Renewing Our Vow to the Commonwealth

• Six years ago, we committed to a bold vision for UK- rebuild our campus, grow funds, support faculty and staff, and become more diverse and inclusive.
• What does it mean to reach higher?
• To navigate this complex age of disruption, we must work harder to achieve our vow to the Commonwealth.
Financing the Future

• Disruptions in Higher Education
  – State fiscal environment
  – Focus on net price compared to value
  – Expectations of life-long learning
  – Student debt levels
  – Changing demographics
Impact of the Proposed 2018-19 Base State Appropriation Reduction

The state’s $267 million investment is UK’s “first dollar,” which we leverage into a $3.7 billion economic engine for Kentucky.

A 6.25% reduction in our state appropriation is equivalent to more than $16 million.

The reduction will affect:
- 30,400 students
- 20,000 faculty and staff
- 1.5 million clinic visits
- 120 Kentucky counties

Kentucky’s investment produces a multiplier effect that supports the entire academic, research, health care, and service enterprise.
Impact of Eliminations and Reductions to State-Funded Programs

The $10.2 million in mandated program eliminations and reductions decreases the state’s investment by an additional 3.55%.

Mandated Program Reductions:
- Center for Applied Energy Research ($2.63 million)
- Livestock Diagnostic Laboratory ($2.06 million)

Mandated Program Eliminations:
- Agriculture Public Service ($1.8 million)
- Hospital Direct Support ($1.1 million)
- Robinson Scholars ($1 million)
- University Press ($672,500)
- Center for Entrepreneurship ($612,900)
- Mining Engineering Scholarship ($300,000)

Kentucky’s investment produces a multiplier effect that supports the entire academic, research, health care, and service enterprise.
Potential Impact of Other Proposed State-Funded Program Eliminations and Reductions

There are multiple “pass through” program reductions or eliminations that impact UK.

These include:
- Collaborative Center for Literacy Development ($1.2 million)
- Ovarian Cancer Screening Outreach Program ($800,000)
- Kentucky Transportation Center ($290,000)
- Professional Education Preparation ($239,200)
- Minority Student College Preparation ($167,100)
- Coal County College Completion Scholarship ($146,862)
- Southern Regional Education Board Doctoral Scholars ($60,000)
- Work Study Scholarships ($60,000)

Kentucky’s investment produces a multiplier effect that supports the entire academic, research, health care, and service enterprise.
### Undesignated General Funds Budget Proformas, in millions

<table>
<thead>
<tr>
<th></th>
<th>FY 2019</th>
<th>FY 2020</th>
<th>FY 2021</th>
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<th>Cumulative Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Increase in Incremental Expenses</strong></td>
<td>$41.2</td>
<td>$36.8</td>
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<td><strong>$192.5</strong></td>
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<td><strong>Net Incremental Revenue Sources Available</strong></td>
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#### Assumptions (annual unless noted):
- No tuition and fee increases
- 4,900 first-time freshmen cohorts
- -6.25% reduction in state appropriations for FY19 and then flat
- 3% faculty and staff salary increases
- $10 million investment in college incentive programs
- Inflationary increases in utility costs plus M&O for new research building
- $30 million bonds for facilities projects + $250,000 M&O
Five-Year Financial Plan

Purpose

• Facing an estimated cumulative $200 million funding gap over the next five years, University leaders asked each of five concept teams to identify $8-10 million in net recurring, university-wide savings and/or new revenues, beginning Fiscal Year 2018-2019
Timeline

Fall 2017
University leadership met with deans to identify future funding needs

January 2018
Five concept teams identified 34 concepts to generate recurring, general fund, net savings and/or new revenue

February 2018
Concept teams build detailed business plans for 8 Phase I concepts
Campus communication launched

Spring 2018
Begin implementation of prioritized concepts

www.uky.edu/sotu/ourpathforward
Key Questions

• Opportunities for strategic enrollment growth?

• What other initiatives can we implement to increase student success and generate new resources?

• Where can we generate more savings in our operations? Are there other sources of savings we can find by working even smarter?

• Is there important administrative work that can be shared or support that can be provided in ways that make us more productive?

• How do these new initiatives align with our Strategic Plan?
## Phase One Ideas

<table>
<thead>
<tr>
<th>Teams 1 &amp; 5</th>
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<th>Team 3</th>
<th>Team 4</th>
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<tr>
<td>New Revenues &amp; Structures &amp; Staffing</td>
<td>Other Revenues</td>
<td>Efficiencies &amp; Effectiveness</td>
<td>Outreach &amp; Service</td>
</tr>
</tbody>
</table>

### Concepts for Phase One Business Plan

1. Project Graduate & Undergraduate Completer Degrees
2. First-time freshman enrollment
3. Improved Retention
4. Online Professional Masters
5. Summer Courses
6. Intellectual Property
7. Procure-to-Pay
8. Carbon Reduction Program with Nature Conservancy
Q & A
Five-Year Financial Plan
EXTRA SLIDES
Commonwealth of Kentucky
Change in State General Fund Appropriations
Fiscal Years 2007-08 to 2017-18

Source: Kentucky Budgets of the Commonwealth
Consolidated Operating Budget

FY18 Budget - $3.7B

- $1.6B UKHC
- $466M Tuition
- $416M Other Designated ($204M Clinical)
- $386M Restricted (Gifts, Grants and Contracts)
- $277M Fund Balances (Prior Year Savings)
- $267M State Funds ($86M Mandated Programs)
- $48M Other Undesignated
- $211M Auxiliaries ($97M Athletics)

21.3% of the budget can be managed aggressively ($781M / $3.7B)
## Projecting Our Future
### From FY18 Base of $781M

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<tr>
<td>3% Annual Faculty and Staff Salary Increases</td>
<td>$16.5</td>
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<td>$17.4</td>
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<td>College Incentive Programs</td>
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<tr>
<td>Utilities - inflation</td>
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<td>$1.6</td>
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<tr>
<td>M&amp;O - new buildings</td>
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<td>Capital and Utility Renewal</td>
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<td>Operating Expenses</td>
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<td>Debt Service - $60M Modernization</td>
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<td>Debt Service - $30M Annual Capital Projects</td>
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<td>Tuition revenue assuming no rate increases and 4,900 first-time undergraduate cohorts</td>
<td>($3.5)</td>
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<td>Misc. Revenue</td>
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Team Membership

• Each concept team consists of deans, staff members, a University Senate representative, a Staff Senate representative, and a student.

• Ten member work group, comprised of staff members, supports the concept teams in writing phase one business plans for the eight concepts.