

2020-21 University of Nebraska Operating Budget: Key Points and Q&A

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Key Points

- COVID-19 has ushered in a transformational period for higher education. We can't be paralyzed by the "fog of war." We've made a decision to show a bias for action so that we emerge from this period in a position of strength.
- The three-year budget proposal is the result of months of collaborative work between the president, chancellors and senior leadership teams. This is a responsible, forward-thinking plan that will allow us to meet our challenges head-on while also laying the groundwork for future growth and success.
- The pandemic has created significant fiscal challenges. We must make \$43 million in permanent spending reductions over the next three years, representing a 4.3% cut. We're clear-eyed about the hard work ahead. Central Administration will lead with a 10% cut. Chancellors will lead budget reduction processes on their campuses and will share more information when it's available.
- Our shortfall is significant, but it would be much greater if not for the proactive steps taken by university leadership to stabilize enrollment as much as possible. The announcements of the Nebraska Promise, our two-year tuition freeze, and newly reduced online rates – along with our declaration that we will be open in the fall – have sent a strong message of care and support to Nebraska students and families.
- And students have responded: On April 17, the day President Carter announced the Nebraska Promise, applications from first-time Nebraska students were 5.4% behind where they were a year prior. Now applications are almost 8% ahead of last year. While we're not going to celebrate prematurely, especially in an uncertain time, that's a remarkable swing that gives us optimism that we won't follow national rhetoric projecting steep enrollment declines.
- This is an unprecedented period, but we also have an opportunity to recalibrate our priorities and invest in our long-term growth. The needs of our students, the state and the world aren't going away – in fact, they're growing. The future of higher education is going to be about creating new and innovative pathways for students, growing a highly skilled workforce, and leading the way in solving the world's most complex challenges. Our budget plan gives us an opportunity to make real progress in critical areas like student success, faculty salaries and building renewal and repair.

Q&A

What are the cut amounts by campus?

The three-year, \$43 million reduction is broken down as follows:

UNL	\$25.8 million	5.5% cut
UNMC	\$6.6 million	2.9% cut
UNO	\$6.3 million	3.9% cut
UNK	\$2.8 million	3.9% cut
UNCA	\$1.6 million	10% cut
Total	\$43 million	4.3% cut

Why are the percentage cuts different by campus? Why does UNL have the largest percentage cut?

Each campus' reduction is primarily driven by their anticipated declines in nonresident and international students. These students pay higher tuition rates than resident students, so declines have a larger impact on revenue. UNL has the largest share of nonresident and international students of any campus, so their percentage cut is larger.

What will the campuses cut?

Each chancellor will lead a budget reduction process on their campus, following appropriate shared governance processes. Chancellors will communicate their decisions when they are ready.

Will people lose their jobs?

Our talented faculty and staff are our greatest assets and we will do everything we can to protect our workforce. We have created tools to give chancellors as much flexibility as possible to protect jobs, and we expect we will capture some savings through attrition. However, compensation accounts for more than 80% of our spending. We have to be candid that jobs will be impacted.

Will academic programs be cut?

Campus cuts will be up to the chancellors. They will share more information at the appropriate time.

Why isn't NCTA taking a cut?

Given NCTA's very lean budget, President Carter has made a decision to keep NCTA whole – an important commitment to maintaining strong programs to meet the needs of Nebraska agriculture.

How will Central Administration manage its 10% cut?

Central Administration has already largely achieved its 10% reduction, through the elimination of seven positions – four of them filled – and other programmatic cuts. It was difficult to deliver this news to four great colleagues, but we are working with them to find new opportunities. It was important for President Carter that Central Administration lead the way in taking the largest percentage cut.

Are COVID-related expenses baked into the budget plan?

There is no separate budget line for COVID-related expenses. As we plan for a safe-reopening in the fall, we are working closely with Governor Ricketts, who has indicated that the State will assist with our PPE and testing needs.

How optimistic are you that you'll get 2 percent annual increases in state funding in the next biennium? Is that reasonable given that the state is facing significant fiscal challenges?

President Carter is in close conversations with Governor Ricketts and Chairman Stinner, and we fully recognize the State is facing fiscal challenges. The modest 2% annual increases we are modeling in the next biennium reflect our pledge to be a good partner to the State during this challenging time.

What happens if the Legislature cuts the University's current budget when senators reconvene this summer?

We're grateful to Governor Ricketts and members of the Legislature for fully funding our budget request for the current biennium. Their partnership has helped us maintain affordable excellence for our 51,000 students. If our current state funding were to be reduced, our cuts would be deeper, and we would have to rethink our modeling.

What is the status of the legislation appropriating funds to the University for student scholarships and the Daugherty Water for Food Institute?

We are grateful to Chairman John Stinner, the Appropriations Committee and members of the Legislature for their initial support of these important initiatives. Student scholarships and world-leading water research are critical to the future success and well-being of our state. These items were making their way through the legislative process when senators paused their work because of COVID-19. We will wait to see what the Legislature decides when they reconvene this summer.

What are your enrollment projections for the fall?

It's too early to speculate, especially during a time of such uncertainty.

What we can say is that enrollment has been the university's highest strategic priority over the past several months. We have seen national projections predicting steep declines – as much as 15% – in enrollment. The President and Chancellors decided early on there's no reason the University of Nebraska has to be part of that statistic. We have taken a series of bold steps designed to stabilize enrollment to the greatest degree possible: The Nebraska Promise, a two-year tuition freeze, newly reduced and standardized online tuition rates, and the declaration that we will be open in the fall for in-person learning.

Those decisions are having an impact. On April 17, the day we launched the Nebraska Promise, applications from first-time Nebraska students were 5.4% behind where they were a year before. Today, applications from first-time Nebraska students are almost 8% ahead of where they were last year. Applications have surged by more than 2,500 since April 17.

That's a remarkable swing – and while our budget shortfall is significant, it would have been far deeper if we had not acted decisively to support and provide access for Nebraska's young people.

We don't yet know what will happen in the fall, but the trend is reason for optimism. We've asked every employee to serve as an "enrollment officer" for the university so that we get as many of those students on campus as possible.

You say your application numbers are up, yet you're projecting a decline in tuition revenue. How can that be?

The increase in applications are from first-time Nebraska students. We do, however, anticipate declines in nonresident and international enrollment this fall, the result of the unprecedented uncertainties created by the pandemic. Non-Nebraska students pay much higher tuition rates than resident students. Thus, when enrollment of nonresidents declines, overall tuition revenue can decline even if resident enrollment grows.

Why are you setting aside \$20 million for "president and chancellor priorities" at a time when you're making budget cuts that will impact jobs?

We can't only be in "cutting mode." We also have to be thinking about the future of the University. The needs of our students, our state and the world are only growing. Nebraska needs a strong, accessible, affordable public university more than ever. That's why, even as we manage the immediate challenges before us, we're also planning to invest in strategic priorities that will move us forward.

What will the \$20 million be used for? Will campuses have a say in how the dollars are spent?

The funds would be used for strategic priorities of the president and chancellors. President Carter is developing his five-year strategic plan for the University of Nebraska system now and that plan will align with priorities already in place across the campuses. This process will give the senior leadership team an opportunity to focus on priorities and invest accordingly. For example, competitive faculty salaries, student success, diversity and inclusion, and building renewal and repair are all areas where university leadership agrees we need to make greater investments.

How much are you expecting to save from the voluntary FTE reduction program?

We anticipate a small number of staff will take advantage of the program. The savings will be modest, but every dollar makes a difference, and every dollar saved helps us preserve affordable and excellent education for our 51,000 students.

Are faculty eligible to participate in the voluntary FTE reduction program?

No, the program is only open to office/service and managerial/professional staff.

Why is the proposed policy on furloughs, FTE reductions and salary reductions necessary? Is anyone being furloughed?

The pandemic has made it clear that the president and chancellors need as much flexibility as possible to manage the fiscal challenges facing the university. One of our highest goals is to retain our talented

workforce to the greatest extent that we can. If approved, this policy would clarify the authority of the president and his or her designees to take personnel measures like furloughs, FTE reductions and salary reductions during times of significant fiscal challenge in order to achieve short-term cost savings.

The policy is primarily targeted toward self-sustaining auxiliary units whose normal revenue-generating operations have been impacted by the pandemic. Employees in these units are valuable to our workforce and we want to retain them. However, in some cases it may not be possible to pay their full salary in this time of fiscal stress.

If the policy is approved, chancellors will communicate any plans they have to take the personnel measures permitted under the policy.

What is NU Credits and how much will you save by eliminating it for employees making more than \$130,000?

Created in the 1980s, NU Credits is a \$63 monthly benefit provided to employees that is applied to health premiums or other benefits. By eliminating the benefit for employees who meet the IRS definition of a “highly compensated employee,” we expect we will save about \$700,000. The benefit will also be eliminated for all new employees hired after July 1.

Why are unionized employees getting raises this year, but non-bargained employees are not? Is that fair to UNL and UNMC faculty, who are behind their peers in compensation?

We are contractually obligated to provide increases this year to bargained employees at UNO and UNK. However, we expect that increases to bargained employees will be smaller in the next biennium, while our budget plan calls for greater investment in salaries for non-unionized faculty and staff (1.5% increases in 2021-22 and 3% increases in 2022-23). In short, all employees, bargained or not, can expect to receive a similar total increase over a three-year period.

Where do auxiliary units fit into the budget and what are your estimated losses for those areas?

Auxiliary units are not part of the state-aided budget, but we do anticipate losses in those areas given the impact of the pandemic on athletic events, concerts, housing and so on. We currently project a \$30 million decline in auxiliary activities in the next fiscal year.

Can't you ask the Foundation to help you?

More than 99% of gifts to the Foundation are designated toward a specific purpose, whether a scholarship, a building, an academic program or some other priority. Private funds are a supplement to – not a replacement for – the state-aided budget that funds our daily operations, and it has helped to dramatically increase the scope and breadth of our work. We're grateful to donors for their generosity. Per the University's request, the Foundation is prepared to assist NU with one-time contingency funding to manage COVID-related fiscal challenges.

Where do federal CARES Act dollars fit into the budget picture?

One-time CARES Act dollars are an important source of support as we work through the challenges presented by the pandemic. The University received about \$31 million of CARES Act funding, half of which was required to be provided directly to students as emergency grant aid. The other half will be used to partially offset the \$50 million fiscal impact COVID had on our completely disrupted spring semester. We will still need to make \$43 million in permanent spending reductions over the next three years in order to structurally balance our budget.