FY 24 Budget Overview & Discussion

June 2023

REAL AMBITION
REAL SUCCESS

NORTHERN KENTUCKY UNIVERSITY
Budgetary Process
WHAT IS THE TIMING OF THE BUDGET?

- Campus budget letter released
- Begin to develop assumptions
- Develop priorities
- Develop department revenues & expenses
- Develop Mandatories (utilities, health insurance, etc)
- Development Tuition & Fee recommendations

- Review budget priorities with budget committees
- Solicit input from campus constituents on tuition and fee recommendation
- Divisions develop recommendations
- President’s Cabinet reviews tuition, fees, and division budget recommendations
- President’s approval

- Board of Regent presentation
- Board of Regents approval

- Load/ balance budget

- Monthly, quarterly, annual reporting
Budget Process

- Multidisciplinary Finance/IT Team – several sets of eyes developing, problem solving & considerable testing of assumptions/projections
- Eliminated vestiges of RCM Budget Process – Central vs. Non-Central
  - Realigned structure to current organizational structure
- Implemented true Recurring/Non-Recurring Structure
- Significant Communication with Shared Governance Groups
  - How to engage given resource constraints?
- Transparent
- Engagement of Unit Leadership – developing assumptions, budget moves, sign offs, etc
- Automated Reporting Process with Board Format
- Movement towards “All Funds” budgeting
- Ended Carryforward Policy & Reliance – No Net Changes to Board Approved Budget
Spending Reductions (Cuts)
- Recurring: $20.3M
- One-Time: $3.6M (this amount will continue annually)

Spending Reallocations (Moves – does not include faculty lines)
- Recurring: $1.5M
- One-Time: $11.5M

Spending Avoidance
- One-Time: >$3M

Overall Adjustments implemented in FY 23: > $39.9M (15% budget)

Estimated Employment Impact for FY 24: ~125 less full-time positions
Financial Aid Realignment ~$8M
- Modify merit award programs and eliminate stacking
- Realign EDGE program
- Fully leverage federal and state aid programs
- Strategically utilize Foundation Funds

Revenue Enhancements ~$10M
- $2.6M goal for FY 24
  - Housing Occupancy
  - Recreation Center & Parking
  - Program Growth & New Programs

Expenditure Reductions ~$12M
- Staff Reductions
- Operating Expenses
- Outsourcing
- Academic Commons
- Instructional Costs
FY 23 Projections

What Changed?

- **Projected loss from operations of ~$19M vs $15.9M**
  - Loss lowered by use of non-operating funds of $5M
- **Revenues: spring tuition revenues ~$3.5M lower**
  - Incremental gifts for Fin Aid of $1M not fully recognized
- **Expenses in-line with revised budget**
- **Auxiliary losses not included in revised budget**
- **Unexpected costs:**
  - Presidential Transition Expense
  - US 27 Legal Cost
  - Financial Aid Overages
Financial

- 3% across the board tuition increase with limited exceptions
- Rate increases in Housing, Dining, Parking
  - Removed Prior Year Financial Decisions
- Continued Reinvestment/Reallocation
  - Marketing
  - Enterprise NKU
  - Enrollment Management and Transfers
  - Growth Programs
  - Asset Preservation Match
- Health Insurance increases
- No Across the Board or Merit Employee Compensation Increases
- $3.6M Salary Savings requirement remains
- State Performance Funding Increase ~$1.3M
- Enrollment Changes (generally credit hour declines)
Requested Rate Increases

• Tuition: 3%
  • UG FT On Campus Base KY Resident $152
  • $5,256 from $5,104 per semester

• Dining: 8.5%
  • Most Popular Plan: 225 Block: $2,230 from $2,055

• Housing: Varies 4.9% to 7.8% based on room type
  • Most Popular: Double with Semi-Private: $3,650 from $3,450

• Full Time Student Parking Annual Pass: 9.6%
  • $286 from $261 (FY 24 & FY 25)

• Full Time Faculty/Staff Parking Annual Pass: 6.2%
  • $429 from $404 (FY 24 & FY 25)
<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
<th>Increase $</th>
<th>Increase %</th>
</tr>
</thead>
<tbody>
<tr>
<td>23-24 Prop</td>
<td>$10,512</td>
<td>304</td>
<td>3%</td>
</tr>
<tr>
<td>2022-2023</td>
<td>$10,208</td>
<td>200</td>
<td>2%</td>
</tr>
<tr>
<td>2021-2022</td>
<td>$10,008</td>
<td>96</td>
<td>1%</td>
</tr>
<tr>
<td>2020-2021</td>
<td>$9,912</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>2019-2020</td>
<td>$9,912</td>
<td>264</td>
<td>2.7%</td>
</tr>
<tr>
<td>2018-2019</td>
<td>$9,648</td>
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<td></td>
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</tbody>
</table>
### Historical Rates

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
<th>Increase $</th>
<th>Increase %</th>
</tr>
</thead>
<tbody>
<tr>
<td>23-24* Prop</td>
<td>$286</td>
<td>25</td>
<td>9.6%</td>
</tr>
<tr>
<td>2022-2023</td>
<td>$261</td>
<td>5</td>
<td>2%</td>
</tr>
<tr>
<td>2021-2022</td>
<td>$256</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>2020-2021</td>
<td>$256</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>2019-2020</td>
<td>$256</td>
<td>6</td>
<td>2.4%</td>
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<tr>
<td>2018-2019</td>
<td>$250</td>
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</table>
### Historical Rates

#### Ultimate Plus Meal Plan Per Semester

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
<th>Increase $</th>
<th>Increase %</th>
</tr>
</thead>
<tbody>
<tr>
<td>23-24* Prop</td>
<td>$2,479</td>
<td>194</td>
<td>8.5%</td>
</tr>
<tr>
<td>2022-2023</td>
<td>$2,285</td>
<td>75</td>
<td>3.4%</td>
</tr>
<tr>
<td>2021-2022</td>
<td>$2,210</td>
<td>60</td>
<td>2.8%</td>
</tr>
<tr>
<td>2020-2021</td>
<td>$2,150</td>
<td>115</td>
<td>5.7%</td>
</tr>
<tr>
<td>2019-2020</td>
<td>$2,035</td>
<td>60</td>
<td>3%</td>
</tr>
<tr>
<td>2018-2019</td>
<td>$1,975</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Rates based on an estimated 8.3% national food inflation factor
### NKU Historical Rates

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
<th>Increase $</th>
<th>Increase %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018-2019</td>
<td>$3,000</td>
<td></td>
<td></td>
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<tr>
<td>2019-2020</td>
<td>$3,150</td>
<td>150</td>
<td>5.0%</td>
</tr>
<tr>
<td>2020-2021</td>
<td>$3,325</td>
<td>175</td>
<td>5.6%</td>
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<tr>
<td>2021-2022</td>
<td>$3,350</td>
<td>25</td>
<td>0.75%</td>
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<tr>
<td>2022-2023</td>
<td>$3,450</td>
<td>100</td>
<td>3.0%</td>
</tr>
<tr>
<td>23-24* Prop</td>
<td>$3,650</td>
<td>200</td>
<td>5.8%</td>
</tr>
</tbody>
</table>

NKU Rates will remain amongst the lowest in the Commonwealth and Region.
FY 24 Proj Revenues
$264.5M

- Tuition and Fees
- State Appropriation
- Auxiliary
- Other
- Sales and Services

FY 23 Proj
FY 24 Budget
FY 24 Budget No Tuition Increase
FY 24 Proj Expenses

$280.6M
### FY 24 Proposed Budget

**Revenue/Sources**

<table>
<thead>
<tr>
<th>Source</th>
<th>FY 23 Projected</th>
<th>FY 24 Proposed</th>
<th>Increase/Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuition/Fees (Gross) - Resident</td>
<td>$69.1</td>
<td>$67.3</td>
<td>($1.8)</td>
</tr>
<tr>
<td>Tuition/Fees (Gross) - Non Resident</td>
<td>54.3</td>
<td>55.4</td>
<td>1.1</td>
</tr>
<tr>
<td>Accelerated Online (Gross)</td>
<td>41.5</td>
<td>42.2</td>
<td>0.7</td>
</tr>
<tr>
<td>State Appropriation</td>
<td>63.6</td>
<td>64.9</td>
<td>1.3</td>
</tr>
<tr>
<td>Sales/Services</td>
<td>3.7</td>
<td>4.6</td>
<td>0.9</td>
</tr>
<tr>
<td>Other Revenue (e.g., Invest Income, rentals)</td>
<td>12.6</td>
<td>14.3</td>
<td>1.7</td>
</tr>
<tr>
<td>Auxiliary Revenue</td>
<td>13.0</td>
<td>15.8</td>
<td>2.8</td>
</tr>
<tr>
<td><strong>Total Revenue/Sources</strong></td>
<td><strong>$258.0</strong></td>
<td><strong>$264.5</strong></td>
<td><strong>$6.5</strong></td>
</tr>
</tbody>
</table>

**Expenditures/Uses**

<table>
<thead>
<tr>
<th>Category</th>
<th>FY 23 Projected</th>
<th>FY 24 Proposed</th>
<th>Increase/Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary and Wages</td>
<td>$118.4</td>
<td>$109.0</td>
<td>($9.4)</td>
</tr>
<tr>
<td>Fringe Benefits</td>
<td>35.0</td>
<td>37.1</td>
<td>2.1</td>
</tr>
<tr>
<td>Contract Services</td>
<td>26.4</td>
<td>26.0</td>
<td>(0.4)</td>
</tr>
<tr>
<td>Operating</td>
<td>26.1</td>
<td>34.2</td>
<td>8.1</td>
</tr>
<tr>
<td>Utilities</td>
<td>6.7</td>
<td>7.4</td>
<td>0.7</td>
</tr>
<tr>
<td>Capital</td>
<td>2.3</td>
<td>2.4</td>
<td>0.1</td>
</tr>
<tr>
<td>Student Financial Aid</td>
<td>43.6</td>
<td>42.7</td>
<td>(0.9)</td>
</tr>
<tr>
<td>Transfers (e.g., Debt Service)</td>
<td>18.5</td>
<td>21.8</td>
<td>3.3</td>
</tr>
<tr>
<td><strong>Total Expenditures/Uses</strong></td>
<td><strong>$277.0</strong></td>
<td><strong>$280.6</strong></td>
<td><strong>$3.6</strong></td>
</tr>
</tbody>
</table>

**Revenue/Expense Difference**

<table>
<thead>
<tr>
<th>FY 23 Projected</th>
<th>FY 24 Proposed</th>
<th>Increase/Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>($19.0)</td>
<td>($16.1)</td>
<td>$2.9</td>
</tr>
</tbody>
</table>

**Planned Use of Reserves**

<table>
<thead>
<tr>
<th>FY 23 Projected</th>
<th>FY 24 Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td>$19.0</td>
<td>$16.1</td>
</tr>
</tbody>
</table>
Non-Recurring Expenditures

- Student Financial Aid Transition ~$8.2M
- FVSP December Salaries & Benefits ~$850k
- ERP Project/HANA $600k

Investment Through One-Time Non-Operating Funds:
- Separation Incentives and Transition Costs ~$2.3M
- Asset Preservation Match ~$2.3M
- Additional Marketing $600k (pending final plan)
What Changed?

- Utility Increases ~$750k
- FY 23 Financial Aid estimates higher in spring than projected
- Delay in changes in Governors Scholarship changes ~$500k
- Health Insurance Increases
- Revenue declining at increasing pace commensurate with national trends at regional institutions
  - On-campus undergraduate
  - Law
Reallocations for Investment in Strategic Priorities

- $3.82 million in FT faculty positions reallocated in FY23, FY24 (to date)
- Invested in Faculty Hires in Growth Areas:
  - MAcc, Construction Management, Supply Chain, Computer Science, Nursing, Occupational Therapy
- Made Hires in Student Success/Areas of Critical Need:
  - CINSAM, SOTA, Ed Leadership, Bar Prep, Field Placement, Legal Writing, Steely Department Heads, Gen Ed & Assessment, Financial Aid, Adult & Transfer Center
- Invested in Part Time Faculty:
  - $1.55 million to CHHS
- Supported New Program:
  - Online cybersecurity

Will be opportunistic and continue this reinvestment strategy as opportunities arise
What does all of this mean?

• **Projected loss from operations of $16.1M**
  - $9.6M Recurring
  - $6.5M Non-Recurring (Net)

• **Will require use of reserves of $16.1M to fund operations**
Future Needs

Not Included in FY 24

- Enterprise Resource Planning (EPR) System ($20-$40M)
- Deferred Maintenance Outside of Asset Preservation
- Onboarding Expenses for New President
- Possible Increased Insurance Needs
- Additional Housing Debt Service (FY 25 ~$450k annually)
• Enrollment Levels & Mix
• State Performance Funding
• Deferred Maintenance
• Use of one-time Foundation Funds to support core expenses
• Continued Pressure on Salaries/Benefits
Improvement Plan

FY 25 (Year 3)

Original Targets

• Planned Expenditure Reductions ~$1.8M
• Targeted Revenue Growth ~$6.5M
  • State Funding for YSA $2.5M
  • Housing $200k+
  • Academic Programs $2.2M
    • MSN*
    • Law*
    • New Online
  • Retention Improvement $700k
  • Other Sources (leases, program revenues, etc) $900k

• Scholarship Fundraising ~$3M (one time)
Expenses

- Instructional Cost Reductions Year 2: $1.8M (Targeted)
- Additional Recurring Expenditure Reductions: $5M (New)

Revenue

- Young Scholar’s Academy Revenues: $2.5M (Targeted)

Total Improvements: >$9.3M

Reinforcing culture of:

- continuous evaluation of ongoing costs,
- focus on enrollment opportunities,
- seeking new programs (including online),
- Seeking alternative revenue sources, and
- incremental fundraising
Questions?