

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS

The meeting was called to order by Senator August "Gus" Bogina at
Chairperson

11:00 a.m./p.m./on February 26, 1985 in room 123-S of the Capitol.

All members were present except:

Senator Gannon

Committee staff present:

Research Department: Ed Ahrens, Mary Galligan, Robin Hunn
Revisor's Office: Norman Furse
Committee Office: Doris Fager, Judy Bromich

Conferees appearing before the committee:

BRIEFING ON SYSTEMWIDE ISSUES, STATE BOARD OF REGENTS

Mary Galligan, Fiscal Analyst, reviewed Budget Memo 85-2, included in part 2 of the Research Department's Fiscal Year 1986 Budget Analysis. During her presentation, committee members questioned her concerning items included in the budget memorandum. Some items questioned were full time equivalent (F.T.E.) student population, student credit hours, and enrollment projection. (See Attachment A)

Senator Harder explained that there is an organization doing enrollment projections at the present time, and that this group is doing a creditable job. The Chairman said he would distribute enrollment projections to members of the committee.

There was discussion concerning a new fee (explained on page 2-9 of the budget memorandum). When asked about the origin of the academic service fee, which is replaced by the new one, Ms. Galligan indicated the Board of Regents approved the service fee for library acquisitions and computer services.

During the discussion of Section C, Enrollment Adjustment, Ms. Galligan said she felt all institutions except perhaps the University of Kansas will experience a downward adjustment for FY 1987.

Ms. Galligan continued her explanation of Budget Memo 85-2. In connection with increased employer contribution to TIAA, she said that the increase would require amendment of current statute if it is granted by the Legislature.

During discussion of accumulated sick leave payments, it was noted that current statutes require that retiring employees be paid for accumulated sick leave. Ms. Galligan said the requested amounts for FY 1986 would be a permanent addition to the base.

The Chairman asked Ms. Galligan to continue her presentation at the next meeting of the committee.

The meeting was adjourned by Senator Bogina.

SUBJECT: Board of Regents' Institutions — Systemwide Summary and Issues

Introduction

The following table summarizes the revised institutional estimates for FY 1985, requests for FY 1986, and the Governor's recommendations for each year for all of the institutions under the governance of the Board of Regents (excluding the Board of Regents' Office):

<u>Expenditure Summary</u>	<u>Agency Est. FY 85⁽¹⁾</u>	<u>Governor's Rec. FY 85</u>	<u>Agency Req. FY 86⁽²⁾</u>	<u>Governor's Rec. FY 86</u>
Operating Expenditures:				
State General Fund	\$305,693,665	\$302,106,546	\$338,504,038	\$316,595,310
General Fees Fund	69,859,975	69,742,159	74,423,108	75,623,493
Land Grant Funds	6,780,977	6,780,977	6,977,564	6,977,564
Hospital Revenue Funds	60,605,113	63,605,113	66,578,900	68,799,787
Interest	230,000	230,000	173,700	173,700
General Use Funds	<u>\$443,169,730</u>	<u>\$442,464,795</u>	<u>\$486,657,310</u>	<u>\$468,169,854</u>
Other Funds	176,854,249	176,073,380	\$186,919,286	\$186,072,913
Subtotal	<u>\$620,023,979</u>	<u>\$618,538,175</u>	<u>\$673,576,596</u>	<u>\$654,242,767</u>
Capital Improvements:				
State General Fund	\$ 2,827,440	\$ 2,733,514	\$ 1,000,774	\$ 1,094,000
Educational Building Fund	15,226,358	14,302,088	15,256,987	11,942,387
Other Funds	10,209,579	10,936,681	22,005,261	24,265,849
Subtotal	<u>\$ 28,263,377</u>	<u>\$ 27,972,283</u>	<u>\$ 38,263,022</u>	<u>\$ 37,302,236</u>
TOTAL	<u><u>\$648,287,356</u></u>	<u><u>\$646,510,458</u></u>	<u><u>\$711,839,618</u></u>	<u><u>\$691,545,003</u></u>
Percentage Change:				
All Funds	10.3%	10.1%	8.6%	5.8%
State General Fund	10.2	8.9	10.7	4.8
General Use Funds	9.6	9.4	9.8	5.8
F.T.E. Positions:				
Classified	8,495.9	8,495.9	8,566.4	8,537.8
Unclassified	7,834.2	7,833.2	7,883.2	7,837.4

- 1) Includes supplementals and release of fees as requested for FY 1985 for KU, PSU, FHSU, and KTI.
- 2) The amounts shown here include the request for the Kansas University Medical Center as submitted in September. The revisions submitted in November are not included.

Two types of enrollment data are frequently used in discussions of higher education — headcount and full-time equivalent. Headcount enrollment is simply an unduplicated count of the number of students enrolled at a particular time. Full-time equivalent enrollments are derived from the number of student credit hours in which students are enrolled by dividing by 15 for undergraduate credit hours, 9 for graduate credit hours, and 12 for professional school credit hours. Since some students are enrolled on a part-time basis, full-time equivalent (F.T.E.) enrollment is often substantially less than headcount enrollment. Headcount and full-time equivalent enrollments by institution are displayed below. (Additional enrollment data are contained in Part Three of each institution's budget analysis.)

Headcount Enrollments

<u>Institution</u>	<u>Fall 1983</u>	<u>Fall 1984</u>	<u>Change</u>	<u>Percent Change</u>
University of Kansas	24,219	24,436	217	0.9%
Kansas State University	18,053	17,678	(375)	(2.1)
Wichita State University	17,242	17,021	(221)	(1.3)
Emporia State University	5,358	5,498	140	2.5
Pittsburg State University	5,271	4,927	(344)	(7.0)
Ft. Hays State University	5,476	5,399	(77)	(1.4)
Kansas Technical Institute	710	629	(81)	(12.9)
KSU Vet. Medical Center	417	414	(3)	(0.7)
KU Medical Center	2,401	2,308	(93)	(3.9)
TOTAL	<u>79,147</u>	<u>78,310</u>	<u>(837)</u>	<u>(1.1)%</u>

Full-Time Equivalent

<u>Institution</u>	<u>Fall 1983</u>	<u>Fall 1984</u>	<u>Change</u>	<u>Percent Change</u>
University of Kansas	21,593	21,780	(187)	0.9%
Kansas State University	16,500	15,981	(519)	(3.2)
Wichita State University	11,427	11,131	(296)	(2.7)
Emporia State University	4,515	4,450	(65)	(1.5)
Pittsburg State University	4,480	4,277	(203)	(4.7)
Ft. Hays State University	4,316	4,240	(76)	(1.8)
Kansas Technical Institute	517	437	(80)	(18.3)
KSU Vet. Medical Center	670	656	(14)	(2.1)
KU Medical Center*	—	—	—	—
TOTAL	<u>64,018</u>	<u>62,952</u>	<u>(1,066)</u>	<u>(1.7)%</u>

* F.T.E. enrollments are not computed for the Medical Center.

A number of expenditure requests are presented to the Legislature for the entire Regents system since they would accrue to more than one institution. These systemwide items are reviewed and discussed in the sections that follow. The individual budget analyses in Part One address the requests unique to the individual campuses.

Background

Financing of Budgets. The term "general use funds" is central to discussion of the financing of institutional operating budgets. This term refers to those funds that can be used to provide general financial support for campus operations. General use funds include State General Fund appropriations, General Fees Fund revenues (primarily tuition income), and interest on certain investments. For Kansas State University they also include certain federal land grant funds and for the University of Kansas Medical Center and the Kansas State University Veterinary Medical Center, the funds also include revenues from hospital and laboratory operations.

In contrast, "restricted use funds" are funds that must be used in a manner consistent with the conditions attached to the receipt of the funds. While subject to appropriation by the Legislature, the majority of the restricted use funds are treated as "no limit" appropriation accounts. That is, the institution has the authority to make expenditures from the fund subject to the limitation of available resources. Certain restricted use funds, such as the Sponsored Research Overhead Fund, are subject to expenditure limitations, and the institutions cannot expend resources in excess of the limitation without legislative approval. Other examples of restricted use funds include parking fees, student union fees, federal research grants, and income generated by campus revenue producing activities.

Because the primary legislative concern in the financing of institutional budgets is with general use funds, unless specifically stated otherwise, references to dollar amounts will be only to general use funds.

Budget Program Structure. The budget program structures employed by the universities follow a generally uniform format. The basic programs are: education, institutional support, physical plant, utilities, research, public service, scholarships and fellowships, and mandatory transfers. The education program can be further subdivided into instruction, academic support, and student services.

Summary. From the legislative perspective, operating budget requests from Board of Regents' institutions can be viewed as containing four general components: systemwide maintenance increases (normally percentage increases applied to base budget levels); systemwide program improvements or enhancements common to two or more institutions; individual program improvements that are requested by only one institution; and enrollment adjustments. Principal funding sources are general and restricted use funds, with the former comprised primarily of State General Fund appropriations and hospital and tuition revenue.

Contents

In any given year, a variety of issues can be approached from a systemwide perspective. Those items given systemwide treatment for the 1985 Legislature are shown below.

<u>Section</u>	<u>Subject</u>
A	FY 1985 General Fees Fund Expenditures
B	Student Tuition
C	Enrollment Adjustments
D	Unclassified Salary Base Increases
E	Classified Salary Base Increases
F	Student Salary Base Increases
G	Graduate Teaching Assistants' Stipends
H	Graduate Teaching Assistants' Fee Waivers
I	Other Operating Expenditures
J	Utilities
K	Servicing New Buildings

Section A
FY 1985 General Fees Fund Expenditures

Regents' Request. The Board of Regents has approved four requests for FY 1985 for budget adjustments based on revised estimates of tuition revenues to the General Fees Fund. Requested are one increase in the FY 1985 expenditure limitation on the General Fees Fund and three State General Fund supplemental appropriations to offset decreases in budgeted revenues. An expenditure limitation increase would provide additional resources for FY 1985 over the previously approved level while State General Fund supplemental appropriations will serve in two cases to maintain expenditures at the previously approved levels. The supplemental appropriation requested by Kansas Technical Institute (KTI) would result in expenditure of \$24,602 less during FY 1985 than was approved a year ago. The requests, by institution, are shown below.

Requested FY 1985 General Fees Fund Adjustments

<u>Institution</u>	<u>General Fees Fund Limitation FY 1985</u>	<u>General Fees Fund Requested Adjustment</u>	<u>State General Fund Request</u>
KU	\$ 24,840,000	\$ 695,538	\$ —
FHSU	3,258,724	(35,120)	35,120
PSU	3,540,000	(40,000)	40,000
KTI	274,000	(36,602)	12,000

Requested State General Fund supplemental appropriations total \$87,120 and the request for additional expenditure authority totals \$695,538.

The Governor's recommendation does not include the supplemental appropriations requested for PSU, FHSU, or KTI. The recommendation for KU includes a \$500,000 increase of the expenditure limitation on the General Fees Fund that is offset by a reduction of expenditures of an equal amount from the State General Fund

appropriation. Thus, the recommendation does not result in any change of the overall budgeted expenditure level for the current fiscal year.

Legislative policy regarding these two types of requests has been somewhat mixed. While there have been supplemental appropriations to compensate for revenue shortfalls so that mid-year expenditure reductions are not required, the approval of additional expenditure authority through the release of fee income has not always been granted. Since 1981, when the Legislature adopted the current procedure for funding enrollment change, additional fee income has not been released because the institutional budgets are adjusted based on actual enrollment changes.

Before acting on this request, the Legislature may wish to reexamine FY 1985 fee income following revisions based on actual spring enrollments. This may eliminate some of the shortfalls at the three campuses requesting supplemental funding. If excess resources are available at KU they can be carried forward for expenditure in FY 1986. After receipt of spring semester fee estimates, the Legislature will be in a position to revise both FY 1985 and FY 1986 expenditure limitations for all the campuses.

Section B Student Tuition

Background. Under K.S.A. 76-719 the Board of Regents has the responsibility to set student tuition for the institutions under its control. However, in 1966 the Legislative Council recommended a general policy that:

Resident and nonresident basic fees be fixed at a level so that total basic fee income will provide on the average, 25 percent of the cost of the general educational program, i.e., excluding the cost of organized research, extension services, auxiliary enterprises, and capital improvements.

The Council also recommended that nonresident graduate students be charged the same incidental fee as nonresident undergraduates. The Council suggested that rather than change fees annually, that the 25 percent level be an average based on several (three to four) years.

This policy has generally been followed by the Regents and the Legislature since 1966. In recent years tuition increases have been considered more frequently than every three to four years. However, the general policy of systemwide tuition receipts representing approximately 25 percent of systemwide general use expenditures for the education, institutional support, and physical plant (including utilities) programs has been retained throughout the period.

Policy Review. Given the established policy of a 25 percent fee/cost ratio, it is worthwhile to examine the extent to which this goal has been attained in recent years. The following table shows the actual fee/cost ratio by institution for FY 1981-FY 1984, the estimated ratio for FY 1985, and the ratio as reflected in the FY 1986 requests and Governor's recommendations. Current year fee income is based on the

revised fee estimates submitted by the institutions following fall, 1984 enrollment. It should be noted that these ratios are based on tuition receipts, not expenditures from the General Fees Fund that may include carryforward balances from previous years.

Fee/Cost Ratios

	<u>Actual FY 81</u>	<u>Actual FY 82</u>	<u>Actual FY 83</u>	<u>Actual FY 84</u>	<u>Estimated FY 85</u>	<u>Requested FY 86</u>	<u>Gov. Rec. FY 86</u>
KU	21.9%	24.2%	23.4%	27.4%	27.0%	26.0%	27.3%
KSU	22.7	24.9	23.1	25.0	23.8	23.4	24.8
WSU	20.2	23.3	22.8	26.2	23.5	22.5	23.9
ESU	15.1	16.9	15.8	17.2	17.1	18.6	19.2
PSU	15.4	17.1	16.3	18.5	16.9	17.5	18.1
FHSU	16.3	17.3	15.8	17.6	17.3	18.4	19.1
TOTAL	20.4%	22.6%	21.6%	24.5%	23.4%	23.1%	24.3%

The Regents' decision in 1982 to begin increasing tuition on a more frequent basis than every three to four years, appears to have resulted in tuition accounting for an increasing percentage of costs. Tuition accounted for approximately 20 percent of costs for fiscal years 1979 through 1981. The impact of this policy has been compounded by the base reductions made in FY 1984. The reduced FY 1984 base budget coupled with a 20.0 percent increase in tuition resulted in the highest fee/cost ratio in six years with two institutions exceeding the system aggregate goal of 25.0 percent. Despite a further tuition increase of approximately 10 percent for FY 1985 (plus an \$80 per year increase for graduate study), the requested fee/cost ratio is estimated to decline but should remain high relative to previous years. The approximate 10 percent increase of tuition for FY 1985 over FY 1984 can be contrasted with the estimated 9.6 percent increase of general use expenditures systemwide. For FY 1986, the Governor's recommendation would nearly return the ratio to the high achieved in FY 1984 by combining an average 14.2 percent resident fee increase with a 5.8 percent increase of general use expenditures. The fee increase for FY 1986 includes the amount that will be charged in addition to tuition to replace the academic service fee and some individual course fees that have been charged on some of the campuses. That aspect of the new fee schedule is discussed below.

The table also reveals the relationship between fee/cost ratios at the three larger institutions as compared to those at the three smaller. Typically the three large institutions exhibit fee/cost ratios in excess of 20 percent, while the ratios at the three smaller institutions tend to fluctuate within the range of 15% to 20%. These differential ratios are the result of two related factors. The first has to do with a conscious policy to keep a lower charge per student at the smaller institutions than that charged to students at the larger institutions. The second factor relates to the size of institutional budgets that reflect very similar types of fixed costs at both the large and small institutions. That is, certain institutional expenditures are not related at all to size, but rather to the fact that the institution is in operation. Therefore, to attain 25 percent of costs at a large institution could result in a lower tuition to the student than the tuition necessary to attain 25 percent of costs at a small institution — because of the fixed costs and the fact there are fewer students among whom to spread the costs.

While use of fee/cost ratios to determine appropriate tuition levels can be characterized as simple and fair, a fee/cost ratio policy is not without its shortcomings. The initial difficulty is in determining exactly the appropriate costs for inclusion and the appropriate portion of those costs to be borne by the students. Further, if the ratio is applied to aggregate revenues and if the institution has a uniform tuition rate for students at all levels and disciplines, then students in low cost programs in effect subsidize students in high cost programs. This same subsidy relationship can occur when the policy encompasses different types of institutions all contributing to an aggregate fee/cost ratio as is the case with the Regents' system.

FY 1986 Fees. The Board of Regents adopted a new fee schedule for FY 1986 that incorporates the fee/cost relationship discussed above as well as several other policy elements that might be of interest to the Legislature. The table below displays the fee schedule that will go into effect in the fall of 1985 and the tuition rates for full-time students for the current fiscal year.

FULL-TIME TUITION PER SEMESTER

FY 1985 and FY 1986

<u>Institution</u>	<u>Type of Student</u>	<u>FY 1985</u>	<u>FY 1986</u>		<u>Total</u>
			<u>Part 1</u>	<u>Part 2</u>	
KU, KSU, WSU	Resident - undergraduate	\$ 450	\$ 483	\$ 12	\$ 495
	Resident - graduate	490	543	12	555
	Nonresident - undergraduate	1,290	1,385	12	1,397
	Nonresident - graduate	1,415	1,445	12	1,457
ESU, PSU, FHSU	Resident - undergraduate	355	409	6	415
	Resident - graduate	395	459	6	465
	Nonresident - undergraduate	865	997	6	1,003
	Nonresident - graduate	945	1,047	6	1,053
KTI	Resident	245	305	6	311
	Nonresident	705	878	6	884
KUMC*	Resident	2,415	2,610	0	2,610
	Nonresident	4,815	5,220	0	5,220
KSUVMC	Resident	660	712	0	712
	Nonresident	1,780	2,136	0	2,136

* Tuition rates shown apply only for medical students. For graduate, allied health, and nursing students, lower tuition rates apply.

The Board's criteria for the tuition rates includes maintenance of the systemwide 25 percent fee/cost ratio with the three regional universities maintaining an approximate 20 percent level and the three larger universities at the level necessary to achieve the systemwide 25 percent ratio. The Legislature will note that the ratios in the previous table do not indicate achievement of the 25 percent goal. That is because the Board of Regents does not include utility expenditures in its computation of costs for determination of the ratio.

The Board established different tuition rates for graduate and undergraduate students for the current fiscal year. That differential is \$40 per semester for residents at all of the universities. The differential for nonresidents is \$125 per semester at KU, KSU and WSU and \$80 per semester at the regional universities. The fee schedule adopted for FY 1986 will continue the differential, but alters the relationships by making it \$50 at the regional universities for both residents and nonresidents and narrowing the spread at the doctoral institutions to \$60 for nonresidents. The resident differential at the large schools would remain at \$40.

The average increase over the current fiscal year for resident undergraduate tuition at the four year universities is 11.3 percent while the tuition for resident graduate students will go up an average of 13.5 percent. Nonresident undergraduate tuition will increase 7.4 percent at KU, KSU, and WSU and 15.3 percent at the regional institutions.

In response to concerns voiced by the 1984 Ways and Means subcommittees that reviewed Kansas Technical Institute's (KTI) budget for FY 1985, the Board examined tuition charges at KTI vis a vis similar institutions in other states. The Board's conclusion was that resident tuition at KTI was approximately 29 percent less than that charged in surrounding and Big 8 states. Thus, the tuition established for the fall of 1985 is 24.5 percent higher than the tuition for the current fiscal year.

The Board also established a significantly higher tuition at the Veterinary Medical Center (VMC) for nonresidents in an attempt to discourage other states from discontinuing their seat purchase contracts. Thus, nonresident tuition at the VMC in FY 1986 will be 20 percent more than tuition for the current year.

In addition to those increases recommended for tuition, the Board fixed an additional charge that will replace certain course charges imposed by some of the universities and the academic service fees that were charged at KU and KSU during fiscal years 1984 and 1985. The new fee will not replace charges for individual music lessons, field camps and breakage. The charges equate to \$12 per full-time student per semester at KU, KSU, and WSU and \$6 per full-time student per semester at ESU, PSU, FHSU, and KTI. The additional fee will not be charged to students attending either the VMC or KUMC. The charges are shown as Part Two of the tuition schedule on the table above. The table below displays the FY 1984 total receipts for each university and KTI compared to the anticipated receipts from the new fee.

<u>Institution/Existing Charges</u>	<u>FY 1984 Actual Receipts</u>	<u>Est. Revenue Part 2 Tuition Charge</u>
KU - Academic Service Fee and Some Course Fees	\$ 605,046	\$ 573,000
KSU - Academic Service Fee	333,944	428,770
WSU - Course Fees	212,804	259,068
ESU - Course Fees	28,540	47,120
PSU - Computer Access Fee	23,175	55,000
FHSU	—	49,992
KTI	—	6,619
TOTAL	<u>\$1,203,509</u>	<u>\$ 1,419,569</u>

As is apparent from the table, the anticipated revenue from the additional student fee will more than replace that realized from the existing charges for all the schools except KU. Each of the institutions requested authority to expend the estimated amount of additional revenue that will result from the fee increase as a specific program improvement. The details of each request are discussed in the individual institutions' budget analyses in Part One. The Governor recommended the requested expenditure authority in each instance.

Section C Enrollment Adjustment

Request. The FY 1986 budget requests from the Regents' universities include a total reduction of \$2,727,584 due to actual changes in the volume of student credit hours generated between FY 1982 and FY 1984. This request is based upon the enrollment adjustment policy adopted by the 1981 Legislature that relates the costs of actual enrollment changes to the institutions' budgeted expenditures. If the costs exceed a 3 percent corridor around total general use expenditures for the education, institutional support, and physical plant programs, a funding adjustment is requested. The enrollment adjustment procedure determines a dollar amount to be requested and the institutions are allowed discretion over internal allocation of the adjustment. Shown below are the institutional requests for FY 1985.

Note that Kansas Technical Institute (KTI) does not apply the enrollment adjustment procedure utilized by the universities. Rather, KTI's enrollment adjustment is based upon projected enrollment growth or decline and a factor of one classified F.T.E. staff position for every 35 F.T.E. students and one unclassified F.T.E. staff position for every 12 F.T.E. students. Subsequent to submission of its budget, KTI requested, and the Board approved, withdrawal of its enrollment adjustment request because of the actual decline in enrollment for fall, 1984.

FY 1986

Enrollment Adjustment Request

<u>Institution</u>	<u>F.T.E. Unclassified</u>	<u>F.T.E. Classified</u>	<u>Salaries and Wages</u>	<u>Other Operating Expenditures</u>	<u>Total Request</u>
KTI*	3.0	1.0	\$ 112,745	\$ 11,000	\$ 123,745
ESU	(24.0)	(4.0)	(1,062,890)	(56,933)	(1,119,823)
KSU	(19.0)	(9.0)	(1,260,951)	(200,009)	(1,460,960)
FHSU	—	—	(99,533)	(50,024)	(149,557)
WSU	(1.0)	—	(111,989)	(9,000)	(120,989)
TOTAL	<u>(41.0)</u>	<u>(12.0)</u>	<u>\$(2,422,618)</u>	<u>\$(304,966)</u>	<u>\$(2,727,584)</u>

* KTI utilizes a different enrollment adjustment formula than that applied to the Universities.

The Governor recommends the funding adjustments and positions as requested by the institutions, with the exception of KTI for which no adjustment is recommended.

Background. In adopting a revised mechanism for enrollment adjustment funding, the 1981 Legislature included a statement of the policy within the Ways and Means Subcommittee Report on the Board of Regents' Office. This step was taken to insure that the Regents' institutions would have available a statement of legislative policy with respect to enrollment adjustment procedures. Much of what follows is taken from that policy statement.

The policy adopted by the Legislature is designed to be more sensitive to actual enrollment patterns than previously employed formulas that related staffing changes to changes in full-time equivalent (F.T.E.) enrollments. The key features of the legislative policy, and those that the Board of Regents at the time of adoption deemed essential, are as follows:

1. adjustments should be based upon actual, rather than projected enrollments;
2. enrollments for an entire fiscal year, not just one semester, should be employed;
3. the patterns of enrollment and differences in the cost of instruction by course level and academic discipline should be taken into account; and
4. consideration should be given to cost implications of the entire educational program — not simply instruction.

Procedures. To implement these features the Legislature adopted a formula that is based upon changes in actual student credit hours between fiscal years (not just

changes in fall enrollments). Changes in student credit hours by course level and discipline are related to the actual student credit hour costs by level and discipline at the respective Kansas institutions. There are 24 academic disciplines (agriculture, biological science, mathematics, etc.) and four levels of instruction (lower division, upper division, graduate 1, and graduate 2) for which changes in student credit hours and their costs are calculated. Following is an example of this procedure taken from an institutional budget request.

EXAMPLE

Calculation of Costs of Enrollment Changes

Discipline	Change in SCH FY 1982-FY 1984			FY 1985 Adjustment Cost Per SCH		
	LD	UD	GI	LD	UD	GI
Biological Science	426	(574)	(36)	\$55.79	\$106.00	\$167.39
Business	89	436	227	19.00	22.81	53.18
Subtotal	<u>515</u>	<u>(138)</u>	<u>191</u>	<u>—</u>	<u>—</u>	<u>—</u>

Discipline	FY 1986 Funding Adjustment Dollars			
	LD	UD	GI	TOTAL
Biological Science	\$23,767	\$ (60,844)	\$ (6,026)	\$ (43,103)
Business	1,691	9,945	12,072	23,708
Subtotal	<u>\$25,458</u>	<u>\$ (50,899)</u>	<u>\$ 6,046</u>	<u>\$ (19,395)</u>

This example illustrates several components of the legislative enrollment adjustment procedure. Although total student credit hour production in the two disciplines increased, the amount of resources to be requested decreased. This is due to the sensitivity of the procedure to the differences in cost by level and discipline and the reflection of these cost differences through actual changes in enrollment by level and discipline. The result is that an institution could have an overall increase in enrollment, but require fewer resources because of shifts of student credit hours into lower cost academic disciplines. Conversely, an institution could have an overall enrollment decline, but require additional resources because of increased enrollments in high cost disciplines. This sensitivity to enrollments and costs by level and discipline appears to be a highly desirable component of the procedure — particularly since it is based upon actual enrollments and cost patterns. The sensitivity of the formula to the situation that exists at each of the institutions is furthered by the fact that the adjustment rate is established by each university based upon its costs; so, for example, the rate used for lower division biology credit hours is \$59.51 for PSU, \$62.82 for ESU, and \$67.37 for FHSU.

When the above calculations are performed for all 24 disciplines and four levels of instruction, the dollar amount of resources generated by the academic instruction component of the procedure has been derived. At this point another set of formulas is applied to generate potential resource requirements for other components of the institution's budget. The amount for libraries and audio-visual services is based upon a dollar amount per actual change in weighted F.T.E. students. Student services support is related to a dollar amount per actual change of total headcount students while support for campus security is based on changes in on-campus headcount enrollment. Academic administration and institutional support are percentages (based on actual cost data) of the other components. When the dollar amounts for all of the various components are added together, the result is the total funding adjustment due to enrollment changes that occurred between the base year and the most recently completed fiscal year.

Under the corridor policy, each institution is expected to absorb the costs of enrollment changes within specified percentages of its base budget for the education, institutional support, and physical plant programs. These percentages are +1.5 percent for the University of Kansas, Kansas State, and Wichita State and +1.0 percent to -2.0 percent at Emporia, Pittsburg, and Fort Hays. The application of this policy is as follows: if a funding adjustment is dictated by the change in credit hour production, the current year's base budget is multiplied by the percentage for the upper corridor limit, that is, 1.5 percent or 1.0 percent, to determine the amount of enrollment cost change the institution must absorb. This amount is subtracted from the total funding adjustment previously derived. If the total funding adjustment is less than the upper limit on the corridor or greater than the lower limit, no funding request is to be made. If the total funding adjustment is above the upper limit of the corridor or below the lower limit, the difference between the total funding adjustment and the limit is the amount of expenditure adjustment. However, this change is offset by any previous enrollment adjustments to insure that changes in enrollment are only considered once.

Because the legislative policy focuses on the costs of enrollment changes, it does not include any built-in assumptions concerning staffing ratios or allocation of resources. The Legislature has allowed institutions discretion over where resources are to be added or deleted within the total amount of the request.

Implementation. To implement this policy, the 1981 Legislature recommended that enrollment adjustments be considered over cycles of three fiscal years. A base year is established for each cycle and changed when a new cycle begins. The FY 1984 request represented the third year of the initial cycle that used FY 1979 as its base. The Legislature determined that a new cycle would begin with the FY 1985 request. The new base year became FY 1982 and the request was based upon actual changes that occurred between FY 1982 and FY 1983. The request for FY 1986 is based upon the enrollment changes between FY 1982 and FY 1984.

The original cycle and the second cycle thus far are outlined below:

1981 Legislature:	Request Year:	FY 1982
	Period of Enrollment Change:	FY 1979-FY 1980
	Base Budget for corridor:	FY 1981
1982 Legislature:	Request Year:	FY 1983
	Period of Enrollment Change:	FY 1979-FY 1981
	Base Budget for corridor:	FY 1982
1983 Legislature:	Request Year:	FY 1984
	Period of Enrollment Change:	FY 1979-FY 1982
	Base Budget for corridor:	FY 1983
1984 Legislature:	Request Year:	FY 1985
	Period of Enrollment Change:	FY 1982-FY 1983
	Base Budget for corridor:	FY 1984
1985 Legislature:	Request Year:	FY 1986
	Period of Enrollment Change:	FY 1982-FY 1984
	Base Budget for corridor:	FY 1985

The application of the enrollment adjustment procedures for FY 1982 through FY 1984, the first cycle, resulted in additional cumulative appropriations of \$4,307,258. Shown below, by institution, is the funding provided by the Legislature between FY 1982 and FY 1984. The second table displays the cumulative adjustments for the first two years of the second cycle, fiscal years 1985 and 1986.

FIRST CYCLE

Cumulative Enrollment Adjustment Funding

FY 1982-FY 1984

<u>Institution</u>	<u>Actual FY 82</u>	<u>Actual FY 83</u>	<u>Actual FY 84</u>	<u>Cumulative FY 82-FY 84</u>
KU	\$273,431	\$ 405,444	\$ (577,476)	\$ 101,399
KSU	227,584	1,614,739	560,158	2,402,481
WSU	32,793	399,076	1,172,280	1,604,149
ESU	61,601	(61,601)	(34,475)	(34,475)
PSU	—	31,225	187,422	218,647
FHSU	16,686	148,190	(149,819)	15,057
TOTAL	<u>\$612,095</u>	<u>\$ 2,537,073</u>	<u>\$ 1,158,090</u>	<u>\$ 4,307,258</u>

SECOND CYCLE

Cumulative Enrollment Adjustment Funding

FY 1985-FY 1986

<u>Institution</u>	<u>Actual FY 85</u>	<u>Request FY 86</u>	<u>Cumulative FY 85-FY 86</u>
KU	\$ —	\$ —	\$ —
KSU	—	(1,460,960)	(1,460,960)
WSU	772,201	(120,989)	651,212
ESU	(157,888)	(1,119,823)	(1,277,711)
PSU	—	—	—
FHSU	—	(149,557)	(149,557)
TOTAL	<u>\$ 614,313</u>	<u>\$ (2,851,329)</u>	<u>\$ (2,237,016)</u>

Section D

Unclassified Salary Base Increases

Request Summary. For FY 1986 the Regents' institutions request \$15,637,705 to provide a 7.0 percent increase of unclassified salary funding above the FY 1985 base. Shown below is the FY 1985 base, requests for FY 1986, and the Governor's recommendations for adjustments to the salary base and associated fringe benefits. In addition to the base salary budget increase, the requests include \$1,745,596 to provide a 1 percent increase of the employer contribution to TIAA, the unclassified staff retirement plan, and \$563,459 to pay retiring unclassified staff for accumulated sick leave.

FY 1986

Unclassified Salary Increases

<u>Institution</u>	<u>FY 85 Base</u>	<u>FY 86 Request</u>	<u>FY 86 Gov. Rec.</u>
KU	\$ 61,205,987	\$ 4,426,656	\$ 3,644,715
KSU	60,367,899	4,110,288	3,524,653
WSU	27,771,093	1,894,206	1,621,593
ESU	11,859,739	869,637	732,630
PSU	11,496,768	793,164	677,399
FHSU	10,688,069	737,140	630,627
KTI	1,706,589	120,156	98,964
VMC	3,190,572	216,243	187,088
KUMC	31,064,425	2,470,215	2,067,439
TOTAL	<u>\$219,351,141</u>	<u>\$15,637,705</u>	<u>\$13,185,108</u>

The Governor recommends a 6.0 percent increase in the unclassified salary base for FY 1986. The Governor also recommends funds to provide a 1.0 percent increase to the employer contribution to TIAA and funds to pay retirants for accumulated sick leave.

Within the additional salary dollars authorized for expenditure, the Regents' institutions have flexibility over how these funds are allocated. In essence, the base increases in salary dollars provided to the institutions are to be distributed to unclassified staff on the basis of merit.

Institutional Salary Policies. In reviewing the FY 1986 request, it is appropriate to examine the manner in which salary increases for the current fiscal year have been allocated. The institutions may distribute the average annual base increase in varying percentages rather than on a uniform percentage basis. This procedure permits the use of merit as a criterion for determining unclassified salary increases and provides flexibility for the recruiting and retention of faculty members. The following table displays the distribution of unclassified salary increases for FY 1985.

FY 1985 Distribution of Unclassified Salary Increases:
Full-Time Continuing Unclassified Staff

<u>Inst.</u>	<u>No Incr.</u>	<u>.1 to 2.9%</u>	<u>3.0 to 4.9%</u>	<u>5.0 to 6.9%</u>	<u>7.0 to 8.9%</u>	<u>9.0 to 11.9%</u>	<u>12.0% and Above</u>	<u>No.</u>	<u>Avg. Dollar Incr.</u>	<u>Percent Incr.</u>
KU	44	11	83	421	469	229	81	1,338	2,310	7.5%
KSU	27	20	105	504	340	175	82	1,253	2,240	7.2
WSU	3	6	30	121	284	142	61	647	2,234	8.5
ESU	2	1	21	116	86	32	6	264	1,997	7.2
PSU	3	—	4	19	217	20	3	266	2,236	7.9
FHSU	2	13	10	73	84	29	14	225	2,020	7.2
KTI	—	—	4	20	17	3	—	44	1,806	7.1
VMC	3	1	3	22	19	12	9	69	3,161	8.2
KUMC	38	15	59	326	275	159	71	943	1,992	7.3
System- wide	122	67	319	1,622	1,791	801	327	5,049	2,197	7.5%

While the base increase for FY 1985 totaled 7.0 percent, all institutions were able to provide average increases for continuing staff in excess of the percentage increases budgeted. To a great extent the additional increases reflect turnover savings and minimal increases allocated to some unfilled positions. It should also be noted that institutions have the flexibility to award extraordinary merit increases.

Institutional Comparison. The budgeted average salaries for faculty in the six universities reflect a systemwide average faculty salary of \$31,299 for FY 1985. As noted in the previous section, the average unclassified salary increase tends to be larger than the budgeted increase, due in part to changes in the number and salaries of

employees. The average salaries (12 month converted to 9 month) shown below include all faculty and staff budgeted for FY 1985, not just those who were also on staff in FY 1984 as shown in the previous section.

FY 1985 Budgeted Academic Year Average Salaries
All Ranks

<u>Institution</u>	<u>Faculty Only</u>		<u>All Unclassified</u>	
	<u>Number</u>	<u>Average Salary</u>	<u>Number</u>	<u>Average Salary</u>
KU	1,040	\$36,385	1,468	\$30,493
KSU	1,168	30,086	1,253	29,736
WSU	546	27,850	693	27,614
ESU	205	28,568	299	27,631
PSU	223	28,345	266	28,513
FHSU	201	27,464	225	27,543
TOTAL*	<u>3,383</u>	<u>\$31,299</u>	<u>4,204</u>	<u>\$29,306</u>

* The total average salaries shown are weighted to reflect the number of unclassified positions at each institution.

The comparison of average faculty salaries by institution deserves some additional comment. One would reasonably expect that the larger institutions would have higher salaries given differences in institutional roles, levels of advanced instruction, and the fact they must be salary competitive in academic professions in which the three smaller institutions do not offer instruction. The difference between the average budgeted faculty salaries at the University of Kansas and Kansas State University is accounted for, in part, by the relatively large number of faculty in the instructor rank at Kansas State, reflecting the substantial number of staff in cooperative extension and agricultural research. The similarity of average faculty salaries at Emporia, Fort Hays, Pittsburg and Wichita State also appears to be the result of the distribution of faculty by rank, although, in this instance the similarity is caused by the relatively large proportion of professors at Emporia and Fort Hays and the relatively smaller proportion at Wichita State. Because of the impact that average salary by rank has on aggregate average salaries, the FY 1985 budgeted average salaries by rank are shown below for each university.

FY 1985 Budgeted Academic Year Average Faculty Salaries
By Rank

Inst.	Professor		Associate Professor		Assistant Professor		Instructor	
	No.	Avg.	No.	Avg.	No.	Avg.	No.	Avg.
KU	523	\$39,868	330	\$28,756	158	\$24,951	29	\$18,147
KSU	442	37,115	318	28,823	282	24,671	126	20,739
WSU	102	39,037	150	29,870	220	24,586	74	18,038
ESU	90	31,711	77	26,756	35	24,905	3	23,517
PSU	84	31,929	92	27,353	38	24,745	9	20,231
FHSU	80	31,538	68	26,426	46	23,205	7	18,986
TOTAL*	1,321	\$37,318	1,035	\$28,511	779	\$24,631	248	\$19,596

* The total average salaries shown are weighted to reflect the number of faculty in each rank at each institution.

Previous Years' Increases. The following table provides a comparison of the base budget salary increases appropriated by the Legislature and two measures of inflation for FY 1973 - FY 1985.

Percent Increase Authorized for Unclassified Salary Adjustments

Fiscal Year	KU	KSU	WSU	ESU	PSU	FHSU	CPI-U	PCE
1974	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	9.0%	8.1%
1975	10.0	11.0	10.0	11.0	11.0	11.0	11.1	9.7
1976	10.0	10.0	10.0	10.0	10.0	10.0	7.1	6.0
1977	8.0	8.0	8.0	8.0	8.0	9.0	5.8	5.3
1978	6.0	6.0	6.0	6.0	6.0	7.0	6.7	6.1
1979	7.0	7.0	7.0	7.0	7.0	7.0	9.4	8.1
1980	6.5	6.5	6.5	6.5	6.5	6.5	13.4	9.7
1981	9.0	9.0	9.0	9.0	9.0	9.0	11.5	9.7
1982	7.0	7.0	7.0	7.0	7.0	9.0	8.7	7.3
1983	7.5	7.5	7.5	7.5	7.5	10.2	4.3	4.7
1984	4.5	4.5	4.5	4.5	4.5	4.5	3.7	3.2
Inc. 73-84	118.2%	120.2%	118.2%	120.2%	120.2%	134.2%	138.1%	111.8%
1985	7.0	7.0	7.0	7.0	7.0	7.0	4.2 ^a	3.5 ^a
Inc. 73-85	133.5%	135.6%	133.5%	135.6%	135.6%	144.8%	148.1%	119.2%

a) Estimated.

Several comments are required to appropriately interpret the above table. First, the appropriated increases for FY 1983 exclude allocation of the \$900,000 in

special salary enrichment that equated systemwide to an approximate 0.7 percent base increase. Second, the authorized increase for FY 1984 is the annualized 4.5 percent rather than the 2.25 percent increase in expenditures. Finally, the two measures of inflation used are the Consumer Price Index for All Urban Consumers (U. S. City Average) and the Personal Consumption Expenditures component of the Gross National Product-Deflator. The percentages displayed for these two measures represent the percent change in the 12-month average index from one fiscal year to the next. Both measures are displayed because the CPI-U tended to overemphasize the housing costs component prior to FY 1982 while the PCE treats housing costs in a more conservative fashion.

As shown in the above table, efforts have been made to recognize individual campus needs. The differential salary adjustments have been designed primarily to upgrade salaries at Fort Hays State University. Through FY 1984 and as estimated for FY 1985, the cumulative salary increases have fallen within the range of the two measures of inflation; that is, the cumulative percentage salary increases are less than inflation as measured by the CPI-U and have exceeded inflation as measured by the PCE. As the table shows, the salary increases for the last two fiscal years have moved closer to the top of that range, and in one instance, have exceeded it. However, it should be noted that no assessment is made of the adequacy of the unclassified salary base in FY 1973. If the salary base, according to some criterion, was inadequate in that year, even if the increases have kept up with inflation, presumably the base would remain inadequate in FY 1985. The table is designed only to reflect relative increases in the unclassified salary base in the intervening period since the FY 1973 base year.

It was noted above that, due to several factors, institutions have the flexibility to provide average salary increases to continuing staff which may be in excess of appropriated increases to the unclassified salary base. This is because, in part, the universities typically have savings from personnel turnover that can be used to supplement appropriated increases to the salary base. The table below displays the average percentage increases provided to full-time continuing unclassified staff. It includes allocation of the \$900,000 in salary enrichment funds provided for FY 1983 and annualizes the salary increases for FY 1984.

Average Percent Increase for Full-Time
Continuing Unclassified Staff

<u>Fiscal Year</u>	<u>KU</u>	<u>KSU</u>	<u>WSU</u>	<u>ESU</u>	<u>PSU</u>	<u>FHSU</u>	<u>CPI-U</u>	<u>PCE</u>
1974	6.4%	6.4%	6.0%	5.6%	5.9%	5.8%	9.0%	8.1%
1975	10.5	11.2	10.3	11.4	11.3	10.9	11.1	9.7
1976	10.5	10.2	9.1	10.4	10.0	11.0	7.1	6.0
1977	8.5	8.2	7.9	8.0	8.3	10.4	5.8	5.3
1978	6.4	6.3	6.0	6.0	6.1	7.7	6.7	6.1
1979	7.4	7.4	7.3	7.1	7.3	8.0	9.4	8.1
1980	6.9	6.8	6.7	6.5	6.9	6.7	13.4	9.7
1981	9.6	9.5	9.5	10.2	9.0	8.8	11.5	9.7
1982	8.0	7.7	7.6	7.8	7.5	9.0	8.7	7.3
1983	8.9	9.1	8.5	8.7	8.3	10.8	4.3	4.7
1984	4.6	5.0	5.0	4.9	4.5 ^a	5.1	3.7	3.2
Inc. 73-84	<u>132.2%</u>	<u>132.4%</u>	<u>124.2%</u>	<u>129.7%</u>	<u>126.6%</u>	<u>146.4%</u>	<u>138.1%</u>	<u>111.8%</u>
1985	7.5	7.2	8.5	7.2	7.9	7.2	4.2 ^a	3.5 ^a
Inc. 73-85	<u>142.1</u>	<u>141.9</u>	<u>134.8</u>	<u>139.0</u>	<u>136.6</u>	<u>157.2</u>	<u>148.1</u>	<u>119.2</u>

a) Estimated.

An examination of the table above reveals a relatively consistent pattern of average percentage salary increases granted in excess of appropriated percentage increases to the base. The table also reveals a narrower gap between the cumulative average increases granted and inflation, as measured by the CPI-U, than is seen on the preceding table. In addition, the growth in average salary increases is significantly greater than the growth in the index of Personal Consumption Expenditures over the same period.

Increased Employer Contribution to TIAA. The Regents request a total of \$1,745,596 to provide a 1 percent increase of the employer contribution to TIAA, the unclassified staff retirement plan. The request is the first of a three year plan to raise the employer contribution from the current 5 percent to 8 percent. No change in the mandatory 5 percent minimum contribution by employees is proposed. The table below displays the amounts requested and those recommended by the Governor for the 1 percent increase. The contribution rate change would require amendment of K.S.A. 1984 Supp. 74-4925(c).

Additional Employer Contribution to TIAA

FY 1986

<u>Institution</u>	<u>Request</u>	<u>Gov. Rec.</u>
KU	\$ 521,325	\$ 513,230
KSU	463,027	463,027 ^a
WSU	213,081	191,153
ESU	113,140	103,359 ^a
PSU	68,764	67,898
FHSU	91,092	91,173
KTI	15,500	14,798
VMC	28,901	28,901 ^a
KUMC	225,645	225,645 ^b
Board Office	5,121	3,471 ^a
TOTAL	<u>\$1,745,596</u>	<u>\$1,702,655</u>

- a) While a specific amount was not identified in the Governor's budget, this appears to be the amount included for the additional contribution.
- b) The amount reported by KUMC as included in the request is assumed to be the amount recommended by the Governor.

Accumulated Sick Leave Payments. The Regent's institutions request a total of \$563,459 to pay retiring unclassified staff for accumulated sick leave as required by K.S.A. 75-5517. The statute requires compensation for any unused sick leave in excess of 100 days if the retirant has been employed by the state for at least eight years. The number of days for which compensation must be paid is a function of both the number of days accumulated and the number of years of employment with the state. The table below displays the amounts requested and those recommended by the Governor for each institution for FY 1986.

Unclassified Employees'
Accumulated Sick Leave Payments

FY 1986

<u>Institution</u>	<u>Request</u>	<u>Gov. Rec.</u>	<u>Percent of FY 85 Salary Base</u>
KU	\$210,000	\$113,300	0.19%
KSU	210,000	111,901	0.19
WSU	72,019	48,304	0.17
ESU	25,000	22,102	0.19
PSU	33,440	20,870	0.18
FHSU	—	—	—
KTI	—	—	—
VMC	8,000	7,287	0.22
KUMC	—	—	—
TOTAL	<u>\$558,459</u>	<u>\$323,764</u>	<u>0.15%</u>

Background. The statutory requirement for payment of accumulated sick leave was first imposed by the Legislature in FY 1974 (1974 L. Ch. 368). The original requirement was limited to payment of a maximum of 30 days leave if 100 days or more had been accumulated. That statute did not impose a minimum length of employment with the state in order to be eligible for payment of sick leave.

The 1980 Legislature amended the statute, effective in FY 1980, to provide for payment of accumulated sick leave to retirants who had worked for the state for eight years or longer. The 1980 amendments also allowed for payment of accumulated sick leave in excess of 30 days based upon length of employment and number of days accumulated.

Policy Considerations. In reviewing both this request and the related request for accumulated sick leave payments for classified staff, the Legislature may wish to consider the fact that this amount would be added to the respective wage bases without distinction and would therefore be available for personnel expenditures generally. When viewed within the context of historical expenditure shifts between salaries and other operating expenditures (displayed in Section G) it would appear that the universities have the ability to absorb significant portions of the retirement payments. They have presumably been making the required payments since FY 1980 and with one exception, also have consistently been able to expend budgeted salary amounts on OOE. Another matter for legislative consideration in connection with this request is whether all the institutions should receive the additional amount or whether it should be allocated on the basis of some evidence of need.

Section E
Classified Salary Base Increases

Request. For FY 1986 the Regents' institutions request \$7,565,100 to provide a 7.0 percent increase in classified employee salaries. Shown below are the FY 1985 base budgets, the \$204 per F.T.E. base reduction, and requests for FY 1986. These amounts are for adjustments to the salary base and associated fringe benefits as requested and recommended. In addition the institutions included a request for funds to pay accumulated sick leave for retirants. The amounts requested and recommended are displayed in the second table below. Discussion of the sick leave payment request can be found in the preceding section.

FY 1986
Classified Salary Increases

<u>Institution</u>	<u>FY 85 Base</u>	<u>Regent's Request</u>	
		<u>FY 85 \$204 per F.T.E. Additional Compensation¹</u>	<u>FY 86 Increase</u>
KU	\$ 18,892,777	\$ (241,532)	\$1,347,728
KSU	16,978,668	(212,258)	1,110,468
WSU	7,960,523	(102,990)	513,665
ESU	3,702,196	(45,927)	265,895
PSU	3,847,709	(46,919)	254,246
FHSU	3,366,973	(42,534)	221,324
KTI	563,714	(7,348)	36,864
VMC	2,056,981	(25,362)	134,548
KUMC	47,732,775	(597,226)	3,680,362
TOTAL	\$105,102,316	\$ (1,322,096)	\$7,565,100

- 1) In some instances institutions made additional adjustments to the FY 1985 base to provide for FY 1986 fringe benefit rate changes prior to calculating the base increase for FY 1986. Those adjustments are not shown in this table.

The Governor's recommendation does not include allocation of the proposed FY 1986 classified pay plan amounts to individual agencies.

The table above displays the base adjustment made by each of the universities in their requests that removed the \$204 per classified F.T.E. additional compensation appropriated by the 1984 Legislature. The amount of the additional compensation is an expenditure for FY 1985, but is excluded from the base for purposes of calculating the maintenance increase request for FY 1986. Thus, the amount is treated as a one-time expenditure consistent with the manner in which the additional compensation is treated for other state agencies. The total amount of the additional

compensation provided for FY 1985 represents approximately 1.3 percent of the salary base.

Accumulated Sick Leave Payments. The Regents institutions request a total of \$128,276 to pay retiring classified staff for accumulated sick leave as required by K.S.A. 75-5517. The statute requires compensation for any unused sick leave in excess of 100 days if the retirant has been employed by the state for at least eight years. The number of days for which compensation must be paid is a function of both the number of days accumulated and the number of years of employment with the state. The table below displays the amounts requested and those recommended by the Governor for each institution for FY 1986.

Classified Employees'
Accumulated Sick Leave Payments

FY 1986

<u>Institution</u>	<u>FY 1986 Request</u>	<u>Gov. Rec.</u>	<u>Percent of FY 1985 Salary Base</u>
KU	\$ 40,000	\$ 16,590	0.09%
KSU	40,000	23,893	0.14
WSU	25,236	7,542	0.09
ESU*	5,000	5,000	0.13
PSU	11,040	3,337	0.08
FHSU	—	—	—
KTI	—	—	—
VMC	7,000	6,570	0.31
KUMC	—	—	—
TOTAL	<u>\$128,276</u>	<u>\$ 62,932</u>	<u>0.06%</u>

* Emporia State requested, and the Governor recommended, \$5,000 for reclassifications in addition to the \$5,000 requested for classified employees' accumulated sick leave.

Section F
Student Salary Base Increases

Request. For FY 1986 the Regents' institutions request \$461,669 to provide a 7.0 percent increase to the student salary base. Shown below are the FY 1985 bases, requests for FY 1985, and the Governor's recommendations. The institutions also request \$182,210 to expand the base. The latter request is one of the systemwide program improvements approved by the Board for submission to the 1985 Legislature. The purpose of this salary base expansion request is to allow the institutions to pay students a higher hourly wage than the federal minimum wage without reducing the total number of jobs available. In addition the universities request a total of \$295,780 to continue the off-campus work-study program in FY 1986.

FY 1986

Student Salary Base Increases

<u>Institution</u>	<u>FY 85 Base</u>	<u>Regents' Request</u>		<u>Gov. Rec.</u>	
		<u>FY 86 7% Increase</u>	<u>FY 86 Expansion</u>	<u>FY 86 6% Increase</u>	<u>Base Expansion</u>
KU	\$1,299,527	\$ 95,163	\$ 43,000	\$ 82,130	\$ —
KSU	1,536,778	107,580	46,000	92,205	—
WSU	989,923	69,496	30,210	59,558	—
ESU	699,993	51,237	21,000	44,213	—
PSU	549,944	38,612	16,000	33,094	—
FHSU	751,835	52,782	22,000	45,144	—
KTI	30,440	2,253	1,000	1,827	—
VMC	90,939	6,365	3,000	5,455	—
KUMC	545,454	38,181	— ^a	32,726	—
TOTAL	\$6,497,023	\$ 461,669	\$ 182,210	\$ 396,352	\$ —

a) Although the Board authorized a request by KUMC for an additional \$12,000, this sum was inadvertently excluded from the University's original budget request.

The Governor recommends a 6.0 percent base salary increase for student hourly employees. The additional funds to expand the salary base are not recommended by the Governor.

Discussion. Student salaries serve two roles: that of providing the student with a source of income and that of providing services to the university that might otherwise have to be provided by a classified employee. General use support for student salaries typically represents less than one-half of the total institutional expenditure for student salaries. This is because of the federal College Work-Study Program, the availability of funding from restricted use sources such as research grants, and the large number of students employed in auxiliary enterprises such as student unions and dormitories.

Off-Campus Work-Study. The 1983 Legislature made two changes regarding the funding of student hourly employees. The first change was to appropriate student salaries and wages as a separate line item. That practice was continued by the 1984 Legislature. The second change was creation of a student off-campus work-study program and appropriation of \$281,000 to the six Regents' universities and Washburn for funding the program in FY 1984. The 1984 Legislature appropriated \$295,044 for the off-campus program. The off-campus work-study program is subject to the proviso that salary expenditures for the program must be equally matched by salary expenditures from private employers. A similar proviso was added to the student salaries and wages line item permitting expenditures for off-campus jobs provided that the match requirement is met. Shown below are the estimates of FY 1985 expenditures for the off-campus work-study program, the requests for FY 1986, and the Governor's FY 1986 recommendations.

Off-Campus Work-Study Program

FY 1985 — FY 1986

<u>Institution</u>	<u>FY 1985 Estimate</u>	<u>FY 1986 Request</u>	<u>FY 1986 Expenditure Recommendation</u>	<u>Percent Change</u>
KU	\$154,210	\$101,010	\$ 97,451 ^b	(36.8)%
KSU	74,057	79,241	78,500	6.0
WSU	48,683	52,246	51,514 ^b	5.8
ESU	20,650	22,096	21,683 ^b	5.0
PSU	19,473	20,982	20,641 ^a	6.0
FHSU	33,700	20,205	20,205 ^b	(40.0)
TOTAL	<u>\$350,773</u>	<u>\$295,780</u>	<u>\$ 289,994</u>	<u>(17.3)%</u>

- a) While the Governor's budget detail includes no expenditure for the program during FY 1986, the appropriation bill, S.B. 166, contains \$20,641 for PSU for FY 1986.
- b) The amount shown here is that included in the Governor's budget detail, it does not correspond to the amount included in S.B. 166.

As is noted in the analyses of the institutions' budget requests in Part One, the universities were unable to expend the entire amount appropriated for FY 1984, the first year of the program. The 1984 Legislature reappropriated the unexpended balances to FY 1985, making a total of \$463,258 available for the program during FY 1985. As the table above indicates, the universities did not all budget the reappropriated amount for expenditure in the current fiscal year; rather in most instances the amount is shown as a reappropriation to FY 1986. The table below displays the amounts available for expenditure during the current fiscal year, the amounts budgeted for expenditure and the amounts requested for reappropriation to FY 1986.

<u>Institution</u>	<u>FY 1985 Amount Available</u>	<u>FY 1985 Estimate Expenditure</u>	<u>FY 1986 Reappropriation Request</u>
KU	\$ 154,210	\$ 154,210	\$ —
KSU	129,788	74,057	55,731
WSU	78,500	48,683	29,817
ESU	33,829	20,650	13,179
PSU	33,231	19,473	13,758
FHSU	33,700	33,700	—
TOTAL	<u>\$ 463,258</u>	<u>\$ 350,773</u>	<u>\$ 112,485</u>

The reason for bringing this budgeting technicality to the Legislature's attention is to point out why the percentage change of expenditures for the program displayed in the first table above shows a significant decrease for KU and FHSU while an increase is shown for KSU, WSU, and ESU. However, this technicality does not explain why the Governor recommended different rates of increase for the program on different campuses for FY 1986.

Several policy questions are posed by the appropriations for the program on a systemwide basis. Some of those questions are:

1. Is it necessary to continue a separate line item appropriation for the program if the proviso is retained on the student salaries line item permitting expenditure of those funds for off-campus jobs? Conversely, is the proviso needed on the student salaries appropriation line item if a separate line is retained for the off-campus program?
2. Should reappropriation of unexpended funds be continued and should those reappropriated amounts be considered when calculating the percentage increase for the subsequent year?
3. Should the program have authorizing legislation, or does the proviso in the appropriation provide sufficiently clear authorization for the program?
4. Should the requirement for participation of private employers be broadened to include nonstate public employers (such as schools, cities, or counties)?

Section G
Graduate Teaching Assistants' Stipends

Request. For FY 1986 a total of \$900,033 is requested to increase the stipends for Graduate Teaching Assistants (GTA). The amount requested is in addition to the 7.0 percent program maintenance increase that is included in the request for unclassified salaries.

The table below displays the FY 1985 estimate of expenditures for GTA stipends, the FY 1986 requests (not including the 7.0 percent program maintenance increase) and the Governor's recommendations for stipend increases.

Graduate Teaching Assistants' Stipends

FY 1985 — FY 1986

<u>Institution</u>	<u>FY 1985 Estimate</u>	<u>FY 1986 Request</u>	<u>Governor's Recommendation</u>	<u>Percent Inc. FY 85-86</u>
KU	\$3,816,985	\$455,000	\$ 248,528	6.5%
KSU	2,062,480	275,000	134,061	6.5
WSU	784,860	95,033	51,016	6.5
ESU	231,140	30,000	15,024	6.5
PSU	154,940	20,000	10,071	6.5
FHSU	189,230	25,000	12,300	6.5
KUMC	341,060	—	—	—
TOTAL	<u>\$7,580,695</u>	<u>\$900,033</u>	<u>\$ 471,000</u>	<u>6.2%</u>

The Governor also has recommended the 6.0 percent maintenance increase for GTAs, so the total amount available to increase stipends in FY 1986 would equate to approximately 12.5 percent of the FY 1985 base.

It should be noted that the Board of Regents did not authorize the University of Kansas Medical Center to request FY 1986 funding for enhancement of GTA stipends. However, KUMC employs a significant number of graduate teaching assistants that are financed from the general use operating budget. For example, included in the FY 1985 general use budget is a total of \$341,060 for stipend payments to 49 GTAs, primarily in basic sciences departments of the School of Medicine. Because KUMC was not included in the Board's systemwide recommendation, the institution's FY 1986 budget request includes no additional funding to increase GTA stipends beyond the 7 percent increase requested for unclassified and student salaries. The Governor's recommendation does not provide funding for the purpose of increasing stipends for GTAs employed by KUMC.

Section H
Graduate Teaching Assistants' Fee Waivers

Request. For FY 1986 the Regents' institutions request an increase of graduate teaching assistants' fee waivers from 60 to 75 percent. The request would provide a 75 percent reduction in resident tuition for all GTAs holding appointments of four-tenths (0.4) F.T.E. or greater. Shown below are estimated fee waivers for FY 1985, the amount estimated for FY 1986 to accommodate the tuition increase, and the request for 75 percent tuition waivers. The Governor recommends the requested increase from 60 to 75 percent fee waivers for FY 1986.

FY 1986
Requested G.T.A. Tuition Waivers

<u>Institution</u>	<u>FY 1985 Waiver Estimate</u>	<u>FY 1986 Waivers at 60%</u>	<u>FY 1986 Request Waivers at 75%</u>	<u>Requested Increase</u>
KU	\$ 135,932	\$ 154,010	\$ 231,015	\$ 77,005
KSU	121,926	138,100	172,625	34,525
WSU	91,460	103,624	125,626	22,002
ESU	47,059	57,935	69,236	11,301
PSU	41,712	34,596	43,245	8,649
FHSU	21,568	25,363	31,605	6,242
KUMC	15,128	16,151	— ^a	1,023
TOTAL	<u>\$ 474,785</u>	<u>\$ 529,779</u>	<u>\$ 673,352</u>	<u>\$ 160,747</u>

a) 60 percent waiver requested for KUMC.

Discussion. The current fee waiver policy was established by the 1979 Legislature that authorized the waivers based upon level of appointment and within a set dollar amount. Graduate teaching assistants with a 0.4 F.T.E. teaching appointment and above are entitled to a 60 percent tuition waiver, while students with lesser appointments receive a proportionately lower tuition waiver percentage. This policy has not been changed since its adoption, although the Regents have requested additional waiver authority in every fiscal year except 1984.

A graduate student enrolling full-time and holding a .4 F.T.E. appointment in the current academic year will pay a maximum tuition and required fees per semester of \$337 at KU, KSU, and WSU, and \$282 at ESU, PSU, and FHSU. For FY 1986, with no change in policy or other required fees, the same student would pay \$353 at the larger schools and \$310 at the regional universities. If the Regents' requested 75 percent waiver were adopted, the maximum FY 1986 tuition to these students for the academic year would be \$269 at KU, KSU and WSU, and \$240 at ESU, PSU and FHSU. Out-of-state fees are waived for nonresident GTAs.

Section I
Other Operating Expenditures

Request. For FY 1986 the Regents' institutions request \$5,387,001 for a 7.0 percent base increase for other operating expenditures (OOE). In addition to the program maintenance base increase, the Board of Regents approved a total of \$3,335,743 for inclusion in the requests to provide systemwide program improvements to the OOE base for library acquisitions, academic computing and instructional equipment. Another program improvement, funded by the additional student charge imposed by the Board is discussed in Section B in connection with tuition. Shown below are the FY 1985 base budgets for other operating expenditures, the program maintenance requests for FY 1986, and the Governor's recommended 6.0 percent increase.

<u>Institution</u>	<u>FY 1985 Base</u>	<u>FY 1986 Request</u>	<u>Governor's Recommendation</u>
KU	\$15,869,975	\$1,107,703	\$ 948,466
KSU	13,954,131	976,788	837,247
WSU	6,328,636	443,004	379,242
ESU	2,471,381	172,997	148,078
PSU	2,507,359	175,515	150,457
FHSU	2,621,867	183,531	157,323
KTI	796,359	58,915	47,781
VMC	1,680,924	117,665	100,854
KUMC	30,726,911	2,150,883	1,843,614
TOTAL	<u>\$76,957,543</u>	<u>\$5,387,001</u>	<u>\$ 4,613,062</u>

Other operating expenditures are used to purchase commodities, equipment, goods, and services, other than utilities, used or acquired by the institutions. Expenditures from O.O.E. budgets can include everything from major pieces of scientific equipment to library books to faculty travel.

Budgeting Procedures. While most state agencies are required to submit detailed proposals showing how they wish to expend other operating funds, including identification of items by object of expenditure, the Regents' requests do not include that level of detail. Under present budgeting procedures, O.O.E. increases are treated as additions to a base budget and, within available resources, institutional expenditures are constrained only by available resources and by state purchasing requirements.

In addition, although State General Fund appropriations for salaries and other operating expenditures must be expended on items in those categories, expenditures from the General Fees Fund and hospital revenues can be made for either category. Thus, if salary expenditures are less than budgeted, an institution may increase its O.O.E. expenditures. Such a practice is frequently the case, as actual personnel turnover salary savings may be in excess of the budgeted turnover salary savings (shrinkage) applied to the gross salaries at each institution.

Actual and Budgeted Expenditures. By comparing the actual general use expenditures for other operating expenditures with those budgeted, it is possible to see whether institutions have had additional resources available for O.O.E. due to savings in other areas. The following table shows the difference between legislatively approved O.O.E. expenditures and actual O.O.E. expenditures. This is derived by comparing the approved budget for each fiscal year (adjusted for supplemental appropriations and one-time only items) with actual expenditures. The percentage change column shows the percentage increase/decrease that actual expenditures represent over budgeted expenditures.

Difference Between Actual and Budgeted
Other Operating Expenditures

Year	KU		KSU		WSU	
	Difference	Percent	Difference	Percent	Difference	Percent
1977	\$ 265,379	3.1%	\$1,714,992	24.7%	\$ 322,080	9.3%
1978	377,165	4.1	1,646,414	20.9	370,232	9.5
1979	549,170	5.0	2,098,860	23.1	470,309	10.9
1980	480,349	4.2	1,695,182	18.3	302,912	6.8
1981	(44,348)	(0.4)	2,077,981	21.4	305,441	6.2
1982	(347,426)	(2.6)	2,246,080	21.0	456,104	8.7
1983	224,231	1.8	1,594,440	14.3	697,766	14.2
1984	493,675	3.6	1,452,784	11.4	823,449	14.1

Year	ESU		PSU		FHSU	
	Difference	Percent	Difference	Percent	Difference	Percent
1977	\$ 269,531	16.2%	\$ (17,683)	(1.1)%	\$ 121,651	8.4%
1978	363,860	20.4	70,263	4.6	87,307	5.7
1979	351,768	17.2	114,483	6.2	51,804	2.6
1980	516,323	25.5	180,604	9.3	60,977	3.1
1981	486,863	22.9	101,944	4.6	87,004	4.1
1982	440,482	19.5	62,324	2.9	146,410	6.4
1983	126,742	5.6	11,754	0.5	87,928	4.0
1984	280,377	11.8	195,923	8.4	128,834	5.5

The 1982 Legislature responded to the figures shown in the above table with regard to Kansas State and Emporia State. At Emporia State salary shrinkage was increased by \$200,000 for FY 1983 due to the long-term pattern of salary underspending. At Kansas State, where the increased O.O.E. expenditures were primarily in extension and research, the University was requested to include, in its FY 1984, budget proposals to bring budgeted and actual expenditures into closer correspondence. As a result of legislative action, the Emporia State budget was reduced by \$200,000 for FY 1983 and on a permanent basis by \$100,000 in FY 1984. In the case of Kansas State University, the FY 1984 request included a proposal for a permanent base transfer of \$600,000 from salaries to other operating expenditures along with the elimination of 25.9 unfilled full-time equivalent positions. The Legislature approved this permanent transfer for FY 1984.

It should also be noted that FY 1983 represented a year in which the institutions experienced a 4.3 percent reduction in expenditures after the fiscal year began. Because of the need to meet these expenditure reductions, institutions may not have filled positions as they became vacant which could have resulted in additional underspending of salaries.

The table above indicates that the universities have been able, with few exceptions, to supplement the approved expenditure levels due to savings in other areas. The supplemental expenditures are in addition to the program maintenance increases

and any specific other operating expenditure additions approved by the Legislature--such as library improvements, payments for increased telephone rates and equipment purchases. In addition, during FY 1982 the universities had available an additional \$936,266 for other operating expenditures not reflected above due to a one-time only release of tuition income.

Library Acquisitions. The Board approved a request of \$800,000 for the universities and KTI to include in the FY 1986 requests to expand their base budgets for library acquisitions. The table below displays the requests for library expenditure increases and the Governor's recommendations for FY 1986.

Library Acquisitions

<u>Institution</u>	<u>FY 1986 Request</u>	<u>Governor's Recommendation</u>
KU	\$270,000	\$ 250,000
KSU	200,000	200,000
WSU	120,000	120,000
ESU	50,000	50,000
PSU	55,000	30,000
FHSU	50,000	43,395
KTI	5,000	—
VMC	—	—
KUMC	—	—
TOTAL	<u>\$750,000^a</u>	<u>\$ 693,395</u>

- a) Total does not include \$50,000 authorized by the Board for request by KUMC but inadvertently left out of the institution's original budget request.

The Board's request is the first of a three year plan to increase library expenditures by a total of \$1.6 million.

Academic Computing. A second systemwide program improvement approved by the Board would allow the institutions to increase their expenditures for academic computing by approximately \$1.3 million. The table below displays the requests and the Governor's recommendations for FY 1986.

Academic Computing

<u>Institution</u>	<u>FY 1986 Request</u>	<u>Governor's Recommendation</u>
KU	\$ 415,000	\$ 100,000
KSU	335,000	45,000
WSU	225,000	151,000
ESU	90,000	—
PSU	54,743	25,000 ^a
FHSU	85,000	—
KTI	10,000	—
VMC	—	—
KUMC	—	—
TOTAL	<u>\$1,214,743^b</u>	<u>\$ 321,000</u>

- a) Since FHSU combined the systemwide program improvement with an individual program improvement for academic computing, the recommendation of \$80,322 is included as an institutional program improvement.
- b) Total does not include \$50,000 authorized by the Board for request by KUMC but inadvertently excluded from the original budget request.

The Regent's request is the first of a three year plan that would increase expenditures for computing capability by a total of \$3.9 million. Since each of the universities requests the funds for a specific project, a comparison of the requests to one another is not appropriate. The details of each request are discussed in Part One with the detailed analyses.

Instructional Equipment. The third program improvement approved by the Board for the six universities totals \$1,271,000 to purchase instructional equipment. The table below displays the requests and Governor's recommendations for each of the institutions.

Instructional Equipment

<u>Institution</u>	<u>FY 1986 Request</u>	<u>Governor's Recommendation</u>
KU	\$ 250,000	\$ 125,000
KSU	480,000	200,000
WSU	200,000	100,000
ESU	116,000	30,000
PSU	100,000	50,000
FHSU	125,000	62,500
VMC	—	—
KUMC	—	—
TOTAL	<u>\$1,271,000</u>	<u>\$ 567,500</u>

Like the requests for academic computing, each of the universities has a different plan for utilization of the additional funds. The most common plan for expenditure is to purchase new or replacement scientific laboratory equipment. Each of the requests is discussed in Part One of the analysis.

The systemwide program improvements, including expenditure of the additional student fees, combined with the program maintenance request result in a significantly greater requested increase for the OOE base than 7.0 percent. The table below displays the total systemwide request for OOE base increases including program maintenance, the Governor's recommendations, and the increase that the recommendation represents over the FY 1985 base.

The 1984 Legislature heard similar requests from the universities for equipment funds for FY 1985. As a result, all of the institutions received specific State General Fund line item appropriations for equipment purchases except Emporia State University. Also, in every case the expenditure limitation was removed from the equipment reserve fund. The impetus for the latter action was to provide the universities with an incentive to utilize the fund to accumulate sufficient resources to make major equipment purchases. Since transfers to the equipment reserve fund from the general fees fund (GFF) are within the expenditure limitation on the GFF, the equipment fund simply acts as a repository for year-end unexpended GFF moneys until a sufficient balance is accumulated to make large capital expenditures. Prior to FY 1985, the equipment funds for each of the universities had a \$0 expenditure limitation which, according to the universities, provided a disincentive to its use. 1985 S.B. 166 that contains the Governor's recommendations for appropriations to the universities for FY 1986 does not include the separate equipment line items, but does continue the equipment reserve fund with no expenditure limitation.

OOE Base Increases

FY 1986

<u>Institution</u>	<u>FY 1986 Request</u>	<u>Governor's Recommendation</u>	<u>Percent Increase Over FY 1985 Base</u>
KU	\$ 2,615,703	\$ 1,996,466	12.6%
KSU	2,420,558	1,711,017	12.3
WSU	1,247,072	1,009,310	15.9
ESU	467,117	275,198	11.1
PSU	440,258	310,457	12.4
FHSU	493,523	313,210	11.9
KTI	80,534	54,500	6.8
VMC	117,665	100,854	6.0
KUMC	2,150,883	1,843,614	6.0
TOTAL	<u>\$ 10,042,313</u>	<u>\$ 7,614,526</u>	<u>9.9%</u>

The increases above do not include the individual program improvements that were recommended for FY 1986.

Section J
Utilities

Request. For FY 1986 the Regents' institutions request a total of \$3,405,505 in general use funds to provide a 15.0 percent increase in utility expenditures. (This excludes the requested increases for servicing new facilities which are discussed below in Section K.) Shown below are the FY 1984 actual utility expenditures, FY 1985 base utility budgets, the requested systemwide increase, and the Governor's recommended 8.0 percent increase.

Utilities

FY 1984 Actual, FY 1985 Base,
FY 1986 Request and Recommendation

<u>Institution</u>	<u>FY 1984 Actual</u>	<u>FY 1985 Base</u>	<u>FY 1986 Request</u>	<u>Gov. Rec.</u>	<u>% Increase FY 84-86</u>
KU	\$ 6,021,183	\$ 6,296,510	\$ 944,477	\$ 503,721	8.4%
KSU	4,354,286	4,364,754	654,713	349,180	8.0
WSU	2,131,403	2,459,325	368,899	196,746	9.2
ESU	871,641	896,826	134,524	71,746	8.2
PSU	869,509	992,897	148,935	79,432	9.1
FHSU	881,205	875,927	131,389	70,074	8.0
KTI	96,938	103,201	15,893	8,256	8.5
VMC	1,069,823	1,117,471	167,621	89,398	8.4
KUMC	4,936,592	5,593,696	839,054	447,496	9.1
TOTAL	<u>\$21,232,580</u>	<u>\$22,700,607</u>	<u>\$3,405,505</u>	<u>\$1,816,049</u>	<u>8.6%</u>

The current legislative practice of providing separate line item appropriations for utilities began with the 1976 Session. The policy, as reflected in the subcommittee report of the House Ways and Means Committee reads as follows:

1. Appropriations for utilities should be by separate line item to permit close monitoring of appropriations and expenditures.
2. Utility costs should be fully funded and the institutions should not be required to shift funds from other purposes in order to finance utilities.
3. Legislative budget review should focus on consumption to insure campuses are making efforts to limit consumption.

The 1983 Legislature provided supplemental appropriations for FY 1983 and added a proviso to the line item appropriation for utilities allowing expenditure in FY 1984 of any balances for other operating expenditures or energy conservation capital improvements. The 1984 Legislature included a proviso on the utilities line item that permits expenditure of reappropriated balances in FY 1985 for energy conservation projects.

Shown below are actual utility expenditures for FY 1983 and FY 1984 and estimated expenditures for FY 1985.

Actual and Budgeted Utility Expenditures

FY 1983 - FY 1985

<u>Inst.</u>	<u>Actual Expenditures FY 1983</u>	<u>Actual Expenditures FY 1984</u>	<u>Base Budget FY 1985</u>	<u>Difference FY 85 Base FY 84 Exp.</u>	<u>Percent Difference FY 85-FY 84</u>
KU	\$ 4,983,410	\$ 6,021,183	\$ 6,296,510	\$ 275,327	4.6%
KSU	3,558,594	4,354,286	4,364,754	10,468	0.2
WSU	1,904,381	2,131,403	2,459,325	327,922	15.4
ESU	769,199	871,641	896,826	25,185	2.9
PSU	802,292	869,509	992,897	123,388	14.2
FHSU	766,419	881,205	875,927	(5,278)	(0.6)
KTI	70,766	96,938	103,201	6,263	6.5
VMC	861,599	1,069,823	1,117,471	47,648	4.5
KUMC	4,660,593	4,936,592	5,593,696	657,104	13.3
TOTAL	\$ 18,377,253	\$ 21,232,580	\$22,700,607	\$1,468,027	6.9%

Shown below are the original FY 1984 utilities budgets, FY 1984 supplemental appropriations, actual FY 1984 expenditures, and utility savings reappropriated to FY 1985.

FY 1984 Utility Savings

<u>Inst.</u>	<u>FY 1984 Original Base</u>	<u>FY 1984 Supplemental</u>	<u>FY 1984 Actual</u>	<u>FY 84 Savings Reappropriated to FY 1985</u>
KU	\$ 5,815,405	\$ 205,778	\$ 6,021,183	\$ 0
KSU	4,079,209	275,077	4,354,286	0
WSU	2,298,434	46,693	2,131,403	213,724
ESU	838,155	33,486	871,641	0
PSU	887,252	30,194	869,509	47,937
FHSU	819,741	62,582	881,205	1,118
KTI	82,431	10,156	96,938	0
VMC	1,044,366	46,549	1,069,823	21,092
KUMC	5,227,753	(291,161) ^a	4,936,592	0
TOTAL	\$20,048,380	\$ 372,805	\$ 20,162,757	\$ 258,428

a) The FY 1984 Legislature reduced expenditures by \$325,000. However, actual expenditures exceeded the revised amount by \$33,839.

As the table above shows, the bulk of the systemwide savings in FY 1984 was due to a significant overestimate of the amount needed for utilities at WSU where

actual expenditures were \$167,031 less than the original base. A similar situation existed at PSU where actual expenditures for utilities were \$17,743 less than the amount originally appropriated for FY 1984.

Although the savings will be used to avoid future utility expenditure increases, the Legislature may wish to examine the extent to which this technique actually provides an incentive for energy conservation. The manner in which the Legislature has appropriated funds for utilities has resulted in paying the utility bill without requiring the institutions to make adjustments in other components of the budget. Prior to FY 1983, savings were either lapsed at the end of the fiscal year or reappropriated to offset the future year's utility expenditures. Therefore, institutions had no incentive to overestimate supplemental requests and the Legislature has had no reason to subject the supplemental requests to close scrutiny because any savings reverted to the state treasury. With a proviso such as the one included on the FY 1985 appropriation, however, an incentive exists to overestimate utility expenditures in order to make funding available for other projects. This places the Legislature in the difficult position of attempting to precisely estimate utility costs during the Session to ensure that the institutions have funds to pay the bills, but no additional resources other than those that might be generated through conservation measures. Given the vagaries of the weather and the frequency of rate changes, it is difficult to provide precise estimates.

The issue of energy conservation is an important consideration in the institutional budgets. Over \$22.7 million, representing 5.1 percent of total general use funding is budgeted for utilities in the current fiscal year. While the Legislature may wish to create an environment that is conducive to energy conservation on the campuses (over and above the responsibility of campus managers to use state resources wisely), it may wish to consider whether allowing expenditure of any utility savings in the subsequent fiscal year provides an inducement with sufficient controls.

Section K Servicing New Buildings

Request. The FY 1986 requests from the institutions include a total of \$848,627 for costs associated with the servicing of new facilities. The requests include funding for the addition of 32.4 F.T.E. classified positions as well as other operating expenditures and utilities attributable to the new facilities.

FY 1986 Requests

Servicing New Buildings

<u>Institution</u>	<u>Classified F.T.E.</u>	<u>Salaries</u>	<u>O.O.E.</u>	<u>Utilities</u>	<u>Total</u>
KU	19.3	\$273,748	\$ 84,308	\$ 72,100	\$430,156
KSU	8.5	126,081	37,881	87,647	251,609
WSU ¹	1.6	23,330	7,200	28,234	58,764
KTI	3.0	45,701	12,140	52,360	110,201
TOTAL	<u>32.4</u>	<u>\$468,860</u>	<u>\$141,529</u>	<u>\$240,341</u>	<u>\$850,730</u>

- 1) Due to delays in the construction of the new recital hall at WSU, the University withdrew this request for FY 1986 after the Governor presented his budget to the Legislature.

The Governor recommends positions, salaries, and other operating expenditures as requested.

Formulas. For a number of years the Board of Regents has requested, and the Legislature has generally provided, funding for servicing new buildings based on estimated costs per gross square foot (GSF). The formulas applied have authorized the addition of 1.0 F.T.E. classified position for each 8,770 GSF of new space and expenditures for other operating support and utilities based on a cost per GSF. For FY 1985, other operating expenditures are requested at \$0.51 GSF. The requested amounts per gross square foot for utilities differ from campus to campus and may be different for buildings on a campus. The amounts requested are as follows: KTI, \$2.20 per GSF; WSU, \$2.00 per GSF; KU, botany laboratory, \$2.75 per GSF and recreation facility, \$1.00 per GSF; KSU, Nichols gymnasium, \$1.18 per GSF. In past years utility costs were requested at a uniform rate for all buildings on all campuses. This request represents the second attempt in recent years to differentiate utility costs based on the types of programs in the facility and potential usage factors. As a result, except for the botany laboratory, the requested utility funding per GSF is below the FY 1984 request of \$2.54 per gross square foot.

Legislative Practice. As noted above, except for minor variations in staffing and occasional reductions in the request for utilities, the Legislature has generally followed the Regents' formulas for servicing new space. However, such a formulated approach fails to take into account not only differences in the facilities and programs themselves, but also differences among the institutions with regard to existing funding for physical plant support. As a result, the Legislature may wish to consider reviewing requests for support of new facilities in the context of individual institutional budgets rather than on a systemwide basis. This could allow for closer scrutiny in assessing the extent to which the formula-based request actually reflects the needs of the individual facility and campus.