Faculty Senate Resolution on KSU Budgetary Actions FY2017-18

In order to refocus on the primary mission of Instruction and academic quality at Kentucky State University, the Faculty Senate resolves that the following actions be implemented.

1. The percentage of the total budget invested in Instruction should increase incrementally. When calculated with *Functional Expenses as a % of Total Operating Expenses* Instruction expenses should increase from 18% (June 2016 KSU Financial Statement attachment #1) to 30% in FY2017-18, followed by incremental increases annually until KSU is more in line with our sister state-supported universities in Kentucky.

   (The Faculty Senate points out that faculty salaries are only one component of Instruction. Operating budgets that include adequate equipment, supplies, facilities, student experiential initiatives and that honestly uphold advertised curriculum are necessary for competitive degree programs and effective recruitment.)

2. Faculty, as represented by the Budget and Academic Support Committee of the Faculty Senate, should be afforded active, functional and responsible status in budget development as specified by the Kentucky State University Committee Book, 2015. In order to perform these duties the committee should be provided annual and updated quarterly detailed line-item budgets of all KSU revenue and expenditures. As acknowledgement of positive directions, line-item budgets (see attachments # 6,7,9) have been provided by President Burse and President Thompson through VP for Business Affairs, Greg Rush. President Thompson has also reinstated the University-Wide *Budget and General Purpose Committee* that seats 2 faculty members, as well as appointed a *Budget Development Working Group* with faculty representation. These are welcome directions in the establishment of Collegial Governance.

3. Student fees charged directly as class/lab fees for specific classes should not be encumbered but available for access at the unit level and use for instruction within the first four weeks of each academic semester as specified in Action Item: BASC-06/07-02 Policy for Collecting, Distributing, and Reporting of Lab Fees.

4. This Resolution shall be forwarded to all committee members and individuals involved in development of the FY1718 budget, with accompanying support material including the Baker-Hostetler report (Attachment #2). Those committees and individuals include:

   - University-wide Finance & General-Purpose Committee
   - Budget Development Working Group (Appointed by President Thompson)
   - President Thompson
   - KSU Board of Regents

The Faculty Senate invites collegial discourse regarding the statements in this document. We acknowledge potential variables in viable budget distributions when compared to larger institutions due to economies of scale. In addition, we are not confident that Kentucky institutions report 1.) consistent data to the CPE regarding what is included in the instruction category and 2.) consistent calculation formulas of *Functional Expenses as a % of Total Operating Expenses.* Therefore, we invite consultation with CPE regarding these variables.

Background and Rationale:

In 2001 Kentucky State University and the Council on Post-Secondary Education issued an RFP for an external review of KSU. The Ohio-based international law firm, Baker and Hostetler, assembled a team of experts, conducted an extensive review, and produced *Planning for Renewed Excellence*, April 25, 2003.

The primary issues outlined by the Baker-Hostetler report deemed necessary to save, and possibly advance, the institution have yet to be addressed. Kentucky State University's current fiscal situation has prompted the Faculty Senate to take action in support of the recommendations of Baker-Hostetler and in defense of the quality of instruction and the value of a degree from KSU. A culture of excessive spending on administrative positions and initiatives, at the expense of instruction and necessary instructional support to build competitive degree programs, has continued for 14 more years.

Quotes from the Baker-Hostetler Report:

> ***"Operations***
> *In considering the overarching issues affecting University operations, the Review Team singles out three factors: incongruity with the CPE budget model;** lack of economies of scale; and the need to rightsize the administration."(P.3 KSU Planning for Renewed Excellence, April 25, 2003, Baker-Hostetler, LLP)*
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> *"... ReviewTeam suggests that KSU commit to keeping its administrative overhead as lean as possible, in order to focus the highest possible proportion of resources on student success*."
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> *"It may seem obvious to say that a university should strive to place the highest proportion of its expenditures on its core mission of education, but it is not uncommon for administrators to be preoccupied with other matters to the detriment of student success."*
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> *"*The Review Team recommends that the Board of Regents set as a high goal ensuring that the University is exemplary in the efficiency of its administrative operations and that it is a leader among similar institutions in ensuring that the maximum expenditure possible goes to supporting student success and related academic goals."(P.24 KSU Planning for Renewed Excellence, April 25, 2003, Baker-Hostetler, LLP)*
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> ***"A summary of specific actions to consider (Baker-Hostetler)***
> *In the section on academic programs the Review Team recommends a number of changes, many of which will require new investment on the part of the University. A reasonable person might ask, "How can Kentucky State afford to invest in stronger academic programs?" The following, which summarizes points made throughout the Report, will help provide an answer.*
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> - *Rightsized the administration (Part 2, Operational and Budget Issues,Rightsizing the Administration; and elsewhere)*
> - *Become leaders in lean administration"*

As suggested above, Baker-Hostetler specifies that it is the responsibility of the Board of Regents to conduct appropriate oversight of the administration in budget development. In the opinion of the Faculty Senate, this was not the case in both the Sias and Burse administrations.

** *(In response to Baker-Hostettler's acknowledgement that the CPE's "benchmark universities" were invalid for KSU the Faculty Senate took on the task to identify 20 universities/colleges that were more valid Benchmarks per size and mission, researched extensively, charted expenditures of each per consistent reporting methods and presented those to the administration. Dare We Compare I, 2003 was cited by Baker-Hostetler and subsequently Dare We Compare II was completed by Faculty Senate in 2006.* (attachments #3 & 4). *There is no evidence that the Sias and Burse administrations, the Board of Regents, and as a result the CPE and Governors, acknowledged and used this concise and accurate information for evaluation of KSU's financial practices. President Burse was presented the Baker-Hostettler report on September 25, 2014.*

<u>In summary, of primary concern are the following issues relating to budget:</u>

According to *KSU's June 2015 (ending) Financial Statement* (attachment # 5) the percentage of the total operating budget dedicated to instruction is calculated in two ways:

1.) Instruction spending was at **17.5%** if calculated as *Primary Mission Expenses as a % of Total Operating Expenses*
2.) Instruction spending was at **20.2%** if calculated as *Functional Expenses as a % of Total Operating Expenses.* This method includes a percentage ($1,194,401) of the total Operation and Maintenance budget as part of Instruction, as well as a category called Scholarships and Fellowships ($6,750)

According to *KSU's June 2016 (ending) Financial Statement* the percentage of the total operating budget dedicated to instruction dropped to:

1.) **15.4%** if calculated as *Primary Mission Expenses as a % of Total Operating Expenses*
2.) **18%** if calculated as *Functional Expenses as a % of Total Operating Expenses.*

(It should be noted that according to Vice-President for Business Affairs Greg Rush, KSU's budget last year reflected Functional 22.29% on Instruction with Land Grant included and 24% excluding Land Grant. We welcome dialogue to resolve these differences and come to agreement on which figure to consider)

The Baker-Hostetler Review Team suggested that 28.2% reported for Instruction in 2003 was low, compared to Benchmarks, and advocated 'rightsizing' the administration. The imbalance has only grown since 2003. *(P.25 KSU Planning for Renewed Excellence, April 25, 2003, Baker-Hostetler, LLP)*

The Faculty Senate contends that the percentage of budget dedicated to Instruction at KSU is dramatically out of line with other state institutions and the recommendations of Baker-Hostetler. The quality of instruction, and thus the value of degrees and resulting recruitment success, is directly contingent on the value that an institution places on instruction and programmatic needs necessary to offer competitive curriculum. KSU had an administrative and support system far out of line with the size of the student body, even before the enrollment decreases over the past two years.

<u>State Supported Public Universities, Kentucky (from available data May 2016)</u>:
Excluded: EKU (reports instruction with academic support and libraries), UofL & UK (due to size and number of affiliates)

	<u>% Instruction</u>
Morehead State University	**35.5%**

(CPE 2015 Financial Statement Unrestricted E & G Expenditure Percentages by Function)

Murray State University	**35.1%**

(Financial Statement 2015 Natural Expense Classification with Functional Classifications)

Western Kentucky University **32.8%**
(Financial Statement 2015 Natural & Functional classification of Operating Expenses)

*Northern Kentucky University **32.9%**
(Financial Report 2015 Education and General)

*Assume *Primary Mission Expenses as a % of Total Operating Expenses*

In Spring 2016 KSU registered 1,032 fulltime undergraduates, 529 part-time undergraduates (of which 355 are high school dual credit students), 81 fulltime graduate students and 65 part-time graduate students. KSU's official data reported to CPE for Fall 2016 indicated FTE (full time equivalent) enrollment of 1,266 undergraduates (CPE formula FTE = (undergraduate student credit hours/15)) and 108 graduates (CPE formula FTE = (graduate student credit hours/12)) at that time. For a school this size, which is comparable to many high schools, as of Oct. 3, 2016 KSU employed 20 administrators/managers/directors with salaries in excess of $100,000 in addition to the President's salary. Of those 20 it appears there are 14 who have no teaching responsibilities. While the Faculty Senate does not have access to definitive comparative data beyond Jan. 29, 2016, the Senate contends that the status quo is not moving in the right direction and is fiscally questionable.

Combined salaries of upper level administrators and staff (VPs, Assistant VPs, Associate VPs, Directors, Managers, Special Assistants, Coordinators, Specialists, General Counsel, Internal Auditor, and the President) equals $5,150,741. This figure excludes Research and Land Grant positions and neither includes the 38% additional expense for fringe benefits nor attending office staff and operating expenses. Of more concern are significant salary increases from FY1516 to FY1617 in several of those positions, totaling $338,867. (Attachments # 6 & 7). It appears there were additional new non-instructional positions totaling $848,507 (excluding several new positions in advising and student services). This is especially troubling in light of suspension of Tenure and Promotion for existing faculty for five of the last seven years, and with only a nominal cost-of-living increase granted once in 2008 for faculty and staff.

Upper level administrators were hired by President Burse, both inside and outside of Academics, with immediate promotion to Professor and Tenure status without requisite vetting through academic units. This practice runs counter to established policy, is financially unsound, and will impact the institution indefinitely.

Please see attached documents for background information on the longstanding questionable budgetary decisions at KSU that require immediate attention if the institution is to survive and thrive. The most telling document may be the *Kentucky Public Institutions Expenditures by Program* chart compiled and published on the Council on Post-Secondary Education's website and attached here as a PDF. (attachment #8) While KSU's total expenditures increased almost $20M from FY2002-03 to FY20012-13 the amount devoted to instruction fell down and up slightly, in stark contrast to all other state universities. This can only partly be attributed to enrollment growth variances.

Adopted Budget by Organization FY1617 (attachment # 9) is included as additional supportive data.