

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 27, 1986 in room 123-S of the Capitol.

All members were present except:
Senators Harder and Johnston

Committee staff present:

Research Department: Ed Ahrens, Robin Hunn, Mary Galligan, Laura Howard
Scott Rothe

Revisor's Office: Norman Furse

Committee Office: Judy Bromich, Doris Fager

Conferees appearing before the committee:

Stan Koplik, Executive Director, State Board of Regents

SYSTEMWIDE ISSUES, STATE BOARD OF REGENTS' INSTITUTIONS

Accumulated Leave Payments - Page 2-4, Budget Analysis

There was discussion concerning the problems faced by the Regents' institutions in determining the appropriate amount needed for accumulated leave payments for employees who retire. Senator Winter stated that he feels this item should be handled by each university within its bulk allocation for salaries. He then asked if there is a new provision of statute which would instigate a change in the budgeting process for leave payments. Ms. Galligan stated that the last amendment was in 1980, when there was an increase in the amounts which could be paid. Senator Bogina reminded the committee that the Division of Budget requested each institution to separate this item from its salaries and wages amount for FY 1987.

It was the consensus of the committee that each subcommittee should look at the institutions involved in their review, and the decision will be made on the basis of the situation at each institution concerning how to deal with the item of accumulated leave payments.

Telephone Maintenance and Support - Page 2-5, Budget Analysis

Ms. Galligan explained that DISC had made a calculation regarding the needs for telephone maintenance, and had decided that less funding is needed than is being requested by the individual institutions. There was extended discussion concerning this item, and several committee members asked for clarification of the Governor's recommendation. It was decided by the committee to agree with the Governor's recommendation to grant \$410,000 as noted on page 2-5 of the memo in the Budget Analysis. For PSU, ESU and KTI, there may be separate subcommittee recommendations.

FY 1986 General Fees Fund Expenditures - Page 2-6

Ms. Galligan reviewed the manner in which the General Fees Fund expenditures have been handled in the past. There was extended discussion concerning this item. Motion was made by Senator Gaines and seconded by Senator Winter to conceptually agree to release fees based upon increases in actual F.T.E. (full time equivalent enrollment) as opposed to estimated F.T.E., and to make up the shortfall at Kansas Technical Institute; and to use fees for both graduate and undergraduate students in determining the fee factor. The motion carried by voice vote.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS

room 123-S, Statehouse, at 11:00 a.m./p.m. on February 27, 1986

SYSTEMWIDE ISSUES, STATE BOARD OF REGENTS' INSTITUTIONS

At this point there was discussion concerning a request from the Board of Regents for an interim study concerning the enrollment corridor adjustment process. Senator Winter expressed concern that the entire structure of higher education in Kansas should be studied. He added that community colleges are also suggesting a study of the subject during the 1986 interim.

Senator Werts expressed concern that funding has been based on the number of students enrolled, and no attention is given to quality of education at individual universities. Senator Winter agreed with that concern, and stated that there is also concern about the lack of mission statements from the institutions. Senator Bogina also agreed, and noted that there is a direct correlation between enrollment and quality.

Senator Gaines commented that he had heard a speaker from the United States Department of Education, who observed that Kansas finds it difficult to change until it is hurting in certain areas. He predicted that the enrollment at Kansas State University will continue to decline because there are not many people in the area; and that community colleges will grow anywhere in the state where there is a larger population. Senator Gaines said the speaker also predicted that the University of Kansas and Wichita State University will continue to grow. Senator Gaines then stressed that the Board of Regents needs a study of the entire picture so that they can have some direction.

Motion was made by Senator Gaines and seconded by Senator Werts to request an interim study concerning both funding and mission of higher education in the State of Kansas. The motion carried by voice vote.

Enrollment Adjustment

In connection with this item, the consensus was to agree with the Governor's recommendations (Page 2-13).

Unclassified Salary Base Increases

There was extended discussion concerning the Governor's recommendation concerning this item. Motion was made by Senator Gaines and seconded by Senator Talkington to provide a three percent (3%) salary increase and a one percent (1%) increase in retirement contributions; and to instruct the subcommittee studying the KSU budget to adjust salaries of Cooperative Extension Service employees accordingly. The motion carried by voice vote.

Classified Salary Base Increases

It was the consensus of committee members that this subject be treated in the same manner as salary increases of classified employees in other state agencies--this to be decided later in the 1986 Session of the Legislature.

Student Salary Base Increases

There was considerable discussion regarding the material on page 2-27, which centers around the variation between the amount appropriated and the amount spent for student salaries. Mr. Koplik commented that, in the past, there has been a line item for salaries from the State General Fund, and the Board of Regents has not spent more than the amount noted from the State General Fund line item. He said there may be some student salaries paid from the Fee Fund, from the State Geological Survey line item, etc. When asked why the three regional universities spend less than their appropriations for student salaries, Mr. Koplik answered that there aren't opportunities for students to be employed in research activities, for instance; nor are there as many total student jobs throughout the small universities.

The consensus of the committee was to continue to appropriate these salaries as a line item.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS,
room 123-S, Statehouse, at 11:00 a.m./p.m./ on February 27, 1986

SYSTEMWIDE ISSUES - STATE BOARD OF REGENTS - Continued

There was a brief discussion concerning specifically providing for a differential for increased student salaries. The concensus was to provide no differential, but to allow each institution to make its own decision concerning^{increased} salary rates for experienced student workers.

Motion was made by Senator Winter and seconded by Senator Werts to provide a four percent (4%) increase in the student salary base. The motion carried by voice vote.

The committee agreed to concur with the Governor's recommendations concerning the Off-campus Work-study appropriations.

Other Operating Expenditures

Following a brief discussion concerning this item, a motion was made by Senator Doyen and seconded by Senator Talkington to provide a two percent (2%) increase in O.O.E. base budget, and another two percent (2%) increase outside the base. The motion carried by voice vote.

Utilities

Motion was made by Senator Werts and seconded by Senator Doyen to reappropriate^{all} unexpended FY 1986 energy conservation funds to FY 1987; and to provide that one-half of any amount reappropriated from FY 1986 be used for energy conservation projects. The motion carried by voice vote.

Servicing New Buildings

The consensus of the committee was to abide by the new formula developed by the State Board of Regents in this matter.

APPROVAL OF MINUTES

Motion was made by Senator Gaines and seconded by Senator Gannon to approve committee minutes for February 20, 21 and 24. The motion carried by voice vote.

INTRODUCTION OF BILLS

Senator Werts presented two bills for introduction by the committee: They are: (1) an act relating to acquisition of land by the Kansas Fish and Game Commission; and (2) an act relating to the definition of employment under the employment security act.

Senator Bogina requested introduction of a bill concerning SD 512, Johnson County, and procedure for closing school buildings in that district.

Motion was made by Senator Gaines and seconded by Senator Winter to introduce all of the bills requested above. The motion carried by roll call vote.

The meeting was adjourned by the Chairman.

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

The table on the next page summarizes the actual expenditures for FY 1985, requests for FY 1987, and the Governor's recommendations for FY 1986 and FY 1987 for all of the institutions under the governance of the State Board of Regents. The Governor's recommendations for FY 1987 displayed in the tables in this memo are those included in the Governor's Report on the Budget: Fiscal Year 1987, i.e., the basic budget. The additional expenditure recommendations that are contained in The Governor's Legislative Message, i.e., the investment budget, are noted in the text.

Systemwide Budget Requests

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 address the requests unique to the 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 general use funds also include revenues from hospital and laboratory operations.

In contrast, restricted use funds are those 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 appropriated without limit. That is, the institution has the authority to make expenditures from the fund subject only 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, and federal research grants.

SYSTEMWIDE SUMMARY

<u>Expenditure Summary</u>	<u>Actual FY 85</u>	<u>Governor's Rec. FY 86</u>	<u>Agency Req. FY 87</u>	<u>Governor's Rec. FY 87</u>
State Operations:				
State General Fund	\$294,193,626	\$304,240,409	\$352,184,368	\$289,033,662
General Fees Fund	69,636,514	75,514,678	78,297,084	82,199,467
Hospital Revenue	63,570,589	72,578,420	71,350,696	82,798,956
Land Grant Funds	6,891,737	6,977,546	6,840,699	6,840,699
Interest on Endowment	<u>229,999</u>	<u>173,700</u>	<u>180,000</u>	<u>180,000</u>
General Use Funds	\$434,522,465	\$459,484,753	\$508,852,847	\$461,052,784
Other Funds	<u>166,423,906</u>	<u>174,742,683</u>	<u>186,458,728</u>	<u>184,238,526</u>
Subtotal	<u>\$600,946,371</u>	<u>\$634,227,436</u>	<u>\$695,311,575</u>	<u>\$645,291,310</u>
Aid to Local Units:				
Special Revenue Funds	\$ 175,591	\$ 45,711	\$ 48,908	\$ 48,908
Other Assistance:				
State General Fund	\$ 4,407,137	\$ 4,223,907	\$ 4,130,563	\$ 3,809,135
Other General Use	674,586	180	192	192
Other Funds	<u>15,408,273</u>	<u>22,214,247</u>	<u>23,275,277</u>	<u>23,275,280</u>
Subtotal	<u>\$ 20,489,996</u>	<u>\$ 26,438,334</u>	<u>\$ 27,406,032</u>	<u>\$ 27,084,607</u>
Total State General Fund	\$298,600,763	\$308,464,316	\$356,314,931	\$292,842,797
Total General Use Funds	\$439,604,188	\$463,708,840	\$512,983,602	\$464,862,111
Total Operating Exp.	<u>\$621,611,958</u>	<u>\$660,711,481</u>	<u>\$722,766,515</u>	<u>\$672,424,825</u>
Capital Improvements:				
State General Fund	\$ 2,042,154	\$ 5,131,960	\$ 0	\$ 0
Educa. Build. Fund	10,388,504	11,985,958	16,842,300	14,004,000
Other Funds	<u>3,749,193</u>	<u>16,311,643</u>	<u>17,742,175</u>	<u>17,302,175</u>
Subtotal	<u>\$ 16,179,851</u>	<u>\$ 33,429,561</u>	<u>\$ 34,584,475</u>	<u>\$ 31,306,175</u>
GRAND TOTAL	<u>\$637,791,809</u>	<u>\$694,141,042</u>	<u>\$757,350,990</u>	<u>\$703,731,000</u>
Percentage Change:				
All Funds	9.2%	6.3%	8.3%	1.8%
State General Fund	7.6	3.3	14.3	(5.1)
General Use Funds	8.7	5.5	9.4	0.2
FTE Positions:				
Classified	8,168.8	8,430.3	8,542.5	8,442.5
Unclassified	7,641.5	7,965.0	8,160.2	7,937.3
TOTAL	15,810.3	16,395.3	16,702.7	16,379.8

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.

Budget Requests. From the legislative perspective, operating budget requests from the 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.

In any given year, a variety of issues can be approached from a systemwide perspective. Those items given systemwide treatment for the 1986 Legislature are shown below:

<u>Section</u>	<u>Subject</u>
A	FY 1986 Supplemental Requests
B	FY 1986 General Fees Fund Expenditures
C	Student Tuition
D	Enrollment Adjustments
E	Unclassified Salary Base Increases
F	Classified Salary Base Increases
G	Student Salary Base Increases
H	Other Operating Expenditures
I	Utilities
J	Servicing New Buildings

SECTION A

FY 1986 Supplemental Requests

The Regents' institutions request a total of \$5,315,907 of supplemental expenditure authority for FY 1986. The request is composed of \$2,915,823 from the State General Fund and \$2,400,084 from the General Fees Funds. The portion requested from the General Fees Funds is discussed in Section B. The amounts requested from the State General Fund include \$908,827 to pay retirants' accumulated leave and \$638,257 for maintenance and support of the campus telephone systems. A total of \$1,368,739 is included for requests unique to individual campuses which are discussed in Part One of the analysis.

Accumulated Leave Payments

The Regents' institutions request supplemental expenditure authority in the amount of \$908,827 to pay accumulated leave to retiring employees. The amounts requested by each campus are displayed below:

Accumulated Leave Payments

FY 1986

<u>Institution</u>	<u>FY 1986 Request</u>	<u>Percent of Salary Base</u>
University of Kansas	\$200,000	0.2%
Kansas State University	248,400	0.3
Wichita State University	98,565	0.3
Emporia State University	90,100	0.6
Pittsburg State University	96,400	0.9
Fort Hays State University	40,362	0.3
Kansas Technical Institute	--	--
Kansas State University Veterinary Medical Center	20,000	0.3
University of Kansas Medical Center	115,000	0.1
TOTAL	<u>\$908,827</u>	0.3%

K.S.A. 75-5517 requires that compensation for unused sick leave be paid to retiring employees who have accumulated at least 100 days of leave. The amount for which the employees are eligible is a function of both the number of days accumulated and the number of years of employment with the state. K.A.R. 1-9-13 requires that accumulated vacation leave and compensatory time credits also be paid to any employees who quit working for the state. The amounts requested for FY 1986 are based upon expenditures for the same purpose during FY 1985.

A year ago, the institutions requested a total of \$686,735 for accumulated leave payments during FY 1986. During its review of the budgets, the 1985 Legislature recommended that any additional amounts for payment of sick leave be considered as supplementals for the fiscal year in which the payments are made in order that the impact on the operating budgets could be accurately assessed. Late in the session a more accurate accounting of the amount actually paid during the fiscal year and estimate of the amount accumulated will be available.

Telecommunications

The Regents' institutions have included funding requests for both FY 1986 and FY 1987 to provide maintenance and support for the telephone systems that will be installed on each of the campuses. Six major locations of state government activity have been identified as components of the core project for installation of the state telephone system. In addition to the capitol complex in Topeka, the Regents' institutions that are part of the core project are University of Kansas, University of Kansas Medical Center, Kansas State University, Wichita State University, and Fort Hays State University. Emporia State, Pittsburg State, and Kansas Technical Institute are not included in the core project because the phone systems on those campuses have recently been upgraded.

The requests for FY 1986 and FY 1987 are for funding that the institutions have identified as necessary to enable them to perform services previously provided by Southwestern Bell Telephone Company. The services include system maintenance, billing and accounting, user education, and telephone installation. The table below displays the amounts requested by institution for FY 1986 and FY 1987.

Telephone Maintenance and Support

FY 1986-FY 1987

<u>Institution</u>	<u>FY 1986 Amount</u>	<u>FY 1987 Amount</u>
KU	\$220,225	\$ 498,803
KSU	142,500	207,000
WSU	--	141,599
ESU	16,011	11,544
PSU	18,873	37,750
FHSU	9,742	10,902
KUMC	215,857	339,619
KTI	15,049	--*
TOTAL	<u>\$638,257</u>	<u>\$1,247,217</u>

* Included among KTI's program improvement requests for FY 1987 is a technical position that would service the telephone system as well as other equipment used by the Institute.

The Governor did not include funding for the telephone system maintenance and support in his recommendation for either fiscal year. The budget based on additional revenue includes a total of \$410,000 for support of the telephone system. The funds would be allocated to the Regents' institutions as follows: KU, \$150,000; KUMC, \$130,000; KSU, \$70,000; WSU, \$30,000; FHSU, \$30,000. The amount and the allocations are based upon an estimate of the personnel needed to service and maintain the system and an expenditure per

position of \$30,000 for salary and benefits. No OOE is included in the estimates. The Division of Information Systems and Communication established estimates of the amounts that would be needed during the current fiscal year to plan for the project. A total of \$60,000 is estimated for KU and \$52,500 for KUMC.

As the table shows, there are wide variations in the amounts requested which are based upon the institutions' assessments of service requirements. While some differences might be expected because of the schedule of installation, the size and composition of the current telecommunications staff, and the size of the campus, the scope of activities proposed also differs quite widely from campus to campus. The institutions' requests are discussed in the individual analyses.

SECTION B

FY 1986 General Fees Fund Expenditures

Regents' Request. The Board of Regents has approved requests for FY 1986 budget adjustments based on revised estimates of revenue to the General Fees Funds for all of the institutions. Included are six increases in the FY 1986 expenditure limitations on the General Fees Funds and two State General Fund supplemental appropriations to offset shortfalls in budgeted revenues. An expenditure limitation increase would provide additional resources for FY 1986 over the approved level, while State General Fund supplemental appropriations would maintain expenditures at the approved levels if total resources available are actually lower than the current expenditure limitations. The requests, by institution, are shown below.

Requested FY 1986 General Fees Fund Adjustments

<u>Institution</u>	<u>General Fees Fund Limitation FY 1986</u>	<u>General Fees Fund Requested Adjustment</u>	<u>State General Fund Request</u>
University of Kansas	\$27,999,312	\$ 804,772	\$ --
Kansas State University	16,986,900	474,588	--
Wichita State University	11,459,998	782,002	--
Pittsburg State University	3,918,703	290,863	--
Fort Hays State University	3,635,659	63,632	--
Kansas State University Veterinary Medical Center	1,948,160	15,729	--
Emporia State University	3,797,786	(20,251)	20,251
Kansas Technical Institute	300,000	(11,251)	11,251
TOTAL	<u>\$70,046,518</u>	<u>\$2,400,084</u>	<u>\$31,502</u>

The Governor's recommendation for FY 1986 does not include the requested supplemental expenditure authority nor the requested appropriations from the State General Fund. The Governor's recommendation for general use fund expenditures is equal to the amount approved a year ago for all of the institutions except KTI where the recommendation is for expenditure of \$12,901 less than the approved amount due to the estimate of decreased general fees receipts.

Legislative policy regarding these two types of requests has been somewhat mixed. While there have been supplemental appropriations to avoid mid-year expenditure reductions when revenues are lower than budgeted, 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. The Legislature may wish to consider articulating a policy in regard to releasing excess fees and providing supplementals for fee shortfalls in order to clarify its position.

Before acting on this request, the Legislature may wish to reexamine FY 1986 fee income following spring enrollments. If excess resources are available, they can be carried forward for expenditure in FY 1987. After receipt of spring semester fee estimates, the Legislature will be in a position to revise both FY 1986 and FY 1987 expenditure limitations for all the campuses.

SECTION C

Student Tuition

Background. Under K.S.A. 76-719 the Board of Regents has responsibility for setting student tuition at 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, 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 however, tuition increases have been considered annually rather than every three to four years. 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 the goal has been attained in recent years. The following table shows the actual fee/cost ratio by institution for FY 1981-FY 1985 and the ratio as reflected in the FY 1987 requests and Governor's recommendations. It should be noted that these ratios are based on tuition receipts, not expenditures from the General Fees Fund that may include balances carried forward 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>Actual FY 85</u>	<u>Requested FY 87</u>	<u>Gov. Rec. FY 87</u>
KU	21.9%	24.2%	23.4%	27.4%	27.2%	27.0%	29.7%
KSU	22.7	24.9	23.1	25.0	23.8	22.5	27.3
WSU	20.2	23.3	22.8	26.2	23.8	23.5	25.8
ESU	15.1	16.9	15.8	17.2	17.1	18.3	20.0
PSU	15.4	17.1	16.3	18.5	17.1	19.3	21.2
FHSU	16.3	17.3	15.8	17.6	17.4	18.5	20.6
TOTAL	20.4%	22.6%	21.6%	24.5%	23.6%	23.5%	26.5%

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 financing an increasing percentage of costs. Tuition accounted for approximately 20 percent of costs for fiscal years 1979 through 1981. The impact of more frequent tuition increases has been compounded by the base reductions made in FY 1984, which when combined 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 fee/cost ratio declined but remained high relative to previous years. The Governor's recommended expenditure level for FY 1986 results in the ratio being 24.9 percent which exceeds the FY 1984 high. The request for FY 1987 would result in a reduction of the systemwide ratio to 23.5 percent with only KU exceeding the 25.0 percent goal. The FY 1987 expenditures as recommended by the Governor, would exceed the 25.0 percent goal as would the ratios at three of the campuses.

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 have fee/cost ratios in excess of 20 percent, while the ratios at the three smaller institutions tend to fluctuate within the range of 15 percent to 20 percent. 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 would require a lower tuition than that 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. The same subsidy relationship exists within the Regents' system because the policy encompasses different types of institutions all contributing to an aggregate fee/cost ratio.

FY 1987 Fees. The Board of Regents adopted a new fee schedule for FY 1987 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 1986 and the tuition rates for full-time students for the current fiscal year.

Full-Time Tuition Per Semester

FY 1986 and FY 1987

<u>Institution</u>	<u>Type of Student</u>	<u>FY 1986</u>	<u>FY 1987</u>	<u>FY 1986-1987</u>	
				<u>Change</u>	<u>% Change</u>
KU, KSU, WSU	Resident - Undergraduate	\$ 495	\$ 520	\$ 25	5.1%
	Resident - Graduate	555	580	25	4.5
	Nonresident - Undergraduate	1,397	1,475	78	5.6
	Nonresident - Graduate	1,457	1,535	78	5.4
ESU, PSU, FHSU	Resident - Undergraduate	\$ 415	\$ 440	\$ 25	6.0%
	Resident - Graduate	465	490	25	5.4
	Nonresident - Undergraduate	1,003	1,065	62	6.2
	Nonresident - Graduate	1,053	1,115	62	5.9
KTI	Resident	\$ 311	\$ 330	\$ 19	6.1%
	Nonresident	884	940	56	6.3
KUMC*	Resident	\$ 2,610	\$ 2,800	\$ 190	7.3%
	Nonresident	5,200	5,600	380	7.3
KSUVMC	Resident	\$ 712	\$ 900	\$ 188	26.4%
	Nonresident	2,136	2,700	564	26.4

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

The Board's criteria for the tuition rates for FY 1987 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 Board continued differential tuition rates for graduate and undergraduate students for FY 1987. That differential is \$60 per semester for residents and nonresidents at KU, KSU, and WSU and \$50 at the regional universities.

The Board also continued a significantly higher tuition at the Veterinary Medical Center for nonresidents than for residents in an attempt to deter other states from discontinuing their seat purchase contracts. Tuition for FY 1987 was increased 26.4 percent over FY 1986 for the first of a four-year plan to double tuition at the Center. The recommendation was accompanied by a request to use the additional tuition revenue for program improvements.

SECTION D

Enrollment

Two types of enrollment data are frequently used in discussions of higher education -- headcount and full-time equivalent (FTE). 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 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, FTE enrollment is often substantially less than headcount enrollment. Student credit hour production as well as headcount and FTE students are used to determine budget adjustments using the procedure described below. Headcount and FTE enrollments by institution are displayed below. (Additional enrollment data are contained in each institution's budget analysis.)

Headcount Enrollments

<u>Institution</u>	<u>Fall 1984</u>	<u>Fall 1985</u>	<u>Change</u>	<u>Percent Change</u>
University of Kansas	24,436	24,774	338	1.4%
Kansas State University	17,678	17,164	(514)	(2.9)
Wichita State University	17,021	16,902	(119)	(0.7)
Emporia State University	5,498	5,344	(154)	(2.8)
Pittsburg State University	4,927	5,359	432	8.8
Fort Hays State University	5,399	5,657	258	4.8
Kansas Technical Institute	629	665	36	5.7
Kansas State University Veterinary Medical Center	414	406	(8)	(1.9)
University of Kansas Medical Center	<u>2,308</u>	<u>2,367</u>	<u>59</u>	<u>2.6</u>
TOTAL	<u>78,310</u>	<u>78,638</u>	<u>328</u>	<u>0.4%</u>

Source: Kansas Higher Education Enrollment Report.

Full-Time Equivalent Enrollments

<u>Institution</u>	<u>Fall 1984</u>	<u>Fall 1985</u>	<u>Change</u>	<u>Percent Change</u>
University of Kansas	21,780	22,182	402	1.8%
Kansas State University	15,981	15,361	(620)	(3.9)
Wichita State University	11,131	11,011	(120)	(1.1)
Emporia State University	4,450	4,357	(93)	(2.1)
Pittsburg State University	4,277	4,404	127	3.0
Fort Hays State University	4,240	4,258	18	0.4
Kansas Technical Institute	437	397	(40)	(9.2)
Kansas State University Veterinary Medical Center	656	635	(21)	(3.2)
University of Kansas Medical Center*	--	--	--	--
TOTAL	<u>62,952</u>	<u>62,605</u>	<u>(347)</u>	<u>(0.6)%</u>

* FTE enrollments are not computed for the Medical Center.

Source: Kansas Higher Education Enrollment Report.

Enrollment Adjustment

Request. The FY 1987 budget requests from the Regents' universities include a total reduction of \$1,630,747 due to actual changes in the volume of student credit hours generated between FY 1982 and FY 1985. 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 1987.

Enrollment Adjustment Request

<u>Institution</u>	<u>FTE Classified</u>	<u>FTE Unclassified</u>	<u>Salaries and Wages</u>	<u>Other Operating Expenditures</u>	<u>Total Request</u>
KSU	(1.2)	(5.0)	\$ (288,191)	\$ --	\$ (288,191)
WSU	--	(4.0)	(248,435)	(20,966)	(269,401)
ESU	--	(3.0)	(160,883)	--	(160,883)
PSU	(4.0)	(6.6)	(402,122)	(125,062)	(527,184)
FHSU	--	(5.0)	(228,283)	(36,373)	(264,656)
KTI*	<u>(1.0)</u>	<u>(3.0)</u>	<u>(120,432)</u>	<u>--</u>	<u>(120,432)</u>
TOTAL	<u>(6.2)</u>	<u>(26.6)</u>	<u>\$(1,448,346)</u>	<u>\$(182,401)</u>	<u>\$(1,630,747)</u>

* 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 FTE staff position for every 35.0 FTE students and one unclassified FTE staff position for every 12.0 FTE students.

The Governor recommends the funding and position reductions as requested by the institutions.

Background. In adopting a mechanism for enrollment adjustment funding, the 1981 Legislature included a statement of the policy in 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 FTE 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 production of 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 institutions. There are 24 academic disciplines (agriculture, biological science, mathematics, etc.) and four levels of instruction (lower division, upper division, grad - 1, and grad - 2) for which changes in student credit hours and their costs are calculated. Following is an example of this procedure.

EXAMPLE

Calculation of Costs of Enrollment Changes

Discipline	Change in SCH FY 1982-FY 1985			FY 1987 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>			

Discipline	FY 1987 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 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 differences in cost by level and discipline and the relationship of the cost differences to changes in enrollment by level and discipline. As a result, 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. 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 \$59.17 for PSU, \$66.56 for ESU, \$75.40 for KSU, and \$67.82 for FHSU.

When the 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 FTE students. Student services support is related to a dollar amount per actual change of total headcount 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 adjustment procedure, 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 procedure is as follows: if a funding adjustment is dictated 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 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 of the corridor or greater than the lower limit, no funding request is 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 procedure 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 with FY 1982 as the base year. The request for FY 1987 is based upon the enrollment changes between FY 1982 and FY 1985 and is the final year of the current cycle.

The first two cycles 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
1986 Legislature:	Request Year:	FY 1987
	Period of Enrollment Change:	FY 1982-FY 1985
	Base Budget for corridor:	FY 1986

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, as a result of enrollment adjustments. The second table displays the cumulative adjustments for the second cycle, fiscal years 1985, 1986, and 1987.

FIRST CYCLE

Cumulative Enrollment Adjustment Funding

FY 1982-FY 1984

<u>Institution</u>	<u>Actual FY 1982</u>	<u>Actual FY 1983</u>	<u>Actual FY 1984</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 1987

<u>Institution</u>	<u>Actual FY 1985</u>	<u>Actual FY 1986</u>	<u>Request FY 1987</u>	<u>Cumulative FY 85-FY 87</u>
KU	\$ --	\$ --	\$ --	\$ --
KSU	--	(1,460,960)	(288,191)	(1,749,151)
WSU	772,201	(120,989)	(269,401)	381,811
ESU	(157,888)	(1,119,823)	(160,883)	(1,438,594)
PSU	--	--	(527,184)	(527,184)
FHSU	--	(149,557)	(264,656)	(414,213)
TOTAL	<u>\$ 614,313</u>	<u>\$(2,851,329)</u>	<u>\$(1,510,315)</u>	<u>\$(3,747,331)</u>

SECTION E

Unclassified Salary Base Increases

Request Summary. For FY 1987 the Regents' institutions request \$16,162,632 to provide a 7.0 percent increase of unclassified salary funding over the FY 1986 base. The Regents' institutions have flexibility over how any additional salary funds are allocated. In essence, the increases provided to the institutions are to be distributed to unclassified staff on the basis of merit. In addition to the base salary budget increase, the requests include \$1,813,868 to provide a 1 percent increase of the employer contribution to the unclassified employees' retirement plan. The table below displays the current year base budgets and the requests for FY 1987.

FY 1987

Unclassified Salary Increases

<u>Institution</u>	<u>FY 1986 Base</u>	<u>FY 1987 Request</u>	<u>Additional 1% Retirement Contribution</u>
University of Kansas	\$ 65,462,459	\$ 4,579,024	\$ 537,385
Kansas State University	62,850,478	4,295,543	448,651
Wichita State University	29,453,144	2,004,191	220,944
Emporia State University	11,750,193	776,357	96,386
Pittsburg State University	12,176,047	819,904	105,330
Fort Hays State University	11,175,635	782,449	97,579
Kansas Technical Institute	1,797,228	124,115	15,463
Kansas State University Veterinary Medical Center	3,655,551	251,240	33,205
University of Kansas Medical Center	<u>36,925,530</u>	<u>2,529,809</u>	<u>258,925</u>
TOTAL	<u>\$235,246,265</u>	<u>\$16,162,632</u>	<u>\$ 1,813,868</u>

The Governor's recommendation does not include funds for general salary increases or an increase of the employer contribution to the retirement program. The Governor's recommendation based on additional revenue includes \$9,100,000 to make the unclassified employees' retirement program noncontributory and \$499,671 to provide a 5 percent salary increase for employees of the Cooperative Extension Service at KSU who participate in the federal retirement program.

Institutional Salary Policies. In reviewing the FY 1987 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 1986.

FY 1986 Distribution of Unclassified Salary Increases:
Full-Time Continuing Unclassified Staff

<u>Inst.</u>	<u>No</u> <u>Incr.</u>	<u>.1%</u> <u>to</u> <u>2.9%</u>	<u>3.0%</u> <u>to</u> <u>4.9%</u>	<u>5.0%</u> <u>to</u> <u>6.9%</u>	<u>7.0%</u> <u>to</u> <u>8.9%</u>	<u>9.0%</u> <u>to</u> <u>11.9%</u>	<u>12.0%</u> <u>and</u> <u>Above</u>	<u>No.</u>	<u>Avg.</u> <u>Dollar</u> <u>Incr.</u>	<u>Avg.</u> <u>%</u> <u>Incr.</u>
KU	39	56	469	509	162	61	55	1,351	1,808	5.6%
KSU	27	47	411	581	88	31	29	1,214	1,754	5.3
WSU	9	27	265	251	54	18	11	635	1,589	5.3
ESU	2	11	125	86	20	10	1	255	1,576	5.1
PSU	1	1	131	116	18	8	0	275	1,765	5.9
FHSU	1	11	88	91	26	10	3	230	1,598	5.4
KTI	0	1	10	27	5	0	0	43	1,388	5.3
VMC	2	1	24	39	3	1	3	73	2,219	5.3
KUMC	82	62	325	401	64	50	39	1,023	1,613	5.5
System- wide	163	217	1,848	2,101	440	189	141	5,099	1,708	5.4%

Source: Kansas Board of Regents.

While the base increase for FY 1986 totaled 5.0 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.

Average Salaries. The budgeted salaries for faculty of all the Regents' institutions reflect a systemwide average of \$31,923 for FY 1986. As noted in the previous section, the average unclassified salary increase tends to be larger than the base 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 of the six universities budgeted for FY 1986, not just those who were also on staff in FY 1985 as shown in the previous section.

FY 1986 Budgeted Academic Year Average Salaries

All Ranks

<u>Institution</u>	<u>Faculty Only</u>	
	<u>Number</u>	<u>Average Salary</u>
University of Kansas	1,032	\$35,228
Kansas State University	1,099	31,799
Wichita State University	542	28,861
Emporia State University	212	29,541
Pittsburg State University	225	29,033
Fort Hays State University	198	28,699
TOTAL*	<u>3,308</u>	<u>\$31,869</u>

* The total average salary shown is weighted to reflect the number of faculty 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 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 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 1986 budgeted average salaries by rank are shown below for each university.

FY 1986 Budgeted Academic Year
Average Faculty Salaries by Rank

<u>Institution</u>	<u>Professor</u>		<u>Associate Professor</u>		<u>Assistant Professor</u>		<u>Instructor</u>	
	<u>No.</u>	<u>Avg.</u>	<u>No.</u>	<u>Avg.</u>	<u>No.</u>	<u>Avg.</u>	<u>No.</u>	<u>Avg.</u>
KU	516	\$41,841	327	\$30,191	161	\$27,180	28	\$18,469
KSU	431	38,908	321	29,890	256	25,782	91	21,790
WSU	100	40,780	149	31,162	217	25,324	76	18,765
ESU	87	32,891	76	28,580	47	25,173	2	22,973
PSU	83	32,388	87	29,030	38	25,607	17	20,333
FHSU	78	33,195	68	27,563	45	23,960	7	19,963
TOTAL*	<u>1,295</u>	<u>\$39,055</u>	<u>1,028</u>	<u>\$29,847</u>	<u>764</u>	<u>\$25,793</u>	<u>221</u>	<u>\$20,170</u>

* 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 1974-FY 1986.

Percent Increase Authorized for Unclassified Salary Adjustments

<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	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
1985	<u>7.0</u>	<u>7.0</u>	<u>7.0</u>	<u>7.0</u>	<u>7.0</u>	<u>7.0</u>	<u>3.9</u>	<u>3.1</u>
Inc. 73-85	133.5%	135.6%	133.5%	135.6%	135.6%	144.8%	147.4%	118.4%
1986	<u>5.0</u>	<u>5.0</u>	<u>5.0</u>	<u>5.0</u>	<u>5.0</u>	<u>5.0</u>	<u>3.6*</u>	---
Inc. 73-86	145.1%	147.4%	145.1%	147.4%	147.4%	163.2%	156.3%	

* Estimated

** The estimate for FY 1986 is not currently available.

Several comments are required to appropriately interpret the above table. First the appropriated increases for FY 1983 exclude allocation of the \$900,000 for 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. No estimate of the PCE for FY 1986 is shown because the benchmark year has recently been revised and only a few months' data are available.

As shown in the above table, efforts have been made to recognize individual campus needs. The differential adjustments have been designed primarily to upgrade salaries at Fort Hays State University. Through FY 1985 the cumulative salary increases fell within the range of the two measures of inflation; that is, the cumulative percentage salary increases were less than inflation as measured by the CPI-U and exceeded inflation as measured by the PCE. For FY 1986, the 5 percent increase approved by the Legislature continued to narrow the gap between the salary increases and the CPI-U and allowed one institution to exceed the 13-year increase in the CPI-U. 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 1986. 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 in part because 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	5.1	3.7	3.2
1985	<u>7.5</u>	<u>7.2</u>	<u>8.5</u>	<u>7.2</u>	<u>7.9</u>	<u>7.2</u>	<u>3.9</u>	<u>3.1</u>
Inc. 73-85	149.6%	149.1%	143.3%	146.3%	144.5%	164.2%	147.4%	118.4%
1986	<u>5.6</u>	<u>5.3</u>	<u>5.3</u>	<u>5.1</u>	<u>5.9</u>	<u>5.4</u>	<u>3.6*</u>	--**
Inc. 73-86	163.6%	162.3%	156.2%	158.8%	158.9%	178.5%	156.3%	

* Estimated.

** The estimate for FY 1986 is not currently available.

The table above reveals a relatively consistent pattern of average percentage salary increases granted in excess of appropriated increases to the base. The table also reveals that the 13-year cumulative average salary increases at all the schools except WSU have exceeded the estimate of inflation as measured by the CPI-U. In addition, the growth in average salary increases was significantly greater than the growth in the index of Personal Consumption Expenditures between FY 1973 and FY 1985.

Increased Employer Contribution to Unclassified Employees' Retirement Program. The institutions request a total of \$1,813,868 to provide a 1 percent increase of the employer contribution to the unclassified employees' retirement plan. The request is the second of a three-year plan to raise the employer contribution from 5 percent to 8 percent. The 1985 Legislature passed S.B. 350 which authorized an increase of the employer contribution from 5 percent to 6 percent during FY 1986. No change in the mandatory 5 percent minimum contribution by employees is proposed. The table at the beginning of this section displays the amounts requested by each of the institutions.

SECTION F

Classified Salary Base Increases

Request. For FY 1987 the Regents' institutions request \$7,130,243 to provide a 7.0 percent increase to the classified employee salary base. Shown below are the FY 1986 base budgets and requests for FY 1987.

FY 1987

Classified Salary Increases
Regents' Request

<u>Institution</u>	<u>FY 86</u> <u>Base</u>	<u>FY 87</u> <u>Increase</u>
University of Kansas	\$ 19,601,172	\$1,302,148
Kansas State University	17,566,377	1,167,491
Wichita State University	8,237,031	547,543
Emporia State University	3,729,942	253,603
Pittsburg State University	4,008,012	265,005
Fort Hays State University	3,472,254	233,198
Kansas Technical Institute	612,359	40,735
Kansas State University Veterinary Medical Center	2,231,071	148,651
University of Kansas Medical Center	47,662,733	3,171,869
TOTAL	<u>\$107,120,951</u>	<u>\$7,130,243</u>

The Governor's recommendation does not include any general salary increases for classified employees. The recommendation based on additional revenue includes state assumption of the employee contribution to KPERS in lieu of a general salary increase.

The Regents' request for the classified salary increase includes the amount requested by each institution for classified employees' pay plan step movement. The amounts requested and the Governor's recommendation for this purpose are displayed in the table below:

FY 1987
Classified Step Increases

<u>Institution</u>	<u>Request</u>	<u>Gov. Rec.</u>
University of Kansas	\$ 331,298	\$ 331,298
Kansas State University	253,885	253,885
Wichita State University	131,791	131,752
Emporia State University	55,225	55,225
Pittsburg State University	42,714	42,714
Fort Hays State University	33,278	33,278
Kansas Technical Institute	6,380	6,380
Kansas State University Veterinary Medical Center	29,845	29,845
University of Kansas Medical Center	888,580	888,580
TOTAL	<u>\$ 1,772,996</u>	<u>\$1,772,957</u>

SECTION G

Student Salary Base Increases

Request. For FY 1987 the Regents' institutions request \$470,564 to provide a 7.0 percent increase to the student salary base. Shown below are the FY 1986 bases and the requests for FY 1987. In addition, the universities request \$32,428 to provide the 7 percent increase for the Off-Campus Work-Study program in FY 1987. The institutions also have requested elimination of the separate student salaries and wages appropriation line item citing continued expenditures from other State General Fund accounts for student wages despite the separate appropriation for that purpose.

FY 1987
Student Salary Base Increases

<u>Institution</u>	<u>FY 86</u> <u>Base</u>	<u>FY 87</u> <u>7% Increase</u>
KU	\$ 1,359,886	\$ 95,192
KSU	1,525,761	106,803
WSU	1,017,871	71,199
ESU	737,192	51,604
PSU	558,118	38,906
FHSU	770,767	53,952
KTI	31,962	2,238
VMC	95,032	6,651
KUMC	628,842	44,019
TOTAL	<u>\$ 6,725,431</u>	<u>\$ 470,564</u>

The Governor's recommendation does not include any increase for the student salary bases or for the Off-Campus Work-Study program for FY 1987. The Regents' appropriation bill, S.B. 537, includes the student salaries and wages line item, except for the University of Kansas Medical Center.

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 expenditures 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 and 1985 Legislatures. 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 the program in FY 1984. The 1984 Legislature appropriated \$295,044 for the off-campus program for FY 1985. The FY 1986 program for the six Regents' institutions was funded with \$463,258 from the State General Fund. Washburn University received \$19,178 for the program in FY 1986. The appropriation was originally subject to the proviso that expenditures for the program 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 was met. The 1985 Legislature changed the proviso on both appropriation line items to permit participation of nonstate public employers. Shown below are the estimates of FY 1986 expenditures for the Off-Campus Work-Study program, the requests for FY 1987, and the Governor's FY 1987 recommendations.

Off-Campus Work-Study Program
FY 1986 -- FY 1987

<u>Institution</u>	<u>FY 1986 Estimate</u>	<u>FY 1987 Request</u>	<u>Governor's Rec.</u>
KU	\$ 154,210	\$ 165,005	\$ 154,210
KSU	129,788	138,873	129,788
WSU	78,500	83,995	78,500
ESU	33,829	36,197	33,829
PSU	33,231	35,557	33,231
FHSU	33,700	36,059	33,700
TOTAL	<u>\$ 463,258</u>	<u>\$ 495,686</u>	<u>\$ 463,258</u>

A policy issue is raised by the institutions' request for elimination of the separate appropriation line item for student wages. The line item was included in the appropriation bill for the first time by the 1983 Legislature in response to concerns about the level of spending for student wages. A comparison of expenditures for student wages to the appropriations for that purpose for fiscal years 1984 and 1985 reveals that for both years systemwide actual spending for student wages has exceeded the total appropriation.

Student Wage Expenditures

FY 1984 -- FY 1985

<u>Institution</u>	<u>FY 1984</u>		<u>FY 1985</u>	
	<u>Appropriation</u>	<u>Expenditure</u>	<u>Appropriation</u>	<u>Expenditure</u>
KU	\$ 1,020,139	\$ 2,668,482	\$ 1,097,324	\$ 2,412,744
KSU	967,488	1,294,124	1,063,209	1,414,147
WSU	843,614	945,477	863,686	1,021,183
ESU	697,599	632,258	699,993	673,969
PSU	552,760	470,090	530,471	498,414
FHSU	665,330	656,215	734,098	707,228
VMC	69,729	238,782	90,939	224,807
KTI	28,351	28,427	30,440	28,560
TOTAL	<u>\$ 4,845,010</u>	<u>\$ 6,933,855</u>	<u>\$ 5,110,160</u>	<u>\$ 6,981,052</u>

The pattern has been that the three larger institutions and the Veterinary Medical Center have spent considerably more than the amount appropriated while the three regional universities and KTI have underspent by varying degrees. The difference between the appropriation and the amount expended for student wages is the result of a number of factors. First, identification of the appropriation amount on short notice at the end of the 1983 Session resulted in some line items being estimated. The differences between appropriations and expenditures at the Veterinary Medical Center are largely caused by using an estimate for the initial appropriation that has simply been incremented by subsequent legislatures. Second, the three larger universities support students from appropriations made for research, public service, and other specific activities. Third, salary savings in other appropriation lines are sometimes used to finance student wages. Thus, at the three large institutions, and VMC, the appropriation line item acts as a floor, or minimum amount for student wages during a particular fiscal year. At the three regional universities and KTI the appropriated amount appears to act as a cap on the amount expended for student wages.

In determining whether to eliminate the appropriation line item the Legislature may wish to consider articulating a position in regard to spending for student wages, *i.e.*, is the line item appropriation to be considered the total approved expenditure level for student wages, or is it to be considered a minimum expenditure level for the purpose. If student wages are appropriated with general salaries and wages or other line items, the institutions argue that they would have greater flexibility to increase expenditures for student salaries from savings in other areas. Of course, the converse of that argument is also true. That is, if student wages are folded into other appropriation line items, overspending in other areas can be compensated for by reducing student wage expenditures.

SECTION H

Other Operating Expenditures

Request. For FY 1987, the Regents' institutions request \$5,792,364 for a 7.0 percent base increase for other operating expenditures (OOE). Shown below are the FY 1986 base budgets for other operating expenditures, the program maintenance requests for FY 1987, and the Governor's recommended 2.0 percent increase. In his budget based on additional revenue the Governor has included funding to permit a total 4.0 percent increase for OOE.

FY 1987
Other Operating Expenditures
Program Maintenance Increases

<u>Institution</u>	<u>FY 1986</u> <u>Base</u>	<u>FY 1987</u> <u>Request</u>	<u>Governor's</u> <u>Recommendation</u>
KU	\$17,142,034	\$1,183,553	\$ 334,264
KSU	15,075,192	1,050,140	300,035
WSU	7,074,947	491,608	140,456
ESU	2,720,915	208,190	54,061
PSU	2,735,813	188,572	53,840
FHSU	2,891,587	307,930	55,565
KTI	842,467	58,973	16,848
VMC	1,794,969	125,650	35,897
KUMC	30,959,493	2,177,748	609,962
TOTAL	<u>\$81,237,417</u>	<u>\$5,792,364</u>	<u>\$ 1,600,928</u>

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, OOE 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 OOE 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 OOE with those budgeted, it is possible to see whether institutions have had additional resources available for OOE due to savings in other areas. The following table shows the difference between legislatively approved OOE and actual OOE. This is derived by comparing the approved budget for each fiscal year 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	
	<u>Difference</u>	<u>Percent</u>	<u>Difference</u>	<u>Percent</u>	<u>Difference</u>	<u>Percent</u>
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
1985	154,273	1.0	1,833,494	13.1	1,194,339	19.0

Year	ESU		PSU		FHSU	
	<u>Difference</u>	<u>Percent</u>	<u>Difference</u>	<u>Percent</u>	<u>Difference</u>	<u>Percent</u>
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
1985	163,571	6.7	149,498	6.0	263,936	10.1

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 OOE expenditures were primarily in extension and research, the University was requested to include proposals in its FY 1984 budget 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 FTE unfilled 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.

SECTION I

Utilities

Request. For FY 1987, the Regents' institutions request a total of \$1,111,059 in general use funds to provide a 5.0 percent increase in utility expenditures. (This excludes the requested increases for servicing new facilities which are discussed in Section J.) The table below displays the FY 1985 actual utility expenditures, FY 1986 base utility budgets, the requested 5.0 percent increases, and the Governor's recommendation for FY 1987 relative to the FY 1986 base.

Utilities FY 1985 Actual, FY 1986 Base, FY 1987 Request and Recommendation

<u>Institution</u>	<u>FY 1985 Actual</u>	<u>FY 1986 Base</u>	<u>FY 1987 Request</u>	<u>FY 1987 Gov. Rec.</u>
KU	\$ 5,972,956	\$ 6,227,558	\$ 311,378	\$(182,502)
KSU	4,385,212	4,563,979	228,199	(127,612)
WSU	2,086,324	2,453,908	122,695	112,634
ESU	826,079	845,474	42,274	(19,395)
PSU	792,261	863,597	43,180	53,664
FHSU	756,644	848,695	42,435	(92,051)
KTI	99,313	153,747	7,687	(2,074)
VMC	960,076	1,000,832	50,042	(40,756)
KUMC	4,843,394	5,263,378	263,169	(419,984)
TOTAL	<u>\$20,722,259</u>	<u>\$22,221,168</u>	<u>\$1,111,059</u>	<u>\$(718,076)</u>

The Governor's recommendations for FY 1987 would generally hold utility expenditures at the level actually expended during FY 1985, plus amounts approved for new buildings for FY 1986. The Governor's recommendations would also adjust FY 1986 expenditures downward to the FY 1985 levels, plus new

building support, and reappropriate the unexpended funds from the current fiscal year to offset new appropriations for utilities in FY 1987.

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 and 1985 Legislatures included provisos on the utilities line item that permitted expenditure of reappropriated balances in the subsequent fiscal years for energy conservation projects. The Governor's recommendations for FY 1987 in regard to reappropriation of balances for utility expenditures is a departure from the Legislature's past practice.

Shown below are actual utility expenditures for FY 1984 and FY 1985 and the base budgets for FY 1986.

Actual and Budgeted Utility Expenditures
FY 1984 -- FY 1986

<u>Institution</u>	<u>Actual Expenditures FY 1984</u>	<u>Actual Expenditures FY 1985</u>	<u>Base Budget FY 1986</u>	<u>Difference FY 86 Base FY 85 Exp.</u>	<u>Percent Difference FY 86-FY 85</u>
KU	\$ 6,031,183	\$ 5,972,956	\$ 6,227,558	\$ 254,602	4.3%
KSU	4,354,286	4,385,212	4,563,979	178,767	4.1
WSU	2,131,403	2,086,324	2,453,908	367,584	17.6
ESU	871,641	826,079	845,474	19,395	2.3
PSU	869,509	792,261	863,597	71,336	9.0
FHSU	881,205	756,644	848,695	92,051	12.2
KTI	96,938	99,313	153,747	54,434	54.8
VMC	1,069,823	960,076	1,000,832	40,756	4.2
KUMC	4,936,592	4,843,394	5,263,378	419,984	8.7
TOTAL	<u>\$21,242,580</u>	<u>\$20,722,259</u>	<u>\$22,221,168</u>	<u>\$1,498,909</u>	7.2%

Shown below are the original FY 1985 utilities budgets, FY 1985 adjustments, actual FY 1985 expenditures, and savings reappropriated to FY 1986.

FY 1985 Utility Savings

<u>Institution</u>	FY 1985 Original Base	FY 1985 Adjustments	FY 1985 Actual	FY 1985 Savings Re- appropriated to FY 1986
KU	\$ 6,296,510	\$ (70,000)	\$ 5,972,956	\$ 253,554
KSU	4,364,754	155,402	4,385,212	134,944
WSU	2,459,325	--	2,086,324	373,001
ESU	896,826	--	826,079	70,747
PSU	992,897	--	792,261	200,636
FHSU	875,927	--	756,644	119,283
KTI	103,201	--	99,313	3,888
VMC	1,117,471	--	960,076	157,395
KUMC	5,593,696	(311,543)	4,843,394	438,759
TOTAL	<u>\$22,700,607</u>	<u>\$ (226,141)</u>	<u>\$20,722,259</u>	<u>\$ 1,752,207</u>

As the table above shows, all of the institutions except KSU underspent the FY 1985 approved levels. Since the appropriations for FY 1986 were based on the estimates of expenditures supplied by the institutions near the end of the 1985 Session, the amounts available for the current fiscal year include funds for increased expenditures during FY 1986 over those of FY 1985.

Although the savings from FY 1985 will be used to avoid future utility expenditure increases, the Legislature may wish to examine the extent to which reappropriating savings for energy conservation 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 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 1986 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 \$22.2 million, representing 4.8 percent of

approved general use expenditures, 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 utility savings in the subsequent fiscal year provides an inducement with sufficient controls.

SECTION J

Servicing New Buildings

Request. The FY 1987 requests from the institutions include a total of \$543,267 for costs associated with the servicing of new facilities. The requests include funding for the addition of 20.2 FTE classified positions as well as other operating expenditures and utilities attributable to the new facilities. The amounts requested by each of the institutions are displayed below.

FY 1987 Requests
Servicing New Buildings

<u>Institution</u>	<u>Classified FTE</u>	<u>Salaries</u>	<u>OOE</u>	<u>Utilities</u>	<u>Total</u>
KU	9.6	\$ 130,494	\$ 45,798	\$ 36,050	\$ 212,342
KSU	5.0	67,379	24,409	54,127	145,915
WSU	4.6	70,978	21,658	80,218	172,854
KTI	1.0	12,156	--	--	12,156
TOTAL	<u>20.2</u>	<u>\$ 281,007</u>	<u>\$ 91,865</u>	<u>\$ 170,395</u>	<u>\$ 543,267</u>

For all of the institutions except WSU and one building at KSU, the requests are to obtain funding that was not provided by the 1985 Legislature. When the requests for funding were presented a year ago, the Legislature generally appropriated half of the amount requested for each of the categories of expenditure. The exception to that general rule was for KTI which received two of the three requested positions and all of the requested funds for utilities. In making its appropriation for FY 1986, the Legislature recommended that the Board of Regents review the formulas used to generate the requests and consider altering them "... to more accurately reflect the cost of adding new facilities to the campuses."

The Board conducted a program review of physical plant operations on each of the campuses during the summer of 1985. Among the recommendations of the review were two that affect allocation of funds to new buildings: (1) that the FY 1987 request for OOE for servicing new buildings be modified to an

amount equal to the statewide average for FY 1984, plus inflation for the three subsequent years (\$0.35 per GSF); and (2) that the number of maintenance and custodial personnel for new buildings be based upon one position per 10,500 GSF. Both of the recommendations were adopted by the Board of Regents at its December, 1985 meeting.

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 of space. The formulas were based on the addition of 1.0 FTE 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 1987, other operating expenditures were originally requested at \$0.54 per GSF. The requested amounts per GSF for utilities differ from campus to campus and may be different for buildings on a campus. The amounts requested are as follows: WSU, \$2.00 per GSF; KU, botany laboratory, \$2.75 per GSF and recreation facility, \$1.00 per GSF; KSU, Nichols Hall, \$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 third year that utility costs have been differentiated 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 systemwide request of \$2.54 per gross square foot.

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.

New Formulas. Application of the formulas adopted by the Board of Regents to the FY 1987 requests result in a reduction of the requests for FY 1987 by a total of \$117,414. The revised amounts for each institution and the Governor's recommendations are displayed below.

Servicing New Buildings

Revised Request FY 1987

<u>Institution</u>	<u>Classified FTE</u>	<u>Salaries</u>	<u>OOE</u>	<u>Total*</u>	<u>Gov. Rec.**</u>
KU	6.5	\$ 91,867	\$ 17,213	\$ 109,080	\$ 109,080
KSU	3.5	51,618	9,157	60,775	61,577
WSU	3.8	58,817	14,038	72,855	73,074
KTI	0.8	11,677	4,043	15,720	12,156
TOTAL	<u>14.6</u>	<u>\$ 213,979</u>	<u>\$ 44,451</u>	<u>\$ 258,430</u>	<u>\$ 255,887</u>

* Note that the amounts included in the original request for utilities expenditures remain the same in the revised requests.

** The Governor's recommendations are in most cases based upon early estimates of the formulas rather than those finally adopted by the Board of Regents. The amounts shown do not include the recommendations for utilities expenditures. (Staff Note: Governor's Budget Amendment No. 1 contains an additional \$3,564 for Kansas Technical Institute which would increase the total to the amount generated by the Regents' formulas.)