

**MINUTES
MIDWESTERN STATE UNIVERSITY
BOARD OF REGENTS**

March 28, 2011

The Board of Regents, Midwestern State University, met in special session in the J. S. Bridwell Board Room, Hardin Administration Building, Wichita Falls, Texas, at 9:00 a.m., Monday, March 28, 2011. Board members in attendance at the university were Dr. Carol Gunn, Chair; Mr. Shawn Hessing, Vice Chairman; Dr. Lynwood Givens, Secretary; Mr. Kenny Bryant, Mr. Charles Engelman; Ms. Jane Spears; and Student Regent David Reyna. Board members attending the meeting via teleconference connection were Mr. Mike Bernhardt and Mr. Sam Sanchez.

Administrative staff members present at the university included Dr. Jesse W. Rogers, President; Dr. Alisa White, Provost and Vice President for Academic Affairs; Mr. Juan Sandoval, Vice President for Administration and Finance; Dr. Bob Clark, Vice President for Institutional Effectiveness; and Dr. Howard Farrell, Vice President for University Advancement and Student Affairs. Other university personnel attending the meeting included Dr. Keith Lamb, Associate Vice President for Student Affairs; Mr. Kyle Owen, Associate Vice President for Facilities Services; Mr. Charlie Carr, Director of Athletics; Mr. Barry Macha, General Counsel; Mr. David Spencer, Internal Auditor; Ms. Dianne Weakley, Director of Human Resources; Ms. Valarie Maxwell, Director of Budget and Management; Dr. Jim Owen, Chairman of the MSU Faculty Senate; Mr. Chris Gore, Chairman of the MSU Staff Senate; Ms. Julie Gaynor, Interim Director of Public Information and Marketing; Ms. Cindy Ashlock, Executive Assistant to the President; and Ms. Debbie Barrow, Director of Board and Government Relations. Representing the news media were Ms. Brittany Norman, editor of *The Wichitan*; Ms. Deanna Watson, editor, and Ms. Ann Work, reporter for the *Times Record News*; and Ms. Katie Crosbie, reporter for KFDX-TV3.

Chair Gunn called the meeting to order at 9:00 a.m. and Ms. Gaynor introduced the visitors. Dr. Gunn extended congratulations to the MSU men's basketball team, Coach Grant McCasland, and the coaching staff on their NCAA Division II Elite Eight appearance in Massachusetts the previous week.

Public Comment

Dr. Gunn stated that in accordance with the Board of Regents By-Laws, MSU Policy 2.22, members of the public are invited to address the Midwestern State University Board of Regents through written and oral testimony. She noted that no one had signed up to speak.

Budget Discussion/Appropriations Reductions/Tuition and Fee Review and Proposed Increases

11-84. Dr. Gunn reported that during the regular February board meeting, Dr. Rogers informed the board that a special meeting would be called to determine tuition and fee rates for the 2011-12 academic year. She asked Dr. Rogers to present information concerning this matter.

Dr. Rogers stated that the decision concerning tuition and fee rates for the 2011-2012 academic year was postponed to give the administration an opportunity to review

decisions made at other state universities and consider actions of the Texas Legislature. This delay also provided additional time for budget planning.

Dr. Rogers noted that data from the Texas Higher Education Coordinating Board (THECB) shows that MSU receives state appropriations of \$5,305 per full-time student for thirty semester credit hours of work in an academic year. He stated that when compared to appropriations given to 36 public institutions of higher education in Texas, MSU ranks sixth from the bottom. He indicated that the university must close the funding gap largely through tuition and fees. He noted that formula funding is not the cause of this funding differential. He reminded the board that MSU receives the same dollar per credit hour for a course in economics as does the University of Texas at Austin. He added that the difference in funding is a result of special item funding approved by the legislature for individual institutions over many years.

Dr. Rogers reported that the budget planning committee used House Bill 1, the original draft budget, as the foundation for planning. Based on the funding allocated to MSU in HB 1, the university must reduce its cost of operation by \$5.4 million over the next biennium, in addition to the over \$2 million in reductions that have already been made during FY10 and FY11. Dr. Rogers stated that the university could lose another \$437,000 in matching fringe benefit funding, as well as \$832,000 that MSU previously received in Performance Incentive Funding. For budget planning purposes, the administration determined that it would attempt to bridge a funding gap of \$3.2 million per year for the next biennium. He added that if one considers the total reductions the university has had to make from the beginning of FY10 to the end of the next biennium, MSU's state funding will have been reduced by 20%. He indicated that it would be necessary for the university to find ways to operate more efficiently, to find new sources of income, and to reduce the cost of operations.

Dr. Rogers then reviewed a draft worksheet for budget planning through 2013 (see Attachment 1). He noted that reductions would continue to be made in personnel costs, maintenance and operation, and travel. He added that vacant positions would remain open as long as possible so that additional funds could be saved. He noted that planned reductions during the upcoming biennium total \$4.28 million.

In discussing new income, Dr. Rogers indicated that the administration plans to recommend changes to vehicle registration charges at the May board meeting, to include faculty and staff paying a yearly vehicle registration fee. He noted that additional funds would likely be available from the MSU Charitable Trust, the MSU Foundation, Inc., and MSU endowments to support next year's budget.

Additional expenses will also be added to future budgets, including at least one new police officer and additional police equipment. He added that the administration is also planning to return approximately \$700,000 to university reserves, if possible. He noted that the future of the economy is uncertain and it is important to maintain adequate reserves.

Dr. Rogers stated that the administration plans to change the manner in which course fees are budgeted. He explained that course fees have previously been budgeted within

maintenance and operation budgets. In an effort to better track expenditures, each department will now have a separate course fee budget. He noted that it would cost the university approximately \$300,000 to make this change.

Dr. Rogers then presented the administration's recommended tuition and fee increases for the fall 2011 (see Attachment 2). He noted that the overall increase is 4% for an individual enrolled in 15 semester credit hours. He indicated that this increase would likely keep MSU's total academic costs below average. The administration's recommendations were as follows:

- A. Increase University Designated Tuition by \$4.35 per semester credit hour, from the current \$96.55 to \$100.90 per semester credit hour.
- B. Increase the Energy Surcharge Fee by \$1.00 per semester credit hour, from the current \$8.00 to \$9.00 per semester credit hour.
- C. Increase the Library Fee by \$1.00 per semester credit hour, from the current \$7.00 to \$8.00 per semester credit hour.
- D. Increase the Intercollegiate Athletics Fee by \$1.00 per semester credit hour, from the current \$9.00 to \$10.00 per semester credit hour.

Dr. Gunn asked for a motion to approve the recommended tuition and fee increases, and noted that this increase is within the parameters of the MSU Promise. Mr. Engelman moved approval of these recommended increases. Mr. Hessing seconded the motion.

Mr. Bernhardt asked what would be done if funding from the state was less than anticipated. Dr. Rogers stated that the administration would likely have to reconsider the plan to return funds to the university's reserves. He added that any enrollment increase would provide additional income to support the budget.

Mr. Engelman noted that the recommended increase totaled \$141 for 15 semester credit hours or an increase of \$280 per year. He stated that this was a large amount for university students. He indicated that he understood students spend over \$500 for books each semester. He asked if it would be possible for the administration to study electronic book systems. Dr. Lamb responded that the MSU bookstore offers electronic textbooks for certain titles and the program is expanded every semester. He added that they are also exploring a textbook rental program.

Mr. Sanchez indicated that Dr. Rogers' recent letter to the board (see Attachment 3) referenced the fall 2010 cost for 15 semester credit hours as \$3,471. He added that this is the figure that appears in Table 5. However, in the table presented at the meeting showing the recommended tuition and fee increases, the amount shown for fall 2010 was \$3,525.93. He asked which number was correct. Dr. Rogers responded that \$3,525.93 was correct. Ms. Barrow stated that differing amounts shown for course fees caused the difference in the two figures. Mr. Sanchez stated that this would mean that MSU is already at the state average of \$3,525. He expressed concern that a 4% increase would

move MSU above the state average. Dr. Rogers responded that with the 4% increase he anticipated that MSU would remain at or near the average for the state.

Ms. Spears asked Dr. Rogers for further explanation of the \$300,000 that would be necessary due to the change in the way course fees are budgeted. Dr. Rogers stated that the change in budgeting would provide a more transparent process regarding the expenditure of course fees. He asked Dr. White to explain the specifics. Dr. White noted that MSU course fees have historically been placed in general maintenance and operations accounts for use by the various academic departments. She added that she had encouraged the administration to place course fees in separate course fee accounts to provide better control over how course fees are spent. She stated that if all of the funds were moved out of maintenance and operations accounts and put into course fee accounts, the departments would not have enough money to buy copy paper and cover other general expenses not related directly to courses offered. The \$300,000 will help make certain that academic program operations do not suffer as a result of this budget change.

Dr. Givens stated that while MSU's tuition and fees are at the average rate when compared to the rest of the state, the education provided at MSU is above average. He noted that while MSU's appropriation may have been cut by 20%, the level of education provided has remained the same. He indicated that the university did not lay off 20% of its employees and did not cancel 20% of the classes offered. He commended the administration for their work on the budget in the face of difficult budgetary constraints. Dr. Givens expressed support for the plan to charge students based on their individual coursework. He noted that there is a basic cost of education for every student, but if a particular discipline is more expensive than another, the student will pay more for work in that area. He added that while a 4% increase was a lot of money for MSU students, this increase appears appropriate given the 20% reduction in state funding.

There being no further discussion, the motion was approved.

Control and Efficiency Upgrade Project – SECO Loan

11-85. Dr. Gunn stated that the Board of Regents previously authorized the administration to pursue funding of this project through the State Energy Conservation Office (SECO) at a cost of \$2.83 million. She noted that the estimate of the project had increased and board authorization was needed in order that the administration can proceed.

Mr. Owen explained that the board previously discussed the need to upgrade parts of the university's infrastructure. The administration applied for funding through SECO and work on the development of the project has continued. He stated that several factors contributed to the increase in the estimated project cost.

1. The estimate for the repairs to the steam tunnels and installation of separate hot water heaters for the residence halls/cafeteria increased by \$231,000. Some costs were attributed to increased materials costs, but most of the increase represented a more conservative estimate than originally included.
2. The administration added to the project the replacement of street light pole lamps with more energy efficient LED lamps at a cost of \$147,000.

3. The administration added irrigation system controls at a cost of \$17,100.
4. The contingency increased from \$50,000 to \$250,000 following a more conservative review of the project.
5. A Measurement and Verification (M&V) cost was added to the estimate. This was a new requirement for the 2% LoanSTAR program.

Mr. Owen added that although the estimated cost of the project has increased, the payback period has decreased from 10.6 year to nine years.

Dr. Gunn stated that the administration recommended board authorization to proceed with the application process through SECO for a project at an estimated cost of \$3,723,115. Ms. Spears moved approval of this item as presented. Mr. Bryant seconded the motion.

Mr. Hessing asked if he understood correctly that the net outflow for the university over a nine year period would be zero, including the interest on the project. Mr. Sandoval indicated that this was correct. Dr. Givens asked when the actual cost of the project would be known. Mr. Owen responded that the final project design would be initiated once the project was approved. The project would then be bid. Dr. Givens asked if the board would then give final approval for the award of a contract. Mr. Owen indicated his understanding that board action at this meeting would allow the administration to proceed with the loan through SECO to include initiating contracts for design and bidding. Dr. Rogers stated that he did not understand this would be the final action of the board on this project. He asked if the university could decide not to proceed after the decision was made at this meeting. Mr. Owen responded that if bids above \$3.7 million were received the university would not proceed with the project. Dr. Givens noted that the motion simply authorizes the administration to proceed with the loan application process. He indicated that the motion would need to be reworded if the board was being asked to give final approval of the project. Mr. Hessing stated that he agreed with Dr. Givens.

Mr. Engelman asked how university contracts are reviewed and suggested that consideration be given to appointing a board committee to review larger contracts such as this. Dr. Gunn noted that the current contract review process includes a review of all contracts over \$50,000 by the university's general counsel.

Dr. Givens asked about the payback process. Mr. Sandoval responded that anticipated utility savings would be built into the university's budget. The amount of savings would be budgeted and would pay for the debt service. Dr. Givens asked if the university would essentially maintain the same utility budget and pay the debt over the next nine years. Mr. Sandoval responded in the affirmative.

Dr. Givens asked about the timeframe of the loan. Mr. Owen stated that from the loan acceptance date the university would have 75 days to award a contract. He added that the university has not yet been accepted for the loan. Dr. Givens indicated that he could vote for the current motion but that he couldn't vote to approve the awarding of a contract for the project at this time. Dr. Rogers agreed that additional information was needed before the board could be asked to approve the project.

Dr. Givens asked if approving the motion before the board would authorize spending money or entering into a contract. Mr. Sandoval responded that it would not. The motion would allow the university to proceed with the loan application process.

Mr. Hessing asked that the administration forward information to the board regarding the new cost estimates. Mr. Bryant asked if the information would indicate how the project would save the university money. Mr. Owen responded that it would. Mr. Hessing added that he would like to see the updated Energy Assessment Report as well.

Mr. Hessing asked that the minutes of the meeting reflect that no contracts would be signed as a result of this action.

There being no further discussion, the motion was approved.

Adjournment

There being no further business, the meeting adjourned at 10:22 a.m. The next regularly scheduled meetings of the Board of Regents will be held May 12 and 13, 2011.

I, F. Lynwood Givens, the fully appointed qualified Secretary of the Midwestern State University Board of Regents, hereby certify that the above and foregoing is a true and correct copy of the minutes of the Midwestern State University Board of Regents meeting March 28, 2011.


F. Lynwood Givens, Secretary

ATTACHMENTS:

1. Budget Planning Worksheet Draft
2. Tuition and Fee Recommendation Worksheet
3. Dr. Rogers' March 19 Communication to Board of Regents

MSU Budget Oversight Committee Draft of Recommendations

Measures for Overcoming the Budget Shortfall
For FY 2012 and 2013

	FY 2012	FY 2013
Budget Shortfall	3,200,000	3,200,000
Proposed Revenue Increases (subtract from shortfall)		
Increase in Tuition and fees (Using 6,300 Enrollment estimated)	1,500,000	1,650,000
Other Revenue Increases (subtract from shortfall)		
Parking Fees and Fines Increase	120,361	120,361
University Center Fee (net of debt service)	50,000	50,000
MSU Foundation/Charitable Trstu/MSU Endowment Funds (Increase)	75,000	75,000
Museum Space Rental	50,000	75,000
Museum Trust Increase	40,000	40,000
Total Proposed Revenue Increases	<u>1,835,361</u>	<u>2,010,361</u>
Proposed Expenditure Cuts (subtract from shortfall)		
Hiring Restriction (postponing hiring dates)	150,000	150,000
International Scholarship Award Reductions	23,781	23,781
Gifted Summer Program Reductions	52,000	52,000
Employee Dependent Tuition Coverage Reduction (Currently \$126,000)	51,000	51,000
Faculty/Staff Reductions through Position Freezes	994,734	606,483
M&O and Travel Reductions	823,043	823,043
Reductions in Cell Phone Costs (New Policy)	30,000	30,000
Athletics	67,000	67,000
Museum	50,000	50,000
Total Proposed Expenditure Cuts	<u>2,241,558</u>	<u>1,853,307</u>
Proposed Expenditure Increases (add to shortfall)		
Police Officer FTE	35,000	35,000
Campus Police Vehicle Lease--2 Vehicles	13,000	13,000
Other Police Costs (Utilities, equipment)	25,000	25,000
General Counsel Upgrade - from 50% to 100% Time	60,000	60,000
Course Fee Related Reserves	300,000	300,000
Sims Center Maintenance	80,000	100,000
Increase Reserves	698,256	698,256
Debt Service - D. L. Ligon	119,755	118,655
Total Proposed Expenditure Increase	<u>1,331,011</u>	<u>1,349,911</u>
Remaining Budget Shortfall	<u>454,092</u>	<u>686,243</u>

Undergraduate Tuition and Fee Schedule Comparison
Fall 2010 to Fall 2011

	Actual Fall 2010 15 Hours	Proposed Fall 2011 15 Hours	
State Tuition	\$ 750.00	\$ 750.00	
University Designated Tuition	1,448.25	1,513.50	<<<
Student Service Fee	232.50	232.50	
Technology Fee	330.00	330.00	
Student Union/Center Fee	35.00	35.00	
Energy Surcharge Fee	120.00	135.00	<<<
Library Fee	105.00	120.00	<<<
Medical Service Fee	15.00	15.00	
Wellness Center Fee	15.00	15.00	
Publication Fee	5.00	5.00	
Recreational Center Fee	120.00	120.00	
International Education Fee	4.00	4.00	
Intercollegiate Athletics Fee*	120.00	120.00	<<<
Academic Support Fee	60.00	60.00	
Course Fees - average**	166.18	211.99	
	<u>\$ 3,525.93</u>	<u>\$ 3,666.99</u>	
Proposed Increase for 15 Hour Schedule		\$ 141.06	
Percentage Increase over Fall 2010		4.00%	

	<u>Actual Fall</u>	<u>Proposed</u>	<u>Increase over FALL</u>
University Designated Tuition	\$ 96.55	\$ 100.90	\$ 4.35
Energy Surcharge Fee	\$ 8.00	\$ 9.00	\$ 1.00
Library Fee	\$ 7.00	\$ 8.00	\$ 1.00
Athletic Fee (capped at \$120/semester)	\$ 9.00	\$ 10.00	\$ 1.00

* Intercollegiate Athletics Fee is capped at \$120 per semester per student

** Course Fee increases for fall 2011 previously approved

Midwestern State University

Office of the President
3410 Taft Boulevard
Wichita Falls, TX 76308

Saturday, March 19, 2011

Dear Regents:

I have waited until now to send the following in order that you might have the most up-to-date information available prior to the board meeting on Monday, March 28, to set tuition and fees for the next fiscal year. Doing so has allowed me time to gather information on tuition increases at other institutions so that we might consider their actions when contemplating our own. Waiting until now also has allowed the university's Budget Oversight Committee time to deliberate and draft recommendations. These appear in *Table 6* of the attached documents. You will note that the recommendations include measures that would reduce the university's operating budget by approximately \$6.4 million over the next biennium and provide for substantial yearly increases in the university's general reserve and course fee reserve. *Tables 1-5* consist of data provided by the Texas Higher Education Coordinating Board (THECB). The Oversight Committee made use of *Tables 1-5* in its deliberations and I refer to them, as well as *Table 6*, in the following commentary.

One of the most important pieces of data about Midwestern State University appears in *Table 1*. MSU ranks sixth from the bottom in state appropriations per student among 36 senior Texas public universities. Even when the revenue that the university collects locally in tuition and fees is added to our state appropriation, as shown in *Table 2*, MSU remains sixth from the bottom in revenue receipts to pay for the cost of its operation. (A more detailed discussion of *Tables 1 and 2* appears in subsequent sections of the commentary.)

As you review *Table 1*, no doubt you will note great variation in the amount of appropriations that various universities receive from the state. The disparity in state funding is not, as one might think, a matter of small schools versus large schools. Rather, it is the result of some universities over the years receiving considerable sums of state appropriations through special item legislation. Some special item bills go back to the 1980s, others to the 1990s and beyond. All have remained a part of the yearly funding that universities receive from one biennium to another. Even in instances in which special items were written to be time specific or one-time revenue sources, the legislature's practice has been to carry the funding forward in each new biennium, with the effect that special item funding becomes a permanent source of state appropriations for universities fortunate enough to have them. It is this that gives Texas A&M University of Texarkana, for example, a direct state appropriation of \$14, 534 per year per full-time student equivalent (FTSE). By contrast, MSU, an institution that receives approximately \$2 million in special item funding per year and which must, therefore, rely almost exclusively upon formula funding and locally generated revenues in tuition and fees to pay for its operations, receives a slight \$5,305 per FTSE in yearly appropriations from the state.

A comparison between state appropriations for MSU and UT Permian Basin, the first university listed in *Table 1* whose enrollment is equivalent to MSU's, shows that UTPB receives \$11,435 per year per FTSE as compared to Midwestern's \$5,305 per student. The approximately \$6,100 difference is not a matter of formula funding. MSU and all state universities get their fair share of that money. It is a matter of one school receiving significant sums of state dollars through special item funding while another does not.

In the late 1990's, Senator Ratliff of Longview, who served as chair of the Senate Finance Committee, sought to remove special items as a means to supplement state funding through the formulas. He believed that special items were political in nature and that they created great disparity in funding among public state universities. His solution was to create a new category of state appropriations called Institutional Enhancement and to place existing special items of each university under this title as a way of distinguishing special item funding from formula funding. More importantly, Ratliff called for the end to all future special item legislation. Then, as now, Midwestern State received only approximately \$2.5 million per year in special item funding. Numerous other schools similar in size to MSU and those just slightly larger receive special item funding as high as \$9 million per year of each new biennium.

The term Institutional Enhancement was adopted, but Ratliff's call to end the creation of new special items went unheeded, perhaps because special items are, as Ratliff noted, political. In the succeeding years, the Texas legislature has continued to approve new special items carried by representatives and senators from some districts in which universities are located and to fund all existing Enhancements. The inequality inherent in such a two-stream system through which Texas funds higher education, the one equitably applied across the board to all schools through the formulas and the other a matter of the ability of local legislators to get special items bills for their universities passed by the legislature, is evident in the figures in *Table 1*. As you scan down the list, you will note that universities of similar size and mission do not necessarily receive similar amounts of state funding. When that is the case, the difference is a matter of Enhancement and special items funding. For some universities today, Enhancement funding and special items passed by the legislature since Ratliff's era account for as much as one-half of the total state appropriations received by the schools. You can imagine that these universities do far better in good times--and certainly in bad economic times, such as today--than universities that receive little or no Enhancement/special item funding.

Because of my frustration over the number of special items that continue to be passed, I undertook a study of special item funding awarded by the 80th Legislature for fiscal years 2008 and 2009. Data showed just how lop-sided things can become under such a system: state appropriations based on the formulas totaled \$100 million; those represented in new special item funding totaled \$150 million.

The dollar value of Enhancement and special item funding quite naturally has a great effect upon tuition rates that institutions must charge students in order to pay for the cost of their operations. If a university receives a sizable sum of state appropriations through Enhancement/special items, it can charge low to modest tuition rates and still fund its operation. It is a different matter for a university such as Midwestern State, which receives few such dollars from the state and must therefore rely heavily upon tuition and fees to maintain itself.

On several occasions when the topic of special items/Enhancement funding has arisen, legislators have asked me how the state might correct the problem. I respond by repeating Senator Ratliff's call to end the use of special items. In absence of that, I suggest that the state adopt a policy that limits the life of special items so that the funding does not become a permanent source of the university's state appropriations, as has been the practice over the history of special item funding in Texas.

Two of Midwestern's neighbors near the bottom in *Table 1*, the University of North Texas and Texas State University, are schools with enrollments of well over 30,000. While their state funding level per full-time student equivalent is equally low to ours, their large student enrollment helps to mitigate considerably the cost of providing an education to their students because of an efficiency of scale that allows them, for example, to place hundreds of students in freshman and sophomore classes. There is nothing that a school the size of MSU can do to mitigate its circumstances except to set tuition and fees near the state average.

Though there is a point at which tuition and fees cannot be raised without their being inconsistent with the university's mission and its striving to remain competitively priced, MSU has not yet reached that point, and I do not believe that the level of tuition and fees recommended by the Budget Oversight Committee (*Table 6*) will lead us there. In order to put the matter into a concrete context, I again cite *Table 2*. Column Two shows that current tuition and fee charges at Midwestern total \$6,942 per year (30 semester credit hours (SCH) per student). When this sum is added to per FTSE state appropriations listed in Column One, the university's total income for its academic operations is \$12,247 yearly per full-time student. Academic operations represent the single largest item in the university's budget and include such costs as the president's salary, the salaries of staff and a significant number of faculty members, travel expenses, operating budgets, etc. In this, Midwestern ranks sixth from the bottom in operating funds among 36 state universities.

Table 3 compares proposed reductions in two bills currently before each of the respective branches of the Texas legislature, HB1 and SB1. Once we apply these reductions to our operating budget, the contribution by the state to the cost of our providing academic programming represents approximately 25% of our total budget. The balance of the funds necessary to keep us operational must come in the form of tuition and fee revenue and endowments and other private gifts. The trend that these figures represent is not peculiar to MSU or Texas public universities. It is a national trend and one that has great implications for the future of Midwestern State and its course offerings and general services. The new strategic planning must accommodate what is likely to be a permanent decline in state support of public education.

In order to clarify Midwestern's tuition and fees relative to other universities, I have attached *Table 4*. Column One shows that for the Fall 2010 semester, tuition was set at \$1,448 per 15 SCH, the ninth lowest tuition rate in the state and \$260 below the state average tuition cost of \$1,708. Column Two of *Table 5* shows the total cost of 15 SCH for the Fall 2010 term was \$3,471, a figure that places the university at or near the state average for total cost to students. One of our on-going goals has been to set total cost to students at this level. *Table 5* shows six or seven universities whose total charge is within a few dollars of MSU's. Depending upon the

actions taken by these schools this spring, Midwestern might fall below median in cost in any one particular academic year, as we have several times in the past because of such natural fluctuations. The increase in our fee structure is largely the result of two actions approved by the MSU student body: instituting an athletic fee (MSU was the only university in Texas without an athletic fee) and a fee to construct and operate a Student Recreation and Wellness Center. Taken together, these represent \$240 of the per semester increase in fees found in Column Two of *Table 5*.

Keeping our tuition and fees at or near the state average for total cost to students is an important goal. It is in the university's best interest and that of our students to offer quality education at a reasonable cost. The Budget Oversight Committee has taken this into consideration as it studied the data presented in *Tables 1-5*. You will note that *Table 5* provides an overview of increases in tuition and fees at Midwestern State and 35 other universities around the state for 2009 and 2010. Because some universities set tuition and fees for a biennium, while others set them per year, making year to year comparisons between universities is difficult. *Table 5* also includes some increases proposed by the University of Texas System and those cited in the testimony of university officials in their appearance before legislative budgeting bodies. We have marked the figures from the UT System, which have now been fixed, as well as those given in oral testimony. Our VP for Business, Juan Sandoval, has spoken to an official at both Sam Houston State and West Texas A & M about their respective increases in tuition and fees. This information is also cited in *Table 5*. (Sam Houston will increase their rates by 4.9 percent and West Texas by 4.0. West Texas also plans to raise some fees but chose not to specify which ones.)

In meeting the challenges represented by significant reductions in state appropriations to fund our operation, we have tried to place great importance upon reducing costs and finding even modest sources of new revenue. I compliment the Cost Saving Committees for their work in this regard and that of the Budget Oversight Committee. One member of the Oversight Committee, Terry Patton, the university's Robert Madera Professor of Accounting, wrote the draft accounting of the committee's recommendations presented in *Table 6*. The recommendations include placing an additional \$698,256 in our reserve and \$300,000 in the university's course fee reserve annually. I have been pleased that the committee understands the necessity of strengthening our reserves, especially in a period in which more reductions in funding appear likely.

I will conclude with my recommendations for changes in our tuition and fee rates for fiscal year 2012. Although the MSU Promise is not to raise tuition and fees in a given academic year more than 5%, my proposal and that of the committee is to increase tuition by 4% and the athletic fee by \$1 per SCH, the latter being allowable under the terms of the bill that was approved by the MSU student body. I do so because these modest increases will enable us to keep the cost of attending MSU competitive with that of other universities and position our rates below both the median and the average cost across the state.

Thank you for your kind consideration. Please let me know if you have comments about my analysis or the draft budget proposal. Jesse

TABLE 1

Texas Higher Education Coordinating Board Accountability System	
Institution	State Appropriations per FTSE per Year FY 2010
1 Texas A&M University-Texarkana	14,534
2 University of North Texas - Dallas	12,931
3 Texas A&M University at Galveston	12,023
4 The University of Texas at Brownsville	11,475
5 The University of Texas of the Permian Basin	11,435
6 Sul Ross State University & Sul Ross Grande College	10,887
7 Texas A&M University-Kingsville	10,820
8 Texas A&M International University	9,250
9 Prairie View A&M University	9,156
10 Texas Southern University	8,940
11 The University of Texas at Austin	8,384
12 The University of Texas at Tyler	8,072
13 Tarleton State University	7,839
14 The University of Texas at Dallas	7,748
15 Texas A&M University - Corpus Christi	7,665
16 University of Houston - Victoria	7,655
17 Texas A&M University	7,557
18 University of Houston	6,995
19 The University of Texas at El Paso	6,917
20 University of Houston - Clear Lake	6,857
21 Texas Tech University	6,798
22 Texas A&M University-San Antonio	6,558
23 Angelo State University	6,472
24 West Texas A&M University	6,387
25 The University of Texas-Pan American	6,369
26 Texas Woman's University	6,313
27 Texas A&M University-Commerce	6,231
28 The University of Texas at San Antonio	5,873
29 Stephen F. Austin State University	5,664
30 The University of Texas at Arlington	5,547
31 Midwestern State University	5,305
32 University of North Texas	5,073
33 Lamar University	5,007
34 Texas State University - San Marcos	4,763
35 Sam Houston State University	4,466
36 University of Houston - Downtown	4,344

Source: THECB Tuition and Fees Data, March 2, 2011

TABLE 2

**Texas Higher Education Coordinating Board
Accountability System**

Institution	State Appropriations per FTSE per Year	Total Academic Charges per Year	Total
	FY 2010*	FY 2010**	
1 Texas A&M University-Texarkana	14,534	5,086	19,620
2 Texas A&M University at Galveston	12,023	7,528	19,551
3 University of North Texas - Dallas	7,748	10,422	18,170
4 The University of Texas at Dallas	7,748	10,422	18,170
5 The University of Texas at Austin	8,384	9,416	17,800
6 The University of Texas of the Permian Basin	11,435	6,172	17,607
7 The University of Texas at Brownsville	11,475	5,924	17,399
8 Texas A&M University-Kingsville	10,820	6,414	17,234
9 Texas A&M University	7,557	8,902	16,459
10 Prairie View A&M University	9,156	7,296	16,452
11 Sul Ross State University & Sul Ross Grande College	10,887	5,548	16,435
12 Texas Southern University	8,940	7,462	16,402
13 University of Houston	6,995	8,490	15,485
14 Texas Tech University	6,798	8,600	15,398
15 Texas A&M International University	9,250	6,134	15,384
16 The University of Texas at Tyler	8,072	6,806	14,878
17 The University of Texas at Arlington	5,547	9,232	14,779
18 The University of Texas at San Antonio	5,873	8,408	14,281
19 Texas A&M University - Corpus Christi	7,665	6,608	14,273
20 Tarleton State University	7,839	6,292	14,131
21 Texas Woman's University	6,313	7,762	14,075
22 The University of Texas at El Paso	6,917	6,560	13,477
23 University of Houston - Victoria	7,655	5,698	13,353
24 Angelo State University	6,472	6,694	13,166
25 University of North Texas	5,073	8,022	13,095
26 University of Houston - Clear Lake	6,857	6,042	12,899
27 West Texas A&M University	6,387	6,372	12,759
28 Stephen F. Austin State University	5,664	7,082	12,746
29 Texas State University - San Marcos	4,763	7,838	12,601
30 Texas A&M University-San Antonio	6,558	5,822	12,380
31 Midwestern State University	5,305	6,942	12,247
32 Texas A&M University-Commerce	6,231	5,998	12,229
33 The University of Texas-Pan American	6,369	5,822	12,191
34 Lamar University	5,007	6,944	11,951
35 Sam Houston State University	4,466	6,882	11,348
36 University of Houston - Downtown	4,344	5,506	9,850

PLEASE NOTE: The first column provides appropriations per FTSE per year.

The second column is the amount charged per FTSE per year.

TABLE 3

Midwestern State University
Reductions in General Revenue Appropriations: A comparison of HB1 and SB1
February 10, 2011

	Total 10-11 Biennial Appropriation	10-11 Funding w/5% Reduction	10-11 Funding w/2.5% Reduction	12-13 Funding HB 1	Difference 10-11 Appro to HB 1
General Revenue Fund	\$ 39,861,421	\$ 38,117,627	\$ 37,672,537	\$ 32,268,401	\$ 7,593,020
GR Dedicated - Mineral Fund	\$18,000	\$17,100	\$16,875	\$14,000	\$ 4,000
Total, GR and Mineral Fund	\$39,879,421	\$38,134,727	\$37,689,412	\$32,282,401	\$ 7,597,020
Reduction		\$1,744,694 4.37%	\$445,315 1.17%	\$5,407,011 14.35%	\$7,597,020 19.05%

	Total 10-11 Biennial Appropriation	10-11 Funding w/5% Reduction	10-11 Funding w/2.5% Reduction	12-13 Funding SB 1	Difference 10-11 Appro to SB 1
General Revenue Fund	\$ 39,861,421	\$ 38,117,627	\$ 37,672,537	\$ 33,600,507	\$ 6,260,914
GR Dedicated - Mineral Fund	\$18,000	\$17,100	\$16,875	\$14,000	\$ 4,000
Total, GR and Mineral Fund	\$39,879,421	\$38,134,727	\$37,689,412	\$33,614,507	\$ 6,264,914
Reduction		\$1,744,694 4.37%	\$445,315 1.17%	\$4,074,905 10.81%	\$6,264,914 15.71%

There may be an additional loss of \$831,704 over biennium in performance incentive funding. The topic is currently under discussion. Reductions do not include the loss of fringe benefit funding estimated to be \$437,000.

TABLE 4
Texas Designated Tuition
Fall 2011

Institution	Fall 2010 (15 SCH)
The University of Texas at Arlington	\$2,598.00
The University of Texas at Dallas	\$2,500.00
The University of Texas at Austin	\$2,451.00
Texas Southern University	\$2,115.00
Texas State University-San Marcos	\$2,115.00
University of Houston	\$2,089.00
University of North Texas	\$2,081.00
Texas A&M University-Galveston	\$1,978.00
The University of Texas at San Antonio	\$1,976.00
Texas Tech University	\$1,935.00
Texas A&M University	\$1,898.00
Texas Woman's University	\$1,847.00
Stephen F. Austin State University	\$1,798.00
Prairie View A&M University	\$1,788.00
The University of Texas at El Paso	\$1,782.00
The University of Texas at Tyler	\$1,710.00
Sam Houston State University	\$1,695.00
University of Houston - Clear Lake	\$1,635.00
Lamar University	\$1,620.00
Angelo State University	\$1,528.00
The University of Texas of the Permian Basin	\$1,500.00
Texas A&M University-Corpus Christi	\$1,497.00
Texas A&M University-Commerce	\$1,495.00
The University of Texas-Pan American	\$1,485.00
University of Houston - Victoria	\$1,485.00
Texas A&M University-Central Texas	\$1,476.00
University of Houston - Downtown	\$1,470.00
Midwestern State University	\$1,448.00
West Texas A&M University	\$1,435.00
Tarleton State University	\$1,410.00
Texas A&M International University	\$1,358.00
The University of Texas at Brownsville	\$1,344.00
Texas A&M University-San Antonio	\$1,303.00
Texas A&M University-Kingsville	\$1,283.00
Texas A&M University-Texarkana	\$1,204.00
Sul Ross State University	\$1,170.00
STATEWIDE AVERAGE	\$1,708.39

Source: THECB Tuition and Fees Data, March 2, 2011

TABLE 5

**Texas Public Colleges and Universities
(Tuition, Mandatory Fees, and Average College and Course Fees)
15 Semester Credit Hours**

Institution	Fall 2009	Fall 2010	Last Increase	Next Increase	Source
1 The University of Texas at Dallas	4,915	5,211	6.02%	3.95%	(UT System)
2 The University of Texas at Austin	4,468	4,708	5.37%	3.89%	(UT System)
3 The University of Texas at Arlington	4,272	4,616	8.05%	4.63%	
4 Texas A&M University	4,343	4,451	2.49%		
5 Texas Tech University	3,910	4,300	9.97%		
6 University of Houston	4,163	4,245	1.97%		
7 The University of Texas at San Antonio	4,023	4,204	4.50%	4.52%	(UT System)
8 University of North Texas	3,859	4,011	3.94%	3.95%	(Testimony)
9 Texas State University-San Marcos	3,741	3,919	4.76%		
10 Texas Woman's University	3,154	3,881	23.05%	0.00%	(Testimony)
11 Texas A&M University-Galveston	3,593	3,764	4.76%		
12 Texas Southern University	3,201	3,731	16.56%	Minimal	(Testimony)
13 Prairie View A&M University	3,610	3,648	1.05%		
14 Stephen F. Austin State University	3,405	3,541	3.99%		
15 Lamar University	3,313	3,472	4.80%		
16 Midwestern State University	3,225	3,471	7.63%		
17 Sam Houston State University	3,237	3,441	6.30%	4.90%	(Sandoval)
18 The University of Texas at Tyler	3,213	3,403	5.91%	4.12%	(UT System)
19 Angelo State University	3,069	3,347	9.06%		
20 Texas A&M University-Corpus Christi	3,067	3,304	7.73%		
21 The University of Texas at El Paso	3,144	3,280	4.33%	4.20%	(UT System)
22 Texas A&M University-Kingsville	2,970	3,207	7.98%		
23 West Texas A&M University	2,902	3,186	9.79%	4.00%	(Sandoval)
24 Tarleton State University	2,835	3,146	10.97%		
25 The University of Texas of the Permian Basin	2,875	3,086	7.34%	4.54%	(UT System)
26 Texas A&M International University	2,849	3,067	7.65%		
27 University of Houston - Clear Lake	2,914	3,021	3.67%		
28 Texas A&M University-Commerce	2,778	2,999	7.96%		
29 The University of Texas at Brownsville	2,806	2,962	5.56%	4.75%	(UT System)
30 The University of Texas-Pan American	2,764	2,911	5.32%	4.82%	(UT System)
31 Texas A&M University-San Antonio	N/A	2,911			
32 University of Houston - Victoria	2,747	2,849	3.71%		
33 Sul Ross State University	2,667	2,774	4.01%		
34 University of Houston - Downtown	2,624	2,753	4.92%		
35 Texas A&M University-Texarkana	2,323	2,543	9.47%		
STATEWIDE AVERAGE	3,323	3,525	6.08%		

TABLE 6
MSU Budget Oversight Committee Draft of Recommendations

**Measures for Overcoming the Budget Shortfall
For FY 2012 and 2013**

	FY 2012	FY 2013
Budget Shortfall	3,200,000	3,200,000
Proposed Revenue Increases (subtract from shortfall)		
Increase in Tuition and fees (Using 6,300 Enrollment estimated)	1,500,000	1,650,000
Other Revenue Increases (subtract from shortfall)		
Parking Fees and Fines Increase	120,361	120,361
University Center Fee (net of debt service)	50,000	50,000
MSU Foundation/Charitable Trstu/MSU Endowment Funds (Increase)	75,000	75,000
Museum Space Rental	50,000	75,000
Museum Trust Increase	40,000	40,000
Total Proposed Revenue Increases	<u>1,835,361</u>	<u>2,010,361</u>
Proposed Expenditure Cuts (subtract from shortfall)		
Hiring Restriction (postponing hiring dates)	150,000	150,000
International Scholarship Award Reductions	23,781	23,781
Gifted Summer Program Reductions	52,000	52,000
Employee Dependent Tuition Coverage Reduction (Currently \$126,000)	51,000	51,000
Faculty/Staff Reductions through Position Freezes	994,734	606,483
M&O and Travel Reductions	823,043	823,043
Reductions in Cell Phone Costs (New Policy)	30,000	30,000
Athletics	67,000	67,000
Museum	50,000	50,000
Total Proposed Expenditure Cuts	<u>2,241,558</u>	<u>1,853,307</u>
Proposed Expenditure Increases (add to shortfall)		
Police Officer FTE	35,000	35,000
Campus Police Vehicle Lease--2 Vehicles	13,000	13,000
Other Police Costs (Utilities, equipment)	25,000	25,000
General Counsel Upgrade - from 50% to 100% Time	60,000	60,000
Course Fee Related Reserves	300,000	300,000
Sims Center Maintenance	80,000	100,000
Increase Reserves	698,256	698,256
Debt Service - D. L. Ligon	119,755	118,655
Total Proposed Expenditure Increase	<u>1,331,011</u>	<u>1,349,911</u>
Remaining Budget Shortfall	<u>454,092</u>	<u>686,243</u>