

BOARD OF TRUSTEES OF THE NEBRASKA STATE COLLEGES
ITEMS FOR DISCUSSION AND ACTION\ACADEMIC AND PERSONNEL

ACTION: **Approve Chancellor and Presidents' Contract Extensions and Salaries**

The Chancellor and Presidents' contracts will be extended until June 30, 2025.

	Salary	Housing
Paul Turman, NSCS Chancellor -	\$308,410	\$42,862
Ron K. Patterson, Chadron State College President	\$255,816*	House provided
Michael Evans, Peru State College President	\$255,816	House provided
Marysz Rames, Wayne State College President	\$261,146	\$42,862

Several adjustments have been made to the calculations used to establish the WSC and Chancellor housing allowance. Primarily, a modification was made to develop a value of an appropriate "college" home for the president at WSC rather than basing it on the replacement values of the houses at PSC and CSC. Additionally, when the housing allowance was approved in June 2021, the original methodology deducted 8% from the total tax value under the assumption that a retirement match would be applied to the amount annually. Retirement contributions are not made to housing allowances, indicating that an additional \$2,569 should have been included in the initial adjustment. This amount has been added, along with additional modifications noted in the attachment.

*The Board gave the Chancellor the authority to negotiate Dr. Patterson's contract at the April 6, 2023 meeting. Dr. Patterson signed the contract on April 18, 2023.

The System Office recommends approval of the Chancellor and Presidents' Contract Extensions and Salaries.

ATTACHMENTS:

- Presidential Housing Calculations (PDF)

Presidential Housing Adjustment Calculation

Homes are provided for the presidents at PSC and CSC. The home owned by President Rames and her husband serves as the “college” home for many WSC events. The approach used this cycle for the presidential housing allowance will use that homes value and similar costs covered at PSC and WSC to determine an appropriate housing allowance. The value of the Rames home is \$483,380 based on the recent tax assessment, which is supposed to represent the true and full market value. This value will be used to determine differential housing compensation until NSCS housing becomes available for the Wayne State President.

A home valued at \$483,380 in 2023 would require \$96,676 for a 20% down payment. A 30-year mortgage would be necessary for the remaining \$386,704 at an estimated rate of 3.8%.¹ Annual mortgage payments would then be \$21,622 and would produce \$8,412 of equity² for the current president (see Table 1).

Table 1 - Annual Mortgage Payment & Principal Equity Value

<i>Home Value</i>	<i>Down payment</i>	<i>Loan Amount</i>	<i>Rate</i>	<i>Annual Equity</i>	<i>Annual Payment</i>
\$483,380	\$96,676	\$386,704	3.80%	\$8,412	\$21,622

Chadron and Peru State Colleges provide annual insurance, taxes, utilities, and maintenance costs to support the president’s residences. For a home valued at \$483,380 the projected yearly insurance is expected at \$1,600 with estimated Nebraska property taxes of \$8,433.³ Utilities are covered at a rate of \$7,200 per year⁴, and maintenance costs are valued at \$4,833 annually.⁵ When combined, these contributions result in \$27,976 of financial subsidies to presidents with NSCS sponsored housing (see Table 2).

Table 2 - Annual Insurance, Tax, Utilities & Maintenance Costs

<i>Home Value</i>	<i>Insurance</i>	<i>Property Tax</i>	<i>Utilities</i>	<i>Maintenance</i>	<i>Total Annual</i>
\$483,380	\$1,600	\$8,433	\$7,200	\$4,834	\$22,067

¹ Interest Rate – This is the average 2021 interest rate used when the housing allowance was first provided. Moving forward, the interest rate will remain static unless there is a new Chancellor or WSC President.

² Annual Equity – The annual equity was determined by determining the average annual principal and interest for the first ten years of a 30 year fixed mortgage at 3.8% using a traditional [Amortization Calculator](#). After the first ten full years the principal toward this loan amount would be \$84,119, resulting in an average of \$8,412, which was used for this calculation. During this same time period, an average of \$13,211 would be applied annually toward the interest payments on the 30 year mortgage. See attached File – Amortization tab.

³ Property Tax - <https://nebraskataxesonline.us/audit.aspx?Ct9X5ecF4Th+ayy3FKwro2aDrE/mii0x+lp5e+Kf23M=>

⁴ Utilities (\$600 Monthly) - Cable, Internet, Phone, Trash, Electric, Gas, Water, Sewer, Security.

⁵ Maintenance (1% of Home Value) - General Up-keep, Extermination, Lawn, Snow Removal, Fertilizer, Sprinkler.

For a home valued at \$483,380, a president can expect to incur \$21,622 annually in mortgage payments and \$22,067 in additional expenditures resulting in a \$43,689 out of pocket cost. There is no longer an additional adjustment being made for the ability to invest the downpayment funds, because the investment in the home also generates a return in the form of increased value or equity in the home. The yearly equity built from the annual mortgage payment (\$8,412 each year on average) would be a reduction to the housing benefit, making the annual benefit amount needed \$35,277. (see Table 3).

Table 3 - Estimated Annual Value of Housing Provided by College

<i>Home Value</i>	<i>Total Expenditure</i>	<i>Equity Reinvestment</i>	<i>Expenditure adj. by Equity Gains</i>
\$483,380	\$43,689	\$-8,412	\$35,277

Any amount awarded to supplement housing costs would also be a taxable benefit and should then be further adjusted to address the decreased earnings resulting from Medicare, Federal, and State income taxes.⁶ This rate is estimated at 21.5%⁷ of gross income for the current presidential salary levels. The housing benefit of \$40,362 would need to be adjusted by the taxable income percentage of 21.5% to ensure equity in the housing allowances, making the tax adjusted housing allowance value \$42,862. (see Table 4).

Table 4 – Tax Adjustment for Presidential Housing Allowance

<i>Home Value</i>	<i>Annual Benefit</i>	<i>Taxable Income</i>	<i>Tax Adjusted Housing Value</i>
\$483,380	\$35,277	21.5%	\$42,862

⁶ The 6% social security tax has not been calculated into this estimate due to the federal threshold for those earning more than \$160,200 annually. Social security contributions are currently capped at this level, and any additional taxed income would not require a draw to cover social security. Other deductions such as health, vision, payroll deductions are also not adjusted based on the base salary and therefore are not included in this percentage calculation.

⁷ The 21.5% taxable income rate was determined by calculating the taxes on the base salary for the WSC president assuming married filing jointly. See attached table - Taxable Income tab.