IFRA meeting April 27, 2015

Angie Martin (AM), Lisa Wilson (LW)

IFRA: Ed Brown (EB), Sean Peffer (SP), Jeremy Crampton (JWC)

Following are notes by JWC. Direct quotes are indicated. Square brackets [] by JWC.

Report from Angie Martin (VP for Financial Planning & University Budget Officer)

Budget status… FY2016 being finalized now, not yet complete. Trying to accomplish: 1. Pres wants "moderate" merit salary inc. to be announced "this week" [April 27, 2015] by broadcast email.[1] 2. tuition rate increases. 3. Not have across the board cuts.

Tuition already approved by trustees and recommended to CPE. Rates are to be increased by 3% for resident, non-res 6%. (Professional programs excepted. They are very costly and eg Pharmacy no increase (already at upper end). Medicine has a "lock-in rate" for several years; its cohort goes through without attrition so it keeps tuition constant.)

Univ. total budget = $3B [$3,010,837,600[2]]

Of that, instructional & institutionally funded research money comes to $700m. [$675m for Undesignated General Funds, FY14-15] available to "play with" [ie the operating budget, or Undesignated General Funds, and are recurring]. Of that, 40% is state appropriations (which is flat this year, after 1.5% cut last year, at $280m).[3]

So univ. "trying to move" the $700m with 55% of the money [ie the non-state appropriations].

Univ does have enrollment growth which is "really helping." Incoming class target 5,250 target 63/37% in/out of state. Last fall budgeted 4,800 but ended up with 5,146.

LW: Don Witt enrollment official. Was intentional push last year to 5,000, but overreached the target. Used outside firm to expand: Royal & Company. Expands numbers of students at top end interested in attending. Don't expect to go beyond 5,250 this year. Pushing boundaries in UK Core courses of student numbers; Humanities pushing back a bit on numbers, A&S feels pressure, esp in STEM; Engineering had huge intake. They are aware.

Lisa Wilson (Provost Budget Office)

Budget model, focused on total revenues and expenses. It was really complex. "At a really great place" institutionally, incoming student numbers need to stay at those levels.

Now a renewed focus on retention (lowest in SEC). Goal of 5% in 5 years.

Not so much in terms of cost sq/foot or getting charged. Focus on revenue side. How incentivize colleges to grow, ie retention.

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[1] As of 5/5/15 this email has not been distributed.

[2] Source: http://www.uky.edu/OPBPA/docs/2014-15_Operating_Budget_Full_Book.pdf

[3] For context see http://www.kentucky.com/2014/05/06/3229563_uk-tuition-would-increase-again.html

Next 5 yrs is seen as the window by Provost and EVPFA (Eric Monday), with goal of investing $50m over next 5 years. “Performance incentive pool” for first year with budget model parameters: Focusing on retention and graduation; investing in graduate education. How encourage colleges without growth opportunities to grow (A&S is a growth college).

There was $5m in FY2014-15 budget for College Incentive Programs.[4] Funded two items (1.) summer school 60-40 split if online 40-60 if traditional. These needed additional expenditure of $2.1m to fund. (2) additional support for increased student numbers of first time freshmen (eg councillors) of $435,000. This left $2.467m to colleges as incentive (non-recurring). Focused on “quality and quantity” looking at all colleges regarding undergraduate retention, graduation rates compared to university average. This was 25% of the pool. The other 75% deployed according to how much SCH (75% of the 75%) and student FTE grew (25%).

To do this needed full year data, so worked with AY13-14 (ie., growth in fall 14 was not applied). The $2.467 then pushed out to colleges according to their share of these two areas.

The “recurring piece of that” was pulled back to university budget to “redeploy again.” [Query what “recurring piece” refers to, but something to do with the funds being in Provost reserve and then going into university funds and going out again? “Considered a potential source” if institution needs to balance the budget].

For FY15-16, goal of $50m in five years. In FY16 there would be $5m available for “performance incentive funding.” Parameters yet to be determined. (Provost meets May 5 with Deans to discuss.) Then forward to VPFA & Pres for approval (or not). Provost wants to start budget mtgs with colleges earlier in year (Oct/Nov for FY16-17 cycle).

Q EB: What of non-revenue units? *Ans* LW: increased retention creates demands on resources, so these units will not be out of the conversation. Eg Libraries might need collections increased in order to support research.

Q SP: How does the budget model fit with these discussions? *Ans* LW: $5m is part of the budget model, the “new revised formula” to focus on revenues, no activity-based costing. But each unit still accountable, “need to prove you need the money.” *Ans* AM: RCM financial model takes energy to look at costs, allocation of expenses wasn’t worth the effort. New focus just on revenue side, got to be entrepreneurial. Also was not a model that could work for all colleges (some colleges would have been in trouble in first year).

Old emphasis on subsidies was detrimental and unfortunate.

Q JWC: F&A. *Ans* AM: In the 1st year, split remain as it is. Continue to follow Administrative Regulation where VPR…. Bigger picture is to return a greater percentage to colleges. Will take time to untangle as don’t just have money which is unallocated. So if want to free up money, have to figure out who pays grad students (was paid by F&A)? *Ans* LW: Deans in an odd position on startup (regarding knowing if getting F&A). VPR and Provost discussing how to use startup pool, so colleges can know how to access startup money. That has been ongoing conversation. F&A remain as it has been, with question of how to access startup now under discussion.

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[4] See http://www.uky.edu/OPBPA/docs/2014-15_Operating_Budget_Full_Book.pdf, p. xxxiv

Ans AM: a major change has been that “enhancement funds” carry forward, which is good for investment planning.

Q. EB: question mandatory transfers debt service for new buildings. *Ans* AM: issued debt for Commonwealth Bldg. Interest vs. principle, different fund groups seeing required transfers. Also look at Annual Financial Statement, fn. 7 Office of the Treasurer.[5]

Q. EB: capital budget. KY legislature controls capital needs auth $600,000 or above. Set 2 years in advance.

Q. LW: RCM model is great when expanding, but not when contracting! Charging for square foot a distraction.

[5] http://www.uky.edu/EVPFA/Controller/Docs/2014ConsolidatedStatement.pdf, p. 38.