Spring Convocation
April 21, 2010
Agenda

- A Decade of Progress
- Forces Shaping Our Future
- Addressing the 2010-11 Budget
- Our Long-Term Strategy for Financial Stability
A Decade of Progress

- More students with greater diversity and better academic preparedness
- Largest percentage increase in the state in degree production
- A broad array of new academic programs
- Increased numbers of students admitted to the most competitive graduate / professional programs
- Faculty and students receiving national and international recognition
- Nationally ranked academic programs
- Creation of the College of Informatics, College of Health Professions, and College of Education and Human Services
- Expansion of a broad range of programs and initiatives that support student success
A Decade of Progress

✓ Movement to market competitive salaries
✓ National recognition for community engagement
✓ Success in intercollegiate athletics
✓ $300 million in new buildings and a campus that grows more beautiful each year
✓ Implementation of new technology systems, including SAP, and the broader use of technology in teaching and learning
✓ SACS reaffirmation
✓ New general education program
FORCES SHAPING OUR FUTURE
Forces Shaping Our Future
National/State Forces

✓ Economic challenges that are going to be persistent and prolonged
✓ Growing pressures on state budgets
✓ Increasing public expectations, particularly around retention and degree production
✓ New requirements for transparency and accountability (federal, state, accreditation bodies)
✓ Changing student expectations related to the teaching-learning process: anytime, anyplace
✓ Increasing competition for students amongst a broader array of providers
✓ Pressure around affordability
Forces Shaping Our Future

Impact on the Campus

- Cuts in state appropriations
- Limited tuition increases
- Fixed costs increases
- Maintenance and operating expenses for new facilities
- No new funds available for investment in the near term
- Prolonged budget uncertainty
ADDRESSING
THE 2010-11 BUDGET
Recent Reductions in State Appropriation

<table>
<thead>
<tr>
<th>Cuts in Regular State Appropriation since 2008</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning FY 2007-08</td>
<td>$55.1M</td>
</tr>
<tr>
<td>Less:</td>
<td></td>
</tr>
<tr>
<td>Mid-year Cut, January 2008</td>
<td>$1.7M</td>
</tr>
<tr>
<td>Additional Cut for Beginning FY 2008-09</td>
<td>$1.1M</td>
</tr>
<tr>
<td>Mid-year Cut, March 2009</td>
<td>$1.0M</td>
</tr>
<tr>
<td>Additional Cut for Beginning FY 2010-11</td>
<td>$0.7M</td>
</tr>
<tr>
<td>Additional Cuts for FY2010-11 backfilled with stimulus*</td>
<td>$3.0M</td>
</tr>
<tr>
<td>Current FY11 Regular State Appropriation</td>
<td>$47.6M</td>
</tr>
<tr>
<td><strong>Total Reduction in Regular SA since 2008</strong></td>
<td><strong>$7.5M</strong></td>
</tr>
</tbody>
</table>

* Based on the last proposed budgets by the House and Senate
Addressing the 2010-11 Budget
Recurring Budget Pressures

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated cut in state appropriation (1.5%)</td>
<td>$700,000</td>
</tr>
<tr>
<td>KERS rate increase to make-up for pension shortfall</td>
<td>1,800,000</td>
</tr>
<tr>
<td>M&amp;O for new facilities requested by CPE for NKU</td>
<td>2,900,000</td>
</tr>
<tr>
<td>Increases in fixed costs (excluding KERS)</td>
<td>3,100,000</td>
</tr>
<tr>
<td>Essential recurring expenditures*</td>
<td>1,000,000</td>
</tr>
<tr>
<td><strong>Total 2010-11 Budget Pressures</strong></td>
<td><strong>9,500,000</strong></td>
</tr>
</tbody>
</table>

* Essential expenditures:
1. Comply with state and federal regulations
2. Maintain the safety and security of our students, faculty and staff
3. Protect the university from significant liability
4. Griffin Hall
Addressing the 2010-11 Budget

Our 2010-11 Budget Strategy

1) Cover increases in fixed costs and State budget cuts with recurring (continuing) funds including tuition increases that price graduate and non-credit programs to market, 1% internal budget cuts, and a reduction in our recurring budget reserve.

<table>
<thead>
<tr>
<th>Recurring Funds</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated tuition increase at 5%</td>
<td>$3,200,000</td>
</tr>
<tr>
<td>Internal budget cuts (1%)</td>
<td>1,200,000</td>
</tr>
<tr>
<td>Estimated reduction in recurring budget reserves</td>
<td>1,200,000</td>
</tr>
<tr>
<td>Total</td>
<td>5,600,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fixed Costs and State Budget Cuts</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>KERS rate increase to make-up for pension shortfall</td>
<td>$1,800,000</td>
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</tbody>
</table>
2) Use non-recurring (one-time) funds to cover essential recurring expenditures of $1M and M&O requested by CPE for NKU of $2.9M in order to buy time to make more fundamental budgetary realignment.

   ▪ This will require us to find additional recurring funds next year to fund these commitments.

3) Implement new staff hiring procedure requiring presidential approval to fill vacant positions.
# Addressing the 2010-11 Budget

## Essential Expenditures and Investments

<table>
<thead>
<tr>
<th>Essential Expenditures</th>
<th>Recurring</th>
<th>Non-Recurring</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT Security Enhancements</td>
<td>$215,000</td>
<td>$150,000</td>
</tr>
<tr>
<td>IT Disaster Recovery</td>
<td>387,000</td>
<td>300,000</td>
</tr>
<tr>
<td>Quality Enhancement Plan (SACS-QEP)</td>
<td>125,000</td>
<td></td>
</tr>
<tr>
<td>Other Compliance</td>
<td>32,000</td>
<td>130,000</td>
</tr>
<tr>
<td>Other Safety and Security</td>
<td>7,000</td>
<td>7,000</td>
</tr>
<tr>
<td>Other Liability</td>
<td>0</td>
<td>79,000</td>
</tr>
<tr>
<td>Griffin Hall Start-up</td>
<td>220,000</td>
<td>57,000</td>
</tr>
<tr>
<td><strong>Total Essential Expenditures</strong></td>
<td><strong>986,000</strong></td>
<td><strong>723,000</strong></td>
</tr>
</tbody>
</table>

## Self-funded Investments

Two faculty positions for new Doctorate of Nurse Practice program and Acute Care Nurse Practitioner program | 224,000
Addressing the 2010-11 Budget

2010-11 Summary (if assumptions hold)

Steps taken to balance the 2010-11 budget:
✓ Fixed costs and budget cuts covered with a combination of tuition revenue, 1% internal budget cut, and reduction in the budget reserve
✓ Essential expenditures funded with non-recurring dollars

Steps NOT taken:
✓ Furloughs or reduced pay
✓ Reduction in benefit plans
✓ Travel freeze
✓ Hiring freeze
Addressing the 2010-11 Budget

2010-11 Projected Revenues = $198M

- Tuition, $120M, 61%
- Fund Balance, $4M, 2%
- Regular State Appropriation, $48M, 24%
- Other Central Revenue, $2M, 1%
- Dedicated Revenue, $24M, 12%
Addressing the 2010-11 Budget

2010-11 Projected Expense Budget = $198M

- Budget Reserve, $4M, 2%
- Scholarships & Aid, $10M, 5%
- Self-Funded Expenses, $24M, 12%
- Fixed Costs (excluding benefits of $25M), $17M, 9%

- Operating, $27M, 19%
- Personnel, $115M, 81%

$142M, 72%
LONG-TERM STRATEGY FOR FINANCIAL STABILITY
Many Unknowns for 2011-12

- Further cuts in State Appropriation: ?
- KERS rate increase to make up for pension shortfall: $900K
- Increase in fixed costs: $2-3M
- FY10 essential recurring expenditures funded non-recurring: $1M
- M&O for new buildings including Griffin Hall: $4.4M
- Additional essential expenditures: ?
- Investments in faculty and staff including salary increases: ?
- Investments in academic programs and student success: ?

- Additional revenue from tuition increases and enrollment growth: ?
  - Expect limited tuition increases
Our Long-Term Strategy for Financial Stability

- Continue our process for budget restructuring, realignment, and reinvestment.
- Revisit our strategic priorities in light of major changes in our environment. Use the VVV planning process.
- Continue to place a campus-wide priority on degree production and time to degree; NKU Connect & Persist (U-CAP) and Strengthening Alignment for Student Success (SASS).
- Reduce administrative infrastructure wherever possible.
- Maximize instructional output in the form of student credit hours generated.
- Take advantage of opportunities for online / technology enhanced courses and programs.
Our Long-Term Strategy for Financial Stability

- Identify innovative and entrepreneurial initiatives that support student learning and accrue revenue to the university.

- Establish student credit hour expectations for colleges and departments based on faculty resource base and public demand for graduates.

- Make more efficient use of classrooms.

- Redesign work where possible: consolidate, streamline, and eliminate.

- Reallocate resources in order to invest in areas vital to our future.

- Insure strong alignment of planning, assessment, improvement, and investment at all levels.
Protecting Our Highest Priorities

✓ The quality of our undergraduate experience, including our reputation as an “up close and personal” institution

✓ Key graduate programs that relate to regional needs. Do not add new programs without a funding source

✓ Student advising and support programs that can be demonstrated to support student success

✓ Public engagement, with a particular emphasis on P-12 education

✓ Areas of research and creativity with the recognition that external funding must be a priority

✓ Key elements of our administrative functions required for us to serve our mission
Our Advantages

✓ Challenging economic conditions but not as bad as many other states
✓ NKU geographically positioned in one of the State’s primary economic regions
✓ Strong student demographics
✓ Strong NKU “market brand” based on strong programs and services
✓ A safe and well maintained campus
✓ A strategic plan that establishes clear priorities based on campus and community input
✓ Dedicated and high performing faculty and staff
✓ Demonstrated capacity to innovate and adapt
✓ An institutional attitude that focuses on opportunities, not obstacles
There is no roadmap....

The next several years will depend on

✓ Communication
✓ Trust
✓ Commitment
✓ Institutional agility, adaptiveness, and resilience
✓ A willingness to think anew about how we go about our work
✓ Leadership at every level and among all stakeholders on behalf of the ENTIRE institution