

**Comprehensive Planning Narrative  
Kutztown University of Pennsylvania**

**As submitted  
September 23, 2022**

**Reports should be no more than 15 pages.**

## Executive Summary

Please insert the Executive Summary chart from the CPP excel file. Provide a brief (one page) narrative describing the university's financial projections and how the university will achieve at a minimum a balanced operating result and a minimum student/faculty ratio. Items in red must have an explanation detailing the university's strategies to address the negative trends.

For universities projecting a negative operating result in the revenue less expenditure line:

1. Describe the university's strategies to achieve a balanced annual operating projection by the completion of the projection period (FY 24-25) and meet the associated minimum fall 2010-11 student/faculty ratio goal as outlined in Part 4, Academic Program Strategies.
2. If the use of reserves is required during this period to address the deficits, explain the resulting net assets and cash position and impact on ongoing operations and sustainability.

For universities projecting a balanced or surplus operating result:

1. Briefly describe the use of the surplus for student success/deferred maintenance and/or replenishment of reserves in alignment with the Sustainability Policy.

All universities are required to open the Executive Summary with the major themes received from the prior year CPP Summarized Feedback Comments and any associated updates.

	ACTUAL		PROJECTED						
	Goal	FY 2020-21	FY 2021-22	FY 2022-23	% Change	FY 2023-24	% Change	FY 2024-25	% Change
<b>Revenues and Use of Supplemental Resources/Adjustments Less Expenditures &amp; Transfers</b>		\$11.3	(\$11.1)	\$1.3	-111.5%	\$0.0	-100.0%	\$0.0	#DIV/0!
<b>Total Estimated Unrestricted Net Assets</b>		\$70.3	\$71.1	\$70.1	-1.4%	\$69.8	-0.4%	\$71.4	2.3%
<b>Total Estimated End of Year Cash Balance</b>		\$85.1	\$87.1	\$86.1	-1.1%	\$85.9	-0.3%	\$87.5	1.9%
<b>Annualized FTE Enrollment</b>		7,042.90	6,734.66	6,607.43	-1.9%	6,607.43	0.0%	6,607.42	0.0%
<b>Fall FTE Student/Fall FTE Faculty Ratio</b>	19.4	17.4	17.6	18.0		18.6		19.4	
<b>Net Tuition Revenue per FTE Student*</b>		\$6,908	\$6,445	\$6,329	-1.8%	\$6,208	-1.9%	\$6,166	-0.7%

\*Undergraduate academic year tuition revenue less institutional aid/annualized undergraduate FTE enrollment. Note: this estimate may include aid awarded to graduate students.

Kutztown University's plan toward financial sustainability began with fiscal year 2018/19 when we balanced our E&G budget, without the use of cash reserves, for the first time in eight years. We have remained focused on this approach and continued this difficult work by balancing our budget without the use of cash reserves for the 5<sup>th</sup> consecutive year in 2022/23. This was accomplished on an annual basis through a combination of new revenue and base budget reductions. We realized significant budget savings from position eliminations, faculty retirements, and reductions to department operating budgets and debt service obligations. Moving away from using cash reserves to balance the budget was a huge step in the right direction. These efforts are beginning to show clear results in the form of improving financial indicators. KU's unrestricted net assets and year-end cash balances are now at their highest levels since June 30, 2017.

Kutztown University has made a significant investment in student aid over the past few years by developing a financial aid optimization strategy with the assistance of RNL. The plan adds about \$3.5 million in student aid each year until we have enrolled four full classes (fall 2023). This strategic decision certainly was not without risk, but it is clearly paying off in several areas. First, KU has just recently welcomed a freshmen class of 1,600 students which is by far our largest since fall 2018. Second, we have seen a 5% increase in our second-year persistence rate which now stands at 79%. Finally, the larger freshmen class and increased retention rate along with much effort to reduce our faculty FTE has allowed us to increase our student-to-faculty ratio to 18-to-1 for fall 2022. Although this strategy has not increased overall enrollment, we firmly believe that recruiting a more consistent freshmen class and modestly improving our retention and persistence rates will help us stabilize enrollment moving forward.

Our outlook for fiscal year 2022/23 greatly improved with the news of increased appropriation for the State System. KU will receive an additional \$9.2 million in base allocations which helped us cover a modest enrollment decline, an increased investment in student financial aid, and significant increases to personnel costs. This new revenue has also allowed us to restore some base budget reductions in areas of strategic focus. We are projecting balanced budgets moving forward as we stabilize enrollment and continue to reduce our faculty FTE as we strive to increase our student-to-faculty ratio to 19.4-to-1, the System average from fall 2010. As displayed in our documents, we have made significant progress in realigning our faculty complement with our lower student enrollment through the elimination of recently vacated tenure track lines and reductions to our temporary faculty assignments. We are down 67 faculty FTE over the past three years with a current plan to further reduce our FTE by 26 over the next two years. We have no plans to use unrestricted net assets or cash reserves to balance our annual operating budget in future years.

Our cash balances are projected to fall slightly as we continue to tackle deferred maintenance needs and invest in strategic capital improvements. These projects include a lifecycle renovation of our College of Business building, construction of a new Admissions Welcome Center, the expansion of our existing greenhouse into a Botanical Research Center, improvements to our athletic facilities, plus key projects funded by our Foundation. The Kutztown University Foundation has experienced tremendous success during their comprehensive fundraising campaign, recently passing the \$44 million mark. In 2021/22 alone, the Foundation raised a record breaking \$10,415,005. These dollars go directly toward supporting student success through scholarships, programmatic support, and capital projects.

The financial projection set forth in the sustainability template is attainable and as displayed will lead to small but steady improvement in our financial indicators resulting in Kutztown University being in good standing with the State System criteria for financial sustainability.

## Part 1: Strategic Goal Narrative

Complete one page for each of the university's top three strategic goals and the strategies used to achieve them in a financially sustainable way, including expected outcomes for specific student populations.

Please note whether the goal item is new or continuing from prior CPP submissions. Continuing goals should describe status against outcomes in the narrative below.

- Enrollment stabilization and/or growth – including anticipated sources of new enrollments as well as improvements in student success (e.g., measured in 1st-2nd year retention and 4- and/or 6-year graduation rates).
- Diversity, Equity and Inclusion – including anticipated sources of new enrollments as well as reductions in URM attainment gaps (measured in 1st-2nd year retention and 4- and/or 6-year graduation rates).
- Sustainability – universities that have not balanced their revenue and expenditures for the current year should include a specific financial sustainability goal.

### Identifying strategic goals within major strategy categories

<b>Strategy Categories (Check all that apply):</b>		X	Student Success	X	Financial Sustainability
<b>New</b>		X	Affordability		Academic Program Array
<b>Continuing</b>	<b>X</b>	X	Diversity/Equity/Inclusion		Workforce
<b>Strategic Goal:</b>		Maintain freshmen enrollment of 1,600 and increase transfer enrollment to 535 by fall 2023, increase graduate enrollment by 1.25% annually, with additional focus on continuing education.			
<b>Strategic Goal(s) description and populations impacted:</b>					
Student recruitment is essential to boosting excellence and enhancing diversity in an institution's student body, as well as a foundation for financial sustainability. The university enrolled 1,487 freshmen in fall 2021 and 1,600 in fall 2022 (increase of over 7%). With the further implementation and refining of our new financial aid awarding processes, we feel confident that we will continue to recruit a freshmen class of 1,600.					
<b>Anticipated/Achieved student success, DEI, or financial sustainability outcomes:</b>					
Since the inception of the CPP, our freshmen enrollment has increased from 1,392 in fall 2019 to 1,600 in the current fall 2022. This sustained improvement is primarily due to our continued work with RNL in developing a financial aid optimization model that was started in fall 2020.					
New transfer undergraduate students are down the past few years, but this is not unexpected due to declines in community college enrollment since the start of the pandemic. We will need to refine our recruiting and aid strategies to achieve this goal.					
Graduate enrollment has been relatively consistent over the past few years after a significant increase in FY 2019-20.					
<b>Strategy funding and resources:</b>					
This is our third consecutive year working with a Strategic Enrollment Management (SEM) Consultant specializing in Financial Aid Optimization. The annual cost for this agreement is \$60,000.					
Current strategy includes an annual investment of \$3.5 million in student financial aid to secure incoming freshmen/transfer class.					
<b>Multi-campus and Systemwide implications, if applicable:</b>					
This initiative will put KU (as usual) in direct competition with other PASSHE Schools					
A coordinated effort between PASSHE schools who would accept students who are denied from another PASSHE school would assist in 'keeping' some students in the System instead of them going to other postsecondary schools.					

## Identifying strategic goals within major strategy categories

<b>Strategy Categories</b> <b>(Check all that apply):</b>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 5%; text-align: center;">X</td> <td style="width: 60%;">Student Success</td> <td style="width: 5%; text-align: center;">X</td> <td style="width: 30%;">Financial Sustainability</td> </tr> <tr> <td style="text-align: center;">X</td> <td>Affordability</td> <td style="text-align: center;">X</td> <td>Academic Program Array</td> </tr> <tr> <td></td> <td>Diversity/Equity/Inclusion</td> <td></td> <td>Workforce</td> </tr> </table>				X	Student Success	X	Financial Sustainability	X	Affordability	X	Academic Program Array		Diversity/Equity/Inclusion		Workforce
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<b>Strategic Goal:</b>	Increase freshmen cohort retention rate by 1%, annually, fall 2020-fall 2023, increase university persistence rate to 68% by fall 2023.															
<b>Strategic Goal(s) description and populations impacted:</b>																
Recognizing the opportunity to enhance retention and completion rates for students, KU will develop and implement additional programs and services designed to encourage student persistence to degree completion.																
<b>Anticipated/Achieved student success, DEI, or financial sustainability outcomes:</b>																
Retention continues to outpace our goals as we experienced a 3% improvement in fall 2020 and have now maintained a retention rate of 78% and 79% over the past 2 years. We continue to refine our retention initiatives and will be rolling out an early alert system (Starfish) to help us assist students as they encounter challenges during their transition to college.																
Persistence is slightly behind prior years but that is due to recent increases to our 4-year and 6-year graduation rates. We are experiencing a shift in persistence due to a decrease in time to degree.																
<b>Strategy funding and resources:</b>																
Initiatives will be funded through grant, foundation, and university funds.																
Additional revenues will be realized as part of increased tuition dollars due to increased overall enrollment.																
<b>Multi-campus and Systemwide implications, if applicable:</b>																
Kutztown University-Lock Haven University articulation agreement (B.S. Psychology/KU leading to M.S. Sport Science/LHU).																
3+2 articulation agreement between Kutztown University and East Stroudsburg University (various KU CLAS B.S. and B.A. degrees leading to Master of Public Health at ESU).																
MOU between KU B.A. Anthropology and Indiana University of Pennsylvania leading to M.S. Applied Archaeology degree.																

## Identifying strategic goals within major strategy categories

<b>Strategy Categories</b> (Check all that apply):	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%;"></td> <td style="width: 35%;">Student Success</td> <td style="width: 10%; text-align: center;">X</td> <td style="width: 30%;">Financial Sustainability</td> </tr> <tr> <td style="text-align: center;">X</td> <td>Affordability</td> <td></td> <td>Academic Program Array</td> </tr> <tr> <td></td> <td>Diversity/Equity/Inclusion</td> <td></td> <td>Workforce</td> </tr> </table>				Student Success	X	Financial Sustainability	X	Affordability		Academic Program Array		Diversity/Equity/Inclusion		Workforce
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<b>New</b>															
<b>Continuing</b>	<b>X</b>														
<b>Strategic Goal:</b>	Continue to Right-size the Annual Operating Budget														
<b>Strategic Goal(s) description and populations impacted:</b>															
<p>During this challenging period of declining revenues, the university is committed to eliminating positions and cutting operating costs to the level required to preserve our net assets. A balanced budget, where annual recurring revenues match our annual expenses, is paramount.</p>															
<b>Anticipated/Achieved student success, DEI, or financial sustainability outcomes:</b>															
<p>Continue to Right-size the Annual Operating Budget</p> <ul style="list-style-type: none"> <li>○ Kutztown University has maintained a modified hiring freeze for all staff positions since January 2019. This has resulted in the elimination of 75 staff positions across the E&amp;G and Auxiliary operations, redistribution of work, in some cases reduction of services, and careful review of any proposal to fill a vacant position at Cabinet. Work is continuing to review consolidation of services and reduction of the workforce in all areas of the university including non-represented employees.</li> <li>○ We have cut \$2.8 million from operating budgets across the university and asked departments to reevaluate all nonessential spending. The University has also reduced spending on non-deferred maintenance projects.</li> <li>○ We have made significant reductions to the temporary faculty pool as enrollment has declined and have eliminated many faculty tenure track lines as they became vacant. In total, we have reduced our faculty FTE by 67 over the past three years.</li> <li>○ In future years, we plan to make further cuts to budgeted faculty lines as we move toward increasing our student to faculty ratio.</li> <li>○ We have merged departments, realigned divisions, and eliminated upper-level management positions.</li> <li>○ We have no plans to use unrestricted net assets or cash reserves to balance our annual operating budget.</li> </ul>															
<b>Strategy funding and resources:</b>															
<p>The university has reallocated base budget funding to fully support our increased student aid.</p> <p>In FY 2022, the KU Foundation raised \$10,415,005 in gifts and pledges. These dollars continue to support student scholarships and significant capital improvements.</p>															
<b>Multi-campus and Systemwide implications, if applicable:</b>															
<p>KU has engaged in Shared Services with the Eastern Regional Procurement Office to reduce personnel costs. Additionally, KU is providing Human Resource Management for the Office of the Chancellor.</p>															

## Part 2: Enrollment Projections Used for Revenue Assumptions

Provide a brief description of the university's realistic enrollment projections for the projection period. To provide greater understanding of all enrollment projections, all universities are requested to provide information regarding categories noted below (New Enrollment, Retention, and Net Tuition Revenue).

For universities projecting an increase in enrollment:

1. A supplemental exhibit of enrollment projections by class level must be provided to outline where increases are anticipated (see supplemental exhibit), including rationale for the projections and what the university is doing to achieve those projections by student segment and relevant new enrollment and retention data.

### Enrollment Chart

	ACTUAL		PROJECTED					
	FY 2020-21	FY 2021-22	FY 2022-23	% Change	FY 2023-24	% Change	FY 2024-25	% Change
<b>Fall FTE Enrollment</b>								
Clock Hour	0.00	0.00	0.00	#DIV/0!	0.00	#DIV/0!	0.00	#DIV/0!
Undergraduate	6,410.73	6,114.66	5,988.33	-2.1%	5,981.45	-0.1%	5,972.44	-0.2%
Graduate	500.08	491.92	484.66	-1.5%	491.54	1.4%	500.55	1.8%
<b>Total Fall FTE Enrollment (excludes clock hour students)</b>	<b>6,910.81</b>	<b>6,606.58</b>	<b>6,472.99</b>	<b>-2.0%</b>	<b>6,472.99</b>	<b>0.0%</b>	<b>6,472.99</b>	<b>0.0%</b>
<b>Annualized FTE Enrollment</b>								
Undergraduate (includes clock hour)	6,376.07	6,096.03	5,981.53	-1.9%	5,974.56	-0.1%	5,964.21	-0.2%
Graduate	666.59	638.63	625.90	-2.0%	632.87	1.1%	643.22	1.6%
<b>Total Annualized FTE Enrollment</b>	<b>7,042.66</b>	<b>6,734.66</b>	<b>6,607.43</b>	<b>-1.9%</b>	<b>6,607.43</b>	<b>0.0%</b>	<b>6,607.42</b>	<b>0.0%</b>
<b>New Students - Fall First-Time Degree Seeking Undergraduate FTE</b>	<b>1,508.07</b>	<b>1,469.87</b>	<b>1,574.60</b>	<b>7.1%</b>	<b>1,588.00</b>	<b>0.9%</b>	<b>1,592.00</b>	<b>0.3%</b>
<b>New Students - Fall New Transfer Degree Seeking Undergraduate FTE</b>	<b>393.80</b>	<b>393.60</b>	<b>342.73</b>	<b>-12.9%</b>	<b>362.09</b>	<b>5.6%</b>	<b>370.81</b>	<b>2.4%</b>
<b>Fall Graduate FTE (All credit bearing)</b>	<b>500.08</b>	<b>491.92</b>	<b>484.66</b>	<b>-1.5%</b>	<b>491.54</b>	<b>1.4%</b>	<b>500.55</b>	<b>1.8%</b>
<b>Second-Year Persistence Rate for First-Time, Full-Time Bachelor Degree Seeking Students</b>	<b>77.4%</b>	<b>77.6%</b>	<b>79.3%</b>	<b>2.1%</b>	<b>78.0%</b>	<b>-1.6%</b>	<b>78.0%</b>	<b>0.0%</b>
<b>Six-Year Graduation Rate for First-Time, Full-Time Bachelor Degree Seeking Students</b>	<b>53.9%</b>	<b>56.4%</b>	<b>56.5%</b>	<b>0.2%</b>	<b>57.0%</b>	<b>0.9%</b>	<b>57.0%</b>	<b>0.0%</b>
<b>Net Tuition Revenue per FTE Student*</b>	<b>\$6,908</b>	<b>\$6,445</b>	<b>\$6,329</b>	<b>-1.8%</b>	<b>\$6,208</b>	<b>-1.9%</b>	<b>\$6,166</b>	<b>-0.7%</b>

\*Undergraduate academic year tuition revenue less institutional aid/annualized undergraduate FTE enrollment. Note: this estimate may include aid awarded to graduate students.

Enter the narrative describing the rationale for enrollment trends and projections within the following categories below:

### Fall Undergraduate and Graduate Enrollment (First-time, transfer, and continuing):

Overall enrollment continues to decline but at a lesser rate than in prior years. Our freshmen class of 1,600 is our highest since fall 2018. We believe this is an achievable target moving forward and will provide for a more consistent overall enrollment. New transfers continue to lag behind our goal. Continuing students will increase over the next few years as we enroll a greater number of first-year students combined with improved retention and persistence rates.

### Second-Year Persistence Rate:

We have increased our second-year persistence rate from 74% to 79% over the past few years. We are confident this will continue as we are enrolling more academically prepared students due to our merit scholarships, and we have made significant investments in many retention and persistence strategies.

### Six-Year Graduation Rate:

Our six-year graduation rate has increased from 53.9% to 56.4% over the past year. We are projecting a slight increase over the next few years due to improvements in retention and persistence because of many new campus initiatives to support student success.

### Net Tuition Revenue:

Net tuition revenue per FTE student continues to decline as we fully implement our financial aid optimization strategy. This decline will level off once we have enrolled four classes with the new merit scholarships (fall 2023). Although this trend may look concerning, it is exactly in accordance with our plan. Our freshmen class of 1,392 in fall 2019 prior to our merit scholarships has now grown to our goal of 1,600 in fall 2022.

**For those universities projecting overall enrollment growth, enter the narrative describing enrollment increase assumptions, including supplemental enrollment chart from the CPP workbook.**

## Part 3: Financial Projections Overview

Within the E&G, Auxiliary, and Net Asset sections below, provide additional detail related to the projected revenue and expenditures and impact on the overall university projected operating results.

1. If the university is projecting a negative result and requires reserves to balance during this projection period, describe the level of reserves and the actions to be taken to reduce the reliance on reserves and indicate if this plan changes the Primary Reserve health level outlined in the Sustainability Procedure. Note: The university target is 40 percent in primary reserves per the Sustainability Procedure.
2. For universities with housing occupancy below 70 percent and associated outstanding debt, within the Auxiliary section, provide a plan which addresses occupancy, any associated housing debt, and long-term sustainability.

	ACTUAL		PROJECTED					
	FY 2020-21	FY 2021-22	FY 2022-23	% Change	FY 2023-24	% Change	FY 2024-25	% Change
<b>Total Unrestricted (E&amp;G and Auxiliary) Budget</b>								
Total Revenues	\$154.0	\$170.9	\$170.1	-0.5%	\$171.3	0.7%	\$173.4	1.2%
Total Expenditures and Transfers to Plant Funds	152.4	172.2	170.1	-1.2%	171.3	0.7%	173.4	1.2%
<b>Revenues Less Expenditures/Transfers to Plant Funds</b>	\$1.6	(\$1.4)	\$0.0		\$0.0		\$0.0	
<b>Surplus/(Deficit)--Excludes Transfers to Plant Funds</b>	\$2.3	\$11.6	\$2.6		\$3.9		\$3.9	
Use of Supplemental Resources for One-Time Needs/ Strategic Initiatives	0.0	0.0	1.3		0.0		0.0	
One-Time COVID Funds ( <i>revenue recognition adjustment</i> )	9.8	(9.8)	n/a		n/a		n/a	
<b>Revenues and Use of Supplemental Resources/Adjustments Less Expenditures &amp; Transfers</b>	<b>\$11.3</b>	<b>(\$11.1)</b>	<b>\$1.3</b>	<b>-111.5%</b>	<b>\$0.0</b>	<b>-100.0%</b>	<b>\$0.0</b>	<b>#DIV/0!</b>
<b>Total Actual/Estimated Unrestricted Net Assets</b>	\$70.3	\$71.1	\$70.1	-1.4%	\$69.8	-0.4%	\$71.4	2.3%
<b>Total Actual/Estimated End of Year Cash Balance</b>	\$85.1	\$87.1	\$86.1	-1.1%	\$85.9	-0.3%	\$87.5	1.9%
<b>Annualized FTE Enrollment</b>	7,042.90	6,734.66	6,607.43	-1.9%	6,607.43	0.0%	6,607.42	0.0%
<b>Fall FTE Student/Fall FTE Faculty Ratio</b>	17.4	17.6	18.0		18.6		19.4	
<b>Annualized Unrestricted FTE Faculty, net of turnover</b>	394.51	375.40	357.84	-4.7%	344.84	-3.6%	331.84	-3.8%
<b>Annualized Unrestricted FTE Nonfaculty, net of turnover</b>	417.06	401.65	395.84	-1.4%	399.61	1.0%	399.60	0.0%
<b>Total Unrestricted Employee FTE (Annualized)</b>	811.57	777.05	753.68	-3.0%	744.45	-1.2%	731.44	-1.7%

### Educational and General (E&G) revenues and expenses.

	ACTUAL		PROJECTED					
	FY 2020-21	FY 2021-22	FY 2022-23	% Change	FY 2023-24	% Change	FY 2024-25	% Change
<b>Total E&amp;G Budget</b>								
Total Revenues	\$122.6	\$126.0	\$128.2	1.7%	\$128.6	0.4%	\$129.9	1.0%
Total Expenditures and Transfers to Plant Funds	121.8	127.4	128.2	0.6%	128.6	0.4%	129.9	1.0%
<b>Revenues Less Expenditures/Transfers to Plant Funds</b>	\$0.7	(\$1.4)	\$0.0		\$0.0		\$0.0	
<b>Surplus/(Deficit)--Excludes Transfers to Plant Funds</b>	\$0.5	(\$0.2)	\$1.5		\$1.0		\$0.9	
Use of Supplemental Resources for One-Time Needs/ Strategic Initiatives	0.0	0.0	1.3		0.0		0.0	
One-Time COVID Funds ( <i>revenue recognition adjustment</i> )	3.5	(3.5)	n/a		n/a		n/a	
<b>Revenues and Use of Supplemental Resources/Adjustments Less Expenditures &amp; Transfers</b>	<b>\$4.2</b>	<b>(\$4.9)</b>	<b>\$1.3</b>		<b>\$0.0</b>		<b>\$0.0</b>	
<b>Total Actual/Estimated Unrestricted E&amp;G and Plant Net Assets</b>	\$41.0	\$37.5	\$36.2	-3.5%	\$34.9	-3.6%	\$35.1	0.5%
<b>Total Actual/Estimated E&amp;G End of Year Cash Balance</b>	\$55.3	\$52.9	\$51.6	-2.5%	\$50.3	-2.5%	\$50.5	0.3%

Describe the E&G financial projections:

1. If the university has a deficit, please describe the strategies to address this gap.
2. If the university has a balanced budget without reserves or has a surplus, briefly describe (1) planned new expenditures (2) transfer for strategic investment or (3) increase in reserves to improve sustainability.



KU has maintained a balanced E&G budget without the use of cash reserves for five consecutive years. We are committed to that approach, and it is reflected in our projections. Aligning our annual revenues with our annual expenses became a bit easier with the additional \$9.2 million in state appropriation but there is still work to do in future years. We are projecting flat enrollment in both FY 23/24 and 24/25 so our annual revenues remain consistent but do not cover rising costs. In order to keep our expenses in line, we will need to continue to align our faculty FTE with our lower student enrollment. We have made steady progress over the past few years, but a further reduction is still needed to ensure a balanced budget moving forward and meet the State System student-to-faculty ratio targets. We continue to increase our investment in student aid, in the form of merit scholarships, so a reallocation of operating funds will be required to ensure that we are not overspending.

Please note, the revenue recognition adjustment for the one-time COVID funds results in a negative \$11.1 in the above chart but that was after we were able to transfer \$13.2 million to our plant reserves in FY 21/22. When you net the actual results from the prior two years you can see that we had a \$13.9 million surplus prior to transferring the excess to plant funds. We believe the chart poorly reflects our true results during this period.

Our cash balances are projected to fall slightly in future years as we continue to tackle deferred maintenance needs and invest in strategic capital improvements. These projects include a lifecycle renovation of our College of Business building, construction of a new Admissions Welcome Center, the expansion of our existing greenhouse into a Botanical Research Center, and improvements to our athletic facilities. It is imperative that we find a balance between funding current year needs and investing in our infrastructure, so we are positioned for continued success in the future.

### Auxiliary revenues and expenses.

	ACTUAL		PROJECTED					
	FY 2020-21	FY 2021-22	FY 2022-23	% Change	FY 2023-24	% Change	FY 2024-25	% Change
<b>Total Auxiliary Budget</b>								
Total Revenues	\$31.4	\$44.9	\$41.9	-6.6%	\$42.7	1.9%	\$43.5	2.0%
Total Expenditures and Transfers to Plant Funds	30.6	44.8	41.9	-6.5%	42.7	1.9%	43.5	2.0%
Revenues Less Expenditures/Transfers to Plant Funds	\$0.8	\$0.0	\$0.0	-100.0%	\$0.0	#DIV/0!	\$0.0	#DIV/0!
<b>Surplus/(Deficit)--Excludes Transfers to Plant Funds</b>	<b>\$1.8</b>	<b>\$11.8</b>	<b>\$1.2</b>		<b>\$2.9</b>		<b>\$3.1</b>	
<b>Use of Supplemental Resources for One-Time Needs/ Strategic Initiatives</b>	0.0	0.0	0.0		0.0		0.0	
<b>One-Time COVID Funds (revenue recognition adjustment)</b>	6.3	(6.3)	n/a		n/a		n/a	
<b>Revenues and Use of Supplemental Resources/Adjustments Less Expenditures &amp; Transfers</b>	<b>\$7.1</b>	<b>(\$6.3)</b>	<b>\$0.0</b>		<b>\$0.0</b>		<b>\$0.0</b>	
<b>Total Actual/Estimated Unrestricted Auxiliary &amp; Plant Net Assets</b>	<b>\$29.3</b>	<b>\$33.5</b>	<b>\$33.9</b>	<b>0.0%</b>	<b>\$34.9</b>	<b>3.1%</b>	<b>\$36.3</b>	<b>4.1%</b>
<b>Total Actual/Estimated Auxiliary End of Year Cash Balance</b>	<b>\$29.8</b>	<b>\$34.2</b>	<b>\$34.5</b>	<b>0.0%</b>	<b>\$35.5</b>	<b>3.0%</b>	<b>\$37.0</b>	<b>4.0%</b>

Describe the Auxiliary financial projection.

1. Universities with housing occupancy levels below 70 percent and associated outstanding debt must provide a plan which addresses occupancy, housing debt and long-term sustainability. Insert chart with housing data from the Charts for Narrative tab of the CPP template.
2. If the university has a surplus, briefly describe (a) new expenditures and (b) transfer for strategic investment, deferred maintenance, other.

Our auxiliary operations are in good financial standing, but we are facing some challenges. We are fortunate to have a successful housing operation with an occupancy rate of 90%. However, with inflationary pressures and increasing debt service obligations, we have increased our housing fee by 3% in the current year and plan modest increases of 2% in the two future years. This financial burden on our students will be lessened by our increased investment in student aid. We continue to experience challenges with our dining programming due to staffing difficulties coming out of the pandemic. We need to develop solutions so that we do not impact student satisfaction levels and adversely affect recruitment and retention efforts.

We anticipate modest revenue growth as we stabilize enrollment and increase auxiliary fees at a modest rate. These additional revenues will allow us to cover rising personnel expenses, manage increased operating costs due to current inflationary levels, cover debt obligations, and address deferred maintenance needs within our auxiliary facilities.

## Unrestricted Net Assets

	Actual		Projected					
	FY 2020-21	FY 2021-22	FY 2022-23	% Change	FY 2023-24	% Change	FY 2024-25	% Change
<b>Total Actual/Estimated Unrestricted Net Assets</b>	\$70.3	\$71.1	\$70.1	-1.4%	\$69.8	-0.4%	\$71.4	2.3%
<b>Total Actual/Estimated End of Year Cash Balance</b>	\$85.1	\$87.1	\$86.1	-1.1%	\$85.9	-0.3%	\$87.5	1.9%
<b>Projected Ratios resulting from the Annual Projection Plan - Will NOT Match Final Metric Results</b>								
<b>Estimated Annual Primary Reserve Ratio</b>	38.4%	32.9%	n/a		n/a		n/a	
<i>Estimated End of Year Balance in Net Assets/Total Expenses</i>								
<b>Estimated Minimum Reserves</b>	222	224	n/a		n/a		n/a	
<i>Unrestricted cash*365/total unrestricted expenses</i>								

Describe the unrestricted net assets projections:

1. Clearly state if annual revenue can cover expenditures within E&G and Auxiliary, and if not, how much the reserves are needed for E&G and Auxiliary deficits and if internal loans are planned.
2. If a university's reserves are below 40 percent, identify the projected impact on overall reserves and if/when reserves are scheduled to be exhausted with current projections.

KU has proven over the past several years that we can successfully cover our annual expenses with recurring annual revenues. This is clearly reflected in our cash balances that have grown over the past few years and now cover 224 days of expenses (up from 169 in FY 2019). We are committed to this approach moving forward and it is displayed in our submitted financial projection. The slight decreases in unrestricted net assets and cash as displayed in the supporting chart are due to a planned investment in capital projects and reducing our deferred maintenance backlog. Our adjusted annual primary reserve ratio is displayed as 32.9% due to the treatment of COVID related revenues. We believe the unadjusted ratio of 38.1% is a more accurate reflection of our progress and overall financial planning. We are confident this financial indicator will continue to improve moving forward.

**Part 4: Academic Program Strategies** **NOTE: this section has a delayed due date to correspond with the academic program array template submission. Please use the new template located in the Academic Program Array subfolder located in the CPP workspace (under Templates and Instructions).**

The academic program array is a factor of enrollment, faculty complement, completions, and section size. These together establish the foundation upon which the program array can be evaluated, as the number and mix of students reveals the number and type of programs that can be financially supported.

A new process is being introduced to incorporate this information into the broader financial overview. As the first phase of this process, universities are requested to provide an initial pass at a program array and overall faculty analysis. This data will be refreshed on an ongoing basis as part of this new process.

As part of the submission, a planning template will be distributed. Detailed supporting workbooks and methodologies provided consider program completers, target student/faculty ratio, and enrollment. Together, these completed workbooks will identify where a university stands in terms of over or under its goal faculty complement compared to its programs.

There will be further refinement of goals around student/faculty ratios as part of the projection and planning processes. For this projection period (through FY 24-25) universities should plan to achieve the associated minimum fall 2010/11 student/faculty ratio goal. Those universities whose student-to-faculty goals exceeded the System average of 19.4 may use the 2010/2011 System average (19.4) as the university goal and for use in the academic program array analysis to determine the optimum number of programs.

As part of the review process, university plans to achieve both a balanced/positive operating result, program array analysis, and minimum fall target student/faculty ratios will be reviewed and feedback will be incorporated into the CPP review process.

Additional instructions and webinars will be distributed to university Chief Academic Officers, Chief Financial Officers and IR Directors.

Additionally, please briefly describe anticipated changes to the academic program array, as applicable based on the above analysis. Note: this is for academic planning and does not substitute for the new program proposal or notification process. It also does not preclude seizing upon unforeseen or innovative opportunities.

**New credentials (degrees, credit-bearing certificates) to be added over the indicated planning period and a brief rationale for why *this* credential and why *this* university.**

Next two years (add cells as needed):

6-Digit Program CIP Code	Credential level and type	Program Name	Brief Rationale

Next three to five years (add cells as needed):

6-Digit Program CIP Code	Credential level and type	Program Name	Brief Rationale

Credentialing programs being considered for curtailment over the indicated planning period-- whether by moratorium or by consolidating with program(s) at one or more State System universities in order to share delivery, and a brief rationale.

Next two years (add cells as needed):

6-Digit Program CIP Code	Credential level and type	Program Name	M	C	Brief Rationale

What impact will the above actions have on the academic program array metrics (i.e., student/faculty ratio, average section size, number of programs) in the coming years?

*Note: All financial and workload projections are based on the current program array, including approved new programs, and are used to project changes in the student/faculty ratio. In completing this section, address any further changes to the student/faculty ratio based on the proposed changes to program array reflected above.*