

FCR 13

Office of the President
April 25, 2006

Members, Board of Trustees:

REPORT ON THE 2006 KENTUCKY GENERAL ASSEMBLY

Recommendation: that the Board of Trustees accept this report on the 2006-08 Biennial Budget of the Commonwealth, as approved by the 2006 Kentucky General Assembly.

Background: At its December 2004 meeting, the Board of Trustees approved Administrative Regulation II-1.4-1, directing the President to report to the Board on actions taken by the Kentucky General Assembly.

The University of Kentucky's Top 20 Business Plan, approved by the Board at its December 2005 meeting, provided the framework for the University's budget request to the 2006 Kentucky General Assembly. The Business Plan indicates the operating funds and capital projects necessary to the university's progress toward achieving the legislative mandate that it become a Top 20 public research university by 2020. While the university budget for 2006-07 will be difficult, the \$20.9 million increase in state operating dollars in 2007-08 fully funds the Business Plan.

2006-08 Operating Budget

2005-06 State Appropriations:

Operating Funds	\$ 306,341,800
Debt Service	\$ 7,960,400
Total State Appropriations	<u><u>\$ 314,302,200</u></u>

2006-07 State Appropriations:

Increase in Operating Funds:

Benchmark Funding	\$4,603,500
Mining Engineering Scholarship Program	200,000
Governor Fitness Program	500,000
Center for Research on Violence Against Women	150,000
Adolescent Medicine and Young Parent Program, and Rape Crisis Center	150,000
Sub-Total	\$5,603,500

Change in Debt Service **(\$1,337,800)**

Total State Appropriations **\$ 318,567,900**

2007-08 State Appropriations:**Increase in Operating Funds:**

Base increase	\$20,875,700
Kentucky Geological Survey	250,000

Sub-Total **\$21,125,700**

Change in Debt Service **(\$4,677,100)**

Total State Appropriations **\$ 335,016,500**

In addition:

- UK will receive \$1 million in recurring funds each year from the Council on Postsecondary Education's "Research Support Initiative."
- UK will receive \$208,000 each year for the UK Center for Rural Health – Kentucky Homeplace Program.
- UK and the University of Louisville will share \$1.5 million each year to support the Area Health Education Centers.
- UK is encouraged to provide funding in FY 2007 and FY 2008 to the Cooperative Extension Service to support the County Extension Enhancement Initiative.
- UK is encouraged to provide funding in FY 2008 for the Bath County Cooperative Extension Education and Marketing Center.
- UK is encouraged to provide funding in FY 2008 for the arboretum.
- UK is encouraged to provide funding in FY 2008 for the Arts and Music program offered through the Greenup County Extension Service.
- UK is encouraged to provide funding in FY 2008 for maintenance and operation of the West Liberty Technical Center.

2006-08 Capital Budget

Highlights of the Capital Budget include:

- \$79.8 million in state bonds for Phase II of the Biological/Pharmaceutical Complex,
- \$13.5 million in state bonds for Phase II to expand and upgrade the Livestock Disease Diagnostic Center,
- \$150 million in university-funded (agency) bonds for Phase II of the construction of the Patient Care Facility (plus authority to spend \$25 million of agency funds),
- \$7,013,000 in university-funded (agency) bonds for the installation of a new heating and air-condition system in Keeneland Hall,
- \$3,010,000 in university-funded (agency) bonds for the renovation of the Blazer Hall Cafeteria (plus authority to spend \$1,490,000 of agency funds),
- \$4 million in non-recurring funds in FY 2008 to support research-related lab renovations and equipment, and
- A pro rata share of a \$13.9 million Capital Renewal and Maintenance Pool for the postsecondary system.

Attached is a full report of authorized capital projects. Pursuant to Administrative Regulation II – 1.4-1, projects will be individually approved by the Board of Trustees prior to initiation.

In addition, the General Assembly enacted:

- Senate Bill 83 - Increases from \$100,000 to \$200,000 the maximum cost of capital construction projects that may be performed by postsecondary institution employees.
- Senate Bill 84 - Increases the thresholds of capital-related activities that do not require legislative authorization:
 - Capital construction projects from \$400,000 to \$600,000,
 - Purchase or lease of movable equipment from \$100,000 to \$200,000, and
 - Acquisition, upgrade, or replacement of an information technology systems from \$400,000 to \$600,000.

Action taken: Approved* Disapproved Other _____

*Approved as amended at meeting. (Amendments will be reflected in Minutes for April 25, 2006.)