The Board of Regents, Midwestern State University, met in special session in the J. S. Bridwell
Board Room, Hardin Administration Building, Wichita Falls, Texas, at 9:00 a.m., Monday,
March 28, 2011. Board members in attendance at the university were Dr. Carol Gunn, Chair;
Mr. Shawn Hessing, Vice Chairman; Dr. Lynwood Givens, Secretary; Mr. Kenny Bryant, Mr.
Charles Engelman; Ms. Jane Spears; and Student Regent David Reyna. Board members
attending the meeting via teleconference connection were Mr. Mike Bernhardt and Mr. Sam
Sanchez.

Administrative staff members present at the university included Dr. Jesse W. Rogers, President;
Dr. Alisa White, Provost and Vice President for Academic Affairs; Mr. Juan Sandoval, Vice
President for Administration and Finance; Dr. Bob Clark, Vice President for Institutional
Effectiveness; and Dr. Howard Farrell, Vice President for University Advancement and Student
Affairs. Other university personnel attending the meeting included Dr. Keith Lamb, Associate
Vice President for Student Affairs; Mr. Kyle Owen, Associate Vice President for Facilities
Services; Mr. Charlie Carr, Director of Athletics; Mr. Barry Macha, General Counsel; Mr. David
Spencer, Internal Auditor; Ms. Dianne Weakley, Director of Human Resources; Ms. Valarie
Maxwell, Director of Budget and Management; Dr. Jim Owen, Chairman of the MSU Faculty
Senate; Mr. Chris Gore, Chairman of the MSU Staff Senate; Ms. Julie Gaynor, Interim Director
of Public Information and Marketing; Ms. Cindy Ashlock, Executive Assistant to the President;
and Ms. Debbie Barrow, Director of Board and Government Relations. Representing the news
media were Ms. Brittany Norman, editor of The Wichitan; Ms. Deanna Watson, editor, and Ms.
Ann Work, reporter for the Times Record News; and Ms. Katie Crosbie, reporter for KFDX-TV3.

Chair Gunn called the meeting to order at 9:00 a.m. and Ms. Gaynor introduced the visitors. Dr.
Gunn extended congratulations to the MSU men’s basketball team, Coach Grant McCasland, and
the coaching staff on their NCAA Division II Elite Eight appearance in Massachusetts the
previous week.

Public Comment
Dr. Gunn stated that in accordance with the Board of Regents By-Laws, MSU Policy 2.22,
members of the public are invited to address the Midwestern State University Board of Regents
through written and oral testimony. She noted that no one had signed up to speak.

Budget Discussion/Appropriations Reductions/Tuition and Fee Review and Proposed Increases
11-84. Dr. Gunn reported that during the regular February board meeting, Dr. Rogers informed
the board that a special meeting would be called to determine tuition and fee rates for the
2011-12 academic year. She asked Dr. Rogers to present information concerning this
matter.

Dr. Rogers stated that the decision concerning tuition and fee rates for the 2011-2012
academic year was postponed to give the administration an opportunity to review
decisions made at other state universities and consider actions of the Texas Legislature. This delay also provided additional time for budget planning.

Dr. Rogers noted that data from the Texas Higher Education Coordinating Board (THECB) shows that MSU receives state appropriations of $5,305 per full-time student for thirty semester credit hours of work in an academic year. He stated that when compared to appropriations given to 36 public institutions of higher education in Texas, MSU ranks sixth from the bottom. He indicated that the university must close the funding gap largely through tuition and fees. He noted that formula funding is not the cause of this funding differential. He reminded the board that MSU receives the same dollar per credit hour for a course in economics as does the University of Texas at Austin. He added that the difference in funding is a result of special item funding approved by the legislature for individual institutions over many years.

Dr. Rogers reported that the budget planning committee used House Bill 1, the original draft budget, as the foundation for planning. Based on the funding allocated to MSU in HB 1, the university must reduce its cost of operation by $5.4 million over the next biennium, in addition to the over $2 million in reductions that have already been made during FY10 and FY11. Dr. Rogers stated that the university could lose another $437,000 in matching fringe benefit funding, as well as $832,000 that MSU previously received in Performance Incentive Funding. For budget planning purposes, the administration determined that it would attempt to bridge a funding gap of $3.2 million per year for the next biennium. He added that if one considers the total reductions the university has had to make from the beginning of FY10 to the end of the next biennium, MSU’s state funding will have been reduced by 20%. He indicated that it would be necessary for the university to find ways to operate more efficiently, to find new sources of income, and to reduce the cost of operations.

Dr. Rogers then reviewed a draft worksheet for budget planning through 2013 (see Attachment 1). He noted that reductions would continue to be made in personnel costs, maintenance and operation, and travel. He added that vacant positions would remain open as long as possible so that additional funds could be saved. He noted that planned reductions during the upcoming biennium total $4.28 million.

In discussing new income, Dr. Rogers indicated that the administration plans to recommend changes to vehicle registration charges at the May board meeting, to include faculty and staff paying a yearly vehicle registration fee. He noted that additional funds would likely be available from the MSU Charitable Trust, the MSU Foundation, Inc., and MSU endowments to support next year’s budget.

Additional expenses will also be added to future budgets, including at least one new police officer and additional police equipment. He added that the administration is also planning to return approximately $700,000 to university reserves, if possible. He noted that the future of the economy is uncertain and it is important to maintain adequate reserves.

Dr. Rogers stated that the administration plans to change the manner in which course fees are budgeted. He explained that course fees have previously been budgeted within
maintenance and operation budgets. In an effort to better track expenditures, each department will now have a separate course fee budget. He noted that it would cost the university approximately $300,000 to make this change.

Dr. Rogers then presented the administration’s recommended tuition and fee increases for the fall 2011 (see Attachment 2). He noted that the overall increase is 4% for an individual enrolled in 15 semester credit hours. He indicated that this increase would likely keep MSU’s total academic costs below average. The administration’s recommendations were as follows:

A. Increase University Designated Tuition by $4.35 per semester credit hour, from the current $96.55 to $100.90 per semester credit hour.

B. Increase the Energy Surcharge Fee by $1.00 per semester credit hour, from the current $8.00 to $9.00 per semester credit hour.

C. Increase the Library Fee by $1.00 per semester credit hour, from the current $7.00 to $8.00 per semester credit hour.

D. Increase the Intercollegiate Athletics Fee by $1.00 per semester credit hour, from the current $9.00 to $10.00 per semester credit hour.

Dr. Gunn asked for a motion to approve the recommended tuition and fee increases, and noted that this increase is within the parameters of the MSU Promise. Mr. Engelman moved approval of these recommended increases. Mr. Hessing seconded the motion.

Mr. Bernhardt asked what would be done if funding from the state was less than anticipated. Dr. Rogers stated that the administration would likely have to reconsider the plan to return funds to the university’s reserves. He added that any enrollment increase would provide additional income to support the budget.

Mr. Engelman noted that the recommended increase totaled $141 for 15 semester credit hours or an increase of $280 per year. He stated that this was a large amount for university students. He indicated that he understood students spend over $500 for books each semester. He asked if it would be possible for the administration to study electronic book systems. Dr. Lamb responded that the MSU bookstore offers electronic textbooks for certain titles and the program is expanded every semester. He added that they are also exploring a textbook rental program.

Mr. Sanchez indicated that Dr. Rogers’ recent letter to the board (see Attachment 3) referenced the fall 2010 cost for 15 semester credit hours as $3,471. He added that this is the figure that appears in Table 5. However, in the table presented at the meeting showing the recommended tuition and fee increases, the amount shown for fall 2010 was $3,525.93. He asked which number was correct. Dr. Rogers responded that $3,525.93 was correct. Ms. Barrow stated that differing amounts shown for course fees caused the difference in the two figures. Mr. Sanchez stated that this would mean that MSU is already at the state average of $3,525. He expressed concern that a 4% increase would
move MSU above the state average. Dr. Rogers responded that with the 4% increase he anticipated that MSU would remain at or near the average for the state.

Ms. Spears asked Dr. Rogers for further explanation of the $300,000 that would be necessary due to the change in the way course fees are budgeted. Dr. Rogers stated that the change in budgeting would provide a more transparent process regarding the expenditure of course fees. He asked Dr. White to explain the specifics. Dr. White noted that MSU course fees have historically been placed in general maintenance and operations accounts for use by the various academic departments. She added that she had encouraged the administration to place course fees in separate course fee accounts to provide better control over how course fees are spent. She stated that if all of the funds were moved out of maintenance and operations accounts and put into course fee accounts, the departments would not have enough money to buy copy paper and cover other general expenses not related directly to courses offered. The $300,000 will help make certain that academic program operations do not suffer as a result of this budget change.

Dr. Givens stated that while MSU's tuition and fees are at the average rate when compared to the rest of the state, the education provided at MSU is above average. He noted that while MSU's appropriation may have been cut by 20%, the level of education provided has remained the same. He indicated that the university did not lay off 20% of its employees and did not cancel 20% of the classes offered. He commended the administration for their work on the budget in the face of difficult budgetary constraints. Dr. Givens expressed support for the plan to charge students based on their individual coursework. He noted that there is a basic cost of education for every student, but if a particular discipline is more expensive than another, the student will pay more for work in that area. He added that while a 4% increase was a lot of money for MSU students, this increase appears appropriate given the 20% reduction in state funding.

There being no further discussion, the motion was approved.

**Control and Efficiency Upgrade Project – SECO Loan**

11-85. Dr. Gunn stated that the Board of Regents previously authorized the administration to pursue funding of this project through the State Energy Conservation Office (SECO) at a cost of $2.83 million. She noted that the estimate of the project had increased and board authorization was needed in order that the administration can proceed.

Mr. Owen explained that the board previously discussed the need to upgrade parts of the university’s infrastructure. The administration applied for funding through SECO and work on the development of the project has continued. He stated that several factors contributed to the increase in the estimated project cost.

1. The estimate for the repairs to the steam tunnels and installation of separate hot water heaters for the residence halls/cafeteria increased by $231,000. Some costs were attributed to increased materials costs, but most of the increase represented a more conservative estimate than originally included.

2. The administration added to the project the replacement of street light pole lamps with more energy efficient LED lamps at a cost of $147,000.
3. The administration added irrigation system controls at a cost of $17,100.
4. The contingency increased from $50,000 to $250,000 following a more conservative review of the project.
5. A Measurement and Verification (M&V) cost was added to the estimate. This was a new requirement for the 2% LoanSTAR program.

Mr. Owen added that although the estimated cost of the project has increased, the payback period has decreased from 10.6 year to nine years.

Dr. Gunn stated that the administration recommended board authorization to proceed with the application process through SECO for a project at an estimated cost of $3,723,115. Ms. Spears moved approval of this item as presented. Mr. Bryant seconded the motion.

Mr. Hessing asked if he understood correctly that the net outflow for the university over a nine year period would be zero, including the interest on the project. Mr. Sandoval indicated that this was correct. Dr. Givens asked when the actual cost of the project would be known. Mr. Owen responded that the final project design would be initiated once the project was approved. The project would then be bid. Dr. Givens asked if the board would then give final approval for the award of a contract. Mr. Owen indicated his understanding that board action at this meeting would allow the administration to proceed with the loan through SECO to include initiating contracts for design and bidding. Dr. Rogers stated that he did not understand this would be the final action of the board on this project. He asked if the university could decide not to proceed after the decision was made at this meeting. Mr. Owen responded that if bids above $3.7 million were received the university would not proceed with the project. Dr. Givens noted that the motion simply authorizes the administration to proceed with the loan application process. He indicated that the motion would need to be reworded if the board was being asked to give final approval of the project. Mr. Hessing stated that he agreed with Dr. Givens.

Mr. Engelman asked how university contracts are reviewed and suggested that consideration be given to appointing a board committee to review larger contracts such as this. Dr. Gunn noted that the current contract review process includes a review of all contracts over $50,000 by the university’s general counsel.

Dr. Givens asked about the payback process. Mr. Sandoval responded that anticipated utility savings would be built into the university’s budget. The amount of savings would be budgeted and would pay for the debt service. Dr. Givens asked if the university would essentially maintain the same utility budget and pay the debt over the next nine years. Mr. Sandoval responded in the affirmative.

Dr. Givens asked about the timeframe of the loan. Mr. Owen stated that from the loan acceptance date the university would have 75 days to award a contract. He added that the university has not yet been accepted for the loan. Dr. Givens indicated that he could vote for the current motion but that he couldn’t vote to approve the awarding of a contract for the project at this time. Dr. Rogers agreed that additional information was needed before the board could be asked to approve the project.
Dr. Givens asked if approving the motion before the board would authorize spending money or entering into a contract. Mr. Sandoval responded that it would not. The motion would allow the university to proceed with the loan application process.

Mr. Hessing asked that the administration forward information to the board regarding the new cost estimates. Mr. Bryant asked if the information would indicate how the project would save the university money. Mr. Owen responded that it would. Mr. Hessing added that he would like to see the updated Energy Assessment Report as well.

Mr. Hessing asked that the minutes of the meeting reflect that no contracts would be signed as a result of this action.

There being no further discussion, the motion was approved.

Adjournment

There being no further business, the meeting adjourned at 10:22 a.m. The next regularly scheduled meetings of the Board of Regents will be held May 12 and 13, 2011.

I, F. Lynwood Givens, the fully appointed 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 March 28, 2011.

F. Lynwood Givens, Secretary

ATTACHMENTS:
1. Budget Planning Worksheet Draft
2. Tuition and Fee Recommendation Worksheet
3. Dr. Rogers' March 19 Communication to Board of Regents