



Office of the Provost

105 Main Building
Lexington, Kentucky 40506-0032

TO: Hollie Swanson, Chair
University Senate

FROM: Kumble R. Subbaswamy
Provost

DATE: December 9, 2010

SUBJECT: Senate Council Input on Revenue-Generating and Cost-Saving Ideas

I am very appreciative that the Senate Council gave thoughtful consideration to ideas that could potentially generate additional revenue or cut costs for the University. As we advance the ThinkUK 2.0 Initiative, this kind of input is quite valuable. I have responded to each suggestion below.

1. *Develop a step-wise 10 year plan to expand the facilities and faculty (lecturers, instructors, tenure-track faculty) in A&S (and other units which have a heavy undergraduate population).*

Response: This suggestion is entirely consistent with the 2005 Business Plan. And, in fact, the Business Plan calculated that UK would need a significant infusion of resources to finance its Top 20 capital needs. Within the Business Plan, the estimated cost of new research space is \$846 million; classroom and related space to support growth will require \$367 million; and residence halls to accommodate 30% of undergraduates will require \$452 million. The expansion in classroom and lab space alone calls for an additional 245,000 square feet of space.

The inability to implement that plan to date has not been an issue of will or interest, but rather of funding. As you are well aware, the state has been unable to fund any new construction at the University for four years, and may not be positioned to provide any significant funds for several more years. The University is working to gain support from the General Assembly for receiving autonomous bonding authority so we can initiate at least some construction projects (e.g., residence halls) through university/private partnerships.

You are right to note the particular need to expand facilities for undergraduate students within the College of Arts & Sciences. Notably, as the College undertook its summer distance learning project, it did so in part to decrease the use of part-time instructors and to ensure that more classes were taught by some of the most distinguished faculty within the College.

2. *Expand distance learning and summer school offerings particularly in high undergraduate units.*

Response: I completely agree with this suggestion, and am pleased that expansion in distance learning and summer school offerings is currently underway. The University has invested significant funding in ensuring that the necessary infrastructure is available to support this expansion. The most recent example of the successful expansion of distance learning comes from the College of Arts & Sciences. Last summer the College offered 28 online courses (delivered through Blackboard or other course management software). Approximately 1600 students enrolled in these courses; and all the courses were taught by full-time faculty, some with teaching assistant support. In preparation, last year the College scaled up its administrative infrastructure by hiring two full-time staff members, a pedagogical specialist and a project manager, as well as cadre of undergraduate and graduate assistants to provide technical support to students and faculty alike. The online initiative generated more than \$1.5 million in tuition revenues. For summer 2011 an additional 25 courses have been proposed, bringing the total offering to 53 courses from across the departments and interdisciplinary programs within the College. Other colleges are deeply engaged in mounting DL courses and programs. Needless to say all applicable college, senate, CPE, and SACS regulations will be followed.

3. *Develop New Courses and Programs (Five specific suggestions offered).*

Response: Clearly, the development of new courses is under the purview of faculty. We need faculty champions who will lead multidisciplinary teams to create these curricula. The Provost and the Deans will be pleased to support such an endeavor. I would note that the College of Arts & Sciences is currently planning development of a neuroscience undergraduate program. Let me also point out that my suggestions for revising GRVII were partly intended to define administrative homes for inter-college undertakings.

4. *Consider whether the level of service provided by PPD is cost effective – there are reports that PPD is slow in providing some services, with low quality outcomes and relatively high cost.*

Response: Considerable outsourcing and cost-cutting have taken place at UK. Bob Wiseman, the Vice President for Facilities conducts benchmarking on their costs regularly and does not find the high costs you describe. Additionally, he just finished a full review of custodial services, the report from which will be ready in January. Given that custodial costs are approximately one-third of the PPD budget, this will prove extremely helpful. The Facilities Division already outsources a significant amount of work, specifically including waste hauling and dumpster pickup; window washing; asphalt; garbage collection; elevator maintenance; demolition of structures; concrete and some masonry; tree trimming; specialty plantings; fire alarms; some electrical work during peak construction seasons and large projects; some carpentry; some plumbing; some small HVAC; construction and reconstruction of steam lines and major

underground electric and chilled water systems; disaster recovery services; large HVAC work; and all construction projects exceeding \$200,000 in scope. As a side note, one disadvantage to outsourcing beyond functions is that our custodial area is one of our greatest areas of diversity hiring here at UK.

- 5. Offer incentives to staff for submitting a plausible and implementable ideas on how to cut costs (and/or eliminate waste) from their own department/division - where inefficiencies exist, the local players are best positioned to realize it.**

Response: This idea has already been implemented by Human Resources through a program called "Make a Difference." That program offers awards ranging from \$25 to \$2,500 for suggestions that are adopted by the University. Please find a link to the program's website here. <http://www.uky.edu/HR/makethedifference/>

- 6. Save substantial money on administrators who return to the faculty: I think the UK practice is for such a person who returns to the faculty to receive 9/11 of their administrative salary. What I hear from colleagues, including a former provost, at some elite research universities is that the practice is as follows: an administrator who returns to the faculty shall receive the median salary of her/his rank (e.g., full or associate professor) in that department (e.g., geology).**

Response: Temporary administrative supplement is the normal policy for administrators hired internally in general, and for those on rotating appointments in particular. The complication arises when we recruit in national searches from the outside. Depending on how badly we want a particular candidate, that individual is in a position to negotiate. Unless an individual is removed for cause, we need to recognize the risk taken by someone rejecting other positions to come here. We will definitely try to negotiate better deals for the university going forward.

- 7. Save about \$400K per year by eliminating the practice of having selected top administrators receiving a 5% amount of their salary paid into TIAA-CREF along with the customary UK 10% matching.**

Response: While I understand the apparent simplicity of implementing such an idea, I think it would be detrimental in the long run. The overall compensation package of any person recruited to hold a senior position at UK is governed by supply-demand issues. Obviously, the University attempts to be as competitive as possible when recruiting a top scholar or administrator. That is a challenge given that many of the top administrator salaries at UK are well below the median. Just as one example, the salary of the Provost is 79.0% of the Top 20 median (for comparison, faculty salaries are currently 83% of the median).

- 8. Reconsider \$6 million subsidies to a university sponsored commercial venture that has lost probably about \$11.5 million over preceding years.**

Response: I assume that this suggestion relates to Coldstream Laboratories, a for-profit start-up company which is an outgrowth of a similar unit that operated profitably within our College of Pharmacy for many years, but on a much smaller scale. The funding is an investment of a small part of the operating cash reserve which UKHC must carry at all times, not a subsidy. The ramp-up of the company is following the normal pattern of other such companies (including the needed initial investment). The investment and the operation of Coldstream Laboratories are, and will continue to be scrutinized by the Coldstream Laboratories Board of Directors, the administration within UK HealthCare, and the UK Board of Trustees.

- 9. Consider carefully the annual and recurrent costs on new Center proposals. For example, apply the formula the VP for Research showed to SC on what the "real" expenses are for, e.g., providing \$250K per year for a Center -- in terms of endowments or other monies needed to generate that annual subsidy.**

Response: As you are well aware, the role, structure and evaluation of interdisciplinary centers are currently under review. In addition to the work of the University Senate, Vice President Tracy recently worked with a group of center directors to develop a set of metrics for use by centers annually and when centers are evaluated. These metrics, some of which specifically address funding, can also be used when the University Senate and the Office of the Vice President for Research receive a proposal for a new Center.

- 10. Examine closely a number of programs that may bring in a fair amount or even a lot of external money, yet who then spend more than they bring in.**

Response: I agree with this suggestion. With that in mind, as part of the current ThinkUK 2.0 Initiative, each Dean has been specifically directed to review all programs and to closely examine academic programs with low or declining enrollment. This certainly includes examining the balance between revenue generation and cost. Initial reports from Deans are due in the spring semester, so we will have additional information on this issue in due course.

- 11. Have incorporated units within UK (e.g., the UKAA) pay fair market rent for land usage on university property.**

Response: The University already requires revenue-generating units (Athletics, Housing, etc.) to pay for all of their own costs, including maintenance and operation of buildings. That move saved the University \$6 million.

12. Review UK for administrative bloat.

Response: I agree this is an important suggestion. Indeed, improving staff, administrator, and faculty productivity is critical. I would note that one of the biggest savings on the administrative side came when UK moved to a Provost model. That reorganization saved the University \$18 million. We will certainly continue to attend to this recommendation. Please be aware that much of our growth has been in student support areas or in mandated compliance monitoring areas.