
UNIVERSITY of LOUISVILLE

Board of Trustees

Finance Committee
Budget Workshop
May 10, 2007

2007-2008 OPERATING BUDGET

Finance Committee Budget Workshop

May 10, 2007

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BUDGET OVERVIEW

I. GENERAL

President Ramsey and his Leadership Team submit for your consideration a proposed FY 2007-08 general fund operating budget of \$416.4 million, an increase of approximately \$26.9 million, or 6.9% over last year. The recommended FY 2007-08 Operating Budget is balanced; the proposed revenue budget equals the proposed expenditure budget.

This year marks ten years into the Higher Education Reform Act—House Bill 1—a 1997 legislative mandate by the Kentucky General Assembly to become a premier metropolitan research university by the year 2020. The challenge is to be a university committed to thinking beyond the campus, addressing the direct correlation between advanced education and contributions to the state's tax base, between academic research and entrepreneurial development. UofL has made major strides forward during this decade.

- ◆ *The average ACT score for entering freshmen rose from 21.4 in 1997 to 24.2 in 2006.*
- ◆ *The first-time freshman retention rate rose from 70.9% in 1997 to 77.2% in 2006.*
- ◆ *The bachelor's degree 6-year graduation rate rose from 34.9% in 1997 to 40.6% in 2006.*
- ◆ *UofL surgeons were the first in the U.S. to successfully transplant a human hand when New Jersey native Matt Scott received a new appendage on January 24, 1999.*
- ◆ *UofL achieved another first when Kentucky native Robert Tools received the world's first fully implantable artificial heart on July 2, 2001.*
- ◆ *UofL was the first institution of higher learning in the nation to offer an academic minor in African American Theater.*
- ◆ *Music professor John LaBarbera received his first Grammy award nomination in 2004 for his jazz CD "On the Wild Side."*
- ◆ *The University Libraries was invited to membership in the international Association of Research Libraries and was ranked in the top 100 in overall member scores.*
- ◆ *UofL ranks seventh in the nation in the number of students receiving Fulbright English teaching assistantships in 2004. The University also ranks seventh among schools in the South for producing Fulbright research fellows.*



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2007-08 Operating Budget

Decisions for the 2007-08 budget were made using those principles outlined in the current strategic plan, the *Challenge for Excellence*—a “roadmap” specifying goals and quantifiable benchmarks to ensure progress is made to achieve this long-term goal. Under the direction of President Ramsey and his leadership team, UofL is proceeding with many of the Challenge’s strategies through this 2007-08 Operating budget. The budget includes many important initiatives totaling some \$25.2 million to ensure the University is on target to meet the primary goal of becoming a premier nationally recognized metropolitan research university.

Planning for the University’s 2007-08 operating budget began in early Fall 2006. Again this year, the Leadership Team employed a strategic five-year budget projection model and developed a set of budget values and principles that helped to guide the budget process. The following are the five strategic goals that drove all budgetary decisions and allocations to strategic initiatives:

Goal One – Educational Experience: Student Success – Create a responsive, challenging, and supportive educational environment characterized by high standards, commitment to quality, and student success.

Goal Two – Research, Creative and Scholarly Activities – Focus energy and resources to enhance the scholarly agenda and advance to national prominence areas of programmatic strength.

Goal Three – Accessibility, Diversity, Equity, and Communication – Develop a seamless system of access and intercultural understanding that promotes and supports race and gender diversity, inclusivity, equity, and open communication.

Goal Four – Partnerships and Collaboration – Develop and integrate interdisciplinary activities associated with teaching, research, and service. Support existing partnerships and engage new partners to contribute to the educational, social and economic progress of the region and state.

Goal Five – Institutional Effectiveness of Programs and Services – Improve the effectiveness and accountability of programs and services in fulfilling the mission and vision of the University.

II. BUDGET VALUES

Important values guided this year’s operating budget process. The University of Louisville values an open budget process that:

1. Includes full discussion and dialogue with the entire campus community.



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2007-08 Operating Budget

2. Is committed to aligning scarce resources with the University's priorities identified in the *Challenge for Excellence* and identified in the institutional *Scorecard*.
3. Is based on data analysis and best information available being incorporated into the decision-making process.
4. Examines the long-term consequences of decisions made in the short term.
5. Is focused on ensuring the long-term financial viability of the University and reflects decisions that ensure its financial stability and growth.
6. Fully evaluates the human cost and impact of all budget decisions and is sensitive to these impacts.

III. BUDGET PRINCIPLES

In developing the budget for FY 2007-08, the University of Louisville adheres to the following budget principles:

1. Evaluate the impact of proposed decisions for FY 2007-08 on the University through the end of the *Challenge for Excellence*.
2. Compensation awarded by the University should be effective in attracting, motivating, and retaining quality faculty and staff and should respond pragmatically to the influence of external market forces.
3. Continue to align faculty and staff salaries to those of our benchmark institutions and marketplace as applicable.
4. Develop budget adjustments and reallocations based upon detailed analysis using the best data and information available.
5. Recognize that a significant tuition increase will be required in FY 2007-08. Any tuition increase will be based upon a detailed analysis of relevant information such as changes in tuition by peer and benchmark institutions, market conditions, changes in per capita income, median family income (MFI), state appropriations and other such factors.
6. At a minimum, maintain modest budget reserves to fund unplanned expenditures, emergencies, and other financial contingencies.



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7. Maintain financial aid budgets at levels comparable to previous years. Moreover, the University will structure the financial aid budget in such a way as to have a competitive balance between merit and need-based aid.

Also included in this document are references to budgets for the affiliated and non-affiliated University of Louisville corporations. In total these corporations are budgeted at \$425 million for FY 2007-08. This is an increase of \$45 million or 11.9% over the last year. The increase is a direct result of increases in grant and contract activity, clinical operations, philanthropy, and available earnings from endowments.

This budget proposal is preliminary and represents a snapshot as of May 10, 2007. It may change slightly before the Board of Trustees meets in June 2007 for final approval.



REVENUE ASSUMPTIONS

2007-08 Operating Budget

Revenue Assumptions

1. Included in House Bill 380, the enacted 2006-08 state biennial budget, is a \$191.3 million appropriation for the University of Louisville for fiscal year 2007-08 (FY 2007-08). The state budget also contains a \$1,000,000 pass-through in the Council on Postsecondary Education (CPE) budget that is earmarked for permanent research infrastructure at UofL. Additionally, the Commonwealth budget designates other state funds of \$1.1 million for specific state sanctioned functions housed or managed at UofL.
2. The University is projecting little enrollment change, and no major change in student residency mix is anticipated from the FY 2006-07 enrollment data.

	Headcount	FTE
Undergraduate	15,095	11,474
Graduate	4,808	3,103
Professional	1,938	1,906
Total	21,841	16,483

- Based on goals set in conjunction with the CPE, undergraduate enrollment is projected to increase only slightly. The University will also continue to maintain its academic qualifying standards. The minimum ACT score for automatic admission is scheduled to remain at 20 for FY 2007-08.
 - Enrollment projections for the professional schools are based on agreed-upon class sizes and CPE caps for resident students in Medicine and Dentistry.
3. Tuition revenue for FY 2007-08 is estimated using an approved tuition rate increase of 9.9% for all enrollment categories except Non-resident Graduate and Non-resident Medicine Professional. Non-resident Graduate revenue is projected using a tuition rate increase of 3.9%, and Non-resident Medicine Professional revenue estimates use a zero tuition rate increase. The Non-resident Professional tuition rate for Medicine will be frozen at the FY 2006-07 rate as part of a four year plan to achieve a more competitive position in the recruitment of high quality non-resident medical students and to increase class sizes.
 4. Indirect Cost Recovery is budgeted \$800,000 higher than FY 2006-07 because of increased grant activity. This incremental revenue is offset by expenses for research infrastructure and debt service on various campus research facilities.
 5. As a result of a slight increase in short term interest rates and a projected increase in available short-term cash, this budget includes an increase of \$750,000 in projected investment income.



REVENUE HIGHLIGHTS

2007-08 Operating Budget

REVENUE HIGHLIGHTS

The University of Louisville projects a general fund revenue budget of \$416,438,400 for FY 2007-08. The proposed general fund revenue budget is an increase of approximately \$26.9 million, or 6.9%, over the FY 2006-07 budget and is categorized into the following ten major sources:

PROJECTED GENERAL FUND REVENUE BY SOURCE	
State Appropriation and Other State Funds	\$193,472,200
Tuition and Fees	170,296,000
Transfers from Affiliated Corporations	11,549,400
Sales and Services of Educational Activities	340,100
Organized Activities Related to Instruction	733,400
Other Non-Educational Revenue	12,089,900
Auxiliary Enterprises	4,170,500
University Housing	7,727,700
Service Centers	1,951,500
Hospital-Related Revenue	<u>14,107,700</u>
Total Projected General Fund Revenue	<u>\$416,438,400</u>

1. **State Appropriation and Other State Funds** is the largest component of the University's revenue budget, totaling \$193.5 million.
 - In the second year of the Commonwealth's 2006-08 budget biennium the University's base appropriation includes a benchmark increase of \$10.4 million. This increase is offset by a reduction in state supported debt service of \$7.2 million. Another change to UofL's base appropriation is an additional \$574,200 to fund the UofL Hospital Quality and Charity Care Trust (QCCT) cost escalator.



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- The Council on Postsecondary Education (CPE) budget includes pass-through funds of \$1,000,000 earmarked for research infrastructure at UofL. This represents a \$500,000 increase to the \$500,000 already budgeted in FY 2006-07. Also, the Commonwealth budget designates other state funds of \$1.1 million for specific state sanctioned functions housed or managed at UofL.

UofL's FY 2007-08 state funding is summarized in the following two schedules:

State Appropriation Summary	
I. 2006-2007 State Base Appropriation:	187,484,800
II. Budget Increases (Decreases) in State Base Appropriation:	
Benchmark Funding	10,446,800
Hospital (QCCT Escalator)	574,200
Debt Service	<u>(7,159,700)</u>
Total Adjustments	<u>3,861,300</u>
III. 2007-2008 Projected State Base Appropriation	<u>191,346,100</u>

Schedule of CPE Pass-Through Funds and Other State Funds			
	2006-2007	2007-2008	
	<u>Allocation</u>	<u>Change</u>	<u>Projected</u>
I. CPE Budget Earmarked for UofL			
Research Support	<u>500,000</u>	<u>500,000</u>	<u>1,000,000</u>
II. Other State Funds			
Commonwealth Virtual Library Operations	100,000	0	100,000
Equine Administration Program	700,000	(200,000)	500,000
Equine Trust Program	40,000	0	40,000
Kentucky Pollution Prevention Center	<u>420,000</u>	<u>66,100</u>	<u>486,100</u>
Subtotal	<u>1,260,000</u>	<u>(133,900)</u>	<u>1,126,100</u>
Total Other State Funds	<u>1,760,000</u>	<u>366,100</u>	<u>2,126,100</u>



REVENUE HIGHLIGHTS

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2. **Tuition and Fees** represent the second largest component of the University’s general fund revenue budget. At its April 5, 2007 meeting, the Board of Trustees approved a 9.9% tuition rate increase for FY 2007-08 for all categories except certain special enrollment groups. The Non-resident Graduate rate increase was approved at 3.9% and the Non-resident Medical Professional rate will be frozen at the FY 2006-07 level for four years. The tuition rate increases by enrollment category are:

Tuition Category	Percent Increase	
	Resident	Non-Resident
Undergraduate	9.9 %	9.9 %
Graduate	9.9 %	3.9 %
MBA*	9.9%	9.9%
Law	9.9 %	9.9 %
Dentistry	9.9 %	9.9 %
Medicine	9.9 %	0.0 %

* Traditional MBA Program; tuition for a restructured MBA program is addressed later in this section.

The recommended tuition rate increase of 9.9% came after much deliberation and consultation with the various constituency groups across campus. The proposal was also significantly lower than the maximum 12% tuition increase allowed by the CPE. While many of the groups and committees had differing recommendations, it was a strong desire of the University’s Leadership Team to keep the tuition increase below double digits.

The exceptions for non-resident graduate and non-resident medical professional students address—based on input from Deans of the colleges and schools and the University’s admissions staff—the competitive nature of attracting non-resident students to UofL’s graduate and professional programs. These selective rate limitations are designed to keep rates for non-resident students competitive with other schools in the same recruiting markets.

The FY 2007-08 Tuition Schedule on the following page shows the new rates by category and residency status.



REVENUE HIGHLIGHTS

2007-08 Operating Budget

Tuition Rate Increase

	2006-07		2007-08		Dollar Change		Percent Change	
	Resident	Non-Resident	Resident	Non-Resident	Resident	Non-Resident	Resident	Non-Resident
I. Semester Rates								
Undergraduate	3,126	8,036	3,435	8,832	309	796	9.9%	9.9%
Graduate	3,393	8,674	3,729	9,010	336	336	9.9%	3.9%
Trad. MBA	4,545	10,583	4,995	11,631	450	1,048	9.9%	9.9%
Trad. MAC	3,393	8,674	3,729	9,010	336	336	9.9%	3.9%
Law	5,705	11,777	6,270	12,943	565	1,166	9.9%	9.9%
Medicine	10,193	21,375	11,202	21,375	1,009	0	9.9%	0.0%
Dentistry	8,544	20,484	9,390	22,512	846	2,028	9.9%	9.9%
II. Annual Rates								
Undergraduate	6,252	16,072	6,870	17,664	618	1,592	9.9%	9.9%
Graduate	6,786	17,348	7,458	18,020	672	672	9.9%	3.9%
Trad. MBA	9,090	21,166	9,990	23,262	900	2,096	9.9%	9.9%
Trad. MAC	6,786	17,348	7,458	18,020	672	672	9.9%	3.9%
Prof. MBA	N/A	N/A	14,000	14,000	N/A	N/A	N/A	N/A
IMBA	N/A	N/A	12,500	12,500	N/A	N/A	N/A	N/A
MAC	N/A	N/A	16,000	16,000	N/A	N/A	N/A	N/A
Law	11,410	23,554	12,540	25,886	1,130	2,332	9.9%	9.9%
Medicine	20,386	42,750	22,404	42,750	2,018	0	9.9%	0.0%
Dentistry	17,088	40,968	18,780	45,024	1,692	4,056	9.9%	9.9%



REVENUE HIGHLIGHTS

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The Board also approved at its April 5, 2007 meeting new tuition rates for restructured academic programs in the Colleges of Arts and Sciences and Business.

- **Intensive English as a Second Language (IESL) Program, A&S - \$3,902**

The IESL program is moving in Fall 2007 from its longstanding ten week term schedule to a semester schedule. Following the A&S undergraduate calendar presents an opportunity to maintain program revenue and enhance program quality. The expanded period of instruction requires a corresponding increase in tuition. Historically, tuition rates in this program were based on the costs associated with providing the program as well as the need for it to remain competitive with similar programs at other institutions. Accordingly, the IESL tuition will increase from \$2,225 per ten week term in FY 2006-07 to \$3,700 per semester beginning FY 2007-08. Including mandatory fees of \$202, the billed tuition rate will be \$3,902.

- **Professional MBA Program, Business - \$28,000**

Starting Fall 2007 the traditional MBA program will be phased out and replaced by the Professional MBA-Evening and Professional MBA-Saturday programs. These lock-step, cohort-based programs will span two years in 14 six-week terms with two course modules taken each term. The programs will equate to 48 credit hours. Each student will be charged a flat rate of \$28,000. The new programs also include an international learning experience. The program fee will be billed in six increments over the two years. The cohort admissions for the evening program will be in the fall of each year and admissions for the Saturday program will be each spring beginning with the Spring 2008 semester. These restructured programs mirror, and provide the benefits of, other highly ranked, full-time MBA programs, but focus on providing working professionals the flexibility of a part-time program.

- **IMBA-The MBA for Entrepreneurial Thinking, Business - \$25,000**

The IMBA-The MBA for Entrepreneurial Thinking remains a cohort-based program as it has since its inception, retaining the same program content and delivery as before. The only change for the program is charging a flat program fee of \$25,000 per student. The program does not include an international learning experience; this would be added as students choose to participate. The program fee will be billed in six increments over the two years. IMBA cohort admissions will continue to occur during the summer of each year.



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- **Masters of Accountancy (MAC) Program, Business - \$16,000**

The Masters of Accountancy program content and delivery remain unchanged. The MAC will be offered as a cohort-based program over one year with a flat program fee of \$16,000. The program fee will be billed in three increments over the year. The program does not include an international learning experience; this would be added as students choose to participate. The MAC admissions will continue to occur during the fall of each year.

At its April 5, 2007 meeting the Board of Trustees also approved bundling the \$35 per semester Student Health Fee with the approved tuition rates. The assessment of the \$35 Student Health Fee on a pro-rated credit hour basis to every enrolled student provides new health services and benefits not otherwise available to students. However, the implementation of the fee during the current year confused many students, complicated the billing process, and posed management difficulties to the Student Health Services Office. An analysis revealed that each of these problems could be improved by “bundling” the \$35 Student Health Fee into the tuition rate for all University students. Including this fee in the stated tuition rate does not increase the total dollar amount paid by students; it simply bills the \$35 as tuition—not a separate fee as it was billed in the 2006-07 academic year. The schedule on the following page shows the resultant tuition rates with the \$35 Student Health Fee “bundled.”

Students in selected southern Indiana counties, because of their geographic proximity to UofL, are granted tuition reciprocity and considered Kentucky residents for tuition purposes. For FY 2006-07 the Council on Postsecondary Education mandated these students be charged a strike price which consisted of an additional \$250 per semester over and above the resident tuition rate. For FY08, this CPE strike price requirement was eliminated.

Finally, the tuition revenue budget is affected by projected enrollment changes in several colleges and schools. The tuition revenue budget for the Medical School will increase an additional \$150,000 as a result of admitting five additional non-resident professional students. Undergraduate enrollments across several disciplines will be increased approximately \$331,000 as a result of the Non-resident Scholars program. This program recruits highly-qualified non-resident students to the University by offering tuition remission of the difference between resident and non-resident tuition rates plus \$250. The tuition revenue budget also includes a \$250,000 increase to the College of Education and Human Development tuition revenue budget from enrolling additional Jefferson County Public Schools (JCPS) employees in its teacher education programs. The College is enhancing recruitment of JCPS personnel to graduate education programs and is expanding



Tuition Schedule

Includes 9.9% Rate Increase and Bundling of \$35 Student Health Fee

	Semester Rates		
	2006-07	Change	2007-08
Undergraduate			
Resident	3,126	344	3,470
Nonresident	8,036	831	8,867
Distance Education	339.30 / credit hour	37.70 / credit hour	377.00 / credit hour
Intensive English as a Second Language (IESL)			
Full-time Day Program	2,338	1,564	3,902
Evening Class	636	34	670
Graduate			
Resident	3,393	371	3,764
Nonresident	8,674	371	9,045
Distance Education	490.10 / credit hour	54.60 / credit hour	544.70 / credit hour
Traditional MBA & IMBA Program (Being Phased Out)			
Resident	4,545	485	5,030
Nonresident	10,583	1,083	11,666
Traditional Master of Accountancy (Being Phased Out)			
Resident	3,393	371	3,764
Nonresident	8,674	371	9,045
Law (Day Program)			
Resident	5,705	600	6,305
Nonresident	11,777	1,201	12,978
Law (Evening Program)			
Resident	5,705	600	6,305
Nonresident	11,777	1,201	12,978
	Annual Rates		
	2006-07	Change	2007-08
MBA (New Cohort Program Effective Fall 2007)			
Resident	NA	NA	14,000
Nonresident	NA	NA	14,000
IMBA (New Cohort Program Effective Summer 2007)			
Resident	NA	NA	12,500
Nonresident	NA	NA	12,500
Master of Accountancy (New Cohort Program Effective Fall 2007)			
Resident	NA	NA	16,000
Nonresident	NA	NA	16,000
Medicine			
Resident	20,386	2,088	22,474
Nonresident	42,750	70	42,820
Dentistry			
Resident	17,088	1,762	18,850
Nonresident	40,968	4,126	45,094



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collaboration between the University and JCPS on existing and new programs.

Based on the approved rates and enrollment changes described above, the University projects approximately \$170.3 million in tuition and fees revenue from all instructional sources. This is an increase of \$15.6 million, or about 10.1% over last year. Approximately \$13 million of that amount is attributable to the proposed tuition rate increases. The remaining \$2.6 million increase is attributable to the changes in enrollment levels identified above and to the special academic programs and fees described below.

Revenue generated from non-credit **Continuing Education Programs** is projected to decrease approximately \$57,200 in FY 2007-08. Reductions to projections in Dentistry, Law, the J.B. Speed School of Engineering, and the Delphi Center for Teaching and Learning are geared to bring revenue budgets more in line with the actual experience of enrollments in these executive and professional development seminars over the past few years. The expense side of these program budgets will be reduced by like amounts.

Demand for **Distance Education** learning at UofL continues to exhibit the exceptional growth of the past five years. Basically all units offering on-line courses have over realized their revenue budgets during FY 2006-07. This proposed budget adds \$314,200 of over realized revenue on a permanent basis to the distance education revenue budgets of the University and the Delphi Center for Teaching and Learning.

Also included in the tuition revenue budget are specific items for **Special Instructional Programs**—academic overseas programs, equine activities, community security and public safety educational programs and the like. Typically, tuition revenue dollars generated from these unique programs directly offset expenditure budgets of an equal amount. For FY 2007-08, the revenue in this category is projected to increase approximately \$162,300.

The budgets for **Mandatory and Miscellaneous Fees** are expected to increase by approximately \$1,673,000.

- The largest change in this category is the **Student Health Fee**—approved last year for Belknap students. As described above in the tuition section, at its April meeting the Board approved bundling this \$35 fee into tuition. Hence, the fee is now classified as a Mandatory Fee and will be applied to all students on both the Belknap and HSC campuses. The **\$962,000** increase for FY 2007-08 is an accounting change in which dollar amounts previously billed to HSC students and recorded in a non-general fund



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account will now be consolidated into the same general fund account used for Belknap students.

- The **Business Technology Fee** is budgeted at **\$250,000**. The fee was originally approved for implementation in FY 2005-06 and increased during FY 2006-07. Using the actual experience of the past two years, this FY 2007-08 budget now incorporates, on a continuing basis, the full projected amount to be realized from the collection of the Business Technology Fee.
- The **Ph.D. Candidacy Fee** was increased from the charge of one credit hour to two credit hours in FY 2007-06 as an incentive for graduate students to complete their degree programs in a more timely fashion. Experience over the past two years shows that this revenue source is consistently over realized; hence the FY 2007-08 budget is increased by **\$200,000**.
- FY 2007-08 is the third year of a four year phase-in of an annual \$5,000 per student **Dental Instrument Rental and Technology Fee**. A projected **\$189,500** in additional revenue budget is added to this program.
- The **Course Drop Fee** was intended to modify student pre-registration behavior and reduce course enrollment changes. After further analysis and discussion with various constituencies, the University Leadership Team concluded the anticipated loss in goodwill with students outweighed any potential benefits and did not implement the Course Drop Fee. This budget removes the **\$100,000** initially budgeted for this fee revenue.
- The remainder of this revenue category is comprised of budget increases in existing fees (Orientation, Testing Services, Public Health, and Nursing Technology Fees) which are over realized in FY 2006-07 and whose revenue amounts are expected to either remain at the current level or increase slightly.
- The Board approved one new unit-based fee at its April 5, 2007 meeting—**Speed Software Technology Fee**. The **\$25 per semester** fee will purchase common general-purpose and engineering software packages with an estimated value of \$500, plus the licenses to get free upgrades. The software will be installed on a tablet PC (convertible notebook using pen-based technology)—a necessity for the implementation of Speed School’s initiatives to enhance the classroom environment. A permanent budget for this



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fee revenue will be proposed as part of next year's operating budget after analyzing the first year of fee assessments.

3. **Transfers from UofL Corporations** will increase \$766,400 for FY 2007-08.

- Indirect cost recovery funds from sponsored research growth are projected to increase about \$800,000 next year. By current University policy, eighty percent (80%) of indirect cost recovery funds will subsequently transfer from the UofL Research Foundation, Inc. to the University's general fund operating budget. The Executive Vice President for Research will use these funds to build the research enterprise, fund debt service on new research buildings, and support new positions and operating expense increases associated with sponsored research administration.
- Debt service on the new Natatorium will decrease in FY 2007-08, so transfers from the University of Louisville Athletic Association, Inc. to the UofL general fund will decrease approximately \$31,000 in this revenue category. This Athletics related revenue item reduces the overall increase in this 'Transfers' category.

4. **The Sales and Services of Educational Activities** revenue category is projected to decrease \$10,900 from its currently budgeted level of \$351,000 to \$340,100.

- The Bio-Food Processing Program in the J.B. Speed School of Engineering tests food and equipment for industry clients. The program expects a slight increase of \$5,100 in operating revenue from testing services.
- The Center for Infrastructure Research in the J.B. Speed School of Engineering is engaged in on-going studies of Metro Louisville infrastructure problems. The Center's work is supported by utilities sponsors interested in its research. With an increase from two to three sponsors for FY 2007-08, the Center's revenue budget is expected to rise \$25,000 to \$75,000.
- Offsetting the above increases, the Disabled Student Services Program revenue is projected to decline \$41,000. This program's revenue comes from state vocational rehabilitation reimbursements for services provided to deaf and hearing-impaired students. The number of known students is decreasing for FY 2007-08, and the types of identified services are less costly.



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5. Similarly, the **Organized Activities Related to Instruction** revenue component will decrease \$180,500 from \$913,900 to \$733,400.
 - The Honors Travel Fund program budget captures the travel receipts and expenses of national and international field trips associated with Honors seminars. Students pay a portion of their travel costs and will contribute a higher percentage of actual costs in FY 2007-08. Hence, revenue is anticipated to increase approximately \$10,000.
 - For FY 2007-08 the Telecommunications Research Services Center will cease its general fund operations. Responsibility for—and the rental income from—MedCenter3 facility leases to incubator companies was transferred to the Vice President for Business Affairs. The Center’s continued operations will be funded primarily by non-general fund Homeland Security grant sources. This is a \$114,000 reduction to the general fund revenue budget.
 - In FY 2006-07 the College of Education and Human Development assumed oversight responsibility for the Gheens Science Center and Rauch Planetarium. In a management effort to bring the Planetarium into a break-even operating position, the revenue budget for Planetarium Shows is being reduced \$76,500. Actual revenue from shows has consistently been less than projected.

6. The category of **Other Non-Educational Revenue** will increase approximately \$4.4 million from last year.
 - Most of this increase (\$3.8 Million) is a one-time transfer from the Debt Service Reserve. State support for debt service was reduced \$7.2 million for FY 2007-08 because two bond series will be paid off in May 2007 and the corresponding bond indenture reserve requirement will decrease.
 - Another \$750,000 is an increase in interest income. As both interest rates and available cash balances increase, this projected increase is realistic.
 - The Telehealth program will be funded by grant dollars for FY 2007-08 and beyond. This is a \$100,000 reduction in general fund program budget revenue.



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- Revenue from the Lynk Credit Card Processing program budget is projected to decrease by \$75,000 because of a technical change. This is a contract with a third party to collect student payments by credit card and to remit the proceeds to UofL net of a small administrative fee.
 - The remaining changes in this category are minor adjustments in the anticipated revenue of several program budgets (Procurement Card, Student Activity Center Special Projects, and MAPS Research).
7. **Hospital Related Revenue** is projected to increase approximately \$569,000 to just over \$14.1 million. The increase is in payments from the UofL Hospital surplus which provides vital support funding to the schools of Medicine, Nursing, and Public Health and Information Sciences.
8. **Auxiliary Enterprise Revenue** is projected to increase from last year's budget by approximately \$382,800. These revenue changes are offset by similar changes in their respective program expenditure budgets.
- The largest increase is \$255,000 in dormitory revenue for School of Justice Administration students housed on Shelby Campus. Actual revenue the past couple of years has exceeded the budget significantly, and this increase is to make the initial FY 2007-08 revenue budget more in line with expected revenue.
 - The next largest increase is \$174,800 in University Parking as a result of increased parking permit fees, metered parking at the Natatorium, and increased revenues from University Medical Center parking upon conclusion of the Columbia settlement agreement.
 - The remaining changes are to the Bookstore, Food Service, and Contract Vending program budgets to more closely align budgeted revenue with recent year actual receipts.
9. **University Housing Revenue** is projected to increase approximately \$1.3 million for FY 2007-08 to \$7,727,700. Approved housing rates will increase ten percent for dormitory rooms and four percent for apartments.



REVENUE HIGHLIGHTS

2007-08 Operating Budget

10. **Service Centers** are selected University service activities which are self-supporting and function like stand-alone businesses—their expenditure budgets are based entirely on internal charges to other university departments for services rendered or on externally generated service income. The FY 2007-08 aggregate service center revenue is projected to decrease \$75,200. However, this is primarily a change in budgeting technique for six service centers in which amounts previously categorized as “external” revenue sources are now more appropriately budgeted as “departmental credits.” Departmental credits are internal transfers from one University entity to another and create an expense in the ‘using’ unit and a reduction of expense in the ‘receiving’ unit. The budgeting change for these six service centers accounts for reclassifying approximately \$565,000 from revenue to a reduction in expenses (departmental credits). The Advanced Materials and Renewable Energy program and the new Dahlem Supercomputer Lab account for increases of about \$270,000, and several other service center programs project varying increases in revenue. The net change in this revenue category is a reduction of \$75,200.

All revenue budget changes and the proposed FY 2007-08 revenue budget are summarized by type of revenue on the next page.



SUMMARY OF CHANGES IN BUDGETED REVENUE

	Adjustments				FY 2007-08 Proposed Budget	Change from FY 2006-07	
	FY 2006-07 Original Budget	State Appropriation	Tuition and Fees	Program Budgets			
EDUCATIONAL AND GENERAL REVENUE							
Tuition and Fees							
Summer School Tuition	10,535,300	0	1,269,900	0	0	1,269,900	12.1%
Fall and Spring Tuition	125,436,700	0	12,189,800	0	0	12,189,800	9.7%
Subtotal	135,972,000	0	13,459,700	0	0	13,459,700	9.9%
Continuing Education	2,734,300	0	0	(57,200)	0	(57,200)	-2.1%
Distance Education	3,905,200	0	314,200	0	0	314,200	8.0%
Special Instruction Programs	1,266,200	0	162,300	0	0	162,300	12.8%
Subtotal	7,905,700	0	476,500	(57,200)	0	419,300	5.3%
Incidental Fees:							
Mandatory Fees	6,903,300	0	0	0	0	0	0.0%
Miscellaneous Fees	3,963,000	0	1,673,000	0	0	1,673,000	42.2%
Subtotal	10,866,300	0	1,673,000	0	0	1,673,000	15.4%
Total Tuition and Fees	154,744,000	0	15,609,200	(57,200)	0	15,552,000	10.1%
State Appropriation							
University Base	166,911,100	10,446,800	0	0	0	10,446,800	6.3%
Hospital Quality Care and Charity Trust (QCCT)	18,581,400	574,200	0	0	0	574,200	3.1%
Metropolitan College	1,992,300	0	0	0	0	0	0.0%
Other Appropriations (Debt Service)	0	(7,159,700)	0	0	0	(7,159,700)	NA
Total State Appropriations	187,484,800	3,861,300	0	0	0	3,861,300	2.1%
CPE Pass-Through Funds	500,000	500,000	0	0	0	500,000	100.0%
Other State Funds	1,260,000	(133,900)	0	0	0	(133,900)	-10.6%
Total Appropriation, CPE and Other State Funds	189,244,800	4,227,400	0	0	0	4,227,400	2.2%
Transfers From UofL Corporations	10,783,000	0	0	0	766,400	766,400	7.1%
Sales and Services of Educational Activities	351,000	0	0	(10,900)	0	(10,900)	-3.1%
Organized Activities Related to Instruction	913,900	0	0	(180,500)	0	(180,500)	-19.8%
Other Non-Educational Revenue	7,685,600	0	0	(131,700)	4,536,000	4,404,300	57.3%
Hospital Related Revenue	13,538,700	0	0	0	569,000	569,000	4.2%
Total Education & General Revenue	377,261,000	4,227,400	15,609,200	(380,300)	5,871,400	25,327,700	6.7%
AUXILIARY ENTERPRISES REVENUE							
Auxiliaries	3,787,700	0	0	382,800	0	382,800	10.1%
University Housing	6,453,600	0	0	1,274,100	0	1,274,100	19.7%
Service Centers	2,026,700	0	0	(75,200)	0	(75,200)	-3.7%
Total Auxiliary Enterprises Revenue	12,268,000	0	0	1,581,700	0	1,581,700	12.9%
TOTAL GENERAL FUND REVENUE	389,529,000	4,227,400	15,609,200	1,201,400	5,871,400	26,909,400	6.9%
UofL Corporations Revenue	379,773,200	0	0	0	45,226,800	45,226,800	11.9%
TOTAL UNIVERSITY REVENUE	769,302,200	4,227,400	15,609,200	1,201,400	51,098,200	72,136,200	9.4%



EXPENDITURE ASSUMPTIONS

1. The proposed expenditure budget is based on total general funds available from a carefully-developed projection of revenue. Currently, the University of Louisville employs several methods of budgeting such as traditional “incremental” budgeting, program budgeting, formula budgeting, and a few elements of Responsibility Center Budgeting (RCB).
2. In total the University’s “fixed costs” are scheduled to decrease approximately \$1.5 million for FY 2007-08. The decrease is a direct result of a \$3.7 million reduction in the University’s debt service requirement for FY 2007-08. Factoring out this sizable reduction, other fixed costs are scheduled to increase \$2.2 million. These increases in fixed cost items are typically covered first from new discretionary dollars before other program considerations.
3. Faculty and staff compensation remains a top priority for the University’s Leadership Team. The following compensation items are included in this proposed budget:
 - An average 4% salary increase pool for faculty and staff,
 - An additional pool totaling \$450,000 for staff catch-up salary adjustments,
 - 10% increase in health insurance premiums, and
 - Additional funding for faculty promotions and staff reclassifications.
4. Beyond additional faculty and staff compensation, the proposed budget includes other strategic initiatives totaling approximately \$14.5 million. These initiatives help to advance the University’s strategic plan and CPE Action Agenda goals.
5. Some modest strategic budget reductions are included in this proposed budget and are required to balance the budget.



EXPENDITURE HIGHLIGHTS

2007-08 Operating Budget

EXPENDITURE HIGHLIGHTS

1. The largest component of the University of Louisville's expenditure budget is faculty and staff compensation—salaries, wages, and fringe benefits. Combined they comprise approximately 62% of the general fund budget. The President and the Leadership Team continue to place faculty and staff compensation high on the list of University priorities.

This year, the President and his Leadership Team recommend a performance-based salary increase pool of 4%. Salary increases for all faculty were distributed based on annual performance evaluations and departmental performance policies. Staff receiving a satisfactory or proficient performance evaluation will receive a cost-of-living adjustment of 2.5% with the remaining 1.5% pool awarded based on departmental performance evaluations. The total cost of this 4% salary increase pool is approximately \$8.4 million. This amount also includes the increased cost of employee benefits associated with the raises.

Also included in this budget is an additional \$450,000 for the second year of this iteration of staff salary market catch-up adjustments. After July 1, 2007, these funds will be distributed differentially to better align staff salaries with job benchmarks locally as well as nationally. This installment coupled with the first installment made in FY 2006-07 brings the total pool to \$900,000.

The overall salary policy and implementation guidelines were developed in consultation with the Leadership Team, Vice Presidents, Deans, the Faculty and Staff Senates, the Student Government Association, and the Planning and Budget Advisory Committee.

In addition to the salary increases mentioned above, this budget proposal also includes a \$350,000 increase to the faculty promotion fund and a \$100,000 increase to the staff reclassification / promotion fund. These amounts are over and above the performance and staff salary adjustments and are distributed to departments throughout the year on an "as needed" basis. Past experience shows that these centrally administered funds, coupled with unit funds, are sufficient to cover requested promotions and reclassifications during a given fiscal year.

2. While health care costs continue to increase across the nation, the increase for FY 2007-08 is projected to be less than in recent years. The University's Human Resources department projects that health care premiums will increase approximately 10% for calendar year 2008. A portion of the increase in premiums is directly related to a general rise in health care costs. Another factor helping to moderate the increase for calendar year 2008 is the lower than



EXPENDITURE HIGHLIGHTS

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expected number of claims during the first and second quarters of calendar year 2007. Included in the proposed budget is funding to cover the cost of providing a 10% increase for employee health insurance for calendar year 2008.

Employee-paid health insurance premiums for calendar year 2007 are currently \$482 per month per employee, which pays the cost for single coverage on UofL's basic health plan. Employees may opt for other health care coverages but must pay the additional cost of the more expensive plans.

- The proposed budget contains an additional \$769,800 for continuing the same level of support, \$482 per month per employee, for the second half of calendar year 2007.
- The proposed budget also includes an additional \$1,022,700 to cover a projected 10% premium increase for 2008. This brings the new rate to \$530 per month per employee, effective January 1, 2008.

3. **Overall Fixed and Semi-Fixed Costs** are projected to decline for the 2007-08 fiscal year. The decline in this category is a direct result of a \$3.7 million reduction in the University's state supported debt service requirements. Factoring out this sizable reduction, other costs in this category are scheduled to increase \$2.2 million. These increases routinely must come "off the top" of discretionary general funds to provide for basic operating needs of a fixed nature.

Changes in this category include:

- In the 2007-08 fiscal year there is one additional working day in the annual work calendar for classified staff. This is a peculiarity of the Roman calendar that varies the number of work days from year to year. This anomaly will cost an additional \$131,500 for FY 2007-08.
- Also included is \$532,500 to cover the projected increased cost of funding the Social Security (FICA) taxes on a higher maximum salary. This budget projection uses a 3.96% increase as an estimate for the new maximum, which is calculated each fall.
- Because increases to the external auditing contract with BKD, LLP are partially based on the level of state funding, UofL's audit fees are projected to increase slightly in FY 2007-08. The proposed budget includes an additional \$1,800 for this increase.



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- As more employees are encouraged to enroll in the University's mandatory retirement program, the costs continue to escalate. Included in this budget is \$361,800 to cover these projected increases.
 - Both Long Term Disability and Unemployment Insurance is projected to increase slightly for FY 2007-08. An additional \$67,000 is budgeted to cover the increase in both premiums.
 - The Worker's Compensation insurance premium is based on the employee workers' compensation classifications, historical claims experience and the insurance market. These three factors applied to the University's payroll determine the cost. Because of an increase in worker's compensation claims and market changes over the previous two to three years, this budget is projected to increase \$265,700 for FY 2007-08.
 - As the cost of general insurance for the University continues to increase, this proposed budget includes \$99,300 to fund those increases.
 - Based upon preliminary consultations with the various utility providers, utility budgets for existing University facilities are projected to increase significantly for FY 2007-08. An additional \$703,000 is included in the budget of the Physical Plant Department to cover these projected cost increases.
 - Other small changes totaling approximately \$60,000 round out this category.
4. Aside from those items mentioned above, this proposed budget includes an additional \$14.5 million for investment in key strategic initiatives. The President and Leadership Team made investments in strategic initiatives that are critical to achieving the University's long-term goals. The following details and categorizes each investment by strategic goal:
- **Goal – Educational Experience: Student Success** – Create a responsive, challenging, and supportive educational environment characterized by high standards, commitment to quality, and student success.
 - ◆ To aid in the recruitment and retention of quality students, this budget earmarks \$3.9 million for the student financial aid budget. Details of this increase are as follows:
 - Most of this amount, \$3.2 million, offsets the projected 9.9% tuition rate increase and maintains the financial aid budget at roughly the same relative program expenditure levels as in FY 2006-07.



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- An additional \$350,000 is included to implement “The Cardinal Covenant Program.” This innovative program will make college affordable and attainable for the 22.6% of Kentucky families living at or below 150% of the federal poverty level. UofL is the first public university in Kentucky to implement a covenant or promise program. It essentially will fill the gap between federal, state, and other need-based financial aid programs so that students falling into this category will graduate from UofL “debt free.”
- Also included in the 2007-08 budget is the newly created “Transfer Scholarship Program.” New funds totaling \$100,000 is allocated to support this new scholarship program. The transfer scholarship program, primarily targeting students from the community college system, is designed to work hand-in-hand with the continuing student need-based grant program.
- An additional \$250,000 is included to fund an increase in the University’s institutional need-based financial aid. Additional funding in this category is used to ensure that no qualified student is denied admittance to the University of Louisville. The Admissions and Financial Aid Offices will jointly administer these funds to financially needy students unable to qualify for other forms of need-based aid.
- The University of Louisville is also implementing a “stacking policy” for students receiving institutional scholarships funds. It is estimated that the stacking policy will save approximately \$41,000 in its first year of implementation. As a result of this policy, the maximum total annual award of institutional aid to any individual student will be no more than the sum of the annual direct cost, which includes the cost of tuition, room and board, books, and a minimum stipend of \$1,000. The purpose of this policy is to limit awards to any one student, thereby allowing the cost savings to be spread among additional first year students to help ease the added financial burden of transitioning to college.
- The University is also increasing the amount needed for the federal financial aid matching funds. An additional \$20,600 is added to the 2007-08 budget.
- ◆ This budget includes \$818,500 for faculty positions and associated fringe benefits in the College of Business. Two new faculty positions, funded at \$364,000 in total, were approved as part of the recruitment package for the Dean of the College of Business. To address the shortage of faculty relative to enrollment in the Department of



EXPENDITURE HIGHLIGHTS

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Economics, two new economics faculty positions are funded at \$243,000 including fringe benefits. An additional \$211,000 including fringe benefits is directed to the College of Business to support a Chair position in the department of Computer Information Systems and to augment a replacement faculty position in the Marketing department.

- ◆ At the heart of every great University is a great library. The University of Louisville's library is a member of the prestigious Association of Research Libraries and ranks nationally among the top 100 of all college and university libraries. Included in this budget is an allocation of \$458,100 to help fund the inflationary costs associated with the library periodicals. These periodical costs typically increase approximately 15% to 20% per year.
- ◆ The Accelerated Nursing Program is an innovative approach to meeting the projected increased demand for additional nurses over the coming years. This fast-paced second baccalaureate level degree program for non-nursing graduates builds on previous learning experiences of non-nursing graduates and provides a way for individuals with degrees in other disciplines to transition into nursing. Instruction is intense and courses are offered full-time with no breaks between sessions. Students receive the same number of clinical hours as their counterparts in the traditional entry-level nursing program. Funds totaling \$300,000 are budgeted to the School of Nursing for the expenses of developing and implementing the Second Degree Accelerated BSN program. These expenses include: (1) a full time advisor for 80-100 students in the program; (2) four additional clinical instructors; (3) additional summer teaching salaries; and (4) final semester travel expenses when the students intern under nurse preceptors in hospital settings throughout the Kentuckiana area.
- ◆ The budget for FY 2007-08 provides financial aid of \$250,000 for Jefferson County Public Schools teacher graduate programs in the College of Education and Human Development. This initiative, the cost of which is offset by additional graduate tuition revenue, is intended to enhance recruitment of JCPS personnel to graduate education programs in the College of Education and Human Development and expand the collaboration between the University and JCPS on existing and new programs.
- ◆ To fulfill the Law School Dean's recruitment package, the School will receive funding to create one new faculty position and a new associate dean for student services position in FY 2007-08. Funding of \$100,000 and 70,000, respectively, plus



EXPENDITURE HIGHLIGHTS

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appropriate fringe benefits was added to the Law School budget. The recruitment package also includes the retention of three existing faculty lines, as well as two additional faculty positions over the next two years.

- ◆ The College of Education and Human Development will establish a new “completer” degree program in Workforce Leadership with funding of \$100,000 for 2007-08. Designed for working adults, the program combines prior learning from work experience with general education courses and the major in Workforce Leadership. Both a B.S. and an M.S. degree will be available. Courses for the degrees will be offered both online and on campus.
- ◆ Providing improved student life for both traditional and non-traditional students at UofL is essential to achieving many initiatives within the Student Success goal. It is envisioned that enhanced student life will help improve graduation and retention rates and overall student satisfaction. To this end, this budget includes an additional \$100,000 for additional positions within the Office of Enrollment Management.
- ◆ Over the past year, the University developed a Quality Enhancement Plan (QEP). This was a requirement of the recently completed SACS accreditation re-affirmation process. This plan will focus on improving the critical thinking skills of all undergraduate students. The total cost of the QEP is \$3.3 million and will be funded over five years. The FY 2007-08 budget includes \$300,000 to offset a portion of the first year costs. The remaining first year costs will be reallocated from existing expenditure budgets.
- ◆ This budget allocates \$500,000 to the College of Education and Human Development to re-establish a strong, high-quality undergraduate program. Undergraduate Education programs are currently in high demand by students and by school districts to meet the growing educator shortage. The College of Education undergraduate program will also provide a conduit to graduate work across teacher and education leadership disciplines.
- ◆ The University recently submitted an application to house a Phi Beta Kappa chapter on campus. In an on-going effort to strengthen the University’s undergraduate education curriculum and to enhance the attractiveness of its Phi Beta Kappa application, the College of Arts and Sciences initiated a two course foreign language requirement for those students enrolled in Bachelor of Science degree programs. Included in this budget is \$100,000 to help fund this initiative.



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- ◆ To help meet many of the goals outlined in the University's strategic plan, the University's Leadership continues to identify funds to help strengthen the University's undergraduate programs. Undergraduate academic success contributes significantly to student retention, graduation rates, and ultimately towards the Commonwealth's goal of doubling the number of Kentuckians with college degrees by 2020. To that end, \$850,000 is earmarked for the enhancement of undergraduate programs across the colleges and schools. The Executive Vice President and University Provost received proposals from the Deans and will allocate the FY08 funds to those requests on a priority basis.
- ◆ Increased support for new and existing PhD programs is vital to meeting the state mandated graduate enrollment goals. To advance this endeavor, \$800,000 is earmarked for additional graduate assistants in new and existing PhD programs across the University.
- Goal – **Research, Creative and Scholarly Activities** - Focus energy and resources to enhance the scholarly agenda and advance to national prominence areas of programmatic strength.
 - ◆ To maintain the momentum in campus research activity, this budget includes authorization to create approximately twenty (20) new research-active faculty positions. The \$2 million required to fund the positions will be "bridged" with one-time funds until July 1, 2008. Permanent funds will then be earmarked in the 2008-09 Operating Budget. While these new positions will have a primary focus in research, they will also provide much needed undergraduate and graduate instruction on both the Belknap and HSC campuses.
 - ◆ As the University's research enterprise continues to grow, the University must also provide the much needed administrative infrastructure to support the growth in research activity. This proposed budget includes \$580,000 to support this important initiative. The Executive Vice President for Research will administer these funds, providing funds for research related programs as well as new positions in Research and other administrative offices. Also included is \$220,000 to fund positions in the University's newly created Compliance Office. This office will identify and correct compliance issues across the University and within our growing research enterprise.



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- ◆ Strong graduate programs are crucial to the University attaining its goal of becoming a nationally recognized metropolitan research institution. This budget includes \$700,000 specifically earmarked for stipend increases for graduate assistants and fellowships budgeted across the University. A statistical study showed several years ago a total investment of \$4 million is needed to bring UofL's stipends in line with those of similar institutions. This is the third year of a four-year funding plan. The Dean of the Graduate School administers these funds centrally.
- **Goal – Accessibility, Diversity, Equity, and Communication** - Develop a seamless system of access and intercultural understanding that promotes and supports race and gender diversity, inclusivity, equity, and open communication.
 - ◆ UofL is committed to recruiting and retaining a diverse population of students, faculty and staff. To help foster greater diversity on campus, an additional \$150,000 is in the budget for key diversity initiatives. These funds are available to the Vice Provost for Diversity for university-wide diversity programs, diversity training, and other related programs during the upcoming fiscal year.
 - ◆ The recruitment of high quality non-resident students is critical to attaining the University's strategic goals. To aid in the recruitment of these students, the University began the "Non-Resident Scholars" program in Fall of 2005. This budget includes an additional \$481,300 to fund the third year of this growing scholarship program. This program provides an academic scholarship which remits the difference between the resident and non-resident tuition rates to highly qualified non-resident students.
- **Goal – Institutional Effectiveness of Programs and Services** – Improve the effectiveness and accountability of programs and services in fulfilling the mission and vision of the University.
 - ◆ In January of 2000, the University began implementing the Peoplesoft enterprise (ERP) software. Over the past five years, Information Technology has accumulated approximately \$3 million in permanent costs associated with hardware and software maintenance and related personnel assigned to maintain the systems. Most of these costs were funded on an ad hoc basis using one-time central funds. Included in this budget is \$100,000 for the second year allocation of a multi-year phased funding plan to budget these expenses using permanent sources of funds.



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- ◆ Providing benefits to the University’s retirees is a component of the Human Resource’s strategic plan. The proposed budget includes \$250,000 for additional health insurance benefits for retirees and their spouses.
- ◆ The University purchased the Home of the Innocents property in downtown Louisville during FY 2005-06. This budget includes approximately \$311,000 for debt service payments associated with the renovation of that facility.
- ◆ The University recently converted its phone system using Voice Over Internet Protocol (VoIP). Since the VoIP technology reduces the number of data lines needed within the University the conversion is projected to save the University \$3 million overtime. Included in the FY 2007-08 budget is the projected first year savings of \$180,000.
- ◆ Hardware and software maintenance costs continue to escalate annually. Generally, these contracts increase annually based on increases in the University’s operating budget. Included in this budget are funds totaling \$157,300 to cover this 4.9% projected increase.
- ◆ Other small initiatives totaling less than \$100,000 round out this category.

The following is a summary of all strategic initiatives included in the proposed 2007-08 budget:

Investment in Strategic Initiatives

2007-08 Fiscal Year		
Educational Experience: Student Success		
Financial Aid Initiatives		
Financial Aid Escalator	3,178,900	
Cardinal Covenant	350,000	
Additional Need-Based Financial Aid	250,000	
Transfer Scholarships	100,000	
Federal Financial Aid Matching Funds	20,600	
Cost Savings from Financial Aid Capping	<u>(41,000)</u>	3,858,500



EXPENDITURE HIGHLIGHTS

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Investment in Strategic Initiatives — Continued

Educational Experience: Student Success - Continued

Business Faculty Positions & Faculty Salary Alignment	818,500
PhD Graduate Assistants (Stipends and Benefits)	800,000
University-wide Undergraduate Education Enhancement	850,000
Undergraduate Teacher Preparation Education Program	500,000
Library Materials (Inflationary Increase)	458,100
Law School Dean Commitments	450,400
Quality Enhancement Plan (1st Year)	300,000
Accelerated Nursing Program	300,000
College of Education Tuition Remission for JCPS Programs	250,000
Student Affairs (reorganization)	200,000
Recruiting and Retention Initiatives/Admissions Office	100,000
College of Arts and Sciences Foreign Language Commitment	100,000
Workforce Leadership Education Program ("Completer" Degree)	100,000
Vice President for Student Affairs Commitment	28,100

Total Educational Experience: Student Success 9,113,600

Accessibility, Diversity, Equity and Communication

African American Faculty Recruitment and Retention	150,000
Non-Resident Scholars Program	
Third Year Allotment	150,000
Offset by Tuition Revenue from Enrollment Increases	331,300

Total Accessibility, Diversity, Equity and Communication 631,300

Research, Creative and Scholarly Activities

Research-Active Faculty Positions (cost net of grant revenue)	2,000,000
Research Administration and Infrastructure	579,500
Graduate Stipends Market Adjustments	700,000
Compliance Office Positions	220,000
Health Insurance Increase for Graduate Students	97,200

Total Research, Creative and Scholarly Activities 3,596,700

Institutional Effectiveness of Programs and Services

Staff Salary Catch-up	450,000
Home of the Innocents Building Renovation Debt Service (1/2 year)	310,500
Human Resources Strategic Plan	214,000
Information Technology (soft money problem)	100,000
Hardware and Software Maintenance	157,300
Legislative Assistant Position	44,700
Music Licensing Contracts	12,900
Orientation Offset	30,000
Retroactive Salary Increases	40,400
Staff Senate Stipends	5,100
Voice Over Internet Protocol	(180,000)

Total Institutional Effectiveness of Programs and Services 1,184,900

Total Investment in Strategic Initiatives **14,526,500**



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5. The proposed expenditure budget is increased by approximately \$1.9 million for items **directly offset by revenue**. Programs included in this category have a one-to-one relationship between a specific revenue item and a specifically budgeted expenditure. Included in this category are:

- Overall Continuing and Distance Education programs have a proposed net increase of approximately \$50,000. The small change is a direct result of rebudgeting programs within the many offerings of the Delphi Center and decreases within the unit based Continuing Education programs.
- The category of Special Programs is projected to increase \$162,300 for FY 2007-08. Most of this increase is related to more accurately budgeting the Miami University/Europe program. This is an innovative, collaborative program between the College of Business and Miami of Ohio University. Other small changes in various programs round out this category,
- Expense budgets offset by Miscellaneous Student Fees is projected to increase \$1.5 million. Of this amount, \$962,000 is directly related to an accounting change in how the Student Health Fee is collected and budgeted. Also included in this category is a \$189,000 increase to the Dental Instrument expense budget. This increase is based on an approved annual increase to the Dental Instrument fee for the University's Dental Students.
- Working with the Vice President for Student Affairs and the Student Government Association (SGA) officers, the SGA expense budget was restructured. The budgets for administrative items not directly related to SGA programming were transferred to more appropriate budget areas. The SGA budget is now fully focused on student programming initiatives and is intended to facilitate ease of SGA budget management.
 - ◆ Stipends for Student Government Association officers—previously housed in the SGA expense budget—were moved to the Student Financial Aid budget. These stipends will now be increased for future tuition rate increases as is the case with all other financial aid items..
 - ◆ A staff support position was also moved to the Vice President for Student Affairs expense budget.



EXPENDITURE HIGHLIGHTS

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- Approximately \$574,200 is directly offset by appropriations from the Commonwealth. This amount is for the Quality and Charity Care Trust (QCCT) inflation escalator. While included in UofL's State appropriation, these funds are transferred directly to the QCCT and—unlike other general fund appropriations—the Commonwealth captures lapsed funds at year-end.
 - Expense budgets offset by non-educational revenue will decrease approximately \$131,700. This change results from multiple revisions to “program budgets” across the University.
 - A number of other small adjustments to various programs round out this category of Expenditures Offset by Specific Revenue.
6. The expenditure budget for the University's **Auxiliary Enterprises** increased approximately \$382,800 for 2007-08. Changes in this category include:
- The budget for **Contract Vending** is scheduled to decrease \$95,000 for FY 2007-08. This projected decline is a result of lower than expected vending sales in the current fiscal year.
 - University **Parking's** budget will increase approximately \$175,000 for FY 2007-08. This projected budget is currently based on a 5% increase in the cost of parking permits for University's faculty, staff, and students. Since the state legislature did not pass authorization on the new HSC parking structure, the budget, at this time, does not include the debt service payments to cover the new facility's construction costs.
 - The **School of Justice Administration Housing Facility** located on Shelby Campus will budget its full projected revenue and expenses for FY 2007-08. This results in a \$255,000 increase in this budget.
7. The **Student Housing** budget is projected to increase approximately \$417,800 for FY 2007-08. Most of the increase is related to budgeting the debt service required to renovate Miller Hall. Should the legislature not approve the bonding authorization for the renovation of Miller Hall, the Housing budget will be adjusted after July 1, 2007. The Board of Trustees approved the new housing rates in April 2007, which are effective Fall 2007. On average, the rates for the residence halls will increase 10% and apartments will increase 4%. According to University housing administration, UofL rates remain competitive with the



EXPENDITURE HIGHLIGHTS

2007-08 Operating Budget

University of Kentucky and other regional institutions. The rate increase was required to support additional personnel costs, operating costs, deferred maintenance and minor renovation projects.

8. The expenditure budgets for the University's **Service Centers** are 100% self-supporting and function as stand-alone business enterprises. That is, their respective expenditure budgets are based entirely on internal charges to other University departments for services rendered or on externally produced service income. In total, these budgets will decrease approximately \$75,200 for FY 2007-08. Most of this decrease is a direct result of reducing budgets on the Health Science Campus and in Information Technology to better reflect actual expenses. Also, some budgets are being reduced as part of a cash deficit reduction plan.



2007-08 Operating Budget Summary of Changes in Budgeted Expenditures

	2006-07				2007-08				Percent Change			
	Original Budget	Offset by Revenue	Significant Transfers	One-day Variance	Fixed Costs	Programmatic Reductions	Faculty/Staff Salary Increases	Other Initiatives		Changes in Fringe Benefits	Proposed Budget	Increase/Decrease
Academic Units												
Academic Support Programs	3,668,543	0	(8,946)	1,409	0	0	439,551	0	50,661	4,151,218	482,675	13.16%
Arts and Sciences	47,146,958	(138,600)	368,458	6,355	0	0	1,398,131	902,638	691,076	50,375,016	3,228,058	6.85%
Business	14,793,725	244,400	65,415	1,537	0	0	451,643	821,964	204,294	16,582,978	1,789,253	12.09%
Dentistry	14,676,189	114,500	3,441	7,743	0	0	415,347	132,615	202,671	15,532,506	876,317	5.97%
Education and Human Development	12,704,680	(76,500)	1,454	1,780	0	0	363,887	736,799	175,445	13,907,545	1,202,865	9.47%
Graduate Programs	3,311,549	0	0	519	0	0	111,343	36,143	45,731	3,505,285	193,736	5.85%
Kent School of Social Work	3,126,984	0	0	214	0	0	98,102	124,064	43,182	3,392,546	265,562	8.49%
Brandeis School of Law	5,053,013	(5,000)	0	546	0	0	158,091	450,400	69,780	5,726,830	673,817	13.33%
University Libraries	16,707,639	0	(158)	6,352	0	0	245,118	466,850	230,724	17,656,525	948,886	5.68%
Medicine	50,747,136	962,000	301,000	8,504	0	0	1,393,727	863,630	744,694	55,020,691	4,273,555	8.42%
Metropolitan College (UoFL)	632,252	(62,900)	0	0	0	0	0	0	8,731	578,083	(54,169)	-8.57%
Music	4,989,748	0	50,565	844	0	0	149,347	101,558	68,906	5,360,968	371,220	7.44%
Nursing	3,842,248	14,000	0	687	0	0	103,420	342,821	53,060	4,356,236	513,988	13.38%
Other Academic Programs	4,034,598	142,000	22,614	528	0	(37,500)	77,178	0	55,716	4,295,134	260,536	6.46%
Public Health and Information Sciences	3,252,575	35,000	(111,496)	102	0	0	101,403	227,337	44,916	3,549,837	297,262	9.14%
J. B. Speed School of Engineering	16,498,527	91,200	87,407	1,910	0	0	507,957	406,701	227,836	17,821,538	1,323,011	8.02%
Undergraduate Studies	3,454,916	0	2,157	570	0	0	74,211	3,580	47,711	3,583,145	128,229	3.71%
Total Academic Units	208,641,280	1,320,100	781,911	39,600	0	(37,500)	6,088,456	5,617,100	2,965,133	225,416,080	16,774,800	8.04%
Support Units												
General Institutional Expense	6,121,996	0	0	144	101,100	0	2,159	226,900	1,240	6,453,539	331,543	5.42%
Institutional Support:												
President	1,142,803	0	12,239	492	0	0	29,196	0	15,782	1,200,512	57,709	5.05%
Provost	4,887,614	62,900	(401,869)	1,113	0	0	117,144	1,302,390	67,495	6,036,787	1,149,173	23.51%
V.P. Business Affairs	9,255,244	40,800	33,420	11,036	0	0	271,112	5,100	127,810	9,744,522	489,278	5.29%
V.P. Information Technology	9,631,162	(100,000)	0	191	0	0	198,976	77,300	133,001	9,940,630	309,468	3.21%
V.P. Advancement	2,488,947	0	0	468	0	0	62,763	44,734	34,371	2,631,283	142,336	5.72%
V.P. External Affairs	668,384	0	57,385	103	0	0	18,136	0	9,230	753,238	84,854	12.70%
V.P. Finance	4,707,989	(75,000)	70,663	2,650	0	0	132,980	220,000	65,015	5,124,297	416,308	8.84%
Physical Plant	31,519,552	0	(2,704)	38,190	713,000	0	461,502	0	435,269	33,164,809	1,645,257	5.22%
Research Administration	8,921,264	0	(457,395)	2,250	0	0	157,272	743,671	123,198	9,490,260	568,996	6.38%
University Reserves	8,036,254	0	(130,125)	0	0	0	100,000	450,000	0	8,456,129	419,875	5.22%
Student Activities	4,608,036	22,800	16,849	1,876	0	0	107,320	236,385	63,635	5,056,901	448,865	9.74%
Enrollment Management	4,992,323	92,500	19,626	2,058	0	0	131,919	132,390	68,941	5,439,757	447,434	8.96%
Student Financial Aid	35,664,475	119,300	0	0	0	0	5,159,570	0	0	40,943,345	5,278,870	14.80%
Student Government Association	600,000	(178,100)	0	0	0	0	0	0	0	421,900	(178,100)	-29.68%
Debt Service/Transfers	17,384,410	0	0	0	(3,656,300)	0	0	310,500	0	14,038,610	(3,345,800)	-19.25%
Total Support Units	150,630,453	(14,800)	(781,911)	60,571	(2,842,200)	0	1,790,479	8,908,940	1,144,988	158,896,520	8,266,067	5.49%
Auxiliary Enterprises												
Auxiliaries	2,058,600	333,258	0	217	0	0	20,897	0	28,428	2,441,400	382,800	18.60%
Service Centers	1,472,700	(253,005)	0	300	0	0	157,168	0	20,337	1,397,500	(75,200)	-5.11%
University Housing	5,152,267	324,003	0	0	0	0	22,120	460	71,150	5,570,000	417,733	8.11%
Total Auxiliary Enterprises	8,683,567	404,256	0	517	0	0	200,185	460	119,916	9,408,901	725,334	8.35%
University of Louisville Hospital (QCC)	19,581,400	1,143,200	0	0	0	0	0	0	0	20,724,600	1,143,200	5.84%
Metropolitan College	1,992,300	0	0	0	0	0	0	0	0	1,992,300	0	0.00%
Total General Funds	389,529,000	2,852,756	0	100,688	(2,842,200)	(37,500)	8,079,120	14,526,500	4,230,036	416,438,400	26,909,400	6.91%
Total UoL Corporations	379,773,200	45,226,800	0	0	0	0	0	0	0	425,000,000	45,226,800	11.91%
TOTAL UNIVERSITY	769,302,200	48,079,556	0	100,688	(2,842,200)	(37,500)	8,079,120	14,526,500	4,230,036	841,438,400	72,136,200	9.38%



History of Budgeted Expenditures

	2004-05 Budget	2005-06 Budget*	2006-07 Budget	2007-08		
				Proposed Budget	Change From 2006-07	Percent Change
Academic Units						
Academic Support Programs	4,160,620	3,376,588	3,668,543	4,151,218	482,675	13.2%
Arts and Sciences	38,897,963	43,477,982	47,146,958	50,375,016	3,228,058	6.8%
Business	13,320,986	13,021,505	14,793,725	16,582,978	1,789,253	12.1%
Dentistry	12,783,449	13,790,183	14,676,189	15,552,506	876,317	6.0%
Education and Human Development	11,796,002	11,643,429	12,704,680	13,907,545	1,202,865	9.5%
Graduate Programs	2,469,202	3,197,488	3,311,549	3,505,285	193,736	5.9%
Kent School of Social Work	2,746,211	2,887,533	3,126,984	3,392,546	265,562	8.5%
Brandeis School of Law	4,510,513	4,763,186	5,053,013	5,726,830	673,817	13.3%
University Libraries	15,077,945	15,814,342	16,707,639	17,656,525	948,886	5.7%
Medicine	45,917,871	47,465,781	50,747,136	55,020,691	4,273,555	8.4%
Metropolitan College (UofL)	670,360	618,747	632,252	578,083	(54,169)	-8.6%
Music	4,323,568	4,511,217	4,989,748	5,360,968	371,220	7.4%
Nursing	3,140,319	3,420,859	3,842,248	4,356,236	513,988	13.4%
Other Academic Programs	3,234,562	3,312,765	4,034,598	4,295,134	260,536	6.5%
Public Health and Information Sciences	2,216,370	2,775,636	3,252,575	3,549,837	297,262	9.1%
J.B. Speed School of Engineering	14,746,051	15,652,232	16,498,527	17,821,538	1,323,011	8.0%
Undergraduate Studies	3,147,001	3,336,145	3,454,916	3,583,145	128,229	3.7%
Total Academic Units	183,158,993	193,065,618	208,641,280	225,416,080	16,774,800	8.0%
Support Units						
General Institutional Expense	6,233,601	6,045,421	6,121,996	6,453,539	331,543	5.4%
Institutional Support	28,963,045	32,594,893	32,782,143	35,431,270	2,649,127	8.1%
Physical Plant	24,408,305	28,187,756	31,519,552	33,164,809	1,645,257	5.2%
Research Administration	5,740,647	8,120,578	8,921,264	9,490,260	568,996	6.4%
University Reserves	7,793,220	7,683,152	8,036,254	8,456,129	419,875	5.2%
Student Activities	2,891,000	4,525,981	4,608,036	5,056,901	448,865	9.7%
Enrollment Management	0	4,683,519	4,992,323	5,439,757	447,434	9.0%
Student Financial Aid	27,345,246	30,723,610	35,664,475	40,943,345	5,278,870	14.8%
Student Government Association	530,000	530,000	600,000	421,900	(178,100)	-29.7%
Student Services	5,386,539	0	0	0	0	0.0%
Debt Service/Transfers	17,350,304	17,667,585	17,384,410	14,038,610	(3,345,800)	-19.2%
Total Support Units	126,641,907	140,762,495	150,630,453	158,896,520	8,266,067	5.5%
Auxiliary Enterprises						
Auxiliaries	2,243,700	2,077,200	2,058,600	2,441,400	382,800	18.6%
Service Centers	652,100	1,049,800	1,472,700	1,397,500	(75,200)	-5.1%
University Housing	5,109,000	5,136,287	5,152,267	5,570,000	417,733	8.1%
Total Auxiliary Enterprises	8,004,800	8,263,287	8,683,567	9,408,901	725,334	8.4%
University of Louisville Hospital (QCCT)	23,366,500	23,743,400	19,581,400	20,724,600	1,143,200	5.8%
Metropolitan College	1,992,300	1,992,300	1,992,300	1,992,300	0	0.0%
Total General Funds	343,164,500	367,827,100	389,529,000	416,438,400	26,909,400	6.9%
Total UofL Corporations	270,000,000	330,000,000	379,773,200	425,000,000	45,226,800	11.9%
TOTAL UNIVERSITY	613,164,500	697,827,100	769,302,200	841,438,400	72,136,200	9.4%

* Includes reorganization changes after July 1, 2005



SUMMARY OF SALARY INCREASE GUIDELINES

SALARY INCREASE PERCENTAGES					
EMPLOYEE CATEGORY	Across-the-Board	Performance Based	Range of Performance Based Increases	Unsatisfactory	Total
Full-time Faculty	-0-	4%	0-5.5%	-0-	0-5.5%
Permanent Part-time Faculty	-0-	4%	0-5.5%	-0-	0-5.5%
Instructional Lump Sums	4%	-0-	---	---	4%
Graduate Assistants *	-0-	---	---	---	4% *
Administrators	-0-	4%	0-5.5%	-0-	0-5.5%
P&A Staff	2.5%	1.5%	0-3%	-0-	2.5-5.5%
Classified Staff	2.5%	1.5%	0-3%	-0-	2.5-5.5%
House Staff	4%	-0-	---	---	4%
Student Wages	-0-	-0-	---	---	0%
Overtime Wages	-0-	-0-	---	---	0%
Temporary and Casual Labor	-0-	-0-	---	---	0%
Shift Differential	4%	-0-	---	---	4%

* Graduate Assistant stipend increases will be pooled centrally for targeted adjustments by the Graduate Dean.



Summary of Changes in Revenue and Expenditures

I. Educational and General Revenue Budget:

A. 2006-07 E&G Revenue Base Budget		375,268,700
B. 2006-07 Adjustments to State Appropriation		
- Base Adjustments:		
Base Adjustment	10,446,800	
Hospital Contract - QCCT Escalator	574,200	
E&G Debt Service Adjustment	(7,159,700)	
Equine Industry Program	(200,000)	
Other State Funds - Partners Pollution Prevention Program	66,100	
Increase in State Appropriation in CPE Budget:		
Additional Research Funding	<u>500,000</u>	
	<u>500,000</u>	
Sub-Total Base Adjustments		<u>4,227,400</u>
Total Adjustments to State Appropriation		4,227,400
C. Adjustments to Tuition and Fee Revenue:		
Tuition:		
- Projected Tuition Rate Increase (on budgeted enrollment):		
Summer Term @ 13% (from FY07)	1,269,900	
Fall & Spring Term @ 9.9% Non Resident Medicine at 0%	<u>11,708,500</u>	
		12,978,400
- Additional Medical School Students	150,000	
- Non-Resident Scholars Program	<u>331,300</u>	
		<u>481,300</u>
Sub-Total Adjustments to Tuition		13,459,700
Fees:		
Continuing Education	(57,200)	
Distance Education	314,200	
Special Programs:	162,300	
Miscellaneous Fees:	<u>1,673,000</u>	
Sub-Total Adjustments to Fees		<u>2,092,300</u>
Total Adjustments to Tuition and Fee Revenue		15,552,000
D. Adjustments to Transfers from Affiliated Corporations:		
- Series O Debt Service (Natatorium) reduction		(30,800)
- Indirect Cost Recovery		
Series N Debt Service (Belknap Research Building)	(2,800)	
Indirect Cost Recovery (F&A)	<u>800,000</u>	
		<u>797,200</u>
Total Adjustments to Transfers from Affiliated Corporations		766,400
E. Adjustments to Sales and Services of Educational Departments:		(10,900)
F. Adjustment to Organized Activities Related to Instruction		(180,500)
G. Adjustments to Other Non-Educational Revenue		
- Interest Income	750,000	
- Debt Service Reserve Transfer	3,754,700	
- Other Non-Educational Revenue	<u>(100,400)</u>	
Total Adjustments to Other Non-Education Revenue		4,404,300
H. Adjustments to Hospital Related Revenue:		<u>569,000</u>
Total Projected E&G Revenue		<u><u>400,596,400</u></u>



Summary of Changes in Revenue and Expenditures

II. Auxiliary Enterprises, Service Centers and Housing Revenue Budget:

A. Auxiliary Enterprises Base Budget		3,787,700
- SJA Dormitory (Shelby Campus)	255,000	
- University Parking	174,800	
- Other Adjustments to Auxiliary Enterprise Budgets	<u>(47,000)</u>	<u>382,800</u>
Subtotal Auxiliary Enterprises		4,170,500
B. Service Centers Base Budget		2,026,700
- Bioengineering Laboratory	(104,600)	
- Advanced Materials and Renewable Energy	221,000	
- Dahlem Supercomputer Lab	50,200	
- Microarray Facility	(91,400)	
- Molecular Modeling Facility	(78,400)	
- Biophysics Lab	(113,900)	
- Nuclear MRI Facility	(177,200)	
- Design and Print Services	(250,000)	
- Communication Services	201,400	
- Contract Technology Support	248,700	
- Other Adjustments to Service Center Budgets	<u>19,000</u>	<u>(75,200)</u>
Subtotal Service Centers		1,951,500
C. Student Housing Base Budget		6,453,600
- Adjustment to Housing Budget	<u>1,274,100</u>	<u>1,274,100</u>
Subtotal Student Housing		7,727,700
III. Metropolitan College:		
- Base		<u>1,992,300</u>
Total University Revenue		<u>416,438,400</u>

I. Educational and General Expenditure Budget:

A. 2006-07 Expenditure Base Budget		378,220,900
B. Fixed Costs:		
- One Additional Work Day for Classified Staff	131,500	
- Change in FICA Maximum	532,500	
- Long Term Disability Insurance	18,500	
- Worker's Compensation Insurance	265,700	
- Unemployment Insurance	48,500	
- Retirement Contribution	361,800	
- Employee Direct Bill	20,600	
- Other Fringe Benefits	16,800	
- Audit Fees	1,800	
- Insurance	99,300	
- Utility budgets (based on 5% estimate in projection model)	703,000	
- Library Expansion M&O	10,000	
- Change in Debt Service Requirements	<u>(3,656,300)</u>	
Total Fixed Costs		(1,446,300)
C. Investment in Strategic Initiatives:		
- Salaries and Fringe Benefit Adjustments:		
- Salary & Wage Increases (4%)		8,450,300
- Health Insurance:		
July thru December 2007 - 15% - \$482/mo./employee	769,800	
January thru June 2008 - 10% - \$530/mo./employee	<u>1,022,700</u>	1,792,500
- Faculty Promotion Salary Increases		350,000
- Staff Reclassification/Promotion Salary Increases		<u>100,000</u>
- Total Salaries and Fringe Benefit Adjustments:		10,692,800



Summary of Changes in Revenue and Expenditures

- Other Strategic Initiatives:			
- Educational Experience: Student Success			
- Financial Aid Initiatives			
- Financial Aid Escalator	3,178,900		
- Cardinal Covenant	350,000		
- Additional Need-Based Financial Aid	250,000		
- Transfer Scholarships	100,000		
- Federal Financial Aid Matching Funds	20,600		
- Cost Savings From Financial Aid Capping	<u>(41,000)</u>	3,858,500	
- New College of Business Faculty and Faculty Salary		818,500	
- PhD Graduate Assistants (Stipends & Benefits)		800,000	
- University-Wide Undergraduate Education Enhancement		850,000	
- Undergraduate Education Program (College of Education/Human Development)		500,000	
- Library Materials Inflationary Increase		458,100	
- Law School Dean Commitments		450,400	
- Quality Enhancement Plan (SACS)		300,000	
- Accelerated Nursing Program		300,000	
- College of Education Remission for JCPS Programs		250,000	
- Student Affairs (Reorganization)		200,000	
- Recruiting and Retention Initiatives/Admissions Office		100,000	
- College of Arts & Sciences Foreign Language Commitment (Phi Beta Kappa)		100,000	
- Workforce Leadership Education Program ("Completer" Degree)		100,000	
- Vice President for Student Affairs Commitment		<u>28,100</u>	
Total Educational Experience: Student Success			9,113,600
- Accessibility, Diversity, Equity and Communication			
- African American Faculty Recruitment & Retention		150,000	
- Non-Resident Scholars Program			
- Third Year Allotment	150,000		
- Offset by Tuition Revenue	<u>331,300</u>	481,300	
			631,300
- Research, Creative and Scholarly Activities			
- New Faculty Positions (cost net of grant revenue)		2,000,000	
- Research Administration and Infrastructure		579,500	
- Graduate Stipends Market Adjustments		700,000	
- Compliance Office Positions		220,000	
- Health Insurance for Graduate Students		<u>97,200</u>	
Total Research, Creative and Scholarly Activities			3,596,700
- Institutional Effectiveness of Programs and Services			
- Staff Salary Catch-up		450,000	
- Home of the Innocents Building Renovation Debt Service (1/2 year)		310,500	
- Human Resources Strategic Plan		214,000	
- Information Technology (soft money problem)		100,000	
- Hardware and Software Maintenance		157,300	
- Legislative Assistant Position		44,700	
- Music Licensing Contracts		12,900	
- Orientation Program		30,000	
- Miscellaneous Salary Adjustments		40,400	
- Staff Senate Stipends		5,100	
- Voice Over Internet Protocol Savings		<u>(180,000)</u>	
Total Institutional Effectiveness of Programs and Services			<u>1,184,900</u>
Total Investment in Other Strategic Initiatives			14,526,500
D. Planned Programmatic Budget Reductions:			
- Delphi Center Budget Reduction		<u>(37,500)</u>	
Total Planned Programmatic Budget Reductions			(37,500)



Summary of Changes in Revenue and Expenditures

E. Expenditure Increases Offset by Specific Revenue or Departmental Credits:

- Continuing Education	(73,800)	
- Distance Education	130,800	
- Special Programs	162,300	
- Miscellaneous Fees	1,543,000	
- Sales and Services of Educational Departments	(10,900)	
- Organized Activities Related to Instruction	(180,500)	
- Other Non-Educational Programs	(131,700)	
- Partners Pollution Prevention Program	66,100	
- Hospital Contract - QCCT Inflation Escalator	574,200	
- Equine Industry Program	(200,000)	
- Metropolitan College	62,900	
Total E & G Expenditure Increase Offset By Revenue		1,942,400
F. Hospital Related Expenses:		<u>569,000</u>
Total Projected E&G Expenditure Budget		<u>404,467,800</u>

II. Auxiliary Enterprises, Service Centers and Housing Expense Budget:

A. Auxiliary Enterprises Base Budget		2,058,600
- SJA Dormitory	255,000	
- University Parking	174,800	
- Other Adjustments to Auxiliary Enterprise Budgets	(47,000)	
Subtotal Auxiliary Enterprises		<u>382,800</u>
		<u>2,441,400</u>
B. Service Centers Base Budget		1,472,700
- Bioengineering Laboratory	(104,600)	
- Advanced Materials and Renewable Energy	221,000	
- Dahlem Supercomputer Lab	50,200	
- Microarray Facility	(91,400)	
- Molecular Modeling Facility	(78,400)	
- Biophysics Lab	(113,900)	
- Nuclear MRI Facility	(177,200)	
- Design and Print Services	(250,000)	
- Communication Services	201,400	
- Contract Technology Support	248,700	
- Other Adjustments to Service Center Budgets	19,000	
Subtotal Service Centers		<u>(75,200)</u>
		<u>1,397,500</u>
C. Student Housing Base Budget		5,152,200
- Adjustment to Housing Budget	417,800	
Subtotal Student Housing		<u>417,800</u>
		<u>5,570,000</u>

III. Metropolitan College:

- State Base Funding		1,992,300
- University Base Funding		632,300
- Adjustment to base	(62,900)	
Total Metropolitan College		<u>(62,900)</u>
		<u>2,561,700</u>
Total University Expenditures		<u>416,438,400</u>



GENERAL FUND BUDGETED EXPENDITURES

Fiscal Years 2002 to 2008 (Dollars in thousands)

BUDGET TRENDS

2007-08 Operating Budget

	2002-2008							Amount Change	Percent Change
	2002-03 Budget	2003-04 Budget	2004-05 Budget	2005-06 Budget	2006-07 Budget	2007-08 Budget	2008-09 Budget		
Academic Units									
Academic Support Programs	4,277	4,172	4,161	3,377	3,668	4,151	(126)	-10.0%	
Allied Health Sciences	1,037	0	0	0	0	0	(1,037)	-100.0%	
Arts and Sciences	35,954	37,035	38,898	43,478	47,147	50,375	14,421	40.1%	
Business	12,554	13,045	13,321	13,021	14,794	16,582	4,028	32.1%	
Dentistry	11,028	12,186	12,783	13,790	14,676	15,553	4,525	41.0%	
Education and Human Development	10,215	10,831	11,796	11,643	12,705	13,908	3,693	36.2%	
Graduate Programs	2,439	2,709	2,469	3,197	3,312	3,505	1,066	43.7%	
Kent School of Social Work	2,600	2,625	2,746	2,888	3,127	3,393	793	30.5%	
Brandeis School of Law	4,505	4,507	4,511	4,763	5,053	5,727	1,222	27.1%	
University Libraries	14,263	14,814	15,078	15,814	16,708	17,656	3,393	23.8%	
Medicine	44,763	45,255	45,918	47,466	50,747	55,021	10,258	22.9%	
Metropolitan College (UofL)	669	669	670	619	632	578	(91)	-13.6%	
Music	4,039	4,266	4,324	4,511	4,990	5,361	1,322	32.7%	
Nursing	2,482	2,715	3,140	3,421	3,842	4,356	1,874	75.5%	
Other Academic Programs	3,106	3,257	3,235	3,313	4,034	4,295	1,189	38.3%	
Public Health and Information Sciences	1,863	2,151	2,216	2,776	3,252	3,550	1,687	90.6%	
J. B. Speed School of Engineering	13,640	14,061	14,746	15,652	16,499	17,822	4,182	30.7%	
Undergraduate Studies	2,711	2,524	3,147	3,336	3,455	3,583	872	32.2%	
Provost Academic Initiatives	0	0	0	1,300	0	850	850	NA	
Total Academic Units	172,145	176,822	183,159	194,365	208,641	226,266	54,121	31.4%	
Support Units									
General Institutional Expense	6,979	6,746	6,234	6,045	6,122	6,454	(525)	-7.5%	
Institutional Support	26,353	26,729	28,964	31,256	32,782	34,581	8,228	31.2%	
Physical Plant	22,772	23,297	24,408	28,188	31,520	33,165	10,393	45.6%	
Research Administration	4,671	5,267	5,741	8,121	8,921	9,490	4,819	103.2%	
University Reserves	7,767	7,837	7,793	7,683	8,036	8,456	689	8.9%	
Student Financial Aid	20,412	22,952	27,345	30,724	35,665	40,943	20,531	100.6%	
Student Activities and Student Government	8,645	8,651	8,808	9,779	5,208	5,479	(3,166)	-36.6%	
Enrollment Management	0	0	0	0	4,992	5,440	5,440	NA	
Debt Service/Transfers	15,288	15,288	17,350	17,668	17,384	14,039	(1,249)	-8.2%	
Total Support Units	112,887	116,767	126,643	139,464	150,630	158,047	45,160	40.0%	
Auxiliary Enterprises									
Auxiliaries	1,972	2,031	2,244	2,077	2,059	2,441	469	23.8%	
Service Centers	1,698	544	650	1,050	1,473	1,397	(301)	-17.7%	
University Housing	3,932	4,378	5,109	5,136	5,152	5,570	1,638	41.7%	
Total Auxiliary Enterprises	7,602	6,953	8,003	8,263	8,684	9,408	1,806	23.8%	
University of Louisville Hospital (QCCT)	22,103	23,000	23,367	23,743	19,582	20,725	(1,378)	-6.2%	
Metropolitan College	2,153	2,097	1,992	1,992	1,992	1,992	(161)	-7.5%	
Unrestricted Fund Balance - Undesignated	7,000	0	0	0	0	0	(7,000)	-100.0%	
Total General Funds	323,890	325,639	343,164	367,827	389,529	416,438	92,548	28.6%	
Total UofL Corporations	227,500	247,500	270,000	330,000	379,773	425,000	197,500	86.8%	
TOTAL UNIVERSITY	551,390	573,139	613,164	697,827	769,302	841,438	290,048	52.6%	



ENROLLMENT INFORMATION
2007-08 Operating Budget

FIRST-TIME FRESHMEN AT KENTUCKY STATE INSTITUTIONS
Enrollment Market Share Analysis

INSTITUTION	Fall 2005		Fall 2006		Percent Change
	Students	Percent	Students	Percent	
Eastern Kentucky University	2,500	9.3	2,487	9.0	-0.5%
Kentucky State University	416	1.5	542	2.0	30.3%
Morehead State University	1,300	4.8	1,306	4.7	0.5%
Murray State University	1,389	5.1	1,334	4.8	-4.0%
Northern Kentucky University	1,777	6.6	1,993	7.2	12.2%
University of Kentucky	3,835	14.2	4,042	14.7	5.4%
University of Louisville	2,313	8.6	2,370	8.6	2.5%
Western Kentucky University	3,150	11.7	3,171	11.5	0.7%
Total Kentucky Public Universities	16,680	61.7	17,245	62.6	3.4%
Kentucky Community Technical College System (KCTCS)	10,338	38.3	10,319	37.4	-0.2%
TOTAL FIRST-TIME FRESHMEN IN KENTUCKY	27,018	100	27,564	100	2.0%

Source: The Fall data is from the Institutional Research Office at each institution.



***SCHEDULE FOR DEVELOPING THE
2007-2008 OPERATING BUDGET***

ACTION	DATE	STATUS
Preliminary Budget Planning, Modeling and Coordination	August — December 2006	Completed
Identification of Budget Issues	August — October 2006	Completed
Consultation with VP's, Deans and Constituency Groups	September 2006—May 2007	Completed
Development of FY 2006-07 Salary Increases and Guidelines	February—March 2007	Completed
FY 2007-08 Tuition Setting Process	October 2006—February 2007	Completed
Leadership Team Formulates Comprehensive Tuition and Fee Proposal for UofL	January 2—April 4, 2007	Completed
Tuition Forums with VP Student Affairs and SGA	February 15, 21 and 22 2007	Completed
Board of Trustees Approves Tuition Rates for FY06-07	Thursday, April 5 2007	Completed



***SCHEDULE FOR DEVELOPING THE
2007-2008 OPERATING BUDGET***

ACTION	DATE	STATUS
President Briefs Board of Trustees on Tuition Rates	Tuesday, March 7, 2007	Completed
University-Wide Forum on Tuition and Fees Proposal	Tuesday, March 20, 2007	Completed
Final Decision Regarding FY07 Salary Increases	March 2007	Completed
Preliminary Decision regarding CY07 Health Benefits	March 2007	Completed
CPE Tuition Hearing for UofL	Wednesday, April 4, 2007	Completed
Decision on New Strategic Initiatives	April 2007	Completed
2007-08 Salary Increase Implemented	April 2007	Completed
Budget & Financial Planning Staff Prepares Material for the Board of Trustees Finance Committee Budget Workshop	Monday, April 16 — Wednesday, May 2, 2007	Completed
Board of Trustees Pre-Budget Workshop	Thursday, May 3, 2007	Completed
2007-08 Finance Committee Budget Workshop	Thursday, May 10, 2007	Scheduled
Operating Budget is Finalized and Budget Document is Sent to Print	Friday, May 11 — Monday, June 4, 2007	Scheduled



***SCHEDULE FOR DEVELOPING THE
2007-2008 OPERATING BUDGET***

ACTION	DATE	STATUS
Mailing to Board Members	Thursday, June 7, 2007	Scheduled
President submits 2007-08 Budget to the Board of Trustees for Approval	Thursday, June 14, 2007	Scheduled