



UNIVERSITY SENATE
SPRING UPDATE



PRESIDENT ELI CAPILOUTO
MARCH 10, 2014

Review by S&P and Moody's

“In our view, UK is one of the nationally ranked comprehensive research based universities in the country that is gaining increasing recognition for its academic programs, clinical care of patients and its research. The aforementioned record student enrollment, rising patient utilization, increasing health services market share ... while also improving its financial profile and successfully meeting the challenges of a more onerous higher education and healthcare funding environment.”

– *Standard & Poor's, February 26, 2014*

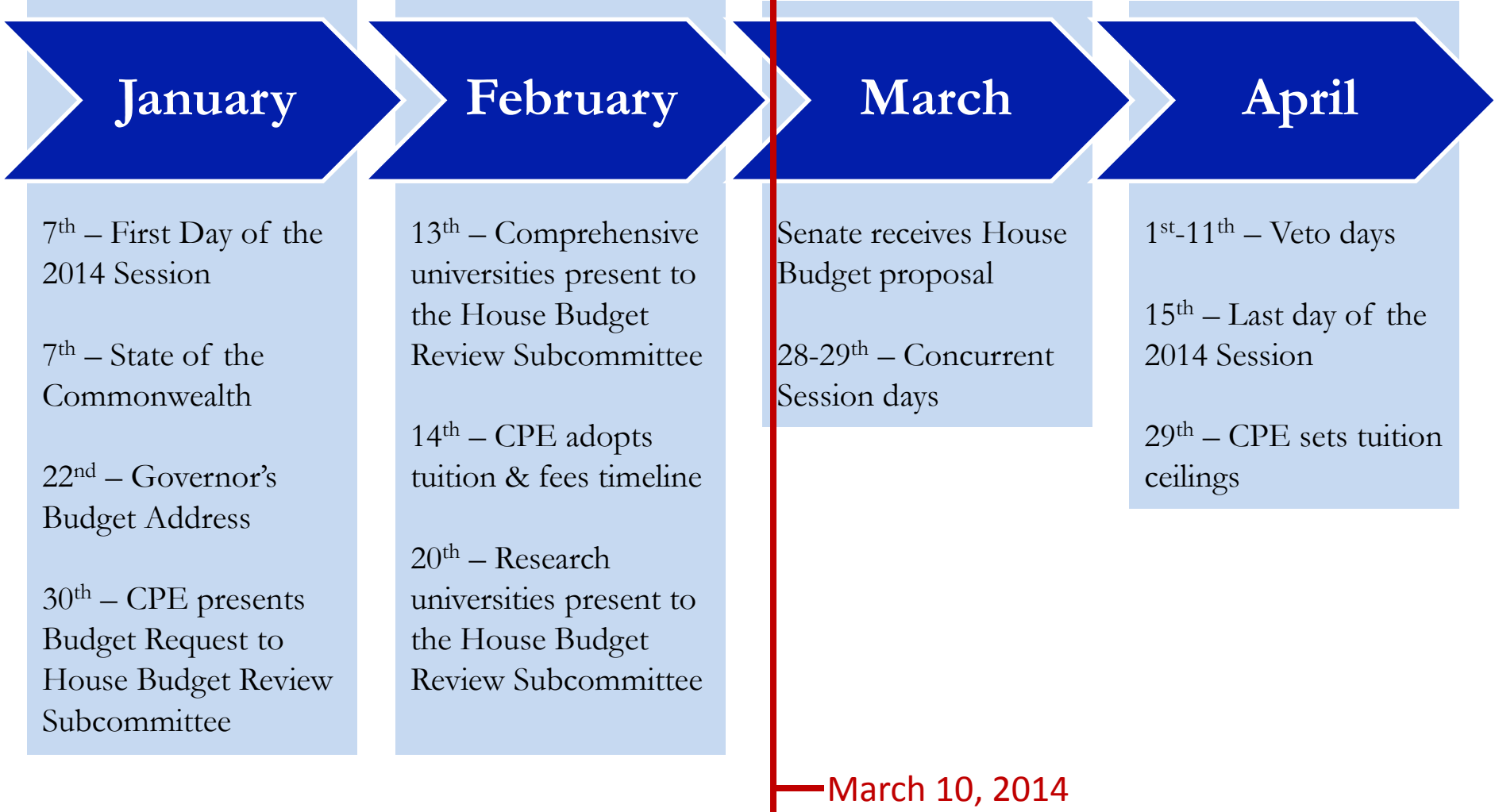


Review by S&P and Moody's

- UK's outlook upgraded from “stable” to “positive”
- Higher Education's outlook, in general, rated “negative”
- Bids returned lower than expected on HB7 bond offering
- Concerns

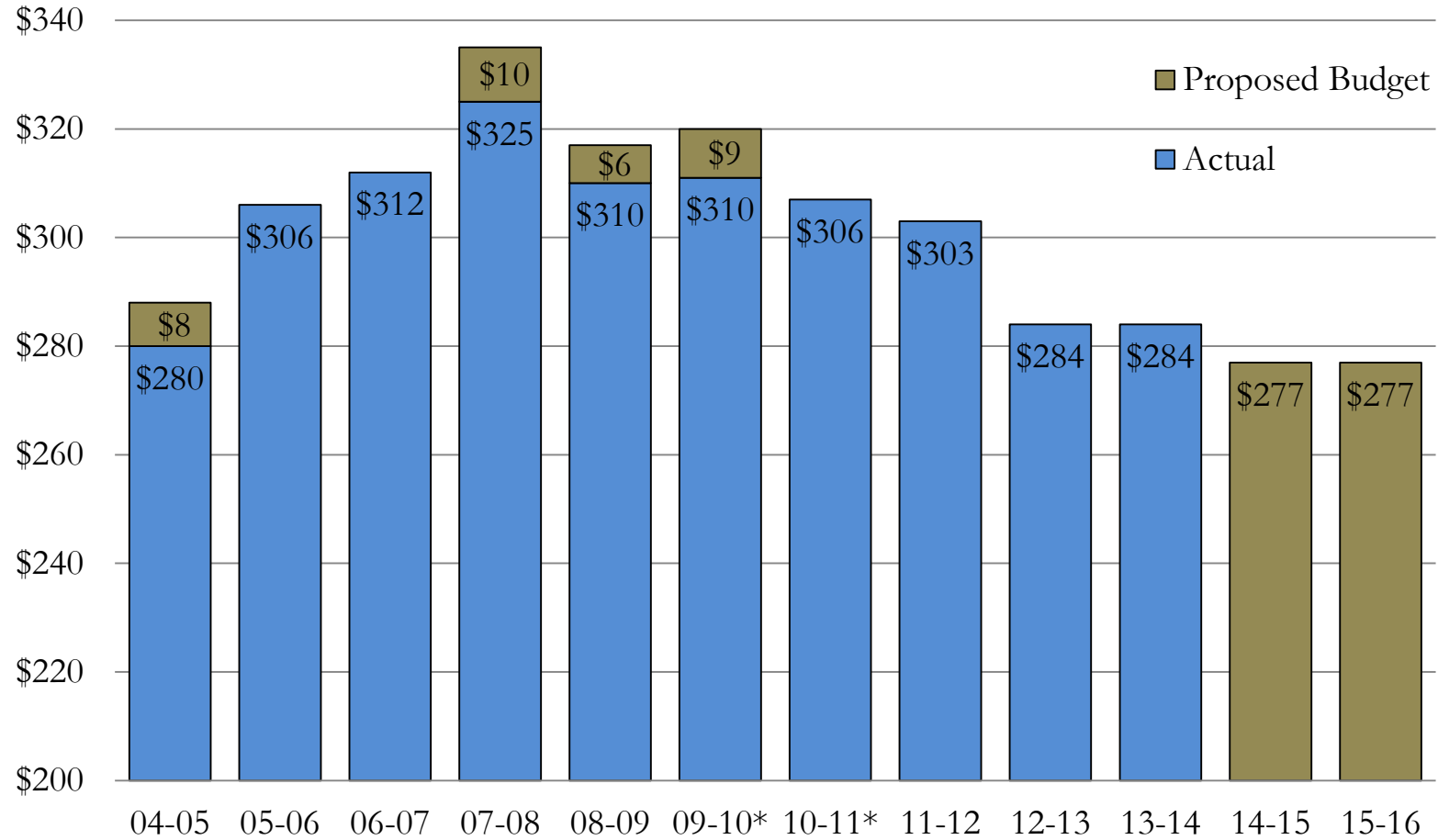


2014 Legislative Session



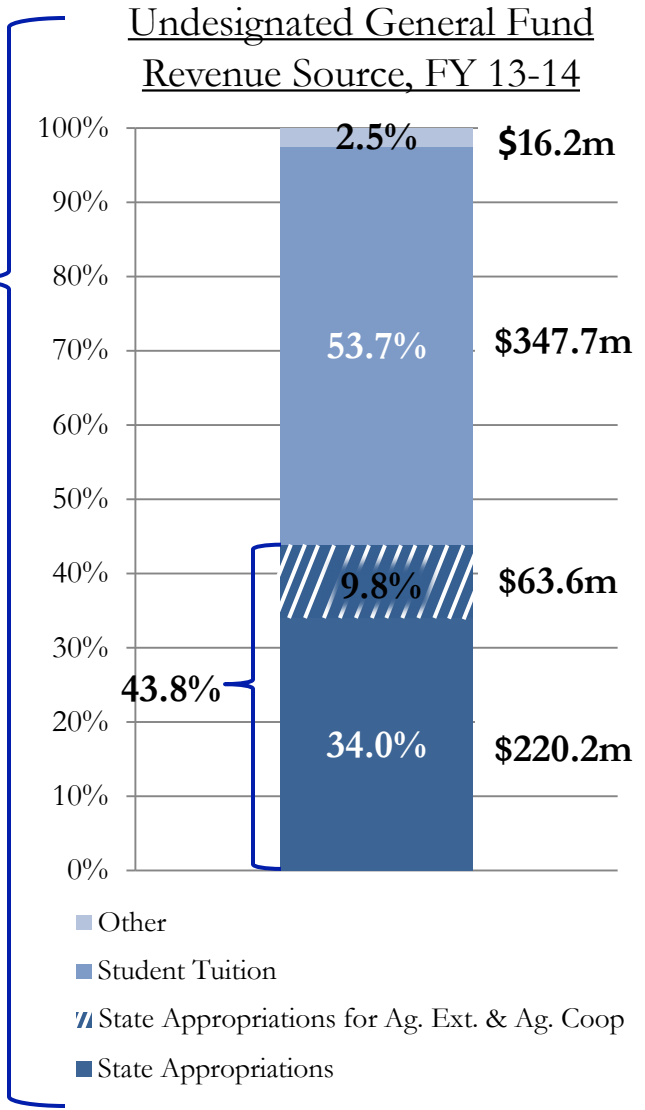
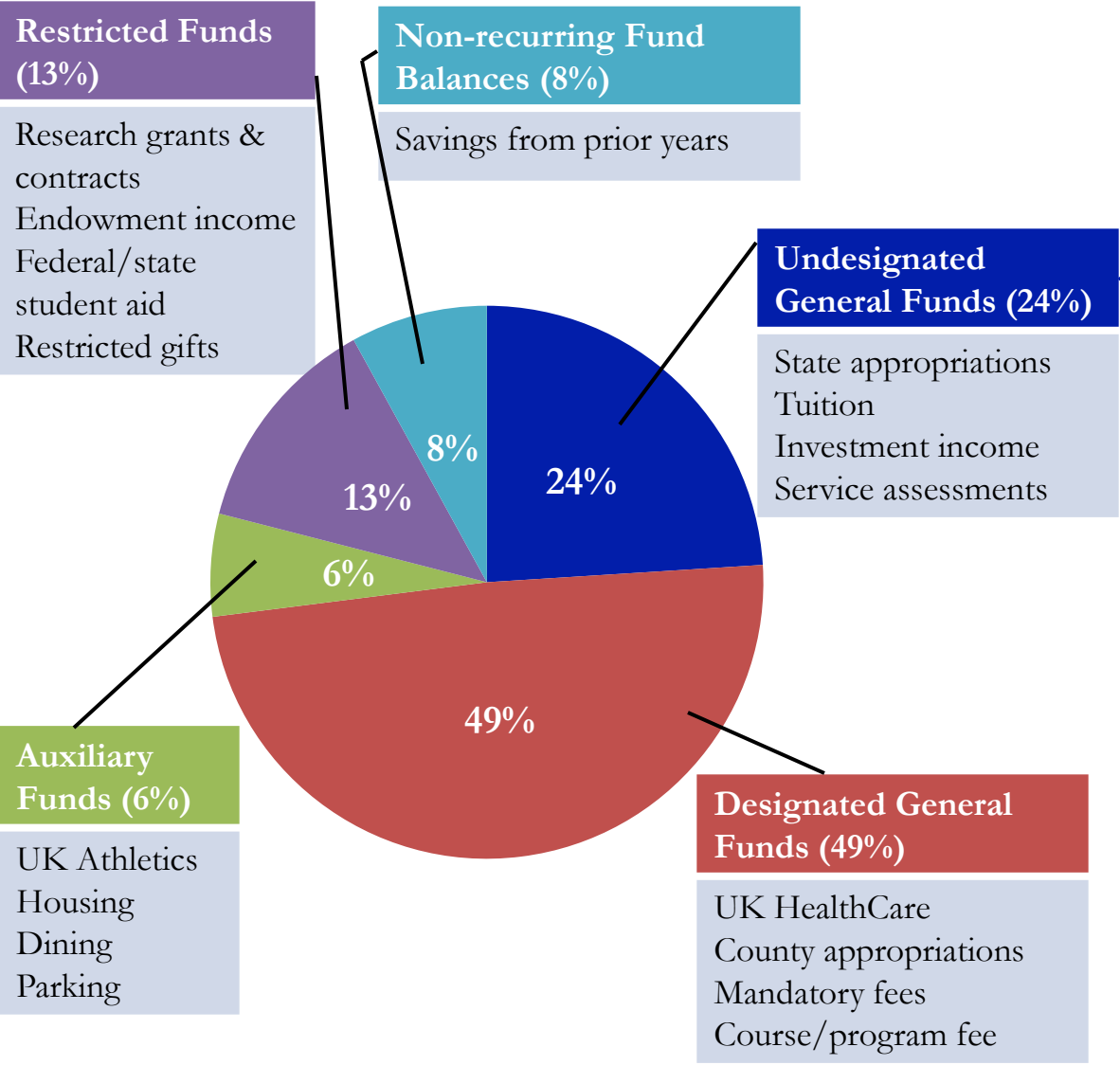
Proposed 2.5% Reduction in State Appropriations

University of Kentucky State Support
(in millions)



*Includes ARRA funds of \$21.1 million in 2009-10 and \$17.3 million in 2010-11

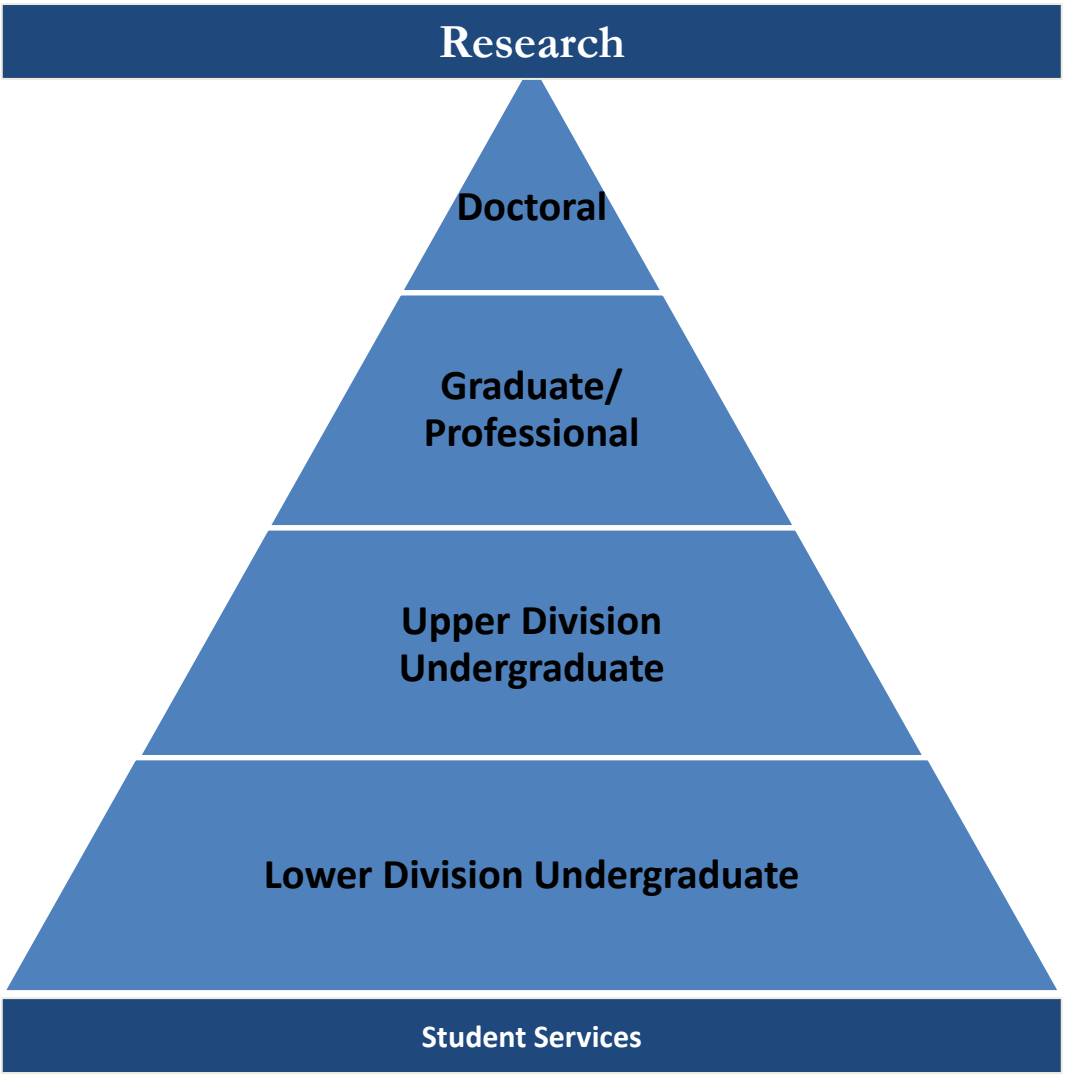
The University Context



Tuition Dollar \neq State Dollar

1% Increase in Tuition & Mandatory Fees (Gross)	\$3.2 million
<i>Net (22.3 percent discount rate)</i>	\$2.5 million
1% Increase in State Appropriations	\$2.8 million
2.5% Decrease in State Appropriations	- \$7.1 million

Economics of a University



Marginal Contribution per Student Credit Hour

-\$250

\$5

\$25

\$95

Source: Education Advisory Board

Balancing our Priorities with Financial Realities

General Fund Expenses (preliminary)	Amount
1% Increase in Salary Pool	\$4.2 million
Additional Cost Increases	
<i>Faculty Promotions</i>	\$0.7 million
<i>Fringe Benefits (Health, Misc.)</i>	\$2.0 million
<i>Fixed Costs</i>	\$1.2 million
<i>College Incentive Funds (Existing Programs)</i>	\$4.4 million
<i>Scholarships (Undergraduate and Graduate)</i>	\$11.0 million
<i>Utilities</i>	\$1.6 million
<i>Capital Renewal Pool</i>	\$1.0 million
TOTAL	\$26.1 million

Repositioning our Institution

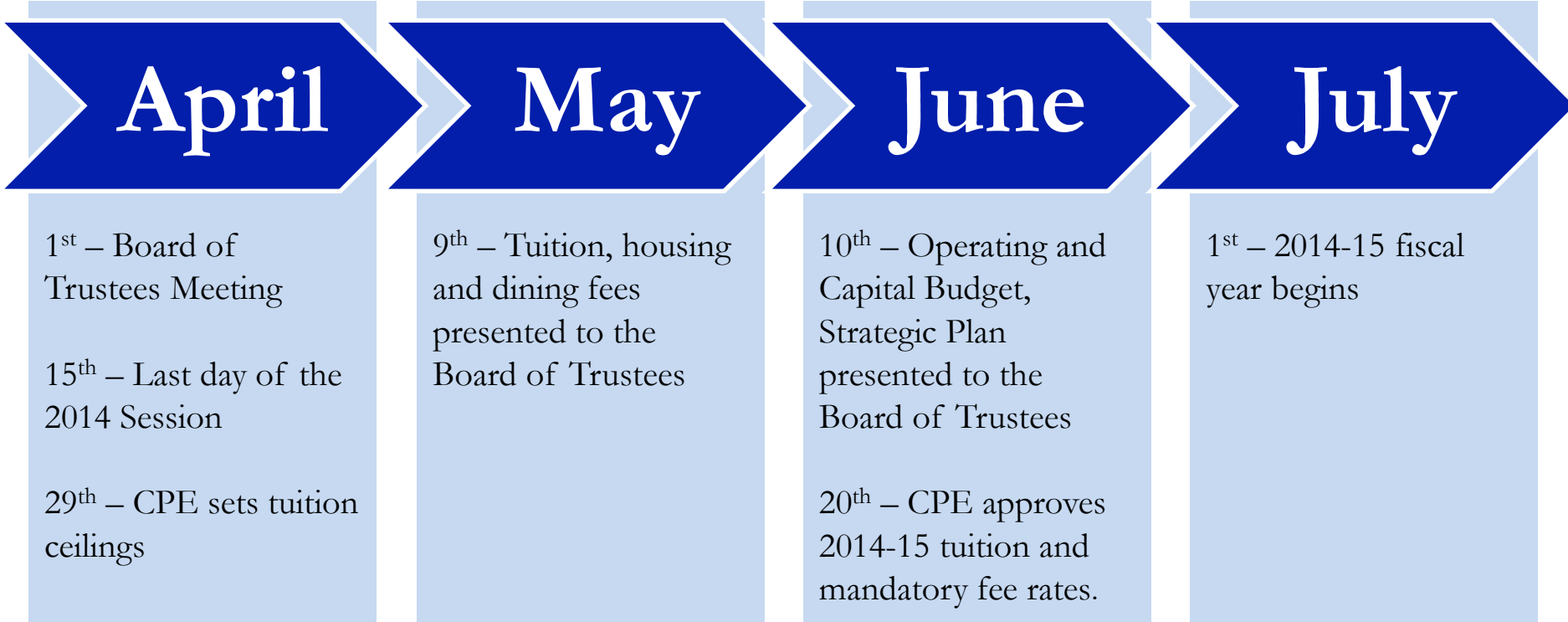
Efficient Management Practices

- Operational efficiencies, cost savings and avoidance in the last 10 years.
- Water and energy savings through Ameresco project
- Administrative reorganization
- Workforce reductions

Partnerships

- EdR and Housing
- Philanthropy
- UK Athletics

FY2014-15 University Budget Process



Strategic Planning Process

Financial Model Partnership Year

Capital Request: State Bonds

College of Law

- \$35 million from the state
- \$30 million through private philanthropy (agency bonds)

Research Building

- \$45 million from the state
- Additional funds raised/generated by UK

Bucks for Brains/Bricks



Success in Cancer Research

2005:
State approves \$40m in state bonds for the College of Pharmacy

May 2009:
UK hires Mark Evers



February 2010:
UK begins fit-out of 4th & 5th floors with support provided through “Bucks for Bricks”

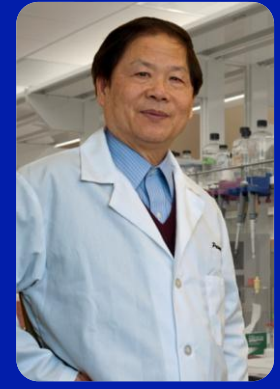
July 2013:
The Markey Cancer Center earns NCI-designation

2006:
State approves \$80m in state bonds for the College of Pharmacy

January 2010:
College of Pharmacy opens



November 2011:
4th & 5th floors completed. UK hires Peixuan Guo in Jan 2012



Capital Request: Agency Bonds

Student Center

- \$160 million in agency bonds and \$15 million in private gifts/agency funds
- Bonds financed with student fees



Chandler Hospital Fit-up

- \$150 million in agency bonds
- Financed with clinical revenue



Parking Structure #9

- \$45 million in agency bonds
- Financed with parking revenue



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