

TO: The Eastern Kentucky University Faculty Senate
FROM: Senator Michael T. Benson
DATE: September 30, 2016
RE: October Campus Report

Last week I joined Council on Postsecondary Education President Bob King and other Kentucky higher education leaders in Frankfort to testify before the Budget Review Subcommittee on Education. We shared the casualties of the funding reductions that have saddled Kentucky's colleges and universities with yearly burdens since 2008. Dr. King noted a 30 percent decrease in state funding for higher education in the last eight years, when adjusted for inflation. Sustaining these cuts year after year is only compounded by recent state mandates to increase pension fund contributions and the increased wage costs of new federal Fair Labor Standards Act (FLSA) requirements. Add to these the rising costs of healthcare, utilities and other fixed expenses, and the stage is set for unprecedented financial challenges facing public higher education. Dr. King's summary outlined 980 positions that have been eliminated in addition to dozens of program suspensions among Kentucky public institutions. With yet-to-be-determined performance-based funding on the horizon, it is our collective suspicion that these cuts could be just the beginning. There is no way to sugarcoat the dire financial reality our public institutions face.

Within Dr. King's report were also enrollment numbers, and EKU was one of only two institutions that have not witnessed a significant drop off in students. And as was reported last week, EKU has also seen substantial increases and gains in our retention and graduation rates. It is evident we are not alone in facing these challenges but, as our peers have implemented broad cuts, we have worked here at EKU to make strategic changes that will meet our budget needs while also reducing redundancies and improving efficiencies to create a stronger University for our students, faculty and staff. Just as multiple factors have created the budget impact at EKU, multiple adjustments must be implemented to solve our financial challenges. It requires making tough decisions, making sacrifices and, most importantly, maintaining an open mind with a willingness to work together in the best interest of the EKU mission.

As you know, we are in the midst of Academic Program Review. It is certainly tough to consider ending programs that serve our students. In times of plenty we could offer a wide range of programs, and we have done so to the point that we are well above the average of the state's other regional institutions in terms of our total program offerings. Facing the daunting financial challenge of decreasing state revenue, with even larger cuts projected, we have to evaluate programs with closer attention to degree production and graduation rates. Those metrics have started this process and will guide us as we seek to preserve the viability of Eastern as a public higher education institution.

Yet another difficult change has come in the form of restructuring our health insurance plans. We realize changes to healthcare can cause a great deal of concern and anxiety, and this decision was not arrived at lightly. While we have been fortunate to be able to provide a rich benefit plan beyond that of most of our peers, it is important to understand that without

adjustments, we would continue to add to the budget shortfall. The new benefit options still allow the University to offer a competitive benefits package that is more in line with our peer institutions and is still richer than a number of private and other public sector offerings. I cannot stress enough how important it is for all employees to review each tier of coverage options and carefully evaluate their personal health care needs to align them with a plan that also meets their budget and anticipated medical expenses. Our HR team has planned several opportunities for you to gain valuable information and education on the changes, and I hope you will take part in one of the many open enrollment sessions detailed at <http://hr.eku.edu/insidelook/open-enrollment>.

These changes are not easy. We could have chosen a less strategic path, resulting in budget decisions across the University and a significant loss of jobs. Because it is our people who make ECU great, we have made every effort to sweep vacant lines first and close retirement lines before looking for savings elsewhere. Our administrative team and the University Budget Review Committee have identified savings areas that would allow us to limit workforce reductions and minimize the impact on the student experience.

To date we have designated and implemented recurring budget adjustments in the areas below. These are line items highlighted from the full budget that is still yet to be finalized so this is a preliminary picture of where things stand. Please also note areas listed as estimates are subject to change.

Action Taken/Identified	Savings
Academic Affairs Reduction in Force (5 positions)	307,571
Academic Affairs Retirement Transition (6 positions)	415,219
Academic Affairs Vacant Position Sweep (12 positions)	1,044,135
Academic Affairs – M&O Reduction (Various Areas)	112,575
Athletics Summer School Scholarships	200,000
Athletics Reduction in Force (5 positions)	211,603
Cell Phone Plan Reduction	200,000
Change in Part Time Benefits Eligibility (Estimate)	114,000
Close Somerset Campus & Regional Program Savings (3 positions)	200,000
Health Care Plan Savings (Estimated annual savings)	1,019,520
Office of the President Personnel Reduction (1 position)	102,000
Police Acceptance into Hazard Duty Retirement Plan	329,367
Shuttle Lease & Transportation Services	185,000
Student Success Reduction in Force (11 positions)	275,563

Even with these reductions, we are still working to identify additional savings this fiscal year from areas across the University to address the \$11.1 million budget impact we first communicated to the Campus Community in April. The items identified at that time included the following:

4.5% base cut =	\$3.1 million recurring adjustment to base appropriation
KERS increase =	\$2.7 million
FLSA =	\$1.0 million (estimated)
Scholarships =	\$2.8 million
Fixed & unavoidable costs =	\$1.5 million
 Total	 \$11.1 million (estimated)

We must reconcile our budget by the December 5 Board meeting, or the needed cuts will be determined for us by the Board of Regents.

As you may have heard, a Kentucky Supreme Court ruling last week called for the return of the 2% in cuts that had been withheld by executive order this spring. This amounts to \$1.3 million in non-recurring funds for ECU. As a one-time payment, this unfortunately will not assist with future budget needs and will be applied to restore the contingency funds used to cover the immediate reduction to the 2015-16 budget. Other non-recurring budget adjustments include:

- a one-time budget reduction due to changes in the staff vacation accrual policy adding \$1.15 million in projected savings for this year only.
- other one-time savings for the current year, estimated at \$2.2 million, representing additional planned vacancies and unfilled faculty and staff positions university-wide not reflected in the recurring budget items in the table above.
- a transfer from Student Success/Housing of a one-time general fund contribution of \$500,000 for this fiscal year.

Tough decisions are still ahead, and we must face them all together. As Chairman Turner pointed out last week, the process will be smoother if we all focus on our individual areas to identify savings that will benefit the University as a whole, without sacrificing the student experience. It is so easy to focus on the negative aspects of a budget reduction. To be sure, there are many. No one wants to see our resources in jeopardy. That is why I am asking you to look for the opportunities now versus focusing on the immediate impact of tough decisions.

There is much to celebrate at ECU, and we cannot lose sight of our successes in increased enrollment, improving graduation rates and heightened academic preparedness. Growth is happening all around us for our students and our campus. Our campus transformation continues with new residence and dining halls funded through private partnerships, rather than University funds. ECU is a University on the rise, and these investments demonstrate our potential for continued growth. It is my sincere hope we will pull together and weather this storm as a unified university family. My office will continue to provide updates as our budget plan progresses. Thank you for your continued commitment to our University and our students.