

KANSAS STATE UNIVERSITY
Testimony to the Senate Ways and Means Subcommittee for Higher Education
Tuesday, February 9, 2010

Introduction

Good afternoon, Chairman Emler and members of the Senate Ways and Means Subcommittee on Higher Education. I am Kirk Schulz, President of Kansas State University. With me this afternoon are Provost April Mason, Vice President for Administration and Finance Bruce Shubert and Director for Legislative Affairs Sue Peterson. Even though these are difficult and challenging times, I am very pleased to come before you to report on Kansas State University. We are very aware of the financial challenges faced by all Kansans and we know that we must sacrifice to meet those challenges. Over the course of the last 18 months, K-State has endured its share of the State's budget burden.

Governor's FY 2011 Budget Recommendation

K-State supports the Governor's recommendation to maintain current funding levels in FY 2011. We appreciate the difficulty in identifying additional revenue, but further reducing our budget will significantly impact our ability to meet our core purposes. Even with no further State General Fund reduction, K-State will need to identify resources to fund a 12.5% increase in Group Health Insurance costs and to fund handbook mandated salary adjustments.

Governor's FY 2010 Budget

K-State's FY 2010 State General Fund (SGF) appropriation has been reduced by \$22 million (about 12%) from the beginning FY 2009 level. In addition to these cuts, K-State had to identify about \$7 million to fund increased costs for items such as utilities, employee fringe benefits, faculty promotions, classified pay plan adjustments and the minimum wage increase. K-State's 3.9% tuition increase generated about \$6 million in additional resources. The result was K-State had to

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reduce \$23 million from the base budget. The problem was addressed by reducing departmental budgets by \$14 million (3.5% for all units and 5% for most administrative units) and by using \$9 million in temporary stimulus funding and funds that had been set aside for one-time equipment purchases.

The base funding reductions have been made by holding approximately 200 positions vacant and partially meeting critical needs with part-time temporary replacements, reducing our student employee labor force; and by cutting non-salary expenditures. A soft hiring freeze on all non-critical vacant positions has been in place for over a year. A suspension of the reclassification of classified positions has been in place since summer 2008. Additionally, selected equipment and technology purchases have been delayed. In making these decisions, we recognized the necessity of teaching a full schedule of courses during the current academic year—both from the perspective of allowing students to make satisfactory progress toward graduation and from a tuition revenue generation standpoint. In that context, we indicated that exceptions to the hiring freeze would be considered on a case-by-case basis. Savings that accrue because of these actions have helped units meet their individual budget reduction targets.

K-State has tried very hard to not significantly reduce course offerings but has combined or delayed offerings of several sections across all colleges. As a result, many faculty members are assigned heavier teaching loads, creating workload discrepancies. For example, six faculty members in architecture are teaching double studios, which are huge teaching loads with nearly 20 contact hours. These increased teaching loads in all colleges greatly reduce faculty member's ability to

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contribute to masters and doctoral committees or to produce scholarly work and competitive research opportunities.

Our adaptation to this reduced resource level is not complete. We still need to identify about \$15 million in further savings or new resources to address critical needs. First, our current base operating budget is not sustainable – we need to replace \$9 million in temporary resources that are being used to pay for base operations. Second, we need about \$5 million to strategically restore resources that have been cut from core campus academic units that are operating in a non-sustainable fashion - for example, some of the approximately 200 unfunded vacant positions must be filled to ensure continuation of quality academic offerings. Finally, we need about \$1 million in central resources for contingent needs. Identifying the needed \$15 million is extremely difficult. The result will be that K-State will be permanently changed.

Since last August, the entire K-State community has been actively engaged in determining how we should meet our budgetary challenges. Under a process agreed to by K-State administration, faculty, staff and students, 1,400 ideas about potential savings opportunities and revenue generation were submitted from across the campus. Those ideas have been collected, organized, evaluated, posted on the K-State web site and shared with the entire university. Discussions about how to proceed are ongoing. The collaborative nature of this entire process has served us well. The list of ideas and resultant discussions will help us through the current difficult times and will provide the basis for improvement opportunities for years to come.

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These sacrifices and discussions are especially trying at K-State because we have never been comparatively well-funded. To cite just one illustration of that point—overall funding when compared to five other land-grant universities with similar academic programs has ranged between 79% and 86% over the past 30 years. These comparisons are based upon a detailed analysis of funding and expenditures for similar programs at Colorado State University, Oklahoma State University, Iowa State University, Oregon State University and North Carolina State University.

Because of the extraordinary efforts of our faculty, staff and students, we are meeting our core mission. Our enrollment increased slightly in the fall and continues to be strong this spring. Extramural research awards are running ahead of last year's level and we are fulfilling our service and outreach mission.

Budget Discussion

K-State has three distinct sub-agencies—the Main Campus, the Veterinary Medical Center and Research and Extension. Each of these units receives its own State General Fund appropriation. Because K-State Research and Extension has no ability to generate tuition revenue, its budget has been impacted much more severely by the State General Fund reductions in both FY 2009 and FY 2010. The impact has been felt not only by 6 K-State colleges, but in every county across Kansas.

K-State has traditionally been a decentralized organization. We have always believed that decisions are best made and resources are most efficiently used by unit managers. Consequently, our resources are fully allocated and, by necessity, we have engaged the entire campus in determining how to adapt to changing circumstances. We have been actively discussing budget challenges for FY 2009

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and FY 2010 and FY 2011 since fall 2008. A great deal of communication and planning continues. Currently, we are in the process of evaluating campus feedback and determining what steps to take that will allow us meet our core mission at current funding levels.

Tuition

I cannot overemphasize the important role that tuition plays in our overall budget at K-State. We use tuition revenue for faculty salaries, information infrastructure, library holdings, instructional supplies and equipment, and student employee salaries. We would not have been able to maintain the quality of our academic programs without additional tuition revenue. Seven years ago, K-State's resident tuition and required fees ranked 10th in the Big XII Conference and 127th of 177 institutions belonging to the National Association of State Universities and Land Grant Colleges (NASULGC). This year, we rank 9th in the Big XII and 94th in the NASULGC group. We continue working with the Student Senate Special Committee to draft a tuition plan for the coming year that is supported by our students. Those discussions focus on balancing affordability with maintaining the quality of a K-State education.

Efficiencies

K-State has constantly sought more efficient ways to deliver our academic programs and administer our university to meet enrollment demands, preserve program quality, provide appropriate student services, and demonstrate effective stewardship of natural resources. The following sections are extracted from a recent response to a Legislative Post Audit report and are intended to demonstrate that we are efficient,

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that we continuously strive to become more efficient and that, in addition to budget cuts, other challenges exist.

Early Warning System for Low Enrollment classes: We have implemented an “early warning” process to assist departments in the identification of low enrollment classes. Each department and college is sent a list of low enrollment courses near the end of each semester. This allows departments to make changes, combine sections, or cancel classes prior to the start of the next semester. The department heads will have to justify the need for retaining any low enrollment courses to the Dean and Provost.

Changes in Course Offerings: We are also requesting that all departments examine their recent class enrollments to determine whether current courses can be taught less frequently or cancelled if enrollment trends suggest a history of low enrollment.

Changes in Structure: Our campus-wide communication resulted in numerous suggestions for combining colleges, departments, or programs. Each of these strategies will be examined for their merit and potential financial savings.

Collaborating with other universities to share course content, teachers, and instructional programs:

Great Plains IDEA: The Great Plains Interactive Distance Education Alliance (IDEA) is an inter-institutional alliance currently composed of 14 land grant institutions with 14 more intending to join. Academic programs in the area of human sciences are at the core of the Alliance. Each member institution offers distance courses that can be taken by students from all member institutions, and awards academic credit and degrees for programs in which they participate.

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Curricula are developed by inter-institutional faculty teams. K-State garnered the funding for the alliance and has served as the managing partner for the Great Plains IDEA since its inception in 2001. K-State fully participates in six of the seven Great Plains IDEA programs.

Institute for Academic Alliances: Given K-State's success with Great Plains IDEA and its leadership in developing collaborative higher education distance programs, we received funding from the Department of Education in 2004 to establish the Institute for Academic Alliances (IAA). The IAA provides support to develop and implement collaborative distance academic program alliances. The IAA has initiated and manages a number of collaborative alliances in addition to the Great Plains IDEA.

AG*IDEA: In March 2008, the scope of the Great Plains IDEA expanded beyond the human sciences to include agriculture and related programs. The Agriculture Interactive Distance Education Alliance (AG*IDEA) currently includes 28 land grant universities offering degrees in agriculture and related sciences. AG*IDEA will be capable of offering six graduate certificates in agriculture-related programs by 2011. K-State was one of the four founding members of AG*IDEA and, through the IAA, manages the program.

Big 12 Engineering Consortium: This collaborative program was formally established in 2008 and was initiated in the area of Nuclear Engineering. The Consortium enables students to enroll at any Big 12 school and take online nuclear engineering courses taught by Kansas State University, Texas A&M University, University of Missouri, and the University of Texas-Austin without

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having to deal with credit transfer. Nine online courses in nuclear engineering are currently offered by the Consortium, as well as a summer institute that engages students in hands-on training at the UT reactor in Austin. The Big 12 is currently considering the development of collaborative, online programs in other engineering fields.

Cooperative Relationships with Community Colleges: In addition to these various inter-institutional alliances, K-State also provides nine bachelor's degree completion programs through distance education and has signed 44 2+2 agreements with community colleges in Kansas. This arrangement facilitates the acquisition of bachelor's degrees from K-State by place-bound students from across the state of Kansas.

Increasing Access through Distance Learning: Through distance education, K-State currently offers 380 courses, 14 bachelor's degree completion programs, 20 masters and eight certificate programs. K-State is currently developing 29 new online courses, as well as two new bachelor's degree completion programs, two new masters programs, and three new online certificate programs.

Faculty Workloads: Data from the University of Delaware's National Study of Instructional Costs and Productivity clearly shows that, compared to our peer institutions, across a wide range of departments, K-State is (1) more efficient in terms of total student credit hours produced and FTE students taught, and (2) less costly in terms of instructional expense per student credit hour and per FTE student. In addition, reductions in our budget resulted in the elimination of over 30 faculty positions. In addition, we have held over 75 faculty positions vacant or have filled

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them with temporary or part-time instructors. Enrollments have risen and we are generating more student credit hours. We believe that our faculty teaching loads reflect a very efficient use of resources and productivity, particularly given the recent decrease in available personnel.

An important aspect of a research university is the amount of faculty time allocated to conducting research. This research generates a significant portion of funding for the university. In fact, 20% of our overall university budget is funded by extramural support obtained directly from faculty research grants. That funding typically comes from outside the state, significantly enhances the educational experience, and frequently results in knowledge that enhances the State economy. In thinking about increasing faculty instructional assignments, we must recognize that any efficiency gained with respect to teaching loads may be outweighed by the loss of extramural funding. For example, our FY 2009 level of extramural funding at K-State (\$133 million) was generated by faculty members whose research assignments totaled approximately 300 FTE. This means that each tenth of faculty research time generated over \$45,000 of extramural funding. Shifting faculty assignments toward teaching and away from research could significantly affect our extramural funding.

Maximizing the use of existing classroom and laboratory space: K-State, as the state's land grant university, is unique because a significant amount of lab space is devoted to activities related to animal maintenance, crop production, and horticultural experimentation. K-State's classroom space is efficiently utilized. Nonetheless, we will be conducting an audit of all spaces to better document where efficiencies can be improved, especially during summer and intersession terms.

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Library Subscription Database Consortia: University libraries participate in three consortia: Greater Western Library Alliance, Regents Libraries Database Consortium, and EPSCOR Science Information Group. Because we are members of these consortia, we pay for database subscriptions at a lower rate than if we subscribed to these services on our own. In addition, the database memberships and licenses allow us to avoid hardcopy procurement costs.

Off-Site Library Storage Agreement: About two years ago we signed an agreement with the University of Kansas to lease storage space for 500,000 volumes currently being housed in facilities on the Manhattan campus but not accessed frequently. While there are costs associated with this approach (e.g., a onetime relocation cost for these materials, an annual lease payment for the space and transportation costs of needed materials), they are considerably less than the cost of constructing and staffing a book warehouse facility on our campus.

Sharing of Technology and Specialized Equipment: There are continuous efforts to create research centers and spaces to share expensive research equipment and expertise among academic departments. Early examples were the KSU Electronic Design Laboratory and the Biotechnology Center. Most recently, the Lipidomics Center and the Bioinformatics Center have been established. Other examples involve the sharing of technology, such as equipment for confocal microscopy, laser research and flow cytometry. Our research centers are often formed with an infusion of federal research dollars, allowing a shift of funding from state resources. Furthermore, they provide our faculty members with the equipment, skills, and expertise to be successful in applications for additional research funding as well as allowing us to avoid needless duplication of equipment.

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Electronic Student Billing: We now produce only on-line bills for our students. This decision has resulted in savings for printing, envelopes and postage—and produced a favorable change in bill collection patterns. For example, our volume of electronic payments increased from 8% of the total cashiering volume over 25% since 2007. At the beginning of this fiscal year we began offering online signup for the University managed Tuition Installment Payment Plan. This plan provides students a low cost and effective method for spreading tuition costs over a longer time during a semester. On-line access has increased plan usage by approximately 35%.

Electronic Dissertation and Thesis Submission: A year ago we instituted a policy requiring all doctoral and masters graduate students to submit their dissertations, theses, and reports in electronic (PDF) form. Under this new policy, students submit their documents to the K-State Research Exchange, a website developed for that purpose. The time it takes Graduate School and university library staff to review and process these documents has been greatly reduced and approved documents are typically available online within a few days of submission. In addition, our students save the cost of reproducing their dissertations and theses. This approach also means that K-State theses and dissertations are automatically indexed by Google and other search engines—thus greatly expanding access to academic research done by our students.

Electronic Conferencing: Agricultural Research and Extension is using new media technologies such as *Wimba* and *Connect* to facilitate employee training at its remote sites located across the state.

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Reorganizing Agricultural Research/Extension Media Services: Agricultural Research and Extension has merged its print, radio, and television news functions into one administrative unit. The synergy between these areas is resulting in higher quality releases for all news media outlets and local Extension offices. This approach more appropriately meets audience demands, represents a more efficient administrative structure, and capitalizes on the use of technology to deliver our messages more effectively.

Developing a Learning Management System: K-State has developed and deployed a very functional in-house learning management system known as *K-State Online*. This system allows K-State faculty to supplement traditional face-to-face instruction with additional web-based information and to efficiently communicate with students electronically. *K-State Online* is used in more than 2,300 of our courses. This system is also used as our platform for providing distance courses. Because we developed this comprehensive system in-house and maintain it with existing university staff, we are able to avoid uncontrollable annual increases in license, maintenance and external support costs associated with commercial products such as BlackBoard.

Grounds Maintenance: We are expanding the use of technology to reduce water use and we are using mulching mowers to help reduce fertilizer costs. Employees are using bicycles rather than motorized vehicles as they conduct routine campus grounds tasks such as watering and weeding. Additionally, we have optimized landscape/grounds staff size through better lawn maintenance scheduling and equipment selection.

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Cash Management: We have centralized our cash management and check writing processes through the State of Kansas.

Transactional activity processing: Transactional activity processing through the state allows us to be part of the state financial reports, eliminating the need to have an external audit of our independent annual reports.

Processing of student refunds: We are pursuing plans that will require all student refunds to be processed electronically. Currently 50% of such transactions are processed electronically.

Business Procurement Card Usage: K-State has traditionally been a heavy user of the State's business procurement card (BPC). We are increasing training, card issuances and card limits, consolidating card types, and analyzing all purchases as they come through the system. For transactions appropriate for BPC usage, we are educating the campus on the benefits of using the card.

Outsourcing: KSU has already outsourced its bookstore, K-State Student Union food service, vending services and a great deal of facilities work. Further outsourcing opportunities will be continually explored.

Energy Conservation Projects: K-State has entered into an energy conservation project to replace well systems and lighting. The annual savings will be approximately \$400K that will be used to repay the investment. Initiatives to reduce energy consumption are being pursued in two major areas. The first involves

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engaging an Energy Services Company to examine a number of potential infrastructure investments that focus on saving energy. The second involves developing an in-house behavior-based energy saving program that will be funded from energy savings.

Electronic Course Catalogs: We have replaced our printed undergraduate and graduate course catalogs with electronic versions and no longer publish paper copies. The electronic catalogs, which operate in a secure hosted environment at an off-campus site, provide timely information in a user-oriented, searchable format. The electronic versions replace a 300 page undergraduate catalog and a 200 page graduate catalog that in the past had been revised and reprinted on a two-year cycle. The printed catalogs had been provided to entering students, transfer students, faculty, and university departments at no cost. In converting to the electronic catalog, we are saving more than 7 million pages of paper every two years.

Converting Paper Documents to Electronic Form: There is an on-going effort to move space-consuming, difficult-to-access paper documents to an electronic environment. More than 2.5 million paper documents are now stored securely in electronic form for the Office of Student Financial Aid, the Registrar's Office, the Human Resources Department, K-State Salina administrative offices, Environmental Health and Safety, Academic Services and the Graduate School.

Recycling: K-State has partnered with the City of Manhattan (using City and University funds) to establish a recycling center on campus. We also manage a website that advertises used equipment (e.g., computers, printers, furniture) for use by the members of the university community. K-State has a desk-side recycling

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program that resulted in recycling 998 tons of basic materials last year – about 16% of our waste stream. We also recycle electronic waste. Last year we collected 43 tons of computers and related equipment that were inoperable or antiquated. We also recycled almost 5 tons of rechargeable and non-rechargeable batteries, 2 tons of ballasts and more than 10,000 fluorescent, compact fluorescent and incandescent bulbs. Additionally, we recycled more than a ton of silver-containing waste. Housing and Dining Services is an active recycler and has an *All Taste...No Waste* campaign to reduce the amount of excess food that ultimately ends up in the waste stream.

Deteriorating Infrastructure

We appreciate the infusion of deferred maintenance funds and ARRA maintenance funds. We are making progress on the approved projects. However, the buildings on our campus are the oldest in the Regents system and the amount of funding needed to bring them into acceptable condition is the largest in the system. As a result, our building and infrastructure renewal costs approach \$300 million. We are spending proportionately too much of our physical plant operating budget on emergency repairs—which causes us to neglect some of the routine maintenance we should be performing, thus compounding the problem.

National Bio and Agro-Defense Facility (NBAF)

Your historic investment in K-State pays off. For example, K-State's selection as the location of the National Bio and Agro-Defense Facility (NBAF) will forever change Kansas. NBAF is a critically important project that will protect the American food supply and agriculture economy and will provide hundreds of valuable jobs. When complete, it will serve as the nation's premier research facility for developing vaccines and countermeasures for diseases that threaten livestock and

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other animals, which agricultural and bioterrorism experts consider a national priority. The \$650 million research facility will make a tremendous impact on the economic future of the State of Kansas. Just recently the U.S. Department of Homeland Security announced it will work with Congress to dedicate \$40 million more for the construction of NBAF to bring the cumulative funding to more than \$150 million. With your help, K-State, the KBA and the Department of Homeland Security are making steady progress.

Conclusion

Thank you for the opportunity to appear before you today. While we understand fiscal reality, we will always strive for excellence through hard work, creativity and collaborative decision making. We are involving our best people in determining how to meet our purpose during these difficult times. But we cannot be successful by ourselves—we need your help. We will do our part to help the Governor and Legislature achieve the best for the State of Kansas. I would be pleased to answer any questions you may have.