

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

ACTION: **Approve Preliminary Biennium Budget Request and the Updated Preliminary Capital Construction Budget Requests for 2023-2025 Biennium**

The Board approved the operating budget request guidelines and the preliminary capital construction requests for the 2023-2025 (FY24-FY25) biennium budget proposal at the January 2022 meeting. The preliminary operating budget proposal is provided at this time for Board reaction and input. The final operating budget proposal would be approved by the Board in July at the Retreat.

The deadline for complete capital construction project proposals to be submitted to the Nebraska Coordinating Commission for Postsecondary Education (Commission) is June 15, 2022. The Commission typically extends that date for NSCS until after the June meeting. The Board will act on the final prioritized project list for capital construction projects at the June meeting.

The deadline to submit the biennium budget request outline to the Commission is August 15, 2022. The deadline to have the proposals to the Director of Administrative Services is September 15, 2022. The Commission will make its final recommendations no later than October 6, 2022 on the 2023-25 Biennial Public Postsecondary Operating Budget and the 2023-2025 Biennial Capital Construction Budget Recommendations and Prioritization. The final Commission recommendations will be submitted to the Governor and Legislature no later than October 15, 2022.

Preliminary Operating Budget Request Proposal

The CORE Needs requests are in-line with those identified in January of 2022. The Colleges have calculated the CORE Needs requests and they are presented in summary below.

CORE NEED 1 - Base Salary Enhancement - As has been the case historically, requests related to any salary increases are provided later, following completion of collective bargaining, unless the Governor's budget office requests a specific calculation be included in the biennium request. If a specific increase is identified, the NSCS will build that calculation into the request, with the understanding that it is not indicative of the final impact of a negotiated salary increase.

CORE NEED 2 - Health Benefits Package Cost Increase - We will not know the health/dental rate increase for FY24 until October of 2023. Looking at the increases for the last five (5) years, and given the escalation of costs this past year and the outlook for the coming year, we believe our annual increases are likely to be closer to seven percent (7%).

Health/Dental Insurance Annual Rate Increases

FY19 - 0%
FY20 - 4.99%
FY21 - 6.71%
FY22 - 2.96%
FY23 - 5.84%

CORE NEED 3 - Utilities Cost Increase - Given the escalation of energy costs this past year, it is hard to predict what the increases will be for the next biennium. As of the end of February 2022, the 12-month Consumer Price Index for electricity increased nine percent (9%) and natural gas increased 23.8%.

The NSCS College increase in total expenses from FY20 to FY21 was 4.4%; from FY21 to FY22 was fourteen percent (14%); and for FY23 the estimated increase is 8.7%. Energy costs are likely to continue to escalate beyond these levels. The estimate for the utility increase for each year of the biennium is eight percent (8%).

CORE NEED 4 - Operating Cost Increase - The All Urban Consumers CPI increase for the 12-months ended February 2022 less food and energy costs was 6.4%. This market basket may not be reflective of the things bought by higher education. The Higher Education Price Index for July 2020 to July 2021 was 3.5% for supplies and materials. It is likely that index will be higher for the next two years if inflation continues. The estimate for operating expense inflation is five percent (5%).

CORE NEED 5 - Department of Administrative Services Rate Increases - This information will not be available until July as part of the budget request guidelines distributed by DAS - Budget Division.

CORE NEED 6 - New Building Openings - The WSC Athletic and Recreation Facility and the PSC Indoor/Outdoor Recreation Complex are the two (2) new facilities that should be completed during the next biennium.

FY24-25 Biennium Preliminary Cost Increase Estimates

<u>CORE NEEDS</u>	<u>FY24</u>	<u>FY25</u>
CORE NEED 1 - Base Salary Enhancement	TBD	TBD
CORE NEED 2 - Health Benefits Package - 7%	\$644,194	\$689,288
CORE NEED 3 - Utilities Cost Increase - 8%	\$260,076	\$280,881
CORE NEED 4 - Operating Cost Increase - 5%	\$1,294,649	\$1,359,381
CORE NEED 5 - DAS Rate Increases	TBD	TBD
CORE NEED 6 - New Building Openings	<u>\$231,070</u>	<u>\$206,315</u>
Annual Cost Increase	\$2,429,989	\$2,535,865
Base Operating Budget Increase	4.03%	4.04%

Strategic Initiatives

In January, two (2) strategic initiatives were identified to be included in the biennium request and those are still being developed:

1. The final base year request for the Career Scholarship program and support for the Rural Health Opportunities Program, to meet the workforce needs of Nebraska and especially in the rural areas of Nebraska.
2. A student services support initiative focused on improving retention and graduation rates at each of the Colleges.

Update to Preliminary Capital Construction Budget Request

As mentioned above, the Board approved the preliminary requests for capital construction for the 2023-2025 biennium at the January 2022 meeting. As a result of facilities master planning development in recent months, the Peru State College A.V. Larson building renovation program statement has been added to the preliminary list:

CSC Memorial Hall Renovation & Addition
PSC Al Wheeler Activity Center Geothermal Completion
PSC A.V. Larson Program Statement
WSC Brandenburg Renovation

The Board should identify any changes to the operating budget request as well as the capital projects at this time so they can be included in the FY24-FY25 Biennium Budget Request.

The System Office recommends approval of the Preliminary Biennium Budget and Capital Construction Requests for 2023-2025.