



Board of Regents Budget Briefing

March 17, 2010

Agenda

- ✓ Forces shaping our future
- ✓ Budget overview
- ✓ Protecting our core priorities
- ✓ Strategy going forward
- ✓ Fees and Service Charges

The Challenge of Choice

“Most institutions can no longer afford to be what they’ve become.”

Robert C. Dickeson

Dickeson, Robert C. Prioritizing Academic Programs and Services: Reallocating Resources to Achieve Strategic Balance, San Francisco, California: Jossey-Bass, A Wiley Imprint, 2010. Print

Our Challenge

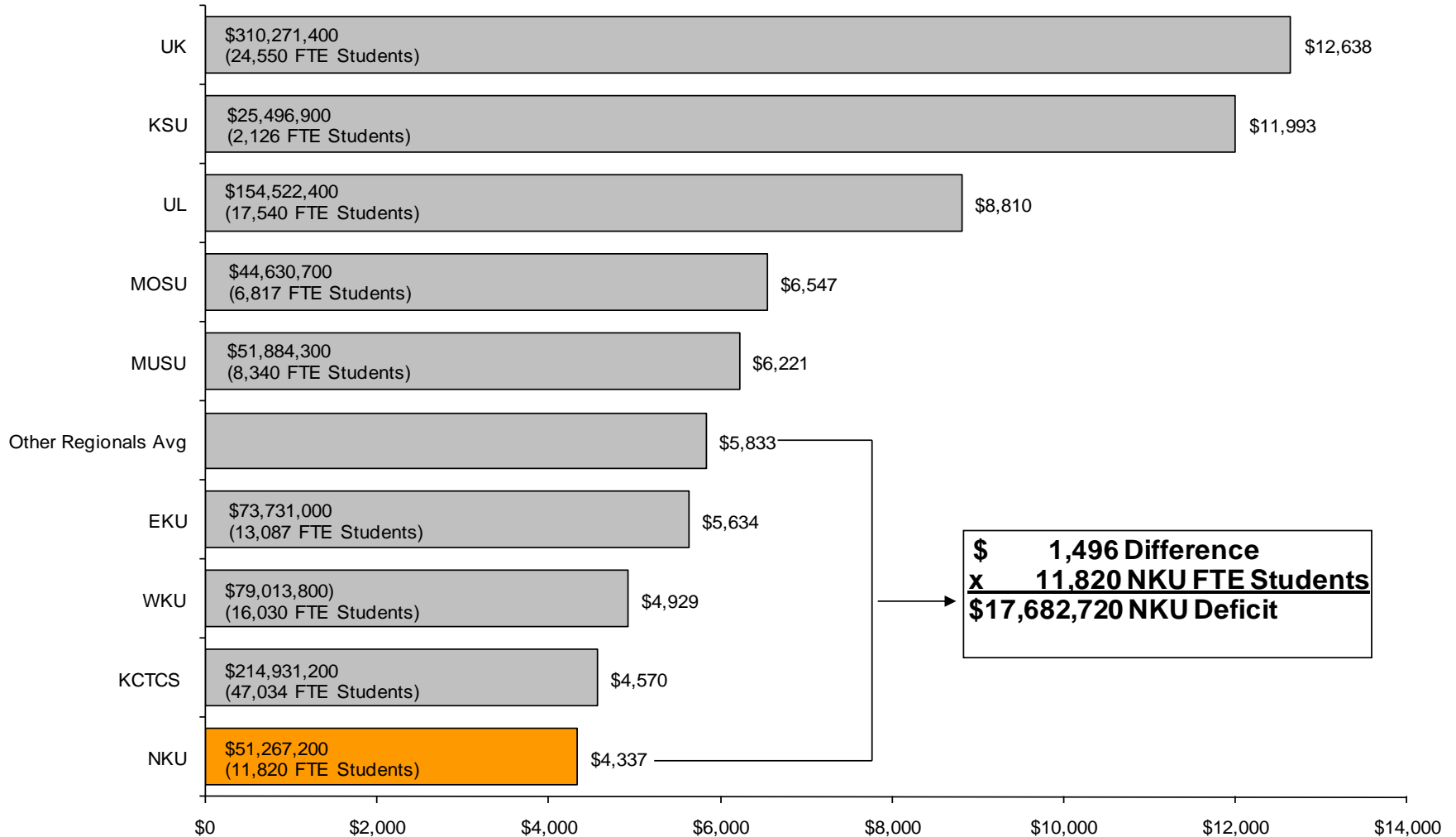
- ✓ Our expenses are growing faster than our revenues.
 - Limited tuition increases
 - Cuts in state appropriation
 - Increases in fixed costs
 - Maintenance and operation of new buildings
 - No new funds available for investment

- ✓ Higher education is changing.
 - Increased accountability
 - New ways of learning along with new technologies
 - Increasing competition for students
 - Emphasis on producing graduates in high demand areas
 - Assessment of student learning outcomes

- ✓ Budgetary uncertainty

State Appropriation Comparison

Net State Appropriation Plus Federal Stimulus per FTE Student FY2009-10



Declining State Appropriation

Cuts in Regular State Appropriation since 2008	
Beginning FY 2007-08	\$55.1M
Less:	
Mid-year Cut, January 2008	\$1.7M
Additional Cut for Beginning FY 2008-09	\$1.1M
Mid-year Cut, March 2009	\$1.0M
Mid-year Cut, September 2009 (backfilled with stimulus)	\$3.6M
Current FY10 State Appropriation	\$47.7M
Total reduction in Regular SA since 2008	\$7.4M

Since 2002, FTE enrollment has increased 23% while regular State Appropriation has only increased by 1% in real dollars.

Recurring Budget Pressures

	2010-11	2011-12 Increase	2011-12 Recurring
Adverse Recurring Impact of Potential 2010-12 Biennium			
KERS rate increase to make-up for pension shortfall	\$1.8M	\$0.9M	\$2.7M
M&O requested by CPE for NKU	2.9M	1.5M	4.4M
Proposed House cut in state appropriation	0.7M	-0.3M	0.4M
Total adverse impact	5.4M	2.1M	7.5M
Increases in fixed costs (excluding KERS)	3.0M	3.0M	6.0M
Total Recurring Budget Pressures	8.4M	5.1M	13.5M
Other essential expenditures (currently est. at 1-2M)	TBD	TBD	TBD

- If stimulus funds are not backfilled with recurring state appropriation in 2011-12, an additional \$3.6M will be required to balance the University's budget. Without these funds, the total adverse impact in 2011-12 will be \$17.1M.
- To cover the \$8.4M in FY2010-11 entirely with tuition, NKU would need to raise tuition 10.5%. This does not include funding for any essential expenditures required to comply with state and federal regulations; maintain the safety and security of our students, faculty and staff; or protect the university from significant liability.

2010-11 System-wide State Budget Impact

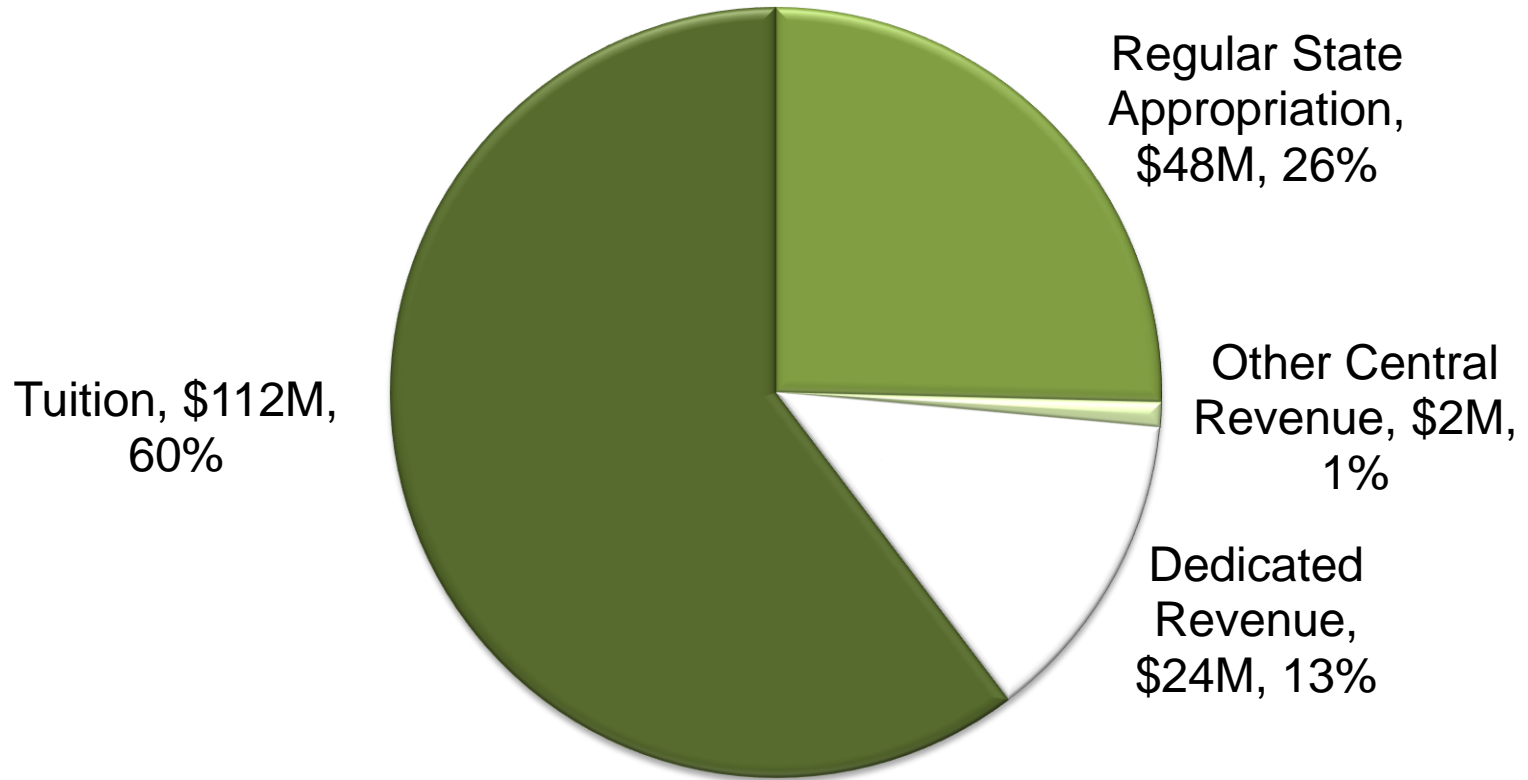
Kentucky Public Postsecondary Institutions								
Estimated Impact of House Proposed Base Reduction, M&O, and Increase in State Retirement System Contributions								
Calculated from information provided by the Council for Postsecondary Education								
Institutions	2009-2010 Revised Net Appropriation (1)	Potential 1.5% Reduction in Net Base	Increase in M&O Costs for New Facilities (2)	Increase in KERS & KTRS Contributions (3)	Adjusted Net Base	Dollar Change	Percent Change	FTE students
UK	310,271,400	(4,395,700)	(4,279,727)	0	301,595,973	(8,675,427)	-2.80%	24,550
UL	154,505,000	(2,166,900)	(5,901,774)	0	146,436,326	(8,068,674)	-5.22%	17,540
EKU	73,731,000	(1,048,700)	(779,534)	(1,292,930)	70,609,836	(3,121,164)	-4.23%	13,087
KSU	25,496,900	(364,300)	(457,360)	(275,372)	24,399,868	(1,097,032)	-4.30%	2,126
MOSU	44,630,700	(635,400)	(2,004,120)	(698,557)	41,292,623	(3,338,077)	-7.48%	6,817
MUSU	51,884,300	(739,000)	(762,572)	(841,165)	49,541,563	(2,342,737)	-4.52%	8,340
NKU	51,267,200	(724,200)	(2,897,353)	(1,755,766)	45,889,881	(5,377,319)	-10.49%	11,820
WKU	79,013,800	(1,123,100)	(2,284,750)	(1,238,577)	74,367,373	(4,646,427)	-5.88%	16,030
KCTCS	214,931,200	(2,972,500)	(7,927,969)	(1,364,487)	202,666,244	(12,264,956)	-5.71%	47,034
System Totals	1,005,748,900	(14,169,800)	(27,295,159)	(7,466,854)	956,799,687	(48,931,813)	-4.87%	

(1) Includes \$70.0 million in American Reinvestment and Recovery Act (ARRA) federal stimulus funds.

(2) Increase in Maintenance and Operations (M&O) costs for new E&G facilities coming on-line in 2008-2009, 2009-10, and 2010-11.

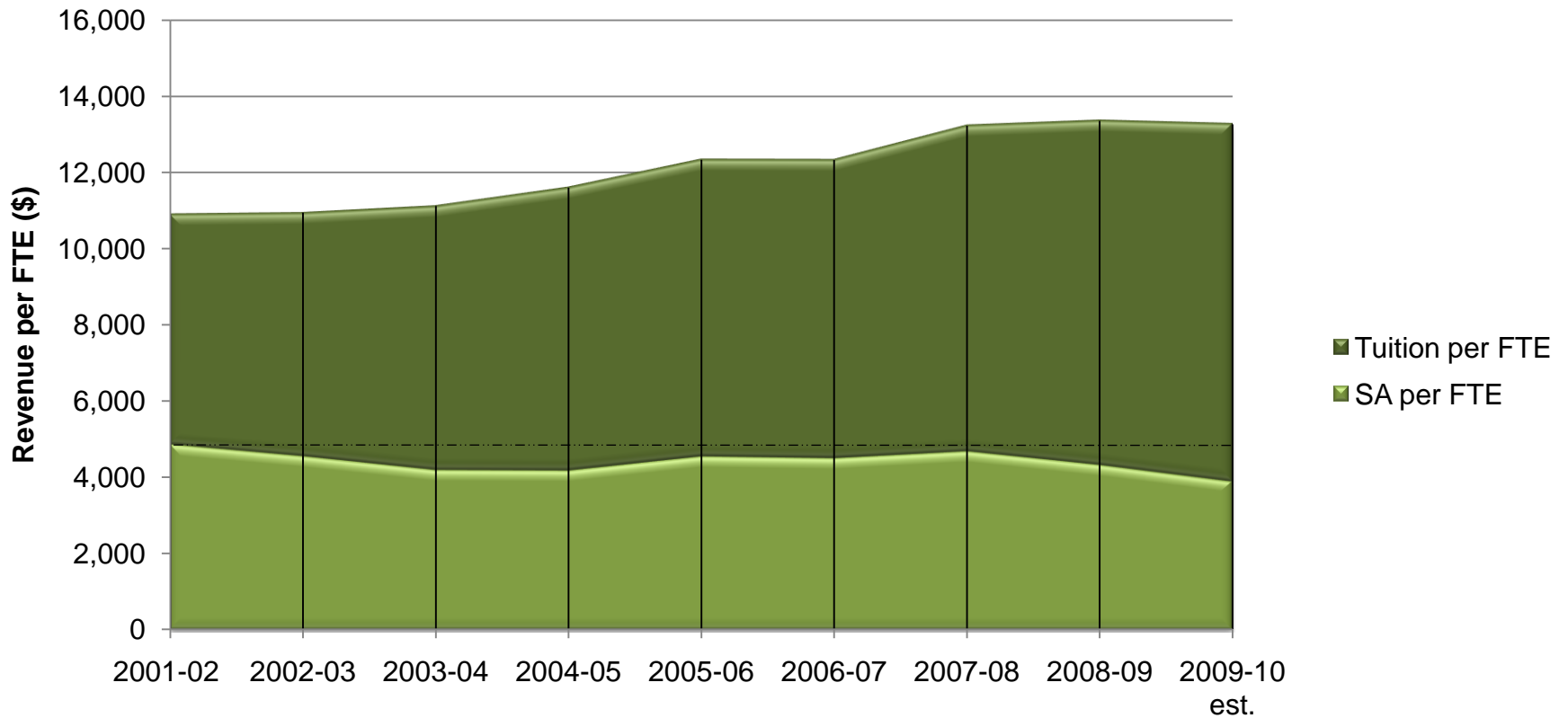
(3) Increase in employer retirement contributions and health insurance premiums associated with KERS and KTRS rate increases.

FY10 Recurring Revenues = \$186M

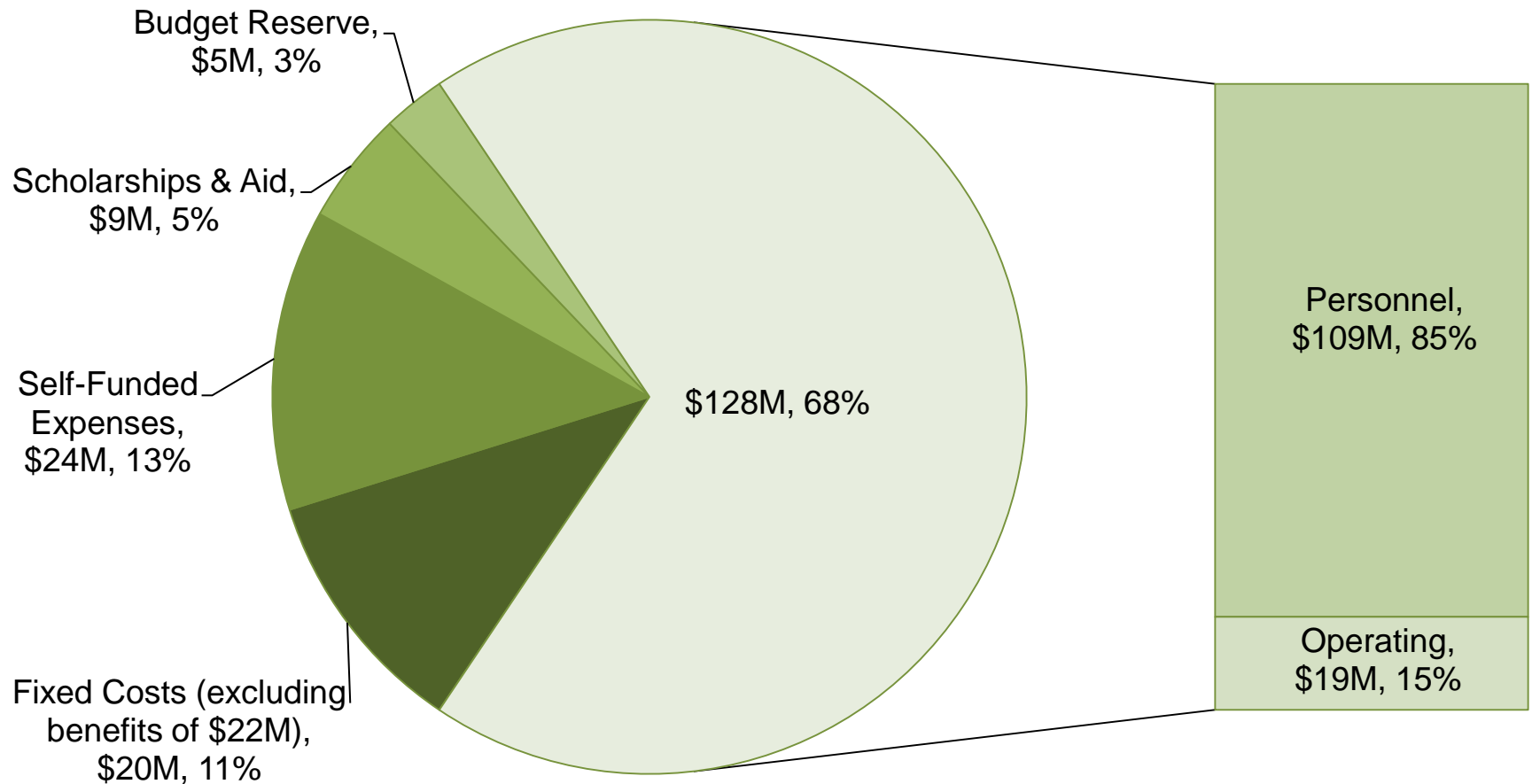


Increasing Tuition Dependency

Tuition and Regular State Appropriation per FTE
Inflation Adjusted 2009 Dollars



FY10 Recurring Expense Budget = \$186M



Our Advantage

- ✓ Conservative Budgeting (\$5M in recurring reserves)
- ✓ Strong student demographics
- ✓ Strong “market brand” based on strong programs and services
- ✓ A strategic plan that sets clear priorities
- ✓ Dedicated and high performing faculty and staff
- ✓ Institutional adaptiveness and innovation

Protecting Our Highest Priorities: Achieving a Tighter Focus

- ✓ Protect the quality of our undergraduate experience, including our reputation as an “up close and personal” institution.
- ✓ Protect key graduate programs that relate to regional needs. Do not add new programs without a funding source.
- ✓ Protect student advising and support programs that can be demonstrated to support student success.
- ✓ Protect a more narrowly focused public engagement strategy, particularly related to P-12 education.
- ✓ Protect areas of research and scholarly excellence but recognize the importance of generating external funding.
- ✓ Protect key elements of our administrative functions required for us to serve our mission.

Our Short-Term Strategy for 2010-11

- ✓ Addressing the \$8.4M+ in recurring budget pressures:
 - Recurring 1% Divisional budget cuts
 - Use of non-recurring funds in order to buy time to make more fundamental budgetary realignment and to define what will constitute the “new normal”
 - New hiring procedure requiring presidential approval to fill vacant positions
 - Partial use of recurring budget reserves
 - Tuition rate increases

Our Long-Term Strategy

- ✓ Embark on a strategic restructuring and investment process in an effort to achieve a state of long-term financial strength which will allow us to achieve our vision.
 - Revisit our strategic priorities in light of major changes in our environment. Use the VVV planning process.
 - Continue to place a high priority on degree production and time to degree.
 - Reduce administrative infrastructure wherever possible.
 - Maximize instructional output in the form of student credit hours generated.
 - Take advantage of opportunities for online / technology enhanced learning.

Our Strategy

- ✓ Long term (continued)
 - Review programs including program demand, revenue/cost, quality, and overall mission centrality.
 - Manage classrooms centrally.
 - Establish student credit hour expectations for colleges and departments based on faculty resource base and public demand for graduates.
 - Redesign work where possible: consolidate, streamline, and eliminate.
 - Develop both an internal and external communication strategy that highlights the “new normal” and how we intend to adjust.
 - Reallocate resources in order to invest in areas vital to our future.

If we have strong leadership at every level, we can come out of this recession a stronger and more focused university.

FY11 Budget Calendar

- ✓ **March 17: Board Action: Fees and Service Charges**
- ✓ April 13: Kentucky Legislative Session scheduled to end
- ✓ April 23: CPE scheduled to adopt tuition parameters
- ✓ May 5: Board Action: FY10-11 budget and tuition rates
- ✓ May 21: CPE scheduled to approve tuition rates

Fee and Service Charge Process

- ✓ New fees and service charges and changes to existing fees and service charges proposed by each Vice President
- ✓ Proposals reviewed by the Executive Team and President
- ✓ Draft proposed Fees and Service Charges distributed for review to:
 - Student Government Association
 - Faculty Senate
 - Staff Congress
- ✓ Final proposed Fees and Service Charges submitted to the Board of Regents