

Approved: 2-11-97
Date

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS.

The meeting was called to order by Chairperson Phil Kline at 1:40 p.m. on February 6, 1997 in Room 514-S of the Capitol.

All members were present except: Representative Kejr - Excused
Representative Farmer - Excused

Committee staff present: Alan Conroy, Russell Mills, Stuart Little, Legislative Research Department;
Jim Wilson, Mike Corrigan, Revisor of Statutes Office;
Marcia Ayres, Appropriations Secretary; Helen Abramson, Administrative Aide

Conferees appearing before the committee: Dr. Stephen M. Jordan, Kansas Board of Regents

Others attending: See attached list

Minutes of the February 3 and 4 meetings were distributed for review by the committee.

Steve Jordan, executive director of the Kansas Board of Regents, was recognized to brief the committee on the Regents systemwide. He discussed the larger budgetary picture and longer term needs, and he updated the committee on the progress concerning major issues from the past legislative session. (Attachment 1)

He also reviewed a handout entitled, *The Status of Financing Kansas Higher Education Fiscal Year 1997 and The Regents Request Fiscal Year 1998*. (Attachment 2) Questions by the committee followed the presentation.

A motion was made by Representative Minor, seconded by Representative Reinhardt, to approve the minutes of February 3 and 4. The motion carried.

Chairperson Kline requested two bills for introduction: one regarding the governor's pay plan, and a bill to limit Topeka Correctional Facilities, new unit, to female inmates. Representative O'Connor requested a couple of SRS subcommittee bills: one that brings in line with the federal regulation on income earned on individual development accounts, and one from the Kansas Industry for the Blind having to do with privatization. Representative Pottorff requested a bill for the Board of Accountancy to distinguish the examination from the certification process for certified public accountants.

A motion was made by Representative Ballard, seconded by Representative Landwehr, to introduce the bills requested. The motion carried.

The meeting adjourned at 2:50 p.m.

The next meeting is scheduled for February 7, 1997.

**OUTLINE OF REMARKS TO
HOUSE APPROPRIATIONS COMMITTEE**

by
**Stephen M. Jordan, Executive Director
Kansas Board of Regents**

February 6, 1997

I. Introduction

1. Appreciate Opportunity to Appear on Behalf of the Board of Regents and Universities.
2. The 1996 Legislative session a landmark for the Regents System.
 - a. Tuition Accountability at three of the Regents institutions.
 - b. Conversion to Linear Tuition at three Regents institutions.
 - c. Authority for bonding of the Crumbling Classrooms Projects for all of the institutions.
3. During the weeks ahead we will be appealing a budget before this Committee.
 - a. But we must emphasize that the Board sincerely appreciates the Gubernatorial and Legislative support it has received.
 - b. Kansas has provided a stable base of support for its institutions.
 - The increases have not been as great as some states.
 - But Kansas has also spared its institutions the dramatic reductions which have occurred in some states.
 - c. Most recently Kansas has recognized the need to provide more flexibility for institutions.
 - d. Kansas has provided a significant step in the capital area to assure the stability of our buildings in the upcoming decades.
4. Today wish to do two things with the Committee:
 - a. Discuss the larger budgetary picture and longer term needs.
 - b. Update on progress concerning major issues from past session (major focus)
 - Tuition Accountability
 - Linear Tuition
 - Crumbling Classrooms

Appropriations
2-6-97
Attachment 1

II. Larger Budgetary Picture and Longer Term University Needs

1. During the past three years the Regents have focused upon accountability in the system, for the taxpayers and the students of the future.
 - a. Believe the Regents have welcomed this accountability.
2. Have established a vision for the future of higher education to include improvements in:
 - a. Curriculum and instruction
 - b. Allocation of faculty time and talent
 - c. Faculty evaluation, support and rewards
 - d. Administrative efficiency
 - e. Financing of the System
3. During the most recent year have developed core indicators as measures of progress against key goals in such areas as
 - a. Student retention rates
 - b. Percentage of undergraduate credit hours by faculty type
 - c. Expenditures for Institutional Support
 - d. External Research Expenditures
 - e. Graduate and research programs
4. The Regents have been conservative in requests for funding (booklet pg 11)
 - a. Both requests and receipt of additional operating funds less in recent years.
 - True in FY 1998, even with addition of one-time equipment enhancement.
 - b. This is due in part to lessened inflation and economic circumstances.
5. Tuition has provided much of the budgetary growth during the past several years (booklet page 13)
 - a. This is a characteristic throughout the nation.
 - b. Important to recognize, however, as complaints increase concerning tuition and fees at the universities.
 - c. Much of the tuition increase has gone to supplant State General Fund support for the Regents system.
 - d. Also believe it important to illustrate 38 cents of tax contribution to the Regents system, leverages 62 cents from other sources.
 - A ratio not frequently found in governmental finance.

6. The total Regents budget (including tuition) has increased at a rate roughly equal to the increase in Kansas Per Capita Income.
(booklet page 15)
 - a. Therefore, proposals limiting budgetary growth to the rate of increase in per capita income would not have impacted the Regents institutions.
 - b. Also significant that consumption of State General Fund by the Regents has only slightly exceeded the CPI during the past five years.

7. Multiple benchmarks reflect that the universities use of resources have been efficient.
 - a. The Regents developed peers as one method of bench marking.
 - Allows comparisons to other institutions.
 - Unlikely that there would ever be total satisfaction with the peer selections.
 - Would observe that if we did not select peers, we would probably receive a request to do so.
 - b. Core indicators are another method of bench marking.
 - Allows comparison to ourselves over time.
 - c. Believe that both measures illustrate that the institution's use of resources has been reasonable and efficient.
 - d. Ratio of students to faculty remains comparable to the peer institutions.
 - e. Approximately seventy percent of undergraduate courses are taught by ranked faculty (a core performance indicator).
 - f. Percentage of expenditures for academic support (a core performance indicator) less than peer institutions.
 - g. Although enrollments have decreased during most recent five years,
 - Degree awards have actually increased by 14 percent.(booklet pg 23)

8. Appropriations for faculty salaries significantly below Per Capita Income and CPI during most recent five years.
(booklet page 19)
 - a. Exceeded the CPI by only 2.2 percent.
 - b. Was 7.5 percent below the increase in Per Capita Income.
 - c. Results in salaries significantly below peer and national averages.
 - d. Also results in benefits below peer averages.

9. Appropriations for other operating expenditures have been significantly less than Per Capita Income and CPI.
(booklet page 21)
 - a. Results in non-salary expenditures which are approximately 60 percent of the peer average.
 - b. Necessitated the Board's special request for equipment funding.
 - Funding simply has not allowed our institutions to provide adequate equipment for our students.

10. Limited budget growth has two major effects upon a university:
 - a. It restricts the salaries it can pay faculty and limits the universities abilities to directly link faculty evaluation and development to the reward structure.
 - b. It impedes the equipment and supplies the university can provide.
 - This restricts the ability of our students to learn on state of the art equipment and technology.

III. AN UPDATE ON ISSUES FROM THE 1996 LEGISLATIVE SESSION

1. A pleasure to report progress on three important items.

IV. Tuition Accountability.

1. Many will recall the discussion from 1996 Legislative Session.
 - a. The need for additional flexibility over tuition revenues.
 - b. Legislative desire to minimize enrollment adjustments and supplemental appropriations.
 - c. Use of tuition revenue as an offset to state resources is a funding model being discontinued by many states.

2. Governor recommended and Legislature approved Tuition Accountability Plans for three Regents institutions (KU, KSU, and WSU).
 - a. Proviso attached to FY 1997 appropriations:
 - Allows institutions to retain revenues from enrollment increase.
3. No Transfers at this point to Tuition Accountability Funds.
 - a. Fall 1996 enrollments declined, compared to fall 1995.
 - at KU, headcount down 162 and FTE students down 462
 - at KSU, headcount down 131 and FTE students down 563
 - at WSU, headcount down 304 and FTE students down 705
 - b. The present proviso would not allow any transfers, since enrollment declined.
4. The Governor's recommendations address several unresolved issues:
 - a. Linear Tuition (and whether its implementation is a part of tuition accountability).
 - b. Detailed appropriation bill to provide flexibility for institutions to have:
 - Revenue resulting from change in tuition waiver policies.
 - Revenue resulting from change in resident / non-resident mix.
5. In FY 1997 this allows KU to retain monies, resulting from modified waiver policies.
 - a. Other changes in waiver policies could be utilized for a similar opportunity at any of the tuition accountability institutions.
6. The Board requests and the Governor recommends that KU, KSU, and WSU continue in tuition accountability in FY 1998.
7. At this point the remaining institutions are in the traditional budgeting model.
 - a. No specific plans for bringing the remaining institutions into Tuition Accountability, an issue for discussion in the Board's budgeting process.
 - b. Remaining institutions have smaller proportion of tuition revenue in their budgets than larger schools.
 - c. Issue becomes extent to which to their benefit to be in tuition accountability.
 - Clearly have less revenue to gain from enrollment growth than the larger schools.
 - d. Impact of linear tuition upon those campuses.
 - Last year indicated to the Board that they would desire state replacement of the cost from implementing linear.

V. Linear Tuition

1. Linear Tuition (or per credit hour pricing of tuition) had been discussed for several years at KU and KSU.
2. It became one of the conditions for entry into tuition accountability.
 - a. Established by Governor last year.
3. Linear tuition proposed for two primary reasons.
 - a. To promote more efficient use of tuition revenue.
 - Establishes a clear relationship between tuition payment and consumption of resources.
 - Reduces tendency for students to course-shop.
 - Reduces tendency for students to enroll in more classes than they intend to complete.
 - b. To facilitate student access.
 - Previous pricing structure made it difficult and costly for students to enroll in classes at more than one campus.
4. An additional tuition rate increase was a part of the recommendation.
 - a. It was based upon the estimate of the change in revenue, resulting from linear tuition.
 - b. No estimate was made concerning change in student behavior, the result of linear tuition.
5. Linear Tuition (with no cap for credit hours) was implemented this fall at KU, KSU and WSU.
 - a. The change was most dramatic at KU and KSU.
 - Those two institutions previously capped tuition at 6 credit hours.
 - Consequently the change impacted all enrolled in 7 or more credit hours.
 - b. A less significant change at WSU.
 - It previously capped tuition at 15 credit hours.
6. Significant decline in credit hours per student (as detailed booklet pg 25).
 - a. Presumably this is a one-time decline, as student behavior adapts to a revised pricing structure.

7. Also indications that Tuition Accountability is having an impact upon the reasons for its implementation.
 - a. KU is conducting a detailed analysis of course adds and drops.
 - Although the study not yet complete, preliminary information indicates a substantial decline in the volume of adds/ drops, compared to previous fall.
 - b. KSU observes that a combination of linear tuition and pre-enrollment helped to maximize open seats for classes during the spring semester.
 - Data on assessments reflects a constant flow, rather than the interrupted flow of refunds from past practices.
8. Governor's recommendations include state funding to replace reduced credit hours resulting from the unanticipated change in student behavior at KU and KSU.
 - a. \$1,233,515 at KU.
 - b. \$ 841,652 at KSU.
 - c. We believe these recommendations consistent with principles outlined in the Governor's Tuition Accountability Initiative, which indicated a willingness to re-examine the enrollment base, if significant change in the average student credit hour load results from implementation of linear tuition.
9. The Board continues to support linear tuition at the tuition accountability institutions.
 - a. Fiscal year 1998 budgets presume its continuance.

VI. Crumbling Classrooms.

1. Considerable activity at the Universities and Board
 - a. Board approved the crumbling classrooms projects at its Sept meeting.
 - b. The first bond issue was sold in November.
 - c. The universities and Board have developed a tracking of expenditures for each project to facilitate progress reports to the Governor and Legislature..

VII. Conclusion.

1. Appreciate the interest of the Committee in our budget
2. Look forward to working with you during weeks ahead.

**The Status of Financing
Kansas Higher Education
Fiscal Year 1997
and
The Regents Request
Fiscal Year 1998**



**Prepared by:
Office of the Board of Regents
January, 1997**

*Appropriations
2-6-97
Attachment 2*

FOREWORD

The Kansas Board of Regents welcomes the opportunity to present this summary of its FY 1998 budgetary request and to review the condition of higher education in Kansas. The first section (pages 2-7) of this booklet summarizes the Regents FY 1998 request and the Governor's recommendations concerning it. The second section (pages 9-24) provides a summary of overall trends in Kansas higher education.

The Board is extremely encouraged by the Governor's FY 1998 recommendations which address the critical areas of faculty salaries, ooe expenditures, and equipment.

The Board and representatives of the Regents institutions look forward to working with the Governor and Legislature during the 1997 Legislative session as we explore alternatives to advance and improve higher education in Kansas.

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**FINANCING OF THE REGENTS INSTITUTIONS BY FUND
FY 1997 AND FY 1998**

	Actual FY 1996	FY 1997 Revised Governor's Recommendation	Percent Increase Over FY 1996	FY 1998 Board Request	FY 1998 Governor's Recommendation	Governor's Recommendation Percent Increase Over Revised FY 1997
State General Fund	\$447,633,995	\$460,388,643	2.8%	\$496,775,576	\$490,524,478	6.5%
Tuition	\$164,028,289	\$171,131,634	4.3%	\$179,780,808	\$176,893,181	3.4%
Hospital Revenue	\$128,155,119	\$158,908,760	24.0%	\$154,521,308	\$153,994,694	-3.1%
Land Grant and Other	\$8,181,149	\$7,360,334	-10.0%	\$7,338,334	\$7,338,334	-0.3%
Total General Use Funds	\$747,998,552	\$797,789,371	6.7%	\$838,416,026	\$828,750,687	3.9%
Restricted Use Funds	\$426,501,201	\$420,896,737	-1.3%	\$429,064,105	\$428,697,292	1.9%
Total All Funds	\$1,174,499,753	\$1,218,686,108	3.8%	\$1,267,480,131	\$1,257,447,979	3.2%

The Governor is recommending a FY 1998 General Use Operating budget for the Regents institutions totaling \$828.8 million, a \$30.1 million (3.9 percent) increase over the revised FY 1997 budget.

The Governor's FY 1998 recommendations from the State General Fund total \$490.5 million, including a \$7.5 million appropriation to the Board of Regents to be allocated to the institutions for equipment purchases; including this special appropriation, the recommended percentage increase over FY 1997 is 6.5 percent. The Governor's base budget recommendations from the State General Fund are a 4.9 percent increase, with the remainder attributable to the one-time equipment enhancement of \$7.5 million.

**THE REGENTS REQUEST AND GOVERNOR'S RECOMMENDATION BY INSTITUTION
FY 1998 OVER FY 1997**

	FY 1997 General Use Revised Governor's Recommendations	FY 1998 General Use Request	FY 1998 Governor's Recommendations	FY 1998 Governor's Rec. General Use Increase	Percent Increase Over Revised FY 1997
University of Kansas	\$181,216,215	\$188,977,175	\$187,789,525	\$6,573,310	3.6%
KU Medical Center					
Hospital	\$146,353,814	\$142,205,999	\$141,782,332	(\$4,571,482)	-3.1%
Non-Hospital	\$102,300,383	\$107,579,415	\$107,548,259	\$5,247,876	5.1%
Subtotal - KUMC	\$248,654,197	\$249,785,414	\$249,330,591	\$676,394	0.3%
Kansas State University					
Main Campus	\$120,596,721	\$127,237,691	\$126,369,418	\$5,772,697	4.8%
Extension & Agriculture	\$47,311,661	\$49,812,734	\$49,384,270	\$2,072,609	4.4%
Salina, College of Technology*	\$5,423,981	\$5,753,390	\$5,736,005	\$312,024	5.8%
Subtotal - KSU	\$173,332,363	\$182,803,815	\$181,489,693	\$8,157,330	4.7%
KSU Veterinary Medical Center	\$15,121,858	\$15,902,839	\$15,832,239	\$710,381	4.7%
Wichita State University	\$77,491,980	\$81,128,103	\$80,608,997	\$3,117,017	4.0%
Emporia State University	\$32,999,043	\$34,570,032	\$33,983,932	\$984,889	3.0%
Pittsburg State University	\$36,158,278	\$38,731,103	\$38,043,899	\$1,885,621	5.2%
Fort Hays State University	\$32,815,437	\$34,517,545	\$34,171,811	\$1,356,374	4.1%
Subtotal	\$797,789,371	\$826,416,026	\$821,250,687	\$23,461,316	2.9%
Equipment Appropriation**		\$12,000,000	\$7,500,000	\$7,500,000	100.0%
TOTAL	\$797,789,371	\$838,416,026	\$828,750,687	\$30,961,316	3.9%

* The Governor recommends that the KSU-Salina budget be included in the Main Campus budget for FY 1998.

** The Governor recommends equipment funding of \$7.5 million, appropriated to the Board of Regents for allocation to the institutions.

Regents Priorities For FY 1997 and 1998 Expenditure Increase

Item	Regents Requested Increase (in millions)	Governor's Recommendation (in millions)
1. Maintain Existing Base Budget		
a. Supplement Tuition Shortfalls and MSEP Waivers	\$1.3	\$0.5
b. Finance Credit Hour Loss From Linear Implementation		\$2.1
2. Non-Enhancement Budget Adjustments	1.0	0.2
a. New Buildings Operating Support	\$0.9	\$0.8
b. Enrollment Adjustments	0.1	-0.6
3. Budgetary Increases In Current Services Budget	\$24.7	\$25.7
a. Annualize FY 1997 Unclassified Salary Increases	\$5.4	\$5.4
b. Restore Financing for Classified Longevity	1.2	1.2
c. Health Insurance Rate Increase	2.1	2.1
d. Unclassified Salary Increase (2.5%)	11.3	11.3
e. Classified Pay Plan Step Movement and 1% COLA	3.0	4.0
f. O.O.E. Increase (2.0%)	2.4	2.3
g. O.O.E. Increase (Hospital)	2.8	2.8
h. All Other Adjustments	-3.5	-3.4
4. Unclassified Salary Enhancements	10.1	4.5
a. Salary Increase (1.5%)	6.9	4.5
b. Increase in Retirement Contribution (1.0%)	3.2	0.0
5. One-Time Equipment Enhancement	12.8	8.3
a. Tuition Financed Component	0.8	0.8
b. General Fund Financed Component	12.0	7.5
6. Campus Specific Adjustments	-10.3	-10.3
a. Revision to Base Hospital Budget	-10.3	-10.3
 GRAND TOTAL - General Use - FY 1998 Increase	 \$39.6	 \$31.0

THE REGENTS FY 1998 SALARY ENHANCEMENT REQUEST

Institution	Current Services Request (2.5%)	Enhancement Request (1.5%)	Total Salary Enhancement Request
University of Kansas	\$2,877,558	\$1,726,536	\$4,604,094
KU Medical Center			
Hospital	\$1,285,368	771,220	2,056,588
Academic	\$1,476,184	952,957	2,429,141
Kansas State University			
Main Campus	\$1,828,400	1,127,333	2,955,733
Extension and Research	\$780,986	481,831	1,262,817
Salina	\$82,773	50,809	133,582
KSU Veterinary Med	\$189,702	118,934	308,636
Wichita State University	\$1,176,487	705,941	1,882,428
Emporia State University	\$503,677	302,226	805,903
Pittsburg State University	\$558,205	334,226	892,431
Fort Hays State University	\$504,877	302,932	807,809
Total	\$11,264,217	\$6,874,945	\$18,139,162

The Board of Regents request unclassified salary increases totaling 4%. The Governor is recommending a 3.5 percent unclassified salary increase and provides General Use expenditures of \$15.8 million for this item.

**THE REGENTS FY 1998 REQUEST
ENHANCED EMPLOYER RETIREMENT CONTRIBUTIONS**

Institution	Total
University of Kansas	\$783,436
KU Medical Center	
Hospital	
Academic	426,505
Kansas State University	
Main Campus	568,004
Extension and Research	337,996
Salina	27,287
KSU Veterinary Med	62,426
Wichita State University	356,770
Emporia State University	168,203
Pittsburg State University	165,976
Fort Hays State University	157,233
Total	\$3,053,836

The Regents request a 1 percent increase to the retirement contribution for unclassified employees. The Governor is not recommending this item.

**THE REGENTS FY 1998 REQUEST
OTHER OPERATING EXPENDITURES (2%)**

Institution	Total
University of Kansas	\$587,916
KU Medical Center Hospital Academic	362,684
Kansas State University Main Campus	501,928
Extension and Research	131,795
Salina	23,104
KSU Veterinary Med	65,375
Wichita State University	265,921
Emporia State University	106,627
Pittsburg State University	118,638
Fort Hays State University	118,157
Total	\$2,282,145

*The Regents are requesting a 2% increase to the non-salary or OOE budget.
The Governor concurs with the Regents request.*

THE REGENTS FY 1998 EQUIPMENT REQUEST

Tuition Financed Component

Institution	Total
University of Kansas	\$346,311
KU Medical Center	
Hospital	
Academic	47,542
Kansas State University	
Main Campus	196,092
Extension and Research	
Salina	4,772
KSU Veterinary Med	12,440
Wichita State University	116,259
Emporia State University	40,827
Pittsburg State University	49,017
Fort Hays State University	38,071
Total	\$851,331

The Board of Regents requested funding from a one-time tuition increase of one-half percent be used to finance equipment at the universities. The Governor concurs with this request.

The State Financed Component

Institution	Total Request	Total Govs Rec.*
University of Kansas	3,766,444	\$2,150,066
KU Medical Center		
Hospital		
Academic	1,899,111	980,122
Kansas State University		
Main Campus	2,193,025	1,534,829
Extension and Research	713,248	385,162
Salina	73,020	58,642
KSU Veterinary Med	227,663	117,367
Wichita State University	1,167,461	945,548
Emporia State University	576,509	438,338
Pittsburg State University	736,936	483,776
Fort Hays State University	646,583	406,150
Total	12,000,000	\$7,500,000

The Regents requested \$12 million from the State General Fund for equipment. The Governor recommended \$7.5 million to be distributed among the universities based upon size of enrollment and general use budget.

**The Regents approved allocation of the Governor's total recommendation according to this distribution at their meeting on January 16, 1997.*

**NEW BUILDINGS OPERATING SUPPORT REQUESTED BY BOARD OF REGENTS
FY 1998**

Institution and Building	Projected Date of Opening	Gross Square Feet	Staff		Other Operating Expenditures	Utility Rate	Total Utilities	Total Requested
			FTE	Salaries				
KSU- MAIN CAMPUS								
Farrell Library Addition*	Jan., 1997	153,000	12.2	\$262,056	\$76,500	\$1.66	\$253,980	\$592,536
Less: FY 1997 Appropriation			-12.2	(\$136,219)	(\$38,250)		(\$253,980)	(\$428,449)
			0.0	\$125,837	\$38,250		\$0	\$164,087
PSU								
School of Technology**	Mar., 1997	255,820	20.5	\$434,239	\$127,910	\$1.60	\$409,312	\$971,461
FHSU								
Sternberg Museum	Jan., 1997	88,747	7.1	\$156,716	\$44,374	\$1.50	\$133,121	\$334,210
Less: FY 1993 Appropriation			-3.0	(\$45,928)	(\$18,007)		(\$45,550)	(\$109,485)
Less: FY 1997 Appropriation			-4.1	(\$55,394)	(\$13,183)		(\$65,679)	(\$134,256)
			-0.0	\$55,394	\$13,184		\$21,892	\$90,469
GRAND TOTAL		497,567	20.5	\$615,470	\$179,344		\$431,204	\$1,226,017

* partial funding for utilities provided in FY 1996

** Of the total FY 1998 request of \$971,461, \$345,376 is requested as a FY 1997 supplemental for occupancy in March through June 1997.

**NEW BUILDINGS OPERATING SUPPORT RECOMMENDED BY GOVERNOR
FY 1998**

Institution and Building	Projected Date of Opening	Gross Square Feet	Staff		Other Operating Expenditures	Utility Rate	Total Utilities	Total Requested
			FTE	Salaries				
KSU- MAIN CAMPUS								
Farrell Library Addition	Jan., 1997	153,000	12.2	\$262,056	\$76,500	\$1.66	\$253,980	\$592,536
Less: FY 1997 Appropriation			-12.2	(\$136,219)	(\$38,250)		(\$253,980)	(\$428,449)
			0.0	\$125,837	\$38,250		\$0	\$164,087
PSU								
School of Technology	Mar., 1997	255,820	11.1	\$233,251	\$127,910	\$1.60	\$409,312	\$770,473
FHSU								
Sternberg Museum	Jan., 1997	88,747	0.0	\$0	\$0	\$1.50	\$0	\$0
GRAND TOTAL		497,567	11.1	\$359,088	\$166,160		\$409,312	\$934,560

The Governor recommends new buildings operating support for the facilities requested by the Regents. Less funding is recommended at PSU based upon estimates of other buildings, which will be closed for remodeling when the Technology Center opens. The Governor assumes that the Sternberg Museum will not open during FY 1998 and that staffing will not be necessary until FY 1999

**THE STATUS OF FINANCING
KANSAS HIGHER EDUCATION**

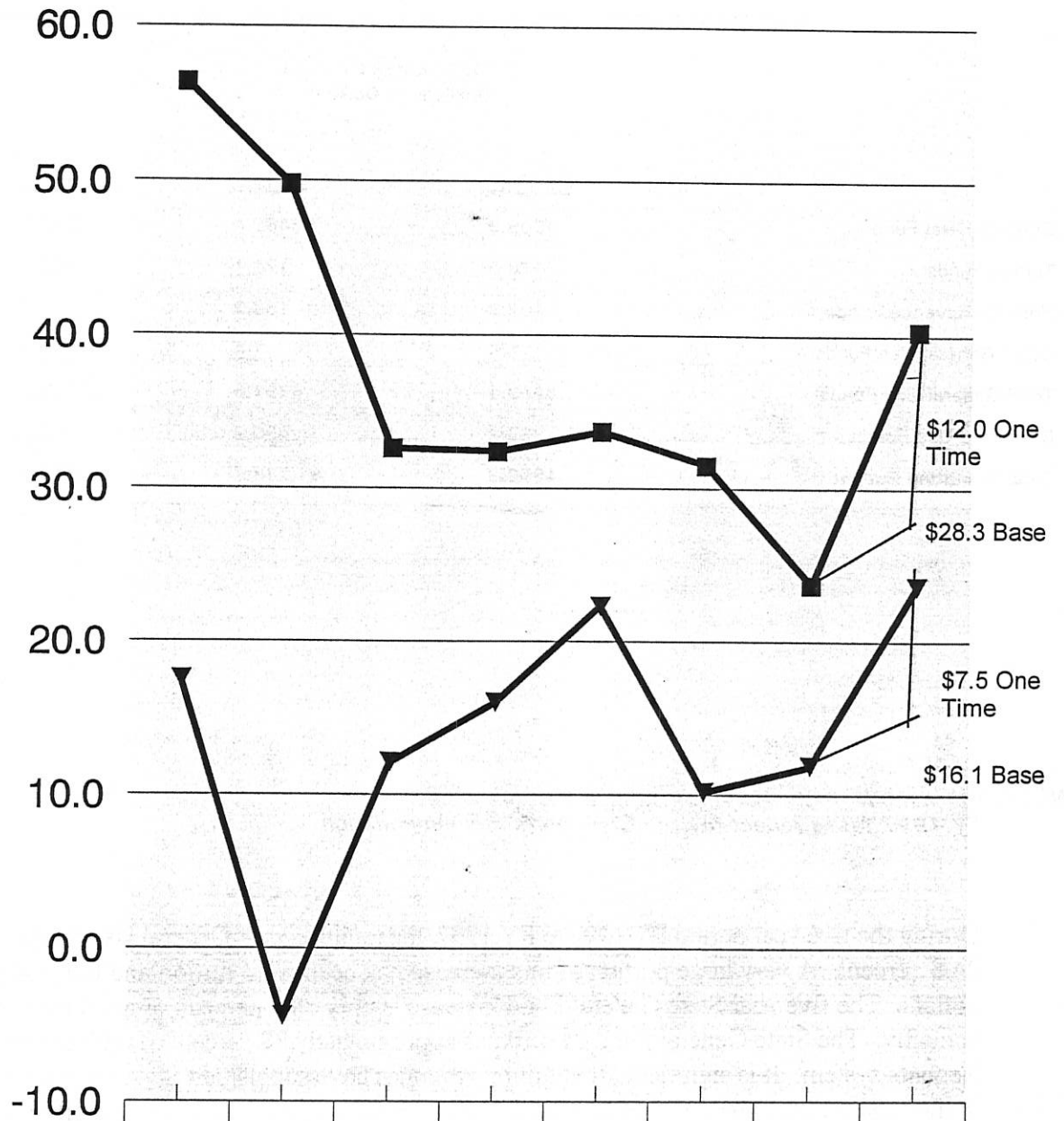
During many of the past five years, the Board of Regents has submitted progressively smaller budget requests than during previous periods. Although the FY 1998 request is larger than FY 1997, a significant component of the funding is for a one-time equipment enhancement. Smaller requests have been submitted, during recent years, in response to economic circumstances and to maintain a closer relationship between requests and funds actually received.

The Governor recommends a FY 1998 budget which provides a \$23.5 million increase for the Regents institutions. Approximately one-third of this increase is for a one-time equipment enhancement. The Governor's recommendations for university base budgets increase State General Fund spending by 3.4 percent over FY 1997.

State General Fund Increases

FY 1991 - FY 1998

(in millions)



	91	92	93	94	95	96	97	98
Budget Request	56.4	49.8	32.6	32.4	33.7	31.5	23.7	40.3
Legislative Approp.	17.5	-4.4	12.1	16.0	22.3	10.2	11.9	23.6

■ Budget Request ▲ Legislative Approp.

(Totals Include Regents Institutions and Regents Supplemental Grant Program of Financial Aid)
 FY 1998 Total reflects Governor's Recommendation

COMPARISON OF REGENTS SYSTEM FUNDING INCREASES BY SOURCE OF FUNDS

FY 1997 OVER FY 1992
(Millions of Dollars)

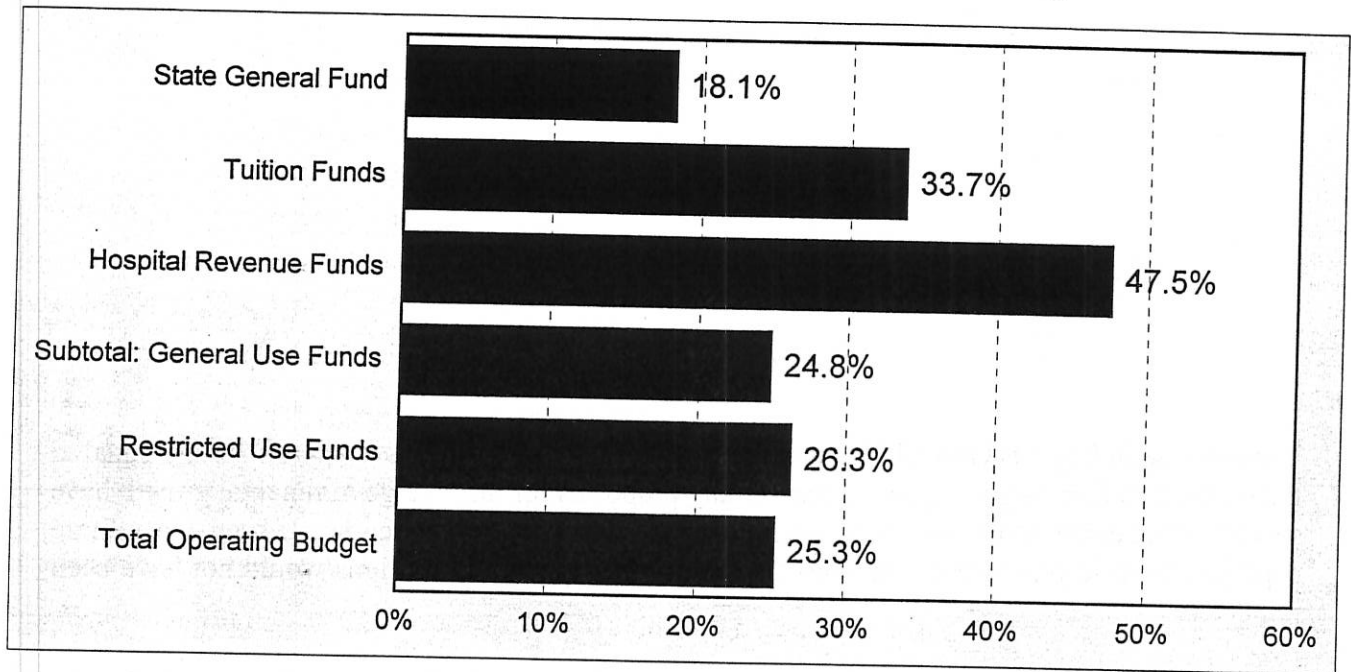
	<u>FY 1992</u>	<u>FY 1997</u>	<u>\$ Increase</u>	<u>% Increase</u>
State General Fund	\$389.9	\$460.4	\$70.5	18.1%
Tuition Funds	128.0	171.1	43.1	33.7%
Hospital Revenue Funds	107.7	158.9	51.2	47.5%
Other General Use Funds	<u>13.5</u>	<u>7.4</u>	<u><6.1></u>	<u><45.2%></u>
Total General Use Funds	\$639.1	\$797.8	\$158.7	24.8%
Restricted Use Funds	<u>333.2</u>	<u>420.9</u>	<u>87.7</u>	<u>26.3%</u>
Total Operating Budget	\$972.3	\$1,218.7	\$246.4	25.3%

*NOTE: Table totals may not sum to total due to rounding.
FY 1997 totals reflect revised Governor's recommendation*

During the five year period FY 1992 to FY 1997, the total Regents General Use budget has increased 24.8 percent. A very large portion of this increase has been from tuition and hospital revenue fund dollars. The five year State General Fund increase is only 18.1 percent, or an average of 3.6 percent annually. The State General Fund contributes approximately 38 percent of total expenditures for the Regents system. It is significant that tuition revenues have supplanted State General Fund revenues in the total budget, when FY 1997 is compared to previous years. It is also significant that each 38 cents in State General Fund spending for the Regents system leverages 62 cents from other non-tax sources.

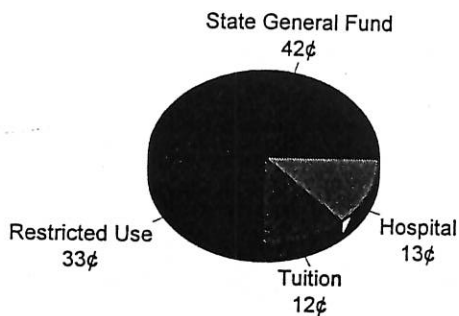
Comparison of Funding Increases FY 1997 Over FY 1992

Regents Institutions Operating Budgets

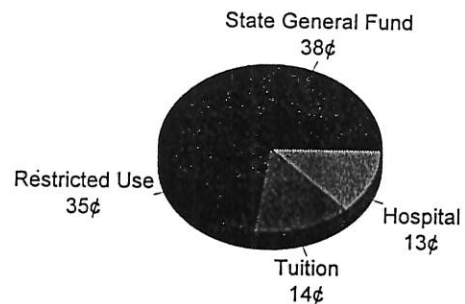


Financing a University Dollar in Kansas

FY 1987



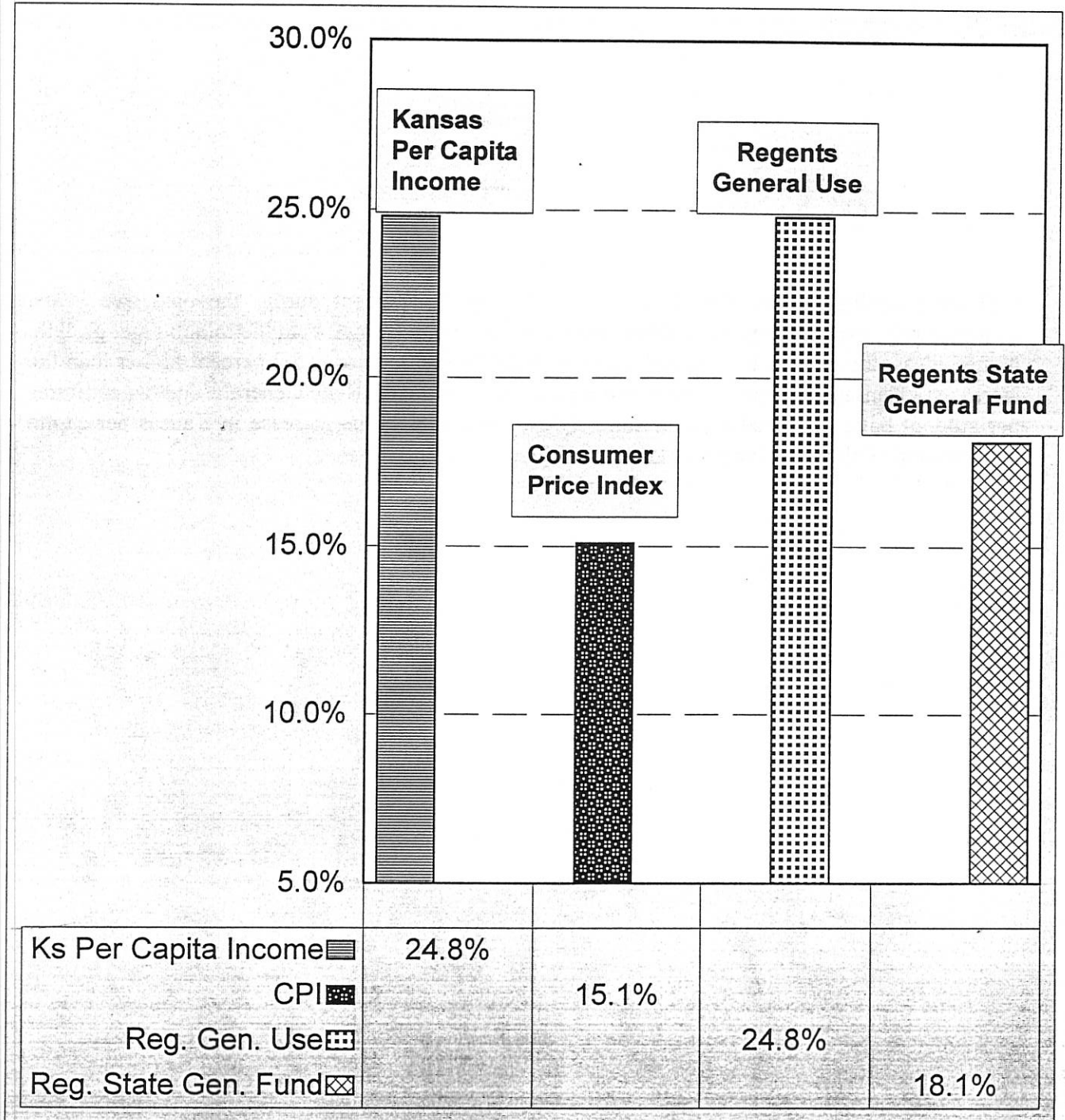
FY 1997



The increase in Regents General Use spending during the past five years is approximately equal to the increase in Kansas per capita income. Many proposals for limiting governmental growth have specified that expenditures may increase no faster than the per capita income. If such expenditure caps had been in place during the past five years, the Regents institutions would not have been impacted.

The 18.1 percent increase in State General Fund expenditures by the Regents institutions, during the past five years, is even less than the total increase and is only slightly higher than the increase in the Consumer Price Index.

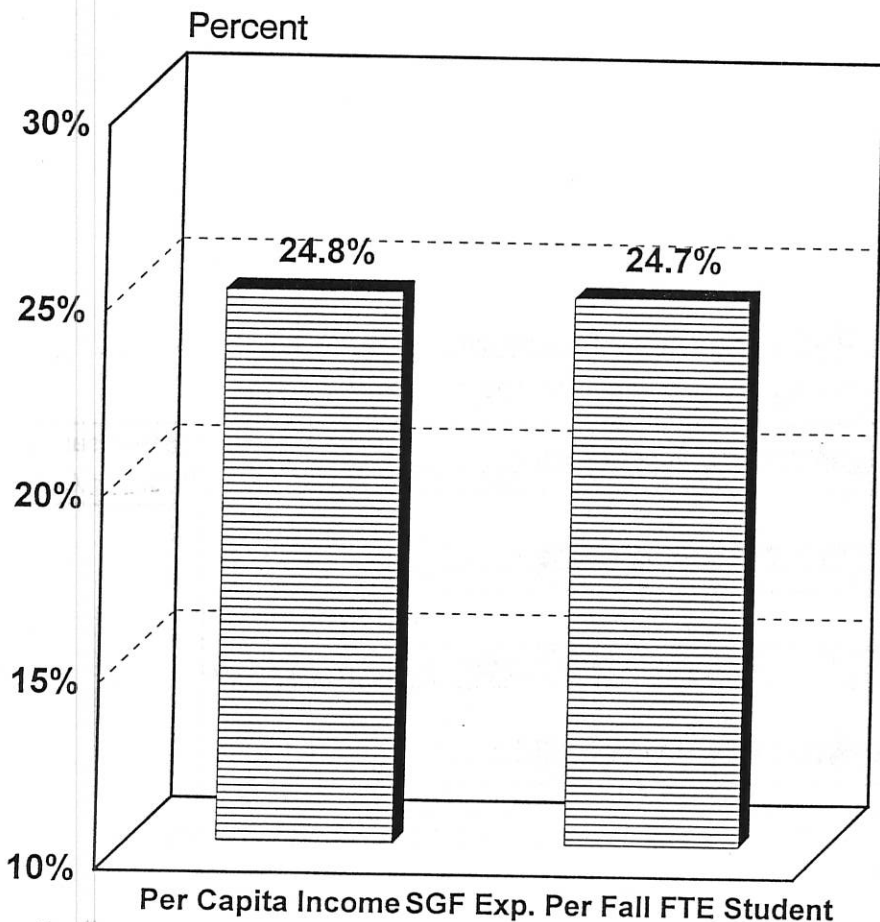
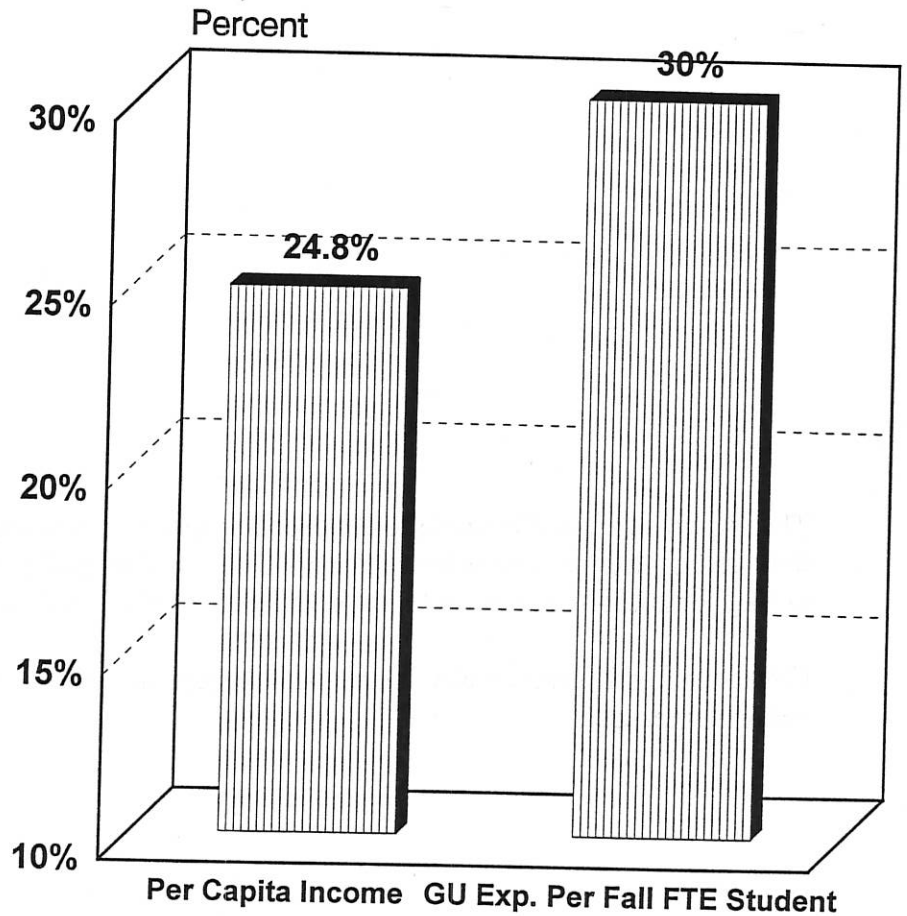
Percent of Increase Economic Indices and Regents Budgets Fiscal 1992 - 1997



81-0

Full time equivalent enrollments have declined by 7.3 percent during the past five years. Consequently, expenditures per student have increased at a faster rate than the total budget growth. Nonetheless, the general use expenditure per student increase is only 5.2 percent higher than the increase in Kansas per capita income, during the past five years. State General Fund expenditures per student have increased at approximately the same rate as the increase in Kansas per capita income, during the past five years.

**Percent of Increase
Regents General
Use Expenditure
Per Fall FTE
Student and
Kansas Per Capita
Personal Income
FY 1992 - FY 1997**

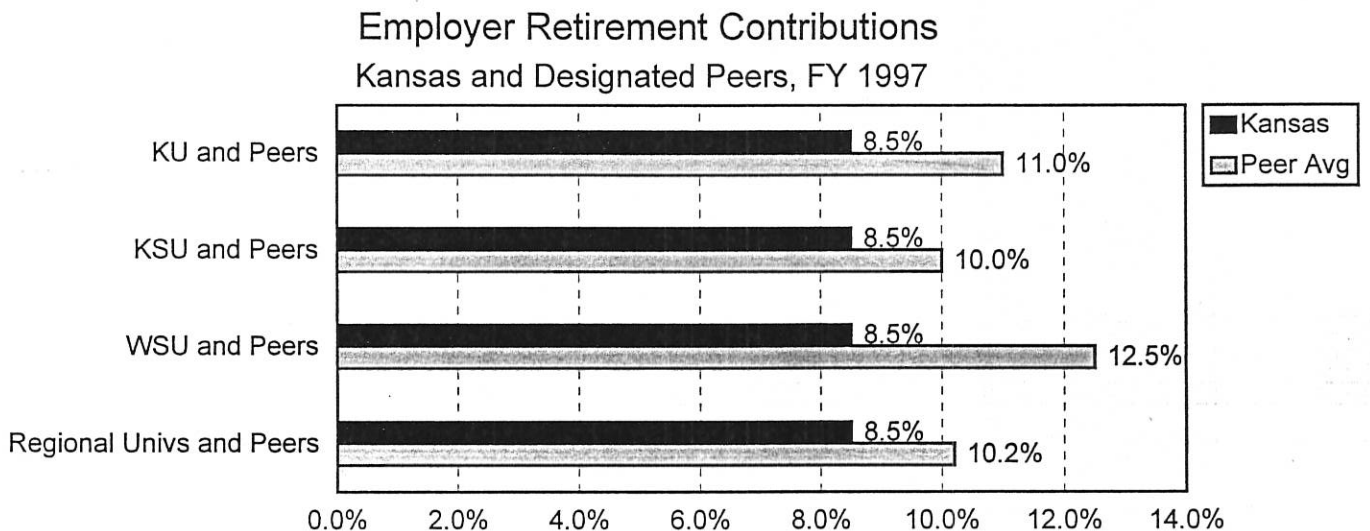


**Percent of Increase
Regents State
General Fund Per Fall
FTE Student and
Kansas Per Capita
Income
FY 1992 - FY 1997**

(Based Upon Total Expenditures Per Fall FTE Student, 6 Regents Universities) PCIGENM.PRS

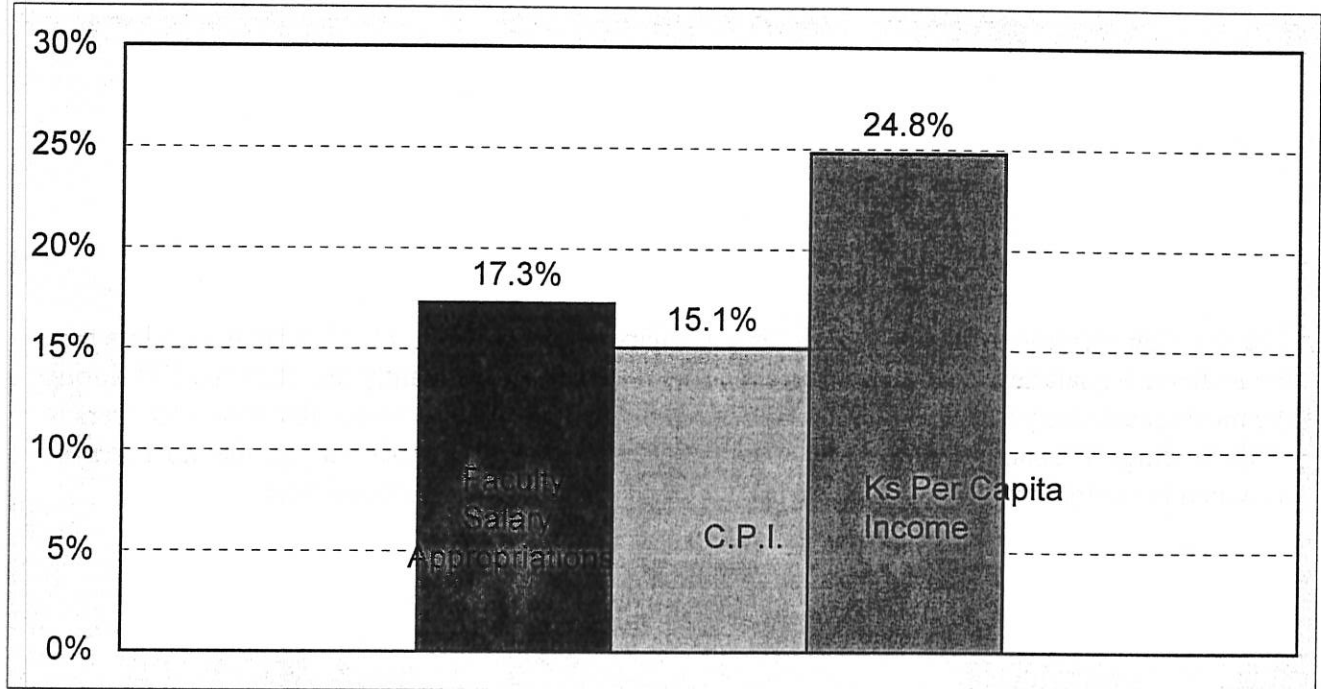
The impact of limited budget growth becomes more evident when viewed by the activities of a university. Appropriations for unclassified salary increase have only slightly exceeded the CPI, during the past five years, and have been substantially less than the Kansas Per Capita income.

Consequently, Kansas faculty salaries and retirement benefits remain below those of peer and national averages.



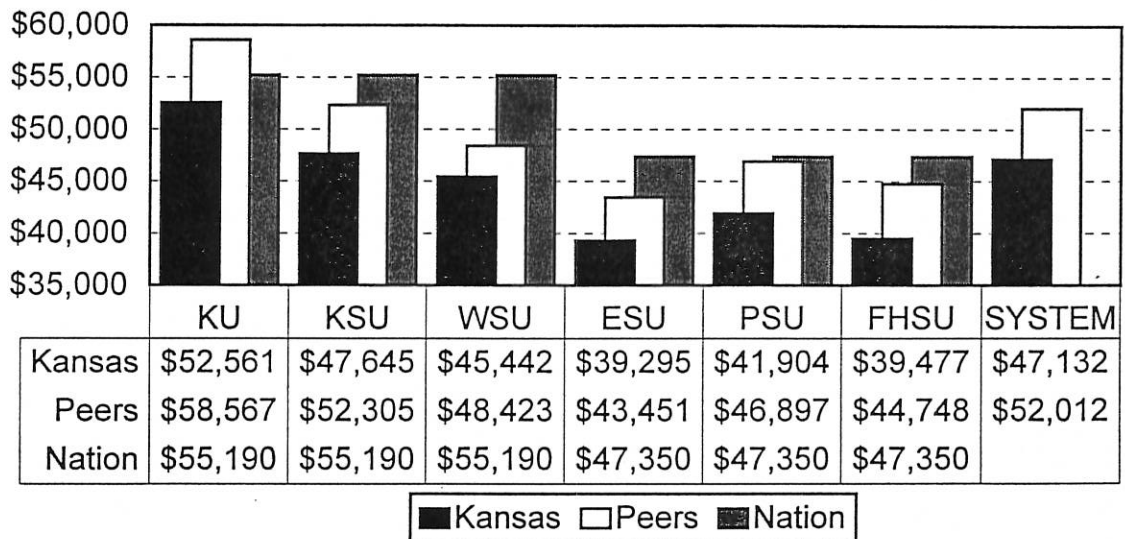
Percentage Change Faculty Salaries and Economic Indices

FY 1992 thru 1997



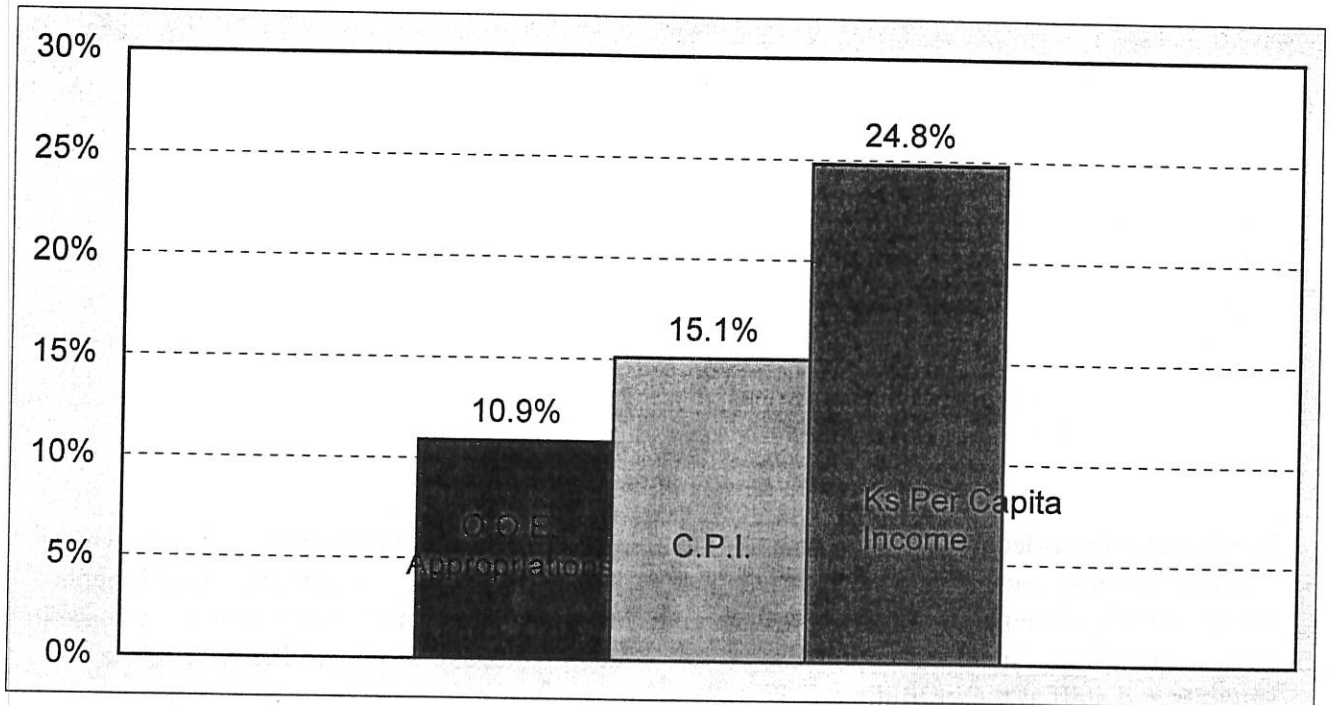
Faculty Salaries, Kansas, Peers, Nation

Fiscal Year 1996

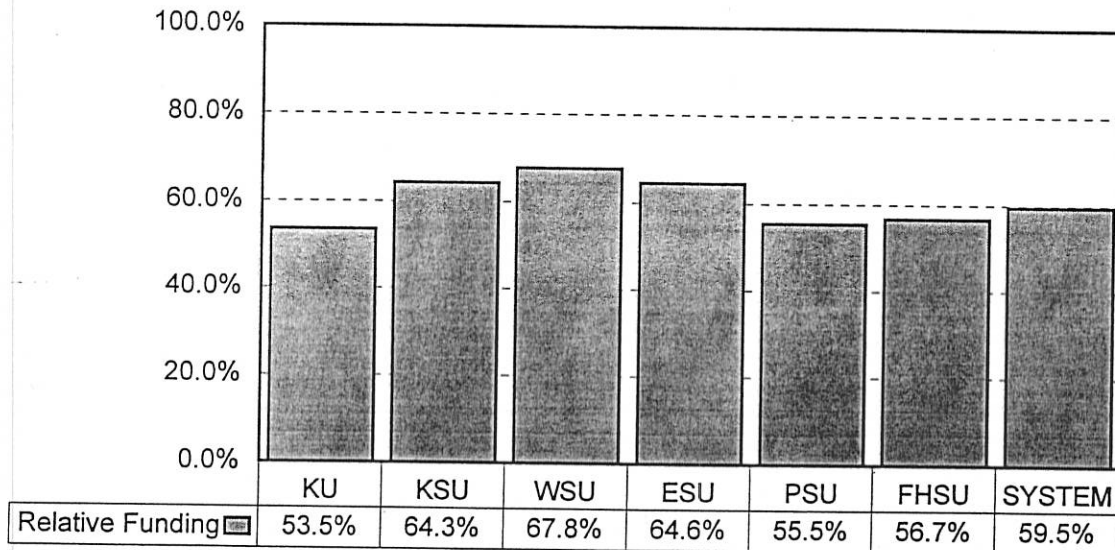


The five year increase in appropriations for non-salary expenses (or O.O.E.) has been even less than the increase for salaries. Appropriations for OOE have been significantly less than the CPI during the most recent five years. For this reason each of the institutions is substantially below its peers in OOE funding. This under funding manifests itself in a variety of budgetary areas, the most notable of which is equipment expenditures as they often can be deferred to another year.

Percentage Change Other Operating Expenditures and Economic Indices
 FY 1992 thru 1997



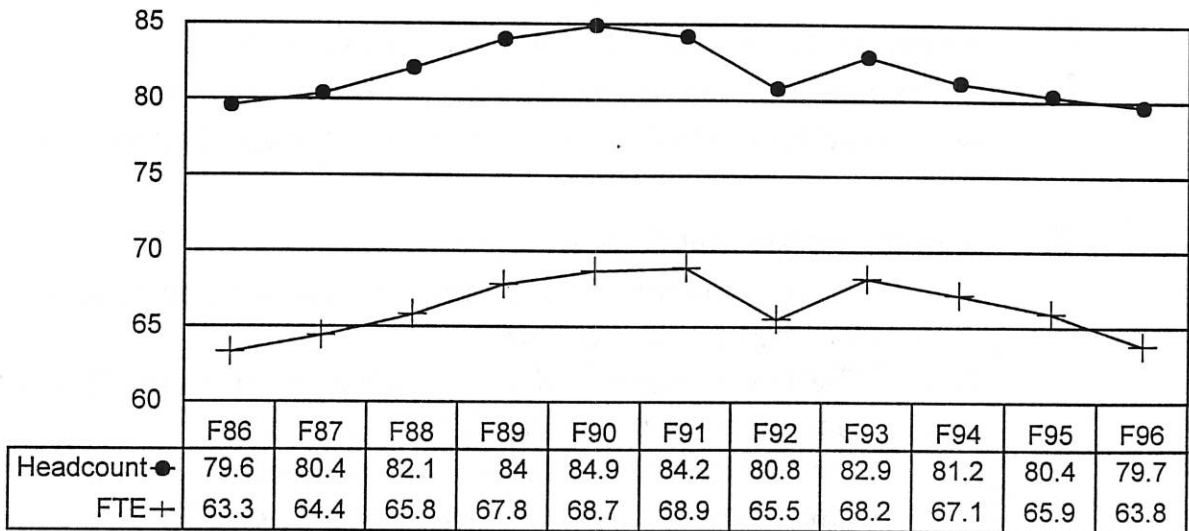
Relative Funding of Other Operating Expenditures
 Compared to Peer Institutions
 Fiscal Year 1995



Enrollments have declined at the Regents institutions during the past five years. It is noteworthy that the five year decline in headcount has been approximately 1 percent per year. Enrollments are approximately equal to those of a decade ago. It is particularly noteworthy that an increase in degree awards continued throughout the period, a factor reflective of the productivity of the students and staff at the institutions.

Ten-Year Change In Regents Enrollment

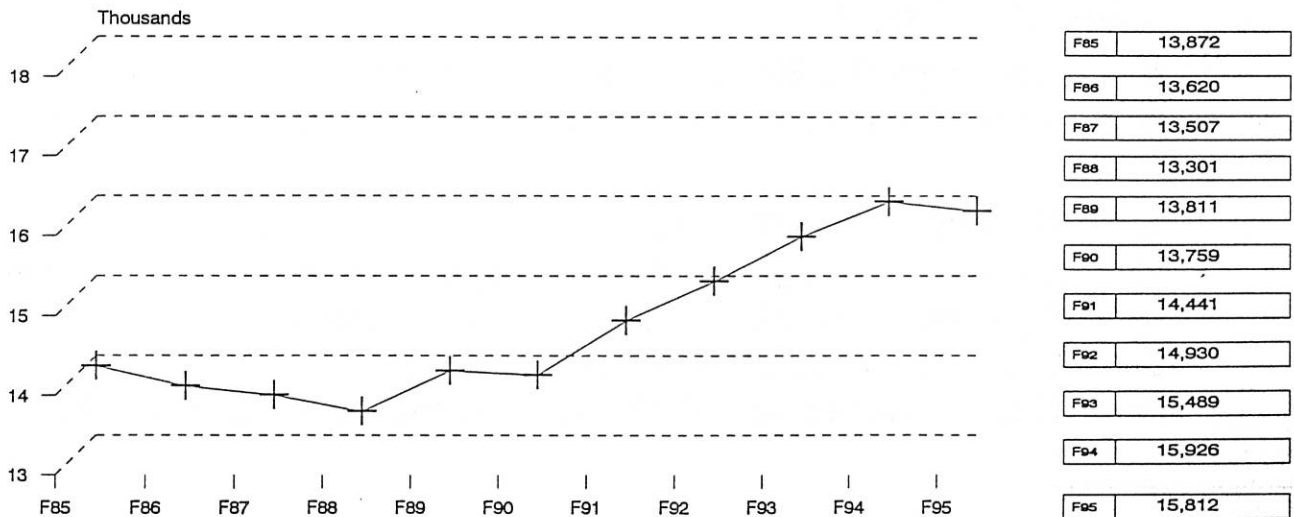
Fall 1986 to Fall 1996



5 Year Decrease: Headcount - (5.3)% FTE - (7.4)%	10 Year Increase: Headcount - .2% FTE - .8%
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Ten-Year Change In Degrees Awarded Regents Institutions

Fall 1985 to Fall 1995



5 Year Increase: Degrees Awarded: 14.9%	10 Year Increase: Degrees Awarded: 14.0%
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AN UPDATE ON 1996 BUDGETING ISSUES

✓ *Tuition Accountability*

- Implemented at KU, KSU, and WSU, Fall 1996
- No expenditures occurred due to enrollment growth.
 - Declines in fall 1996 enrollments at those 3 institutions.
- The Board highlights three unresolved issues.
 - Whether the impact of implementing linear tuition must be absorbed by the institutions.
 - Whether changes in the resident/ non-resident mix are to be a part of tuition accountability.
 - Whether changes in tuition waiver policies are a part of tuition management for tuition accountability.
 - The Board believes clarification of these issues desirable in 1997.
- The Board requests that KU, KSU, and WSU remain in tuition accountability.
- The Board has not yet taken action to recommend that additional institutions join tuition accountability.

✓ *Linear Tuition*

- Implemented at KU, KSU, and WSU, Fall 1996.
- Reduced average credit hours per student, compared to fall 1995.

✓ *Crumbling Classrooms*

- Board approved project listing in September, 1996.
- First bond issue of \$50 million sold in November
- Institutions presently awarding initial projects.
- Financial advisors evaluating when additional bonds to be sold.

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Average Credit Hours Per Fall Headcount Student

Undergraduate On - Campus Enrollments

