CFO Update to Faculty Senate

Daniel A. Durbin
VP for Finance/CFO

Presented by: Rick Graycarek, AVP for Budget & Financial Planning

March 4, 2020
Life as a Budgeteer

THE OTHER ENGINEERS SHUN ME BECAUSE I'M ASSIGNED TO WORK ON THE BUDGET.

THEY KNOW I COULD POUNCE ANY MOMENT AND ASK INANE HYPOTHETICAL BUDGET QUESTIONS.

WHAT IF YOU ONLY HAD HALF AS MUCH ELECTRICITY NEXT YEAR?

TOO LATE. I SHUNNED YOU.
The Splurger
- evil power:
  - spending beyond the budget
- engaging people with thoughts of spending
- oblivious of financial status

Rick the Budgeteer
- superpower:
  - budgeting,
  - boring people with money talk,
  - making villains anxious about their financial status
The Budget: A View Of The Present
The Focus Of Our Budgeting Efforts
Unrestricted vs. Restricted Funds
(Amounts Reflected in Millions - Total Budget is $1.2 Billion)

- Tuition & Fees, $326m
  - 26% Total Budget
  - 62% of Unrestricted Funds

- Grants & Contracts, $173m
  - 14%
- Athletics/ULAA, $108m
  - 9%
- Other Revenues, $548m
  - 8%
- Clinical, $337m
  - 28%

Restricted/Non-General Fund - $711M or 59% of Total Budget

Unrestricted/General Fund - $515M or 41% of Total Budget

Other Revenues include UMC Support, gifts, endowments, auxiliaries
Drivers of Unrestricted Revenues

• **State Allocations:**
  – CPE Performance Funding Model

• **Tuition & Fees:**
  • Tuition
  • Institutional Aid
  • Enrollment
State Performance Funding Model (SPFM)

State Funding determined by SPFM

70% Outcomes-Based
- Student Success
- Credit Hour Generation

30% Operational Support
- Square Footage
- Direct Cost
- Student FTE

Currently Protected By:
- Minimum “keep doors open” allocation
- 1% Stop-loss (Sunsets after 2021)
### Performance Funding Model for the Public Universities

March 19, 2019

**Table 8 - Metrics Where Rates of Growth Exceeded Sector Average**

Between Fiscal years 2018-19 and 2019-20

<table>
<thead>
<tr>
<th>Performance Metric</th>
<th>UK</th>
<th>UofL</th>
<th>EKU</th>
<th>KSU</th>
<th>MoSU</th>
<th>MuSU</th>
<th>NKU</th>
<th>WKU</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Student Success Outcomes</strong></td>
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<tr>
<td>Bachelor's Degrees</td>
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<td>STEM+H Bachelor's Degrees</td>
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<td>URM Bachelor's Degrees</td>
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<tr>
<td>Low Income Bachelor's Degrees</td>
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<tr>
<td>Student Progression @ 30 Hours</td>
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<tr>
<td>Student Progression @ 60 Hours</td>
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<tr>
<td>Student Progression @ 90 Hours</td>
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<tr>
<td>Earned Credit Hours</td>
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<tr>
<td><strong>Operational Support Activity</strong></td>
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<tr>
<td>Instructional Square Feet</td>
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<tr>
<td>Direct Cost of Instruction</td>
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<tr>
<td>FTE Students</td>
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</tr>
<tr>
<td><strong>Metrics Above Sector Average</strong></td>
<td>18</td>
<td>7</td>
<td>6</td>
<td>3</td>
<td>5</td>
<td>3</td>
<td>3</td>
<td>2</td>
</tr>
</tbody>
</table>

*Note: The symbols represent whether the performance metric exceeded the sector average.*
Tuition/Enrollment/Aid Drivers

Tuition:
- Essential portion of our budget
- Our undergraduate rates are currently within ranges of competitor peers but “all in” costs are less
- Undergraduate tuition rates are NOT aligned with costs (no differential pricing)
- We will not be able to rely on fee increases alone to fund our future needs

Institutional Financial Aid:
- More students are receiving higher amounts of institutional aid (45.9% in FY16 vs 50.3% in FY19)
- Central aid support expenses in excess of $45 mill in FY20 - increasing average of 5% per year (excl. Athletics)
- Competitive landscape will drive costs higher

Enrollment:
- Headcount – down 120 heads / 187 FTE from prior year
- Spring – down 50 heads / 86 FTE from prior year
- Budget predicated on level (FY19) enrollment
- Retention is critical
## Analysis Of FY 2019-20 Tuition Revenues

### 1. Headcount:

<table>
<thead>
<tr>
<th></th>
<th>Prior</th>
<th>Current</th>
<th>Diff from Prior</th>
<th>Budgeted</th>
<th>Trend</th>
<th>Difference from:</th>
<th>Budget</th>
<th>Trend</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fall</td>
<td>20,569</td>
<td>20,449</td>
<td>-120</td>
<td>20,569</td>
<td>-120</td>
<td>Budgeted flat enrollment (FY 19 counts) and fell 120 short</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spring</td>
<td>19,059</td>
<td>19,009</td>
<td>-50</td>
<td>19,059</td>
<td>-50</td>
<td>Had the historic trend continued we would have missed spring by approx 110 (because Fall was under budget) but we were only 50 down for an improvement of 50 heads—a 61 student improvement</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>pct held</td>
<td>92.7%</td>
<td>93.0%</td>
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</tbody>
</table>

### 2. FTE:

<table>
<thead>
<tr>
<th></th>
<th>Fall</th>
<th>Current</th>
<th>Diff from Prior</th>
<th>Budgeted</th>
<th>Trend</th>
<th>Difference from:</th>
<th>Budget</th>
<th>Trend</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fall</td>
<td>17,145</td>
<td>16,958</td>
<td>-187</td>
<td>17,145</td>
<td>-187</td>
<td>Budgeted flat FTE (FY 19 counts) and fell 187 short</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spring</td>
<td>15,748</td>
<td>15,662</td>
<td>-86</td>
<td>15,748</td>
<td>-86</td>
<td>Had the historic trend continued we would have missed spring by approx 160 (because Fall was under budget) but we were only 86 down for an improvement of 86 FTE</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>pct held</td>
<td>91.9%</td>
<td>92.4%</td>
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</tr>
</tbody>
</table>

### 3. Financial (in millions):

<table>
<thead>
<tr>
<th></th>
<th>Fall</th>
<th>Current</th>
<th>Diff from Prior</th>
<th>Budgeted</th>
<th>Trend</th>
<th>Difference from:</th>
<th>Budget</th>
<th>Trend</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fall</td>
<td>$137.3</td>
<td>$140.7</td>
<td>$3.4</td>
<td>$142.1</td>
<td>$142.1</td>
<td>(1.4)</td>
<td></td>
<td></td>
<td>Tuition estimates based on flat enrollment with a 2.4% increase. Due to the enrollment drop we fell $1.4 mill short of budget</td>
</tr>
<tr>
<td>Spring</td>
<td>$127.0</td>
<td>$130.4</td>
<td>$3.4</td>
<td>$131.0</td>
<td>$129.8</td>
<td>(0.6)</td>
<td>$0.6</td>
<td></td>
<td>Had the historic trend continued we would have missed spring by approx $1.3 mill (because Fall was under budget) but we were only $600k off budget for an improvement of approximately 600k</td>
</tr>
<tr>
<td>pct held</td>
<td>92.5%</td>
<td>92.7%</td>
<td></td>
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</tr>
</tbody>
</table>

Cumulative shortfall from budget (2.00)
## Budget to Actual Report thru December
### FY2020 versus FY2019

### Status Indicators
- Better
- On Trend
- Worse

### Revenues

<table>
<thead>
<tr>
<th>General Funds</th>
<th>FY 2020</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuition and Fees</td>
<td>326,958,382</td>
<td>314,291,115</td>
</tr>
<tr>
<td>State Appropriations</td>
<td>126,633,700</td>
<td>127,117,700</td>
</tr>
<tr>
<td>Transfers In</td>
<td>23,655,527</td>
<td>23,461,045</td>
</tr>
<tr>
<td>Other Revenue</td>
<td>16,311,627</td>
<td>16,922,416</td>
</tr>
<tr>
<td>Auxiliaries</td>
<td>12,528,885</td>
<td>12,604,644</td>
</tr>
<tr>
<td>Hospital-Related</td>
<td>9,237,209</td>
<td>8,522,013</td>
</tr>
</tbody>
</table>
**Total General Funds** | 515,325,330 | 502,918,933 |

<table>
<thead>
<tr>
<th>Non-General Funds</th>
<th>FY 2020</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>UL Research Foundation</td>
<td>508,670,468</td>
<td>568,696,016</td>
</tr>
<tr>
<td>UL Athletic Association</td>
<td>117,714,000</td>
<td>110,732,317</td>
</tr>
<tr>
<td>UL Foundation</td>
<td>53,246,000</td>
<td>75,708,138</td>
</tr>
<tr>
<td>Other Department Funds</td>
<td>36,435,770</td>
<td>32,470,471</td>
</tr>
</tbody>
</table>
**Total Non-General Funds** | 716,066,238 | 787,606,942 |
**Total Revenues** | $1,231,391,568 | $1,290,525,875 |

### Expenses

<table>
<thead>
<tr>
<th>All Funds</th>
<th>FY 2020</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary</td>
<td>575,197,629</td>
<td>563,650,112</td>
</tr>
<tr>
<td>Fringe Benefits</td>
<td>144,697,499</td>
<td>142,236,553</td>
</tr>
<tr>
<td>Operating</td>
<td>325,507,029</td>
<td>385,713,606</td>
</tr>
<tr>
<td>Financial Aid</td>
<td>135,352,478</td>
<td>132,480,708</td>
</tr>
<tr>
<td>Debt Service</td>
<td>29,620,341</td>
<td>22,303,642</td>
</tr>
<tr>
<td>Utilities</td>
<td>21,016,592</td>
<td>18,642,049</td>
</tr>
</tbody>
</table>
**Total Expenses** | $1,231,391,568 | $1,265,026,670 |

### Revenue Over/(Under) Expenses
- FY2020: $29,511,163
- FY2019: $43,922,942
### Descriptions of Notable Revenue Variances

<table>
<thead>
<tr>
<th>Revenues</th>
<th>Actuals (thru December)</th>
<th>Change</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY 2020</td>
<td>FY 2019</td>
<td></td>
</tr>
<tr>
<td>Tuition and Fees</td>
<td>172,314,000</td>
<td>168,407,917</td>
<td>3,906,083</td>
</tr>
<tr>
<td>Transfers In</td>
<td>7,118,108</td>
<td>8,863,383</td>
<td>(1,745,275)</td>
</tr>
<tr>
<td>Auxiliaries</td>
<td>11,066,695</td>
<td>10,847,186</td>
<td>219,508</td>
</tr>
<tr>
<td>UL Research Foundation</td>
<td>245,065,629</td>
<td>236,172,798</td>
<td>8,892,831</td>
</tr>
<tr>
<td><strong>Clinical</strong></td>
<td>96,668,967</td>
<td>93,293,859</td>
<td>3,375,108</td>
</tr>
<tr>
<td><strong>Peds Transition Pass-through</strong></td>
<td>5,000,000</td>
<td>0</td>
<td>5,000,000</td>
</tr>
<tr>
<td><strong>Academic Program Support</strong></td>
<td>32,909,001</td>
<td>32,666,956</td>
<td>242,045</td>
</tr>
<tr>
<td><strong>Sponsored Research</strong></td>
<td>85,153,681</td>
<td>82,390,971</td>
<td>2,762,710</td>
</tr>
<tr>
<td><strong>Pass-through financial aid</strong></td>
<td>20,822,150</td>
<td>24,665,019</td>
<td>(3,842,870)</td>
</tr>
<tr>
<td>UL Athletic Association</td>
<td>73,364,285</td>
<td>75,249,951</td>
<td>(1,885,666)</td>
</tr>
<tr>
<td>UL Foundation</td>
<td>21,446,040</td>
<td>30,503,779</td>
<td>(9,057,739)</td>
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</table>
## Descriptions of Notable Expense Variances

<table>
<thead>
<tr>
<th>Expenses</th>
<th>FY 2020</th>
<th>FY 2019</th>
<th>Change</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and Wages</td>
<td>275,981,073</td>
<td>282,295,789</td>
<td>(6,314,716)</td>
<td>Football payouts in FY 2019</td>
</tr>
<tr>
<td>Fringe Benefits</td>
<td>71,751,968</td>
<td>70,480,613</td>
<td>1,271,355</td>
<td>Increase in employer health insurance contribution rate (anticipated)</td>
</tr>
<tr>
<td>Financial Aid</td>
<td>68,979,531</td>
<td>67,822,631</td>
<td>1,156,900</td>
<td>$0.5M athletics; regional recruiting</td>
</tr>
<tr>
<td>Operating</td>
<td>163,794,093</td>
<td>143,601,091</td>
<td>20,193,002</td>
<td></td>
</tr>
<tr>
<td>Peds Transition Pass-through</td>
<td>5,000,000</td>
<td>5,000,000</td>
<td></td>
<td>One-time Norton pass-through funds to ULP (see &quot;Revenues&quot;)</td>
</tr>
<tr>
<td>Expenses tied to grants</td>
<td>3,149,154</td>
<td>3,149,154</td>
<td></td>
<td>Increase associated with higher grant revenues</td>
</tr>
<tr>
<td>ULP advance</td>
<td>2,900,000</td>
<td>2,900,000</td>
<td></td>
<td>Advanced contractual payment from Q4 to Q2</td>
</tr>
<tr>
<td>Library subscriptions</td>
<td>1,110,705</td>
<td>1,110,705</td>
<td></td>
<td>Timing related</td>
</tr>
<tr>
<td>Athletics</td>
<td>1,050,088</td>
<td>1,050,088</td>
<td></td>
<td>Contractual plus higher student athlete expenses</td>
</tr>
<tr>
<td>Other</td>
<td>2,404,684</td>
<td>2,404,684</td>
<td></td>
<td>Online marketing; student success; law library</td>
</tr>
<tr>
<td>IT related</td>
<td>1,857,197</td>
<td>1,857,197</td>
<td></td>
<td>Networking and telecommunications</td>
</tr>
<tr>
<td>Adjusted Operating</td>
<td>146,322,265</td>
<td>143,601,091</td>
<td>2,721,174</td>
<td></td>
</tr>
</tbody>
</table>
The Budget: A View To The Future
Pressures On Our Budget

- Accreditation Driven Action
- External Regulatory Actions
- Time
- Clinical Activity Drives $300M of Activity
- Donor Generosity Drives $70M of Revenues
- State Performance Funding Model Drives $125M of Support
- Grant Funding Drives $150M of Revenue
- Enrollment and Tuition Drives $325M of Revenue
- Institutional Student Aid Costs $45M
- Faculty & Staff Expectations
- Political Actions
- Public Perception
- Student Expectations
- Rating Agency Opinions

Our Budget Drives $125M of Activity

Drivers:
- State Performance Funding Model
- Donor Generosity
- Grant Funding
- Enrollment and Tuition
- Institutional Student Aid

$300M of Activity Driven by:
- Accreditation

$125M of Support Driven by:
- External Regulatory

$325M of Revenue Driven by:
- Political

$45M of Tuition Driven by:
- Faculty & Staff

$150M of Revenue Driven by:
- Rating Agency

$70M of Activity Driven by:
- Public

Our Budget Drives $325M of Revenue

Drivers:
- Grant Funding
- Enrollment and Tuition
- Institutional Student Aid

$300M of Activity Driven by:
- Accreditation

$125M of Support Driven by:
- External Regulatory

$325M of Revenue Driven by:
- Political

$45M of Tuition Driven by:
- Faculty & Staff

$150M of Revenue Driven by:
- Rating Agency

$70M of Activity Driven by:
- Public
Our Budget Evolution – Recent Changes to Meet Challenges

Incremental/Status Quo

Dawn of Time - 2016

2017

Our Dark Era!!!

2019

• Gain Share
• Contingency Accts
• All Funds
• Multi Year

2021

• Budget Model
• Budget Planning & Monitoring Committee

The Budget Reset
Budget Planning and Monitoring Committee (BPMC): About the Committee

• Committee Charge:
  – To advise the president and her leadership team about the allocation of current and future financial resources and ensure they are in alignment with the university’s mission and strategic plan.

• Why A Budget Committee:
  – Promote transparency of the budget and process
  – Gain insight and input into budgetary decisions
  – Instill unity, ownership, and responsibility

• Chairs:
  – University Provost
  – University VP- Finance/CFO

• Membership:
  • Deans (6)
  • Faculty (9)
  • Staff (3)
  • Student (3)
  • Central (9)

• Sub-Committees (to consolidate activities into the main committee):
  » Funding Request Sub-committee
  » Budget Model Allocation Sub-committee
  » Administrative Activity Review Sub\committee
The Committee – Structure and Support

**BUDGET PLANNING AND MONITORING COMMITTEE 2020**

Beth Boehm, Co-Chair  
Dan Durbin, Co-Chair  
Jim Begany  
Kevin Gardner  
Keith Sherman  
Michael Wade Smith  
Vince Tyra

**New Funding Request Subcommittee**  
- Reviews general fund requests  
- Establish request process

Krista Wallace-Boaz, Chair  
Reginald Bruce  
Colin Crawford  
Sonya Hardin  
Virginia Hosono  
David Simpson  
Zach Pennington  
Robert Goldstein  
Walter Newell  
Brad Shafer

**Budget Model Discretionary Allocation Subcommittee**  
- Recommend how discretionary funds should be allocated

Gerry Bradley, Chair  
Marion Hambrick  
David Jenkins  
David Schultz  
Shavon Wagner  
Ben Barberie  
Cynthia Clemons  
Rehan Khan  
Michael Mardis  
Diane Chlebowy

**Administrative Activity Review Subcommittee**  
- Reviews costs and structure for admin activities directly allocated to units

John Usher, Chair  
Craig Blakely  
Audrey Kline  
Bruce Keisling  
Amy Lingo  
Lindsey Ronay  
Jasper Noble  
Kevyn Merten  
Sandra Russell  
Mark Watkins
Related Committees That Support The BPMC

• **Budget Model Workgroup**
  – Charged by provost to establish rules and policies to:
    • Implement new budget model;
    • Define on-going role of workgroup; and
    • Recommend approach to resetting academic unit budgets.
  – Co-chaired by Gerry Bradley and Jim Begany

• **Task Force On Tuition and Fee Setting**
  – Charged by provost to:
    • Determine cost of attendance at UofL and peer institutions;
    • Recommend undergraduate and graduate tuition rate ranges for FY 2021 and FY 2022
    • In consultation with professional schools, recommend tuition rate ranges for FY 2021 and FY 2022
    • Review and recommend changes to students fees
    • Review online tuition rates
  – Co-chaired by Gail DePuy and Rick Graycarek

• **President’s Strategic Planning**
  – Charged by president to:
    • Develop a strategic plan to guide its actions in becoming a great place to learn, to work, and in which to invest
  – **Cardinal Principles**
    • Set of guiding principles that shape our community and our actions
    • Every member of the University of Louisville family is expected to follow these rules
  – Co-chaired by Jeff Bumpous and Gail DePuy
FY 2021 Budget Process

1. University-wide budget assumptions and instructions released (late January)

2. Units estimate revenues per new budget model

3. Units develop detailed expenditure plan

4. Meetings with Provost and CFO to review budget plan

5. Input from Budget Planning and Monitoring Committee

6. Approval by President

7. Presentation to Board of Trustees Finance Committee (May)

8. Presentation to Board of Trustees (June)
How Can You Help?

- Stay engaged with your BPMC representative
- Think BIG picture
- Impact enrollment (recruit + retention)
- Help us identify ways to improve
Questions? Thank You!