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UNIVERSITY OF KENTUCKY

SENATE MEETING

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OCTOBER 30, 2017

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KATHERINE MCCORMICK, CHAIR

SHEILA BROTHERS, ADMINISTRATIVE COORDINATOR

BRENDA YANKEY, COURT REPORTER

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1 CHAIR MCCORMICK: Welcome. We're ready to
2 begin our meeting on October 30th. I'd like to ask
3 you to sign in -- in the normal way and when the
4 slide appears and the questions is read, please
5 vote. You're just voting that you are here today.
6 Are you here today? Yes, no, maybe. It looks like
7 sixty two of you are in here. I'm not quite sure.
8 We're going to begin now with our opportunity to
9 chat with our President, Eli Capilouto, and welcome.

10 PRESIDENT CAPILOUTO: Thank you. I'd like
11 to thank all of you for being here today. I want to
12 share that the conversation that I wanted to have
13 this afternoon, I didn't want to wait until next
14 semester. Unfortunately the conflicts of my
15 schedule precluded me from being here the next time
16 you meet and I think the timing is important because
17 this certainly changes underway on our campus but
18 more importantly some of the things we'll discuss
19 today are the acceleration in changes in our
20 external environment.

21 I'm going to talk to you for a brief moment and
22 then I'm going to have Provost Tracy and Vice
23 President Monday review with you a conversation that
24 they began with the Deans and that will certainly
25 continue and I want to finish today by listening to

1 your feedback, sharing in advance that I want to
2 continue conversations across campus. And
3 conversations across campus have -- you okay?

4 So, we started conversations on our campus. As
5 you know I distributed, I think I put it on your
6 website, two readings that I shared broadly. We've
7 shared these at our Presidents Council, had
8 conversations about them. Lisa Cassis did it with
9 our Research Advisory Council and the Provost's have
10 conducted these at some other meetings as well. And
11 then for our Board of Trustees Retreat; last year
12 what they most enjoyed was being face to face with
13 students when we talked about diversity and this
14 year we decided to spend an afternoon having them,
15 no administrators were involved in these
16 conversations, speak directly with ten faculty and
17 ten staff.

18 So there were twenty Trustees between faculty
19 and staff and I appreciate the senate, staff senate
20 and this senate for identifying people to
21 participate. We're surveying that group to see if
22 we have the right readings, if the format was
23 correct and all that but it was a process designed
24 to hear all voices and I'll return to that in a
25 moment to tell you some of the conclusions.

1 So, I've had time to reflect on my arrival here
2 six years ago and I listened for those first ninety
3 days. I also charged a university wide committee to
4 take a look at where we are and give suggestions on
5 where we should head. At that moment in time, it
6 was after that committee gave me that report, I felt
7 comfortable enough to declare my investiture that we
8 would do some important things.

9 First, that we would think anew and rebuild this
10 campus. In five years approaches, we are on our way
11 and we sit and we know of a 2.4 billion dollar
12 transformation of this campus and we have done it in
13 a way, I think, it was most economical. We
14 committed to grow the clients so we could stop
15 saying no to Kentucky's best and brightest students
16 and opened wide our doors to those individuals who
17 show great promise and wanted to succeed in higher
18 education.

19 Then we admitted fifty students a year to an
20 Honors Program. This year we admitted five hundred
21 and fifty to an Honors College. We have some five
22 hundred National Merit Scholars admitted over the
23 last few years. The number I'm most proud of is
24 that we've increased the number of undergraduate
25 degrees we award every year by some eight hundred

1 compared to that column. And you can attribute
2 forty percent of those degrees to low income
3 individuals, many of whom are from underrepresented
4 minority groups. We said that we were committed to
5 comprehensively supporting our faculty and staff and
6 because of your hard work we've been able to have
7 salary plans in the last five consecutive years and
8 two years ago we, leading our community, raised our
9 minimum wage to \$10.00 an hour at the University of
10 Kentucky.

11 We said that we would make a commitment to be
12 more diverse and inclusive and we have. The Provost
13 is going to share with you data that looks at our
14 team plan for 15-16 but again sorry for 15-16, but
15 again, I want to put some of this in context. If
16 you look across the state of Kentucky and look at
17 the number of degrees that have been awarded to
18 underrepresented minorities, nearly 30% of that
19 growth can be attributed to the University of
20 Kentucky.

21 So, I think all of these position us well for
22 the future. But I want to say we live in a time of
23 disruptions and well talk about some of those in
24 moment and our time of acceleration of those
25 disruptions. We certainly see them in the services

1 and the way we interact using social media,
2 purchases we make, you know it's happening in every
3 enterprise. We read this weekend that CVS is now
4 going to buy F.A. Insurance. Why? They are
5 responding to Amazon and it is paying licensing in
6 twelve states for pharmaceuticals and is looking to
7 integrate their entire healthcare system.

8 It's that kind of change and the readings that I
9 gave for those who considered before we had our
10 discussion, one was on trends in higher education
11 for that chronicle getting head. The other was a
12 chapter out of Freedman's book Thank you for being
13 Late, talking about converting artificial
14 intelligence in to intelligent assistance. And you
15 certainly saw examples of disruptions in education.
16 So with that I want to turn it over to Provost Tracy
17 and Vice President Monday.

18 PROVOST TRACY: Thank you President
19 Capilouto. Can you hear me in the back? Gail? All
20 right. And to those of you watching my live stream
21 as well. I'll try to stay in somewhat of a similar
22 place but I'm pretty bad about moving around so for
23 the camera man I apologize ahead of time. All
24 right. I want to talk to you for a few minutes
25 about the strategic plan and the success and the

1 progress that you have made because you the faculty,
2 along with our staff, are the people who have made
3 the successes and the progress over the last couple
4 of years.

5 So, I walk through the matrix of all five areas
6 of the strategic plan. I won't spend tons of time
7 on them but I want to give you some key highlights
8 and some areas in which we've done very well, some
9 areas that we still have a ways to go and that were
10 working on.

11 As the President and I discussed, if you
12 accomplish your strategic plan in the first two
13 years, you either weren't very strategic or you
14 weren't very aspirational and so I want to present
15 to you, again, some successes and some works in
16 progress. A lot of numbers here but I want to walk
17 you through a couple of those. You know we have a
18 goal of 90% first to second year retention and 70%
19 six year graduation rates.

20 So I want to give you some ideas of where were
21 moving in that. So, a baseline was 82.2% and you
22 see we were pretty stagnant for a couple of years
23 but this fall we came back at 83.4, now adjusted to
24 83.3%. That 1.7 or 1.6% move is a significant move
25 in one year. It means that there was a lot of good

1 hard work done to move that number. It's not at 90,
2 but it's making that trajectory toward 90 so a
3 significant change; however, the second year and
4 third year retention rates have not started moving
5 yet because, you know, those are a follow through,
6 but that also means that we have to double our
7 efforts in those second and third years to help them
8 persist and help them go on to that six year
9 graduation rate.

10 Because if we don't increase those numbers, that
11 six year graduation rate will not move. So we've
12 got to have them coming through the educational
13 process, not only the first year but the second
14 year, third year, and then eventually the fourth
15 year. The second thing I want to highlight are the
16 graduation rates and I'm going to stick with the six
17 year because that's the number that we talk about
18 the most, but I'll give you some reference back to
19 the four year and why I am excited about where these
20 numbers are moving.

21 So, our baseline was 60.2 and this year we came
22 back at 64.6. That's almost a five percentage point
23 movement. That's a significant movement in six year
24 graduation rate. You can predict that was coming
25 because you see that here our baseline was 38.5 and

1 you can sort of move two years ahead from the four
2 year to the six year and you've got a pretty good
3 handle on where its going and you can see then that
4 that 64.6 is based on a 40.4, four year graduation
5 rate and so we expect some additional movement
6 coming over the next year, but 44.2 and 44.8 means
7 that we've got to make some improvements to move it
8 beyond next year, to get to that special place, that
9 70% six year graduation of which there are only
10 about 150-200 of the 3500 colleges and universities
11 in the United States that have a 70% six year
12 graduation rate.

13 So, we're getting there but not quite there yet.
14 So both those numbers have moved positively and
15 somewhat significantly, but we still have some
16 challenges particularly related to underrepresented
17 minorities, first gen and Pell recipients. You see
18 the baseline was 16.7 and we came back at 15.2,
19 that's a gap. So that number, we want it to go down
20 and its only gone down about a percentage point, or
21 percentage point and a half but in fact you see it
22 went its 16.7, 23.5, 13 and then back up to 15. Our
23 goal is 9.8. We've got work to do.

24 I'll also tell you that if we were to close that
25 gap, if we were to close that gap of graduation

1 rates for underrepresented minorities, we would be
2 at 70%. It is an imperative that we must achieve
3 that closure of that gap for all of those reasons.
4 For the moral reasons, the reasons for our students,
5 the financial reasons for them but also for our
6 success. First generation, the numbers, again, are
7 bouncing. They're bouncing up just a little bit and
8 the same for Pell recipients. So we have some work
9 to do. We're trying to consolidate offices.

10 We had a number of smaller shops working on
11 these issues. Now we're bringing them together and
12 scaling them. A shop that deals with fifty students
13 is great and they have great success but what about
14 the other 3-400 in those categories and how do we
15 help them as well?

16 So we've got some work to do there, but were
17 taking steps to bring that together and scale those
18 great things that we do to a larger number of
19 students. Any good university that has a research
20 enterprise also has a very strong graduate education
21 enterprise. The two go hand in hand. You know that
22 as well or better than I do.

23 So, how do we measure ourselves with respect
24 to graduate education? Well, the first thing that
25 were looking at is doctoral program selectivity.

1 Our baseline is 25%. We want that number to go
2 lower. That's one you want to go down but its
3 creeping up just a little bit into the low 30s or
4 around 30. So we've got some work to do. We've got
5 some work to do in recruiting graduate students and
6 we have some work to do in terms of how we bring in
7 those great students and wed be more selective. An
8 area that we've got to make some progress on and we
9 haven't made the progress yet, but we need to.
10 Graduate degrees were awarded fundamentally the
11 same.

12 It's bouncing around somewhere in the 1500s.
13 Our goal is 1639. Again, that goes with selectivity
14 and ways that we get those students through. We've
15 got to think about the retention rates of graduate
16 students. So we've got some work to do in that area
17 to get a higher retention rate for graduate
18 students. With respect to diversity of graduate
19 enrollment for African Americans or blacks you can
20 see were staying pretty much constant. So we've got
21 to work on our recruitment of underrepresented
22 minorities, in particularly black students because
23 our goal is 7.7% and we haven't moved that number.

24 So we've got, again work to do in that area. We
25 are making some strides. In fact we have exceeded

1 our goal in Hispanic/latino students from 2.6% to
2 2.9% in the most recent reporting year. That's
3 great but that doesn't mean we're going to stop. We
4 can continue to work on that and in fact if you look
5 at students graduating from high school today, the
6 number of high school graduates continues to
7 decline. It will decline through 2025 and then have
8 a slight uptake for a couple of years and then go
9 back down, head back down again. You can tell that
10 from the birth rates. It's set, right 18 years
11 determines when -- you're high school graduation
12 rates.

13 The only segment of the U.S. population that is
14 growing and growing significantly in terms of high
15 school graduation numbers is Hispanic/latino.
16 African Americans are staying pretty constant, maybe
17 just a little bounce and whites going down. So
18 we've got to make sure that we have the support for
19 these students to make them feel like they belong
20 and they engage and they feel welcome at the
21 University of Kentucky because we want them to
22 succeed.

23 The next is diversity and inclusivity and some
24 of the data are just coming in but I'm going to walk
25 you through what we have. There's a success story

1 that the president hinted at just a little bit
2 earlier. There's a tremendous success story. In
3 Kentucky, the percentage of the population that is
4 an underrepresented minority is about 14%. At the
5 University of Kentucky this year it was 16.6%. So,
6 we are exceeding the state average. The same is
7 true of African Americans.

8 The state average is about 7.5% and were at over
9 10%. In fact there are only two flagship
10 universities, public universities in the southeast
11 whose university representation of underrepresented
12 minorities and blacks is above the state average, us
13 and West Virginia. The rest of them in the south,
14 they are at to ½ of their state population. I
15 think that shows our commitment to diversity on this
16 campus and we have doubled the number of
17 underrepresented students on this campus in the last
18 six to seven years.

19 For graduation rate in the bachelors, for
20 underrepresented minorities, our goal is 60, were at
21 51.9. That's just the opposite number to get at.
22 Its just it got flipped around but at the masters
23 level were at 67.4. The goal is 78. We're not there
24 and, in fact, it's kind of bouncing a little bit
25 lower, but making some significant progress at the

1 doctoral level. At the doctoral level the baseline
2 was 45.5%, were at 63.6%. So an area we're making
3 some progress but we've got others areas where were
4 not. And we need to redouble our efforts in those
5 areas where we have more progress to be made. In
6 terms of faculty, you see women, the data are still
7 coming in but we are staying pretty constant. Our
8 goal is 48.2.

9 For African American, black and latino again
10 numbers are staying pretty constant so we've got
11 some work to do there. In terms of the number of
12 women in executive roles and point of executives,
13 again close to the 50% which is our goal and you can
14 see the numbers with respect to staff and African
15 American, black and Hispanic/latino executives.

16 So, getting there, but we have to continue our
17 efforts in terms of diversity inclusion on our
18 campus both in terms of the students but also our
19 faculty and staff. Research and scholarship, that's
20 another one that has some success stories. Our NSF
21 higher education research and development does a
22 calculation of the total funding of the university.
23 The baseline was at 328. Our goal was 364. We
24 don't quite have the data yet because of how we
25 choose the counting periods but you can see we've

1 moved up to 349 so were quickly approaching our goal
2 in terms of Pell or research funding.

3 So a success story and again the work of all of
4 you in your success in getting grants and contracts.
5 With respect to federal, a goal of 159 million. We
6 started 142 and were almost there at 154.6. So,
7 good progress on the research arena. Our ranking of
8 doctoral programs, were still determining what that
9 is. We found that the old rankings of doctoral
10 programs, they don't do them anymore.

11 The standards we used to use, so we've had to
12 find new ranking systems and were still working
13 through that. So, I'll call that a work in
14 progress. We also had a goal of increasing the
15 productivity in terms of dollars of funding for
16 square foot of research space. The goal being to
17 get to \$300 per square foot and we've moved from 191
18 to 209. Again that matches with the increase in
19 funding. Those two numbers are interrelated and
20 lastly a case of licenses. They've stayed pretty
21 constant. We haven't had a huge increase although I
22 understand that the numbers are starting to go up
23 and were having some good months in the past few
24 quarters, our license income has bounced a bit but
25 is running around 3 million dollars.

1 I will tell you that there was a pretty large
2 settlement here in FY 15-16. I have some scars to
3 prove it but we won't talk about that right now but
4 there was a settlement in there for about 3 million
5 dollars. There was a back license royalty income
6 that was owed to us so that's why you see that spike
7 in one year. It should've been more spread out, but
8 that's -- were having good success there in terms of
9 research and scholarship and the last one is
10 community engagement.

11 This is one that is so important to us as a land
12 grant institution but it's also hard to measure.
13 How do you measure engagement in a community and in
14 particularly hard to measure is impact. What is the
15 difference that you're making in communities and so
16 we had a baseline 25+. We gave up after counting 25
17 different reporting structures in engagement. We're
18 down to 3. So we're getting much more focused
19 efforts. We're getting those together. We're also
20 bringing together all those databases because I'm
21 still not sure how many total databases were out
22 there in spreadsheets, access databases, file maker
23 pro, whatever it might be to actually measure what
24 were doing.

25 So that's having some real progress there. As

1 far as faculty and staff to their outreach, baseline
2 was 14, were steadily moving up with faculty up to
3 17.4 working toward that 25.8% goal. We want more
4 engagement in the communities because again as a
5 land grant institution our job is to transmit and
6 translate our discoveries working with communities
7 on its problems that are important to communities to
8 develop solutions together. Staff teaching, we've
9 got some work to do. It's staying pretty constant
10 as well as opportunities for students although I
11 would argue that we have a good number of
12 opportunities for students to participate.

13 Katherine is shaking her head because she's
14 part of that. There are a number of opportunities,
15 but partnerships is an interesting one. We didn't
16 know how many we had. We started counting. 7082 was
17 the number that we've come up with so far. Now you
18 can argue how big of a partnership, how small of a
19 partnership, there are multiple ways to look at
20 those but I can tell you that we are in the
21 communities and we have partnerships with the
22 communities whether it's setting from the College of
23 Agriculture or to the work in the Next Generation
24 Leadership Academy from the College of Education to
25 the work that Engineering does and the Lean program.

1 There are all kinds of engagements with the
2 community and a tremendous amount of work.

3 So we're working on a tool to capture that. I
4 think, you know, part of this community engagement
5 has been learning what we do and beginning to
6 understand it in the scope and the breadth. So my
7 message to you with this is that were making good
8 progress on several parts of the strategic plan. We
9 have some others where we have a little bit of work
10 to go, but were getting there. So I'll take a pause
11 for a minute before we come to the next section that
12 Eric and I are going to do together and ask if you
13 have any question and bare with me because I will
14 repeat the question for those who are online and for
15 the live streaming. Okay. In the back.

16 MS. O'BRYAN: Gail O'Bryan, College of
17 Engineering. I was wondering in your first to
18 second year retention rates, have you guys addressed
19 the change in the census date that caused a
20 different past?

21 PROVOST TRACY: So the question is we have
22 changed our census date to actually be more
23 consistent with other universities in terms of
24 measuring first to second year retention and have we
25 adjusted that, and we have. So we've gone back and

1 fixed all the others so that it all matches up and
2 were comparing apples to apples, but were now more
3 in line with tradi-- with most universities going to
4 that October 15th for a census date. Trustee
5 Grossman?

6 TRUSTEE GROSSMAN: I think I mentioned
7 this to you at the board meeting but a lot of these
8 numbers would be a lot more useful if we knew what
9 the end was for each line. So for example, you know
10 the number of African American faculty or the number
11 of women faculty, the number of African American
12 graduates or underrepresented graduate students.
13 What kind of numbers are we talking about here?

14 PROVOST TRACY: So, I don't remember all
15 of those off the top of my head. G.T. could probably
16 help me with the number of faculty but for instance
17 in terms of a freshman class roughly 500 of the 5000
18 or 4900 are African American students. If you take
19 14% of that were talking -- or 16% you're talking
20 about 1500, 1400 or, you know, somewhere -- I'm
21 sorry 8 or 900 total underrepresented minorities in
22 a class. As far as faculty there are what? How
23 many underrepresented minority faculty roughly?

24 MR. LINEBERRY: Roughly 100.

25 PROVOST TRACY: Roughly 100 out of 2700.

1 MR. LINEBERRY: 2800.

2 PROVOST TRACY: 2800 faculty. So we --
3 that is a fair point and we'll work to get those end
4 numbers in for you. For instance in the gap if it
5 bounces 1% point that's about 8 students.

6 TRUSTEE GROSSMAN: Which gap?

7 PROVOST TRACY: The graduation gap or the
8 retention gaps that's about 8 students change. It's
9 a small number but every student is important.

10 TRUSTEE GROSSMAN: Every student is
11 important but every student is an individual as well
12 and so its one year there might be -- you're going
13 to see large bounces from year to year --

14 PROVOST TRACY: Because of small numbers.

15 TRUSTEE GROSSMAN: When that is that
16 small.

17 PROVOST TRACY: Correct.

18 TRUSTEE GROSSMAN: That's kind of what I
19 wanted to get at this because some of these numbers
20 where were seeing large bounces, I mean, you
21 categorized some of those in ways that I would not
22 have categorized those in terms of going up and
23 going down.

24 PROVOST TRACY: I would rather under --
25 over -- under-promise and over-deliver and I want to

1 be fair. I don't want to, you know, again I don't
2 want to overstate something and say it's rosier than
3 it is. We've got work to do. Jen?

4 MS. BIRD-POLLAN: Jennifer Bird-Pollan,
5 College of Law. I was just wondering if you could
6 tell us where the baseline numbers comes from and
7 also how -- I know you probably told us a couple of
8 years ago but how we decided what the goals were for
9 kind of each thing.

10 PROVOST TRACY: So the baseline number --
11 the question is where did the baseline numbers come
12 from for many of these statistics? And so we had to
13 take a snapshot in time as to when the strategic
14 plan was starting. Now remembering that some of
15 those, because of what they are, may have fallen
16 slightly across different calendar years so one
17 might have started in 14 for instance and one in 15
18 because some are dependent on time but it was just
19 taken from our numbers, our success at that point in
20 time depending on which measure it was.

21 We didn't try to choose oh this makes us look
22 better or this makes us look worse but how they fall
23 in terms of how you receive that data and report it.
24 So that's how they came from. Now where do the
25 goals come from? We were aspirational and tried to

1 say -- we looked at the data and projected out given
2 our current success rates.

3 Now if you would've done that for retention you
4 would've said retention would be 82%. We said were
5 not happy with that so were going to be aspirational
6 and try to be one of those 150-200 institutions, but
7 for many of those they were based on what we thought
8 our trajectory would be. Dr. Cassis, for instance,
9 used 1.9% growth for the research dollars because
10 that's what we had been growing at for several years
11 and it looks like were going to exceed that.

12 So most of them were taken from calculations of
13 extrapolation of trajectories but some of them we
14 weren't happy with our trajectory and so we picked a
15 more aspirational one. Two more questions. I'll go
16 here and then back.

17 MS. BIRD-POLLAN: One other follow-up
18 questions which was about the graduation education,
19 whether you included -- I think you separated out
20 what you called doctoral candidates but whether you
21 included professional schools in there.

22 PROVOST TRACY: The question is whether
23 the doctoral includes professional, it does not.

24 MS. BIRD-POLLAN: So did you have a slide
25 on professional?

1 PROVOST TRACY: I didn't have a slide on
2 professional in there. Yes?

3 MR. TAGAVI: Kaveh Tagavi, Engineering.
4 The question is will doctoral programs elected to be
5 how is that defined and why the smaller number
6 better than larger number.

7 PROVOST TRACY: So it's defined as the
8 number of students that you give admission to as a
9 percentage of the total number of applicants. So
10 think about undergraduate admissions, it's all the
11 same. So, I'm sorry if I didn't repeat the
12 question. It's how do you define selectivity and
13 why is lower better. It's because you have more
14 applicants and you take the same number with more
15 applicants or you take fewer of the number of
16 applicants you have. Okay. We're going to now
17 switch gears for just a minute and Dr. Monday and I
18 are going to tag team talk with you a little bit
19 about our financial over the time and let you know a
20 little bit of where we are and also show you some
21 projections of what may be, we don't know, but of
22 different scenarios.

23 So, I want to talk just a little bit about the
24 financial challenge ahead. We're going to give you
25 the operating budget history for the last six years,

1 I believe it is that were going to talk about, but
2 also some projections for the future. What do we
3 see happening for the next five years if nothing
4 changes? And then a couple of scenarios if things
5 did change what might they look like. So let's talk
6 about a little bit about those disruptions the
7 president alluded to those just a minute, just a few
8 minutes ago but there is a great emphasis now on the
9 focus of net price.

10 Net price is your sticker minus any scholarships
11 that you get from institutional money or
12 philanthropy money but its the net price and then
13 how does that compare to an outcome of a job. So
14 people are looking at what we call the RLR or Return
15 on Investment and that is how much salary am I going
16 to make based on the money that I invested. Not
17 saying that's our measure but that's what the public
18 is beginning to measure us by.

19 You see a lot of discussion around return on
20 investment. How much did I put in and what am I
21 getting out? Part of that is how much debt am I
22 taking on. There's a lot of expectations of
23 lifelong learning. I quote some numbers from the
24 Bureau of Labor Statistics who says that the current
25 graduates from college by age thirty-seven will have

1 on average fifteen different jobs. Think about that
2 just a minute. Fifteen different jobs, and I have
3 -- I have two children but I have a twenty-eight
4 year old who is on his 7th job and I mean 7th unique
5 job and only one of those pairs has been at the same
6 company/institution.

7 And it turns out he's pretty average, in many
8 ways -- I think he's above average but I wont speak
9 to -- so its happening. They are changing jobs
10 constantly and they are going to be performing jobs
11 in ten years that haven't even been invented yet.
12 That's the reality. Student debt levels, I alluded
13 to just a moment ago, what is acceptable debt? You
14 know you hear the outrageous they had \$200,000.00 in
15 debt, they had \$100,000.00.

16 You look at the variance or I see Dr. Woods
17 standard deviation around that and its petty huge,
18 but the average debt is running around \$30,000.00.
19 Is that the right amount of debt? Probably not.
20 It's probably a little high, but they're really
21 focusing on the debt and particularly problematic is
22 debt but no degree. That student who comes here and
23 takes on five, ten, fifteen, twenty thousand dollars
24 of debt and leaves without a degree. That is a
25 very -- very difficult situation and one that we

1 need to be prepared to address. I'll also say with
2 respect to lifelong learning, there are five hundred
3 eighty thousand people in the state of Kentucky who
4 have some college but have not completed it. Think
5 about that a minute, five hundred eighty thousand
6 people who have some college but haven't completed
7 it. Even if you could capture 10% of those people
8 it would make a difference in Kentucky and I'm sure
9 there are at least 10% who want to, but how do we
10 provide them the access to do that?

11 Changing demographics, I've spoken about the
12 decrease in number of high school graduates. It's a
13 reality. We all have fewer kids, that's what
14 happened. Shifting demographics among racial and
15 ethnic groups. I've also talked about that and the
16 non-completers, that five hundred and eighty
17 thousand students that are out there.

18 Accountability, we have performance funding.
19 Ours is a little unique in that its performance
20 funding to get to keep your money. In many states
21 its to get more money, but in Kentucky it's to get
22 to keep our money. Vice President Monday will tell
23 you about the huge windfall we got from performance
24 based funding in a few minutes so I won't steal his
25 thunder but the state fiscal environment also won.

1 The state has some issues that they're going to have
2 to deal with. They're serious issues and they
3 matter; pensions, medicaid expansion, probably half
4 a billion dollars in medicaid expansion alone, and
5 the revenue shortfall. You saw that the state cut
6 all state agencies by 17.4% with a midyear cut just
7 about a month ago. So those are the kinds of
8 situations that were living in right now.

9 So, what can we control? What do we have
10 control over? Well, we can control the optimal
11 balance between investments and operations, faculty
12 and staff both numbers and compensation and how we
13 balance that with academic programs, student
14 services, research, all of that with capital. How
15 do we make that balance? What's the right debt load
16 do we take on? What are the right investments?
17 What is the right raise level? How many faculty?
18 How many staff? How much do we invest in research
19 of our own money? All those.

20 Look at our educational research and engagement
21 service missions enrollment, two things you can
22 control is class size and residency mix. Out of
23 state students pay on average over double what
24 instate students do or resident students. What's
25 the sticker price and the net price? How much do we

1 give in scholarships? So, what's the net that we
2 collect? Out of state student could have a sticker
3 price of \$25,000 but might pay somewhat less than
4 that like instate students, whats that right
5 balance? And then productivity across all facets of
6 the institution, are we optimally aligned and then
7 lastly self generated revenues.

8 Philanthropy, the Deans participated this
9 morning in four hours of professional development
10 around philanthropy and we'll be making some major
11 announcements in that regard but also investment
12 income. Dr. Monday has been very successful in
13 investing our overnight reserves and getting
14 additional interest on overnight reserves. We
15 didn't have to make any more money but we got more
16 interest off those overnight investments. Lastly is
17 entrepreneurial activities, new degree programs,
18 credentials, those completers, all those
19 opportunities are there to help bring in more
20 revenues. So I'll turn it over to Dr. Monday to
21 talk about some of the financial history.

22 VICE PRESIDENT MONDAY: Thank you Tim.
23 Good afternoon. What I want to do is talk about our
24 enterprise. When you think about that 3.7 billion
25 dollar budget, let's break that down into some

1 smaller components. Then we're going to look at how
2 we built the budget for this fiscal year, fiscal
3 year 18, the year that we are in, compared to fiscal
4 year 17. So that will be the second item. Then the
5 third item is were going to look at some scenarios
6 and well look at whats the challenge ahead if we
7 continue to experience what we have experienced the
8 last six years, what do the next five years look
9 like? And then if theres some adjustments to what
10 the experience has been as we think about the
11 future, what may occur. So this is scenario
12 planning. We start with the actual and then well
13 look at some scenarios.

14 The goal is to have a dialogue, to get some
15 feedback as we think about our planning processes
16 for our financial plan over the next few years. So
17 when we think about the University of Kentucky and
18 we think about this entire enterprise and I'm going
19 to go from the largest component as it relates to
20 dollar amount of the budget, and this is the fiscal
21 year 18 budget. The first component, the largest is
22 U of K Healthcare at 1.6 billion. then, let's just
23 go all the way through it so we're going to go from
24 left to right. 1.6 billion dollars is in U of K
25 Healthcare. The next, the first one in blue is 466

1 million, that is what we expect to collect in this
2 fiscal year in tuition. The next number 416 million
3 dollars of what we call other designated. That's
4 driven, the largest component of that, is 204
5 million dollars at are clinical enterprise. 386
6 million in our restricted, that's a gifts, grants,
7 and contracts.

8 Our grant revenue, our gifts that come into
9 philanthropy, various contracts and then we have 277
10 million budgeted in fiscal year 18 in fund balances.
11 Those are funds that we are carrying over from a
12 previous year to use for one-time expenditures;
13 faculty start up and so on. 267 million, so the
14 second blue number, is 267 million dollars. That
15 did increase, as Tim referenced, by a little more
16 than \$60,000 this year based on the performance
17 funding formula. That's how much we received in
18 state funds, but of that amount, of the 267 million,
19 86 million of that 267 is in our mandated programs.
20 The largest to which See, over 60, is driven to our
21 land grant mission to College of Ag, Food and
22 Environment.

23 211 million on the auxiliaries, that's being
24 driven, the largest auxiliary we have is the
25 athletics department. 97 million, and then you see

1 other undesignated of 48 million. Those are charges
2 that we charge the auxiliaries for services. That's
3 that investment income that were able to generate as
4 an institution and so what we say here is what
5 really can be managed aggressively? Of course the
6 entire enterprise were managing, but many of these
7 things are tubs on their own lot. The UK Healthcare
8 generates their revenues. They pay for all their
9 expenditures, all of their capital, so to the
10 auxiliaries. So do the restricted funds. We bring
11 the restricted funds in, you generate a restricted
12 fund on a grant or contract, we have to use that, a
13 portion of that grant or contract.

14 So what's centrally available for us to manage?
15 It really is things in blue. When we look at that
16 budget from one year to the next, and we're going to
17 walk through how we built it for this fiscal year 18
18 compared to 17 in just a moment. Those are the
19 three buckets of money that we have the ability to
20 most manage aggressively. All right. So how do we
21 do that? How do we go and look at how much more or
22 how much less? What's that direct student impact we
23 call it the DSI. How much for how much less do we
24 have? So let me just walk you through these rows and
25 columns here. So this is last fiscal year, fiscal

1 year 17, this fiscal year 18 and we see the change.
2 The first line, first row State Appropriations, you
3 see that went up. That's a .1, we're rounding up
4 that \$60,000. There's at 60000 right there.
5 Tuition, moving up 18.4 million dollars.

6 Those numbers right there I see people straining
7 it might be hard to read, 447 to 466, and then we
8 have that other category we just talked about 39 to
9 43 or an increase of 4.4. There's a little rounding
10 in this. that gets you to 777 million on that
11 previous slide was 781, same number. So we look at
12 that and we say okay there's 22.7 million more
13 available and that tuition number is really what
14 generated, what grew and that was related to a price
15 change.

16 Our class size is not materially larger it's
17 actually a little bit smaller as it relates to the
18 Freshman Class. Overall enrollment is stable. So
19 that's being driven by price. So we have 22.7
20 million dollars available. What are the expenses
21 necessary to generate that? Or what does it take to
22 turn the lights on, if you will? So, student aid
23 8.9 million dollars. So about 5 years ago the
24 University made the decision to put in a new student
25 aid program, scholarship program for our students.

1 This will be the final year for that.

2 So you see end 8.9 million-dollar number, we
3 would expect that number to be smaller next year.
4 So the last year of that four year implementation.
5 You make a decision to do student aid programs,
6 obviously goes freshman, sophomore, junior, senior
7 so it's a 4 year implementation cycle. Faculty and
8 staff pay: We did a two and a half percent merit
9 pool. We also had to annualize what we did in
10 fiscal year 17. You may remember that was initiated
11 on September 1 so we only had 10 months of funding
12 in 17. We had to analyze that in 18 + a two and a
13 half percent pool. Now it's 12.8 million.

14 We had a fixed cost of 6 million dollars. That
15 number is around what it is almost every year.
16 That's what it takes just to turn the lights on,
17 utility bills, other normal and regular
18 expenditures. You think about a 3.7 billion dollar
19 enterprise or if we just think about this 780, it's
20 less than 1%. It's fairly reasonable. And then we
21 get to strategic Investments. Strategic Investments
22 were 3.3 million and those are funds that the
23 Provost uses to in-cent and to reward the colleges
24 for higher levels of -- of retention and graduation
25 rate and so on.

1 So the sum there was 31 million of need and we
2 had about 22.7 million dollars of available Revenue.
3 So there was a gap. The gap was 8.3 million
4 dollars. So how did we balance, how did we close
5 that Gap? So four strategies: Our miscellaneous
6 fringe benefits right, workers' comp, all those
7 fringe benefits that we have at a miscellaneous
8 rate, we over collected. Which means in the next
9 year you get to reduce your rate. So we had a
10 savings of 2.6 million dollars. We had \$300,000 by
11 moving the alumni association to self generating.

12 Our energy conservation program, our utility
13 program that Dr. or excuse me Mary Vossovich is
14 running a saving another 1.1 million in fiscal year
15 18 and Tim referenced some enhanced investment
16 strategies where we looked at some of our operating
17 cash and moving those funds to a quasi endowment and
18 allowing us to invest that in the endowment and get
19 it larger return than the 10 or 20 or 30 basis
20 points we were getting on overnight. That's
21 substantial this year 4.3 million dollars.

22 These are all recurring numbers. These aren't
23 one time. These are recurring expenditures. These
24 are recurring revenues to solve it. So that is how
25 we solved the budget going from 17 to 18. If we

1 think about this fiscal year, okay? A lot of
2 numbers on here. So let me just walk you through
3 and let's get to the real take away. It's in that
4 red oval. So what this says is how have we solved
5 the budget over the last 6 years? We've had these
6 funding gaps. That's 22 million dollars in fiscal
7 year 13. 17 million dollars in fiscal year 14. You
8 see at 8, 2, 11, that 8.3 we just talked about.

9 So what was the gap over the last 6 years from a
10 cumulative standpoint? 70 million dollars. That
11 was the gap that we were able to solve. And if what
12 we talked about is down here, down below, how did we
13 solve that gap? So in the first two years on this
14 sheet 13 and 14 there was a base budget reduction
15 across all institutional units.

16 The administrative units took a larger cut, the
17 academic units also did take a cut as well. It
18 averaged 3.74% in 13. It averaged 2.7% in 14 for the
19 last four years, which I think we all know, there's
20 not been any budget reductions, any cuts across the
21 academic and administrative enterprise. We funded
22 all of the needs, these gaps, through various
23 strategies. We call most of those efficiencies and
24 effectiveness; How we invest our money, How we pay
25 our bills, How we've looked at debt Service, How we

1 allocated different cost; How we're funding large
2 expenditures.

3 We did have some vertical cuts to the College of
4 Medicine and the College of Ag, food, and the
5 Environment in the fiscal year 17 that were within
6 that solution a couple million dollars. But the
7 takeaway is over the last 6 years only two base
8 budget adjustments or not, we did a pay raise by the
9 way every single one of these years and that's in
10 this sheet too, 2%, 5%, 2%, 3.5%, 2%, 2.5%. That
11 averages out to be 2.8%.

12 We sent money to the colleges every single year
13 in incentive funding. That sums and then averages
14 to 4.3 million dollars a year and then you see some
15 fairly, we'll say aggressive tuition and fee
16 increases that averaged 4% per resident and 6.7% for
17 non-resident. That's per year on average. So now
18 let's look forward. So this is the previous, this
19 is the minus six. What if everything remained the
20 same for the next five? What does that mean for us?
21 So we are looking at our past decisions, we're
22 assuming stability. What does it mean?

23 So what we did was -- here are the assumptions:
24 a 4% tuition increase per year for the next five
25 years on resident, 6.7% on non-resident, 4900

1 freshman, that's what we've averaged in a freshman
2 class the last six years. We also put in on the
3 last six years we've averaged a budget reduction per
4 year from our state of 2.1%. So we modeled that the
5 next five. There's the 2.8% faculty and staff pay
6 raise, 4.3 million incentive funds and a 4% increase
7 in utility cost and maintenance and operations,
8 keeping the lights on if you will. So we just had a
9 gap of 70 million over the last six. If we look to
10 the next five, it's an 80 million dollar gap. So
11 we've got to do differently.

12 We've used a lot of the low-hanging fruit. We've
13 done a lot of those e and e. We've looked at what
14 other institutions have done. So how do we look at
15 those next five years? So there's an 80 million
16 dollar gap. So now there's two scenarios that I
17 want to share with you beyond this one. One is one
18 of some of these things that are being talked about,
19 some of these disruptions or challenges that Tim
20 opened with, what if those are not possible? So one
21 scenario Tim talked about debt, talked about price,
22 talked about net price, talked about the word value
23 in that equation. What if we only had modest
24 tuition increases, a table class size and no change
25 in state funding? So what's the meaning of moving

1 from that 4 and 6.7 to 2% for a resident on tuition
2 and 4% on a non-resident? We kept the class size
3 the same at 4900 and no change of a state
4 Appropriations.

5 So the state Appropriations remain the same for
6 the next five years. The gap then grows to 95
7 million. 70 million the last six, 80 million and
8 that first base line and now we're at 95. Let me
9 show you one more. What if that cut of 17.4% that
10 was pushed out to the agencies in the budget this
11 year, to the state agencies, what if that comes to
12 higher education and comes to us? So we're still at
13 2 and 4% on tuition increases, same freshman class,
14 we get a 17.4% budget reduction in fiscal year 19.

15 If we don't give any faculty and staff raises in
16 19 because we just got this budget cut, but then we
17 reset that 2.8% after, no investment in the colleges
18 but we move to 4.3 and this success of years, well
19 then the gap then, as you may expect, grows to 123
20 million.

21 So these are scenarios. They're planning
22 scenarios just to understand what are those rails,
23 what are we talking about here? What are the
24 degrees of freedom? What are the choices and
25 adjustments we may need to make? And then what we

1 do is of course we run various sensitivity analysis
2 to look at what can we do. This is a break-even
3 budget, all right? So we are breaking even. These
4 are independent of one another so you can stack
5 them, but what happens, what happens if we moved
6 enrollment by 400? So we brought our freshman class
7 in at let's say 5300 and then increased it 100 each
8 year thereafter. Let's just look at 19.

9 Well, the gap on the base line is right here
10 let's call that -24 it goes to about -18. So it
11 closes that gap. It's moving that gap in a positive
12 direction. You look at things like enrollment,
13 state funding, salary increases, tuition rates, so
14 this is more illustrative for the discussion, but
15 these are the kind of scenarios and the kind of
16 strategies that we go through as we think about the
17 budget and as we think about a multi-year, the next
18 five year financial plan. Mr. president do you want
19 us to take a few questions?

20 PRESIDENT CAPILOUTO: Take a few
21 questions. I want to leave time in the end. Any
22 questions about the budget?

23 VICE PRESIDENT MONDAY: Any questions about
24 the budget? The president is going to come back up
25 to address some other matters in just a moment.

1 Yes, ma'am?

2 MS.O'BRYAN: Gail O'Bryan, College of
3 Engineering. The money that Matt Bevin held out of
4 our last budget, is that in your calculations at
5 all? That money coming back, and where?

6 VICE PRESIDENT MONDAY: Yes, ma'am. That
7 was part of the state appropriation and so those --
8 you're relating to the -- the question, I'm sorry,
9 was about Matt Bevin, was the question what was held
10 out of our last budget. The answer to that question
11 is that case has been resolved and those funds have
12 come back to the institution and are part of that
13 budget. They are in the state appropriation
14 component. Yes, ma'am.

15 MR. TAGAVI: I have a question --

16 SECRETARY BROTHERS: Name please?

17 MR. TAGAVI: Kaveh Tagavi, Engineering.
18 I have a question regarding net pricing. I think
19 that is a budget question. I may be concerned that
20 if people decide all the professional degrees that
21 have different tuition. So the rest of the degrees,
22 or majors have the same tuition, but clearly whats
23 needed is to get out of debt over their lifetime.
24 There are vast majors. There is sciences, there is
25 art, so I think we might be falling into two traps.

1 One if you give credits to such indicator then
2 people are going to start requesting that perhaps
3 two majors with less income afterwards the tuition
4 should be different so engineering should charge
5 more than -- chemistry more than physics --whatever
6 it is more than history or english.

7 So that's one which I don't think I would like
8 that and two we might fall into the trap like the
9 Governor who is going to say look, look at all these
10 net pricing of these majors that are -- to companies
11 to sciences and engineering and so therefore why are
12 we even teaching your majors --

13 VICE PRESIDENT MONDAY: Sure. So the
14 question is about net tuition and the same tuition
15 for degrees, undergraduate degrees that should it go
16 up or down and would that be problematic if some
17 degrees were priced differently. Your point is
18 fair. I would argue that were already there because
19 we have fees. So the fees on an english major are
20 the mandatory fees. The fees for an engineering
21 major in your college are per credit hour. So we're
22 actually already at pricing by degree in terms of a
23 tuition price ,a degree we're already there. So
24 CPE, our Council on Postsecondary Education sets the
25 standard and says that undergraduates must be

1 charged the same all across undergraduate colleges
2 but you can do fees but they also approve fees on
3 top of that.

4 So we're limited somewhat in what we can do
5 because that professional and doctoral are not
6 included in that and so are professional degrees are
7 priced very differently than are the undergraduate
8 degrees but your points well taken but we're
9 actually already there with the business has a
10 credit hour charge for every single credit hour and
11 Engineering has a credit hour charge, it's just not
12 tuition, it's fees.

13 MR. TAGAVI: So past mistakes and future
14 mistakes.

15 VICE PRESIDENT MONDAY: I saw a bunch --

16 MR. CROSS: Al Cross, Communications,
17 this is for Eric. When the governor asked for a
18 17.4% reduction among agencies that was based on a
19 shortfall estimate that has since been lowered. So
20 the cut did not have to be as much, but given the
21 financial situation of the state it's plausible that
22 we could be looking at a reduction. Is it your
23 all's expectations that we have that much of a
24 separate battle to fight to maintain the level of
25 State funding in the next session?

1 VICE PRESIDENT MONDAY: We always have to
2 tell our -- the question was about the 17.4% cut to
3 the agencies was based on shortfall and shortfall
4 has now been reduced and the question then went on
5 to suggest and ask what do we think is the prognosis
6 of the upcoming session. Is that fair?

7 MR. CROSS: Fair enough.

8 PROVOST MONDAY: We are going to -- the
9 state has very, very distinctive needs especially
10 centered around pension and that number is not known
11 yet. And so that will -- the short fall within this
12 fiscal year, as your question stated, was around
13 200. What was expected at one time now is in the
14 mid 1s so let's call it 150 for discussion.

15 The pension need could be another 0 and so how
16 that then cascades with all the different needs that
17 the Commonwealth has, and what it may impact the
18 University's is a number we don't know yet, but we
19 are going to work very hard to continue to tell our
20 story and the value of the university and the value
21 of the economic development in the state in
22 graduates.

23 MS. BLONDER: Lee Blonder, Medicine. Do
24 you anticipate increase in the universities
25 contribution to employees benefits and if so is that

1 factored into the model or the scenarios you've just
2 given?

3 VICE PRESIDENT MONDAY: The question is
4 does the University anticipate a contribution or
5 additional contribution in the University benefits.

6 MS. BLONDER: Increases.

7 VICE PRESIDENT MONDAY: In benefits
8 increases. So when we Model A 2.8 percent salary
9 increase, that is inclusive of benefits related to
10 that increase. So if we grow, if our rate
11 structure, if our needs structure, if our expense
12 structure grows beyond that, then that would be a
13 gap, but I think many of us, maybe all of us, I
14 hope, are aware that over the last many years the
15 university has funded all of the benefits increases
16 for the vast majority of our employees, specifically
17 were talking about healthcare. And so that would be
18 our intention to continue that as best we can. Yes,
19 ma'am.

20 MR. WOODS: Henry Woods, College of Law.
21 I had a question. I wanted to figure how much of
22 the model involved disclosure of the overall market
23 and if its a significant chunk what kind of
24 assumptions are you making about the market and
25 finding a job?

1 VICE PRESIDENT MONDAY: The questions is
2 whats the assumption related to the market. Let me
3 ask you a follow up. Are you talking about the
4 market as related to investment income or the market
5 as it relates to student enrollment, what factors?

6 MR. WOODS: Investment income and I don't
7 know, I don't know how much or if any of the
8 endowment for example is used in the models and some
9 of the cost saving measures for the better
10 investment and I just wonder if time when you
11 thought it may be at a high, what are we thinking
12 about where it's going, how much risk is at the
13 university?

14 VICE PRESIDENT MONDAY: Sure. A couple
15 components of that. So our endowment at the
16 University of Kentucky is 1.4 billion dollars market
17 value give or take a few million today. And so we
18 have a hybrid spending policy. So that hybrid
19 spending policy accounts for trailing inflation as
20 well as marketing conditions. So we have some
21 opportunity to maneuver based on that. If we look
22 at the amount of our budget, that 3.7 billion dollar
23 enterprise that comes from the payout from that
24 endowment on an average year is 1.4 or 1.5%. So in
25 this conversation that's a good thing. As we think

1 about the long term vitality of the institution, we
2 have to move that number up. Right? At a billion
3 or more, we should be at 3,5,7,10 or more as a
4 percent.

5 That's an opportunity for the university to move
6 a 2, 2.5 billion dollar endowment that's providing
7 more resources. As it relates specifically to the
8 question about moving some from operating where we
9 were getting 10, 15, 20, 30, 40, basis points to the
10 endowment, it's a long-term strategy. So the
11 ability to respond to that, were not overweighted or
12 over concerned in some type of flexibility.

13 We're looking at the similar investment profile
14 that you would have in endowment and how were
15 diversified in weight. I'd be happy to talk to you
16 more offline. Dr. Jones, Davy?

17 DR. JONES: Davy Jones, Toxicology. Some
18 of the -- and remember way, way back when I don't
19 think it was -- when there are faculty lines and a
20 department needs to hire another person and the
21 Chair goes to the Dean and argues another line out
22 of the Dean and then the Dean looked in there and
23 goes Yeah, I can completely fund this faculty line
24 out of, I guess, looked at the blue in his line, and
25 so theres an impression that the tenure to tenure

1 track, the salaries for the line is secure. I don't
2 think its that way now-a-days. What report, do they
3 -- do all the salaries for the tenure to tenure
4 track now, what proportion of that salary is blue or
5 is not blue?

6 VICE PRESIDENT MONDAY: So your question
7 is about faculty lines and there used to be a
8 faculty line sort of a notation the Governor had it
9 in his desk drawer a listing of all the lines and so
10 forth. That wasn't the case but that was made on
11 the assumption that the state funding was greater
12 than the cost of the faculty and the staff for that
13 matter as well.

14 Yeah, I don't know if I can tell you proportions
15 off the top of my head because I don't know the
16 salaries, but I can tell you that that 267 million
17 minus the 80 million does not cover the salaries of
18 the faculty or the staff and so you've gotta take
19 the whole budget, the tuition plus the state funding
20 and all of those and that's where its dollars
21 available for salaries. Or I call them available
22 salary dollars.

23 There really don't exist lines any more but
24 theres available dollars that you can -- or any
25 dollars could be used for salaries. It just depends

1 on what you want to do for operating expenses and
2 how you want to link between those. So it's how we
3 use the budget all together to hire hopefully the
4 right number of people at the right salaries plus
5 have the right amounts available for operating
6 expenses.

7 PROVOST TRACY: We're done. We want to
8 move on or take one more?

9 VICE PRESIDENT MONDAY: One more question
10 and then were going to move on to the President.
11 The lady in the back.

12 MS. ROWSHOWSKI: Rowshowski, College of
13 Nursing. Have targets been set on the percent of
14 out of state that we were looking for us to expect
15 and then university and then has that number been
16 pushed down to the colleges?

17 VICE PRESIDENT MONDAY: So the question,
18 if I heard you right -- I didn't hear everything you
19 said but I think it was related to the percentage of
20 non resident students versus residents and do we
21 have some theoretical number and has that been
22 pushed down to the colleges? So we first want to
23 make sure that were welcoming and open to all
24 qualified Kentucky students. Now they are
25 decreasing in numbers but all qualified Kentucky

1 students are admitted to the University of Kentucky.
2 We don't exclude qualified Kentucky students for
3 non-resident.

4 So that's one of the bigger answers to your
5 question. We've been running about 37% non resident
6 for the past few years. We have not applied that to
7 an individual college. We've not said College of,
8 you know, Engineering, you need 39% and the College
9 of Pharmacy you need 25%. We haven't done that.
10 We've taken it in a broader picture but we have
11 increased that from about 20% about ten years ago to
12 roughly 37, 35, 36, 37% today but we've not pushed
13 that down individually but our doors are open widest
14 for all qualified Kentucky students.

15 PRESIDENT CAPILOUTO: Thank you Dr's
16 Monday and Tracy. So we wanted to share this
17 information with you to illustrate where we are and
18 I want to say clearly that I don't think the sky is
19 falling, but I think you'd all agree with me it is
20 important to prepare. Now I will also say that this
21 university from its 150 year history has responded
22 to changes and that's why we have sustained our
23 ascent and it is why, I believe, in the last few
24 years because of your hard work, our donations and
25 individuals who still wants to invest in the

1 university increased because over time I think we
2 are the greatest force for change in the
3 Commonwealth.

4 Through ideas we ask questions today in the
5 context of those we serve and I always start with
6 our students and their families. The Provost
7 mentioned to you that there is increased interest on
8 that return in investment and I think there was a
9 follow up question asking about what that depends on
10 as it relates to your particular career.

11 So, I talked with our legislators and the
12 concerns that they express to me that we may be too
13 expensive and our debt was too great for students
14 and all, I can always come back with a powerful
15 response as we've done an incredible job at the
16 University of Kentucky.

17 When you look at growth in higher education in
18 the Commonwealth over the last ten years, four year
19 institutions, we've gone from 120 to 128,000. The
20 University of Kentucky's growth is 40,000. When
21 people ask us about student debt I can tell them 50%
22 of the students who graduate from the University of
23 Kentucky have no debt and I can go on and on and on.
24 Sometimes I realize I haven't been listening that
25 closely to what really concerns them and what really

1 concerns them is the entire Commonwealth, the people
2 they serve and I think that you can look at the
3 opinion survey like the recent few and regardless of
4 your political persuasion, there is great concern
5 and a lack of optimism and confidence even in the
6 face of some positive economic things.

7 So this value of this education is a question of
8 data. You look at the ones that come out of
9 Stanford. A group of investigators there look at
10 return on investments, they can break it down by
11 university too and you're looking at data over time.
12 In 1940 the likelihood that your child would make
13 more than you was 91%. By the 1970s that had
14 decreased to about 61%. The 1990s it's down to 51%.
15 Now thankfully when you talk to elected officials
16 and parents it's this hope that my child is going to
17 be better off than me and it raises a higher
18 expectation of us.

19 That job represents more than a paycheck and
20 more than a return on investment. You know it, it's
21 dignity and respect and the ability to provide to
22 others and pay your civic rent.

23 We all know from our data that people who
24 graduate from the University of Kentucky and have
25 good jobs here and have been helped, have higher

1 salaries and greater job security, but we also know
2 that those skills that people need in the future,
3 they're changing more rapidly. We've got to educate
4 people for their first job and their future job.
5 And we know theres a greater emphasis when you talk
6 to employers that yes we want those technical
7 skills, but we need some soft skills. The ability
8 to communicate, collaborate, be creative, find
9 solutions, understand code.

10 When you ask people about that you're expecting
11 computer code but its a generic code and a moral
12 code and we have to ask ourselves are we doing those
13 things as well as we could? And that is the
14 responsibility I think we have to meet at even
15 greater levels. When you also listen to our elected
16 officials who represent individuals across the
17 Commonwealth, they want us to be the driver when it
18 comes to workforce development and economic
19 development.

20 So this is a staggering number to make. If the
21 state of Kentucky had the educational attainment of
22 the average you find across the United States, it is
23 estimated that we would have one billion dollars
24 more in tax revenue. That would solve every one of
25 these problems. We can't look at it and say that's

1 just too steep and we can't do anything about it.
2 If we live in an economy that's got a decline of
3 high school graduates, if we know that as the
4 provost pointed out there are over five hundred
5 thousand individuals with some college degree --
6 with some college credit, then we have a
7 responsibility.

8 It's that part of being a 21st century, land
9 grant university. And what is the responsibility to
10 those students who graduate and need additional
11 skills? In saying we want them to be lifelong
12 learners then we have a responsibility and an
13 opportunity to be lifelong teachers.

14 So, I think, those are questions and challenges
15 that we could answer yet and I believe at this
16 moment in time that we don't get to choose. We
17 should do what those who came before us did and that
18 is respond. It's time for a new compact with the
19 state of Kentucky to be that 21st century land grant
20 university. We have the knowledge. We must prepare
21 that next generation in new ways and we've got to be
22 a driving force when it comes to economic
23 development.

24 So I do not know how to do all of these thing
25 and that's why we started these conversations with

1 the groups that I talked to you about earlier. So
2 our Board of Trustees retreat, so we posted these
3 readings that you've seen and we asked them -- this
4 was an all voices exercise. I think most people who
5 participated enjoyed it. It's not that you get in
6 one group and somebody dominates the conversation.

7 You are paired off frequently and then you're
8 broken into small groups. We asked them first to
9 identify what they thought the disruptions were that
10 we would face and then we said in the face of these,
11 how do you or what could you pose as paradoxical
12 questions? The example we gave everybody is gee you
13 want to lose weight but you want to continue to eat
14 ice cream.

15 So those are the kinds of questions. So I'll
16 share with you some of the ones that they came up
17 with. We teach critical thinking and develop the
18 whole person for a lifetime of learning while at the
19 same time we provide specific skills a graduate
20 needs to get started on a career or retrained for a
21 new career. How can we grow student enrollment,
22 improve quality and get a dramatic change in the
23 students we serve? You tell me that that population
24 is much different than we taught 10 years ago. How
25 do you serve both residential students, in

1 traditional learning environments, and online
2 students through distance learning with high-quality
3 education? How do we effectively balance core basic
4 fundamental learning while at the same time
5 encouraging and promoting lifelong learning? How
6 can we take risks while following all the rules and
7 regulations? How can we make education affordable
8 and that effective quality of educational
9 infrastructure and experience?

10 So I'm not sure if these are the right questions.
11 There may be those of you in the audience through
12 discussions with your colleagues that could come up
13 with additional questions, but, my intent is to do
14 as I did when I arrived here six years ago it's just
15 set up a process that we could have a conversation
16 about these many issues that we face in our time. I
17 don't know the best way to do them.

18 I'll certainly be working with Katherine
19 McCormick to find the best ways so that we can have
20 a discussion that engages as many people as
21 possible. I want to close with a thank you. Some
22 of the numbers that have moved here may seem small
23 but their magnitude is much greater. You can go
24 from a 60% graduation rate to a 65 graduation rate
25 and that takes everybody and every unit because

1 these students it takes micro interventions to have
2 a macro effect and you could say the same thing
3 about the improvements in our research funding.

4 And every day my list of Heroes at this
5 University grows. The story that people share with
6 me, the parents and students about what people do
7 usually when nobody is looking, nobody is looking
8 for credit, to make sure we're successful both on
9 and off this campus are deeply rooted. So I thank
10 you and I want to open the floor for questions.

11 Yes.

12 MR. MILLER: Chris Miller, Arts and
13 Sciences. About three years ago there was a
14 significant movement towards renovating aging
15 buildings in central campus. It seems to have
16 stalled for reasons that seem obvious but I wondered
17 what the prospects with that moving forward are at
18 this point.

19 PRESIDENT CAPILOUTO: Sure. First of all
20 I want to say about the new construction, we are in
21 a -- if you pause and take a look at it we did it in
22 a way that we thought we could finance it without
23 taking on a lot of debt. If you look at our College
24 of Business, 100% philanthropy. We knew we could
25 raise that money, that's why we chose to do it

1 first. We did our Jacobs Academic Science building
2 the same way. We had a lead donor there that was U
3 of K Athletics. If you look at our research
4 buildings coming out of the ground, the state is
5 paying for half of that, our contributions will be
6 spread out over time so that as we grow our research
7 improves we can use those terms and philanthropy can
8 pay for that. If you look at our new student center
9 going up, we did that on existing fees, student ad
10 and others that would be a burden to students.

11 So then we wanted to focus on the story of core
12 of campus. We asked -- Eric, what was it? \$250
13 million dollars?

14 VICE PRESIDENT MONDAY: Yes.

15 PRESIDENT CAPILOUTO: From the State of
16 Kentucky. We were going to put up 125 and they
17 would put up 125. The budget that came back shrunk
18 that to \$60 million dollars that only we would fund.
19 So the Provost and Vice President led an exercise.
20 We certainly had to narrow the priority list but
21 that still remains a focus and I think it's some of
22 the budget planning that Eric talked about. We
23 incorporated future debt service on tackling the
24 core of campus. It still remains a priority. Oh,
25 and I didn't repeat the question. Sorry Sheila. Go

1 ahead.

2 MR. KAEYSER: Kaeyser, Pharmacology. So
3 we talk about lots of debt and about the retention
4 rate and the enrollment the majority of students and
5 other students from underrepresented groups but we
6 haven't touched about the national standards and
7 more importantly the national standards in terms of
8 U of K and also they contribute a lot of
9 contributions and they did not make money, that much
10 money because they are not qualified to apply for
11 financial aid.

12 So you have a good strategy plan on keeping
13 international students. We've made a lot of money
14 from them. And also I'm interested in the faculty
15 -- the international faculty of students. Do we
16 have international students and international
17 faculties?

18 PRESIDENT CAPILOUTO: So the question is
19 about recruitment of international students and the
20 proposition that these are students who are going to
21 be more full pay than others. That represents an
22 opportunity and it certainly enriches our faculty
23 beyond relative income and the ways you've described
24 and then your question you had about international
25 faculty in terms of the numbers and all.

1 MR. KAEYSER: Right.

2 PRESIDENT CAPILOUTO: I would say that
3 recruiting international students, as far as -- I
4 think some of the events in the last year killed
5 some of that in bringing students forward but were
6 going to look at other ways to do that. I've been
7 most committed to say that were going to invite more
8 international students throughout campus, we need to
9 make sure that we have the infrastructure to make
10 them feel welcome and a sense of belonging and we
11 have a tremendous -- our Office of International
12 Affairs does great work and if you pull those
13 numbers, there's several. Tim, do you have any
14 numbers off hand of international faculty?

15 PROVOST TRACY: G.T. can probably help me
16 again with it but it's a pretty big percentage.

17 MR. LINEBERRY: I can't recall a
18 percentage but it exceeds the state average.

19 PROVOST TRACY: It certainly exceeds the
20 states. At the international students were about
21 4%. We'd like to grow that number of international
22 students. We have a lot of student success
23 initiatives around international students. For
24 instance we meet them as they -- as we know when
25 they are arriving, we try to find out and meet them

1 and make sure that they get to campus and that they
2 have the beginnings of a community even to
3 Thanksgiving where we have a holiday dinner and make
4 sure that they feel welcome because many times they
5 cant leave campus when other camp -- when other
6 students may be able to go home and so a lot of
7 things around belonging and engagement which is a
8 significant issue for them, but we do have a pretty
9 good representation of international faculty. If you
10 look around the room today you can see a lot of
11 those.

12 MS. BIRD-POLLAN: Jennifer Bird-Pollan,
13 College of Law. So often I think about sometimes is
14 that we focus a lot on measuring income levels and
15 financial/economic well being of people and of our
16 graduates and that seems to me to miss a lot of
17 value that sometimes produces exactly the kind of
18 group you were talking about earlier to reasons why
19 the English, Literature, even over in the Law
20 School, some of our graduates are not the highest
21 paid of our graduates but have the most satisfaction
22 of their jobs, from their jobs because they choose
23 things that are meaningful to them.

24 So I was wondering if theres a way that we could
25 see, just in terms of communicating back to the

1 legislators and the community state at large, what
2 were contributing even beyond that -- even in
3 instances where people are making less income than
4 their parents were or something like that, that we
5 survey our graduates and ask them about their
6 quality of life, job satisfaction and things like
7 that that help us convey that its more than just an
8 economic question about what were providing in terms
9 of value.

10 PRESIDENT CAPILOUTO: Yeah, I think
11 earlier, excuse me. The question is whether we can
12 convey more compelling to our legislators, that
13 looking simply at economic value, in terms of salary
14 is not as sufficient as you --. When I mentioned
15 the term paying your civic rent earlier, that's what
16 I meant, that you'd reach your community and goals
17 and I think certainly the degree that you talked
18 about can qualify someone for doing that and that's
19 why I think you need to have that well-rounded grid
20 in educational experience.

21 I think the reason many people start to focus on
22 that data, as you can imagine, is its available and
23 you can start to do studies now over decades. You
24 can look at our university in terms of cohort that
25 entered in 1980, what percentage came from the

1 bottom 20%, what percent came to the top 20% family
2 income and you can look 35 years later at their
3 income. So people can do those kinds of studies
4 now. I think the reality is though people are going
5 on, came to have a job that prepares me for a life
6 of meaning and purpose. When we ask our students
7 whats the most important reason that they select a
8 college, it starts with that job and job
9 preparations. Yes.

10 MS. BLACKMAN-VISONA: Monica, college of
11 fine Arts. I wanted to say thank you very much for
12 speaking about the common and speaking about the
13 university as a source for community building in
14 your public pronouncements recently. I'm really
15 very concerned with this movement away from thinking
16 of the university as part of the common good and
17 thinking about what the University of Kentucky is
18 doing for the state and the emphasis instead on each
19 individual student getting as much as they can out
20 of it so that they can get a great job. I know
21 that's really important. I know that parents care
22 about that but surely state legislatures should be
23 looking at what we are doing for the state as a
24 whole.

25 PRESIDENT CAPILOUTO: The question is that

1 this movement away from what the University of
2 Kentucky does in producing students who are ready
3 for the workforce versus a focus on what we do as
4 part of the common good. Is that correct? I don't
5 want to misrepresent that people don't recognize
6 those things. They do. And as I've said before, I
7 can make a compelling case. Why? Because I have
8 data and you give me lots of stories to tell.

9 All right. I'm telling you the reality of when
10 you're talking to parents today and others who are
11 trying to say Look, you know, this is fascinating to
12 me. 1982 cohort, do you know what percentage of
13 students we admitted to the University of Kentucky
14 came from the bottom 20% of incomes? Guess? You
15 know, we had our doors open wide. We feel like were
16 the ticket to social mobility. Do you know how many
17 students in our freshman class today have incomes,
18 the bottom 25% have incomes of \$19000 a year.

19 That's 25% of our students. And when they look at
20 you and say Gee \$26,000 a year. Tell me my child --
21 I was getting ready to mortgage my home, so you
22 know, we have to respond with and say -- and we're
23 trying to do something with our scholarships and so
24 forth. But it is a frequent question we're getting.

25 And speaking of disruptions, the Western

1 Governors University, Provost correct me if I'm
2 wrong, they now offer, you know, degrees online in
3 four areas. There are 900 students in Kentucky who
4 are registered. 750 in undergraduate programs, 150
5 in graduate programs. A fraction of our cost. Our
6 community college, sister institutions, three years
7 ago introduced a learn on demand, online, competency
8 based Associates Degree.

9 I think it's about \$3,000. \$3,000 for your
10 first two years of college. So when people look at
11 those alternatives they start to ask which is valued
12 more, and ours has to be quite valuable for somebody
13 to pick us over others. And those are the kinds of
14 questions you get. Thank you. I'm going to get to
15 you, I'm sorry. You get a chance to ask lots of
16 questions.

17 MS. MOHR-SCHROEDER: Margaret
18 Mohr-Schroeder, College of Education. So what do
19 you envision as the next steps?

20 PRESIDENT CAPILOUTO: So, certainly from
21 these groups that we engaged in discussions, we have
22 ideas. I'm at a point where I want to listen more.
23 And I would do that in an efficient way so we can
24 act. We can't talk about this for a year. Some of
25 these things are moving just too quickly. If you

1 have suggestions you want to share with Katherine on
2 how we can officially do that, I'd welcome them.

3 Bob?

4 TRUSTEE GROSSMAN: Bob Grossman, Board of
5 Trustees. So one paradoxical question that it seems
6 to me that were missing, is having maintained our
7 research mission in the face of some of these
8 challenges. Because really, if we really want to
9 save money, we should just lock off the research
10 mission and just teach undergraduates.

11 That's not part of our mission of the
12 university. And I think most of us would leave the
13 university if it came to that because we want to
14 work in a place where we're talking about teaching
15 and reaching and -- but you know, federal funding
16 situation is difficult, getting more difficult and
17 the demands of the state, as you said, in our
18 research mission should directly address questions
19 affecting the state rather than --

20 PRESIDENT CAPILOUTO: Well, the states not
21 -- that kind of research is a little imposing the
22 question to us at any time.

23 TRUSTEE GROSSMAN: And then of course the
24 recent cost of start up and hiring faculty.

25 PRESIDENT CAPILOUTO: Sure.

1 TRUSTEE GROSSMAN: Even hiring finger
2 track faculty which was not intending track faculty
3 so maybe that's another question that we should put
4 into the mix.

5 PRESIDENT CAPILOUTO: I think that's a
6 great set of questions. And this trade off of
7 continuing the research enterprise in the face of
8 these challenges, Dr. Cassis when she took her
9 research advisory counsel, through this exercise and
10 came on board with a research perspective involved
11 in ways with that question.

12 I would offer you a few things to think that eh,
13 some of the reading that we gave the groups from Tom
14 Freidman's book, you get companies like AT&T who
15 have a shortage of computer scientists with their
16 graduate degree. So they've turned to Georgia Tech
17 and several other universities. They've taught me
18 with edacity and they say Gee we need computer
19 engineers quickly and they put together a fully
20 online program, you get a Georgia Tech Degree.
21 You've seen this featured on the news, it's the
22 first time these people step on campus, if they ever
23 do, it's for graduation ceremony.

24 And those represent too -- and they filled this
25 with totally non-tenured faculty, express from

1 around the world. Companies provided some of these
2 individuals. And they provided that degree for
3 \$6,000 a year or you can go to Georgia Tech or Live
4 Stream, and those other places and have a
5 residential experience. They didn't capitalize the
6 market we own. Those are two different markets. If
7 you look at Western Governors University and you
8 look at KCTCs online programs, they're working, the
9 average age is 34-35, mostly female with family.
10 So, I think we have to start thinking differently
11 about certain things.

12 When it comes to research, somebody asked the
13 question earlier about faculty lines. I asked Angie
14 Martin a few weeks ago, what is our total payroll at
15 the University of Kentucky excluding U of K
16 healthcare. It's 1.3 billion dollars. That's
17 faculty and staff, all faculty and staff. So 180
18 million dollars we have left goes out to extension
19 offices and all. It certainly doesn't cover all
20 that. We've earned our through the rest. And units
21 that lend themselves to external funding are going
22 to have to compete, going to have to excel. And
23 we've got to provide ways that support those units
24 that can grow.

25 The other major chunk of money that we spend on

1 research is really what we earn through tuition.
2 And that's sets up a paradoxical question. Any
3 other questions? I'll take one more because I think
4 we've extended your time.

5 MS. MAESER: Jo Maeser, College of
6 Education. Could you elaborate a little bit on the
7 second to the last question here about how can we
8 take risks while following the rules and
9 regulations?

10 (LAUGHTER)

11 PRESIDENT CAPILOUTO: Well, I want to tell
12 you that --

13 MS. MAESER: No, I mean, that seriously.
14 Where were you going with that?

15 PRESIDENT CAPILOUTO: So you would have
16 to ask the groups that generated that. I didn't --

17 MS. MAESER: Oh, okay.

18 PRESIDENT CAPILOUTO: -- I didn't
19 participate in those discussions and I wouldn't
20 allow any of our administrators to. So I could
21 speculate on a lot of things but I'm not going to do
22 that if you don't mind.

23 MS. MAESER: Are these busy going after
24 things like in education we have Teach for America
25 that doesn't have to follow any of the rules. And

1 you know, we get three students that we have to
2 generate a trunk load of documentation for just to
3 prove we, the student taught.

4 PRESIDENT CAPILOUTO: I think that would
5 be a good example.

6 MS. MAESER: Okay.

7 PRESIDENT CAPILOUTO: All right. Thank
8 you all very much.

9 (WHEREUPON, the Board of Trustees Meeting concludes
10 at 4:50 p.m.)

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CERTIFICATE

STATE OF KENTUCKY)
COUNTY OF OLDHAM)

I, BRENDA YANKEY, the undersigned Court Reporter and Notary Public in and for the State of Kentucky At Large, certify that the facts stated in the caption hereto are true, that at the time and place stated in said caption, that said proceedings were taken down in stenotype by me and later reduced to type writing, and the foregoing is a true record of the proceedings given by said parties hereto and that I have no interest in the outcome of the captioned matter.

My commission expires: January 31, 2020.

**IN TESTIMONY WHEREOF, I hereunto set my hand and seal of office on this day November 20, 2017.
Crestwood, Oldham County, Kentucky.**

**BRENDA YANKEY, NOTARY PUBLIC
STATE AT LARGE, KENTUCKY
NOTARY ID #546481**