

Eastern Kentucky University Impact of Budget Cuts on Institutional Operations

Eastern Kentucky University has absorbed a 5.9 percent reduction in state appropriations (approximately \$4.7 Million). The initial reduction of 3% occurred at the mid-point of the 2007-08 academic year, with the remainder effective at the beginning of the 2008-09 academic year.

EKU Educational & General Budget (in millions)

	2007-08 Budget	Mid-Year Reduction	Revised 2007-08	Reduction for 2008-09	2008-09 Budget
Tuition	\$ 95.2		\$ 95.2		\$ 103.6
Appropriations	82.8	2.4	80.4	2.3	77.2**
Other	13.0		13.1		13.4
Total	\$ 191.0	\$ 2.4	\$ 188.7	\$ 2.3	\$ 194.2

**Also includes a reduction for debt service.

The following is a brief summary of the institutional impact of these cuts.

Changes in personnel, programs, and services

Eastern Kentucky University met its base reduction with the following adjustments and reductions in personnel, programs, and services:

- An overall reduction, through attrition, of approximately 50 faculty and staff positions (of approximately 1,650 full-time faculty and staff)
- A reduction of \$1,000,000 in base budget funding for deferred maintenance
- A reduction of the Institution's contingency fund by \$500,000
- A reduction of the President's New Initiative Fund by \$250,000
- A reduction of approximately \$3 Million in personnel and operating budgets

The current budget environment has resulted in the following significant changes for ECU:

Long-term Impact

- Lost stellar, mid-career faculty
- Lowered morale among University faculty and staff.
- Increased reliance on temporary one-year and part-time faculty, which impacts the quality of the faculty and ultimately student retention and graduation
- Increased the existing challenges for recruiting highly qualified faculty to the University and the Commonwealth
- Redirected the University's energy and attention toward managing a budget reduction rather than leading and improving the institution
- Modified faculty workloads, providing fewer opportunities for research and scholarship
- Reduced number of academic programs and course offerings, limiting students' schedule options and choices in fields of study and career preparation

Immediate Impact

- Hired 14 one-year faculty members whose employment will end May 2009
- Diminished the University's capacity and opportunities for providing services and academic programming at the regional campuses and extended sites
- Increased the difficulty for sponsored programs to ensure compliance with federally funded grant programs due to reduced administrative staff

Cost containment strategies

EKU implemented cost avoidance and reallocation initiatives to offset its budget reduction and subsequent tuition increase.

- The primary cost containment strategy at ECU is a continued personnel hiring freeze. Much of the institution's budget reduction, approximately \$2.5 million, has been absorbed through the regular attrition of faculty and staff. Strategic discussions are required by academic and administrative leadership, which restrict all hiring to positions considered critical to the Institution's primary mission.

- Reduction of faculty opportunities for research/scholarship and service due to the additional need for classroom instruction resulting from the hiring freeze
- Limited travel to professional meetings and conferences
- The deferred maintenance budget was reduced by \$1,000,000, from \$5,000,000 to \$4,000,000. The reduction extended into future budgets and capital replacement schedules have approximately 20% less funding than prior to the cuts. This translates into fewer roofs, air handler replacements, classroom upgrades, and renovations on a permanent basis. This funding situation exacerbates the deficiencies identified in the VFA Report commissioned by the CPE and delays the recovery of our facilities to national norms indefinitely.
- The decision to incorporate a performance contract into a deferred maintenance and capital replacement plan is affirmed by the budget cutbacks, and is one of the ways EKU is addressing efficiencies. This contract will allow EKU to pay for \$27 million in infrastructure improvements through the savings in utility costs derived from efficiencies gained through the equipment installed through the performance contract process. Our efficiency and operations will be improved without cost to our students and without diverting the support of the Commonwealth; the entire project will be paid through the reduction in utility expenses.
- New initiatives to reduce printing and mailing costs have been implemented. These initiatives include moving toward e-bills, rather than paper bills. When fully implemented this initiative will save a minimum of \$35,000 annually. The production of student refund checks have been outsourced to Higher One, eliminating the printing and postage of more than 12,000 student refund checks just this fall semester. Cost savings to date are approximately \$15,000.

Resource reallocation strategies

Eastern Kentucky University remains committed to the promotion of student success. EKU leadership recognizes the negative impact on the Commonwealth of potential enrollment reductions, diminished scholarship opportunities, and weakened financial aid, causing students to endure the harshest burdens of budget reductions. Internal reallocation strategies have allowed for an increase of \$1.5 Million in scholarship and financial aid availability for EKU students. This increase represents more than half of the total increase of the institution's operations for Fiscal Year 2009-2010.

Additionally, EKU has reallocated institutional resources in the following ways to focus on the institution's strategic goals:

- Provided a compensation adjustment to help employees cope with a rapidly increasing cost of living and to avoid morale problems
- Implemented strategic hiring practices to reallocate resources across Academic Affairs.
- Provided \$1 million in non-recurring funding for hiring temporary faculty
- Modified university policy on distribution of approximately \$3 million in indirect cost rates resulting from external contracts and grants to provide more direct support for administering programs

Productivity

Despite the current budget environment, EKU is engaged in the following initiatives designed to increase the number of students earning degrees:

- Initiated implementation of the University's plan for assigning Education Extension Agents for our 22-county service region
- Partnering with Lincoln, Madison, and Knox Counties to provide dual-credit courses for qualified high school seniors and juniors. EKU is hosting a Dual Credit Summit on October 31 with superintendents, principals, and counselors from the Service Region to explore further opportunities and interests in dual credit
- EKU academic leadership is moving to create a more "transfer-friendly" environment, having already met with academic leadership from Somerset Community College and Bluegrass Community and Technical College concerning transfer and articulation agreements.
- Implemented a strong accountability program, Digital Measures, in one academic college in 2008 with a plan to have all academic colleges on line by June 2009
- Initiated a significant restructuring of the Office of Enrollment Management to enhance student success at EKU
- Implemented a centralized copier lease program to provide similar technology and functionality to all departments and to leverage the University's spending for copying needs as well as improve efficiencies
- Implemented a summer pilot program for flexible work scheduling for University employees. A survey was conducted to assess the program's success. More than 1,500 employees responded. In addition to the overwhelming recommendation to continue the program, employees reported increased productivity and an enhanced sense of loyalty to EKU.

KCTCS Impact of Budget Cuts on Institutional Operations

KCTCS has absorbed two consecutive 3 percent budget reductions – the first in January 2008 and the second in July 2008 – in state appropriations. These reductions amounted to \$13.5 million. Following is a summary of the impact of these budget reductions on KCTCS.

Changes in personnel, programs, and services

- 240 fewer full-time and part-time faculty and staff positions since July 1, 2007 (the 2007-08 total full-time and part-time faculty and staff was 8,462)
- Limited colleges' ability to offer programs, courses, sections of courses, and services to students and businesses
- Elimination of full academic programs on one or more campuses of 10 colleges
- Enrollment capped in one or more programs at 12 colleges
- Fewer courses or fewer course sections offered by 14 colleges
- Reduction in services to students and businesses at 15 colleges

Cost containment strategies

- Gateway CTC ended operations on one of its campuses (Highland Heights) and is leasing that campus to Northern Kentucky University
- Jefferson CTC capped enrollment on its Downtown Campus and assisted (to the extent possible) students in enrolling in courses on the college's other campuses
- Somerset CC discontinued class offerings at Wayne County High School when that school board indicated that it needed to begin charging for use of that space
- Owensboro CTC is no longer operating its libraries on weekends

Resource reallocation strategies

- KCTCS Board of Regents has approved an aggressive plan, the *Plan for a Competitive Commonwealth*, to address HB 1 2020 mandates for KCTCS
- 2008-09 funding levels severely limit KCTCS' ability to address *Plan* expectations.
- The 2008-09 budget approved by the KCTCS Board of Regents allows KCTCS to move forward on *Plan* commitments, although not as fast as originally intended

Productivity

- Minimum number of students required for a class to be offered has increased at 15 colleges; this means that some class sections that have been offered in the past are not being offered in 2008-09
- Cap on the number of students enrolled in classes has increased at 9 colleges to mitigate impact of loss of faculty

Kentucky State University

Impact of Budget Cuts on Institutional Operations

As a result of budget reductions, Kentucky State University (KSU) has absorbed a \$2.2 million reduction in state FY2008 enacted appropriation. In addition to the \$1.48 million reduction in the enacted general fund appropriations in FY2009 over FY2008, KSU's FY2008 appropriation was reduced \$823,200 by Executive Order in January 2008 during FY2008. Strategies implemented during the last six months of FY2008 included restrictions and delays placed on hiring, travel, technology upgrades, enrollment management activities, and funds available to supplement student's financial needs. Austere measures were taken while trying to emphasize and protect mission-critical programs in instruction and student support services.

Over the last two years, the university has doubled the number of adjunct faculty because of increased enrollments, budget reductions, vacancies, and retirements. The impact of quality of faculty may affect student retention and graduation when heavy reliance is placed on contingent faculty. The university has also increased the number of visiting professors to fill the void created by the increasing difficulties in being competitive in the market for quality professors. Thirteen full-time faculty positions are currently needed in STEM programs, such as Math and Science as well as in Nursing, Education and Business at a total cost of \$825,000 and an additional twelve full-time faculty are needed in other programs at a total cost of \$638,000. Delayed recruitment and placement of full-time faculty in 2008 plus recent retirements of senior faculty has created an urgent need to hire quality faculty. Recruiting highly qualified faculty has been adversely impacted due to the uncertainty regarding budget reductions. Faculty salaries must remain competitive and attractive to improve faculty recruitment.

KSU is scheduled for accreditation reaffirmation in 2009. The Quality Enhancement Plan (QEP) addresses the urgent and pervasive need for a developmental initiative. The projected total cost for the 5-year plan is \$1,938,991. It is critical that funds be provided for the QEP. The university has partly addressed funding needs by reallocating available federal dollars to assist in the implementation of the QEP.

Because of its Land Grant status, KSU's appropriation is allocated first to the federal mandate that requires 100% state match for federal appropriations. As federal appropriations increase, KSU's general fund appropriations are adjusted downward to offset any increase in federal appropriations. As a result, fewer state appropriated dollars are available to conduct the university's primary mission of educating Kentucky students. The following table summarizes the appropriations to KSU and its federal match mandate since 2005.

	Actual General Fund Appropriations	Federal Required Match included in Appropriation	Appropriation Available for University Mission	Change
FY2009-2010	\$26,271,200	\$5,635,400	\$20,635,800	\$198,200
FY2008-2009	\$26,017,200	\$5,579,600	\$20,437,600	(\$1,479,700)
FY2007-2008 (enacted \$27,441,700 was reduced by \$823,300 per Executive Order)	\$27,441,700	\$5,524,400	\$21,917,300	\$757,900
FY2006-2007	\$26,608,500	\$5,449,100	\$21,159,400	\$1,348,700
FY2005-2006	\$24,374,800	\$4,564,100	\$19,810,700	\$663,127
FY2004-2005	\$23,136,000	\$3,988,427	\$19,147,573	

Note: General Fund Appropriation excludes debt

Note: Federal match required 70%, 80% and 100% match with USDA appropriations in FY2005, FY2006, and FY2007 respectively.

Note: Estimated federal match includes 1% inflation adjustment for FY09 and FY10

Since 2006, revenue generated from student tuition and fees, federal and auxiliary sources have contributed an increasingly greater percentage to total university revenues compared to the percentage change in state appropriations.

	Actual Revenue by Source (000)			
	2004-2005	2005-2006	2006-2007	2007-2008
State Appropriation	\$ 25,677	\$ 25,248	\$ 27,500	\$ 27,525
Tuition and Fees	\$ 7,651	\$ 9,781	\$ 11,264	\$ 12,531
Federal	\$ 9,015	\$ 9,141	\$ 8,872	\$ 10,322
Other	\$ 4,510	\$ 4,071	\$ 5,171	\$ 4,507
Auxiliary	\$ 4,128	\$ 4,040	\$ 5,307	\$ 5,588
Total Revenue	\$ 50,981	\$ 52,281	\$ 58,114	\$ 60,473

	% Change in Revenue by Source Increase (Decrease)		
	FY06 vs. FY05	FY07 vs. FY06	FY08 vs. FY07
State Appropriation	-1.67%	8.92%	0.09%
Tuition and Fees	27.84%	15.16%	11.25%
Federal	1.40%	-2.94%	16.34%
Other	-9.73%	27.02%	-12.84%
Auxiliary	-2.13%	31.36%	5.29%
Total % Change	2.55%	11.16%	4.06%

KSU must implement a new Enterprise Resource Program due to the imminent termination of support for the current system. The current budget reductions have delayed the university's ability to take necessary actions to convert to a new system. The impact of these budget reductions over the last two years has also shifted work loads to fewer staff. KSU has experienced unplanned retirements among faculty and staff thus increased dependency on temporary staffing arrangements and inexperienced

staff for instruction and support services. The university will be challenged as it seeks qualified faculty and support staff to replace those lost through attrition.

Changes in personnel, programs, and services

Please provide a bulleted list of significant changes over the past year resulting from the current budget environment.

In FY2009, KSU's base funding was reduced by \$1.48 million. This reduction was distributed to administrative groups who made reductions in personnel, programs and services as described below:

1. Personnel costs (including benefits) were reduced in:
 - a. Instruction and Academic Support—14 FTE were eliminated and/or not filled through attrition - \$644,700
 - b. Student Services—4 FTE were eliminated and/or not filled through attrition - \$218,100
 - c. Finance and Business—7.5 FTE were eliminated and/or not filled through attrition - \$238,400
 - d. Administrative Services—7 FTE were eliminated and/or not filled through attrition - \$320,800
 - e. President's Office—3 FTE were eliminated and/or not filled through attrition - \$126,800
2. Services have been impacted significantly in each executive area as a result of budget reductions.
 - a. Instruction and Academic Support--\$148,700 was eliminated from non personnel areas. The supply budgets were reduced by \$68,200, travel by nearly \$15,000, \$47,000 in capital, and \$18,500 in other current expenses. These reductions were taken throughout the Academic Affairs areas but particularly in the College of Mathematics, Sciences, Technology and Health in order to preserve faculty positions in that area.
 - b. Student Services--\$93,300 was eliminated the majority of which was in Career Planning and Placement and Enrollment Management.
 - i. Recruiting schedules were reviewed and revised according to travel schedules and to areas considered most likely to generate enrollment success.
 - ii. Marketing objectives were revised consistent with budget availability.
 - iii. Of the amount reduced, funds made available for student workers were reduced also and travel and operating costs for Enrollment Management and Student Life accounted for \$25,000.
 - c. Finance and Business—\$30,000 was eliminated from non-personnel areas. Service delivery to students, faculty and staff has been re-engineered to capitalize on web-based technologies that permit service process redesigns to simultaneously improve cost structures and service quality. Conducting business operations will not be as efficient and timely as KSU seeks to refine

and perfect administrative processes due to reduced staffing. Critical supply and equipment acquisitions have been restricted and are expected to be curtailed in the future.

- d. Administrative Services--\$315,000 was eliminated which would otherwise have been available to make needed repairs. IT maintenance agreements were renegotiated and/or cancelled. ERP upgrades have been put on hold as the university seeks to identify funding support from federal and other sources. Building and grounds maintenance units have been restructured to accommodate the reduction in staffing. The timing and frequency of maintenance schedules have also been adjusted as a result of budget reductions.
- e. President's Office--\$71,300 was reduced which impacted athletic travel and operations and general administrative budgets.
- f. Cross-cutting Impact—planned salary increases have been funded by staff reductions/attrition and have been established at minimal amounts to be implemented as funding remains available.
- g. University contingency—reduced funds available in contingency funds

Cost containment strategies

Please provide a bulleted list of strategies used on campus to contain costs over the past year.

The following strategies have been used to contain costs as a result of state budget reductions:

- Continuing personnel hiring freeze—positions currently seeking applicants and need to be recruited and hired include 25 faculty positions, 7 campus police positions and 14 staff positions for a total of \$2.3 million, including benefits.
- Stricter enforcement of the policy regarding cancellation of low enrollment classes.
- Combination of multiple sections of the same course with low enrollment
- Analysis and changes of faculty loads and distribution of effort to make sure teaching loads are met.
- Continuing restriction on travel to meetings and conferences except mission-critical travel.
- Eliminated five (5 FTE) filled positions as a result of technology applications and outsource solutions.
- Student health insurance premium was reduced due to efficiencies and negotiations with the new vendor.
- Implemented purchase cards for small purchases—eliminated 1FTE staff.
- Implemented electronic payment processes to vendors and for employee reimbursements.

- Implemented outsource solution for printing and copy services. This solution reduced the university's reliance on external vendors for marketing materials to students, fundraising and instructional publications.
- Implemented outsource solution for student refunds to eliminate check printing, check mailing and check reconciliation.
- Implemented outsource solution for payroll processing to incorporate employee self-service, time and labor management and external technology host—saved 2 FTE during last two years.
- Delayed technology equipment upgrades for faculty and staff.
- Eliminated internal postal delivery department and implemented outsource solution—transferred to outsource contract.
- Implemented energy efficiencies and guaranteed savings contract.
- Implemented cash management process improvements with new banking relationship—restructured business processes and eliminated 2 FTE during last two years.
- Locked coal and gas contracts over longer periods of time.
- Outsourced grounds maintenance and reconfigured grounds maintenance schedule.
- Eliminated university cell-phone program and replaced with a cell-phone allowance policy for select administrative positions—saving \$25,000 per year.
- Implemented VOIP protocol for telephone services and terminated services in residential halls.

Resource reallocation strategies

Please provide a bulleted list of how or where institutional resources have been reallocated to focus on strategic goals over the past year.

State budget reductions have resulted in reallocated resources and refocused goals for FY 2009. KSU has reallocated resources to achieve goals set by its Strategic Plan and its QEP objectives as described below:

- Developmental Education for Quality Enhancement Plan--\$250,000 reallocation in FY09 from state and federal sources.
- Combined the duties of the Assistant Provost for Outreach and Continuing Education with those of the Director of Distance Education for a savings of \$125,736.
- Temporarily de-funded vacant positions in Professional Studies to provide support to stimulate growth in the MBA program and assist in the Business Program re-accreditation.
- Provided additional support for Office of Graduate Programs to stimulate growth in other graduate programs.
- Provided support for performances in the Music program.
- Funded Health insurance contracts increases of \$30,000.

- Provided additional funds to Summer Academic Bridge program in 2009 of \$133,000. The program has been restructured requiring students to bear 25% of the costs.
- Funded administrative operations from Title IV cost allowance.
- Increased resources to faculty development--\$50,000 reallocated from state sources.
- Reduced various administrative services operating budgets in FY09 by \$1.2 million.
- University certified police were reclassified to hazardous duty resulting in increased retirement contribution for \$70,000.
- Increased the allocation to student scholarships and need-based aid by 7% in proportion to increased tuition.
- Solicited funds from alumni and donors to support student payment of tuition, fees and books.
- Prorated half the cost of a 2% wage increase the distribution of which depends on budget availability.

Productivity

Please provide a bulleted list of productivity activities during the past year despite the current budget environment.

The following list describes achievement activities at KSU in the current budget environment:

- Revised, updated and issued major employee-related manuals including major review of the Faculty Handbook and particularly the Tenure and Promotion section.
- Re-instituted the new faculty orientation program to improve faculty performance and retention.
- Implemented a pilot program to evaluate the cost vs. benefit of a flexible work schedule.
- Completed major policy studies and issued plan guidance for risk assessment and business continuity.
- Articulation agreements were established for the on-line Public Administration bachelor's degree with the University Center for the Mountains and Defense Acquisition University.
- Employed Quality Matters criteria in Distance Education offerings.
- Reorganized enrollment management/financial services areas into a one-stop model.
- Degrees conferred increased by 8.6% over 2007.
- First-time freshmen increased by 2.1%.
- Established recruiting presence at Blue Grass Community and Technical College from reassignment of staff from the Registrar's Office. This staff position will not be refilled.

- Program credit hours for degree completion will be evaluated.
- Increased enrollment applications by 15%.
- Academic Summer Bridge was successfully conducted even though some students could not be accepted in the program.
- Updated university web-site.
- Successfully completed and timely submitted the SACS Compliance Certification Report.
- Expanded the number of courses offered in developmental education.

Morehead State University Impact of Budget Cuts on Institutional Operations

Summary of the direct fiscal impact that the budget cuts had on Morehead State University's operating resources is provided below with a breakdown in changes to total public funds in 2007-08 and 2008-09.

	2007-08 Opening Budget	2007-08 Revised Mid- year Budget	Percentage Change from 07-08 Opening	2008-09 Opening Budget	Percentage Change from 07-08 Opening
Tuition & Fees	\$47,860,450	\$47,860,450	0%	\$51,474,627*	7.5%
State Appropriations – Operating	\$48,802,100	\$46,756,000	-4.2%	\$45,541,500	-6.7%
Total Public Funds	\$96,662,550	\$94,675,950	-2.1%	\$97,016,127	0.3%

*Tuition and Fee Revenue is net of increases allocated to student financial aid for 2008-09

Primary impact of the 2007-08 and 2008-09 budget cuts on the operations at Morehead State University has been the need to reduce the employee workforce that serve our students and faculty by 3 percent. Fewer faculty and staff resources directly impact the institution's ability to provide demanded access to academic programs and provide services to our students and faculty which facilitate maintaining a quality teaching and learning environment. An indirect impact of the budget cut involves the creation of an economic climate that makes it more difficult for the University to recruit talented new faculty and retain junior faculty essential to building 21st century programs.

Critical capital renewal and maintenance projects have been delayed in an effort to pool funds to offset the current reduction in operating resources. While this strategy is effective as a short-term approach, elimination of core programs and services will be necessary for a permanent reduction strategy if the state is unable to stabilize support for its postsecondary education system.

MSU continues to aggressively investigate and implement strategies that can improve efficiency and effectiveness throughout campus operations. However, the reality is that we are finding much of those opportunities have already been put into operation to offset operating reductions from prior fiscal year cuts.

All cuts were made strategically with a focus on protecting the mission of the University and in areas which were projected to have the least adverse impact on student success. Official key indicator data for 2007-08 and preliminary data for 2008-09 indicate that MSU continues to make modest but consistent improvements in key performance areas including headcount, retention and degrees conferred.

Changes in personnel, programs, and services

- Eliminated 9.5 faculty positions, 19.75 staff positions and 3 administrative positions for a total workforce reduction of 32.25 FTE or 3 percent.
- Restructured administrative units to gain efficiencies and accommodate reduction of positions in multiple units including:
 - Merger of the Division of University Relations and Division of Development into the Division of University Advancement eliminating a vice president position
 - Student Housing
 - Information Technology and Distance Learning
 - Elimination of in-house tour bus service
- Eliminated graduate tuition waiver benefit for employee dependents and spouses.
- Limited the number of free tuition courses provided to high school students

Cost containment strategies

- Delayed multiple technology equipment upgrades including the scheduled replacement of over 700 desktop and laptop computers assigned to faculty, staff and used in classrooms and labs
- Delayed various capital renewal and maintenance projects on campus facilities and grounds
- Froze 4 faculty positions and 2 staff/administrative positions for the 2008-09 fiscal year for a total workforce reduction of 6 FTE
- Reduced the total number of service vehicles and replaced multiple gas-powered vehicles with hybrid or electric vehicles for on-campus travel
- Implemented a new per-credit-hour tuition model designed to reduce the number of dropped courses each semester
- Renovated the campus pollution control system to prevent need to use natural gas for heating
- Restructured bond debt to decrease long-term interest expense

Resource reallocation strategies

- Reallocated resources from the College of Education to support Regional Engagement initiatives
- Reallocated resources to support increases in student financial aid to offset tuition and fee increases for the current year
- Reallocated resources to support a \$1,000 increase in stipend paid to graduate assistants
- Maximized use of private dollars raised to help address student financial aid needs

Productivity

- Conducted a comprehensive academic curriculum audit to identify program strengths, weaknesses, and ensure the MSU graduates are receiving the necessary skills, knowledge, and dispositions to be successful in the 21st century.
- Completed a scheduled renovation of classroom facilities, furnishing and equipment in Rader Hall
- Continued implementation of the campus ERP system
- Implemented the 21st Education Enterprise program to provide K-12 schools throughout the service region with teacher professional development opportunities
- Expanded partnerships with service region high schools providing dual credit for advanced placement courses and also providing college algebra during the senior year in an effort to reduce remediation needs of incoming freshmen
- Expanded the number courses offered online and at the regional campus centers
- Continued development of the undergraduate research fellowship program
- Expanded efforts to support economic development through expanded support of the Small Business Development Centers and addition of an Area Innovation Center in Paintsville

Key Performance Indicator Progress

- Headcount enrollment is projected for Fall 2008 at 9,107 which is a slight increase (<1%) over Fall 2007
- The average ACT composite score of the Fall 2008 first-time freshman cohort increased to 21.6 which represents a 9.6% increase since Fall 2004
- Bachelor's degrees conferred increased by 2% to 1,072 in the prior year 2006-07
- Retention rate of degree-seeking first-time freshman increased to 64.8% in Fall 2007 representing a 6.2 percent increase in Fall 2004

MURRAY STATE UNIVERSITY

Impact of Budget Cuts on Institutional Operations

The major impact of the budget cuts on Murray State has been the closure of some programs and the elimination of a number of positions. In addition, the use of carryforwards to cover the 2007-08 midyear rescission of \$1.7 million and the need to continue to sequester remaining carryforwards to cover the possibility of future cuts, has significantly reduced operational flexibility. The university has employed a strategic approach in attempting to deal effectively with the full impact of the \$3,125,500 in general revenue recurring cuts. This was partially offset by an increase in net tuition of \$2,581,700. Murray State increased its tuition waivers by \$1,068,200 to increase student access. Together with other sources of revenue, the total increase in Murray State's E&G Budget was \$148,400 or .13% to cover all operations including fixed costs and strategic initiatives. The state share of total public funds (general revenue plus gross tuition and mandatory fees) decreased from 43.2% to 40.4%. To be able to manage this stringent budget without sacrificing the quality of mission critical operations, no recurring raises were given to faculty and staff. The overall emphasis was on protecting the mission critical core of instruction, regional service and sponsored research, and the essential support infrastructure for these activities. In Addition, the decreased availability of operational funds will limit opportunities for travel to professional meetings and conferences and delay some capital and equipment purchases. The key strategies for coping with the recurring cuts are detailed below.

Changes in personnel, programs, and services

- Eliminated administrative support staff position in President's Office (1 position), \$16,500.
- Reduced legislative research, and liaison budgets, (1 position), \$35,000.
- Eliminated Women's Rowing program (3 positions), \$177,500.
- Reduced Commonwealth Honors Academy enrollment by 25 students, \$26,000
- Ended E&G support for International Center for Economic Development and Cultural Studies (1 position), \$46,400.
- Eliminated farm management personnel for farm projects (1 position), \$55,000.
- Reduced Scholarship programs, \$154,000.
- Reorganized Facilities Management area for personnel savings (3 positions), \$161,600.
- Reduced services in Governmental Relations (1 position), \$48,800.
- Dropped Roads Scholar Outreach Program (one-half Position), \$47,800
- Consolidated Positions at Breathitt Veterinary Center (1 position), \$40,700

Total positions cut = 12.5 or 1% of the total budgeted

Total Cost Reductions = \$809,300

Cost containment and revenue enhancement strategies

- Began assessing mandatory fees for Kentucky Institute for International Studies (KIIS) participants and assessing an administrative fee for KIIS participants as revenue offset to program costs, \$175,000
- Reduced academic support budgets \$26,000.
- Downgraded 3 existing faculty positions to lower rank (presently vacant), \$56,500.
- Closed extra Fitness Center and eliminated Men's Rowing as club sport, \$56,200.
- Closed University Post Office and maintained reduced mail services, \$62,000.
- Reduced various Administrative Services operating budgets, \$220,300.
- Reduced Breathitt Veterinary Center, Action Agenda, Regional Stewardship, and Faculty Development accounts by proportional share of appropriations cut, \$269,900.

Total Cost Savings = \$865,900

Resource reallocation strategies

- Reallocated athletic scholarships for savings of \$52,900.
- Obtained external funding for Commonwealth Honors Academy operations with savings to E&G budget, \$50,000.
- Cut E&G support for Library holdings and moved some acquisition costs to MSU Foundation library accounts, \$125,000.
- Reduced E&G subsidy to West Kentucky Expo Center to 50% of total funding with difference to come from external revenues, \$28,000.

Total Reallocations = \$255,900

Productivity

The major campus productivity initiative is the continuing implementation of our Enterprise Resource Planning system which will replace the university's legacy administrative systems with an integrated information technology solution to improve business and service practices. This transformation will provide the opportunity to implement best practices where possible to provide streamlined operations and secure self-service access to information and services, while maintaining the accuracy of information.

The University has also undertaken a major reorganization of its Enrollment Management area. In effect, activities have been decentralized with concomitant reallocation of resources in an effort to better deploy staff expertise in strengthening our enrollment and retention efforts. As the fall enrollment campaign nears its close, we are starting to see improved results in our enrollment figures.

The University is in the process of reorganizing the functions between Human Resources and the Office of Equal Opportunity to streamline the faculty and professional staff search process. New HR and EO Directors have just come on Board within the past month.

The university is studying possible changes to its tuition pricing model as a tool to increase enrollment, improve retention and optimize revenue generation. A Board of Regents Tuition Task Force has been created and the University is preparing an RFP for a consultant to assist on pricing analysis for the five-state area.

Northern Kentucky University

Impact of Budget Cuts on Institutional Operations

The overall decrease in net state general appropriations for operating expenses totals \$2.8 million. In total, the university cut \$7.3 million, or 6.3%, from divisional base budgets and reallocated \$4.5 million to high priority goals and previously committed obligations (see page 2 under resource reallocation strategies for details). These cuts included the elimination of 25 staff positions, roughly 3% of our staff position base. Total public funds for FY08-09 are \$13.2M short of our Business Plan funding requirements, an 8% shortfall in funds.

Changes in personnel, programs, and services

- Unable to fund over the biennium 45 faculty and 71 staff positions in the NKU Business Plan required to increase enrollments/degree production and improve student achievement and success in order to meet Vision 2015 goals and address creation of 50,000 new Kentucky jobs by 2015
- Eliminated \$1.4 million by closing the following units:
 - Office of Economic Initiatives
 - Office of University-School Partnerships
 - Office of Associate Provost for Student Success
 - Professional and Organizational Development Center
 - Information Technology Learning Systems Unit, resulting in fewer technology training opportunities and decreased faculty support.
- Eliminated over 25 staff positions in total.
- Over \$900,000 reduction in administration, operations and maintenance expenses resulting in reduced service levels, increased stress on staff and faculty, and reduced time available for work that would advance state and regional goals.
- Reduced programs that promote the expansion of Adult Centered Education and for Online Course development
- Reductions in university outreach and community services (in addition to those listed above) including funding for academic youth summer camps, regional technology and management training and development (METS), theatre productions, and university / community partnership grants.
- Reductions in experiential learning opportunities and reduced funding for many student services and athletic programs.

Cost containment strategies

- Established the President's Advisory Committee for Efficiencies and Savings. This Committee coordinates the formation, implementation, and documentation of initiatives to enhance the University's efforts to be good stewards of limited resources. The first project this Committee is working on is the development of a comprehensive report of the extensive cost savings and efficiency practices already occurring on campus. In addition, the Committee is in the process of evaluating over 100 ideas submitted by faculty, staff and students to maximize service delivery at less cost, and continues to receive new ideas on a regular basis.
- The university continues to realize significant savings through effective energy management such as:
 - Reducing energy consumption as part of the university's participation in the American College and University Presidents Climate Commitment

- Increasing the temperature of chillers providing cooling to campus and reducing the temperature of hot water heat supplied to campus
- Publicizing simple energy reduction actions to faculty, staff, and students such as turning off the lights and turning off computers.
- Continue to invest in energy savings such as lighting retrofit projects, improvements in HVAC, etc. Overall, since 2005, the university has invested \$3.5 million in energy saving projects realizing an annual energy savings of \$600,000 a year.
- Scheduled the closing of the university's Covington campus and negotiated a lease for classroom space for the Adult Learning PACE program from Gateway Community and Technology College. This measure is expected to avoid significant maintenance expenses.
- Partnered with the Transit Authority of Northern Kentucky to provide faculty, staff, and students free bus service on TANK buses reducing the escalation of costly parking space on campus, while providing more affordable transportation options to our students.
- Participate in numerous purchasing consortia to reduce purchasing costs.
- To reduce benefit costs, continue to build the university's Wellness Program as well as selected a new healthcare insurance provider saving over \$500,000.
- Northern Kentucky University continues to find ways to create a beautiful campus environment for its students using innovative cost saving practices for maintaining buildings and grounds. This year the campus is participating in Tree Campus US and will be planting 100 trees at no cost to the university and is one of only 8 institutions in the nation participating in the event.
- Reorganized several international education service programs under one, more efficient and effective office.

Resource reallocation strategies

- Cut \$7.3 million, or 6.3%, from divisional base budgets and reallocated \$2.95 million to high priority goals that match the needs of the state and region, including:
 - Tenure-track faculty and academic advisors in high demand areas
 - Additional staff allocation to high schools, guiding families through the financial aid application process
 - Restructuring of student development and retention efforts
 - Increasing program offerings that prepare students to compete in the international marketplace and the new global community
 - Programs to exponentially increase private fund-raising efforts
- Due to traditional state funding not being provided during the 2008 session for maintenance and operations (\$2.08 million), we were required to reallocate additional funds to open two new university buildings, the Bank of Kentucky Center and the new Student Union. In addition, we invested nearly \$1 million to renovate and reprogram the old University Center to address a critical campus space shortage concern.
- Critical cost drivers to fulfill previously committed obligations:
 - \$1.2 million additional funds for scholarships and financial aid
 - \$1 million for a new emergency communications system along with security requirements across campus.
 - \$2.4 million in new fixed costs, debt service for the student requested and student funded, student union at \$2.3 million, and expenses related to the SACS accreditation process of \$350,000.
 - \$2.3 million to complete construction materials cost escalation for the Bank of Kentucky Special Events Center.

- \$450,000 critical capital renewal facility improvements this is matched by the Commonwealth
- \$5.4 million for the university's integrated business data systems designed for greater efficiency and productivity.
- Invested in employee retention to contain the high cost of turnover and in compensation programs for low cost adjunct faculty for which we are heavily reliant on and whose services are in high demand in our region. The number of institutions of higher education in our region requires us to invest in our specialized labor force or they will change institutions (without having to move their families) and we will realize the high cost of turnover.

Productivity

- Increased enrollments for fall 2008 by nearly 3% over Fall 2007 (preliminary numbers) by increasing the number of students at the junior, senior level (focus on transfer students, students who had previously "stopped out" and retaining students currently enrolled) and strategically recruiting first time students, providing intensive assistance with the financial aid process.
- Increased the number of bachelor's degrees conferred by 5% over last year (culmination of many efforts designed to insure required classes are offered on a predictable rotation basis at times needed by our student population, enhanced advising, participation in project graduate, retention efforts, availability of on-line courses, etc.)
- The university has developed a management dashboard for senior management and the Board of Regents to increase accountability and provide visibility for our performance.
- The university continues to invest in the PRISM project (Process Re-engineering and Information Systems Migration) including the implementation of SAP to increase efficiencies and contain future administrative costs associated with growth. This project has already converted many financial and human resources processes from paper based to electronic and will soon begin accepting applications electronically for Fall 2009.
- The university has made significant progress towards reducing the credit hours required for most degrees to 120 credit hours resulting in lower cost four year degrees for our students.
- The university has hired SMG to manage promotions and events for the Bank of Kentucky Center generating significant revenues for the institution which help to cover the costs of the new facility.
- The university continues to collaborate with Gateway Community and Technology College to share resources and provide a lower cost avenue towards achieving a four-year degree.

University of Kentucky Impact of Budget Cuts on Institutional Operations

In 2007-2008, state appropriations to the University of Kentucky were reduced \$10.1 million (three percent). In 2008-2009, state appropriations were reduced an additional \$8.2 million. Attached is a graph that shows changes in state appropriations to UK since 2001. In that time, UK has received a mid-year appropriations reduction five times. The result is that UK's total state appropriation in 2008-2009 is only \$13.8 million (4.6 percent) higher than it was seven years ago. It also is worth noting that revenue from tuition now accounts for more of UK's budget than state appropriations (excluding mandated programs that do not have an impact on undergraduate education).

Changes in personnel, programs, and services

- Eliminated 188 positions supported with General Funds (71 vacant faculty lines¹ and 117 staff positions) and moved 32 additional positions to funding sources other than General Funds, including:
 - 10 faculty lines and 29 staff lines in Health Sciences colleges
 - 58 faculty lines and 46 staff lines in other academic colleges
 - 4 faculty lines and 21 staff lines in academic support unit
 - 2 police officer positions
- No salary increases for faculty and staff
- Discontinued Salary Equity Pool, which had been used to address pay equity issues across campus
- Delayed implementation of Employee Assistance Program (for employees facing personal, professional, or economic challenges) and a second child care center.
- Delayed undergraduate programs in Information/Media Studies, Africana Studies, and Human Biology
- Delayed masters programs in Environmental Studies and Clinical and Translational Sciences
- Reduced hours of operation of several student and faculty support units including student computer labs, exercise facilities, and the Student Center
- Reduced individual student sessions in the Counseling and Testing Center
- Reduced the Libraries' materials budget
- Reduced faculty and student support services provided by Teaching and Academic Support Center
- Reduced student, faculty, and staff travel budgets
- Reduced administrative support for grants and contracts
- Reduced IT support for researchers
- Reduced academic assessment efforts
- Delayed replacement of computers and other equipment
- Eliminated English as a Second Language classes for employees

¹ UK has 1,998 faculty members and 11,219 staff.

Cost containment strategies

- The University slowed the increasing cost of health insurance with a combination of administrative and health literacy initiatives. Over the last seven years, the cost of the University's health benefits increased an average of 6.8 percent per year compared to the national average of 11.6 percent. Without these efforts, UK would have spent an additional \$25.7 million in health care costs over the past seven years. Included in these savings is over \$4.6 million annually on prescription drugs by educating our employees on the availability and appropriateness of generic medications.
- The University expense for retiree medical benefits was projected to grow to \$30.5 million by fiscal year 2007-08. Through a series of cost-containment measures including changes in eligibility requirements and more aggressive pharmaceutical cost-controls, the University's expense was reduced to \$13.6 million.
- The University recently changed its faculty and staff vacation accrual policies which will generate one-time savings of over \$18 million.
- The University changed the employee and employer payroll deductions for health coverage from one month in advance to current month payment. This resulted in one-time savings of \$6.2 million
- The University offered employees the opportunity to work reduced hours during the summer months.
- Eliminated phones in the residence halls, saving \$840,000
- Renegotiated information system licensing contract, saving \$500,000
- Eliminated several publications

Resource reallocation strategies

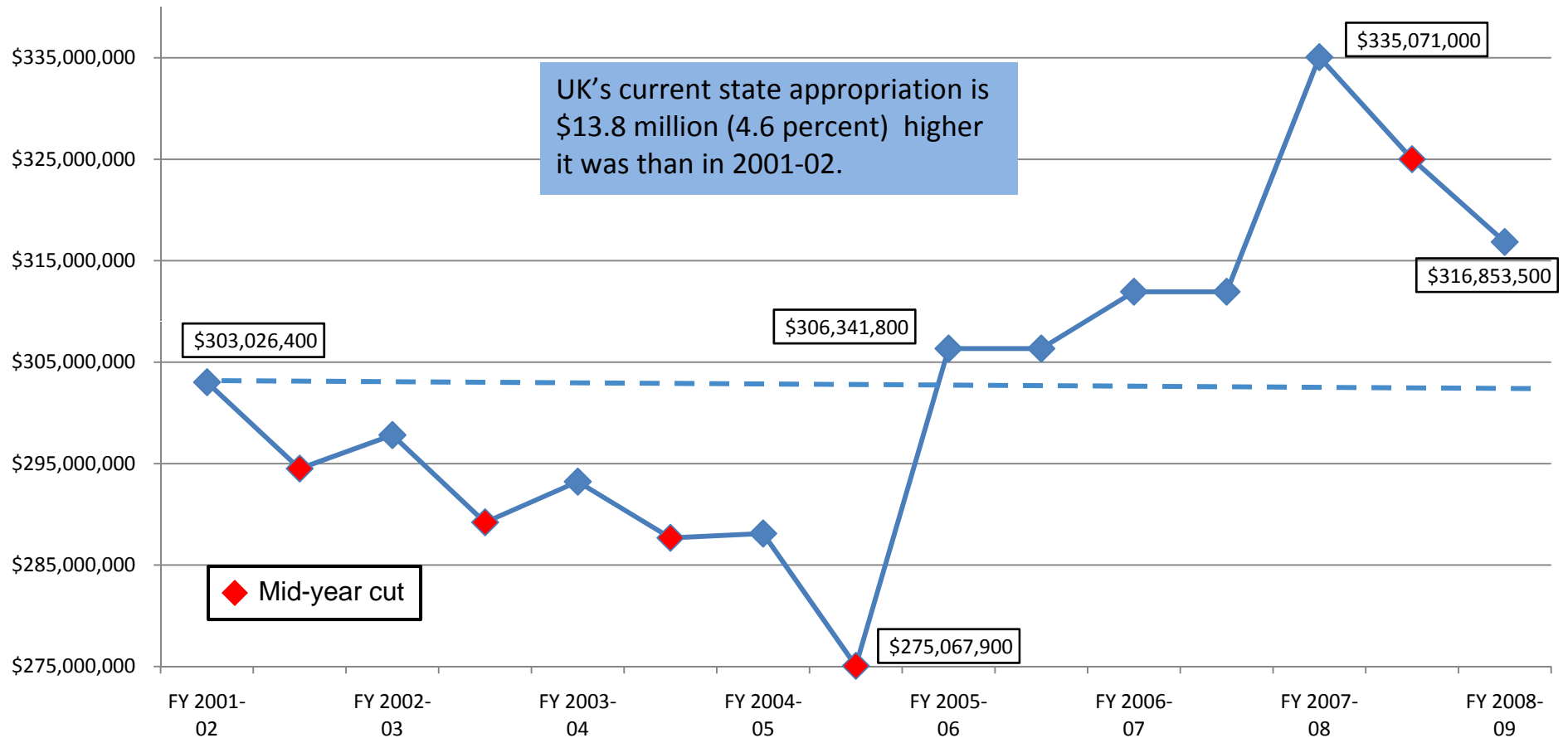
- Reallocated approximately \$2.8 million to support 22 FTE faculty lines and associated academic advisers in targeted areas where:
 - enrollment pressures exist and/or there is a focus on recruitment and retention of students; e.g., Arts and Sciences; Communications and Information Sciences; Business and Economics; Fine Arts; and Engineering; or
 - the University has unique opportunities for growth and service to the Commonwealth; e.g., Agriculture; Natural Resources and Environmental Sciences; Sustainability; Equine Sciences; Biotechnology; the Martin School of Public Policy and Administration; Health Sciences; College of Medicine expansion into rural areas; College of Nursing undergraduate expansion; and University Libraries.
- Reallocated other funds to efforts specifically targeted at improving UK's retention and graduation rates including:
 - Outreach initiatives to high school seniors admitted to UK but who have deficient ACT scores
 - Increased financial aid
 - Increased first-year student orientation activities
 - Implemented Academic Alert System
 - Created Office of Retention and Student Success
 - Created Center for Community Outreach
 - Created Advising Resource Centers in several colleges
- Created a pool of \$700,000 for later strategic investments in other areas.
- Reallocated \$8 million over two years for start-up packages for new faculty

- Reallocated approximately \$850,000 to Science, Technology, Engineering, and Math (STEM) areas.
- Reallocated funds to support fire extinguisher replacement, the UK Alert System, and other student safety programs.

Productivity

- Record six-year graduation rate of 61.4% for fall 2001 cohort -- up 2 percentage points.
- Preliminary Fall 2008:
 - Record number of undergraduate applications - 11,120, up 4.7%.
 - Record number of African-American freshmen - 341, up 32%.
 - Record number of Governor's Scholars/Governor's School for the Art Scholars freshmen - 389, up 12%.
 - Transfer enrollment increased by nearly 100 students - to 940.
 - Record retention rate of 81.0% - up 4.6 percentage points.

UK State Appropriations



University of Louisville
Impact of FY 2008-09 State Mandated Budget Reductions

HB1 mandated that the University of Louisville become the premier metropolitan research university in Kentucky. To accomplish this aggressive objective, the University's Board of Trustees adopted the Challenge for Excellence for the years 1998-2008, a strategic plan that included goals, tactics, and metrics which served as our road map. As a result, we have reinvented ourselves by recruiting world-class researchers and staff, investing in cutting-edge research facilities, and rethinking our priorities. The investments in talent and support have paid off for the University and for the Commonwealth.

While the goal to compete with "best-in-class" research universities across the country challenges us daily, we have accelerated the University's performance over the last decade and have an unrelenting commitment to meeting the education goals mandated by the state for 2020.

Since 2002, the University has had its state funding reduced seven out of the last nine budget years, extending through the 2010 budget. In FY 2008-09, the University's budget was reduced by \$10 million with a cumulative decrease of \$78.1 million since 2002 (Attachment A). We recognize that the state is confronted with difficult budget choices and are grateful for the efforts of the legislators who have tried to blunt the magnitude of the reductions we have faced.

However, the fact remains that during this time period we have experienced a significant drop in state support. Our budget today is very close to where it was in 1997 when reform began.

Our strategies for moving *full speed ahead* at a time of continuing budget cuts include:

- Continuing reengineering of processes and expense management
- Aggressively improving balance sheet management, with an emphasis on converting underperforming assets
- Increasing clinical income to support education and research
- Creating private sector partnerships for critical dollars
- Enhancing fundraising
- Being creative in expanding the research mission through innovative financing tools (i.e., TIF)

While we are reducing expense, we are committed to:

- Protecting students
- Maintaining a quality education
- Prioritizing critical research areas
- Continuing community engagement
- Funding diversity initiatives

As we enter the next biennium, we are facing the prospect of failing to implement the business plans submitted to the Council on Postsecondary Education. We believe we have nearly exhausted our ability to keep moving forward without additional investment. Reserves are dangerously low and we are increasingly dependent on sources of one-time money for long-term needs. Operating expenses are too often based on increased tuition and deferred maintenance of aging buildings. Faculty/teacher ratios continue to rise to numbers well above benchmark schools, threatening the future quality of programs; the ability to attract and retain talented faculty; and slow our efforts to be recognized by the National Institutes of Health and Phi Beta Kappa.

Additionally, we lose research capacity which threatens the University's ability to meet the economic development goals of funded grant programs. Failure to fund our plans will also hamper our ability to discover new knowledge through scholarship and jeopardize our ability to achieve the improvements in quality of life and economic well-being for Kentuckians.

Yet, our excitement about the future has not dimmed. We remain committed to the goals the state has set for us and we have embraced them and made them our own, as evidenced by the enclosed summary of our efforts.

I. Changes in Personnel, Programs and Services:

Overall, academic and support unit-based budget reductions totaled approximately \$6.2 million – although not administered across-the-board, this averages to a 2.2% reduction for unit general fund budgets.

- Educational Programs:
 - How?
 - Reduction of lecturer lump sums / part-time faculty
 - Reduction of Vacant Faculty Positions
 - Reduction of already extremely tight operating expense budgets
 - Faculty and Staff Hiring Freeze
 - Increased enrollments in selected disciplines
 - Increased / Better use of Technology
 - Because of the economic instability hired more “Term” Faculty rather than “Tenure Track” Faculty
 - Increased freshman class enrollment as classroom space and capacity allowed
 - Impact?
 - Fewer general education course offerings
 - Increased faculty workloads
 - Increase in student / faculty ratios
 - With instructional space already extremely limited at the University, reductions of this magnitude continue to increase pressure on space
 - Potential threat to graduation rates
 - Potential threat to Phi Beta Kappa Designation
 - A “real” threat to delivering a quality education

- Research Enterprise:
 - How?
 - Did not authorize hiring promised new Research Faculty positions
 - Research Faculty Hiring Freeze
 - Reduction in departmental research budgets
 - Reduction of expenditures for scholarly journals
 - Reduction in research travel budgets
 - Impact?
 - The inability to attract new faculty researchers will severely impact the growth of the research mission at the University, which means:
 - Less Economic Development
 - Fewer Business Start-ups
 - Lessens the likelihood of reaching 2020 goals of \$400 million in sponsored research activity
 - Slows progress towards key achievements such as National Cancer Institute (NCI) designation
 - Limited attendance at important professional research meetings and conference.

- Student Population:
 - How?
 - Increased tuition and other student fees
 - Reduced overall student services
 - Reduced funding support to recognized student organizations
 - Delayed renovation and/or construction of student housing
 - Reduced Travel Budgets
 - Limited or reduced both need and merit based aid
 - Impact?
 - Slows the growth of an involved, engaged campus community – potentially threatening increased graduation and retention rates
 - Limits ability to move forward with on campus student health initiative

 - Perpetuates chronic underfunding for Recruitment and Admissions Office, which threatens our ability to attract the quality new and transfer students needed for us to meet UofL’s commitment to the state’s “Double the Numbers” initiative
 - Limits Recruiting efforts outside of the Louisville Metro Area
 - Restricts ability to recruit and retain some of the State’s neediest students

II. Cost Containment Strategies:

- The University saved approximately \$1 million by only escalating central undergraduate financial aid budgets to offset the tuition rate increase. The Deans of the academic units were asked to augment their unit based financial aid budgets with unused accumulated endowment earnings to offset the tuition rate increase and therefore provide full scholarship awards. As those one-time funds are depleted, we worry about our ability to continue the support our students need.
- Many Library journal subscriptions were canceled and other journals were moved to online only E-journals in collaboration with all academic units.
- In an effort to reduce costs, academic units have reexamined the general education course offerings. Where possible, units reduced the number of sections of general education courses.
- The University restructured some of the faculty and staff benefits which produced savings of approximately \$1.4 million. Specifically, the six credit hour tuition remission for spouses of employees was eliminated.
- Lapsed fringe benefits on vacant positions across the University were also captured and eliminated.
- Legislatively state mandated programs were reduced 3%. This generated general fund savings of approximately \$300K.
- “Social” events (such as tailgating, receptions) typically used for University Advancement and other Fund-raising initiatives were significantly scaled back.

III. Resource Reallocation Strategies:

- Endowment and gift funds were used to replace state general funds for equipment maintenance and replacement and planned renovations of academic space.
- To compensate for the loss of permanent general funds, units supplemented many mission critical core functions with one-time funds and were forced to reduce funding to less strategically important areas and initiatives.
- Beginning FY 2008-09, an administrative overhead charge of 2% was applied to the expenditures of all auxiliaries, service centers, and program budgets. This overhead charge is expected to generate \$700K.
- Beginning FY 2008-09 the cost of the retiree health insurance was charged to the respective UofL Corporations for their pro-rated portion of the expense. This change provided general fund savings of approximately \$480K.
- The cost of tuition remission for faculty, staff, and dependents was incorporated into the fringe benefit calculation and charged to the appropriate University departments and UofL Corporations. This change is projected to produce general fund savings of approximately \$1.4 million.

IV. Productivity

The attached documents show both the extent of the budget cuts taken over the past several years, and the productivity moves we have made to counterbalance these cuts and continue our forward momentum.

- Attachment A, *State Mandated Budget Reductions*, summarizes the University of Louisville's recurring and non-recurring budget cuts during FY 2002 through FY 2009.
- Attachment B, *Stewardship, Cost Reductions and Efficiency Efforts*, outlines many of the initiatives the University has taken to cut costs and utilize resources as effectively and efficiently as possible.
- Attachment C, *Solid Results – A Decade of Progress*, lists several of the key indicators the University uses to measure progress.



State Mandated Budget Reductions
FY 2002-03 through FY 2008-09

	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>Total</u>
Recurring FY 2002	(\$3.0)	(\$3.0)	(\$3.0)	(\$3.0)	(\$3.0)	(\$3.0)	(\$3.0)	(\$3.0)	(\$24.0)
Recurring FY 2003		(\$3.0)	(\$3.0)	(\$3.0)	(\$3.0)	(\$3.0)	(\$3.0)	(\$3.0)	(\$21.0)
Recurring FY 2004			(\$3.1)	(\$3.1)	- *	-	-	-	(\$6.2)
Recurring FY 2009								(\$10.0)	(\$10.0)
Nonrecurring FY 2002	(\$3.9)								(\$3.9)
Nonrecurring FY 2004			(\$7.9)						(\$7.9)
Nonrecurring FY 2008							(\$5.1)		(\$5.1)
	<u>(\$6.9)</u>	<u>(\$6.0)</u>	<u>(\$17.0)</u>	<u>(\$9.1)</u>	<u>(\$6.0)</u>	<u>(\$6.0)</u>	<u>(\$11.1)</u>	<u>(\$16.0)</u>	<u>(\$78.1)</u>

* Recurring Reduction Restored in FY 2005-06



University of Louisville
Stewardship, Cost Reductions and Efficiency Efforts
(dollars recurring unless noted)

Initiative	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09
General University Initiative								
Eliminated Summer session commencement ceremonies. Also streamlined Fall and Spring commencement ceremonies and related convocations to produce a better program at a reduced cost. ¹			\$ 80,000					
Eliminated numerous administrative positions within the Office of the President as part of the University's administrative reorganization.			\$ 140,000					
Reorganized the President's Office, eliminating one vice president position, an executive assistant and some support staff.			\$ 300,000					
Closed the University's Career Center and eliminated selected staff positions. Completely revamped and refocused the program to provide more effective and efficient career counseling services to students. ¹				\$ 400,000				
Expanded campus-wide Distance Education programs.				\$ 850,000				
Converted the Reynolds Building into upscale loft condominiums. ²						\$ 1,250,000		
Adopted a consumer-oriented program for controlling pharmacy benefits (thereby reducing employee direct costs) and to assist the University administration in identifying ways to reduce pharmacy costs.						\$ 113,000		

Initiative	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09
Reorganized the Graduate School to promote greater operational efficiencies in the area of admissions, records and graduate student academic policy development.						\$ 300,000		
Restructured staff of the Office of Community Engagement to serve more effectively its broader mission of coordinating community engagement across the University.								\$ 20,000
Affiliated with a developer to renovate Stoddard Johnston Building into an apartment environment for married and family student housing. ¹								\$ 300,000
Eliminated cost of annual maintenance and generated receipt of affiliation fee through the renovation and development of the Stoddard Johnston Building.								\$ 49,000
Partnered with Edwards Communities to build apartment units adding 859 beds contiguous to campus.								\$ 38,000,000
Negotiated new food service contract which will provide \$11 million for renovated and new dining facilities.								\$ 11,000,000
Information & Communications Technology Improvements								
Contracted with an alternate service provider for data center equipment and maintenance.						\$ 180,000		
Provided Microsoft campus agreement for departments which allows personal computer users across campus to receive current operating system and office suite products for only \$74 per year.						\$ 400,000		
Negotiated a site license with Symantec to provide antivirus software for all computers.						\$ 65,000		
Implemented upgraded data network to bring all electronic switching components to state-of-the-art.						\$ 500,000		

Initiative	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09
Closed the North Campus Computer Center in the College of Business and consolidated all satellite computer centers in the central library.					\$ 100,000			
Implemented Voice over IP phone service for all university departments including broadcast of emergency messages university-wide.						\$ 1,200,000		
Relocated a Physics Department supercomputer to the Miller IT Data Center saving upgrade costs of locating the system in a research building. ¹						\$ 300,000		
Initiated participation as a member of Internet2. ¹						\$ 500,000		
Reorganized digital printing and imaging services (including reduction in staff and closing off-site printing facility) resulting in cost savings.						\$ 300,000		
Business Process Redesign								
Moved from a print-based Student Handbook to a web-based Student Handbook.	\$ 7,500							
Discontinued printed publication of the staff and faculty directory.			\$ 10,000					
Worked with a marketing firm to improve services for Intramural Sports and Recreations.				\$ 5,000				
Instituted UPS WorldShip and CampusShip. Allowing departments to enter data directly to UPS, reducing Postal Services time and improving customer service.				\$ 80,000				
Implemented a program to decrease accounts receivable on grants and contracts. ¹				\$ 11,000,000				
Initiated master maintenance agreement program for scientific and laboratory equipment. Combines multiple contracts with multiple vendors under one contract with one vendor.					\$ 60,000			

<u>Initiative</u>	<u>FY 2001-02</u>	<u>FY 2002-03</u>	<u>FY 2003-04</u>	<u>FY 2004-05</u>	<u>FY 2005-06</u>	<u>FY 2006-07</u>	<u>FY 2007-08</u>	<u>FY 2008-09</u>
Purchased cash register programming software for postal services. Allowing Postal Services to make changes in register keys rather than paying service fees.					\$ 1,000			
Implemented Robotic Retrieval System with projected operational and staff cost savings of \$3,933,333 over a 10-year period.					\$ 393,333	\$ 393,333	\$ 393,333	\$ 393,333
Implemented an automated process to disburse student residual funds.					\$ 30,000			
Implemented electronic employment verification, paperless paychecks and electronic W2 forms and improved Human Resources services.					\$ 27,500			
Closed four graduate nursing majors with insufficient enrollment.							\$ 52,500	
Eliminated the vacant Assistant Director of Student Life position.							\$ 40,000	
Moved Career Center to web-based Career Development and Placement Software Application.							\$ 5,000	
Eliminated two Unit Business Manager positions with the Student Affairs Division.							\$ 94,000	
Eliminated 2.5 staff from within the Vice President for Student Affairs staff.							\$ 94,000	
Implemented Marchive Bibliographic Maintenance and Control Project providing cost savings of 2 faculty and 2 staff salaries and FB.							\$ 178,750	
Outsourced some off-campus housing services thereby reducing cost and expanding services.								\$ 30,000
Eliminated commuter student area and moved responsibilities in Student Activities Office to improve services to students.								\$ 108,000

Initiative	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09
Implemented benefits administration system making university HRIS the system of record for dependent and beneficiary information, streamlined open enrollment process so that employees have one site for making all their enrollment selections.								\$ 250,000
Implemented an eProcurement system to increase cost savings on negotiated contracts, improve purchasing efficiencies and improve compliance.								\$ 2,000,000
Financial and Budgetary Initiatives								
Refinanced long-term debt where financially viable. During this time period U of L refinanced CEBRB Series M, Housing Series E and Housing Series F for reduction in overall cost.		\$ 1,058,000						
Hired a Tuition Repayment Specialist for collection of outstanding student accounts. ¹				\$ 350,000				
Implemented a self-funded strategy for employee and retiree health insurance.				\$ 950,000	\$ 950,000			
Applied selected employee salaries to Foundation and Research Foundation Fund program codes.					\$ 328,000			
Phased-in a program to charge all Auxiliaries, Service Centers and other Programmed Budgeted Programs, such as Continuing Education, an applicable overhead charge to cover their applicable proration of general University administrative and facility costs.					\$ 250,000			
Increased efforts to recover unclaimed and escheat property. ¹					\$ 2,500,000			
Implemented policy to re-bid the contract for audit services every five years, thereby allowing qualified auditing firms to compete for UofL's business.					\$ 40,000			

Initiative	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09
Implemented a "Convenience Fee" for credit card payment of student accounts.				\$ 168,000	\$ 151,000			
Changed the short-term investment policy of the University and its affiliated corporation's to allow greater flexibility in investing short-term cash.				\$ 50,000	\$ 140,000			
Eliminated the General Fund Support for Development, Outreach and Alumni operations. These programs are now funded exclusively from private donations or allocation from the U of L Foundation, Inc.						\$ 3,100,000		
Implemented electronic payments (ACH) for most large vendors of goods and services.					\$ 13,750			
Secured a new Travel Services contract thereby reducing cost to University travelers and providing better customer service.					\$ 75,000			
Transferred selected staff salaries in the Environmental Health and Safety Office from general funds to research infrastructure funds, capturing the savings centrally.					\$ 133,200	\$ 139,800		
Negotiated new indirect cost rates (F&A) for federally-sponsored research with the National Institutes of Health (NIH).						\$ 300,000		
Reduced general fund support of the Labor Management Center by emphasizing revenue enhancements.							\$ 93,430	
Funded Director of Civil Engagement, Leadership and Service from auxiliary department.								\$ 80,000

Physical Facilities

Implemented a two-year cycle for window cleaning campus-wide.			\$ 30,000					
Replaced several domestic boilers with more efficient ones.				\$ 10,000				
Replaced fluorescent lamps with more efficient and environmentally friendly lamps.				\$ 20,000				



Solid Results. A Decade of Progress.

	1998	2002	2008 *
Average ACT score for all entering freshmen	21.4	23.2	24.4
Freshmen retention rate¹	71.2 %	77.1 %	77.7 %
6-year graduation rate	30.1 %	33.0 %	45.7 %
Undergraduate degrees awarded	1,734	1,849	2,298
Doctoral degrees awarded	76	90	151
Number of students living on campus²	1,725	2,363	3,135
Endowed chairs and professorships	35	87	131
Endowment³	\$317.0 M	\$478.9 M	\$719.4 M
Startup companies (cumulative)⁴	1	6	22
Patents (cumulative)⁵			
Applications filed	9	89	432
Formal patents issued	15	29	63
License option agreements (cumulative)⁶	17	30	73
Research expenditures⁷	\$39.1 M	\$80.9 M	\$148.9 M

* Student enrollment data for 2008 are preliminary.

¹ Denotes the 1st to 2nd-year retention rate of first-time, full-time baccalaureate degree seeking students. Source: IRP

² Source: Housing and Residence Life

³ Current as of August 31, 2008. Source: Office of the Vice President of Finance

^{4,5 & 6} Source: Office of the Executive Vice President of Research

⁷ 2008 data is preliminary. National Science Foundation



UNIVERSITY OF
LOUISVILLE[®]
It's Happening Here.

Initiative	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09
Installed more efficient HVAC systems in several buildings.				\$ 20,000				
Implemented campus-wide energy management initiatives including installation of new chillers in central plant, more efficient air handlers in several buildings, and replacement of insulation.				\$ 150,000				
Secured donations for ceiling fans in all classrooms in COB. ¹							\$ 5,815	
Renovated the academic advising area and the Career Center within the COB by securing private funds and eliminating the need for general funds. ¹							\$ 984,199	
Equipped campus vending machines with power misers to save electricity.							\$ 2,000	
Initiated an energy performance contracting program to reduce green house gas emission which could reduce the University's energy use by 30%.								\$ 3,000,000
Worked with Metropolitan Sewer District to recycle and reduce the University's storm water.								\$ 150,000
Total	\$ 7,500	\$ 1,058,000	\$ 2,040,000	\$ 17,221,000	\$ 6,152,783	\$ 3,433,133	\$ 1,943,027	\$ 55,380,333

¹ One-time cost savings

² One-time lease payment

Prepared by R. Jason Tomlinson
Office of Vice President for Finance
10/17/2008

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Western Kentucky University

Impact of Budget Cuts on Institutional Operations

Financial snapshot: FY 2008 state budget reduction, \$2,553,500 (3%); FY 2009 state funding reduced by \$5,047,100 (5.9% of original FY 2008 State General Fund). FY 2009 Budget includes an increase in tuition revenue of \$8.4 million for base operating support. None of the projected increase in tuition revenue is allocated to replace the lost state funding.

Budget cuts during the most recent statewide economic shortfall have served to reduce access to the academic programs and services expected by students and communities Western Kentucky University serves directly. The heart of a university is its faculty. Talented faculty and staff are concerned about us having the necessary resources to achieve the goals set forth in our Strategic Plan. With a continuing trend of senior faculty retirements, WKU's ability to compete for new faculty and retain junior faculty has been adversely impacted. Junior faculty are mobile and will seek out universities that offer competitive salaries and opportunities for professional development and advancement.

WKU continues an upward trend in enrollment growth; much of this growth is being funded by larger class sizes and increased faculty workloads. Faculty now have less time to devote to research and scholarly activity, work with community partners in support of regional priorities, and fulfillment of the university's role in support of P-12 schools. Reductions in state support have resulted in decreased capacity to: (1) recruit students, (2) launch programs that respond to identified workforce needs, and (3) support development of critical initiatives to enhance student success leading to graduation. The state mandate to develop new programming to meet the developmental education needs of entering students was left without any resources to support it.

Reduced course offerings will likely result in increased student dissatisfaction and a likely increase in time to degree completion. Furthermore, there are high demand programs which must have selected admissions and enrollment caps due to our inability to expand the faculty and operating support to meet the student demand. WKU takes seriously its role in delivering programs at our extended campuses. Communities like Owensboro look to us for the educational offerings that will lead to economic growth. At this point, WKU is slow to respond to their requests for programs because of the lack of financial resources.

Lastly, while the support staff continue to implement efficiencies, which most commonly result from new technology, they struggle to meet the work demand due to enrollment growth, growth in grants and contracts and outreach programs, and added governmental compliance and reporting requirements.

No reductions were made in the deferred maintenance budget.

Changes in personnel, programs, and services

*Consolidated departments of Computer Science and Mathematics and eliminated one department head. Reduction: \$98,662

*Eliminated Vice President for Student Affairs and Campus Services and Facilities position and the support staff position for the office. Reduction: \$163,475

*Postponed implementation of ASL Program (Sign Language).

*Eliminated 23 faculty positions (3.13% of FY08 budgeted faculty positions).
Reduction: \$1,534,041

*Eliminated seven staff positions and reduced one position to part-time. Reduction: \$277,957

*Reduced salaries in 10 faculty position lines. Reduction: \$201,380

*Reduced funding for part-time and visiting faculty appointments. Reduction: \$73,974

*Reduced salaries for three administrative appointments. Reduction: \$67,653

*Reduced funding for student employment, professional development, travel, operating support, computers and equipment, and classroom renovations. Reduction: \$331,197

*Eliminated Men's Soccer Program. Reduction: \$147,257

*Bowling alley will be closed at the end of the fall semester. Reduction: \$50,000

*Reduced emergency contingency for Environment, Health and Safety Department. Reduction: \$27,700

*Reduced staff hardware and software replacements, moved from 3-year to 4-year computer replacement for faculty and student labs, and reduced funds held for network upgrades.

Reduction: \$190,510

*Eliminated Associate Vice President for University Relations position. Reduction: \$86,409

*Reduced central contingency fund for emergencies. Reduction: \$319,400

*Full-time employees received annual salary increase of \$500 per employee; Strategic Plan called for a 4% merit increase.

Total \$3,569,615

Cost containment strategies

*Created the Committee on Sustainability with a broad directive including energy efficiency. (TBD)

*Reduced utilities budget based on projected energy efficiencies including performance contracting. Reduction: \$402,021 (Note this decision was made prior to TVA announcing a 20% increase in rates effective October 1, 2008.)

*E-billing for student bills will be implemented December 2008 with savings in postage and printing costs. Reduction: \$11,120 (in first year)

*Pursuing contract which will eliminate most student residual checks by issuing a card. (TBD)

*Implementing second performance contract for guaranteed energy savings. (TBD)

*Addressing deferred maintenance and capital renewal needs in several academic buildings this fiscal year through agency bonds rather than deferring projects until state funds are available.

Total \$413,141

Resource reallocation strategies

- *Eliminated central budget for advertising of positions. Reduction: \$10,236
 - *Eliminated central budget for background checks on new employees. Reduction: \$40,000
 - *Budgeted increased revenue to balance the budget that previously was accrued for facilities improvements. Reduction: \$550,000
 - *Moved the Workers Compensation Manager position to direct expense of the workers compensation program. Reduction: \$53,000
 - *Reallocated funds generated by facilities and administrative cost recovery on grants and contracts from the Research Incentive Fund to balancing the budget. Reduction: \$45,000
 - *Reallocated funds generated by the Division of Extended Learning and Outreach to balancing the budget. Reduction: \$100,000
 - *Funded one-half of the funds needed to meet the projected costs of the minimum wage increase with no reduction in number of students employed. Reduction: \$143,000
 - *Funded grants administration position from F&A cost recovery funds rather than regular University funding. Reduction: \$35,799
- Total \$977,035**

Productivity

WKU posted a 6% increase in applications and a 6.3% increase in first-time, first year students in fall 2008. Total enrollment is up 2.6%. WKU offered the Doctorate in Educational Leadership and the Executive MBA for the first time.

- *Moved the distance learning component of the Division of Extending Learning and Outreach to self-supporting status. Reduction: \$173,187
 - *Reduced budgeted funds for health insurance by 3% with no change in employee premiums or benefits. (Neither increase in premiums in four years nor planned increase for FY 2010.) Reduction: \$255,000
 - *Reduced budgeted funds for workers compensation with no change in benefits. Reduction: \$200,000
 - *WKU implemented the Voluntary System of Accountability (VSA) that communicates information on the undergraduate student experience through a common web reporting template, the College Portrait. The College Portrait provides consistent, comparable and transparent information on the characteristics of institutions and students, cost of attendance, student engagement with the learning process, and core educational outcomes. The information is intended for students, families, policy-makers, campus faculty and staff, the general public, and other higher education stakeholders.
 - *Increased use of procurement card, with its rebate program, has allowed the University to create a minimal permanent vehicle replacement budget.
 - *Increased annual private giving to \$17.7 million reflecting a 1% increase during a difficult time to raise giving.
- Total \$628,187**

TOTAL REDUCTIONS AND REALLOCATIONS TO BALANCE FY 2009 BUDGET \$5,587,978