

April 5, 2018

Faculty Regent Report to Faculty Senate

Dear Senate Colleagues,

I apologize I won't be able to provide a report on the March 29, 2018, Board of Regents (BOR) meeting in person. I'm travelling with students today to a Political Science conference where two had abstracts accepted for presentation.

The BOR took several important actions last week, but did not make significant decisions related to our budget deficit and the "reduction strategies" that will be necessary for next year. At the time, there was still considerable uncertainty on where the state budget was likely to land, and how any pension reform would affect the institution's finances.

The most important actions taken by the BOR include:

- The election of a new BOR chair, Kathy Walker of Paintsville.¹
- The approval of tenure and promotion for five outstanding faculty members: Prof. Greg Carlisle, assistant professor of theatre; Dr. Kurt Gibbs, assistant professor of biology; Dr. Patricia Harrelson, assistant professor of animal science; Dr. Sherry Stulz, assistant professor of education; and Dr. Fujuan Tan, assistant professor of adult and high education.
- The approval of a recommendation to create the "W. Terry McBrayer Presidential Lecture Series in Government and Leadership"; it will kick off next Fall, probably with a lecture in November.
- The approval of a recommendation to name main gallery in the Claypool-Young building the "Golding-Yang Art Gallery" in honor Prof. Deeno Golding and his wife, Yanya Yang. An official ceremony is scheduled for Friday, May 4.
- The approval of revised BOR bylaws.
- The approval of MSU's new strategic plan, SOAR.
- President Morgan also recognized Dr. George M. Luckey and Dr. Sue Luckey to the BOR, who both had long and distinguished careers at MSU and are in the process of making a generous gift to the institution.

¹ With respect to our new chair, allow me to add two things. Mr. Goodpaster termed out as chair after serving the institution in the demanding role for four difficult years, and his term as a member of the BOR ends this summer. As he is not eligible for reappointment, we expect a new regent to be appointed by the Governor sometime after the June meeting. While the Faculty Senate has had its differences with the BOR in recent years, Mr. Goodpaster has always listened to faculty concerns, and he worked tirelessly for the institution. The BOR looks forward to honoring his very considerable contribution to MSU at a future meeting. I believe Ms. Walker is the right person to succeed Mr. Goodpaster in the role. She has asked some of the hardest questions about the institution's spending practices in recent years, is an educator herself (she has built an advanced job training center for former mine workers in Eastern, KY), and has told me she plans to do everything she can to raise the institution's profile focusing on what it can do for, and in, the region. I think we are very fortunate she is willing to serve.

- President Morgan continued his practice of recognizing faculty to the BOR, this time noting the outstanding teaching, service, and research contributions of Dr. Johnathan Nelson, associate professor of management.

Note that all of the financial commitments recognized at last Thursday's meeting will support student scholarships. This is great for our students and will help us to stabilize enrollment. I'd also like to highlight that the Foundation has secured several major commitments in recent months, and every donor (excepting one \$10,000 gift) who pledged money to the Alumni Welcome Center has agreed to see their commitment re-designated to student scholarships. They are doing great work for the institution!

The BOR also approved a second quarter financial report and an amended operating budget reflecting second quarter changes. Nothing struck me as concerning with respect to the budget amendments. We will actually spend almost exactly this year what we spent last year in Academic Affairs, which I think underlines the new administration's commitment to instruction. We also heard a preliminary enrollment report for next year, which was very encouraging. SOAR registrations and admissions offers for Fall 2018 are up considerably year over year. Enrollment Services continues to do excellent work. A growing freshman class would be great news for the institution, and would relieve some of the budget pressure we're under.

After the meeting, the BOR had a light lunch at the President's house and toured the Academic Honors Program offices, which are now located in Fields Hall. The offices are modest, but the Program staff has done an excellent job building an inviting and comfortable space.

The news from Frankfort since the meeting has not been good. The budget and pension bills being contemplated do nothing to mitigate the short term budget pressures we are facing. There had been some hope that the House and Senate would adopt a compromise budget bill reducing the 6.25% cut to higher education (and perhaps restoring the \$200,000 to MSU earmarked for the Folk Art Center). In the end, the legislature decided to maintain the full cut while returning \$31 million to state universities through the performance funding model. As we all know, the model is unfriendly to smaller institutions that enroll mainly in-state students and spend proportionately less of their budget on instruction (MSU in a nutshell). This means that every institution in the state *except MSU and KSU*, will enjoy some relief on the budget side. Recall that KSU was exempted from the last round of cuts, meaning that MSU is the only institution that will bear the full budget reduction contemplated by Frankfort this biennium and last.

Here is a CPE assessment of how the \$31 million will be distributed among KY institutions. (Keep in mind that the model uses a rolling three year average, so the adjustments we are making this year will only, and slowly, begin to yield appropriations dividends in future years.)

Scenario 1: No Equity Funding / \$31.0 M in Performance Funds

	A	B	(A + B)
Institution	Equity Funds Distribution	Sample 2018-19 Performance Fund Distribution	Total Additional Appropriation
University of Kentucky	\$0	\$9,151,100	\$9,151,100
University of Louisville	0	1,066,800	1,066,800
Eastern Kentucky University	0	3,054,800	3,054,800
Kentucky State University	0	0	0
Morehead State University	0	0	0
Murray State University	0	1,521,700	1,521,700
Northern Kentucky University	0	5,174,100	5,174,100
Western Kentucky University	0	4,128,100	4,128,100
	\$0	\$24,096,600	\$24,096,600
KCTCS	0	6,903,400	6,903,400
Total	\$0	\$31,000,000	\$31,000,000

With respect to pensions, there was some hope that legislators would see fit to phase in the new, punishingly astronomical, KERS rate (\$0.84 per \$1 in salary). Unfortunately, it looks like MSU will be on the hook for the entire amount beginning FY2019, which means an addition \$3.3 million pension contribution (since widdled down to about \$2.5 million).

All told, the institution remains approximately \$2.5 million short of closing its deficit for 2018-19. Discussions about further reductions will be among the main items considered at two upcoming meetings, on May 10th and June 7th. At the latter, the BOR formally considers next year's operating budget.

Please don't hesitate to be in touch should you have any questions.

Sincerely,

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