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**Board of Trustees  
Finance Committee Workshop  
2008 – 2009 Operating Budget**



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UNIVERSITY OF  
**LOUISVILLE**

**Board of Trustees**

Finance Committee  
Budget Workshop

May 8, 2008

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**2008-2009 OPERATING BUDGET**



# Finance Committee Budget Workshop

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# **BUDGET OVERVIEW**



## **BUDGET OVERVIEW**

### **I. GENERAL**

President Ramsey and his Leadership Team submit for your consideration a proposed FY 2008-09 general fund operating budget of \$424.2 million, an increase of approximately \$6.8 million, or 1.6%, over last year. The recommended FY 2008-09 Operating Budget is balanced; the proposed revenue budget equals the proposed expenditure budget.

In May 2007, Kentucky celebrated the tenth anniversary of postsecondary education reform. (The Kentucky Postsecondary Improvement Act of 1997, HB 1). The act was a legislative mandate by the Kentucky General Assembly for UofL 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 following are examples of these:

- *The average ACT score for entering freshmen rose from 21.4 in 1997 to 24.3 in 2007.*
- *The first-time freshman retention rate rose from 70.9% in 1997 to 78.2% in 2007.*
- *The bachelor's degree six-year graduation rate rose from 34.9% in 1997 to 43.6% in 2007.*
- *Best Graduate Schools: Law – named among best 100 Graduate Schools in the nation in 2007.*
- *Best Graduate Schools: Education – ranked 56<sup>th</sup> in the nation in 2007.*
- *College of Business programs earned three national rankings in 2007:*
  - ◆ *For three straight years, U.S. News & World Report has ranked UofL's undergraduate business program in the top 7% of all undergraduate business programs in the nation. A joint survey by Entrepreneur magazine and The Princeton Review placed the college's graduate entrepreneurship program in the "Top 10 in the U.S. for Entrepreneurs."*
  - ◆ *Fortune Small Business named UofL among America's 26 Best Colleges for Entrepreneurs in 2007.*
  - ◆ *UofL's sales education program was named as one of the nation's top sales programs by the University Sales Education Foundation. UofL was among 27 schools to receive the honor.*
- *Seven students earned Fulbright honors in 2007.*

- *Wall Street Journal* survey named UofL one of the 30 top “feeder schools” to nation’s top graduate schools.
- UofL School of Music graduate to help compose and orchestrate music for the 2008 Olympic ceremonies and games.
- UofL’s Kentucky Pollution Prevention Center (KPPC) was a winner of the Water Efficiency Leader award in 2007. KPPC was one of six organizations recognized by the Environmental Protection Agency for its leadership in promoting the efficient use of water.
- With more than 15 new cancer drugs under development, UofL is one of the top five research institutes in the country in terms of new drug development. Nationally sponsored cancer research funding grew from \$300,000 in 1999 to \$44 million in 2007. The Cancer Capital Campaign topped its \$60 million, five-year goal in only 18 months.
- President James Ramsey was named Louisville’s 2007 Business Leader of the Year by *Business First*. He was recognized for his efforts in areas ranging from attracting top researchers and boosting economic development to improving UofL’s academic profile. He was also cited for the establishment of the Cardinal Covenant and the Signature Partnership.
- Provost Shirley Willihnganz earned the National Academic Advising Pacesetter Award, recognizing her significant positive impact on student advising.
- UofL chair of Geography and Geosciences was appointed as the state geographer for 2008.
- Two Arts and Sciences professors received Fulbright awards in 2007.
- Speed professor won statewide award for outstanding teachers in 2007.
- In 2007, the Council on Education for Public Health awarded the University of Louisville School of Public Health and Information Sciences (SPHIS) full accreditation, making the school one of only 40 accredited schools of public health in the nation.
- The Dean of UofL’s SPHIS was elected to the prestigious Institute of Medicine (IOM) of the National Academies in 2007. He was also appointed to serve on the Health and Human Services National Advisory Committee.
- The development of the Louisville Health and Life Science Research Park project is a partnership between the university, city and state. The University sought and was granted tax increment financing (TIF) to assist its development efforts. Currently negotiations are in the final stages with the developer to begin the first phase.

Decisions for the 2008-09 budget were made using those principles outlined in the University's new strategic plan, *The 2020 Plan—Making It Happen* - a "roadmap" specifying goals and quantifiable benchmarks and metrics to ensure progress is made to achieve this long-term goal. While the fiscal environment is quite unfavorable during the 2008-10 biennium, President Ramsey and his Leadership Team remain committed to directing as many of the scarce resources as possible towards the goals outlined in *The 2020 Plan*. This will be a difficult task but one to which the Leadership Team remains committed.

Planning for the University's 2008-09 operating budget began in early Fall 2007. 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 from the new strategic plan that drove all budgetary decisions and allocations to a select number of new initiatives:

**Goal One – Education Excellence** — *"The promise of a limitless future."* UofL will be the first choice for students who wish to excel in the classroom and in life, and that students learn to be competent, mature and critical thinkers. Work to ensure students become responsible, informed and engaged citizens.

**Goal Two – Research, Scholarship and Creative Activity** — *"The passion to break new ground."* To focus our energy and resources to enhance scholarship and research as we advance to national prominence in areas of programmatic strength. The faculty will be recognized nationally and internationally for their teaching and research and will serve as outstanding mentors to all our students.

**Goal Three – Community Engagement** — *"The insight to champion community."* UofL takes pride in the fact that we are a "citizen university." As UofL maintains its traditional commitments to teaching, research and service we also ensure that the institution's goals are blended with those of the surrounding area.

**Goal Four – Diversity, Opportunity and Social Justice** — *"The courage to question convention."* To foster and sustain an environment of inclusiveness, free of prejudices and bias, empowering all to achieve their highest potential, and being open to all ideas and bringing many diverse perspectives to the table.

**Goal Five – Creative and Responsible Stewardship** — *"The will to achieve greatness."* 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. Commits to aligning scarce resources with the University's priorities identified in the *The 2020 Plan* and identified in the institutional *Scorecard*.
2. Uses data analysis and best information available in the decision-making process.
3. Examines the long-term consequences of decisions made in the short-term.
4. Focuses on ensuring the long-term financial viability of the University and reflects decisions that ensure its financial stability and growth.
5. Fully evaluates the human cost and impact of all budget decisions and is sensitive to these impacts.

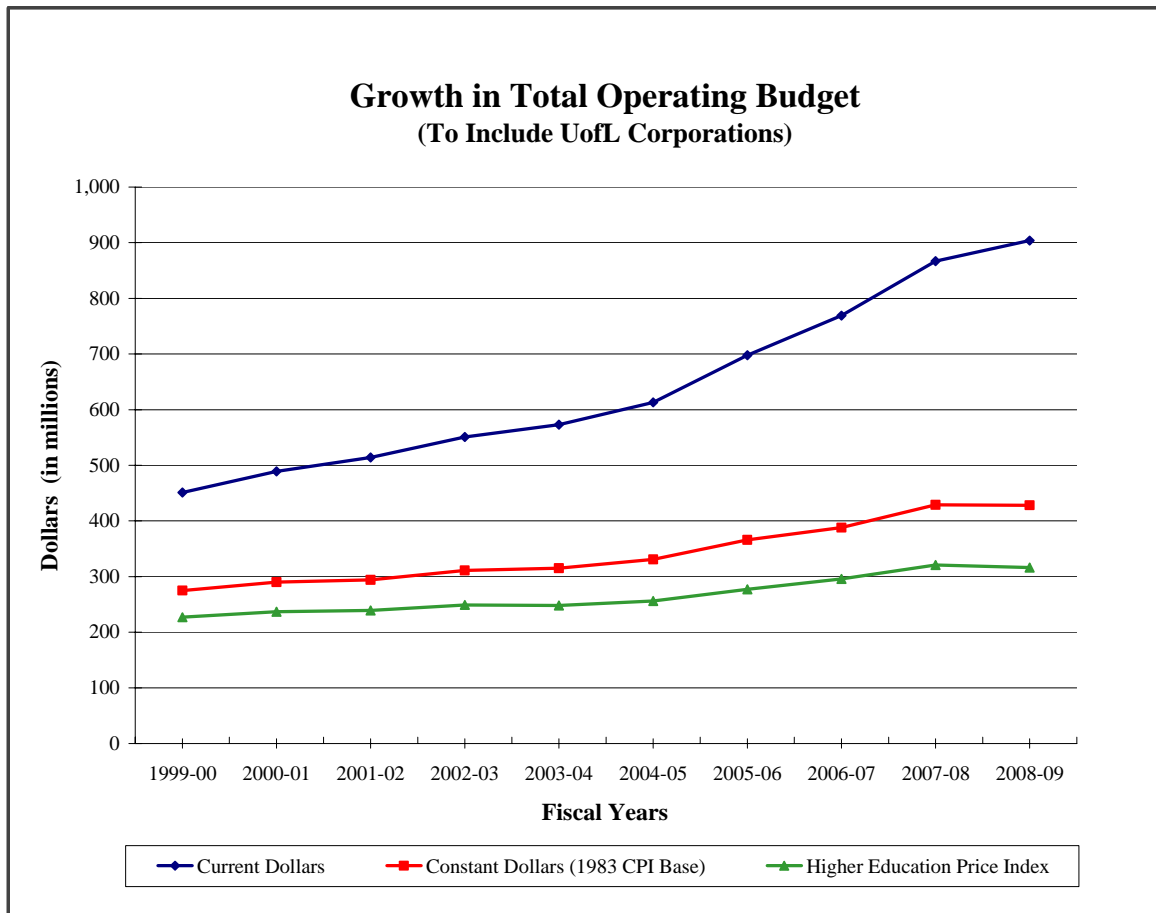
## III. BUDGET PRINCIPLES

In developing the budget for FY 2008-09, the University of Louisville adhered to the following budget principles:

1. Evaluate the impact of proposed decisions for FY 2008-09 on the University through the end of the strategic plan—*The 2020 Plan*.
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.
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 2008-09. 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.
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 \$480 million for FY 2008-09. This is an increase of \$30 million, or 6.7%, over the last year. The increases result primarily from grant and contract activity, clinical operations, philanthropy, and available earnings from endowments.

The following graph shows the growth in the University's total operating budget since FY 1999-2000.



This budget proposal is preliminary and represents a snapshot as of May 8, 2008. It may change slightly before the Board of Trustees meets in June 2008 for final approval.

# **GENERAL FUND REVENUE BUDGET**



## Revenue Assumptions

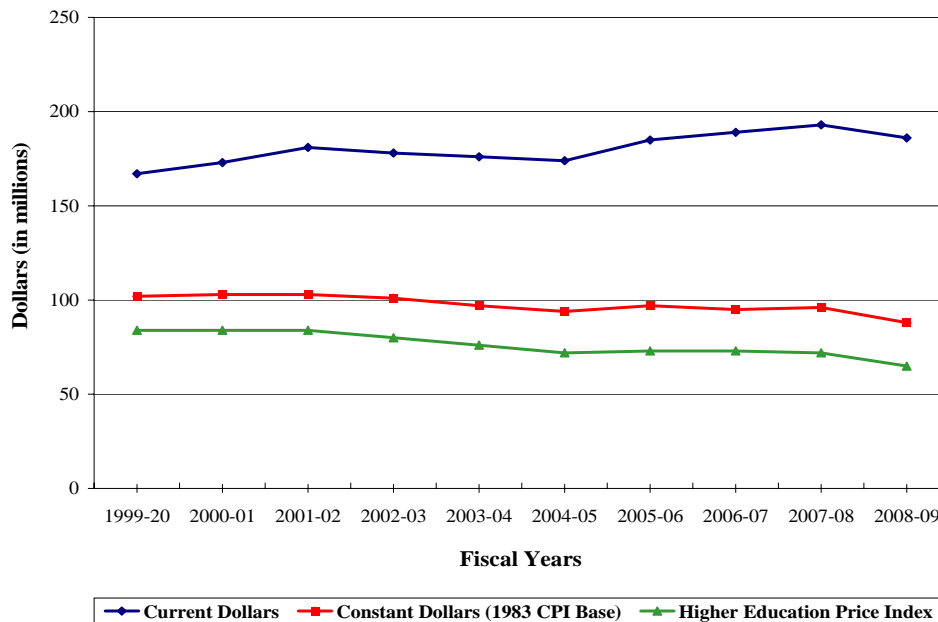
1. State appropriation is budgeted at a level approved by the General Assembly in HB 406 during the 2008 legislative session. The approved appropriation represents a 6% or \$10.1 million reduction in the University's appropriation.
2. Tuition and Fees:
  - Tuition revenue is projected using the new tuition rates recommended by the President in May 2008. The Board of Trustees will consider the proposed rates at their May meeting.
  - Because of increased applications and projected admissions, this revenue projection includes an additional 58 resident freshman students. This action brings the projected freshman class to 2,600.
  - Because tuition revenue was significantly over-realized in the 2007-08 fiscal year, \$2,300,000 was budgeted with the anticipation that this will be a permanent increase in overall enrollment.
  - Tuition revenue generated by the Distance Education programs continues to grow significantly across the campus. This budget includes the actualization of an increase of \$500,000 to the central administration's portion of that income.
  - To keep the non-resident medical tuition at the 2007-08 level, the school will admit an additional six non-resident medical students.
  - The proposed budget contains no contingency for an unplanned enrollment decline.
3. As a result of lower interest rates, the budget for short term investment income is reduced slightly for the 2008-09 budget.
4. To assist the University during this difficult financial environment and to partially offset the reduction in general fund state appropriation, the UofL Athletic Association will transfer \$250,000 to the University's general fund.

## REVENUE HIGHLIGHTS

Development of the FY 2008-09 UofL Operating Budget was an arduous process. Continuing to advance the University toward the goals of the Postsecondary Education Improvement Act of 1997 was difficult and complex when also having to wrestle with a 6% decrease in state appropriation—a reduction of over \$10 million. Kentucky’s Speaker of the House of Representatives, Jody Richards, described the Commonwealth’s 2008-10 Biennial Budget as, “It won’t win any beauty contest.” Various other descriptions of the state’s two year financial plan were summed up in a generic, “It’s simply a bad budget.” But the budget has become law, and the University must construct a FY 2008-09 operating budget within the specified revenue parameters.

State appropriation has long been the largest component of the University’s annual revenue. However, as a percent of UofL’s total operating budget, state appropriation has declined 17 percentage points over the past decade, from 61% in FY 1998-99 to 44% for FY 2008-09. The chart below visually shows that in constant dollars UofL’s state appropriation has steadily declined over the past decade.

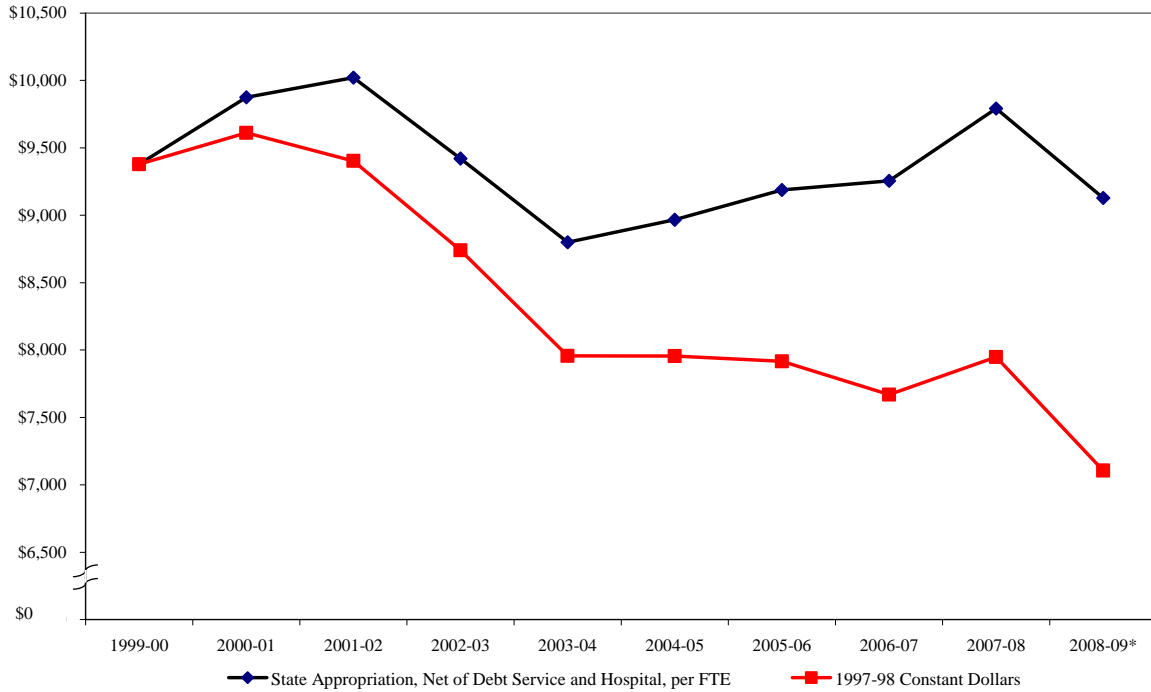
**Annual Change in State Appropriation**  
 (1999-2000 Through 2008-2009)



Even more noticeable in the graph below is how the University's state appropriation per Full Time Equivalent (FTE) student, in constant dollars, has declined in six fiscal years during the past decade, and the FY 2008-09 state appropriation per FTE is at a decennial low.

### State Appropriation per FTE Student

(Net of Debt Service and Hospital, Estimated 2008-09 FTE)



The consistent reduction of state funding as a percentage of the total University revenue budget has caused tuition rate increases to steadily climb over that same period. For the 2008-09 fiscal year, "Tuition and Fees Revenue" for the first time has become the largest component of the University's annual general fund revenue projection. Decisions to increase tuition rates are made carefully and deliberately after much analysis, consideration and consultation. Still, the decline of state funding as a percentage of the total University revenue budget has largely been replaced by an increase of tuition and fees revenue as a percentage of the total revenue budget.

The University's Leadership Team met regularly and frequently to determine the best possible allocation of scarce resources. UofL projects a general fund revenue budget of \$424,226,300 for FY 2008-09. The increase in the revenue budget is approximately \$6.8 million, or 1.6%, over the original FY 2007-08 budget.

The proposed revenue budget is categorized into the following ten major funding sources, and each category is discussed in more detail on the following pages.

<b>PROJECTED GENERAL FUND REVENUE BY SOURCE</b>	
State Appropriation and Other State Funds	\$186,491,900
Tuition and Fees	186,759,900
Transfers from UofL Corporations	14,217,500
Sales and Services of Educational Activities	350,100
Organized Activities Related to Instruction	728,600
Other Non-Educational Revenue	7,872,500
Auxiliary Enterprises	4,812,700
University Housing	7,357,000
Service Centers	1,769,900
Hospital-Related Revenue	<u>13,866,200</u>
<b>Total Projected General Fund Revenue</b>	<b><u>\$424,226,300</u></b>

1. **State Appropriation and Other State Funds** total \$186.5 million for FY 2008-09. With the 6% state appropriation reduction enacted by the General Assembly, State Appropriation and Other State Funds is now the University's second largest source of revenue, falling behind Tuition and Fees for FY 2008-09.

In this the first year of the Commonwealth's 2008-10 budget biennium the University's base appropriation is reduced 6%, or \$10 million. Also the General Assembly, as part of HB 406, moved the \$2 million funding for the Metropolitan College initiative to the Cabinet for Economic Development. The University will work with the Cabinet Secretary to develop a Memorandum of Agreement to process payments for services in support of Metropolitan College. These large revenue budget decreases are partially offset by smaller increases in state support for other areas. Debt service support is increased \$3.7 million. Another increase to UofL's base appropriation is an additional \$1.3 million to fund the UofL Hospital Quality and Charity Care Trust (QCCT) cost escalator. Of this amount, \$403,600 is a one-time authorization to fund a shortage in the FY 2007-08 authorization. The General Assembly also authorized an additional \$125,000 in support of the UofL/WKU Joint Engineering program. Finally, \$1 million in state support for research was administratively moved into the base appropriation from the Council on Postsecondary Education (CPE) pass-through funds. In the aggregate, these changes result in a \$5.9 million, or 3.1%,

reduction in state base appropriation for FY 2008-09. UofL's FY 2008-09 base appropriation is summarized in the following schedule:

<b>State Appropriation Summary</b>	
<b>I. 2007-2008 State Base Appropriation:</b>	<b>191,346,100</b>
<b>II. Additions / (Reductions) to Base Appropriation:</b>	
6% Reduction on Base Appropriation	(10,029,100)
Metropolitan College (moved to Economic Dev. Cabinet)	(1,992,300)
Joint Engineering Program	125,000
Research Support Funding (moved from CPE Pass-Thru)	1,000,000
Hospital (QCCT Escalator)	1,264,200
Debt Service	<u>3,709,100</u>
<b>Total Adjustments</b>	<u>(5,923,100)</u>
<b>III. 2008-2009 Projected State Base Appropriation</b>	<b><u>185,423,000</u></b>

The Council on Postsecondary Education budget includes certain pass-through funds of just over \$1 million for UofL. The Commonwealth budget designates payment for these other state funds through the CPE for specific state sanctioned functions housed or managed at UofL. As explained above, \$1 million in state support for research was permanently transferred from CPE pass-through funds into the state base appropriation. On a smaller scale, the Kentucky Pollution Prevention Center program budget revenue was reduced \$57,200 as more funding is to be generated through non-general fund grant revenue. Other designated support provided from state funds is summarized below:

<b>CPE Pass-Through Funds and Other State Funds</b>			
	<b>2007-2008</b>	<b>2008-2009</b>	
	<b>Allocation</b>	<b>Change</b>	<b>Projected</b>
<b>I. CPE Budget Earmarked for UofL</b>			
Research Support (moved to Base Appropriation)	<u>1,000,000</u>	<u>(1,000,000)</u>	<u>0</u>
<b>II. Other State Funds</b>			
Commonwealth Virtual Library Operations	100,000	0	<b>100,000</b>
Equine Administration Program	500,000	0	<b>500,000</b>
Equine Trust Program	40,000	0	<b>40,000</b>
Kentucky Pollution Prevention Center	486,100	(57,200)	<b>428,900</b>
Subtotal	<u>1,126,100</u>	<u>(57,200)</u>	<u><b>1,068,900</b></u>
<b>Total Other State Funds</b>	<u>2,126,100</u>	<u>(1,057,200)</u>	<u><b>1,068,900</b></u>

2. **Tuition and Fees** now represent the largest component of the University's general fund revenue budget at \$186.8 million for FY 2008-09. A 9% tuition rate increase for FY 2008-09 is being proposed to the Board of Trustees for all categories except certain non-resident enrollment groups. The undergraduate non-resident rate change will be held to a lower 3.5% increase, and the non-resident Dentistry rate will be held to a lower 6.6% increase. The non-resident Graduate and the non-resident Medical School rates will not be increased from the FY 2007-08 levels. The tuition rate increases by enrollment category are:

Tuition Category	Percent Increase	
	Resident	Non-Resident
Undergraduate	9.0 %	3.5 %
Graduate	9.0 %	0.0 %
MBA*	9.0 %	9.0 %
Law	9.0 %	9.0 %
Dentistry	9.0 %	6.6 %
Medicine	9.9 %	0.0 %

\* The traditional MBA program; restructured MBA cohort program is addressed later.

The recommended tuition rate increase of 9.0% came after considerable deliberation and consultation with various constituency groups across campus and the recommendation of the Provost's Task Force on Tuition and Fee Setting. The proposal is also aligned with the maximum 9% tuition cap specified by the Council on Postsecondary Education early in the recent state budget process. There were a large number of differing opinions and preferences regarding tuition rate increases. The University's Leadership Team was very sensitive to selecting rates to balance affordability for students with the need for increased programmatic funding in light of the significant 6% reduction in state appropriation.

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

The FY 2008-09 Proposed Tuition Schedule on the following page shows the recommended new rates by category and residency status.

<b>Proposed Tuition Schedule</b>				
	<b>Semester Rates</b>			
	2007-08	2008-09	Change	
			Amount	Percent
<b>Undergraduate</b>				
Resident	3,470	<b>3,782</b>	312	9.0%
Nonresident	8,867	<b>9,177</b>	310	3.5%
Distance Education (per credit hour)	377.00	<b>410.80</b>	33.80	9.0%
<b>Intensive English as a Second Language (IESL) *</b>				
Full-time Day Program	3,902	<b>3,902</b>	0	0.0%
Evening Class	670	<b>670</b>	0	0.0%
* No increase requested by the Program Director for FY09				
<b>Graduate</b>				
Resident	3,764	<b>4,103</b>	339	9.0%
Nonresident	9,045	<b>9,045</b>	0	0.0%
Distance Education (per credit hour)	544.70	<b>592.80</b>	48.10	8.8%
<b>Traditional MBA &amp; IMBA Programs (Being Phased Out)</b>				
Resident	5,030	<b>5,483</b>	453	9.0%
Nonresident	11,666	<b>12,716</b>	1,050	9.0%
<b>Law (Full-time Program)</b>				
Resident	6,305	<b>6,872</b>	567	9.0%
Nonresident	12,978	<b>14,146</b>	1,168	9.0%
<b>Law (Part-time Program)</b>				
Resident	6,305	<b>6,872</b>	567	9.0%
Nonresident	12,978	<b>14,146</b>	1,168	9.0%
	<b>Annual Rates</b>			
	2007-08	2008-09	Change	
			Amount	Percent
<b>Medicine</b>				
Resident	22,474	<b>24,498</b>	2,024	9.0%
Nonresident	42,820	<b>42,820</b>	0	0.0%
<b>Dentistry</b>				
Resident	18,850	<b>20,548</b>	1,698	9.0%
Nonresident	45,094	<b>48,072</b>	2,978	6.6%
	<b>Fixed Price Programs</b>			
	2007-08	2008-09	Change	
			Amount	Percent
<b>MBA Cohort Program *</b>				
Resident	28,000	<b>30,000</b>	2,000	7.1%
Nonresident	28,000	<b>30,000</b>	2,000	7.1%
<b>IMBA Cohort Program (Effective May 2008)</b>				
Resident	25,000	<b>27,000</b>	2,000	8.0%
Nonresident	25,000	<b>27,000</b>	2,000	8.0%
<b>Ed.D. Practitioner (new students)</b>				
Resident	0	<b>15,000</b>	N/A	N/A
Nonresident	0	<b>15,000</b>	N/A	N/A
<b>Ed.D. Practitioner (advanced placement)</b>				
Resident	0	<b>10,000</b>	N/A	N/A
Nonresident	0	<b>10,000</b>	N/A	N/A
* \$26,760 when taken as part of the MD/MBA dual degree				

Included in this proposed budget are new tuition rates for restructured MBA programs in the Colleges of Business.

- **Professional MBA Program, Business - A fixed price of \$30,000**  
The Professional MBA-Evening and Professional MBA-Saturday programs began in Fall 2007, and it was a successful first year for the new programs. These cohort-based programs span two years in 14 six-week terms with two course modules taken each term. The programs equate to 48 credit hours and also include an international learning experience. Each student in the 2007 cohorts was charged a flat rate of \$28,000, billed in six increments over the two years. The program fee for the student cohorts starting in FY 2008-09 will increase to \$30,000.
- **IMBA-The MBA for Entrepreneurial Thinking, Business - A fixed price of \$27,000**  
The IMBA-The MBA for Entrepreneurial Thinking remains a cohort-based program as it has since inception, retaining the same program content and delivery as before. The program does not include an international learning experience, but may be added for an additional fee as students choose to participate. The program was converted during 2007-08 to charging a flat program fee of \$25,000 per student, billed in six increments over two years. The fee for the student cohort beginning the program in FY 2008-09 will rise to \$27,000.

Projected enrollment changes in several schools also affect the tuition revenue budget:

- Enrollment levels for the Fall 2007 and Spring 2008 semesters were higher than projected. Anticipating that those enrollment levels will continue, this FY 2008-09 proposal permanently budgets \$2,300,000 of this over-realized tuition revenue.
- The University will admit 2,600 new full-time students for the 2008-09 academic year. This is an additional 58 resident undergraduate students over the FY 2007-08 freshman class of 2,542. The additional students are projected to generate approximately \$438,700 in incremental tuition revenue.
- UofL's School of Medicine is changing its residency mix slightly. Holding the non-resident professional tuition rate at the FY 2007-08 level, the School hopes to attract and admit an additional six non-resident first year medical students. These additional students are projected to generate \$256,900 in new tuition revenue.

- The Kent School of Social Work inaugurated a Bachelor of Social Work (BSW) degree program in FY 2007-08. The FY 2008-09 proposed budget includes \$105,000 in additional tuition revenue to be generated by students enrolled in this program. A like amount is budgeted in the Kent School for expenses associated with the instructional costs of offering this program.

At its April 23, 2001 meeting, the University of Louisville Board of Trustees approved consolidating, or “bundling,” tuition and mandatory student fees into a single tuition rate. The single “bundled” tuition rate allows the University to convey tuition and fee costs with greater clarity to current students, prospective applicants, parents and the public. For FY 2008-09, the Student Health Fees revenue budget is being increased \$323,800. This is not an increase of the Student Health Fee but rather is an adjustment to the Student Health Services budget based on actual fee revenue received during FY 2007-08 and carried forward in the new fiscal year.

Based on the proposed tuition rates, enrollment changes, and fee revenue described above, the University projects approximately \$186.8 million in tuition and fee revenue from all instructional sources. This is an increase of \$16.5 million, or about 9.7% over last year. Approximately \$12 million of that amount is attributable to the tuition rate increases and fee revenue. An additional \$3.1 million is budgeted for the changes in enrollment levels identified above. The remaining \$1.4 million increase is attributable to the special academic programs and fees described below.

Revenue generated from non-credit **Continuing Education Programs** is projected to increase approximately \$48,100 in FY 2008-09. Overall, Continuing Education Program revenue in several schools is projected to decline slightly due to lower participation in these academic programs. Meanwhile, revenue from executive and professional development courses along with conference and facilities revenue of the Delphi Center for Teaching and Learning are projected to continue their recent trend of excellent growth over the past few years. The expense side of these program budgets will be increased by like amounts.

Demand for **Distance Education** learning at UofL continues to exhibit strong growth. Almost all academic units offering on-line courses have over-realized their FY 2007-08 revenue budgets. Tuition rates for courses offered on-line carry a 30% surcharge over the respective undergraduate or graduate resident rate. This proposed budget adds \$704,900 of over-realized revenue on a permanent basis to the distance education revenue budgets of the University (\$500,000) and the Delphi Center for Teaching and Learning (\$204,900).

Also included in the tuition revenue budget are specific items for **Special Programs**—academic overseas programs, Intensive English as a Second Language, equine management programs, 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 2008-09, the revenue budgets in several of these small programs are projected to increase approximately \$111,000 in the aggregate.

**Unit-based and Course Fees** are projected to increase approximately \$293,400:

- FY 2008-09 is the fourth and final year of a four-year phase-in of an annual \$5,000 per student **Dental Instrument Rental and Technology Fee**. Also included in this budget proposal is an increase of the fee to \$6,000, to be implemented in another four-year phased approach beginning with the Fall 2008 School of Dentistry freshman class. A projected \$188,500 in additional revenue budget is added to this program for the instrument and technology fee increases.
- The Board approved a new **Speed Software Technology Fee** at its April 5, 2007 meeting for the purpose of purchasing common general-purpose and engineering software packages for engineering students' tablet PCs. The creation of a revenue budget was postponed until after analyzing the first year of fee assessments and actual revenue realized. This fee revenue is being budgeted for FY 2008-09 at \$91,300 based on actual FY 2007-08 revenue.
- The **Urban and Public Affairs Course Fee** was separated last year from the Graduate Business Course Fee when the Urban and Public Affairs program was transferred from the College of Business to the College of Arts and Sciences. This budget proposal includes \$13,600 in fee revenue for the Urban and Public Affairs Course Fee based on actual FY 2007-08 revenue.
- This budget proposal includes several new or revised unit-based and course fees. Revenue budgets will be established next year after obtaining a year of experience factors. The proposed new or revised fees are shown in the chart on the following page.

## Unit-based Course or Program Special Fees

Proposed Fee	Unit	Incremental Increase	2008-09 Rate
<b>I. New Fees</b>			
Sports/Activities Course Fee for Non-HSS Majors	ED	N/A	\$75 per course
Microfabrication/MEMS	SPD	N/A	\$100 per course
Music Majors Fee	MUS	N/A	\$175 per semester
Secondary Applied Music for Non-Music Majors	MUS	N/A	\$200 per semester
Major Applied Study for Non-Music Majors	MUS	N/A	\$400 per semester
<b>II. Increases to Existing Fees</b>			
Dental Instrument Fee*	DTL	\$1,000	\$6,000
Undergraduate Application Fee	University	\$10	\$40
* Fee increase to be phased in starting with the entering freshman dental students.			

Budgets for **Miscellaneous Fees** will increase by approximately \$178,000.

- An **MBA Program Fee** was approved in FY 2005-06. The traditional MBA program to which this fee is attached is being phased-out and replaced by a new cohort based program. However, this proposed budget includes a \$145,000 increase in over-realized fee revenue to bring the budget into alignment with the actual fee revenue collected in FY 2007-08.
- The remainder of this revenue category is comprised of small budget changes in existing fees (**Orientation, Testing Services, and Application Fees**) to bring them to more reasonable projections based on actual fee collection experience.

3. **Transfers from UofL Corporations** will rise \$1,482,900 for FY 2008-09:
  - Approximately \$1.2 million represents transfers from the UofL Athletic Association for debt service on athletics facilities and the UofL Research Foundation for research buildings on the Belknap and Health Sciences campuses.
  - To help the University during this difficult financial environment, the University Athletic Association will transfer \$250,000 to the University's general fund on a recurring basis. This transfer will help limit the budget reduction amounts assessed to academic and support units.
4. The **Sales and Services of Educational Activities** revenue category is projected to increase \$10,000 from its currently budgeted level of \$340,100 to \$350,100. This is primarily a change in two small program budgets—State Data Center Sales and Kentucky International Equine Summit.
5. Similarly, the **Organized Activities Related to Instruction** revenue component will decrease \$74,000 from \$802,600 to \$728,600. This small change is a technical adjustment to the fiscal agent reimbursement amount the University receives from Metropolitan College (\$4,800) and elimination of the Telecom Research Center budget (\$69,200).
6. The category of **Other Non-Educational Revenue** will decrease approximately \$4.2 million from last year:
  - Most of this decrease, or \$3.8 million, is the elimination of last year's one-time transfer from the Debt Service Reserve held by the University's bond trustee. State support for debt service was significantly reduced last year because two bond series were retired in May 2007. The state restored the debt service support for FY 2008-09, as explained above in the Base Appropriation section, so a transfer from the Debt Service Reserve is not needed this year.
  - The proposed budget projects another \$600,000 decrease in interest income in short-term cash. A substantial reduction in the federal funds rate by the Federal Reserve results in lower short-term interest rates and indicates earnings on cash balances will decline in the near-term.

- The remaining changes in this category are adjustments in the projected revenue of several program budgets (**Credit Card Processing Fees, Procurement Card, Radiation Safety, Educational Broadband Services, etc.**).
7. **Auxiliary Enterprise Revenue** is projected to increase approximately \$636,000. These proposed revenue changes are offset by similar changes in the respective program expenditure budgets:
- The largest increase is \$318,700 in the iTech Express Store. This is a new auxiliary enterprise operation located in the Miller Information Technology Center where students, faculty and staff can purchase computer hardware and software through University vendors with an educational discount applied. First year sales have been robust and support the level of projected new revenue.
  - The next largest revenue increase is \$289,300 in University Parking—based on a 5% increase in the price of parking permits for the University’s faculty, staff, and students for FY 2008-09. The 2008-10 biennial budget legislation for the Commonwealth includes agency bond authorization for the new HSC parking structure, and the proposed parking permit rate increases will begin a multiyear plan to fund the debt service on the new parking garage facility.
  - The remaining revenue changes are to the Bookstore, Food Service, and Contract Vending program budgets to more closely align budgeted revenue with current year actual receipts.
8. **University Housing Revenue** is projected to decrease approximately \$370,700 for FY 2008-09 to \$7,357,000. This results primarily from elimination of a past \$325,000 annual transfer from the housing reserves. Because renovation of Miller Hall is not occurring at this time, the reserve transfer is no longer needed. Additionally, the incentive payments from contractor-managed housing (Johnson and Kurz) are projected to decrease \$60,000.
9. **Service Centers** are selected University support 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 2008-09 aggregate service center revenue is projected to decrease \$195,700 from \$1,965,600 to \$1,769,900. Contract Technology Support Services revenue is projected to decrease \$337,100 as a result of the iTech Express Store and

software sales moving from the Contract Technology Support Services service center into a separate auxiliary program as described above. The Mass Spectrometry Service Center is new this year with a projected revenue budget of \$185,800. The service center provides assistance to users for systematic inquiry into global metabolism and regulatory mechanisms through high technology instrumentation. Smaller changes in projected revenue of several other existing service centers account for the remaining net change in this revenue category.

10. **Hospital Related Revenue** is projected to remain at \$13.9 million. The majority of this revenue is payments from the UofL Hospital surplus and the Hospital QCCT rent. These revenues provide vital support to the schools of Medicine, Dentistry, Nursing, and Public Health and Information Sciences.

All revenue budget changes and the proposed FY 2008-09 revenue budget are summarized by source of revenue on the next page.



**SUMMARY OF CHANGES IN BUDGETED REVENUE**  
**Fiscal Year 2008-09**

	FY 2007-08 Original Budget	Adjustments			FY 2008-09 Proposed Budget	Change from FY 2007-08	
		State Appropriation	Tuition and Fees	Program Budgets		Other Revenue	Amount
<b>EDUCATIONAL AND GENERAL REVENUE</b>							
Tuition Revenue							
Summer School Tuition	11,805,200	0	1,108,300	0	0	1,108,300	9.4%
Fall and Spring Tuition	137,883,500	0	13,696,400	0	0	13,696,400	9.9%
Student Fees	7,895,300	0	323,800	0	0	323,800	4.1%
Subtotal Tuition Revenue	157,584,000	0	15,128,500	0	0	15,128,500	9.6%
Fee Revenue							
Continuing Education Fees	2,677,100	0	48,100	0	0	48,100	1.8%
Distance Education Fees	4,219,400	0	704,900	0	0	704,900	16.7%
Special Program Fees	1,171,500	0	111,000	0	0	111,000	9.5%
Unit-based and Course Fees	0	0	293,400	0	0	293,400	NA
Miscellaneous Fees	4,644,000	0	178,000	0	0	178,000	3.8%
Subtotal Fee Revenue	12,712,000	0	1,335,400	0	0	1,335,400	10.5%
Total Tuition and Fee Revenue	170,296,000	0	16,463,900	0	0	16,463,900	9.7%
State Appropriation							
University Base	166,580,000	(10,029,100)	0	0	0	(10,029,100)	-6.0%
Hospital Quality Care and Charity Trust (QCCT)	18,982,300	1,264,200	0	0	0	1,264,200	6.7%
Metropolitan College	1,992,300	(1,992,300)	0	0	0	(1,992,300)	-100.0%
Debt Service	3,791,500	3,709,100	0	0	0	3,709,100	97.8%
Other Appropriations	0	1,125,000	0	0	0	1,125,000	NA
Total State Appropriations	191,346,100	(5,923,100)	0	0	0	(5,923,100)	-3.1%
Other State Funds	2,126,100	(1,057,200)	0	0	0	(1,057,200)	-49.7%
Total Appropriation, CPE and Other State Funds	193,472,200	(6,980,300)	0	0	0	(6,980,300)	-3.6%
Transfers From UofL Corporations	12,734,600	0	0	0	1,482,900	1,482,900	11.6%
Sales and Services of Educational Activities	340,100	0	0	10,000	0	10,000	2.9%
Organized Activities Related to Instruction	802,600	0	0	(69,200)	(4,800)	(74,000)	-9.2%
Other Non-Educational Revenue	12,083,700	0	0	318,500	(4,529,700)	(4,211,200)	-34.9%
Hospital Related Revenue	13,866,200	0	0	0	0	0	0.0%
<b>Total Education &amp; General Revenue</b>	<b>403,595,400</b>	<b>(6,980,300)</b>	<b>16,463,900</b>	<b>259,300</b>	<b>(3,051,600)</b>	<b>6,691,300</b>	<b>1.7%</b>
<b>AUXILIARY ENTERPRISES REVENUE</b>							
Auxiliaries	4,176,700	0	0	636,000	0	636,000	15.2%
University Housing	7,727,700	0	0	(370,700)	0	(370,700)	-4.8%
Service Centers	1,965,600	0	0	(195,700)	0	(195,700)	-10.0%
<b>Total Auxiliary Enterprises Revenue</b>	<b>13,870,000</b>	<b>0</b>	<b>0</b>	<b>69,600</b>	<b>0</b>	<b>69,600</b>	<b>0.5%</b>
<b>TOTAL GENERAL FUND REVENUE</b>	<b>417,465,400</b>	<b>(6,980,300)</b>	<b>16,463,900</b>	<b>328,900</b>	<b>(3,051,600)</b>	<b>6,760,900</b>	<b>1.6%</b>
UofL Corporations Revenue	450,000,000	0	0	0	30,000,000	30,000,000	6.7%
<b>TOTAL UNIVERSITY REVENUE</b>	<b>867,465,400</b>	<b>(6,980,300)</b>	<b>16,463,900</b>	<b>328,900</b>	<b>26,948,400</b>	<b>36,760,900</b>	<b>4.2%</b>

**GENERAL FUND  
EXPENDITURE  
BUDGET**



## **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 increase approximately \$3.7 million. Most of the increase is a result of increased utilities and costs of maintenance and operation (M&O) for facilities coming on-line during the 2008-09 fiscal year. These increases in fixed cost items are typically covered first from new discretionary dollars before other program considerations and strategic initiatives.
3. Compensation for the University’s faculty and staff remains a high priority for the University’s Leadership Team. However, given the extremely tight budget situation the budget includes a pool of funds that represents an average 1% salary increase in the aggregate for faculty and staff. These funds will be distributed in July 2008.
4. Health insurance is also a high priority component of total employee compensation. The proposed budget includes funds to cover the projected increases in health insurance premium costs for the fiscal year. The University is a self-funded health insurance program.
5. Beyond additional faculty and staff compensation, the proposed budget includes other initiatives totaling approximately \$12.2 million. Most of these strategic initiatives are commitments made in previous years that must now be funded.

## **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 his Leadership Team continue to place faculty and staff compensation high on the list of University strategic priorities.

However, given the extremely tight FY 2008-09 budget, there were simply not enough discretionary funds to cover a cost of living salary adjustment for employees. Still, the President and his Leadership Team did earmark approximately \$2.4 million for faculty and staff salary adjustments. This amount also includes the increased cost of employee benefits associated with the raises. Each University employee receiving a satisfactory performance evaluation will receive a \$700 lump sum payment in July 2008. This \$700 payment will then be added to the employee's base pay effective July 1, 2009. 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 \$75,000 increase to the staff reclassification / promotion fund. These amounts are over and above the faculty 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. Based on recent discussion with Aon, the University's Human Resources Consulting firm, health care costs are projected to moderate substantially for calendar year 2009. Because of this, the University's Human Resources department projects the health care premiums will increase only 5% effective January 2009. However, to ensure the total cost increase is absorbed by the University and not passed on to the employee, this budget includes a health insurance reserve fund of \$555,794 to cover any unanticipated increases in health care insurance. Should these funds not be used during FY 2008-09, they will then be available in the FY 2009-10 budget.

Employee-paid health insurance premiums for calendar year 2008 are currently \$538 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 \$1,006,437 for continuing the same level of support, \$538 per month per employee, for the second half of calendar year 2008.
  - The proposed budget also includes an additional \$671,087 to cover a projected 5% premium increase for calendar year 2009. This brings the new rate to \$565 per month per employee, effective January 1, 2009.
3. **Selected fixed and semi-fixed costs** are projected to increase for the 2008-09 fiscal year. Separate and apart from the aforementioned employee benefits, this budget includes approximately \$3.7 million for increases in budgetary items that are classified as fixed or semi-fixed costs. 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:

- Included in the proposed FY 2008-09 budget is \$405,782 to cover the projected increased cost of funding the Social Security (FICA) taxes on a higher maximum salary. This budget projection uses a 4.4% 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 increase in the University's total budget, UofL's audit fees are projected to increase slightly in FY 2008-09. The proposed budget includes an additional \$4,300 for this increase.
- As new employees are added to the University payroll and more existing employees are encouraged to enroll in the University's mandatory retirement program, the costs continue to escalate. Included in this budget is \$243,771 to cover these projected increases.
- Both Long Term Disability and Unemployment Insurance are projected to increase slightly for FY 2008-09. An additional \$26,829 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 few years, this budget is projected to increase slightly - \$57,079 for FY 2008-09.
- As the cost of general insurance for the University continues to rise, this proposed budget includes \$55,000 to fund those increases.
- UofL continues to provide health insurance benefits for its retirees until they are Medicare eligible. Included in this proposed budget is \$26,408 to cover the projected increases associated with this benefit.
- The University's Bad Debt expense continues to increase as some students default on past bills and are financially unable to pay their tuition bills. This budget earmarks \$42,500 to cover the increases in the amount of Bad Debt Expense absorbed by the University.
- In total, payments to meet the University's Debt Service Requirements will increase approximately \$576,000 for FY 2008-09. The following details the changes associated with the various Debt Service Issues:

Series A General Receipts Bonds	1,483,620
Consol Educ Bldg Rev Bonds (Series M)	(23,143)
Consol Educ Bldg Rev Bonds (Series M)	(3,007)
Consol Educ Bldg Rev Bonds (Series N)	87
Consol Educ Bldg Rev Bonds (Series O)	(24,625)
Consol Educ Bldg Rev Bonds (Series P)	(100)
Revenue Refunding Bonds (Series E)-Housing	(42,262)
Revenue Refunding Bonds (Series F)-Housing	40,125
Revenue Refunding Bonds - (Miller)-Housing	(854,469)
Total Change in Debt Service	<u><u>576,226</u></u>

- Based upon preliminary consultations with the various utility providers, utility budgets for existing University facilities are projected to increase approximately 4.5% for FY 2008-09. An additional \$577,266 is included in the budget of the Physical Plant Department to cover these projected cost increases.

- Also included in the proposed budget is funding totaling \$1.1 million for Maintenance and Operations (M&O) and utilities associated with new facilities coming online in FY 2008-09. The details are as follows:
  - ◇ **The Center for Predictive Medicine/Bio Safety Lab III (Shelby Campus)** – This new federally funded facility is projected to be online in January of 2009. Included in this budget is \$431,761 to cover the M&O required to open this facility in January through the remainder of the 2008-09 fiscal year. The University will need to earmark the remaining annual M&O in the FY 2009-10 budget.
  - ◇ **Clinical and Translational Research Building (Health Sciences Campus)** – This facility is projected to be online in June of 2009. Because of the nature of the specialized bio-medical research performed in the building, this is an extremely expensive facility to operate. Included in this budget is \$303,319 – this represents one month of M&O for this facility. The remaining eleven months need to be set aside in the FY 2009-10 budget.
  - ◇ **Home of the Innocents Building (School of Public Health – Health Sciences Campus)** – The renovation of this facility will be completed in August 2008. At that time, the School of Public Health and Information Sciences will move to that facility. Approximately \$252,105 is earmarked in this budget to provide M&O for that building.
  - ◇ **Louisville Scholar House (Belknap Campus)** – This new facility is scheduled to open in August 2008. Since the operation of this building is a partnership with Project Women, UofL is responsible for a portion of the facility's M&O. Funds totaling approximately \$148,750 are earmarked in this budget for UofL's portion of the building's M&O.
- 4. In addition to the University's fixed costs, the Leadership Team approved a small increase in the University's budget reserve and a few off-cycle permanent budget adjustments. These items total approximately \$278,600. Off-cycle budget adjustments are held to a minimum under the leadership of the President and Provost.
- 5. Beyond the items mentioned above, this proposed budget includes an additional \$7.7 million for investment in prior commitment or initiatives that the University must make to basically avoid falling behind with state mandates. The following details these commitments and categorizes each investment by strategic goal.

**Goal One – Education Excellence** — *“The promise of a limitless future.”* UofL will be the first choice for students who wish to excel in the classroom and in life, and that students learn to be competent, mature and critical thinkers. Work to ensure students become responsible, informed and engaged citizens.

**Financial Aid** - To aid in the recruitment and retention of quality students, this budget earmarks \$3.2 million for the student financial aid budget. Details of this increase are as follows:

- Most of this amount, over \$2.3 million, offsets the projected 9.0% tuition rate increase and maintains undergraduate financial aid budgets at roughly the same relative program expenditure levels as in FY 2007-08. Ten financial aid programs fall within this category and will receive a total of \$1.6 million. A sum of \$717,800 is being allocated to Central Administration to provide funds to units without sufficient endowment funds to cover the additional financial aid funds needed for FY 2008-09.
- All other unit-based general funds financial aid budgets will remain budgeted at the July 1, 2007 level. Units with unused endowed financial aid funds are expected to spend the endowment funds first and then request general funds through the Provost.
- An additional \$850,000 is added to the “Cardinal Covenant Program.” This innovative program was implemented in FY 2007-08 to make college affordable and attainable for a number of Kentucky families living at or below 150% of the federal poverty level. UofL was the first public university in Kentucky to implement a covenant or promise program. It essentially fills 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.” The \$850,000 provides continued funding and enhancements for awards to students in FY 2007-08 and extends the covenant program to new students in FY 2008-09. The total amount budgeted for the Cardinal Covenant Program is now over \$1.2 million.
- The University is also increasing the amount needed for the federal financial aid matching funds. An additional \$2,985 is added to the FY 2008-09 budget.

**Quality Enhancement Plan (QEP)** - Every institution applying for accreditation by the Southern Association of Colleges and Schools (SACS) is required to develop a Quality Enhancement Plan to improve the quality of student learning. UofL’s QEP, *Ideas to*

*Action: Using Critical Thinking to Foster Student Learning and Community Engagement*, is designed to improve the critical thinking skills of UofL undergraduate students. To ensure adequate program funding, \$260,000 is allocated for the QEP in FY 2008-09. These funds will be used for implementation and assessment of the plan, for new personnel costs, for faculty development and incentive programs, and for establishment of culminating experiences.

**Goal Two – Research, Scholarship and Creative Activity** — *“The passion to break new ground.”* To focus our energy and resources to enhance scholarship and research as we advance to national prominence in areas of programmatic strength. The faculty will be recognized nationally and internationally for their teaching and research and will serve as outstanding mentors to all our students.

**Strategic Research Initiative – Faculty Positions** - To maintain the momentum in campus research activity, this budget includes \$1.5 million to fund approximately 15 new research-active faculty positions that were authorized for recruitment in FY 2007-08. Positions will be strategically budgeted in departments and specialties to capitalize on intramural and extramural resources for research and scholarship. These positions are also expected to translate theory and laboratory science into practical applications. 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.

**Graduate Fellowships** - Strong graduate programs are crucial to the University attaining its goal of becoming a nationally recognized metropolitan research institution. This budget includes \$230,400 for additional University fellowships in new Ph.D. programs for FY 2008-09.

**Center for Predictive Medicine/Bio Safety Lab** - A Level 3 Regional Bio Safety Lab, one of 13 such labs being built throughout the United States, is under construction on a 4.2-acre site at the northeast corner of UofL’s 240-acre Shelby Campus. Funding for the lab’s construction costs is provided by the National Institutes of Health’s National Institute of Allergy and Infectious Diseases and is scheduled to open and begin operations in the Spring of 2009. The lab will house UofL’s Center for Predictive Medicine, a combination of researchers and technicians who will work to develop vaccines and other countermeasures to detect, prevent and treat emerging infectious diseases and prepare for biowarfare attacks or natural epidemics. This budget contains \$1.1 million as the partial-

year funding during FY 2008-09 for the lab's Scientific Director, supporting software and research technicians, facility operations and maintenance personnel, and round-the-clock security guards. Subsequent funding, projected in a three year start-up plan, will be requested in later operating budgets to expand the lab staff in all areas of operation.

**Goal Three – Community Engagement** — *“The insight to champion community.”* UofL takes pride in the fact that we are a “citizen university.” As UofL maintains its traditional commitments to teaching, research and service we also ensure that the institution's goals are blended with those of the surrounding area.

**Joint UofL-WKU Engineering Program** - For FY 2008-09, \$125,000 is budgeted in support of the joint engineering program with Western Kentucky University. The UofL-WKU joint engineering degree is an integral component of the statewide engineering strategy. The program had previously been budgeted with state engineering funds on a year-to-year basis through CPE pass through appropriations. Effective July 1, 2008, the \$125,000 allocation for this initiative will be moved to the University's base appropriation on a permanent basis.

**Kent School** - Fall 2007, the University introduced a Bachelor of Social Work degree program in the Kent School of Social Work to help meet a growing demand for graduates in this field. In addition, students who graduate from an accredited Bachelor of Social Work program are eligible for advanced standing in social work masters programs. For FY 2008-09 the University is allocating \$105,000 to support the new Bachelor of Social Work degree program. Kent School will use these funds for accreditation and recruitment, and for expansion and enhancement of the program.

**Goal Four – Diversity, Opportunity and Social Justice** — *“The courage to question convention.”* To foster and sustain an environment of inclusiveness, free of prejudices and bias, empowering all to achieve their highest potential, and being open to all ideas and bringing many diverse perspectives to the table.

**Diversity** - UofL is committed to recruiting and retaining a diverse population of students, faculty and staff. To help foster greater diversity on campus, an additional \$100,000 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.

**Goal Five – Creative and Responsible Stewardship — “The will to achieve greatness.”**

Improve the effectiveness and accountability of programs and services in fulfilling the mission and vision of the University.

**Faculty and Staff Compensation** - The salary, wage, and fringe benefit enhancements discussed at the beginning of the Expenditure Highlights support goal five.

The initiatives described above total over \$12 million and are summarized below.

<b>Investment in Policy Initiatives</b>	
Description	Amount
<b>Educational Excellence</b>	
Financial Aid Escalator	3,324,600
Federal Financial Aid - Institutional Match	2,985
Cardinal Covenant Program	
Continuing commitment	250,000
FY08 over awards	100,000
FY09 enhancements	<u>500,000</u>
Quality Enhancement Plan - "Ideas to Action"	<u>260,000</u>
Total Educational Excellence	4,437,585
<b>Research, Scholarship, and Creative Activity</b>	
New Faculty Positions (cost net of grant revenue)	1,500,000
Fellowships for new Ph.D. programs	230,400
Health Insurance for Graduate Students	107,433
Bio Safety Lab / Center for Predictive Medicine	<u>1,103,234</u>
Total Research, Scholarship, and Creative Activity	2,941,067
<b>Community Engagement</b>	
Joint WKU/UofL Engineering Program	125,000
Kent BSW Program	<u>105,000</u>
Total Community Engagement	230,000
<b>Diversity, Opportunity, and Social Justice</b>	
Diversity Initiatives	<u>100,000</u>
Total Diversity, Opportunity, and Social Justice	100,000
<b>Creative and Responsible Stewardship</b>	
Salary & Wage Increases	2,400,375
Faculty Promotion Fund	350,000
Staff Reclassification / Promotion Fund	75,000
Health Insurance	<u>1,677,524</u>
Total Creative and Responsible Stewardship	<u>4,502,899</u>
<b>Total Investment in Policy Initiatives</b>	<b><u><u>12,211,600</u></u></b>

6. Because of the significant reduction in the University's state appropriation, this budget also includes unit-based budget reductions and other University-wide revenue enhancements and cost saving strategies totaling approximately \$11.9 million. For more complete details on the University's overall budget reduction strategies for the FY 2008-09 Operating Budget, please refer to the Budget Reduction section included in this document beginning on page 38.
  
7. The proposed expenditure budget is increased by approximately \$3.2 million for items **directly offset by revenue**. Programs included in this category have a one-to-one relationship between a specific revenue item and its corresponding expenditure budget. Included in this category are:
  - The School of Public Health and Information Sciences will receive an additional \$500,000 budget allocation to support its operations. New incremental tuition revenue generated by the School's programs will support this expense allocation. As enrollment has increased, the School's tuition revenue has grown proportionately.
  
  - The budget for the Student Health Services is projected to increase \$323,800 in FY 2008-09. This increase is based on a more realistic projection of student enrollments and student health service usage.
  
  - Overall Continuing and Distance Education programs show a proposed net increase of approximately \$197,700. Most of this increase is a direct result of increased Distance Education offerings across campus. Budgeting the expenses upfront should reduce the amount of budget paperwork required throughout the academic year.
  
  - The category of Special Programs is projected to increase \$184,500 for FY 2008-09. Most of this increase is related to increased activity in 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.
  
  - Unit-based and course fee budgets are projected to increase \$293,400. The Dental Instrument Rental expense budget is increased \$188,500 to include additional salaries and operating expenses to the program. The Speed Software Technology Fee budget increase is based on the licensing fees to be paid for specialized engineering software installed on student tablet PCs. The Urban and Public Affairs Fee expense budget increase is an enhancement to the program's instructional costs.

- Expense budgets offset by non-educational revenue will increase approximately \$305,600. This change results from multiple revisions to “program budgets” across the University.
  - Approximately \$1,264,200 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.
  - A number of other small adjustments to various programs round out this category of Expenditures Offset by Specific Revenue.
8. As part of the budget of the Commonwealth (HB 406), funding for the Metropolitan College initiative was moved to the Economic Development Cabinet’s budget. The expenditure budgets associated with this revenue were removed from the University’s budget as well. Once the cash is transferred to the University after the beginning of FY 2008-09, expenditure budgets will be established in the University’s financial systems.
9. The expenditure budget for the University’s **Auxiliary Enterprises** increased approximately \$1.1 million for FY 2008-09. Changes in this category include:
- **University Parking’s** budget is projected to increase approximately \$293,000 for FY 2008-09. This proposed budget is currently based on a 5% increase in the cost of parking permits for University faculty, staff, and students. The 2008-10 biennial budget legislation for the Commonwealth includes agency bond authorization for the new HSC parking structure. The proposed parking permit rate structure will begin to support the debt service on the new garage facility.
  - **The iTech Express Store** is a new auxiliary enterprise located in the Miller Information Technology Center. Students, faculty and staff can purchase computer hardware and software through University vendors with the educational discount applied. First year sales have been good and overall most students, faculty and staff are pleased with the store’s convenience and discounts. Expenses of the program are primarily salaries and operating expenses which were previously recorded in the Contract Technology Support Services Service Center. The program’s budget is \$318,700.

10. The **Student Housing** budget is projected to increase approximately \$555,400 for FY 2008-09. The Board of Trustees approved the new housing rates at their special Board meeting in May 2008, which will become effective Fall 2008. On average, the rates for the residence halls and apartments will increase 9%. According to benchmark studies, UofL's housing rates remain competitive with other regional and benchmark institutions. The rate increase was required to support additional personnel costs, operating costs, deferred maintenance and other renovation projects.
  
11. 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 externally produced service income. In total, these budgets will decrease approximately \$165,700 for FY 2008-09. Most of this decrease is a direct result of closing the Contract Technology Support Services Service Center. The services once provided by this center will be offered through the iTech Express Store now open in Miller Information Technology Center. The iTech Express Store is an auxiliary enterprise and is discussed in that section.

## Summary of Changes in Budgeted Expenditures Fiscal Year 2008-09

2007-08	Original Budget	Administrative Reorganization	Revised Budget	New Funds	Significant Transfers	Offset by Revenue	Salary Increases	Fixed Costs	Unit Budget Reductions	Cost Savings Strategies	Policy Initiatives	Changes in Fringe Benefits	2008-09 Proposed Budget	Proposed Change from Revised	Percent Change
<b>Academic Units</b>															
Academic Support Programs	3,759,498	0	3,759,498	(3,080)	95,929	11,100	23,058	0	0	0	272,373	99,328	4,258,207	498,709	13.3%
Arts and Sciences	50,563,700	0	50,563,700	0	106,953	(72,019)	329,695	0	(827,920)	(46,549)	38,246	361,315	50,498,420	(65,280)	-0.1%
Business	16,698,293	0	16,698,293	6,053	0	27,575	102,417	0	(314,735)	(37,453)	0	101,689	16,628,839	(69,454)	-0.4%
Dentistry	15,597,478	0	15,597,478	0	0	141,230	95,665	0	(300,000)	(44,260)	0	97,667	15,587,780	(9,698)	-0.1%
Education & Human Dev.	13,939,088	0	13,939,088	0	3,464	80,800	85,493	0	(268,000)	(69,700)	0	80,462	13,851,607	(87,481)	-0.6%
Graduate School	3,538,730	0	3,538,730	0	5,576	0	21,704	0	(55,100)	0	0	42,263	3,553,173	14,443	0.4%
Kent School of Social Work	3,405,456	0	3,405,456	0	(9,172)	210	20,887	0	(85,000)	(630)	105,000	20,930	3,457,681	52,225	1.5%
Brandeis School of Law	5,722,792	0	5,722,792	0	(196)	35,100	35,100	0	(200,000)	(1,140)	0	33,034	5,589,590	(133,202)	-2.3%
Libraries	17,578,853	0	17,578,853	0	62,682	0	107,817	0	(300,000)	(980)	0	101,472	17,549,845	(29,008)	-0.2%
Medicine	54,834,931	(5,727,954)	49,106,977	0	196,213	323,800	320,760	0	(991,463)	(342,400)	76,492	325,809	49,016,188	(90,789)	-0.2%
Metropolitan College (UofL)	565,262	0	565,262	0	0	0	3,467	0	(125,000)	(29,600)	0	3,263	571,992	6,730	1.2%
Music	5,392,450	0	5,392,450	0	(16,917)	54,600	33,074	0	(84,000)	0	38,246	35,155	5,343,762	(48,688)	-0.9%
Nursing	4,357,403	0	4,357,403	0	12,271	534,500	26,726	0	(84,000)	0	260,000	34,895	4,385,540	28,137	0.6%
Other Academic Programs	4,133,775	0	4,133,775	0	170,072	534,500	25,354	0	(150,650)	0	23,862	23,862	4,996,913	863,138	20.9%
Public Health	3,505,350	0	3,505,350	0	139,224	500,000	21,500	0	(60,971)	0	38,246	29,340	4,172,689	667,339	19.0%
J. B. Speed	17,877,492	0	17,877,492	0	77,415	11,600	109,649	0	(396,718)	(27,838)	125,000	109,132	17,885,732	8,240	0.0%
Undergraduate Affairs	3,903,937	0	3,903,937	0	(50,213)	0	23,944	0	(80,000)	(80)	0	25,715	3,823,303	(80,634)	-2.1%
<b>Total Academic Units</b>	<b>225,374,488</b>	<b>(5,727,954)</b>	<b>219,646,534</b>	<b>2,973</b>	<b>793,301</b>	<b>1,703,396</b>	<b>1,386,310</b>	<b>0</b>	<b>(4,088,907)</b>	<b>(751,280)</b>	<b>953,603</b>	<b>1,525,332</b>	<b>221,171,262</b>	<b>1,524,728</b>	<b>0.7%</b>
<b>Support Units</b>															
General Institutional Expenses	6,495,376	0	6,495,376	5,500	0	0	700	128,208	0	(479,876)	0	250	6,150,158	(345,218)	-5.3%
E. V. P. Health Affairs	0	5,727,954	5,727,954	0	(295,108)	0	35,132	0	(44,000)	0	98,200	61,051	5,583,229	(144,725)	-2.5%
Institutional Support:															
President	1,180,769	0	1,180,769	0	5,381	0	7,242	0	(37,700)	0	0	6,816	1,162,508	(18,261)	-1.5%
Provost	5,743,594	0	5,743,594	0	(471,177)	0	35,228	0	(380,000)	0	100,000	33,578	5,061,223	(682,371)	-11.9%
V.P. Business Affairs	9,822,003	0	9,822,003	0	(459)	48,900	60,242	0	(722,201)	(534,917)	294,700	140,687	9,108,954	(713,049)	-7.3%
V.P. Info Technology	9,834,056	0	9,834,056	0	8,607	210,000	60,316	0	(244,381)	(29,016)	0	56,766	9,896,348	62,292	0.6%
V.P. Advancement	2,609,233	0	2,609,233	0	50,544	0	16,003	0	(75,000)	0	0	15,274	2,616,054	6,821	0.3%
V.P. External Affairs	745,951	0	745,951	0	6,151	0	4,575	0	(17,157)	0	4,306	743,826	(2,125)	-0.3%	
V.P. Finance	5,365,508	0	5,365,508	0	30,884	(175,000)	32,909	0	(118,690)	0	0	30,972	5,166,582	(198,926)	-3.7%
Physical Plant	33,102,925	0	33,102,925	0	(1,012)	0	203,032	1,713,201	0	0	0	191,083	35,209,230	2,106,305	6.4%
E. V. P. Research	9,255,210	0	9,255,210	0	(178,049)	0	56,766	0	(277,700)	0	1,636,290	516,765	11,009,281	1,754,071	19.0%
Reserves	9,379,252	0	9,379,252	70,127	(90,156)	0	31,373	0	(136,000)	(11,648)	614,159	16,934	9,990,316	611,064	6.5%
Student Activities	5,115,179	0	5,115,179	0	3,096	(4,000)	0	0	(57,000)	(2,822,052)	4,177,585	31,011	5,029,011	(86,168)	-1.7%
Student Financial Aid	40,847,783	0	40,847,783	0	0	0	0	0	0	0	0	210	42,146,316	1,298,533	3.2%
Student Government Assoc	436,200	0	436,200	0	0	(210)	0	0	0	(10,510)	0	0	436,200	0	0.0%
Enrollment Management Assoc	5,483,032	0	5,483,032	200,000	137,997	(5,000)	33,629	0	0	0	32,074	0	5,871,223	388,191	7.1%
Debt Service/Transfers	15,221,971	0	15,221,971	0	0	373,042	0	203,184	0	0	0	0	15,798,197	576,226	3.8%
<b>Total Support Units</b>	<b>160,638,042</b>	<b>5,727,954</b>	<b>166,365,996</b>	<b>275,627</b>	<b>(793,301)</b>	<b>447,732</b>	<b>577,147</b>	<b>2,044,593</b>	<b>(2,109,829)</b>	<b>(3,888,019)</b>	<b>6,920,934</b>	<b>1,137,776</b>	<b>170,978,656</b>	<b>4,612,660</b>	<b>2.8%</b>
<b>Auxiliary Enterprises</b>															
Auxiliary Enterprises	2,323,300	0	2,323,300	0	0	1,045,473	13,847	0	0	0	0	13,980	3,396,600	1,073,300	46.2%
Service Centers	1,411,600	0	1,411,600	0	0	(182,031)	8,413	0	0	0	0	7,918	1,245,900	(165,700)	-11.7%
University Housing	5,570,070	0	5,570,070	0	0	490,970	33,198	0	0	(111,401)	0	31,245	6,014,082	444,012	8.0%
<b>Total Auxiliary Enterprises</b>	<b>9,304,970</b>	<b>0</b>	<b>9,304,970</b>	<b>0</b>	<b>1,354,412</b>	<b>55,458</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(111,401)</b>	<b>0</b>	<b>53,143</b>	<b>10,656,582</b>	<b>1,351,612</b>	<b>14.5%</b>
University Hospital Allocation	20,155,600	0	20,155,600	0	1,264,200	0	0	0	0	0	0	0	21,419,800	1,264,200	6.3%
Metropolitan College	1,992,300	0	1,992,300	0	(1,992,300)	0	0	0	0	0	0	0	0	(1,992,300)	-100.0%
<b>Total General Funds</b>	<b>417,465,400</b>	<b>0</b>	<b>417,465,400</b>	<b>278,600</b>	<b>0</b>	<b>2,777,440</b>	<b>2,018,915</b>	<b>2,044,593</b>	<b>(6,198,736)</b>	<b>(4,750,700)</b>	<b>7,874,537</b>	<b>2,716,251</b>	<b>424,226,300</b>	<b>6,760,900</b>	<b>1.6%</b>
UofL Corporations	450,000,000	0	450,000,000	0	0	30,000,000	0	0	0	0	0	0	480,000,000	30,000,000	6.7%
<b>TOTAL UNIVERSITY</b>	<b>867,465,400</b>	<b>0</b>	<b>867,465,400</b>	<b>278,600</b>	<b>0</b>	<b>32,777,440</b>	<b>2,018,915</b>	<b>2,044,593</b>	<b>(6,198,736)</b>	<b>(4,750,700)</b>	<b>7,874,537</b>	<b>2,716,251</b>	<b>904,226,300</b>	<b>36,760,900</b>	<b>4.2%</b>

**SUMMARY OF  
CHANGES IN  
REVENUE AND  
EXPENDITURES**



## Summary of Changes in Revenue and Expenditures

### I. Educational and General Revenue Budget

<b>A. 2007-08 E&amp;G Revenue Base Budget</b>			401,603,100
<b>B. 2008-09 Adjustments to State Appropriation</b>			
- Base Adjustments:			
Enacted State Reduction	(10,029,100)		
Hospital Contract - QCCT Inflation Adjustment	807,200		
Hospital Contract - QCCT Escalator	457,000		
Instruction - Joint WKU/UofL Engineering Program	125,000		
E&G Debt Service Adjustment	3,709,100		
Research Support moved from CPE budget	1,000,000		
Sub-Total Base Adjustments		(3,930,800)	
- Change in State Appropriation in CPE Budget:			
Research Support moved to base	(1,000,000)		
Kentucky Pollution Prevention Center	(57,200)		
Sub-Total Adjustments through CPE		(1,057,200)	
Total Adjustments to State Appropriation			(4,988,000)
<b>C. Adjustments to Tuition and Fee Revenue</b>			
- Tuition:			
Projected Tuition Rate Increase (on budgeted enrollment)			
Summer Term @ 9.9% (from FY08)	1,108,300		
Fall & Spring Terms @ 9%	10,595,800		
		11,704,100	
Mandatory Student Fees			
Student Health Services	323,800		
		323,800	
Enrollment Growth		3,600,600	
Sub-Total Adjustments to Tuition			15,628,500
- Fee Revenue:			
Continuing Education Fees		48,100	
Distance Education Fees		204,900	
Special Program Fees		111,000	
Unit-based and Course Fees		293,400	
Miscellaneous Fees		178,000	
Total Adjustments to Fee Revenue			835,400
Total Adjustments to Tuition and Fee Revenue			16,463,900
<b>D. Adjustments to Transfers from Affiliated Corporations</b>			
- UofL Athletic Association, Inc.		1,001,594	
- UofL Research Foundation, Inc.		481,349	
Total Adjustments to Transfers from Affiliated Corporations			1,482,900
<b>E. Adjustments to Sales and Services of Educational Departments</b>			10,000
<b>F. Adjustments to Revenue from Organized Activities Related to Instruction</b>			(74,000)
<b>G. Adjustments to Other Non-Educational Revenue</b>			(4,211,200)
<b>Total Projected Educational &amp; General Revenue</b>			<b>410,286,700</b>

### II. Auxiliary Enterprises, Service Centers, and Housing Revenue Budgets

<b>A. Auxiliary Enterprises Base Budget</b>			4,176,700
- Food Service Contract		44,000	
- Contract Vending		(21,000)	
- Bookstore Operations		5,000	
- University Parking		289,300	
- iTech Express		318,700	
<b>Subtotal Auxiliary Enterprises</b>			<b>4,812,700</b>

**Summary of Changes in Revenue and Expenditures (cont.)**

B. Service Centers Base Budget		1,965,600
- Mass Spectrometry Service center	185,800	
- CGEMM Transgenic Core	(5,000)	
- Bioengineering Lab	78,000	
- Biophysics Lab	(2,000)	
- Nuclear Magnetic Resonance Facility	(1,000)	
- MicroTechnology Service Center	(88,600)	
- Dahlem Supercomputer Lab	(30,600)	
- Communications Services	22,900	
- Contract Instructional Support	(18,100)	
- Contract Tech Support Services	(337,100)	(195,700)
<b>Subtotal Service Centers</b>		<b>1,769,900</b>
C. Student Housing Base Budget		7,727,700
- Johnny Unitas Tower	77,200	
- Miller Hall	92,600	
- University Tower	44,500	
- Stevenson Hall	(141,500)	
- Threlkeld Hall	(51,200)	
- Med / Dent Apts and Dorms	(156,000)	
- The Complex	122,700	
- Louisville Hall	26,100	
- Housing Administration	(385,100)	(370,700)
<b>Subtotal Student Housing</b>		<b>7,357,000</b>
<b>III. Metropolitan College</b>		
- Base		1,992,300
State Appropriation moved to Economic Development Cabinet		(1,992,300)
<b>Subtotal Metropolitan College</b>		<b>0</b>
<b>Total University Revenue</b>		<b>424,226,300</b>
<b>I. Educational and General Expenditure Budget</b>		
A. 2007-08 Expenditure Base Budget		405,602,868
B. Fixed Costs:		
- Personal Services		
Change in FICA Maximum	405,782	
Long-Term Disability Insurance	19,188	
Worker's Compensation Insurance	57,079	
Unemployment Insurance	7,641	
Retirement Contribution	243,771	
Employee Benefit Reserve	555,794	
Total Adjustments to Personal Services		1,289,255
- Current Expenses		
Insurance	55,000	
Audit Fees	4,300	
Bad Debt Expense	42,500	
Retiree Health Insurance	26,408	
Total Adjustments to Current Expenses		128,208
- Physical Facilities		
Utility budgets increase (estimated on a 4.5% average)	577,266	
M&O for New Facilities	1,135,935	
Change in Debt Service Requirements	576,226	
Total Adjustments to Physical Facilities		2,289,427
Total Adjustments to Fixed Costs		3,706,900
C. Other Expenditures:		
- Budget Reserve Fund	70,119	
- FY08 Budget Revisions with C.A.R.	208,476	
Total Adjustments to Other Expenditures		278,600

## Summary of Changes in Revenue and Expenditures (cont.)

**D. Investment in Policy Initiatives:**

- Educational Excellence				
Financial Aid Escalator	3,324,600			
Federal Financial Aid - Institutional Match	2,985			
Cardinal Covenant - continuing commitment	250,000			
Cardinal Covenant - FY08 over awards	100,000			
Cardinal Covenant - FY09 enhancements	500,000			
Quality Enhancement Plan - "Ideas to Action"	260,000			
Total Educational Excellence				4,437,585
- Research, Scholarship, and Creative Activity				
New Faculty Positions (cost net of grant revenue)	1,500,000			
Fellowships for new Ph.D. programs	230,400			
Health Insurance for Graduate Students	107,433			
Center for Predictive Medicine / Bio-Safety Lab	1,103,234			
Total Research, Scholarship, and Creative Activity				2,941,067
- Diversity, Opportunity, and Social Justice				
Diversity Initiatives	100,000			
Total Diversity, Opportunity, and Social Justice				100,000
- Community Engagement				
Joint WKU / UofL Engineering Program	125,000			
Kent BSW Program	105,000			
Total Community Engagement				230,000
- Creative and Responsible Stewardship				
Salary & Wage Increases	2,400,375			
Faculty Promotion Fund	350,000			
Staff Reclassification / Promotion Fund	75,000			
Health Insurance:				
July thru December 2008 - 11.5% - \$538/mo./employee	1,006,437			
January thru June 2009 - 5% - \$565/mo./employee	671,087	1,677,524		
Total Creative and Responsible Stewardship				4,502,899
Total Investment in Strategic Initiatives				12,211,600
<b>E. Planned Programmatic Budget Reductions:</b>				
- Academic Units				(4,088,907)
- Support Units				(2,109,830)
Total Planned Programmatic Budget Reductions				(6,198,737)
<b>F. Cost Savings Strategies:</b>				
- Institutional Financial Aid				
Escalate scholarship budgets only for central U/G and selected unit programs	(1,000,000)			
Total Institutional Financial Aid				(1,000,000)
- Compensation and Benefits				
Eliminate six credit hour tuition remission benefit for spouses	(368,700)			
Require faculty and staff to pay the 30% surcharge on distance education courses	(74,000)			
Capture University-wide lapsed fringe benefits	(1,000,000)			
Total Compensation and Benefits				(1,442,700)
- Chargebacks to UofL Corporations				
Overhead Charge to Program Budgets, Service Centers and Auxiliaries	(1,144,313)			
Add retiree health insurance direct billing expense into fringe benefit calculation	(479,876)			
Add faculty, staff, and dependent tuition remission into fringe benefit calculation	(1,370,628)			
Total Chargebacks to UofL Corporations				(2,994,817)
- Miscellaneous Savings				
Reduce budgets of state mandated programs 3%	(313,200)			
Total Miscellaneous Savings				(313,200)
Total Cost Savings Strategies				(5,750,700)

## Summary of Changes in Revenue and Expenditures (cont.)

<b>G. Expenditure Changes Offset by Specific Revenue or Departmental Credits</b>	
- School of Public Health and Information Sciences	500,000
- Mandatory Student Fees	323,800
- Continuing Education	7,810
- Distance Education	189,900
- Special Programs	184,515
- Unit-based and Course Fees	293,400
- Miscellaneous Fees	10,102
- Sales and Services of Educational Departments	21,639
- Organized Activities Related to Instruction	(58,470)
- Other Non-Educational Programs	305,600
- Hospital Contract - QCCT	1,264,200
Total Adjustments to E&G Expenditures Offset By Revenue	<u>3,042,500</u>
<b>Total Projected E&amp;G Expenditure Budget</b>	<b><u>412,893,000</u></b>
<b>II. Auxiliary Enterprises, Service Centers, and Housing Expense Budgets</b>	
A. Auxiliary Enterprises Base Budget	2,323,300
- Food Service Contract	44,000
- Contract Vending	211,000
- Bookstore Operations	207,000
- University Parking	292,600
- iTech Express	318,700
<b>Subtotal Auxiliary Enterprises</b>	<b><u>1,073,300</u></b>
B. Service Centers Base Budget	1,411,600
- Mass Spectrometry Service Center	185,800
- CGEMM Transgenic Core	(5,000)
- Bioengineering Lab	78,000
- Biophysics Lab	(2,000)
- Nuclear Magnetic Resonance Facility	(1,000)
- MicroTechnology Service Center	(88,600)
- Dahlem Supercomputer Lab	(30,600)
- Communications Services	22,900
- Contract Instructional Support	(18,100)
- Contract Tech Support Services	(337,100)
- Temporary Services	15,000
- Central Stores and Stockroom	15,000
<b>Subtotal Service Centers</b>	<b><u>(165,700)</u></b>
C. Student Housing Base Budget	5,570,070
- Johnny Unitas Tower	(9,900)
- Miller Hall	(100,500)
- University Tower	30,800
- Stevenson Hall	31,100
- Threlkeld Hall	35,100
- Med / Dent Apts and Dorms	7,700
- The Complex	17,800
- Louisville Hall	36,900
- Dormitory Activities	3,413
- Housing Administration	503,000
<b>Subtotal Student Housing</b>	<b><u>555,413</u></b>
<b>Subtotal Student Housing</b>	<b><u>6,125,500</u></b>
<b>III. Metropolitan College</b>	
- State Base Funding	1,992,300
Transfer of Funding to Economic Development Cabinet	(1,992,300)
- University Base Funding	565,262
<b>Subtotal Metropolitan College</b>	<b><u>565,262</u></b>
<b>Total University Expenditures</b>	<b><u>424,226,300</u></b>
<b>University Projected Surplus / (Deficit)</b>	<b><u>0</u></b>

**BUDGET  
REDUCTION  
AND COST SAVING  
STRATEGIES**



## **BUDGET REDUCTIONS, REVENUE ENHANCEMENTS, AND COST SAVINGS STRATEGIES**

During this difficult budget development year, the President and his Leadership Team dedicated themselves to strategically identify areas for revenue enhancements and expenditure reductions. Their objective for these selective budget decisions was to make operational changes that will balance the budget by increasing efficiencies and minimally impacting the primary educational and public service goals and programs of the University.

In this process, the President and his Leadership Team used the following core principles to guide their deliberations on the budget reduction, revenue enhancement, and cost savings strategies.

- No Across-the-Board Reductions
- Protect Core Instruction and Research Programs
- Protect Investments in the Policy Initiative Areas
- Fund Essential Fixed Cost Increases
- Maintain Budget Reserve Funds
- Protect Diversity/EEO Initiatives
- Maximize Non-General Fund Revenue Opportunities
- No Complicated Process
- Everything is on the Table, i.e., No “Sacred Cows”

### **I. Programmatic Budget Reductions**

Academic and support unit-based budget reductions total almost \$6.2 million; this equates to a 2.2% reduction of their adjusted University general fund budgets. The unit-based budget reductions were strategically targeted to reductions in low priority areas within the academic and support programs. The following schedule details the reductions by unit.

<b>CAR Budget Reductions by Dean / Vice President 2008-09 Operating Budget</b>	
	<b>Proposed Reduction</b>
<b><u>Academic Units:</u></b>	
College of Arts and Sciences	827,920
College of Business	314,735
School of Dentistry	300,000
College of Education / Human Development	268,000
Graduate School	55,100
Kent School of Social Work	85,000
Brandeis School of Law	200,000
University Libraries	300,000
School of Medicine	991,463
School of Music	125,000
School of Nursing	84,000
School of Public Health	60,971
J. B. Speed School of Engineering	396,718
Undergraduate Affairs	80,000
Total Academic Units	<u>4,088,907</u>
<b><u>Support Units:</u></b>	
President	37,700
Provost	380,000
Health Affairs	44,000
Research	277,700
Finance	118,692
External Affairs	17,157
Business Affairs	722,201
Advancement	75,000
Information Technology	244,381
Student Affairs	136,000
Athletics	57,000
Total Support Units	<u>2,109,830</u>
<b>University Total</b>	<b><u><u>6,198,736</u></u></b>

## II. Cost Saving Strategies

1. **Institutional Financial Aid** - In FY 2008-09, the University will escalate undergraduate, university-wide financial aid budgets. This year the University will not provide a general increase to unit-based financial aid budgets. This will save an estimated \$1 million. The deans of the academic units are asked to augment their financial aid budgets with unused accumulated endowment earnings to offset the tuition rate increase and therefore provide full scholarship awards.
2. **Employee Compensation and Benefits** - Restructuring some of the faculty and staff benefits will produce a total cost savings of approximately \$1.4 million. The details are as follow:
  - Of that total, a savings of \$368,700 will result from discontinuing the six credit hour tuition remission for spouses of employees.
  - Because of the convenience associated with the distance education/on-line courses, faculty and staff enrolled in these courses will be required to pay the 30% tuition surcharge beginning in Fall 2008. It is anticipated this will reduce faculty and staff tuition remission expenses by \$74,000.
  - The University will capture lapsed fringe benefits on budgeted general fund vacant positions university-wide. This is projected to provide approximately \$1 million in FY 2008-09.
3. **Chargebacks to UofL Corporations**
  - There is a wide array of revenue-producing or “program budgeted” programs across the University. In the aggregate, these auxiliaries, service centers, and program budgets generate approximately \$45 million in revenue. In the past, the University provided direct and indirect support to these programs at no cost. Beginning FY 2008-09, an administrative overhead charge of 2% will be applied to the expenditures of all auxiliaries, service centers, and program budgets. This administrative overhead charge is expected to generate \$1,144,300.
  - The University’s general fund currently covers the entire cost of the retiree health insurance expense. That general fund budget is currently \$1.3 million. Beginning in FY 2008-09 this expense will be charged to the respective UofL Corporations for

their pro-rated portion of the expense as part of the overall fringe benefit package. This change is projected to save the general fund approximately \$479,900.

- The tuition remission budgets for faculty, staff, and dependents total more than \$3.7 million. Currently the general fund covers the entire expense of their remissions. Beginning in FY 2008-09, the cost of tuition remission for faculty, staff, and dependents will be incorporated into the fringe benefit calculation and charged to the appropriate University departments and UofL Corporations. This is expected to produce additional savings of \$1,370,600.

#### 4. Miscellaneous Cost Savings

- Currently, there are thirteen legislatively state mandated programs at UofL. As part of the budget reduction strategy the budgets of these programs will be reduced 3%, yielding a total savings of \$313,200. The Leadership Team felt strongly that given the significant reduction in state appropriation, a like reduction to the University's state mandated programs was appropriate.

<b>Summary of Revenue Enhancements and Cost Savings Strategies 2008-09 Fiscal Year</b>	
Description	Amount
<b>I. Institutional Financial Aid</b>	
Escalate scholarship budgets only for central undergraduate scholarship programs and unit based financial aid programs with insufficient endowment earnings.	(1,000,000)
Subtotal	<u>(1,000,000)</u>
<b>II. Compensation and Benefits</b>	
Eliminate six credit hour tuition remission benefit for spouses of employees	(368,700)
Require faculty and staff to pay the 30% surcharge on distance education courses	(74,000)
Capture University wide lapsed fringe benefits	(1,000,000)
Subtotal	<u>(1,442,700)</u>
<b>III. Chargebacks to UofL Corporations</b>	
Phase in an overhead charge on auxiliaries, service centers, and program budgets - 2%	(1,144,300)
Incorporate retiree health insurance direct billing expense into fringe benefit calculation and charge appropriate amount to affiliated corporations	(479,900)
Incorporate faculty, staff, and dependent tuition remission into fringe benefit calculation and charge appropriate amount to affiliated corporations	(1,370,600)
Subtotal	<u>(2,994,800)</u>
<b>IV. Miscellaneous Cost Savings</b>	
Reduce budgets of state mandated programs 3%	(313,200)
Subtotal	<u>(313,200)</u>
<b>Total Revenue Enhancements and Cost Savings</b>	<b><u>(5,750,700)</u></b>

# TREND DATA



**GENERAL FUND BUDGETED EXPENDITURES**

Fiscal Years 2004 to 2009 (Dollars in Thousands)

**BUDGET TREND DATA**  
**2008-09 Operating Budget**

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	Five Year Change	
	Budget	Budget	Budget *	Budget	Budget *	Budget	Amount	Percent
<b>Academic Units</b>								
Academic Support Programs	4,172	4,161	3,377	3,668	3,759	4,258	86	2.1%
Arts and Sciences	37,035	38,898	43,478	47,147	50,564	50,498	13,463	36.4%
Business	13,045	13,321	13,021	14,794	16,698	16,629	3,584	27.5%
Dentistry	12,186	12,783	13,790	14,676	15,597	15,588	3,402	27.9%
Education and Human Development	10,831	11,796	11,643	12,705	13,939	13,852	3,021	27.9%
Graduate Programs	2,709	2,469	3,197	3,312	3,539	3,553	844	31.2%
Kent School of Social Work	2,625	2,746	2,888	3,127	3,405	3,458	833	31.7%
Brandeis School of Law	4,507	4,511	4,763	5,053	5,723	5,590	1,083	24.0%
University Libraries	14,814	15,078	15,814	16,708	17,579	17,550	2,736	18.5%
Medicine	45,255	45,918	47,466	50,747	49,107	49,016	3,761	8.3%
Metropolitan College (UofL)	669	670	619	632	565	572	(97)	-14.5%
Music	4,266	4,324	4,511	4,990	5,392	5,344	1,078	25.3%
Nursing	2,715	3,140	3,421	3,842	4,357	4,386	1,671	61.5%
Other Academic Programs	3,257	3,235	3,313	4,034	4,134	4,997	1,740	53.4%
Public Health and Information Sciences	2,151	2,216	2,776	3,252	3,505	4,173	2,022	94.0%
J. B. Speed School of Engineering	14,061	14,746	15,652	16,499	17,887	17,886	3,825	27.2%
Undergraduate Affairs	2,524	3,147	3,336	3,455	3,904	3,823	1,299	51.5%
<b>Total Academic Units</b>	<b>176,822</b>	<b>183,159</b>	<b>193,065</b>	<b>208,641</b>	<b>219,646</b>	<b>221,171</b>	<b>44,351</b>	<b>25.1%</b>
<b>Support Units</b>								
General Institutional Expense	6,746	6,234	6,045	6,122	6,495	6,150	(596)	-8.8%
E. V. P. Health Affairs	0	0	0	0	5,728	5,583	5,583	NA
Institutional Support	26,729	28,964	31,256	32,782	35,301	33,756	7,027	26.3%
Physical Plant	23,297	24,408	28,188	31,520	33,103	35,209	11,912	51.1%
E. V. P. Research	5,267	5,741	8,121	8,921	9,255	11,009	5,742	109.0%
University Reserves	7,837	7,793	7,683	8,036	9,379	9,990	2,153	27.5%
Student Activities and Student Government	8,651	8,808	5,096	5,208	5,551	5,465	(3,186)	-36.8%
Student Financial Aid	22,952	27,345	30,724	35,665	40,848	42,146	19,194	83.6%
Enrollment Management	0	0	4,683	4,992	5,483	5,871	5,871	NA
Debt Service/Transfers	15,288	17,350	17,668	17,384	15,222	15,798	510	3.3%
<b>Total Support Units</b>	<b>116,767</b>	<b>126,643</b>	<b>139,464</b>	<b>150,630</b>	<b>166,366</b>	<b>170,978</b>	<b>54,210</b>	<b>46.4%</b>
<b>Auxiliary Enterprises</b>								
Auxiliaries	2,031	2,244	2,077	2,059	2,323	3,397	1,366	67.3%
Service Centers	544	650	1,050	1,473	1,412	702	702	129.0%
University Housing	4,378	5,109	5,136	5,152	5,570	6,014	1,636	37.4%
<b>Total Auxiliary Enterprises</b>	<b>6,953</b>	<b>8,003</b>	<b>8,263</b>	<b>8,684</b>	<b>9,304</b>	<b>10,657</b>	<b>3,704</b>	<b>53.3%</b>
University of Louisville Hospital (QCCT)	23,000	23,367	23,743	19,582	20,156	21,420	(1,580)	-6.9%
Metropolitan College	2,097	1,992	1,992	1,992	1,992	0	(2,097)	-100.0%
Total General Funds	325,639	343,164	366,527	389,529	417,465	424,226	98,588	30.3%
Total UofL Corporations	247,500	270,000	330,000	379,773	450,000	480,000	232,500	93.9%
<b>TOTAL UNIVERSITY</b>	<b>573,139</b>	<b>613,164</b>	<b>696,527</b>	<b>769,302</b>	<b>867,465</b>	<b>904,226</b>	<b>331,088</b>	<b>57.8%</b>

\* Includes reorganizations

**HEADCOUNT ENROLLMENT BY LEVEL**  
(Fall Semesters)

**BUDGET TREND DATA**  
**2008-09 Operating Budget**

	Five Year Trend							
	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Amount Change	Percent Change
<b>Undergraduate</b>	2	0	0	0	0	0	(2)	-100.0%
Allied Health Sciences	7,784	7,832	8,143	8,156	8,078	8,071	287	3.7%
Arts and Sciences	2,859	2,832	2,804	2,792	2,688	2,629	(230)	-8.0%
Business	497	452	322	282	290	227	(270)	-54.3%
Continuing Studies	56	58	58	96	121	140	84	150.0%
Dentistry	815	916	1,006	1,109	1,246	1,346	531	65.2%
Education & Human Development	0	0	0	0	0	16	16	NA
Kent School of Social Work	263	266	260	261	258	249	(14)	-5.3%
Music	711	841	867	858	867	889	178	25.0%
Nursing	0	0	0	0	3	0	0	NA
Public Health and Information Sciences	1,416	1,489	1,434	1,468	1,508	1,511	95	6.7%
Speed Engineering	72	38	39	35	36	41	(31)	-43.1%
Metroversity	14,475	14,724	14,933	15,057	15,095	15,119	644	4.4%
<b>Total Undergraduate</b>								
<b>Graduate</b>								
Allied Health Sciences	36	0	0	0	0	0	(36)	-100.0%
Arts and Sciences <sup>(1)</sup>	725	814	813	815	952	885	160	22.1%
Business	678	652	650	553	391	436	(242)	-35.7%
Dentistry <sup>(1)</sup>	25	38	40	38	54	34	9	36.0%
Education	1,635	1,684	1,629	1,694	1,697	1,480	(155)	-9.5%
Graduate - Interdisciplinary	4	8	5	3	9	14	10	250.0%
Kent School of Social Work	468	442	498	431	447	520	52	11.1%
Medicine - Basic Sciences <sup>(1)</sup>	322	344	394	382	407	406	84	26.1%
Music	64	59	68	74	71	67	3	4.7%
Nursing	126	128	100	101	119	108	(18)	-14.3%
Public Health and Information Sciences <sup>(1)</sup>	63	76	82	112	110	145	82	130.2%
J.B. Speed School of Engineering <sup>(1)</sup>	618	640	647	590	551	529	(89)	-14.4%
<b>Total Graduate</b>	4,764	4,885	4,926	4,793	4,808	4,624	(140)	-2.9%
<b>Professional</b>								
Dentistry	316	314	320	320	329	340	24	7.6%
Law	391	403	401	421	421	432	41	10.5%
Medicine	574	589	580	588	600	600	26	4.5%
<b>Total Professional</b>	1,281	1,306	1,301	1,329	1,350	1,372	91	7.1%
<b>Interns and Residents</b>								
Dentistry	31	18	16	27	14	14	(17)	-54.8%
Medicine	538	531	549	554	574	560	22	4.1%
<b>Total Interns and Residents</b>	569	549	565	581	588	574	5	0.9%
<b>TOTAL UNIVERSITY</b>	21,089	21,464	21,725	21,760	21,841	21,689	600	2.8%

<sup>(1)</sup> Total of 149 graduate students across these schools are studying at the post-doctoral level for 2007-08.

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

INSTITUTION	Fall 2006		Fall 2007		Percent Change
	Students	Percent	Students	Percent	
Eastern Kentucky University	2,487	9.0	2,493	8.8	0.2%
Kentucky State University	542	2.0	678	2.4	25.1%
Morehead State University	1,306	4.7	1,409	5.0	7.9%
Murray State University	1,334	4.8	1,332	4.7	-0.1%
Northern Kentucky University	1,993	7.2	1,984	7.0	-0.5%
University of Kentucky	4,042	14.7	3,666	13.0	-9.3%
<b>University of Louisville</b>	<b>2,370</b>	<b>8.6</b>	<b>2,506</b>	<b>8.9</b>	5.7%
Western Kentucky University	3,171	11.5	3,064	10.8	-3.4%
Total Kentucky Public Universities	17,245	62.6	17,132	60.6	-0.7%
Kentucky Community Technical College System (KCTCS)	10,319	37.4	11,151	39.4	8.1%
<b>TOTAL FIRST-TIME FRESHMEN IN KENTUCKY</b>	<b>27,564</b>	<b>100</b>	<b>28,283</b>	<b>100</b>	<b>2.6%</b>

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

# BUDGET CALENDAR



**SCHEDULE FOR DEVELOPING THE  
2008-2009 OPERATING BUDGET**

ACTION	DATE	STATUS
Preliminary Budget Planning, Modeling and Coordination	August — December 2007	Completed
Identification of Budget Issues	August — October 2007	Completed
FY 2008-09 Tuition Setting Process	October — April 2008	Completed
Task Force on Tuition and Fee Setting Recommendation to Provost	Friday, March 28, 2008	Completed
Budget Briefing with Deans	Tuesday, April 8, 2008	Completed
Budget Briefing with Vice Presidents	Tuesday, April 8, 2008	Completed
Final Meeting of Task Force on Tuition and Fee Setting	Tuesday, April 8, 2008	Completed
Tuition Forum Belknap — VP for Finance and VP for Student Affairs	Wednesday, April 9, 2008 Noon—Floyd Theater	Completed

**SCHEDULE FOR DEVELOPING THE  
2008-2009 OPERATING BUDGET**

ACTION	DATE	STATUS
Budget Briefing with Faculty Senate Executive Committee	Wednesday, April 9, 2008	Completed
Budget Briefing with Staff Senate Executive Committee	Friday, April 11, 2008	Completed
Budget Briefing with SGA Executive Committee	Friday, April 11, 2008	Completed
President's Budget Forum	Tuesday, April 15, 2008 2:00-3:00 PM—Floyd Theater	Completed
Leadership Team Meeting (Finalize the Macro Budget)	Wednesday, April 16, 2008 8:00—9:30 AM	Completed
Tuition Forum HSC — VP for Finance and VP for Student Affairs	Thursday, April 17, 2008 Noon—HSC Auditorium	Completed
CPE Tuition Application/Proposal	Friday, April 25, 2008	Completed
CPE Tuition Hearing for UofL	Wednesday, April 30 PM	Completed



**SCHEDULE FOR DEVELOPING THE  
2008-2009 OPERATING BUDGET**

<b>ACTION</b>	<b>DATE</b>	<b>STATUS</b>
Budget & Financial Planning Staff Prepares Material for the Board of Trustees Finance Committee Budget Workshop	Wednesday, April 16, 2008 — Thursday, May 1, 2008	Completed
Proposed Tuition Rates Presented to BOT for Approval	Thursday, May 8, 2008	Scheduled
2008-09 Finance Committee Budget Workshop	Thursday, May 8, 2008	Scheduled
CPE Meeting to Approve Institutional Tuition Rates	Friday, May 9, 2008	Scheduled
Operating Budget is Finalized and Budget Document is Sent to Print	Friday, May 9, 2008 — Thursday, June 5, 2008	Scheduled
Mailing to Board Members	Thursday, June 5, 2008	Scheduled
President submits 2008-09 Budget to the Board of Trustees for Approval	Thursday, June 12, 2008	Scheduled