

**BOARD OF TRUSTEES OF THE NEBRASKA STATE COLLEGES**  
**ITEMS FOR DISCUSSION AND ACTION\FISCAL, FACILITIES AND AUDIT**

**ACTION: Approve Deficit Budget Request**

The Board made the decision not to raise tuition for the current academic year (2022-2023) given the strong support we had received from the Legislature and the Governor. This decision was made knowing there were several budget challenges that the Colleges were dealing with for the FY23 fiscal year. At the time the decision was made not to increase tuition, the Board discussed the possibility of addressing the budget shortfalls using the Deficit Budget Request process for the coming legislative session. Any funds received would be available to address the budget deficits for FY23.

The three main budget challenges for the coming year are insurance costs, pay for adjuncts, and the impact of inflation on operating budgets. The insurance deficit request is for \$293,463, the adjunct deficit request is \$423,515, and the operating expense deficit is \$1,226,007. The total deficit amount request for FY23 will be \$1,942,985. A justification for each of these deficit requests follows.

Insurance Deficit Request

Insurance costs for liability, property and cyber insurance are escalating at astronomical rates. The 2022-2023 insurance renewal was recently completed with respect to our liability/travel/cyber and property insurance coverages. Similar to the previous three years, market conditions resulted in a significant increase in premium costs, and we continue to experience pressure to lower limits and raise deductibles. Overall, for FY23, we experienced a 33% increase in the premium, at an additional cost of \$383,121. Of that amount, an estimated \$89,658 is related to the revenue bond system, making the general and cash portion request \$293,463. A five-year summary of the premiums for the system is depicted in the following table:

Nebraska State Colleges												
Five Year Insurance Cost Summary												
Liability and Property Insurance												
Coverage Year	FY18	FY19	% ▲	FY20	% ▲	FY21	% ▲	FY22	% ▲	FY23	% ▲	5-Year ▲
Liability	\$293,258	\$310,265	6%	\$325,312	5%	\$364,460	12%	\$467,641	28%	\$516,731	10%	76%
Property	\$196,903	\$208,577	6%	\$247,830	19%	\$455,571	84%	\$685,016	50%	\$1,019,047	49%	418%
Totals	\$490,161	\$518,842	6%	\$573,142	10%	\$820,031	43%	\$1,152,657	41%	\$1,535,778	33%	213%

The State provided the NSCS with additional funding of \$200,000 for FY22 specifically earmarked to cover insurance cost increases. The difference between the cost increase and the funding increase was a shortfall of \$132,626. No additional funding was provided to help

cover the \$293,463 increase for FY23. The request for the next biennium for liability insurance is based on the past five-year average increase of 12%, and for property insurance it is 42%.

### Adjunct Pay Deficit Request

The Nebraska State Colleges are submitting a deficit request to address the shortfall of funds needed to continue providing essential instruction for their program coursework. The State Colleges' commitment to freezing tuition rates for all students to ensure affordable access to postsecondary education has removed the only other alternative to funding these increased costs.

Adjunct faculty are an important resource for the Colleges to ensure coverage of instruction when full time faculty vacancies occur, and during periods of growth and expansion. In times of enrollment growth, Colleges draw upon adjunct faculty to provide instruction in courses as they evaluate when enrollment patterns will continue before making commitments to full-time faculty. During the pandemic, the Colleges relied heavily on adjunct faculty as additional course sections were added to accommodate the smaller class sizes required for social distancing. The return to in-person delivery for the State Colleges would not have been possible without a viable adjunct pool. In certain instances, adjunct faculty who work full-time in related business/industry serve an important role for students, as they bring real-world work experience to the classroom and allow the Colleges to evolve and expand the curriculum to meet workforce needs in the State.

To remain competitive to recruit adjunct faculty, the State Colleges have responded by increasing the rate of pay for adjunct faculty across the System to \$1000 per credit. For the 2020-21 and 2021-22 academic years, the current compensation for NSC adjunct faculty was \$850 per credit, or \$2550 per 3-credit course. This rate was not competitive and adversely impacting the ability for the State College to provide competitive compensation. In addition, recent changes in faculty qualifications by the Higher Learning Commission (HLC) have created additional challenges in recruiting and retaining adjunct faculty who meet minimum credentials. These credentials require a minimum of a Master's degree for instructors who teach undergraduate coursework, and a terminal degree for instructors who teach graduate coursework. The previous compensation rate of \$850 per credit equates to an hourly wage of \$15.32, which is extremely low for an individual who holds this level of education. The modest increase of adjunct pay to \$1000 per credit raises the hourly wage to \$18.02 and attempts to positively impact the challenges of recruitment and retention of effective adjunct faculty for the State Colleges.

To respond to recent attrition in adjunct retention and recruitment, the Board of Trustees of the Nebraska State Colleges have approved an increase in adjunct faculty compensation to \$1000 per credit (\$3000 per 3-credit course). Based upon last year's adjunct FTE, this results in an additional instructional cost of \$423,515 for comparable adjunct faculty instructional assignments. This deficit request attempts to address the shortfall of funds needed to ensure quality instruction for students.

### Operating Expense Deficit

This request is for an increase to address the impact of inflation on the operating expenses at the Colleges. Operating costs continue to increase, including those for library acquisitions, information technology, postage, classroom and cleaning supplies, travel and instructional equipment. This request is for a 5% increase on all operating costs excluding DAS billings and insurance. The cost increases the Colleges are dealing with, much like all other consumers, are

the highest increases since the 1980's. While everyone is hopeful that inflation will cool down, there does not appear to be relief coming in the near term.

For the 12-month period ending July 2022, the Consumer Price Index for All Urban Consumers rose 8.5%. Energy prices rose 32.9 percent over the past 12 months. Gasoline prices increased 44.0 percent, and fuel oil prices rose 75.6 percent. Consumer prices for electricity rose 15.2 percent, the largest 12-month increase since the 12 months ending February 2006. Prices for natural gas increased 30.5 percent over the last 12 months. While energy prices represent some of the highest increases, the costs for everything from motel rooms to facility and instructional equipment have dramatically increased. Some examples follow:

- PSC has seen an increase of \$65,000 for motel costs this past year for the same number of nights stay.
- PSC had an increase in bus charter costs from \$130,716 to \$205,376 within one year.
- WSC has experienced continued increases in both material/supply costs and contracted labor costs to support the operation of their facilities. They have seen increases up to 100% within a year's time. Examples of cost increases from some vendors: filters increasing 10-16%, building control parts 15-20%, steel pipe and fittings 50%, PVC fittings 40%, copper pipe and fittings 15%, PVC pipe 100%, custodial supplies 20%. Overall, the facility services department saw a 23% increase (or nearly \$200,000) in operating costs for FY22 over FY21.
- WSC was notified in May 2022 by their contracted bus service for athletic team travel that they could not continue under the current agreement rate structure and were terminating the bus transportation agreement. WSC completed an RFP for bus services and the selected bus service is estimated to cost an additional \$166,000 in 2022-23 over the 2021-22 costs.
- CSC has seen dramatic increases in utilities, supplies/materials associated with operating our facilities (custodial and maintenance) and travel costs (fuel and charter). Some examples of these cost increases: roll towels and toilet paper 24-25.5% with an estimated cost impact of \$4,800 per year; ice melt 58% with an estimated cost impact of \$4,200 per year; diesel fuel 92% with an estimated cost impact of \$10,650; concrete 26.5% with an estimated cost impact of \$1,500 for small projects; acid for chillers 31.7% with an estimated cost impact of \$4,100; glycol 37% with an estimated cost impact of \$11,050; ¾" conduit 29.8%; ¾" 10' conduit 29%; 1.25" EMT 34.2%; THHN 12 black 41%; ½" conduit 43%; copper wire 12 gage 42.6%;
- CSC charter bus mileage increased 6.25% with an estimated cost impact of \$13,500 after already seeing an increase in cost of approximately \$10,000.
- CSC fleet costs for gasoline have seen a 58.9% with an estimated cost impact of \$135,000 (this is just for the fleet of CSC owned vehicles).

If inflation continues, tuition rates will need to be raised to maintain quality of instruction and regular operations. Any additional monies will be used to adjust operating budgets across the institutions to return purchasing power levels to previous base levels.

The System Office recommends approval of the Deficit Budget Request.