



Budget Update

May 2016



State Budget Process

Date	Activity
January 26, 2016	Governor's State of the Commonwealth and Budget Address <ul style="list-style-type: none">• 4.5% (\$12.6m) reduction to current year appropriation• 9% (\$25.2m) reduction to next fiscal year appropriation• 33.3% (\$84m) of UK's appropriation set aside for a performance fund in FY2017-18
March 16, 2016	House approves its version of the state budget <ul style="list-style-type: none">• No mid-year reduction• No reduction in the next fiscal year• No performance funding language; created process to determine formula
March 23, 2016	Senate approves its version of the state budget <ul style="list-style-type: none">• 9% (\$25m) reduction to next fiscal year• Appropriation remains flat in FY2017-18• 25% (\$63.8m) of UK's appropriation set aside for a performance fund in FY2017-18
April 1, 2016	Governor issues 4.5% (\$12.6m) mid-year reduction; later reduced to 2% (\$5.6m)
April 15, 2016	General Assembly passes budget for Governor's review <ul style="list-style-type: none">• 4.5% (\$12.6m) reduction to next fiscal year• 5% (\$13.4m) of UK's appropriation set aside for a performance fund in FY2017-18
April 27, 2016	Governor signs state budget



Operating Budget Impact of the 2016 Session

2% mid-year reduction FY2015-16
\$5.6 million (Pending)

4.5% reduction
\$12.6 million effective July 1, 2016

Performance Fund Account - 5%
\$13.4 million in FY2017-18



2015-20 Strategic Plan

Undergraduate Student Success

- Retention/Graduation Rates
- Achievement Gap for URM, First-generation, and Pell-recipient students

Graduate Education

- Doctoral Program Selectivity
- Graduate Degrees Awarded
- Graduate Student Diversity

Diversity and Inclusivity

- Under-represented Student Enrollment
- Graduation rate for URM students
- Female, African American, and Hispanic Faculty, Executive, Administrative, and Managerial Staff
- African American and Hispanic Professional Staff

Research and Scholarship

- Total R&D Expenditures
- Ranking of Doctoral Programs
- Research Funds/Square Foot
- License Growth and Income Generation

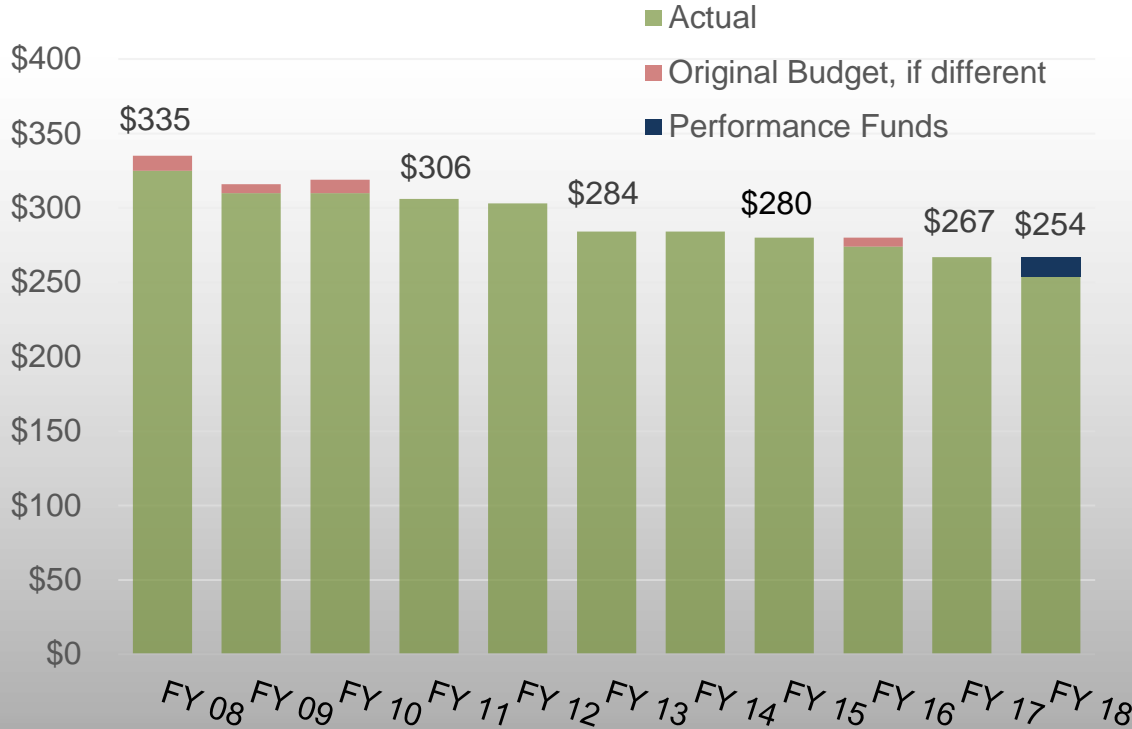
Outreach and Community Engagement

- Database Tracking of Engagement
- Faculty/Staff Engaged in Community-based Courses
- Undergraduate Community Engagement Courses
- Partnerships Between University and Community Stakeholders

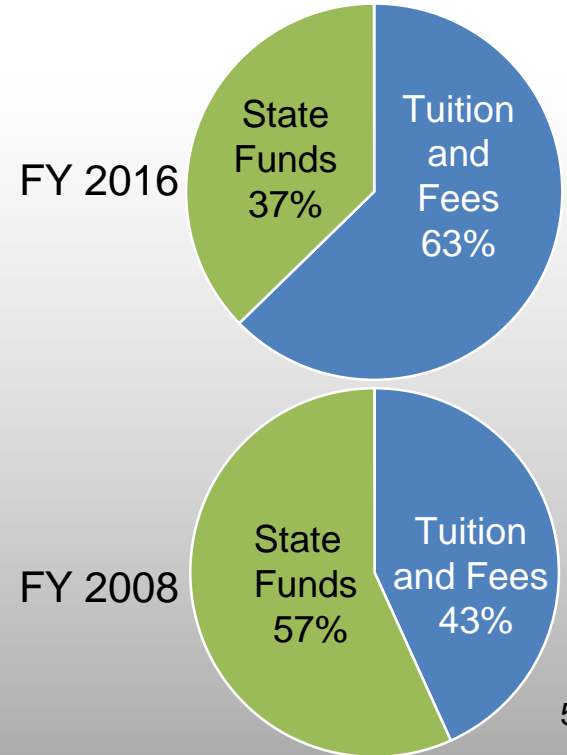


Budgetary Impact of State Appropriations

University of Kentucky State Appropriations, net of debt service (in millions)



Change in General Fund Source, FY08-16





Budget Development Principles

- Student access and affordability
- Competitive pay for faculty and staff
- Strategically plan to prevent across-the-board cuts and maintain and enhance academic quality
- Diversity and inclusion



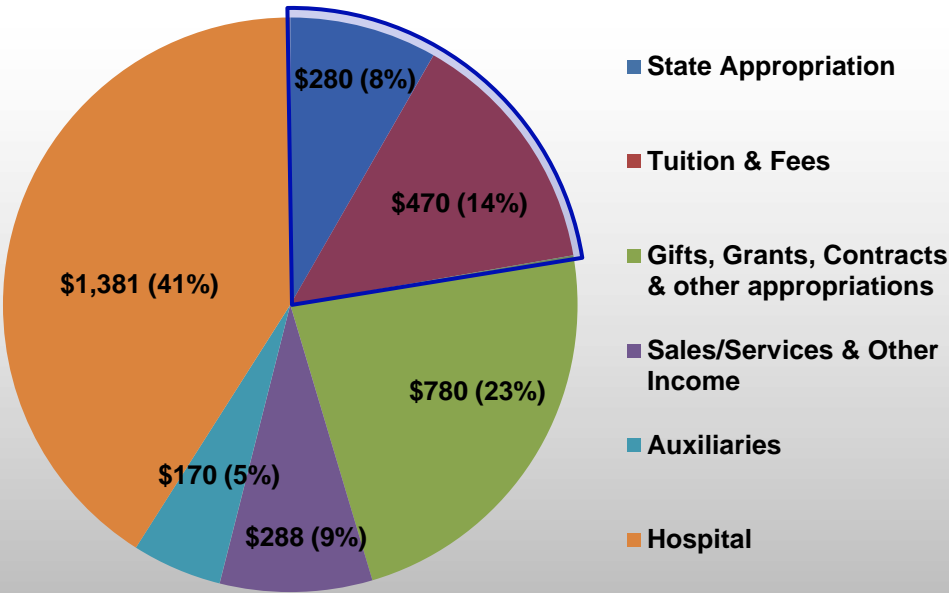
University Operating Budget by Fund Source



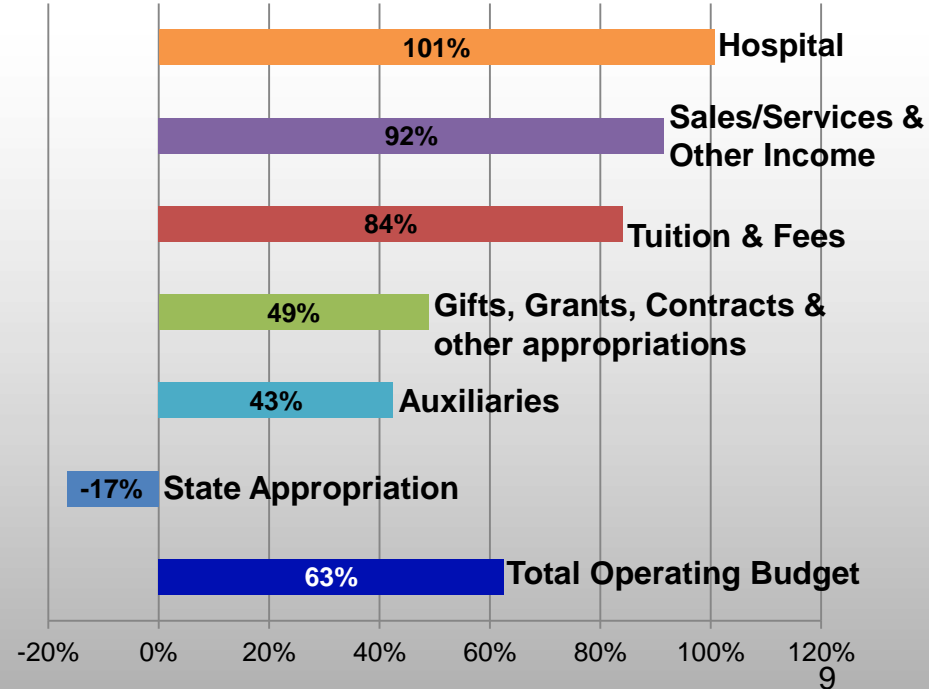


Evaluation of Fund Source

Revenue by Fund Source, FY2015-16 (in millions)



Percent Change by Fund Source, FY2008-16





Identifying Financial Needs

FY2016-18 Financial Needs Undesignated General Funds <i>In millions</i>		
	FY 17	FY 18
Loss of State Funds	\$12.6	\$?
Increase in Institutional Student Aid	12.8	7.9
Increase in Faculty / Staff Pay*	?	?
Increases in Fixed Costs	?	?
Strategic Investments	?	?
Total Additional Funds Needed	\$?	\$?

*1% faculty and staff pay increase totals \$4.6 million



Additional Academic and Research Excellence Funds, FY2015-16

	Financial Model Distribution	Additional F&A Allocation ³
Agriculture	\$439,654	\$370,195
Arts & Sciences	\$578,436	\$137,486
Business & Economics	\$810,107	\$59,159
Communication	\$201,072	\$19,014
Dentistry	\$181,572	(\$23,016)
Design	\$103,287	\$17,857
Education	\$165,423	\$74,441
Engineering	\$659,138	\$483,568
Fine Arts	\$145,212	\$18,571
Health Sciences	\$554,030	\$96,082
Law	\$171,984	\$12,143
Medicine ¹	\$268,128	(\$400,314)
Nursing	\$188,185	\$95,654
Pharmacy	\$178,316	\$390,717
Public Health	\$323,183	\$298,322
Social Work	\$22,433	\$82,442
Graduate School ²	\$9,840	\$34,931
Libraries		\$11,394
Research Centers/Institutes ⁴		\$901,150
TOTAL	\$5,000,000	\$2,679,795

¹Medicine previously received 50% of F&A generated by that College in lieu of being part of the formulaic calculation.

²Graduate School includes Martin School and Patterson School financial model distributions

³Additional F&A funds distributed in FY 2015-16 using a formulaic model as compared to FY 2014-15 distribution of funds for start-up packages and additional funds for Summer Faculty Salary Research Fellowship Program.

⁴CAER, HDI, Water Institute



Building the University's Budget

Total Additional Funds Needed

- Loss of state funds
- Increase in institutional student aid
- Increase in Faculty & staff pay
- Increases in fixed costs
- Strategic investments

Step 1

Available Resources

- New revenues
- Increased efficiencies
- Strategic reallocations

Step 2

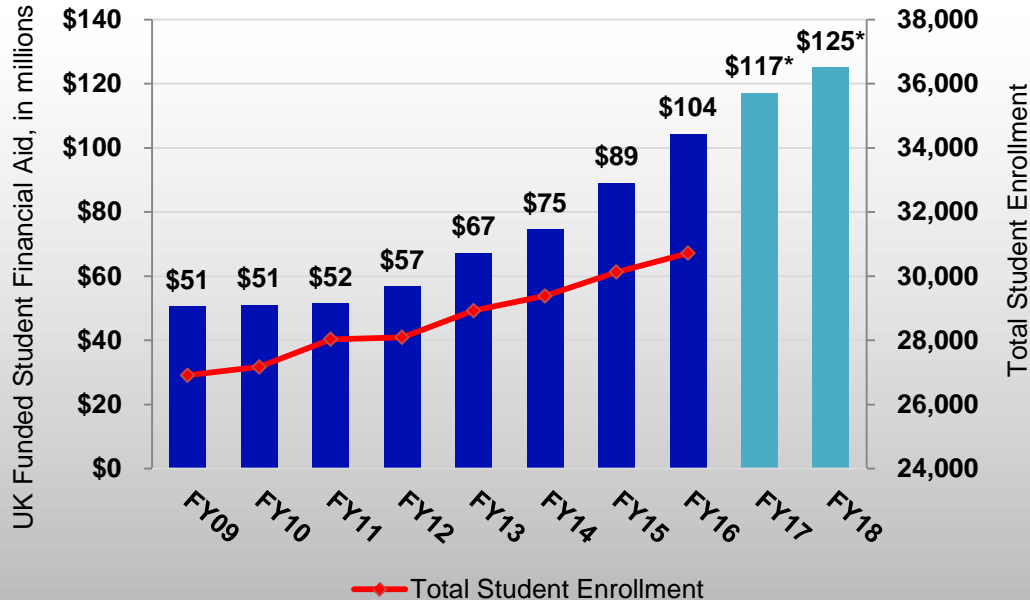
Tuition and Fee Revenue

Step 3



Access and Affordability

UK Funded Student Financial Aid and Overall Enrollments



*Tentative

Tuition and Mandatory Fees Per Semester			
Fall Semester	UG Resident Rate*	Annual % Change	4 Year Average % Change
2008	\$3,868	9.00%	10.60%
2009	\$4,062	5.00%	8.80%
2010	\$4,305	6.00%	7.30%
2011	\$4,564	6.00%	6.50%
2012	\$4,838	6.00%	5.80%
2013	\$4,983	3.00%	5.30%
2014	\$5,232	5.00%	5.00%
2015	\$5,390	3.00%	4.25%
2016	TBD	TBD	TBD
2017	TBD	TBD	TBD

**Freshmen and Sophomores*



Kentucky Council on Postsecondary Education Tuition and Mandatory Fee Parameters

- Resident undergraduate tuition and mandatory fee increases for academic year 2016-17 by sector.
- Revised policy regarding nonresident students: Average net tuition and fee revenue generated per nonresident student should equal or exceed 100% of direct instructional and student services costs per student.
- Resident and nonresident graduate tuition and mandatory fees are to be market competitive.



Kentucky Council on Postsecondary Education Tuition and Mandatory Fee Rates Undergraduate, Full-Time Resident Students

	2015-16 Tuition & Mandatory Fees	2015-16 Tuition and Mandatory Fees Base Rates ¹	2016-17 Maximum Ceilings	Maximum Dollar Change	Maximum Percent Change
UK	\$10,936	\$10,936	\$11,483	\$547	5.00%
UofL	10,738	10,542	11,069	527	5.00%
WKU	9,482	9,282	9,714	432	4.65%
NKU	9,120	8,736	9,168	432	4.95%
EKU	8,450	8,150	8,582	432	5.30%
Morehead St.	8,098	7,966	8,398	432	5.42%
Murray St. ²	7,608	7,608	8,040	432	5.68%
KSU	7,364	7,364	7,796	432	5.87%
KCTCS ³	\$155 pch	\$147 pch	\$156 pch	\$9 pch	6.12%

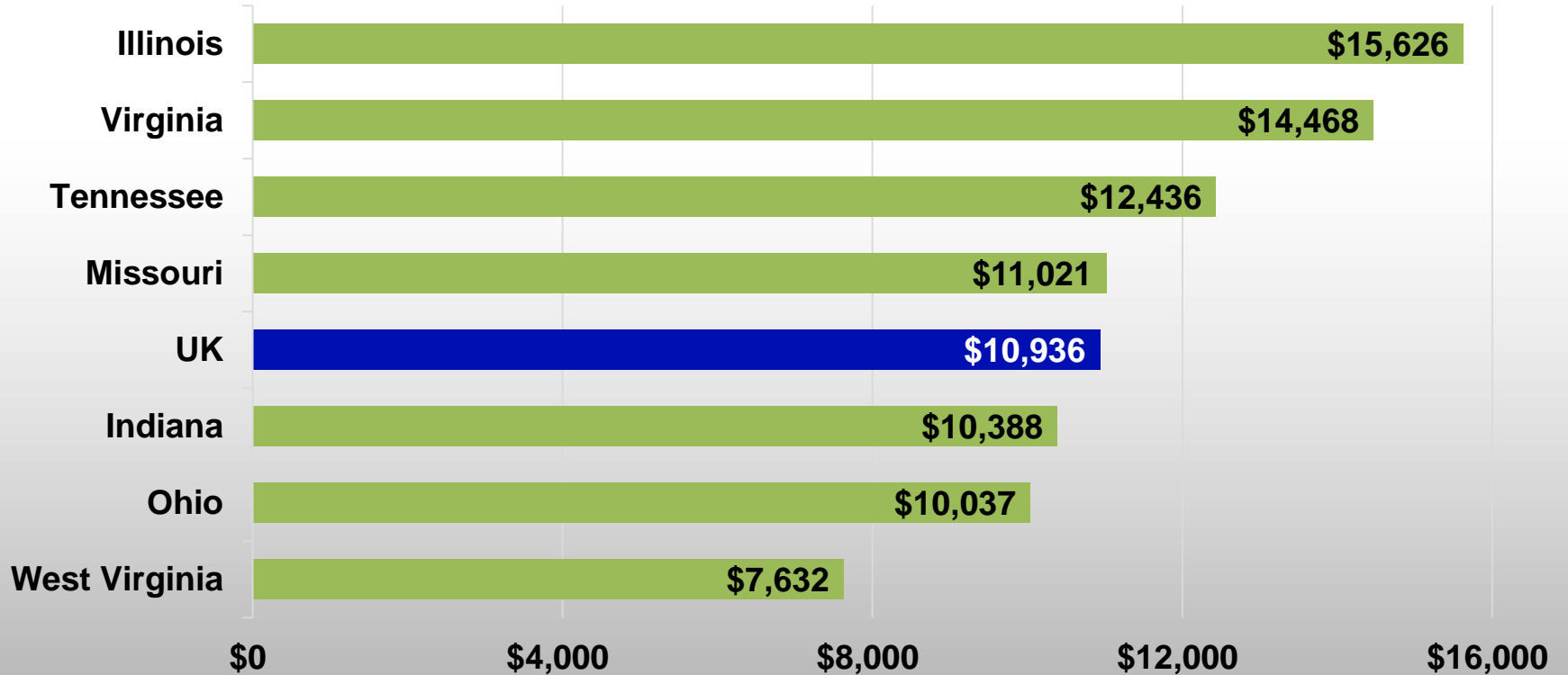
¹Does not include Special Use Fees at UofL, EKU, MoSU, NKU, WKU, and KCTCS.

²MuSU will increase tuition and mandatory fees for first-time freshmen and new transfer students by 10.4% and increase the rates for returning students by no more than 5%.

³KCTCS rates are per credit hour. 2016-17 rate includes \$2 special use fee for safety and security initiative.



Flagship Universities in Kentucky and Surrounding States 2015-16 Tuition and Fee Rates, Resident Undergraduate





Capital Project Actions of the 2016 Legislative Session

FY 2017 and FY 2018 Approved Capital Projects

Legislative Authorization for Two Agency Bond Funded Projects

- Facilities Renewal, Modernization and Deferred Maintenance - \$60 million
- Renovate/Upgrade UK HealthCare Facilities - \$150 million

Legislative Authorization for Multiple Cash Funded Projects

HB 80 Amends KY Revised Statute (KRS) 7A.010 and 45.750

Permanently changes authorization threshold for capital projects from \$600,000 to \$1,000,000



Budget Development Timeline

Date	Activity
April 26, 2016	CPE sets proposed tuition and fee parameters
May 2, 2016	Senior leadership discusses two-year budget plan with University Senate
May 3, 2016	Senior leadership discusses two-year budget plan with the Board of Trustees
May 2016	Units update revenue and expense projections for FY2016-17
May 12, 2016	Senior leadership discusses two-year budget plan with the Staff Senate
Mid/Late May 2016	Units review budget plans with Provost or appropriate Executive Vice President
June 2, 2016	CPE takes action on FY2016-17 proposed tuition and mandatory fee rates
June 24, 2016	Board of Trustees considers FY2016-17 Annual Operating and Capital Budget and AY 2016-17 Tuition and Fees



Budget Update

May 2016