

A Message About Our Budget, Our Principles and Our Progress

May 5, 2014

Colleagues and Students,

This afternoon, I talked with the University Senate about the status of UK's operating and capital budget.

We have three principles guiding every decision we make:

- Propose moderate tuition and fee increases to ensure affordability.
- Continue consistent faculty and staff pay raises.
- Ensure no across-the-board cuts and minimize any impact on our academic core.

The Council on Postsecondary Education, which has the statutory authority to set tuition rates at the public institutions, recently established a ceiling on tuition increases over the next two years totaling no more than eight percent.

In alignment with that, at their meeting later this week, I will recommend to the Board of Trustees a five percent increase in tuition for Fall 2014. This means another year of modest tuition increases. Over the last four years, the average increase has been five percent. In the years before that, the average was in double-digits.

And we will propose increasing University-funded financial aid and scholarships by more than \$11 million. This academic year 85.5 percent of undergraduates at UK from Kentucky received financial aid that did not have to be repaid. And for those students, the average out-of-pocket expense for tuition and mandatory fees was \$1,079 per semester — nearly \$150 less than the year before.

While no numbers can diminish the fact that families are bearing more of the cost burden for higher education in the wake of declining state support, we can be proud that this university is keeping the needs of Kentuckians first.

I will then recommend to the Board of Trustees in June a two percent merit increase pool for faculty and staff to build on the five percent pool we implemented this fiscal year. We will continue investing in our most valuable resource — our people.

Finally, the state budget, which will be enacted in July, cuts our annual appropriation by nearly \$4.3 million. Our state appropriations have now been reduced by about \$55 million since 2008. With state funding cuts, our plan to raise compensation, and having to manage increases in fixed costs such as utilities and financial aid, we face nearly \$40 million in additional funding needs for the coming year.

We will respond to this challenge by trimming dollars from pools of funds set aside for such things as debt service on new construction and other facility initiatives (and do so without compromising ongoing projects). And we also will internally reallocate \$7 million made possible through efficiencies, the creation of new revenues, and realignment of the budget.

Our continued progress is a testament to you — your talent, your commitment and your willingness to make tough decisions.

That said, we cannot cut our way to a brighter future. It may be seductive to think so, but it is illusory to believe it.

In the last three years alone, with our board's leadership, we have started — or been authorized to begin — nearly \$1 billion in construction of new facilities and renovation of existing buildings that are transforming our campus. Of that, the state has been responsible for \$35 million.

UK has generated the rest through public-partnerships, a unique collaboration with our athletics department to fund academic space, fund-raising, and greater efficiencies in our operations and administration.

The University is, without question, doing its part. We will continue to urge the state to re-invest in this institution, which is so vital to Kentucky's future.

In the meantime, please know how deeply I appreciate the work you do, and the commitment you have, to this special place.

Eli Capilouto  
President