

Budget Update

**for
Staff Congress**

February 9, 2017



OUTLINE

- FY17 (2016-17) budget status
- FY18 (2017-18) budget planning
- Assumptions for FY18 budget
- State performance funding update
- Status of ideas from last year
- Your input

FY17 Budget Status

- Enrollment & tuition
- Expected results





Efforts to improve enrollment and retention continue.

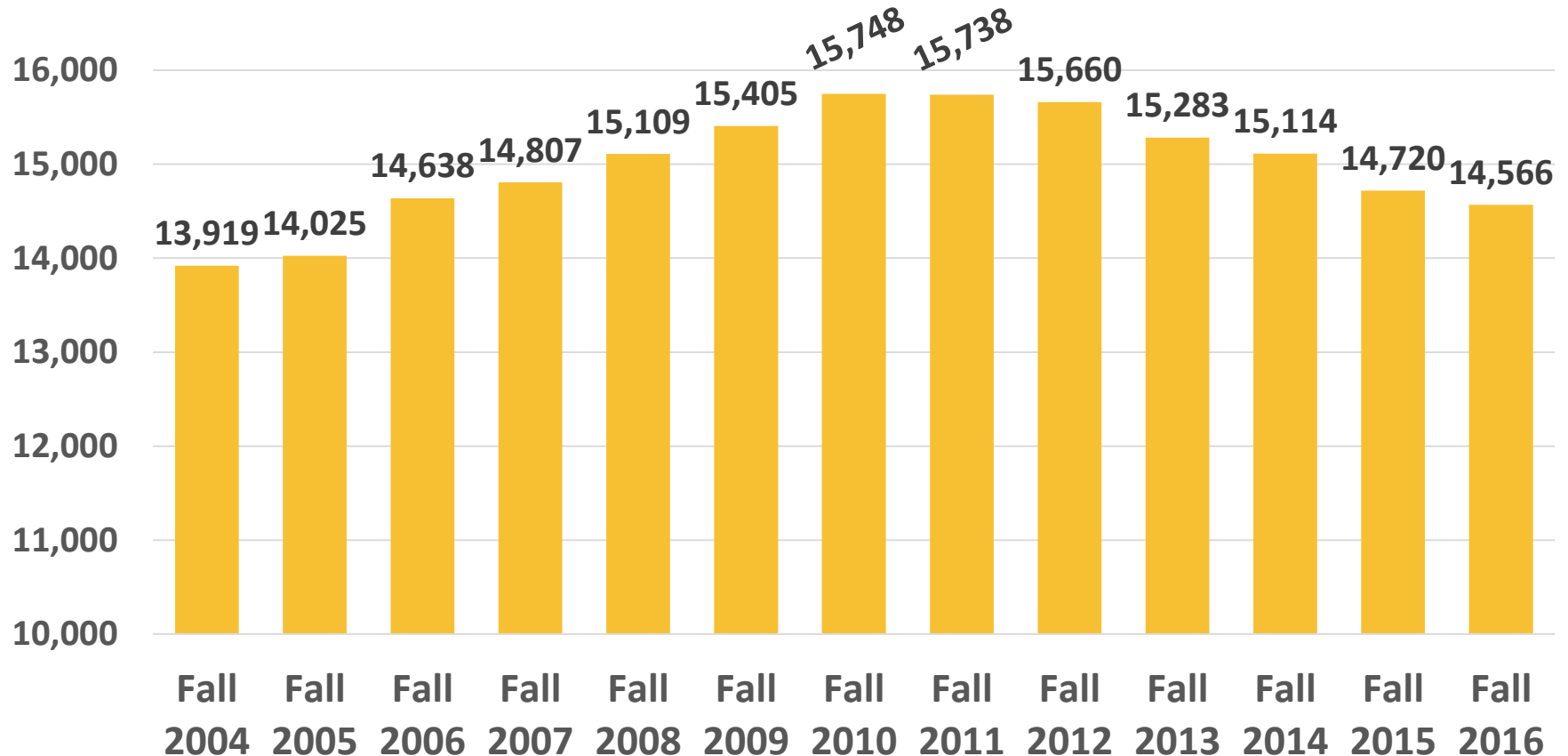
Modest progress has been made in some areas:

- Graduate students
- Transfers
- First to second year retention



But enrollment and retention challenges remain ...

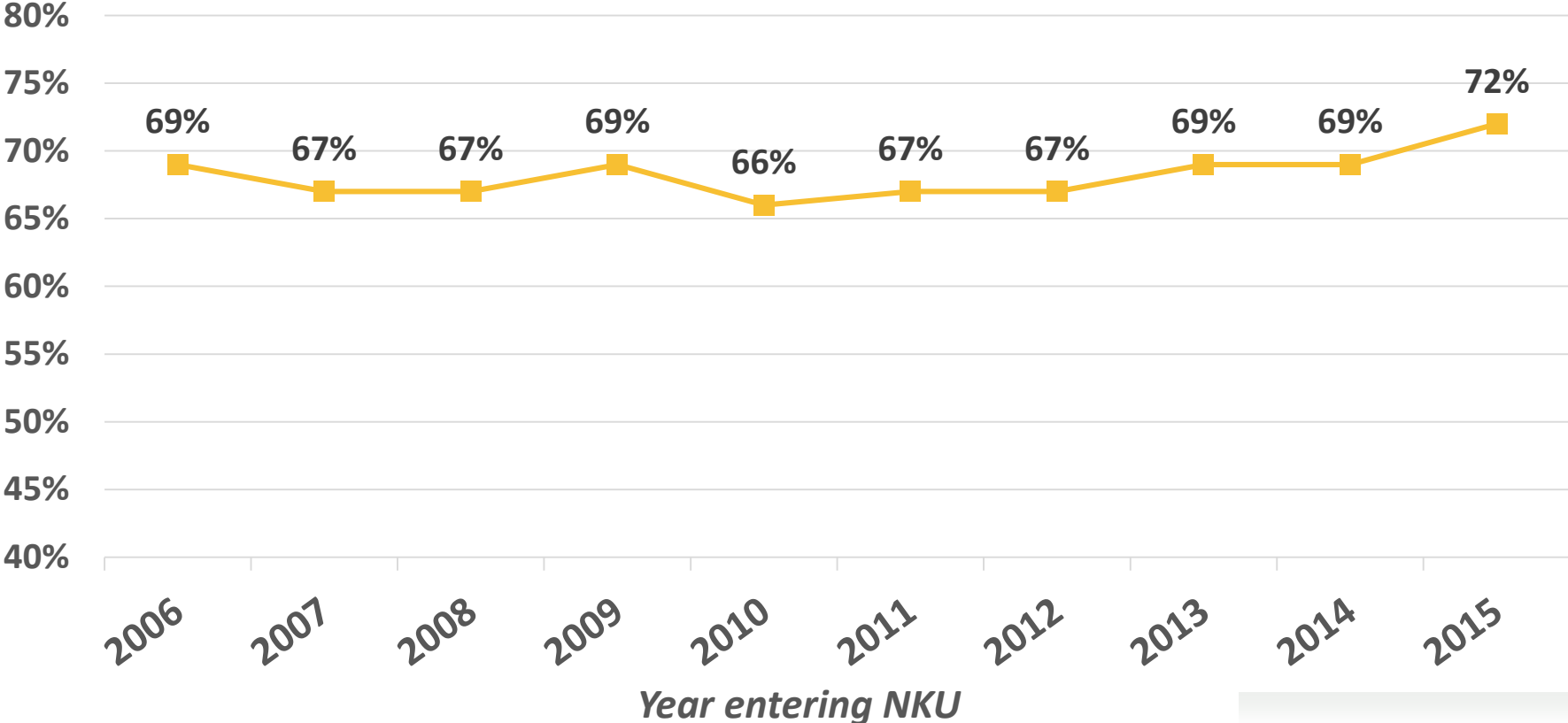
Total NKU Enrollment





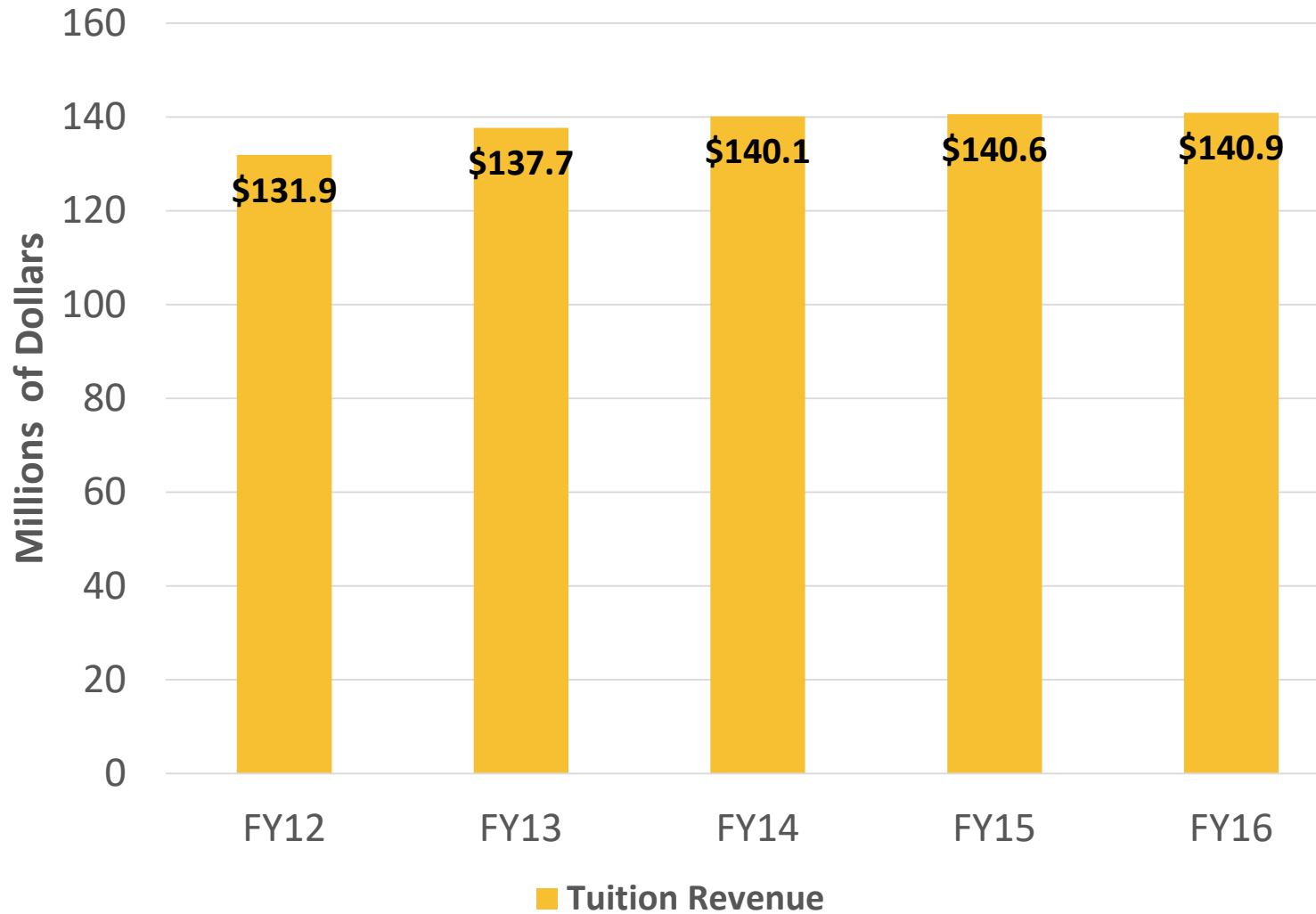
Efforts to improve retention must continue.

**Undergraduate Retention to 2nd Fall
(first-time, full-time, bachelor-seeking)**





Gross tuition revenues are stable due to rate increases.





A net tuition shortfall is projected for FY17.

Budgeted net tuition	\$118.6
Projected net tuition	<u>\$116.9</u>
Surplus (deficit)	<u><u>(\$1.7)</u></u>

Dollar amounts in millions

FY18 Budget Planning

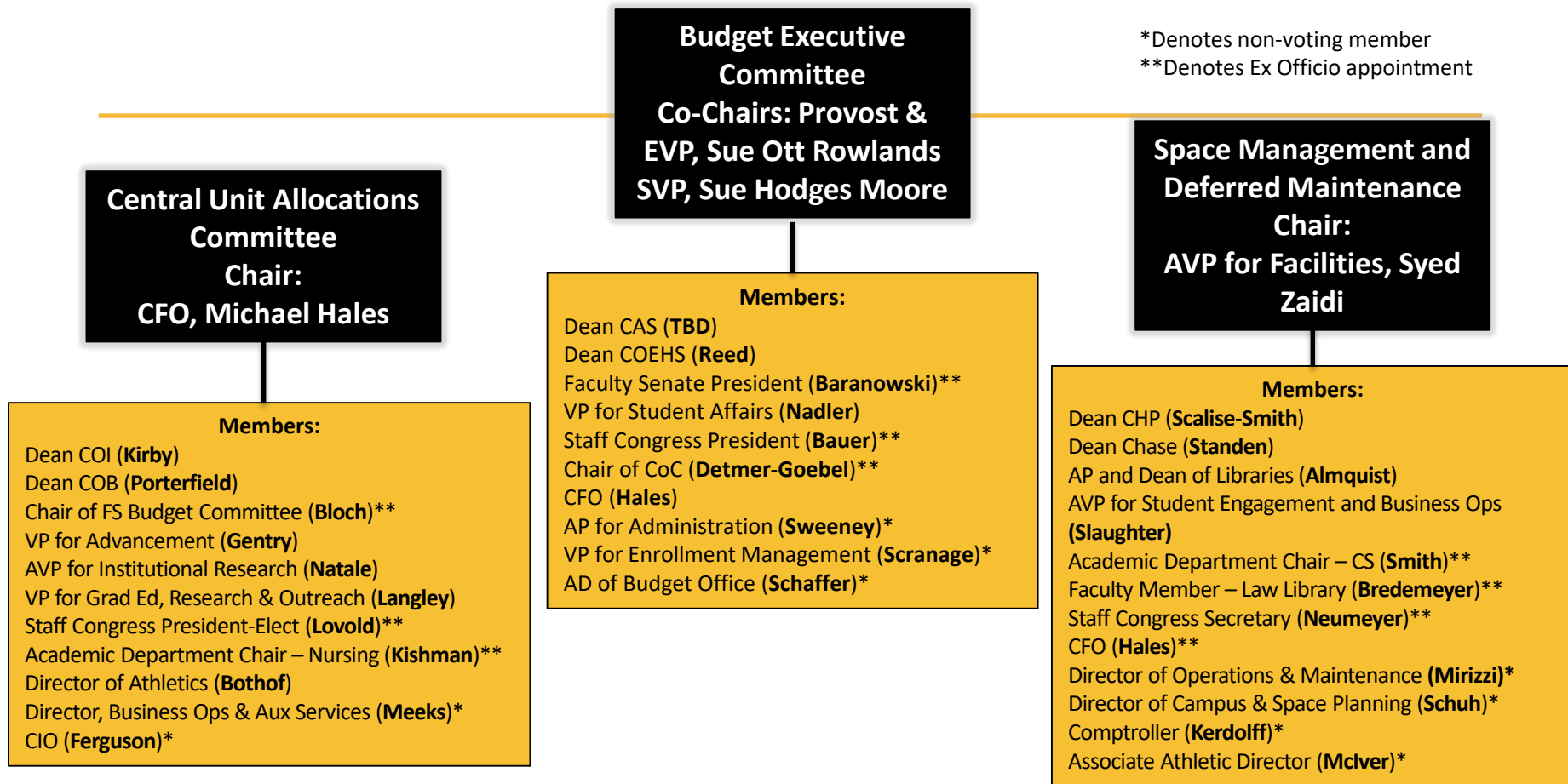
- New budget model implementation
- Budget governance committees
- Administrative unit budget proposals
- College budget proposals



Use of the new incentive-based budget model begins July 1, 2017.

- Moving from a centralized to decentralized process means more involvement and shared responsibility throughout the university.
- Revenues and expenses will be allocated to the colleges.
- Ongoing education and updates will be provided.
- Budget policies will continue to be refined as needed.
- College budget committees are meeting.
- Three new budget governance committees have been working since Fall 2015.

Budget Governance Committees

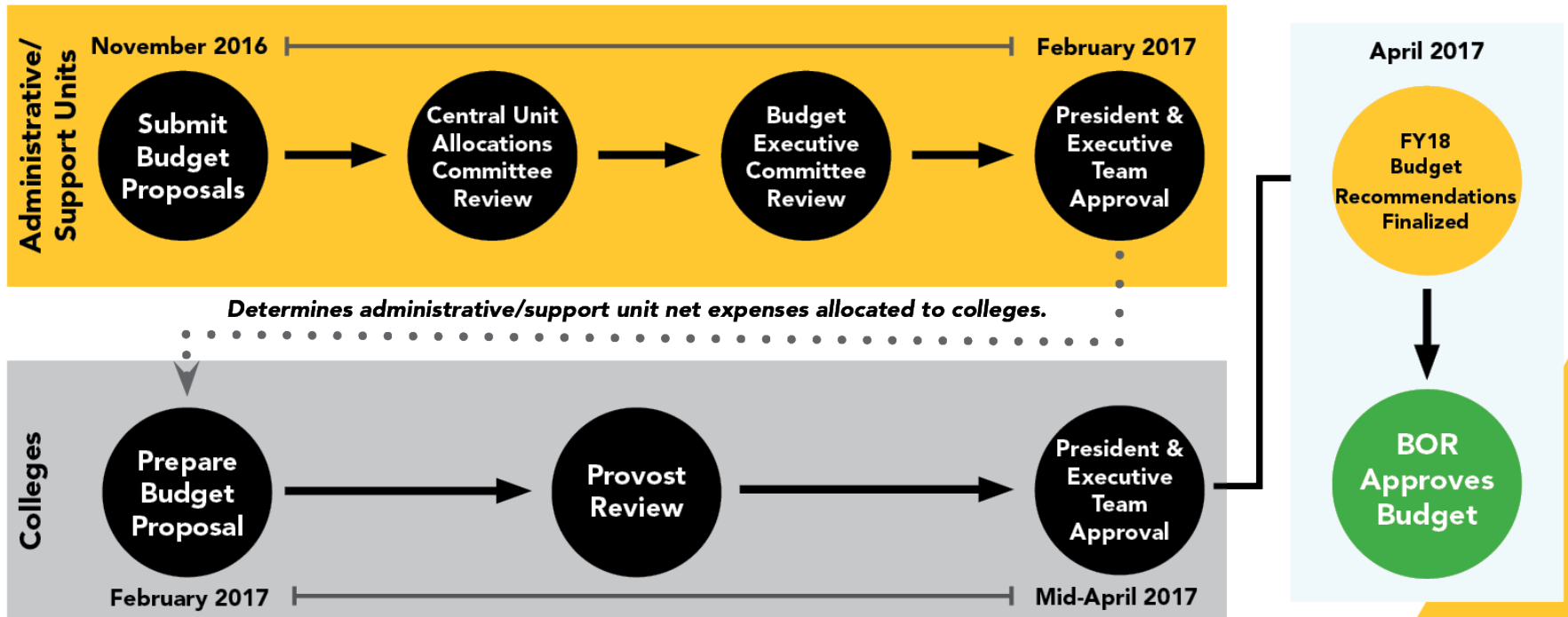


*Denotes non-voting member
 **Denotes Ex Officio appointment

Except for ex officio members, appointments are made for two-year periods to achieve broad and diverse representation over time.



Budget Development Process

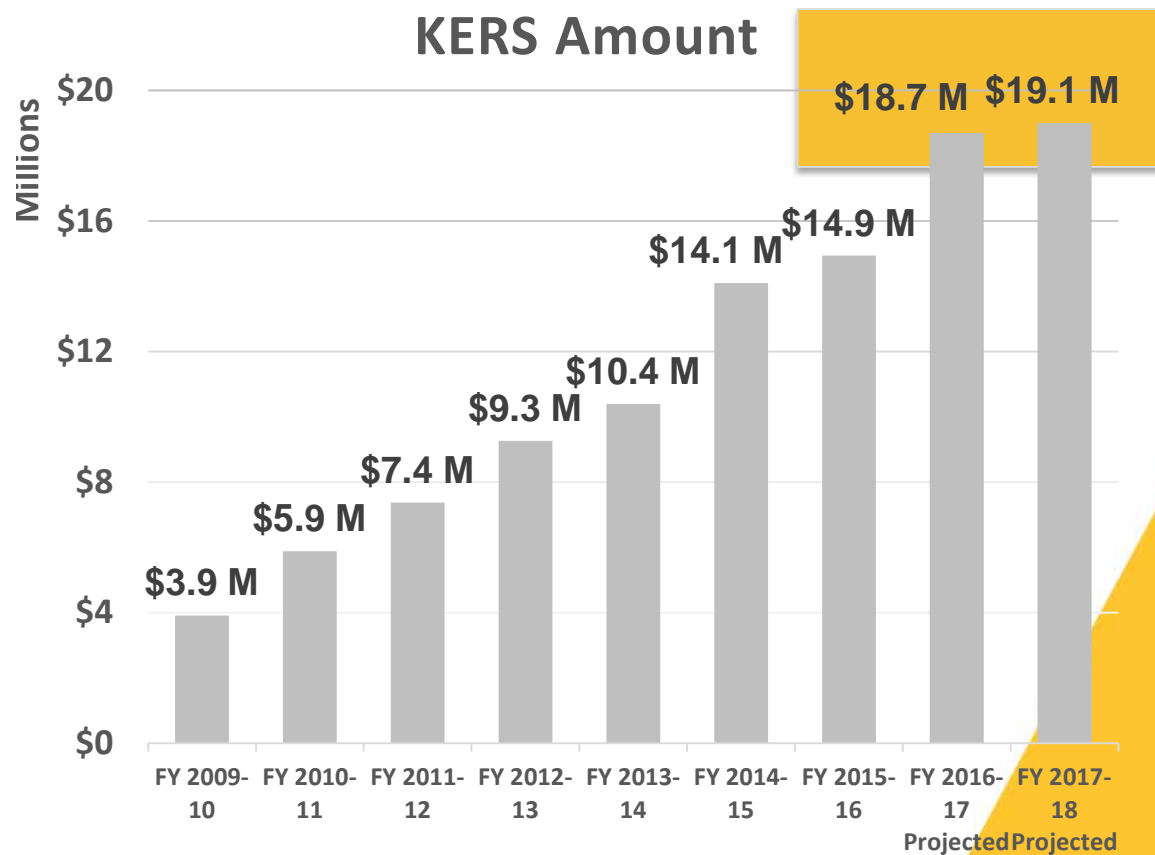


Assumptions for FY 18 Budget

- State appropriation increase of \$5.1 million
- Enrollment declines of 2% to 3%
- Tuition increase of 2% to 5%
- Scholarship increases
- Fixed cost increases

Kentucky Employee Retirement System (KERS) remains high.

KERS Rates	
FY 10	11.61%
FY 11	16.98%
FY 12	19.82%
FY 13	23.61%
FY 14	26.79%
FY 15	38.77%
FY 16	38.77%
FY 17	48.59%
FY 18	49.47%



FY17 and FY18 are projected from Governor's Proposed Budget

Sample FY18 Budget Scenario: Source of Funds

Tuition	2% incr.	4% incr.
Tuition rate increase (assuming 2% & 4%)	\$2.5	\$4.9
Continuing tuition shortfalls (FY17-18)	<u>(3.2)</u>	<u>(3.2)</u>
Net Tuition (assuming 2.5% enrollment decline)	(\$.7)	\$1.7
Scholarships		
Scholarship increases (FY17-18)	<u>(\$2.5)</u>	<u>(\$2.5)</u>
Net Scholarships	(\$2.5)	(\$2.5)
Net Tuition Revenue		
	(\$3.2)	(\$.8)

Dollar amounts in millions



FY18 Budget Scenario: Source of Funds

State Appropriation	
Equity funding in FY18	\$5.1
Increase in Net State Appropriation	\$5.1

Dollar amounts in millions



FY18 Budget Scenario: Use of Funds

Use of Funds	
KERS rate increase	(\$.4)
Fixed costs increase	(.4)
Net Use of Funds	(\$.8)

Dollar amounts in millions





FY18 Budget Scenario Surplus (Deficit)

Source of Funds	2% incr.	4% incr.
Tuition (less scholarship increases)	(\$3.2)	(\$.8)
State appropriation	<u>5.1</u>	<u>5.1</u>
Net Source of Funds	\$1.9	\$4.3
Use of Funds		
Net Use of Funds	(.8)	(.8)
Net Surplus (Deficit)		
	\$1.1	\$3.5

Dollar amounts in millions

Additional funding priorities

Possible compensation increase	\$ 3,300,000
Administrative/support unit requests	<u>7,430,500</u>
Additional funding needed <i>(not including colleges' requests)</i>	<u>\$10,730,500</u>

Decisions/trade-offs must be made.



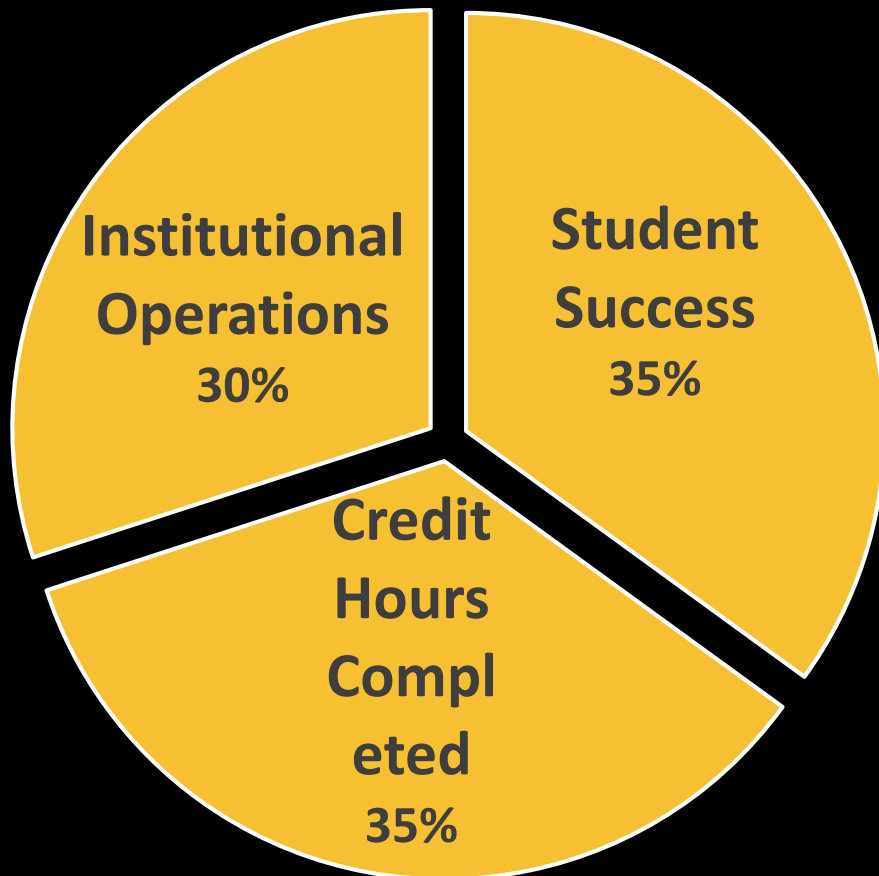
Summary of Administrative/ Support Unit requests

Administrative Units	\$ 192,000
IT (computer replacement, Smart classrooms, & HIC support)	2,889,000
Facilities (def. maint., repairs, & HIC support)	3,289,000
Academic Services (includes sabbaticals)	671,000
Sponsored Activity	0
Libraries	0
Student Services	389,500
Athletics	0
Advancement	0
Total Administrative/Support Units'	<u>\$7,430,500</u>
Requests for New Recurring Funding	

State Performance Funding Update

- Components of the model
- Time frame for phase-in
- NKU's funding disparity

The model incentivizes performance in a several areas.



- Degree completion and cohort completion scores awarded
- Distribution of each institutional STEM share of sector total student credit hours earned minority students
 - Weighted to account for cost differences by course level and discipline
 - Degrees per 100 FTE students
- Student progression at 30, 60, and 90 credit hours

The model would be phased in over several years.*

- Applies to 5% of base funding in 2018 and 100% thereafter
- Recommended phase-in:

2017-18	2018-19	2019-20	2020-21
<ul style="list-style-type: none">• 5% of general fund appropriation (\$42.9 million)	<ul style="list-style-type: none">• 100% of general fund appropriation• Hold harmless provision preventing a reduction in an institution's funding amount	<ul style="list-style-type: none">• Stop loss provision limiting the reduction in funding to 1% of the institution's base funding	<ul style="list-style-type: none">• Stop loss provision limiting the reduction in funding to 2% of the institution's base funding



**** As written in the KY General Assembly draft bill***



NKU needs additional equity funding to fix the disparity.

Proposed model confirms once again that NKU is substantially underfunded compared to universities

Workgroup report acknowledges this disparity should be remedied by providing additional funding to NKU to have a common, equitable starting point

Status of Ideas Shared Last Year



*ignite
your
Spark*



Several suggestions have been acted upon.

- Eliminated funded vacant positions
- Reduced administrative positions
- Announced planned restructuring of advancement functions
- Planned sale of WNKU
- Reduced use of search firms, e.g., CAS Dean search
- Reduced spending for food on meetings and events
- Hire staff/admin. under TIAA when possible
- Offered opportunity for reduced work week/salary to A&S staff in Fall 2016
- Reduced paper communications

Other suggestions are in process.

- Developing plan for addressing equity/compression/inversion increases for faculty and staff
- Developing stronger strategies for summer/winter sessions, including expanding lifelong learning
- Involving faculty in identifying underlying causes of student retention issues
- Hiring student workers when possible; utilizing graduate assistants more effectively
- Spending less on employee events, e.g., faculty/staff picnic held off-campus, Summer 2016
- Examining employee tuition benefit

Questions? Suggestions?

Your ideas for...

Increasing revenues

Reducing expenses

Things to stop doing

We always welcome your input. Please send any questions or suggestions you have to Mike Hales at halesm1@nku.edu.

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