Postsecondary Education Operating Budget Recommendations

2022-23 Deficit Request

COMMISSION APPROVED
DECEMBER 8, 2022

NEBRASKA'S
CCPE
COORDINATING COMMISSION FOR POSTSECONDARY EDUCATION

Promoting high quality, ready access, and efficient use of resources in Nebraska higher education.

COMMISSIONERS

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Introduction

The Coordinating Commission for Postsecondary Education is directed by the Nebraska Constitution, Article VII, Section 14(3) to review and modify, if needed to promote compliance and consistency with the Comprehensive Statewide Plan and prevent unnecessary duplication, the budget requests of the governing boards prior to the budget requests being submitted to the Governor and Legislature. Neb. Rev. Stat. §85-1416(2)(c), further directs the Commission to:

> "…analyze institutional budget priorities in light of the Comprehensive Statewide Plan, role and mission assignments, and the goal of prevention of unnecessary duplication. The commission shall submit to the Governor and Legislature by October 15 of each year recommendations for approval or modification of the budget requests together with a rationale for its recommendations. The analysis and recommendations by the commission shall focus on budget requests for new and expanded programs and services and major statewide funding issues or initiatives as identified in the Comprehensive Statewide Plan."

The Commission's role regarding public postsecondary institution budget review is to provide an independent, broad, policy-based review consistent with the above statute. The Commission does not provide a detailed analysis of line items in the operating budgets of the state's 13 public colleges and universities.

Consistent with this charge, the Commission develops its recommendations based largely on information provided by the institutions. The Commission conducts its budget reviews with efficient allocation and use of state resources in mind, thus helping to ensure that our higher education system meets the needs of our state as reflected in the *Comprehensive Statewide Plan*.

Statutes direct the University and State Colleges to submit a summary of their budget requests to the Commission 30 days prior to submitting them to the Governor. This requirement applies to biennial requests, submitted in even-numbered years, and to deficit requests, which may be submitted every year if a state agency or board determines that circumstances require additional appropriations. The FY23 deficit appropriation requests were due to the Commission by September 21 with the full budget documents due to the Governor by October 21. Only the Nebraska State College System (NSCS) submitted a deficit request for FY23.

The NSCS deficit request addresses three needs that are further elaborated in the section two:

- $423,515 to make adjunct pay competitive with other Nebraska and out-of-state peer institutions;
- $293,463 to cover the cost of a 33% increase in liability and property insurance; and
- $1,226,007 to cover inflationary increases in other operating costs.

For each request of General funds, the Commission made one of six recommendations. The six categories are as follows:

Strongly Recommends Approval of New General Funds

Signifies that the institution provided supportive information to justify the needs, identified results and how they will be measured, and demonstrated consistency with the Plan. Requests identified as strongly recommended are believed by the Commission to be most beneficial to students and/or the state and have the greatest urgency. Some requests may not present evidence to support the requested level of funding, but the priority remains high. In such cases, the Commission might strongly recommend some level of funding for those types of requests but not necessarily the entire amount requested.

Recommends Approval of New General Funds

Signifies the institution provided sufficient information regarding need, results, and consistency with the Plan to enable the Commission to make a recommendation in funding as state revenue is available to accommodate the requests.

Recommends Approval of Some New General Funds

Signifies the Commission supports parts of the request or a level of funding below what is requested when and if state revenue is sufficient to support such requests. In many instances, the Commission believes costs should be borne by both the General fund and institutional or private funds.

Recommends Approval of No New General Funds at This Time

Signifies the Commission may support the concept of the request but does not believe the request is of a nature to justify state funding. In some instances, there may be alternative sources of funds to support requests, such as cash funds, private funding, third-party funding, the federal government, or reallocation. In other instances, this may signify the Commission does not believe the request is in compliance with the Plan.

Recommends Approval of Funding from Other Sources of Revenue

Signifies the Commission may support the concept of the request but believes there may be alternative sources of funds that would be more appropriate to support the request.

No Recommendation Due to Inadequate Information

Signifies the Commission may support the concept of the request but has not received sufficient information to justify funding in this biennium. In some instances, there may be other sources of funds to support the requests, such as private funding, third party, the federal government or reallocation.Mariah8**

SECTION

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Nebraska State College System Deficit Requests

Resources: FY23 State-Aided Funding Levels

The NSCS's state-aided budget consists of General fund appropriations and an estimate of the tuition and fees (cash funds) available during the fiscal year. The state colleges have frozen tuition for two consecutive years, which has a significant impact on the growth of cash funds during the current biennium and beyond. Appropriations shown below do not include the portion of General fund appropriations that must be used for the Nebraska Career Scholarship ($2 million in FY22 and $3 million in FY23).

The NSCS's FY23-25 biennial budget request, submitted September 15, 2022, included budgeted cash funds of $13.5 million, which were carried over, or reappropriated, to FY23, and actual cash fund balances as of June 30,2022, totaling $27.7 million.

While cash balances may appear adequate to cover additional costs, a broad range of needs for the next few years that are not addressed through appropriations have been identified for the $27.7 million. Many of the needs are facility related, including covering costs for recently approved projects that are 30% to 50% higher than estimates. These balances also include a reserve requirement and a number of board-approved mandatory fees restricted to address specific needs such as lab equipment and supplies, technology upgrades and support, and facility maintenance and repair.

State College Operating

	FY22 Actual Expenditures	FY22 Reappropriation: FY22 Reapprop.	FY22 Reappropriation: % of Total	FY23 Current Appropriations	Available FY22 Reapprop and FY23 Approp above FY22 Actual
General	$57,315,723	$94,280	0.7%	$60,289,787	$3,068,344
Cash	$37,320,246	$13,455,119	99.3%	$42,812,294	$18,947,167
	$94,635,969	$13,549,399	100.0%	$103,102,081	$22,015,511

June 30, 2022 Balance	
CSC 25010 Cash fund	$9,644,869
PSC 25030 Cash fund	$4,638,117
WSC 25040 Cash fund	$13,410,963
Total	$27,693,949

Adjunct Pay

The state colleges have sought to maintain a balance in the number of full-time and part-time faculty used to deliver instruction at Chadron, Peru, and Wayne State Colleges. Use of adjunct faculty allows the colleges to strategically lower the cost of attendance for students as an alternative to the higher instructional costs of full-time faculty lines. Over the past decade, adjunct faculty have consistently provided the instruction for just under 30% of all courses offered by the colleges. The 2025 Strategic Plan establishes a benchmark of maintaining a 70% to 30% distribution between full-time faculty and adjuncts to promote academic quality while also helping to lower the overall instructional costs at each College.

To remain competitive to recruit adjunct faculty, the Board of Trustees of the Nebraska State Colleges approved an increase in adjunct faculty compensation to $1,000 per credit for 2022-23. For the 2020-21 and 2021-22 academic years, the compensation rate for the colleges' adjunct faculty was $850 per credit or $2,550 per 3-credit course. This rate is significantly lower than the established rates offered at colleges and universities across the region and adversely impacts the colleges' ability to provide competitive compensation. For example, the three peer institutions in South Dakota (Northern State University, Dakota State University, and Black Hills State University) currently hire adjuncts at rates ranging from $1,076 - $1,317 per credit hour, depending upon discipline and degree level. The colleges' adjunct rate was also much lower compared to public post-secondary institutions across Nebraska.

- Metropolitan Community College, $1,333 per credit hour
- Mid-Plains Community College, $880 per credit hour
- Northeast Community College, $895 per credit hour
- University of Nebraska Kearney, as high as $1,200 per credit hour, depending upon discipline and degree level.

Deficit Appropriation Request

The state colleges are requesting $423,515 of state funds for FY23 to fund the additional cost of increasing the adjunct rate from $850 to $1,000. Based on last year's adjunct FTE, this rate increase will result in an additional instructional cost at CSC of $96,885, PSC of $144,380, and WSC of $182,250.

Recommendation

The Commission recommends approval of new General funds for adjunct pay to increase rates to a competitive level to attract and retain high quality faculty and staff.

Rationale for Recommendation

Chapter 4 of the *Plan* recognizes adequate and stable funding is critical to any successful, high quality higher education institution while also recognizing the responsibility of each institution's governing board to be efficient in its expenditures of state resources. Chapter 4 also recognizes that state funding should be sufficient to provide salaries and professional development opportunities that will attract and retain high-quality faculty and staff at the institutions

As the state colleges have frozen tuition rates for the FY23 academic year, state appropriations are the only viable source to increase current-year funding. As noted earlier, the current adjunct rate is below the rate paid by the state colleges' peers and three community colleges.

The NSCS intends to amend its FY2023-2025 budget request to address this increase in adjunct rates.

Insurance

The five-year (FY18 - FY23) percentage change in cost for liability and property insurance was 213%, with a cost increase of $1,045,617. The actual cost increase for premiums from FY22 to FY23 totaled $383,121, a 33% increase. Of this amount, an estimated $89,658 is related to the Auxiliary System, making the deficit request $293,463.

Deficit Appropriation Request

The state colleges are requesting $293,463 of state funds for FY23 for the current year increases in insurance costs.

Recommendation

The Commission recommends approval of new General funds for the increase in insurance-related costs.

Rationale for Recommendation

Chapter 4 of the *Plan* recognizes adequate and stable funding is critical to any successful, high quality higher education institution while also recognizing the responsibility of each institution's governing board to be efficient in its expenditures of state resources. The plan also recognizes the efficient and effective use and management of education resources, both state funds and institutional funds, for purposes of attaining optimal educational results.

According to the NSCS, the state provided the state colleges with additional funding of $200,000 (60% of shortfall) to fund the FY22 insurance cost increase of $332,626. Prior to this funding increase, the state colleges absorbed over $800,000 of insurance increases during the last five years. With the state colleges having committed to freezing tuition rates for the FY23 academic year, state appropriations are the only viable source to increase current year funding.

The NSCS has indicated that no amendment to its FY2023-2025 budget request to address this increase in insurance will be pursued.

Operating Expense

The colleges provided several examples where costs for vehicle fuel, audit contracts, and lodging increased at a much higher rate than anticipated in the prior biennium budget request, with the examples totaling more than half of the requested increase. The colleges point out that for the 12-month period ending July 2022, the Consumer Price Index for All Urban Consumers (CPI) rose 8.5%. Energy prices rose 32.9% percent over the past 12 months. Gasoline prices increased 44.0% and fuel oil prices rose 75.6%. Consumer prices for electricity rose 15.2%, the largest 12-month increase since the 12 months ending February 2006. Prices for natural gas increased 30.5% over the last 12 months.

Deficit Appropriation Request

The state colleges are requesting $1,226,007 (5%) increase in operating costs, excluding DAS charges and insurance, of state funds for FY23 to fund increases due to inflation.

Recommendation

The Commission recommends approval of new General funds for increases to current year operating costs.

Rationale for Recommendation

Chapter 4 of the *Plan* recognizes that adequate and stable funding is critical to any successful, high quality higher education institution while also recognizing the responsibility of each institution's governing board to be efficient in its expenditures of state resources. The plan also recognizes the efficient and effective use and management of education resources, both state funds and institutional funds, for purposes of attaining optimal educational results.

The Higher Education Price Index (HEPI) provides a more accurate indicator of changes in costs for colleges and universities than the CPI as it measures the average relative level of prices in a fixed basket of goods and services purchased by colleges and universities each year through current fund educational and general expenditures, excluding research. HEPI has averaged 3.3% per year over the last ten years. As of June 30, 2022, the FY22 HEPI preliminary forecast was 4.3% for miscellaneous services and 19.4% for supplies and materials.

Various services forecast that the CPI will increase anywhere from 2.4% to 3% for each of the next three years. Assuming that the HEPI estimate will also increase at its current rates over the next three years, the NSCS's request is reasonable.

With the state colleges having committed to freezing tuition rates for the FY23 academic year, state appropriations are the only viable source to increase current year funding.

The NSCS has indicated that no amendment to its FY2023-2025 budget request to address this increase in operating expenses will be pursued.