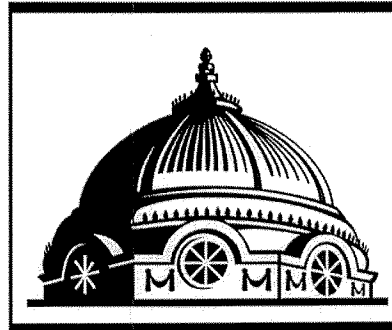


**PRESENTATION TO THE  
COMMITTEE ON APPROPRIATIONS – EDUCATION  
OF THE  
MISSOURI HOUSE OF REPRESENTATIVES**



**Southeast**  
Missouri State University  
TM

**Kenneth W. Dobbins, President**

**February 18, 2009**

**Southeast Missouri State University**  
**Cumulative Loss Due to Cuts in State Appropriations and Inflationary Increases**  
**FY02 - FY04**

	Increase Student Fees		Increase Student Fees		Increase Student Fees	3 Year	3 Year	
	FY02	FY02	FY03	FY03	Fees FY04	Cumulative	Increase Student Fees	
Appropriation from Prior Year	\$ 50,453,036		\$ 50,303,900		\$ 45,273,510			
Appropriation Awarded	50,303,900		45,273,510		42,185,340			
Base Appropriation Cut	\$ 149,136		\$ 5,030,390		\$ 3,088,170	\$ 8,267,696		
Inflationary Increases to Our Budget <sup>1</sup>	\$ 428,419		\$ 85,000		\$ 1,047,151	\$ 1,560,570		
Total Impact	\$ 577,555		\$ 5,115,390		\$ 4,135,321	\$ 9,828,266		
Cost Per Credit Hour	\$3.12	\$4.00	\$27.65	\$17.00	\$22.35	\$ 17.00	\$53.13	\$38.00
One Time Appropriation Withholding (Above 3%)	\$ 7,158,049		\$ 1,524,455		\$ 1,070,331	\$ 9,752,835		
Less One Time Appropriation Increase (Federal Funds less 3% withholding)					(602,024)			
Cost Per Credit Hour	\$38.69	\$0.00	\$8.24	\$6.00	\$2.53	\$6.00	\$49.46	\$12.00

\$6.00 Surcharge is a one-time fee assessed for FY03 and FY04

<sup>1</sup> Inflationary increases include medical insurance premiums, property insurance premiums, increased legal fees, periodicals inflationary increases, increased cost of utilities

These appropriation reductions resulted not only in the increase in student fees, but also the permanent loss of 28.8 staff FTE positions, 14 faculty FTE positions, 7 graduate assistant positions, and the reduction or reorganization of another 12 positions as well as base reductions in equipment and operational dollars .

Staff personnel reductions	\$ 927,317
Faculty and Graduate Assistant personnel reductions	1,272,670
Non-instructional equipment and operations	1,031,578
Instructional equipment and operations	534,296
Total University base reductions	\$ 3,765,861

## Southeast Missouri State University

### Impact of Anticipated FY2010 General Revenue Appropriation Reduction Without Tuition Increase

	15%			20%			25%		
	\$	# FTE w/ Benefits	% of Current	\$	# FTE w/ Benefits	% of Current	\$	# FTE w/ Benefits	% of Current
Total Reduction	6,687,917			8,917,223			11,146,529		
Less Reductions in:									
Scholarships	(1,565,325)			(2,087,100)			(2,608,875)		
Maintenance, Operations, and Equipment	(2,091,048)			(2,788,064)			(3,485,080)		
Subtotal	\$ 3,031,545			\$ 4,042,060			\$ 5,052,575		
Remainder from personnel									
Faculty	(1,649,404)	23	4.7%	(2,199,205)	31	6.3%	(2,749,007)	38	7.8%
Executive & Dean	(118,948)	1	5.0%	(158,598)	1	6.6%	(198,247)	1	8.3%
Administrator	(164,666)	2	4.8%	(219,555)	2	6.4%	(274,444)	3	8.1%
Professional	(513,962)	8	4.6%	(685,283)	11	6.2%	(856,604)	14	7.7%
Clerical	(229,262)	7	4.2%	(305,683)	9	5.6%	(382,104)	11	7.0%
Technical	(92,716)	2	4.5%	(123,621)	3	6.0%	(154,527)	3	7.5%
Crafts & Trade	(178,542)	3	4.6%	(238,056)	4	6.1%	(297,570)	5	7.7%
Service (Non-Bargaining)	(41,057)	1	4.5%	(54,743)	1	6.0%	(68,429)	1	7.5%
Service (Bargaining)	(42,987)	1	4.2%	(57,315)	2	5.6%	(71,644)	2	7.0%
	\$ (3,031,545)	47		\$(4,042,060)	63		\$ (5,052,575)	79	

	575 FTE students	775 FTE students	950 FTE students
Estimated enrollment decrease			
State economic impacts:			
Employment reduction	179	241	299
Income reduction	\$ 7,250,000	\$ 9,800,000	\$ 12,200,000
Output reduction	9,600,000	13,000,000	16,000,000
Lost State Income Tax Revenue	217,000	293,000	366,000
Lost Sales Tax Revenues - State:	122,000	165,000	205,000
Lost Sales Tax Revenues - Region:	101,000	110,000	137,000
Total Lost Revenues	440,000	568,000	708,000

<b>LONG TERM IMPACT</b>	<b>\$316 M</b>	<b>\$426 M</b>	<b>\$523 M</b>
(In present value \$)			

## Southeast Missouri State University

### Impact of Anticipated FY2010 General Revenue Appropriation Reduction with Tuition Increase

	15%			20%			25%		
Total Reduction	\$	6,687,917		\$	8,917,223		\$	11,146,529	
Less:									
Student tuition increase to cover 75%	\$	(5,015,938)	\$ 28.66 per credit hr	\$	(6,687,917)	\$ 38.22 per credit hr	\$	(8,359,897)	\$ 47.77 per credit h
Reduction in Scholarships	\$	(234,799)		\$	(313,065)		\$	(391,331)	
Reduction in Maint, Operations, and Equipment		(418,210)			(557,613)			(697,016)	
Subtotal	\$	1,018,971		\$	1,358,628		\$	1,698,285	
		# FTE w/	% of		# FTE w/	% of		# FTE w/	% of
Remainder from personnel		<u>Benefits</u>	<u>Current</u>		<u>Benefits</u>	<u>Current</u>		<u>Benefits</u>	<u>Current</u>
Faculty	(554,402)	8	1.6%	(739,203)	10	2.1%	(924,004)	13	2.6%
Executive & Dean	(39,981)	0	1.7%	(53,308)	0	2.2%	(66,635)	0	2.8%
Administrator	(55,348)	1	1.6%	(73,797)	1	2.2%	(92,247)	1	2.7%
Professional	(172,754)	3	1.6%	(230,339)	4	2.1%	(287,924)	5	2.6%
Clerical	(77,060)	2	1.4%	(102,747)	3	1.9%	(128,434)	4	2.4%
Technical	(31,164)	1	1.5%	(41,552)	1	2.0%	(51,940)	1	2.5%
Crafts & Trade	(60,012)	1	1.5%	(80,016)	1	2.1%	(100,020)	2	2.6%
Service (Non-Bargaining)	(13,800)	0	1.5%	(18,400)	0	2.0%	(23,001)	0	2.5%
Service (Bargaining)	(14,449)	0	1.4%	(19,265)	1	1.9%	(24,081)	1	2.4%
	\$	(1,018,971)	16	\$	(1,358,628)	21	\$	(1,698,285)	27

	220 FTE students	325 FTE students	450 FTE students
Estimated enrollment decrease			
State economic impacts:			
Employment reduction	62	87	114
Income reduction	\$ 2,470,000	\$ 3,420,000	\$ 4,480,000
Output reduction	3,273,000	4,650,000	6,200,000
Lost State Income Tax Revenue	74,000	102,000	134,000
Lost Sales Tax Revenues - State:	41,000	57,000	75,000
Lost Sales Tax Revenues - Region:	28,000	38,000	50,000
Total Lost Revenues	143,000	197,000	259,000
<b>LONG TERM IMPACT (in Present Value \$)</b>	<b>\$121 M</b>	<b>\$179 M</b>	<b>\$248 M</b>

Appropriation reductions and increased costs of operations that occurred during FY2002-F2004 resulted in fee increases totaling 71.5% of appropriation reductions. Because the strategic reductions in University programs that occurred at that time have not been restored, a proportionally larger amount of appropriation reductions need to be funded through student tuition increases.

The Economic Impact of Budget Cuts on Southeast Missouri

Prepared by

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Southeast Missouri State University has been asked to outline the impacts of budget cuts of 15%, 20% and 25% for the 2010 fiscal year. In addition to the impacts on the University, there will also be economic impacts on the southeast Missouri region. This brief report is an attempt to estimate the regional impacts of budget cuts at the University. The impacts will be felt in reduced spending in the region, reduced employment and reduced income.

**I. No Increase in Fees**

Assuming there are no increases in fees, the University has estimated the direct impacts of 15%, 20% and 25% cuts. The impacts are allocated between reductions in student scholarships, reductions in maintenance and operations expenditures, and reductions in staff. These direct impacts are substantial. For example, if the University's budget absorbed a 15% reduction, forty-seven personnel cuts would occur along with a reduction in student scholarships of over \$1.5 million and more than \$2 million in reductions in maintenance and operations expenditures.

In addition to the direct impacts detailed above, we also need to consider the indirect impacts on the southeast Missouri economy of reduced spending by students, University personnel and by the University. Reduced spending by these three groups leads to lower incomes for other individuals in the region. With their reduced incomes, those other individuals also spend less, leading to further reductions in spending and incomes. This is the multiplier process that economists are fond of talking about. Only now, it is working in reverse. An economic model of southeast Missouri using IMPLAN we created to estimate the indirect impacts due to reduced spending in the region's economy.

**A. 15% Cut in Appropriations**

There will be 23 fewer faculty. Each faculty teaches the equivalent of 25 students. Therefore, the University would have to reduce its admissions of students by 575 (23 x 25). This results in a decline in annual spending in the economy of almost \$3,500,000. It is further assumed that about one half of the maintenance and operations expenditure occur within the region. This would mean about \$1,050,000 less spending by the University in southeast Missouri. Finally, the loss of 47 employees results in reduced income of over \$3,000,000. Less income also means that less income tax revenue will be collected. Since income tax collections are about 3% of personal income in Missouri, we can make a rough estimate of the loss in income tax revenue. Similarly, retail sales are about 40% of personal income nationally. Using that figure and assuming a retail sales tax of 7%, we can make a rough estimate of the loss of sales tax revenue due to lower incomes in the region. When the impacts of all of this reduction in spending are estimated and added together we get the following reductions in employment, output, and income in the region:

<b>Employment:</b>	<b>179</b>
<b>Income:</b>	<b>\$7,250,000</b>
<b>Output:</b>	<b>\$9,600,000</b>
<b>Lost Income Tax Revenues:</b>	<b>\$217,000</b>
<b>Lost Sales Tax Revenues-State:</b>	<b>\$122,000</b>
<b>Lost Sales Tax Revenue-Region:</b>	<b>\$101,000</b>
<b>Total Lost Revenue:</b>	<b>\$440,000</b>

### **B. 20% Cut in Appropriations**

In this case there will be 31 fewer faculty and 775 fewer students due to capacity constraints. University spending falls by almost \$2.8 million. The total of all the impacts on employment, income and output:

<b>Employment:</b>	<b>241</b>
<b>Income:</b>	<b>\$9,800,000</b>
<b>Output:</b>	<b>\$13,000,000</b>
<b>Lost Income Tax Revenue:</b>	<b>\$293,000</b>
<b>Lost Sales Tax Revenue-State:</b>	<b>\$165,000</b>
<b>Lost Sales Tax Revenue-Region</b>	<b>\$110,000</b>
<b>Total Lost Tax Revenue:</b>	<b>\$568,000</b>

### **C. 25% Cut in Appropriations**

In the event of a 25% decrease in appropriations, there would be 950 fewer students due to capacity constraints and 38 fewer faculty. University spending falls by almost \$3.5 million. The total of all of the impacts on employment, income and output:

<b>Employment:</b>	<b>299</b>
<b>Income:</b>	<b>\$12,200,000</b>
<b>Output:</b>	<b>\$16,000,000</b>
<b>Lost Income Tax Revenue:</b>	<b>\$366,000</b>
<b>Lost Sales Tax Revenue-State:</b>	<b>\$205,000</b>
<b>Lost Sales Tax Revenue-Region:</b>	<b>\$137,000</b>
<b>Total Lost Tax Revenue:</b>	<b>\$708,000</b>

## **II. Fees are Increased to Cover 75% of the Reductions in Appropriations**

A second scenario is to assume that fees rise to cover 75% of the reduction in appropriations. This results in fewer personnel cuts and forces students to absorb more of the reduction. Without knowing the actual demand curve for student credit hours at Southeast, it is difficult to know exactly how many students will decide to not attend the University. If the reduction in appropriations is 15%, fees would have to rise by \$28.66 per credit hour. It is estimated that with the loss of some faculty (about 8), the total reduction in students would be 220. For a 20% reduction in appropriations, fees rise by \$38.22 per credit hour and the number of students falls by 325. Finally, for a reduction of 25%, the number of students falls by 450. In addition, University spending would decline under each of the three possible reductions in appropriations, which we once again assume that one-half of the reduction in expenditures would be from vendors within the southeast Missouri region. The number of personnel cuts would be 16, 21, and 27 for reductions of 15%, 20%, and 25%, respectively. Using our model of the southeast Missouri economy as before, we can estimate the impacts upon employment, income and output.

### **15% Reduction Covered by Fee increase of \$28.66 per Credit Hour**

<b>Employment:</b>	<b>62</b>
<b>Income:</b>	<b>\$2,470,000</b>

**Output: \$3,273,000**  
**Lost Income Tax Revenue: \$74,000**  
**Lost Sales Tax Revenue-State: \$41,000**  
**Lost Sales Tax revenue-Region: \$28,000**  
**Total Loss of Revenue: \$143,000**

**20% Reduction Covered by Fee Increase of \$38.22 per Credit Hour**

**Employment: 87**  
**Income: \$3,420,000**  
**Output: \$4,650,000**  
**Lost Income Tax Revenue: \$102,000**  
**Lost Sales Tax Revenue-State: \$57,000**  
**Lost Sales tax Revenue-Region: \$38,000**  
**Total Loss of Revenue: \$197,000**

**25% Reduction Covered by Fee Increase of \$47.77 per Credit Hour**

**Employment: 114**  
**Income: \$4,480,000**  
**Output: \$6,200,000**  
**Lost Income Tax Revenue: \$134,000**  
**Lost Sales Tax Revenue-State: \$75,000**  
**Lost Sales Tax Revenue-Region: \$50,000**  
**Total Loss of Revenue: \$259,000**

**III. Long Term Impact**

Each of the scenarios presented in the past two sections results in a significant reduction in students attending Southeast Missouri State University. The lowest estimate is a loss of 220 students, while the highest is 950. An important question then arises: what happens to these students? Some of them will likely attend other universities if they are unable to get aid at Southeast. If all universities in Missouri are facing similar budget cuts, we may find many of those students opting to attend colleges and universities in other states where financial aid may be more readily available. At the margin, some students may choose not to attend a university because of the increased cost or inability to be admitted.

According to the U.S. Census Bureau, a college graduate earns about \$24,000 more per year than a high school graduate. Consider an individual who is in the workforce for 40 years and has a high school diploma, but not a college degree. The present value of the reduced earnings for the high school graduate versus a college graduate would be about \$550,000. Therefore, for every 100 students who decide not to attend college due to the expense, the present value of the lost income is \$55,000,000. While it is impossible to say how many students will decide not to pursue a degree, the estimate of \$55,000,000 indicates that the potential cost in terms of lost income could be substantial.