

Budget Update

May 1, 2020



- Principles
- Budget Update
 - DSI
 - Process
 - Additional Steps
- Feedback and Discussion



Our principles will drive everything we do:

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



UK				DRAFT
FY21 Undesignated General Funds				
Updated: 043020 BASED ON 04062020-PM				WORKING DOCUMENT
Projected FY21 Budget (in millions)				
	State Funds	Self Generated Funds	Total	Notes
1 FY 20 Budget	\$261.0	\$589.3	\$850.3	
2 State Funds - Operating	3.2		3.2	\$2M net performance funds; \$1.2M mandated programs
3 Tuition Adjustments		(27.2)	(27.2)	Projected enrollment changes - first-time full-time fall 2020, transfers, summer 2020, modest tuition increase
4 Investment Income/Misc		(18.6)	(18.6)	Avg. rate of return on investment of operating cash expected to decrease from 250 basis to 50/60 basis points; misc service assessment increases and payable efficiencies
5 Sub-total	\$3.2	(\$45.8)	(\$42.6)	
6 Projected FY 20 Budget	\$264.2	\$543.5	\$807.7	
	33%	67%	-5.0%	
Direct Student Impact - Projected FY 21 Undesignated General Funds Budget (in millions)				
7	FY 21 vs. FY 20 Budget Growth		-\$42.6	FY 21 Compared to FY 20 Original
8	Compensation Adjustments		(1.0)	No merit, implement \$12.50 minimum rate including feather to \$14.50
9	Core Scholarship Program		(7.6)	Estimate from Provost Budget Office; May be less because of class size; reduced by \$1m from Scholarship Review
10	Faculty Promotions, Retention, and College Incentive Funds		(6.2)	Faculty promotions & retention fund, college productivity and net tuition revenue models
11	Strategic Investments, Fixed Costs, and Mandated Programs		(14.9)	Recurring funds for utilities, capital renewal, debt service for construction, cost increases such as health benefits, and mandated program commitments
12	SUBTOTAL EXPENSES		(\$29.6)	
13	DIRECT STUDENT IMPACT		(\$72.3)	



Step 1: Begin with DSI - \$72m

Step 2: Add Contingency Fund - \$11m or 15%

Step 3: Net Out – “Off the Top Adjustments” - \$10m

- Revision to Investment Income - \$1.5m
- Reduce College Incentive Funds - \$1.8m
- Forego Capital Renewal - \$1.0m
- Scholarship Budget - \$5.5m
- Budget Initiatives - \$.5

Step 4: Final FY 21 Reduction for Distribution is determined by summing the three steps described above - \$73m



Step 5: Final FY 21 Reduction for Distribution is assessed equally across the five reporting areas: President, Provost, Research, EVPFA and University Wide – Assessed Reduction is 10% to each area.

Step 6: The assigned reduction is distributed within the five reporting areas as determined by University leadership.

Step 7: The University must also make a “Below the Line” reduction to the 403(b) employer contribution rate – rate will be reduced from 10% to 5% employer match for FY21.



Additional Steps:

- We will continue our hiring pause for the foreseeable future.
- We will enact low-activity/no-pay policies in units where work has ceased or been reduced significantly, and the work can't be done remotely.
- There will be, in some units, layoffs or a reduction in force.
- We will not be able to provide merit increases July 1st for the coming year.
- We will delay expansion of our family leave policy.
- We will delay our plans to make mandatory participation in our retirement program for new employees hired after July 1, 2020, who are under the age of 30.
- To better leverage our resources, we will move forward with shared services via dual-reporting line relationships for several key areas and explore additional areas in the coming months.



- Discussion
- Questions



College Productivity Model

May 1, 2020



Metric 1: Degrees awarded per number of full-time faculty members, defined as:

$$\text{Metric 1} = \frac{\text{(Number of degrees per year awarded in the college's programs over the period)}}{\text{(Number of full-time faculty members in the college over the period)}}$$

Metric 1 Example:

College A, Metric 1	2015-16	2016-17	2017-18	2018-19
Degrees	295	325	350	365
Faculty	55	57	60	65
Degrees per Faculty, 3 yr. rolling average			5.64	5.71
Degrees per Faculty, YOY Improvement				0.07



Metric 2: Percent of full-time salary from extramural funds for the college for faculty who have at least 10% their DOE on Research:

$$Metric2 = \frac{\text{(Faculty salary funds from external grants and contracts)}}{\text{("Total Annual Compensation" of faculty from all fund sources)}}$$

Metric 2 Example:

College A, Metric 2	2015-16	2016-17	2017-18	2018-19
External Compensation	\$850,000	\$1,040,000	\$1,340,000	\$1,501,000
Total Compensation	\$4,600,000	\$5,300,000	\$6,619,000	\$6,400,000
External Compensation as percent of Total Compensation, 3-yr rolling avg.			19.55%	21.19%
External Compensation as percent of Total Compensation, YOY improvement				1.63%

Note: "Total Annual Compensation" for faculty includes all compensation from any source, excluding Wethington Awards. Thus, salary and summer salary are included, as is salary from grants, contracts, endowments, and from other campus units.



Metric 3: Percent of Attempted Credit Hours (ACH) taught by tenured faculty:

$$\text{Metric3} = \frac{(\text{ACH taught by } \textit{tenured} \text{ faculty members over the period})}{(\text{Total ACH taught by the college over the period})}$$

Metric 3 Example:

College A, Metric 3	2015-16	2016-17	2017-18	2018-19
Tenure ACH	13,500	14,850	15,100	13,300
ACH	24,400	25,160	25,700	26,810
Tenure ACH / ACH, 3-yr rolling avg.			57.73%	55.68%
Tenure ACH / ACH, YOY improvement				-2.05%

Notes:

- “*Tenured faculty members*” specifically excludes faculty in tenure-track but not yet tenured, and also excludes faculty in non-tenurable title series.
- The teaching faculty member will be designated by the primary faculty member of record for section instruction (not by event classification).



There are then six funding pools, corresponding to Metric 1A, Metric 1B, Metric 2A, Metric 2B, Metric 3A, Metric 3B

For each of Metrics 1-3, calculate:

- A. The direct three-year rolling average (This gives Metrics 1A, 2A, and 3A)
- B. The Year-over-year (YOY) improvement in three-year rolling average. (This gives Metrics 1B, 2B, and 3B)

Funding in each pool is assigned to a college proportional to its distance above the mean of all colleges.

- For all metrics: only colleges with positive distances above the mean are eligible for funding in the pool.
- For YOY metrics (1B, 2B, 3B): Only colleges with positive YOY are eligible for funding in the pool.

Details of calculation: Suppose that each College i has a metric X_i .

Given a funding pool and the calculated values X_i for each college i ,

1. Calculate the average, avg , over the set of calculated values, X_i over all colleges.
2. For each college, calculate the distance of its calculated value, X_i , from the average: $(X_i - avg)$
(For the year-over-year, YOY, values, we only consider colleges with positive calculated YOY values. Any negative YOY is excluded.)
3. Sum the distances calculated in step 2 that are greater than zero (i.e. for the terms where $X_i > avg$).
4. For each college in step 2 with $X_i > avg$, allocate funding for the college from the pool as:
 $(X_i - avg) * (\text{Total funding for the category} / \text{sum of distances greater than zero})$



College	Funds allocated direct metric 1	Funds allocated YOY metric 1	Funds allocated direct metric 2	Funds allocated YOY metric 2	Funds allocated direct metric 3	Funds allocated YOY metric 3	TOTAL FUNDS ALLOCATED, ALL METRICS
A	\$ -	\$ -	\$ -	\$ -	\$ 16,565	\$ 38,633	\$ 55,198
B	\$ 40,619	\$ -	\$ 3,182	\$ -	\$ -	\$ -	\$ 43,801
C	\$ 28,336	\$ -	\$ 56,707	\$ 22,694	\$ 98,742	\$ -	\$ 206,480
D	\$ -	\$ 41,429	\$ 252,659	\$ 180,405	\$ -	\$ -	\$ 474,493
E	\$ 93,979	\$ 260,100	\$ -	\$ -	\$ -	\$ -	\$ 354,079
F	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,017	\$ 40,017
G	\$ 190,264	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 190,264
H	\$ 35,372	\$ 159,234	\$ 42,095	\$ 124,000	\$ -	\$ -	\$ 360,701
I	\$ 16,788	\$ -	\$ -	\$ 26,532	\$ -	\$ 167,940	\$ 211,260
J	\$ -	\$ -	\$ -	\$ -	\$ 41,660	\$ -	\$ 41,660
L	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38,879	\$ 38,879
M	\$ -	\$ 741	\$ 40,750	\$ 23,175	\$ 51,539	\$ -	\$ 116,205
N	\$ -	\$ 25,318	\$ -	\$ -	\$ 111,571	\$ 166,382	\$ 303,270
O	\$ 73,955	\$ 13,178	\$ -	\$ -	\$ -	\$ -	\$ 87,133
P	\$ -	\$ -	\$ 84,588	\$ 60,812	\$ 100,715	\$ -	\$ 246,115
R	\$ -	\$ -	\$ -	\$ 33,827	\$ 22,833	\$ 48,148	\$ 104,808
S	\$ 20,688	\$ -	\$ 20,019	\$ 28,555	\$ 56,374	\$ -	\$ 125,636
TOTALS	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 3,000,000

Net Tuition Revenue Sharing

May 1, 2020



	Category Share Rate	60%	60%	40%	40%		
College	Delta total Net Tuition Revenue	Special - Share rate applied	Online - Share rate applied	Grad - Share rate applied	Undergrad - Share rate applied	TOTAL SHARE ACROSS ALL CATEGORIES	POSITIVE ONLY SHARE, SUMMED ACROSS ALL CATEGORIES
A	(\$423,327)	\$0	\$0	(\$168,853)	(\$477)	(\$169,331)	
B	(\$775,543)	\$13,847	(\$218,733)	\$88,837	(\$262,463)	(\$378,513)	
C	\$166,127	(\$10,481)	\$150,357	(\$77,748)	\$50,948	\$113,076	\$113,076
D	\$129,479	\$23,603	(\$6,962)	(\$76,839)	\$117,536	\$57,339	\$57,339
E	\$1,187,095	\$24,215	\$349,230	\$165,481	\$60,394	\$599,320	\$599,320
F	\$1,414,431	\$912,817	\$548,163	(\$64,900)	(\$343,314)	\$1,052,765	\$1,052,765
G	\$146,422	\$488,805	\$155,540	(\$397,306)	\$26,312	\$273,350	\$273,350
H	(\$97,720)	\$8,152	(\$119,552)	\$11,089	\$24,089	(\$76,221)	
I	\$102,166	(\$58,025)	\$71,029	\$29,771	\$2,425	\$45,201	\$45,201
J	\$254,845	\$9,598	\$12,590	\$38,665	\$48,481	\$109,334	\$109,334
L	\$301,177	\$88,191	(\$24,804)	\$15,455	\$62,758	\$141,600	\$141,600
M	(\$297,306)	(\$15,496)	(\$12,774)	(\$100,219)	\$143	(\$128,346)	
N	(\$1,655,972)	(\$822)	\$17,484	(\$685,633)	\$12,137	(\$656,835)	
O	\$544,595	\$118,244	\$700,188	(\$33,930)	(\$293,853)	\$490,649	\$490,649
P	(\$2,980,829)	\$7,560	\$7,291	(\$1,032,049)	(\$170,183)	(\$1,187,381)	
R	\$365,827	\$62,174	\$133,024	(\$23,566)	\$39,765	\$211,397	\$211,397
S	(\$248,715)	\$361,366	(\$52,856)	\$2,753	(\$307,912)	\$3,350	\$3,350
T	\$350,114	(\$549)	\$0	\$0	\$140,412	\$139,862	\$139,862
TOTAL	(\$1,517,136)	\$ 2,033,198	\$ 1,709,215	(\$2,308,993)	(\$792,803)	\$ 640,616	\$ 3,237,243



Budget Update

May 1, 2020



Return to Safe and Reinvented Normal Operations

April 28, 2020

