for each position listed in the roster has been included in the proposed 2016/2017 Operating Budget. A total of 1,017 positions are recommended for 2016/2017 with an estimated 950 positions contracted to be filled as of July 1, 2016. Total personnel expenditures represent 53.6 percent of the total expenditure budget.

The personnel roster is organized by division, with exempt (salary) and non-exempt (hourly) positions listed separately. The following information is shown for each position:

- Position ID number
- Employee currently holding the position
- Position title
- Appointment status if not a regular, full-time appointment
- Recommended salary at the start of the 2016/2017 contract period
- Contract months for exempt employees

#### **Analysis – Student Financial Aid:**

The University demonstrates a continued commitment to affordability by including \$19.1 million (15.6 percent of E&G expenditures) in the 2016/2017 Operating Budget. To simplify the tuition pricing and scholarship awards for non-resident students, the tuition rate for non-resident students is reduced from 2.5 times the resident rate to 1.5 times the resident rate beginning in the fall 2016 semester. Subsequently, the Non-Resident Academic Scholarship previously awarded to non-residents prior to fall 2016 is discontinued. The decrease of \$4.4 million projected tuition revenue from non-resident students is offset with \$3.4 million reduced scholarship expenditure with elimination of the scholarship for non-resident students. Additionally, athletic scholarships for non-resident student athletes is reduced by \$143,648 as a result of the tuition rate change for non-resident students. Increases to the scholarship budgets include \$526,087 to cover the recommended tuition and housing rate increases and \$122,246 for new scholarship awards.

## 2016/2017 Operating Budget Highlights

Development of the 2016/2017 Operating Budget to include funding fixed cost increases while absorbing loss of tuition revenue and state support has required significant analysis and prioritization from all divisions. The primary changes in fixed costs, strategic investments, and budget reductions are summarized below:

<b>Primary Changes in Fixed Costs, Strategic Investments, and Budget Reductions</b>	
Facility Maintenance & Property Insurance	137,165
Health Insurance Premium Increase	315,432
Health Insurance Plan Modification – Projected Cost Savings	-250,000
Debt Service	
Technology & Security	1,100,000
E&G and Housing	-9,486
KERS Retirement Contributions	841,728
Personnel Commitments (contractual)	216,956
Winter Session – Supplemental Salary & Benefits	126,390
Service Contracts	531,459
Scholarships (reduction in non-resident awards)	-3,492,049
Scholarships (proportionate to tuition/housing rate increase)	526,087
Scholarships/Tuition Waivers (participation level changes)	-22,639
Utilities Expenses (savings)	-555,400
Other Strategic Investments & Changes in Fixed Costs	522,127
Budget Reductions from All Divisions	-4,914,462
<b>Total Primary Changes in Fixed Costs, Strategic Investments, and Budget Reductions</b>	<b>-4,926,692</b>

The primary changes in revenue for 2016/2017 are included in the listing below:

<b>Primary Changes in Revenue</b>	
Tuition	
UG Rate Increase (5.33%)	3,051,076
Enrollment Decline in 2015/2016	-2,669,737
Enrollment Decline Projected 2016/2017	-1,923,163
Non-Resident Rate Reduction	-4,447,176
Craft Academy Enrollment	511,800
Winter Session	<u>468,000</u>
<b><i>Tuition Revenue Decrease</i></b>	<b>-5,009,200</b>
Course Fees	
Business Courses (\$5/Credit Hour)	112,515
Online Course Fee (\$10/Credit Hour)	<u>340,000</u>
<b><i>Course Fee Revenue</i></b>	<b>452,515</b>
State Appropriation	
State Imposed Reduction (4.5%)	-1,950,300
Student Housing	
Rate Increase (4.0%) and New Hall Revenue	1,388,200
Other Sources	<u>192,093</u>
<b>Total Primary Changes in Revenue</b>	<b>-4,926,692</b>

The 2016/2017 Operating Budget development process maintained focus on the commitment to preserve the core values of the University and to align our resources to fund strategies and priorities identified to support student success and our preferred future.

**AUTHORIZE FINANCING FOR PHASE II  
CONSTRUCTION OF PARKING GARAGE/  
DINING COMMONS FACILITY**

**BOR (VII-B-6)  
June 10, 2016**

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**Recommendation:**

That the Board authorize the University President and/or the Vice President for Administration to execute a loan agreement either through the Commonwealth of Kentucky Master Lease Program, a separate third party lender or issuance of general receipts bonds as described in the following resolution in an amount not to exceed \$6,600,000 to finance the phase II construction of the Parking Garage/Dining Commons facility.

A RESOLUTION PROVIDING FOR THE AUTHORIZATION, ISSUANCE AND SALE OF APPROXIMATELY \$6,600,000 GENERAL RECEIPTS OBLIGATIONS (CONSTRUCT PARKING GARAGE/DINING COMMONS – PHASE II) OF MOREHEAD STATE UNIVERSITY, PURSUANT TO THE TRUST AGREEMENT DATED AS JULY 1, 2007.

**Background:**

On June 4, 2015, the Board approved the 2016-2022 Six-Year Capital Plan that included a project titled “Construct Food Service/Retail & Parking – Additional” with an estimated scope of \$6.6 million. The project was also included in the 2016-2018 Budget of the Commonwealth as a capital authorization to be funded with agency bonds. This project will complete the fit out and internal systems and equipment for the student dining commons currently under construction.

**Financing:**

Under state guidelines, the project will need to be financed either through the Commonwealth of Kentucky Master Lease Program, a third party lender or through the issuance of general receipts revenue bonds. With Board authorization, the University will proceed with research to determine the lowest and best-cost option for financing of the project. A lender will require that the Board authorize the issuance of the debt and delegate authority to execute the debt instruments to specific individuals. The total amount to be financed shall not exceed \$6.6 million.



## **APPROVE REQUEST TO LOCALLY MANAGE CAPITAL CONSTRUCTION PROJECTS**

**BOR (VII-B-7)  
June 10, 2016**

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### **Recommendation:**

That the Board approve a request to locally manage future capital construction projects.

### **Background:**

The University undertakes capital construction projects necessary to maintain appropriate equipment and facilities in support of the institution's mission. Capital Projects are defined by the state as any construction item necessary to make a building or utility installation complete, estimated to cost \$1 million or more, regardless of the source of funds; or any item of movable equipment, estimated to cost \$200,000 or more, regardless of the source of funds.

House Bill 622, enacted by the 1982 General Assembly and codified in the Kentucky Revised Statutes, authorized the governing boards of the state's universities to elect to perform locally one or more of certain financial management functions previously performed by other parts of state government, including capital construction, and to delegate authority for implementation to an institution's president.

The University has in place appropriate systems, processes and personnel necessary to effectively and efficiently manage capital construction in accordance with all state procurement and accounting regulations. This ability to manage projects locally has been consistently demonstrated with projects that have fallen under the capital threshold. The administration believes that local management of capital projects will streamline procurement, decision-making, approvals and most general administrative functions providing for faster and more efficient project delivery.

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

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

**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*	9,411	86.5%	100,454	89.5%	6,804	89.6%

**Table 3: Enrollment by Classification**

Classification	Fall 2015	Winter 2015	Spring 2016*	Spring as a % of Fall
High School	2,499	0	1,741	69.7%
Craft Academy	60	0	59	98.3%
Freshman	1,901	44	1,264	66.5%
Sophomore	1,442	32	1,253	86.9%
Junior	1,600	45	1,570	98.1%
Senior	2,025	116	2,150	106.2%
UnderGrad-Nondegree	183	3	210	114.8%
PostBacc UG Degree Seeking	70	4	69	98.6%
Auditor	3	0	5	166.7%
<b>Undergraduate Total</b>	<b>9,783</b>	<b>244</b>	<b>8,321</b>	<b>85.1%</b>
Masters	844	57	843	99.9%
Specialist	64	1	65	101.6%
Doctor's Degree Prof. Practice	70	7	68	97.1%
Graduate Certificate	1	0	1	100.0%
Graduate-Nondegree	113	15	113	100.0%
<b>Graduate Total</b>	<b>1,092</b>	<b>80</b>	<b>1,090</b>	<b>99.8%</b>
<b>Grand Total</b>	<b>10,875</b>	<b>324</b>	<b>9,411</b>	<b>86.5%</b>

*\*Morehead State University offered a winter term for the first time in 2016. For CPE reporting, the winter term is reported with the spring term, so spring data is an unduplicated combined total for the two terms.*

## **REPORT ON PERSONAL SERVICE CONTRACTS**

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**BOR (VII-C-2)**  
**June 10, 2016**

The attached list of personal service contracts represents all such contracts issued with amounts greater than \$10,000 between February 16, 2016 through May 15, 2016.

<b>PERSONAL SERVICE CONTRACTS</b> <b>February 16, 2016 through May 15, 2016</b>					
<b>Individual/Firm</b>	<b>Contract Description</b>	<b>Contract Beginning Date</b>	<b>Contract Ending Date</b>	<b>Contract Amount</b>	<b>Method of Selection</b>
Jeff Moser	Develop Accelerating Opportunities Curriculum for Adult Education Academy	3/28/16	6/30/16	\$10,000.00	Request for Proposal