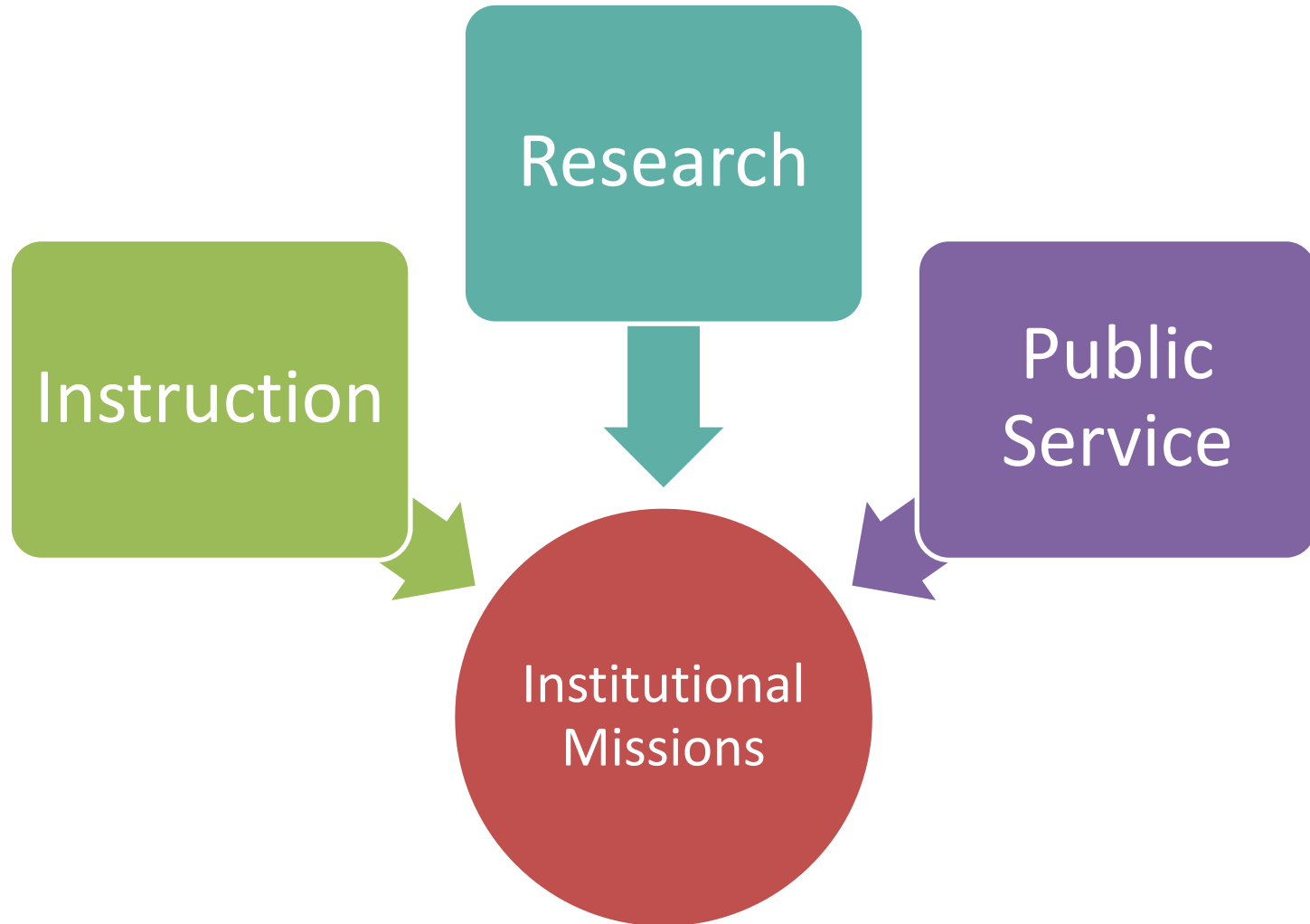


Budgeting For Higher Education

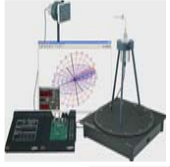


February 16, 2009

Higher Education Focus



Kentucky Institutions Focus



Community Colleges

- KCTCS



Comprehensive Universities

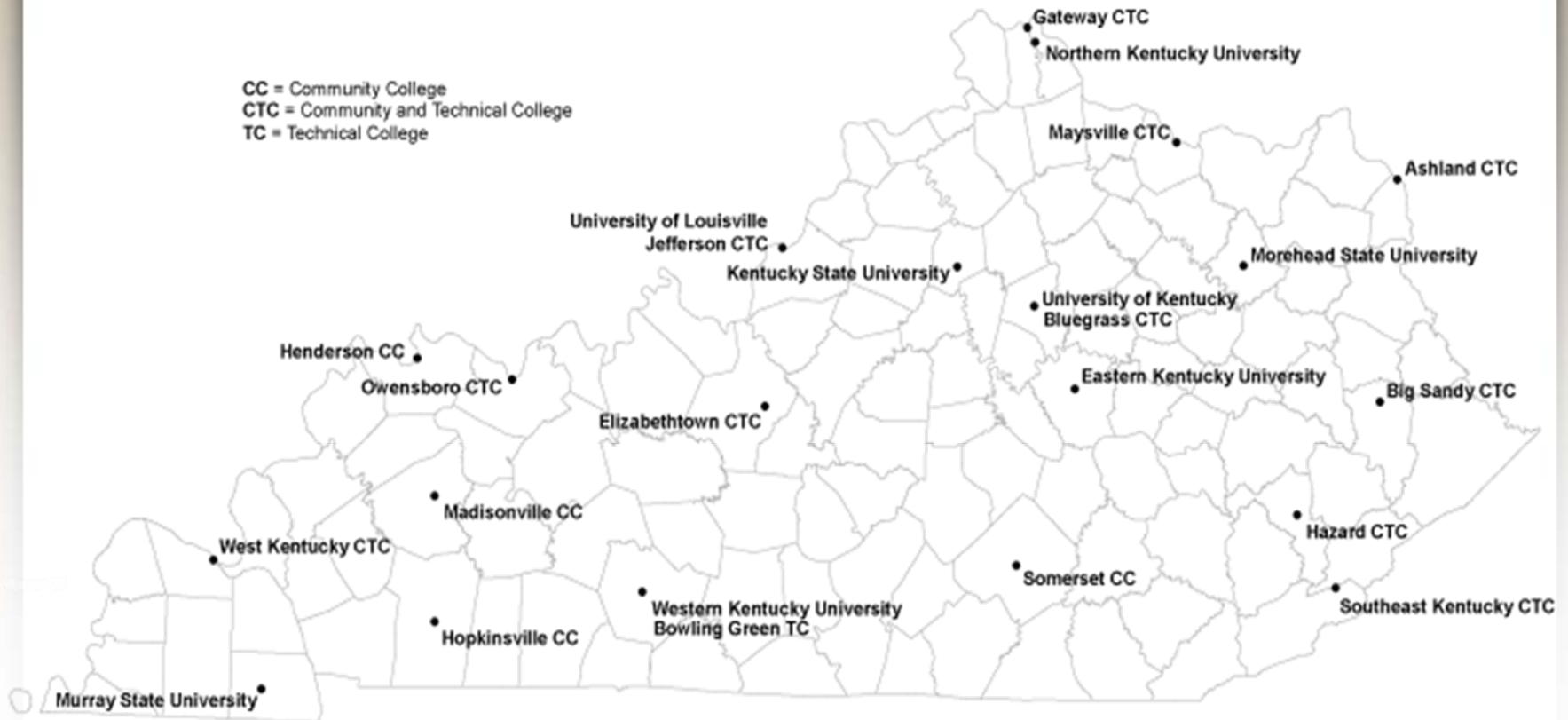
- Eastern Kentucky University
- Kentucky State University
- Morehead State University
- Murray State University
- Northern Kentucky University
- Western Kentucky University



Research Universities

- University of Kentucky
- University of Louisville

Institution Locations



Visit the Kentucky Postsecondary Education
Data Portal, <http://cpe.ky.gov/info>



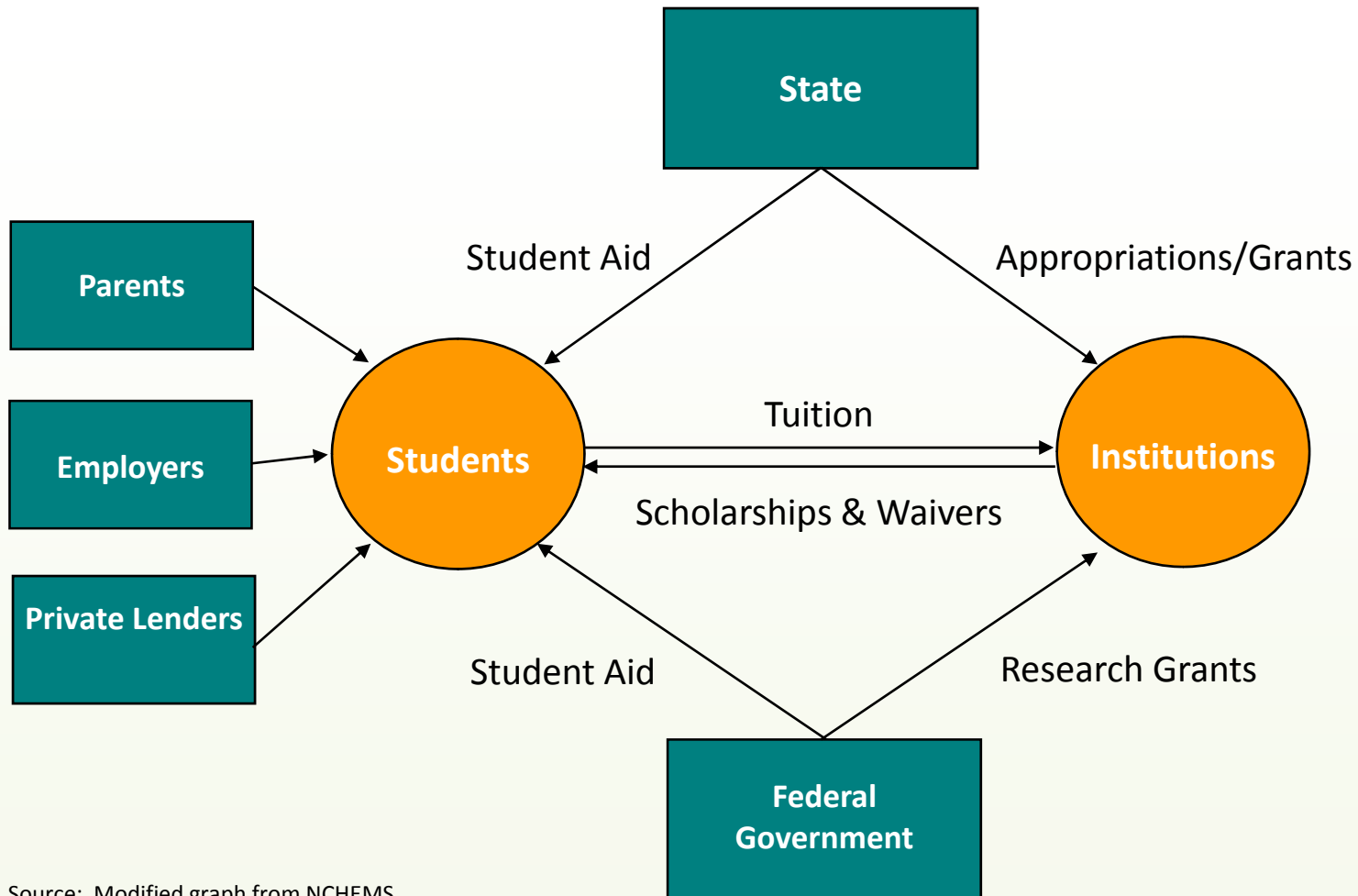
Institutional Governing Boards



Kentucky Revised Statutes (KRS) 164A.550:

"Governing board" means the board of trustees or board of regents constituting the corporate bodies established by KRS 164.160 and 164.310 for the purpose of governing universities and colleges and technical institutions.

Who Pays for College?

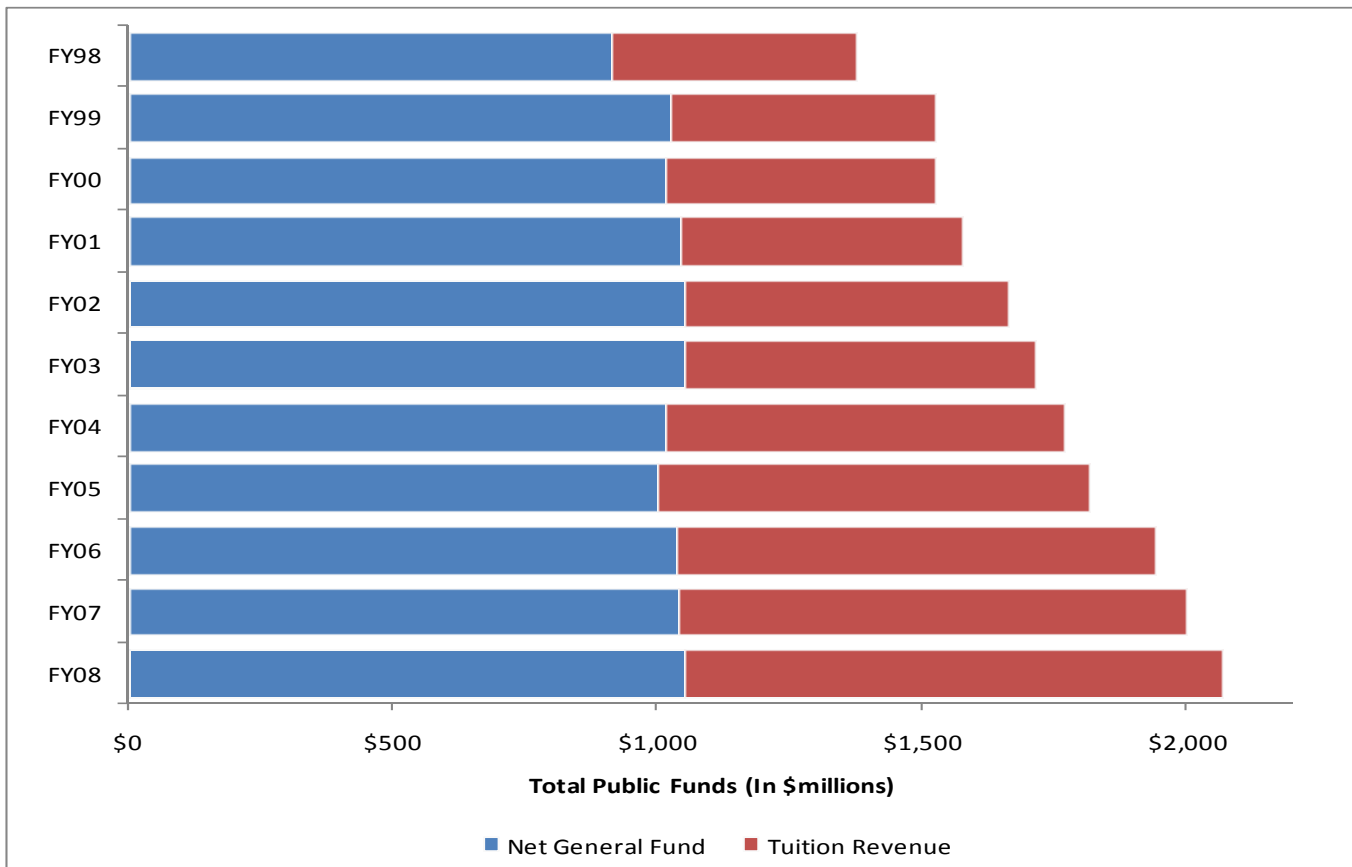


Source: Modified graph from NCHEMS

Total Public Funds Trend for Postsecondary Education



Total Public Funds (Tuition and Appropriations)
FY98 to FY08 (Inflation adjusted)

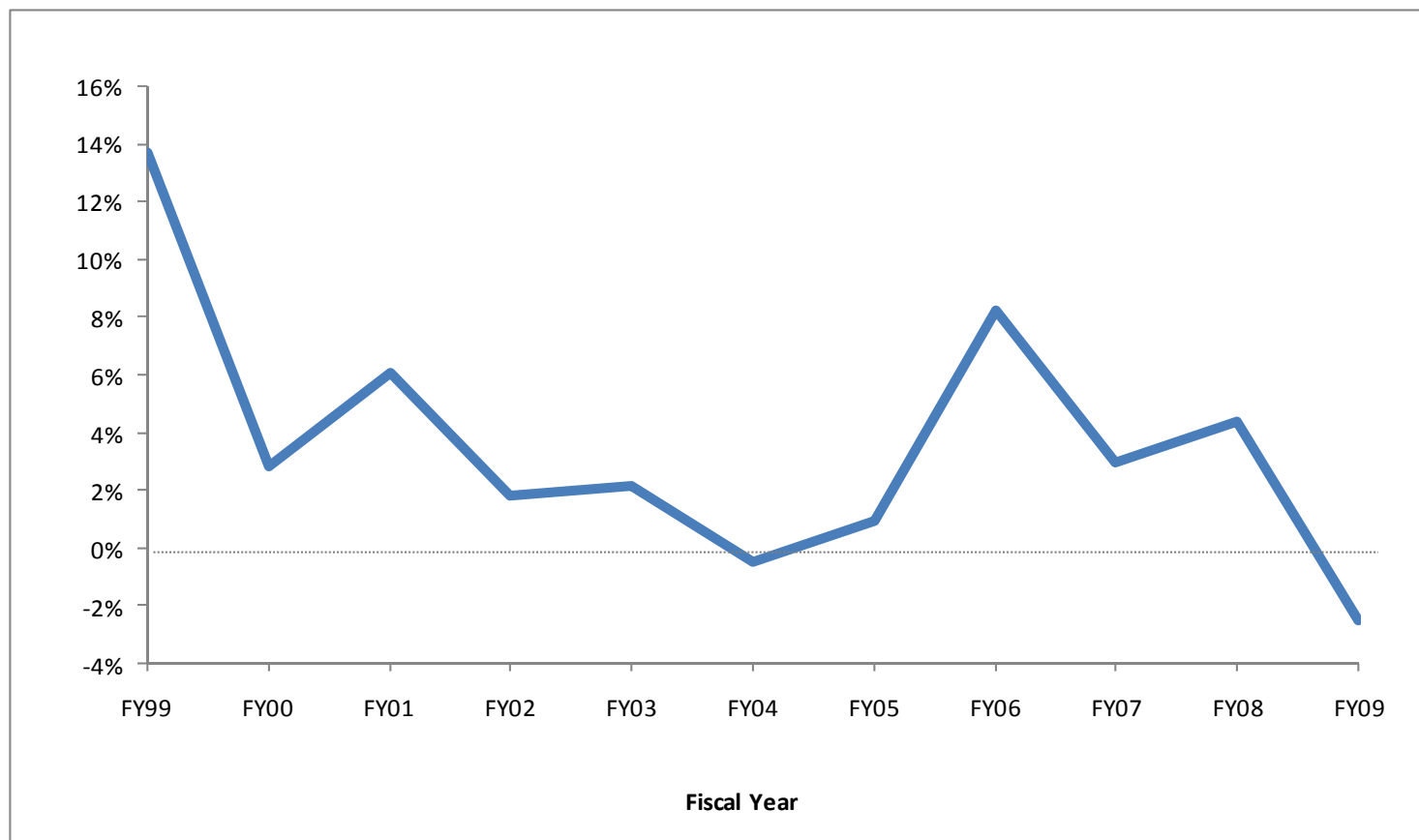


Source: Council on Postsecondary Education

State Appropriations Trend for Postsecondary Education



Annual Percent Change in Net General Funds Appropriations



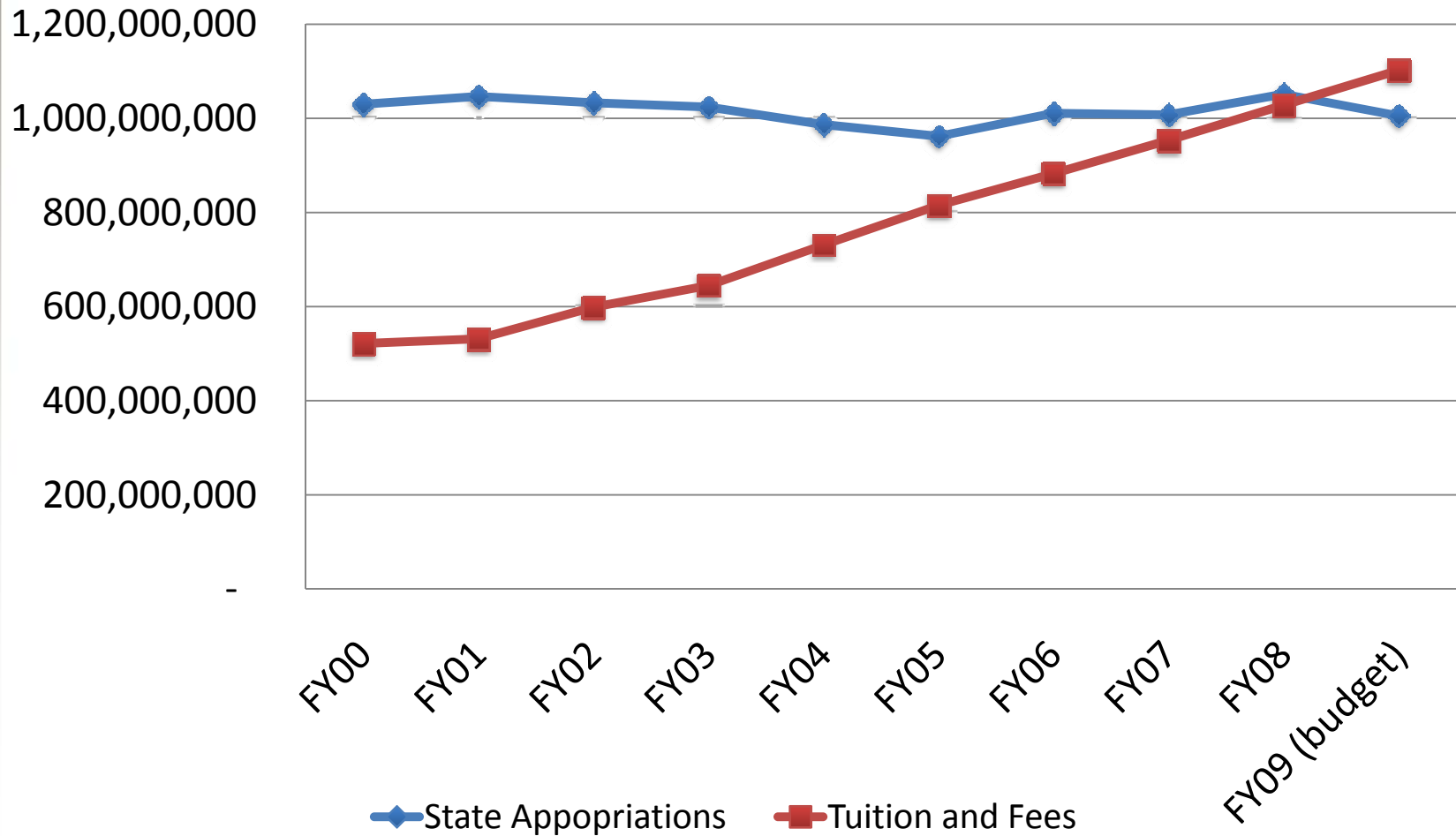
Source: Council on Postsecondary Education

Support Per FTE – State Appropriations



State Appropriations		Change
FY00	\$8,802	
FY01	\$8,157	(\$645)
FY02	\$7,597	(\$560)
FY03	\$7,125	(\$472)
FY04	\$6,628	(\$497)
FY05	\$6,707	\$79
FY06	\$7,041	\$334
FY07	\$7,011	(\$30)
FY08	\$7,226	\$215
FY09	\$6,911	(\$315)
Net Decrease		(\$1,891)

State Appropriations vs. Tuition & Fees – System Total



Source: Total Public Funds Per FTE (Adjusted for Inflation), Council on Post Secondary Education

Postsecondary Progress Since 1998



	1998	Current
Undergraduate Enrollment (2007)	161,000	213,000
Bachelor's Degrees (2007)	14,600	18,600
Six-Year Graduation Rates (2006)	37%	47%
Associate Degrees (2007)	5,100	7,800
Transfers (2007)	4,100	4,500

Sources: CPE Comprehensive Database, KY DOE, HigherEdInfo.org, US Census, BEA, & LTPRC

Types of Funds



Educational and General

Refers to expenditures required to achieve the core institutional educational mission. This includes all funds received in which a donor or other external agency has not specified the purpose(s) for which the funds should be expended.

Auxiliaries

Exists to furnish goods or services to students, faculty, staff, other institutional departments, or incidentally to the general public, and charges a fee directly related to, although not necessarily equal to, the cost of the goods or services. The distinguishing characteristic is that it is managed as a self-supporting activity.

Restricted Funds





Funds available for financing operations, but that are limited to specific purposes, programs, or departments specified by donors or external agencies.

Auxiliaries



Exists to furnish goods or services to students, faculty, staff, other institutional departments, or incidentally to the general public, and charges a fee directly related to, although not necessarily equal to, the cost of the goods or services. The distinguishing characteristic is that it is managed as a self-supporting activity.

Examples:

-  Housing
-  Dining Services
-  Bookstores
-  Parking

Restricted Funds



Funds available for financing operations, but that are limited to specific purposes, programs, or departments specified by donors or external agencies.

Examples:

 Grants (Federal & State)

 Contracts

 Work Study funds

 Endowment income

Strategic Plan to Operating Budget



Classifications of Revenue



Standardized reporting classification exist for public institutions. They should use the following revenue classifications:

- 🇰🇪 Tuition and Fees
- 🇰🇪 Appropriations
- 🇰🇪 Grants and Contracts
- 🇰🇪 Auxiliary Enterprises
- 🇰🇪 Investment Income

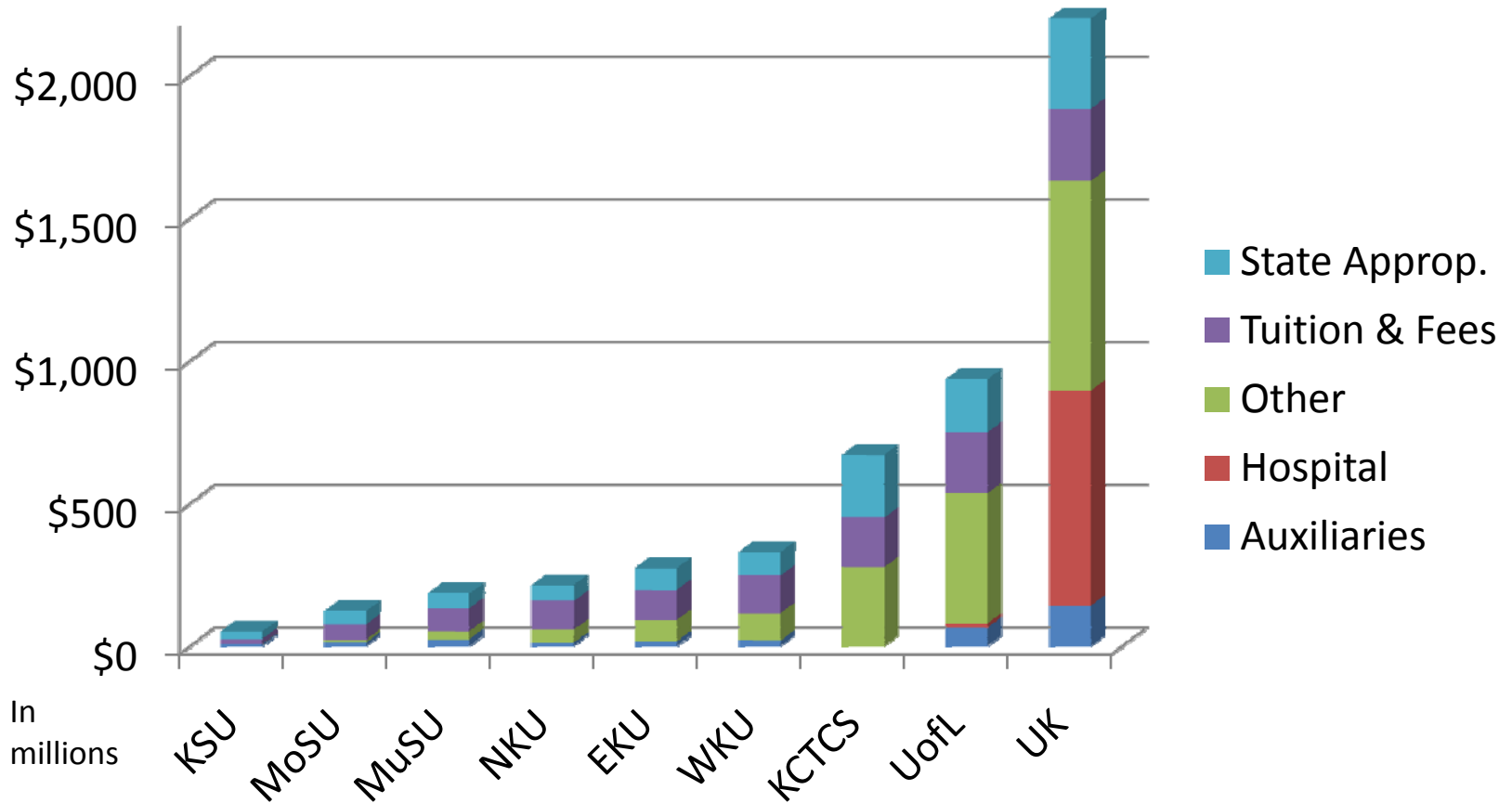
Classification of Expenditures



Expenditures can be broken down into the following standardized reporting functional classifications:

- Instruction
- Research
- Public Service
- Academic Support
- Operation and Maintenance of Plant
- Scholarships and Fellowships
- Depreciation
- Auxiliary Enterprises
- Hospitals

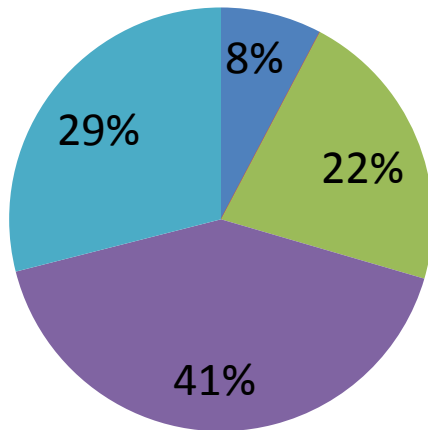
Operating Budgets FY 2008-09



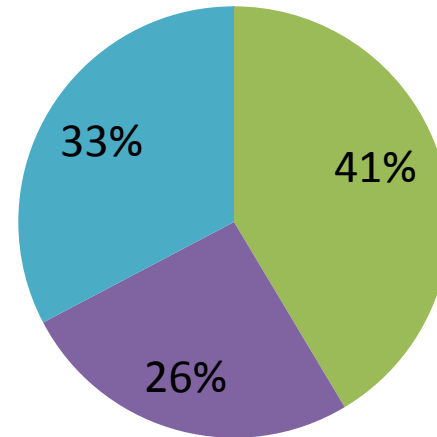
Total Revenues By Sector



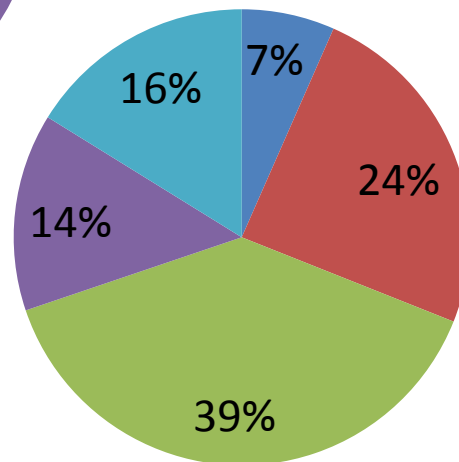
Comprehensive



KCTCS



Research

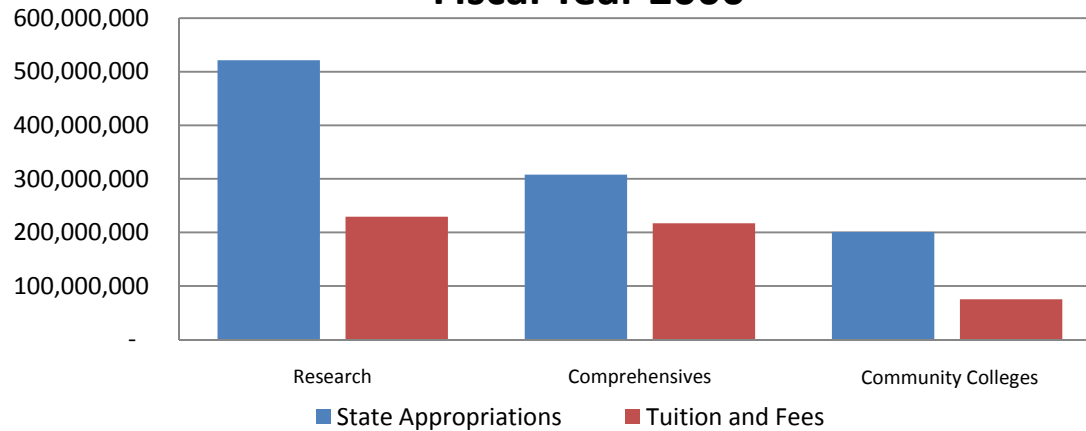


- Auxiliaries
- Hospital
- Other
- Tuition & Fees
- State Approp.

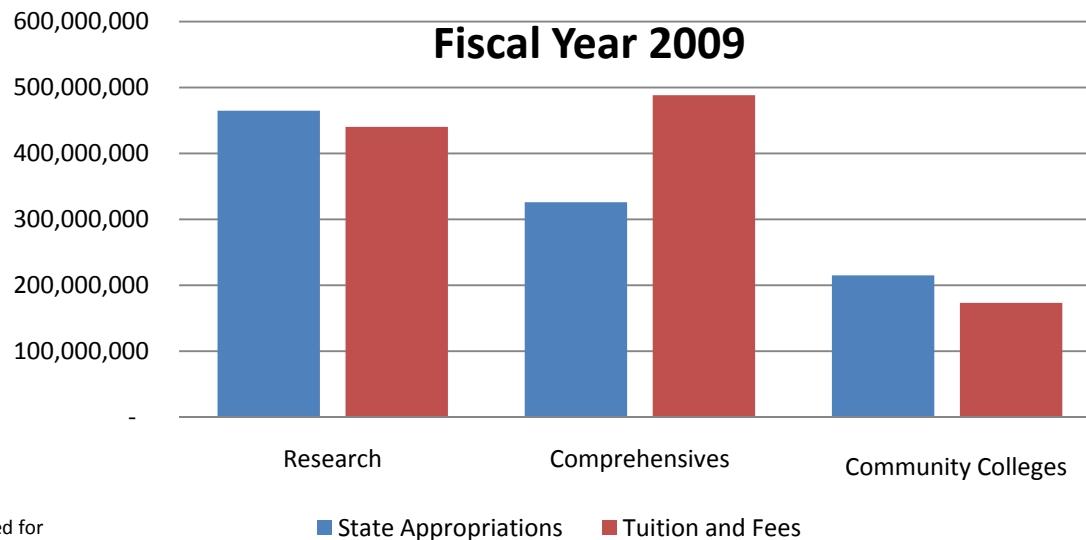
Change in Total Public Funds FY00 and FY09



Fiscal Year 2000



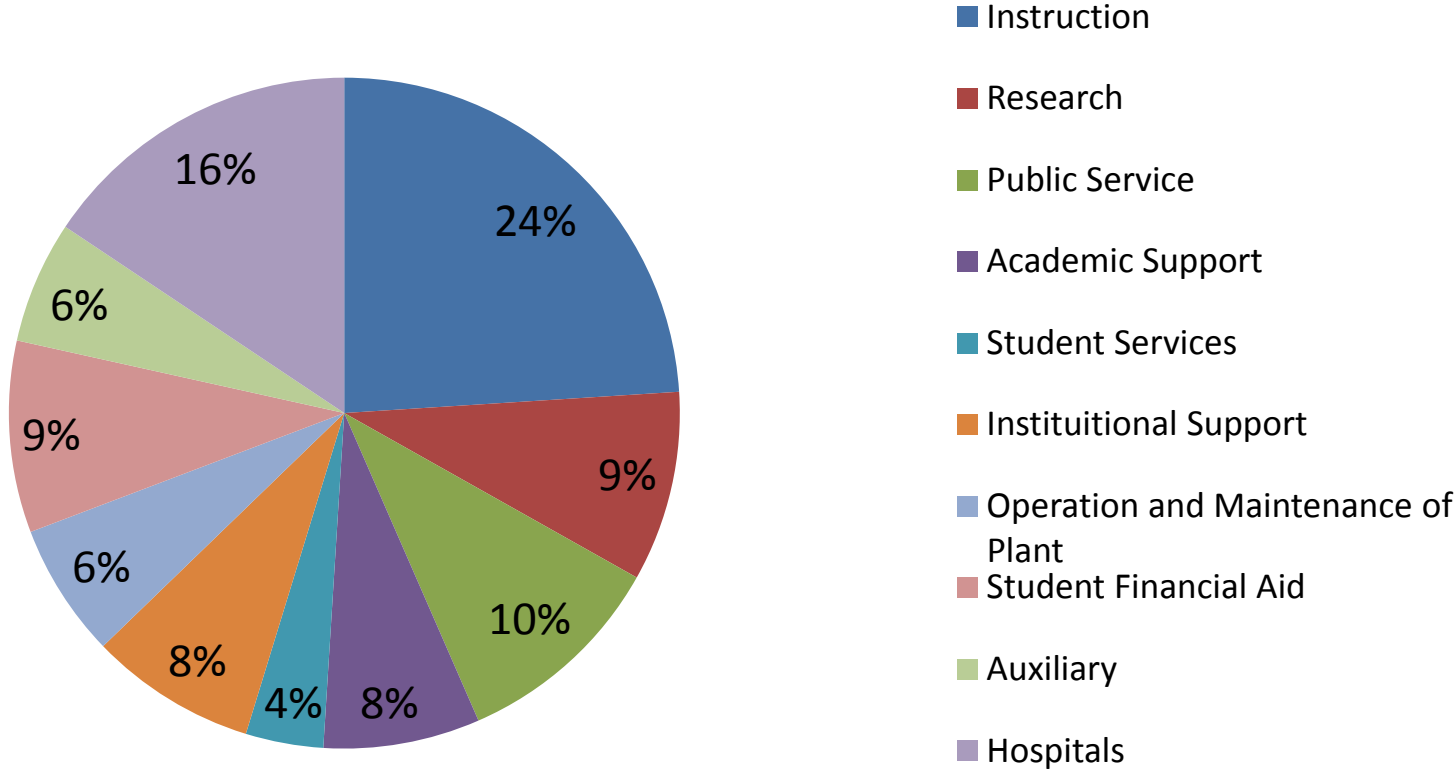
Fiscal Year 2009



Functional Expenses – System Total



System Total

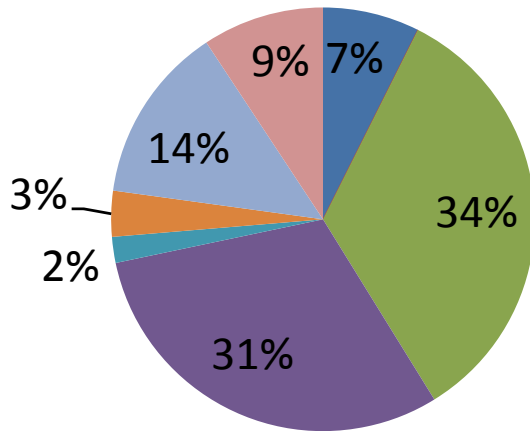


Source: Total Program Expenditures, Council on Post Secondary Education

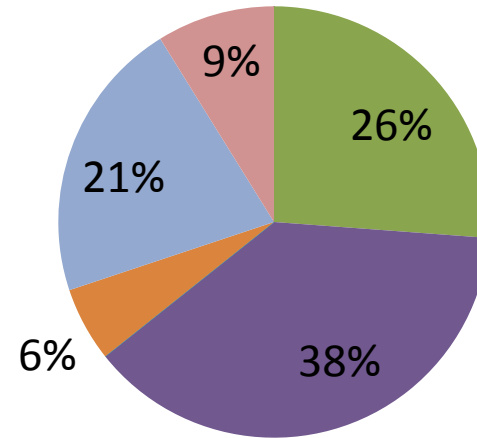
Expenses By Sector



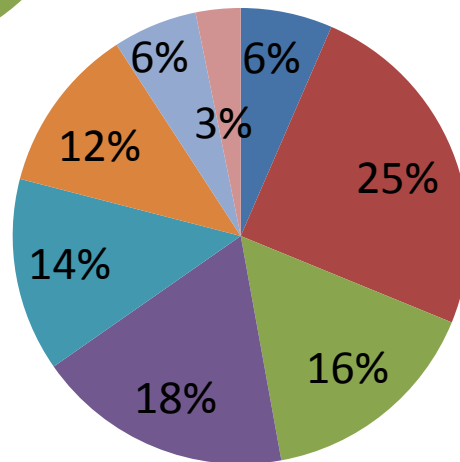
Comprehensive



KCTCS



Research



- Auxiliaries
- Hospital
- Other
- Instruction
- Research
- Public Service
- Student Aid
- M&O

Fixed and Unavoidable Costs



There are significant fixed and unavoidable annual cost increases for colleges and universities – examples:

- Utilities
- Benefits
- Mandated tuition waivers
- Maintenance of physical facilities
- Other costs to "keep the doors open" with each ensuing academic year
- Refer to page 110 in the meeting materials for more information

Reporting Requirements



State

- Council on Postsecondary Education
 - Comprehensive Database Reporting Guidelines for State Supported Institutions
 - Action agenda
 - Programs of distinction
 - Bucks for brains
 - Regional universities endowment trust funds
 - Institutional research trust funds
- Consolidated audit information (CAFR closing package)
- House Bill 406 – Budget Bill and Budget Memorandum for Postsecondary Education
- Kentucky Revised Statutes Chapters 164 and 164A

Compliance and Reporting



Federal

- Office of Management and Budget (OMB) –
 - Circular A-133 for federal financial aid and other federal awards
 - Circular A-21
- Internal Revenue Service rules, regulations, and reporting requirements
- Various federal agencies related to research and public service contracts and grants (e. g. National Science Foundation, FEMA)

Compliance and Reporting



Accounting, Financial Reporting, and Auditing

- Governmental Accounting Standards Board (GASB) pronouncements and standards
- American Institute of Certified Public Accountants (AICPA) audit guide for colleges and universities
- National Association of College and University Business Officers guidelines for classification and reporting
- Statement on Auditing Standards 112
- NCAA Compliance and Financial Guidelines
- Corporation for Public Broadcasting Reporting Guidelines
- Integrated Postsecondary Education Data System (IPEDS)

Postsecondary Education Reform Act (HB 1)



Comprehensive Universities

Goal 4: Regional universities, with at least one (1) nationally-recognized program of distinction or one (1) nationally-recognized applied research program, working cooperatively with the other postsecondary institutions to assure statewide access to baccalaureate and master's degrees of a quality at or above the national average.

Comprehensives



Eastern Kentucky University

- Degree Types
 - 68 Bachelors
 - 8 Pre-Prof.
 - 17 Masters
 - 6 Associate
- FTE
 - 2000 = 12,079
 - 2008 = 12,918
- Program of Distinction
(Justice and Safety)



Kentucky State University

- Degree Types
 - 24 Bachelors
 - 5 Masters
 - 4 Associate
- FTE
 - 2000 = 2,018
 - 2008 = 2,209
- Program of Distinction
(Aquaculture)
- Land grant institution



Morehead State University

- Degree Types
 - 47 Bachelors
 - 13 Pre-Prof.
 - 18 Masters
 - 10 Associate
- FTE
 - 2000 = 6,526
 - 2008 = 6,983
- Program of Distinction
(Institute for Regional Analysis and Public Policy)

Comprehensives



Murray State University

- Degree Types
 - 68 Bachelors
 - 42 Masters
 - 11 Associate
 - 2 Certificate
- FTE
 - 2000 = 7,599
 - 2008 = 8,482
- Program of Distinction
(Telecommunications System Management)



Northern Kentucky University

- Degree Types
 - 29 Bachelors
 - 1 Pre-Prof.
 - 9 Masters
 - 6 Associate
- FTE
 - 2000 = 8,846
 - 2008 = 11,547
- Program of Distinction
Center for Integrative Natural Science and Math)



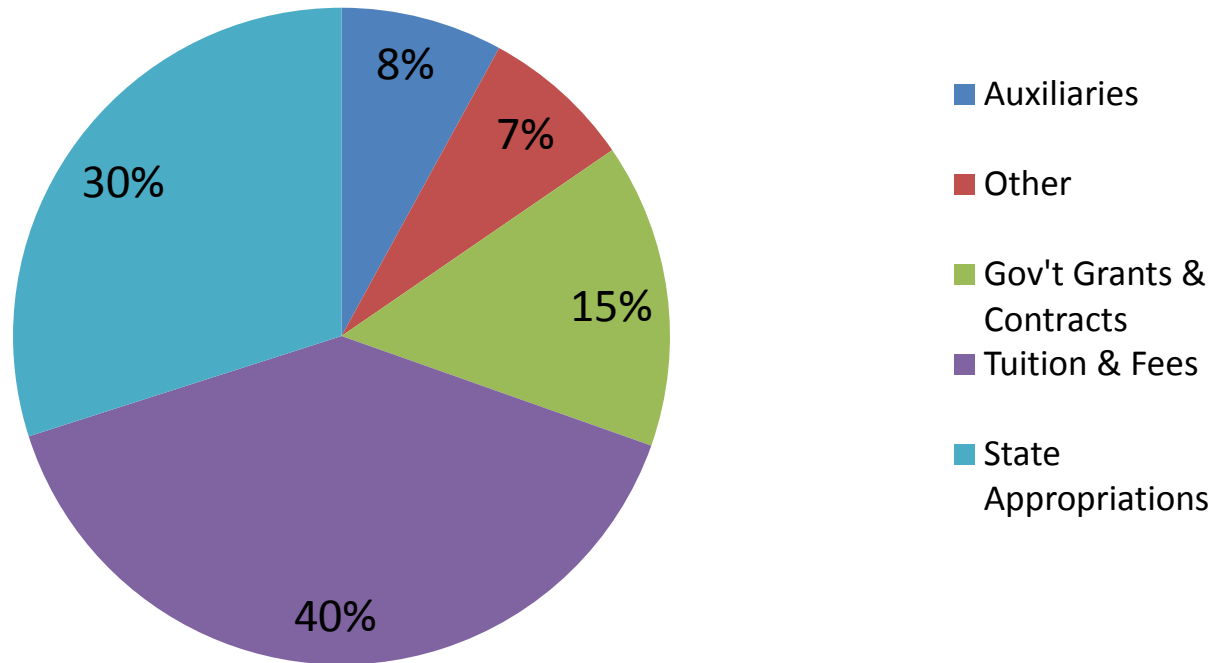
Western Kentucky University

- Degree Types
 - 79 Bachelors
 - 8 Masters
 - 18 Associate
 - 18 Certificates
- FTE
 - 2000 = 12,238
 - 2008 = 15,629
- Program of Distinction
(Center for 21st Century Media & Applied Research)

Comprehensive Institutions - Revenues FY 2008-09



Comprehensive Total

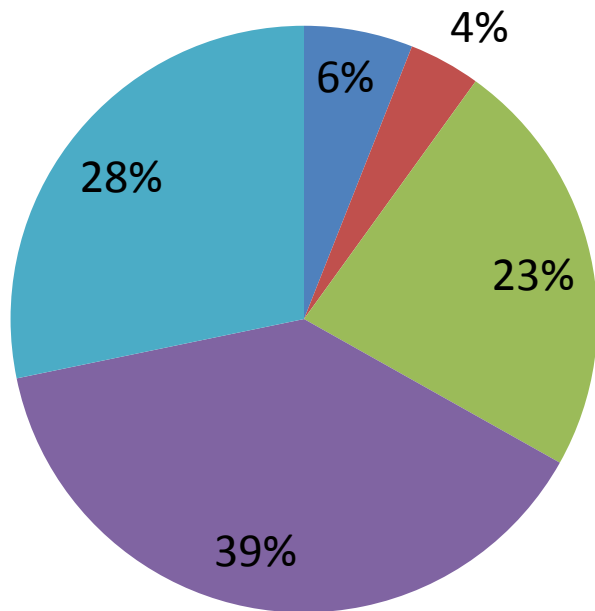


Comprehensive Institutions - Revenues

FY 2008-09

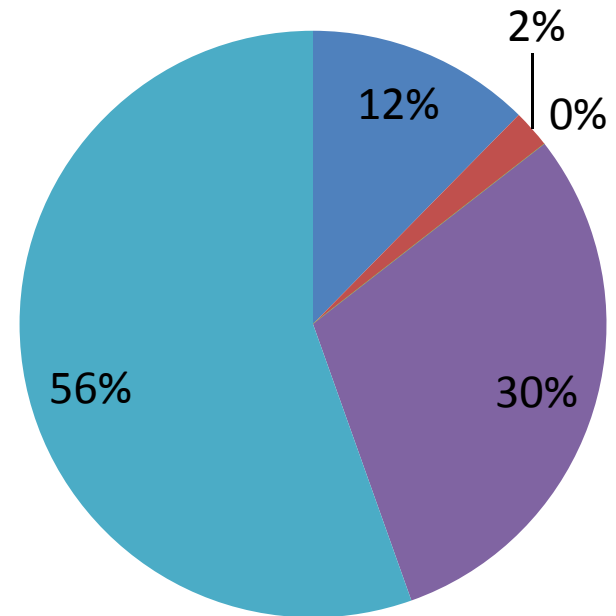


Eastern Kentucky University



- Auxiliaries
- Other
- Gov't Grants & Contracts
- Tuition & Fees
- State Appropriations

Kentucky State University

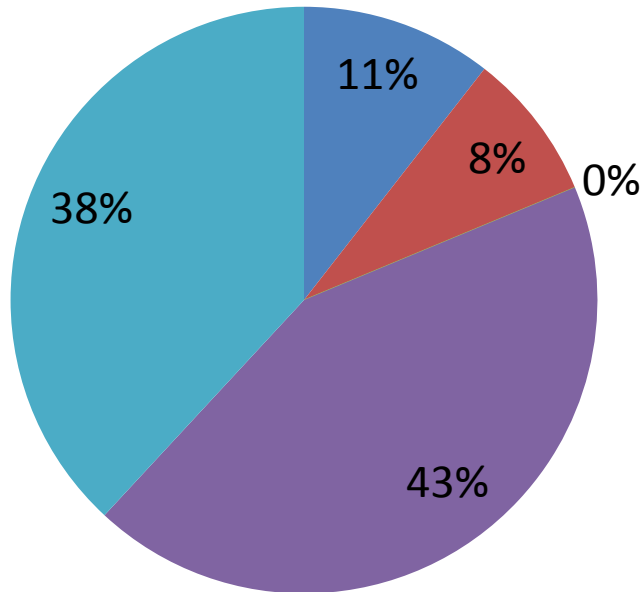


- Auxiliaries
- Other
- Gov't Grants & Contracts
- Tuition & Fees
- State Appropriations

Comprehensive Institutions - Revenues FY 2008-09

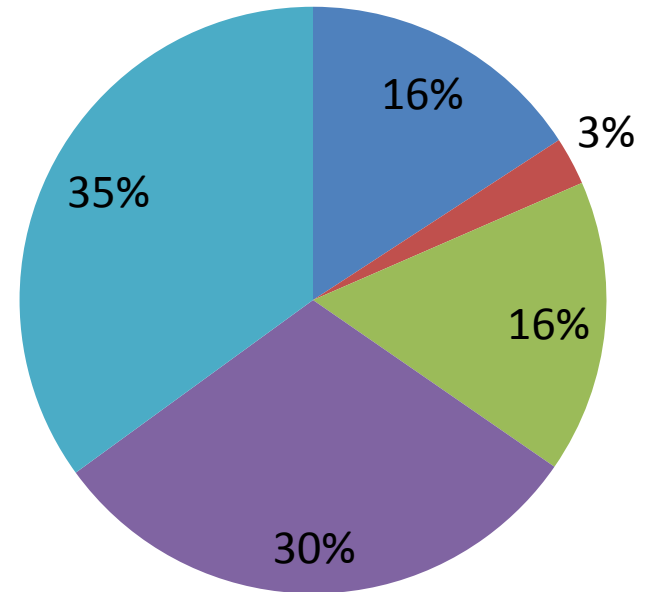


Morehead State University



- Auxiliaries
- Other
- Gov't Grants & Contracts
- Tuition & Fees
- State Appropriations

Murray State University



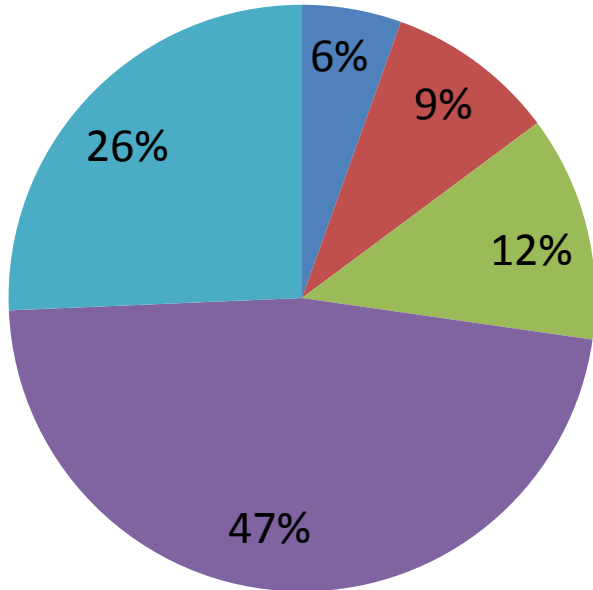
- Auxiliaries
- Other
- Gov't Grants & Contracts
- Tuition & Fees
- State Appropriations

Comprehensive Institutions - Revenues

FY 2008-09

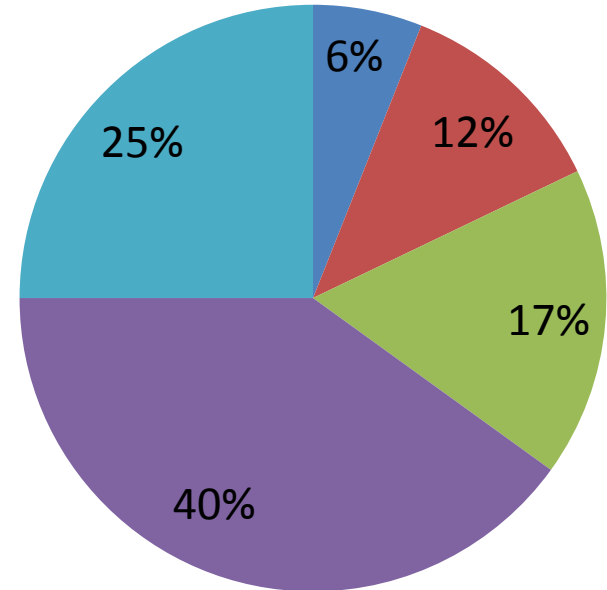


Northern Kentucky University



- Auxiliaries
- Gov't Grants & Contracts
- State Appropriations
- Other
- Tuition & Fees

Western Kentucky University

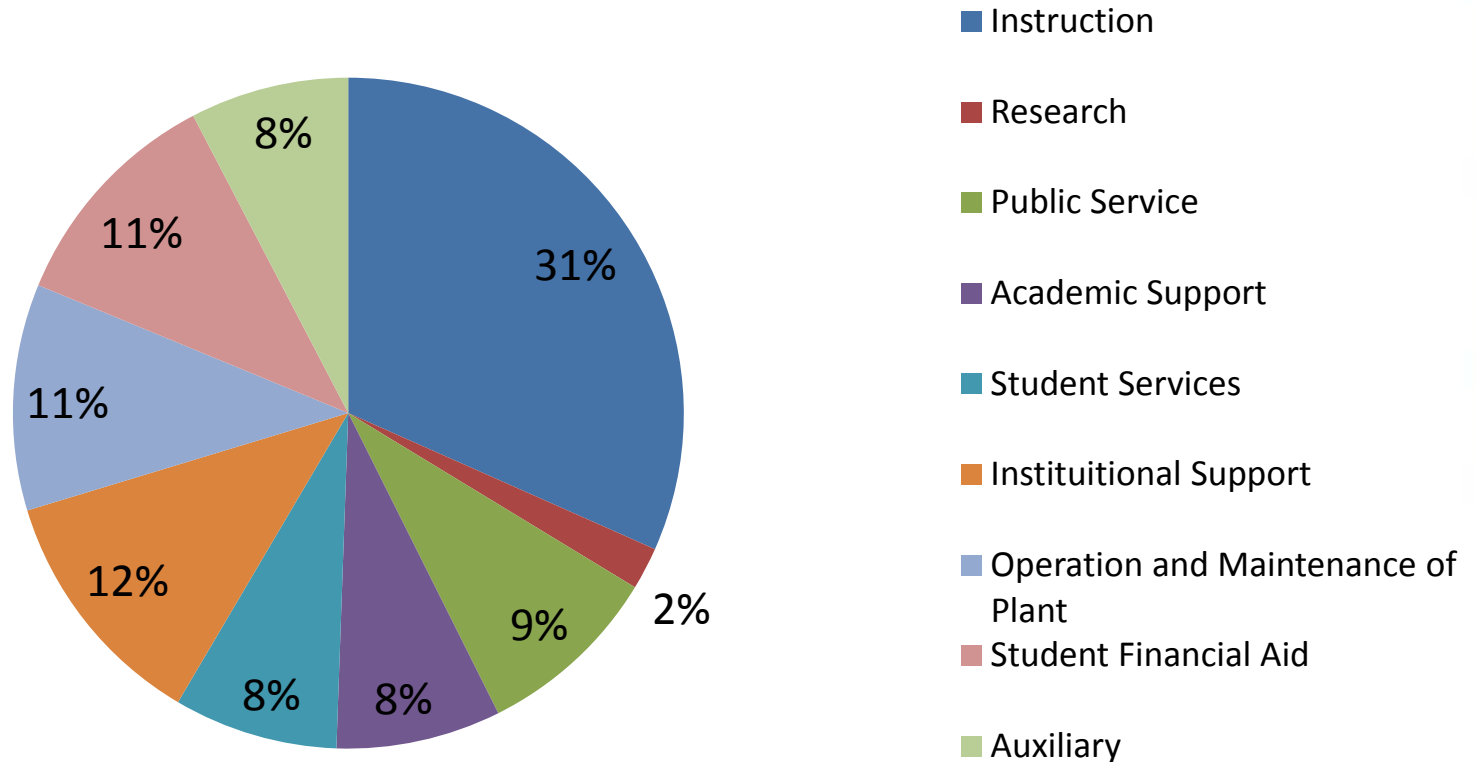


- Auxiliaries
- Gov't Grants & Contracts
- State Appropriations
- Other
- Tuition & Fees

Comprehensive Institutions - Expenditures FY 2008-09



Comprehensive Total

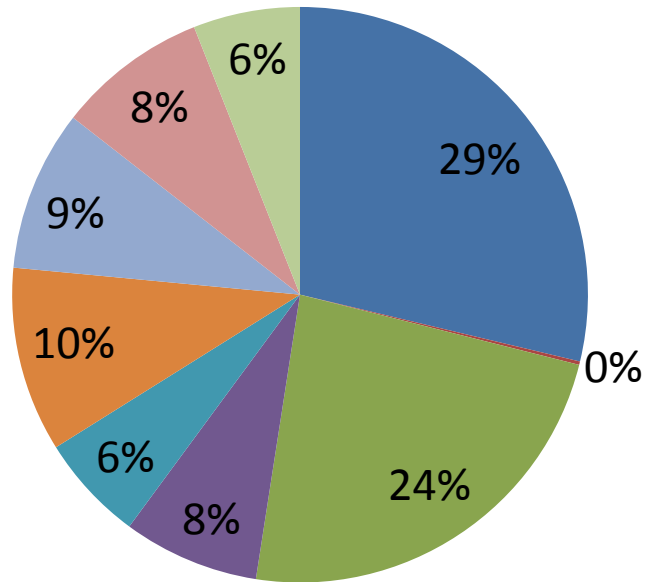


NOTE: Academic Support and Libraries are combined.

Comprehensive Institutions - Expenditures FY 2008-09

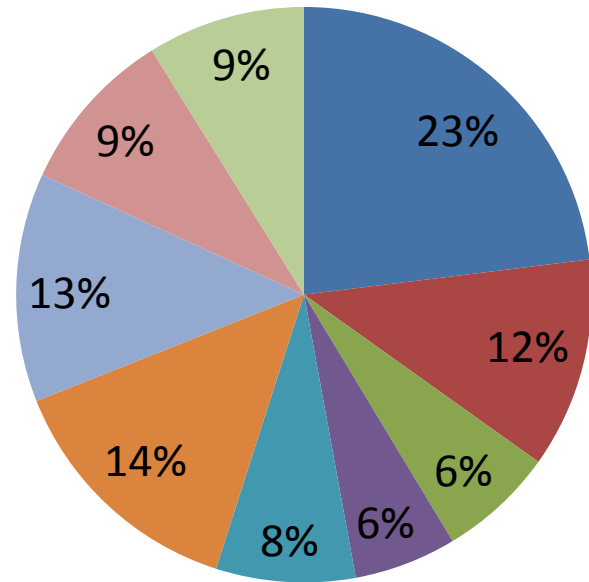


Eastern Kentucky University



- Instruction
- Public Service
- Student Services
- Operation and Maintenance of Plant
- Auxiliary
- Research
- Academic Support
- Institutional Support
- Student Financial Aid

Kentucky State University

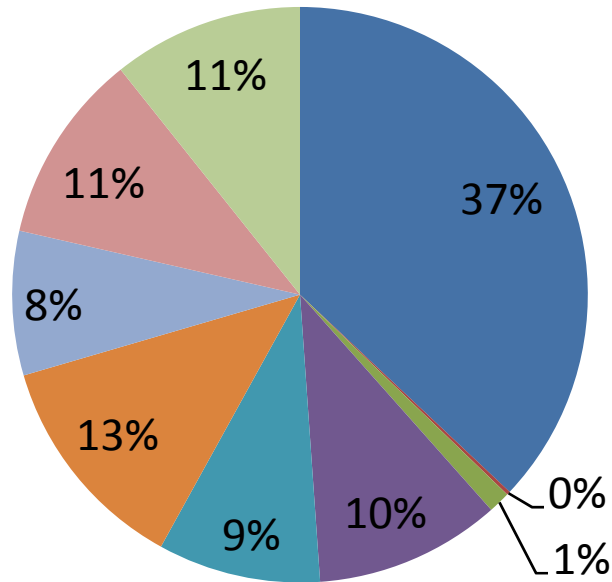


- Instruction
- Public Service
- Student Services
- Operation and Maintenance of Plant
- Auxiliary
- Research
- Academic Support
- Institutional Support
- Student Financial Aid

Comprehensive Institutions - Expenditures FY 2008-09

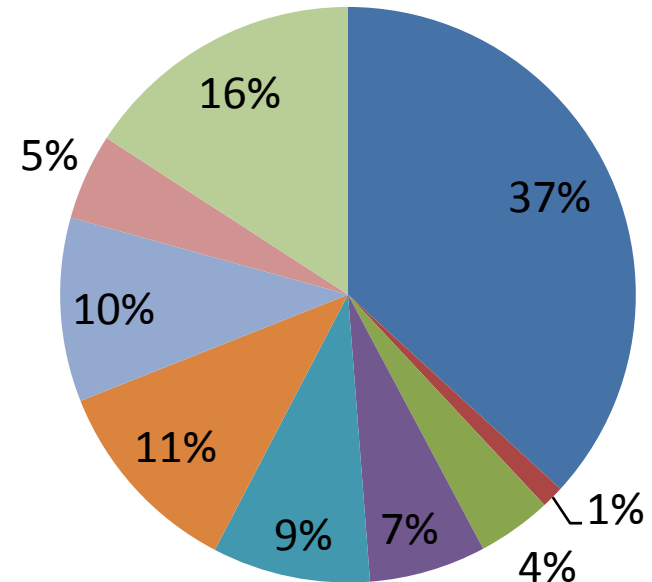


Morehead State University



- Instruction
- Public Service
- Student Services
- Operation and Maintenance of Plant
- Auxiliary
- Research
- Academic Support
- Institutional Support
- Student Financial Aid

Murray State University



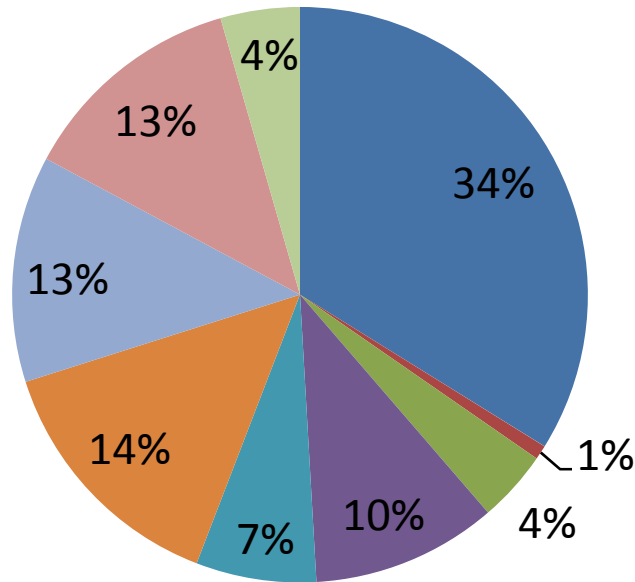
- Instruction
- Public Service
- Student Services
- Operation and Maintenance of Plant
- Auxiliary
- Research
- Academic Support
- Institutional Support
- Student Financial Aid

Comprehensive Institutions - Expenditures

FY 2008-09

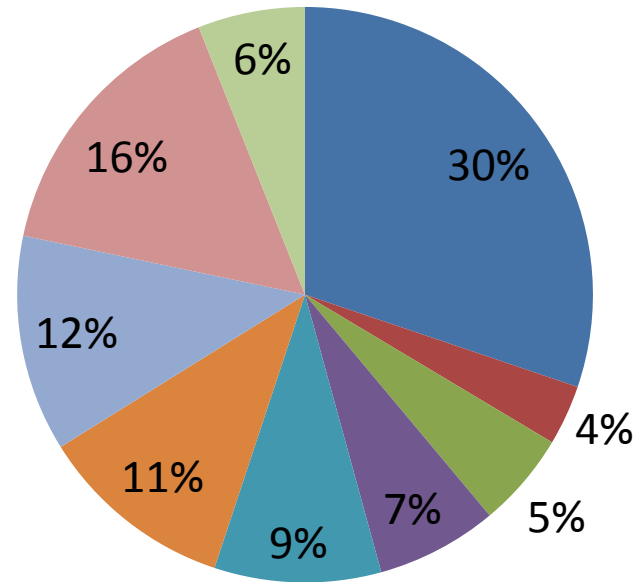


Northern Kentucky University



■ Instruction
■ Public Service
■ Student Services
■ Operation and Maintenance of Plant
■ Auxiliary
■ Research
■ Academic Support
■ Institutional Support
■ Student Financial Aid

Western Kentucky University



■ Instruction
■ Public Service
■ Student Services
■ Operation and Maintenance of Plant
■ Auxiliary
■ Research
■ Academic Support
■ Institutional Support
■ Student Financial Aid

Postsecondary Education Reform Act (HB 1)



Research Universities

Goal 2: A major comprehensive research institution ranked nationally in the top twenty (20) public universities at the University of Kentucky

Goal 3: A premier, nationally-recognized metropolitan research university at the University of Louisville

Differences



- Program mix – horizontal and vertical
- Research mission
- Land Grant status
- Mandated programs
- Hospital & Clinics
- Auxiliaries (including athletics)

Research Universities



University of Kentucky

- Degree Types:
 - 85 Bachelors
 - 84 Masters/Specialists
 - 63 Doctoral/First Professional
- Fall Enrollment:
 - 2000 = 23,852
 - 2008 = 26,913
- Research expenditures (NSF FY 2007) \$331.6 million



University of Louisville

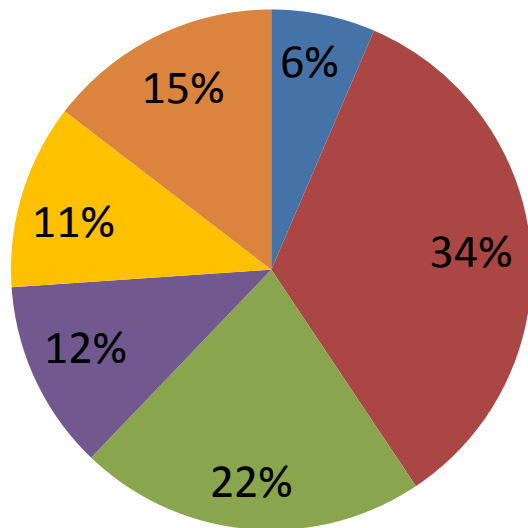
- Degree Types:
 - 47 Bachelors
 - 57 Masters/Specialists
 - 29 Doctoral/First Professional
- Fall Enrollment:
 - 2000 = 20,768
 - 2008 = 21,761
- Research expenditures (NSF FY 2007) \$151.2 million

Research Universities: Revenues FY 2008-09



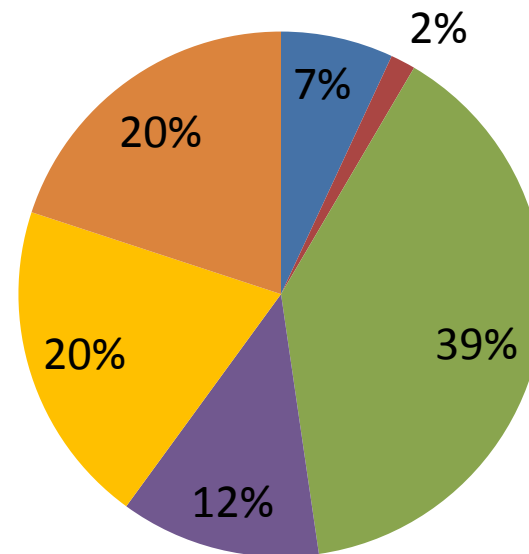
University of Kentucky

\$2.2 billion



University of Louisville

\$934.7 million



- Auxiliaries
- Other
- Tuition & Fees
- Hospital
- Gov't Grants & Contracts
- State Appropriations

Source: Council on Postsecondary Education

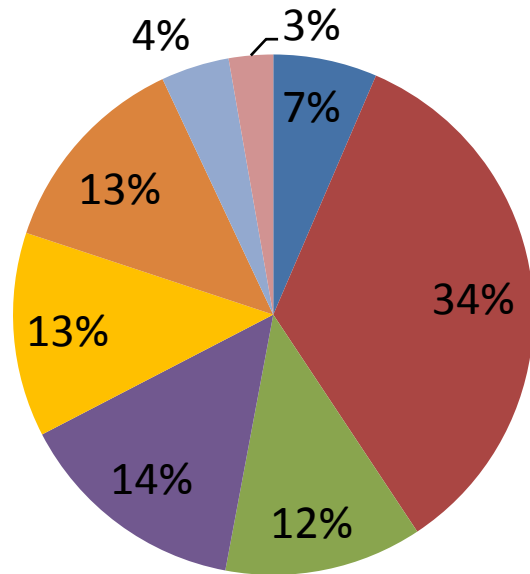
Research Institutions: Expenses

FY 2008-09



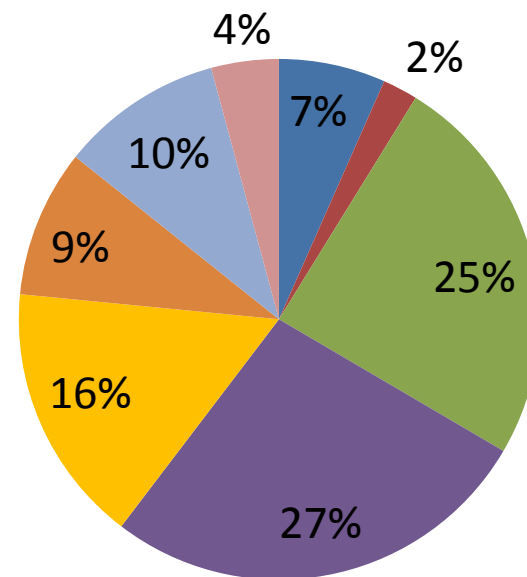
University of Kentucky

\$2.2 billion



University of Louisville

\$934.7 million



- Auxiliaries
- Hospital
- Other
- Instruction
- Research
- Public Service
- Student Aid
- M&O

Source: Council on Postsecondary Education

Postsecondary Education Reform Act (HB 1)



KCTCS

Goal 5: A comprehensive community and technical college system with a mission that assures, in conjunction with other postsecondary institutions, access throughout the Commonwealth to a two (2) year course of general studies designed for transfer to a baccalaureate program, the training necessary to develop a workforce with the skills to meet the needs of new and existing industries, and remedial and continuing education to improve the employability of citizens



KCTCS Annual Budget Development

KCTCS Annual Budget Development



March/April

KCTCS Board of Regents establishes priorities and parameters for KCTCS System and college budgets, including compensation increases

March/April

Colleges develop budgets based on KCTCS Board of Regents priorities and parameters

Local college boards of directors approve college budgets

June

KCTCS Board of Regents approves KCTCS annual budget

July

Colleges implement Board of Regents approved budget

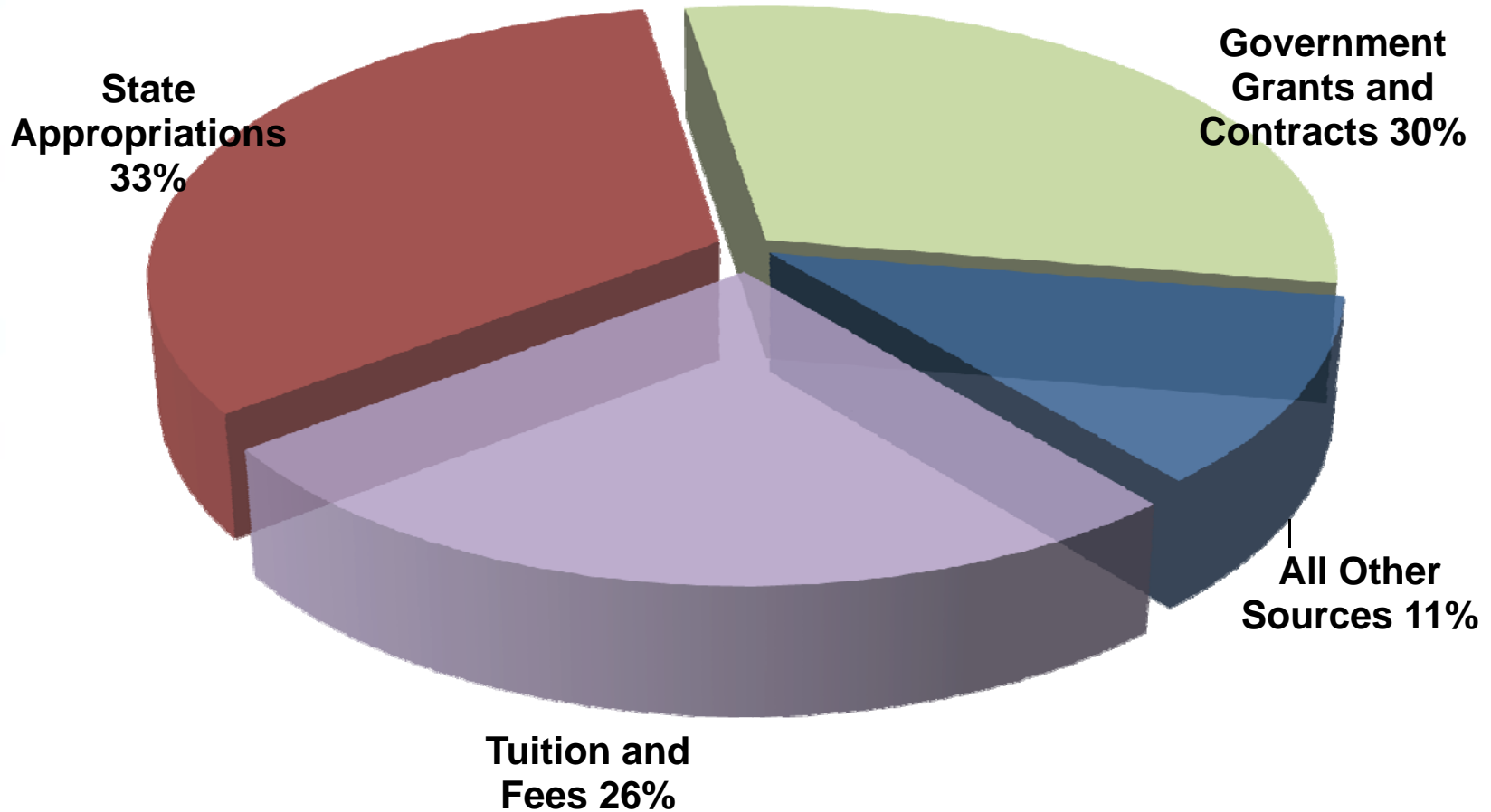
KCTCS Annual Budget Development



2008-09

- Revenue (from all sources) \$670,258,900
- Expenditures (for all programs) \$670,258,900

KCTCS Annual Budget Development



KCTCS Annual Budget Development



	<u>2008-09</u>
Revenue	
– Unrestricted	\$471,711,500
– Restricted	\$198,547,400

KCTCS Annual Budget Development



Restricted Funds

- Funds use restricted by giving entity
- Governing Board does not decide how to spend funds
- Examples
 - Financial aid
 - Government grants and contracts
 - Endowment income

KCTCS Annual Budget Development



Unrestricted Funds

- Funds use not restricted
- Governing Board decides how to spend funds

KCTCS Annual Budget Development



	<u>2008-09</u>
Unrestricted Funds	\$377,484,000
– Public funds	
▪ State appropriation	
▪ Tuition	\$ 94,227,500
– Locally generated funds	
▪ Expended by entity (college or Fire Commission or KBEMS) that generates them	
▪ Examples	
• State grant for Fire Commission	
• Fund balance (beyond required reserve)	
• Bookstore commissions	

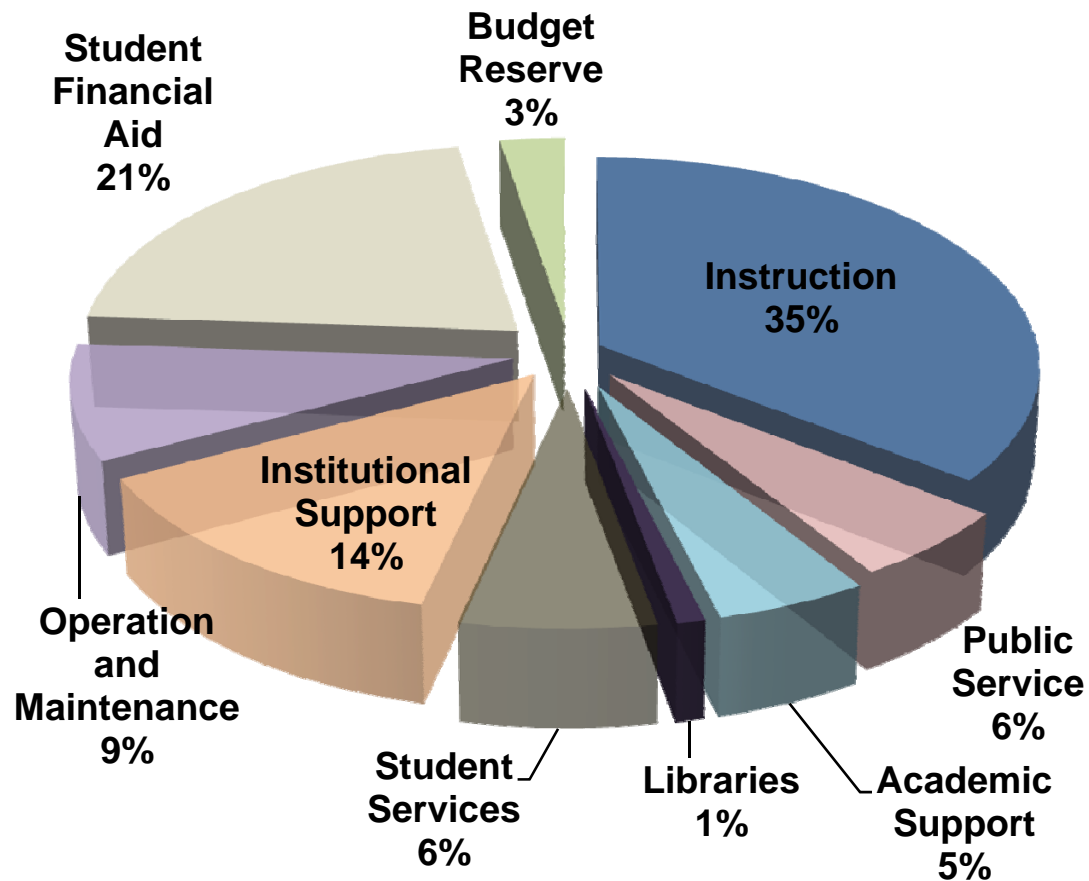
KCTCS Annual Budget Development



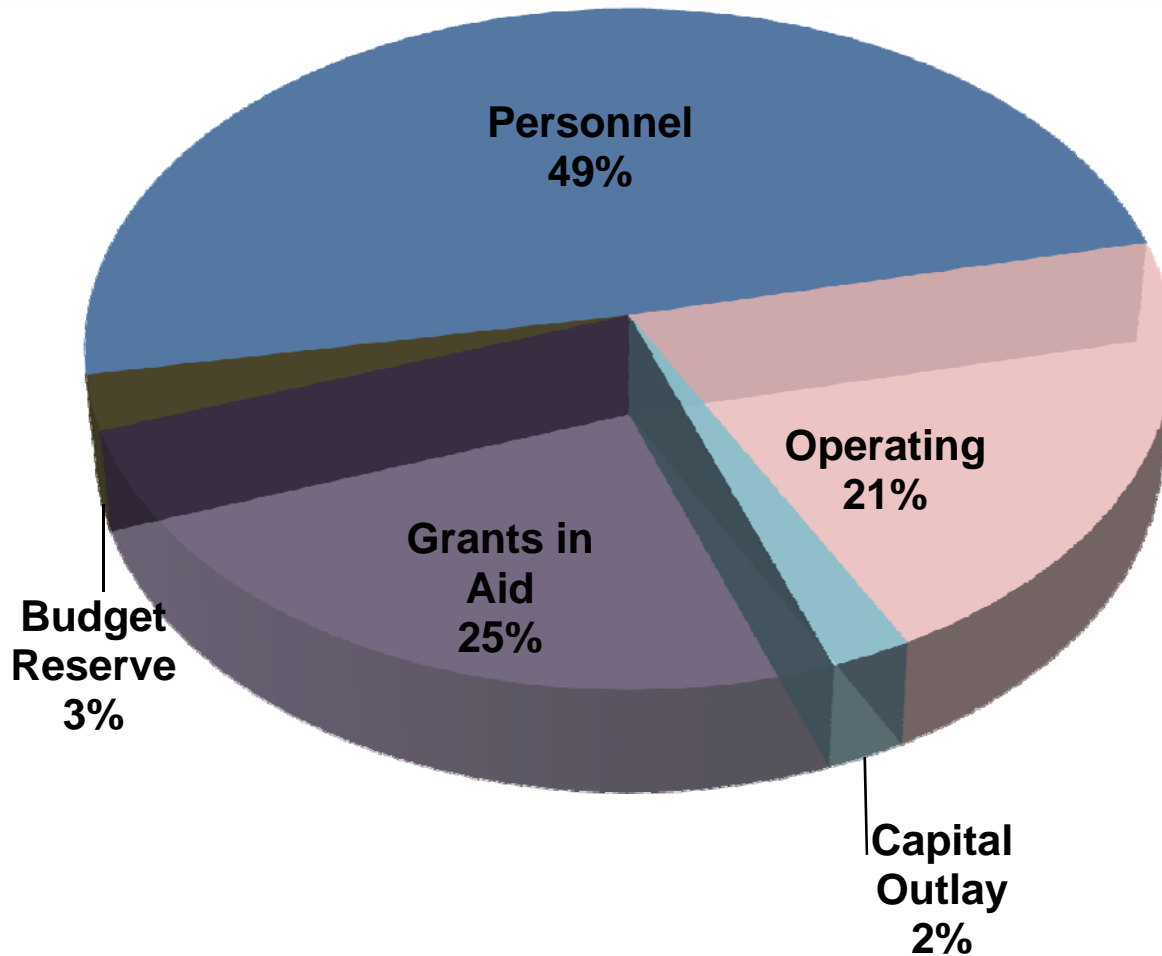
Public Funds Base

- State appropriation plus tuition revenue
- Used to fund Governing Board priorities
 - Salary increase (this was zero in 2008-09)
 - Fringe benefit fixed costs increase
 - Other fixed costs (e.g. utilities)
 - Public Funds Model (this was zero in 2008-09)

KCTCS Annual Budget Development



KCTCS Annual Budget Development



Budget Websites



- EKU http://www.financialaffairs.eku.edu/budget/fiscal_year_budget/FY2009/Update%2010-5-08%20FINAL%202008-09%20Operating%20Budget%20WO%20Position%20Listing.pdf
- KCTCS http://www.kctcs.edu/budget/FY09_budgetbook.pdf
- KSU Not available online
- MoSU <http://www.moreheadstate.edu/files/units/opb/ENTIRE%20DOCUMENT.pdf>
- MuSU <http://www.murraystate.edu/vpadmin/budget/documents/2008-09OperatingBudgetWeb.pdf>
- NKU <http://www.nku.edu/~vpefp/financialplan/Annual%20Budget.htm>
- UK <http://www.uky.edu/OPBPA/docs/2008-09BudgetBook.pdf>
- UofL <http://louisville.edu/vpf/budget/opbudgets/0809/0809opbudbook.pdf>
- WKU <http://www.wku.edu/Dept/Support/FinAdmin/08-09Budget.htm>