Board of Trustees Orientation

July 13, 2016
Initial Board of Trustees Orientation

HB15

Enacted by 2016 regular session of the Kentucky General Assembly requires 6 hours Board Orientation as developed by CPE
A rich program on a restricted purse! Such might be the despairing slogan of the hard beset university president for unprecedented problems today confront the universities and colleges of America. But there also faces them unprecedented opportunity.

-University of California President Robert Sproul spoke the above words in 1934 during the worst economic downturn in our nation’s history.
Let’s think about higher education over time
“Period of privilege” post World War II – 2001

Money, Money, Money

1. GI Bill – 1944 / 52
2. Space Program – Sputnik 1 - 1957
3. Perkins / Pell – 1958 / 1965
4. War on Cancer – 1970’s
7. State student financial aid, e.g.,
   Hope Scholarship in GA / KEES Scholarship in KY 1998
8. “Postsecondary Improvement Act of 1997” (Kentucky)

Higher Education was viewed as a solution!
And the “Period of non privilege”- 2001-

I. Financial Challenges:
   a. Recessions of 2001 / 2007-09
   b. Budget cuts

   Note: Kentucky perspective
II. Changing Marketplace

a. Consumer profile; e.g. non-traditional students
   i. Displaced workforce
   ii. Returning vets
   iii. Transfer students

b. Educational delivery models
   i. Asynchronous instruction online / distance ed.

c. Market competition
   i. For profit institutions – anytime / anywhere /anything
      o Third party payer – like health insurance

“Period of non privilege” - 2001-
“Period of non privilege” - 2001-

III. Regulatory Environment /Policy Expectations

a. The 3 A’s “It’s like rating a blender”
b. Economic development (with apologies to Gary Becker we mean jobs/jobs/jobs)
c. Community engagement
“Period of non privilege”- 2001-

IV. Integrity of the Academy

- Academic fraud
- Sexual assaults
- And, of course, athletics –
  - “student athletic model” – O’Brien case

Higher Education is a problem!
Must be fixed!
University of Louisville overtime

- Jefferson Seminary: 1798
- Louisville Medical Institute: 1837
- Merger with Louisville Medical Institute and University of Louisville: 1843
- Joined the state system of higher education: 1970
Challenges confront an urban school

By BEN Z. HERSHEYBERG
Staff Writer

The University of Louisville's 15th president, who started his new job last week, inherits a school that ranks poorly in some national ratings and doesn't even appear in other college guidebooks.

John Shumaker is taking over a university where professors receive relatively little outside money for research and where academic programs are scored badly when evaluated by peers nationally.

Outgoing President Donald Swain has left behind a university with some outstanding scholars. And U of L is the last, best hope for many poor and middle-class students who can't afford to go elsewhere or who don't want to leave town.

But in many measurable ways, U of L is a mediocre institution — and without major changes in funding and philosophy, it's likely to stay that way.

Some of its most respected professors reluctantly say that for the best chance at a good education, students who can afford it should look elsewhere — either to a better or larger research university or a smaller liberal arts college.

"I have no concerns about our top

Swain looks back on successes

Donald Swain says that during his 14 years as University of Louisville president, the single accomplishment he's proudest of is helping give U of L a new image. Under his leadership, in his words, "U of L began appearing and behaving like a major university."

Under Swain, U of L also more than doubled its budget, increased enrollment, added a dozen buildings and increased its endowment by $100 million.

Work is continuing on a new academic and office building on U of L's Belknap Campus.
The seminal event in the life of UofL

The 1997 Mandate! A job to do!

“UofL is to be a Premier Nationally Recognized Metropolitan Research University”

By 2020!

HB1 – Postsecondary Education Reform Act of 1997
But also a “Golden Era” for higher education

1997 - 2002

- “Jump Start” $ for research
- “Bucks”
- Lottery $ for financial aid

Education key to our future
But then! Economic reality – U.S. GDP over time

The “Great Recession!”

2016 GDP 1st quarter

http://www.bea.gov/iTable/TableView.cfm?ReqID=9&step=1#reqid=9&step=1&isuri=1&903=1
Kentucky’s economy has been a challenge.

Kentucky non-farm employment

2008-09 The
“Great Recession”

May 2016

Number of People Working (in Thousands)

Note:
- East KY Coal
- Textile

Kentucky non-farm employment
And our “best” paying jobs

Kentucky manufacturing employment

2008-09 The “Great Recession”

May 2016

Impact:
• South Central KY

Why Important? WAGES!

http://www.bls.gov/eag/eag.ky.htm Updated 6-22-16
Why we are interested in jobs

Kentucky General Fund Revenue

FY 2016 budget
$10.309B

Sales Tax: $3.42B
Income Tax: $4.26B

74%
State Budget Reality: No Money Left for Education

2008-2014 Expenditures

- State Revenue Growth: 10.0%
- Public Pensions: 63.5%
- Medicaid: 41.9%
- Debt Service: 32.8%
- Corrections/Adult Prisons: 15.3%
- K-12 Base: -1.0%
- Higher Ed: -14.0%

Source: Governor’s office
Selected State Programs FY 2012-16

<table>
<thead>
<tr>
<th>Category</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>9.70%</td>
</tr>
<tr>
<td>Corrections</td>
<td>4.20%</td>
</tr>
<tr>
<td>Medicaid</td>
<td>16.50%</td>
</tr>
<tr>
<td>Public Employee Health Insurance</td>
<td>9.60%</td>
</tr>
<tr>
<td>Economic Development</td>
<td>-3.80%</td>
</tr>
<tr>
<td>K-12 Education (SEEK)*</td>
<td>3.80%</td>
</tr>
<tr>
<td>K-12 Education (Non-SEEK)*</td>
<td>28.90%</td>
</tr>
<tr>
<td>Higher Education Institutions</td>
<td>-7.20%</td>
</tr>
</tbody>
</table>

- There was state funding (1997-2002)
- Then 5 state budget cuts! (2002-2005)
We can always learn from that great American philosopher Yogi Berra –

“When you come to a fork in the road, take it.”
BOT Summer Retreat 2005 (Frankfort)
Strategies to move forward given state budget cuts

Strategy one –
“Pick low hanging fruit.”
$130.1M in cost efficiencies – the easy stuff
Strategy two –
Taking “underperforming assets and making them perform.” – An outcry!
BOT Summer Retreat 2005 (Frankfort)
Strategies to move forward given state budget cuts

Strategy three –
Increasing value from our research/IP - The bureaucracy

Dr. Suzanne Ildstad

2005
Strategy four –
Use private sector to do what we are not good at –
The bureaucracy – threatening!
BOT Summer Retreat 2005 (Frankfort)
Strategies to move forward given state budget cuts

Strategy five–
Generate clinical income to support teaching/academics – another public outcry
Strategy six –
Being creative doing what others have not done

One tactic “TIF”
BOT Summer Retreat 2005 (Frankfort)
Strategies to move forward given state budget cuts

Strategy seven –
Increase philanthropic support

“Hot shot” consultant
2010 Our BOT
March 27, 2014
June 30, 2014

$600 M
$750 M
$1B
$1,058,793,226

2005
3 Mandates to the university

- Develop new plan to take us to 2020
- Plan / Implement Capital Campaign
- Rebrand university
BOT Summer retreat 2008 (Lexington Griffin Gate Marriott)

2020 Plan: 2008-2020 adopted by BOT

- Vision
- Goals (5 thematic areas)
- Strategies
- Tactics
- Performance Metrics
“Everyone has a plan ‘till they get hit in the mouth”

– Mike Tyson

The “Great Recession” – More budget cuts and they have not stopped Pension Crisis!
1. Stay with 2020 goals
   - what does it take to get there

2. Back off 2020 goals
   - What must be changed to move forward
     o Organizationally/structurally?
     o Can we/will we

3. Be content with where we are

4. Give up revert to where we were
Board of Trustees adopted

“University of the 21st Century” initiatives
Not a new plan – 3 major areas of focus

First focus -

Collaborative / Multidisciplinary areas of focus that address social / public needs / new economic clusters

• e.g. Regenerative / Restoration Medicine
• Sustainability / Renewable energy
• Additive Manufacturing / Logistics
• Current review of RFP’s from units
Second focus - Consumer (Student) focused

- Student success
  - Sophomore to Junior year challenge
- More inclusive / less exclusive
  - ULTRA
  - “The 38%”
- Alternative delivery models
- Time to strategically grow the university
Not a new plan – 3 major areas of focus

Third focus - continue to look at alternative financial models

• Climb higher in tree
• Reorganize academy
• Market driven / strategic growth
• Continued private sector partnership
### Extraordinary Achievements

<table>
<thead>
<tr>
<th>Category</th>
<th>1998</th>
<th>2002</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Freshman ACT score (avg.)</td>
<td>21.4</td>
<td>23.2</td>
<td>25.5</td>
</tr>
<tr>
<td>6-year graduation rate</td>
<td>30.1%</td>
<td>33.0%</td>
<td>52.9%</td>
</tr>
<tr>
<td>Baccalaureate degrees awarded</td>
<td>1,734</td>
<td>1,849</td>
<td>2,832</td>
</tr>
<tr>
<td>Doctoral degrees awarded</td>
<td>76</td>
<td>90</td>
<td>172</td>
</tr>
<tr>
<td>Startup companies (cumulative)</td>
<td>1</td>
<td>6</td>
<td>81</td>
</tr>
<tr>
<td>Patents (cumulative) applications filed</td>
<td>151</td>
<td>259</td>
<td>1,730</td>
</tr>
<tr>
<td>Research expenditures</td>
<td>$39.1M</td>
<td>$80.9M</td>
<td>$179.5M</td>
</tr>
<tr>
<td>Endowed chairs &amp; professorships</td>
<td>35</td>
<td>87</td>
<td>159</td>
</tr>
<tr>
<td>Endowment $^1$</td>
<td>$317.0M</td>
<td>$478.9M</td>
<td>$822.4M</td>
</tr>
<tr>
<td>IP income</td>
<td>$90K</td>
<td>$221.3K</td>
<td>$7.5M</td>
</tr>
</tbody>
</table>

$^1$ Includes UL Trust and separately held endowments.

---

1998 reporting year  
2002 reporting year  
2015 reporting year

Updated 2-29-16
# Total FY 2016-17 Combined Budget of UofL

<table>
<thead>
<tr>
<th></th>
<th>FY 2002-03 Budget</th>
<th>FY 2016-17 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>University General Fund Budget</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tuition and Fees</td>
<td>$95,155,500</td>
<td>$323,722,800</td>
</tr>
<tr>
<td>State Appropriations</td>
<td>$178,010,000</td>
<td>$133,638,400</td>
</tr>
<tr>
<td>Other</td>
<td>$50,725,300</td>
<td>$90,978,300</td>
</tr>
<tr>
<td>Total General Funds</td>
<td>$323,890,800</td>
<td>$548,339,500</td>
</tr>
<tr>
<td><strong>Non-University General Fund</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ULRF Research/Clinical</td>
<td>$155,536,200 *</td>
<td>$482,780,500</td>
</tr>
<tr>
<td>ULF Private Support</td>
<td>$35,014,400</td>
<td>$149,274,800</td>
</tr>
<tr>
<td>ULAA</td>
<td>$31,601,400</td>
<td>$96,400,000</td>
</tr>
<tr>
<td>Other</td>
<td>$5,348,000 *</td>
<td>$2,500,000</td>
</tr>
<tr>
<td>Total Non-University General Fund (Preliminary)</td>
<td>$227,500,000</td>
<td>$730,955,300</td>
</tr>
<tr>
<td><strong>Total Combined Budgets</strong></td>
<td>$551,390,800</td>
<td>$1,279,294,800</td>
</tr>
</tbody>
</table>

*Estimates based on FY 16-17 categories*
Year 1 of 4 year plan to invest $50M in key strategic initiatives identified in “The University of the 21st Century”
University of Louisville: “Right People on the Bus”

Office of the President

- President
  Dr. James Ramsey
- Interim Provost
  Dr. Neville Pinto
- Interim Executive Vice President Health Affairs
  Gregory C. Postel, M.D.
- Executive Vice President Research
  Dr. William Pierce
- Sr. Vice President CFO / COO
  Harlan Sands

- Institutional Advancement
  Keith Inman
  - Alumni Relations
  - Development
- Public Relations
  Becky Simpson
- Community Engagement
  Dan Hall
- Athletics
  Tom Jurich
- Senior Legal Counsel
  Leslie Strohm
  - Governmental Relations
Our Deans

Kent School of Social Work,
Terry L. Singer
1997 – 2016
New Dean begins September

Music,
Christopher Doane
2002 –

Dentistry,
John J. Sauk
2007 – 2015
New Dean begins September

Nursing,
Marcia J. Hern
2007 –

School of Interdisciplinary &
Graduate Studies,
Beth Boehm
2012 –

Medicine,
Toni Ganzel
2012 –

Public Health &
Information Services,
Craig H. Blakely
2013 –

Arts & Sciences,
Kimberly Kempf-Leonard
2014 –

Business, (Interim)
Rohan Christie-David
2014 –
Search underway

Education & Human
Development,
Ann Larson
2014 –

Brandies School of Law,
(Interim)
Susan Duncan
2014 –

J.B. Speed School of Engineering, (Acting)
John S. Usher
2015 –
“Shared governance”
- Faculty senate
- Staff senate
- SGA

Advising/consultation/decision making
- Formal/informal
- Inherent conflicts
1. UofL Foundation – non-affiliated 501(c)(3)
   • One purpose: support academic mission of the University
   • Created 1969
   • Raise $
   • Manage portfolio
   • Make tough decisions: e.g. asset allocations, investment manager, etc.
   • Current issues surrounding governance
     • BOT requests to UofL Foundation
The “Foundation”

- At request of Board of Trustees real estate development – generate income to support teaching and research
- Support economic development efforts of the University (increased expectation by public policy leaders)
The “Foundation” – Let’s dig deeper

- Created “outside” of university when UofL private (pre 1970)
- BOT has NO governance responsibility
- BOT had 4 representatives on ULF
- President of UofL has served as President of ULF – since 1970

Despite public “myth”
- ULF open meetings
- ULF open records
- ULF observes KRS on procurements, etc.

And:

Every public university in KY has at least one non-affiliated 501(c) (3) corporation that supports its university.
Board of Directors for 2015-16

**Officers**

- Jim Ramsey
- Junior Bridgeman*  
  Chairman
- Joyce Hagen*
- Frank Weisberg*

**Board Members**

- Chuck Denny*
- Salem George*
- Margaret Handmaker*
- Mark Lynn*
- Frank Minnifield*
- Doc Selvidge*

*ULF elected board members
Unlike ULF, it is “affiliated” with UofL / BOT created by articles of incorporation pursuant to KRS 273.263 – 273.267 in 1984

ULAA – Organized for following objectives

a. To develop intercollegiate athletics teams composed of students of the University of Louisville and to schedule and manage intercollegiate athletics contests, all in harmony with and in subjection to the general educational policy of the University of Louisville.

b. To collect and own the receipts from subcontracts and such other moneys and goods as may be given or granted to University.
c. To expend and disburse such receipts, gifts, and grants in the interest of the intercollegiate athletic program at the University of Louisville.

d. To have authority to make contracts of employment, fix salaries, and establish personnel policies with respect to the Intercollegiate Athletics Program at the University of Louisville.

e. ACC requires BOT annual certification ULAA has majority internal representatives
Board of Directors per articles of incorporation

1 President of UofL (Chair)
1 Faculty Athletic Representative
8 Faculty Members (6 elected from Faculty Senate, 2 selected by President from list provided by Faculty Senate)
2 Trustees
2 Students (Nominated by SGA)
1 Full-time Staff (Nominated by Staff Senate)
8 At-large Members
4 Administrators

27 TOTAL
ULAA board membership

Constructed to be in compliance with NCAA bylaws

- 15 of 27 members are university employees per NCAA bylaw 6.01.1 Institutional Control and 6.1.2.1.1 Athletics Board Composition

Note:
- Universities may create athletic board but must ensure internal control
- Trustees (boosters) of University are external (as are students)
- If Board of Trustees does not create Athletic Association, sole responsibility is with the President
Why does the NCAA require internal control?

- Knight Commission Reports (James Knight Foundation) – “Presidential Control”
- Past problems such as the “infamous Bobby Lowder”
  - SACS probation
- When things go wrong with Athletics...
- Note: After Rutgers/Ohio State/UNC/etc., “conversations” now on shifting control to athletic directors – no real movement
# ULAA Board of Directors

## External to the University

<table>
<thead>
<tr>
<th>At Large:</th>
<th>Term Expires</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chip Blankenship</td>
<td>June 30, 2016</td>
</tr>
<tr>
<td>Ed Glasscock</td>
<td>June 30, 2016</td>
</tr>
<tr>
<td>Ulysses L. Bridgeman*</td>
<td>June 30, 2018</td>
</tr>
<tr>
<td>Dennis Heishman</td>
<td>June 30, 2018</td>
</tr>
<tr>
<td>Sam Rechter</td>
<td>June 30, 2018</td>
</tr>
<tr>
<td>Bill Stone*</td>
<td>June 30, 2018</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Student:</th>
<th>Term Expires</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aaron Vance</td>
<td>June, 2017</td>
</tr>
<tr>
<td>TBA</td>
<td>June, 2017</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Trustee:</th>
<th>Term Expires</th>
</tr>
</thead>
<tbody>
<tr>
<td>TBA</td>
<td>June 30, 2016</td>
</tr>
<tr>
<td>TBA</td>
<td>June 30, 2016</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Papa Johns:</th>
<th>Term Expires</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cynthia McClellen</td>
<td>June 30, 2017</td>
</tr>
</tbody>
</table>

*Former trustees*
## ULAA Board of Directors

### Faculty: Internal to the University

<table>
<thead>
<tr>
<th>Name</th>
<th>Department</th>
<th>Term Expires</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prof. Mary Hums (elected)</td>
<td>Education</td>
<td>June 30, 2016</td>
</tr>
<tr>
<td>Prof. Bruce Kemelgor (elected)</td>
<td>Business</td>
<td>June 30, 2016</td>
</tr>
<tr>
<td>Prof. Enid Trucios-Haynes</td>
<td>Law</td>
<td>June 30, 2016</td>
</tr>
<tr>
<td>Prof. Eric Berson (elected)</td>
<td>Engineering</td>
<td>June 30, 2017</td>
</tr>
<tr>
<td>Prof. Jessica Stumbo (elected)</td>
<td>Medicine</td>
<td>June 30, 2017</td>
</tr>
<tr>
<td>Prof. Carmine Esposito</td>
<td>Dentistry</td>
<td>June 30, 2018</td>
</tr>
<tr>
<td>Prof. Dawn Heinecken (elected)</td>
<td>A&amp;S</td>
<td>June 30, 2018</td>
</tr>
<tr>
<td>Prof. Jerry Tolson (elected)</td>
<td>A&amp;S</td>
<td>June 30, 2018</td>
</tr>
<tr>
<td>Prof. Elaine O. Wise (FAR)</td>
<td>A&amp;S</td>
<td>June 30, 2018</td>
</tr>
</tbody>
</table>
# ULAA Board of Directors

## Internal to the University

<table>
<thead>
<tr>
<th>Administrator:</th>
<th>Term Expires</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr. Neville Pinto</td>
<td>June 30, 2018</td>
</tr>
<tr>
<td>Keith Inman</td>
<td>June 30, 2018</td>
</tr>
<tr>
<td>Dean Kimberly Kempf-Leonard</td>
<td>June 30, 2018</td>
</tr>
<tr>
<td>Harlan Sands</td>
<td>June 30, 2018</td>
</tr>
<tr>
<td>Dr. James Ramsey - Chair</td>
<td>N/A</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Staff:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Will Armstrong</td>
<td>June 30, 2016</td>
</tr>
</tbody>
</table>
ULAA - How’s it working for us?

Athletic Director & Athletic Program Evaluation Criteria – In Rank Order

1. Academic Success of Student Athletes
2. Integrity of Program
3. Financial Management
4. Commitment to Gender Equity
5. Success on Field
Our other “Family Members”

(continued)

3. Board of Overseers
   - Advisory to university
   - Community leaders
   - Mentor/support honor students
   - Visiting committees
   - Recommendations

4. UofL Alumni Association – “affiliated”
   a. BOT presentation of 6/13/13
   b. a C program; now time to make A+
   c. Leadership change
Our other “Family Members”

(continued)

5. KentuckyOne/UMC (joint operating agreement)
   • Board of Trustees have no direct governance
     • UofL Hospital built 1983
     • Humana 1983-95
     • UMC 1995-2007
       • Jewish
       • Norton
       • UofL
     • Restructured UMC board 2007-2013 community based 501(c)(3)
     • KentuckyOne 2013-
   • Board of Trustees approved all academic affiliation agreements
     • KentuckyOne
     • UMC
     • Norton
       o Kosair Children’s Hospital
     • Baptist East
     • Veteran’s Administration
Our other “Family Members”

(continued)

5a. University Medical Center (dba University of Louisville Hospital)

a. Board

Interim CEO – Joan Coleman
Community member – Gerry Anderson (chair)
UofL BOT – Vacant
Community member – Vacant
UofL School of Medical chair – Sean Francis, M.D.
UofL School of Medical Dean – Toni Ganzel, M.D.
UofL School of Nursing Dean - Marcia Hern, Ed.D., C.N.S., R.N.
UofL CFO - Harlan Sands

b. Responsible for JOA with KentuckyOne
Our other “Family Members”

(continued)

6. Other “Tethers”
   - ULP
     - Board of Trustees approves creation of physician practice plans

7. Passport (ULP / Norton / Jewish / several local community health providers)
   - Note – UofL not a member

8. UofL Research Foundation
   - You – BOT
   - Research $
   - Clinical $
Questions? Comments?
But again Yogi told us

“The future ain’t what it used to be”

Change is hard