

KANSAS BOARD OF REGENTS

MINUTES

December 16, 2015

The December 16, 2015, meeting of the Kansas Board of Regents was called to order by Chair Shane Bangerter at 1:30 p.m. The meeting was held in the Board Office located in the Curtis State Office Building, 1000 S.W. Jackson, Suite 520, Topeka. Proper notice was given according to law.

MEMBERS PRESENT: Shane Bangerter, Chair
 Zoe Newton, Vice Chair
 Ann Brandau-Murguia
 Bill Feuerborn
 Dennis Mullin
 Dave Murfin
 Daniel Thomas
 Helen Van Etten

MEMBER ABSENT: Joe Bain

APPROVAL OF MINUTES

Regent Feuerborn stated the minutes for the University of Kansas Lease and Sublease item need to be amended to reflect the “project costs are not to exceed \$350 million” rather than the bonds. Regent Feuerborn moved to approve the minutes of the November 18, 2015 meeting as amended. Following the second of Regent Van Etten, the motion carried.

INTRODUCTIONS

Chancellor Gray-Little announced that Kansas State University is now an active partner in the University of Kansas Law School’s 3 plus 3 Program. The program allows KSU undergraduate students to enroll in the University of Kansas Law School after successfully completing three years of undergraduate studies at KSU and meeting other admission requirements. Credit hours earned in the first year of law school will then be transferred back to KSU so the students can complete their undergraduate degree program. President Schulz stated this program will save students from paying one year of tuition and allow them to attain their J.D. degree earlier. Chancellor Gray-Little also reported that Fort Hays State University is exploring the possibility of joining the program.

President Schulz gave the Board the annual progress report on Kansas State University’s strategic plan, *K-State 2025*. He stated the Board will receive a more in-depth presentation on the report at the April Board meeting.

GENERAL REPORTS

REPORT FROM CHAIR

Chair Bangerter thanked Wichita State University for hosting the Board meeting last month. He reported he and Regent Newton attended former President Bill Clinton's speech at Pittsburg State University. He noted President Clinton spoke about inclusion and being able to acknowledge and respect different opinions. He stated he appreciated President Clinton's message. Chair Bangerter also reported he attended Kansas State Polytechnic graduation earlier in the month. Additionally, he acknowledged and thanked the individuals who donate to each of the state universities.

Chair Bangerter read a Resolution that acknowledged and thanked Dr. Jacqueline Vietti for her service as Interim President at Emporia State University and for her many years of service to the State of Kansas.

(Resolution filed with Official Minutes)

REPORT FROM PRESIDENT AND CEO

President Flanders announced Sherry Farris, Executive Assistant to the Board's Vice President of Academic Affairs, will be retiring at the end of December. He thanked Ms. Farris for her service to the Board Office and the State of Kansas. President Flanders also reported Emporia State University's 13th President, Robert Glennen, passed away earlier this month.

REPORT FROM COUNCIL OF PRESIDENTS

President Martin presented the Council of Presidents' report. The Council received reports from the Council of Chief Academic Officers, the Council of Business Officers, the Council of Government Relations Officers, the Council of Student Affairs Officers, the Regents Information Technology Committee, and the University Support Staff Council. The Council of Presidents approved Pittsburg State University's Bachelor of Science in Interior Design, the proposed policy on non-academic transcript notations, and the proposed amendments to the Leaves policy regarding the University Support Staff annual leave enhancement.

REPORT FROM COUNCIL OF FACULTY SENATE PRESIDENTS

Lorie Cook Benjamin presented the Council of Faculty Senate Presidents' report. The Council discussed the proposed amendments to the Board's Weapons Possession policy and the Transfer and Articulation policy. Dr. Benjamin reported the faculty and staff surveys regarding concealed carry on campus opened on December 3, 2015 and will close on January 4, 2016. So far 10,000 responses have been recorded. Dr. Benjamin anticipates having the final results by the January 2016 Board meeting.

REPORT FROM STUDENTS' ADVISORY COMMITTEE

The Students' Advisory Committee report was presented by Jessie Pringle. The Committee discussed creating inclusive campuses. Each student body president has been gathering feedback from their student bodies and this feedback will be used by each of the student senates to form policies on inclusion. The Committee also discussed smoke/tobacco free campus policies.

Ms. Pringle reported the Students' Advisory Committee decided at its August 2015 meeting that they wanted to conduct a student survey on the concealed carry law. The Docking Institute conducted the survey, which consisted of 30 questions. Ms. Pringle stated the preliminary results

were received by the Committee on Tuesday, December 15, 2015. She noted 20,561 students responded to the survey, and she reviewed some of the preliminary data. The Committee plans to share the full report and the Committee's executive summary with the Board once it is completed.

Chair Bangerter thanked the student body presidents for developing this survey to gather student opinions and thanked Ms. Pringle for her leadership.

(PowerPoint filed with Official Minutes)

STANDING COMMITTEE AND OTHER REPORTS

ACADEMIC AFFAIRS

Regent Van Etten reported the Board Academic Affairs Standing Committee focused on performance funding and qualified admissions at its meeting. Board staff provided an overview of the history of performance funding. The current model provides the Board with two choices for allocating new state funding – 100 percent or 90 percent. The Board then decides what percent to award the institution based on outcomes for the indicators in the institution's performance agreement. Staff also discussed with the Committee other models for performance funding. The Board could return to the previous model that allocated new state funding at 100 percent, 80 percent, 60 percent, or zero, or the Board could assign funding based on individual indicators. The Committee asked staff to develop a model that combines the current approach with the four-level allocation scale of the older model. Regent Van Etten stated the Committee will review and discuss the combined model at its next meeting.

Additionally, Regent Van Etten reported staff received a proposal asking that the Board accept all high school level work completed in middle school or junior high to fulfill the qualified admissions and the Kansas Scholars curriculum. Staff provided the Committee some history on this topic. The Committee asked staff to develop recommendations for the Committee to review at its next meeting.

FISCAL AFFAIRS AND AUDIT

Regent Feuerborn presented the Board Fiscal Affairs and Audit Standing Committee report. The Committee met by conference call on Friday, December 4, to verify the final negotiated terms of the University of Kansas Central District Project. Regent Feuerborn reported each Committee member asked KU a number of clarifying questions and after that discussion, the Committee agreed that the terms presented to them do conform to what was presented to the Board at the November meeting.

Regent Feuerborn reported the Committee met earlier in the day to review the fiscal items on the Board agenda. The Committee also received an accountability report on the state's major investments for the KU Medical Center's Cancer Center, Wichita State University's Kansas Aviation Research and Technology Growth Initiative, and Kansas State University's Veterinary Medical Center operating enhancement as well as K-State's Global Food Solutions. All of these initiatives have received millions in state support to make greater investments in research and commercialization possible by leveraging private and federal dollars. The universities will present the economic impact of these programs to the Legislature in the upcoming session. Additionally,

the Committee discussed Wichita State University's market based tuition initiative and the University's request that WSU not be required to have a contract already in place with an employer prior to someone seeking a badge, which is a type of credential, from WSU.

GOVERNANCE

Regent Bangerter reported the Governance Committee approved forwarding the proposed amendments to the Board's Weapons Possession policy to the Board for consideration at the January meeting. He noted Board staff collected and provided the Committee with the feedback received from the campuses on the draft policy. If the policy is approved by the Board, the Governance Committee is hoping to receive the state universities' institutional level policies and procedures by June 2016.

BREAK

The Chair called for a break at 2:30 p.m. and resumed the meeting at 2:45 p.m.

RECOGNITION

Chancellor Gray-Little stated Provost Jeff Vitter was recently named the University of Mississippi's new Chancellor. She and the Board thanked him for his years of service to the University of Kansas. Chancellor Gray-Little also introduced KU's Interim Provost, Sara Rosen.

APPROVAL OF CONSENT AGENDA

Regent Mullin moved, with the second of Regent Murguia, that the Consent Agenda be approved. The motion carried.

Fiscal Affairs and Audit

LEASE AGREEMENT WITH KSU FOUNDATION – KSU

Kansas State University received authorization to enter into a ten-year lease purchase agreement with the KSU Foundation for property referred to as Knox Lane land. The Department of Animal Sciences and Industry will use the land. The total lease cost is \$825,000, which will be paid from the Animal Science and Industry restricted fees fund balance. It is the intent of the KSU Foundation to gift the property to the University when the Foundation has been fully reimbursed for all acquisition and holding costs.

Property Legal Description:

Tract 1:

Part of the Northeast Quarter (NE¼) of Section Eight (8), Township Ten (10) South, Range Eight (8) East of the 6th Principal Meridian, described as follows: Beginning at the Northeast corner of Section 8, thence West 25.06 chains, thence South 28.11 chains to the North bank of the old channel of the Big Blue River; thence Southeast along North Bank of said River to East line of said Section 8; thence North along the East line of said Section 8 to the point of beginning, in Riley County, Kansas; LESS that tract conveyed to The Manhattan Chamber of

Commerce, a Kansas Corporation, described in Warranty Deed recorded in Book 334, Page 54, in the office of the Register of Deeds of Riley County, Kansas, described as follows: Part of the East Half (E½) of Section Eight (8), Township Ten (10) South, Range Eight (8) East of the 6th P.M., in Riley County, Kansas, more particularly described as follows: Parts of Governments Lots 5 and 6 and the abandoned channel of the Big Blue River adjacent thereto, beginning at a point on the Riley-Pottawatomie County line which is North 23°44' West (west line of Section 8 is assumed North) from a point which is 660 feet West and 2537 feet South of the Northeast corner of said Section 8; thence in a westerly direction along the Riley-Pottawatomie County line to the West line of the East Half of Government Lots 5 and 8 as extended across the said abandoned channel; thence North along the West line of the East Half of said Government Lot 5 to the center of the abandoned channel of the Blue River (considered midway between contour elevations 1002 as established in 1959); thence in easterly directions along the center of the abandoned channel of the Blue River to a point 1657 feet West of the Northeast corner of said Section 8; thence North to a point 1657 feet West of and 1884 feet South of the Northeast corner of said Section 8; thence East to a point 1264 feet West of and 1853 feet South of the Northeast corner of said Section 8; thence Southeast to a point 1032 feet West of and 1930 feet South of the Northeast corner of said Section 8; thence Southeast to a point 860 feet West of and 2082 feet South of the Northeast corner of said Section 8; thence South 23°44' East to the Riley-Pottawatomie County line and the point of beginning;

Tract 2:

A tract of land lying in Lot Seven (7), Section Eight (8), Township Ten (10) South, Range Eight (8) East of the 6th P.M., in Pottawatomie County, Kansas, more particularly described as follows: Beginning at a point on the East line of Section 8, which is 3,076 feet South of the Northeast corner of Section 8. thence Northwesterly to a point which is 446 feet West and 2849 feet South of the Northeast corner of Section 8, thence Northwesterly to a point which is 660 feet West and 2537 feet South of the Northeast corner of Section 8, thence North 23 degrees 44 minutes West (West line of Section 8 is assumed North) to the Pottawatomie-Riley County line, thence Easterly along the Pottawatomie-Riley County line to a point which is on the East line of Section 8 and is 2588.25 feet South of the Northeast corner of Section 8, thence South on the East line of Section 8 a distance of 487.75 feet to the point of beginning; LESS a tract of land conveyed to The City of Manhattan, Kansas, described in Deed recorded in Book 217, Page 118, in the Pottawatomie County Register of Deeds Office, described as follows: A tract of land in Lot Seven (7) and the East Half (E½) of Section Eight (8), Township Ten (10) South, Range Eight (8) East of the 6th P.M., in Pottawatomie County, Kansas, that lies East of a fence accepted as the property line, described as follows: Beginning at a point on the East line of said Section 8, that is S. 0 degrees 03 minutes 41 seconds W. 2904.30 feet from the Northeast corner of said Section 8, being Corner No. 9 and marked by a ½ inch iron bar, thence S. 0 degrees 03 minutes 41 seconds W. 134.97 feet along the East line of said Section 8 to the

Manhattan Levee North right of way line and Corner No. 14, marked by a ½ inch iron bar, thence N. 64 degrees 35 minutes 21 seconds W. 23.79 feet along the said Manhattan Levee North right of way line to a property line fence and Corner No. 15, marked by a ½ inch iron bar, thence N. 0 degrees 25 minutes 23 seconds E. 119.41 feet along said property line fence to Corner No. 16, marked by a ½ inch iron bar, thence N. 75 degrees 32 minutes 11 seconds E. 21.43 feet to the point of beginning. LESS a tract of land conveyed to The City of Manhattan, Kansas, described in Deed recorded in Book 217, Page 119, in the office of the Register of Deeds of Pottawatomie County, Kansas, described as follows; A tract of land in Lot Seven (7) and the East Half (E½) of Section Eight (8), Township Ten (10) South, Range Eight (8) East of the 6th P.M., in Pottawatomie County, Kansas, described as follows: Beginning at the intersection of the Manhattan Levee North right of way line and a fence accepted as the property line that is S. 0 degrees 03 minutes 41 seconds W. 3039.27 feet and N. 64 degrees 35 minutes 21 seconds W. 23.79 feet from the Northeast corner of said Section 8, being Corner No. 15 and marked by a ½ inch iron bar, thence N. 64 degrees 35 minutes 30 seconds W. 329.61 feet along the said Manhattan Levee North right of way line to Corner No. 17 marked by a ½ inch iron bar, thence N. 40 degrees 14 minutes 42 seconds E. 43.50 feet to Corner No. 18, marked by a ½ inch iron bar, thence S. 69 degrees 45 minutes 42 seconds E. 287.95 feet to the said property line fence and Corner No. 19, marked by a ½ inch iron bar, thence S. 0 degrees 25 minutes 23 seconds W. 75.02 feet along said property line fence to the point of beginning.

CONSIDERATION OF DISCUSSION AGENDA

Academic Affairs

PERFORMANCE AGREEMENT REPORTS FOR AY 2014

Gary Alexander, Vice President for Academic Affairs, presented the performance agreement reports for AY 2014. He noted the Board Academic Affairs Standing Committee used the Board-approved Funding Guidelines to determine the percentage of new state funds to be awarded to each institution beginning July 2016. Awards are based on the following levels of compliance:

- 100%: The institution maintained the baseline or improved from the baseline in at least 51% of the indicators (i.e. four or more indicators). The institution qualifies for 100% of any new state funds for which it is eligible.
- 90% or 100%: In cases where the institution maintained the baseline or improved from the baseline in exactly 50% of the indicators (i.e. three indicators), the institution qualifies for 90% of new state funds for which it is eligible, though the Board has the discretion to award 100%.
- 90%: The institution maintained the baseline or improved from the baseline in less than 50% of the indicators. The institution qualifies for 90% of any new state funds for which it is eligible.
- 0%: The institution maintained the baseline or improved from the baseline in one or fewer indicators or failed to submit a report. No new state funds are awarded to the institution.

The Committee determined twenty-nine institutions qualified for 100 percent of any new state funding for which they are eligible and five institutions qualified for 90 percent of any new state funding for which they are eligible. Regent Van Etten moved to approve, and Regent Murguia seconded. The motion carried. The following was approved:

University/College	Funding Recommendation
Emporia State University	100% funding
Fort Hays State University	100% funding
Kansas State University	100% funding
Pittsburg State University	100% funding
University of Kansas	100% funding
University of Kansas Medical Center	100% funding
Wichita State University	100% funding
Washburn University	90% funding
Washburn Institute of Technology	100% funding
Allen Community College	100% funding
Barton Community College	100% funding
Butler Community College	100% funding
Cloud County Community College	100% funding
Coffeyville Community College	90% funding
Colby Community College	90% funding
Cowley Community College	100% funding
Dodge City Community College	100% funding
Fort Scott Community College	90% funding
Garden City Community College	100% funding
Highland Community College	100% funding
Hutchinson Community College	100% funding
Independence Community College	90% funding
Johnson County Community College	100% funding
Kansas City Kansas Community College	100% funding
Labette Community College	100% funding
Neosho County Community College	100% funding
Pratt Community College	100% funding
Seward County CC/ATS	100% funding
Flint Hills Technical College	100% funding
Manhattan Area Technical College	100% funding
North Central Kansas Technical College	100% funding
Northwest Kansas Technical College	100% funding
Salina Area Technical College	100% funding
Wichita Area Technical College	100% funding

Fiscal Affairs and AuditFY 2017 HOUSING AND FOOD SERVICE RATE ADJUSTMENT FOR STATE UNIVERSITIES

Elaine Frisbie, Vice President of Finance and Administration, presented the FY 2017 housing and food service rate adjustments for final action. Regent Feuerborn noted that since the November Board meeting, the Board Fiscal Affairs and Audit Standing Committee reviewed the proposals and the reserve funds for each of the university. Regent Feuerborn moved to approve. Following the second of Regent Thomas, the motion carried.

(Complete Listing of Adjustments filed with Official Minutes)

ALLOCATION OF FY 2017 REHABILITATION AND REPAIR APPROPRIATION

The FY 2017 proposed allocation of the Rehabilitation and Repair appropriation was presented by Greg Hoffman, Director of Facilities. He explained \$32,000,000 was appropriated from the Educational Building Fund for this purpose. Regent Feuerborn moved that the project list for the FY 2017 rehabilitation and repair appropriation be approved. Regent Thomas seconded, and the motion carried. The following summary reflects the authorized totals:

SUMMARY

	<u>Allocation</u>
The University of Kansas	\$8,598,400
The University of Kansas Medical Center	3,600,000
Kansas State University	9,568,000
Wichita State University	3,513,600
Emporia State University	1,932,800
Pittsburg State University	2,361,600
Fort Hays State University	<u>2,425,600</u>
TOTAL	\$32,000,000

AMENDMENT TO THE BUDGET FOR STUDENT UNION – KSU

Director Hoffman presented Kansas State University's request to amend its FY 2016 project budget from \$25 million to \$31 million for the K-State Student Union expansion and renovation project. The \$6 million will be funded with Housing and Dining Services funds, privilege fee balances and university resources. Regent Mullin moved to approve, and Regent Newton seconded. The motion carried.

AMENDMENTS TO THE SUMMARY OF APPROVAL REQUIREMENTS POLICY AND THE CAPITAL IMPROVEMENT PROJECTS POLICY

Director Hoffman presented proposed amendments to the Board's Summary of Approval Requirements policy and the Capital Improvement Project policy. During the last Legislative session HB 2395 was signed into law, which increased the threshold of capital improvement costs for architectural and engineering services to \$1 million before the Secretary of Administration must convene a meeting of the State Building Advisory Committee. The proposed policy amendments reflect the change in the statute. The amendments also increase the Director's

approval limit from \$500,000 to \$750,000. Regent Murguia moved to approve. Regent Feuerborn seconded, and the motion carried. The following amendments were adopted:

2 SUMMARY OF APPROVAL REQUIREMENTS

	Board of Regents	Building Committee	Full Legislature	Program Statement required?	Execution process (architect/contractor)
Capital Improvements and Financing > \$750,000 \$1,000,000					
Affiliated Corporations	approve	advise		yes	Campus
State General Fund	approve	advise	approve (DA 418)	yes	State selection/bid
All Other Non-State Funds	approve	advise		yes	K.S.A. 76-7,125 <i>et seq</i>
Revenue Bonds	approve	advise	approve (DA 418)	yes	State selection/bid
Federal Grants	approve	advise		yes	K.S.A. 76-7,125 <i>et seq</i>
Educational Building Fund	approve	advise	***1	yes	State selection/bid
Rehabilitation and Repair Projects²					
Affiliated Corporations	approve	advise		no	Campus
State General Fund/EBF	approve	advise		no	State selection/bid
All Other Non-State Funds	approve	advise		no	K.S.A. 76-7,125 <i>et seq</i>
Federal Grants	approve	advise		no	K.S.A. 76-7,125 <i>et seq</i>
Deferred Maintenance Projects					
Infrastructure Maintenance Funds	approve	advise		no	State selection/bid
University Interest	approve	advise		no	K.S.A. 76-7,125 <i>et seq</i>
Tax Credits	approve	advise		no	State selection/bid
Energy Contracting Performance	approve	advise			K.S.A. 75-37,111 through 37,114 and 75-37,125
Building Razing	approve	advise ³			

¹ If new project or major renovation.

² Projects < ~~\$500,000~~ \$750,000 require only Director's approval.

³ Not required by law.

3 CAPITAL IMPROVEMENT PROJECTS

a Definitions

- i Capital improvement projects are those the costs for which exceed ~~\$750,000~~ \$1,000,000, regardless of funding source, including new buildings, remodeling or alterations, annual maintenance, and utility projects. Deferred maintenance projects are governed by subsection 5., below.
- ii Educational Building Fund, or EBF, means the fund created pursuant to K.S.A. 76-6b01 *et seq.* and funded by the annual mill levy authorized by Article 6, Section 6 of the Kansas Constitution. Moneys in the EBF may only be expended as authorized by K.S.A. 76-6b02.

b Process

- i *Initial Request:* Each state university shall include initial concept requests for authorization of capital improvement projects with the university's five year plan submitted to the Board for consideration on April 1 of each year. Each project that will require the services of an architect and/or engineer shall have a written program statement included with the request. The request shall identify each anticipated source of funding for the project. For improvements that include new space for which private moneys are to finance at least 51% of the cost, the request shall include a plan for paying the annual maintenance and operation costs for the project from either private funds or existing university resources. (K.S.A. 76-790) For improvements that include new space for which private moneys are to finance less than 51% of the cost, the request shall include a plan for paying annual maintenance and operation costs that identifies the resources to be used for such costs. Such annual maintenance and operation costs plans shall be included in the program statement and shall adhere to standards prescribed by the Board's Director of Facilities. Each request approved by the Board shall be filed with the appropriate state offices on or before July 1 in the format determined by the State Budget Director. Each state university is prohibited from pursuing gubernatorial or legislative approval of any project not previously approved by the Board.
- ii *Amendments:* Amendments to the current year capital improvements project list may be submitted to the Board at times other than those specified above. Once approved, each university shall be responsible for ensuring that appropriate legislative approvals are obtained, including advising the Joint Committee on Building Construction.
- iii *Licensed Professional Consultants:* The design and construction administration for all new buildings and major renovations on state property shall be performed by licensed professional consultants retained in accordance with Kansas statutes. A written program for each building project shall be submitted and approved by the Board and by the Legislature or legislative building committee as set forth in section E.2. before such services are obtained.
- iv *Program Statements:* Minimum requirements for program statements include introductions, project budgets, and project schedules. For new construction or major renovations the program statement must also include space projections, space summaries, space descriptions, a discussion of the impact the additional space will have on overall campus space, and new buildings operating costs and the proposed source of funding for such operating costs (or a statement that such will not be requested). Additional information that the institutions deem necessary may be included.
- v *Design Development Plans:* Following Legislative and Board approval of a specific capital improvement project, design development plans for a building or project and the location of the new building shall be submitted to the President and Chief Executive Officer for review and approval before final plans are prepared. The President and Chief Executive Officer, upon the

recommendation of the Director of Facilities, may approve said design development plans for the Board.

c Funding

- i *Funding Sources:* Capital improvement projects may be paid for from state general funds, tuition, educational building funds, revenue bond proceeds (in accordance with chapter II.D. of this Policy Manual), restricted fees, research overhead funds and other resources as approved by the Board.

Capital improvement projects that are also approved deferred maintenance projects may be paid for in whole or in part by tuition interest earnings, contributions received pursuant to the postsecondary educational institution tax credit program (K.S.A. 79-32,261), and other funds earmarked by the Board or Legislature for the purpose of addressing deferred maintenance.

- ii *Federal Grant Requests:* All institutional requests for federal grants for capital improvements shall be submitted to the Board President and Chief Executive Officer before the request is submitted to the appropriate federal agency.
- iii *Private Funds:* No capital improvement project that is funded in part or totally from private funds may proceed to signature of contract unless and until all private funds have been deposited in an account for the use of the project or a letter of credit has been received by the Board President and Chief Executive Officer that guarantees the availability of the funds necessary to complete the project.
- iv *Fund Raising:* In addition to the project approval required in subsection 3.b.i. of this section, notification of all capital improvement projects to be funded in part or in whole from private resources must be submitted to the Board's President and Chief Executive Officer before fund raising efforts are publicly announced.

d Annual Maintenance

Beginning with projects initiated after January, 2007, and except as otherwise specifically provided for by law or approved by the Board, state universities shall not seek new state general funds to finance annual maintenance and operation costs for any new capital improvement project.

4 REHABILITATION AND REPAIR PROJECTS

a Definition

Rehabilitation and repair projects are those projects that cost ~~\$750,000~~ \$1,000,000 or less, including new buildings, remodeling or alterations, annual maintenance, or utility projects. Deferred maintenance projects are governed by subsection 5. below.

b Process

The state universities are authorized by the Board and the Legislature to proceed with rehabilitation and repair projects on a fiscal year basis. Upon request of the university with concurrence of the Board's Director of Facilities, the Board President and Chief Executive Officer has the authority to revise such authorizations during the fiscal year; provided, however, that any project requiring expenditures of ~~\$500,000~~ \$750,000 or more must be considered by the Board.

c Funding

The Board receives an annual line item appropriation from the Educational Building Fund for rehabilitation and repair projects. This appropriation is allocated by the Board to the state universities pursuant to an "adjusted square footage" formula, which factors in gross square footage, building age and complexity of the physical plant.

Additionally, the universities may provide funds for rehabilitation and repair projects from state general fund revenues, tuition, restricted fees, research overhead funds and other resources as approved by the Board.

Rehabilitation and repair projects that are also approved deferred maintenance projects may be paid for in whole or in part by tuition interest earnings, contributions received pursuant to the postsecondary educational institution tax credit program (K.S.A. 79-32,261), and other funds earmarked by the Board or Legislature for the purpose of addressing deferred maintenance.

AMENDMENTS TO THE FINANCIAL REPORTING POLICY

Vice President Frisbie presented proposed amendments to the Board's Financial Reporting policy. Currently Board policy requires an external management review to be conducted every five years, or when there is a change in the chief executive officer, on expenditure of non-public unrestricted funds held by the university or an affiliated corporation and potential conflicts of interest. Additionally, the non-controlled affiliated corporations have external auditors review annually for conflicts of interest regarding the unrestricted funds. After having gone through the policy cycle, the Council of Business Officers believe these two procedures are duplicative. The proposed changes would allow the Board the flexibility to rely on the external affiliated corporation and internal institutional audit findings and limit the external management review to the immediately preceding fiscal year. However, if the Board wants the review to be more than one year, the language allows for augmented review. Regent Van Etten moved to approve, and Regent Murfin seconded. The motion carried. The following policy amendments were adopted:

5 FINANCIAL REPORTING

a Annual Financial Report

Each state university shall submit to the President and Chief Executive Officer a comprehensive financial report for the prior fiscal year in accordance with the schedule maintained on the Board of Regents' website. The President and Chief Executive Officer shall be responsible for recommending to the Board any specific financial report findings that should be further reviewed by the Board. The financial report shall conform to a format determined by the Council of Business Officers. The financial report shall reflect conformity with financial reporting methods and formats promulgated by the American Institute of Certified Public Accountants, ~~and the Governmental Accounting Standards Board and the National Association of College and University Business Officers' Financial Accounting and Reporting Manual for Higher Education (formerly CUBA)~~ unless otherwise provided by state law, practices or procedures.

b Internal Audit Function

i Each state university shall have an internal audit function. The responsibility of the internal audit function is to serve the university in a manner that is consistent with the *International Professional Practices Framework (IPPF)* promulgated by the Institute of Internal Auditors. Additional resources, tools and guidance should be obtained through the Association of College and University Auditors and the Committee of Sponsoring Organizations.

ii The purpose, authority, and responsibility of each university's internal audit function shall be defined in a formal written document (internal audit charter) that is approved by each state

university's chief executive officer. The charter shall make clear the purposes of the internal audit function, specify the unrestricted scope of its work, and declare that auditors are to have no responsibility for the activities they audit. The scope of work of the internal auditors shall include review of university controlled affiliated corporations, including a review ~~of the IRS form 990 for each such corporation, with a focus on~~ for potential conflicts of interest and transactions between the university and university controlled affiliated corporations. The charter shall endow internal auditors with the authority to fully and freely access all the university's records, properties, and personnel relevant to an audit. The charter shall provide that the auditor report directly to the university chief executive officer on all audit matters. The charter shall clearly state that internal auditors shall report directly to the Board Fiscal Affairs and Audit Committee any situation wherein the auditor perceives a conflict of interest with or on the part of the university chief executive officer's involvement with the subject of an audit. In addition, each state university shall include the charter in university manuals, policies, and procedures as appropriate. Each state university internal audit department shall report annually to the Board's Committee on Fiscal Affairs and Audit, summarizing the prior year's activities and audit plans for the coming year. Each state university shall notify the Board's Committee on Fiscal Affairs and Audit in writing of any personnel change in the position of university internal auditor.

- iii Each state university shall develop and maintain an internal audit plan. At a minimum, internal controls for the university's highest risk units, based on public funds exposure, should be assessed on a regular basis.
 - iv Each completed internal audit reporting material financial weaknesses or fraud shall be submitted to the Board President and Chief Executive Officer who shall be responsible for recommending to the Committee on Fiscal Affairs and Audit any specific audit findings that should be further reviewed by the Committee.
- c Non-Public Funds Management Review
- i Each state university chief executive officer shall maintain on file at the university a current list and description of the non-public, unrestricted funds under his or her direction or that of direct subordinates.
 - ii Each state university chief executive officer shall maintain and provide to the Board annually a list of all affiliated corporations (controlled and non-controlled) and a description of their respective governing boards and management structure.
 - iii Each state university shall annually review the roles of direct subordinates in or with such affiliated corporations for the purpose of identifying potential conflicts of interest. If appropriate and to the extent it is within the chief executive officer's control, the university chief executive officer shall initiate a plan to either eliminate or manage any identified actual or potential conflicts of interest and shall file the plan with the President and Chief Executive Officer of the Board of Regents.
 - iv The President and Chief Executive Officer of the Board shall annually review the roles of the state university chief executive officers in or with all affiliated corporations for the purpose of identifying potential conflicts of interest. If appropriate, the President and Chief Executive Officer of the Board shall initiate a plan to either eliminate or manage any actual or potential conflicts of interest and shall submit such plans to the Board Chair and Vice-chair for approval.
 - v The Board may initiate external management reviews of the use and expenditure of non-public, unrestricted funds held by the university or an affiliated corporation of the university and under the direction of each state university chief executive officer and each state university chief executive officer's direct subordinates at any time, but such reviews shall be conducted no less than once every 5 years beginning fiscal year 2013. For the once every five year audits, the

period under review may be limited to the immediately preceding fiscal year. Additionally, such reviews shall be conducted when there is a change in the chief executive officer. All such reviews shall be contracted by the Board and financed by a transfer of funds to the Board from the state university under review. The university shall request its university non-controlled affiliated corporations having non-public, unrestricted funds that are under the direction of the university chief executive officer or the chief executive officer's direct subordinates to cooperate in the conduct of such reviews.

- vi Each state university chief executive officer shall request the board of directors of each university non-controlled affiliated corporation to ~~include in the scope of~~ conduct an agreed-upon procedure engagement be performed at the time of its annual independent audit ~~identification of to identify~~ actual or potential conflicts of interest involving unrestricted, non-public funds under the authority or direction of the university chief executive officer or the chief executive officer's direct subordinates. ~~The state university chief executive officer shall request that such review~~ Agreed upon procedures shall be established by the Board's Fiscal Affairs and Audit Committee. The agreed-upon procedures shall include an examination of fund transfers and other transactions between and among the university, its affiliated corporations, and external entities reported on statements of substantial interest forms, ~~and that the~~. The university non-controlled affiliated corporation shall be asked to share a report of each such review engagement with the President and Chief Executive Officer of the Board.
- vii For purposes of paragraph c.,
 - (1) "non-public funds" means any funds expended for the benefit of the state university but not processed through the state financial system, and
 - (2) "affiliated corporation" shall not include the Wichita State University Board of Trustees.

BOND RESOLUTION FOR THE RENOVATION AND EXPANSION OF SEATON HALL – KSU

General Counsel Julene Miller introduced a bond resolution for Kansas State University to finance the cost of the renovation and expansion of Seaton Hall. The resolution would authorize the issuance of revenue bonds in one or more series in a total aggregate amount not to exceed \$60,000,000, plus costs and reserves. The bonds will be secured with a pledge of generally available unencumbered funds of the University. General Counsel Miller noted for FY 2017, the state directly appropriated \$3.7 million of the Educational Building Fund to the University to pay debt service for the Seaton Hall project, and KSU is anticipating using a portion of its share of the Educational Building Fund to pay debt service for this project in the future. She also mentioned KSU is considering issuance of refunding bonds, which does not require Board approval if Board policy conditions are met. Regent Mullin moved to approve and authorize the Chair and the President and CEO to execute the resolution and various other documents relating to the security and payment of such bonds. Regent Newton seconded, and the motion carried.

(Resolution filed with Official Minutes)

BOND RESOLUTION FOR THE RENOVATION, EXPANSION AND EQUIPPING OF THE STUDENT UNION – KSU

General Counsel Miller introduced a bond resolution for Kansas State University to finance the cost of the renovating, expanding, and equipping the Student Union. The resolution would authorize the issuance of revenues bonds in one or more series in a total aggregate amount not to exceed \$25,000,000, plus costs and reserves. The bonds will be secured with a pledge of generally

available unencumbered funds of the University. General Counsel Miller noted KSU expects to use a dedicated campus privilege fee to pay debt service on the bonds. Regent Mullin moved to approve and authorize the Chair and the President and CEO to execute the resolution and various other documents relating to the security and payment of such bonds. Regent Thomas seconded, and the motion carried.

(Resolution filed with Official Minutes)

Other Matters

KANSAS POSTSECONDARY TECHNICAL EDUCATION AUTHORITY
RECOMMENDATION REGARDING THE PLAN TO FULLY IMPLEMENT THE
POSTSECONDARY TIERED TECHNICAL EDUCATION STATE AID ACT

Rita Johnson, Vice President for Workforce Development, presented the Kansas Postsecondary Technical Education Authority's (TEA) recommendation regarding the plan to fully implement the Postsecondary Tiered Technical Education State Aid Act. Vice President Johnson stated this past legislative session an additional proviso was passed to require the Board to create a preliminary plan prior to November 1, 2015 to fully implement the postsecondary tiered technical education state aid and submit a final plan to the House Appropriations and Senate Ways and Means Committees no later than February 1, 2016. At the October Board meeting, she presented the TEA's preliminary plan. The Board expressed concerns that this option alone did not fulfill the language of the legislative proviso and asked the TEA to bring forward additional options that fully implement the plan without new state funding. Vice President Johnson reported the TEA adopted the following options at the December 10, 2015 TEA meeting:

Preferred Option:

- Recommend the Board include a request for additional funding for Postsecondary Tiered Technical Education State Aid to fully fund the gap between what is considered the state share of the calculated costs and the current appropriated amount.
- Recommend any new funding appropriated for Postsecondary Tiered Technical Education State Aid be distributed only to those institutions with a funding shortfall and that institutions with no funding shortfall maintain their current base.
- Recommend a plan to begin resolving the remaining funding distribution disparity for institutions still receiving less than their institution's calculated state share be addressed the following year.
- Agree that the non-tiered funding distribution would be addressed since there has been no additional state funding for non-tiered courses, since the Non-Tiered Course Credit Hour Grants were established and a number of courses have been moved from tiered status to non-tiered status during this time.

Alternative Option:

- Begin addressing the funding distribution disparity over a four-year period
 - The base for institutions receiving more than their calculated state share would be reduced by one-fourth of the amount they receive over their calculated state share each year over the four-year period with those funds going into a designated funding redistribution pool

- The base amount for institutions receiving less than their calculated state share would be increased using funds from the redistribution pool and based on each institution's percentage of the overall funding shortfall
- Begin addressing the calculated state share funding shortfall over a four-year period
 - Request the Legislature appropriate new funding to the tiered technical education state aid appropriation that is equal to or more than one-fourth of the overall calculated funding shortfall each year over the four-year period
- Full implementation of tiered technical education funding would be revisited in the fifth year and depend on full funding of the calculated state share cost amount.

President Brian Inbody, representing the nineteen community colleges, presented the community colleges' position that includes the following: 1) any new state funds should be distributed according to the formula, 2) any cuts should be taken across the board for each college, and 3) if there is no new state funding and no cuts, the current funding should remain as it is now. He stated the community colleges are in favor of presenting only the preferred option to the Legislature. Regent Bangerter noted that failure to fully implement the tiered funding model has resulted in some colleges receiving less than their calculated state share. He asked if the presidents and the boards of trustees for those community colleges are okay with maintaining the status quo. President Inbody stated the trustees understand the impact of not re-centering and noted the community colleges do not want to redistribute funds.

President Burks, representing the technical colleges, reported the technical college presidents are not in unanimous agreement. The institutions receiving less than their calculated state share would like to begin moving toward implementation of the funding model as presented in the options presented.

The Chair of the Kansas Postsecondary Technical Education Authority, Ray Frederick, stated the TEA stands by the recommendations as presented. He noted TEA members, who represent business and industry, feel strongly that colleges that deliver good quality technical education and have grown should be rewarded. They also believe that more than half of the colleges should not have to continue receiving less than their calculated state share while others are receiving more than their calculated share of the available funding. The majority of the TEA believe it is time to move toward full implementation of the funding model.

Regent Bangerter reiterated that the Board believes their charge from the Legislature is to present a plan that fully implements the postsecondary tiered technical education state aid. The Board wants to include with the options feedback from the community college sector, technical college sector, and TEA regarding their concerns or any additional comments they want to share regarding the two options. The Board asked the Board Fiscal Affairs and Audit Standing Committee to work with the leadership of the community colleges, technical colleges, and TEA on these comments. The final plan will be presented to the Board for consideration at the January meeting.

NON-BUDGETARY LEGISLATIVE ITEMS

Matt Casey, Director of Government Relations, presented the proposed non-budgetary legislative items. Last month the Board received a first reading on the Kansas Innovation Act proposal and the University of Kansas Medical Center's university police jurisdiction technical edit. Regent

Murguia moved to approve the two proposals. Following the second of Regent Thomas, the motion carried.

EXECUTIVE SESSION

At 4:30 p.m., Regent Newton moved, followed by the second of Regent Feuerborn, to recess into executive session for 30 minutes starting at 4:35 p.m. to discuss personnel matters of non-elected personnel. Participating in the executive session were members of the Board, President Flanders, and Chancellor Gray-Little. The motion carried. At 5:05 p.m., the meeting returned to open session. Regent Feuerborn moved to extend 15 minutes, and Regent Bangerter seconded. The motion carried. At 5:20 p.m., the meeting returned to open session. Regent Feuerborn moved to extend 10 minutes, and Regent Bangerter seconded. The motion carried. At 5:30 p.m., the meeting returned to open session.

ADJOURNMENT

The Chair adjourned the meeting at 5:30 p.m.

Blake Flanders, President and CEO

Shane Bangerter, Chair