SOUTHEAST MISSOURI STATE UNIVERSITY
BOARD OF REGENTS MEETING

Special Called Meeting

August 6, 2012
10:00 a.m.
University Center, Ballroom A*

Open Session Agenda

DISCUSSION ITEMS:
1. Discussion of Possible Construction of Academic Hall Dome Mezzanine
2. Review of Status of Major Deferred Maintenance Projects

Attachment

REPORT ITEMS:
1. Update on Budget (President Dobbins’ Communication to the Campus Community)

ACTION ITEM:
1. Consideration of Approval of the FY14 Requests for New State Appropriation
   Funding to be Submitted to the Missouri Department of Higher Education

ACTION ITEMS:
1. Consideration of Motion for “Closed Session for Appropriate Considerations:”
   A. RSMo 610.021.1 -- pertaining to legal actions, causes of action or litigation
   B. RSMo 610.021.11 -- pertaining to leasing, purchase or sale of real estate
   C. RSMo 610.021.13 -- pertaining to personnel records, performance ratings
   D. RSMo 610.021.14 -- pertaining to records which are protected from disclosure by law

ACTION ITEM:
1. Reconvene Open Session
2. Announcement of Action
3. Consideration of Motion to Adjourn

* Accessible to Physically Handicapped or Disabled
BOARD OF REGENTS
REPORT ITEM

August 6, 2012

Open Session

Major Capital Improvements

In December 2010 the University issued $58.2 million of bond proceeds for major capital improvements on campus to be allocated to the following projects:

- Academic Hall renovation: $22.8 million
- Magill Hall addition and renovation: $17.9 million
- Conversion of Central Boiler Plant: $6.9 million
- Major Deferred Maintenance projects (projects exceeding $250,000): $10.6 million

Attachment 1 details Priority I (1-3 years), Priority II (3-5 years) and Priority III (5-10 years) major deferred maintenance projects outlined in 2010. Bonding capacity allowed the university to fund the estimated cost of Priority I and II major deferred maintenance projects in 2010, including the renovation of Memorial Hall for Information Technology and temporary location of student services from Academic Hall. The University has completed, is in progress or scheduled through Summer 2013 $9.7 million of these Priority I and II major deferred maintenance projects. Bond funds have been matched with local maintenance & repair dollars, auxiliary funds and foundation support to complete these projects.

There are $2.8 million of pending Priority I and II projects that need to be re-evaluated based on the results of campus space utilization planning or that must be scheduled in future years to ensure adequate classroom and office space remains available while construction is in progress.

Academic Hall renovation, Magill Hall addition and renovation and conversion of the Central Boiler Plant projects are all at least 50% complete. Funding currently available from all categories, based on actual contracts issued and allowing for adequate contingency through project completion, is:

- 2010 Bonds – Deferred Maintenance: $1,393,694
- 2010 Bonds – Academic Hall: $2,672,581
- Conversion of Central Boiler Plant: $4,066,275
- Funding Needed for Priority 1 & 2 Deferred Maintenance projects: $(562,500)
- Funding available for additional projects: $3,503,775
The space utilization study will result in renovation projects that need to be completed in order to accommodate new uses of space. The original scope of the pending projects will need to be re-evaluated at that time. In addition, the 2010 bond proceeds were only used to address deferred maintenance projects exceeding $250,000. There are numerous smaller scale projects ($25,000 to $50,000) that could be addressed through these funds.

Possible allocation of remaining bond funds:

<table>
<thead>
<tr>
<th>Project Description</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>Pending space utilization projects</td>
<td>$1,500,000</td>
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<tr>
<td>Deferred maintenance projects under $250,000</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Academic Hall Dome build-out</td>
<td></td>
</tr>
<tr>
<td>1. Basic structural and MEP build-out</td>
<td>645,000</td>
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<tr>
<td>2. Lighting, fixtures and finishes</td>
<td>406,000</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$3,551,000</strong></td>
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# Campus Wide Major Deferred Maintenance Projects
## Series 2010 Bonds

<table>
<thead>
<tr>
<th>Priority I (1-3 years)</th>
<th>Total Project Cost</th>
<th>Total Funding Obligated</th>
<th>Total Funding Needed</th>
<th>Total Pending</th>
<th>Reason Pending</th>
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<tbody>
<tr>
<td>Art Building</td>
<td>$445,313</td>
<td></td>
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<td>$445,313</td>
<td>State capital appropr. request</td>
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<tr>
<td>Central Utilities</td>
<td>187,335</td>
<td>187,335</td>
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<tr>
<td>Central Utilities</td>
<td>652,479</td>
<td>652,479</td>
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<tr>
<td>Houck Field House</td>
<td>813,436</td>
<td>813,436</td>
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<tr>
<td>Johnson Hall</td>
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<td>$819,250</td>
<td>Completion of Magill Hall upgrades</td>
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<tr>
<td>Scully Hall</td>
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<tr>
<td>Serena Hall</td>
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<td></td>
<td>Space utilization study</td>
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<tr>
<td>Wehking Alumni</td>
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<tr>
<td>Central Utilities</td>
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<tr>
<td>Kent Library</td>
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<td>400,000</td>
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<tr>
<td>Memorial Hall Phase I</td>
<td>2,102,653</td>
<td>1,066,180</td>
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<tr>
<td><strong>Total</strong></td>
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<td><strong>$7,326,679</strong></td>
<td><strong>$</strong></td>
<td><strong>$1,625,500</strong></td>
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<tr>
<th>Priority II (3-5 years)</th>
<th>Total Project Cost</th>
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<th>Total Pending</th>
<th>Reason Pending</th>
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<td>$437,875</td>
<td>Space utilization study</td>
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<tr>
<td>Central Utilities</td>
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<tr>
<td>Parker Hall</td>
<td>750,038</td>
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<td>State capital appropr. request</td>
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<td>Dempster Hall</td>
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<tr>
<td>General Campus</td>
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<td>562,500</td>
<td></td>
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<tr>
<td>Houck Field</td>
<td>1,078,671</td>
<td>1,078,671</td>
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<tr>
<td><strong>Total</strong></td>
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<td><strong>$562,500</strong></td>
<td><strong>$1,187,913</strong></td>
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<tr>
<th>Priority III (5-10 years)</th>
<th>Total Project Cost</th>
<th>Total Funding Obligated</th>
<th>Total Funding Needed</th>
<th>Total Pending</th>
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<td>Johnson Hall</td>
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<td>$407,023</td>
<td>Completion of Magill Hall upgrades</td>
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**TOTALS**

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<th>Total Project Cost</th>
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<th>Total Funding Needed</th>
<th>Total Pending</th>
<th>Reason Pending</th>
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<td>$4,057,203</td>
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Letter to the Campus from President Ken Dobbins

June 27, 2012

Dear Colleague,

As you may recall from my May 31st Dear Colleague letter, the Budget Review Committee prepared a balanced budget based on an 8% appropriations reduction recommended in Governor Jay Nixon's initial budget. I also noted that the General Assembly approved our appropriations for FY13 equal to FY12 ($42.8 million) plus an additional $885,969 equity increase for Southeast due to our significant enrollment growth over the past two decades. Last Friday, the Governor signed the FY13 higher education appropriations bill, but withheld almost $15 million from the higher education appropriation. He indicated that the overall FY13 state budget was out of balance by $50 million. Additionally, we have been told that the general state revenue growth projection used for budget appropriation purposes is very optimistic and only time will tell if the growth will fund all of the approved FY13 appropriations.

With the Governor's additional $15 million withholdings, our FY13 appropriation is projected to be almost $400,000 more than last year's appropriations. We are cautiously optimistic that we will receive all of these appropriations. However, as I mentioned above, further withholding of FY13 appropriations may be possible if the projected state revenue growth does not materialize. Consequently, we are considering all appropriations in excess of what the Budget Review Committee used to balance our FY13 budget to be one-time funds until we can more accurately predict the state's FY13 revenue. The additional funding will allow the University to address several needs by providing one-time funding for 1) much-needed equipment purchases by all University departments; 2) funding for priority maintenance/repair projects; and 3) additional funds for the University's "Rainy Day Fund" in case there are additional FY13 withholdings.

Again, we want to thank all of you who have worked so diligently to make sure our outstanding University is as efficient as possible as we continue to maintain our quality academic programs and excellent services by our faculty and staff.

Board Actions

As I'm sure you read in The Newswire, our Board of Regents met last week and granted post-professorial merit to five faculty members and promoted 11 faculty members to the rank of professor and seven to the rank of associate professor with tenure. In addition, seven faculty members received non-tenure track merit.

(http://www.semo.edu/news/index_42838.htm)

Congratulations to all!

The Board also approved funding for a 2% ($475 minimum) merit salary increase for all faculty, staff, and graduate students. In accordance with a recent change to the Faculty Handbook, the 2% merit salary pool for faculty will be used to fund a 1.75% base merit salary increase for faculty and the remaining 0.25% to fund post-professorial merit salary increases. Consequently, later this week, you will be receiving your annual salary letter outlining any increases in salary for FY13.

After Closed Executive Session, the Board announced the appointment of Diane Sides, Assistant to the President, as Assistant Secretary to the Board of Regents effective July 1, 2012. The Assistant Secretary can assume the duties of the Secretary to the Board during an emergency or leave situation, and can handle University documents on behalf of the Board and the University in the absence of the Secretary. She will retain her current duties of Assistant to the President.

I hope you are enjoying your summer and we look forward to a great Fall 2012 Semester opening.

Best wishes,

Ken
BOARD OF REGENTS
MOTION CONSIDERATION FORM

August 6, 2012

Open Session

I. Motion to be Considered:

Approve the attached FY14 requests for new state appropriation funding, to be submitted to the Missouri Department of Higher Education.

II. Background:

Annually, each four year public higher education institution submits a state funding request to the Missouri Department of Higher Education (MDHE). MDHE compiles these requests, along with recommendations for state financial aid programs and funding for two year institutions and submits a consolidated request for higher education funding to the Governor’s office and the state legislature.

As part of this budgeting process, MDHE asks institutions to submit new decision items which are requests for new state funding (see Attachment 1). While it is not anticipated that there will be new funding to allocate during the legislative process, these decision items provide an opportunity to make state legislators aware of the funding needs of public higher education institutions.

Attachment 2 outlines three decision items proposed for the FY14 budget cycle for Southeast. The first decision item is for appropriations to fund the increasing cost of operations the university has experienced during the past few years of flat or reduced state appropriation funding. The second item requests dollars that would restore funding to Southeast students eligible for the Access Missouri financial aid program, which has been cut by the state to its statutory minimum level. The third item is for state funding to bring the maintenance & repair allocation received from the state to 1.5% of the value of the university’s physical plant assets. The state currently funds approximately 0.3% of the value of the university’s physical plant assets.

Recommended By:

Student Government
Faculty Senate
Administrative Council
VP, Finance & Admin.
VP, University Advancement

Chairperson
Dean
Academic Council
Provost
President

Board Action on: Postpone: Amend: Disapprove: Approve: Secretary:
TO: Public College and University Presidents

CC: Public College and University Business Officers

FROM: Paul Wagner, Deputy Commissioner

DATE: July 26, 2012

SUBJECT: Fiscal Year 2014 Budget Instructions

State Budget Director Linda Luebbering has issued budget instructions for all state departments for the completion of Fiscal Year 2014 budget requests. A memo summarizing highlights and major changes to the budget instructions from Director Luebbering is attached. The budget instructions themselves are also available on the website of the Office of Administration - Division of Budget and Planning at http://oa.mo.gov/bp/2014budinst.htm.

Please note three major points from this year’s instructions. First, Governor Nixon is working from an assumption of a budget gap for FY 14 that exists in part because of the need to replace approximately $220 million in one-time money. Second, the expenditure restrictions Governor Nixon announced upon signing the FY 13 budgets are to be made permanent. Lastly, state departments have been instructed to not request new decision items that require general revenue, unless a specific exception is granted by Budget and Planning. The Coordinating Board for Higher Education will take these instructions under consideration when making its budget request for FY 14.

If you have any questions regarding the FY 14 budget instructions, please call me at 573.751.1794.
UNRESTRICTED EDUCATION AND GENERAL
NEW DECISION ITEM REQUEST
FORM 5

Department: HIGHER EDUCATION
Level 2: SOUTHEAST MISSOURI STATE UNIVERSITY
Level 3: ALL PROGRAMS
Decision Item Name: CORE MISSION FUNDING
Decision Item Rank: 1

I. Purpose and Criteria for Inclusion in Request:

In order to continue the current programs of Southeast Missouri State University at the same high level of quality, this item requests base appropriations to address core mission funding and to help offset costs of inflation experienced by the University over the past few years.

II. Description

For the past few years Southeast Missouri State University has been experiencing increased costs that have either been mandated or are outside of the control of the University. While the University makes every attempt to keep costs low, factors such as increasing costs of employee benefits and increasing costs of utilities have caused, and will continue to cause, the University financial challenges. Simultaneously, significant enrollment growth and increased educational opportunities for our service region have created a widening gap between the University’s enrollment expenses and its state appropriations. The University has been working to meet these challenges through improved processes and increasing student credit hour production. This request for core mission funding would help to alleviate some of these financial challenges that the University faces in providing a high quality education to its students.

The University has experienced significant increases in the cost of all employee benefits over the past several years. While the University has worked to redesign benefit plans and reduce costs, it is important to maintain a quality benefit program to assist in the recruitment and retention of quality faculty and staff. With the increase in the overall cost of employee benefits and the reduction in state appropriations, the University is spending proportionately more of its funding on employee benefits than it did three years ago. Therefore, this request includes $400,000 for the increased cost of employee benefits for the University’s 920 E&G employees.

Due to campus expansion and increasing costs of purchasing electricity, water, and sewer; the University continues to experience significant increases in the costs of operating our campuses. Total utilities costs have increased 38.5% over the past 6 years with no appropriation increases to help offset the rising costs. Recent correspondence from our water and electricity providers indicates that costs will continue to increase. Through this decision item we are requesting a $710,000 (20%) increase to our utilities supplies budget.
The University has continued to increase educational opportunities and community services provisions to the service region. The expansion of Polytechnics, Visual and Performing Arts, and Business curriculums have caused increased need for custodial, grounds, maintenance, and operations of new or expanded buildings. This request includes the estimated cost of operations of these buildings totaling $400,000.

While FTE enrollment at Southeast has increased by 36.5% between FY 2001 and FY 2012, our state appropriations have declined by 15.0%. State appropriations per FTE student in Missouri in FY 2012 averaged $6,078 for public four year institutions. However, Southeast’s state funding per FTE student was only $4,644 – 30.9% below the average. An increased student population requires additional instructional personnel, student support services, and classroom space in order to maintain quality and provide an environment that ensures the student will be successful. In order to successfully meet our goal of providing a quality education at an affordable rate, this decision item includes a request for $1.3 million.

The total of this request to assist in addressing core mission costs is $2.81 million (6.5% of the University’s current appropriations).

III. Cost Explanation: FY 2014

EXPENSE AND EQUIPMENT:

Anticipated Employee Benefit Costs $400,000
Anticipated Costs of Utilities 710,000
Cost of Operations Expansion 400,000
Enrollment Increase Costs 1,300,000

TOTAL EXPENSE AND EQUIPMENT $2,810,000

GRAND TOTAL $2,810,000

NARRATIVE EXPLANATION OF COSTS:

The expenses listed reflect costs that are expected to occur and that will mandate the University to identify additional funding in order to remain competitive. Costs of employee benefits and utilities continue to increase at a rate the University can no longer absorb. To meet the needs of expanded curriculum and additional students, the University must recruit and retain quality personnel, provide quality facilities, adequate classroom spaces, and student support services.

IV. Evaluation of Outcomes:

The desired outcomes are to recruit and retain faculty and staff and to improve the ability to meet costs associated with providing exceptional, experiential education to an increasing student population.
UNRESTRICTED EDUCATION AND GENERAL
NEW DECISION ITEM REQUEST
FORM 5

Department: HIGHER EDUCATION
Level 2: SOUTHEAST MISSOURI STATE UNIVERSITY
Level 3: 8.0 SCHOLARSHIPS AND FELLOWSHIPS
Decision Item Name: NEED BASED FINANCIAL AID
Decision Item Rank: 2

I. Purpose and Criteria for Inclusion in Request:

In order to continue to provide a quality education to the students of our service region at an affordable cost, this item requests base appropriations to offset the reduction in need based aid for Missouri students.

II. Description

While Southeast Missouri State University has strived to offset increased operational expenses with as little impact to the student as possible; reduced state appropriations, increased utility costs, and increased employee benefit costs have necessitated the increase in student fees. This, combined with the continued increase in student enrollment, has caused the University to see an increasing number of students with demonstrated financial need. Need based aid has become essential to providing an affordable education to the students of our service region.

Since Academic Year 2008, the Access Missouri Financial Assistance Program has alleviated some of the need by providing Southeast students with $18.2 million in need based aid. However, each year the number of recipients has increased while the total amount of award paid has decreased due to cuts in state funding. If awards had remained at the highest maximum level, the University would have paid out up to an additional $3.1 million per academic year.

Increased enrollment projections and current economic climate, indicate that the University will continue to see increases in the number of students with substantial financial need. Yet due to state and federal budget shortfalls, need based aid continues to be reduced and restricted. Therefore this request is for $3.0 million to offset the reductions in state need based aid and the increase in the number of students with financial need.

III. Cost Explanation: FY 2014

EXPENSE AND EQUIPMENT:

Increase to Institutional Need Based Aid $3,000,000
TOTAL EXPENSE AND EQUIPMENT $3,000,000

GRAND TOTAL $3,000,000

NARRATIVE EXPLANATION OF COSTS:

In order for Southeast to remain affordable to students in our service region, need based aid must remain available at the state or the institution level.

IV. Evaluation of Outcomes:

The desired outcomes are to continue to provide a quality education at an affordable rate.
UNRESTRICTED EDUCATION AND GENERAL
NEW DECISION ITEM REQUEST
FORM 5

Department: HIGHER EDUCATION
Level 2: SOUTHEAST MISSOURI STATE UNIVERSITY
Level 3: 7.0 PHYSICAL PLANT
Decision Item Name: MAINTENANCE AND REPAIR
Decision Item Rank: 3

I. Purpose and Criteria for Inclusion in Request:

In addition to the FY 2014 Capital Appropriations request, Southeast Missouri State University has identified a wide range of essential maintenance and repair projects to existing facilities. While no project alone warrants inclusion in the Capital Appropriations request, collectively these projects are vital to adequately maintain and preserve the University’s projected $538.1 million in physical plant investment.

II. Description:

Core budget appropriations for FY 2013 included $1,657,670 for ongoing physical plant maintenance and repair efforts. This $6,414,000 request will provide an annual maintenance and repair budget valued at 1.5% of the physical plant replacement value ($538.1 million) for the University’s critical need for capital maintenance projects including roof replacements, system upgrades, and tuck-pointing. Ideally, annual maintenance and repair expenditures should fall in a range of 1.5% - 2% of a University’s physical plant replacement value. Consequently, Southeast will internally reallocate funds to compliment this request.

There are several buildings on campus which have not had significant updates in over 25 years. Natural deterioration of building support systems, exterior envelopes, roofs, and site amenities has progressed to the point where refurbishment or replacement has become a necessity. In addition many of our electrical and plumbing systems are outdated or inadequate for today’s needs.

All projects need to be completed over the next 2-4 years to ensure that building occupants experience a safe, secure environment which is conducive for learning in today’s electronics based world. It is imperative that these projects be completed to halt the continuing deterioration of buildings, building components, and site conditions. Each project has been reviewed by either an on-site or external contract team of engineers, architects, and/or technicians in the physical plant department to verify the extent of the need and to determine the appropriate method of correcting the problem.

Upon receiving an increase in core budget appropriations for maintenance and repair, the University will only submit high-value, major projects for the maintenance and repair portions of the Capital Appropriations requests. These projects will be limited to major
projects such as rehabilitation of major building systems, chiller replacements, or other projects required by state or Federal mandates.

III. Cost Explanation: FY 2014

EXPENSE AND EQUIPMENT:

Institution and Physical Plant Expenses $6,414,000

TOTAL EXPENSE $6,414,000

GRAND TOTAL $6,414,000

NARRATIVE EXPLANATION OF COSTS:

In order for Southeast to remain competitive in higher education, facilities must be maintained. Repairs to buildings; such as roof replacements, system upgrades, and tuck-pointing; have become imperative and can no longer be deferred.

IV. Evaluation of Outcomes:

Including additional funds for maintenance and repair in the core budget appropriation would provide the funding and flexibility for Southeast Missouri State University to plan vital ongoing maintenance and repair projects to preserve the University’s $538.1 million physical plant investment.