

MINUTES

MINUTES
MIDWESTERN STATE UNIVERSITY
BOARD OF REGENTS
Executive Committee
May 11, 2017

The Executive Committee of the Board of Regents, Midwestern State University, met in the J. S. Bridwell Board Room, Hardin Administration Building, Wichita Falls, Texas, at 1:25 p.m., Thursday, May 11, 2017. Executive Committee members in attendance were Mr. Sam Sanchez, Chairman; Mr. Caven Crosnoe, Vice Chairman; Ms. Nancy Marks, Secretary; and Ms. Tiffany Burks, Member-At-Large. Other regents attending the meeting were Mr. Warren Ayres, Mr. Jeff Gregg, Mr. Shawn Hessing, Dr. Shelley Sweatt, and Student Regent Lindsey Shelley.

Members of the administration present included Dr. Suzanne Shipley, President; Dr. James Johnston, Provost and Vice President for Academic Affairs; Dr. Marilyn Fowlé, Vice President for Administration and Finance; Dr. Keith Lamb, Vice President for Student Affairs and Enrollment Management; Mr. Anthony Vidmar, Vice President for University Advancement and Public Affairs; Mr. Kyle Owen, Associate Vice President for Facilities Services; and Mr. Matthew Park, Associate Vice President for Student Affairs. Other university personnel attending the meeting included Dr. David Carlston, Chairman, MSU Faculty Senate; Ms. Angie Reay, Chair, MSU Staff Senate; Mr. Kyle Williams, Interim Director of Athletics; Mr. Barry Macha, General Counsel; Ms. Leigh Kidwell, Director of Internal Audits; Mr. Chris Stovall, Controller; Ms. Julie Gaynor, Director of Marketing and Public Information; Ms. Cindy Ashlock, Executive Assistant to the President; and Ms. Debbie Barrow, Director of Board and Government Relations. Student Government Association (SGA) representatives attending the meeting included Ms. Shayla Owens, Outgoing SGA President; Ms. Maria Peña, Incoming SGA President; and Mr. Charles Frazier, SGA Observer. Representing the news media were Ms. Lana Sweeten-Shults, Wichita Falls *Times Record News*; Mr. Ian Klein, News Channel Six; and Ms. Samaria Terry and Ms. Katya Guillaume, KFDX-TV 3. Community member George Adams also attended the meeting. Attending the first portion of the meeting for discussion of Item 17-75 were members of the Strategic Planning Committee Dr. Scott Meddaugh, Robert L. Bolin Distinguished Professor of Petroleum Geology; Ms. Catherine Prose, Associate Professor of Art; Dr. Emily Reeves, Assistant Professor of Curriculum and Learning; and Ms. Cammie Dean, Director of Student Development and Orientation.

Chairman Sanchez called the meeting to order at 1:25 p.m.

Reading and Approval of Minutes

17-74. The Executive Committee approved the minutes of the February 9, 2017, meeting as presented.

Strategic Plan

17-75. Mr. Sanchez asked Dr. Shipley to begin the conversation regarding the Strategic Plan process. Dr. Shipley reported that in February 2016 the Board of Regents and administration participated in a retreat to determine the four strategic objectives by which the university would move forward during the next five or six years. Following the approval of the initiatives by the Board a Strategic Planning Committee was appointed and Provost Betty Stewart launched the committee with the significant help of Dr. Scott

Meddaugh. When Dr. Stewart left MSU, Dr. Meddaugh continued his work with the committee. Dr. Shipley noted that the result of their work was presented in the Board Book and Dr. Meddaugh would further discuss the process. She indicated that this information was presented to provide the Board with an opportunity to raise questions with the committee. She noted that the administration would come back to the Board in August for approval, and would attach to the plan a budget, an action plan, and a timeline.

Dr. Meddaugh acknowledged members of the Strategic Planning Committee who were present in the room: Dr. James Johnston, Dr. David Carlston, Mr. Charles Frazier, Ms. Lindsey Shelley, Dr. Emily Reeves, Ms. Catherine Prose, and Ms. Cammie Dean. He noted that his presentation (see Attachment 1) would be brief to allow the Regents an opportunity to ask questions. He reviewed the committee process, noting that the committee was a diverse group representing the entire campus. He stated that the process involved data and information gathering from people throughout the campus and community. Dr. Meddaugh reported that the committee was established in May of 2016 and between August and December 2016 the four sub-committees worked to develop a set of measurable and doable tactics and tasks that supported each of the four initiatives. At the beginning of 2017 the full committee began meeting to discuss, review, question, challenge, and further explore each of those sets of tactics and tasks that the sub-committees had developed. The plan was presented to Dr. Shipley in March, a few small modifications were made, and the plan was finalized for presentation to the Board at this meeting. He noted that the tactics and tasks range from small, relatively quick, and low cost, to large, longer timeframe and higher cost. Slide Five presented some of the “low end” examples and Slide Six showed “high end” examples. Dr. Meddaugh noted that the committee work began with a two-page document and developed into the plan presented to the Board.

Mr. Hessing thanked Dr. Meddaugh and the committee for their work. He stated that he was pleased with the document and particularly noted his support for a bridge program for students. Mrs. Marks stated that she was pleased to see the reemphasizing of the university’s mission and vision, as well as the six values of the Council of Public Liberal Arts and Colleges (COPLAC). She indicated that she looked forward to regular updates after the plan is adopted.

Mr. Sanchez stated that Dr. Shipley mentioned that this item was presented for information and input only. He added that a final plan would be presented to the Board for approval in August.

Campus Construction Update

17-76. Mr. Sanchez noted that the Board Book included project status reports and a report on smaller construction projects. Mr. Owen presented information on current projects and future planning as shown in Attachment 2. This information related to the progress of the central campus sidewalk project, Legacy Hall landscaping and hardscaping, the Mass Communication building project, the parking project on Hampstead, and renovations to the east side of the West Campus Annex to house the Student Support Services (Federal TRIO) program. Mr. Owen reviewed Slide Nine which showed near term plans in the approximate order they would occur.

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- #1. Hampstead Parking Lot – 63 spaces – Construction was underway and the lot should be available for the fall semester.
- #2. TRIO Program Moves to West Campus Annex from McGaha – McGaha Hall must be razed to provide space for the new Gunn College Building. The Federal TRIO Student Support Services Program is located in McGaha Hall and will move to the West Campus Annex after renovations are complete. Upgrades are being made to meet fire and ADA codes, replace flooring and doors, and repaint the area.
- #3. Demolish McGaha Hall – Once vacated, McGaha Hall will be abated and razed.
- #4. Gunn College Building – Construction of the building should begin in mid-September.

Mr. Owen noted that the remaining items on the list (renovation of 2627 Hampstead for Police Department, parking lot at site of 2625 Hampstead, demolish current Police Department house and install parking, demolish current Counseling Center once they move to Bridwell Hall, and possibly create more parking) have not been funded and final plans were contingent on future funding.

Mr. Sanchez commented that this item was presented for information only and no action was necessary.

Dallas-Fort Worth (DFW) Expansion Update

17-77. Dr. Lamb noted that since the February Board meeting the timeline for the completion of the Flower Mound facility had changed. He stated that after a delay in getting construction started, it was now underway. He reported that the building should be complete in December with an opening of the facility planned for January. He noted that classes would be offered in the fall semester and that MSU's partner, North Central Texas College (NCTC), was allowing MSU to utilize their facility for class meetings when needed.

Dr. Lamb noted that under Dr. Johnston's leadership the academic area was looking at "parts of term" programs in the health sciences. He stated that through this format the radiology, respiratory care, and nursing programs could offer accelerated terms that would allow an individual to complete a program within a specified timeframe at a fixed cost. He indicated that this would be very marketable in the region. He added that MSU would also offer Education courses and the Bachelor of Applied Arts and Sciences (BAAS) program. He stated that Ms. Gaynor had led the marketing effort in the area to include billboards, movie theater advertisements, and social media geofencing. He added that a direct mail campaign was also underway in the Flower Mound area.

Dr. Lamb reported that the administration just completed interviewing individuals to fill the director position for the Flower Mound campus and a decision and offer should be made soon. He noted that NCTC had provided an office for that individual to use until MSU's facility is complete. The director will work to start up the programs, form relationships in the communities, and help oversee construction. He added that planned staffing in Flower Mound included the director, a generalist position, an information technology professional, and a secretary. We stated that faculty positions in nursing and respiratory care were also being advertised.

Mr. Sanchez asked about specific marketing for community college students in the area. Dr. Lamb responded that community college students were being reached through geofencing and visits by MSU admissions professionals to the community college campuses.

Mr. Sanchez stated that he looked forward to great things from this expansion. He noted that this item was presented as a point of information only.

Capital Expenditure Plan (MP1) Report - FY 2018-2022

17-78. Mr. Sanchez stated that each year the Texas Higher Education Coordinating Board (THECB) requests an update of the university's five-year plan for new construction, land acquisition, information resource projects, and major repair and renovation projects. He indicated that a copy of the proposed MP 1 report was included in the Board Book and asked Mr. Owen to comment. Mr. Owen noted that this report was a listing of any project the university leadership and Board agreed could possibly be an initiative during the next five years. He stated that these projects have not been funded, but are projects that are possible in the future. He noted that the first item was the renovation of Bolin Science Hall and this project would not likely begin without additional Tuition Revenue Bond funding from the state in the future.

Mr. Crosnoe moved approval of this item as presented and Mrs. Burks seconded the motion.

Mr. Gregg expressed concern with authorizing the administration to proceed with the football stadium project for \$18 million when the funds were not available. Mr. Owen responded that none of the projects on the list were currently funded and the administration was not asking the Board to approve any of the projects. He indicated this was a wish list of projects the administration would like to pursue in the next five years. Dr. Shipley stated her understanding that it was important for these extended plans to appear on this list because if a project is not listed it would appear that the university is not planning appropriately.

There being no further discussion, the motion was approved.

Texas Accessibility Standards (TAS), Americans with Disabilities Act (ADA), and Fire Marshal Upgrades Project – Construction Manager at Risk Approval

17-79. Mr. Sanchez reported that the administration was requesting Board approval of the construction manager at risk (CMAR) contractor for this project. He asked Mr. Owen to explain the item and present the recommendation. Mr. Owen noted that a Request for Proposal (RFP) for a CMAR to oversee this project was issued in February. Five submissions were received and were reviewed by a committee. Each member of the committee independently selected M&F Litteken as the recommended contractor. He noted that this is a local firm, they offered the best price, and have done work for MSU in the past with good results.

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Mrs. Marks moved approval of this item as presented. Mr. Crosnoe seconded the motion and it was approved.

Utility Contract – Policy 2.24 Contract Authority Recommended Change

17-80. Mr. Sanchez reported that in 2015 the Board authorized the president to enter into a contract with an electricity provider for up to \$2 million on behalf of the Board. At that time the contract policy was not modified and the authorization was considered as a one-time approval. He noted that Dr. Fowlé and Mr. Owen had worked with Mr. Macha to propose a change to the contract policy wording to provide more flexibility and ensure the administration can negotiate the best rate for the purchase of electrical and gas utility contracts. He asked Mr. Owen to review this item with the Board. Mr. Owen noted that the current policy does not authorize the administration to sign a utility contract for more than five years unless it's with the Texas General Land Office. He stated that in March, the university had an opportunity to extend its current contract with a 10% decrease in cost (from the current rate of 4.62 cents per kilowatt hour to 4.175 cents). However the length of the required contract to take advantage of the offer was beyond the scope of the policy. He noted that the proposed change in the policy would allow greater flexibility and ensure the administration could make a timely decision when negotiating the best rate for the purchase of electrical and gas utility contracts in the future.

Mrs. Burks moved approval of this item. Mr. Crosnoe seconded the motion.

Mrs. Burks asked how much savings this would provide over the course of the contract. Mr. Owen indicated that he did not have the information with him but would provide it to the Board. NOTE: Later in the meeting Mr. Owen reported that based on the most recent pricing the university would save approximately \$66,000 per year, including a \$22,000 savings for auxiliary facilities such as housing.

There being no additional discussion, the motion was approved.

Holiday Schedules for Staff Employees – 2017-2018

17-81. Mr. Sanchez noted that information in the Board Book explained how holiday schedules for staff employees were developed and recommended the schedules for staff employees for the 2017-2018 academic year. Mrs. Marks moved approval of this item as presented. Mrs. Burks seconded the motion and it was approved.

Adjournment

The Executive Committee discussion concluded at 2:30 p.m.

Reviewed for submission:



Samuel M. Sanchez, Chairman
Midwestern State University
Board of Regents Executive Committee

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ATTACHMENT:

1. Strategic Plan Slide Presentation
2. Construction Update - Project Photographs

Strategic Plan – 2017

- Committee
- Process
- Results



THE NEW CENTURY STRATEGIC INITIATIVES

BUILDING BRIDGES TO A VIBRANT FUTURE FOR MSU

Welcome to Midwestern State University's New Century Strategic Initiative, the bridge from historic excellence to future opportunity.

Bridges are engineering marvels that lift us above turbulent waters or difficult terrain. They link one place to another, one person to their neighbor. They are things of beauty in the physical world and strong vehicles for relationships in emotional terms. Bridges can be designed, built, but also repaired. In music a bridge can move us from one melody to another, from one key to the next. A bridge's span can suspend us, give us the pause necessary for transition. It is completely right to choose a bridge as the symbol for Midwestern State's planning for its second century. We have described ourselves as a family, a team, a community that depends upon connections. Let's lean into those things that connect us to each other, to our rich and storied past, to our liberal arts mission, even as we together build bridges into a future filled with promise.

Strategic Planning Committee

- Committee Members:

Leslie Berryhill, David Carlston, Charles Frazier, Karen Dabney, Cammie Dean, Reagan Foster, Terry Griffin, Emmanuel Hoffmann, James Johnston, Jeff Killion, Adam Lei, Lindsey Shelley, W. Scott Meddaugh, Jeffrey Oxford, Kurt Portmann, Catherine Prose, Emily Reeves, Emily Rutherford, Steve Shipp, Jeff Stambaugh, Beverly Stiles, Debbie Vaughn, Jolene Welch, Kathleen Williamson, Bradley Wilson, Newman Wong

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Committee Process

- Starting Point – The New Century Strategic Initiatives: Building Bridges to a Vibrant Future for MSU
- Committee Established
- Four Subcommittees developed Tactics and Tasks for each Strategic Initiative*
 - 1 – Promoting a Strong University Community
 - 2 – Aggressively Pursuing New Student Populations
 - 3 – Creating a Destination Residential University
 - 4 – Stimulating a Culture of Engagement
- Subcommittees met weekly to develop measurable and doable tactics and tasks that support the Strategic Initiatives

*Each Initiative Has Five "Sub-Initiatives"

Committee Process

- Subcommittees met weekly to develop measurable and doable tactics and tasks that support the Strategic Initiatives
 1. Develop and explore tactics and tasks
 2. Reach out to all stakeholders for information and where available, supporting data
 - Administration
 - Faculty
 - Staff
 - Students
 - Alumni
 - Community
 3. Finalize tactics and tasks within each subcommittee
 4. Full committee discussion and where necessary, revision of tactics and tasks
 5. Finalize strategic plan draft following presentation to Dr. Shipley

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Committee Process

- Tactics and tasks range from the small, quick, and relatively low cost to the large, longer timeframe, and higher cost
 - “Low End” Examples
 - Promote the liberal arts mission and practical applications of a liberal arts education to MSU and the community at large to ensure that stakeholders understand the liberal arts concept and demonstrate commitment to it
 - Create, by 2020, a 2-week bridge program in the summer time frame to orient first generation college students to the joys, rigors, and responsibilities of college life.
 - Develop and implement a signature first-year experience that emphasizes the liberal arts mission and MSU’s undergraduate research initiative.
 - Work with Wichita Falls Chamber of Commerce and Industry to increase MSU student personal and professional involvement in the community through increased participation in for-credit internships by 5% by 2019.

Committee Process

- Tactics and tasks range from the small, quick, and relatively low cost to the large, longer timeframe, and higher cost
 - “High End” examples
 - By 2018, build the infrastructure (manpower, delivery platforms and differentiated field experiences) in collaboration with community partners to build and sustain academic programs in multiple locations.
 - Expand the Academic Success Center into a student advising and mentoring center providing centralized campus tutoring, increased supplemental instruction and advising, and a one-stop approach to student services.
 - Increase 6-year graduation rates by 2% by 2018, 4% by 2020 and 6% by 2022.
 - Secure funding and begin construction of a 1,000 seat fine arts theater and a 7,000 seat athletic stadium by 2022.

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Summary – Strategic Initiatives to a Strategic Plan



THE NEW CENTURY STRATEGIC INITIATIVES BUILDING BRIDGES TO A VIBRANT FUTURE FOR MSU

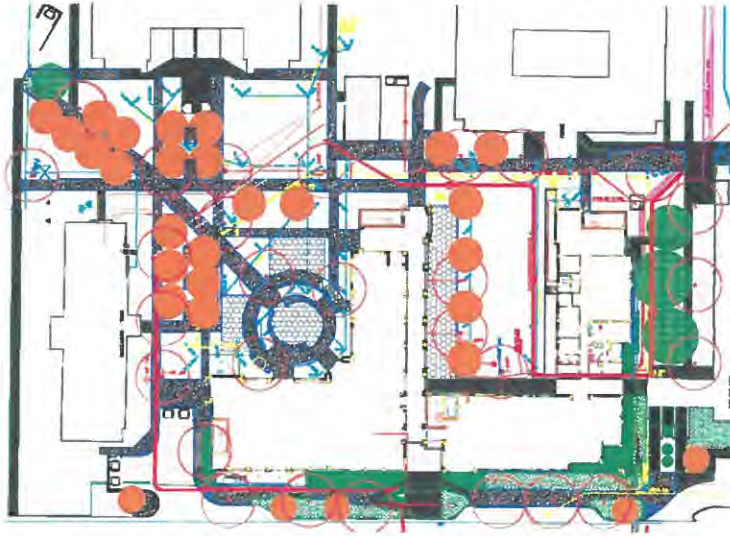
Welcome to Midwestern State University's New Century Strategic Initiative, the bridge from historic excellence to future opportunity.

Bridges are engineering marvels that lift us above turbulent waters or difficult terrain. They link one place to another, one person to their neighbor. They are things of beauty in the physical world and strong vehicles for relationships in emotional terms. Bridges can be designed, built, but also repaired. In music a bridge can move us from one melody to another, from one key to the next. A bridge's span can suspend us, give us the pause necessary for transition. It is completely right to choose a bridge as the symbol for Midwestern State's planning for its second century. We have described ourselves as a family, a team, a community that depends upon connections. Let's lean into those things that connect us to each other, to our rich and storied past, to our liberal arts mission, even as we together build bridges into a future filled with promise.



Strategy 1 B	
Establish clearly the mission of the university and develop a comprehensive marketing and branding program that effectively translates this to the regional region.	
Table 1. National a university culture that enables every employee to be an ambassador of the university. Potential measures: Monitor or percentage increase departmental success, available and program presentation content at one employee presentation.	
Task 1. Provide readily available material for off campus events, meetings, presentations, recruitment, visiting peers, etc.	
Task 2. Use new, innovative measures to establish an understanding of our mission.	
Strategy 2 A	
Build upon our well established reputation for students seeking a fulfilling, residential, liberal arts experience.	
Table 1. Increase the university's operating budget from \$30-50M to \$175-200M for FY18 and increase to \$250M annually for fiscal year 2021.	
Considerations: While this is a long-term goal, it is a significant step towards a reputation, the DPT's market and national efforts, some of MSU's is one of the most important geographical markets. The most direct and easily method in increase awareness is to increase the student efforts. While it is hard to obtain evidence information from	
Strategy 2 B	
Deliver education in modes that meet students' needs and expectations while maintaining affordability. Enhance current technological trends in administration, instruction, and laboratory, and develop a leading plan to meet these needs.	
Table 1. Upgrade physical infrastructure.	
Task 1. Upgrade physical infrastructure.	
Task 2. Upgrade physical infrastructure.	
Table 1. Upgrade physical infrastructure.	
Considerations: University will be a 90 year legacy. 50 of which are offered online (DPT's) Provide one class online development based on excellent quality and	
Strategy 3 A	
Support the Western Falls community by providing an elevated workforce, stimulating economic development, and working to a better life shaping the city's future.	
Table 1. Increase Western Falls graduation rates by 25% by 2018, 40% by 2022 and 40% by 2022. (2019-2020 baseline of 48%)	
Task 1. Identify a person or people responsible for identifying and making recommendations.	
Considerations: Based on the 6 year higher graduation rate report MSU has increased by 10% in 4 years in recent years. The annual 40% increase is 40% according to the National Center for Education Statistics.	
Table 1. Work with Western Falls Chamber of Commerce and industry to increase MSU student personal and professional as well as in the community for high school personnel in the county's surroundings by 10% by 2018 (2016 baseline of 10%)	
Task 1. Establish a liaison or manager to set up mentoring programs (career management) to work with business meeting the opportunity to work with interns.	
Task 2. Create a database of available internships by college, for example western falls, business and design, etc. The Chamber of Commerce has collected a database to assist with interns.	

CENTRAL CAMPUS SIDEWALKS



October 31, 2016



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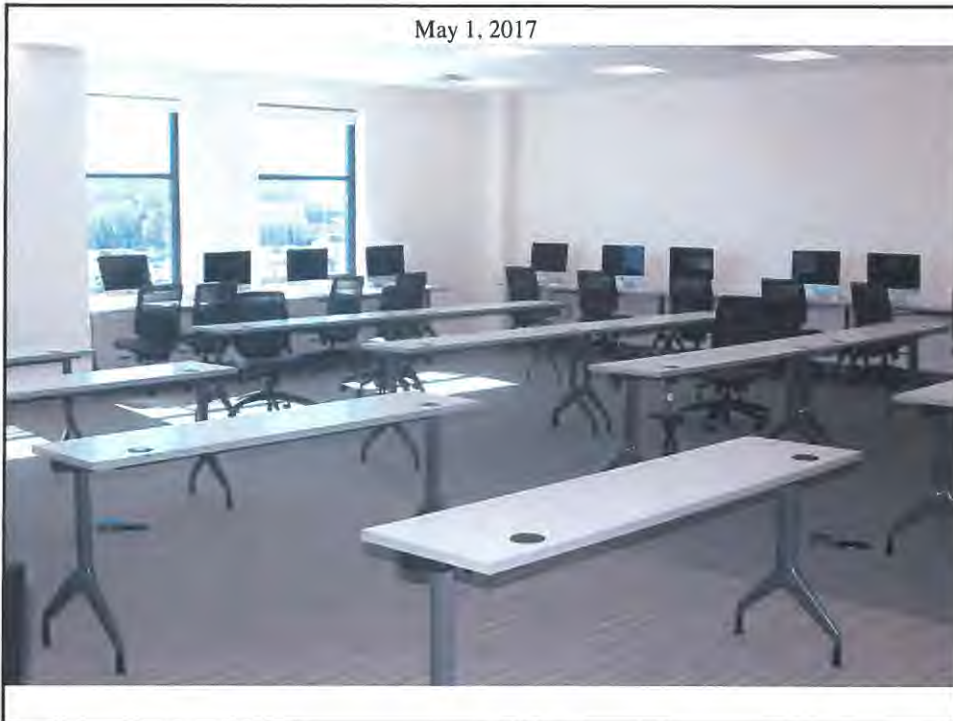


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May 1, 2017



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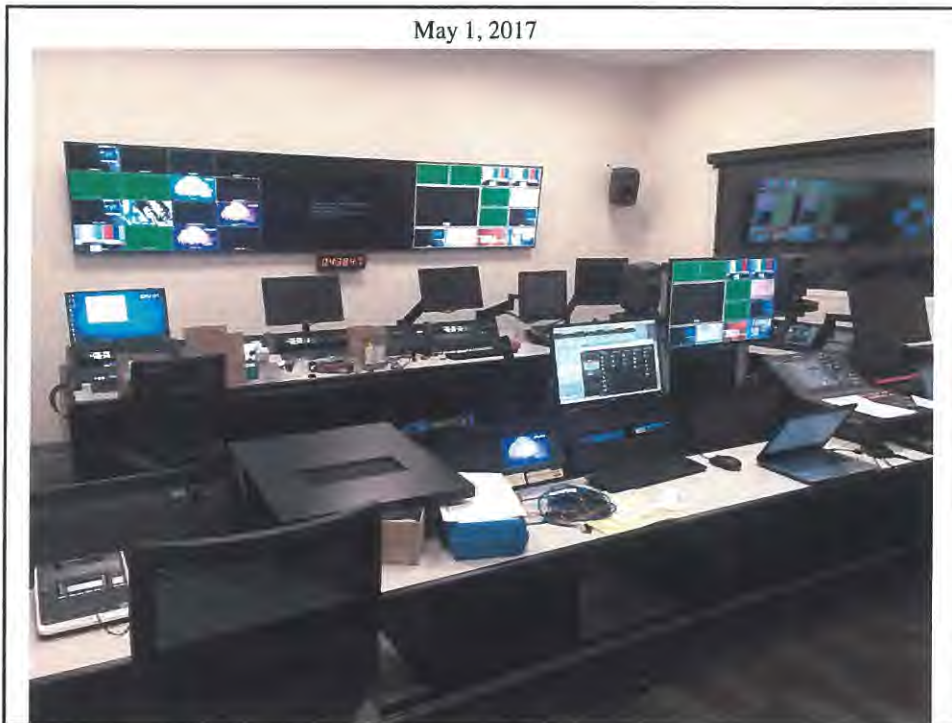


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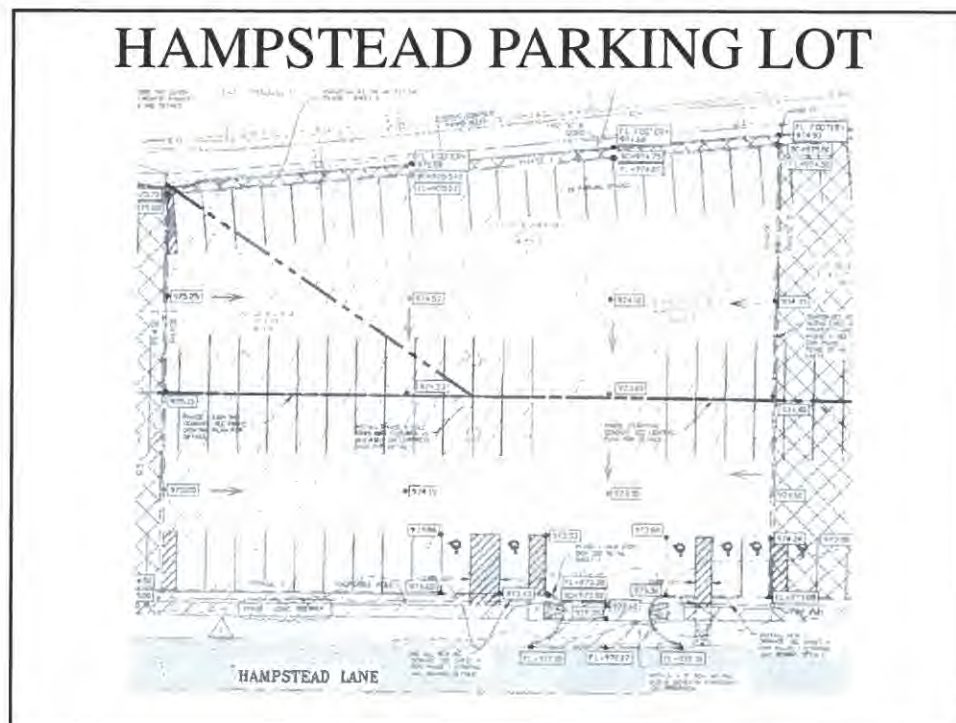
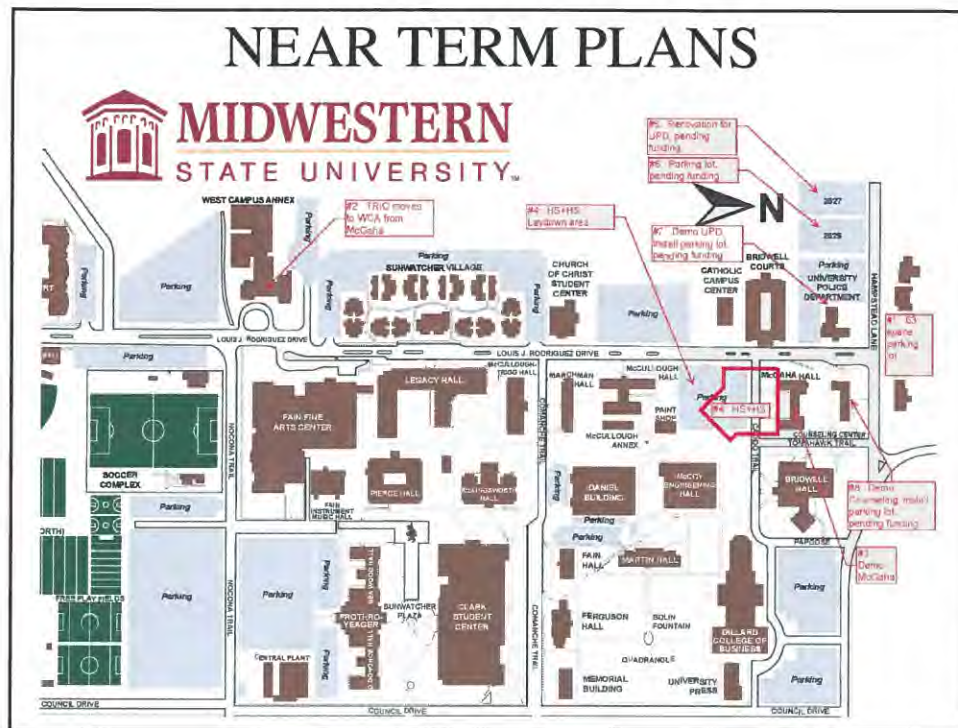
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April 3, 2017

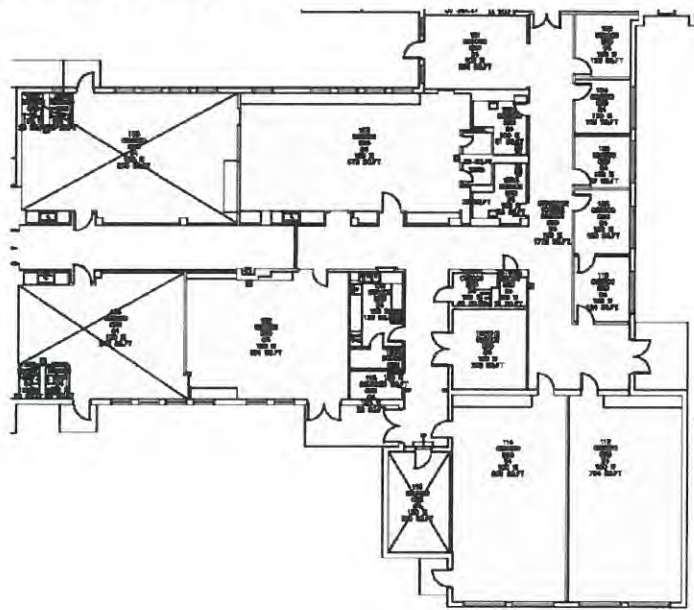


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WEST CAMPUS ANNEX MODS



October 31, 2016



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MINUTES
MIDWESTERN STATE UNIVERSITY
BOARD OF REGENTS
Academic and Student Affairs Committee
May 11, 2017

The Academic and Student Affairs Committee of the Board of Regents, Midwestern State University, met in regular session in the J. S. Bridwell Board Room, Hardin Administration Building, Wichita Falls, Texas, at 2:30 p.m., Thursday, May 11, 2017. Academic and Student Affairs Committee members in attendance were M. Nancy Marks, Acting Chair; Mr. Shawn Hessing; and Dr. Shelley Sweatt. Other regents attending the meeting were Mr. Warren Ayres, Ms. Tiffany Burks, Mr. R. Caven Crosnoe, Mr. Jeff Gregg, Mr. Sam Sanchez, and Student Regent Lindsey Shelley.

Members of the administration present included Dr. Suzanne Shipley, President; Dr. James Johnston, Provost and Vice President for Academic Affairs; Dr. Marilyn Fowlé, Vice President for Administration and Finance; Dr. Keith Lamb, Vice President for Student Affairs and Enrollment Management; Mr. Anthony Vidmar, Vice President for University Advancement and Public Affairs; Mr. Kyle Owen, Associate Vice President for Facilities Services; and Mr. Matthew Park, Associate Vice President for Student Affairs. Other university personnel attending the meeting included Dr. David Carlston, Chairman, MSU Faculty Senate; Ms. Angie Reay, Chair, MSU Staff Senate; Mr. Kyle Williams, Interim Director of Athletics; Ms. Kristi Schulte, Director of Residence Life; Mr. Barry Macha, General Counsel; Ms. Leigh Kidwell, Director of Internal Audits; Mr. Chris Stovall, Controller; Ms. Julie Gaynor, Director of Marketing and Public Information; Ms. Cindy Ashlock, Executive Assistant to the President; and Ms. Debbie Barrow, Director of Board and Government Relations. Student Government Association (SGA) representatives attending the meeting included Ms. Shayla Owens, Outgoing SGA President; Ms. Maria Peña, Incoming SGA President; and Mr. Charles Frazier, SGA Observer. Representing the news media were Ms. Lana Sweeten-Shults, Wichita Falls *Times Record News*; Mr. Ian Klein, News Channel Six; and Ms. Samaria Terry and Ms. Katya Guillaume, KFDX-TV 3. Community member George Adams also attended the meeting.

Mrs. Marks called the meeting to order at 2:30 p.m.

Reading and Approval of Minutes

17-82. The Academic and Student Affairs Committee approved the minutes of the February 9, 2017, meeting as presented.

Faculty Report

17-83. Dr. David Carlston, Chairman of the Faculty Senate, reported that during the recent Senate elections he was re-elected as Chairman for another year. He stated that transparency, collaboration, and relationships between the administration and faculty had been discussed a great deal in the recent past and he indicated he could not emphasize enough the change that had taken place in this regard during the last two years. He noted that there had been significant collaboration, fences were mended, and things were moving in the right direction. He reported that faculty were pleased to be involved with the Strategic Planning process, as well as a number of committees and task forces that had been at work during the year. He added that they were excited about the hiring of the new provost, and to have a familiar and well-qualified individual who understands MSU.

Dr. Carlston mentioned that the Information Resource Use and Security Policy would be presented for approval later in the meeting. He noted that this was a significant area of concern for the faculty and appreciated the collaboration with Dr. David Sanchez and Mr. Jim Hall in the development of the policy. He added that faculty were pleased that they would have representation as the handbook associated with this policy was developed.

Dr. Carlston noted that the Conflict of Interest, Conflict of Commitment, and Outside Employment and Activities Policy to be presented was also of significant concern to the faculty. He noted that the faculty in particular had worked closely with Ms. Kidwell, Mr. Macha, and Dr. Shipley to address concerns. He stated that faculty wanted to ensure that the policy did not limit their ability to engage in activities that were important as they worked toward tenure and promotion. Another piece of the policy dealt with outside employment which in some cases is important from a teaching perspective. He noted that as a clinical psychologist it would be difficult for him to teach a therapy course if he had not done therapy since he graduated from his Ph.D. program. He added that in some cases outside employment is important to faculty and staff for financial reasons as well. He stated that faculty were pleased with the way the policy had taken shape. He noted that they had requested that the policy and the implementation of the policy be revisited at the end of the next academic year so that the content and process for reporting and approval could be evaluated.

He stated that tenure and promotion were a significant process for faculty and encouraged the Board to spend time reviewing the faculty credentials. He added that after a faculty member is awarded tenure, there is a post-tenure review process and faculty must submit an annual report each year.

Mrs. Marks congratulated Dr. Carlston on his re-election and thanked him for his report.

Staff Report

17-84. Mrs. Marks noted that Ms. Angie Reay, Staff Senate Chair, would present information on behalf of the Staff Senate. She reported that Ms. Reay recently assumed a new role at MSU as Director of the Wellness Center. Mr. Reay reported that the Staff Senate had been very busy assisting with committees and initiatives on campus. She noted that staff members were represented on the Budget Oversight Committee, the Strategic Planning Committee, and the Capital Campaign Committee. She expressed appreciation for the opportunity the staff had to be a part of these important discussions. Ms. Reay reported that two staff members were recently honored as recipients of the "You Make a Difference" Award. She noted that recent award recipients were Mr. Stephen Draper, PC Network Services Technician, and Ms. Lisa Butler, Desktop Designer in the Print Shop. Ms. Reay reported that she would not return as Chair of the Staff Senate in the fall as her term had expired. She stated that voting was underway and she would present the new senators and officers in August.

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Mrs. Marks thanked Ms. Reay for her report.

Student Government Report

17-85. Mrs. Marks noted that the Student Government Association (SGA) outgoing President, Shayla Owens, would present her report and would introduce the incoming President.

Ms. Owens presented a video on the SGA accomplishments in the 2016-2017 school year (<https://www.youtube.com/watch?v=xHPPyMRzJks&feature=youtu.be>).

Ms. Owens then introduced the incoming SGA President Maria Peña. Ms. Peña thanked the Board for the opportunity to speak with them. She stated that she was a senior Political Science and History major. She reported that she was on the Model United Nations Team during the past year and in the coming year she would be doing EURECA research with Dr. Leland Turner. She indicated that she had been involved with SGA since her freshman year and had also worked with a number of campus organizations. She stated that she would talk with the Board in August about plans for the coming year.

Mrs. Marks thanked Ms. Peña and indicated that the Board looked forward to working with her in the coming year. She also congratulated Ms. Owens on her appointment as the new Student Regent.

Athletics Report

17-86. Mrs. Marks noted that Mr. Williams' Athletics Report was included in the Board Book for the Board's information. Mrs. Marks indicated that she was pleased to see that the MSU Mustangs accounted for 2,500 community service hours during the year. She noted that student-athletes worked with the Humane Society, Special Olympics, Meals on Wheels, the Food Bank, and Hotter 'N Hell Hundred.

May 2017 Graduating Class

17-87. Mrs. Marks reported that the administration recommended approval of the candidates for May 2017 graduation. She noted that 688 students were on the list compared to 672 in 2016. Mr. Hessing moved approval of these candidates as presented. Dr. Sweatt seconded the motion and it was approved.

Core Curriculum Changes

17-88. Mrs. Marks noted that the administration was recommending various changes to the core curriculum as outlined in the Board Book. She asked Dr. Johnston to review the recommendations as well as the overall process for approval. Dr. Johnston noted that the addition of Biology courses to the foundation area of the core represented ongoing updates to the Ecology curriculum and added courses to provide choice and flexibility for students based on their emphasis or major. He stated that some of the language course changes represented a requirement from the Texas Higher Education Coordinating Board (THECB) memo that disallowed skills courses in the optional area of the core. He explained that the courses that have "Culture of" in the title were the result of this change. He noted that rather than focusing on skills development, the courses would relate to the culture and context surrounding the language. He stated that the language courses titled "Intermediate" represented shuffling of courses between two areas of the core. Dr. Johnston noted that changes in the Fine Arts area that were identified in Item B were also in response to the THECB ruling noted above. He stated that all of the changes were vetted by the Core Curriculum Committee and Academic Council.

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Dr. Sweatt moved approval of this item as presented and Mr. Hessing seconded the motion.

Mr. Gregg noted that the Board Book showed the course GERM 2233 titled as Intermediate French. Ms. Barrow responded that this was an error and the course should have been titled as Intermediate German.

There being no further discussion the motion was approved with this correction.

Housing and Dining Service Rates

17-89. Mrs. Marks reported that the administration's recommended housing and dining rates for 2017-2018 and comparison charts were presented in the Board Book. She asked Dr. Lamb to comment on these recommendations. Dr. Lamb stated that he had asked Mr. Matthew Park, Associate Vice President for Student Affairs and Dean of Students, to assist with the presentation. Dr. Lamb reviewed the three primary reasons for the proposed rate considerations for FY 18.

1. He reminded the Board that in 2012, the firm of Brailsford and Dunlavey developed a housing master plan for MSU. At that time the plan consisted of one new facility, efficiency in operations, and a rate parity plan. The administration began efforts to enact the plan in 2013, beginning with rate parity between the traditional residence halls, McCullough-Trigg Hall, and Bridwell Courts. He reported that the administration had continued to work to bring the rates in line with one another.
2. Dr. Lamb reported that MSU's housing system had grown 143% since 2003 and noted that the system was debt-heavy. He stated that MSU had transitioned from a commuter institution to a residential institution during that time. He reported that new debt was issued for the new housing facilities. Additionally, in the mid-2,000's the Texas State Fire Marshall began investigating university housing facilities bring them in line with National Fire Protection Association Life Safety Code 101. The required modifications cost MSU several millions of dollars to upgrade Pierce Hall and Killingsworth Hall. He stated that with the exception of McCullough-Trigg Hall and Bridwell Hall, all housing facilities have debt because it is a relatively young housing system.
3. He stated that the administration had work to keep MSU rates at or below median when compared to Lone Star Conference schools and MSU's direct competitors.

Dr. Lamb referred to comparison charts shown in the Board Book. He noted that the proposed traditional hall rates (Pierce and Killingsworth) were at median when compared to the other schools' 2016-2017 rates. He indicated that the rate for MSU's semi-private suites (McCullough-Trigg Hall) ranked MSU 13th out of 14. MSU apartment rates rank 9th out of 11 for four bedroom units and 10th out of 14 for two bedroom units.

He stated that it was also important to look at the cost of the overall housing package, to include dining rates. This information was also presented in the Board Book. He noted that MSU's rate for the traditional residence hall and an All-Access, or maximum, meal plan compared to other schools, placed MSU at the median. He stated that the costs again compare MSU's proposed 2017-2018 rates to the other schools' current (2016-2017) rates.

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Dr. Lamb referred to the proposed housing and dining rates shown in the Board Book and noted they were listed as annual rates. He stated that the administration would like to bill students at a 60%/40% split beginning in the 2017-2018 school year. He explained that if a student signs a housing contract for the year they would pay 60% of the annual rate in the fall and pay the remaining 40% in the spring. He noted that this change was proposed to help increase spring occupancy. He added that spring occupancy is generally 8-10% less than fall occupancy. He stated that there is generally a large influx of new students in the fall and the university typically has a large graduating class in December. He reported that other institutions have used this payment option and have seen a good result. Dr. Lamb added that safeguards would be in place for students who receive financial aid at a 50%/50% split so that they would be billed at 50%/50%. Students would be allowed to ask for a waiver if the 60%/40% payment would cause a hardship. He added that students who graduate in December or are not enrolled in Wichita Falls classes during the spring semester would receive a 10% refund at the end of the fall semester.

Mr. Hessing moved approval of this item as presented and Dr. Sweatt seconded the motion.

Mr. Hessing stated that he recalled the study and discussion in 2012 and was pleased with the work that had been done on rate parity within the housing system. He encouraged the administration to continue working to ensure that rates are within the acceptable range and that MSU does not sit at the bottom of the comparison chart. He asked how many of MSU's competitors were using the 60%/40% split. Dr. Lamb responded that he was aware of one university in Texas, that being Texas Tech University. He noted that MSU representatives had visited with the Texas Tech housing, business office, and financial aid personnel.

Mr. Ayres asked if the rates recommended would fully fund the housing debt service. Dr. Lamb responded that the proposal and expected occupancy levels would fully fund the debt service. Mr. Ayres asked if the administration planned to bring Pierce Hall online in the fall. Dr. Lamb responded in the affirmative and noted that rooms were being assigned.

Dr. Sweatt asked how the All-Access meal plan worked. Mr. Park responded that the All-Access plan allowed a student unlimited swipes or access in the resident dining facilities, while with a Block plan every swipe deducted one meal from the Block. Dr. Sweatt asked what percentage of students purchase an All-Access plan. Mr. Park responded that the All-Access is the most popular plan and is selected by about 40% of the students. Dr. Sweatt asked if meals were offered on the weekends. Mr. Park responded that the residential dining facilities were open on the weekend, although not all of the retail locations remain open.

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Mr. Crosnoe stated that if the goal was for MSU to charge at or below the median, with other schools increasing their rates it would be impossible for MSU to reach the goal unless a greater than proportionate increase in MSU rates was approved at some point in time. Dr. Lamb responded that in 2013 MSU ranked last and the rates had moved closer to median over time. He indicated that the administration reevaluates the comparisons each year.

There being no further discussion, the motion was approved.

Faculty Emeritus Status

17-90. Mrs. Marks stated that this item would be discussed in closed session later in the meeting. She noted that the individuals recommended for emeritus status were reviewed in accordance with the policy the Board approved in August 2016. She added that this policy was shown in the Board Book.

Faculty Promotions and Faculty Tenure

17-91 & 92. Mrs. Marks noted that these items would also be discussed in closed session later in the meeting and asked Dr. Johnston to present general information regarding faculty promotion and tenure. Dr. Johnston reported that each year faculty prepare an annual performance report which outlines their achievements in the areas of teaching, scholarship, and service. He stated that when faculty apply for tenure and/or promotion, the annual report documents feed into the process and faculty prepare a portfolio application. Individuals on tenure-track who are seeking tenure must apply in their fifth and, if necessary, their sixth year to be granted tenure. Promotion is an elective process and a faculty member must wait until the fifth year after the last promotion to apply to move to the next rank. He indicated that some faculty choose to remain for a longer time in rank before applying for Associate or Full Professor. He noted that two tenure and promotion policies were currently active (2008 and 2014). He added that the 2008 policy was updated in 2014 to reflect the current mission and expectations of faculty in teaching and scholarship in particular. At that time, faculty on tenure-track were given the opportunity to stay on the 2008 plan or move to the 2014 plan if it was more suited to their progress. The faculty who elected to stay on the 2008 plan were allowed five years to apply under that plan.

Recess

The committee went into recess at 3:07 p.m. The committee reconvened at 4:34 p.m.

Executive Session

Mr. Sanchez announced that the Board of Regents Committee of the Whole and Academic and Students Affairs Committee would go into Executive Session to discuss Items 17-73A (Consultation with Attorney Regarding Legal Matters and Pending and/or Contemplated Litigation), 17-73B (Real Property), 17-73D (Personnel Matters), 17-73E (Deliberations Regarding Security Audits), 17-90 (Faculty Emeritus Status), 17-91 (Faculty Promotions), and 17-92 (Faculty Tenure) as allowed by Texas Government Code Sections 551.071, 072, 074, and 076. The Executive Session began at 4:34 p.m. Mr. Sanchez, Mrs. Burks, Mr. Gregg, Mr. Hessing, and Mrs. Shelley remained for the entire discussion. Mrs. Marks, Mr. Crosnoe, Mr. Ayres, and Dr. Sweatt remained for the session with the exception of the discussion of the YMCA Ground Lessor Agreement. Dr. Shipley, Mr. Macha, and Ms. Barrow remained for the session with the exception of the discussion of the extension of the President's Contract. Ms. Kidwell joined the session for the discussion of the security audit only, and Dr. Johnston participated only in the discussion of faculty emeritus, promotion, and tenure. The Executive Session concluded at 5:43 p.m.

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Open Meeting

The open meeting resumed at 5:44 p.m.

Emeritus Status

17-90. Mr. Hessing recommended the following individuals be granted emeritus status upon their retirement from MSU.

- Dr. Rodney Cate – Professor of Chemistry – 39 years
- Dr. Robert Clark – Professor of Sociology – 44 years
- Dr. Jesse W. Rogers – Professor of Chemistry – 48 years
- Ms. Elizabeth Yarosz-Ash – Professor of Art-Painting – 36 years

Dr. Sweatt seconded the motion and it was approved.

Faculty Promotions

17-91. Mrs. Marks recommended the following individuals for promotion.

From the Rank of Assistant Professor to Associate Professor:

Jesse Carlucci, Ph.D.	Geosciences
Todd Giles, Ph.D.	English
Terry Griffin, Ph.D.	Computer Science
Jane Leach, Ph.D.	Nursing
Christina McIntyre, Ph.D.	Curriculum and Learning
Stacia Miller, Ph.D.	Kinesiology
Lynette Watts, Ph.D.	Radiologic Sciences
Ray Willis, Ph.D.	Biology
Bradley Wilson, D.P.A.	Mass Communication

From the Rank of Associate Professor to Professor:

Adam Lei, Ph.D.	Finance
Michelle Knox, Ph.D.	Mathematics
Catherine Prose, M.F.A.	Art
Jianguo Shao, Ph.D.	Chemistry

Mr. Hessing seconded the motion and it was approved.

Faculty Tenure

17-92. Dr. Sweatt recommended the following individuals be granted tenure.

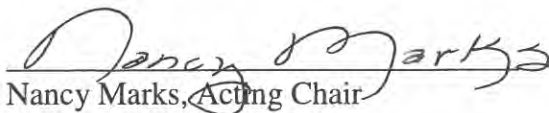
Jesse Carlucci, Ph.D.	Geosciences
Todd Giles, Ph.D.	English
Terry Griffin, Ph.D.	Computer Science
Matthew Luttrell, D.M.A.	Music
Christina McIntyre, Ph.D.	Curriculum and Learning
Stacia Miller, Ph.D.	Kinesiology
Kathleen Williamson, Ph.D.	Nursing
Ray Willis, Ph.D.	Biology
Bradley Wilson, D.P.A.	Mass Communication

Mr. Hessing seconded the motion and it was approved.

Adjournment

The meeting of the Academic and Student Affairs Committee adjourned at 5:47 p.m.

Reviewed for submission:

A handwritten signature in black ink, appearing to read "Nancy Marks", is written over a horizontal line.

Nancy Marks, Acting Chair

Midwestern State University

Board of Regents Academic & Student Affairs Committee

MINUTES
MIDWESTERN STATE UNIVERSITY
BOARD OF REGENTS
Finance Committee
May 11, 2017

The Finance Committee of the Board of Regents, Midwestern State University, met in regular session in the J. S. Bridwell Board Room, Hardin Administration Building, Wichita Falls, Texas, at 3:20 p.m., Thursday, May 11, 2017. Committee members in attendance were Mr. Jeff Gregg, Chairman; Mr. Warren Ayres; and Mr. R. Caven Crosnoe. Other regents attending the meeting were Ms. Tiffany Burks, Mr. Shawn Hessing, Ms. Nancy Marks, Mr. Sam Sanchez, Dr. Shelley Sweatt; and Student Regent Lindsey Shelley.

Members of the administration present included Dr. Suzanne Shipley, President; Dr. James Johnston, Provost and Vice President for Academic Affairs; Dr. Marilyn Fowlé, Vice President for Administration and Finance; Dr. Keith Lamb, Vice President for Student Affairs and Enrollment Management; Mr. Anthony Vidmar, Vice President for University Advancement and Public Affairs; and Mr. Matthew Park, Associate Vice President for Student Affairs. Other university personnel attending the meeting included Dr. David Carlston, Chairman, MSU Faculty Senate; Ms. Angie Reay, Chair, MSU Staff Senate; Mr. Kyle Williams, Interim Director of Athletics; Mr. Barry Macha, General Counsel; Ms. Leigh Kidwell, Director of Internal Audits; Mr. Chris Stovall, Controller; Ms. Julie Gaynor, Director of Marketing and Public Information; Ms. Cindy Ashlock, Executive Assistant to the President; and Ms. Debbie Barrow, Director of Board and Government Relations. Student Government Association (SGA) representatives attending the meeting included Ms. Shayla Owens, Outgoing SGA President; Ms. Maria Peña, Incoming SGA President; and Mr. Charles Frazier, SGA Observer. Representing the news media were Ms. Lana Sweeten-Shults, Wichita Falls *Times Record News*; Mr. Ian Klein, News Channel Six; and Mr. Stephen Gomez, *The Wichitan*.

Chairman Gregg called the meeting to order at 3:20 p.m.

Reading and Approval of Minutes

17-93. The Finance Committee approved the minutes of the February 9, 2017, meeting as presented.

Summary of Financial Support through March 30, 2017

17-94. Mr. Gregg highlighted some of the gifts received since the last meeting of the Board.

- A. The Priddy Foundation agreed to assist with the expenses and operations of the MSU Comprehensive Campaign for five years with a grant of \$100,000 each year.
- B. The Akin Music Series received a donation of \$37,500 from Mr. and Mrs. Joe N. Prothro.
- C. The Better Business Bureau of North Central Texas contributed \$30,000 to the Louis J. Rodriguez Ethics Scholarship.

- D. Mr. Reno Gustafson with Falls Distributing Company contributed \$12,000 to the Mustangs Athletics Club as a 2016-2017 Corporate Sponsor.
- E. A donation of \$5,000 was received from Mr. and Mrs. Dennis Barnes to support men's golf.
- F. Mrs. David Kimbell, Sr. donated \$5,000 to the President's Excellence Circle for 2016-2017.

Mr. Gregg stated that the support from the community, alumni, and friends continues to be outstanding. He then asked Mr. Vidmar to review his report.

Mr. Vidmar reviewed the reports included in the Board Book. The first report was the monthly comparison of new gifts and commitments through the end of March. This report showed that 50.07% of the yearly goal had been reached through 58.44% of the fiscal year. He indicated that these totals were within the acceptable parameters. He noted that the second report was similar but did not include pledges. He stated that total cash and grants represented 44.6% of the goal. The third report was the pie chart showing sources of gifts. The final report presented information regarding giving to the President's Excellence Circle (PEC) during the last two years. He acknowledged Peyton and Jane Carnes for their leadership with the PEC.

Mr. Gregg thanked Mr. Vidmar for his reports and comments. He reminded Board members that thank you notes were in their folders and encouraged them to write to the individuals they were assigned.

Comprehensive Campaign Update

17-95. Dr. Shipley presented information as shown in Attachment 1. She noted that the Campaign Planning Committee thought it would be helpful for people involved at MSU to have campaign talking points (Slide Two). She emphasized the three pillars of the campaign, which are to enrich lives, enhance teaching and learning, and invest in our campus and community. Dr. Shipley reported that one of the first things the group did was to create visuals that would be used for the life of the campaign. She noted that the MSU Texas logo would be used on all of the campaign promotional literature. Slides Three through Six showed business cards, letterhead, notecards, and folders that would be used.

Dr. Shipley noted some of the ideas used in the development of the campaign concepts (Slide Eight). The presentation included samples of various folders and booklets that would be used, as well as sample interior spreads. She stated that each booklet would be personalized depending on the donor and the request. She mentioned that the tagline of "Boundless Opportunities" was selected to express the university's connection with the past and movement toward the future.

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Dr. Shipley explained that the campaign was focused first on the stadium because it will tell the administration and Board whether or not there is the interest required to move forward. She indicated that during the summer they would ask various individuals about

the stadium. She noted that they were in the planning phase of the campaign and were getting ready to move to the quiet phase. She stated that the campaign would continue in the quiet phase until commitments reached approximately 65-75% of the goal that has been set. At that time a public announcement would be made to finish the campaign with the last 25-30% of the goal. She stated that they would move to PEC members in the fall and added that she would meet individually with each Regent. She encouraged them to think about what they could give as part of the campaign. She added that they would also be reaching out to alumni and donors yet undiscovered. She indicated that she wanted to give the Board an opportunity to ask questions and share any concerns related to the campaign.

Mr. Sanchez asked if there would be a digital piece to the campaign. Dr. Shipley responded that the materials shown were for her person-to-person conversations with people. She added that part of the outreach would include social media and e-mail contact. Mr. Sanchez noted that options for giving through a phone or tablet were growing in popularity and mentioned receiving a request for funding through a GoFundMe account.

Mrs. Burks asked how the goal of \$50 million was determined. Dr. Shipley responded that in setting a campaign goal it is important to look at average giving per year, to include some of the best giving years, and to multiply that number by the number of years in the campaign. She stated that a goal of \$7 million per year for the seven years of the campaign was appropriate based on passed giving; the goal was expanded to \$50 million. She added that she and Mr. Vidmar had set lower goals for her first two years while she had an opportunity to get to know individuals in the community. She noted that the campaign would coincide with MSU's 100th birthday in 2022, which would be a great time to celebrate.

Mr. Gregg noted that this item was presented as a point of information only and no action was necessary.

Financial Reports

17-96. Mr. Gregg stated that the administration recommended acceptance of the January, February, and March, 2017, Financial Reports as previously distributed. He noted that Dr. Fowlé's summary report was included in the Board Book. Mr. Ayres moved approval of this item as presented. Mr. Crosnoe seconded the motion and it was approved without discussion.

Investment Report

17-97. Mr. Gregg indicated that the administration recommended the Board's acceptance of the second quarter FY 2017 investment report as previously distributed. He stated that Dr. Fowlé's report summary was presented in the Board Book. Mr. Crosnoe moved the acceptance of the investment report as presented. Mr. Ayres seconded the motion and it was approved without discussion.

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Public Funds Investment Act Compliance

17-98. Mr. Gregg noted that the administration requested Board approval of the training received by Dr. Marilyn Fowlé and Mr. Chris Stovall as required by the Public Funds

Investment Act as presented in the Board Book. Mr. Ayres moved approval of this item as presented. Mr. Crosnoe seconded the motion and it was approved without discussion.

Salary/Title/Position Changes in 2016-2017 Budget

17-99. Mr. Gregg stated that the reports of personnel changes in January through March, 2017 were presented in the Board Book for ratification. He noted that six faculty and staff positions were filled above or below the budgeted amount, six staff members were promoted, a faculty member received the doctorate and salary increase, and two positions were reclassified. Mr. Crosnoe moved the ratification of these changes as presented. Mr. Ayres seconded the motion, and it was approved.

Testing Services Fee Increase

17-100. Mr. Gregg noted that the administration recommended increasing the fee for the ATI TEAS (Test of Essential Academic Skills) fee from \$50 to \$60 as presented in the Board Book. He asked Dr. Lamb to provide additional information. Dr. Lamb noted that the testing company increased the cost of the test by \$10 and, through this recommendation, the increase would be passed on to the students taking the exam. Mr. Crosnoe asked how many people take the exam every year. Dr. Johnston responded that applicants to the Dental Hygiene and Respiratory Care programs take this exam. He stated that these are competitive admission programs and there are generally two or three applicants per seat available in those programs. It was estimated that more than 100 students take the exam during each cycle.

Mr. Ayres moved approval of this increase effective with the fall 2017 semester. Mr. Crosnoe seconded the motion and it was approved.

Motor Vehicle Registration Fee

17-101. Mr. Gregg indicated that in keeping with the plan established in 2016, the administration recommended increasing the Motor Vehicle Registration Fee for students by \$20 per year. He asked Dr. Lamb to present information regarding this recommendation. Dr. Lamb reported that in the spring of 2016 the administration visited with the Student Government Association (SGA) about a plan to systematically increase parking fees by \$20 per year until funds were available to pay the debt service required for a parking garage. The fee in 2016 was \$50 per year. The SGA overwhelmingly endorsed the recommendation and the fee was increased to \$70 per year beginning in the fall of 2016. The administration met with the SGA in the spring of 2017 and they again endorsed this plan for yearly increases. He noted that that the recommended \$20 increase would bring the fee to \$90 per year, with a fee of one-half that amount for students attending in the summer only. Dr. Lamb mentioned that this increase would generate approximately \$80,000 per year in additional revenue. He noted that this revenue would be used to pay debt service on student parking.

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Mr. Crosnoe asked if this revenue would pay for parking that had not yet been constructed. Dr. Fowlé responded that it would not. She indicated that the new lot next to the West Campus Annex was built in 2016 at a cost of approximately \$500,000. She noted that by increasing this fee each year, the cost of the lot would be paid off in the third year. She added that funds were not available currently to build a garage and consideration of next steps would be made in the coming years. Mr. Gregg asked if

students were expecting this increase would be put toward a parking garage. Dr. Lamb responded that the students were aware that the construction of a garage was still several years off.

Mr. Gregg asked if the administration had received any pushback from the students about increasing the fee each year. Dr. Lamb responded that at the Student Senate meeting questions and concerns were raised, but at the end of the meeting a majority of the students supported the plan. Mrs. Burks asked who was present at the meeting. Dr. Lamb responded that Student Senators were present and Ms. Owens indicated that this meeting had the highest attendance of the year owing to the announced discussion of tuition and fees. Ms. Shelley responded that she attended the meeting, as did Dr. Lamb, Mr. Park, Dr. Shipley, and Dr. Fowlé. She stated that the students did not want a large increase all at once and were supportive of the yearly increase, with the understanding that the administration was working toward a parking garage in the future.

Mr. Hessing asked if the administration had seriously considered a multi-tiered fee structure so that students would pay more for close parking and less for remote parking. Dr. Lamb responded that various options had been considered but they had not come to any definitive conclusion regarding the best plan for MSU.

Mr. Ayres moved approval of this item as presented. Mr. Crosnoe seconded the motion and it was approved.

FY18 Budget, Tuition and Fee Review, and Recommendations

17-102. Mr. Gregg noted that Dr. Shipley and Dr. Fowlé would discuss the 2018 budget, and review tuition and fees recommendations. Dr. Shipley reported that the recommendations regarding tuition and fees were presented to the SGA during the meeting when the Motor Vehicle Registration Fee was discussed. She noted that several bills had been filed in the Texas Legislature related to freezing tuition and fees in coming years. She added that one of the key bills moving through the legislature would freeze tuition and fees in FYs 2019-2021 at the current year's rates. She noted that while it was not certain if such legislation would be approved, the administration considered numerous options in light of the uncertainty. The administration decided to recommend not raising tuition and to recommend a modest increase to the University Services Fee. She added that this would result in an overall student cost increase of an average of \$111 per student. She indicated that Dr. Fowlé would walk through the recommendation and how it was determined.

Dr. Fowlé reviewed a presentation on the proposed tuition and fee rates for FY 2018 (see Attachment 2), which mirrored the description and table shown in the Board Book. Slide Five reviewed the areas that would be funded through the recommended increases.

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Dr. Fowlé noted the explanation in the Board Book regarding a new International Recruitment Fee, which would be a non-mandatory fee since it would only affect international students. Dr. Lamb stated that MSU uses an agent model to recruit students to MSU from around the world. He stated that the university relies on a network of agents throughout the world to identify, qualify, and send students to MSU.

He added that the agent fees vary greatly and this proposed fee would be charged to international students, with the rate dependent on their country of origin and what is required of the agents in those countries.

Dr. Fowlé referred to Slide Seven that provided the FY 2018 Fee Increase Reconciliation. She explained that the university was anticipating a \$1.25 million appropriation reduction from the state in FY 2018, including a \$250,000 reduction in health insurance funding. She noted that the proposed 2.5% increase would offset the anticipated funding reduction. She added that the administration would consider reallocations and reductions totaling \$1.4 million to provide funding to address mandatory increases, pay raises, and other priority expenses. Dr. Shipley indicated she preferred that the information on the slide be presented differently. She noted that it was important for students to know that while MSU anticipated a \$1.25 million reduction from the state, Dr. Fowlé and her team covered that deficit and more by reducing expenses and reallocating funds. Dr. Shipley stated that she did not want it said that tuition and fees increased at MSU as a result of a loss in state funding. She commented that if the state reduced funding to MSU, the university would need to do more with less. Dr. Fowlé noted that the goal was to have a balanced budget. She added that final budget figures would not be known until closer to the end of the legislative session.

Mr. Gregg commented that several years previously Governor Rick Perry launched an initiative whereby students could attend a state institution of higher education with a fixed tuition rate for four years. He expressed concern that the university could be criticized for increasing fees and perhaps being accused of making an “end run” around fixed tuition. Ms. Barrow commented that MSU had offered fixed tuition to all students since it was required while the majority of institutions had offered fixed tuition as a choice for students. She indicated that the fixed tuition would remain in place with this recommendation.

Mr. Hessing asked if the administration had information on the increases being considered by other Texas institutions. Dr. Fowlé responded that at a recent meeting she had heard of increases between 1.8% and 3.9%. Mr. Hessing indicated that it was important for the administration to keep an eye on what others were doing in the marketplace. He indicated that he appreciated the work that had been done and stated that he would like to receive additional detail on the increases and decreases in the budget.

Mr. Crosnoe moved approval of the recommended tuition and fee changes as presented. Mr. Ayres seconded the motion.

Mr. Crosnoe stated that although Dr. Givens was not present he wanted to acknowledge him and his interest in carefully considering any increase in tuition and fees. He indicated his support for the motion, and noted that Dr. Givens would likely have spoken against the recommendation.

There being no further discussion, the motion was approved.

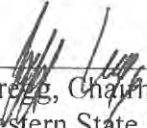
Mr. Sanchez commented that in April, Board members were asked for feedback regarding whether a budget workshop should be held each year or every other year. Three regents indicated that they would like to continue the yearly workshop. He noted that since the budget process was on hold until the appropriations bill was finalized, the administration had proposed offering a time for those three members and others who would like to come to campus on Thursday morning of the August Board meeting for a budget briefing. He asked Board members to let Ms. Barrow know if they were interested in attending this session on the morning of August 3. The majority of the regents indicated they would be interested in attending.

17-103. No Item.

Adjournment

The Finance Committee discussion concluded at 4:14 p.m.

Reviewed for submission:



Jeff Gregg, Chairman
Midwestern State University
Board of Regents Finance Committee

ATTACHMENTS:

1. Comprehensive Campaign Presentation
2. FY18 Budget, Tuition and Fee Review, and Recommendations Presentation



CAMPAIGN TALKING POINTS



MSU is embarking on a comprehensive campaign that spans 7 years with a goal of \$50M. It will culminate in the university's centennial celebration.

The three pillars of the campaign are:

- Enriching lives,
- Enhancing teaching and learning,
- Investing in our campus and community.



While the campaign includes capital projects, they are not the centerpiece of the campaign—students are. We will be seeking scholarships as our primary goal to continue to offer an attainable college degree at MSU Texas.



The key to a successful college experience is the student interaction with faculty, staff and peers. The second pillar of the campaign strengthens all aspects of the student experience—in the classroom, across the campus, and in all those experiences that enrich personal growth, such as athletics, Greek life, service, international study, internships, and undergraduate research.



The third pillar is our commitment to maintain a beautiful and welcoming campus—the most impressive residential campus in this state. We hope to expand athletic facilities and upgrade classrooms, labs, and performance venues. Finally, we want our campus to contribute to the liveliness of our hometown. We want to enrich Wichita Falls with our presence through events, well-prepared graduates, and the sharing of important facilities. We hope to move football to our campus and enrich the performing arts with enhancements to our artistic venues.

Thank you for your interest in our campaign. Every gift, no matter its size, matters to us. We are most interested in casting a broad net to include all our supporters in celebrating our first hundred years and prepare us for an even better second century.

Vertical option



LETTERHEAD – PRINTED CAN MATCH WORD TEMPLATE



NOTECARD

MSU TEXAS • ROUNDTREE OPPORTUNITIES • COMMUNITY ENGAGEMENT



FOLDER



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CASE STATEMENT/PROPOSAL FOR MAJOR GIFT PROSPECTS

Design solution using digital printing

- Distinctively MSU Texas
 - bigger, bolder, boundless
- Personalized
- Customized
- Cost and time efficient
- Smaller booklet will complement major gift case statement

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11" x 17" cover mockups

- Page size designed to fit on standard digital print sheet (generally 12 x 18)
- Short-fold cover allows for internal front pocket (see next slide)
- Customizable with variable data
- Photos are placeholders only



Size compared to 8.5" x 11" booklet



"Blue Sky" option

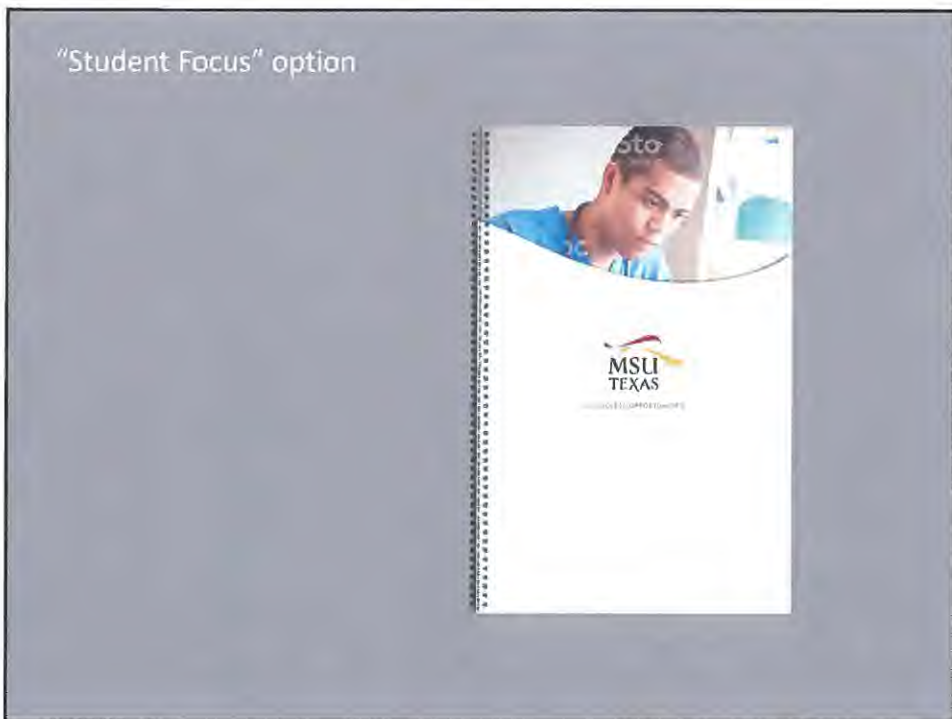
- Pocket can be created a number of ways
- Note existing proposal cover



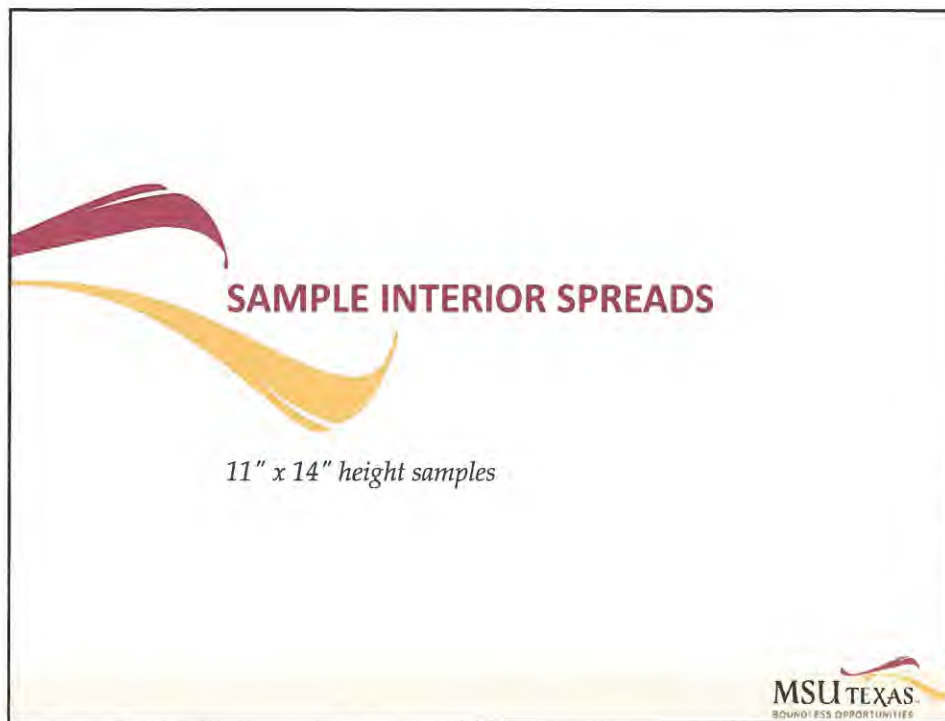
"Collage" option

- Updated Word template (TBD by final booklet design)

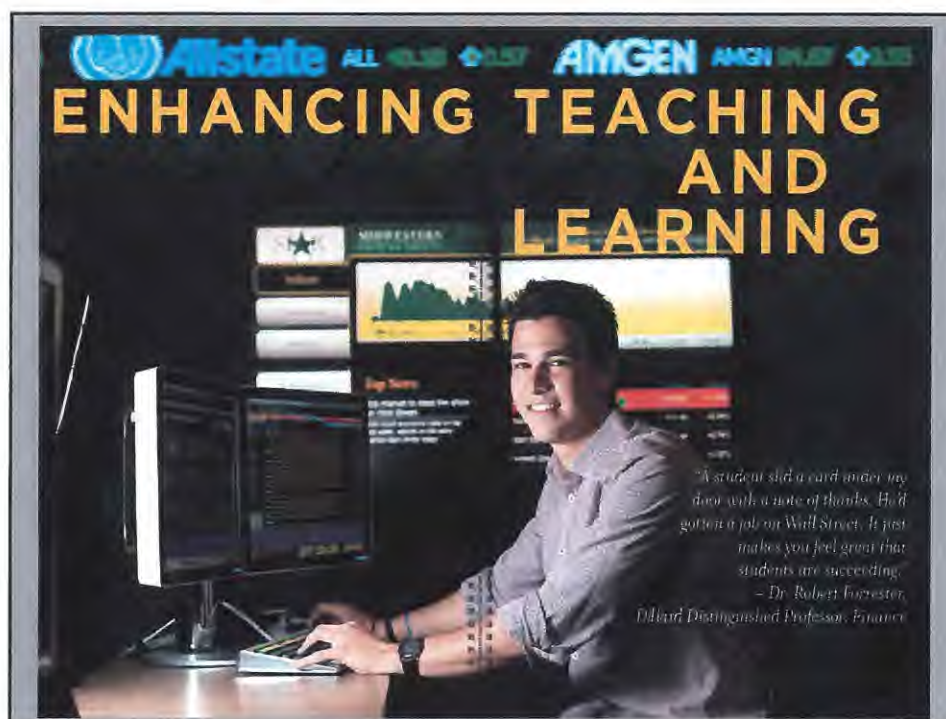


















University Services Fee

- Propose an increase for all students to a semester credit hour rate of \$72.65 per semester credit hour
 - This would increase the fee from \$66.25 to \$72.65 per semester credit hour.
 - The increase would be \$6.40 per semester credit hour.
 - Fifteen semester credit hours would be an increase of \$96 per semester.

Instructional Enhancement Fees



- Propose an increase of four current rates:
 - Courses taken in the College of Humanities and Social Sciences would increase by \$3, from \$11 to \$14 per semester credit hour.
 - Courses taken in the College of Science and Mathematics would increase by \$2, from \$18 to \$20 per semester credit hour.
 - Courses taken in the College of Health Sciences and Human Services would increase by \$1, from \$23 to \$24 per semester credit hour.
 - The nursing IEF differential would increase from \$25 to \$32 per semester credit hour.

Mandatory Tuition and Fee Schedule Comparison
Fall 2016 to Proposed Fall 2017

	Freshmen Fall 2016 15 Hours	New Freshmen Fall 2017 15 Hours	Sophomores Fall 2017 15 Hours	Juniors Fall 2017 15 Hours	Seniors Fall 2017 15 Hours
State Tuition	\$ 750.00	\$ 750.00	\$ 750.00	\$ 750.00	\$ 750.00
University Designated Tuition	1,857.75	1,857.75	1,857.75	1,821.00	1,785.00
Student Union/Center Fee	55.00	55.00	55.00	55.00	55.00
Recreational Center Fee	120.00	120.00	120.00	120.00	120.00
Student Service Fee	250.00	250.00	250.00	250.00	250.00
Athletic Fee	120.00	120.00	120.00	120.00	120.00
Instruct Enhancement Fees - avg*	242.50	257.50	257.50	257.50	257.50
University Services Fee	993.75	1,089.75	1,089.75	1,089.75	1,089.75
Total for 15 SCH	\$ 4,389.00	\$ 4,500.00	\$ 4,500.00	\$ 4,463.25	\$ 4,427.25
Fall 2016 Charge		\$ 4,389.00	\$ 4,389.00	\$ 4,352.25	\$ 4,316.25
Proposed University Services Fee increase		\$ 96.00	\$ 96.00	\$ 96.00	\$ 96.00
Overall Percentage Increase over Fall 2016		2.467%	2.467%	2.487%	2.507%
Per Semester Credit Hour	Actual Fall	Proposed	Proposed	Proposed	Proposed
Designated Tuition	\$ 123.85	\$ 123.85	\$ 123.85	\$ 121.40	\$ 119.00
University Services Fee	66.25	72.65	72.65	72.65	72.65
Instructional Enhancement Fees:					
Humanities and Social Sciences	11.00	14.00	14.00	14.00	14.00
Science and Mathematics	18.00	20.00	20.00	20.00	20.00
Health Sciences and Human Services	23.00	24.00	24.00	24.00	24.00
Nursing Differential	25.00	32.00	32.00	32.00	32.00

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Tuition and Fee Proposal



Uses of Increase



- Provide Scholarships – continue offering scholarships to qualified students
- IT Costs – rising costs on software and security measures
- Desire to accelerate consolidation of student services, including space for tutoring
- Faculty and Staff salary increases - to keep up with the cost-of-living and retain good employees
- Health insurance increases – expect increases again next year because of the Affordable Healthcare Act
- Cost to operate new Mass Communications facility including increased utility costs
- Increasing instructional costs per student SCH – nursing program, equipment warranties, and humanities

Non-mandatory fee



- International Recruitment Fee – a new Pass-through Agent fee will be assessed to international students in the amount of the agent's charge for up to two years

FY18 Fee Increase Reconciliation



Estimated Appropriation reduction	(\$1,250,000)
Projected revenue increase with fee and enrollment increase	<u>\$1,250,000</u>
Available new resources	\$ 0
Other reallocations, reductions	(\$1,410,000)
Mandatory expense increases	426,000
Pay raises	800,000
Other new priority expenses	<u>306,000</u>
Available resources	\$ 0



MINUTES
MIDWESTERN STATE UNIVERSITY
BOARD OF REGENTS
Audit, Compliance, and Management Review Committee
May 11, 2017

The Audit, Compliance, and Management Review Committee of the Board of Regents, Midwestern State University, met in regular session in the J. S. Bridwell Board Room, Hardin Administration Building, Wichita Falls, Texas, at 4:15 p.m., Thursday, May 11, 2017. Committee members in attendance were Ms. Tiffany Burks, Chair; Mr. Jeff Gregg; and Mr. Shawn Hessing. Other regents attending the meeting were Mr. Warren Ayres, Mr. R. Caven Crosnoe, Ms. Nancy Marks, Mr. Sam Sanchez, Dr. Shelley Sweatt, and Student Regent Lindsey Shelley.

Members of the administration present included Dr. Suzanne Shipley, President; Dr. James Johnston, Provost and Vice President for Academic Affairs; Dr. Marilyn Fowlé, Vice President for Administration and Finance; Dr. Keith Lamb, Vice President for Student Affairs and Enrollment Management; Mr. Anthony Vidmar, Vice President for University Advancement and Public Affairs; and Mr. Matthew Park, Associate Vice President for Student Affairs. Other university personnel attending the meeting included Dr. David Carlston, Chairman, MSU Faculty Senate; Ms. Angie Reay, Chair, MSU Staff Senate; Mr. Jim Hall, Chief Information Security Officer; Mr. Kyle Williams, Interim Director of Athletics; Mr. Barry Macha, General Counsel; Ms. Leigh Kidwell, Director of Internal Audits; Mr. Chris Stovall, Controller; Ms. Julie Gaynor, Director of Marketing and Public Information; Ms. Cindy Ashlock, Executive Assistant to the President; and Ms. Debbie Barrow, Director of Board and Government Relations. Student Government Association (SGA) representatives attending the meeting included Ms. Shayla Owens, Outgoing SGA President; Ms. Maria Peña, Incoming SGA President; and Mr. Charles Frazier, SGA Observer. Representing the news media were Ms. Lana Sweeten-Shults, Wichita Falls *Times Record News*; Mr. Ian Klein, News Channel Six; and Mr. Stephen Gomez, *The Wichitan*.

Chair Burks called the meeting to order at 4:15 p.m.

Reading and Approval of Minutes

17-104. The Audit, Compliance, and Management Review Committee approved the minutes of the February 9, 2017, meeting as presented.

Potential Conflict of Interest Disclosure and Compliance with Ethics Commission Filing Requirements

17-105. Mrs. Burks reported that each year during the May Board meeting each Regent, other than the Student Regent, is asked to confirm in writing that they have received notification of the state and university ethics policies, and have filed a Personal Financial Statement with the Texas Ethics Commission as required by state law. Board members were asked to sign the acknowledgment form provided and return it to Mrs. Barrow at their earliest convenience.

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Mrs. Burks asked if any Board members wished to disclose any potential conflicts of interest in accordance with Policy 2.25, Ethics Policy for the Board of Regents. No disclosures were made and Mrs. Burks stated that no further action was required.

Compliance Activities Update

- 17-106. Mrs. Burks noted that an update on compliance activities since the last Board meeting was prepared by Mr. Stovall and was presented in the Board Book. This item was presented for information only.

Audit Activities Update

- 17-107. Mrs. Burks reported that Ms. Kidwell's update on audit activities since the last Board meeting was shown in the Board Book. She noted that this item was presented as a point of information only. Mrs. Burks added that Ms. Kidwell was working on her audit plan for the coming year. She encouraged Board members to inform Ms. Kidwell of any issues they were aware of that might open the university to some type of risk so that she could include those areas in the audit plan she would present to the Board in August.

Review of Procurement Card Policies and Controls

- 17-108. Mrs. Burks stated that Ms. Kidwell's report on this review was presented in the Board Book. She noted that Ms. Kidwell had asked for Board action to accept the report as presented and was available to answer any questions the regents might have. Mr. Hessing moved acceptance of the report as presented. Mr. Gregg seconded the motion.

Mr. Crosnoe asked Ms. Kidwell to comment on how large the problem was. Ms. Kidwell responded that there was significant non-compliance with policies and protocols, although the dollar amounts were not large. She noted that this was reflected in the number of recommendations and management action items that were listed in the report. Mr. Crosnoe asked how much of the noncompliance was intentional as opposed to unintentional. Ms. Kidwell responded that the majority were unintentional. Ms. Kidwell added that the largest item of concern was the risk with the amount of money that could be charged on procurement cards each month. She noted that if every employee charged the maximum amount allowed every month, it would be more than \$1 million. She added that because of this large risk it was listed in the report as the number one concern. Mr. Crosnoe asked if that would be changed. Ms. Kidwell responded that charge limits were being adjusted and the campus would receive training as needed. Mrs. Burks asked if consequences or actions were taken with regard to the intentional non-compliance. Ms. Kidwell responded that steps were taken and that intentional and unintentional actions had been addressed and corrected. Mr. Hessing asked Ms. Kidwell to provide a follow-up report to the Board when enough time had passed to ensure policy and behavior changes had been made.

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There being no further discussion, the motion was approved.

Information Resources Use and Security Policy Agreement

- 17-109. Mrs. Burks noted that the proposed agreement was shown in the Board Book and was presented for approval. She indicated that this new agreement met the requirements of the Texas Administrative Code (TAC), Chapter 202. She noted that Jim Hall, Chief

Information Security Officer, and Dr. Fowlé were available to answer questions related to this item. Mr. Hessing moved approval of the agreement as presented. Mr. Gregg seconded the motion.

Mr. Hessing asked if this was a housekeeping issue. Mr. Hall responded that it was developed specifically to address TAC 202 and requirements of the controls. Mr. Hessing asked if steps were being taken for MSU to be in compliance with TAC 202. Mr. Hall responded affirmatively.

There being no further discussion, the motion was approved.

MSU Policies and Procedures Manual Changes

17-110. Changes to the *MSU Policies and Procedures Manual* were recommended for approval and discussed as summarized below.

- a. Policy 4.138, Key Authorization – Mrs. Burks noted that changes to this policy would eliminate the maximum fee that could be charged per incident and updated titles and references related to Residence Life and Housing.
- b. NEW Policy 3.325, Conflict of Interest, Conflict of Commitment, and Outside Employment and Activities – Mrs. Burks noted that this was a proposed new policy that was developed to comply with Senate Bill 20 passed by the Eighty-Fourth Texas Legislature. She asked Ms. Kidwell to review this recommended new policy. Ms. Kidwell noted that this policy would affect all faculty and staff. She stated that the policy would provide a transparent system of disclosure, approval, and documentation of all employment and outside activities and would ensure compliance with state ethics laws and university policies. She noted that the policy was intended to provide the framework to clearly delineate the permissible outside employment activities, including board service, for employees. She stated that outside employment and activities would be permitted as long as they do not interfere with university duties and responsibilities or create a conflict of interest or commitment. She added that the Faculty Senate, Staff Senate, and Administrative Council had reviewed and approved this policy.

Mr. Crosnoe asked if a template was followed in developing the policy. Mr. Macha responded that they looked at policies from other universities, and took things from others, primarily the University of Texas at Austin. He added that the policy was fully vetted with campus constituents and was modified to fit Midwestern State University needs. Mr. Crosnoe asked if it was safe to say that the campus was comfortable with the policy at this pre-implementation stage. Mr. Macha indicated it was, but stressed that the policy would be revisited in one year to be certain it was working as intended.

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- c. NEW Policy 4.197, Information Resources Use and Security Policy – Mrs. Burks reported that this proposed new policy was developed to bring the institution into compliance with TAC, Chapter 202. She asked Dr. Fowlé and Mr. Hall to present this item. Dr. Fowlé stated that the policy had been vetted through all of the campus governance groups and received approval. She noted that during the February 2017

meeting, it was thought that an additional 20 policies would need to be developed to ensure compliance. She stated that since that time Mr. Hall had worked to develop this single, overarching policy. She added that upon approval of this policy, Mr. Hall would create an Information Security Handbook to establish the information security program framework for the university. She stated that the Handbook would be developed during the summer of 2017 and would be vetted through the governance groups during the fall. She noted that highlights of the policy included acceptable use, security awareness training, and data classification. She added that the policy would be reviewed and updated if necessary each year.

Mr. Sanchez asked if the university had mechanisms in place to safeguard information, particularly since guests are allowed to use the MSU wireless network. Mr. Hall responded that people that connect to MSU's wireless guest network, are segmented away from any of the faculty, staff, and student subnets. Mr. Sanchez asked if there was training that would apply to students. Mr. Hall responded that the security awareness training vendor the university uses for faculty and staff provided a home course that could be provided to students.

Mr. Gregg moved approval of the policy changes presented. Mr. Hessing seconded the motion and it was approved.

Adjournment

The Audit, Compliance, and Management Review Committee discussion concluded at 4:34 p.m.

Reviewed for submission:



Tiffany Burks, Chair
Midwestern State University
Board of Regents Audit, Compliance, and
Management Review Committee

**MINUTES
MIDWESTERN STATE UNIVERSITY
BOARD OF REGENTS
May 11, 2017**

The Midwestern State University Board of Regents met in regular session in the J. S. Bridwell Board Room of the Hardin Administration Building at 1:30 p.m., Thursday, May 11, 2017. Regents in attendance were Mr. Sam Sanchez, Chairman; Mr. R. Caven Crosnoe, Vice Chairman; Ms. Nancy Marks, Secretary; Mr. Warren Ayres; Ms. Tiffany Burks; Mr. Jeff Gregg; Mr. Shawn Hessing; Dr. Shelley Sweatt; and Student Regent Lindsey Shelley.

Members of the administration present included Dr. Suzanne Shipley, President; Dr. James Johnston, Provost and Vice President for Academic Affairs; Dr. Marilyn Fowlé, Vice President for Administration and Finance; Dr. Keith Lamb, Vice President for Student Affairs and Enrollment Management; Mr. Anthony Vidmar, Vice President for University Advancement and Public Affairs; Mr. Kyle Owen, Associate Vice President for Facilities Services; and Mr. Matthew Park, Associate Vice President for Student Affairs. Other university personnel attending the meeting included Dr. David Carlston, Chairman, MSU Faculty Senate; Ms. Angie Reay, Chair, MSU Staff Senate; Mr. Kyle Williams, Interim Director of Athletics; Mr. Barry Macha, General Counsel; Ms. Leigh Kidwell, Director of Internal Audits; Mr. Chris Stovall, Controller; Ms. Julie Gaynor, Director of Marketing and Public Information; Ms. Cindy Ashlock, Executive Assistant to the President; and Ms. Debbie Barrow, Director of Board and Government Relations. Representing the Strategic Planning Committee were Dr. Scott Meddaugh, Robert L. Bolin Distinguished Professor of Petroleum Geology; Ms. Catherine Prose, Associate Professor of Art; Dr. Emily Reeves, Assistant Professor of Curriculum and Learning; and Ms. Cammie Dean, Director of Student Development and Orientation. Student Government Association (SGA) representatives attending the meeting included Ms. Shayla Owens, Outgoing SGA President; Ms. Maria Peña, Incoming SGA President; and Mr. Charles Frazier, SGA Observer. Representing the news media were Ms. Lana Sweeten-Shults, *Wichita Falls Times Record News*; Mr. Ian Klein, News Channel Six; and Ms. Samaria Terry and Ms. Katya Guillaume, KFDX-TV 3. Community member George Adams also attended the meeting. Representatives of American National Bank attending the first portion of the meeting to make a presentation were Mr. Jeff Schultz, Executive Vice President; Ms. Linda Wilson, Senior Vice President; and Mr. Curt Knobloch, Policy Analyst. Ms. Debbie Vaughn, the new Internal Auditor, also attended the first portion of the meeting.

Chairman Sanchez called the meeting to order at 1:30 p.m. and Ms. Gaynor introduced the guests.

Special Introductions and Opening Comments

Mr. Sanchez welcomed everyone to the meeting and noted that Dr. Givens was unable to attend the meeting due to a conflict with his schedule. He recognized Dr. Shipley to make a special introduction. Dr. Shipley introduced Dr. James Johnston as the new MSU Provost and Vice President for Academic Affairs. She noted that Dr. Johnston previously served as Dean of the Robert D. and Carol Gunn College of Health Sciences and Human Services and was selected as the new Provost after a national search during the spring semester. She reported that Dr. Johnston received his bachelor's and master's degrees in radiologic sciences from MSU and earned the Ph.D. in Health Studies from Texas Woman's University. Dr. Johnston was named a

fellow of the American Society of Radiologic Technologists in 2012 and had served as Interim Provost since Dr. Stewart's departure at the beginning of the year. Mr. Sanchez congratulated Dr. Johnston on his appointment and indicated the Board looked forward to working with him.

Mr. Sanchez recognized Ms. Kidwell for an introduction. Ms. Kidwell introduced Ms. Debbie Vaughn, the new staff Internal Auditor for MSU. She noted that Ms. Vaughn had worked in the MSU Business Office since 2008, most recently as Senior Budget Analyst. Ms. Vaughn received her bachelor's degree in accounting from Oklahoma State University and her MBA from MSU. Ms. Kidwell thanked the regents for their foresight two years earlier to approve the addition of this position. She added that the position would allow the internal audit function to better fulfill its fundamental role of supporting the administration, management, and the Board of Regents in achieving the university's objectives. Mr. Sanchez welcomed Ms. Vaughn and indicated the Board looked forward to working with her in this new capacity.

He reminded individuals in attendance that the meeting was being streamed live on the internet and asked everyone to silence their cell phones.

Public Comment

Mr. Sanchez stated that in accordance with Board of Regents By-Laws, MSU Policy 2.22, members of the public were invited to address the Board of Regents through written and oral testimony. He noted that no one had signed up to speak.

Investments with American National Bank (ANB) Update

17-71. Mr. Sanchez reported that American National Bank oversees the investment of the university's endowment funds and asked Dr. Fowlé to provide opening comments. Dr. Fowlé indicated she was glad to have Mr. Jeff Schultz, Ms. Linda Wilson, and Mr. Curt Knobloch from American National Bank in attendance. She noted that MSU has more than \$8 million in endowed funds invested with ANB and they will discuss the university's relationship with ANB as well as provide specific information regarding the endowed funds.

Ms. Wilson began the presentation (see Attachment 1) and discussed the bank's long-standing relationship with MSU. She outlined the portfolio management process as well as the investment objective of growth with income. Mr. Knobloch reviewed the fixed income analysis. He noted that the target of the fund was generally 65% in the equity portion and 32% on the fixed side. He reported that they look for credit quality in bonds and reviewed information on Slide Six. Mr. Schultz then discussed the equity portion of the investments. Slide Eight showed the benchmark returns through April 30, 2017. He reported that during the last year the S&P 500 had increased almost 18% with the majority of the increase being since the presidential election in November, 2016.

Mr. Schultz reported that in May, 2016 the MSU endowment funds held by ANB had a market value of \$8.3 million and \$239,000 from the fund was distributed to MSU during the last year. He noted that the value of the fund at the end of April, 2017, was \$8.9 million.

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Slide Nine summarized the areas ANB would continue to monitor. He noted that the market had been interesting since the election and it was impossible to know how future

policy changes might affect financial markets and rates. He indicated that they would be vigilant with the portfolio and watch for changes going forward.

Mr. Schultz thanked the Board for the opportunity to present this information and indicated they were available to answer questions they might have.

Mr. Sanchez thanked the group for providing this information and for their work on behalf of MSU.

Naming of Journalism Lab

17-72. Mr. Sanchez reported that the administration's recommendation for naming the Journalism Lab (Room D-202) in the new Mass Communication wing of the Fain Fine Arts Center was available in BoardEffect and a copy was also in the Board members' folders. Mr. Vidmar presented the administration's recommendation that this lab be named for Mr. Chris Hunnewell. He noted that Mr. Hunnewell graduated from MSU in 2001 with a degree in Mass Communication. While a student at MSU Mr. Hunnewell served in the Mass Communication Club, the Media Club, and as a member of *The Wichitan* staff. Mr. Vidmar added that Mr. Hunnewell had met the monetary guidelines for this recommended naming.

Mrs. Marks moved approval of this item as presented. Mrs. Burks seconded the motion. This motion was approved without discussion.

Recess

Mr. Sanchez announced that the remaining items would be discussed in Executive Session later in the afternoon. The meeting stood in recess at 1:25 p.m. and the meeting reconvened at 4:34 p.m.

Executive Session

Mr. Sanchez announced that the Board of Regents Committee of the Whole and Academic and Students Affairs Committee would go into Executive Session to discuss Items 17-73A (Consultation with Attorney Regarding Legal Matters and Pending and/or Contemplated Litigation), 17-73B (Real Property), 17-73D (Personnel Matters), 17-73E (Deliberations Regarding Security Audits), 17-90 (Faculty Emeritus Status), 17-91 (Faculty Promotions), and 17-92 (Faculty Tenure) as allowed by Texas Government Code Sections 551.071, 072, 074, and 076. The Executive Session began at 4:34 p.m. Mr. Sanchez, Mrs. Burks, Mr. Gregg, Mr. Hessing, and Mrs. Shelley remained for the entire discussion. Mrs. Marks, Mr. Crosnoe, Mr. Ayres, and Dr. Sweatt remained for the session with the exception of the discussion of the YMCA Ground Lessor Agreement. Dr. Shipley, Mr. Macha, and Ms. Barrow remained for the session with the exception of the discussion of the extension of the President's Contract. Ms. Kidwell joined the session for the discussion of the security audit only, and Dr. Johnston participated only in the discussion of faculty emeritus, promotion, and tenure. The Executive Session concluded at 5:43 p.m.

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Open Meeting

The open meeting resumed at 5:43 p.m.

Real Property

17-73B. Mrs. Burks moved that the Board authorize the President to work with the Chairman of the Board to finalize and execute the Ground Lessor's Agreement related to MSU Property leased to the YMCA of Wichita Falls. Mr. Hessing seconded the motion. The motion was approved with Mr. Ayres, Mr. Crosnoe, Mrs. Marks, and Dr. Sweatt abstaining from the vote owing to a potential conflict of interest.

Personnel Matters – Extension of President's Contract

17-73D. Mr. Sanchez moved that the term of Dr. Shipley's contract be extended by one year, effective September 1, 2017 through August 31, 2020. Mrs. Marks seconded the motion and it was approved.

Adjournment

There being no further business, the meeting adjourned at 5:44 p.m.

Reviewed for submission:

A handwritten signature in cursive script, appearing to read "Nancy Marks", written over a horizontal line.

Nancy Marks, Secretary
Midwestern State University
Board of Regents

ATTACHMENT:

1. American National Bank Presentation



MIDWESTERN
STATE UNIVERSITY
Endowment Fund




**American National
Bank & Trust™**
Trust & Investment Services

Linda Wilson
Senior Vice President

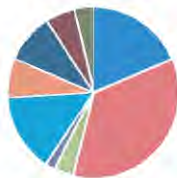
Jeffrey Schultz, CFA, CTFA
Executive Vice President

OUR RELATIONSHIP




**American National
Bank & Trust™**
TRUST AND INVESTMENT SERVICES

Dispersion of Awards in Surrounding
High Schools



• HHS • RHS • ACHS • VHS • WPHS • JPHS • BHS • CVHS • EHS



HISTORY OF WORKING TOGETHER

- *Active participant in the Internship Program*
- *American National Bank & Trust has participated in the Community Bankers Scholarship Program since the Fall of 2000*

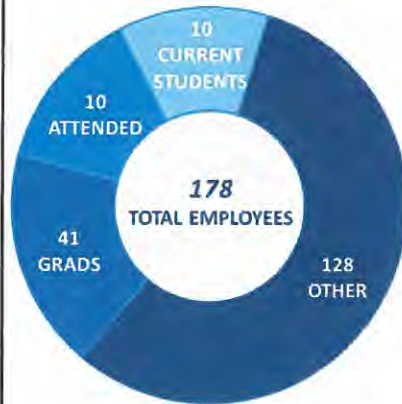
3.5 out of 10 of our employees have attended, are graduates of, or are current students at MSU

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STATE UNIVERSITY

OUR RELATIONSHIP



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\$536,000
SCHOLARSHIPS AWARDED



\$337,000
SCHOLARSHIPS FUNDED

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PORTFOLIO MANAGEMENT



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Portfolio Management Process

Summary:

- Disciplined investment process for identifying and investing in positions
- Technical & Fundamental process for sell decisions

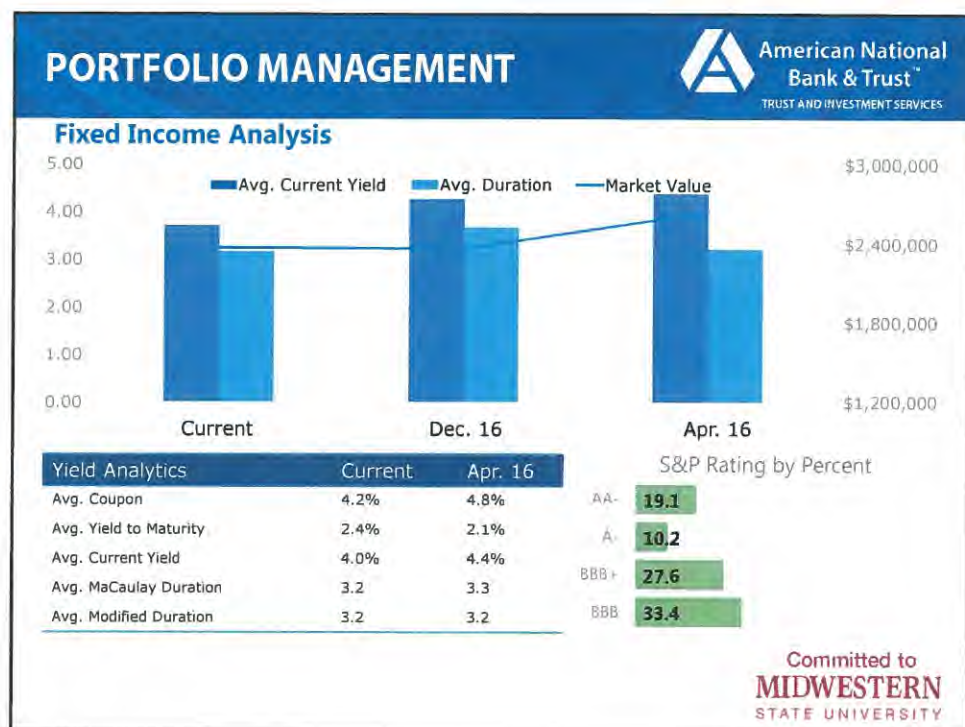
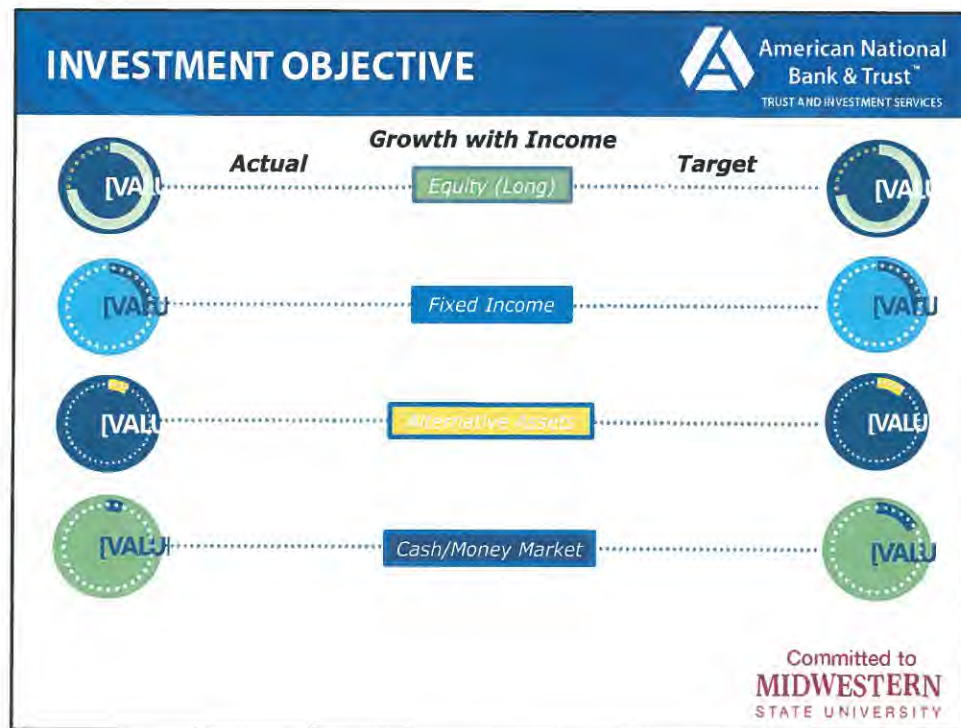
- Relatively concentrated portfolio (between 50-60 positions)

- Benchmark weights are considered; however, certain sectors will fluctuate between overweight and underweight due to market conditions

- Absolute Return Focus
 - Capital Appreciation
 - Dividend Income
 - Bond Interest

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PORTFOLIO MANAGEMENT



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	MSU	S&P		MSU	S&P
Forward Price/Earnings	18.6x	17.6x	Dividend Yield	2.2%	2.1%
Price Earnings	18.8x	21.2x	Average Market Cap (\$bil)	\$113.6	\$86.7
Price/Book	2.6	2.8	Sharpe Ratio	0.8	1.0
Return on Assets	6.3%	7.3%	Beta	1.0	1.0
Return on Equity	20.0%	21.6%	Std. Deviation	7.8%	7.6%

Equity Holding Attributes
(as of 04/30/17)

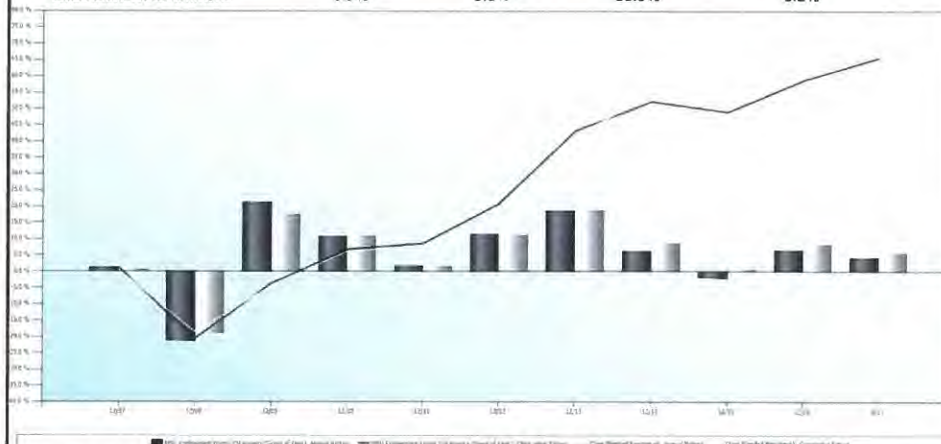
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PORTFOLIO MANAGEMENT



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TRUST AND INVESTMENT SERVICES

	Last Month	Fiscal YTD	Last 12 Months	Report Period
MSU Endowment Fund	0.7%	4.3%	10.1%	5.5%
Class Blended Benchmark	0.9%	5.1%	11.8%	6.2%



Portfolio Returns
(as of 04/30/17)

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RECOMENDATIONS



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Endowment Fund



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Trust & Investment Services

Future Direction

Summary:

- Continue emphasis for limiting downside exposure
- Monitor interest income to offset current low rate environment
- Growth of capital remains primary objective
- Yield consideration is secondary objective
- Maintain emphasis on high quality assets
- Sustain vigilance on the portfolio

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STATE UNIVERSITY

**MINUTES
BOARD OF REGENTS
MIDWESTERN STATE UNIVERSITY
May 12, 2017**

The Board of Regents, Midwestern State University, met in regular session in the J. S. Bridwell Board Room, Hardin Administration Building, Wichita Falls, Texas, at 9:00 a.m., Friday, May 12, 2017. Regents in attendance were Mr. Sam Sanchez, Chairman; Mr. Caven Crosnoe, Vice Chairman; Ms. Nancy Marks, Secretary; Mr. Warren Ayres; Ms. Tiffany Burks; Mr. Jeff Gregg; Mr. Shawn Hessing; Dr. Shelley Sweatt; and Student Regent Lindsey Shelley.

Members of the administration present included Dr. Suzanne Shipley, President; Dr. James Johnston, Provost and Vice President for Academic Affairs; Dr. Marilyn Fowlé, Vice President for Administration and Finance; Dr. Keith Lamb, Vice President for Student Affairs and Enrollment Management; and Mr. Anthony Vidmar, Vice President for University Advancement and Public Affairs. Other university personnel attending the meeting included Dr. David Carlston, Chairman, MSU Faculty Senate; Ms. Angie Reay, Chair, MSU Staff Senate; Dr. Lynette Watts, President of the MSU Alumni Association and Assistant Professor of Radiologic Sciences; Mr. Kyle Williams, Interim Director of Athletics; Mr. Barry Macha, General Counsel; Ms. Leigh Kidwell, Director of Internal Audits; Mr. Chris Stovall, Controller; Ms. Cindy Ashlock, Executive Assistant to the President; and Ms. Debbie Barrow, Director of Board and Government Relations. Representing the news media was Ms. Lana Sweeten-Shults, Wichita Falls *Times Record News*. Attending the first portion of the meeting were Dr. Steve Garrison, Associate Professor of Political Science; Dr. Linda Veazey, Associate Professor of Political Science; and students, Andrea Mendoza Lespron, Luke Allen, and Tyler Garcia, representing the MSU Model United Nations Team.

Chairman Sanchez called the meeting to order at 9:00 a.m. and Mrs. Gaynor introduced the guests.

Opening Comments

Mr. Sanchez welcomed everyone to the meeting and reminded them to silence or turn off their cell phones as the meeting was being streamed live on the internet.

Mr. Sanchez acknowledged Student Regent Lindsey Shelley. He noted that this was Lindsey's final board meeting and on behalf of the Board thanked her for her service to the university. He reported that during the recent MSU Honors Banquet Ms. Shelley was named the Outstanding Graduate Student in the Gunn College of Health Sciences and Human Services. Mr. Sanchez stated that Ms. Shelley had been an outstanding Student Regent and represented the student body well. He wished her well as she finishes her graduate studies at MSU.

Mr. Sanchez stated that members of the Model United Nations Team were present, as were two faculty advisors. He indicated that the students had asked to visit with the Board as part of the public comment period. Ms. Andrea Mendoza Lespron, Mr. Luke Allen, and Mr. Tyler Garcia thanked the Board of Regents for their support through funding of the Model United Nations Program. The students commented that the experience had given them the opportunity to work on their negotiating skills, writing skills, and speaking skills. They added that the experience improved their ability to work with others and helped them develop their

researching and teamwork skills. They reported that the MSU team received an outstanding delegation award and two outstanding position paper awards. Advisors Steve Garrison and Linda Veazey also extended their thanks to the Board for their support. Mr. Sanchez thanked the students for being such great representatives of the university.

Public Comment

Mr. Sanchez stated that no one else had signed up to speak during the public comment period.

Reading and Approval of Minutes

17-111. The minutes of the Board of Regents meetings held February 9 and 10, 2017, were approved as presented.

Executive Committee Report

Mr. Sanchez noted the items presented at the Executive Committee meeting for committee approval and information only. Information concerning these items may be found in the minutes of the Executive Committee meeting held May 11, 2017.

Item Presented for Committee Approval Only

17-74. Committee Minutes

Items Presented for Information Only

17-75. Strategic Plan

17-76. Campus Construction Update

17-77. Dallas-Fort Worth Expansion Update

Executive Committee Consent Agenda

Mr. Sanchez recommended the following items approved by the Executive Committee and placed on the Consent Agenda for the Board's consideration.

17-78. Capital Expenditure Plan (MP1) Report – FY 2018-2022 – approved the report as presented.

17-79. Texas Accessibility Standards, ADA, and Fire Marshal Upgrades Project – Construction Manager at Risk – approved M&F Litteken as the CMAR as presented.

17-80. Utility Contract – Policy 2.24 Contract Authority Change – approved the policy change as presented.

17-81. Holiday Schedules for Staff Employees – FY 2018– approved the holiday schedules as presented.

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Mr. Sanchez asked if any member wanted to remove items from the Consent Agenda for further discussion. There being none, Mrs. Marks seconded Mr. Sanchez's motion to approve the Consent Agenda as presented and the motion was approved.

Academic and Student Affairs Committee Report

Mrs. Marks noted the items presented at the Academic and Student Affairs Committee meeting for committee approval and information only. Information concerning these items can be found in the minutes of the committee meeting held May 11, 2017.

Item Presented for Committee Approval Only

17-82. Committee Minutes

Items Presented for Information Only

17-83. Faculty Report

17-84. Staff Report

17-85. Student Government Report

17-86. Athletics Report

Academic and Student Affairs Committee Consent Agenda

Mrs. Marks recommended the following items that were approved by the Academic and Student Affairs Committee and placed on the Consent Agenda for the Board's consideration.

17-87. May 2017 Graduating Class – approved the list of candidates for graduation.

17-88. Core Curriculum Changes – approved the additions and changes to the university's core curriculum as presented.

17-89. Housing and Dining Service Rates – approved the rates for FY 18 as presented.

17-90. Emeritus Status – approved emeritus status for the following individuals:

Dr. Rodney Cate – Professor of Chemistry – 39 years

Dr. Robert Clark – Professor of Sociology – 44 years

Dr. Jesse W. Rogers – Professor of Chemistry – 48 years

Ms. Elizabeth Yarosz-Ash – Professor of Art-Painting – 36 years

17-91. & 17-92. Faculty Promotions and Tenure – approved the following:

Promotion From the Rank of Assistant Professor to Associate Professor:

Jane Leach, Ph.D.

Nursing

Lynette Watts, Ph.D.

Radiologic Sciences

Promotion From the Rank of Associate Professor to Professor:

Adam Lei, Ph.D.

Finance

Michelle Knox, Ph.D.

Mathematics

Catherine Prose, M.F.A.

Art

Jianguo Shao, Ph.D.

Chemistry

Receiving Tenure and Promotion From the Rank of Assistant Professor
to Associate Professor:

Jesse Carlucci, Ph.D.	Geosciences
Todd Giles, Ph.D.	English
Terry Griffin, Ph.D.	Computer Science
Christina Janise McIntyre, Ph.D.	Curriculum and Learning
Stacia Miller, Ph.D.	Kinesiology
Ray Willis, Ph.D.	Biology
Bradley Wilson, D.P.A.	Mass Communication

Receiving Tenure:

Matthew Luttrell, D.M.A.	Music
Kathleen Williamson, Ph.D.	Nursing

Mr. Sanchez asked if any member wanted to remove items from the Consent Agenda for further discussion. There being none, Dr. Sweatt seconded Mrs. Marks' motion to approve the Consent Agenda as presented. The motion was approved.

Finance Committee Report

Mr. Gregg noted the items presented at the Finance Committee meeting for committee approval and information only. Information concerning these items can be found in the minutes of the Finance Committee meeting held May 11, 2017.

Item Presented for Committee Approval Only

17-93. Committee Minutes

Items Presented for Information Only

17-94. Summary of Financial Support

17-95. Comprehensive Campaign Update

Finance Committee Consent Agenda

Mr. Gregg recommended the following items that were approved by the Finance Committee and placed on the Consent Agenda for the Board's consideration.

17-96. Financial Reports – accepted the monthly financial reports for January through March, 2017.

17-97. Investment Report – accepted the second quarter 2017 Investment Report.

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17-98. Public Funds Investment Act Compliance – approved the required training for the chief financial officer and controller as presented.

17-99. Personnel Reports and Changes in FY 2017 Budget – ratified the changes presented.

- 17-100. Testing Services Fee Increase – approved an increase in the ATI Test of Essential Academic Skills fee as presented.
- 17-101. Motor Vehicle Registration Fee Increase – approved increasing this fee for students effective with the fall 2017 semester as presented.
- 17-102. FY 2018 Budget, Tuition and Fee Review, and Recommendations – approved the fee increases and the creation of an International Recruitment Fee as presented.

Mr. Sanchez asked if there were items any member wanted to remove from the Consent Agenda for further discussion. There being none, Mr. Hessing seconded Mr. Gregg's motion to approve the Consent Agenda as presented. The motion was approved.

Audit, Compliance, and Management Review Committee Report

Mrs. Burks noted the items presented at the Audit, Compliance, and Management Review Committee meeting for committee approval and information only. Information concerning these items can be found in the minutes of the committee meeting held May 11, 2017.

Item Presented for Committee Approval Only

- 17-104. Committee Minutes

Items Presented for Information Only

- 17-105. Potential Conflict of Interest Disclosure & Compliance with Ethics Commission Filing
- 17-106. Compliance Activities Update
- 17-107. Audit Activities Update

Audit, Compliance, and Management Review Committee Consent Agenda

Mrs. Burks recommended the following items that were approved by the Audit, Compliance, and Management Review Committee and placed on the Consent Agenda for the Board's consideration.

- 17-108. Review of Procurement Card Policies and Controls – accepted the report of the Director of Internal Audits as presented.
- 17-109. *Information Resources Use and Security Policy Agreement* – approved the agreement as presented.
- 17-110. *MSU Policies and Procedures Manual Changes* – approved a change to a policy and new policies as noted below:

- A. Policy 4.138 – Key Authorization
- B. NEW Policy 3.325 – Conflict of Interest, Conflict of Commitment, and Outside Employment and Activities
- C. NEW Policy 4.197 – Information Resources Use and Security Policy

Mr. Sanchez asked if there were items any member wanted to remove from the Consent Agenda for further discussion. There being none, Mr. Crosnoe seconded Mrs. Burks' motion to approve the Consent Agenda as presented. The motion was approved.

President's Report and Discussion of Higher Education Issues

17-111. President Shipley's report included the following.

- A. MSU Marie Morgan Award winners as Most Outstanding Athletes Videos – Dr. Shipley asked Mr. Kyle Williams to provide information regarding the MSU Marie Morgan Award recipients. He noted that the university established the Marie Morgan Award approximately seven years ago. He stated that Mrs. Morgan is a wonderful supporter of student-athletes. Mr. Williams showed videos of the award winners, Sierra Campbell (<https://www.youtube.com/watch?v=U0ybRIkX6B0&feature=youtu.be>) and Ramon Royos (<https://www.youtube.com/watch?v=U0ybRIkX6B0&feature=youtu.be>). He stated that these two student-athletes were great individuals who had represented the university well.
- B. State Political Landscape – Dr. Shipley stated that the legislative session would end on Memorial Day. She noted that the Appropriations Bill is the only bill the Legislature must pass or a special session will be necessary. She reported that the House and Senate Conferees had been working on the higher education budget and reports of their closed-door meetings were limited. She noted that the House and Senate approached funding for higher education very differently. She explained that with the exception of Tuition Revenue Bond (TRB) funding, the House reduced MSU's budget by \$700,000 each year of the biennium while the Senate reduced MSU's budget by \$1.2 million each year. Those were the funding levels the conference committee began with in their final negotiations. She indicated that Dr. Fowlé presented information on Thursday regarding MSU's plan to address the likely budget reductions.

Dr. Shipley commented that MSU's academic outreach had provided opportunities for her and others to connect with an expanded number of individuals. She stated that she and Mrs. Barrow had spent a lot of time at the Capitol reaching out to legislators and staff members, talking about MSU and the exceptional item request for funding for the expansion into Flower Mound. She explained that special items were particularly disfavored during this session. She noted that the Senate removed all funding for special items in their base budget bill and the House made reductions in special item funding as well. She stated that she had been told that if new special items were funded legislators would try their best to put MSU's request on the list. She added that MSU had received a great deal of good press from the DFW outreach. She stated that representatives from the Flower Mound area had expressed interest in MSU partnering with Texas Woman's University as soon as possible.

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Dr. Shipley reported on a number of bills that would affect MSU and higher education. These include a bill that would freeze tuition and fees for several years, a bill that would repeal the tuition set-aside requirement, several bills that would

address sexual assault on campus, and a bill that would allow the Texas Higher Education Coordinating Board (THECB) to work with certain community colleges to offer baccalaureate degrees. She noted that bills to make changes in the Hazlewood exemption program or provide more funding had not been successful.

Dr. Shipley stated that Mrs. Barrow had done a great job representing MSU in Austin and indicated that they would work on a legislative session summary report that would be sent to the Board in June.

Dr. Shipley reported that Mrs. Burks was recently called to Austin to appear before the Senate Nominations Committee as part of the approval process for her appointment to the MSU Board. She asked Mrs. Burks to comment. Mrs. Burks stated that she learned a lot from the experience. She noted that she met with the Governor's Appointments staff the day before her appearance before the Senate Committee. New regents from Texas A&M University System, Texas Southern University, and Texas Woman's University appeared before the Committee the same day. She stated that topics they discussed and were questioned about included campus diversity issues, keeping the lines of communication open between Board members and legislators, and ensuring Board members understand that their role is to hire a president and not to manage the institution. She noted that the legislators mentioned the importance of Board members ensuring institutions follow the laws and rules that are passed by the Legislature. She indicated that they were also interested in universities working on transfer issues to make it possible for students to receive degree credit for transfer courses whenever possible.

Mrs. Burks mentioned that she had talked with Dr. Shipley about looking for ways members of the MSU Board could be involved in the legislative process. She stated that she appreciated the opportunity to represent MSU and the Board.

- C. Annual Meeting of the Association of Governing Boards (AGB) – Dr. Shipley noted that the national meeting of AGB was held in Dallas in April and a group from MSU attended the meeting. Representing the Board of Regents were Mrs. Marks and Dr. Sweatt. Also attending with Dr. Shipley were Mr. Macha, Ms. Kidwell, and Ms. Barrow. Dr. Shipley asked Mrs. Marks and Dr. Sweatt to provide comments about the meeting.

Mrs. Marks reported that approximately 1,000 individuals attended the conference representing 400 institutions. She stated that the group had an opportunity to network with others and to spend time as an MSU team as well. She noted that the overall theme of the conference was "Innovation for Challenging Times" and a recurring topic during the sessions was an encouragement for regents to tell their story. She indicated that it was important for regents to talk with others about why they were interested in serving on a higher education board.

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Mrs. Marks stated that she heard a comment that was a good reminder for the Board: "Although the Board of Regents is responsible for the university, it doesn't mean that we run the university." She added that she likes to write down one-

sentence takeaways when she attends meetings such as this and she shared some of these takeaways with the Board.

- 1) Students' greatest influences are other students.
- 2) We are all stewards of higher education.
- 3) We want to hear how you think.
- 4) Agree to disagree agreeably.
- 5) Encourage curiosity.
- 6) Teach how to listen to other points of view, look for common ground, and we aren't always right.
- 7) Earn while you learn; we are in the business of providing opportunities.
- 8) Universities need intellectual and emotional appeal.
- 9) The current trend is that universities are trying to be less elite and exclusive.
- 10) Universities are looking to provide opportunities to first-generation students.
- 11) The business world is recognizing the importance of liberal arts; the teaching of logic, communication, and problem-solving.
- 12) Employers are not necessarily that interested in degrees as much as skills.

Dr. Sweatt commented that AGB had developed a formal process to engage university regents in becoming advocates for higher education. She mentioned an AGB publication titled *The Guardian's Initiative* that explained the plan (see [Attachment 1](#)). She stated that AGB would like regents to take a more public role, tell their personal stories, and help change the public's perceptions about higher education. She indicated that they plan to equip regents with the information they need to be strong advocates for MSU in particular and higher education in general.

Dr. Sweatt stated that one of the things she enjoyed the most was the strong focus on the undergraduate experience. She noted that a book titled *The Undergraduate Experience: Focusing Institutions on What Matters Most* was mentioned in two of the sessions she attended. She indicated that she bought the book and commented that it was a wonderful resource. She challenged her fellow regents to secure a copy and read it. She stated that the book focuses on six things that matter most based on research and successful practice of other institutions. She indicated that the book gives specific examples and asks thought-provoking questions. She added that the book outlined things that regents need to know and questions to ask.

She noted that education as a whole is still attempting to prepare students for jobs that do not yet exist, and this is a challenge. She shared that one of the things mentioned in several conference sessions was that knowledge for the 21st century is not about mastery of knowledge but about knowing how to take information and use it to solve problems. She added that this relates to the importance of critical thinking and problem-solving skills. She indicated that she found it interesting that 50% of individuals who have received a Pell grant do not hold a college diploma. Another topic she found of interest was that there is currently an

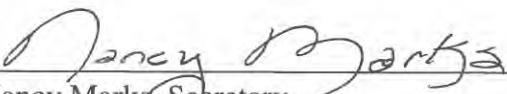
emergence of bits companies, which are companies that do not manufacture things. Examples of extremely successful bits companies are Airbnb, Facebook, Google, and Uber. She added that they discussed the digital disruption which is entering its second lethal phase. She explained that the earlier disruptions in 2000-2015 were in newspapers and magazines going from print to digital, and changes in retail and telecommunications. She noted that areas to be affected in the second phase (2016-2030) were agriculture, energy, manufacturing, transportation, banking and insurance, healthcare, and education. She stated that she received a lot of great information and it was a wonderful experience.

Dr. Shipley thanked Mrs. Marks and Dr. Sweatt for taking the time to attend the conference and provide comments. She indicated that copies of *The Undergraduate Experience* had been ordered for members of the Board of Regents.

Adjournment

Mr. Sanchez thanked regents for their attendance. He indicated that the next meetings of the Board would be August 3 and 4. There being no further business, the meeting was adjourned at 9:48 a.m.

I, Nancy Marks, the fully appointed and qualified Secretary of the Midwestern State University Board of Regents, hereby certify that the above and foregoing is a true and correct copy of the minutes of the Midwestern State University Board of Regents meeting May 12, 2017.


Nancy Marks, Secretary

ATTACHMENT:

1. Association of Governing Board's Guardian Initiative

THE BUSINESS OF HIGHER EDUCATION

The
Guardians
Initiative™

Reclaiming the Public Trust

ABOUT AGB

Since 1921, the Association of Governing Boards of Universities and Colleges (AGB) has had one mission: to strengthen and protect this country's unique form of institutional governance through its research, services, and advocacy. Serving more than 1,300 member boards, 1,900 institutions, and 40,000 individuals, AGB is the only national organization providing university and college presidents, board chairs, trustees, and board professionals of both public and private institutions and institutionally related foundations with resources that enhance their effectiveness.

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The Guardians Initiative™

Reclaiming the Public Trust

The Association of Governing Boards of Universities and Colleges (AGB) is pleased to share this first in a series of informational briefings developed as part of *The Guardians Initiative: Reclaiming the Public Trust*, an effort to educate and engage trustees as advocates on key issues in higher education. In months to come, governing board members, institutional leaders, and those who work with them will periodically receive additional briefings from AGB addressing issues of substantial moment for America's colleges and universities.

Our objectives are twofold:

1. to encourage board members to engage in informed discussion with stakeholders who are less knowledgeable about our institutions, and
2. to equip board members with the tools they need to stimulate national discussion about the missions that our colleges and universities serve, as well as how those institutions operate, what they cost, and what they contribute to society.

THE BUSINESS OF HIGHER EDUCATION

While the tone of public criticism of higher education has sharpened, public understanding about the sector's legitimate challenges and contributions is often lacking. Board members have an important role to play in improving the level of public discourse. In this first briefing, we examine the prevailing business model in higher education, with emphasis on undergraduate education in four-year colleges and universities.

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Much of the higher education sector uses an unconventional business model that sets it apart from the rest of the national economy. The price it charges for its core product—higher education instruction—only partially covers the costs of providing that product. Many of the significant issues that animate policy discussion in higher education today—assertions that college costs more than it should, doesn’t reach students beyond those in the elite upper strata of society, saddles graduates with unsustainable levels of debt, fails to prepare students for future employment opportunities, and devotes too many resources to research and scholarship at the expense of teaching—reflect a lack of transparency in the way colleges and universities price their product and cover their costs.

This opacity is aggravated by higher education’s adherence to a largely 20th-century business model that causes it to miss cues from the public, policymakers, and other audiences about their current dissatisfactions with colleges and universities. Board members can enrich public conversations about higher education by contributing to a broader understanding of today’s business model and envisioning how it might evolve.

Today’s Higher Education Business Model

For several generations, American colleges and universities have charged less—substantially less, in some sectors of higher education—than what it costs those institutions to educate students. Higher education institutions depend on government support and revenues from other sources to make up the difference between what students *pay* for their education and what it costs these institutions to provide that educa-

tion. In this paper, we will examine that business model in some detail. We will consider some of the drawbacks of the model—its opaqueness, the cross-subsidies it obscures, its dependence on revenue streams that are unpredictable in the best of times, and especially the extent to which it allows critics to undermine public discussion of higher education’s extraordinary value proposition—and whether those drawbacks can be addressed or at least explained.

All businesses in this country organize their finances around revenues and expenses. Opportunity for growth results from manipulation of three variables: increasing demand, adjusting prices in response to competitive market forces, and containing costs. The late Gordon Winston, professor of political economy and director of the Project on the Economics of Higher Education at Williams College, posited that, “No economic aspect of higher education is of greater interest to the public, policymakers, and parents than the setting and changing of tuition, yet economics has not been very successful in explaining it.” He observed that confusion over the cost to consumers of higher education arose from a simple fact: “Colleges and universities, as firms, are highly unconventional in their sources of revenue, their production processes, and their institutional values.” In the next several pages, we will deconstruct this important insight as it pertains to demand, pricing, and costs.

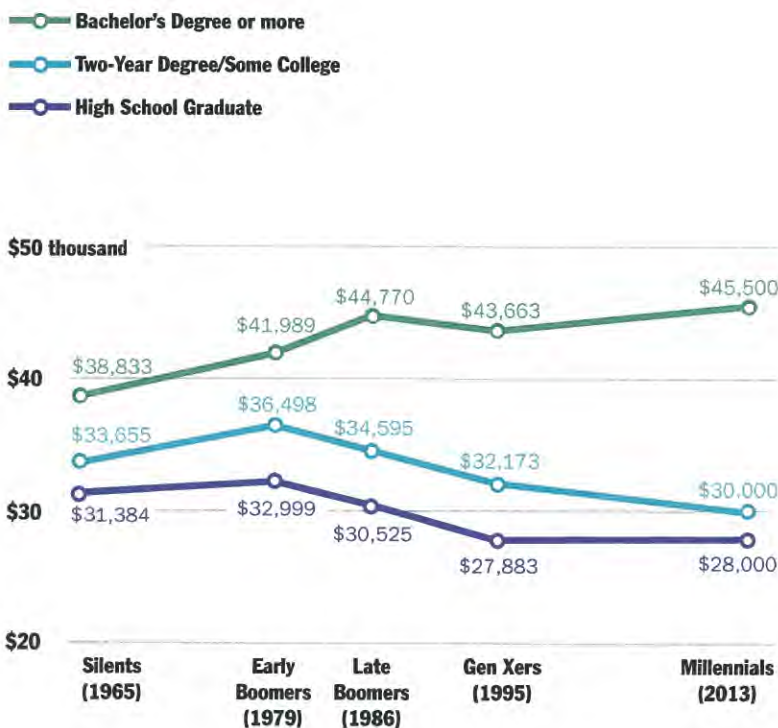
Demand

Colleges and universities sell a product that, at least since the middle of the 20th century, has been in high demand. Underlying higher education is an astonishing value proposition, one that is easy to support yet that the sector’s critics largely overlook. While the cost of attending college is indisputably high, so are

THE BUSINESS OF HIGHER EDUCATION

Rising Earnings Disparity Between Young Adults With and Without a College Degree

Median annual earnings among full-time workers ages 25 to 32, in 2012 dollars.



NOTES: Median annual earnings are based on earnings and work status during the calendar year prior to interview and limited to 25- to 32-year-olds who worked full time during the previous calendar year and reported positive earnings. "Full time" refers to those who usually worked at least 35 hours last year.

SOURCE: Pew Research Center tabulations of the 2013, 1995, 1986, 1979, 1965 March Current Population Survey (CPS) integrated Public Use Micro Samples. *Trends in College Pricing 2016*. ©2016 The College Board. www.collegeboard.org

the benefits to be reaped by making the investment in higher education. This translates into persistently high demand for higher education—a phenomenon that helps to explain heightened concern about college costs as well as why tuition prices have not been very responsive to that concern.

"On virtually every measure of economic well-being and career attainment—from personal earnings to job satisfaction to the share employed full time—young college graduates are outperforming their peers with less education," a 2014 study from the Pew Research Center concluded. "And when one compares today's young adults with previous generations, the disparity in economic outcomes between college graduates and those with a high school diploma or less formal schooling has never been greater in the modern era."

The researchers explain that, a generation ago, when people in the first wave of Baby Boomers were the same age that Millennials are today, the average high school graduate earned about three-quarters (77 percent) of what a college graduate was paid. Today, Millennials with only a high school diploma earn 62 percent of what the typical college graduate earns.

Leading economists like Walter McMahon, a professor *emeritus* at the University of Illinois, assert that the United States *underinvests* in higher education because we underestimate

its benefits both to individuals and society as a whole. Higher education, he argues, efficiently creates human capital that improves communities and contributes to the economic well-being of the nation over the course of graduates' entire lives. College graduates enjoy better health, longer lives, and greater degrees of individual and professional satisfaction that are directly attributable to higher levels of education and increased earning capacity. They also use the skills learned in college to foster democracy and human rights, as well as to accelerate technological advancement. Greater numbers of college graduates also reduce economic inequality and lower the social costs of welfare, medical services, and prison incarceration.

feed public perceptions of colleges as elite bastions not accessible to most Americans. "American universities represent declining value for money to their students," concluded a 2012 article in *The Economist* titled "Not What It Used To Be." It went on to add, "Rising fees and increasing student debt, combined with shrinking financial and educational returns, are undermining at least the perception that university is a good investment." The fact is, even if higher education has a story to tell about the continued value of a college degree, many people are not hearing it.

The argument that college is worth a high cost has become less persuasive over time. This is at least in part due to public perceptions that students who

When public mistrust grows and combines with anxiety, the combination can easily lead to a kind of resentment the French call *ressentiment*, a technical term in political science. This kind of political resentment is probably the second most dangerous political emotion, the first being the fear of instability. That's what creates revolutions and riots.

The buildup of public *ressentiment* is very bad for institutions. And there are sound reasons to believe that higher education could become a target in the future. —Daniel Yankelovich (2009)

Yet a disturbing undercurrent runs through recent reports on the public's perception of higher education's value. Opinion research by Public Agenda shows that Americans were substantially less likely to agree that college is necessary in 2016 than they were a decade prior. Also, between the late 1990s and 2016, the percentage of poll respondents who agreed that "there are many people who are qualified to go to college but don't have the opportunity" increased from 45 percent to 69 percent.

Other commentators observe that national news stories on higher education issues are predominantly negative in tone and focus on controversial issues that

start but do not complete college come away with debt, foregone earnings, and little material benefit. In other words, going to college represents something of a gamble, with a risk of loss. Yet at any level—associate, baccalaureate, and graduate—acquiring a degree is a prudent investment. As Jason Abel and Richard Dietz, economists with the Federal Reserve Bank of New York, found, "The return [on a college degree] has remained high in spite of rising tuition and falling earnings because the wages of those without a college degree have also been falling, keeping the college wage premium near an all-time high while reducing the opportunity cost of going to school."

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Anecdotes of unemployed college graduates with six-figure student debt loads may make for juicy headlines, but they do not reflect the norm. The U.S. Bureau of Labor Statistics reports that, at peak unemployment during the recession of 2009-10, about 5 percent of bachelor's degree recipients were unemployed. To put this in perspective, in the decade leading up to the recession, the lowest unemployment rate for those with just a high school education was only about 4 percent. And in 2015, the national unemployment rate for bachelor's degree recipients was only 2.8 percent.

At the same time, the Organisation for Economic Co-operation and Development (OECD) has found that the net private financial return on investment in a college degree in the U.S. is among the very highest in the world. It is little wonder that more Americans are college-bound today than at any moment in our nation's history and that competition for open seats in the nation's colleges and universities has remained high even as tuition has risen rapidly.

Pricing

Most Americans are aware that the average published price of attending college has jumped sharply over the last several decades. Focusing on the average obscures the vast range of published prices across some 4,000 diverse colleges and universities, and yet it is common knowledge that the average has increased. Since 1974, tuition and fees have gone up, in inflation-corrected dollars, by 300 percent at private colleges and even more—400 percent—at public institutions. “If over the past three decades car prices had gone up as fast as tuition,” *The New York Times* reported in 2015, “the average new car would cost more than \$80,000.”

In the minds of policymakers, journalists, and other opinion-shapers, no higher education issue has more of an impact on public discourse than the rising

cost of college tuition and fees. It is important for board members, as community leaders, to appreciate that perception—and also to understand and articulate some of the complexities underlying these numbers.

GENERAL SUBSIDIES

The first complexity—and perhaps the most widely misunderstood aspect of college and university pricing—is that tuition payments from students make up only a fraction of operating revenues at most of the nation's nonprofit colleges and universities. The amount any student pays in tuition, even one who pays the full sticker price, is less than what the institution expends to educate that student. Other sources of revenue—among them state subsidies, donations and gifts, and income from endowment—make up the difference. As Professor Winston summarized: “Unlike a normal firm, a college can be in a sustainable equilibrium even when the price it charges for its product—net tuition—is much less than unit production costs. It is necessary only that the gap between cost and price be no greater than the school's donative revenues per student can support. From a student's perspective, that gap between cost and price is an in-kind subsidy as *[the student] is sold an expensive product at a price less than its production cost.*” [Emphasis supplied.]

Describing these general subsidies as widely misunderstood understates the issue. For instance, congressional leaders in recent years have assailed the endowment spending policies of the nation's wealthiest—and most expensive—institutions, suggesting various reforms designed either to compel minimum levels of annual endowment spending or to focus that spending more single-mindedly on undergraduate student aid. Largely missing from the debate over these measures is that endowments are typically composed of gifts that carry legal restrictions limiting the

spending of proceeds to specific uses: scholarships, capital spending, research, and faculty salaries, to name just a few.

Moreover, for those institutions with the capacity to use endowment proceeds, virtually all endowment spending subsidizes tuition, paying the costs of running the institution that tuition or other revenue would otherwise have to cover. Research by the Association of American Universities shows that institutions with large endowments actually tend to increase tuition at a slower rate than others. As for the related question of whether institutions with large endowments are enrolling enough students with financial need, that is an important policy question for the board of any such institution to consider with the president.

Regardless of whether endowment revenue is available, the provision of general subsidies from various streams means that students across the sector tend to be charged considerably less in tuition than the college's actual expenses for educating them. For example, the College Board estimated that, in 2011, it cost the typical community college \$7,750 to educate one student, compared with an average published tuition of \$3,260. In doctoral, master's, and baccalaureate public institutions, respectively, general subsidies covered about 42, 43, and 48 percent of the cost of education on a per-student basis. Some of the largest subsidies to students and families are already reflected in the published tuition and cost of attendance.

PUBLISHED PRICE VERSUS NET PRICE

A second complexity arises from the distinction between the published price—the tuition the institution's governing board approves and that appears in compliance reporting to the government—and the much more significant net price that a student actually pays,

which is calculated by subtracting institutional grants awarded to individual matriculants from the published price. Tuition discounts are far steeper and advantage a far greater proportion of students than many people realize. As economist Sandy Baum has explained:

Families and students consistently overestimate the price of college.... [The] major confusion is between the published price, sometimes called the "sticker price," and the net price that students actually pay after taking grant aid into consideration....The average grant aid for full-time public two-year college students is more than enough to pay the \$2,544 published tuition price. So the average net tuition price at these schools is actually zero. At public four-year colleges, the average net price is about \$1,600 (compared with a list price of \$7,020). At private four-year colleges, it's about \$11,900, compared with a list tuition price of \$26,273....The differences between list tuition and net tuition are so large because about two-thirds of full-time college students receive some grant aid. At private four-year colleges, almost 80 percent do.

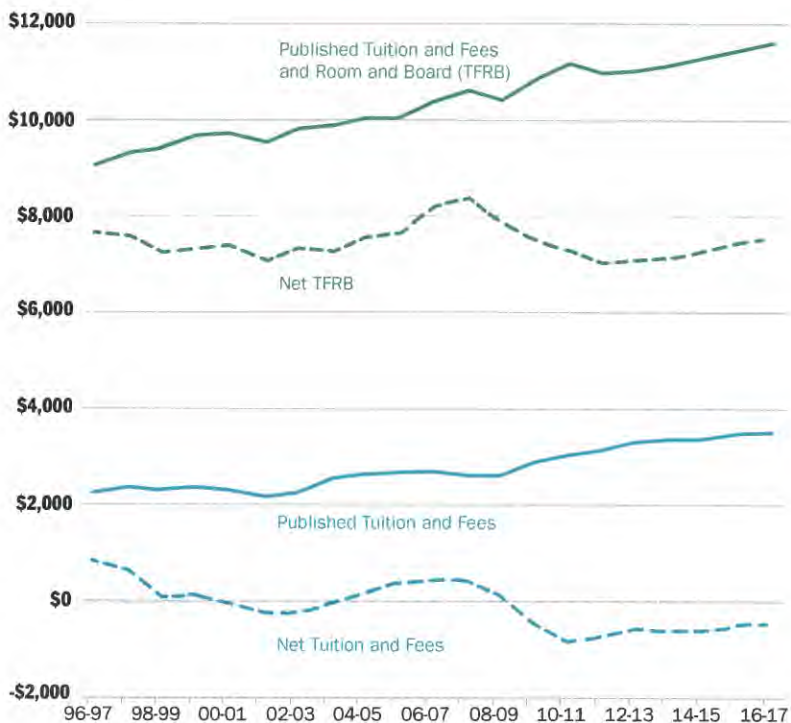
While the published price of a year of college has increased substantially over the last two decades overall, average net price has increased at a far slower rate. Data compiled by The College Board show that, between 1990 and 2016, the published price of tuition and fees at public two-year institutions more than doubled (from \$1,670 to \$3,520) while the net price actually decreased by nearly 200 percent (from \$450 to -\$500). This means the average community college student receiving financial aid in 2016-17 receives about \$500 over and above tuition and fees to offset the cost of books, transportation, and other living expenses. For public four-year institutions, the published price for

Continued, p. 11

THE BUSINESS OF HIGHER EDUCATION

Average Net Price: Public Two-Year

In 2016-17, the average net tuition and fee price paid by full-time public two-year college students is \$920 (in 2016 dollars) less than in 2006-07—but \$270 more than in 2011-12.



NOTES: Estimates of net price exclude military/veterans aid, which awards relatively large amounts to a small number of students. Because information on grant aid and education tax benefits for 2016-17 is not yet available, the net price for 2016-17 is estimated based on 2015-16 financial aid data. Room and board in this sector refer to housing and food costs for commuter students, as few community colleges provide on-campus housing.

SOURCE: *Trends in College Pricing 2016*. ©2016, The College Board. www.collegeboard.org. Reproduced with permission.

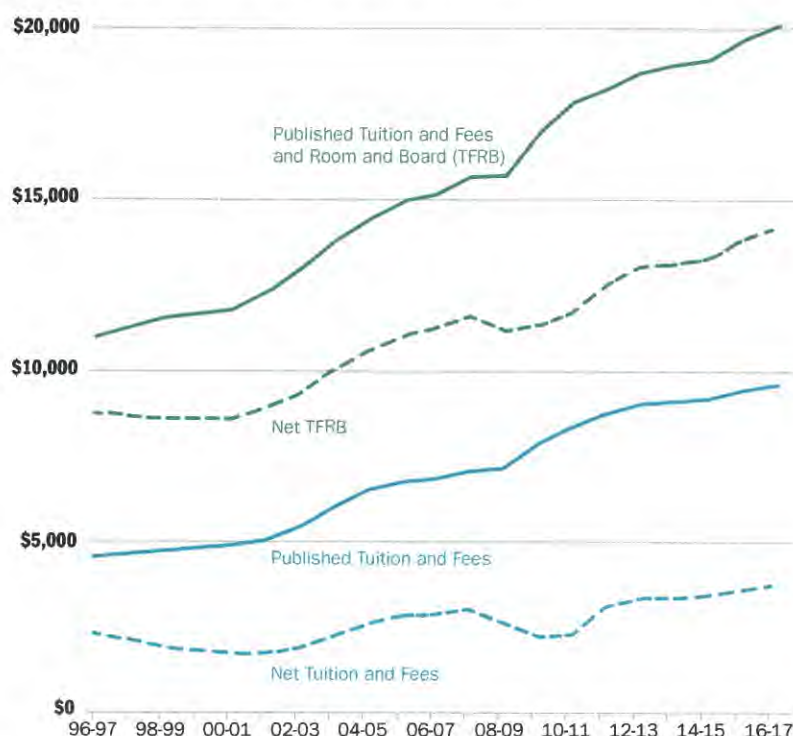
● In 2016-17, full-time students at public two-year colleges receive an average of about \$4,020 in grant aid and federal education tax credits and deductions—\$500 more than required to cover tuition and fees. They can use these funds for books and supplies or living expenses.

● Between 2006-07 and 2016-17, the average published tuition and fees at public two-year colleges increased by \$840 (31%) after adjusting for inflation. Average combined grant aid and tax benefits increased by \$1,560 in books and supplies and living expenses.

● In 2016-17, on average after grant aid, full-time students at public two-year colleges must cover about \$7,560 in books and supplies and living expenses.

Average Net Price: Public Four-Year

In 2016-17, the estimated average net tuition and fee price paid by full-time in-state students at public four-year institutions is \$3,770, \$860 (in 2016 dollars) higher than the net price a decade earlier and \$1,150 higher than the 2009-10 low of \$2,220.



NOTES: Estimates of net price exclude military/veterans aid, which awards relatively large amounts to a small number of students. Because information on grant aid and education tax benefits for 2016-17 is not yet available, the net price for 2016-17 is estimated based on 2015-16 financial aid data.

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● In 2016-17, the average full-time in-state public four-year college student receives an estimated \$5,880 in grant aid and federal tax benefits, covering 61% of the \$9,650 published tuition and fee price.

● Average published tuition and fees for in-state students at public four-year colleges and universities increased by \$2,790 (in 2016 dollars) between 2006-07 and 2016-17. The \$1,930 increase in average grant aid from all sources and federal education tax credits and deductions covered 69% of the price increase.

● Average published tuition and fees grew by only 9% in inflation-adjusted dollars between 2011-12 and 2016-17, after rising by 29% over the preceding five years. However, because of the dramatic increase in federal student aid between 2007-08 and 2010-11 and the subsequent leveling off, average net tuition and fees increased by about 22% from 2011-12 to 2016-17, compared to 7% over the preceding five years.

● In 2016-17, the average full-time in-state student at a public four-year institution faces an average of \$14,210 in charges for tuition and fees and room and board combined, net of grant aid and tax benefits.

ALSO IMPORTANT

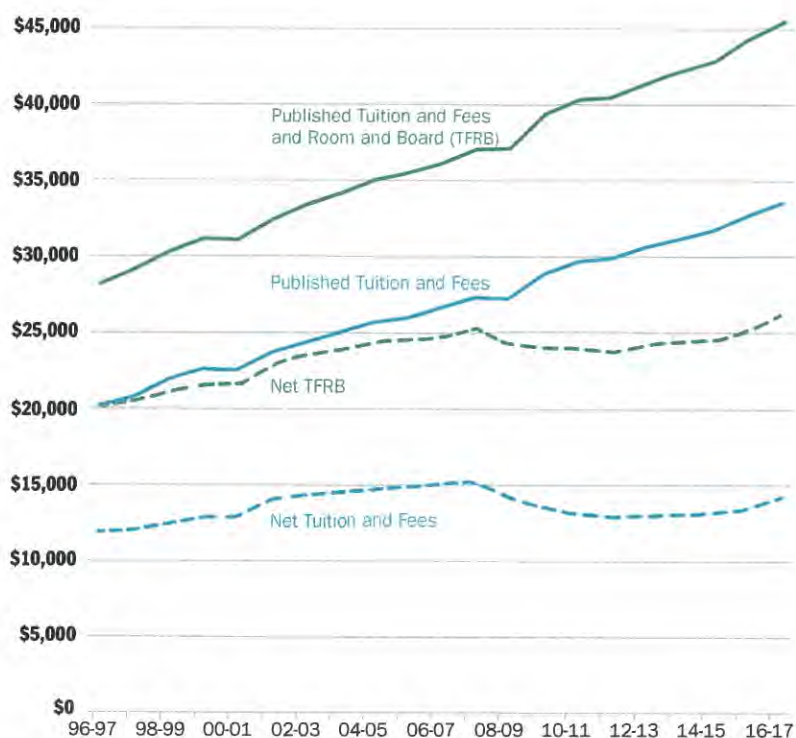
Average net prices conceal considerable differences among students, both within institutions and across institutions within the sector.

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Average Net Price: Private Nonprofit Four-Year

After declining from \$14,900 (in 2016 dollars) in 2006-07 to \$12,770 in 2011-12, the average net tuition and fee price paid by full-time students at private nonprofit four-year institutions rose to an estimated \$14,190 in 2016-17.



NOTES: Estimates of net price exclude military/veterans aid, which awards relatively large amounts to a small number of students. Because information on grant aid and education tax benefits for 2016-17 is not yet available, the net price for 2016-17 is estimated based on 2015-16 financial aid data.

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● The average net tuition and fee price at private nonprofit four-year institutions is lower in 2016-17 than it was in 2006-07 because the increase in average grant aid and tax benefits was larger than the increase in published prices.

● Between 2011-12 and 2016-17, average published tuition and fees at private nonprofit institutions rose by \$3,780. The \$2,360 increase in grant and tax benefits per student covered 62% of that increase.

● Financial aid explains the gap between published and net tuition and fees. Average grant aid from all sources and federal education tax benefits covered 41% to 44% of published tuition and fees at private four-year institutions from 1996-97 through 2006-07. That percentage was between 57% and 59% from 2011-12 to 2016-17.

● The average net tuition and fees and room and board price is \$26,080 in 2016-17, an increase of 6% (\$1,500 in 2016 dollars) over the last decade.

ALSO IMPORTANT

Over 70% of the \$19,290 in aid per student that lowers net prices for full-time students in the private nonprofit sector comes from colleges and universities in the form of discounts from their published prices.

In 2011-12, 67% of full-time students at private nonprofit four-year institutions received grant aid from their institutions. Thirty-six percent received federal grant aid and 24% received state grant aid. (NPSAS 2012)

in-state tuition and fees rose by 174 percent, while the net price increased only half as much (88.5 percent). And for private four-year institutions, the jump in published tuition and fees was 94 percent (an annual compounded rate of just 2.6 percent), while the growth in net tuition and fees was 21 percent, or less than 1 percent per year, compounded. In short, going to college is more affordable than one might surmise solely by looking at an institution's published sticker price.

PRICING STRATEGIES

What accounts for higher education's unusual approach to pricing? Why do college catalogues display one price while matriculating students are charged varying and, in many cases, deeply discounted prices?

In its simplest form, discounted tuition is a mechanism for charging a scaled price that varies depending on such factors as a student's ability to pay, academic abilities, athletic prowess, and geographic home. While it is true that not every student pays the institution's published tuition, some do. That said, students who pay full freight typically do not subsidize the educational costs of classmates whose tuition is discounted—the amount of subsidy varies, but virtually every student receives one. Differential pricing is a tool that allows institutions to strategically target tuition discounts to select students across a broad range of qualities and to shape the institutional culture and academic experience.

In addition to differential pricing, American higher education is also known for its commitment to *progressive* pricing. Few service sectors in the American economy price their products progressively—by which we mean that the price charged for the same service varies in accordance with the ability to pay. (Healthcare has been noted by some people as being a close cousin to higher education on this point.)

At the same time, however, non-need-based student aid is also ubiquitous—for instance, colleges offer so-called merit aid to recruit academically gifted students, or they award scholarships to accomplished athletes—and higher education leaders are often challenged to balance a commitment to progressive pricing against broader enrollment goals. In 2012, 82 percent of high school graduates from the top family income quartile attended college, compared with just 45 percent of those in the bottom income quartile. That reality suggests the sector's commitment to progressive pricing will continue to be tested in the coming years.

CROSS-SUBSIDIES

In another mode of subsidy, colleges often charge an unvarying tuition for the courses of every undergraduate department. An engineering student is charged the same tuition as a philosophy or English student, notwithstanding that it costs more to educate a student in the physical sciences than in the humanities or social sciences. The philosophy student in effect subsidizes the cost of instruction for classmates in engineering and physics courses by paying the same amount in tuition and receiving an education that costs the institution less. Cross-subsidies among academic programs may appear to be more fair to some students than to others, but they preserve an important American tradition of academic self-direction. Students can choose what to study and which skills to develop with remarkable disregard for differential costs.

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College pricing is typically unclear to students and families, but the deeper challenge is not simply one of increasing transparency but also of reducing underlying complexity. Most colleges and universities commingle revenues from many sources—tuition and fees, state appropriations, auxiliary services, inter-

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est income on endowment, federal research grants and contracts, and government-funded financial aid programs—in an institutional general fund, making the relationship of price-to-product difficult to determine, let alone explain to those outside higher education.

Containing Costs

Classical economic theory posits that costs are controlled through *competition* and *increased productivity*. Yet those moderating factors do not conventionally fit the business model of higher education.

In most sectors of the national economy (think WalMart, McDonald's, or Microsoft), businesses compete with one another primarily on the basis of price and quality. We have addressed the nuances of higher education's predominant approaches to pricing above. With regard to quality, competition tends to focus on indirect indicators, in part because of a lack of consensus about how quality can and should be measured.

"There are reasons for the limited progress in developing college quality measures," wrote Jordan Matsudaira, an assistant professor of policy analysis and management at Cornell University, in a 2016 paper prepared for the National Academy of Sciences. "Colleges and the students they serve have myriad and diverse goals, and many of these are intangible and not readily subject to measurement or quantification."

In the absence of universally accepted measures, colleges tend to compete against each other by seeking to raise the quality of the students they attract, to enhance their reputation among college presidents, to increase the size of their annual expenditures, and to pursue other strategies having little to do with the quality of education that students receive. As Jonathan Robe, a research associate at the Center for College Affordability and Productivity, writes:

In a sense, the incentive to compete on prestige makes sense for colleges and universities. After all, it is notoriously difficult—if not ultimately impossible—to adequately capture and measure the learning students at these institutions gain during the course of their studies. A degree from a prestigious institution of higher learning often does confer certain career advantages, whether the graduate pursues a career on Wall Street or as a scholar or academic.

TECHNOLOGY AND COSTS

People in some circles have touted technology as the most promising remedy to higher education's cost challenges. Classical economics posits that, in most sectors, technological innovation in the means of production—tools and equipment—will lead to cost savings by increasing worker productivity. By contrast, however, labor-intensive sectors that rely heavily on specialized human activities experience little or no growth in productivity over time. To explain why higher education does not conform to classical economic theories of productivity improvement over time, Princeton University economists William Baumol and William Bowen have used the example of a performance of a Mozart string quintet. When composed in the 18th century, the quintet required five musicians to perform. "Today," Baumol and Bowen write, "it still takes five people and, unless they play really fast, it takes as long to perform the piece as it did centuries ago." The musicians' *productivity* has not increased, but their real wages have risen—and because those wages constitute virtually the entire cost of production, the associated costs of a chamber music performance are substantially higher now than when the quintet was composed.

When it comes to many of its core functions, higher education stubbornly resists productivity improve-

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ment. Notwithstanding efficiencies made possible by desktop computers and Internet access, it takes college professors just about as much time to prepare and teach a course in 2017 as it did in 1967—maybe more. Technology has, acknowledging certain pedagogical limitations, made possible new instructional economies of scale. But research has not resolved the question of whether online instruction tends to be more affordable to produce than traditional classroom instruction, let alone whether it is frequently cost effective.

GROWING DEMANDS

Another reason why academic personnel costs keep rising is that higher education's mission keeps expanding. William Massy, professor *emeritus* of education and business administration at Stanford University, refers to the phenomenon as “growth force,” by which he means that new fields of endeavor do not generally displace existing fields so much as they accrete on top of those fields. To take one contemporary example, as colleges expand departments of computer science in their engineering schools, they do not simultaneously shrink or disassemble their older departments of civil, electrical, and chemical engineering. Additionally, due to growing compliance requirements, market demand for student services, and specialization in the field—entire professions have emerged and flourished in the span of a few decades in areas like academic advising, financial aid, and student services—college and university staffs often rival the faculty in size.

Often, more than 75 percent of a college's total operating budget consists of personnel expenses, including the rapidly rising cost of benefits. According to the Delta Cost Project, the higher education workforce grew 28 percent between 2000 and 2012, more than 50 percent faster than the rate of growth in the preceding

decade. Taken together, increases in both personnel costs and the number of employees on the payroll create remarkable pressure for cost reduction elsewhere in the budget.

Contributing to Discussion of the Higher Education Business Model

Imagine you were asked to fashion the business *pro forma* for the institution you serve as a board member. On one side of a ledger sheet, you would list the revenues at your institution's disposal. They would include fees (tuition, room, and board) paid directly by your “customers.” Your first realization would be that, while that revenue stream is large—the largest single source of revenue at most colleges and universities—it constitutes on average less than half the institution's total revenues. The balance would come from a variety of other sources: state and local subsidies, federal financial assistance programs, gifts and donations, patent and trademark royalties, auxiliary services, and interest on endowment.

Your second realization would follow close on the heels of the first. Revenues are volatile and generally subject to unpredictable swings from year to year. That is particularly true of revenues from state governments. Federal revenues come principally from established financial assistance programs (Pell Grants, veterans' benefits, and other categorical grant programs), which have generally increased in real terms over the last decade. Whether that trend will continue in the future remains unknown. However, no single factor has had a greater impact on the business of higher education over the last 20 years than the shriveling of state appropriations on a per-student basis in support of

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public two-year and four-year institutions. According to the American Academy of Arts and Sciences, state and local appropriations, which accounted for 33 percent of the cost of educating a full-time-equivalent student at public research universities in 2000, now account for less than 20 percent of that cost—a startling drop in barely more than a decade. Although higher education is typically the third-largest area of expenditure in state budgets (after elementary and secondary education and Medicaid), state support has become increasingly untethered from the size of institutional enrollments, even as the number of students entering public universities has grown substantially.

On the opposing side of the ledger sheet, you would list institutional expenses. Think for a moment about the extraordinary range of operations and services your institution provides. The institution is, of course, principally a provider of education. It operates libraries and classroom buildings. It employs faculty members. Education is, in business speak, its primary business line.

But consider how many subsidiary lines are also part of the business. Your institution is a landlord. It operates residential facilities, often on a substantial scale. It manages retail operations such as restaurants, bookstores, and garages. It provides healthcare and psychological counseling to students and sometimes faculty and staff members. It has the functional equivalent of a police department with a fleet of motor vehicles. It manages a sophisticated computer and data management infrastructure. And many of the nation's largest institutions are in the business of basic research and development at least as robustly as they are in the business of undergraduate education.

In sum, colleges and universities embrace many services that are at some remove from the traditional business of educating students in classrooms, making it harder to speak of the “business” of higher education as though it were a single “product line,” as an economist would say. Members of the public and their elected representatives often have strong opinions about what priorities colleges and universities should have—whether undergraduate teaching, partnering with employers, providing specific services for the community, or others. But they often don’t have a clear understanding of how higher education institutions operate, especially given the complexity of the enterprises.

Colleges and universities are now typically suspected of core operational inefficiency and are criticized because they cost too much and deliver too little. Trustees are uniquely positioned to not only respond but also contribute to public understanding of the demand, price, and cost distinctions that shape the business of American higher education. There is a story to tell, and whether in the company of friends, community leaders, or others, board members should be prepared to discuss a few key propositions in an informed way:

1. The cost of attending college is not as high as many people believe. First, a vast range exists in the published prices of American colleges and universities, notwithstanding the relatively high prices of the most prestigious and selective among them. Further, the press and partisan politics have done little to help explain substantial differences between the cost of educating a student, published tuition, and the net tuition students pay. The public is generally not aware that students receive all the subsidies and tuition discounts that they do.

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2. The value of a postsecondary credential has never been higher, as reflected by the record number of young adults enrolling in the nation's colleges and universities.

While earnings for bachelor's degree recipients have fallen in real terms, they have fallen far less than for those without a college education. Even as the cost of attending college has increased, the earnings premium for American college graduates has remained among the very highest in the world. And the advantages go far beyond earnings: college degrees are associated with an array of quality-of-life benefits for individuals, communities, and the larger American society.

3. Colleges and universities are highly complex from a business perspective, for understandable reasons.

Today's college experience is not your mother's or father's college experience. Students can now attend institutions offering more academic choices, a greater range of co-curricular enrichment, more counseling and support services, broader residential and dining choices, and more career relevance than ever before. The net result is that, while students and families largely do not understand how, colleges continue to find ways to maintain and enhance their value and respond to growing market demands.

4. Colleges and universities—far from being oblivious to the problem of rising tuition—are implementing reforms designed to improve cost transparency and keep college affordable.

Colleges and universities where tuition is rising at a higher-than-expected rate must complete a "College Affordability and Transparency Form," mandated by the U.S. Department of Education, to explain why and provide a cost-containment plan. In some states, tuition increases have been legislatively limited and even eliminated altogether. Some community colleges have already implemented programs to reduce tuition costs all the way to zero. Meanwhile,

tuition increases at many independent institutions, once a foregone conclusion, have slowed or stopped.

While government regulation has played a role, much of the improvement in affordability stems from the fact that today's higher education's leaders are aggressively responding to the public's concern about the cost of attending college. They are rethinking their business practices and identifying efficiencies. They are cutting administrative expenditures, renegotiating contracts, reducing energy consumption, and refinancing debt. They are using data analytics to obtain intelligence to help enhance productivity and make good budgetary decisions. They are pursuing partnerships and cooperative agreements and, where appropriate, outsourcing programs and services. More work is needed, but today's cost of attending college is actually the result of serious efforts by college and university leaders to contain it.

Due in part to its sheer vastness, American higher education has proven extraordinarily susceptible to anecdotal critique. Colleges and universities are now typically suspected of core operational inefficiency and criticized because they cost too much. Yet while those views are partially legitimate, an honest assessment of American higher education requires taking stock of factors that distinguish its business model from those of other industries in our immense national economy. Few laypeople are able to do this well, and policymakers have little tolerance for complexity amid growing populist skepticism. More than anyone else, board members are distinctly positioned to clearly and accurately tell the story of the business of higher education—and, in doing so, contribute to public understanding of this sector that is so vital to the future advancement of individual Americans and our nation.

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