

Executive Budget Committee
Minutes of the 4 February, 2013 Meeting

Members attending: Baker, Bennett, Bosch, Chessman, Cline, Einhellig, Elliott, Foucart, Gouzie, Herr, Matthews, McClure, Meyer, Parker, Smart, Wallentine, Williams

Members Absent: Groves, Kincaid, Olsen, Oxendine

Chair Eric Bosch convened the meeting.

Update on State Appropriations.

President Smart and Mr. Foucart updated the committee on the outlook for FY2014 state appropriations. Based on Governor Nixon's budget message, the intent is to increase higher education funding by \$34 million, along with \$100 million for K-12, and \$17 million for early childhood education. Across the board this would mean approximately a 4% increase. However, apportionment to individual institutions will be based on performance measures*. Meeting all five institutional measures equals a 4.3% increase; 4 of 5 equals a 3.4% increase; and 3 of 5 equals a 2.7% increase. Because MSU met all five measures, it could receive as much as \$3.2 million, depending upon the final higher education package. If successful, it would be the first higher education appropriation increase in five years. It should be noted that if MSU had met only 4 of the 5 the funding would be approximately \$600,000 less.

The projected \$160 million increase in overall state appropriations assumes:

- a. Passage of the enhanced Medicaid package, which could generate \$31 million in pass-through dollars and \$16 million in additional tax revenue.
- b. Tax credit reform that could generate up to \$60 million.
- c. That the Legislature will not cut taxes.

The final institutional budget will likely be somewhere between flat up to a 4.3% increase. The final outcome should be known by the end of May when the legislative session concludes.

In addition, both the Governor and the Legislature appear to be interested in pursuing new bond money. There would be two possible initiatives:

- a. Revenue bonds, which could generate ca. \$900 million, and of which MSU would seek about \$50 million.
- b. General obligation bonds of about \$2 billion, which would need to go before the voters and might not be on the ballot until 2014.

Of the bond funding that MSU would seek, about \$44 million would go toward a new life sciences building in Springfield, and about \$6 million would go toward a classroom building on the West Plains campus.

Update on Student Tuition and Fees.

President Smart and Mr. Foucart reviewed preliminary plans for 2014 tuition and fee schedules. For in-state undergraduate students, tuition increases at the state institutions are capped at the consumer price index which is 1.7%. If we raise tuition by that amount, the undergraduate tuition per credit hour would move from \$200.48 to \$204.00 and net the University ca. \$1.6 million in additional revenue, assuming the university maintained current enrollment.

In addition a \$3.00 per semester increase in the Student Services Fees as part of the CPI allocation increase could generate ca. \$100,000 and be allocated to help support the University's obligation toward Title IX compliance, given that the female to male ratio in athletics is 54% , but is 57% in the general student body.

Summary of Required/Expected Budget Increases.

President Smart then reviewed anticipated additional FY 2014 costs for the University:

a. Additional facility costs	\$700,000
b. Faculty promotion & tenure increases	300,000
c. Additional contribution to MOSERS/net of medical plan savings	<u>700,000</u>
	\$1,700,000

This amount would roughly equal that generated by the tuition increase, leaving new funds from the state open for discretionary spending.

Discussion of a General Philosophy toward Spending of Additional FY 2014 Funds.

The Committee then discussed a general philosophy on spending additional FY 2014 state funds. Areas of interest and concern were salaries, maintenance/infrastructure, and one-time projects in the academic areas.

With respect to salary, the committee explored the relative advisability, if funds were available, of a July increase vs. mid-year increase, or possibly some combination, depending upon the fulfillment of revenue and enrollment projections. Such issues as overall faculty and staff morale, the logistics of setting salaries for existing as well as new personnel, and the advisability of overall prudence until January were discussed. The importance of maintenance, both structural and that involving equipment, were also considered.

The committee concluded that this early in the budget process, only general approaches were possible. The committee agreed that as an initial working philosophy, up to a 1.7% salary increase in July might be possible assuming the revenue projections from the state were realized. If the enrollment goals were met in the fall and resulted in additional revenue, the possibility of an additional raise in January could be considered. This would also leave some funds to address maintenance needs.

The Committee will meet again on 26 April. By that time the Legislature's approach to the FY 2014 budget will have become much clearer, and the committee's initial 2014 budget philosophy could be more clearly shaped.

*Key Performance Indicators utilized by Missouri State for FY 2013-2015.

The five performance measures that will be used to evaluate MSU for the next three years are: (1) Six year graduation rate; (2) 24 credit hour freshman completion rate; (3) Success rate on national licensure examinations; (4) Percent of expenditures on core mission of instruction, public services and research; (5) Graduation rate in high demand work force areas such as STEM, healthcare, criminal justice, etc.