

## **Fiscal/Economic/Political Environment Workgroup**

**Meeting began 2:32 p.m. in SU 105**

**Members Present: Ken Kline (Facilitator), Natasha Dempsey, Russ Kerdolff, Karen Zerhusen Kruer, Don Gorbandt, Rick Kolbe, Leah Stewart, Gary Clayton, Mary Paula Schuh (Strategic Planning Committee Liaison), Steve Nienaber, Charles Brown (Strategic Planning Committee Liaison), Erik Pederson, Ryan Salzman, Eric Brose (Recorder)**

**Ken planned that next week we'd drill deeper into material based on the reports. Today we will prioritize discussion areas for the other five reports under review.**

### **State fiscal / Economic Issues**

- **State Budget Outlook**
  - What state budget pressures will we be competing with?
  - What is the anticipated trend in state funding for public institutions?
  - Pension Reform
    - How will pension reform affect NKU?
    - How does it impact our budget?
    - Will it impact our ability to recruit/ retain staff?
  - New Sources of Revenue
    - Are new sources of revenue a possibility for the state of Kentucky?
      - Tax Reform
        - 529 Savings Plan (State operated college savings plan) - The Tax Commissioner has recommended implementing a tax deduction for 529 savings plan contributions. How will this affect higher education?
      - Gambling
      - Industrial hemp production
- **Tuition and State Appropriations**
  - NKU's funding relative to other institutions, both Kentucky and PEERs.
    - Sources: CPE, IPEDS, and Delta Cost Study

#### **Discussion:**

Other issues –

One confusion concerns the budget request with CPE (under CPE topic). Legislature actually approves and can ignore CPE.

**Topics to cover in the report due February 20: State Budget Outlook; Tuition and State Appropriates**

## **CPE rules and regulations/Statewide Coordinating/ Governing Board trends**

- MOOCs
  - What regulations could be imposed?
  - Could we impose fee-based challenges and/or charge for certification exams?
- Program Review
  - Will NKU have to consider sharing programs vs. cutting programs?
- **Cost Containment and College Affordability**
  - **Is there a legislative interest in cost containment and college affordability?**
  - **If we demonstrate cost containment, how will affordability impact our state funding? What happens if we do not comply?**
- **Performance based and Outcomes based funding**
  - **Is there a legislative interest in Kentucky in regard to performance based funding and outcomes based funding?**
  - **Are other states adopting this type of model? How was it initiated?**
- 2014-2018 Commonwealth Legislature
  - Do we feel balanced philosophically and politically with the Commonwealth legislature and executive branches in case of changes during the cycles of elections in 2014-2018?
- Common Course Numbering/ Direct Transfer Agreements
  - Could this affect NKU's bottom line? (<http://cpe.ky.gov/policies/academicinit/Transfer>)
- **CPE Strategic Plan**
  - **Stronger by Degrees**  
(<http://dataportal.cpe.ky.gov/sadashboard/AccountabilityReport/accountabilityreport.pdf>)
- Tuition Policy
  - Could we influence transfer population credits for FTE like Ohio?

### **Discussion:**

MOOCs/online – CPE regulates depending on what state wants to do. Does CPE regulate courses and programs? CPE does, but a lot of talk. The courses would not be eligible for Department of Education aid if they're not compliant with state. States want more enforcement for revenue. Have to apply with all states where we have students. MOOC is an extension of an online course so why CPE approval? We're pulling out of Maryland (MD) because of cost for only one student so we won't offer online courses there. It matters where you live. Federal aid – we'd need state licensure, but it's regulated by each state. We'd have to be in line with existing programs. Federal aid programs have regulatory strings set by states. What is the difference between online program and class? Program definition: academic program, rather than a specific class. MD is throwing up barriers for their citizens. Hard to determine where someone lives when accessing an online course. How do you make distinction with an out of state student? Even with residency, how do we know? Once the license is worked out, it doesn't matter the number of students. The MD situation could have been through Department of Education looking into this. We sent letters to the states to obtain certification. Department of Education pushed back on sanctions. We have to comply and cannot claim ignorance. We have to present the students. No local residence would be one way of knowing.

Program review – CPE must approve and cancel those with low enrollment. Will this be an issue?

Cost Containment – covering in federal team. CPE is looking at various measures. The Publics are working to find ways to reduce. Documenting what we're doing.

Performance Outcomes based Funding – We're doing performance based now on 4 metrics. What are statewide trends? There's an unlikelihood of money.

2014 – 2018 Legislature – Are we balanced if there are changes in elections? Government is in place for 2 more years. It's irrelevant at this point.

Common course numberings – another workgroup is working on this. Online software is an issue. Students enroll at Gateway for less money and then transfer. Could help with degree rate, but hinder revenue. We may have a transparency issue for students to know cost differences. We don't want to seem like we don't want them to know this. KCTCS, however, is actively publicizing the cost differential. Are students prepared in terms of quality transferring here? Some aren't prepared financially – go to NKU later. Transfer discretion by institution. Is this a CPE rule/regulation? We're behind OH by ten years. Quality will be an issue, but state doesn't care at this point. OH state schools attempted to create prerequisites that were impossible to transfer from a 2 yr, but failed miserably and that was a good thing. FL students have expectation to start at 2 yr level and then transfer. Why don't we count transfers as part of our graduation numbers? It's federal, but can't the states rethink that justification? Outcome based don't think about graduation numbers. In KY, our budget requirements are incremental so we've adjusted our NKU formula. U of Alaska – study looking at this. Track success rate for transfer students at NKU.

CPE Plan  
Tuition Policy

We should examine those policies that NKU impacts. Will there be a CPE? Will we see a .7 or .8 performance policy model? Are we moving around monies from program to program or will there be new monies?

CPE Strategic Plan – does it answer our questions? Is there a correlation between CPE recommendations and legislative appropriations? Yes, but it's always lower than what CPE asks for. We follow annual CPE metrics.

**Topics to cover in the report due February 20: Cost containment and college affordability; Performance based and Outcomes based funding; CPE Strategic Plan**

## **Regional and Local Considerations**

- Local legislator interest
  - What are their interests?
- Tuition Pricing
  - What is the public's tolerance for continued tuition increases?
- Town-Gown Relationship
  - Describe our relationship with Highland Heights/ Campbell County.
- Communication
  - How do we communicate the university culture to the public including our legislators?
- Expectations of NKU's Role in the Community
  - Improve P-12 education (e.g. college readiness)
  - Economic and workforce development (e.g. renewed focus on STEM majors)
  - Cultural
  - Other?

### **Discussion:**

What is the local legislators' interest? Is this for the Public engagement work group? We could profile local legislators' goals. Don't embarrass them. This is information for taxpayers.

Town gown – this was addressed through other parts of the discussion.

Communication - Keep advocacy as part of this – how we do it and how it will change.

Expectations – Public engagement will cover.

Brand image – or is this some other group's focus? We're focusing on political/economic concerns.

### **Economic impact of NKU on community,**

Would Highland Heights exist without our taxes? NKU – 2<sup>nd</sup> or 3<sup>rd</sup> largest employer.

Support DI sports – where are they? What happens if we're not here? NKU impacts economic development in Highland Heights. Janet Harrah conducted a study on impact of the university on the area. Attach her report? 1 – 2 years old. Bleak report (State tax report)

### **Advocacy to legislature & community, fundraising**

**Topics to cover in the report due March 6: Economic impact of NKU on the community; Advocacy to the legislature and the community; Fundraising**

## Public Policy Issues

- Higher Education Cost Containment and College Affordability
  - How does this impact NKU?
- MOOCs
  - Will MOOCs and online degrees become a larger part of higher education?
  - What regulations will be forthcoming from the federal and state governments?
  - How does NKU assign credit for MOOCs?
  - How do we ensure the student signed up for the course is the student actually doing the work?
- **Transparency and Accountability**
  - **What are the trends and implications for NKU in the areas of transparency and accountability?**
  - **USDE Institutional Scorecard**
- **Employment after Graduation**
  - **Are college graduates underemployed and if so, why?**
  - **Value and purpose of degrees**

### **Discussion:**

Higher Ed Cost Containment & affordability – this is being covered by the CPE and Federal teams.

MOOCs – discussed already in comp. forces

Trans. & Accountability – cover

Purpose of college degree should be tackled here. There is an article on the reading list that looks at the differentials in credentials and earning power. We need to look into where alumni go and how much they earn. Alumni Affairs & Career Services (CS) hired two people to look into this. Analysts in IR and CS are searching for this in survey. There was a small response. It was reported at the university level, but not aggregate info by college. Institutions say there is 98% employment upon graduation, but it isn't verified. Those alumni that don't reply probably aren't employed. BGSU alumni keep their email for a year. Do we? It's permanent here, but do students/grads check? Utilize alternative methods such as social media, but there are regulations about students allowing us to text them. The trend in Alumni affairs is to assist grads with career search and later in their lives.

Employer survey could ask how many are NKU grads? We're still doing these utilizing contacts, but employers don't always give names.

Could we build a network with company liaisons to generate information for us? Some major corporations host receptions for alums and then Development is invited.

## **Topics to cover in the report due February 27: Transparency and Accountability; Employment after Graduation**

## University Finances/ Budget

- **University Revenues**
  - **Where does our revenue come from? Grants, Fin. Aid.**
    - General Exp.**
      - **Tuition**
      - Approximately 2% of NKU's operating budget comes from endowed funds and non-endowed gifts made to the NKU Foundation.
        - According to the 2012 AGB publication, "Foundation for the Future: The Fundraising Role of Foundation Boards at Public Colleges and Universities," the university's philanthropic foundation will become an even more important partner in obtaining additional private support to provide for the university's needs.
    - Since international students bring in the largest amount of money per capita, what are our plans for the international population in terms of enrollment and graduation rates of annual cohorts?
- Differential tuition structures
  - Should/ Will there be differential tuition structures as a function of jobs available to students after graduation? Happens through fees, some programs
- Carry-forward Policy
  - How NKU can improve its policy for carry-forward funds related to strategic goals?
- Mechanisms Available for Providing Support to NKU
  - Technology is currently being used to advocate support from alumni (approximately 14,000) and friends.
- Huron results
  - Huron tested various NKU practices. How did they turn out?

**\*Faculty/Staff Salaries – address**

**\*Deferred Maintenance**

**\*Budget Models – approaches by other universities**

### **Discussion:**

University Revenues – How specific to get? How we spend our money? Source of grants is federal. Check breakdown of financial aid. How many units are self-funding? There is parking, fees of 10 – 15% on centers of education, but some are based upon differences by each Dean. Lots of fund raisers on campus (auxiliaries such as Housing).

Break down by which units cover direct costs. Auxiliaries (vending, food, housing, bookstore, and parking) pay for their facilities and may pay rent and commission.

\$130 mill deferred maintenance backlog – include a couple bullets

Faculty/Staff salaries –small class size, but 340 faculty are concerned about entry level staff salaries. How do we compare? Budget committee needs to be more in depth. Pay is one of the last priorities after utilities, IT, etc. Concern over President Votruba’s retirement compared to campus raises. Is that a zero cost comparison? Faculty Senate survey goes to Budget yearly. There are CUPA comparisons. Isn’t demographics and labor force workgroup dealing with this? We could state this.

What are we producing at the college level relative to revenue and costs? There are often dispositions that a college might be very “profitable” for the university, but when revenues and expenses are analyzed, that disposition is shown to be false. There is a great deal to be learned by analyzing colleges relative to their revenue creation and direct expenses (salaries, operating expenses, etc.). This analysis can lead to behaviors that are positive for the university. Programs grow revenues and reduce expenses when they actually know their revenues and costs, often undertaking entrepreneurial activities a central budgeting process does not foster. It also forces decisions about programs that might not be produce surpluses, but are particularly important to the overall scope of the university. For example, a program such as music might not be able to be profitable given its emphasis on individual instruction, but it is a necessary program because it offers valuable opportunities for growth and inspiration for all students on the campus.

It was the same discussion over Gen Ed revisions. Deans don’t get complete information. If they knew this, they could plan.

Cost benefit about any dept bringing in money. If a dept cannot survive on its own, it must be supported but we need to know how much. The perception can be that this is a threat.

**Topics to cover in the report due March 6: University Revenues; Faculty/Staff Salaries; Deferred Maintenance; Budget Models**

**Meeting adjourned 3:40 p.m.**

**Next Meeting is Friday, February 15, 1 – 2 p.m. (note that this is earlier than the past two meetings) in SU 109.**