

UNIVERSITY OF KENTUCKY BOARD OF TRUSTEES

Eric N. Monday, Executive Vice President for Finance and Administration



AN EQUAL OPPORTUNITY UNIVERSITY

DISCUSSION TOPICS

- Principles
- Federal Legislation
- FY2019-20 Budget
- FY2020-21 Budget
- What's Next

PRINCIPLES

Our principles will drive everything we do:

1. We will preserve the missions we've held for more than 150 years: education, research, service, and health care.
2. We will ensure the health, safety, and well-being of our campus community.
3. We will continue to focus on a return to safe and normal operations as soon as possible.
4. We will position UK to thrive when we emerge from this crisis.
5. We will communicate with the campus clearly and transparently.

Federal COVID-19 Legislative Packages to Date

Phase I – “Coronavirus Supplemental” (March 6, 2020)

- The Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020,(H.R.6704))

Phase II - The Families First Coronavirus Response Act (March 18, 2020)

Focuses on targeted relief for both individuals and businesses (H.R.6201)

Includes two employee leave acts:

- Emergency Family and Medical Leave Expansion Act
- Emergency Paid Sick Leave Act

Phase III – CARES (March 27, 2020)

- The Coronavirus Aid, Relief, and Economic Security Act (H.R.748)
- **\$2 trillion** economic stimulus package to battle COVID-19

Phase IV –(April 22, 2020)

- The Paycheck Protection Program and Health Care Enhancement Act (H.R. 266)

Higher Education Fund

University of Kentucky Allocation

\$17,811,058

\$8,905,529 (50%)

50% to institutions to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus. Cannot include payment to contractors for the provision of pre-enrollment recruitment activities; endowments; or capital outlays associated with facilities related to athletics, sectarian instruction, or religious worship.

\$8,905,529 (50%)

50% of institution's funding required to be provided to students for emergency financial aid and expenses relating to the disruption of campus operations due to coronavirus.

**COVID-19 Estimated Financial Impact
Excluding UKHC
March – June 2020**

Loss Revenues, Budget Less Estimated	In millions
Spring 2020 Housing and Dining Credits	\$14.0
Spring 2020 Parking Refunds	.4
Reduced F&A Reimbursement	4.2
Investment Income	6.3
Athletics	4.0
Summer School – Online Pricing Strategy	5.0
Dentistry Clinics	3.8
Other	<u>8.9</u>
	\$46.6
 Additional Direct Costs, Unbudgeted	
International Evacuations, Program Cancellations	\$ 1.2
Moving Spring Classes Online	2.8
New Paid Sick Leave Options	<u>11.0</u>
	\$15.0
 Total Estimated Impact	 \$61.6

UK				DRAFT	
FY21 Undesignated General Funds					
Updated: 043020 BASED ON 04062020-PM				WORKING DOCUMENT	
Projected FY21 Budget (in millions)					
	State Funds	Self Generated Funds	Total	Notes	
1	FY 20 Budget	\$261.0	\$589.3	\$850.3	
2	State Funds - Operating	3.2	3.2	\$2M net performance funds; \$1.2M mandated programs	
3	Tuition Adjustments		(27.2)	(27.2)	Projected enrollment changes - first-time full-time fall 2020, transfers, summer 2020, modest tuition increase
4	Investment Income/Misc		(18.6)	(18.6)	Avg. rate of return on investment of operating cash expected to decrease from 250 basis to 50/60 basis points; misc service assessment increases and payable efficiencies
5	Sub-total	\$3.2	(\$45.8)	(\$42.6)	
6	Projected FY 20 Budget	\$264.2	\$543.5	\$807.7	
		33%	67%	-5.0%	
Direct Student Impact - Projected FY 21 Undesignated General Funds Budget (in millions)					
7	FY 21 vs. FY 20 Budget Growth		-\$42.6	FY 21 Compared to FY 20 Original	
8	Compensation Adjustments		(1.0)	No merit, implement \$12.50 minimum rate including feather to \$14.50	
9	Core Scholarship Program		(7.6)	Estimate from Provost Budget Office; May be less because of class size; reduced by \$1m from Scholarship Review	
10	Faculty Promotions, Retention, and College Incentive Funds		(6.2)	Faculty promotions & retention fund, college productivity and net tuition revenue models	
11	Strategic Investments, Fixed Costs, and Mandated Programs		(14.9)	Recurring funds for utilities, capital renewal, debt service for construction, cost increases such as health benefits, and mandated program commitments	
12	SUBTOTAL EXPENSES		(\$29.6)		
13	DIRECT STUDENT IMPACT		(\$72.3)		

Step 1: Begin with DSI - \$72m

Step 2: Add Contingency Fund - \$11m or 15%

Step 3: Net Out – “Off the Top Adjustments” - \$10m

- Revision to Investment Income - \$1.5m
- Reduce College Incentive Funds - \$1.8m
- Forego Capital Renewal - \$1.0m
- Scholarship Budget - \$5.5m
- Budget Initiatives - \$.5

Step 4: Final FY 21 Reduction for Distribution is determined by summing the three steps described above - **\$73m**

Step 5: Final FY 21 Reduction for Distribution is assessed equally across the five reporting areas: President, Provost, Research, EVPFA, and University wide – **Assessed Reduction is 10% to each area.**

Step 6: The assigned reduction is distributed within the five reporting areas as determined by University leadership.

Step 7: The University must also make a “Below the Line” reduction to the 403(b) employer contribution rate – rate will be reduced from **10% to 5% employer match for FY21.**

- Hiring pause will continue for the foreseeable future
- Enact low-activity/no-pay policies in units where work has ceased or been reduced significantly and the work can't be done remotely
- In some units, staff layoffs or reduction in force will be necessary
- Not provide merit increases
- Delay expansion of family leave policy
- Delay mandatory participation in retirement program for new employees hired after July 1, 2020 and who are under the age of 30
- Move forward with shared services via dual-reporting line relationships

WHAT'S NEXT...PLANNING TO THRIVE

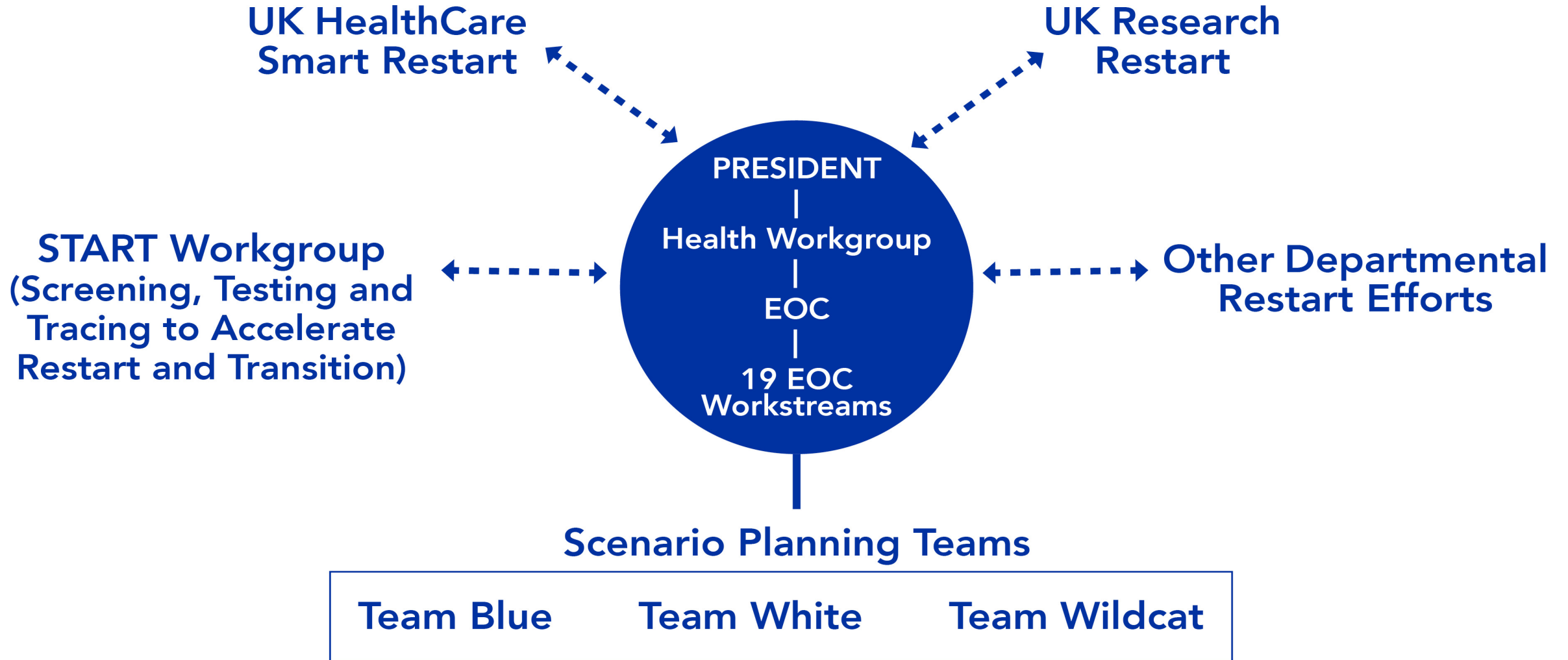
Focus on students, supporting employees, and financial resilience:

- Ensure our students have all necessary support, including mental health services, and that educational quality is maintained
- Provide faculty support to continue their research and service and to teach effectively in an online environment
- Support staff in stressful situations, whether remotely or on-campus
- Provide stewardship of the University's financial resources

Prepare for continued disruptions in FY2020-2021:

- Plan for multiple scenarios of ongoing disruptions to teaching, learning, and student engagement and research
- Evaluate and test a range of scenarios for normal and/or altered campus operations

Return to Safe and Reinvented Normal Operations



PLANNING SCENARIOS - EXAMPLES

1

Return to Campus

Face-to-face learning and residential life resumes fall 2020

2

Delayed Start

Revise academic calendar for fall 2020 with delayed start date for planned return to campus

3

Hybrid

Only first-time students learn and reside on campus; other students continue with fully online learning

4

Fully Online

Fully online learning continues for fall 2020 with planned return to face-to-face by spring 2021