

MINUTES
MIDWESTERN STATE UNIVERSITY
BOARD OF REGENTS
Finance and Audit Committee
May 11, 2006

The Board of Regents, Midwestern State University, met in regular session in the Board Room, Hardin Administration Building, Wichita Falls, Texas, at 1:57 p.m., Thursday, May 11, 2006. Finance and Audit Committee members in attendance were Mr. Munir Lalani, Chairperson; Mr. John Bridgman; and Mr. Don Ross Malone. Other regents attending the meeting were Mr. Mac Cannedy, Jr., Ms. Pamela Gough, Mr. Stephen Gustafson, Ms. Pat Haywood, Mr. Don Ross Malone, Mr. Ben Wible, and Student Regent Will Morefield.

Administrative staff members present included Dr. Jesse W. Rogers, President; Dr. Friederike Wiedemann, Provost; Mr. Juan Sandoval, Vice President for Administration and Finance; Dr. Howard Farrell, Vice President for University Advancement and Student Affairs; Dr. Bob Clark, Associate Provost; and Mr. Keith Lamb, Associate Vice President for Student Affairs. Other university personnel attending the meeting included Ms. Gail Ferguson, Controller; Mr. David Spencer, Internal Auditor; Dr. David Tucker, Chairperson of the MSU Faculty Senate; Ms. Valarie Maxwell, Director of Budget and Management; Ms. Bobbie Tassinari, Director of Purchasing; Ms. Dianne Weakley, Director of Personnel; Mr. Mike Snow, Director of Institutional Research and Planning; Ms. Mitzi Lewis, Assistant Director of Institutional Research and Planning; Ms. Janus Buss, Director of Public Information and Marketing; Ms. Barbara Merkle, Director of Admissions; Ms. Cindy Ashlock, Assistant to the President; and Ms. Debbie Barrow, Executive Assistant to the President. Mr. Jason York, Student Government Association Observer, also attended the meeting. Representing the news media was Ms. Ann Work, reporter for the Wichita Falls *Times Record News*.

Chairperson Lalani called the meeting to order at 1:57 p.m.

Reading and Approval of Minutes

06-102. The minutes of the Finance and Audit Committee meeting February 9, 2006 were approved as presented.

Review and Acceptance of Financial Reports

06-103. The administration recommended the December 2005 and January, February, and March 2006 Financial Reports for acceptance. Mr. Bridgman moved the Board accept these reports as presented. Mr. Malone seconded the motion and it was approved.

Non-Resident Tuition

06-104. Dr. Rogers reported that two pieces of legislation were passed during the 1990's relating to tuition at institutions located near the Texas border. The first piece of legislation stated that institutions located in Texas counties that bordered another state could offer in-state tuition to students living in the adjacent bordering counties if the Texas institution entered into a reciprocal agreement with an Oklahoma institution to offer in-state tuition to Texas students living in adjacent bordering counties. Midwestern State has maintained a reciprocal agreement with Murray State University in Tishomingo, Oklahoma since this legislation was approved. The second piece of

legislation allowed all residents of bordering states (including Oklahoma) to attend bordering Texas universities (including MSU) at the Texas state tuition rate plus \$30 per semester credit hour.

The Texas Higher Education Coordinating Board (THECB) has recently completed a review of the different types of waivers that allow out of state and international students to pay in-state tuition rates at Texas colleges and universities. There are 41 pieces of legislation dealing with such matters. THECB staff will likely make recommendations to organize and possibly change how tuition waivers are awarded in the future. The first change that has come out of the review process is that THECB looked at the enrollment and space availability on the 19 institutions in Texas that are located within 100 miles of the Texas border. This review showed that only four of these schools have adequate space to handle additional students. Midwestern State University is one of those schools along with Lamar University, West Texas A&M University and Texas A&M Commerce. Additionally, in studying the original legislation, THECB found that the bill allows reciprocity with all other states, not just the states that border Texas. With this new interpretation, MSU Board of Regents can authorize a tuition rate to be charged to any United States citizen attending MSU. The tuition rate is at the Board's discretion and can be any amount from the Texas state tuition rate plus \$30 per semester credit hour up to out-of-state tuition rates. Mr. Bridgman asked if this interpretation and MSU's participation was a permanent action. Dr. Rogers stated that students who come to MSU under this regulation will be grandfathered should the interpretation or MSU's authorization to participate change in the future.

Dr. Rogers stated that MSU will be able to market and recruit outside Texas and Oklahoma. He noted that the rate being recommended would be quite attractive to students from other states. He added this was an opportunity to add geographic diversity to this campus. Mr. Lalani asked if these students would count toward formula funding from the state. Dr. Rogers responded that they would.

Dr. Rogers commented that as part of THECB's review process they are also looking at competitive waivers. The law allows that students may be awarded a competitive waiver of non-resident tuition if they receive a scholarship of at least \$1,000 and they have competed for this scholarship with Texas students. He noted that assuming Board approval today there would be little need for MSU to give competitive waivers to out-of-state students. These students would, of course, still be eligible to receive scholarships. However, they would not need a scholarship to waive the out-of-state tuition. According to state guidelines, MSU should award only 310 competitive waivers each semester. He added that the administration would not recommend any change with regard to the non-resident tuition rate charged to international students at this time. He added that international students who do not receive a competitive scholarship and waiver will continue to pay out-of-state tuition.

Mr. Cannedy noted that if the program was successful it could possibly put more pressure on housing at MSU. Dr. Rogers responded that he hoped it would bring additional resident students to campus. Mr. Bridgman asked about applications for campus housing for the fall. Mr. Lamb stated that he anticipated housing being full in the fall. He added that new application numbers are down slightly while returning

applications are up. Dr. Rogers noted that while 672 students are graduating in the spring the early registration figures show enrollment up by five students compared to the same time last year.

Mr. Lalani presented the administration's recommendation for the Board to authorize that United States citizens from states other than Texas and Oklahoma pay tuition equal to Texas resident tuition plus \$30 per semester credit hour beginning with the fall 2006 as authorized by Texas Education Code 54.0601. Mr. Malone moved approval of this recommendation. Mr. Bridgman seconded the motion and it was approved.

Writing Proficiency Exam Fee

06-105. Mr. Lalani noted that the administration had recommended that a fee of \$15.00 be charged to students who take the Writing Proficiency Exam at a site other than MSU or the Universities Center in Dallas. The proposed fee would cover fees charged by other institutions, postage for sending and returning the exam, and other incidental costs. Dr. Rogers stated that this fee would recover the university's cost for providing this service to its distance education students. Mr. Bridgman moved approval of this item as presented. Mr. Malone seconded the motion and it was approved.

Salary/Title/Position Changes in 2005-2006 Budget Approved per Board Authorization

06-106. Salary, title, and position changes approved by the President were presented for ratification in the agenda document. Mr. Malone moved approval of the items as presented. Mr. Bridgman seconded the motion and it was approved.

FY 2005-2006 Item \$50,000 & Under Approved by President

06-107. The administration recommended a budget change for ratification as shown in the agenda document. Dr. Rogers stated that he committed to Dean Chelte when he was hired that the university would provide the funds necessary to seek accreditation with the Association to Advance Collegiate Schools of Business ("AACSB International"). He noted that it would not be necessary to supplement the budget in this way in the future because of the income that would be available from the Dillard Endowment. Mr. Bridgman moved approval of this item as presented. Mr. Malone seconded the motion.

Operating Budget for Fiscal Year 2007

06-108. Dr. Rogers presented information concerning the proposed operating budget for 2006-2007. He noted that state revenues in the second year of the biennium dropped by \$200,000. He added that this is generally true of the second year. MSU funding was also down \$800,000 in Higher Education Assistance Funds (HEAF) for second year. The university was thus down \$1 million in appropriated funds from the state. Dr. Rogers stated that the administration set aside \$1 million during 2005-2006 to assist in providing funding for the new budget year, and particularly to provide a cost of living raise for faculty and staff. He reported that the proposed budget was up \$2.7 million or 4.7% over the current budget. He stated that if MSU is to compete for faculty and staff, provide routine maintenance, and pay for increasing utilities and rapidly increasing fringe benefits, the budget must increase. He noted that the increases to the budget were in a few categories. The largest single expenditure provided a 3% raise for faculty and staff at a cost of approximately \$1 million. He noted that faculty received increases on a

merit basis and the staff primarily received a three percent increase with a minimum increase of \$600 per year for individuals with a salary of \$20,000 or less. He indicated that approximately \$200,000 in equity adjustments were given to faculty and staff to bring salaries in line with competing agencies and the marketplace. With the implementation of the Banner project to upgrade the administrative software the cost was \$700,000. Dr. Rogers noted that the budget included 14 new faculty and staff. The four faculty positions were in the areas of radiologic science, engineering, mass communication, and education. He stated that the utility budget was estimated to increase by only \$100,000. This was the result of an overestimation of expenses in the current year as well as cost savings efforts.

Dr. Rogers noted that in addition to the \$1 million set aside from the current budget the administration recommended utilizing approximately \$900,000 from reserves in various categories to fund the proposed budget. The year-end fund balance in 2007 is still estimated at \$7.4 million. He noted his belief that this was a reasonable amount held in reserve for a university with a \$60 million budget. He added that by utilizing reserve funds the administration did not plan to raise tuition or fees for a couple of years. He stated that MSU receives 14% less money from the state than was forthcoming 10 years ago, in adjusted dollars. He indicated that the university has made up the difference through tuition increases. Mr. Lalani noted that with the administration setting aside \$1 million in the current year for next year's budget, less than \$1 million was needed to balance the budget. Mr. Cannedy stated that the university was still spending \$2 million more than it was making in the year.

Mr. Sandoval presented information concerning the proposed budget as shown in Attachment 1. He indicated that the administration began discussions of the 2006-2007 budget in the early fall 2005. He stated that in addition to providing salary increases for faculty and staff the administration also addressed faculty and staff shortages. He noted that three custodial positions were added due to the opening of the Dillard College of Business Administration Building. He commented that in putting the budget together the administration looked at all available funds to see what could be used so that tuition and fees would not have to be increased. He stated that using existing fund balances was a prudent way to balance the budget. The Board also received Budget Highlights which included a listing of proposed HEAF allocations for the year (see Attachment 2).

Mr. Cannedy asked about the pie chart that showed Sources of Budgeted Revenue. He asked if it was correct to say that General Revenue (\$22,733,908) and State Tuition (\$7,406,475) are basically what the state appropriates to us to operate. Mr. Sandoval responded that that was correct. Mr. Cannedy noted that these two together amount to 50% of our budget. Dr. Rogers stated that the reality is that the state is supporting 37.7% of MSU's operation. The rest of the state income is state tuition that is paid by MSU students.

Dr. Rogers commented that he felt comfortable with the budget and the reserves that are recommended. He added that he would like to someday see income and expenditures of approximately the same amount.

Mr. Malone stated that the university budget had increased by just over 10% since he was appointed to the Board. He asked if expenses that are paid by the Dillard

Endowment for the College of Business Administration were included in the budget. Dr. Rogers stated that they were. He added that 21 positions in the proposed budget would be paid from outside resources.

Mr. Lalani commented that he felt it was important for the university to maintain adequate reserves. However, these reserves should not grow to a size that is inappropriate. He stated his feeling that the reserves were somewhat like an escrow fund and that from time to time the university would need to use these funds.

There being no further discussion, Mr. Cannedy noted that the committee would discuss personnel issues further during the executive session later in the meeting.

Recess

The meeting recessed at 2:50 p.m. until later in the day.

Executive Session

The Board went into closed session as allowed by the Texas Government Code Chapter 551, Section 551.072, Real Property, and Section 551.074, Personnel Matters, to consider item 06-101 (Possible Purchase of Property), item 06-108 (Operating Budget), item 06-117 (Emeritus Status), item 06-118 (Faculty Promotions) and item 06-119 (Faculty Tenure). The closed session was properly announced at 3:30 p.m. Board members, Dr. Rogers, Dr. Wiedemann, Mr. Sandoval, Dr. Farrell, Dr. Clark, Mr. Lamb, Mr. Spencer, and Ms. Barrow remained for the discussion.

Open Meeting Resumes

The closed session ended at 4:43 p.m. with an announcement by Mr. Cannedy that no action was taken during Executive Session. The committee reconvened at 4:53.

Operating Budget for Fiscal Year 2007

06-108. Mr. Bridgman moved approval of the operating budget for 2006-2007 as presented. Mr. Malone seconded the motion and it was approved.

Adjournment

The Finance and Audit Committee discussion concluded at 4:54 p.m.

Reviewed for submission:

Munir Lalani, Chairperson
Midwestern State University
Board of Regents Finance & Audit Committee

ATTACHMENTS:

1. 2006-2007 Budget Presentation
2. 2006-2007 Budget Highlights, Including HEAF Allocations