



UofL

Board of Trustees  
Finance Committee Budget Workshop  
May 10, 2007

UNIVERSITY of LOUISVILLE<sup>®</sup>

# UofL Operating Budget 2007-2008



## General

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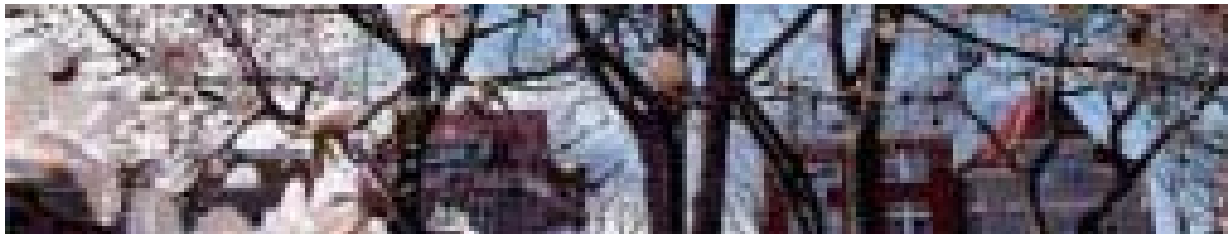
- Presentation will focus on *General Fund Budget*
- At This Time, the Proposed Budget is a “*Work in Progress*”
- Extensive University-wide Consultation and Participation
- The Proposed Budget is “Balanced,” it will change only slightly before the June Board meeting.

# UofL Operating Budget 2007-2008

## Major Forces Affecting the Budget

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- Increase in State Appropriation for 2<sup>nd</sup> Year of the Biennium
- Increased Tuition Revenue
- Enrollment Management – Undergraduate, Graduate, and Professional
- Positioning the University for the Future
  - Building on the “*Challenge for Excellence*”
  - Five-Year Strategic Budget Model
  - Continue the Momentum of Progress – “Full Speed Ahead!”



# UofL Operating Budget 2007-2008

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Budget is Driven by Policy Considerations...



- CPE Tuition Policy / Parameters
- Salary Policy (Percent & Distribution)
- Financial Aid – Use All Fund Sources
- CPE Benchmark - State Appropriation
- Student Enrollment/Quality Initiatives
- Strategic Initiatives

# UofL Operating Budget 2007-2008

## Budget Values

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The University of Louisville values an open budget process that:

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



# UofL Operating Budget 2007-2008

## Budget Strategy Principles

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- ✓ Evaluate the impact of proposed decisions for FY 2007-08 on the University through the end of the *Challenge for Excellence* and beyond. In Short, Link the Budget to the Strategic Plan!
- ✓ Compensation should be effective in attracting, motivating, and retaining quality faculty and staff and should respond to the influence of external market forces.
- ✓ Continue to align faculty and staff salaries to those of benchmark institutions and marketplace as applicable.
- ✓ Develop budget scenarios and proformas upon detailed analysis using the best data and information available. Revenue Estimates must be Realistic and Attainable.



# UofL Operating Budget 2007-2008

## Budget Strategy Principles (continued)

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- ✓ Recognize that a tuition increase will be required to help offset declining state appropriations. 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.
- ✓ As a minimum, maintain modest budget reserves to fund unplanned expenditures, emergencies, and other financial contingencies.
- ✓ Maintain financial aid budgets at levels comparable to previous years. Structure the financial aid budget in such a way as to have a competitive balance between merit and need-based aid.



# UofL Operating Budget 2007-2008

## Change in Total Operating Budget

	2006-07 Budget	2007-08		
		Proposed Budget	Change From 2006-07	Percent Change
General Funds	\$389,351,200	\$416,438,400	\$27,087,200	7.0%
UofL Corporations (tentative)	\$379,773,200	\$425,000,000	\$45,226,800	11.9%
<b>Total Operating Budget</b>	<b>\$769,124,400</b>	<b>\$841,438,400</b>	<b>\$72,314,000</b>	<b>9.4%</b>





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# Proposed Revenue Budget



# UofL Operating Budget 2007-2008

## Categories of General Fund Revenue

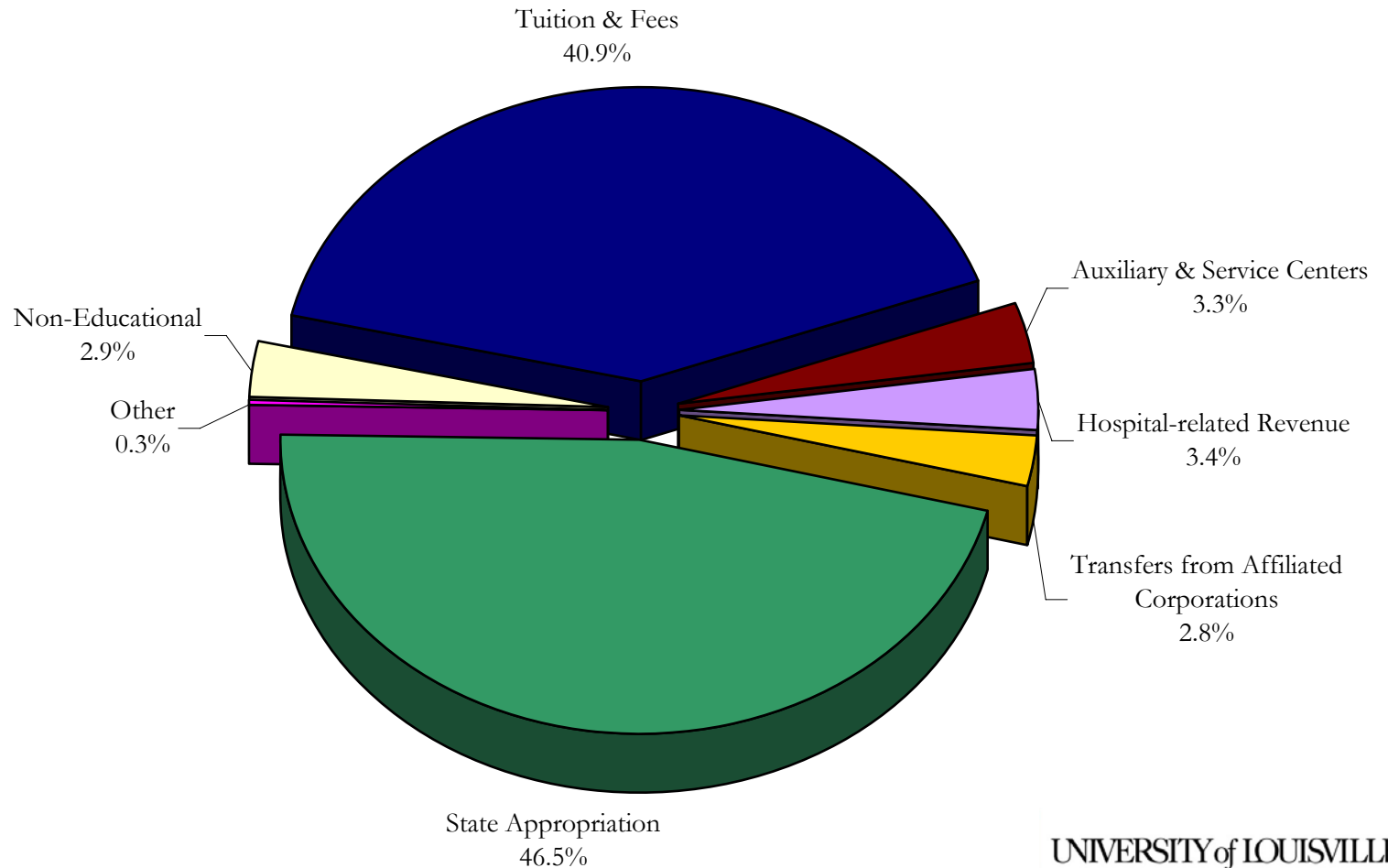
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• State Appropriation & Other State Funds	87.4%
• Tuition Revenue	
• Transfers from Affiliated Corporations	12.6%
• Sales and Services of Educational Activities	
• Organized Activities Related to Instruction	
• Other Non-Educational Revenue	
• Auxiliary Enterprises & Service Centers	
• Hospital-related Revenue	

# UofL Operating Budget 2007-2008

## General Fund Revenue By Source of Funds



# UofL Operating Budget 2007-2008

## Total State & CPE Funding

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2007-08 Projected State Appropriation	\$191,346,100
Total CPE Budget Earmarked for UofL Research	\$1,000,000
Total Other State Funds	<u>\$1,126,100</u>
<b>Total General Fund from State</b>	<b><u><u>\$193,472,200</u></u></b>

# UofL Operating Budget 2007-2008

## State Appropriation

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### I. 2006-2007 State Appropriation:

Base Appropriation	187,484,800
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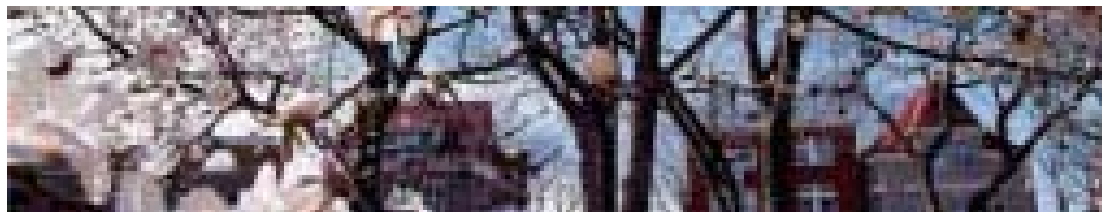
### II. Budget Increases (Decreases) in Proposed State Appropriation:

#### Base Adjustments

Benchmark Funding	10,446,800
Hospital (QCCT Escalator)	574,200
Debt Service	<u>(7,159,700)</u>

<b>Total Base Adjustments</b>	<b><u>3,861,300</u></b>
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<b>III. 2006-2007 Projected State Appropriation</b>	<b><u><u>191,346,100</u></u></b>
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# UofL Operating Budget 2007-2008

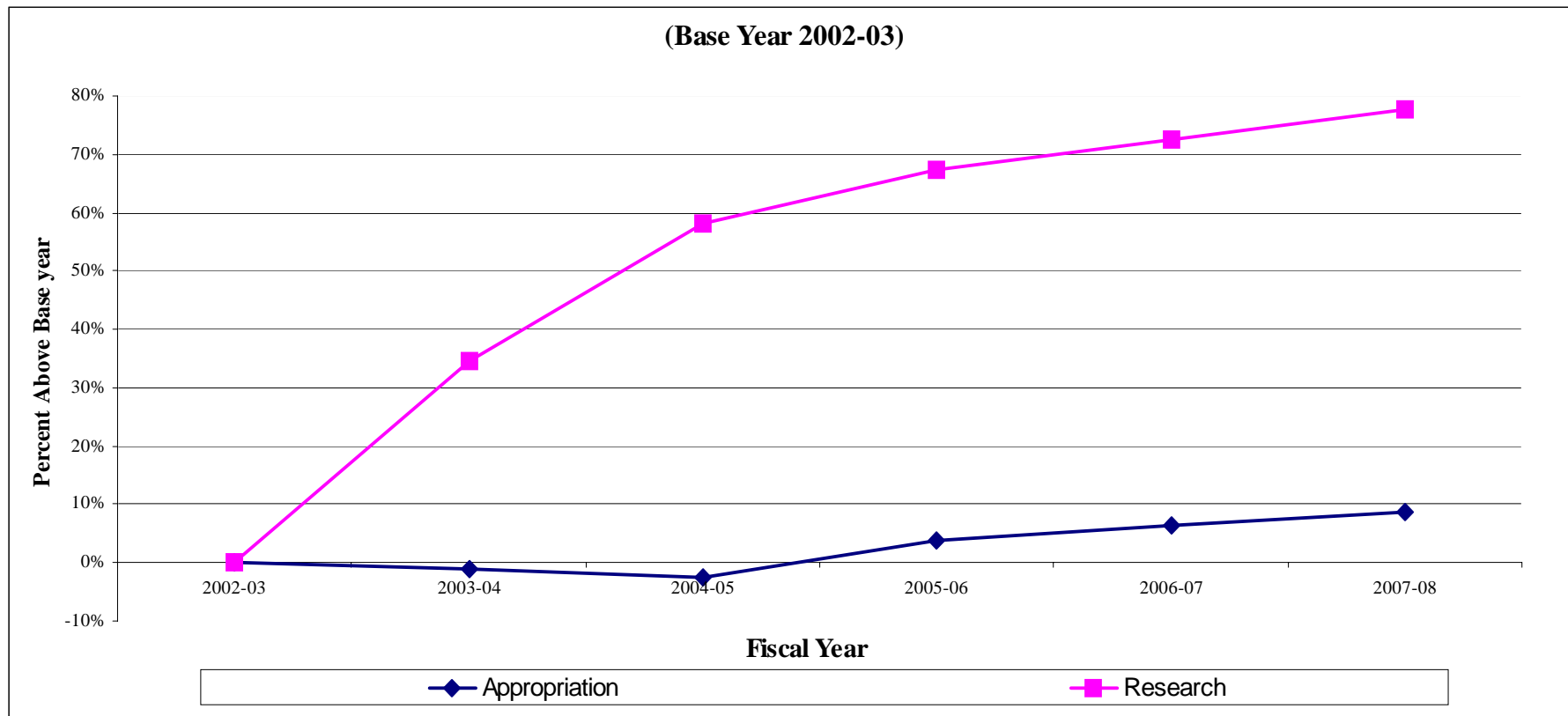
## Schedule of CPE Pass-Through Funds & Other State Funds

	2006-2007	2007-2008	
	Allocation	Increase (Decrease)	Projected
<b>I. CPE Budget Earmarked for UofL</b>			
Research Support (RCTF)	500,000	500,000	1,000,000
Subtotal	500,000	500,000	1,000,000
<b>II. Other State Funds</b>			
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	420,000	66,100	486,100
Subtotal	1,260,000	(133,900)	1,126,100
<b>Total Other State Funds</b>	<b>1,760,000</b>	<b>366,100</b>	<b>2,126,100</b>



# UofL Operating Budget 2007-2008

## Growth in Appropriation and Research



# UofL Operating Budget 2007-2008

## Tuition Revenue

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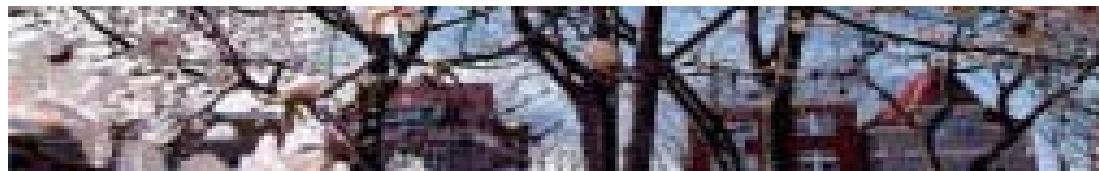


- Tuition rates approved by the Board of Trustees in April 2007 (9.9% increase for Resident Undergraduate)
- Targeted Enrollment Growth
- Includes \$331,000 Revenue Overrealization to offset a portion of the “National Scholars” Financial Aid Program
- Tuition Revenue budget includes over-realized revenue Non-resident Medical School Students

# UofL Operating Budget 2007-2008

## Tuition Revenue by Unit

Unit	2006-07	2007-08	Change from 2006-07	
	Budget	Proposed Budget	Amount	Percent
Undergraduate	82,387,300	90,990,500	8,603,200	10.4%
Graduate	23,744,300	25,951,600	2,207,300	9.3%
Professional Schools	29,840,400	32,489,600	2,649,200	8.9%
Distance Education	3,905,200	4,219,400	314,200	8.0%
<b>Total University</b>	<b>139,877,200</b>	<b>153,651,100</b>	<b>13,773,900</b>	<b>9.8%</b>



# UofL Operating Budget 2007-2008

## Other Sources of Revenue

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Transfers from Affiliated Corporations	\$11,549,400
Sales & Services of Educational Activities	340,100
Organized Activities - Instruction	733,400
Other Non-Educational Revenue	12,089,900
Auxiliary Enterprises	4,170,500
University Housing	7,727,700
Service Center Activities	1,951,500
Hospital-related Revenue	14,107,700
Total - Other Sources of Revenue	<u><u>\$52,670,200</u></u>





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# Proposed Expenditure Budget



# UofL Operating Budget 2007-2008

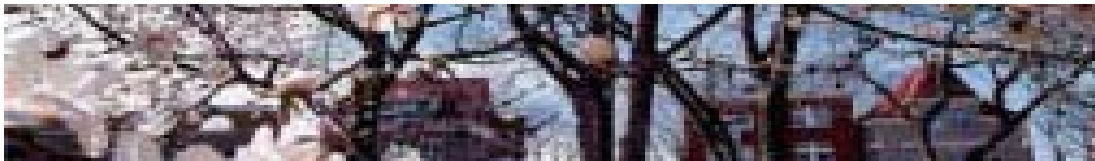
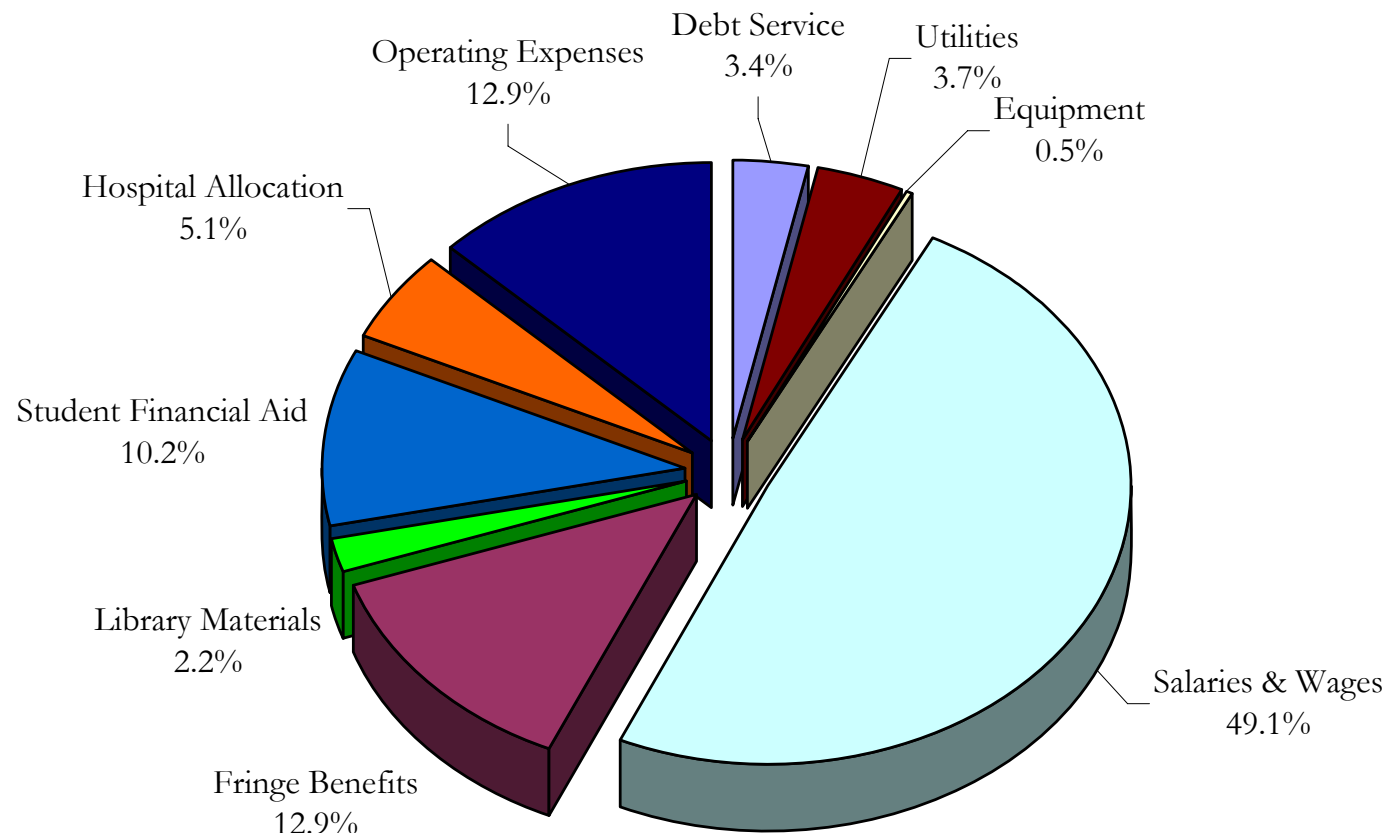
## Expenditures by Functional Category

<u>Category</u>	<u>Amount</u>	
Salaries & Wages	207,392,091	} 62%
Fringe Benefits	54,482,790	
Operating Expenses	53,476,818	
Student Financial Aid	40,943,345	
University Hospital Allocation	20,724,600	
Utilities	14,629,686	
Debt Service	14,038,610	
Library Books and Periodicals	8,763,113	
Equipment	1,987,347	
	<u>416,438,400</u>	



# UofL Operating Budget 2007-2008

## Expenditures by Functional Category



# UofL Operating Budget 2007-2008

## Projected Expenditure Increases

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- Investments in Strategic Initiatives
- Fixed Costs/Semi Fixed Costs
- Expenditures Offset by Revenue –  
Auxiliaries, Service Centers, and  
Program Budgeted Activities



# UofL Operating Budget 2007-2008

## Summary of Investments in Strategic Initiatives

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<b>Strategic Initiatives</b>	<b>Amount</b>
Educational Experience: Student Success	\$9,113,600
Research, Creative and Scholarly Activities	\$3,596,700
Accessibility, Diversity, Equity, and Communication	\$631,300
Institutional Effectiveness of Programs and Services	\$1,184,900
Salary & Fringe Benefit Adjustments	\$10,692,800
<b>Total Investment in Strategic Initiatives</b>	<b>\$25,219,300</b>



# UofL Operating Budget 2007-2008

## Investments in Strategic Initiatives

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### Educational Experience: Student Success

#### Financial Aid Initiatives

Financial Aid Escalator	3,178,900	
Cardinal Covenant Program	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
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



# UofL Operating Budget 2007-2008

## Investments in Strategic Initiatives

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### Educational Experience: Student Success (Continued)

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 Program	250,000	
Student Affairs (reorganization)	228,100	
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	
		<hr/>
<b>Total Educational Experience: Student Success</b>		<b><u><u>9,113,600</u></u></b>



# UofL Operating Budget 2007-2008

## Investments in Strategic Initiatives

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### Research, Creative and Scholarly Activities

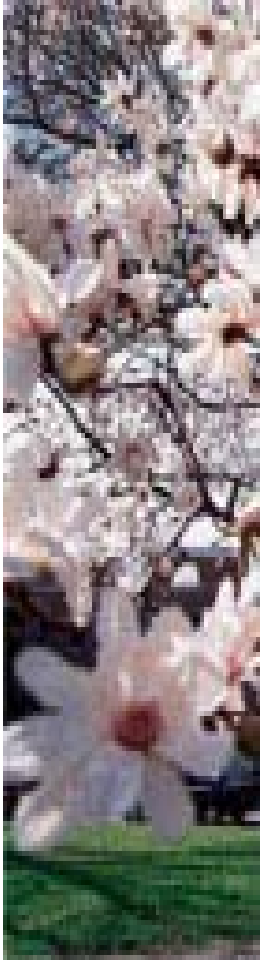
Research-Active Faculty Positions (cost net of grant revenue)	2,000,000
Research Administration and Infrastructure	579,500
Graduate Stipends Market Adjustments	700,000
Compliance Office	220,000
Health Insurance Increase for Graduate Students	<u>97,200</u>
<b>Total Research, Creative and Scholarly Activities</b>	<b><u><u>3,596,700</u></u></b>



# UofL Operating Budget 2007-2008

## Investments in Strategic Initiatives

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### 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 from Enrollment Increases	<u>331,300</u>	<u>481,300</u>

**Total Accessibility, Diversity, Equity and Communication** 631,300

# UofL Operating Budget 2007-2008

## Investments in Strategic Initiatives

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### Institutional Effectiveness of Programs and Services

Home of the Innocents Building Debt Service (1/2 year)	310,500
Staff Salary Catch-up (2nd Year)	450,000
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	30,000
Retroactive Salary Increases	40,400
Staff Senate Stipends	5,100
Voice Over Internet Protocol	<u>(180,000)</u>
<b>Total Institutional Effectiveness of Programs and Services</b>	<b><u><u>1,184,900</u></u></b>

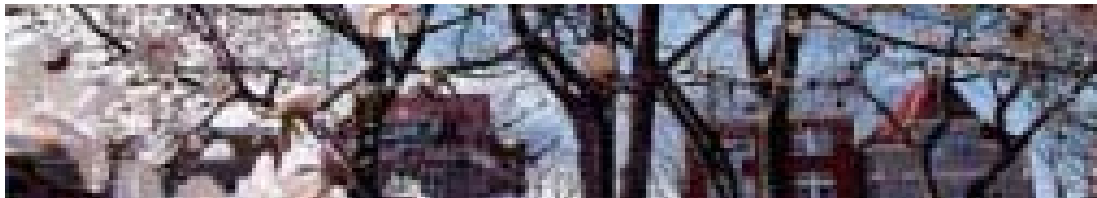
# UofL Operating Budget 2007-2008

## Investments in Strategic Initiatives

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### 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>
<b>Total Salaries and Fringe Benefit Adjustments:</b>		<b><u><u>10,692,800</u></u></b>



# UofL Operating Budget 2007-2008

## Changes in Fixed and Semi-Fixed Costs

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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	
Employer Retirement Contribution	361,800	
Retired Employee Health Insurance	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>	
<b>Total Fixed and Semi-fixed Costs</b>		<b><u><u>(1,446,300)</u></u></b>



# UofL Operating Budget 2007-2008

## Salary and Wages

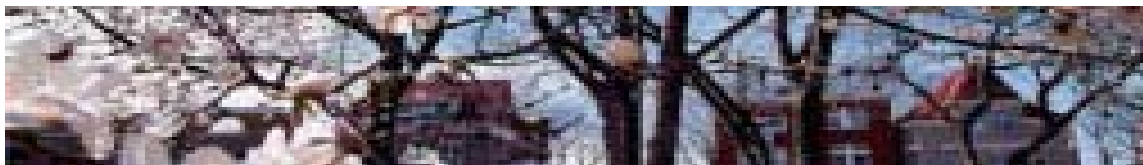
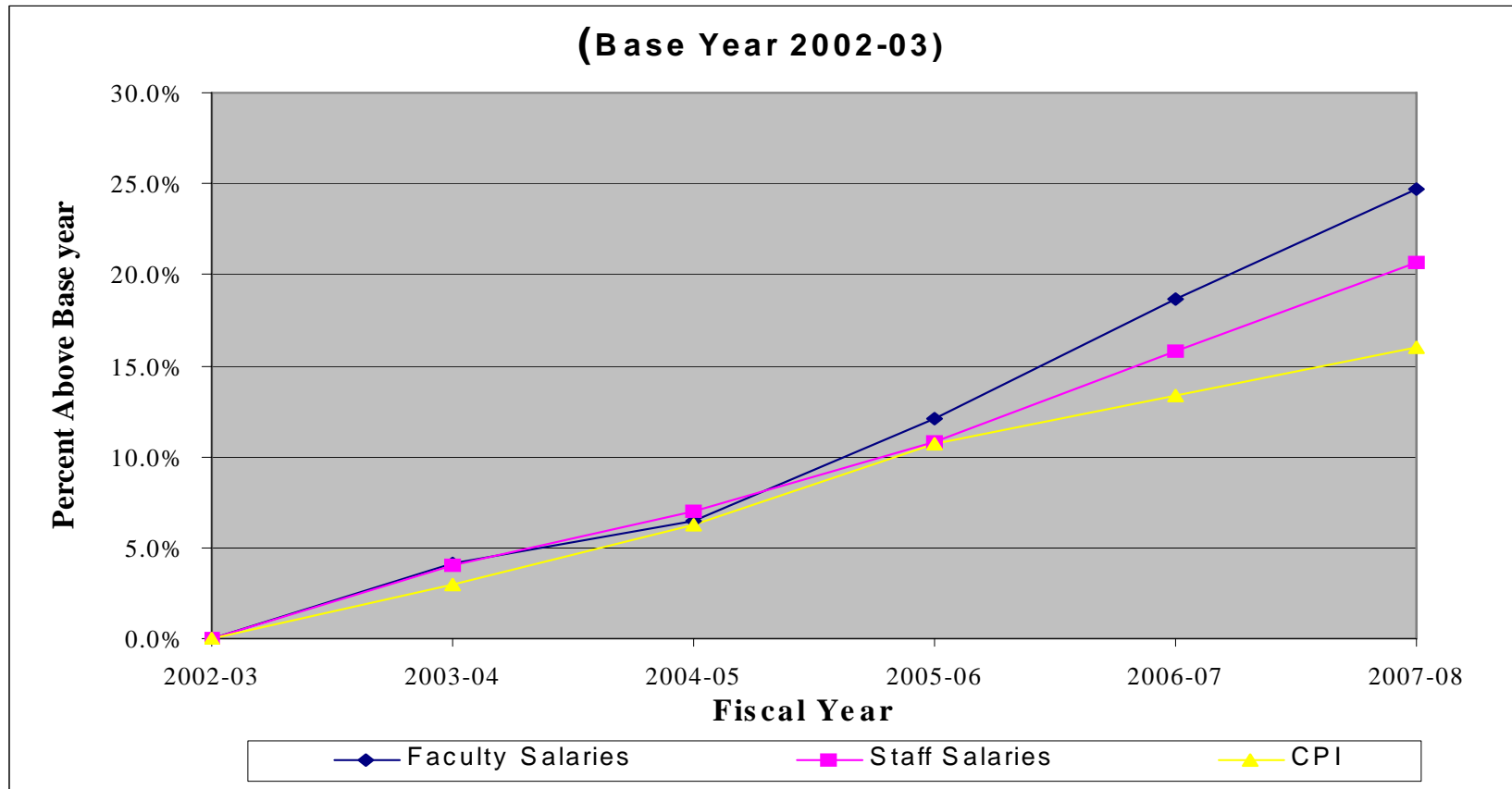
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- **4.0% Salary Increase**
  - Based on Performance Evaluations
  - Permanent, Recurring Adjustment to Base Salary
  - Staff
    - 2.5% Minimum for Satisfactory/Proficient Evaluation
    - 1.5% Performance-Based Pool
  - Faculty
    - 4.0% Performance-Based
  - Board-appointed Administrators
    - 4.0% Performance-Based
- **\$450,000 Staff Catch-Up**
  - Funds held centrally until Staff Marketplace Salary Study is implemented
  - To be Distributed in FY 2008 - \$900,000
  - Covers Salary Adjustments and Employee Benefits

# UofL Operating Budget 2007-2008

## Growth in Compensation



# UofL Operating Budget 2007-2008

## Efficiencies / Internal Reallocations

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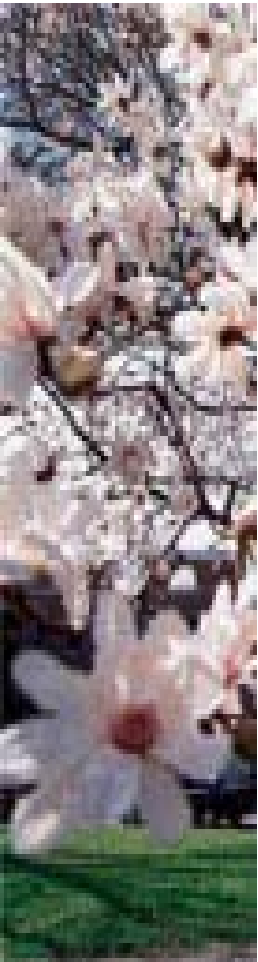


- Implemented Digital Telephone System (VoIP) University-wide
- All fund-raising operations funded from UofL Foundation, Inc. funds
- Cash Management Policy
- Self-funded Health Insurance
- Other Various Reductions - \$237,500

# UofL Operating Budget 2007-2008

## Accomplishments

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For this year's budget, the President and his Leadership Team chose areas for sustainable revenue enhancement and selective investment that will continue to build excellent academic programs, increase operational efficiencies, make progress on strategic goals, and position the University well for the future.

# UofL Operating Budget 2007-2008

## Summary

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- Solicit Input from the Board of Trustees
- Fine Tuning and Report Preparation Remains
- Final Budget Submitted to Board of Trustees at June 14<sup>th</sup> meeting
- Budget Implementation: July 1, 2007



# UofL Operating Budget 2007-2008



*"Oh, it's great here, all right, but I sort of feel uncomfortable  
in a place with no budget at all."*

# UofL Operating Budget 2007-2008

## Questions

