**Regent report 12/02/21**

The Board of Regents met today in ADUC 329. The Audit Committee meeting was at 9:00 a.m., group photos were taken at 9:30 a.m., and the Quarterly Board meeting started at 9:45 a.m.

Employee and student recognitions:

- Faculty: Ignacio Birriel
- Staff: Kevin McGlone (in Maintenance)
- Student: Frank Greene

The BOR ratified the December graduates, block approved the listed personnel actions, and reaffirmed a resolution pursuant to KRS 164.367 regulating employee interest in a contract between the institution and a business. (This resolution was initially approved June 9, 2011; the current BOR was asked to reaffirm.)

The BOR also accepted the Audit report and ratified the amended budget and the 2022-2024 Biennial Budget Request. It approved the employee compensation plan (a plan the President outlined to the campus in an 11/21/21 email) and agreed to extend the Strategic Plan (SOAR) to 2025.

**Report from CFO Fister-Tucker**

Successes:

- We've had successes in debt service: thanks to restructuring, we did not get the steep incline we were expected to in 2022. (Note: this also means we will also not have the steep fall off in payments in 2032.)
- Our total long-term debt has been reduced to under $80m.
- Our unrestricted net position grew to $56.8m.
- We have increased cash and cash equivalents to 177 days. Moody purportedly recommends 200 to 250. (Note: if that number seems like a vast increase from what you heard last, you are not mistaken. Initially, we were told the goal was 150 days. That was also when Moody's factored days of cash on hand as part of its rating system. The new calculation no longer includes days of cash on hand as a metric, but we now want roughly 100 days more than our initial goal.)
- Net tuition is trending toward budget; gross tuition is not, but the amount students actually pay is.
- Athletics revenues are up half a million.
- Auxiliary revenues are trending up.
- Summer camps netted almost $200,000 in revenue.

Continued area of concern:

- Looming KRS funding. The legislature is covering part of the increased costs, but that support (for the increase and increase alone) will "step down" 10% until finally hitting the agreed upon floor. (Note: don't get rid of your austerity bingo card—we will continue to hear of this external threat while our audited financials record surpluses and the contraction of employee lines.)

Areas of opportunity for efficiencies (i.e., where we believe we can reduce costs):

- Document Services; Campus printers/Copier Contract; Post Office operations
- Information technology contracts
- Bookstore—we are looking at the possibility of outsourcing

**Report from President Morgan**

- Tomorrow we're taking another count of employees vaccinated for covid. We hope to get over 80%.
- Regent Holbrook won superintendent of the year.
- We won a game recently. This was purportedly impressive.

There was general talk about the positives of athletics, including Regent Walker's contention that student athletes make good employees. (Note: he mentioned the NCAA but was agnostic on Division—the tenor of his comments suggested successful sport participation can make a person a good team player.)

Regent Walker also commended the Music program, particularly the work of Dr. Escalante. (I followed up by noting that his work wasn't just regional engagement—he was getting us national attention, as one tends to do when one's students are finalists on "The Voice.")

Mr. Walker also suggested that the institution investigate cryptocurrency. He knows the subject is controversial, and he isn't asking MSU to take the lead on anything, but he thinks it might be a good idea to see if some alumni or donors might wish to contribute in terms of cryptocurrency (so the Foundation could have experience managing it), and he is in favor of the institution studying it in the curriculum (because he knows of no other school in the Commonwealth doing this, and he knows the controversial subject is of interest, especially to younger people).

**"Defining" points from the agenda book and meeting relevant to ongoing Senate conversations** (to keep us all on the same page as we share information).

**Instructional Increases**

Quarterly financial statements show an increase in instructional spending, but this increase does not indicate an increase in faculty lines. It reflects one-time allocations from federal funds (and grant revenue) to support instructional mini grants, ITV updates, the QEP, and lecturer and overload pay.

(Remember, "instruction," as defined in NACUBO's *Financial Accounting and Reporting Manual for Higher Education*, includes far more than the salaries of those who teach.)

**Athletic costs**
Now that we are hosting athletic events (vs. shutting down all competition due to covid), we have sources for athletic revenue. Upshot: it would be highly unusual if we *did not* see an increase in athletic revenue this year. My question: is our return "to normal" or did we net more revenue?

Answer: we made "extra" money because we made it to tournaments.

Important caveats:

- All discussions of money relate to the NCAA, not the OVC. The OVC, its contraction, and potential financial ramifications (positive or negative) were not addressed.
- Making extra money for being in a tournament is not the same thing as netting more revenue. Teams do have to travel to go to tournaments, and the NCAA does not pay for team travel. Not specified during the meeting: what our travel costs were, who or what paid the travel, and what our "prize money" was.

In response to my query, Ms. Fister-Tucker happily noted they (presumably VP Mast and herself) were pleased to announce the defined benefits (framed as a ROI, although not explicitly named as such) of athletics. According to Ms. Fister-Tucker, our roughly 347 student athletes have higher graduation rates than the student population in general, and they pay a great deal in terms of tuition, housing, and other services. We are apparently unusual (as an institution) in the amount of money we recoup from student-athletes.

Important caveats:

- Graduation rates vary by sport, and not all rates are truly exemplary. What is true: our female athletes exceed and graduate at a much higher rate than the general population.
- The 347(ish) student-athletes have resources and aids not available to the general population. Were the "wrap around" services only offered to DI athletes afforded to *all* students, our overall retention and graduation rates would improve. Such improvements, though, would come at a substantial cost to the institution.
- The articulation of benefit was predicated on the assumption that all tuition, fees, and other income recouped from student-athletes should somehow be attributed to athletics alone, and not, say, the ***academic programs*** in which ***student***-athletes are enrolled.
    - Note: former President Wayne Andrews and former CFO Beth Patrick often used this same "accounting" frame to justify athletic expenses.

When I asked if we were accounting for the tuition, fees, and other incomes academic programs recoup, Ms. Fister-Tucker reminded me that the CPE hired Gray & Associates to review programs and program costs. I stated that I remembered, and I reminded everyone that the review involved different metrics and notations of expenses (academic programs were evaluated based on FTEs and employee expenses—none of the casual accounting for athletic benefits dealt with such specifics). In response, Ms. Fister-Tucker graciously noted that we did have data, and perhaps could make such calculations, but we have not done so yet.

The last claim Ms. Fister-Tucker made in support of athletics was the benefit she believed was bestowed by our participation in the NCAA tournament. She stated that our out-of-state enrollment increased after the tournament and surmised that our position on a national stage encouraged more students to enroll.

Important caveats:

- Correlation is not causation.
- Enrollments are down overall, so a modest increase in one area has not boosted figures in the aggregate.
- Several studies have refuted the notion that athletics successes lead to sustained enrollment (and retention) numbers. To cite but one, Doug J. Chung's "The Dynamic Advertising Effect of Collegiate Athletics," schools can "match the increase in total number of applications" in the wake of "athletic success" by either "decreas[ing] tuition by 3.8 percent or attract[ing] better faculty who would be paid 5 percent more in the academic labor market."

**Grants and sponsored programs**

Financial statements show grants and sponsored programs are not coterminous with research. MSU's highly successful TRIO program is grant funded, and the institution is currently flush with cash thanks to federal grants and aid. From the BOR agenda book:

2. Cash and cash equivalents increased $13 million. This increase primarily relates to Higher Education Emergency Relief Funds received under the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) and the American Rescue Plan Act to defray expenses associated with the Covid-19 pandemic.

What is far from flush is the budget category of "Research," which is greatly diminished from the previous year.

Faculty have asked why the institution is not doing more with grants (research and non-research). Federal (grant) funding has allowed the President to continue his debt restructuring during the covid crisis, and research (which is a revenue generator) is a part of our core mission. Given this, and the clear profitability of our successful regional program (the TRIO program gives back most of its F&A to the institution while fully funding itself), why aren't we prioritizing grant production?

I have no clue. In more than one meeting, the President has expressed skepticism about the availability of grant funding overall (at one point, he stated such funding was "drying up"). This may be why there have been no efforts to pursue the grants we were told would be secured to pay for faculty development and other incurred expenses of the QEP.

All I can confidently relate is that MSU's financial statements record no "drying up" (we're actually somewhat awash, thanks to CRRSAA), and federal efforts to "Build Back Better" present distinct opportunities for colleges and universities.

**Hiring and interim appointments**

The personnel actions include new hires and interim appointments. Some interim appointments have end dates; some do not. From the BOR agenda book:

**<u>Interim Appointment</u>**

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| Human Resources & Payroll | Dunn, Shayla | 08/01/2021 | 08/31/2021 | Interim Assistant Director, Human Resources (Pay |
| School, English, Communication, Media & Languages | Henneberg, Sylvia | 07/01/2021 | 06/30/2022 | Interim Assocate Dean, School of English, Commu |
| Vice President, University Advancement | Hesterberg, Richard | 07/01/2021 | | Interim Vice President, University Advancement |
| Internal Audits | Hill, Janet | 08/01/2021 | 06/30/2022 | Interim Internal Auditor |
| Volgenau College of Education | Miller, April | 07/01/2021 | 06/30/2022 | Interim Dean, Volgenau College of Education/Pro |
| Volgenau College of Education | Simpson, Timothy | 07/01/2021 | | Associate Dean, Volgenau College of Education |

RE: academic administration, the discrepancy in designation *may* be due to reorganization discussions/plans. Folks in the Humanities have heard that we may not keep the structure we have now, and the only current plans for COE are to find a permanent dean, so there may not be specific plans below the dean level.

The variable list of interim appointments underscores an element that often gets lost in discussions of organizational structures and leadership chains. *Academic administration serves at the will of the President.* This is true for all administration, of course, but "at will" plays out differently for faculty employees, which is why we need to be more careful in our designation of what is a "contract."

Faculty who are tenured (the overwhelming majority of faculty who occupy academic administrative roles on campus) are not on yearly (or set date, multi-year) contracts. Their "renewal letters" are merely affirmations of continued appointment guaranteed by tenure protections. The only tenured faculty person who has an official multiyear contract is the President of the University. Quite significantly, any tenured academic administrator removed from his/her administrative position at the will of his/her supervisor is merely returned to faculty ranks. (Note: this would apply to the President as well, but Presidents rarely step down to faculty rank after occupying the most powerful position at a college/university.)

Tenure is its own (open-ended) "multiyear contract," and institutions like our own tend to avoid *guaranteeing* additional pay and benefits (as would come with assigned administrative duties) over an extended period. Consider the neoliberal rhetoric you hear ad infinitum regarding the "need" for institutional "nimbleness" and "flexibility." That totally applies here as well.

Furthermore, as our internal records demonstrate, "interim" appointments are necessarily variable in length, and are subject to the President's wishes/approval anyway, so there is no need for a multi-year interim "contract." A three-year designation (like the classification of staff employees as “hybrid” while they remain, from a salary viewpoint, staff, the 50% rule, or a proposed cap on double-dipping) is a solution to a problem that does not exist.

So why do we keep on hearing that there are “three-year contracts” for interims? Perhaps because the President is on record stating that three-year appointments grant greater stability in terms of leadership. Having a “gentleman’s agreement” with persons selected for appointment, though, is not the same thing as having an official contract.