



UNIVERSITY OF KENTUCKY FISCAL YEAR 2021-22
**OPERATING AND CAPITAL
BUDGET**



President's Budget Message

JUNE 17, 2021



University of Kentucky President Eli Capilouto, October 2019

MEMBERS OF THE BOARD OF TRUSTEES,
FACULTY, STAFF, STUDENTS, ALUMNI AND
FRIENDS OF THE UNIVERSITY OF KENTUCKY:

Emerging from a year unlike any other in our history, we remain firmly focused on the mission we were created for:

Advancing Kentucky.

This past year, we were challenged, in new and daunting ways, to continue meeting our obligations. I am deeply proud to say that your university — the University of, for and with Kentucky — met the moment and we are now poised to do even more.

It is that record of service and commitment that gives me such confidence and hope that we will find new

and exciting ways to redefine and expand upon what it means to be Kentucky's university in the months and years ahead.

The institution's budget for FY 2021-22 underscores that commitment — to our state, to the people on our campus who make our work possible and to the students who place their trust in us and in whom we are counting on to make a brighter future possible for Kentucky.

I have hope — and remain so optimistic — because I have seen firsthand what we can do.

Consider but one example among countless of what we have done this past year together.

As of this date, more than 250,000 doses of life-

saving vaccines — injections of healing and hope — have been provided to our community and to people throughout the Commonwealth. At a makeshift clinic constructed at Kroger Field, we vaccinated health care providers, teachers and school employees, first responders and those with underlying health conditions with precision, speed, care and efficiency.

The endeavor represented what we so distinctively bring to our state — the power of partnership. Across disciplines and departments, health care workers, emergency operations officials and police officers, athletics personnel, and students, faculty and employees volunteered to construct and staff a clinic.

Our vaccination efforts were, perhaps, the most visible example among so many of what this university

President's Budget Message

JUNE 17, 2021

community did over the past 15 months as we grappled with a global pandemic that forced all of us to find new ways to meet existing responsibilities and overcome obstacles — in classrooms and operating theaters, in extension offices and research labs, and in counties and communities across Kentucky that depend on what we do every day.

At the same time, we launched an essential and exciting effort that will be a primary focus for us for many years to come around creating a more diverse, equitable and inclusive community. The impact of historic and systemic racism and bias affects our community as it does every community in our state and country.

That is our reality, but it doesn't have to limit our aspirations to be a community of belonging and acceptance for everyone. Even as we launched clinical trials to test vaccines for COVID-19, we also started investing what will be millions of dollars in seeking solutions for inequities that exist in health care and education, justice and economics.

We are examining what we do, in every facet of campus life — from our physical spaces to our professional development and employment opportunities — to determine how we can make continual, substantive progress in meeting our aspirations as a community.

We have made much progress.

But there is still so much to do.

In the nearly \$5.1 billion university budget for this coming year, outlined in the pages that follow, we make purposeful investments in our people that will help us advance our missions of education, research, service and care; missions that are critical to advancing our state. Our growth as an institution continues to be fueled, in large measure, by incredible advancements we continue to make as a health care and research enterprise — one squarely focused on addressing and solving some of our state's most intractable challenges.

To sustain that growth, as well as advancing our record-setting efforts to help even more students be

successful, we must continue investing in our people: the students, faculty and staff who are called to make this institution the bright light of hope and progress that it is for Kentucky. To that end, this budget:

- Will hold tuition increases to 1 percent; the four-year average of annual tuition increases is now 1.7 percent, below the rate of inflation. We are also taking steps to increase stipends for our graduate students who contribute so much to our academic, research and health missions.
- Will challenge our colleges to even more aggressively meet our aspirations to grow and help students succeed by investing \$13.7 million in revenues based on their performance in meeting certain goals aligned with our most important priorities — educating and graduating more students, continuing to grow our research as well as creating and sustaining more diversity among our faculty ranks.
- Will increase the minimum hourly rate for regular employees at the University of Kentucky from \$12.50 to \$13.75 on July 1 and then to \$15 beginning January 1, 2022.
- Will create new paid leave for staff employees to welcome a new child or care for an ill parent.
- Will include a 2 percent merit increase, beginning January 1, 2022. And we will provide a one-time \$1,000 payment for all regular faculty and staff (excluding UKHC which operates under a separate compensation plan). These payments recognize the outstanding efforts and sacrifices our people have made over the past year. I'm pleased that this represents the 9th pay increase for our employees during the last 11 years.
- Will, as promised, restore the full employer retirement contribution rate of 10 percent on July 1.

This was not an easy budget to craft. They never are. During this time, we invested tens of millions of dollars to ensure the health, safety and well-being of our community, without knowing how much we would recoup in assistance from our partners the federal and state governments. Even with the vital assistance we

have received, balancing this budget — during a time of such uncertainty — has been particularly difficult.

We know, too, that in the coming years new challenges already await — a so-called demographic cliff in which the number of potential students is projected to decline; understandable anxiety among families about what a college education and experience looks like as we emerge from a pandemic that upended some of our most basic assumptions about life; and skepticism from many quarters about the value of what we do and how we do it.

And all of this swirl of challenges resides in a world that seems so rife with conflict and contentiousness. We move and live among places and spaces, in the midst of people and communities, where division and divisiveness are the norms and a sense of comity and consensus the exception.

We live in that world, to be sure. But we have a particular responsibility to do what we can to help shape it — through the education we offer, the research and care we provide and the service we render. To that mission, we have a particular calling — to advance a state we were created to serve more than 156 years ago. In advancing Kentucky, we do our part to advance the world.

This past year, in so many ways, challenged how we do that. We met that moment, creating solutions to problems none of us could have imagined or anticipated.

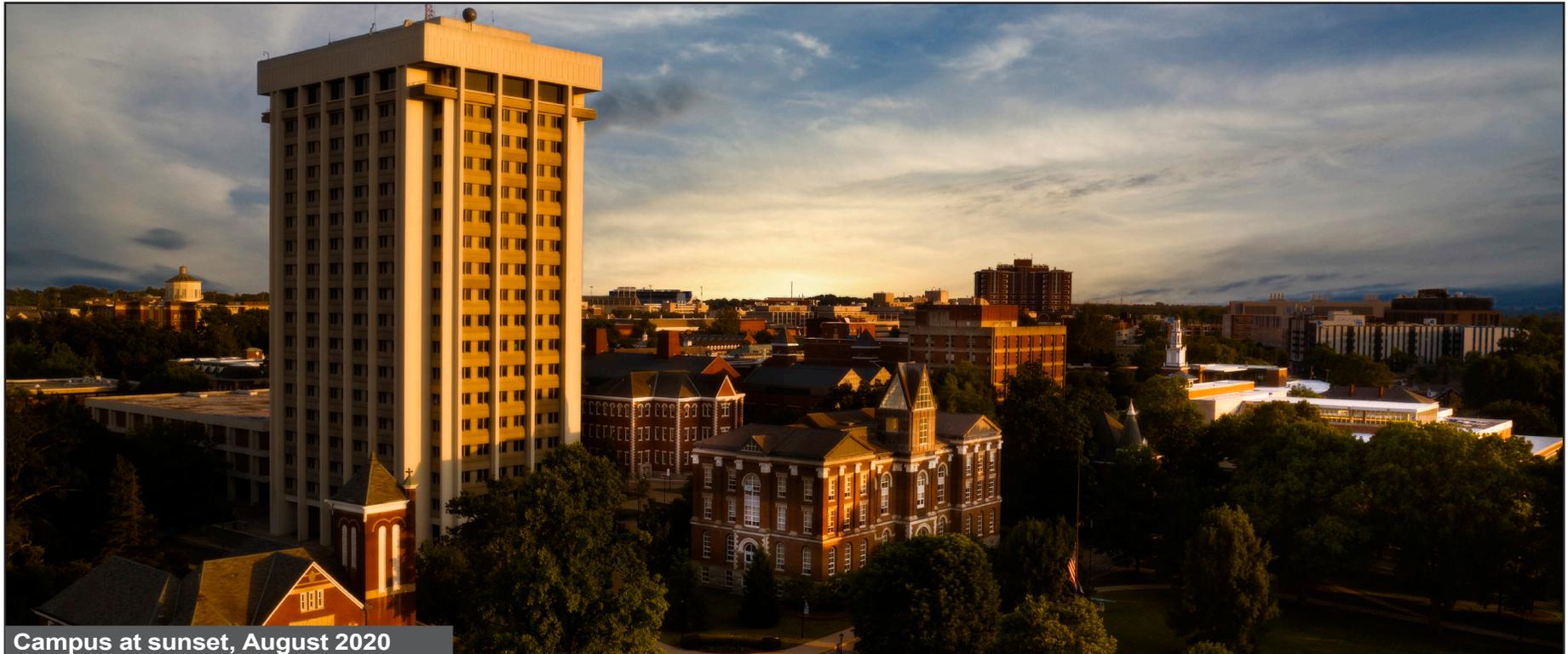
That tells me we will be ready to meet whatever lies ahead. I remain excited for our future and what we can — and will — do together.



Eli Capilouto
President
University of Kentucky

Budget at a Glance

UNIVERSITY OF KENTUCKY



Campus at sunset, August 2020

UNIVERSITY OF KENTUCKY CONSOLIDATED ORIGINAL BUDGETS

The President is responsible for the preparation of an annual budget for consideration and approval by the Board of Trustees (Board). A balanced budget is generally recommended to the Board in June, preceding the start of the fiscal year (July 1 through June 30). Budget revisions are considered by the Board throughout the fiscal year.

The annual budget only includes Current Funds (excludes Endowed Funds, Plant Funds and Loan Funds) and establishes the operating expenditure authority for each area, college and department. The university's executive leadership (President, Provost, Executive Vice President for Finance and Administration and Executive Vice President for Health Affairs) is responsible for the programmatic and fiscal management of the various areas of the university, including preparing, deploying

and managing the operating budgets.

The Fiscal Year (FY) 2021-22 budget was developed using principles in place for many years:

Enduring 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
- Building a community of belonging

Budget at a Glance

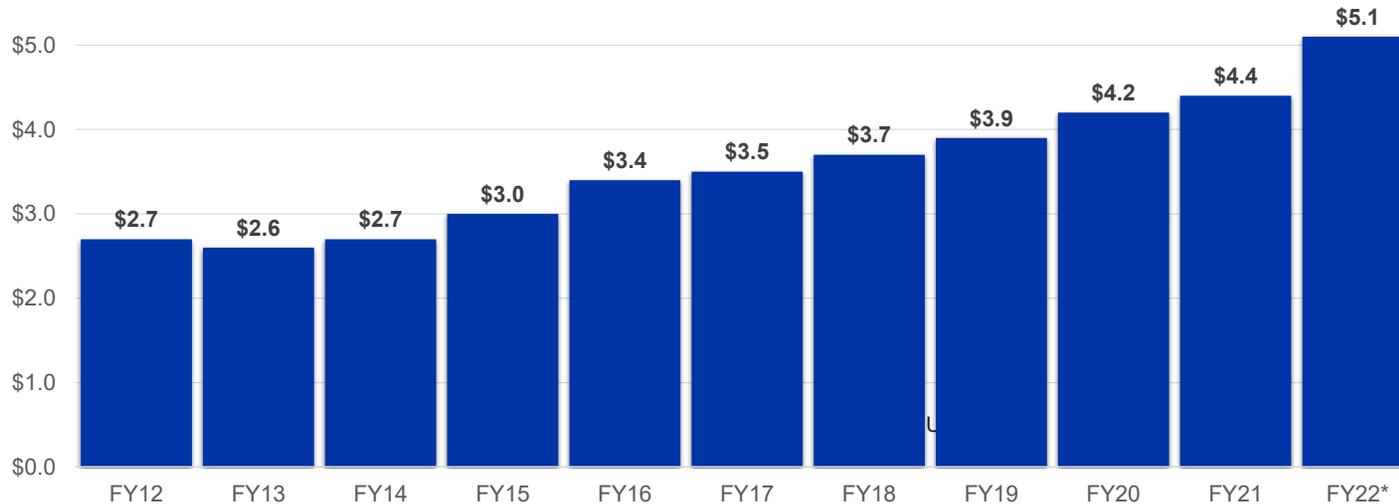
UNIVERSITY OF KENTUCKY

UNIVERSITY OF KENTUCKY CONSOLIDATED ORIGINAL BUDGETS

In addition to the enduring budget principles, the university also considered the five guiding principles developed last year in response to the pandemic to inform fiscal decisions:

Guiding Principles During Crisis

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



Background:

The consolidated operating budgets are balanced and:

- establish expenditure authority for each area, college and department
- include all components of the university (e.g., academic enterprise, hospital system, clinical patient care, research, philanthropy, athletics)
- include Current Funds only

FIGURE 1

EXPANSIVE GROWTH OVER A DECADE'S TIME

The university's recommended Fiscal Year (FY) 2021-22 consolidated operating budget totals \$5,078,502,700, an increase of \$649,113,200 (14.6 percent) over the prior fiscal year original budget. Over the last ten years, the university's original operating budget will have increased 89.9 percent from \$2.7 billion to \$5.1 billion.

Budget at a Glance

UNIVERSITY OF KENTUCKY

OPERATING BUDGET BY FUND GROUP

The University of Kentucky's budget is comprised of three fund groups, general, auxiliary and restricted. Each fund group is budgeted so that it has a zero balance: Revenues + Transfers In – Transfers Out = Expenses.

GENERAL FUNDS

General Funds are unrestricted resources that comprise the majority of the university's operating budget. The activities supported with General Funds constitute the core instructional, service, student support and administrative functions of the university. General Funds are further classified, for management purposes, as Undesignated General Funds or Designated General Funds.

**Undesignated
General Funds
16.6%**

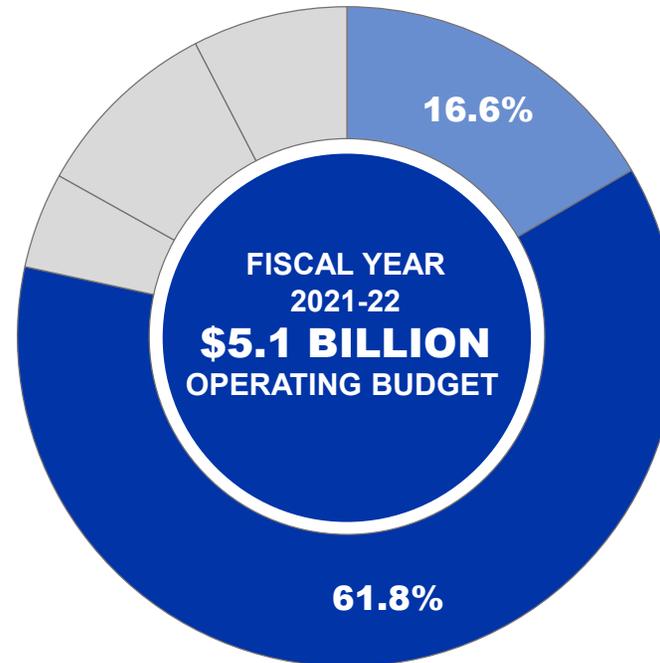
\$841.6 million

WHERE THE MONEY
COMES FROM

\$502.7 Tuition
\$271.3 State Appropriations
\$63.1 Other

HOW IT IS USED

- Instruction
- Public Service
- Utilities
- Administrative Support
- Institutional Student Aid



**Designated
General Funds
61.8%**

\$3,138.9 million

WHERE THE MONEY
COMES FROM

\$2,494.5 UK HealthCare
\$463.9 Clinical Services
\$44.6 Fees
\$135.9 Other

HOW IT IS USED

- Patient Care
- Instruction
- Public Service
- Student Services
- Academic Support

FIGURE 2

UNDESIGNATED GENERAL FUNDS

Undesignated General Funds (UGF) include state appropriations, student tuition and other income. These revenues are received and managed centrally and the associated expenditure authority is allocated to the colleges and departments as base support for education, research and creative work, and service. The budget decisions related to the university's educational and general activities are based on the availability of UGF. For FY 2021-22, UGF comprise 16.6 percent of the university's total budget – a decrease of 1.6 percentage points from the FY 2020-21 original budget.

DESIGNATED GENERAL FUNDS

Designated General Funds (DGF) are received directly by the colleges and departments that generate or earn the income. The colleges and departments use the funds in accordance with their missions and to maintain self-sustaining activities. For FY 2021-22, DGF comprise 61.8 percent of the university's total budget – an increase of 3.1 percentage points from the FY 2020-21 original budget.

Budget at a Glance

UNIVERSITY OF KENTUCKY

OPERATING BUDGET BY FUND GROUP

The University of Kentucky's budget is comprised of three fund groups, general, auxiliary and restricted. Each fund group is budgeted so that it has a zero balance: Revenues + Transfers In – Transfers Out = Expenses.

AUXILIARY FUNDS

Auxiliary Funds are generated from the sale of goods and services to faculty, staff, students and the community. Revenues are expected to cover the operating expenses of each auxiliary enterprise. For FY 2021-22, Auxiliary Funds comprise 4.7 percent of the university's total budget – about the same percentage as the FY 2020-21 original budget.

RESTRICTED FUNDS

Restricted Funds are accepted by the university with explicit restrictions imposed by an external entity or donor. The primary sources of Restricted Funds are sponsored projects, such as grants and contracts; gifts that must be spent in support of a specific program; and federal and state student financial aid.¹ The university has a legal obligation to abide by the fund restrictions. For FY 2021-22, Restricted Funds constitute 9.3 percent of the university's total budget – a decrease of 1.0 percentage point from the FY 2020-21 original budget.

Auxiliary Funds
4.7%

\$238.2 million

WHERE THE MONEY COMES FROM

\$114.6 UK Athletics
\$27.5 Housing
\$11.7 Dining
\$15.6 Transportation Services
\$68.8 Service Centers and Recharge Units

HOW IT IS USED

Auxiliary units pay all of their expenses and receive no taxpayer or tuition support.

Restricted Funds
9.3%

\$470.6 million

WHERE THE MONEY COMES FROM

\$409.2 Research Grants and Contracts
\$25.9 Endowments and Investments
\$35.5 Gifts and Other

HOW IT IS USED

- Research
- Student Financial Aid
- Public Service

Fund Balances
7.6%
\$389.2 million

WHERE THE MONEY COMES FROM
Savings from prior years

HOW IT IS USED

- Capital Projects
- Faculty Start-Up Packages
- Pilot Programs

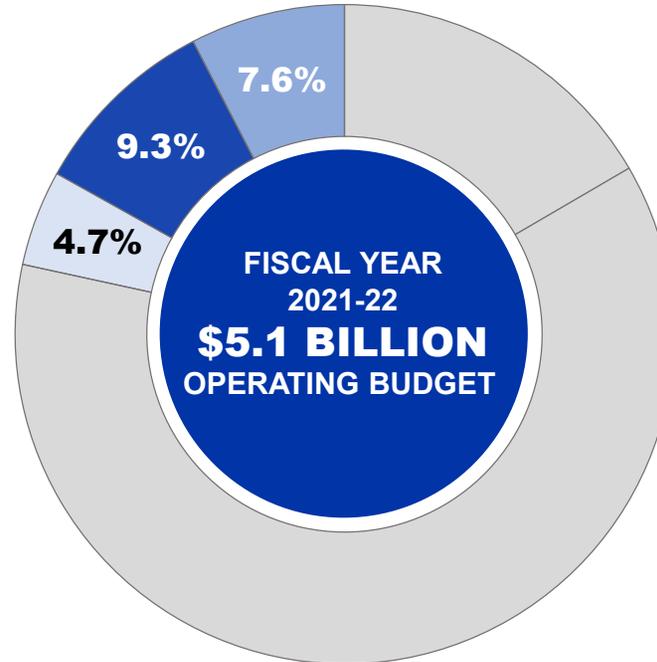


FIGURE 3

FUND BALANCES

The university's operating budget includes expenditure authority for prior-year unspent funds (i.e., Fund Balances) accumulated from the fund groups (General Funds, Auxiliary Funds and Restricted Funds). Fund balances are considered non-recurring in that they may or may not be replenished. For FY 2021-22, Fund Balances account for 7.6 percent of the university's total budget – a decrease of 0.4 percentage point from the FY 2020-21 original budget.

¹ Dean O. Smith, University Finances Accounting and Budgeting Principles for Higher Education, (John Hopkins University Press, Baltimore, 2019), 36.

Budget at a Glance

UNIVERSITY OF KENTUCKY

UNDESIGNATED GENERAL FUNDS

- REVIEW OF THE FY 2020-21 BUDGET
- FY 2021-22 UNDESIGNATED GENERAL FUNDS: REVENUES
 - INVESTMENT INCOME
 - STATE APPROPRIATIONS: PERFORMANCE FUNDING MODEL
 - UNDESIGNATED GENERAL FUNDS: TUITION REVENUE
 - FY 2021-22 UNDESIGNATED GENERAL FUNDS: INVESTMENTS



College of Engineering class, April 2021

Most fiscal decisions with university-wide impact are based on availability of Undesignated General Funds. These decisions include tuition and mandatory fee rate increases, annual salary increases, allocation of benefit costs between employees and the university and investments in strategic priorities. Most decisions are applied university-wide with a notable exception for UK HealthCare (UKHC).

UKHC consists of the medical, nursing, health sciences, public health, dental and pharmacy patient care activities. These activities are provided by more than 9,000 physicians, nurses, pharmacists and healthcare professionals. Given the competitive marketplace for these employees, UKHC operates under a separate personnel compensation system using different salary scales, official staff holiday schedule, and salary increase plans.

Budget at a Glance

UNIVERSITY OF KENTUCKY

UK'S BUDGET PROCESS FOR FY 2020-21

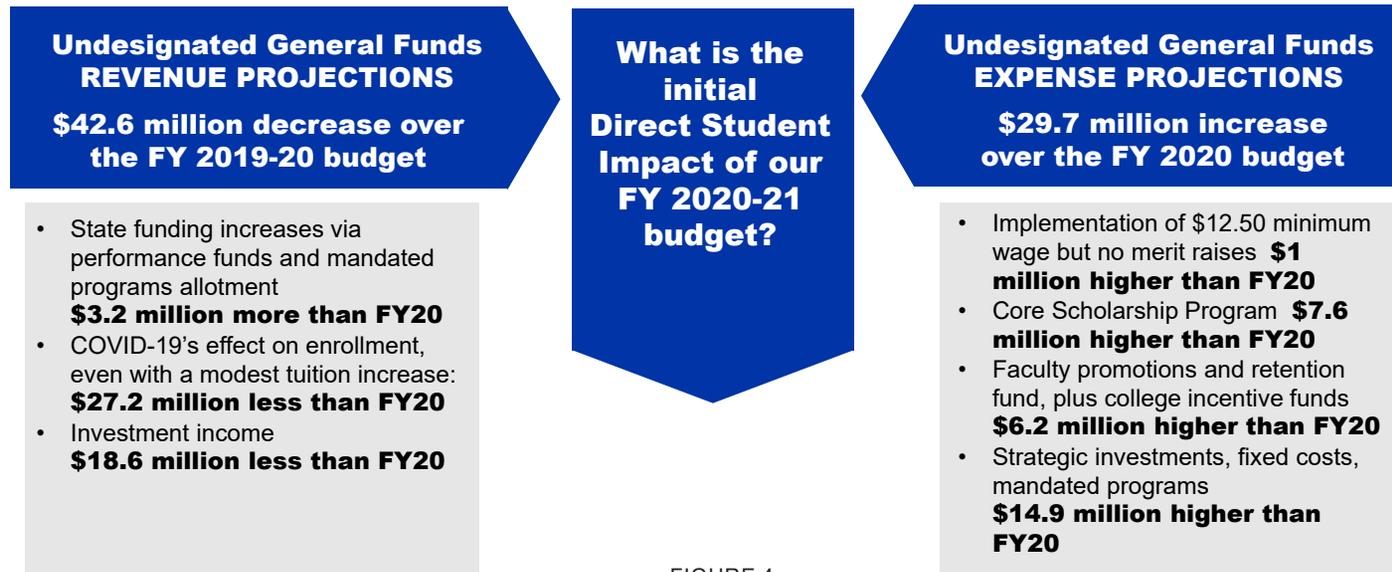


FIGURE 4

REVIEW OF THE FY 2020-21 BUDGET

The development of the FY 2020-21 budget was severely impacted by the COVID-19 pandemic. The revenue projections changed dramatically after the pandemic halted in-person instruction and other activities in March 2020. By April 2020, the Undesignated General Funds budget depiction reflected a \$72.3 million shortfall, or -8.6 percent. From April through May, university leadership designed a multi-step process to address the budget shortfall.

Given the unknowns related to the pandemic, UK leaders decided to establish a contingency fund of 15 percent of the shortfall, or \$10.8 million. As a result, the shortfall increased to \$83.1 million. As budget strategies materialized, subsequent adjustments to the estimated shortfall occurred such as reducing the projected increase in the institutional scholarship budget to reflect an anticipated smaller first-time freshman cohort. The subsequent budget reductions reduced the projected shortfall in Undesignated General Funds to \$72.1 million.

A ten percent reduction of the Undesignated General Fund base was assessed to the five primary areas of the university generating \$64.1 million of savings.

Unfortunately, the reduction was insufficient to fully address the shortfall. On May 5, 2020, the Board of Trustees approved a one-year reduction in the employer retirement contribution rate from ten percent to five percent for FY 2020-21. This action was estimated to save \$19.7 million of Undesignated General Funds. As \$7.9 million was needed to offset the budget shortfall, the remaining \$11.8 million was added to the contingency fund bringing it to a total of \$22.6 million.

During the review of unit plans for implementing the reductions, it became evident that a reduction in force could be avoided by allocating a portion of the contingency fund to select units. As a result, a total of \$8.1 million of the contingency fund was designated to be used in FY 2020-21 to avoid reductions-in-force, phase-in of scholarship reductions, and to fully fund select programs as mandated by the Kentucky General Assembly. As a result, at the beginning of FY 2020-21, \$14.5 million remained in the contingency fund for potential expenses such as costs related to the pandemic and a possible loss of revenues from a reduction in state appropriations or a tuition revenue shortfall.

Budget at a Glance

UNIVERSITY OF KENTUCKY

FY 2021-22 UNDESIGNATED GENERAL FUNDS: REVENUES

Undesignated General Fund revenues are expected to total \$841.6 million in FY 2021-22, an increase of \$32.4 million, or 4.0 percent, from the FY 2020-21 revised recurring budget. At \$841.6 million, the budget is slightly below the FY 2019-20 revised recurring budget, not adjusted for inflation. With \$32.4 million of additional Undesignated General Funds revenues, no recurring reallocations are necessary for FY 2021-22.

Primary revenue sources for Undesignated General Funds include state appropriations, student tuition, and investment income.

FOUR YEAR REVENUE HISTORY UNDESIGNATED GENERAL FUNDS

RECURRING BUDGET	FY 2018-19	FY 2019-20	FY 2020-21	RECOMMENDED FY 2021-22
State Appropriations*	\$258.5	\$261.1	\$265.2	\$271.3
Student Tuition	493.9	514.4	490.0	507.2
Other	57.0	68.4	54.0	63.1
Total	\$809.4	\$843.9	\$809.2	\$841.6

*State appropriations include funding for mandated programs. For example, more than \$80.6 million of UK's FY 2022 state appropriations must be allocated to mandated programs such as the Agricultural Cooperative Extension Service and the Center for Applied Energy Research.

FIGURE 5

PROJECTED FY 2022 BUDGET SOURCES UNDESIGNATED GENERAL FUNDS

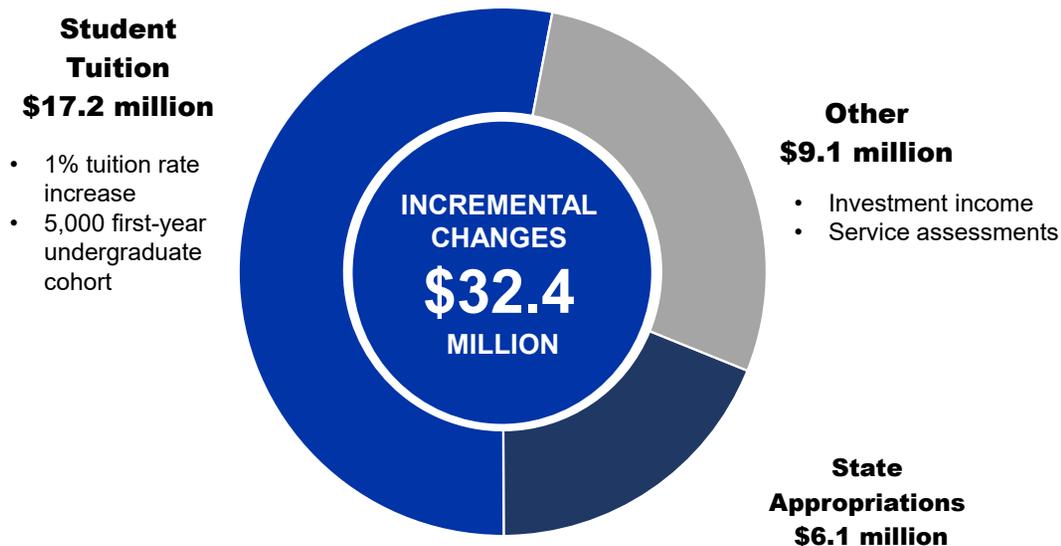


FIGURE 6

Budget at a Glance

UNIVERSITY OF KENTUCKY

INVESTMENT INCOME

The federal funds rate influences short-term interest rates thereby affecting the amount of investment income the university earns on its daily operating cash balances. From FY 2016-17 to FY 2019-20, the university's budget for investment income increased from \$4.0 million to \$24.2 million. In response to the pandemic, the federal funds rate has fallen from 2.39 percent as of July 1, 2019 to .06 percent as of June 10, 2021. This change has dramatically impacted the university's budgeted investment income for FY 2020-21 and FY 2021-22.

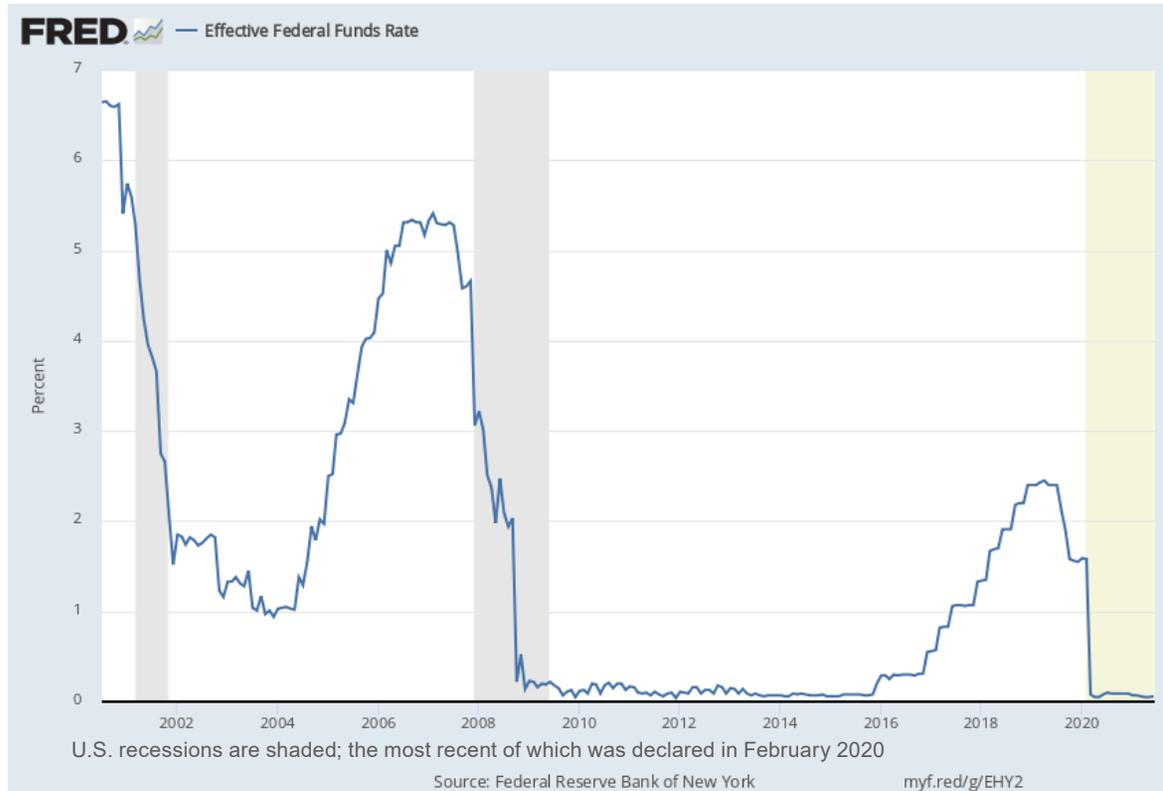


FIGURE 7



FIGURE 8

Budget at a Glance

UNIVERSITY OF KENTUCKY

STATE APPROPRIATIONS: PERFORMANCE FUNDING MODEL

FY 2021-22 is the fifth year the Kentucky General Assembly used the performance funding model to allocate state appropriations to the public universities and the Kentucky Community and Technical College System (KCTCS). However, it is the first year the Commonwealth has invested new state funds into the model.

From FY 2017-18 to FY 2020-21, the public universities put at risk (i.e., required contributions) approximately 11 percent of their base state appropriations, or \$103.4 million. For these first four years, the commonwealth did not contribute any new funds to the performance funding pool. For FY 2021-22, the commonwealth has placed \$13.5 million of new state funds in the performance funding pool without requiring any matching contributions by the universities.

The performance funding model is based on 11 metrics primarily focused on student success including bachelor's degrees produced, earned student credit hours, and undergraduate student retention and progression. The competitive-based model rewards universities with rates of growth that exceed the sector average.

UK has performed extremely well – achieving the highest number of growth rates above the sector average for every year the model has been in use. For FY 2021-22, UK achieved growth rates above the sector average on 10 out of the 11 metrics, earning \$6.1 million or 45 percent of the total new state funds.

STATE PERFORMANCE FUNDING MODEL SOURCES AND ALLOCATIONS

FUNDING FOR UNIVERSITIES*

Timeline	Fiscal Year	Required Contributions	State Funding	Total Allocated Funding
Year 0	2017-18	\$28.9	\$ --	\$28.9
Year 1	2018-19	24.2	--	24.2
Year 2	2019-20	38.6	--	38.6
Year 3	2020-21	11.7	--	11.7
Year 4	2021-22	--	\$13.5	13.5
Total		\$103.4	\$13.5	\$116.9
in millions				

UK RESULTS

UK Contribution	UK Awards
\$ 9.1	\$ 9.1
8.0	9.1
9.8	14.5
3.6	6.6
--	6.1
\$30.5	\$45.4
in millions	

* Represents state appropriations and required contributions from the universities that were added to the Performance Fund, which were then distributed among the institutions based on outcomes produced.

FIGURE 9

PERFORMANCE FUNDING

Metrics Where Rates of Growth Exceeded Sector Average For FY 2022 Awards

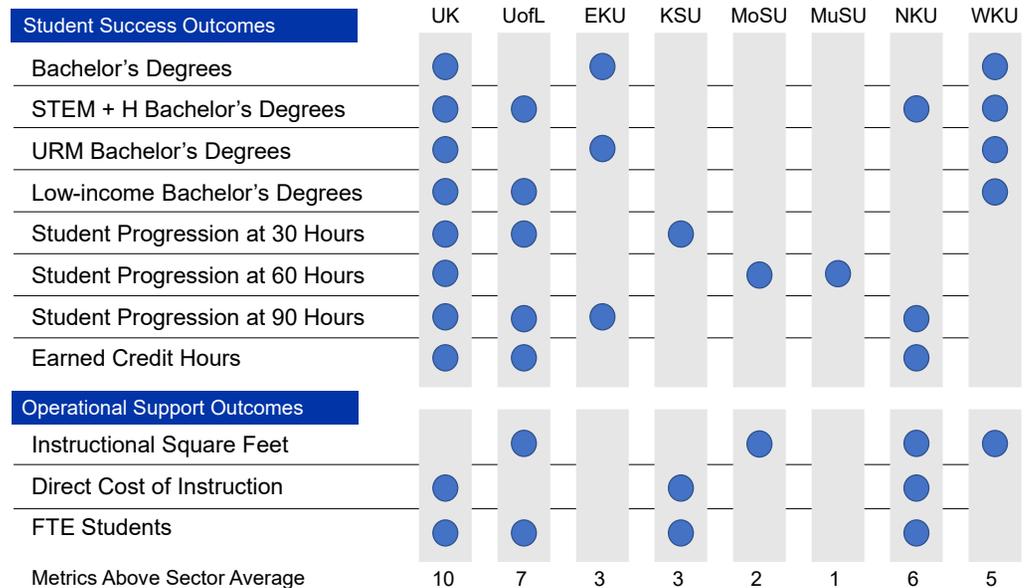


FIGURE 10

Budget at a Glance

UNIVERSITY OF KENTUCKY



Outdoor class, October 2020

UNDESIGNATED GENERAL FUNDS: TUITION REVENUE

Projected FY 2021-22 tuition revenue is expected to increase by \$17.2 million over the FY 2020-21 budget. Typically, three drivers influence tuition revenue: enrollment, residency and price. The coronavirus pandemic not only forced colleges and universities to close campuses, move classes fully online and assume numerous responsibilities to protect the safety and wellbeing of students, families and communities, it also continues to impact student enrollment trends.

Continued health and economic uncertainties will impact enrollment for the upcoming academic year. The fall 2020 first-year freshmen decreased 8.5 percent compared to fall 2019. This decline will ripple through the university for many years. As a result, total headcount enrollment is expected to decline by one percent from fall 2020 to fall 2021.

HEADCOUNT ENROLLMENT	Fall 2018 Actual	Fall 2019 Actual	Fall 2020 Actual	Fall 2021 Target
Undergraduate First-year Cohort	5,077	5,348	4,891	5,000
Other Undergraduates	17,111	16,928	17,355	16,987
Graduate/Professional	8,089	8,269	8,864	8,851
TOTAL	30,277	30,545	31,110	30,838

FIGURE 15

Budget at a Glance

UNIVERSITY OF KENTUCKY



An affinity group, designed especially for UK employees, during a gathering in September 2019

FY 2021-22 UNDESIGNATED GENERAL FUNDS: INVESTMENTS

The university's FY 2021-22 operating budget is about investing in our people. With this budget, the university is funding eight investments in our most valued resource, our people. The first six investments will be applied university-wide. UKHC's FY 2021-22 compensation plan will supplant the last two investments and will be announced at a later date.

FY 2022: OUR PEOPLE

1. RESTORE RETIREMENT MATCH: Effective July 1, 2021, restore full retirement match of 10 percent
2. CARRY OVER VACATION LEAVE FOR STAFF
3. MODEST INCREASES IN HEALTH BENEFITS: New rate increases range from \$2 per month for single up to \$9 per month for family on HMO, PPO and Saver plans
4. RAISE MINIMUM HOURLY RATE: Effective July 1, 2021, from \$12.50 to \$13.75 per hour;
Effective January 1, 2022, from \$13.75 to \$15.00 per hour
5. NEW LEAVE PROGRAM (ELDER/PARENTAL)
6. GA STIPEND MATCH POOL: 5 percent increment matching pool
7. ONE-TIME PAYMENT: \$1,000 employee bonus in July 2021
8. MERIT BASED SALARY INCREASE: Effective January 1, 2022, 2 percent recurring merit increase

Budget at a Glance

UNIVERSITY OF KENTUCKY



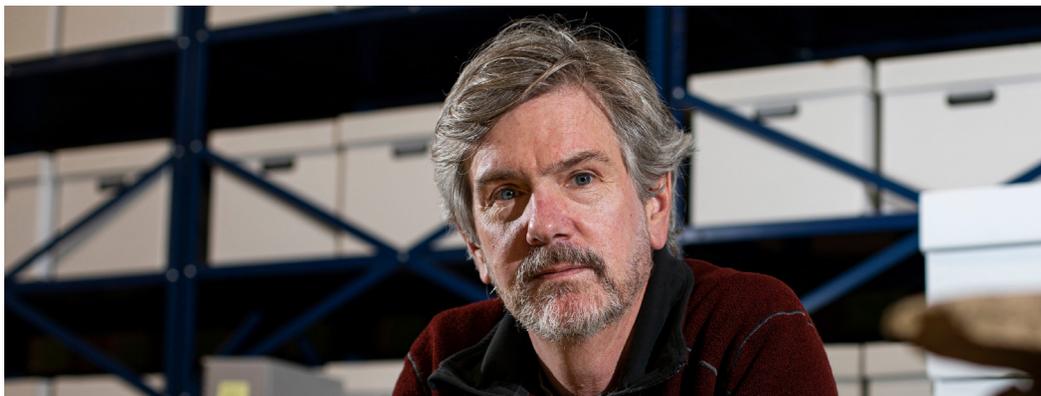
OUR PEOPLE: SALARY INCREASES

Fiscal Year	Campus	UK HealthCare
2011-12	3%	2%
2012-13	0%	0%
2013-14	5%	3%
2014-15	2%	2%
2015-16	3.5%	3%
2016-17	2%	2%
2017-18	2.5%	2%
2018-19	1.5%	2%
2019-20	2%	2%
2020-21	0%	2%
2021-22	2%	TBD



OUR PEOPLE: MINIMUM WAGES

Effective date	Hourly rate
July 1, 2015	\$10.00
July 1, 2020	\$12.50
July 1, 2021	\$13.75
January 1, 2022	\$15.00



FIGURES 11 AND 12

Budget at a Glance

UNIVERSITY OF KENTUCKY

PROJECTED FY 2022 BUDGET USES UNDESIGNATED GENERAL FUNDS

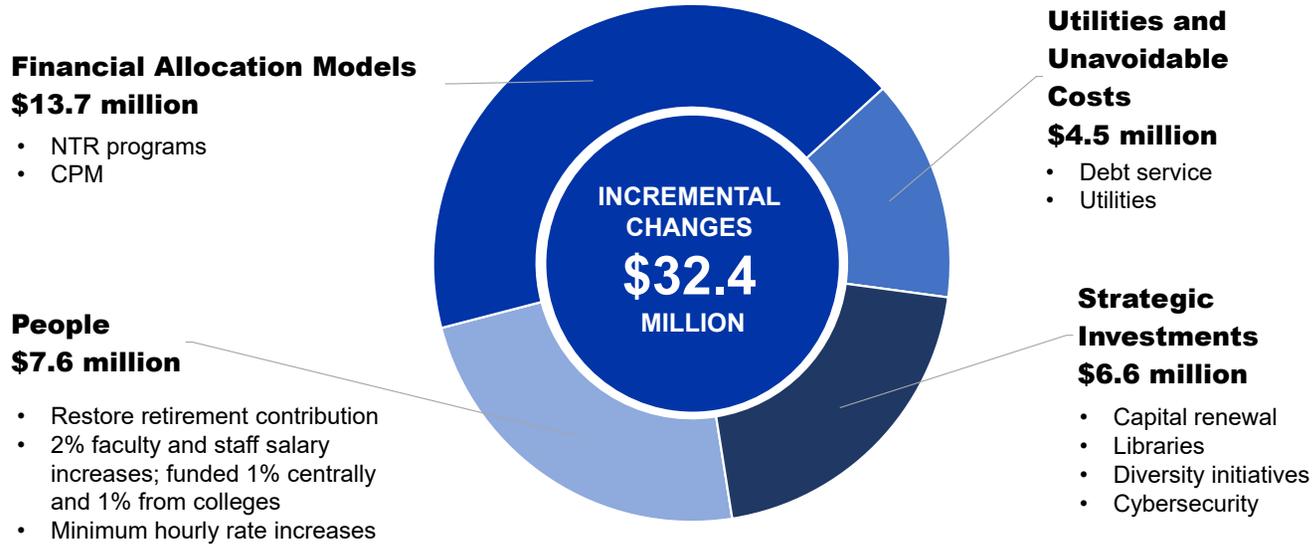


FIGURE 13

COLLEGE PRODUCTIVITY MODEL INVESTMENTS

	in millions
FY 2021-22	\$3.0
FY 2022-23	\$4.5
FY 2023-24	\$6.0
FY 2024-25	\$7.5

FIGURE 14

In addition to investments in our people, the FY 2021-22 budget also includes programmatic investments for our future. The budget includes two performance-based incentive models for the colleges, the Net Tuition Revenue model (NTR) and the College Productivity Model (CPM). One helps measure our success – the College Productivity Model (CPM). The other, a tuition revenue share model, helps to support and sustain enrollment growth. The NTR model provides a share of net tuition revenue (tuition revenue less centrally funded scholarships) to colleges that attract, teach and retain new students. Together, these models represent about \$13.7 million that the university will distribute directly to colleges based on their performance in meeting certain goals aligned with our most important priorities.

The \$10.7 million NTR allocation to the colleges is based

on Academic Year (AY) 2020-21 net tuition revenue. FY 2021-22 is the first year for a CPM allocation. CPM is based on our values and includes metrics such as degrees awarded per faculty, compensation supported with externally funded research, and diverse and full-time faculty in the classrooms. The university commits to provide a minimum investment in CPM for four years beginning with \$3.0 million in FY 2021-22.

The FY 2021-22 budget also continues to invest in capital and utility renewal. While we had to pause in FY 2020-21 due to the challenges of the pandemic, we will resume increasing our investment in our facilities and critical infrastructure. For FY 2021-22, we increased our capital and utility renewal pools budget by \$750,000 to a total of \$10.75 million.

Budget at a Glance

UNIVERSITY OF KENTUCKY



One Day for UK, April 2021

BUDGET SUMMARY

From FY 2011-12 to FY 2021-22, the university's budget will have increased by 89.9 percent, with the largest increases from patient care, including the Hospital System and Clinical Services. The other striking change over this time is the 10.6 percent decrease in state appropriations.

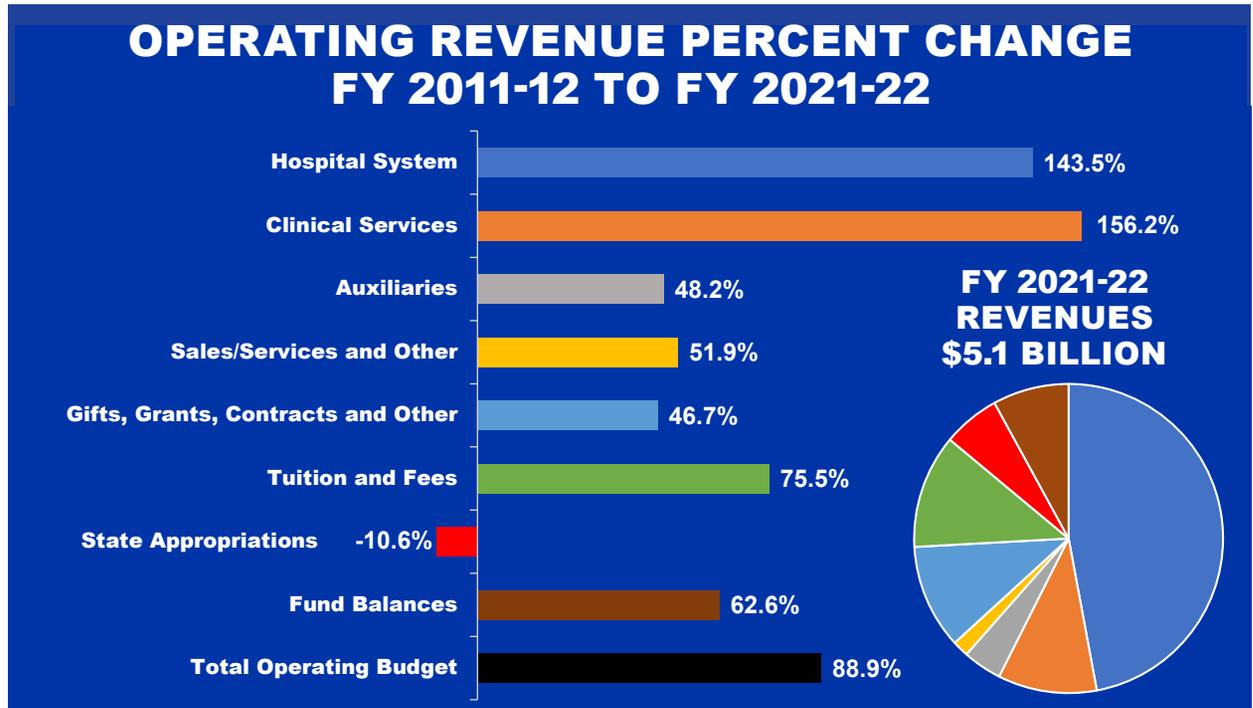


FIGURE 16

Budget at a Glance

UNIVERSITY OF KENTUCKY

REVENUE AND EXPENSE BUDGET — RECURRING

Revenues					Expenses				
in millions	2020-21	2021-22	Change	Percent Change	in millions	2020-21	2021-22	Change	Percent Change
RECURRING:					UNIVERSITY				
UNDESIGNATED GENERAL FUNDS:					Personnel Services	\$1,271.9	\$917.2	\$(354.7)	-27.9%
Tuition	\$490.0	\$507.2	\$17.2	3.5%	Operating Expenses	878.6	866.4	(12.2)	-1.4%
State Appropriations	265.2	271.3	6.1	2.3%	Student Financial Aid	243.3	244.2	0.9	0.4%
Other	54.0	63.1	9.1	16.9%	Capital Outlay	42.3	45.7	3.4	8.0%
Sub-Total	\$809.2	\$841.6	\$32.4	4.0%	Transfers:				
DESIGNATED GENERAL FUNDS:					Plant Fund	23.2	32.2	9.0	38.8%
Hospital System	\$2,438.0	2,494.6	\$56.6	2.3%	Debt Service	50.4	50.0	(0.4)	-0.8%
Other	534.2	644.3	110.1	20.6%	Sub-Total	\$2,509.7	\$2,155.7	\$(354.0)	
Sub-Total	\$2,972.2	\$3,138.9	\$166.7	5.6%	HOSPITAL SYSTEM				
AUXILIARY FUNDS	\$212.0	\$238.2	\$26.2	12.4%	Personnel Services	\$873.6	\$1,347.7	\$474.1	54.3%
RESTRICTED FUNDS	\$457.1	\$470.6	\$13.5	3.0%	Operating Expenses	1,297.9	1,422.6	124.7	9.6%
NON-RECURRING FUND BALANCES	\$364.9	\$389.2	\$24.3	6.7%	Transfers:				
					Plant Fund	92.3	110.6	18.3	19.8%
					Debt Service	41.9	41.9	-	0.0%
Total	\$4,815.4	\$5,078.5	\$263.1	5.5%	Sub-Total	\$ 2,305.7	\$2,922.8	\$617.1	26.8%
					Total	\$ 4,815.4	\$5,078.5	\$263.1	5.5%

FIGURE 17

Budget at a Glance

UNIVERSITY OF KENTUCKY

FISCAL HEALTH DEBT SERVICE AS A PERCENTAGE OF ADJUSTED OPERATING BUDGET



*Operating Budget less Restricted Funds and Fund Balances

FIGURE 18

BUDGET SUMMARY

A good measure of an institution's fiscal health is its annual debt service as a percent of adjusted revenues. The Commonwealth of Kentucky uses this metric to determine its available debt capacity. For the commonwealth, the upper limit is generally set at six percent of revenues.

For the university, its annual debt service is a function of the amount of debt, such as agency bonds, the university has issued. While the university's annual debt service will have increased from \$75.8 million in FY 2011-12 to \$90.0 million in FY 2021-22, the university's adjusted operating budget has increased at a much faster pace. As a result, the university's debt service as a percent of its adjusted operating budget has fallen from 3.8 percent to 2.2 percent, reflecting a strong fiscal position.

CONSOLIDATED FY 2021-22 OPERATING BUDGET EXPENDITURE SUMMARIES

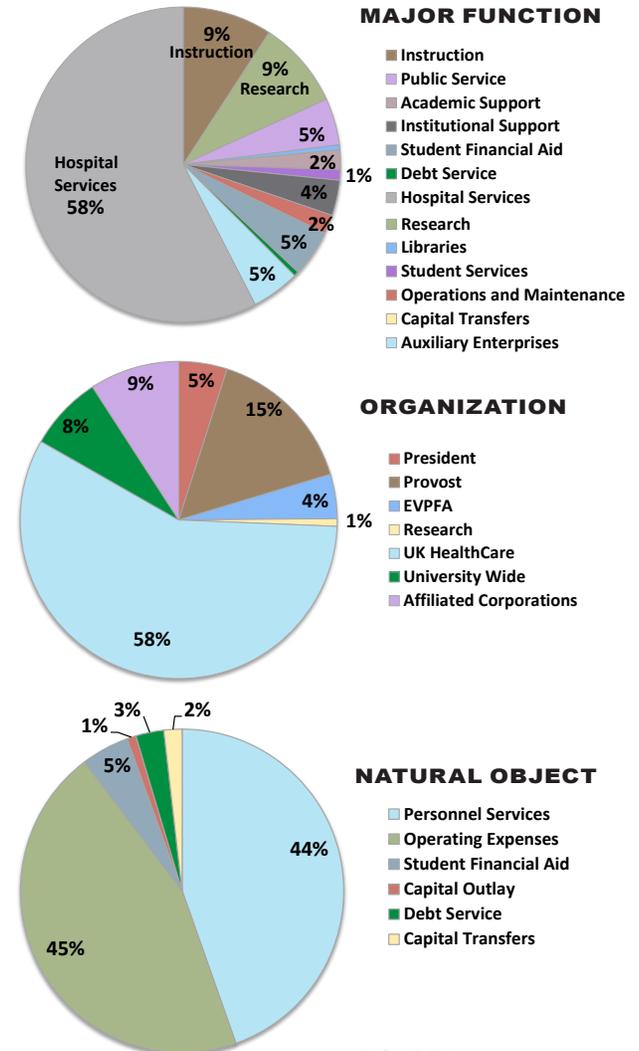


FIGURE 19

Budget at a Glance

UNIVERSITY OF KENTUCKY



Students hold a celebration on the Main Building lawn in April 2021

TUITION AND MANDATORY FEES

Further evidence suggests the pandemic is impacting tuition price. A recent report by The College Board, Trends in College Pricing and Student Aid 2020, reveals that between the 2019-20 and 2020-21 school years, the average tuition and fees paid by in-state students at public four-year institutions increased by 1.1 percent. Historically, tuition rate increases have risen roughly 3 percent among this population.

Figure 20 on the following page shows the five-year percentage change in in-state tuition and fees at the flagship universities, adjusted for inflation. The Consumer Price Index for all urban dwellers (CPI-U) in July of the academic year is used to adjust for inflation. U.S. inflation increased by 8.6 percent between 2015-16 and 2020-21.

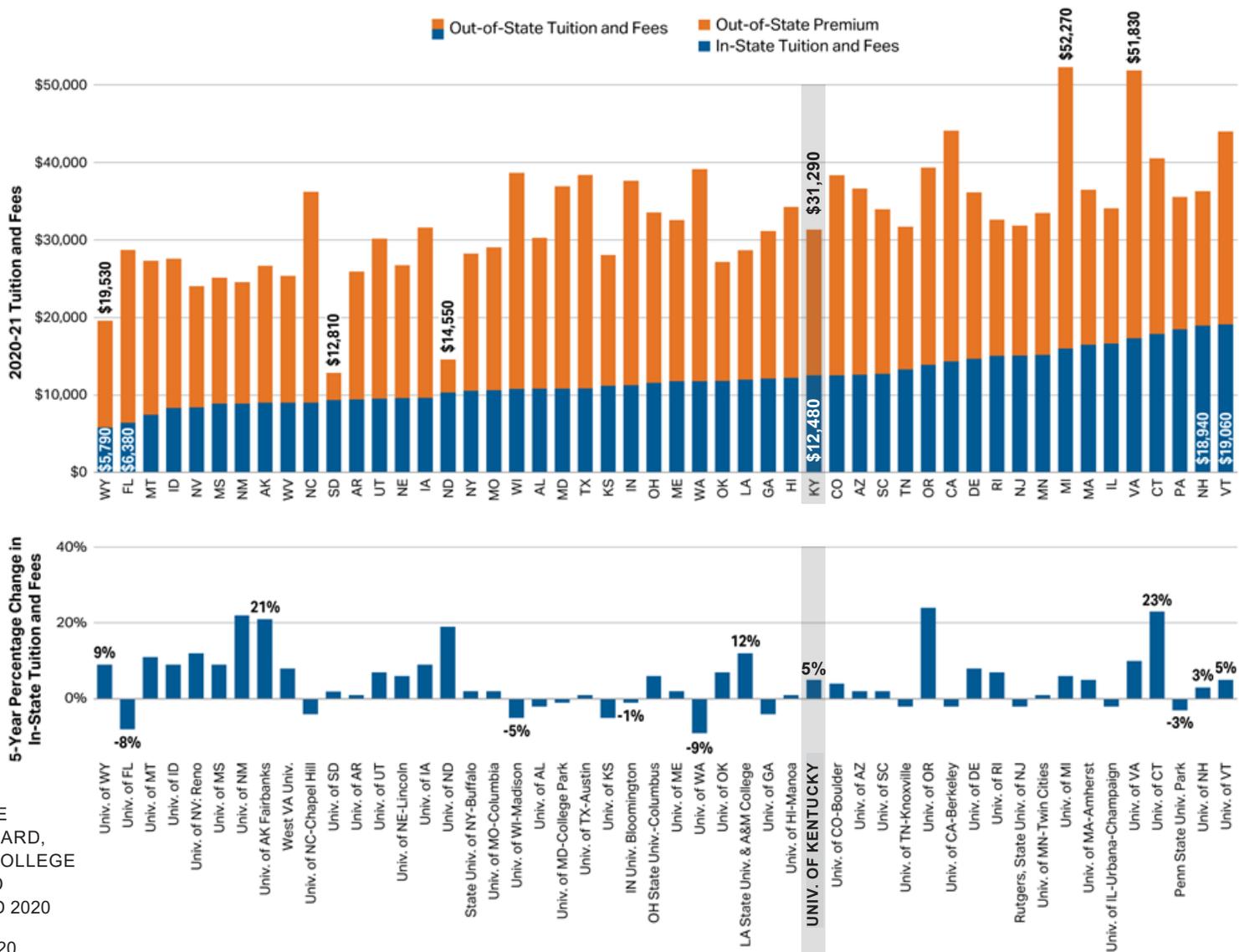
- **TUITION AND FEES AT FLAGSHIP UNIVERSITIES**
- **TUITION PARAMETERS**
- **RECOMMENDED TUITION AND MANDATORY FEES**
- **10-YEAR COMPARISON**

Budget at a Glance

UNIVERSITY OF KENTUCKY

2020-21 TUITION AND FEES AT FLAGSHIP UNIVERSITIES

AND FIVE-YEAR PERCENTAGE CHANGES IN INFLATION-ADJUSTED IN-STATE TUITION AND FEES



SOURCE: THE COLLEGE BOARD, TRENDS IN COLLEGE PRICING AND STUDENT AID 2020

FIGURE 20

Budget at a Glance

UNIVERSITY OF KENTUCKY

HIGHER EDUCATION TUITION PARAMETERS FOR FY 2021-22, FY 2022-23

Pursuant to KRS 164.020(8), the Council on Postsecondary Education has the statutory authority to determine tuition for Kentucky's public colleges and universities. The Council considers any required fees charged to most students as subject to the statute.

In May 2021, the Council on Postsecondary Education adopted resident undergraduate tuition and mandatory fee ceilings.

- Maximum rate increase of 3.0 percent over AY 2021-22 and AY 2022-23.
- Maximum increase of no more than 2.0 percent in any one year.

Over the past six months, Council staff and campus officials identified several key issues that were relevant to the setting of tuition and mandatory fee parameters, including:

1. the level of institutional operating funds provided in the recently enacted state budget (HB 192)
2. anticipated increases in fixed and unavoidable costs for the upcoming year
3. rising pension retirement benefit costs
4. COVID-19 related costs and forgone revenue, and the extent to which federal relief funds are available to help offset those costs
5. declining enrollment at nearly every university and college and the impact of that trend on the ability of the postsecondary system to achieve the state's 60 percent

college attainment goal by the year 2030 and,

6. the magnitude of prior-year tuition and fee increases.

On May 13, 2021, the Council adopted resident undergraduate tuition and mandatory fee ceilings for academic years 2021-22 and 2022-23. The ceilings provide for a maximum base rate increase of no more than 3.0 percent over the two years and a maximum increase of no more than 2.0 percent in any one year.

The Council also adopted a recommendation that the public institutions be allowed to submit for Council review and approval market competitive tuition and fee rates for graduate and online courses, as well as tuition and fee rates for nonresident students that comply with Council policy. The Council's current policy states that every institution shall manage its tuition and fee rate structures, price discounting, and scholarship aid for out-of-state students so that in any given year, the average net tuition and fee revenue generated per nonresident undergraduate student equals or exceeds 130 percent of the annual full-time tuition and fees assessed to resident undergraduate students.

Reflective of senior leadership's desires to address student affordability concerns while recognizing the university's fiscal challenges, the recommended tuition and mandatory fee rate increases of one percent comply with the Council's tuition and mandatory fees ceilings and policy.



Campus life, November 2020

Budget at a Glance

UNIVERSITY OF KENTUCKY

RECOMMENDED TUITION AND MANDATORY FEES PER SEMESTER

Undergraduate	Fall 2020	Fall 2021	% Change
Resident	\$6,242	\$6,305	1.0%
Non-resident	\$15,647	\$15,804	1.0%
Undergraduate Online Learning (Per Credit Hour)	\$576	--	
UKOnline (Per Credit Hour)	--	\$582	
Graduate	Fall 2020	Fall 2021	% Change
Resident	\$6,769	\$6,837	1.0%
Non-resident	\$16,608	\$16,774	1.0%
Graduate Students Enrolled Exclusively in Distance Education Courses	\$6,223	\$6,291	1.0%

FIGURE 21

TUITION AND MANDATORY FEES

Senior leadership recommends a modest 1 percent increase in tuition and mandatory fees for AY 2021-22.

The recommended increase in tuition and mandatory fees represents the second consecutive year of the lowest tuition and mandatory fee increase in at least 30 years. Over the last 10 years, the four-year average annual increase for resident undergraduate students dropped from 6.5% to 1.7%.

10-YEAR COMPARISON TUITION AND MANDATORY FEES PER SEMESTER

Fall Semester	UG Resident Rate*	Annual % Change	4-Year Average % Change
2011	\$4,564	6.0%	6.5%
2012	\$4,838	6.0%	5.8%
2013	\$4,983	3.0%	5.3%
2014	\$5,232	5.0%	5.0%
2015	\$5,390	3.0%	4.3%
2016	\$5,660	5.0%	4.0%
2017	\$5,886	4.0%	4.3%
2018*	\$6,035	2.5%	3.6%
2019	\$6,180	2.4%	3.5%
2020	\$6,242	1.0%	2.5%
2021**	\$6,305	1.0%	1.7%

*Freshmen and sophomores only through 2018

**Recommended

FIGURE 22

Budget at a Glance

UNIVERSITY OF KENTUCKY

FY 2022: OUR STUDENTS

UNDERGRADUATE PRICING STRUCTURE:

- Effective fall 2021, undergraduate certificates and degree programs are offered on two platforms – UKCampus and UKOnline
- For most programs (i.e., UKCampus), tuition rates are based on residency and capped once a student enrolls in 12 credit hours
- For UKCampus, format of the class (in-person, hybrid or online) will not impact the tuition rates
- For UKOnline, tuition rates will be residency-blind and assessed per credit hour with no cap

GRADUATE PRICING STRUCTURE:

No changes



Winter Session, October 2020

NEW WAYS OF LEARNING, NEW EXPECTATIONS

SMART CAMPUS INITIATIVE

By spring 2021, more than 12,000 iPads provided by this UK initiative were in use by the university's students, faculty and staff.

Beginning fall 2019, undergraduate courses offered fully online were assessed using the applicable Undergraduate Online Learning Rate. These Internet, web-based courses were assessed tuition and mandatory fees per credit hour, separate and in addition to tuition and mandatory fees for any other courses. This pricing strategy was consistent with the structures used by many benchmark institutions and other Kentucky public universities. The Undergraduate Online Learning Rate was the same for resident and non-resident undergraduate students.

Within six months of implementing this online pricing structure change, however, coronavirus would upend daily life. In response to the pandemic, most of the university's classes moved to an online modality during the spring 2020 semester.

From summer 2020 through summer 2021, the university continued to offer many classes in a fully online format. As students often did not have options for course modalities, the president approved a revision to the pricing structure. Beginning with the fall 2020 semester, undergraduate tuition was assessed per the approved rate schedule but capped at the applicable full-time rates.

The Covid-19 pandemic has resulted in some lasting changes, including more widespread use of technology. In response to undergraduate students' expectations and current learning practices, senior leadership recommends modifying the pricing structure for undergraduate students. No comprehensive pricing structure changes are recommended for graduate or professional programs at this time.

Budget at a Glance

UNIVERSITY OF KENTUCKY



Spring semester, March 2021

NEW TUITION PLATFORMS: UKCAMPUS AND UKONLINE

PRICING PARITY

The UKOnline rate proposed for fall 2021 is the same for resident and non-resident undergraduate students.

Effective fall 2021, undergraduate certificates and degree programs will be offered on two platforms, UKCampus and UKOnline. Most undergraduate programs will be offered through UKCampus. Fully online certificates and degree programs (i.e., Internet, web-based) will only be offered through UKOnline.

For students enrolled in UKCampus programs, tuition will be assessed per credit hour up to 12 hours. Full-time per semester rates (capped rates) will be charged to undergraduate students enrolled for 12 or more credit hours. Class delivery mode (e.g., in-person, fully online, hybrid, etc.) will not impact the tuition assessment.

Undergraduate students enrolled only in a UKOnline certificate or degree program will be assessed the UKOnline rate for all credit hours.

There is no full-time tuition cap for UKOnline undergraduate certificate and degree programs. The UKOnline rate is the same for resident and non-resident undergraduate students.

Undergraduate students with a declared primary academic program within the UKCampus may add a UKOnline minor and/or certificate at no additional charge. Undergraduate students with a declared primary academic program within the UKCampus who add a second major offered through UKOnline will be assessed the UKOnline rate for all online courses in addition to the regular tuition assessment for all other courses. Students whose only academic program is offered through UKOnline will be limited to enrolling in UKOnline courses.

Budget at a Glance

UNIVERSITY OF KENTUCKY



Physical therapy class, September 2020

STUDENT AFFORDABILITY

In addition to tuition price, student aid is another mechanism colleges and universities use to combat affordability challenges for students and families. For the second consecutive year, the University of Kentucky will invest \$148 million in institutional student financial aid. In the last 10 years, UK has nearly tripled institutional financial aid.

In fall 2017, the University of Kentucky began a deliberate financial aid strategy to make college more affordable by reducing students' unmet financial need. The UK LEADS (Leveraging Economic Affordability for Developing Success) Program, which

has drawn national attention, targets grants and scholarships to students who have unmet financial need of \$5,000 or more. Rigorous analysis over the last several years demonstrates that unmet financial need – when it exceeds more than \$5,000 – is one of the leading causes of students not completing their degree programs. From Academic Year (AY) 2020 to AY 2021, overall unmet financial need has declined by 16 percent. UK's goal is to continue to redeploy institutional aid based on data-informed strategies and predictive modeling that identifies the students whose only barrier to success is financial.

'UK LEADS' PROGRAM: ACCOMPLISHMENTS TO DATE

- To date, more than 6,000 annual financial aid awards have been received by some of our most financially vulnerable students.
- One-time grant recipients improved their second fall retention by an average of approximately 15 points over the last three years, based on their predicted retention if they did not receive the LEADS award.

Budget at a Glance

UNIVERSITY OF KENTUCKY

UK INSTITUTIONAL STUDENT FINANCIAL AID AND STUDENT ENROLLMENT

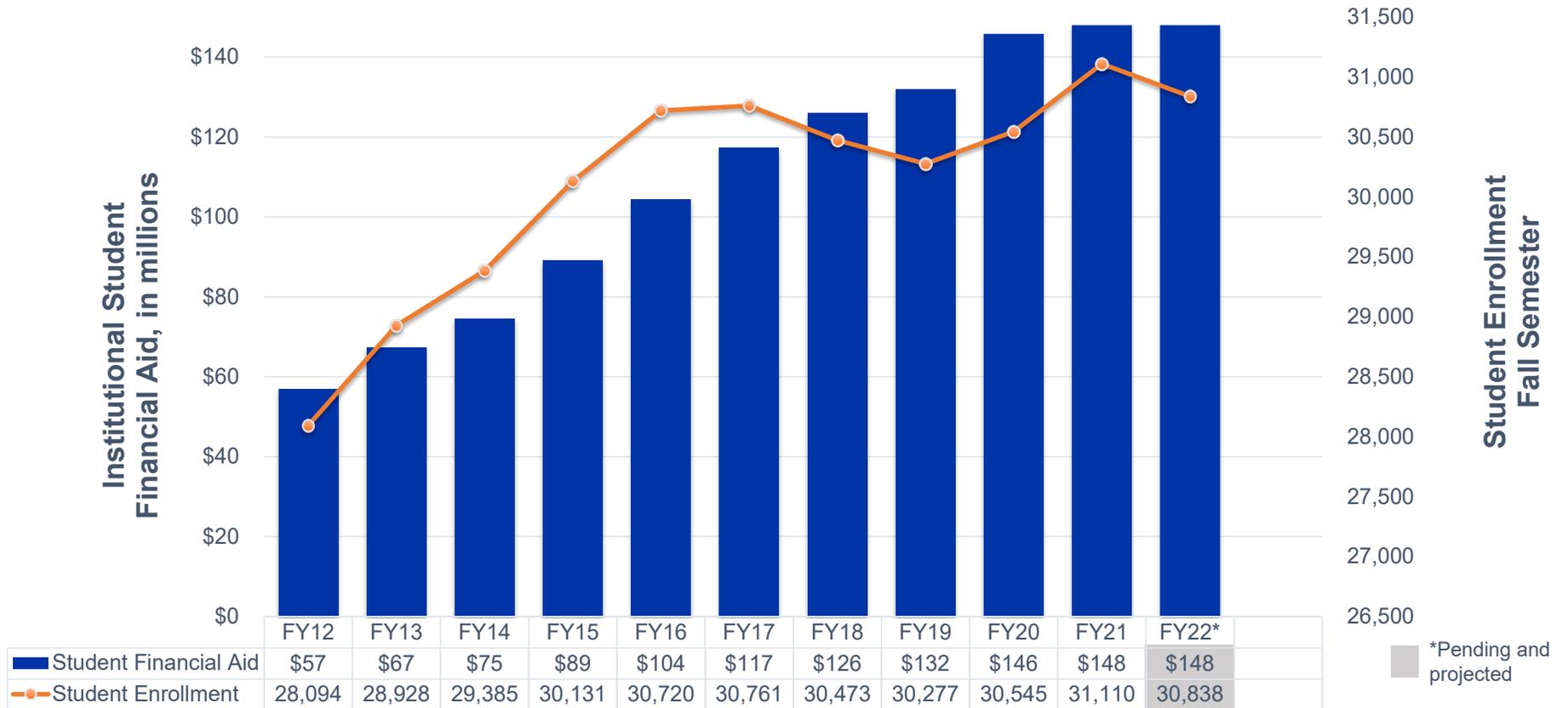


FIGURE 23

Budget at a Glance

UNIVERSITY OF KENTUCKY

UNMET FINANCIAL NEED

- Shown by academic year
- Chart based upon undergraduate students who filed the FAFSA

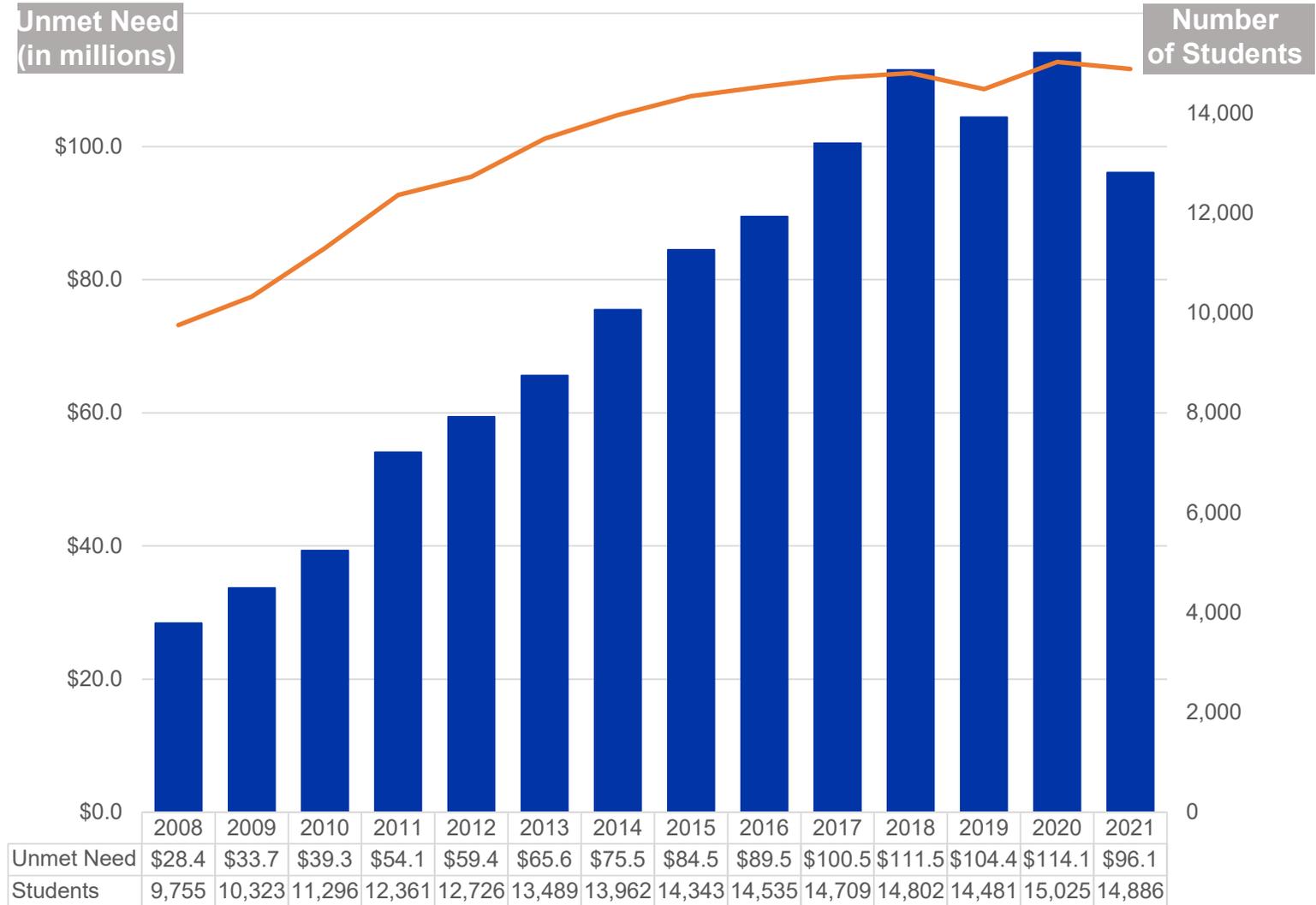


FIGURE 24

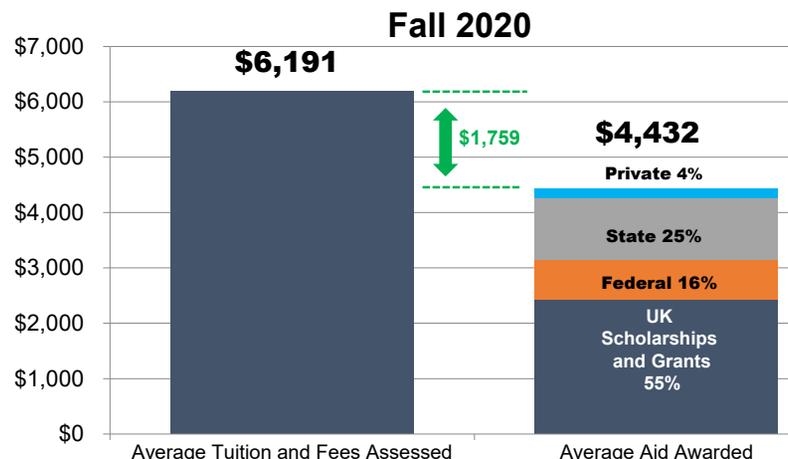
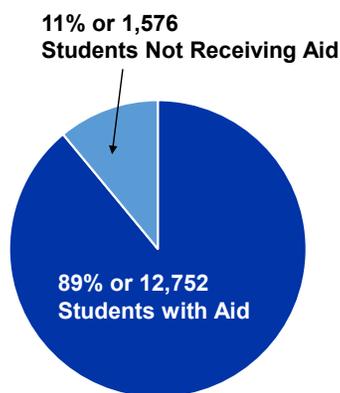
Budget at a Glance

UNIVERSITY OF KENTUCKY

UK UNDERGRADUATE FULL-TIME RESIDENT STUDENTS RECEIVING GRANTS OR SCHOLARSHIPS

THE BROAD AND SIGNIFICANT IMPACT OF FINANCIAL AID

For fall 2020, nearly 90 percent of undergraduate, resident full-time students received financial aid — grants or scholarships that did not have to be repaid. For these students, their average net price for tuition and fees was \$1,759 — \$4,432 less than the published price or a 72 percent discount. The predominant source of aid, 55 percent, came from institutional grants and scholarships. Other aid sources include federal grants, such as Pell Grants, which are awarded to students from lower income households, and state aid, including Kentucky Educational Excellence Scholarships (KEES) awarded to Kentucky high school graduates.



▶ 89% of full-time resident undergraduates received student financial aid. These students paid, on average, \$1,759 out-of-pocket for tuition and fees in fall 2020.

FIGURE 25

ADDRESSING A FINANCIAL DISADVANTAGE

Twenty-five percent of UK's undergraduate full-time resident students who completed a Free Application for Federal Student Aid (FAFSA) are from families with a median income of \$23,346. On average, these students received enough grants or scholarships to cover the full cost of tuition and mandatory fees and receive more than \$700 that can be applied to other costs or given to the student.

25% of our undergraduate full-time Kentucky students are from families with a median income of \$23,346. For these students, grants and scholarships on average covered 100% of tuition and mandatory fees.

Chart based upon 9,277 full-time undergraduate, resident students who filed the FAFSA as dependents. Median family income based on adjusted gross income as reported.

NET PRICE BY INCOME QUARTILE, FALL 2020

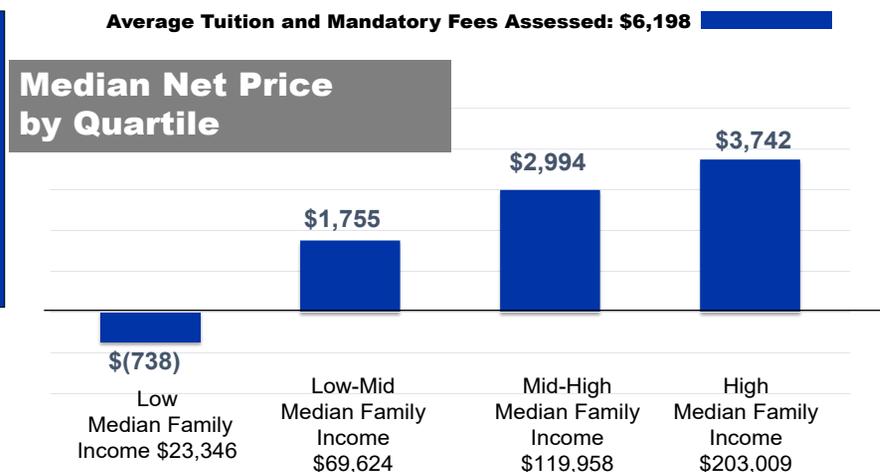


FIGURE 26

Budget at a Glance

UNIVERSITY OF KENTUCKY

KEEPING STUDENTS IN SCHOOL, AND GRADUATING THEM

Almost 66 percent of in-state students who enrolled as first-time freshmen in 2014 graduated within six years. Half graduated with no student loan debt. The average debt of the graduates with loans was \$34,364.

As a result of many university initiatives, the institution's first-to-second fall retention rate has progressed to record levels, reaching nearly 86 percent for the fall 2019 cohort (i.e., fall 2019 first-time undergraduate students that returned in fall 2020). Even more impressive is the significant increase in the university's four-year graduation rate, which has increased from 33.7 percent for the undergraduate students that entered in fall 2007 to 51.8 percent for the undergraduate students that entered in fall 2016.

STRIKING A BALANCE THAT PUTS STUDENTS FIRST

The FY 2021-22 recommended tuition and mandatory fee rates coupled with continued investments in student aid reflect a commitment to an enduring principle — to balance student affordability concerns with continued investments that lead to a quality education and an exceptional student experience.

AVERAGE DEBT OF RESIDENTIAL BACCALAUREATE GRADUATES FROM FALL 2014 ENTERING COHORT

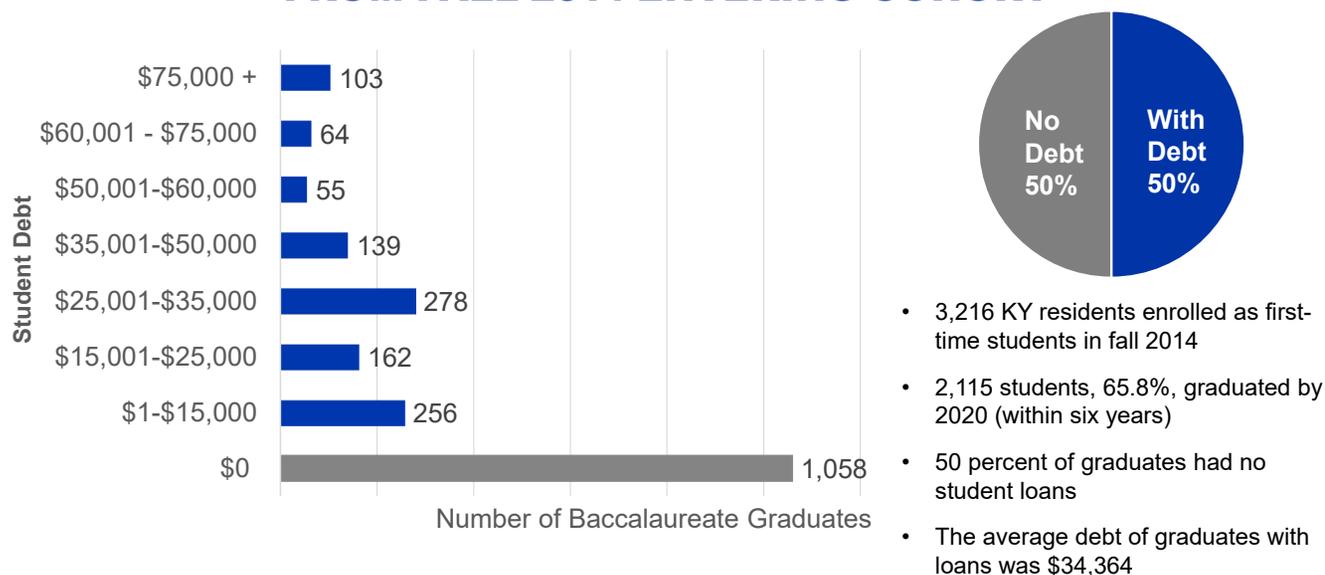


FIGURE 27

FOUR-YEAR GRADUATION RATE BY ENTERING COHORT

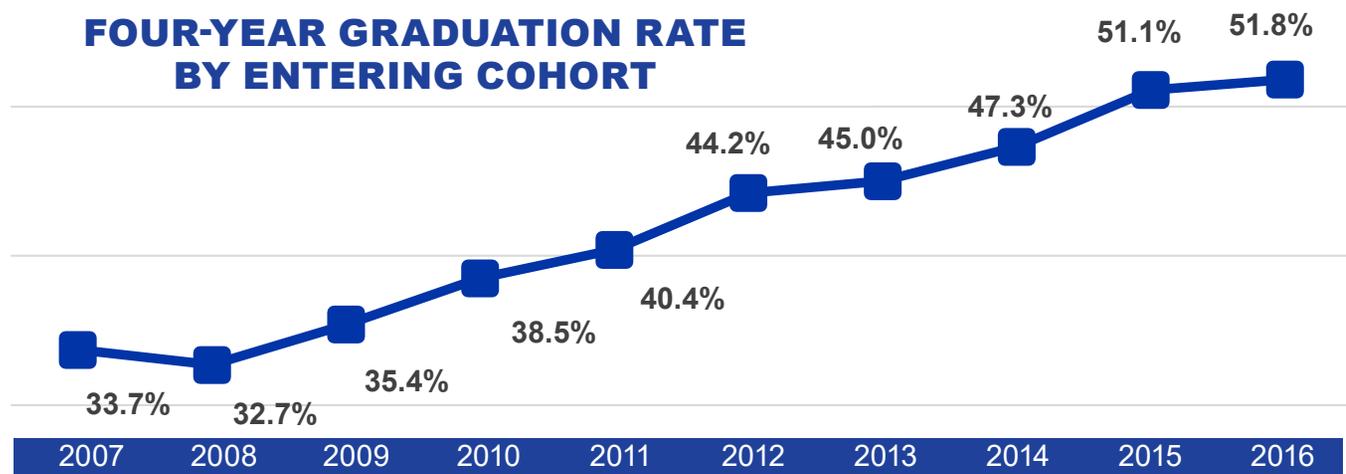


FIGURE 28

Budget at a Glance

UNIVERSITY OF KENTUCKY



FY 2021-22 CAPITAL BUDGET SUMMARY

Through the expanse of 156 years, the University of Kentucky has grown along with the commonwealth it serves. Our buildings provide the space for the innovation, research, healing and hope that help fuel Kentucky's progress.

We often refer to the campus as a community, one filled with an infrastructure of labs and classrooms, housing, streets and offices. These are the spaces for innovation and inspiration – the spaces where students prepare for bold, optimistic futures and faculty and staff find solutions that propel Kentucky's growth and prosperity.

Our commitment to serving the commonwealth has been especially evident during the past decade. In July 2011, the university, in partnership with the Commonwealth of Kentucky, initiated the modernization and renewal of the facilities of the state's flagship institution. Through this partnership, more than \$2.8 billion has been invested to protect historically significant buildings, increase building accessibility and provide the infrastructure necessary to ensure student success and healthcare advancements that benefit all Kentuckians.

This partnership took another strong step forward this year. The 2021 session of the Kentucky General Assembly renewed the authorization of the capital projects detailed in the university's 2020-22 Capital Budget Request.

The steps being taken by the General Assembly and the university in 2021 are significant. A total of \$14 million in state funded bonds has been approved for the university's Improve Sanders-Brown Center on Aging/Neurosciences Facilities capital project; up to \$188 million in university funded bonds have been allotted for the next phase of the university's modernization and renewal initiative; and up to \$75 million in university funded bonds have been sanctioned for necessary UK HealthCare projects. These milestones are in addition to the approval of many other capital projects that are being financed with university funded bonds and university cash.

Federally, an effort by U.S. Sen. Mitch McConnell secured a USDA Forage Animal Product Lab at UK's College of Agriculture, Food and Environment. This \$65.9 million investment will focus on the state's cattle and horse industries. The university will see a federal Agricultural Research Facility built on the main campus in which both university and federal researchers will work side by side. Also, a barn will be built on the university's farm in Woodford County. The federal government will construct and finance the facilities and the U.S. Army Corp of Engineers will manage the construction of both facilities.

Our full 2021-22 Capital Budget listed herein outlines the university's capital projects that meet the following criteria: 1) have an approved scope of \$1 million or more; and 2) are underway as of May 2021.



Cornerstone, December 2020

UNIVERSITY OF KENTUCKY | OPERATING AND CAPITAL BUDGET | FY 2021-22

UNIVERSITY BUDGET OFFICE

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Capital Budget

CAPITAL PROJECTS UNDERWAY AS OF MAY 2021

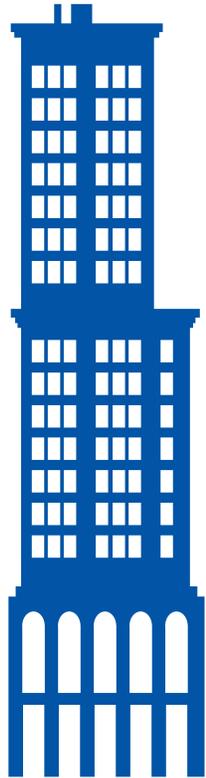
185 TOTAL PROJECTS

QUALITY OF LIFE AND COMMUNITY: 64

ACADEMICS: 46

HEALTHCARE: 46

INFRASTRUCTURE: 29



64



46



46



29

In July 2011, the University of Kentucky initiated a much-needed and timely modernization of its facilities to enhance the student experience and to ensure accessibility. This campus transformation of more than \$2,806,951,000 encompasses 185 projects and 7.4 million square feet.

The 2021-22 Capital Projects Underway includes those projects in progress as of May 2021, costing at least \$1,000,000. All projects have been authorized by the Kentucky General Assembly. The Board of Trustees will continue to review and approve, prior to initiation, capital projects as defined in Administrative Regulation 8:2.

PROJECTS BY SQUARE FEET

4,152,276

QUALITY OF LIFE AND COMMUNITY

1,966,781

ACADEMICS

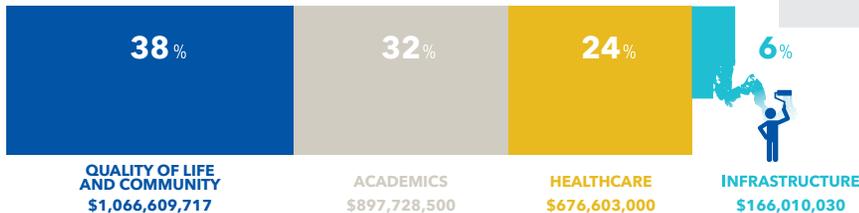
1,322,721

HEALTHCARE

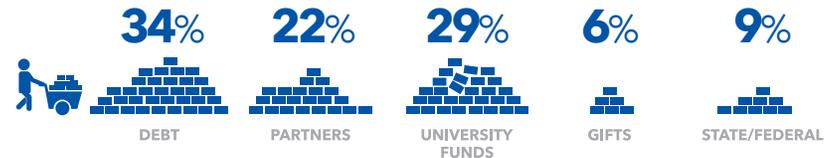
7,441,778

TOTAL

PROJECT TYPE



FUNDING MODEL



Capital Budget

CAPITAL PROJECTS UNDERWAY AS OF MAY 2021

QUALITY OF LIFE AND COMMUNITY



Gatton Student Center

Expand Student Center Dining

Legislative Authorization Not to Exceed: \$25,000,000 University Funds

UK Board of Trustees' Approved Scope: \$25,000,000 University Funds

This project will expand the capacity of the primary dining venue, Champions Kitchen, in the Gatton Student Center. This project adds approximately 34,000 square feet, including up to 350 seats and a new serving line at Champions Kitchen which opened for use in March 2021. The project includes the construction of a second and third floor as it is most cost effective to do this concurrently and the additional space will allow the university to expand student support and other services in the future. It is anticipated that one or both additional floors will be shelled space. The expected full completion date is October 2021.

Capital Budget

CAPITAL PROJECTS UNDERWAY AS OF MAY 2021



Construct/Improve Greek Housing — Alpha Delta Pi

Legislative Authorization Not to Exceed: \$72,000,000 (\$36,000,000 University Funds + \$36,000,000 Private Funds)

UK Board of Trustees' Approved Scope: \$ 6,200,000 (\$ 950,000 University Funds + \$ 5,250,000 Private Funds)

This project will renovate and expand the 13,500 square foot house located at the corner of Rose Street and Columbia Avenue. The 1,900 square foot addition will allow for the relocation of the kitchen and additional bedrooms. The project will provide an increase in the square footage dedicated to common study and educational areas, designed and furnished to be flexible, multi-purpose spaces. It will also increase sleep/study accommodations for more members to live in the house and to provide laundry facilities and a private entrance for the House Director. This project was initiated in June 2020 and is expected to be completed July 2021.

Construct/Improve Greek Housing — Delta Gamma

Legislative Authorization Not to Exceed: \$72,000,000 (\$36,000,000 University Funds + \$36,000,000 Private Funds)

UK Board of Trustees' Approved Scope: \$ 6,000,000 (\$ 950,000 University Funds + \$ 5,050,000 Private Funds)

This project will renovate and expand the 13,500 square foot house located at 450 Pennsylvania Avenue. The approximately 2,500 square foot addition will allow for renovated and improved bathrooms, bedrooms, common areas, kitchen, increased dining to 300 capacity, additional study areas and improved technology including Wi-Fi. This project was initiated in February 2021 and is expected to be completed in August 2022.

Capital Budget

CAPITAL PROJECTS UNDERWAY AS OF MAY 2021

ACADEMICS

Facilities Renewal/Modernization Pool

Phase I Legislative Authorization Not to Exceed:	\$ 60,000,000 Agency Bonds
Phase I UK Board of Trustees' Approved Scope:	\$ 60,000,000 Agency Bonds
Phase II Legislative Authorization Not to Exceed:	\$250,000,000 (\$125,000,000 Agency Bonds + \$125,000,000 Agency Funds)
Phase II UK Board of Trustees' Approved Scope:	\$ 62,000,000 Agency Bonds

This project is a multi-phase effort to renew and modernize buildings that make up the core of central campus. Phase I, initiated in October 2017, will restore and revitalize two prominent buildings within the campus core. The effort encompasses the partial renovation of the Chemistry-Physics Building and the complete renovation of the Enoch Grehan Journalism Building. Phase II initiated in February 2019, continues the renovation of the Chemistry-Physics Building; renovates the 18th floor of Patterson Office Tower; renovates Frazee Hall; and the first phase of renovation of the White Hall Classroom Building. Phase II also includes the design of the Reynolds Warehouse #1 to create academic space; schematic design for Scovell Hall; a study of the Quad (Bowman, Bradley, Breckinridge and Kinkeade Halls); and necessary enabling infrastructure projects.

Construct College of Medicine Building (Design Only)

Legislative Authorization Not to Exceed: \$200,000,000 Agency Funds
UK Board of Trustees' Approved Scope: \$ 30,000,000 Agency Funds

This project will begin the design phase for an approximately 380,000 square feet facility to include classrooms, simulation suites, conference rooms and office and support space for the College of Medicine and potentially other healthcare colleges. This design phase was initiated in May 2021 and is expected to be completed in February 2023.

Construct Agriculture Research Facility — Poultry Research Facility Relocation

Legislative Authorization Not to Exceed: \$10,000,000 University Funds
UK Board of Trustees' Approved Scope: \$ 6,000,000 University Funds

This project will relocate the current program on Coldstream Farm to the C. Oran Little Research Center in Versailles, Kentucky. At completion, the new facility will double the size of the area dedicated for research. The new poultry facility will be a state-of-the-art research facility consistent with current best practices in the poultry industry. This project was initiated in December 2018 and is expected to be completed in October 2021.

Capital Budget

CAPITAL PROJECTS UNDERWAY AS OF MAY 2021

Construct Research Building 2

Legislative Authorization Not to Exceed: \$265,000,000 (\$132,500,000 State Bonds + \$132,500,000 University Funds)

UK Board of Trustees' Approved Scope: \$265,000,000 (\$132,500,000 State Bonds + \$132,500,000 University Funds)

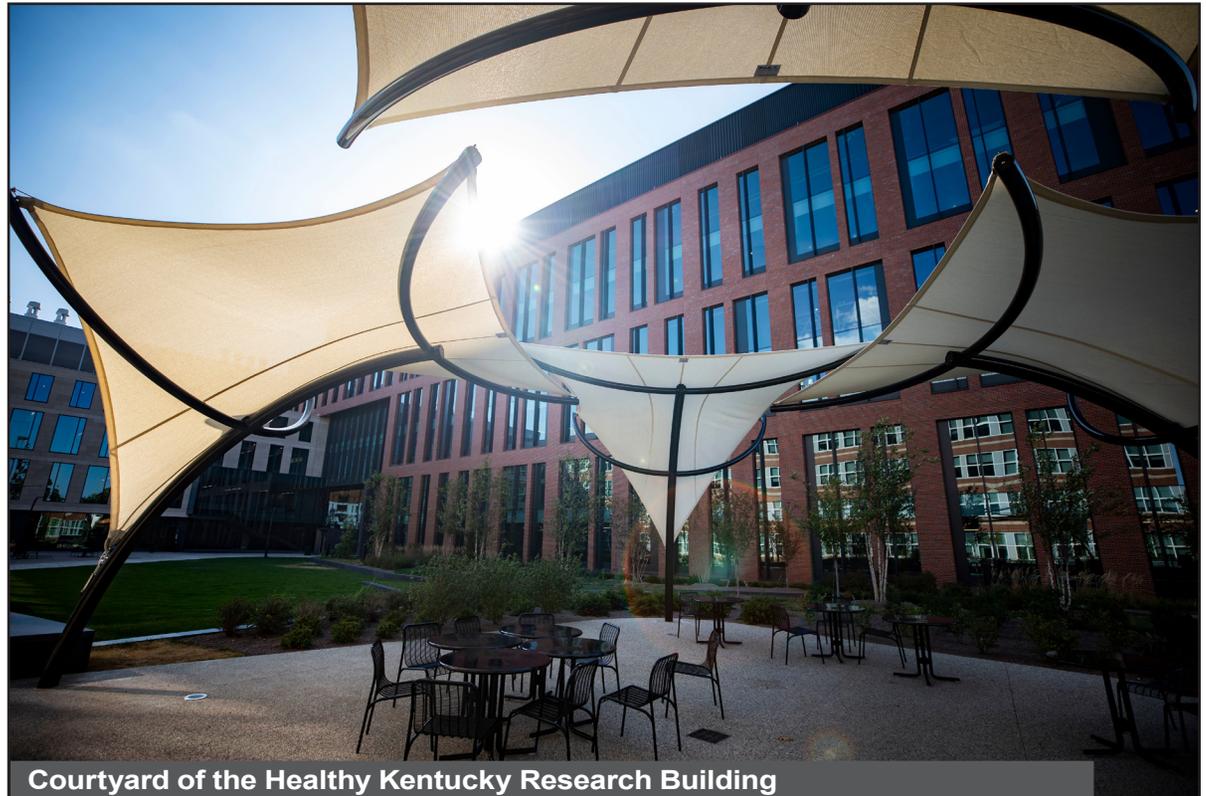
The Healthy Kentucky Research Building (HKRB), authorized by the 2016 Session Kentucky General Assembly, is the result of a partnership between the Commonwealth of Kentucky and the university. This facility enables multidisciplinary research teams to work together to develop solutions to the complex health disparities that plague the people of the Commonwealth of Kentucky, such as cancer, diabetes, obesity and substance abuse.

The 300,000 square foot facility opened in September 2018. Phase I included the construction of the core and shell of the six-floor building, installation of supporting infrastructure in the precinct, the fit-up of the second and third floors, and fit-up of 40 percent of the vivarium space and the lobby with its first-floor café.

The HealthCare Disparities Initiative encompasses Phase II and will fit-up the fourth and fifth floors and add vivarium space on the ground floor of the HKRB. Phase III will fit-up two wet laboratories on the first floor dedicated to cardiovascular research. The two wet laboratories will add twelve research benches, fourteen procedure rooms, four linear equipment rooms, two adjoining fume-hood rooms, and office spaces. Upon completion of this Phase III project, the remaining fit up of HKRB will include the sixth-floor research spaces, the conference spaces on the first and second floors, and the imaging facilities on the ground floor. c

Phase III should be substantially completed in September 2021.

The final phase of the fit-out of the facility is also underway and includes the fit-out of 30,300 square feet on the sixth floor with three wet lab neighborhoods, along with completion of the 2,000 square foot first floor seminar room, two 1,000 square foot conference rooms on the second floor and the fit-out of the 8,000 square foot lower-level imaging suite. This final phase should be substantially complete in June 2022.



Courtyard of the Healthy Kentucky Research Building

Capital Budget

CAPITAL PROJECTS UNDERWAY AS OF MAY 2021

Improve Center for Applied Energy Research Facilities — Carbon Fiber Development Facility

Legislative Authorization Not to Exceed: \$20,000,000 University Funds

UK Board of Trustees' Approved Scope: \$ 2,500,000 Federal Funds

This project will construct an approximately 5,000 square foot laboratory building to serve as a pilot-scale process development unit for the conversion of coal to high-value carbon products. The new laboratory will be located at the Center for Applied Energy Research (CAER) adjacent to the Spinline and Pitch Lab buildings. In partnership with the Oak Ridge National Laboratory the CAER will produce high-value carbon fiber from raw coal at the largest scale in the United States. This project was initiated in February 2020 and is expected to be completed in October 2021.

Improve Center for Applied Energy Research Facilities — Mineral Process Building Expansion

Legislative Authorization Not to Exceed: \$20,000,000 University Funds

UK Board of Trustees' Approved Scope: \$ 1,500,000 Federal Funds

The university's Center for Applied Energy Research (CAER) is working in partnership with the Department of Defense U.S. Army Corps of Engineers' Engineer Research and Development Center (ERDC) to expand our existing Mineral Process Building. This 2,000 square foot expansion is essential for increasing bulk storage of raw materials to develop high performing concrete for military applications. This project was initiated in February 2020 and will be completed in October 2021.

Construct Research Incubator Facility P3

Legislative Authorization Not to Exceed: \$15,000,000 University Funds

UK Board of Trustees' Approved Scope: \$15,000,000 University Funds

The university will enter into a Public-Private Partnership to develop a laboratory/high-tech facility on the Coldstream Research Campus (Coldstream) to house early stage high-tech companies. This building will be a minimum of 40,000 square feet and will fill a facilities gap between small laboratories leased to private companies in the Advanced Science and Technology and Commercialization Center building on the university's main campus and larger facilities used by established high-tech companies at Coldstream and other locations in the Commonwealth. This project was initiated in February 2020 and is expected to be completed in December 2021.

Capital Budget

CAPITAL PROJECTS UNDERWAY AS OF MAY 2021

Construct Beam Institute I

Legislative Authorization Not to Exceed: \$10,000,000 University Funds

UK Board of Trustees' Approved Scope: \$ 5,500,000 University Funds

This project will construct a new 8,500 gross square foot facility to support the College of Agriculture, Food and Environment's (CAFÉ) Kentucky Spirits Research Institute program. This new facility will include a spirits laboratory, large conference/seminar space, classrooms, offices, and a public reception space. This project was initiated in June 2020 and will be completed in May 2022.



Hand sanitizer being produced at the James B. Beam Institute

Construct Beam Institute II — Maturation Facility

Legislative Authorization Not to Exceed: \$10,000,000 University Funds

UK Board of Trustees' Approved Scope: \$ 1,125,000 (\$1,000,000 University Funds + \$125,000 Private Gift)

This project will construct a new Spirits Maturation Research and Barrel Storage facility. This facility will support CAFÉ's Bourbon whiskey production research and maturation science. This project was initiated in May 2021 and will be completed in May 2022.

Capital Budget

CAPITAL PROJECTS UNDERWAY AS OF MAY 2021

HEALTHCARE

Construct Patient Care Facility

Legislative Authorization Not to Exceed: \$750,000,000

UK Board of Trustees' Approved Scope: \$639,100,000

The initial phase of the Patient Care Facility project was completed within the approved scope and opened to patients and visitors on schedule in May 2011. In February 2012, the second phase of the project including eight operating rooms, one hybrid suite and related PACU/recovery space was completed. The new data center located in the basement of the new facility has been in operation since July 2012. In October 2014, the Clinical Decision Unit opened. It is a 24/bed unit that relieves the patient load, improves quality of care and improves the efficiency of patient flow and throughput in the Emergency Department. In December 2020, the next phase of the project was initiated to include the fit-up of approximately 13,000 square feet of available shell space; expansion of the Kitchen/Food Service Operations; construction of a Maintenance Shop for the medical center physical plant division; relocation and expansion of supply and distribution; rework of Central Sterile decontamination and clean work areas; and expansion of Central Sterile stores and Operating Room Materials Management. The project will continue as funds become available.

Renovate/Upgrade UK HealthCare Facilities

Legislative Authorization Not to Exceed: \$430,000,000

UK Board of Trustees' Approved Scope: \$412,600,000

This Capital Project continues the fit up of the new Patient Care Facility and provides for the systematic replacement and renovation of other patient care and clinical facilities on the A.B. Chandler Medical Campus. This project will continue as funds become available.

Replace UKHC IT Systems I — Single Enterprise Electronic Health Records

Legislative Authorization Not to Exceed: \$280,000,000 University Funds

UK Board of Trustees' Approved Scope: \$280,000,000 University Funds

This project will replace the current electronic health records system with a fully integrated patient centric electronic single enterprise platform to modernize UK HealthCare's digital infrastructure. This project was initiated in April 2019 and is expected to be completed in June 2021.

Capital Budget

CAPITAL PROJECTS UNDERWAY AS OF MAY 2021

Improve Clinical/Ambulatory Services — Cancer Services

Legislative Authorization Not to Exceed: \$50,000,000 University Funds

UK Board of Trustees' Approved Scope: \$16,750,000 University Funds

This project will expand clinical services and relocate support and administrative services within the Markey Cancer Center and the A.B. Chandler Hospital Complex including the following buildings: Roach, Whitney Hendrickson, Davis Mills and Combs as well as other areas of A.B. Chandler Hospital. This project is needed to provide additional outpatient service space and to create a permanent location for Position Emission Tomography scanning services which are currently located in a mobile unit behind Whitney Hendrickson. This project was initiated in June 2018 and is expected to be completed in June 2021.

Construct/Expand/Renovate Ambulatory Care — UKHC (PAV HA)

Legislative Authorization Not to Exceed: \$20,000,000 University Funds

UK Board of Trustees' Approved Scope: \$ 4,400,000 (\$600,000 University Funds + \$3,800,000 Private Funds)

This project will renovate and improve approximately 7,000 square feet of space on the ground level of Pavilion HA to provide three sleep study rooms, three forensic exam rooms, consult spaces and staff spaces. The goal is to provide a "pediatric friendly" sleep study space to better serve the needs of our pediatric patients. This project was initiated in May 2021 and is expected to be completed in February 2023.

Renovate/Improve Nursing Units — UKHC — Adolescent Behavioral Health

Legislative Authorization Not to Exceed: \$7,000,000 University Funds

UK Board of Trustees' Approved Scope: \$6,000,000 University Funds

This project will relocate Adolescent Behavioral Health from UK Good Samaritan Hospital to Albert B. Chandler Hospital so that it will better align with services available at the Kentucky Children's Hospital (also located within the Albert B. Chandler Hospital). This project was initiated in September 2020 and is expected to be completed in January 2022.

Improve Good Samaritan Hospital Facilities Pool — Interventional Radiology

Legislative Authorization Not to Exceed: \$25,000,000 University Funds

UK Board of Trustees' Approved Scope: \$ 6,000,000 University Funds

This project will expand the clinical services available at the UK HealthCare Good Samaritan campus by renovating an area in the main facility to create patient preparation/recovery bays and install an Interventional Radiology suite. This project was initiated in February 2019 and will be completed as funds become available.

Capital Budget

CAPITAL PROJECTS UNDERWAY AS OF MAY 2021

INFRASTRUCTURE



Campus view and downtown Lexington

Improve Campus Parking & Transportation Pool — 2021 Maintenance

Legislative Authorization Not to Exceed: \$150,000,000 University Funds

UK Board of Trustees' Approved Scope: \$ 1,500,000 University Funds

This project will complete the fourth-year work of the Master Maintenance Plan for the Campus Parking Facilities commissioned in 2018. Work on the various structures will include installation of supporting steel, completion of concrete repairs, installation of surface coatings, completion of masonry repairs, painting as required, and other miscellaneous work that will extend the life and serviceability of the various parking structures. This project is expected to be completed in September 2021.

Repair/Upgrade/Expand Central Plants — Cooling Plant #1 Tower Replacement

Legislative Authorization Not to Exceed: \$112,000,000 University Funds

UK Board of Trustees' Approved Scope: \$ 15,000,000 University Funds

This project will replace existing cooling towers at Cooling Plant #1. This utility plant is one of five that are integrated in a shared utility distribution system which means that any facility connected to UK's system can be served by any of these plants. This project was initiated in June 2019 and is expected to be completed in November 2021

Capital Budget

CAPITAL PROJECTS UNDERWAY AS OF MAY 2021

Repair/Upgrade/Expand Central Plants — Deaerators

Legislative Authorization Not to Exceed: \$112,000,000 University Funds

UK Board of Trustees' Approved Scope: \$ 6,000,000 University Funds

This project will replace the deaerator tanks needed for the university's Steam Heating Utility Plants which are an integral part of an efficient steam production system that protects the boiler, reduces water consumption and energy costs and minimizes the water treatment additives allowing the condensate to be reused instead of being wasted. This project was initiated in February 2021 and is expected to be completed in November 2021.

Improve Coldstream Research Campus — Public Infrastructure Project

Legislative Authorization Not to Exceed: \$50,000,000 University Funds

UK Board of Trustees' Approved Scope: \$ 2,200,000 University Funds

This project will improve the public infrastructure of select building lots at the Coldstream Research Campus to include land preparation, sewers/storm drainage, curbs, sidewalks, promenades and pedways, roads, street lighting, provision of utilities, public spaces and parking. This project was initiated in May 2020 and is expected to be completed in December 2021.

Improve Building Systems — UKHC — Emergency Power System for Good Samaritan

Legislative Authorization Not to Exceed: \$50,000,000 University Funds

UK Board of Trustees' Approved Scope: \$ 1,900,000 University Funds

This project will upgrade the emergency power system in the Good Samaritan Hospital facility to a sufficient level required to properly support the current load requirements. This project was initiated in December 2020 and is expected to be completed in April 2022.

Improve Building Systems — UKHC — Two Air Handling Units (PAV H)

Legislative Authorization Not to Exceed: \$50,000,000 University Funds

UK Board of Trustees' Approved Scope: \$ 4,000,000 University Funds

This project will replace two existing air handling units and their controls in Pavilion H (Chandler Medical Center and Hospital). This project was initiated in October 2020 and is expected to be completed in February 2021.

Capital Budget

CAPITAL PROJECTS UNDERWAY AS OF MAY 2021

Improve Building Systems – UKHC – Two Air Handling Units (PAV WH)

Legislative Authorization Not to Exceed: \$50,000,000 University Funds

UK Board of Trustees' Approved Scope: \$ 2,000,000 University Funds

This project will replace two existing air handling units and their controls in Pavilion WH (Marylou Whitney and John Hendrickson Cancer Facility for Women). This project was initiated in October 2020 and is expected to be completed in December 2021.

Disaster Recovery and Business Continuity Information Technology

Legislative Authorization Not to Exceed: \$12,000,000 University Funds

UK Board of Trustees' Approved Scope: \$12,000,000 University Funds

UK HealthCare will rebuild critical core systems to improve existing business continuity/disaster recovery capabilities and enhance restoration of those systems to normal operations in the event of a catastrophic event. The project will be completed over a five-year period and will provide the capability to recover and rebuild critical core and financial systems at a predetermined alternate location to allow recovery from a catastrophic event when normal business continuity safeguards are no longer effective. The five-year project was initiated in February 2017 with completion expected in December 2021.

Improve Electrical Infrastructure – Ag North and South Complex

Legislative Authorization Not to Exceed: \$28,000,000 Agency Funds

UK Board of Trustees' Approved Scope: \$11,750,000 Agency Funds

This project will replace and improve the existing electrical infrastructure in the Ag North and South Complex. The project will also provide additional capacity to support future campus development. This project was initiated in September 2020 and is expected to be completed in November 2021.

Decommission Facilities

Legislative Authorization Not to Exceed: \$25,000,000 University Funds

UK Board of Trustees' Approved Scope: \$25,000,000 University Funds

This project will initiate the design and demolition of the vacant Kirwan-Blanding Residential Complex and Commons, formerly undergraduate student housing and dining commons. Kirwan-Blanding Residential Complex and Commons, built in 1967, consists of two 23-story towers, eight low-rise buildings, and a dining commons comprised of 500,000 gross square feet of space on 12.75 acres. The project was initiated in December 2017 and is expected to be completed in July 2021.