

Murray State University
Town Hall Meeting
April 25, 2023

DRAFT-WORKING DOCUMENT

PENDING BOARD OF REGENTS' APPROVALS

DRAFT Working Document

Guiding Principles - Objectives

- **Invest in our people** - largest COLA increase in 23 years **AND** no loss or change in employee benefits for many years – do not pass along costs to employees
 - New compensation pool to help start results of compensation review being done now – \$100,000
 - New student wage – minimum \$8/hour starting rate
- Advance academic quality, add new/enhanced/expanded programs and review low/no enrollment courses and programs
 - Enhancing online/hybrid certificates, courses and degree programs
- Continued focus on access and affordability
 - Increase scholarships, grants and aid
- Student recruiting focus – ensuring a focus on diversity and enhanced initiatives in service region, regional states (existing and new) and international
- **Priorities:** Add campus mental health counselor, student/campus life initiatives, eSports investments, scholarships/needs based aid, future health services investments, athletic enhancements/needs, among others

Guiding Principles - Objectives

- Performance funding model must be a guiding component
 - Changes/improvements to the model (in process)
- Address capital construction plans, deferred maintenance and facility enhancements including technology upgrades/improvements/security
 - Campus life, teaching/learning, student activities, numerous other needs
- Continued athletics transition including use of private funds and sponsorships – ~350 student-athletes and **adding athletic walk-ons (25+)**
- Student retention, wellbeing and academic advising enhancements
- Reallocate budget to address these needs and priorities - \$6.2 million
- Increasing private funds through our \$100 million Centennial Campaign – ***Be Bold: Forever Blue and Gold***

Transparency of Budget Process

- President's Executive Planning Retreat
- Numerous administrative meetings since Fall 2022
- Continuing discussions with President's Executive Council
- Numerous meetings with Deans and academic chairs
- Budget Advisory Committee (faculty, staff and student representation)
- Regular meetings with constituency leadership (faculty, staff and student representation)
- Campus-wide University Town Hall Meeting
- Board leadership budget update
- Full Board of Regents meeting (June)

The past few years...

- Faculty and Staff:
 - All regular employees continued to receive contracted salaries and wages.
 - **No furloughs**
 - **No layoffs**
 - **No reduction-in-force**
 - **No pay reductions**
 - All benefits continue to be offered with no reductions.
- Students:
 - Tuition increases
 - 5 year average = 1.4%
 - Enhanced scholarships/need-based awards for FY24
 - (**~\$1.8+ million**)

FY24 Budget Model Highlights

- No new state appropriation funding and no PF changes
- \$2M one-time budget contingency remains
- 2.9% Tuition increase (Two year – 5% model)
- Scholarship/aid funding increases - \$1.8 million
 - Regional states, ensure stable enrollment and enhance retention (72% of budget)
- Student wage minimum of \$8.00/hour
- Ensure academic quality-reallocation to growth programs
- **COLA of 3.3-5.5%,**
 - **Largest since FY 2000**
 - **Avg increase = 4.57%**
 - **Cost ~\$3M for ALL employees**
- Health Plan funding increases - \$1.3 million
- Pension increases - \$341,300
- No proposed reduction in employee benefits offered
- Technology infrastructure, asset preservation and data and system security investments
- Facilities asset preservation and new construction
- Departments will begin covering 50% of Overtime wages instead of 25%
- **Budget reallocations to meet this budget - \$6.2 million**

ACADEMIC QUALITY

Concepts

- Review of vacant lines and retirees with reallocation of the lines or salary savings
- Efficiencies in administrative tasks
- Review of courses and programs – low/no enrollment

Process

- Collaborative effort with Deans (and then Deans with their Chairs)
- Individualized meetings with Deans and Provost's Office
- Multiple discussions with Deans and Provost with possible savings and scenarios (January through early April)
- Review with VPs and President

Premise with Course and Program Enrollments

- Course and program enrollments are monitored in discussion of program health and viability
- Low enrolled courses are only taught if absolutely needed – graduation, accreditation requirements, discipline criteria
- Number of undergraduate sections of low enrolled courses – reduced by 9.5% (75 sections) from Fall 2020 to Fall 2022

Retired Programs (through Academic Council)

- Fall 2022
 - EdS: Teacher Education and Professional Development
 - BA: Global Language/Japanese Tracks
- Spring 2023
 - BA/BS: History/Law (3+3 program)
 - BA/BS – Liberal Arts
 - MBA/Human Resources Management concentration (suspended)
 - MME: Master of Music Education
 - Minor – Mathematical Biology

Revised Programs and Courses

- Revision of programs for efficiency and connection to workforce needs
 - 24 different programs were re-evaluated to create efficiencies in their tracks, pre-requisite courses, admission requirements and alignment with accreditation needs
- Revisions in courses for efficiencies
 - 96 courses changed to align with accreditation, streamline pre-requisites, enhance interdisciplinary needs across departments
- Retired courses
 - 13 retired courses (Fall 2023 and Spring 2024)

Academic Enhancements

- Finalization of three-year programs in Agriculture, JCSET programs and Business Administration
- Sample of programs (Academic Council Review with a few finalized to date)
 - MBA/Nonprofit Leadership – new track
 - MA Teacher Leader – Social Emotional Wellness
 - MS in Economic Analytics
 - Accelerated MA to DA (Teaching English Literature)
 - Certificates in Applied Statistics, Diverse Student Populations, OSH (Three certificates), Commercial Banking, Cybersecurity Analyst (UG), Forensic Accounting

Moving Forward

- Credit hours taught over the course of a year –
Approximately 220,000 hours (Summer, Fall, Winter, Spring)
 - Revenue depends on residency, dual credit, etc.
- Reallocation of FTE – 10 (vacancies and retirements)
- Academic leadership (Chairs, Deans, Provost's Office) will strategize and plan for now through Dec. 1, 2023 on more academic review, in conjunction with the CPE-statewide higher education review, to obtain the added \$600,000 for FY24 and added plans for future years

STUDENT ACCESS AND AFFORDABILITY

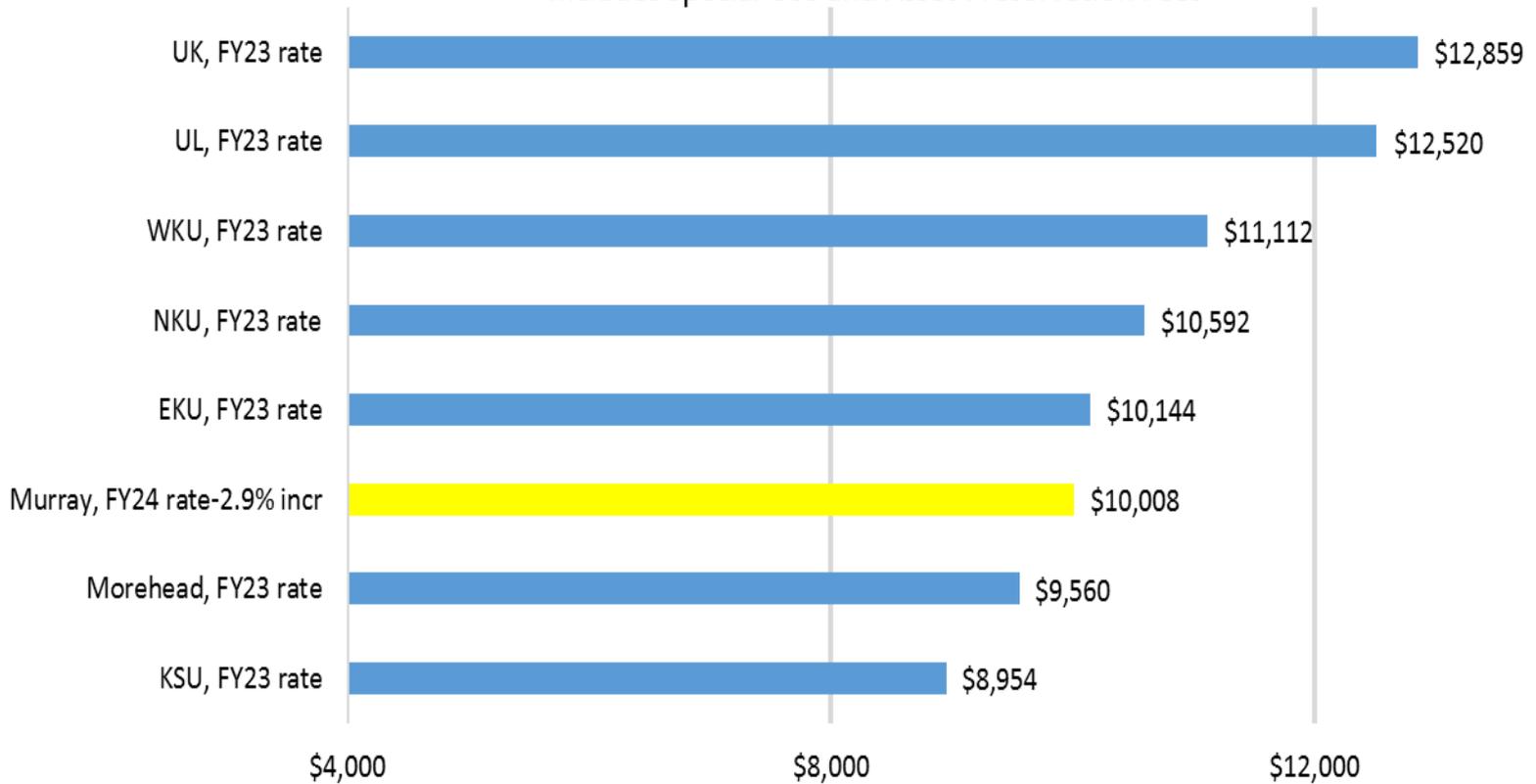
Student Access and Affordability

- Maintain one of the lowest KY resident tuition rates in KY/multi-state Region
- **REMEMBER: \$123M of total ACTUAL scholarships/aid from all sources awarded for FY22 – increase from previous year**
 - \$776,000 needs-based aid initiatives
- Continue increased Mills Scholarship changes/initiatives to enhance diversity. 25% increase in funding in FY22 and doubled the number of awards.
- \$1.8M (4.3%) increase in university scholarships/aid for FY24

Student Access and Affordability

- Bucks for Brains-funded in 2022 Budget of the Commonwealth
 - Expect ~\$1M from state budget and ~\$1M private match
 - ~\$80,000 of added scholarships annually
 - On track to receive funding in FY24
- Kentucky CAP grants
 - Maximum \$5,300 per year
- PELL grant increases \$500/year for 23-24
 - FY23-24 maximum = \$7,395
 - FY22-23 maximum = \$6,895
- Student worker wages minimum = \$8.00/hour (11% increase over current minimum), effective July 1, 2023

FY24 Murray State University and FY23 Kentucky Universities Gross Tuition and Mandatory Fee
Rate Comparisons
for
Undergraduate, Resident, Full-time, Annual Rates
Includes Special Use and Asset Preservation Fees



FY24 Tuition and Mandatory Fees

- 2.9% increase in all tuition and mandatory fee rates
 - New scholarship model starting Fall 2023
 - FY24 enhancement to scholarships of \$1.8M

4.00 to 3.80

TRUSTEE

4.00 to 3.80
AND
33+ ACT or 1450+ SAT

\$10,000

4.00 to 3.80

REGENTS

4.00 to 3.80
AND
28-32 ACT or 1300-1440 SAT

\$8,000

4.00 to 3.80

PROVOST

4.00 to 3.80
No ACT/SAT required

\$5,000

3.79 to 3.50

CARR

3.79 to 3.50

\$4,000

3.49 to 3.30

UNIVERSITY

3.49 to 3.30

\$3,000

3.29 to 3.00

DEANS

3.29 to 3.00

\$2,500

2.99 to 2.75

OPPORTUNITY

2.99 to 2.75

\$1,000

Murray State FY24 Housing Rate Compared to Other Kentucky Universities FY23 Rates

3% Proposed Rate Increase

Franklin, Clark, Richmond Style Comparison		
Institution	Rate	
UK	4,982	FY23 Rate
UL	4,195	FY23 Rate
WKU	4,046	FY23 Rate
EKU	3,995	FY23 Rate
NKU	3,850	FY23 Rate
Murray	3,593	FY24 Rate
Morehead	3,200	FY23 Rate
KSU	2,120	FY23 Rate

Hart Style Comparison		
Institution	Rate	
UK	3,979	FY23 Rate
UL	3,495	FY23 Rate
WKU	3,226	FY23 Rate
EKU	3,207	FY23 Rate
NKU	2,875	FY23 Rate
Murray	2,874	FY24 Rate
Morehead	2,650	FY23 Rate
KSU	1,873	FY23 Rate

Rate comparisons are for the comparable housing configurations.

Murray State FY24 Dining Rates Compared to Other Kentucky Universities FY23 Rates

6% Proposed Rate Increase (contractual)

Institution	Rate	
UK	2,556	FY24 Rate*
Morehead	2,497	FY23 Rate
Western	2,445	FY24 Rate*
Eastern	2,435	FY23 Rate
Murray	2,423	FY24 Rate*
NKU	2,285	FY23 Rate
UL	2,237	FY23 Rate
KSU	1,843	FY23 Rate

* 2023-2024 rates proposed

Rate comparisons based on Unlimited (All Access) meal plan option or closest equivalent.

STUDENT SERVICES AND PROGRAMMING

Student Services and Programming

- Permanent recurring funding for mental health counselor
- Enhanced student programming through SGA
- Athletic enhancements for student fan base, facilities and travel
 - Athletics does not qualify for state asset preservation funding
- Curris Center renovations
 - New SGA Offices, Student Activities, Greek Affairs
 - eSports Program space development and operations funding
 - New Dining enhancements
 - Mein Bowl in the T-Room
 - Dining enhancements in Science Complex
 - Chick-fil-A catering
 - Student/recruitment welcome center
 - Additional meeting spaces
- Funding = Racer Experience Fee \$100/semester
 - Applies to all students taking five or more credit hours of on-campus instruction
 - Excludes online credit hours, dual credit hours and credit hours for special high school

eSports Program

- eSports program development
 - ~ \$1M investment (recurring/one-time)
 - New designed space in the Curris Center
 - Fully equipped
 - Staffed
 - Programming plan being developed
 - Opening date is pending, but anticipated during Fall 2023

EMPLOYEE COMPENSATION

FY24 COLA Adjustment

Modeling 3% across-the-board

And

\$500 flat

~\$3M (from all funding sources)

(Applies to all regular employees hired before April 1)

Largest COLA since 2000

3.3-5.5%

Average raise percent for this model = ~4.57%

Average raise for this model = ~\$1,642

Average Salary = ~\$54,730

Health and Wellness Plan

- **Plan year 2023 no employee increase**
- Continue to offer three plan options based on employee needs
- No employee premium cost increases for plan year 2021, 2022 and 2023, **with no plan redesign**
 - Employees pay <15% of total plan costs
 - University pays >85% of total plan cost
- Review of health insurance plan in preparation for Plan Year 2024

Health and Wellness Plan Summary

	2022 Plan		2023 Plan		
	2022 Plan Projections	Percent Share	Increase Estimate	2023 Plan Projections-current	Percent Share
Employee Premiums	\$1,695,629	14.5%	(a)	\$1,718,200	13.2%
Employer Costs	\$9,965,935	85.5%	\$1,349,562	\$11,315,497	86.8%
-Claims					
-Stop/Loss Insurance					
-Administrative Fees					
-Specialized advisor (Segal)					
-HFA/Flex Plans					
Total Overall Plan Costs	\$11,661,564	100%	\$1,349,562	\$13,033,697	100%
Note					
(a)-no increase in plan costs, but changing plans and number of lives covered produces a change.					

KERS Budget Requirements

	Estimated Annual Payments to KERS	\$ Funded by State	\$ Funded by University	% Funded by State	University Budget Portion	University Budget Increase		Effective Percent of Payroll
FY22	\$7,998,050	\$3,270,900	\$0	100%	\$4,727,150	\$981,364	(a)	59.1%
FY23	\$7,998,050	\$3,270,900	\$0	100%	\$4,727,150	\$981,364		59.1%
FY24	\$7,998,050	\$2,929,600	\$341,300	90%	\$5,068,450	\$341,300		63.4%
FY25	\$7,998,050	\$2,616,720	\$654,180	80%	\$5,381,330	\$312,880		67.3%
FY26	\$7,998,050	\$2,289,630	\$981,270	70%	\$5,708,420	\$327,090		71.4%
FY27	\$7,998,050	\$1,962,540	\$1,308,360	60%	\$6,035,510	\$327,090		75.5%
FY28	\$7,998,050	\$1,635,450	\$1,635,450	50%	\$6,362,600	\$327,090		79.6%
FY28 and future years	\$7,998,050	\$1,635,450	\$1,635,450	50%	\$6,362,600			

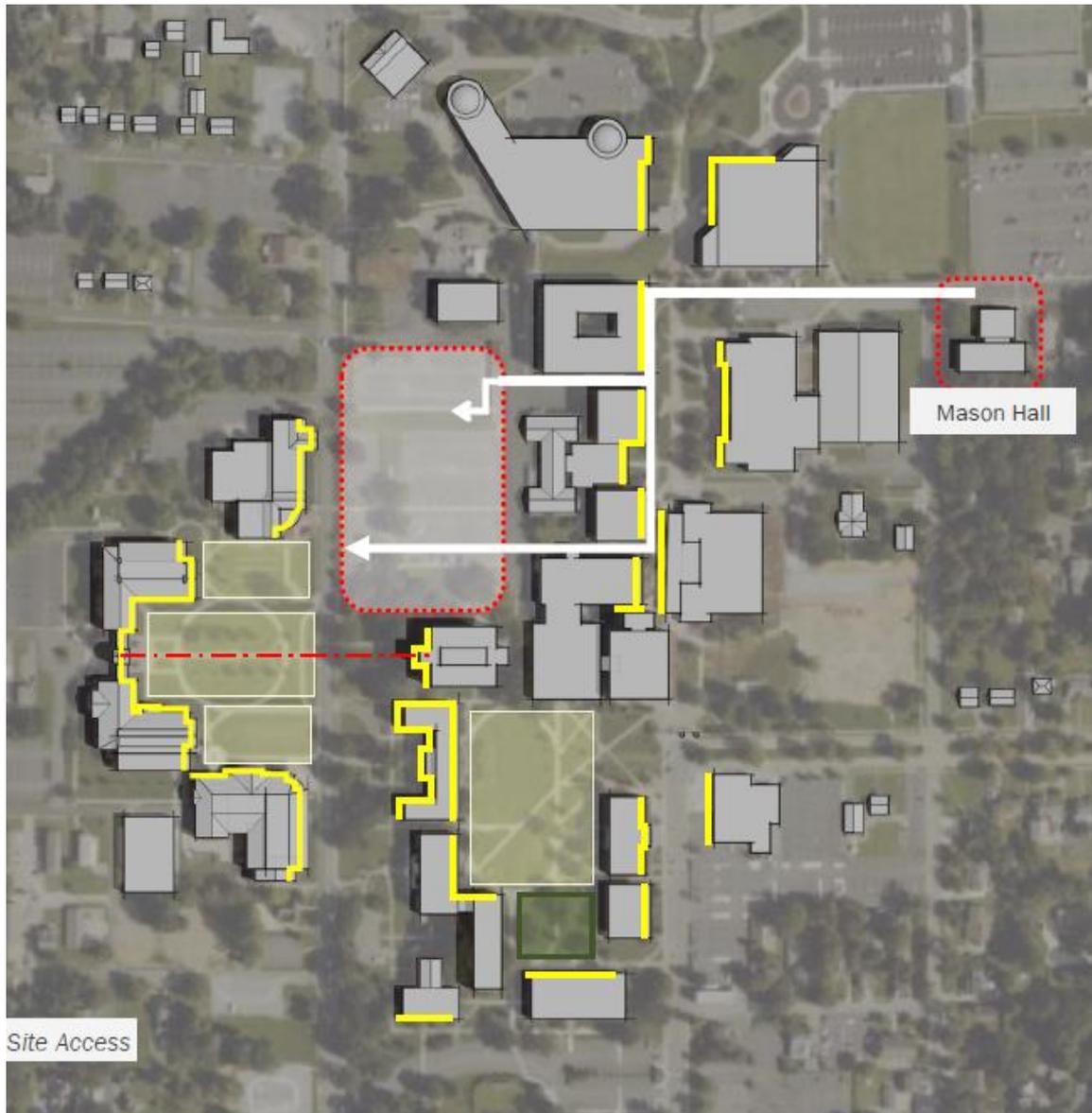
ASSET PRESERVATION

FY23 Facilities Asset Preservation Highlights

- **Appropriated \$47.3M for FY23 and FY24**
- **Match of 15% required**
 - Use \$12M bonds as a match
- **Appropriated \$45.5 for Nursing and Health Professions Building**
- **Continuing to plan for Housing and Dining Public, Private Partnership (P3)**
 - Authorized for \$92.4M for P3 projects

New Nursing Building & Mason Hall

- RTA - Design Team – Programming & Schematic Design
 - RossTarrant Architects (architectural, interior design)
 - Ayers Saint Gross (nursing design expert)
 - Marcum Engineering (mechanical, electrical, plumbing)
 - BFW Engineers (structural, civil, landscape)
- Proposed Timeline
 - February 2023 – programming & schematic design begins
 - July 2023 – building design begins
 - March 2024 – construction begins
 - January 2026 – building open for first semester



Mason Hall

Site Access

State Funded Projects (2022-2028 Capital Plan)

- New Nursing Building
- Applied Science Renovations
 - ADA Building Access and Restrooms
 - 13,000 SF of Nursing space retrofitted for School of Ag use
 - HVAC, Electrical, Plumbing, General Updates/Improvements
- Mason Hall Renovations
 - ADA Building Access and Restrooms
 - Interior Renovations for School of Nursing Program
 - Chiller, Boiler, HVAC, Pumps, Elevator, Generator
- Capital Renewal/Asset Preservation – Needs List

Asset Preservation Needs List

- Electrical Utility Infrastructure
- Steam Line repairs
- Switch from Steam to Bldg Hot Water Boilers
- Chillers & Chilled Water Loop
- Centralized BAS Systems
- Building Electrical System Upgrades
- HVAC System Improvements
- Elevators
- Generators
- Fire Alarm Systems
- Fire Sprinkler Systems
- Structural Repairs
- ADA Upgrades
- Windows/Bldg Envelope
- Exterior Painting

Projects already in progress

- Curris Center interior renovations
- Wrather Hall Auditorium, boiler, electric - **Now open**
- Lovett Auditorium HVAC, windows, seating - **Now open**
- Doyle Fine Arts interior staircase and water intrusion repairs
- Carr Hall Boiler, HVAC, electric
- Racer Arena HVAC
- Waterfield HVAC – Phase II
- West KY Expo Center – Phase II
- Woods Park Phase I
- Building Automation Systems (BAS), Alexander Hall, Fine Arts
- Small HVAC Improvements – Alexander Hall, Blackburn, Faculty Hall, Doyle Fine Arts, Business Building, Lowry Center, Curris Center, Applied Science
- Roof Replacements
- Among many other projects..... ~200 projects are active at any time

UNIVERSITY NET ASSETS/ RESERVES

University Net Assets/Reserves

	FY 22
Capital Assets, net	\$ 170,197,714
Restricted Assets, net (endowments, debt service, etc.)	46,069,386
Unrestricted Assets, net	
Project designated funds	25,128,223
Required Lease Adjustment	1,242,884
Departmental Operations	43,216,170
Encumbrances	269,103
Working capital	13,140,590
Reserve for revenue contingency	2,351,235
Reserve for general contingency	44,354,470
Reserve for self insurance	722,000
	\$ 130,424,675
Pension Obligations	(177,456,835)
Unrestricted Net Assets	\$ (47,032,160)

Examples of items funded from unrestricted reserves:

Razing of Wood Hall			
Chemistry and Biology buildings renovations			
Electrical transformer rebuilds			

Reserves are used for:

Emergencies			
Facilities Academic and Housing/Dining			
Infrastructure, such as electrical, hvac, steam lines			

One-time uses

Credit rating for bond/debt issues			
------------------------------------	--	--	--

Revenue shortfalls			
--------------------	--	--	--

Tuition and Fees			
------------------	--	--	--

Bad debt expenses			
-------------------	--	--	--

Mid-year state budget rescission			
----------------------------------	--	--	--

Self insurance claims over premiums			
-------------------------------------	--	--	--

Financial Position

- ~ 6 months of cash to cover operations. Expected amount per conversations with Moody's
- 2021 MSU Bonds were rated A2

– Moody's scale is below:

Aaa

Aa

A

Baa

Ba

B

Caa

Ca

- Moody's 2021 Rating – “The affirmation of the A2 issuer rating reflects Murray State University's (MSU) solid liquidity, moderate scope of operations and regional significance in southwest Kentucky. MSU's growing total cash and investments provide an ample cushion to expenses and remain a key credit strength.”
- **Moody's Higher Ed Methodology- “Operating performance is important for the long-term financial health of all higher education institutions, but is especially critical for those that do not have significant financial reserves. As nonprofit and public organizations, colleges and universities face the challenge of advancing their educational missions while generating enough revenue to sustain long-term financial viability. “**

BUDGET SUMMARY

FY24 Budget Summary

	Appropriation	Tuition and Fees	Student Scholarships and Discounts	Other Revenues	Total Sources
Revenues:					
Performance funding for FY24					-
Asset Preservation State Bond funding	4,189,500				4,189,500
Decrease in state funding for fixed KERS payment	(341,300)				(341,300)
Tuition and Mandatory Fees:					
Proposed rate increase for undergraduate and graduate courses- 2.9%, no enrollment growth budgeted	Net	1,800,000			1,800,000
New Racer Experience Fee to enhance student programming, athletic enhancements, eSports program, mental health counselor - \$100/flat for all students taking 5 cr hours or greater (excludes RA, special high school and Online)(includes UG and G)		1,160,000			1,160,000
New Scholarship Programs:					
Gross growth for scholarships and discounts, based on FY23 enrollment - incorporated first year of new Fall 2023 scholarship model, no enrollment growth budgeted			(1,795,786)		(1,795,786)
Other Revenues:					
Nurse Anesthetist Program Fees approved by Board on December 2, 2022		644,616			644,616
Reclassify vending from E&G back to Auxiliaries				(45,000)	(45,000)
Other				(98,002)	(98,002)
Total Revenues	3,848,200	3,604,616	(1,795,786)	(143,002)	5,514,028

FY24 Budget Summary

	Employee Salaries and Benefits	Technology	Operations	Racer Experience Fee	Debt Services	Total Uses
Expenditures:						
COLA 3.3-5.5% (~\$3M = salary and fringe from all sources)	2,569,070					2,569,070
Pool to use for initial adjmstments made as a result of the compensation review	100,000					100,000
KERS 5-year phase-in of funding reductions from the state	341,300					341,300
Fringe benefit increases due to changes in new hire options (one year contracts, etc)	90,940					90,940
Faculty promotions and awards, including fringes	144,000					144,000
Staff awards, including fringes	11,840					11,840
Employee Health Ins Est increase for plan year 2023	1,349,562					1,349,562
Nurse Anesthetist Program	628,250		16,366			644,616
Liability and property insurances-5% increase			86,215			86,215
Utilities-5% increase			275,000			275,000
Paducah building lease/bond payment due to refinancing			(6,801)			(6,801)
SSC - contractual increases			160,224			160,224
Online programs marketing			400,000			400,000
Student programming, such as eSports, SGA iniatives, mental health counselor, athletics enhancements for student base, faciliateis and travel				1,160,000		1,160,000
Academic, networking, core applications and security maintenance and license contract increases		208,089				208,089
Asset Preservation State Bonds 2022-24 bond payment					4,189,500	4,189,500
Total Expenditure Increases	5,234,962	208,089	931,004	1,160,000	4,189,500	11,723,555
Revenue Over/(Under) Expenditures						(6,209,527)
Reallocations						6,209,527
Total						0

Budget Calendar

- November 29, 2022 – Budget Advisory Committee
- February 21, 2023 – Budget Advisory Committee
- March 31 – Council on Postsecondary Education (CPE) meeting to approve tuition parameters
- April 24 – Budget Advisory Committee
- April 25 – University Town Hall
- June 2 – Regular Board meeting to approve FY24 tuition and fees and annual budget
- June ? – CPE meeting to approve tuition rates

Continued Next Steps

- **Freeze** all new hires and must have appropriate Vice President and Presidential approval if any are filled.
- **Elimination of overtime**, with few exceptions.
- **Temporary employees** will not be utilized, with few exceptions, approved by the appropriate Vice President or President.
- **Travel is limited**, approved by the appropriate Vice President or President.
- **All expenditures over \$2,500** and budget transfers must be approved by the appropriate Vice President or President.
- **All contracts through Procurement Services** continue to be reviewed with departments to determine if they are necessary or if changes can be made to the contracts to reduce costs.
- **Several other areas** of the University are being reviewed for budgetary efficiencies.

Questions