

# Issues, Ideas and Ideologies

## Creating a More Efficient Campus

By: Lee T. Todd, Jr., President  
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*Enrollment at UK has grown from 23,852 students in 2000 to 27,240 students in fall 2006 – a 14 percent increase.*

At its December 2005 meeting, the University of Kentucky Board of Trustees approved the Top 20 Business Plan. It provides the financial framework for our efforts to become a Top 20 public research university by 2020. The Plan establishes goals for undergraduate and graduate education, faculty recognition, research, and statewide engagement. And it indicates how much achieving these goals will cost.

As the Plan was being developed, I stressed the importance of generating a substantial portion of the necessary funds from internal resources. As a result, the Business Plan calls for UK to fund 40 percent of the cost of implementation. We will raise more money from more donors than ever before. We will continue to set new records for research dollars earned.

In addition, we will continue our efforts to be an effective and efficient campus. This work will build on the substantial savings we have generated since I became president in July 2001. I knew then that a \$1.5 billion organization could yield savings through more strategic decisions and better processes. But our work

quickly became motivated by necessity as much as by vision. The weak economy of the early years of this decade resulted in a series of reductions in state funding between 2001 and 2005. The cumulative effect was a \$71.9 million cut in the funds we would have received from the state. The efficiencies we have produced helped shield us from the worst effects of this dramatic decline.

We will continue to work harder and smarter as we implement the Business Plan. In this white paper, I describe many of the strategies we have used to save money and invest in our campus. It provides clear evidence that we are a worthy investment and that state support for the Business Plan will be used effectively.

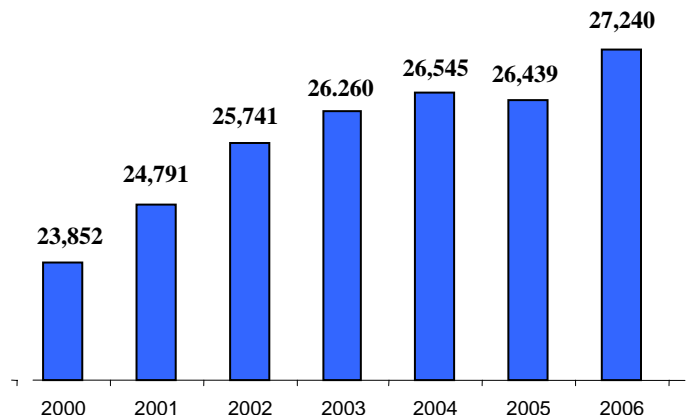
### *Serving More Students*

One of our goals was to increase enrollment while maintaining quality.

Enrollment at UK has grown from 23,852 students in 2000 to 27,240 students in fall 2006 – a 14 percent increase. In fall 2000, 2,928 first-year students enrolled at UK. In fall 2006, UK had 4,192 entering freshmen, a 43 percent increase.

Despite the enrollment increases, the quality of our student body remains very high. Thirty-four percent of our first year students had a high school GPA of 3.8 or higher. There also are 354 Governor’s Scholars and Governor School for the Arts participants and 122 valedictorians in the first-year class.

**Serving More Students**



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Also worth noting is that between 2001 and 2005, the number of Kentucky's public high school graduates was flat. UK's enrollment of Kentucky high school students increased seven percent. During that same time, the number of public high school graduates from Kentucky's Appalachian region dropped two percent; UK's enrollment from these counties increased five percent.

UK's graduation rate is higher today than it was five years ago. In 2000, the percentage of UK students graduating within six years was 55.5 percent. In 2005, it was 59.8 percent - the highest of any public university in Kentucky.

**Goals for 2020**

The Top 20 Business Plan establishes specific goals:

- Increase enrollment by 7,000 students – to 34,000;
- Increase what is already the state's highest graduation rate by 12 percentage points – to 72 percent;
- Increase the number of faculty by 625 – to more than 2,500;
- Increase research expenditures by \$470 million – to \$768 million; and
- Increase engagement in Kentucky's schools, farms, businesses, and communities.

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**UK'S EFFICIENCY EFFORTS SO FAR – with a combination of cost savings and cost avoidance initiatives, UK redirected over \$65 million during the last five years. The funds sustained the University in lean economic times and more recently have been combined with state appropriations increases to make initial investments in implementing the Top 20 Business Plan.**

<b>FY 2002-03</b>	<b>\$14.6</b>
<b>FY 2003-04</b>	<b>\$22.5</b>
<b>FY 2004-05</b>	<b>\$17.3</b>
<b>FY 2005-06</b>	<b>\$ 6.2</b>
<b>FY 2006-07 (so far)</b>	<b>\$ 4.8</b>
<b>TOTAL</b>	<b>\$65.4</b>

UK will provide 40 percent of the funds needed to implement the Top 20 Business Plan by building on efficiency, research, clinical, and fund-raising efforts of the last five years.

**We are saving \$1.1 million annually** by implementing a desktop computer standardization plan.

**We are saving \$1 million annually** by developing a new management program for hospital and clinic pharmaceutical purchases.

**We will save \$500,000 annually** by re-bidding our coal purchases.

**We are saving \$400,000 annually** by eliminating five middle-management positions in the Agricultural Cooperative Extension Service.

**We will save \$115,000 annually** by outsourcing the warehousing and fulfillment functions for the University Press.

**UK Response – Other Savings**

UK has saved money over the last five years and built the foundation for future savings:

**We saved \$9.5 million** over five years by shifting a substantial share of our fringe benefit burden to self-supporting programs.

**UK Response – Annual Savings**

**We are saving \$16 million annually** from restructuring our administrative organization, eliminating a college, merging several academic departments, and redirecting money from other sources.

**We are saving \$3 million annually** by making some areas – such as the Center for Advanced Manufacturing, Parking, Development, and Environmental Health and Safety – more reliant on external revenues, significantly reducing or totally eliminating their general fund appropriation.

**We are saving \$2 million annually** by moving the university to the Provost Model, integrating Medical Center operations with the rest of campus, and eliminating areas of duplicated effort – five offices were closed while 29 others were merged.

*Over the last four years, the cost of the university's health benefits increased an average of 6.7 percent per year compared to the national average of 9.9 percent.*

*We have invested in the University's future through a multi-year plan to replace the university's current administrative systems with an integrated information technology solution to improve business and service processes.*

**We saved \$4 million** in principal and interest payments by refinancing our agency bonds.

**We saved \$3.6 million** by outsourcing our office supply contract.

**We saved \$3.2 million** by increasing the use of procurement cards for university purchases.

**We saved \$2 million** by changing the method we use to calculate our Worker's Compensation liability.

**We saved \$377,000** by closing the Computer Store.

**We saved \$66,000** by combining the University key shops and anticipate saving another **\$40,000** when consolidation is complete.

**We saved** hundreds of thousands of dollars through improvements to campus operations, such as re-engineering our work order process, project estimating, and waste collection and disposal systems; eliminating supervision layers; implementing central energy management and preventive maintenance systems; purchasing labor and cost-saving equipment; and instituting productivity standards for maintenance crews.

**We slowed** the increasing cost of health insurance with a combination of administrative and health literacy initiatives. Over the last five years, the cost of the university's health benefits increased an average of 6.7 percent per year compared to the national average of 9.9 percent. Without these efforts, we would have paid an additional \$10.2 million in health care costs over the past four years. Included in these savings is over \$4.1 million annually on prescription drugs by educating our employees on the availability and appropriateness of generic medications.

**We saved** money and eliminated positions when we reorganized our Teaching and Learning Center and merged the offices of Admissions and Registrar.

**We created** a travel management services program, allowing the university to become more efficient and flexible in procuring university-related airline tickets. The program helped UK purchase the lowest available airfare 94 percent of the time.

**We cut costs** by smart use of technology. For example, we rely almost exclusively on a web-based system for equipment and space inventory, and our research units use the Internet for over 90 percent of their internal communications and document processing.

### ***UK Response – Efficient Management***

Not all of our changes translate into financial savings. Some of the programs we implemented help us run the campus in a more efficient manner.

We have invested in the University's future with a multi-year plan to replace the university's current administrative systems with an integrated information technology solution to improve business and service processes.

With more students on campus, the ability to have greater control of classroom space was crucial. We transferred the management of all classroom space to the Registrar's Office, streamlining the management of classroom space. The move has given UK tremendous scheduling flexibility and much more efficient use of space.

We also invested in our professional programs through a differential tuition plan that provides additional flexibility for deans to run their colleges. Any additional tuition increase – above and beyond the rate paid by our graduate students – was returned to the colleges so they could pursue needed projects.

**UK Response – Research**

We are encouraging our faculty and staff to be even more aggressive in applying for and earning external research and development dollars. Their success reflects the university's vision, their individual talents, and the importance of their research. In 2001, our faculty and staff earned \$86 million in federal research expenditures. UK reported a record \$143 million in federal research expenditures for FY 2005 – a 66 percent increase.

Overall, nearly \$307 million was spent on research and development at UK in FY 2005.

Our strong delegation in Washington, D.C. supported UK with over \$20.7 million in direct federal appropriations in FY 2005.

**We recovered \$6.9 million** over four years by renegotiating the rate the federal government pays to offset the costs of federally funded research by University of Kentucky faculty and staff.

**UK Response – Fundraising**

The university's endowment has grown substantially since 1998, when the state started contributing funds as part of the Bucks for Brains program. At that time, our endowment was valued at \$219 million. Today it is over \$662 million. In addition, UK HealthCare's quasi-endowment is \$159 million.

The matching funds program has allowed UK to add 82 endowed chairs and 182 endowed professorships.

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**UK Research Subcontracts Going to Other Kentucky Universities**

<b>Institution</b>	<b>Total Since 1997</b>
<b>Eastern Kentucky University</b>	<b>\$ 2,287,170</b>
<b>Kentucky State University</b>	<b>\$ 593,742</b>
<b>Morehead State University</b>	<b>\$ 1,993,224</b>
<b>Murray State University</b>	<b>\$ 3,670,987</b>
<b>Northern Kentucky University</b>	<b>\$ 1,341,885</b>
<b>University of Louisville</b>	<b>\$16,301,941</b>
<b>Western Kentucky University</b>	<b>\$ 4,043,725</b>
<b>Total</b>	<b>\$30,232,674</b>

Donors are encouraged by the matching funds available from Bucks for Brains. Last year's fundraising efforts yielded \$132,213,766, bringing the overall capital campaign to \$958,068,358 toward UK's \$1 billion dollar goal. Prospects are excellent for another banner year in 2007.

**UK Response – Collaborations**

Since 2001, UK has been much more aggressive in building partnerships with Kentucky's other postsecondary institutions. These efforts leverage existing resources for greater impact.

**We will avoid \$569,000** in costs over four years by joining with other Kentucky public institutions to purchase teaching technologies statewide.

UK cutting edge core research facilities are essential for our faculty, but are also used by other researchers. All state university faculty working in collaboration with UK faculty may use the facilities.

UK continues collaborative research with other Kentucky institutions. Since 1997, UK faculty have utilized over \$30.2 million in research funds shared with colleagues across Kentucky.

In FY 2006, over 6,700 books and other items from UK libraries were borrowed by other Kentucky public universities.

**The Future**

The Top 20 Business Plan calls for the University of Kentucky to continue our aggressive efforts toward greater efficiency. We intend to re-allocate an additional \$2 million every year. These funds, combined with support from the state and our donors, will allow us to keep tuition as low as possible while investing in ways that help us make progress toward Top 20 status. Our commitment to better processes and practices is a responsible and effective approach to managing the University of Kentucky and building a Top 20 university.