BUDGET PRESENTATION

January 27, 2017
...WHAT WE KNOW SO FAR
State could end up $1B short

Revenue projection an estimated $910 million short of expectations

JAMIE YOUNG Lincoln Journal-Star

Nebraska’s economic forecasting board got a pessimistic look Friday at the state’s revenue growth in the next couple of years, and substantially lowered tax collection projections.

The upshot is an estimated $910 million shortfall in general funds for the next two-year state budget, based on the Legislature’s spending projections.

Gov. Pete Ricketts issued a quick statement, saying he would continue to work with state agencies to curb spending and prepare budget cuts for the legislative session that begins in January.

“Today’s downward revision for this fiscal year is consistent with the trajectory set by the revenue gap in the first quarter of this fiscal year and affirm the need to cut the budget,” he said.

The revised tax collections forecast for the current fiscal year, with eight months to go, were down from $4.567 billion to $4.395 billion. That shouldn’t be a problem for state general fund cash flow, said legislative fiscal analyst Mike Cabert.

Most of the problem with projected tax collections, forecasters said, is the result of a flat or even downward trend in the agricultural economy.

“Commodity prices are unequivocally distressed, all the major commodities, soybeans, cattle, corn,” said Fred Lockwood of Scottshull.

David Oehme of Geneva said his question is whether Nebraska has a diversified enough economy to withstand what’s going on in the ag sector or will be a victim of it.

Appropriations Chairman Heath Mello said the challenge of the shortfall won’t be easy and will require a focus on priorities and limited spending growth.

Only six returning senators — Burke Harr, Lydia Brasch, Paul Schumacher, Jim Smith, Tyson Larson and Bob Krist — were around when the Legislature faced a shortfall in 2011 of more than $1 billion.

The difference now is that the state is in a better position, with more than $600 million in its rainy day fund, he said.

Opinsky Executive Director Renee Fry said the forecast highlights economic uncertainty in Nebraska, particularly in the ag sector. It reinforces the need for a serious discussion about strategies and investments needed to promote economic prosperity and opportunities in the state, she said.

“Talk of income tax cuts and reducing revenue further is a distraction from the real challenges...”
NU ‘State-Aided’ Budget

Two primary funding sources:
State tax dollars and student tuition
WHAT WE KNOW SO FAR

• State fiscal challenge
• Governor holding back 4% of appropriations
• Governor recommends $13,322,749 as discussed
  – Managed by hiring freeze and other cost cutting measures
• Governor recommends $12,168,724 cut in FY18 and an increase in FY19 of $6,765,809 that will result in a $5.4 million cut to the FY17 base.
  – Excludes commitment for $3 million per year for iEXCEL support
FREQUENTLY ASKED QUESTIONS
UNKNOWN CONSEQUENCES

- How big of a cut?
- Will you raise tuition?
- Will you cut programs/people?

<table>
<thead>
<tr>
<th></th>
<th>State Appropriations</th>
<th>Tuition</th>
<th>Other</th>
<th>Salaries and Benefits</th>
<th>Utilities</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage</td>
<td>62%</td>
<td>35%</td>
<td>3%</td>
<td>81%</td>
<td>6%</td>
<td>13%</td>
</tr>
</tbody>
</table>
Doesn’t NU have a $2.5 billion budget?

Not all money is fungible
The NU Foundation has over $2 billion in assets. Just get some money from them...

99% of Foundation Funds Are RESTRICTED
HASN’T STATE SUPPORT TO NU GROWN OVER TIME...
NU State Appropriation History

2000

Great Recession

2010

2015

$300

$400

$500

$600

$583
NU State Appropriations per FTE Student (inflation (CPI) adjusted)

Challenge: state support has been unable to keep pace with inflation (CPI) and NU’s enrollment growth.
NU Share of State of Nebraska Budget

Trend: NU becoming smaller portion of State Budget
State Appropriation Growth of State Agencies

From 2000 to 2017

172% Medicaid
133% Corrections
91% All Other State Agencies
89% Total State Appropriations
76% Community Colleges
66% State Colleges
64% K-12
57% NU

Source: Legislative Fiscal Office budget reports
WHY SHOULD STATE TAXPAYERS INVEST IN NU...
NU EDUCATES NEBRASKA’S HEALTHCARE WORKFORCE
70% of Nebraska’s health professionals were trained at UNMC
NU SUSTAINS NEBRASKA’S WORKFORCE

1 of every 36 jobs in Nebraska are the result of NU activities.

NU supports 35,000 jobs in Nebraska. These include not only NU employees, but 19,000 jobs that result from NU activities.
THE UNIVERSITY OF NEBRASKA HAS AN ANNUAL
$3.9 billion impact on Nebraska’s economy

NU’s education, research and outreach activities contribute $10.7 million every day to Nebraska’s economy.
What’s Next...

- Governor’s Budget introduced – January 12
- NU Appropriations Hearing – Late February / Early March
- Final State Budget ~May
- NU Budget and Tuition – June
Budget Response Team

• Guiding Principles:
  1. Protect academic integrity
  2. Protect affordability

• Magnitude of Issue:
  1. $13.3 million in one time cuts prior to June 30, 2017
  2. $58 million deficit for next biennium
  ➢ Gap can be closed by: **TUITION AND CUTS**

• History Lesson:
  1. Mid-year cut in 2003 and following year resulted in: HUGE tuition increases; cuts; and a loss of over 1,500 students
<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>Biennium</th>
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<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Appropriations</td>
<td>-2.5%</td>
<td>1.0%</td>
<td>(8.9)</td>
</tr>
<tr>
<td>Tuition</td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>Price Change</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residents (Residents)</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Non-Residents</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Online</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td>(14.6)</td>
<td>5.7</td>
<td>(8.9)</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Faculty Salaries</td>
<td>2.0%</td>
<td>2.0%</td>
<td>13.0</td>
</tr>
<tr>
<td>Non Faculty Salaries</td>
<td>2.0%</td>
<td>2.0%</td>
<td>12.3</td>
</tr>
<tr>
<td>Benefits (FICA, Retirement)</td>
<td>2.0%</td>
<td>2.0%</td>
<td>3.1</td>
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<tr>
<td>Health Insurance</td>
<td>10.0%</td>
<td>10.0%</td>
<td>13.9</td>
</tr>
<tr>
<td>Utilities</td>
<td>1.5%</td>
<td>1.5%</td>
<td>1.5</td>
</tr>
<tr>
<td>Inflation</td>
<td>1.0%</td>
<td>1.0%</td>
<td>2.6</td>
</tr>
<tr>
<td>Priorities &amp; Initiatives</td>
<td>33.0M</td>
<td>30.0M</td>
<td>3.0</td>
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<tr>
<td><strong>TOTALS</strong></td>
<td>25.7</td>
<td>23.7</td>
<td>49.4</td>
</tr>
<tr>
<td><strong>Net</strong></td>
<td>(40.3)</td>
<td>(18.0)</td>
<td>(58.3)</td>
</tr>
<tr>
<td><strong>% Growth</strong></td>
<td>-1.5%</td>
<td>0.8%</td>
<td>-0.9%</td>
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What does this mean for the future of NU?

- **EFFICIENCIES:** (20% of Spend)
  - $5 million

- **CUTS:** (80% of Spend)
  - $26,200,000
  - Equates to approximately 350 jobs
    - Assumes $75,000 job including benefits

- **TUITION:**
  - 7% Resident Tuition (Assumes -1.5% enrollment impact)
    - $18.3 million revenue gain
  - 7% Non-Resident Tuition (Assumes -1.5% enrollment impact)
    - $12.8 million revenue gain
Budget Response Team

President Hank Bounds

Steering Committee
Chair: Susan Fritz
Vice Chair: Jim Linder
Bob Whitehouse, BoR
David Woodman, UNL
Anthony Flott, UNO
Marjorie Kostelnik, UNL
Rachel Flaugh, UNK
Jeff Gold, UNMC
James Blackledge (external)
Spencer Hartman, UNL

Working Groups

Information Technology
Chair: Mark Askren, NU/UNL
Brian Lancaster, NM
Don Mihulka, NU
Rick Haasenrud, NU/UNL
David Sawtzen, UNL
Bret Blackclere, UNO
Dave Nelson, UNO
Bob Whitehouse, BoR
David Woodman, UNL
Marjorie Kostelnik, UNL

Facilities Management
Chair: Mark Miller, UNL
Kevin Hunt, UNL
Becky Noller, NU
Lee McQueen, UNL
John Amund, UNO
Bill Nunez, UNL
Jennifer Bartholomew, MM

Financial Operations/Accounting
Chair: Deb Thomas, UNMC
Vice Chair: Rod Markin, UNMC
Carol Kitriner, UND
Chris Jackson, UNL
Jon Watts, UNK
Donde Plowman, UNL
John Bettle, UNO
Mike McGlade, UNMC

Human Resources/Payroll
Chair: Bruce Currin, UNL
Mary Petrowski, UNK
Aileen Warren, UNMC
Drew Nelson, UNO
Laura Wakefield, UNO
Gayle Schanzen, UNL
Charlotte Frank, UNL
Sherly Gartner, NU
Brent Schlichting, NU

Procurement
Chair: Jeff Elliott, UNMC
Vice Chair: Maggas Miller, NU
Scott Benson, UNK
Julie Davis, NU
John Tencer, NU
Jackie Alenworth, UNL
Carmen Maurer, NU
Bill Conley, UNO

Printing/Copying
Chair: Emily Poeschl, UNO
Vice Chair: Robert Jennings, UNMC
John Verger, UNL
Kyle Means, UNL

Energy
Chair: Dan Harmon, UNMC
Vice Chair: Tim Burke (external)
Toby Badura, UNK
David Yoll, UNL
Daren Dageford, UNMC
Larry Morgenhoff, UNO
Jim Jackson, UNL

Digital Education
Chair: Mary Niemann, NU
Vice Chair: Chris Marues, UNL
Kim Carlson, UNK
David Boeker, UNO
Jai Lindsburg, UNO
Pam Bowens, UNMC
Marie Barber, UNL
Walter Weir, NU
Ray Schrader (external)

PR/Communications/Marketing
Chair: Jackie Ostrowski, NU
Vice Chair: Teresa Paulsen, UNL
Melissa Loe, NU
Bob Bartee, UNMC
Molly Nance, DWR
Erik Owen, UNO
Kelly Bartling, UNK
Doug Parrott (external)

Travel
Chair: David Lechner, NU
Vice Chair: David Marues, UNL
Kim Phillips, UNL
Michael Christen, UNK
KT Nelsen, UNMC
Teresa Carlson, UNO
Laura Connerman, NU
Kevin Harford, RU
Jim Vogel, UNL
Jami Hagedorn, UNL

Travel
Budget Response Team: Timeline

• Thursday, January 26: Kickoff Meeting
• Week of January 30: Campus Forums
• Monday, March 27: Working group recommendations due to the Steering Committee
• Monday, April 10: Steering Committee’s recommendations due to President for consideration in consultation with the chancellors