

**University Planning and Resources (P & R) Committee FY 2016
Final Report
Submitted June 12
By Professor Katherine Clark for the Committee**

Committee Members:

Chair: Katherine Clark, History (2017)

Faculty: Stacey Swearingen, Urban Planning (2018)

Faculty: Caroline Bennett, Civil/Environ/Arch Engineering (2016)

Faculty Donita Shaw, Curriculum and Teaching (2016)

Staff: Easan Selvan, Information Technology (2017)

Staff: Deb Deering, College and Professional Sch (SSC) (2018)

Student: Trent Allen

Graduate Student and Vice Chair: Angela Murphy

Ex-officio: Deb Teeter, Director, Office of Institutional Research and Planning

Diane Goddard, Vice Provost Admin and Fin Comptroller

FY 2015 Planning and Resources Committee Charges

Standing charges:

1. Participate in the University's planning processes by communicating with the Provost and the Provost's senior staff on matters of capital strategic planning, infrastructure, IT resources, and sustainability, and examine how current financial circumstances (the health of the state economy, current university indebtedness, school-specific fees and charges, etc.) will influence such projects. Coordinate with ACEC of IT matters. Report issues and any recommendations for action to Sen Ex. (ongoing)

Diane Goddard, KU Vice Provost for Administration and Finance, provided the committee with both state and university contexts for understanding FY 2016 budgetary issues. As events unfolded in Topeka she provided updates at successive meetings.

October revenues in the State of Kansas were \$ 11 million less than forecast (not including a \$42 million tax refund the Kansas Department of Revenue is required to make. Revenue projections for both FY 2016 and FY2017 are likely to be reduced resulting in allotment cuts for KU. The State Budget Director now has more authority to make targeted cuts. K-12 education and health care will almost certainly be left alone, leaving higher education, transportation, and the Department of Corrections likely targets.

Because higher education is a likely target, KBOR has advised Regents' Institutions to plan for 3-5% cuts in the state general fund (i.e. 3-5% cut of KU's \$138 million general fund budget). A 5% cut from state general operating funds would be a roughly 2-2.5% cut from KU's total operating budget as \$240 million comes from tuition revenues.

The legislature also hired the firm Alvarez and Marcel (A & M) to conduct an efficiency study of state operations. Their draft report is due in December and they have

asked KU and other agencies for information in order to identify additional monies to be “swept” from agency budgets. They are focusing on IT and Procurement and Strategic Sourcing. Changing IT structures would cost significantly in the near term in order to produce any long-term savings.

As state revenue projections continued to fall short, Governor Brownback imposed a \$17 million allotment (cut) to higher education. Goddard has told deans and departments to plan for a 3-5% cut for next year. They have also been instructed to spend down any monies they have this year as the legislature has imposed a spending cap for FY2017; no money carried forward can be accessed. Faculty hiring will be reduced and start-up packages will be smaller. Goddard concluded that FY2017 and FY2018 would be difficult in terms of KU’s budget but they were not necessarily a permanent situation. At some point, the legislature will have to find more long-term solutions to the state’s budget shortfalls.

2. Monitor the University budget. When current financial circumstances result in changes to annual spending plans, advise SenEx and suggest any action the committee would deem helpful. (ongoing)

In more than one meeting, committee members have suggested that faculty and staff would like the financial as well as the educational motivations behind all major initiatives. We understand the need to maintain a positive picture for the university but proposals designed to address funding gaps should be explained as such. Shorelight, for example, has been promoted as a way to diversify the campus. It may do so but it is chiefly a recruiting program designed to increase enrollments and address revenue shortfalls. Acting Provost Sara Rosen agreed that communication on these matters could be improved.

3. Provide committee representation at hearings held by the Provost and the Provost’s senior staff to review planning reports and budgetary submissions made by the various units. Report issues and any recommendations to SenEx for consideration. (ongoing)

The Office for Faculty Development also apparently oversees the budgets for the Center for Teaching Excellence, Lied Center, and Spencer Art Museum. CTE benefits both faculty and students directly. The Lied Center and Spencer Art Museum are cultural assets for the campus and wider community but it is unclear why they come under the purview of Faculty Development.

The committee also expressed interest in the financial implications of implementing the KU CORE. Goddard reported she has seen no numbers for this. Perhaps this can be followed up by the FY2017 P & R committee. (Copies of budget reports are available upon request-email govern@ku.edu)

4. Monitor changes in tuition plans and their effects on allocation of resources across the university. Report recommendations to SenEx for action. (ongoing)

Diane Goddard reported that since 2008/09, KU has been dealing with an

enrollment shortfall of roughly \$8 million per year. Enrollments started to improve 3-4 years ago but there is still a budget hole of \$4.7 per year.

The recent 4-year guaranteed tuition compact has also decreased financial flexibility. Two potential solutions to this situation include increased enrollments or increased student retention. CLAS has been hit especially hard by declining enrollments. In the last 10 years, CLAS has lost 100,000 student credit hours (\$50 million in revenue) while its budget has grown by \$45 million. Retaining 400 additional students per year would go a long way towards eliminating this deficit.

Some School enrollments (Business and Engineering) are growing and are planning for additional faculty hires and new buildings.

Specific charges:

1. **Monitor and examine the partnerships between KU and outside contractors and consultants. Coordinate with other relevant committees, for example, International Affairs. Report areas of potential concern to Sen Ex.**

Goddard reported that the Huron Group's work is largely completed but KU still uses them for negotiating indirect cost rates for cases in which they can provide expertise that KU does not have (eg, negotiating the contract with Shorelight).

KU hopes to increase its Shorelight enrollment from approximately 2200 international students to approximately 4000 new students annually in the next 4-5 years. Students coming in are primarily interested in STEM fields. They receive "high touch advising," assistance in everyday affairs, and tutorials that go beyond language training. Rosen highlighted the need to stabilize our enrollments in a changing landscape. The goal is to shift our in/out-of-state ration of students from 70/30 to 60/40. Funds to support Shorelight come from "Changing for Excellence." When asked about taking a similar approach to recruit more black and minority students, Rosen said the university hoped to learn from the Shorelight process and scale up these "high-touch experiences" to do just that.

George Werth's report to the committee on campus energy uses and costs revealed that by dismissing a private energy performance contractor in 2014, KU has been able to save money and become more energy efficient. Similar savings in the future will be difficult to find as new science buildings are big energy users. KU's energy efficiency compares well with other Big 12 universities.

2. **Report on the progress of implementing both the Campus Master Plan and the Science Master Plan.**

Shannon Nelson, Director of Business Operations, provided an overview of the current \$350 million dollar plan. This plan will be funded by bonds (created and sold through an affiliate corporation), revenue streams from new housing and parking facilities, savings captured from Bold Aspirations, and tuition from international and out-of-state

students.

In order to protect the state and get the project moving more quickly, KU has adopted a lease-to-lease method (land is leased to the KU Central District Corporation to build and then the buildings are leased back to KU). KUCDC makes the bond payments and KU makes the lease payments.

Lease payments are approximately \$21 million per year. Housing will provide about \$ 8 million in revenues, parking will provide \$1.5 million, \$1.2 million from the Burge Union Project, \$7 million from Changing for Excellence, and \$6.5 million from international and out-of-state student tuition. The interest rate for the bonds is 3.75% over a 30-year payment plan.

Nelson reported that new apartments will be built for upper-class undergraduates and graduate students though they will not accommodate family living as Stauffer did. Demographic research and amenities asked for by students helped to determine the price point of the apartments (about \$ 9,000 though Nelson was not sure if this was for a 9 or 12-month lease). There will also be a new residence hall of freshmen suites.

Two major donors are funding the majority of the new Earth, Energy, and Environment Building. The remaining \$25 million is being funded through bonds. When asked if climate research will be conducted in this new facility, Goddard said she was unsure and that question should be pursued by next year's P & R committee. Rumors are rife about this issue and answers should be pursued.

3. Review standing charges and recommend modifications. Report to SenEx by February 1.

1. The standing and specific charges for this committee are vital but enormous in scope and complicated in detail. It is vital that SenEx stay informed about the impact of state budget decisions on KU, capital strategic planning, public-private partnerships, outside contracts, tuition changes, and the campus master plan.

However, by the end of the year, it seems as if the committee can only ever scratch the surface of these issues. Without the frank and helpful input of Vice Provost Diane Goddard, these responsibilities would be impossible. Should this work be divided (eg, have a separate committee for reporting on campus master planning?) and let P & R concentrate on year-to-year budget oversight? Or perhaps a single committee could be responsible for monitoring outside contracts?

2. The scheduling of annual budget compact meetings (beginning on April 27 and ending on June 22 this year) does not mesh well with the reporting schedule of this committee (as noted above, the initial date for this report was scheduled for Feb 1, making it a meaningless deadline).

3. SenEx uses this end-of-year report to renew standing charges and draft new specific charges but what other impact does it have? Are we effectively communicating these findings to the Senate at large and to the wider KU community? We can monitor budget decisions but do we have any impact upon them?

4. The KU Core has produced a number of unintended consequences. What are its financial consequences? It seems the university has no data on this.