

Thank you for the opportunity to share how a proposed 4% budget cut would impact Northern Kentucky University, our students and our community. In these difficult economic times, NKU is systematically looking at every line of our budget and working across institutional divisions to make tough choices on how best to move forward. We are finding that many times, we aren't deciding between good and bad choices but rather between two very good decisions that have an equal impact on our academic community and the progress of the Commonwealth. We are committed to making both short and long term decisions that will help the Commonwealth and its citizens to cope with this recession. Instead of lamenting the financial situation we are in, we are using this as an opportunity to continuously assess our priorities and make decisions accordingly. It is extremely difficult to cut 4% in the midst of our tremendous growth and may mean delayed enrollment growth which could compromise future CPE and economic development goals. However, we are doing everything we can to protect the core academic mission of the university and continue progress in a forward direction.

In the face of budget cuts last year, we were not able to invest at levels required in our business plan which supports CPE's "Double the Numbers" goals as well as our region's economic development strategy to create 50,000 new Kentucky high wage jobs by 2015 and generate \$270M in new Kentucky tax revenue. We still believe investment in the Northern Kentucky University business plan represents a significant opportunity for the Commonwealth of Kentucky. Through continued focus on our goals and significant reallocations within our budget, we were still able to grow enrollments nearly 3% and produce 5% more graduates than the year before. An additional cut (on top of internal cuts again next year to cover budget pressures and increases in fixed costs) will significantly constrain our ability to continue to produce these kinds of results and will have a dampening effect on the entire northern Kentucky economy.

At NKU, our applications for next year are already up 28% through the end of October. We anticipate this strong demand to continue as displaced workers return to school to retool and improve their skills and more students choose less costly public institutions over pricier private institutions. In addition, the Higher Education Act includes measures to significantly increase aid and support for veterans and military families to attend college. We are actively working to determine how we can leverage these measures to serve more veterans and military families. At a time when student demand and NKU's brand has never been stronger, budget cuts will limit our ability to accept this influx of new students.

NKU is already functioning with fewer dollars per student than our sister institutions in Kentucky, whether you look at state appropriations per student or total public funds.

| KY Regional Institutions | FY08 State Appropriation per FTE (Less Budget Cut and Debt Service) | FY08 Estimated Yearend Tuition Revenue per FTE | Total Public Funds per FTE (SA plus tuition) |
|---------------------------------|--|---|---|
| MuSu | \$6,412 | \$8,708 | \$15,120 |
| MoSu | \$6,696 | \$6,854 | \$13,550 |
| EKU | \$5,989 | \$7,280 | \$13,269 |
| WKU | \$5,283 | \$7,683 | \$12,966 |
| Average w/out NKU | \$6,095 | \$7,631 | \$13,726 |
| NKU | \$4,629 | \$7,796 | \$12,425 |

To fund NKU at the average of the other comprehensive institutions, the State would have to invest an additional \$15 million to \$17 million to meet the needs of our students and our region. These funds would allow us to better serve our students, while increasing our capacity to help our region compete with other high performing metropolitan regions around the country.

In addition, NKU has already cut and re-invested internally \$4.5 million of our budget to fund high priority needs including investment in our business plan and the opening of two new buildings on campus (the latter due to the state's inability to fund maintenance and operations as it historically has for new buildings coming on-line). This is more than the \$3.4 million we had planned to cut internally over the biennium in our Business Plan.

Finally, NKU is operating with the fewest square feet per student than any public institution in Kentucky and offers the fewest degree programs of any of our sister institutions. The CPE estimates that we would need the equivalent of four to five large academic buildings in addition to the College of Informatics building currently under design to resolve our space deficit issues. Funds are critically needed to lease additional space to increase our capacity. We have reached a deal to lease space from Gateway close to campus but are struggling to find funding for the necessary renovations. In addition, our business plan calls for significant increases in on-line/hybrid courses to be able to serve more students with limited space, but additional operating funds are needed to produce courses in this alternative delivery format.

Before last year's budget cuts, Northern Kentucky University committed to supporting both state and regional enrollment and degree production goals despite our low level of public funds per student. With across-the-board cuts last year coupled with NKU's enrollment growth this Fall, the \$15 million to \$17 million funding gap between NKU and its sister institutions continues. As an institution that has historically accomplished more with less and one that continues to look for efficiencies and cost savings across the entire enterprise, NKU is struggling to stretch its dollars any further. Even with a 4% tuition increase and no salary increases, our current estimated funding gap for next year is \$2 to \$3 million. This is primarily due to increases in fixed costs (such as increases in the KERS rate for which no funding was provided and an estimated 8.5% increase in our health insurance rates) and previously committed obligations (such as our ERP system replacement). Additional cuts will significantly limit our capacity to serve students and the community at a time when our region and the state need NKU to support the Northern Kentucky economy more than ever.

To address non-recurring budget cuts and potential recurring budget cuts, the university will follow these principles:

- Balance access, quality, affordability
- Focus on timely degree completion/student retention and success
- Continue to provide a safe and secure campus
- Further improve efficiencies/technologies

Given the fiscal realities facing NKU, a state general fund reduction of 4% will necessitate the immediate implementation of a short-term budget reduction plan to cover the 2008-09 cut. We will identify unexpended funds in the remaining six months of the current fiscal year, such as

freezing vacant positions and travel, restricting operating expenses, reducing or eliminating equipment and deferred maintenance/capital renewal pools, etc.

While no decisions have been made, the following options for addressing recurring budget reductions and existing budget pressures are under serious consideration:

- Move forward with plans to implement per credit hour pricing for all classes taken.
- Cap enrollments to fit within our resource capacity.
- Restrict the number of students accepted with developmental needs including displaced workers in need of remedial classes before entering / returning to college.
- Reduce current scholarships and financial aid programs at a time when funds for scholarships from private sources are declining due to losses in the market. This will reduce access for needy students and likely increase the number of high performing Kentucky students attending school out-of-state.
- Decrease deferred maintenance, capital renewal, and equipment pools with no funding for much needed renovations across campus. This will increase the cost of these repairs in future years while preventing valuable space from being used in the most efficient manner.
- Significantly curtail public engagement activities that support regional economic development and improvement of P-12 schools.
- Reduce staff, administrator, and adjunct faculty positions resulting in reduced capacity and service levels to students, parents, community organizations, and local residents.
- Eliminate salary increases for next year.

The overall impact of a decision to reduce funding for NKU is a university that is less accessible, less affordable, and less public. These cuts come at a time when investments are essential to increasing the university's capacity to serve more students and further support P-12 and regional economic development. Funds for financial aid and student employment are needed to sustain access and affordability for families struggling to further their education and improve their future. Faculty and staff are needed to maintain capacity and serve increased demand from displaced worker's struggling to retool and to help regional businesses weather the storm and create stable jobs. Cutting NKU will work *against* stimulus plans and slow the recovery of the northern Kentucky economy. As a university that operates with the least public funds per FTE of any four year institution, additional cuts to NKU will directly impact the work we do in a way that will be felt by our students, our region, and the state.