

Budget Highlights and Analysis

BUDGET CONTEXT

The FY 2011-12 Annual Budget is the outcome of a collaborative process guided by both the university's Business Plan "It's All About Talent" and the university's 2007-12 Strategic Agenda "The Talent Imperative!" (these documents can be found at <http://president.nku.edu>). The Business Plan details our plan to achieve the statewide 2020 Public Agenda and support Northern Kentucky Vision 2015 goals. However, continuing cuts in state appropriations as well as limits on tuition increases have constrained progress on both our Business Plan and our Strategic Agenda. Our shortfall in budgeted total public funds (tuition plus regular state appropriations) based on projected need in the Business Plan for FY12 equals \$10 million. Given the financial environment the university has faced the past several years, we have aggressively managed our resources to continue to progress toward our long-term goals.

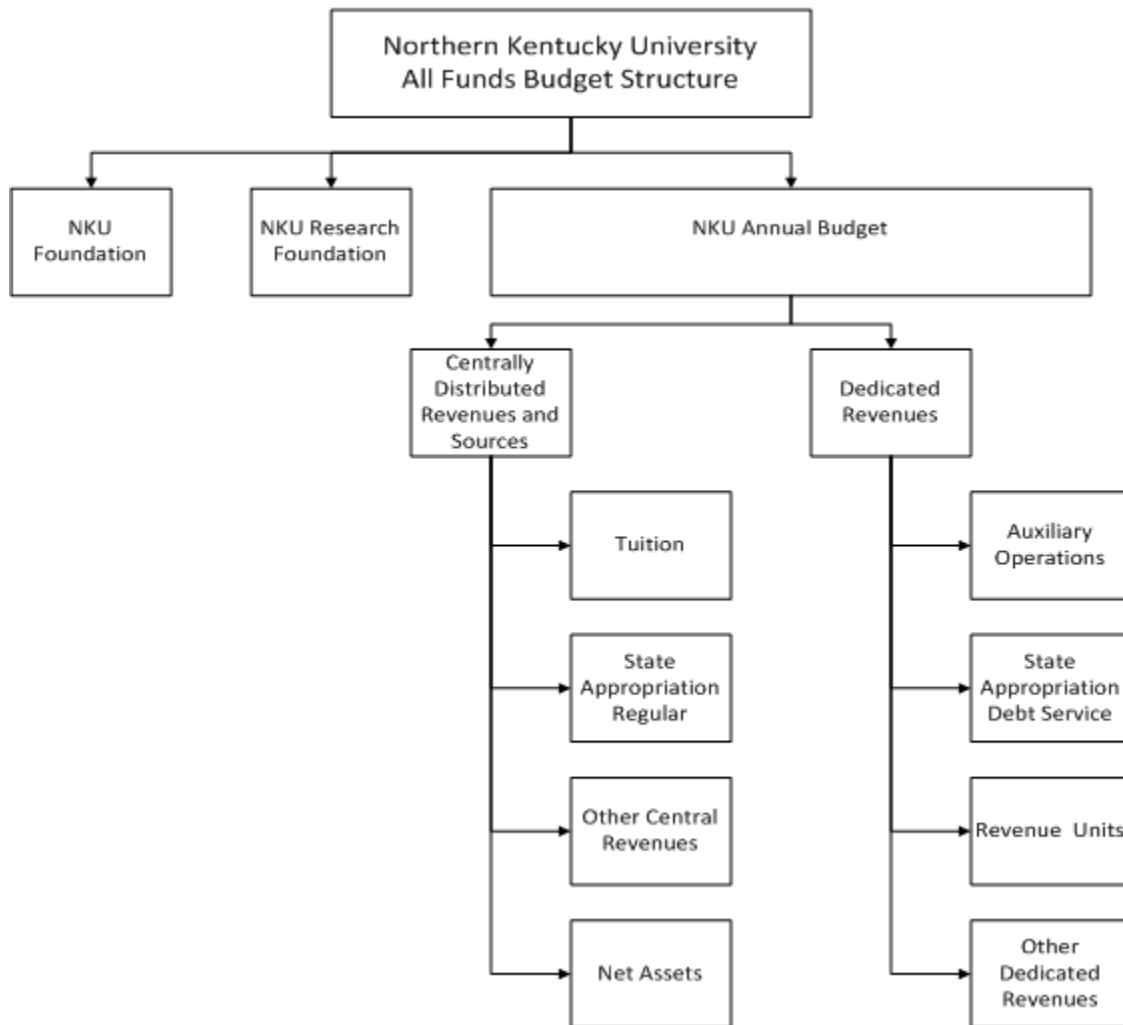
Since FY2008-09, we have reallocated nearly \$15 million to fund both essential expenditures and strategic initiatives. This past year we engaged Huron Consulting Group in a major effort to examine if we can better serve our students in a more efficient and cost effective manner. Major investments include creation of a College of Health Professions, the opening of Griffin Hall, a new Student Union, the Bank of Kentucky Center, investments to increase student retention, and upgrades to our technology systems. During this time, we completed our SACS re-accreditation process as well as implemented a new SAP financial, human resources, and campus management system. We anticipate receiving positive financial results in the future as we leverage our new SAP system to increase efficiencies while improving performance. Finally, we continue to strengthen our alignment of planning, assessment, improvement, and investment at all levels.

As we consider our long-term goals, the university recognizes that substantial changes are necessary if we are to achieve these goals. We do not anticipate significant increases in state funds in the near future. Current projections indicate state revenues will not return to FY08 nominal levels until at least FY14. However, looking past FY14, increasing demands on state funds from Medicaid, pension obligations, and debt obligations will likely mean continued depressed levels of discretionary funds available. Given this assumption, we continue to focus on our long-term strategy for financial stability and engage in budget restructuring to reallocate funds in areas vital to our future.

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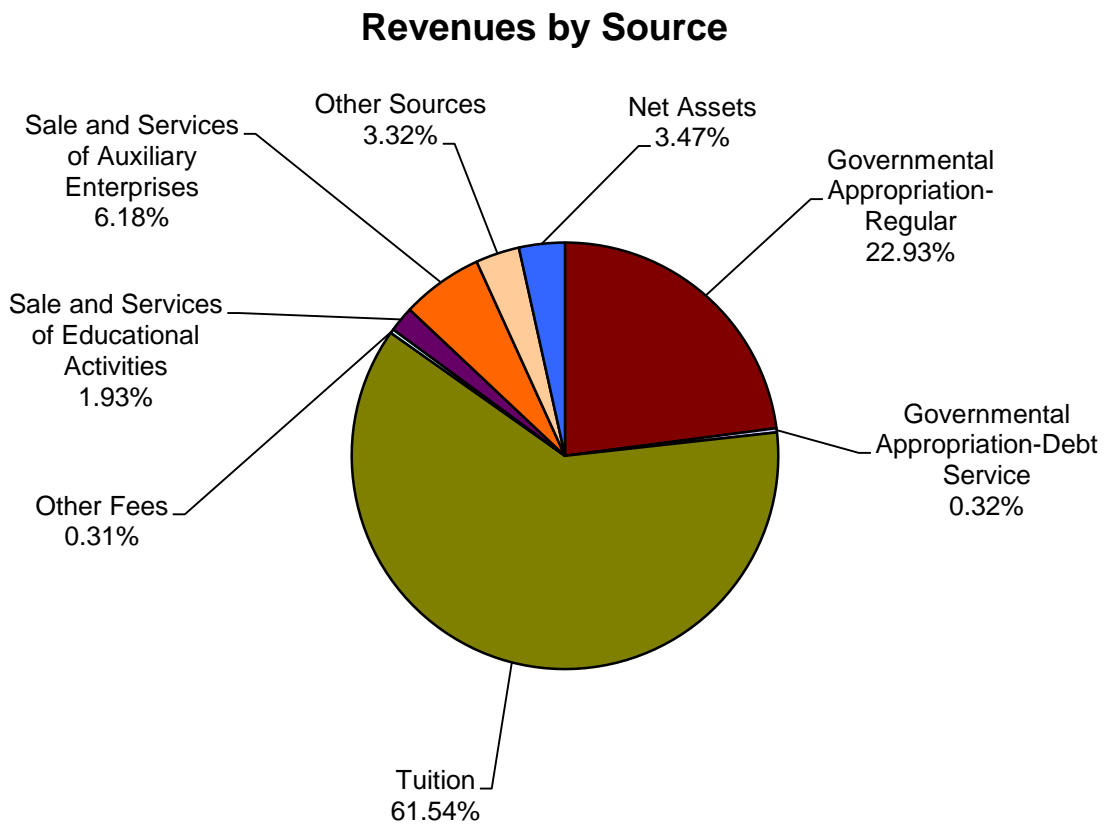
SOURCES OF FUNDS

The university's annual budget contains projected revenues and planned expenditure of fund balance for all university funding sources with the exception of State funded capital projects, the NKU Research Foundation (affiliated corporation), and the NKU Foundation (unaffiliated corporation). From a central budgeting perspective, expenditures from each of these sources of revenue are budgeted through a separate process. However, the university takes an all-funds approach to expenditure budgets at the unit level. Each Vice President allocates funds amongst units in their area considering all sources of revenue available to a unit. This approach continues at each level of the organization, i.e. a Dean will allocate expenditure budgets to each academic department considering all sources of funds available to each academic department.



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For the FY 2011-12 Annual Budget, total sources of funds are planned to increase by \$16 million over FY 2010-11.

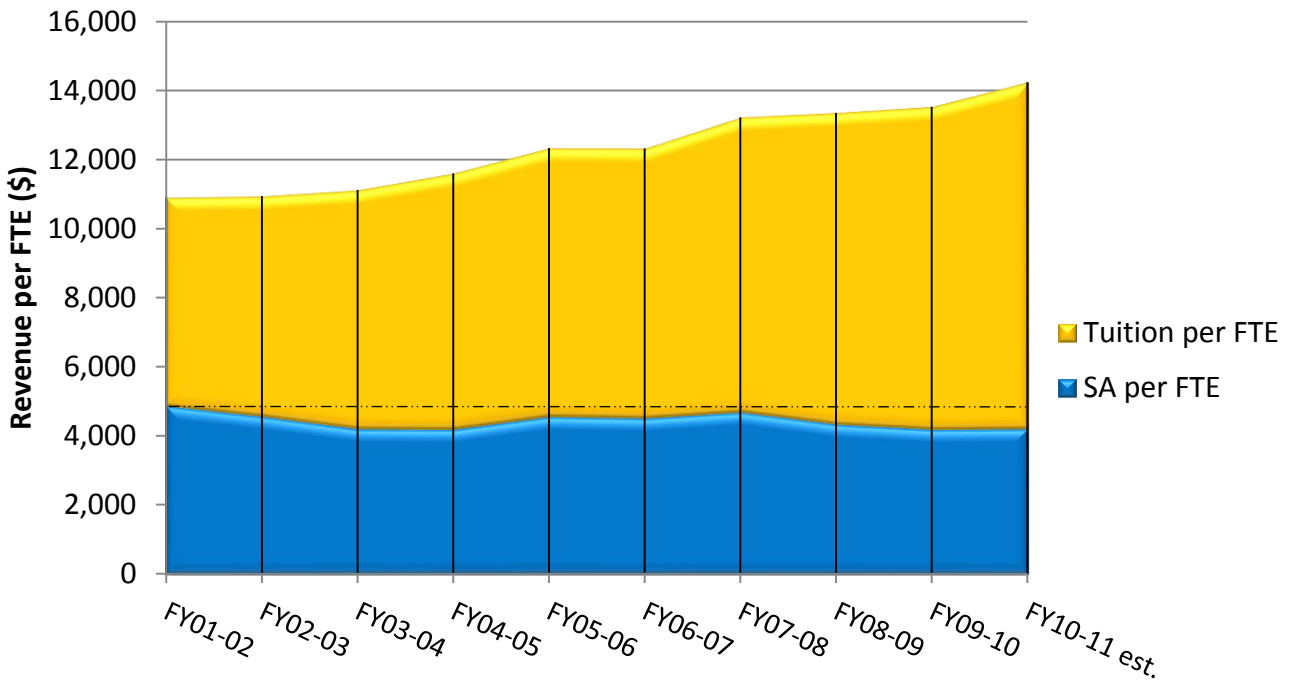


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TOTAL PUBLIC FUNDS (TUITION AND FEES PLUS STATE APPROPRIATION – REGULAR)

Tuition continues to remain the university’s primary revenue source. Resident undergraduate tuition rates are increasing 5% for AY 2011-12. Tuition revenue is projected to increase \$10.6 million over the prior fiscal year. The Campus Recreation Fee established this year is projected to generate \$1.7 million for the fiscal year. The university has become significantly less reliant on state funds to operate the institution over the past nine years. In FY 2001-02, regular state appropriation comprised 45% of our total public funds. For the FY 2011-12 budget, regular state appropriations will account for just 28% of our total public funding. As illustrated in the graph below, the university is currently receiving less state funds per FTE student than at any other time in the past ten years on an inflation adjusted basis.

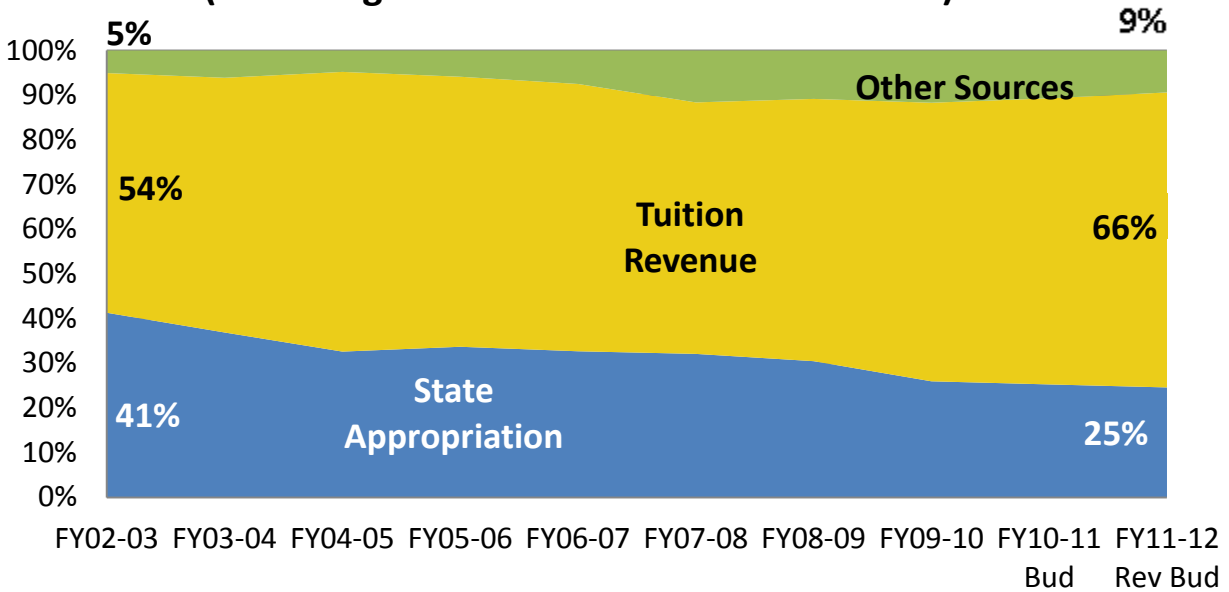
**Tuition and Regular State Appropriation per FTE
Inflation Adjusted***



* HECA Inflation Adjusted, 2009 base year, Fall FTE figures used for calculations

Budget Highlights and Analysis

Tuition Revenue and SA as a % of Budget (excluding SA Debt Service and Auxiliaries)



As state appropriations continue to become a much smaller percentage of our overall budget, the university continues to seek other sources of revenue. Over the past nine years, other sources of revenue have grown from 5% to 9% of our annual budget. However, in many cases, the use of this revenue is restricted and cannot be used to fund general operations. In addition, the activities necessary to acquire this revenue often have costs associated with them, such as operating the Bank of Kentucky Center.

FY 2011-12 General Administration Expenditure Budget

General Administration

	<u>Annual Budget Recurring (\$)</u>	<u>Annual Budget Non-Recurring (\$)</u>	<u>Total Annual Budget (\$)</u>
Personnel			
Staff Administrative Payroll	1,297,847	0	1,297,847
Fringe Benefits	320,173	0	320,173
Student Compensation	37,669	0	37,669
Subtotal	<u>1,655,689</u>	<u>0</u>	<u>1,655,689</u>
Operating			
Pooled Operating	101,527	0	101,527
Non-Pooled Operating/Contract Svcs	178,794	0	178,794
Utilities	0	0	0
Subtotal	<u>280,321</u>	<u>0</u>	<u>280,321</u>
Capital			
Debt Service/Lease Payments	0	0	0
Total Expenditure Budget	<u>1,936,010</u>	<u>0</u>	<u>1,936,010</u>
Revenues			
	<u>0</u>	<u>0</u>	<u>0</u>
Total Central University Support	<u>1,936,010</u>	<u>0</u>	<u>1,936,010</u>
 Budgeted FTE - Administration/Staff	 9.0		

FY 2011-12 Institutional Expenditure Budget

Institutional Expense

	<u>Annual Budget Recurring (\$)</u>	<u>Annual Budget Non-Recurring (\$)</u>	<u>Total Annual Budget (\$)</u>
Personnel			
Staff Administrative Payroll	1,560,560	0	1,560,560
Fringe Benefits	-240,715	0	-240,715
Student Compensation	155,276	0	155,276
Subtotal	<u>1,475,121</u>	<u>0</u>	<u>1,475,121</u>
Operating			
Pooled Operating	2,328,982	243,267	2,572,249
Non-Pooled Operating/Contract Svcs	11,932,700	0	11,932,700
Utilities	0	0	0
Subtotal	<u>14,261,682</u>	<u>243,267</u>	<u>14,504,949</u>
Capital	0	0	0
Scholarships	19,605	0	19,605
Debt Service/Lease Payments	4,008,118	0	4,008,118
Total Expenditure Budget	<u>19,764,526</u>	<u>243,267</u>	<u>20,007,793</u>
Revenues	(370,000)	0	(370,000)
Total Central University Support	<u>19,394,526</u>	<u>243,267</u>	<u>19,637,793</u>

FY 2011-12 Planning, Policy, and Budget Expenditure Budget

Planning, Policy, and Budget

	<u>Annual Budget Recurring (\$)</u>	<u>Annual Budget Non-Recurring (\$)</u>	<u>Total Annual Budget (\$)</u>
Personnel			
Staff Administrative Payroll	1,041,393	0	1,041,393
Fringe Benefits	382,497	0	382,497
Student Compensation	10,048	0	10,048
Subtotal	<u>1,433,938</u>	<u>0</u>	<u>1,433,938</u>
Operating			
Pooled Operating	30,210	0	30,210
Non-Pooled Operating/Contract Svcs	25,602	0	25,602
Utilities	0	0	0
Subtotal	<u>55,812</u>	<u>0</u>	<u>55,812</u>
Capital	0	2,500	2,500
Debt Service/Lease Payments	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditure Budget	1,489,750	2,500	1,492,250
Revenues	<u>0</u>	<u>0</u>	<u>0</u>
Total Central University Support	<u>1,489,750</u>	<u>2,500</u>	<u>1,492,250</u>
 Budgeted FTE - Administration/Staff	 13.44		

FY 2011-12 Student Affairs Expenditure Budget

Student Affairs

	<u>Annual Budget Recurring (\$)</u>	<u>Annual Budget Non-Recurring (\$)</u>	<u>Total Annual Budget (\$)</u>
Personnel			
Staff Administrative Payroll	5,599,951	0	5,599,951
Faculty Payroll	1,983	0	1,983
Fringe Benefits	2,389,137	0	2,389,137
Student Compensation	773,383	0	773,383
Subtotal	<u>8,764,454</u>	<u>0</u>	<u>8,764,454</u>
Operating			
Pooled Operating	3,379,364	225,000	3,604,364
Non-Pooled Operating/Contract Svcs	2,447,558	0	2,447,558
Utilities	1,346,018	0	1,346,018
Subtotal	<u>7,172,940</u>	<u>225,000</u>	<u>7,397,940</u>
Capital	292,433	2,500	294,933
Scholarships	1,893,283	0	1,893,283
Debt Service/Lease Payments	3,416,291	0	3,416,291
Total Expenditure Budget	<u>21,539,401</u>	<u>227,500</u>	<u>21,766,901</u>
Revenues	<u>(10,192,759)</u>	<u>0</u>	<u>(10,192,759)</u>
Total Central University Support	<u>11,346,642</u>	<u>227,500</u>	<u>11,574,142</u>
 Budgeted FTE - Administration/Staff	 116.27		

Research Foundation

Research Foundation

The Northern Kentucky University Research Foundation (NKURF) is organized for educational purposes, more specifically to support Northern Kentucky University's efforts to promote the development, implementation, and coordination of extramurally-sponsored and NKURF-supported programs involving research, instruction, public service, including the administration of conservation easements, and other projects that further the mission of the University.

NKURF is a 501(c) (3) non-profit corporation and is designated to receive, invest, and expend funds to promote and implement scientific and educational activities.

NKURF performs a variety of roles including:

- Serving as the University's agent for the receipt of external grants and contracts, intellectual property income and other designated income, and conservation easements;
- Overseeing the protection, development, and commercialization of intellectual property;

Funding for the NKURF programs is derived from multiple sources, including the federal government, state government, and private organizations. These funds include support for direct costs such as salaries, benefits, and other various allocable project expenses as well as facilities and administrative expenses.

During the past nine years through FY 2011, new grant awards received for research or programs through NKU and the NKURF have averaged almost \$10,000,000 per year, providing substantial support to scholarly research, new and ongoing campus programs, and outreach to Northern Kentucky communities.