

**Testimony from
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before the
Legislative Educational Planning Committee
July 28, 2009**

Like all state agencies, the University of Kansas has been called upon to cut its budget in response to the sharp decline in state revenues. And, like all state agencies, these cuts will be felt by the people we serve, namely our students and the people of Kansas.

Overall, the University of Kansas saw its funding reduced from an original level of \$275.5 million in FY 2009 to \$243.2 million for FY 2010 after the 2 percent cut was made earlier this month. When unfunded mandates are added in, the total gap grows to \$36.6 million in FY 2010.

New revenue from the recently approved 2009-10 tuition rates is estimated to total \$9.8 million, equaling less than a third of the budget reduction. And of the \$15.8 million in federal stimulus funds, two-thirds have been dedicated to deferred maintenance by the Board of Regents.

Because the cuts to the State General Fund have had different impacts on KU and the KU Medical Center, I'd like to discuss the budget situation on the two campuses separately.

University of Kansas Lawrence and Edwards Campuses

Budget Background

For the Lawrence campus, the most recent cut of 2 percent equaled roughly \$2.8 million, meaning the total reduction from our original FY 2009 budget to our current FY 2010 budget now equals \$17.9 million.

Even though the Lawrence campus is not as dependent on SGF funding as the Medical Center, cuts of 12 percent, when added to increased costs from health insurance, utilities and other unfunded mandates, have resulted in layoffs and reductions in the courses and services we offer to our students.

Steps Taken to Meet Budget Targets

KU's leadership has sought to protect the academic and research missions of the university – for example, by having administrative units take larger percentage cuts than academic units. Collectively, KU and KUMC have also implemented efficiencies that will save an estimated \$9

million, while KU has shifted an entire unit, KU Continuing Education, off of state funding altogether.

Even with these moves, budget cuts of the magnitude imposed this year will affect students, faculty and staff.

One entire program that has been eliminated is the Learning Communities Office, which helped improve retention rates. Such programs usually have a dramatic impact on the experience of first-generation college students and students from underserved minorities. In Fall 2008, a total of 435 students were served by this program, and it was proven to help more students stay in school and on track to earn their degrees.

Most of our cuts are not as high-profile as elimination of an entire program, but they will still have negative effects on the university and its ability to fulfill its teaching and research missions.

For example, this academic year there will be at least one hundred and twenty-one fewer positions on the Lawrence campus, including 55 fewer faculty members and a reduction in the number of graduate teaching assistants. The College of Liberal Arts and Sciences alone will have 25 fewer GTAs and will offer roughly 75 fewer class sections in courses ranging from chemistry to psychology.

In addition to increasing class sizes, which has negative effects on student learning, these cuts will also reduce the number of lab sections we can offer. That will constrict access to required or prerequisite credits needed in high-demand majors such as engineering, pre-pharmacy, pre-med, nursing, and education. Additionally, some students may have difficulty enrolling in specific classes needed to meet degree requirements, increasing time to graduation and reducing retention.

Having more students in a class or not being able to enroll in a needed course may seem like small sacrifices for students to make in order to close the state budget gap, but these effects add up and threaten our state's promise of a high-quality education for Kansas students.

Impact of Budget Cuts

The University of Kansas is an engine for the Kansas economy, educating the workers that our business community relies upon to grow and prosper. More than 147,000 KU alumni live in Kansas alone and we send another 6,000 graduates out into the world every year.

When the capacity of the university to educate students is reduced, the pipeline of graduates we send out into Kansas is similarly constricted. I want to highlight the effects the budget crisis is having on two fields of great importance to the state: education and engineering.

We created the UKanTeach program to increase the number of math and science teachers in Kansas, two fields with a desperate shortage of teachers that only grows as more teachers retire

with each passing year. Unfortunately, UKanTeach will confront particular challenges staffing its core pedagogy classes. Because of the success of this program enrollment has been strong. Extra sections are usually opened to accommodate additional students and ensure timely progress toward degree completion, but such flexibility has been removed with the current budget cuts.

Engineering is another field that is seeing its capacity constrained by budget cuts, to the detriment of the economy. Kansas legislative and business leaders have asked the Regents institutions to increase the number of engineering graduates we educate, however budget cuts mean we are unable to sustain growth in our School of Engineering. We expect a 10 to 15 percent decline in the size of our freshman engineering class, which will have a large impact on the workforce four years from now.

These are just two examples of how the cuts needed to close the short-term budget gap will lead to long-term problems for our state economy.

University of Kansas Medical Center (KUMC)

I'd like to now discuss the budget situation at the University of Kansas Medical Center, which relies on the State General Fund for a much greater percentage of its budget than does Lawrence.

Budget Background

As you know, the University of Kansas Medical Center encompasses several programs, including the Schools of Medicine, Nursing, and Allied Health. As the KU Medical Center budget is distinct from that of the Lawrence campus, we sustained cuts of approximately \$5.2 million with the FY 2009 rescission bill and a total of approximately \$12.1 million through omnibus reductions for FY 2010. The July 2, 2009 two percent allotment announced by Governor Parkinson, which we are assuming will be a permanent reduction to our base budget, brings the total reduction going forward for KU Medical Center to approximately \$14.2 million.

To put the magnitude of these cuts in perspective, the entire budget for the School of Nursing is \$8.4 million, the School of Allied Health is \$8.4 million, and the School of Medicine in Wichita is \$15.2 million. Obviously we are not eliminating these critical programs, but the numbers show the extent to which the reductions will impact KU Medical Center as a whole.

In addition, the State General Funding coming to KU Medical Center is highly leveraged externally. Prior to the current cuts, the budget was \$121.6 million. This funding has helped to generate approximately \$100 million in external research funding and approximately \$140 million in physician revenue, and has, by providing the vast majority of the physician staff, helped The University of Kansas Hospital generate roughly \$650 million. All told, this is approximately a 7 to 1 leveraging of state dollars.

Steps Taken to Meet Budget Targets

At the Medical Center, we have taken several steps to manage budget reductions. Our goal throughout has been to minimize the impact on the education of our students and residents, as well as minimize the impact on our cancer program, on investments that yield external funds, and on campus safety. We have attempted to achieve this goal through a series of cuts and other administrative changes, as well as through minimal or one-time additional funding.

On the administrative side, KU Medical Center has thus far eliminated 79 faculty and staff positions as a result of the cuts, 46 of which were filled. We have also shifted salary portions of 363 positions to other sources of funding, like clinical revenue for medical faculty in Kansas City and Wichita. This particular strategy is not sustainable over time, especially in light of current economic pressures and health care reform efforts, and more time spent by faculty seeing patients could mean less time teaching our medical students. Additional measures include reducing investments in information and instructional technology, which will be detrimental to our infrastructure in the long term, and reducing library operations, which ultimately degrades the educational experience of our students.

In addition to administrative measures, KU Medical Center has been able to manage the cuts with additional tuition dollars and Recovery Act funding. However, as the committee members are likely aware, KU Medical Center's budget is not supported by tuition dollars to the same extent as the Lawrence campus, and tuition increases do not completely fill the gaps created in FY 2010. This year's 6% tuition increase for our approximately 3,000 students – of which 2,324 pay tuition because the remainder is made up of residents – only generated \$1.56 million. In addition, while KU Medical Center does have the ability to use Recovery Act funds as a bridge during FY 2010, the funding essentially only covers the FY 2010 allotment gap of \$2.2 million.

Impact of Budget Cuts

Ultimately, one-time funding and administrative management of these cuts can only take us so far. The patchwork outlined above of internal cuts, tuition increases, and Recovery Act dollars has allowed us to keep our fall 2009 enrollment unaffected. However, management of any budget reductions going forward will likely impact our educational programs.

As mentioned, we are treating the FY 2010 allotment gap as permanent and essentially covered by one-time Recovery Act funding. We are therefore identifying permanent reductions and taking the necessary actions to put them in place by the end of the fiscal year; this will almost certainly result in the elimination of 40 to 50 additional positions and will have programmatic impacts on our academic, research, and service programs.

Examples of two programs that will already almost certainly be impacted with the current cuts moving above 7% are the Schools of Nursing and Allied Health. While specific actions have not yet been identified, each additional faculty position lost in the School of Nursing will result in

approximately 25 fewer students and, for each additional faculty position in the School of Allied Health, 15 fewer students.

In addition, the Kansas Medical Student Loan Program has now been reduced \$133,864. This is roughly the cost of 3 of the 120 loans available each year. While we will be able to cover this reduction in FY 2010 from the Loan Repayment Fund, we will not be able to sustain the program at 120 in the future. This is the most reliable program we have for putting primary care providers into rural Kansas.

Fewer students will ultimately mean fewer graduates and, as you know, we are faced with shortages of nursing and allied health professionals across the state. According to the Kansas Department of Labor, in 2008 registered nurses in Kansas had the fourth highest number of vacant positions of any profession with 2,102. In addition, the Kansas Department of Labor's 2004-2014 report predicts that, over the ten year period, Kansas will need projected employment of an additional 6,328 registered nurses, or an increase of 24.1%. The Department of Labor has predicted similar numbers for allied health professions as well, with some examples being increases of 24.1% for occupational therapists and 23.5% for physical therapists. Physician shortages across the state have been also been well-documented, with a recent study coordinated by KU Medical Center showing that in Kansas overall we are currently below the national average for physicians per 100,000 population. Kansas also has a mal-distribution of physicians, with physician/population ratios below the national average in five of our six major geographic regions.

Looking to the Future

As I said earlier, the University of Kansas is called upon by our state to provide the educated workers who create prosperity in our state by doing everything from building aircraft to teaching children to caring for us when we're ill.

We have done everything in our power to protect our core teaching, research, and clinical missions and have worked with the Legislature and Regents to manage budget cuts to the best of our ability.

We have also worked to ensure that a college education remains affordable to the students of Kansas. With the Four-year Tuition Compact, 40 percent of KU undergraduates will see no tuition increase this year and we just added a third class of students who will have their tuition rates locked in through the 2012-13 academic year.

We recognize the difficult budgetary position the state is in and that tough choices must be made. However, the cuts we have been forced to make will have consequences and it is important for the committee and other members of the Legislature to hear the extent to which these cuts to our university will ultimately impact our state's economy and prosperity.

Thank you for the opportunity to speak with you today. I'd be happy to try and answer any questions you might have.