

Board of Regents
 Northern Kentucky University

It is my pleasure to transmit herewith the FY 2008-2009 budget encompassing all operating units.

The budget totals \$186,000,000 of which some \$54,922,000 will be provided as a direct state appropriation. The remaining funds represent tuition and fee receipts, miscellaneous sales and services, and sales and services of auxiliary enterprise.

The FY 2008-2009 budget may be summarized as follows:

State Appropriation-Regular	\$ 52.31 Million	28.1 %
State Appropriation-Debt	2.61	1.4
Tuition & Fees	100.74	54.2
Other Fees/Other Sources	5.72	3.1
Sales & Services of Educational Activities	6.57	3.5
Sales & Services of Auxiliary Enterprises	11.75	6.3
Net Assets	6.30	3.4
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Total Available	\$186.00 Million	100.0 %
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Personal Services	\$ 111.96 Million	60.1 %
Capital	4.15	2.2
Transfers (Debt Service)	4.80	2.6
Operating	40.61	21.8
Utilities	5.12	2.8
Student Financial Aid	10.89	5.9
Transfers (Other)	8.47	4.6
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Total Expenditures	\$ 186.0 Million	100.0 %

Included herein are the detailed expenditure budgets for each of the units of the University along with the detailed sources of revenue.

James C. Votruba
 President

Recommendation:

That the Board of Regents approve the following resolution establishing and approving the Fiscal Year 2008-09 Unrestricted Current Fund Annual Operating Budget for Northern Kentucky University.

Background:**Recommendation relating to Fiscal Year 2008-09 Budget, Northern Kentucky University, Board of Regents, April 28, 2008:**

Be it resolved that, upon due consideration of the recommendation of the President, the Unrestricted Current Fund Annual Budget for Northern Kentucky University is hereby established and approved in an amount totaling \$186,000,000 for the fiscal year beginning July 1, 2008, and ending June 30, 2009, subject to the realization and receipt of revenue totaling a like amount.

Acting in the capacity of chief executive officer of the University and on behalf of the Board of Regents, the President shall have printed the detailed budget of the University embodying this authorization and indicating the various budgets of individual units and the subsidiary expenditure categories. In addition, the President is authorized to approve adjustments between the budget authorizations when such action appears, in his judgment, to represent the best interests of the University. However, any adjustment which alters the unrestricted current fund budget authorization of \$186,000,000 shall be submitted to this Board for approval at its next regular meeting.

In the event that projected current fund revenue is not sufficient to equal authorized unrestricted current fund expenditures, the President shall take appropriate measures to reduce budgeted expenditure authorizations by amounts sufficient to insure that unrestricted current fund expenditures do not exceed available revenue.

The President is authorized to allocate and expend University net assets for such purposes deemed to be in the best interest of the University and necessary to support, protect, maintain or enhance the functioning of the University and its physical environs. The President shall report such expenditure authorizations to the Board periodically.

In the incurrence of financial obligations and the expenditure and disbursement of University funds available under this authorization, all University units and University personnel or agents shall adhere to and observe applicable laws, regulations, and policies of both the Commonwealth of Kentucky and the University, which govern and control the expenditure of funds. Administrators of the various units shall not authorize nor incur any financial obligation in excess of the budget authorizations.

Summary of FY 2008-2009 Unrestricted Revenues and Expenditures



	<u>FY 2008/09 Proposed</u>	<u>Percent of Total</u>
Revenue by Source		
Governmental Appropriation - Regular	\$ 52,313,500	28.1%
Governmental Appropriation - Debt Service	2,608,500	1.4%
Tuition	100,739,000	54.2%
Other Fees/Other Sources	5,720,327	3.1%
Sales and Services of Educational Activities	6,568,086	3.5%
Sales and Services of Auxiliary Enterprises	11,750,587	6.3%
Net Assets	6,300,000	3.4%
Total Revenues	<u>\$ 186,000,000</u>	<u>100.0%</u>
Expenditures by Major Object		
Personal Services	\$ 111,955,570	60.1%
Capital	4,145,813	2.2%
Transfers (Debt Service)	4,798,863	2.6%
Operating	40,609,978	21.8%
Utilities	5,123,114	2.8%
Student Financial Aid	10,891,779	5.9%
Transfers (Other)	8,474,883	4.6%
Total Expenditures	<u>\$ 186,000,000</u>	<u>100.0%</u>
Expenditures by Major Function		
Educational and General		
Instruction	\$ 66,785,337	35.9%
Research	174,156	0.1%
Public Service	5,518,581	3.0%
Academic Support/Libraries	21,932,371	11.8%
Student Services	13,822,823	7.4%
Institutional Support	30,232,660	16.2%
Operation & Maintenance of Plant	17,241,921	9.3%
Student Financial Aid	10,723,092	5.8%
Mandatory Transfers	4,760,785	2.6%
Non-Mandatory Transfers	5,252,603	2.8%
Total Educational and General	<u>\$ 176,444,329</u>	<u>94.9%</u>
Auxiliary Enterprises		
Student Services	\$ 6,295,313	3.3%
Transfers	3,260,358	1.8%
Total Auxiliary Enterprises	<u>\$ 9,555,671</u>	<u>5.1%</u>
Total Expenditures	<u>\$ 186,000,000</u>	<u>100.0%</u>



Budget Highlights

INTRODUCTION

The FY 2008-09 Annual Budget is the outcome of a collaborative process guided by both the university's Business Plan "It's All About Talent" and the university's 2007-2012 Strategic Agenda "The Talent Imperative!" (both documents can be found at <http://president.nku.edu>). The Business Plan details our plan to achieve the statewide 2020 public agenda and support Northern Kentucky Vision 2015 goals. Although a 6% cut in state appropriations left us short of our required funding for this year as detailed in the Business Plan, an intensive reallocation process along with the development of new and existing revenue opportunities has allowed us to continue to progress towards our goals. The FY 2008-09 Annual Budget reflects the collective input of the entire campus community, President's Executive Team, President's Cabinet, Council of Deans, Council of Chairs, Faculty Senate, Staff Congress and Student Government Association. Numerous cost savings ideas were submitted during the budget process. These ideas have either been implemented or are under review by the President's Advisory Committee for Efficiencies and Savings. As we continue to focus on increasing accountability, we will introduce a new executive dashboard this year which measures ourselves against ourselves, our Business Plan, and in some cases our peer institutions.

The university entered the FY 2008-09 budget process facing a potential 15% cut in state appropriations along with significant budget pressures. These budget pressures included:

Recurring Budget Pressures	
PRISM (university-wide information system)	\$3,320,000
Emergency communications	\$200,000
Increases in fixed costs and base adjustments	\$2,400,000
Debt service for the Student Union	\$2,300,000
Maintenance & operating for the Student Union (\$1M in FY10)	\$780,000
Maintenance & operating for the BOK Special Events Center and the Welcome Center (\$1.6M in FY10)	\$1,300,000

Non-Recurring Budget Pressures	
PRISM (university-wide information system)	\$2,100,000
Emergency communications	\$800,000
Bank of Kentucky Special Events Center Construction	\$2,300,000
SACS	\$350,000

To guide our decision-making in this challenging fiscal environment, the university adhered to the following budget principles:

- Preserve our core strengths
- Protect student access and affordability



Budget Highlights

- 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

We began the budget process by reviewing every line in the budget and asking the question “Is what we’re funding now more important than other things we should be funding?” We ended the budget process with a strategically repositioned budget better aligned with our future. Northern Kentucky University has never been stronger and has never served our students and the region better than we are today. The following are examples of the tremendous progress the university has made over the past several years:

- 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 the most competitive graduate / professional programs
- Faculty, staff, and administrators receiving national and international acclaim
- National recognition for community engagement
- 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



Budget Highlights

REVENUE

State General Fund

The state general fund appropriation for FY2008-09 totals \$54,922,000 which includes \$52,313,500 for general operating expenses, \$500,000 for Regional Stewardship, \$2,608,500 for Debt Service, and \$1,500,000 for the Kentucky Math Center (statewide initiative). The overall decrease in funding for general operating expenses is \$2.78 million compared to the original FY 2007-08 general fund appropriation of \$55.1 million excluding debt service.

Other Education and General Revenue

Other education and general revenues are budgeted to increase by \$13,164,378. Tuition revenue comprises \$10,719,400 of the increase with most of the balance coming from new Bank of Kentucky Center revenues and projected increases in athletic ticket sales. Please refer to the Budget Office web-site, <http://www.nku.edu/~vpfp/financialplan> and select Annual Budget, for the comprehensive list of fees and service charges approved for FY 2009.

Auxiliary Revenue

Revenue from auxiliary operations is budgeted to increase by \$1,929,200 largely as a result of the addition of the new residence hall, Callahan Hall, and rate increases for existing housing units and meal plans. Auxiliary revenue is generated through bookstore, food service, child care, vending, and residential operations. Auxiliary expenditures are projected to increase by this same amount.

University Fund Balance

The FY 2008-09 budgeted University fund balance allocation supports \$6,300,000 in budgeted nonrecurring expenditures. The increase in Fund Balance (Net Assets) is a result of the unexpended budgeted appropriation reserve of \$4.2 million and other unexpended revenues during FY 2007-08.



Budget Highlights

EXPENDITURES

Budget Cuts

Each Vice President and the President's office was given a recurring budget reduction target to cover the potential 15% overall cut in state appropriations and the additional budget pressures the university was facing. Each target was based on the Vice President's percentage share of the FY2007-08 adjusted recurring base budget (fixed costs, auxiliary operations, revenue units, and the Kentucky Center for Mathematics were removed from the base). Once the state budget was approved and the actual funding gap was determined, each Vice President reinvested funds which became available within their area based on strategic linkages to the university's strategic agenda, the university's business plan, and unit alignment plans. These reinvestment decisions were the result of a collaborative process which included final approval by the President.

➤ **Academic Affairs - \$5,529,043**

The Academic Affairs net reduction from the budget cut process totals \$3,085,447 while an additional \$2,443,596 in budgeted expenditures were cut and reallocated to higher priority areas. These cuts include integrating the following functions into existing organizational units:

- Institute for Public Leadership and Public Affairs
- Office of University-School Partnerships
- Office of Economic Initiatives
- Professional and Organizational Development Center
- Information Technology Learning Systems Unit
- Office of AP for Student Success

In addition, the following revenue sharing agreements were re-negotiated to provide an overall reduction in the projected revenue share for Academic Affairs.

- Program for Adult Centered Education and Online Courses
- Summer School
- College of Law



Budget Highlights

- Theatre Productions

The remaining reductions were taken from the following areas:

- Metropolitan Education and Training Services Center
- Center for Integrated Natural Science and Mathematics
- University / Community Partnership Grants
- Information Technology
- Faculty Lines (reallocated to faculty lines)

➤ **Administration and Finance - \$810,866**

The Administration and Finance net reduction from the budget cut process totals \$810,866. This rescission includes savings from closing the Covington Campus. The remaining cuts were mostly taken from the following areas:

- Office of the Vice President
- Business Operations
- Facilities Management
- Human Resources
- Comptroller

➤ **General Administration - \$56,806**

An overall net reduction from the budget cut process of \$56,806 was achieved through reductions in budgets for the Office of the President, Government and Community Relations, and Legal Services.

➤ **Planning, Policy, and Budget - \$51,926**

The Planning, Policy, and Budget net reduction from the budget cut process totals \$41,201 while an additional \$12,525 was cut and reallocated to higher priority areas. Cuts were taken in the following areas:

- Office of the Vice President



Budget Highlights

- Budget Office
 - Office of Institutional Research
- **Student Affairs - \$581,342**
The Student Affairs net reduction from the budget cut process totals \$266,875 while an additional \$277,424 was cut and reallocated towards a restructuring of student development within Student Affairs. Cuts primarily comprised reductions in the following areas:
- Student Services
 - Student Organizations
 - Intercollegiate Athletics
 - Office of the Vice President
- **University Advancement - \$243,921**
The University Advancement net reduction from the budget cut process totals \$155,921 while an additional \$88,000 was cut and reallocated to fund the Major Donor Stewardship Position. Cuts were comprised of reductions in central university support for the following areas:
- Commencement
 - WNKU
 - Development
 - Marketing

Investments in Strategic Priorities

Develop Talent - \$3,095,328

- **Callahan Hall - \$1,838,950**
The university is opening a new residence hall, Callahan Hall, this year and is providing \$1,692,104 for operations and \$146,846 for a shuttle service to serve the residence hall.



Budget Highlights

- **Increase in scholarships – \$1,171,378**
Increased funding is provided for scholarships and waivers. In addition, the university has committed to funding the Northern Difference Grant and the KCTCS Transfer Scholarship program this fiscal year regardless of the number of students who qualify.

- **Financial Aid Grant Coordinator - \$55,000**
Funding is provided for a financial aid grant coordinator to increase awareness of available financial aid programs in schools while guiding students and families through the application process.

- **Enrollment Management Operating Funds - \$30,000**
Increased operating funds are provided for recruiting new students and improving student retention.

Recruit and Retain Outstanding Faculty and Staff – \$4,257,235

- **New Faculty / Conversion of lecturer positions to tenure-track / Advisors - \$1,850,969**
Funding is provided through reallocated funds within Academic Affairs for hiring new faculty and advisors and converting existing lecturer positions to tenure-track. This funding includes \$1,622,106 in reallocations from existing budgeted faculty lines.

- **Entrepreneurship Coordinator Position - \$60,266**
Funding is provided for an entrepreneurship coordinator.

- **Compensation - \$2,250,000**
A 2% merit pool for faculty and staff is funded along with a Highland Heights Payroll Tax offset to compensate existing employees for the levying of an occupation tax by the City of Highland Heights as a result of the annexation.

- **Campus Recreation Center - \$96,000**
Additional funding is provided to the campus recreation center for programming and operations, maintenance and equipment upgrades and continued free memberships for faculty, staff and students.



Budget Highlights

Increase Student Engagement in Learning - \$1,037,429

- **Study Abroad Scholarships - \$88,000**
Funding is provided for scholarships to assist NKU students who want to study abroad.

- **Opening of new Student Union - \$447,478**
Funds are provided for operating and opening a new student union on campus.

- **Athletics - \$124,527**
Operating funds are provided to enhance the university athletic programs and to provide bridge funding for athletic event set-ups at the BOK.

- **Student Development - \$377,424**
Funds are provided for restructuring student development functions and retention efforts within the area of Student Affairs. This funding includes reallocated funds within the existing Student Affairs budget.

Ensure Academic Quality - \$213,137

- **Internationalization – \$213,137**
Funding is provided for the creation of a new organization focused on increasing the internationalization of campus and providing international experiences for students. Included in this funding is the hiring of a Dean for International Education, assistant to the dean and operating funds.

Engage in Effective Regional Stewardship - \$4,691,800

- **Bank of Kentucky Arena - \$4,691,800**
The Bank of Kentucky Arena will host name entertainment for the northern Kentucky region while providing a venue for many regional events including high school graduations, youth basketball tournaments, and other community activities. Funding of \$2.3 million is provided to complete construction in addition to \$2.39 million in funding for operations and program.



Budget Highlights

Expand NKU's Financial Base and Capital Assets- \$2,835,681

- **University Center Renovation / Reprogramming - \$903,939**
Funding is provided for renovations / reprogramming of the existing university center as a result of the opening of the new student union.

- **Campus Recreation Center Locker Replacements - \$60,000**
A loan is provided for replacement of lockers in the Campus Recreation Center to be repaid through fees for locker rentals.

- **Major Donor Stewardship Position - \$88,000**
A new position will be added to expand private fund raising efforts from major donors.

- **Post Award Grant Assistant - \$33,742**
A position is funded to assist with administration of grants and contracts. This position is funded 50% with university funds and 50% with indirect cost recovery from grants received.

- **New Student Union – \$300,000**
Funding is provided for completion of the new student union and associated start-up costs.

- **Emergency Communications - \$1,000,000**
Funding is provided for purchase of emergency communications equipment to improve campus safety and the hiring of a university Risk Manager.

- **Capital Renewal Match - \$450,000**
An investment of \$450,000 is provided as a match to capital renewal funds provided by the State. Total funding received from the state is \$665,100. The balance of the match will be provided by lapsed plant funds.



Budget Highlights

Increase Institutional Effectiveness - \$5,046,178

➤ **PRISM - \$4,620,000**

Increased funding is provided to continue with the university's implementation of SAP.

➤ **SACS - \$360,000**

Non-recurring funds are provided to assist the university with the SACS reaccreditation process. This is the final year of a three-year commitment.

➤ **New Staff Auditor Position - \$66,178**

At the request of the Board of Regents, funds are provided to add a staff auditor position to the office of Financial and Operations Audit along with increased operating expenses associated with the position.

Other Funding Priorities

➤ **University Contingency - \$550,000**

The total of the University Contingency remains the same at \$550,000 from 2007-08 levels. These funds are reserved for unanticipated expenditures during the fiscal year and authorized by the President.

➤ **Budget Contingency - \$3,600,000**

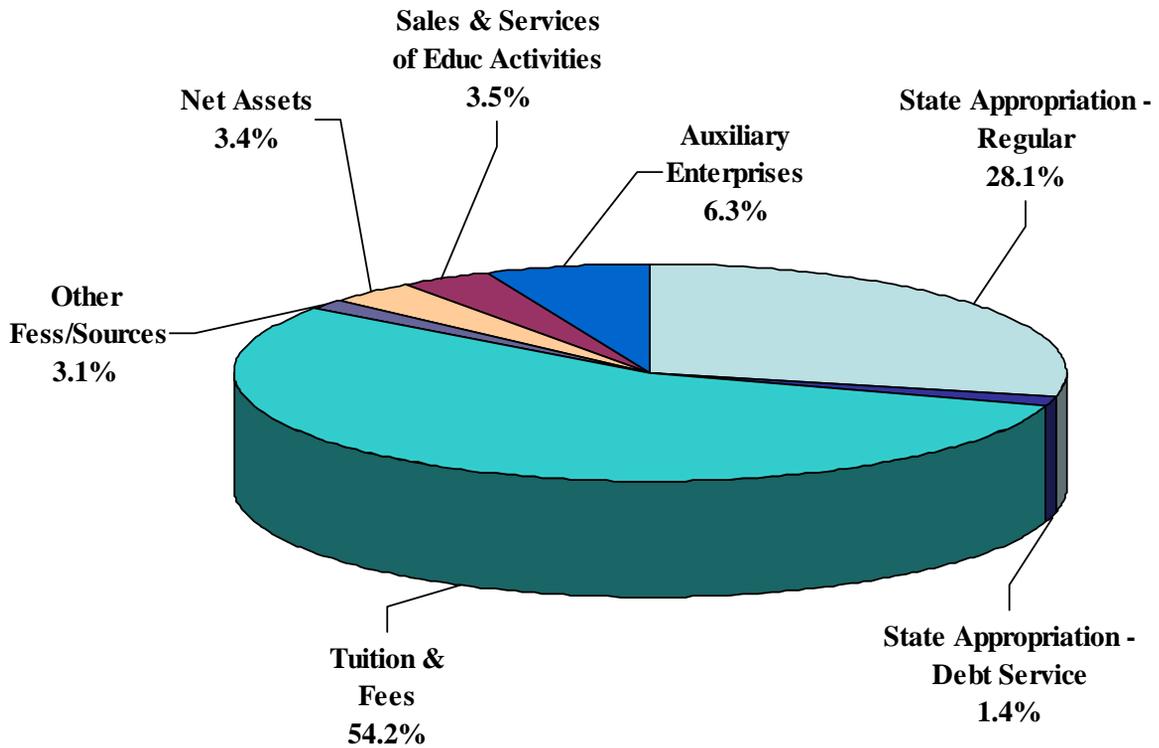
A budgeted contingency of \$3.6 million is budgeted for FY 2008-09. This is a reduction of \$600,000 from FY 2007-08. In the event that a budget reduction is required in FY 2008-09, Northern Kentucky University will be well prepared to respond without interrupting operations.

➤ **Increase in Nondiscretionary Expenditures - \$4,276,964**

Nondiscretionary expenditures include institutional fixed costs and semi-fixed costs such as debt service, insurance, maintenance contracts, utilities, bad debt and other essential university expenditures.

Unrestricted Current Fund FY 2008-09

Revenues by Source

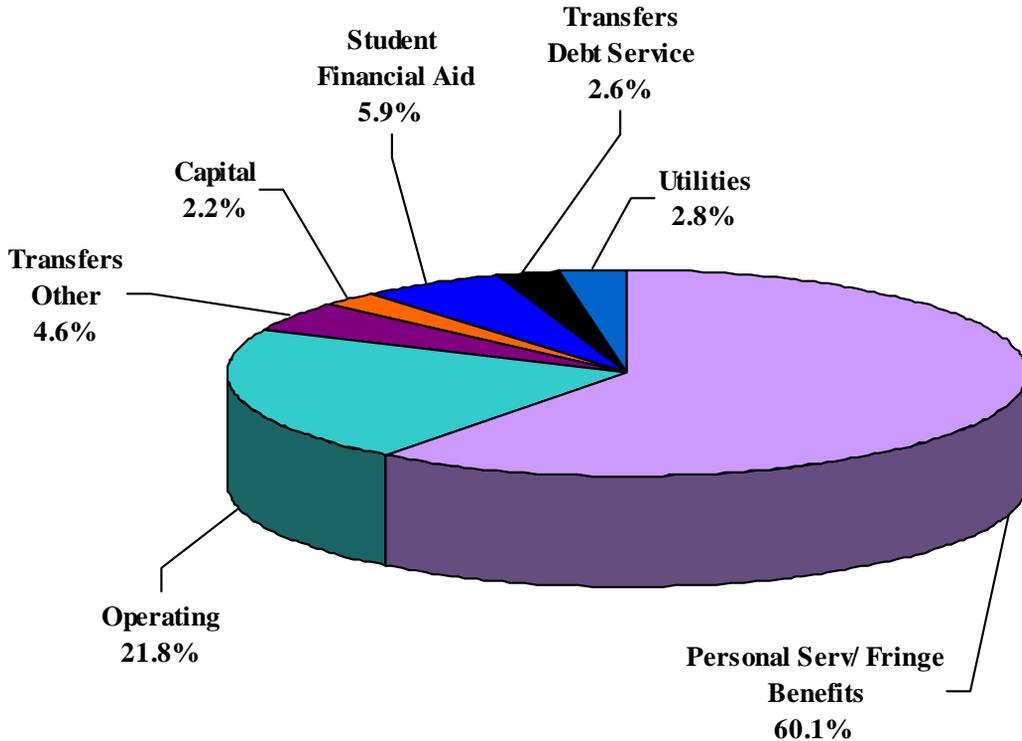


Revenues		
State Appropriation-Regular	\$	52,313,500
State Appropriation-Debt Service		2,608,500
Tuition & Fees		100,739,000
Other Fees/Other Sources		5,720,327
Sales & Services of Educational Activities		6,568,086
Sales & Services of Auxiliary Enterprises		11,750,587
Net Assets		6,300,000
TOTAL	\$	186,000,000

Unrestricted Current Fund FY 2008-09 Expenditures by Major Object



Includes Debt Service and Utilities



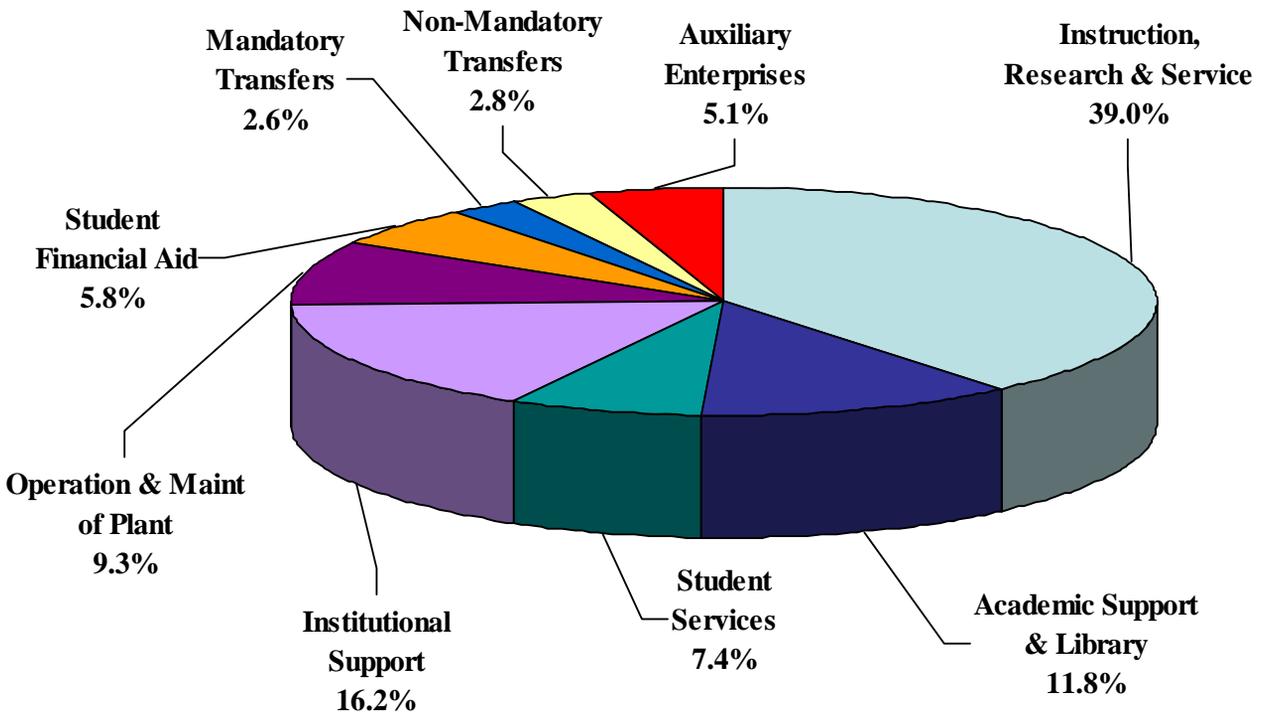
Major Object of Expenditure	
Personnel Services/Fringe Benefits	\$ 111,955,570
Capital	4,145,813
Transfers (Debt Service)	4,798,863
Operating	40,609,978
Utilities	5,123,114
Student Financial Aid	10,891,779
Transfers (Other)	8,474,883
TOTAL	\$ 186,000,000

**Note: Operating Includes \$3,600,000 in Reserves and \$550,000 in Contingency.*

Unrestricted Current Fund FY 2008-09 Expenditures by Major Function



Includes Debt Service and Utilities



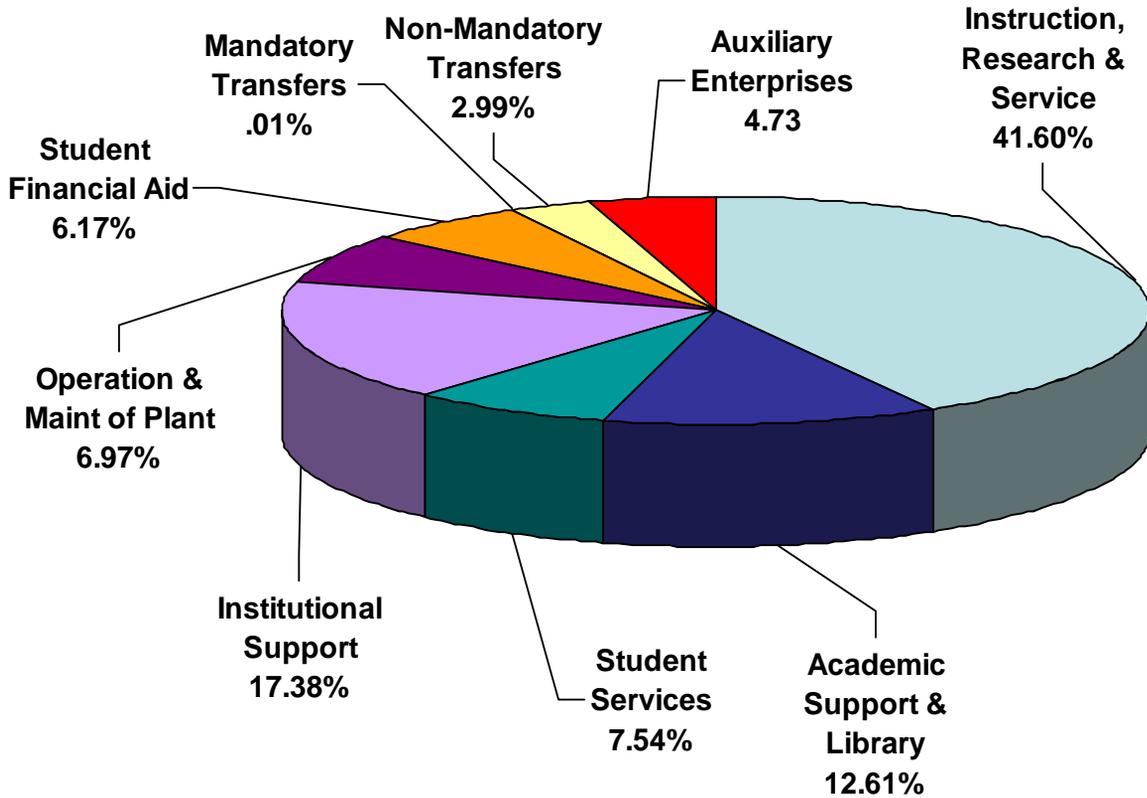
Major Function		\$	
Academic Support & Library	\$		21,932,371
Auxiliary Enterprises			9,555,671
Institutional Support			30,232,660
Instruction, Research & Service			72,478,074
Mandatory Transfers			4,760,785
Non-Mandatory Transfers			5,252,603
Operation & Maint of Plant			17,241,921
Student Financial Aid			10,723,092
Student Services			13,822,823
TOTAL	\$		186,000,000

Unrestricted Current Fund FY 2008-09

Expenditures by Major Function



Excludes Debt Service and Utilities

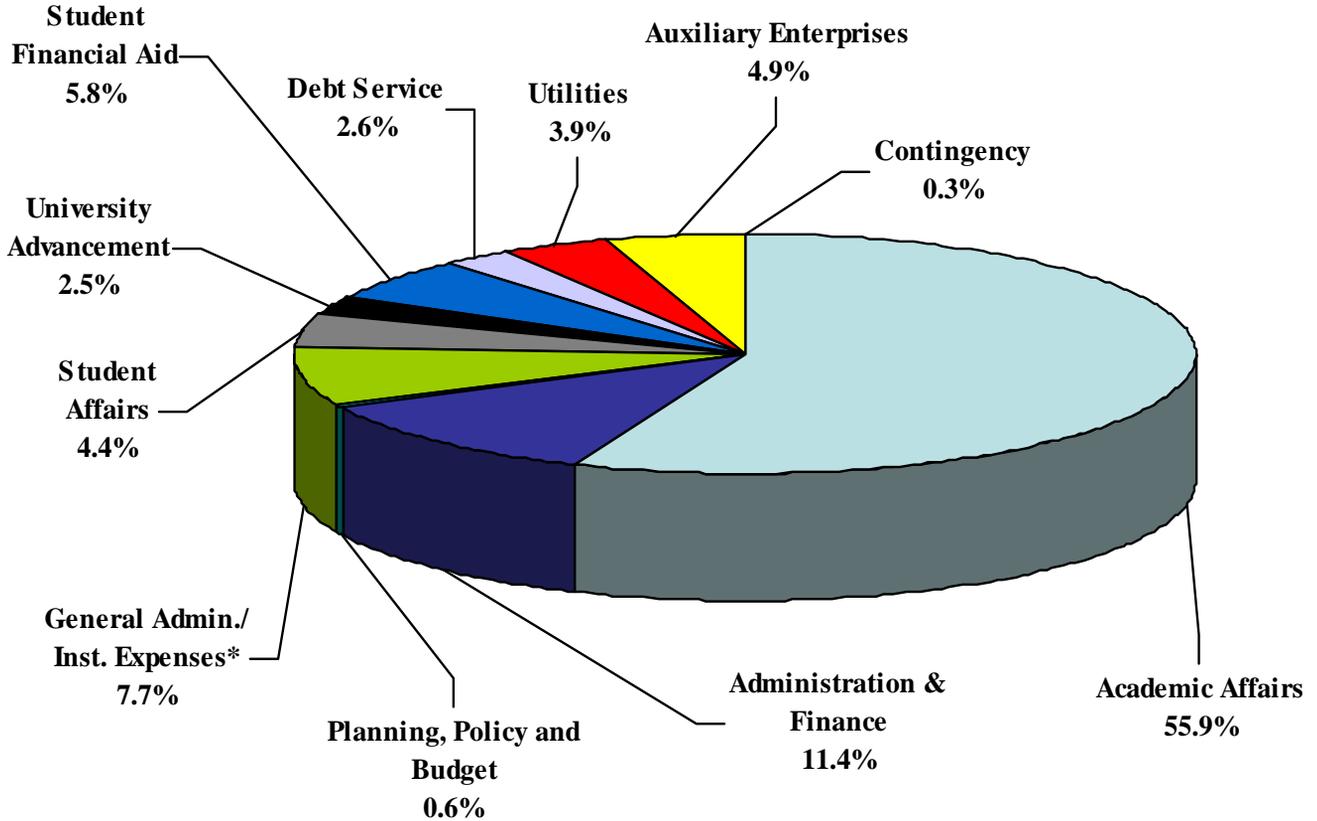


Major Function		\$	
Academic Support & Library			21,932,371
Auxiliary Enterprises			8,229,827
Institutional Support			30,232,660
Instruction, Research & Service			72,366,574
Mandatory Transfers			20,000
Non-Mandatory Transfers			5,194,525
Operation & Maint of Plant			12,118,807
Student Financial Aid			10,723,092
Student Services			13,108,269
TOTAL		\$	173,926,125

Unrestricted Current Fund FY 2008-09 Expenditures by Major Area/Selected Functions



Includes Debt Service and Utilities



Major Area	\$	
Academic Affairs	\$	104,009,869
Administration & Finance		21,177,308
Auxiliary Enterprises		9,165,668
Contingency		550,000
Debt Service		4,798,863
General Admin/General Inst		14,339,915
Planning, Policy, and Budget		1,138,826
Student Affairs		8,190,133
Student Financial Aid		10,723,092
University Advancement		4,631,314
Utilities		7,275,012
TOTAL	\$	186,000,000

*Note: General Admin./Inst. Expenses Includes \$3,600,000 in Reserves and \$550,000 in Contingency.