Northern Kentucky University

2008-09 Budget Update

Spring Convocation

April 16, 2008
State Budget Picture

- National economic downturn (recession)
- Consensus forecasting group projected a $900M revenue shortfall
- Governor Beshear proposed cuts to state agencies and postsecondary education to address the shortfall
  - 3% cut to postsecondary education in 07-08
  - Recommended an additional 12% cut in 08-09 if new revenue measures were not adopted
  - General Assembly reduced additional cut from 12% to 3%
  - Final recurring cut to institution’s original 07-08 state funds: 6%
- Economic recovery uncertain
  - Without additional revenue, further cuts may be necessary later this year or early next year
What it meant for NKU in 07-08

- Received a cut of $1,653,000 this fiscal year
  - 3% of our base State funding
- Handled on a short-term cash basis
  - Contributed $325,000 centrally
  - Each VP area and the President’s Office contributed 1.1% of their base on a one-time cash basis
- Examples:
  - Froze 11 full-time positions
  - Reduced operating expenses through cost containment & efficiency practices
  - Deferred renovations and equipment purchases
  - Curtailed travel and professional development
  - Reduced deferred maintenance
What it means for NKU in 08-09

- 6% recurring cut, $3.3M
- No state support for the Business Plan
  - $10.6M needed to keep undergraduate tuition at 6%
- No new state funds for:
  - Renovation of Founder’s Hall*
  - Health Innovations Center*
- Authorization to finance Callahan residence hall
- Bucks for Brains ~ $1.5M non-recurring
  - Can be used to design new COB building
- No maintenance & operating for new buildings ~ $4.6M
- No support for technology initiatives
- Capital Renewal ~$550K (requires match)

* Given authorization to fund with non-state and non-tuition monies
Putting State Funding / Facility Challenges in Perspective

- Lowest total public funds (tuition & state dollars) per total FTE of any KY 4-year institution
  - If funded at average of the comprehensive universities
    - An additional $13M in funding
- Kentucky comprehensive universities average 134 square feet per FTE student
  - NKU has 84 square feet per FTE student
  - According to the CPE Space Needs Model, NKU has a space deficit of 30%
    - Equivalent to four academic buildings
State Funding Challenges

FY 08 Total Public Funds (W/O Debt) per Fall 07 FTE Students
with Revised State Appropriation

<table>
<thead>
<tr>
<th>Institution</th>
<th>Revised State Appropriation per FTE</th>
<th>Tuition per FTE</th>
<th>$1,160 Difference x 11,502 NKU FTE Students</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>$13,452</td>
<td>$8,986</td>
<td>$22,438</td>
</tr>
<tr>
<td>KSU</td>
<td>$12,055</td>
<td>$7,295</td>
<td>$19,350</td>
</tr>
<tr>
<td>UL</td>
<td>$9,116</td>
<td>$9,494</td>
<td>$18,610</td>
</tr>
<tr>
<td>MUSU</td>
<td>$6,447</td>
<td>$8,755</td>
<td>$15,202</td>
</tr>
<tr>
<td>Other Regionals Avg</td>
<td>$6,051</td>
<td>$7,582</td>
<td>$13,633</td>
</tr>
<tr>
<td>MOSU</td>
<td>$6,584</td>
<td>$6,739</td>
<td>$13,323</td>
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<tr>
<td>EKU</td>
<td>$5,935</td>
<td>$7,214</td>
<td>$13,149</td>
</tr>
<tr>
<td>WKU</td>
<td>$5,238</td>
<td>$7,618</td>
<td>$12,856</td>
</tr>
<tr>
<td>NKU</td>
<td>$4,647</td>
<td>$7,826</td>
<td>$12,473</td>
</tr>
<tr>
<td>KCTCS</td>
<td>$4,170</td>
<td>$7,219</td>
<td></td>
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</table>

NKU Deficit: $13,342,320
Added **Recurring** University Budget Pressures

- PRISM: $3.32M (university-wide information system)
- Emergency communications: $200K
- Increases in fixed costs and base adjustments: $2.4M
- Debt service for the Student Union: $2.3M
- Maintenance & operating for Student Union: $780K in FY09 and $1M in FY10
- Maintenance & operating for BOK Special Events Center and Welcome Center: $1.3M in FY09 and $1.6M in FY10
- Increases in employer retirement contributions: $430K
Added **Non-recurring** University Budget Pressures

- PRISM: $2.1M
- Emergency communications: $800K
- Bank of Kentucky Special Events Center Construction: $2.3M
- Bad debt allowance: $1M
- SACS: $350K
- Renovations / Fitness for use: $???
  - University Center
  - AS&T
- Additional classroom space: $???
Our FY09 Budget Challenges

- Tuition increase needed to cover state budget cuts, budget pressures, and our Business Plan ~ 18%
  - Not a viable option

- Original Business Plan efficiency cuts and reallocation target of $1.6M no longer enough

- Keeping tuition lower than 18% requires further divisional and departmental cuts and slower progress on the Business Plan
Impact on 2008-10 Business Plan Goals

- **We will NOT be able to:**
  - Add new students as rapidly as planned
  - Add 45 tenure-track faculty
    - Limits our ability to serve more students, address full breadth of mission, secure grants and contracts
  - Add 71 support staff to support additional student enrollments and full-time faculty
  - Reduce our space deficit constraining the number of classes we can offer

- Progress towards 2020 goals and the CPE “Double the Numbers” plan will be slowed

- Vision 2015 goals, which include the creation of 50,000 new jobs that generates an estimated $270 million in tax dollars annually, will likely be delayed
FY09 Operating Budget
Guiding Principles

- Preserve our core strengths
- Protect student access and affordability
- Invest in competitiveness, particularly around people
- Continue to improve institutional effectiveness, including increased efficiencies and cost containment
- Make incremental progress on our Business Plan in line with regional needs
- Continue to support Vision 2015 in more focused and targeted ways
3 Step Budget Development Process

1. Increased revenue beyond tuition and state funds
2. Further divisional and departmental budget cuts
3. Tuition rate increases
Step 1: Increased Revenue Sources

- Will maximize revenues from external sources where appropriate
- Using event management firm to maximize BOK revenue
- Converting parking to self-supporting
- Pricing tickets, rentals, and services at market where appropriate
- Expanding executive education programs
Step 2: Cuts in Divisional and Departmental Budgets

- Reviewed every expenditure line in the budget and asked the question:
  
  “Is what we’re funding now more important than other things we should be funding?”

- Solicited ideas from campus and the community

- President’s Advisory Committee on Efficiencies and Savings
Step 2: Cuts in Divisional and Departmental Budgets

- Each Vice President developing plans for cuts in their areas
  - Targets assigned to each VP area
  - Identifying roughly $6M to contribute towards cuts, budget pressures, compensation and reallocations
Step 2: Cuts in Divisional and Departmental Budgets

- Examples of major reductions
  - Reducing operating budgets, e.g., advertising, sponsorships, subscriptions, memberships, travel, printing
  - Eliminating overhead / integrating functions into existing organizational units:
    - Institute for Public Leadership and Public Affairs
    - Office of University-School Partnerships
    - Office of Economic Initiatives
  - Reducing:
    - University/Community Partnership Grants
    - Student Programming Funds
Step 3: Tuition Setting

- Factors Considered
  - Student priorities
  - Affordability
  - Business Plan priorities
  - Market factors
    - Limited residential hall space restricts non-local growth
    - Reliance on non-resident tuition requires competitive pricing
Step 3: Tuition Setting

<table>
<thead>
<tr>
<th>Kentucky Public Institutions Resident Tuition</th>
<th>Tuition &amp; Fees 07-08</th>
</tr>
</thead>
<tbody>
<tr>
<td>University of Kentucky</td>
<td>$7,096</td>
</tr>
<tr>
<td>University of Louisville</td>
<td>$6,940</td>
</tr>
<tr>
<td>Western Kentucky University</td>
<td>$6,416</td>
</tr>
<tr>
<td><strong>Northern Kentucky University</strong></td>
<td><strong>$5,952</strong></td>
</tr>
<tr>
<td>Eastern Kentucky University</td>
<td>$5,682</td>
</tr>
<tr>
<td>Kentucky State University</td>
<td>$5,450</td>
</tr>
<tr>
<td>Murray State University</td>
<td>$5,418</td>
</tr>
<tr>
<td>Morehead State University</td>
<td>$5,280</td>
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</table>
Step 3: Tuition Increases

Undergraduate Tuition

- **Resident**
  - 9.68% increase
  - $24/credit hour increase / $288 full-time semester rate increase

- **Metro**
  - 2.00% increase over current nonresident rate
  - $9/credit hour increase / $108 full-time semester rate increase
  - Includes Ohio counties of Adams, Brown, Butler, Clermont, Clinton, Fayette, Hamilton, Highland, and Warren

- **Indiana Reciprocity Rate**
  - 10.70% increase
  - $29/credit hour increase / $348 full-time semester rate increase

- **Nonresident Rate**
  - 10.91% increase
  - $49/credit hour increase / $588 full-time semester rate increase
Step 3: Tuition Increases

Undergraduate Tuition and Fees

- Course overload fee eliminated
- 50% per credit hour tuition charge for 17* hours and above
  - Refundable based on the current university refund policy
  - Maintains the current price break at the 12th through the 16th credit hour
- International program / study abroad scholarship fee: $5 per semester per full-time student to be used for study abroad scholarships
- Funding of scholarships, financial aid and waivers increased by $1.3M
  - Includes continued funding for the Northern Difference last dollar grant program for Pell eligible, regular admit students
  - Keeps full scholarships whole

* Based on feedback from Student Government, the recommendation was changed from the originally proposed 50% per credit hour tuition charge for 16 hours and above.
Step 3: Tuition Increases

Graduate
- $32/credit hour for resident, non-resident, metro rates (except business)
- $38/credit hour for graduate business resident, non-resident, metro rates
- Metro rate for Greater Cincinnati area

Law
- Increases ~ 9.7%
- Metro rate for Greater Cincinnati area

Mid-year
- Up to an additional 3% mid-year tuition increase if additional state cuts / budget pressures arise
The Talent Imperative!

<table>
<thead>
<tr>
<th>Strategic Priorities</th>
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<tbody>
<tr>
<td>Develop Talent</td>
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<tr>
<td>Increase Student Engagement</td>
</tr>
<tr>
<td>In Learning</td>
</tr>
<tr>
<td>Ensure Academic Quality</td>
</tr>
<tr>
<td>Engage In Effective</td>
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<tr>
<td>Regional Stewardship</td>
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</tbody>
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<table>
<thead>
<tr>
<th>Supporting Priorities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recruit and Retain</td>
</tr>
<tr>
<td>Outstanding Faculty</td>
</tr>
<tr>
<td>and Staff</td>
</tr>
<tr>
<td>Increase Public Awareness</td>
</tr>
<tr>
<td>of NKU</td>
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<tr>
<td>Expand NKU’s Financial Base</td>
</tr>
<tr>
<td>and Capital Assets</td>
</tr>
<tr>
<td>Increase Institutional</td>
</tr>
<tr>
<td>Effectiveness</td>
</tr>
</tbody>
</table>
Budget Highlights

- Competitive salaries for faculty and staff
  - 2% merit pool

- Faculty lines reallocated to areas of high demand

- Conversion of some lecturer positions to tenure track

- Expanded advising and student support
Budget Highlights

- Support for next fund-raising campaign

- Internationalization
  - Consolidated organizational units
  - Support staff and infrastructure
  - Study abroad scholarships

- Budget Reserve: $4M

- University Contingency: $550K
Let’s Not Forget…

- Record student applications and number of students choosing NKU as their 1st choice
- Nationally ranked academic programs
- Students and student organizations winning national awards
- Athletics programs competing for and winning national championships
- Increasing numbers of students admitted to most competitive graduate / professional programs
- Faculty receiving national and international acclaim
- National recognition for community engagement
Let’s Not Forget…

- First commencement on campus in a decade
- New student union for Fall semester
- Exciting new 430 student Callahan residence hall
- New master plan that builds on our core values
- Name entertainment at Bank of Kentucky Center throughout the year
- A campus that grows more beautiful each year

And…

- A collective spirit and determination that will carry us through these challenging times