

Faculty Senate Chair Report
September 1, 2021

COVID-Coordinating Committee

- Discussions dominated by COVID-19 delta variant, the impact it is having and on the need to provide clear and consistent guidance.
- Summer on-campus programs went off well with no COVID related issues
- Extensive FAQs have been developed for all target groups.
- Point of interest to faculty will be what happens if you have a positive in your course with no physical distancing.
- Seating charts can be used to minimize the impact of exposure/quarantine to classes.
- Enrollment is being monitored closely. Enrollment is down for undergraduates but up for graduates. Latest figure shows we are down 194 students. However, we have a greater proportion of out of state students and thus the budget is not greatly affected. 1st to 2nd year retention is down 4%.

Combined Faculty/Staff Senate COVID Meeting

- Meetings re-started.
- Generated a list of points that were communicated to the provost and leadership team at the bi-weekly COVID-Coordinating Committee.
- One of the more important points that came from this meeting is seeking better guidance as to what faculty/staff should know regarding exposure/quarantine etc.
- **See the attached flow chart and distribute widely.**

Senior Leadership Meeting

- In early August, Tom Miller reported a large increase in COVID cases, including breakthroughs.
- Testing is required for unvaccinated. It will be tracked and noncompliance will be escalated to the dean of students for discipline.
- Operations is full swing including call center and contract tracing.

Board of Trustees Meetings

- Approved a long list of items that have gone through the senate (intimate relations policy and many program approvals and closures)
- Approved the new budget that includes an immediate 1% COLA raise and a conditional additional 1% COLA raise.
- Approved a one-time bonus of \$1,000 or \$500 depending on classification
- Fully restored retirement benefit
- No insurance increase
- No parking increase
- Approved new compensation package for the president

HRAC

- Hired a new Total Rewards Director – Kari Aikins.

- In the best interest of employees, currently keeping all four insurance plans but also adding UofL Health Plan. HR and BDW will work together to analyze options moving forward.
- Intentional wellness – new earn your benefits program was launched. Includes an emphasis on social, mental and financial benefits. Provides an extended window to earn insurance discount.

ULF

- As of 6/30/21 – there were no underwater endowments.
- Total foundation assets were greater than \$1b with the main endowment pool hitting an all-time high of \$824m
- FY 21 total revenues were nearly \$300m with investment return of 32%.

Budget Committee

- Budget model work group and the Budget Planning and Monitoring committees have been combined into one committee – Executive Budget Steering Committee.
- First meeting (08/20/21) to introduce the committee, review model and plan future work. **See attached documents.**
- Second meeting (08/31/21) to review and finalize budget model principles, discuss the budget model revenue components and review budget subsidies.

Grievance Process

Committee composition is nearly complete and we will soon be scheduling our first meeting to charge the committee.

Follet Committee

Meeting scheduled for 9/9/21 to charge the committee (**see attached committee roster**)

HRAC

- Faculty and Staff Compensation & Total Rewards assessment

- W3 committee is being utilized for this purpose.
- ERP – finished with phase I (Discovery) now in phase 2
 - Building in the Test Environment.
 - Project is on budget.
 - Salary banding will be possible.

Benefits Design Workgroup (BDWG)

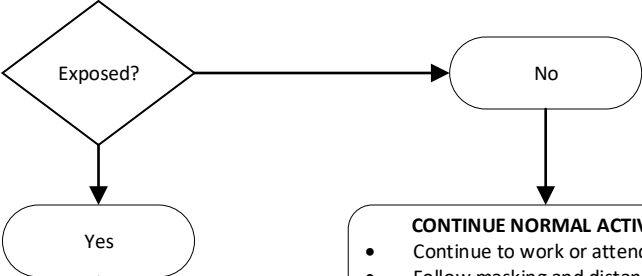
- Introduced the new Total Rewards Director – Kari Aikins
- Announced changes to the Health Plans have been suspended (EPO is staying and HSA rollout is delayed) until HR and BDWG are comfortable bringing these plans forward.
- Same 4 plans are going to be offered plus the new UofL Health Plan
- New Health Advocate site is up and running

Board of Trustees (BOT) Committee Meetings

- Audit, Compliance and Risk – approved audit plans, approved Intimate Relationships Policy
- Governance, Trusteeship and Nominating Committee – approved University Naming Policy, BOT designations policy and Policy and Procedures Document of the University Advisory Committee on Designations and Awards.
- Academic and Student Affairs – Approved Revised By-laws for the School of Nursing and Speed School, Approved new academic programs (Family Business Management & Advising Certificate, Pediatric Acute Care Nursing Certificate, Undergraduate Certificate in Ethics, Graduate certificate in Health Care Ethics)
- Finance – most substantial item was the approval of the 2021-2022 Operating Budget

UofL Vaccinated vs Unvaccinated Exposure Protocol

EXPOSURE DEFINITION
Exposure to COVID positive individual for >15 min in a 24 hour period within 6 feet.



CONTINUE NORMAL ACTIVITIES

- Continue to work or attend classes
- Follow masking and distancing protocols as appropriate for your vaccination status

Fully Vaccinated??
Def: >2 weeks from completion 1 (J&J) or 2 dose COVID vaccine series

Yes

No



No

Yes

CONTINUE TO WORK

- No need to Quarantine
- Mask at All times x 14 days
- Get tested in 3-5 days
- If symptoms develop get test and quarantine

DO NOT COME TO WORK OR SCHOOL

- Get tested immediately
- If test is negative and still symptomatic continue to stay home and repeat test in 3-5 days from last test
- Work remotely until test results return
- If negative and asymptomatic can return to work or school immediately

QUARANTINE

1. Do not come to work or school
2. Quarantine for 10 days or 14 days (UofL Housing)
3. Mask at all times until quarantine completed
5. Get tested if symptoms develop during quarantine

Important Contact Numbers	
Campus Health Services	852-6479
Contact Tracing Team	852-2955
Campus Housing Office	852-6636
COVID Hotline	852-7549

The logo for the University of Louisville, featuring the text "UNIVERSITY OF LOUISVILLE" in white, uppercase letters on a red rectangular background. The word "LOUISVILLE" is significantly larger and bolder than "UNIVERSITY OF".

UNIVERSITY OF
LOUISVILLE

A wide-angle photograph of a modern university atrium. The space is multi-level with glass railings and wooden accents. Students are seen sitting on wooden benches, walking on stairs, and working at tables. The architecture features large windows and a bright, open atmosphere.

Overview of University Budget Model

August 20, 2021

Overview

- 1. Why did the university change it's approach to allocating financial resources (i.e., budget model)?**
- 2. How did the university accomplish the switch?**
- 3. What are the new budget model components?**
- 4. How does it work?**
- 5. What's next?**

Why?

Reasons for a new budget model

Lack of financial incentive and strategic alignment...

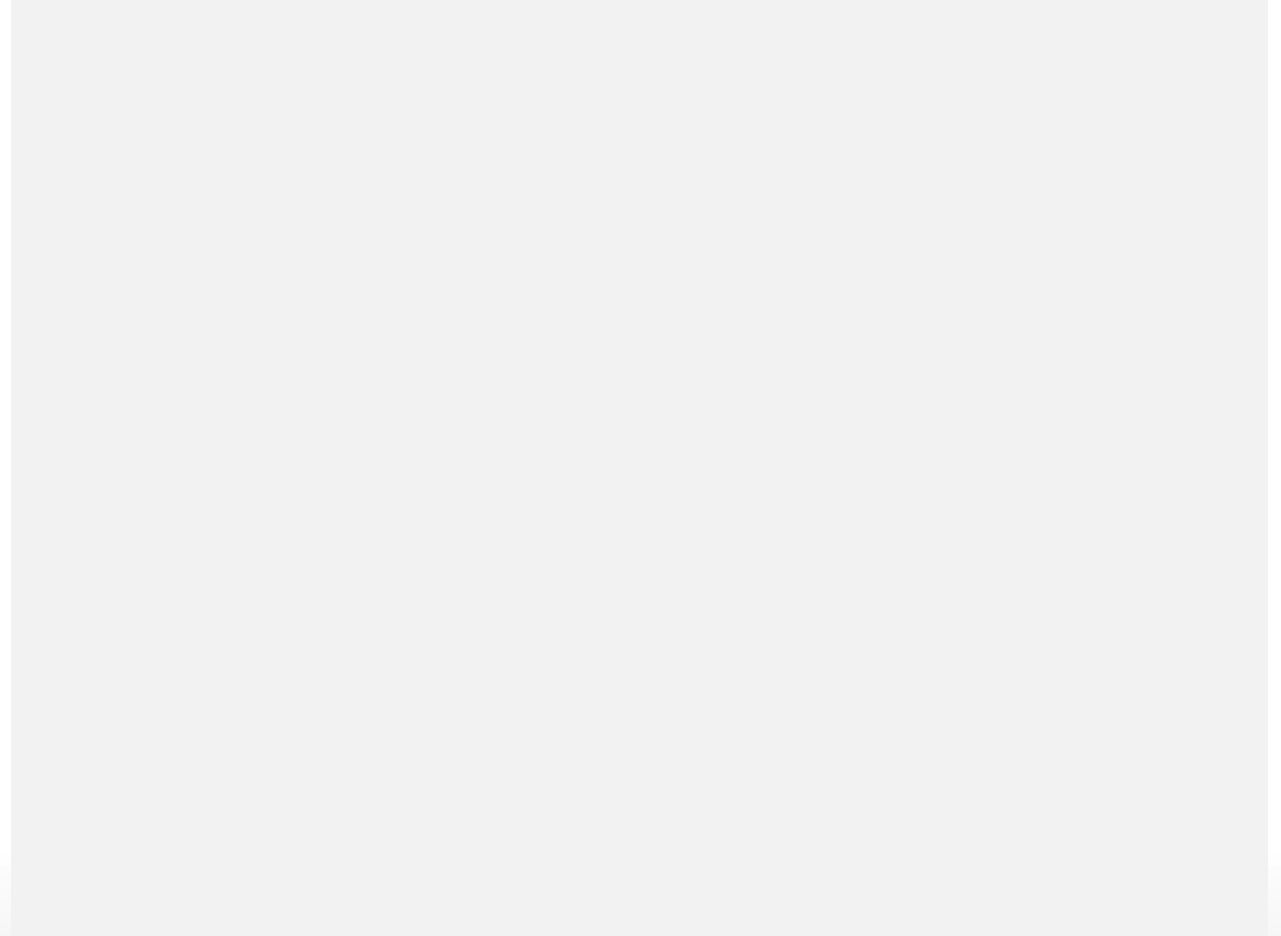
Prior Strategy (pre-Neeli)

Top Down – Central Drives Budget Allocations

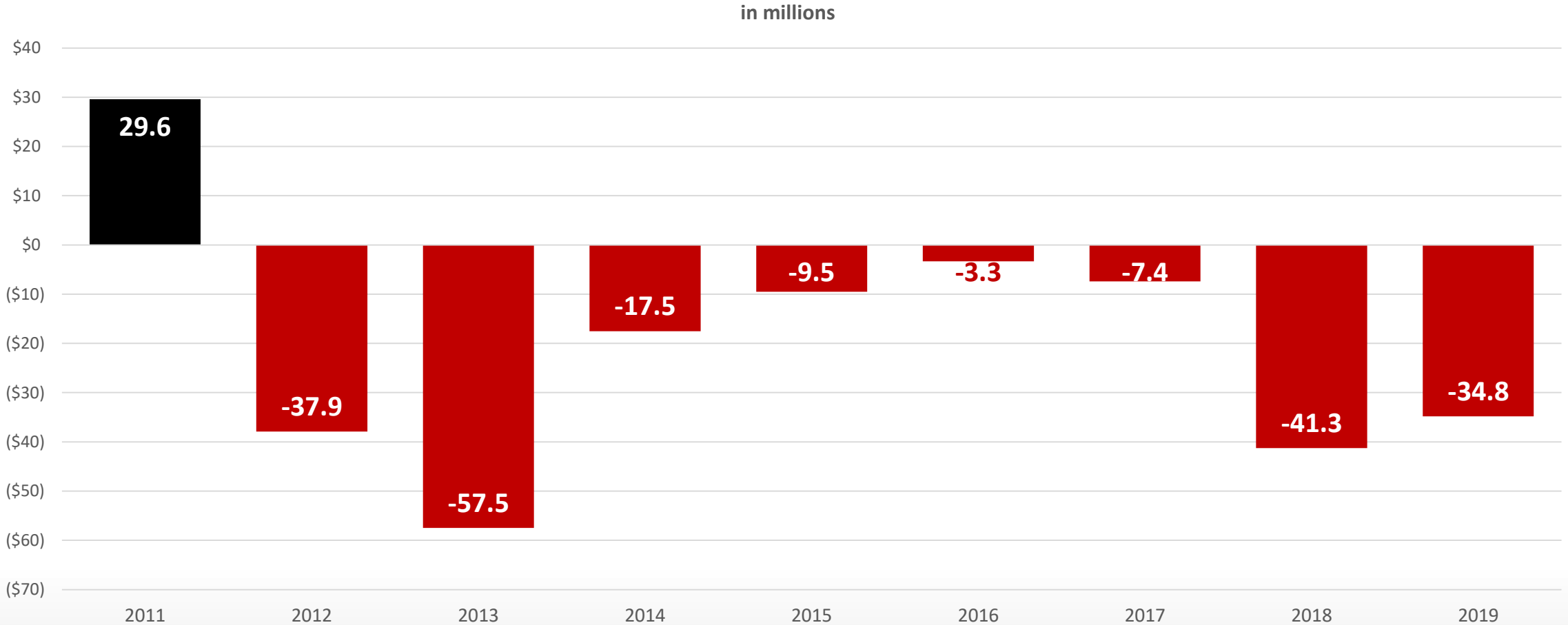
“Use it or lose it” mentality to spending

Limited transparency on financial allocations

Limited unit incentive to grow enrollment/retain



...And Unsustainable Operating Deficits from FY 2012-FY 2019



How?

Crafting a new budget model

Long road to the new budget model

- **2018**

- Provost and CFO established budget model workgroup in Fall 2018
- Workgroup composed of: faculty, staff, administrators, and students
 - Co-chaired by Gerry Bradley and Jim Begany

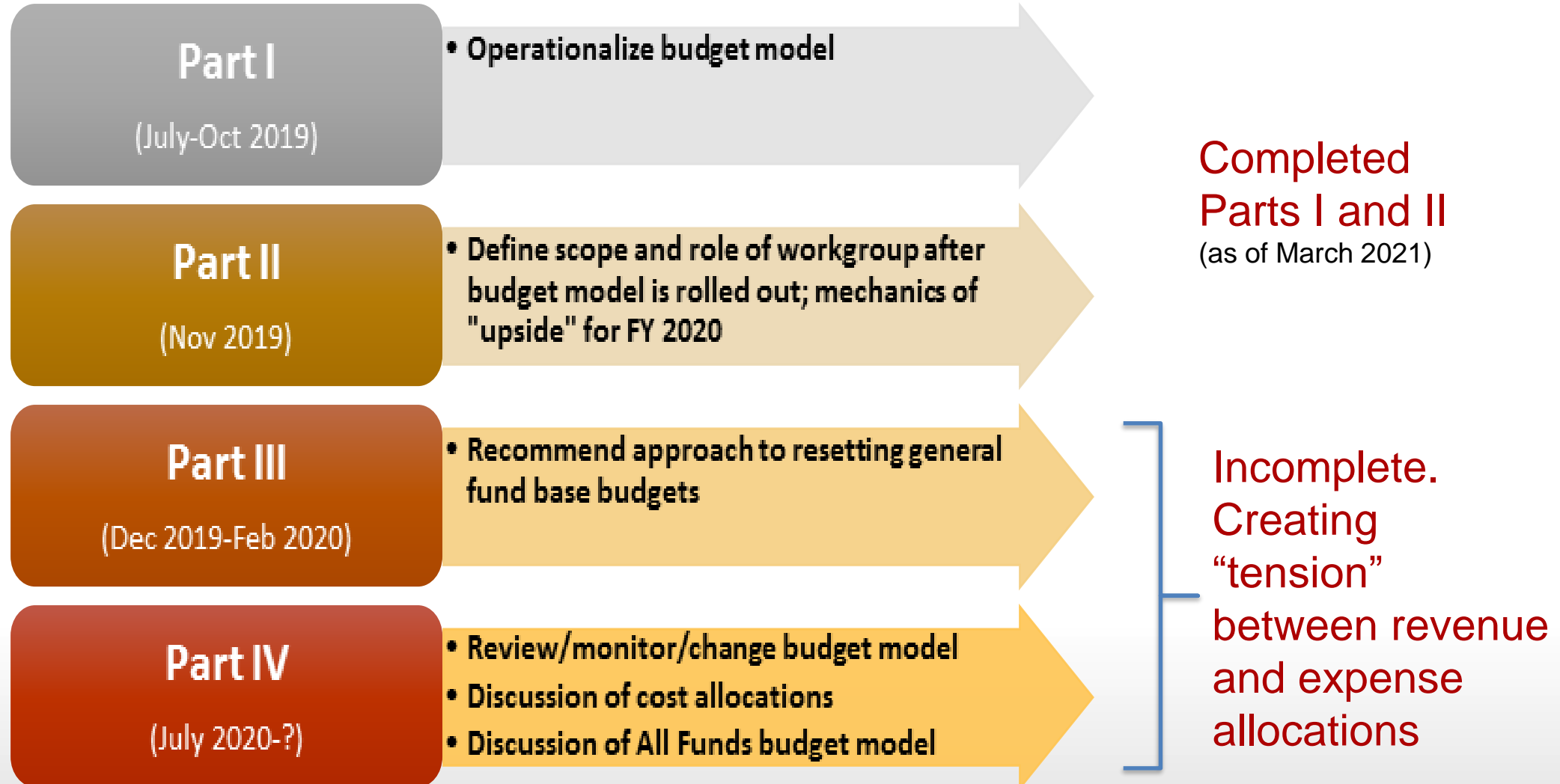
- **2019**

- Workgroup submitted recommendations to university leadership in spring 2019 which were endorsed
- Workgroup reconvened Fall 2019 to finalize structure and operationalize model
- Gerry and Rick shared information with academic units, CAO group, and fiscal officers

- **2020**

- New budget model rolled out to academic units in January
- Basis for FY 2021 general fund budgets

Original Budget Model Workgroup Work Plan



Budget Model Guiding Principles

- **Commit to a conversion from a centralized to decentralized model**
- **Keep academic focus front and center**
- **Expand incentive opportunities**
- **Analyze via common information systems and metrics**
- **Support responsibility and authority for end goals**
- **Allocate resources to accomplish institutional goals**
- **Communicate broadly and act timely**
- **Align incentives with university strategic plan**
- **Recognize institutional barriers in changing budget models**
- **Promote focus on long-term unit sustainability**
- **Allow units to link costs to revenues, building transparency in budgeting**

What?

Budget model structure and components

Overview of New Budget Model

- **Allocates share of general fund revenues to academic units**
- **Academic unit expenses limited to allocated tuition and fee revenues plus/minus subsidy**
- **Revenues and expenses must balance in budget; allocated revenues must equal or exceed actual expenses at year-end**
- **Significant improvements over “incremental” budget model:**
 - Provides revenue “upside” directly to academic unit
 - Creates transparency about budget allocations
 - Allows units to establish long-term planning horizons
 - 100% of year-end balances (including deficits) stay with the academic unit
 - Empowers deans

Evolution of Budget Management Strategy

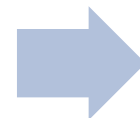
Prior Strategy (pre-Neeli)

Top Down – Central Drives Budget Allocations

“Use it or lose it” mentality to spending

Limited transparency on financial allocations

Limited unit incentive to grow enrollment/retain



Now (with Neeli)

Local / College Control

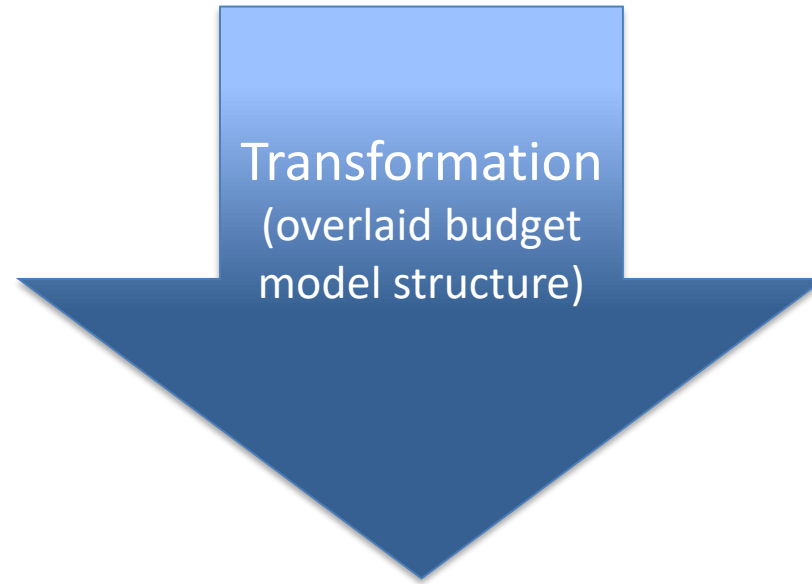
Ability to save and plan long-term

Clear allocation methods; participatory

Entrepreneurial; promotes student success

Mechanics: Transitioning to New Budget Model

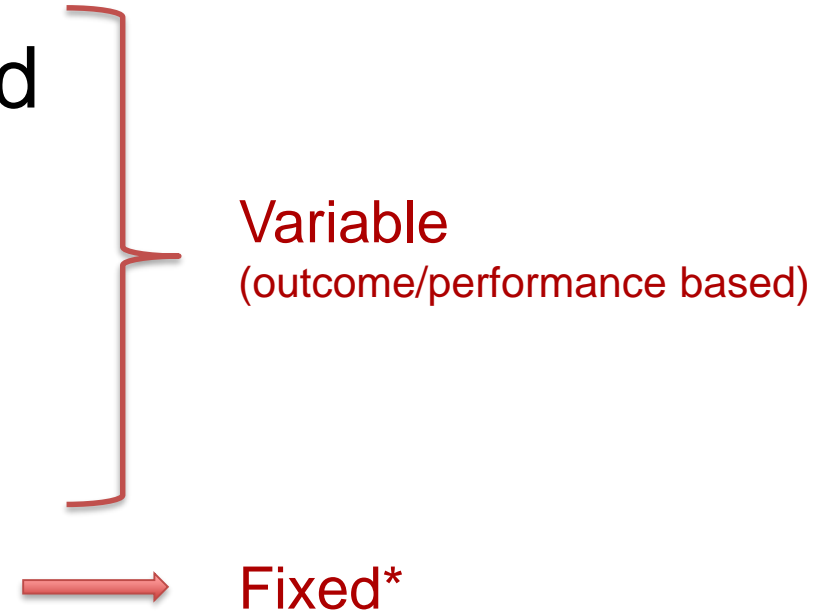
- **Adopted FY 2020 general fund expenditure budget**



- **Same FY 2020 general fund expenditure budget but based on budget model components (known as “Base Year”)**

Mechanics: Five Budget Model Components

- Undergraduate credit hours instructed
- Graduate tuition revenues
- Professional tuition revenues
- Self-generated revenues
- Budget subsidy



Component #1: Undergraduate Credit Hours Instructed

- **What is it?**

- Allocates set dollar amount (\$328) per undergrad credit hour instructed to college instructing the course; student major is not a factor
 - One exception is dual credit = \$57.50 per credit hour
- Recognizes that predominate cost is instruction, not advising
- Greater than previous distance education rate; avoiding concerns that budget model rate “undercut” existing revenue source
- Per credit hour rate based on average tuition revenue per credit hour
 - ~ 70% of resident rate; best/common practices among other universities
 - Academic rate is risk-free; guaranteed to receive \$328 pch
 - University share bears risk
 - Example: if 30% of undergrad resident rate is \$150 pch, but average revenue generated is only \$450, academic unit receives \$328 pch, but university allocation is only \$122 pch

Component #1 continued: Undergraduate Credit Hours Instructed

- **What's included?**
 - All 100 to 400 level courses taken by undergraduate students
 - Final grade does not impact academic unit dollar allocation
 - Residency does not impact academic unit dollar allocation
- **What's not included?**
 - Dropped credit hours
 - 100 to 400 level courses taken by graduate students
- **Possible items of consideration by EBSC**
 - Undergraduate courses taken by graduate students
 - Active duty military pay \$250 per credit hour but model allocates \$328
 - Link to state performance funding (e.g., URM; progression toward degree; etc.)
 - Interdisciplinary programs

Component #2: Graduate Tuition Revenues

- **What is it?**

- Academic units receive 75% of graduate tuition revenue (less mandatory fees)
 - Based on student's home academic unit
 - Instructional unit is not considered
- Gross tuition revenues before any financial aid

- **What's not included?**

- Students who take courses outside of their home academic unit (e.g., an MBA student who takes a leadership course in the College of Education)
 - Reason: simplicity
 - Workaround: deans set individual agreements on tuition revenue allocations

- **Possible items of consideration by EBSC**

- Standardized allocation to encourage interdisciplinary programs
- Reflection of tuition waivers provided by Graduate School

Component #3: Professional Tuition Revenues

- **What is it?**

- Academic units receive 85% of professional tuition revenue (less mandatory fees)
 - based on student's home academic unit
- Gross tuition revenues before any financial aid
- Only includes CPE-recognized professional degrees: DMD, JD, MD

- **What's not included?**

- All other degrees

- **Possible items of consideration by EBSC**

- Capacity constraints limit opportunities to grow enrollments
- Primary lever for deans is tuition rate increases/change residency mix

Component #4: Self-generated Revenues

- **What is it?**
 - 100% of revenues generated from course and lab fees, conferences, etc. allocated to units
- **What's not included?**
 - Non-general fund activities such as grants, gifts, endowments, and clinical income
- **Possible items of consideration by EBSC**
 - Adding all revenue sources; moving to All Funds budget model

Component #5: Budget Subsidy Adjustment

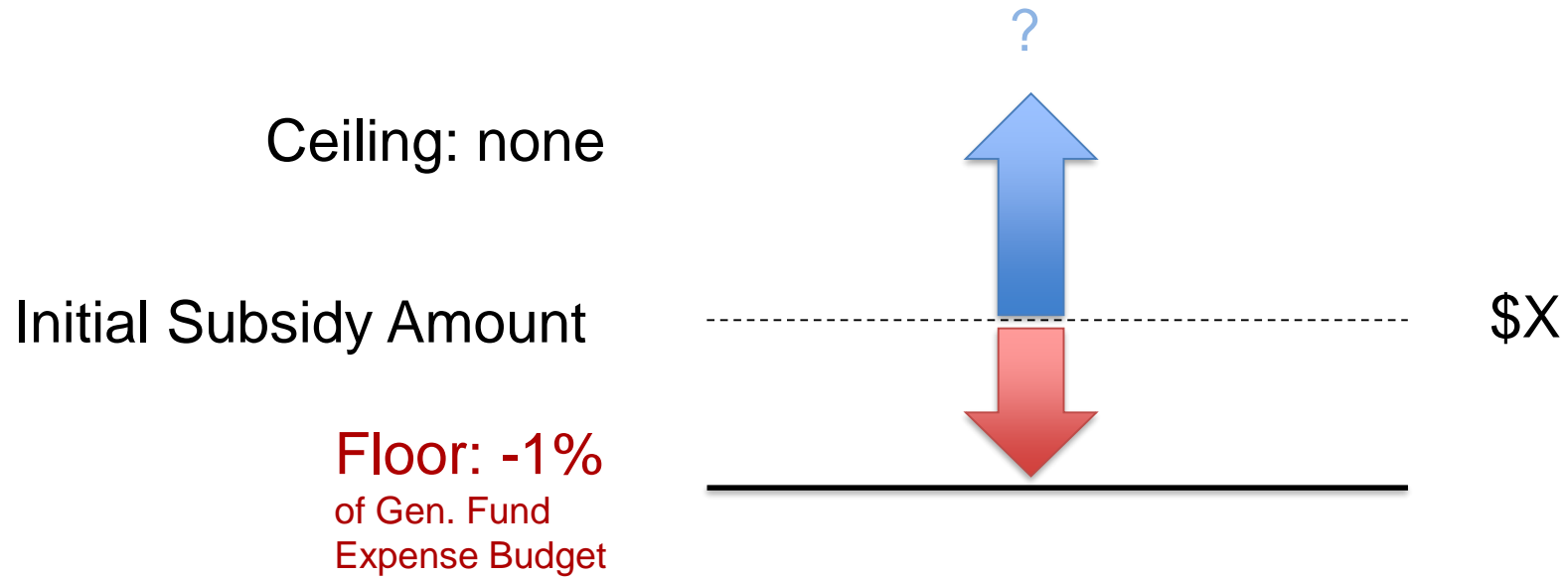
- **What is it?**

- After calculating undergraduate, graduate, professional and self-generating components, adjustment reflects amount needed (+/-) to equal unit's FY 2020 adopted budget
- 1% at-risk each year (based on unit's total general fund expense budget)
- No unit has had its budget subsidy reduced yet
- But, two units have had budget subsidy increases that total \$1.6 million in FY 22

- **Possible items of consideration by EBSC**

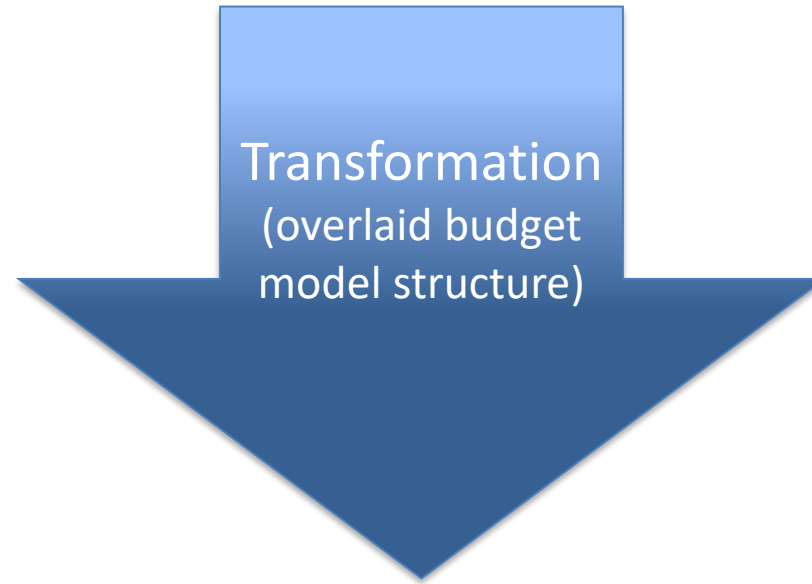
- Changing “at-risk” amount
- Pooling at-risk funds and then redistributing based on strategic priorities

Budget Subsidy Adjustment



Recall **Transition to New Budget Model**

- **Adopted FY 2020 general fund expenditure budget**



- **Same FY 2020 general fund expenditure budget but based on budget model components (known as “Base Year”)**

Pulling It All Together: Example of Transition to New Model

	FY 2020 Adopted Budget	FY 2020 "Base Year"
General Fund Revenues		
1) Undergraduate tuition	0	\$2,000,000
2) Graduate tuition	0	\$1,000,000
3) Professional tuition	0	0
4) Self-generated	\$1,000,000	\$1,000,000
<u>5) Appropriated / Budget Subsidy</u>	<u>\$4,000,000</u>	<u>\$1,000,000</u>
Total Revenues	\$5,000,000	\$5,000,000
General Fund expenditures	\$5,000,000	\$5,000,000

Same amounts!

“There Ain’t No Such Thing As A Free Lunch”

- Changes to model have to be balanced
- Cannot allocate same dollar twice!
 - For example, increasing graduate percentage from 75% to 80% means reducing the allocation in another part

Changes to Budget Model Have to Balance

	FY 2020 Adopted Budget	FY 2020 "New Model Budget"
General Fund Revenues		
Undergraduate tuition	0	\$2,000,000
Graduate tuition	0	\$1,500,000
Professional tuition	0	0
Self-generated	\$1,000,000	\$1,000,000
<u>Appropriated / Budget Subsidy</u>	<u>\$4,000,000</u>	<u>\$500,000</u>
Total Revenues	\$5,000,000	\$5,000,000
General Fund expenditures	\$5,000,000	\$5,000,000

Increase here means...



Decrease here

What Next?

Where will the road take us?

- **2018 through 2021 focused on establishing and operationalizing budget model**
- **2021 and beyond...**
 - Examining budget model principles
 - Performance-based
 - Simplicity
 - Transparency
 - Focus on improving model
 - Resetting base budgets/reallocating budget subsidy amounts
 - Including strategies and tools for deans to align costs and reallocate resources as needed
 - All Funds approach

The “Disconnect”

- **Straddling two ways of budgeting**
 - Old model centrally controlled; limited ability for deans to influence or control financial resource flow
 - New model: allocates tuition and fee revenues but **not** institutional costs (e.g., financial aid or bad debt expense)
 - Incompatible with stable budgeting and resource allocation
- **Which way to go?**
 1. Expense budget resets and expense allocations
 2. Revert to centralized control of resource allocation
 3. Somewhere else?

Other Potential Budget Decisions for FY 2023

- **Replacing lost Foundation funding for Advancement**
- **Funding for Early Learning Center and Planetarium**
- **IT network costs**
- **Costs of maintenance and upkeep of facilities**
- **University's strategic plan**
- **Institutional financial aid increases**
 - Bad debt: students who do not pay their tuition bills
- **Utility cost increases**
- **Funding for faculty and staff compensation**
- **Intra- & inter-collegiate financial alignment**

Discussion and Questions



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Our Financial Transformation

(Did we live the book before we read it?)

Dan Durbin
President's Retreat Fall '21

THE THINKER
BY AUGUSTE RODIN
A GIFT TO THE PEOPLE
OF LOUISVILLE BY THE

August 13, 2021

The Past - Let's Learn From It But Not Repeat It

University financial management WAS:

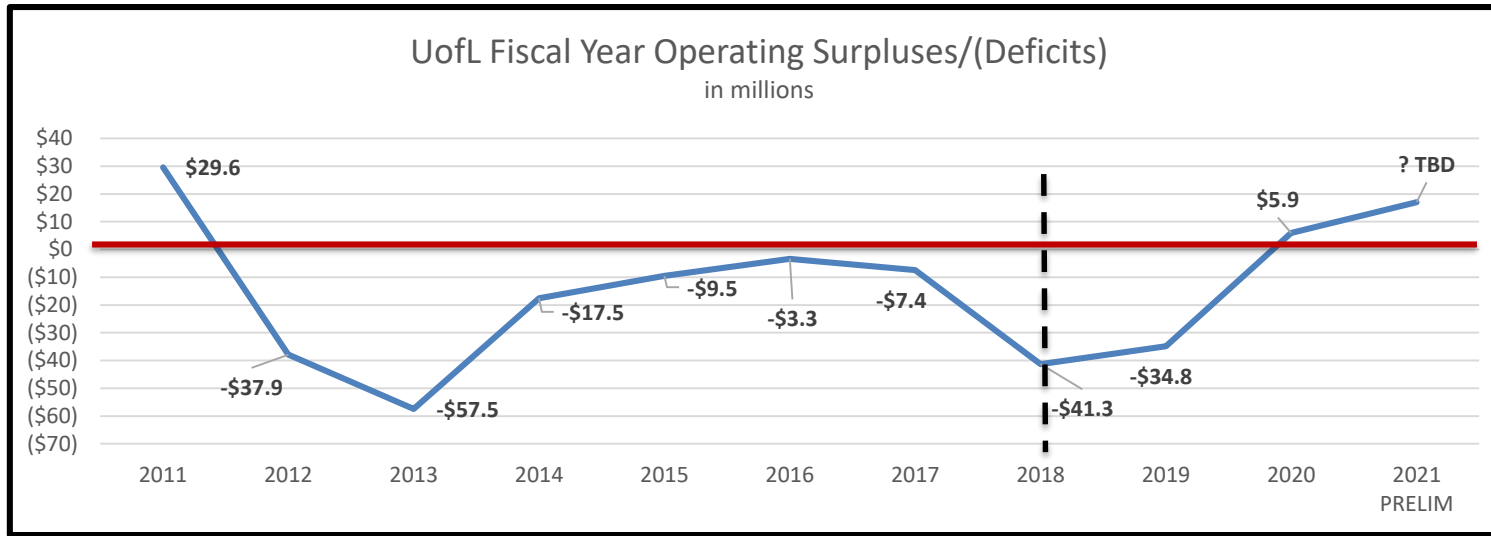
- Top down
- Use it or lose it mentality
- Focused on short term (one year at a time)
- Lacked a risk management/mitigation thought process
- No incentive to grow or economize
- Lacked transparency
- Units heavily dependent upon “central” and internal competition reigned supreme

University financial management currently IS:

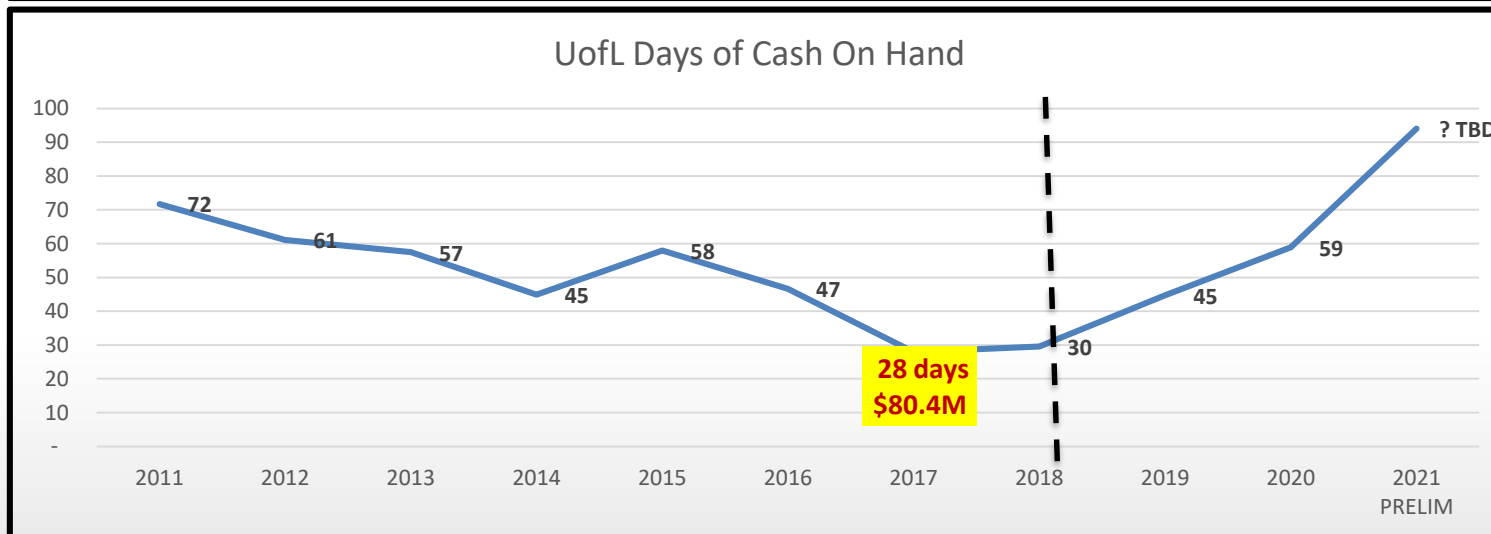
- Gain Share Program created to encourage and reward savings
- Contingency accounts created to plan for the unit's future
- Budget Model implemented to incentivize growth that benefits all
- Executive Budget Steering Committee implemented to promote transparency and participation
- Multi-year planning & budgeting process to help solidify our future
- High level of collaboration

Historic and Preliminary Operating Results

(source: UL audited financial statements and excludes UL Health Margin Share in FY20)



\$179 million
cumulative operating
loss through 2019



FY 2022 Budget- Continued Momentum

- **Budget Goals:**
 - Flexible
 - Mindful of external expectations
 - Financially balanced
 - Strategically balanced
- **Budget Priorities:**
 - Employees
 - Academics (including students)
 - Infrastructure

<https://louisville.edu/finance/budget/opuds/2122/opbudbook2022>

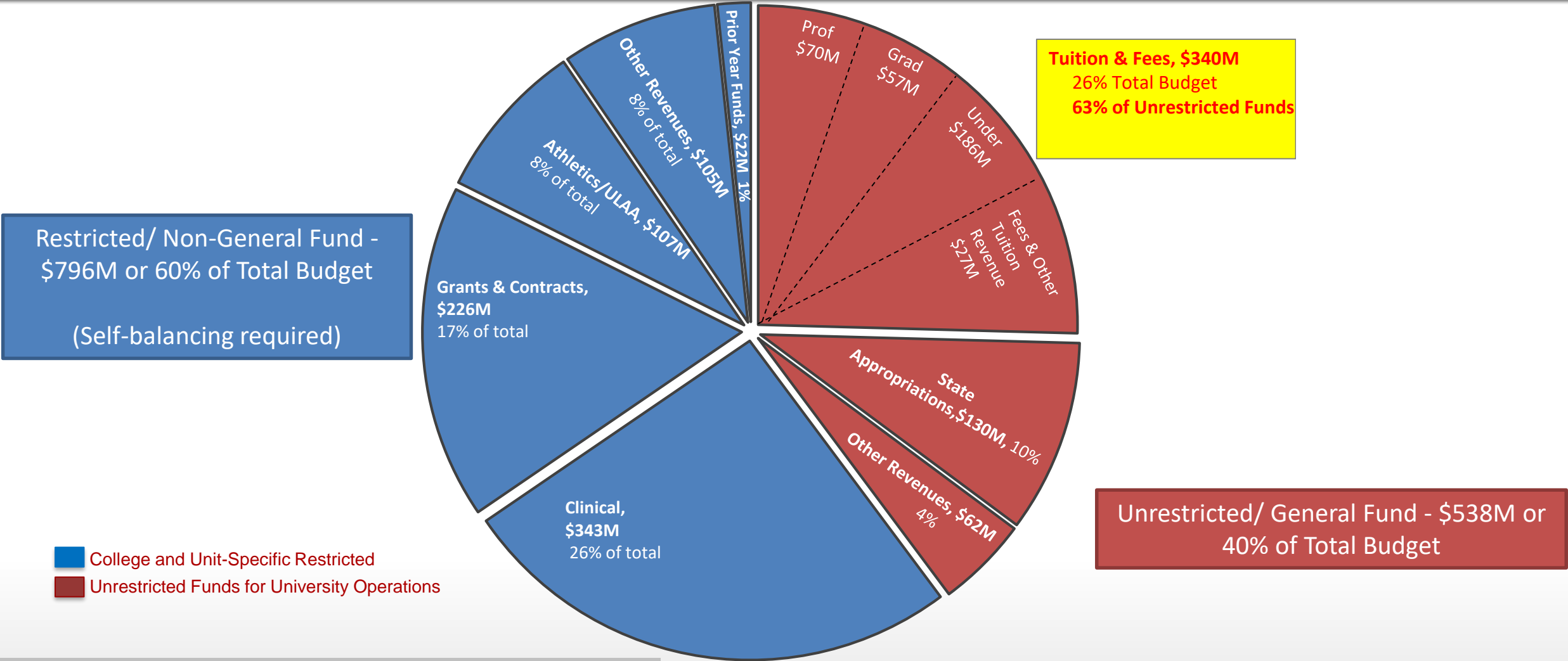
FY 2022 Budget: Budget Assumptions & Highlights

- **Enrollment is critical**
 - Anticipated 200 headcount increase across all degree types
 - Undergraduate anticipated to decrease, but graduate increases offset
 - Colleges central to the estimation process - highly participatory
- **Compensation and other benefits need addressed**
 - Up to 2% improvement program (1% plus 1%) and contingent upon enrollment success
 - Reset employer retirement contribution to pre-COVID
 - No increase in employee health insurance premiums for second consecutive year (cost = \$500k)
 - No increase in employee or student parking rates
 - Maintains tuition remission benefits for employees and eligible dependents, which is mostly at 100%
- **Other**
 - **College General fund budgets driven by tuition revenue allocation model**
 - Units with growing undergraduate enrollments, graduate, or professional tuition revenues realized budget increases
 - **Academic unit general fund expense budgets increased by \$9.5M from FY 2021 to FY 2022 based on planned enrollments**
 - Support unit expense budgets in total remained flat
 - **Infrastructure**
 - Annualized funding for ERP system
 - Employee Success Center, ELC supplement, compensation study and other

Strategically Balancing the Budget: Linking to the Strategic Plan

Work	Learn	Invest
Established and funded the Employee Success Center	Doubling need-based aid from \$8M to \$16M with CARES funding	Implementing Electronic Research Administration (ERA) system
Investing \$250k in dual career program, emphasizing minority faculty recruitment	Providing 700 laptops to high-need students and enhanced classroom technology	Increased funding for Regional Biocontainment Lab, one of only 12 NIH-funded facilities in US
Funding for compensation improvement program of up to 2% COLA (1% plus 1%)	Increased funding for Libraries to pay for journals and other subscriptions	Building partnership with Louisville Healthcare CEO Council and corporate entities for enrollment growth
Fully restored employer retirement contributions of up to 10% of salary	Opening new residence hall	Expanding Center for Digital Transformation
Additional funding for Early Learning Center	Launching Center for Engaged Learning	Annualized funding needs for ERP system

Overview of the FY 22 Budget



Other Revenues include UMC Support, gifts, endowments, auxiliaries

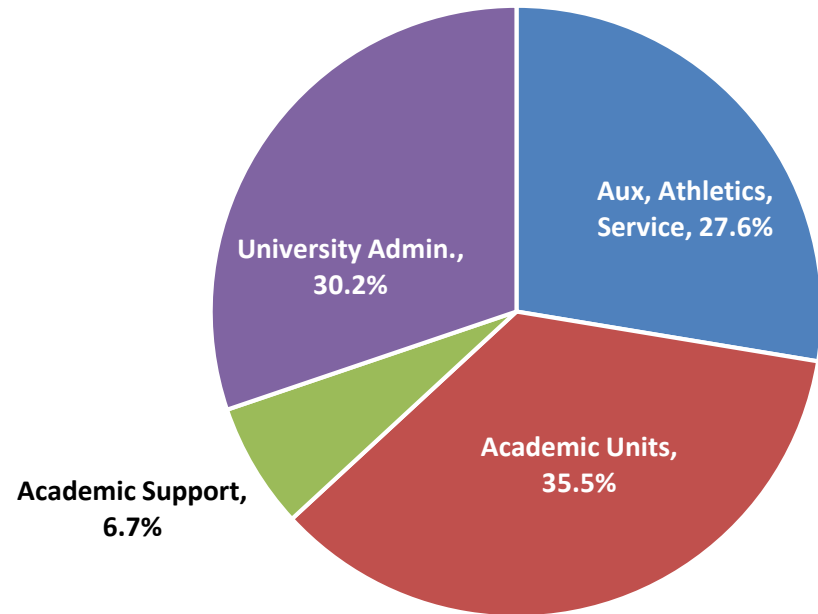
We Still Live Close to the Edge

- There are no “unallocated” general fund dollars - we budget everything we expect to receive
- An increase in a budget must come from unbudgeted revenue increases or reductions of other current budgets

Budget Category	FY 2022 (in \$ millions)	% of Total
Allocated to Academic Units	290.9	54.0%
Inst. Student Financial Aid	56.4	10.5%
Debt Service	24.0	4.5%
Physical Plant	24.2	4.5%
Utilities	20.9	3.9%
Libraries	17.7	3.3%
Auxiliaries	13.9	2.6%
EVPRI	11.4	2.1%
Mandatory student fees	9.8	1.8%
President & Inst Support	9.7	1.8%
Delphi Center	9.5	1.8%
All other	9.2	1.7%
Finance	5.3	1.0%
Admissions	5.2	1.0%
Campus Police & Public Safety	4.8	0.9%
Grad School	4.5	0.8%
Provost & Academic Affairs	4.2	0.8%
Insurances	4.1	0.8%
Student Health	3.5	0.7%
Bad Debt Expense	2.9	0.5%
Human Resources	2.7	0.5%
Audit & Compliance	1.8	0.3%
Campus building & grounds repairs	1.1	0.2%
Faculty Promotions	0.5	0.1%
State Restricted	0.3	0.0%
Dean Recruitment	0.1	0.0%
Total General Fund Expense Budget	\$ 538.7	100.0%

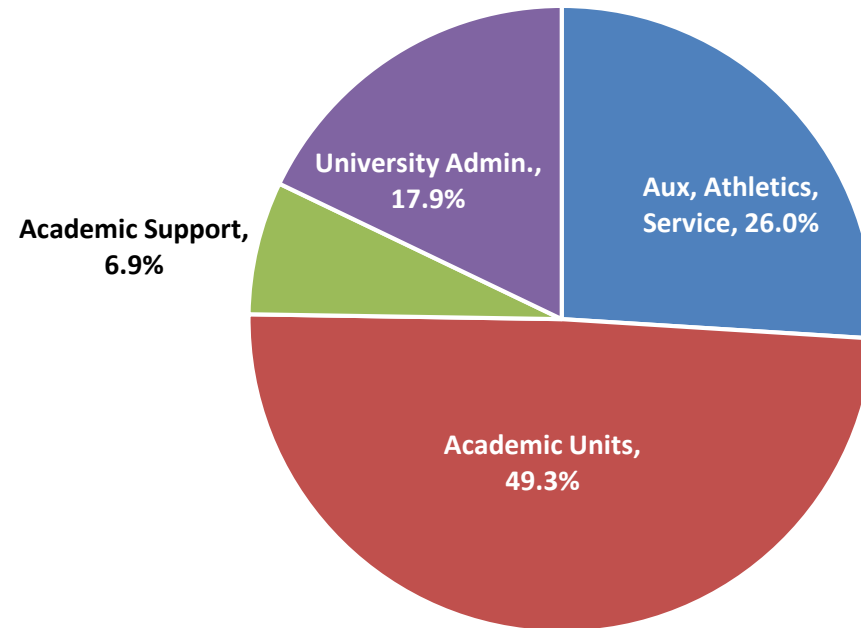
Unit Ownership of University Cash – Shifting Opportunity & Responsibility

FY 2020



\$198 mill

FY 2021



\$267 mill (unaudited)

Areas of Concern for FY 2022 and Beyond

- **Enrollment**

- Recruiting new students and retaining existing students through degree completion is vital to long term financial stability
- **Concerns remain:**
 - The unknown (COVID impacts + the Cliff)
 - Some academic units faring better than others
 - Academic units with shrinking enrollments or tuition revenues need to find alternative revenue sources or identify cost savings opportunities

- **Expand our way of thinking: Connect dots between money, activities, & opportunity**

- Look beyond silos of funding or sources of funding (ex. Foundation funds)
- We need to make choices (what is important to do and what is not important to do)
- Realize that nothing is free - everything comes at a cost
- We must recognize the true costs and identify revenues to support them
- Long term planning and thought process needed

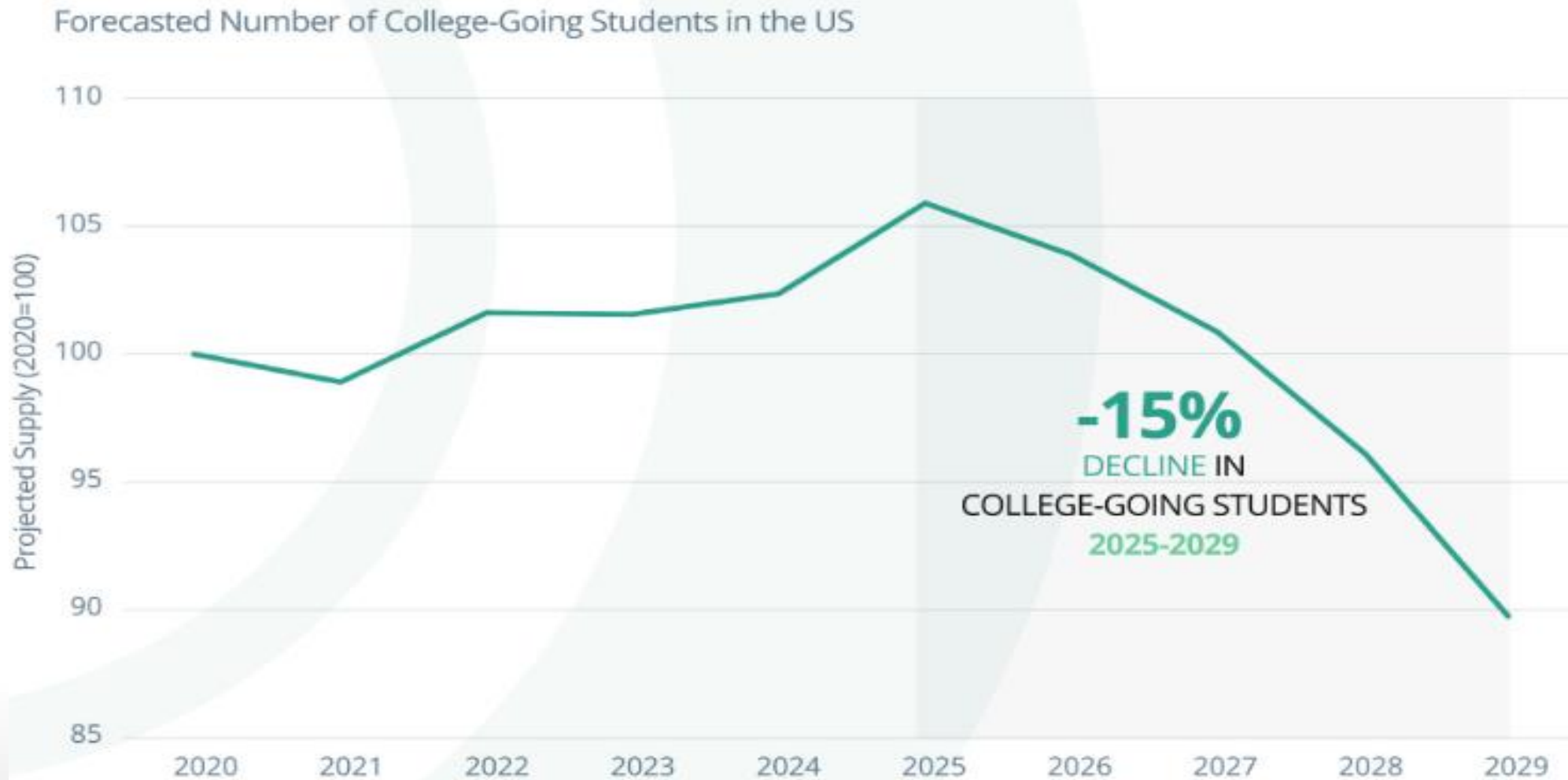
- **The future**

- Improvement in university's financial position over past three years eases immediate accreditation and credit rating concerns but we still have work to do
- Focus now is **continuing** improvement: building an adequate financial base to weather the next storm *and* allow for strategic investments that solidify the University's future

Speaking of the Future.....We Have a Lot in Common

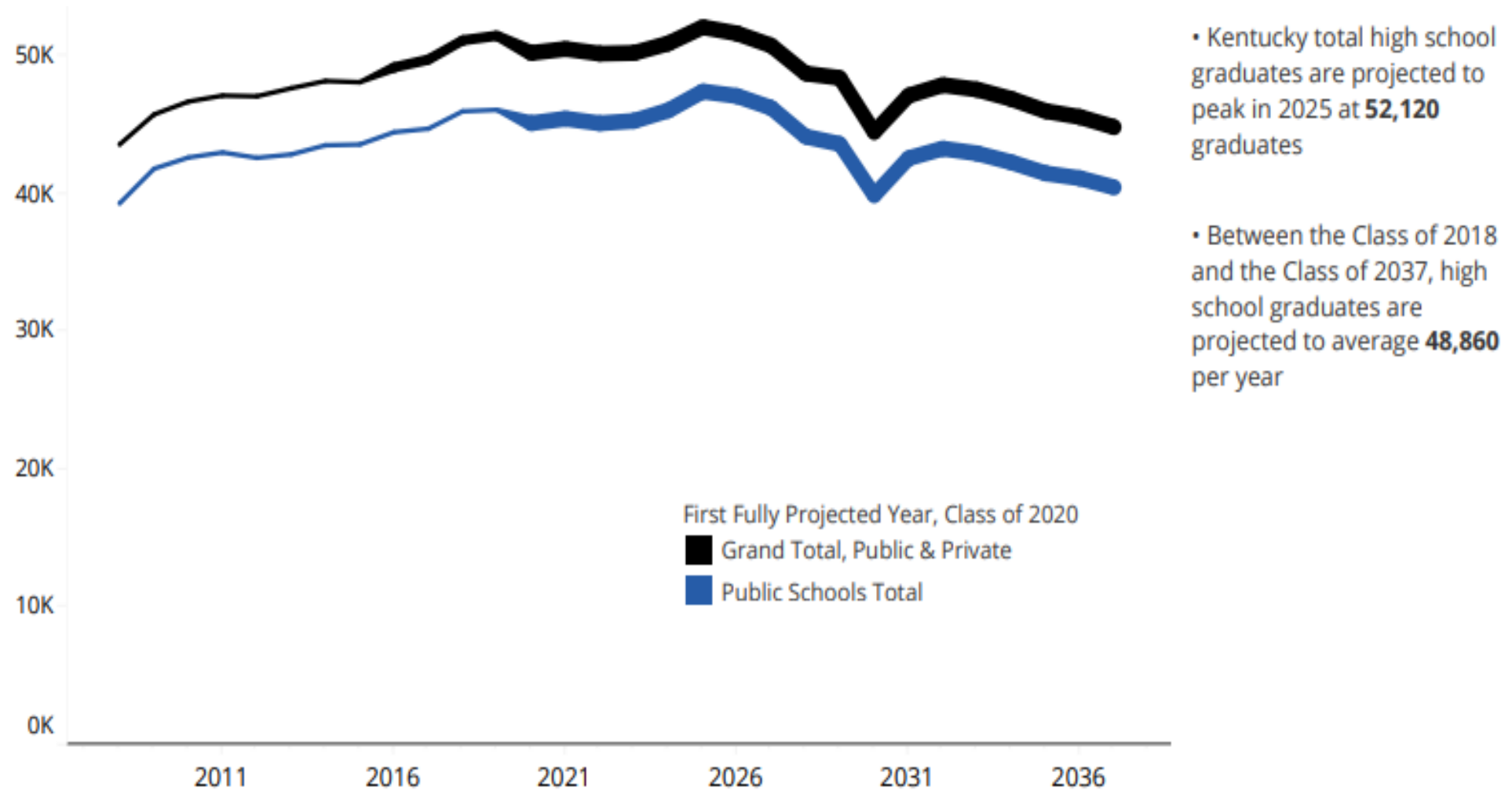


Key Threat: National Enrollment Outlook



Source: Grawe 2018

Kentucky: Total & Public High School Graduates, Class 2008 to 2037



Source: Knocking at the College Door

Impacts of the Decline in the Number of High School Graduates

- **Potential changes in the number of high school graduates entering the University of Louisville from Fall 2021 to Fall 2030:**
 - Overall change -6,030 or -13.5%
 - Caucasian -6,330 or -21.8%
 - African American -840 or -20.9%
 - Latinx +930 or +32.1%
- **Assumed share of high school graduates equals 5.58%**
- **The financial impact of the cliff:**
 - Year 1 – 250 students for \$3.0 million revenue reduction
 - Enrollment change after 4 years -1,073 students for \$13 million revenue reduction
 - Reductions will also impact housing, dining, and other activities across campus
- **We need to begin preparing for this change NOW by asking:**
 - What can I do to differentiate ourselves in the marketplace within/outside of the state?
 - What contribution can I make to help improve the University and its future?
 - What are the important things to do and how do we discontinue the things that don't add value?
 - Remember what we have accomplished as a team and what we CAN accomplish



Thank you for all you do!

THE THINKER
BY AUGUSTE RODIN
A GIFT TO THE PEOPLE
OF LOUISVILLE BY THE

Follet Inclusive Access ad hoc committee

Provost's Office: Beth Willey

Belknap campus dean representative: David Owen (Dean A&S)

HSC dean representative: Sonya Hardin (Dean SON)

COO and CFO representative: Sally Molsberger

Faculty representatives

Faculty Senate: David Schultz

A&S: Edna Ross

Business: Dale McIntosh

Education: Jason Immekus

Libraries: Dwayne Buttler

Nursing: Kristin Baisch

Speed: Jeff Hieb

SPHIS: Lee Bewley

Student representative

Ashley Barnette