

KU Lawrence

Budget Conversation #3 of ∞

Room 120 | Budig Hall
October 17, 2018 | 4:00 – 5:30 pm

Carl W. Lejuez
Interim Provost & Executive Vice Chancellor

Past (and upcoming*) Budget Events for Summer and Fall 2018

- | | |
|--------------------------------------|---|
| • Budget Townhall (06/06/18) | • Weekly Budget Workgroups |
| • Budget Conversation #1 (08/27/18) | • University Senate (9/6/18) and SenEx (10/9/18, 10/23/18*) |
| • Budget Conversation #2 (09/26/18) | • Unit-focused Budget Presentations |
| • Budget Conversation #4 (12/05/18*) | • Budget Office Hours: Tuesdays 12:30-1:30 p.m.* |

Past (and upcoming*) Budget Events for Summer and Fall 2018

Budget Townhall and Budget Conversations

- Budget Townhall (06/06/18)
- Budget Conversation #1 (08/27/18)
- Budget Conversation #2 (09/26/18)
- Upcoming Budget Conversation #4 (12/05/18*)

Other

- Weekly Budget Workgroup (Deans, VPs, & other Provost Direct Reports)
- University Senate (9/6/18) and SenEx (10/9/18, 10/30/18*)
- Unit-focused Budget Presentations (including Education, Library, KUEA, & Honors)
- Recently Added Individual & Group Budget Office Hours for Faculty, Staff, & Students:
Tuesdays 12:30 p.m. – 1:30 p.m.* (email provost@ku.edu to make an appointment)

Recently Added Provost Office Hours

Every Tuesday | 12:30 – 1:30 pm

Strong Hall, Room 250

To make an appointment,

Email: **provost@ku.edu**

- Available for all STUDENTS, FACULTY, & STAFF who wish to meet with the Interim Provost to discuss the budget, either ONE-ON-ONE or with a GROUP
- Appointments available through the end of the semester
- Can be flexible to meet your scheduling needs

Agenda

- 1) Updates from Previous Sessions (5-10 min)
 - a) Voluntary Retirement Program (VSIP)
 - b) Details on Current and Future Cuts
- 2) Budget Relationships with key Partners (25-40 min)
 - a) Endowment
 - b) Athletics
- 3) Q&A (40-60 min)

1. Updates from Previous Sessions:

a) Voluntary Retirement Program (VSIP)

Details on Voluntary Retirement Program

1/2

- Total applications = mid 60's
- Timeline of retirements
 - 48% Summer 2019
 - 13% Winter 2019
 - 39% Summer 2020
- Salary of those who have applied
 - Average = \$111K
 - Median = \$100K
- Rank/Position
 - 28% Associate Professor; 72% Professor/Senior Scientist
 - 13% Chairs/Directors
 - 4% Distinguished Professors

Details on Voluntary Retirement Program

2/2

- Savings remain at the unit (unless used for budget cut)*
- \$2.5M cash**
 - First year savings (base salary + fringe - payout)
- \$9.0M cash**
 - Savings from base salary + fringe if all positions stay open for a second year
- \$2-3M base
 - Additional base budget if all faculty positions rehired with early career faculty; Or
 - Can be used to address budget cut (if so, payout is made by central administration)

*Full savings may take 3 years or more

**Savings must be reduced for course replacement funds, and cost of new hires (including startup)

1. Updates from Previous Sessions:

b) Details on Current and Future Cuts

FY19 Cash Reduction – Schools/College

Unit	Reduction	% Done	CF Use	Primary Impact	Secondary Impact	Maybe/Maybe Not
Architecture	\$361,048	100%	Mostly	1	2 / 5 / 18	3 / 6
Business	\$770,687	25%*	Mostly	1 / 4 / 13	2 / 5 / 7 / 9 / 15	3 / 14 / 16 / 17
College	\$6,292,191	50%	Some	1	3 / 5 / 9 / 11 / 12	4 / 6 / 15
Education	\$856,676	50%	Some	1	2 / 3 / 12	6 / 11 / 15 / 18
Engineering	\$1,395,636	75%	All	1	3 / 7 / 18	4 / 8 / 11
Journalism	\$283,049	50%	Some	1	3 / 5 / 7 / 11 / 16	12 / 13
Law	\$467,800	89%	All	1		3 / 5 / 12
Music	\$437,732	100%	All	1	2 / 3 / 5 / 6 / 9 / 18	4 / 12 / 15 / 17
Pharmacy	\$485,902	100%	All	1	3 / 5 / 11	6 / 8 / 17
Social Welfare	\$271,413	100%	None	1	7 / 10 / 11 / 17	

1 = Unfilled Faculty Line

4 = Reduction in extra GTAs

7 = UG class consolidation

10 = Grad Recruitment Events

13 = UG Hourly

16 = Conserve Supplies

2 = Unfilled Staff Line

5 = Faculty Travel Funds

8 = Faculty Start Up Funds

11 = Tech for Research/Class

14 = UG Advising

17 = Student Programming

3 = Delay in Renovations

6 = Faculty Research Funds

9 = OOE from Departments

12 = Repurpose of KUEA Funds

15 = Faculty Retention

18 = Unfilled Admin Role

FY19 Cash Reduction – Academic Service Units

Unit	Reduction	% done	CF Use	Primary Impact	Secondary Impact(s)	Maybe/Maybe Not
Operations	\$1,441,909	63%*	None	2	1 / 3	4 / 6 / 15 / 16/
Faculty Dev	\$28,471	100%	All	10	16	5
Int'l Programs	\$33,976	100%	None	1	2 / 8	14
Provost +AA	\$511,893	100%+	Some	2 / 3	7 / 9	12 / 15
Chancellor +\$&PA	\$704,709	100%+	Some	3	7 / 15	14
Libraries	\$759,093	100%	None	1	15	6
Diversity & Equity	\$78,700	100%	All	10 / 11 / 12 / 15	1 / 2 / 3 / 4 / 7 / 8	14
UG Studies	\$309,992	0%*	Most	1 / 2	3 / 5 / 6	8
Grad Studies	\$114,198	100%	All	5	15	2 / 13
Enrollment Mgt	\$436,979	25%*	None	1 / 2 / 13 / 15	4 / 5	3 / 6 / 14
Finance	\$1,526,980	66%	Some	2	4 / 5 / 6 / 8	3
Student Affairs	\$126,889	100%	Most	1 / 5 / 7	6	?
Office of Research	\$755,606	50%	Some	5	2 / 9	1 / 14
Information Tech	\$1,494,349	100%	All	1 / 2	3 / 4 / 5 / 8	14 / 15

1 = OOE **2 = Unfilled Staff Line** **3 = Elimination of a filled staff position** **4 = Technology Updates**
5 = Travel/Research Funding **6 = Conserve Supplies** **7 = Repurpose of KUEA Funds** **8 = Student Hourly**
9 = Faculty/Staff Retention **10 = Faculty/Staff Programming** **11 = UG Programming** **12 = Grad Programming**
13 = Student Recruitment **14 = Strategic Growth** **15 = Service Delivery / User Experience** **16 = Delay Renovations**

Budget Cut Updates

- Moving closer to 100% of the cuts all made for each unit
 - All units continue to be expected to make 100% of their
- Some cuts this year will be base cuts (counts for base cut next year)
 - About 25-33% of cuts in academic units will be base cuts
 - About 33-66% of cuts in service units will be base cuts
- Likely more base cuts at this point than was expected

2. Budget Relationships with Key Partners

Arguments Proposed for Exploring Key Relationships in the Context of our \$20M Budget Cut

- Based on Campus budget cuts, Faculty Senate (among others) have said:
 - Faculty/staff are experiencing consequences of cut, but aren't responsible for it
 - Several Campus partners should support our budget cut
 - Chancellor/Provost have ability and should have motivation to instruct partners to help
 - If done correctly, up to 50% (\$10M) of the base cut could be eliminated
- Partners that have received the most attention are:
 - Kansas University Endowment Association (Endowment)
 - Kansas Athletics Incorporated (Athletics)
- The argument suggests that neither is culpable for budget cut, BUT...
 - Endowment may have resources available or may generate resources to help
 - Athletics may have an unfair/inequitable arrangement with Campus that can be changed

Specifics of the Faculty Senate (and others) Request of Endowment and Athletics

- Endowment

- Identify existing unrestricted funds to allocate to the cut
- Develop fundraising priorities either short term or long term that can bring funds to fill the cut
- Consider refinancing building projects or take out additional loans etc.

- Athletics

- Examine financial arrangements and consider if athletics can/should:
 - a) pay more for services
 - b) take less from Campus budget, and/or
 - c) contribute more to mitigate budget cut

Budget Inter-Relationships with Key Partners

- **Endowment**
- Athletics

Endowment (KUEA) – Key Numbers

- In FY18, \$191M was available in endowment dollars; Sources include:
 - \$70M in income from the \$1.6B endowment
 - \$121M in expendable funds (newly and previously unspent dollars)
- Of the \$191M, what are the ways these funds are currently spent?
 - \$36.4M Student support
 - \$40.3M Faculty support
 - \$51.7M Construction, furnishings, and equipment
 - \$62.6M Program and Other Educational Support
- Of the \$191M, **~\$2.5M (1-2%) is truly discretionary and doesn't belong to a unit**
 - Discretionary funds controlled by Chancellor/Provost
 - Largely spent on scholarships, faculty/staff development, and academic/student support
 - Some portion spent working with donors
 - The full amount of the discretionary funds are almost always spent to 0 by year's end

*Note: \$191M is money allocated in FY18, which is different than \$257M in new donor contributions made or designated that same year

Endowment (KUEA) – Possible Path's Forward?

- **Borrow**
 - Less viable as it hurts future and will cost more in the end
 - In almost all cases, all principle and interest must be paid back
- **Fund raise for the deficit**
 - Best practices do not suggest this is a successful strategy
- **Fund raise for more traditional targets allowing reallocation of state \$**
 - Viable assuming spending is in line with donor wishes
- **Re-engage fundraising where previous efforts were not fully realized**
 - Revisiting funding raising for existing building projects provides one good possibility
 - KUEA is already moving forward with such efforts
- **More effective use of endowment funds already at the unit level**
 - Important approach in many ways

Endowment (KUEA) – Additional Background

- Experience tells us that major gift donations are usually tied to deeply held donor convictions about the value that a KU education brings to the lives of students and the larger community. We know that donors are passionate about supporting funding opportunities that strengthen KU and build upon excellence. **Almost all donors have specific ideas about how their gifts should be used and that is why over 98% of gifts received at KU Endowment have a purpose in mind dictating how KU may use them.**
- Throughout our rich history with donors, private giving has made it possible for KU to provide student scholarships, faculty support, the great environs in which exceptional teaching, research, discovery, performance and competition occurs, not to mention the programmatic and operational funds supporting every facet of the Jayhawk educational experience.
- KU Endowment secures gifts for KU when compelling cases for support are made that articulate the university's positive impact on the human condition so that donors are inspired by the significant, immediate impact that their giving can achieve. We know from donors that their philanthropy is often an emotional experience, rather than simply a transaction made in response to a situation.
- When the case for support focuses on a vague, general need such as KU's budget issues, chances for gift support decrease significantly. KU donors would not be inspired by the need to fill a budget hole and would not be passionate about considering or making a major gift as a result.

Budget Inter-Relationships with Key Partners

- Endowment
- **Athletics**

First Pass: Athletics – Academics Relationship

Campus Direct Support to Athletics: Total = \$1,503,000

- Direct Institutional Support \$1,503,000

Student Funds that Support Student Jobs in Athletics: Total = \$1,330,000

- Student Activity Fees supporting student jobs in athletics: \$305,000
- Individual students paying for their FB/MBB Combo tickets: \$1,025,000

Athletics Direct Support to Campus: Total = \$50,000

- Support for academic programming: \$50,000

Funds from Athletics to Campus to Support Athletics Activities: Total = \$30,328,895

- Grant-in-aid purchased: \$11,153,318
- Faculty/Staff support paid: \$213,000
- Parking Services purchases: \$2,031,000
- Other Services & Payments: \$4,966,000
- Improvements to University Assets (FY17 & FY18): ~ \$5,000,000 / year
- Student athletes out of pocket support to the Campus: \$5,860,899
- *Athletics Support to the General Student Population: \$1,104,678*

Campus Financial Support to Athletics

Campus Direct Support to Athletics

- **Direct Institutional Support: Total = \$1,503,000**

- Charter Air \$782,000
- Salaries/Fringes & Other Support \$721,000

- **What is the history and justification of direct support**

- Started 10+ years ago as ~\$1.6M (subject to budget cuts, but unchanged otherwise)
- Direct support at peer institutions I could locate range from \$0 to \$2.5M
- Almost all cases I could locate of lower direct support often included indirect support such as paying for utilities, administrative support, conversion of in-state tuition waivers to reduce scholarship costs, return of parking revenue from games
- Viewed as part of oversight role and typically covers athletics administrative salaries
- However, Athletics is given flexibility to cover other expenses if a meaningful level of salary support remains and the total doesn't exceed \$1.5M

- **There are differing views of whether Campus should be providing support**

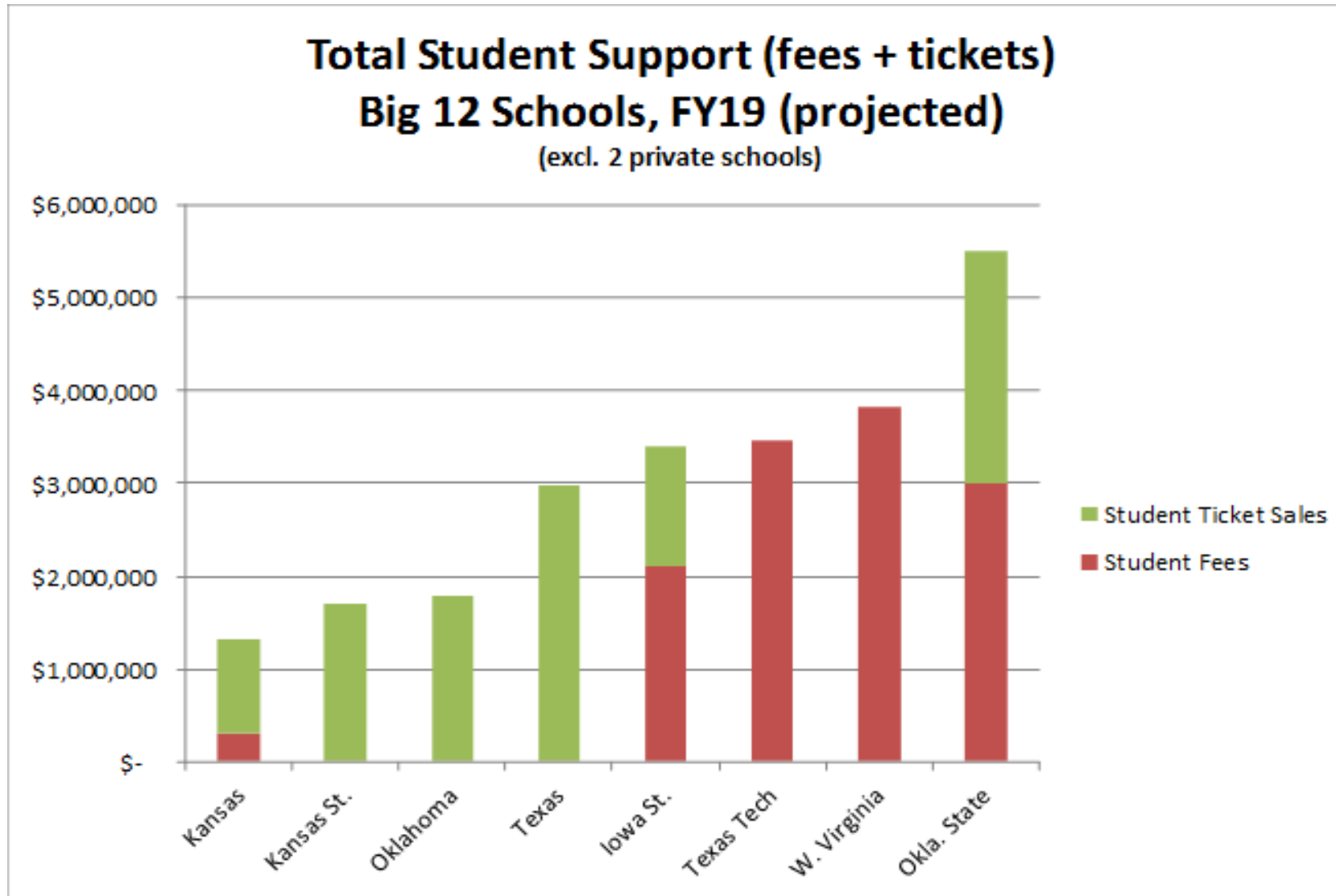
- If so, what is the appropriate level of support?
- If so, which costs should be included?

Student Funds that Support Student Jobs in Athletics

- **Student Activity Fees (\$7 for every student): Total = \$305,000**
 - In FY17, 306 students worked in Athletics, including:
 - 91 in Academic Support (tutors for student athletes, etc.)
 - 90 in Student Managers & Ops Support for sports teams
 - 43 in Game Day Operations (ticket office, facilities, etc.)
 - 27 in Video Productions and Communications
 - 14 in Donor Hospitality (game day events, etc.)
 - 41 in other areas (business office, sports nutrition, human resources, administration, etc.)
 - \$1,019,672 projected FY19 salaries for students working in athletics
 - \$305,000 (30%) of which is funded from the student fee
- **Student FB/MBB Combo tickets purchased: Total = \$1,025,000**
 - Approximately 6,600 @ \$155 each
- Questions revolve around to what extent students should support cost of student jobs in athletics and the balance of activity fees/ticket costs

Student Revenue (Student Fees/Tickets) Supporting Athletics

Student Revenue (Student Fees/Tickets) Supporting Athletics KU VS. OTHER BIG 12 SCHOOLS



Athletics Direct Support to Campus - \$50K

- Previously was provided directly from athletics to individuals and units on a first come first served basis
 - Now administered through Provost's Office
- A handful of schools (~10) show some direct support for academics
 - Support is most common among schools with largest budgets (>\$150M)

Funds from Athletics to Campus to Support Athletics Activities ~\$30M (1/2)

- **Grant-in-aid purchased: Total = \$11,153,318**

- Tuition and fees (fall, spring, summer)*	\$7,613,000
- Student Housing	\$1,495,000
- Food Service/KU Unions	\$1,725,000
- Bookstore	\$320,318

* **Costs include out of state tuition (no waiver granted)**

- **Faculty/Staff support paid: Total = \$213,000**

- HSES Instructor	\$75,000
- SAPEC Graduate Assistant	\$25,000
- Marching Band Director & support	\$111,000
- T.A. support for Summer Bridge class	\$2,000
- Internal Auditor*	
- Masters in Diversity/Leadership*	

- **Parking Services: Total = \$2,031,000**

Funds from Athletics to Campus to Support Athletics Activities ~\$30M (2/2)

• <u>Other Services & Payments:</u>		<u>\$4,961,000</u>
- Facility Operations Payments	\$2,044,000	
- Public Safety Officers at KU games	\$435,000	
- NTS / Telecomm	\$220,000	
- Memorial Unions (other than Grant-in-aid)	\$986,000	
- Trademark Licensing	\$1,055,000	
- Athletics pays for landscaping	\$154,000	
- Admissions Office - FB Ambassador Program	\$12,000	
- Administrative Overhead Fee	\$55,000	
• <u>Improvements to University Assets (FY17 & FY18):</u>		<u>~ \$5,000,000 / yr</u>
- Football Indoor Practice Facility (\$25mil project)	\$3,825,000	
- Anderson Family Football Complex Improvements	\$4,175,000	
- Allen Fieldhouse and Wagnon	\$1,700,000	
• <u>Student athletes (partial/non scholarship) out of pocket costs:</u>		<u>\$5,860,899</u>
- Tuition	\$4,975,683	
- Housing	\$885,216	
• <u>Athletics Support to the General Student Population:</u>		<u>\$1,104,678</u>
- Salaries to non-athlete student workers in Athletics	\$999,678	
- Student Groups hired for stadium/fieldhouse clean-up	\$80,000	
- Value of 20 MBB reserved seats to Pell-grant students	\$25,000	

Administrative Overhead (AOH) 1/2

- **AOH at the University is meant to help Campus operations absorb additional costs and labor associated with revenue generating activities:**
 - AOH of 5.5% is assessed on department revenues earned from outside sources
 - AOH not assessed if no revenue is collected or it is collected from another KU unit
- **Examples of services that generate revenue subject to AOH include:**
 - Departmental conference that charges regional/national attendees for registration
 - Housing and Dining revenues
 - First Year Experience fees
 - Funds for research labs
- **AOH fees generated \$3.1M in FY18 used to support administrative services**

Administrative Overhead (AOH) 2/2

- **Affiliated corporations such as Athletics, the Union and the Alumni Association cover the administrative costs of their events and thus:**
 - Athletics does not pay the 5.5%
 - Athletics pays a **negotiated** amount to cover possible burden on central administrative services
- **Athletics pays \$55,519 in AOH annually**
- **Is \$55,519 enough of a contribution to AOH for athletics?**
 - No: Athletics should pay 5.5% on all of its \$90M+ = \$5M
 - Yes: Athletics doesn't typically use the services that AOH is meant to cover and \$55k covers (and likely exceeds) any minor/unexpected burdens

The Example of Utilities

- Kansas Athletics buildings are separately metered and they pay their own utilities
- From a process perspective, the utility providers bill KU centrally for all buildings and Athletics reimburses the University

Kansas Athletics utilities	FY18 Cost
Electricity	\$1,028,926
Steam	\$137,045
Natural Gas	\$84,100
Water	\$63,163
Sewer	\$59,790
TOTAL	\$1,373,024

REVIEW: Athletics – Academics Relationship

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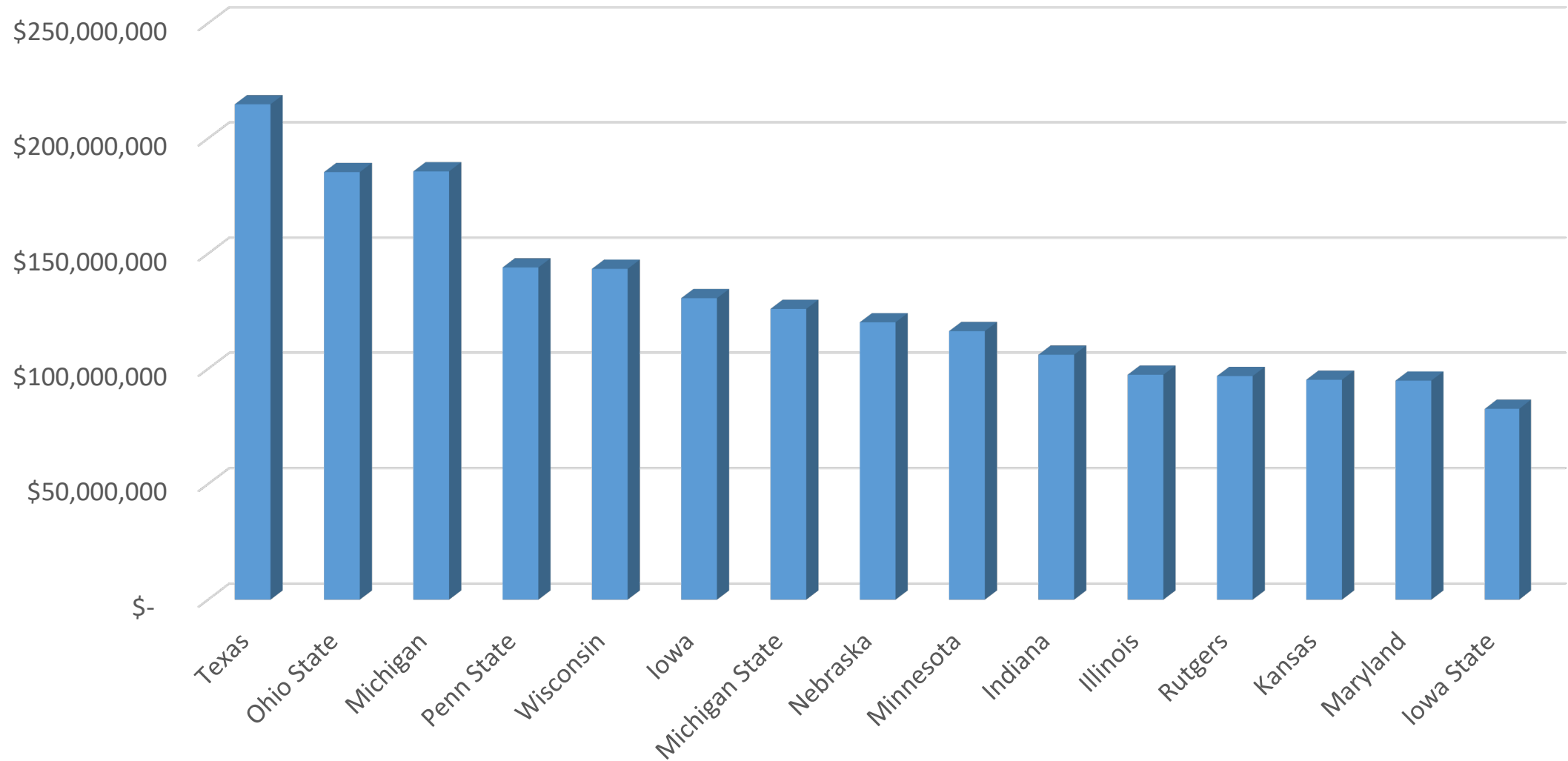
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Kansas Athletics - What Can be Done

- **Revisit \$1.5M in contribution?**
 - Balance impact of ~\$1M coming back to Campus vs. impact of lost \$1M on Athletics
 - How much does a comparison of peers matter?
 - Can provide feedback to athletics on what should go into this category if it remains
- **Revisit Student Fee and Ticket Cost?**
 - Consider where we stand compared to our peers
 - Reconsider the balance of student fees and ticket sales
- **Revisit AOH?**
 - Closer examination of the services used
 - Clearer sense of how the \$55k was chosen would help
- **Have Athletics provide more direct support?**
 - based on overall budget, see next slide
- **Share more broadly positive aspects of the relationship between Athletics and Campus**

KU Athletics Budget as Compared to Peers

Total Athletics Budget for all Public AAU Schools in the BigXII and Big10 Conferences



Next Budget Conversation

- December 5th, 2018 in Budig Room 120 from 3:30-5:00 p.m.
- Topics:
 - Review of budget cut progress with deeper dive into specific cuts
 - Extended update on Budget Model
 - Review of Provost commitments for the past semester

Q&A Ground Rules

- **One minute** maximum for each question
- **One question** at a time before moving to next person
- I will limit my **answers** to under **90sec**
- If we run out of time before you're able to ask your question:
Please email remaining questions to provost@ku.edu

THE END