



UNIVERSITY OF
LOUISVILLE[®]

CFO Update to Faculty Senate

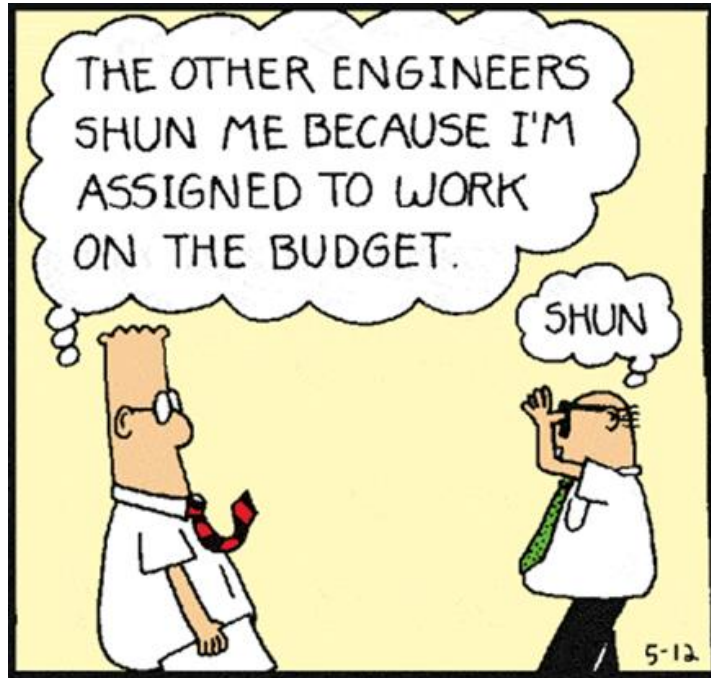
Daniel A. Durbin
VP for Finance/CFO

Presented by: Rick Graycarek, AVP for Budget & Financial Planning

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

March 4, 2020

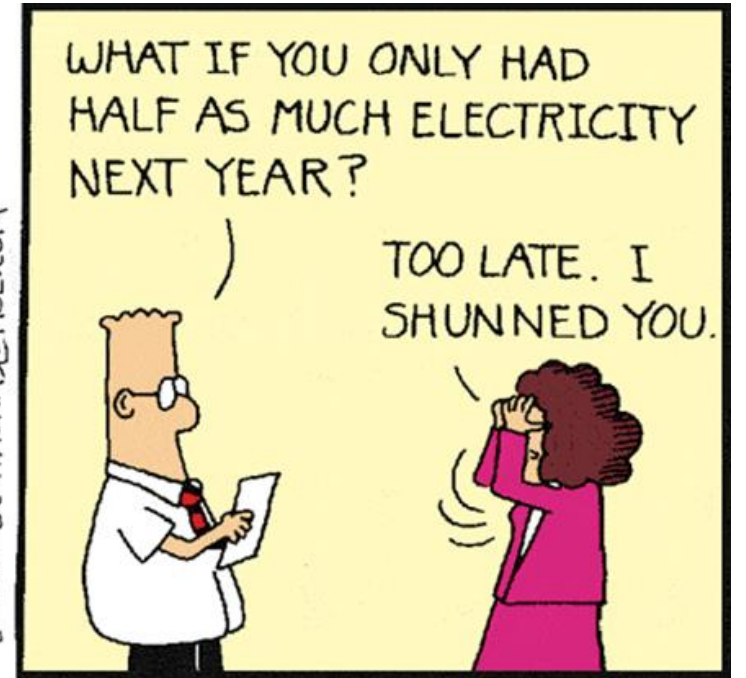
Life as a Budgeteer



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me (in disguise)



The Splurger

- evil power: spending beyond the budget
- engaging people with thoughts of spending

• oblivious of financial status

Rick the Budgeteer



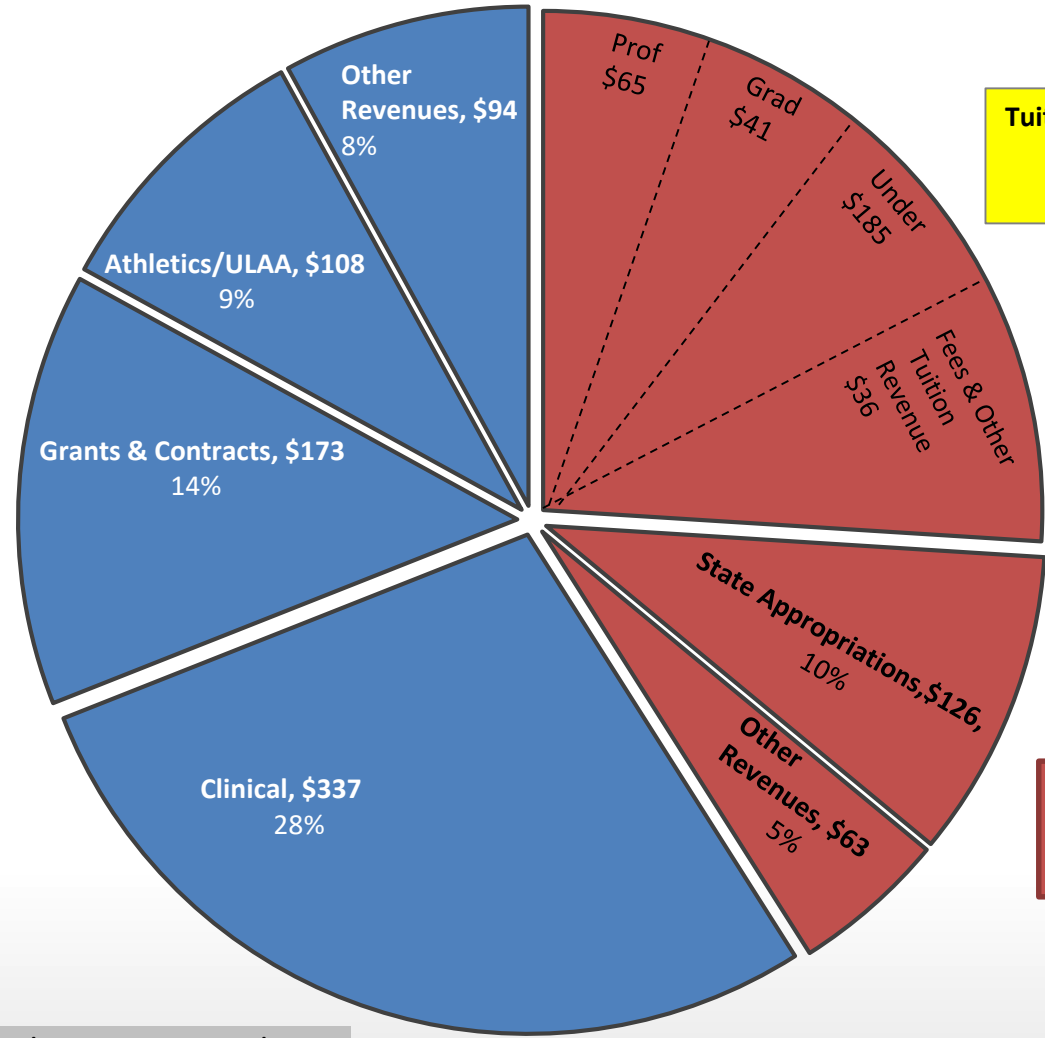
- Superpower:
- Budgeteering,
- boring people with money talk, making villains anxious about their financial status

The Budget: A View Of The Present

The Focus Of Our Budgeting Efforts Unrestricted vs. Restricted Funds

(Amounts Reflected in Millions - Total Budget is \$1.2 Billion)

Restricted/ Non-General Fund -
\$711M or 59% of Total Budget



Tuition & Fees, \$326m
26% Total Budget
62% of Unrestricted Funds

Unrestricted/ General Fund -
\$515M or 41% of Total Budget

Other Revenues include UMC Support, gifts, endowments, auxiliaries

Drivers of Unrestricted Revenues

- **State Allocations:**
 - CPE Performance Funding Model

- **Tuition & Fees:**
 - Tuition
 - Institutional Aid
 - Enrollment

State Performance Funding Model (SPFM)

State Funding determined by SPFM

70% Outcomes-Based

- Student Success
- Credit Hour Generation

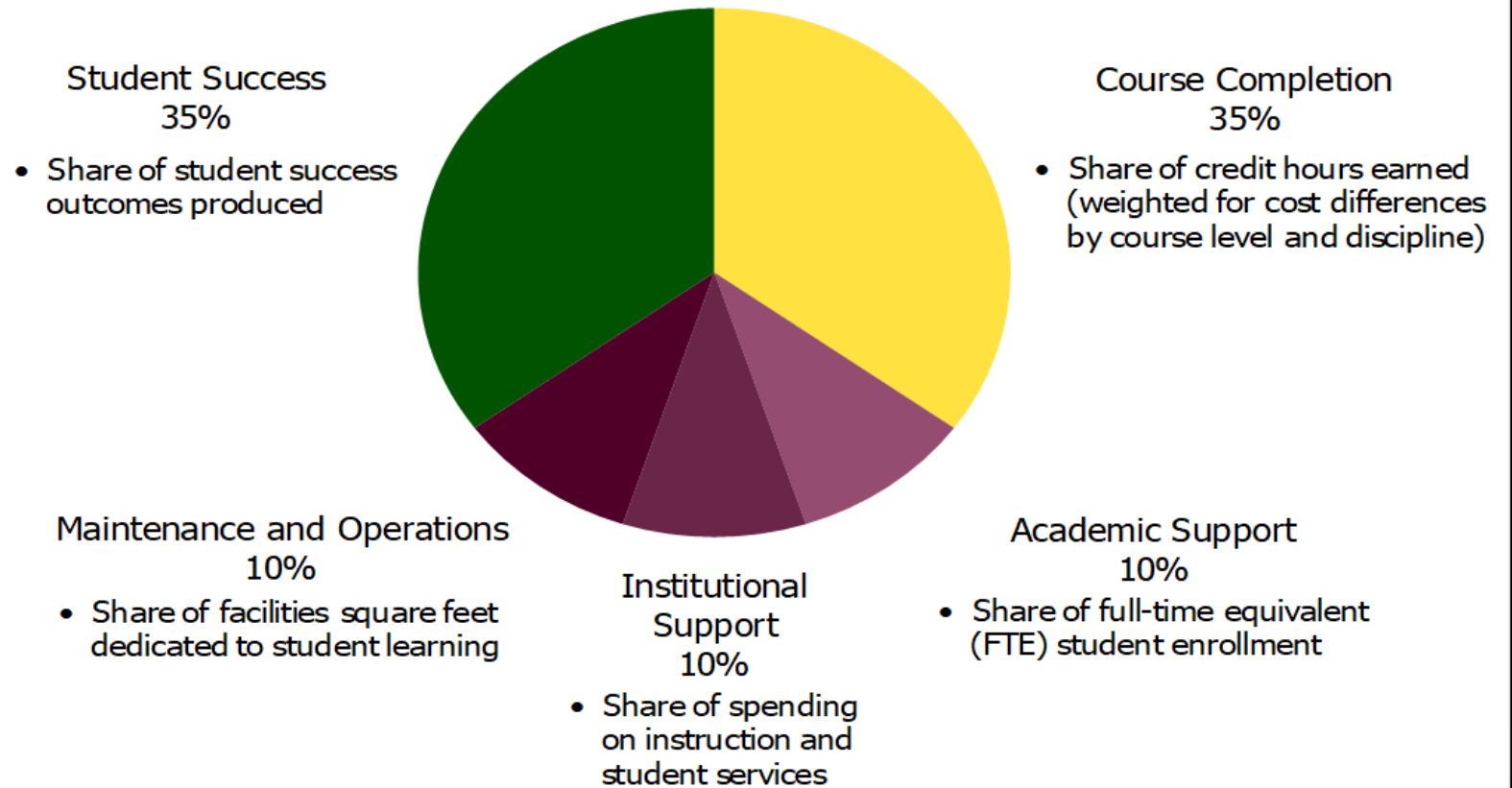
30% Operational Support

- Square Footage
- Direct Cost
- Student FTE

Currently Protected By:

- Minimum “keep doors open” allocation
- 1% Stop-loss (Sunsets after 2021)

Kentucky's Performance Funding Model Distribution of Allocable Resources



State Performance Funding Current

Performance Funding Model for the Public Universities

March 19, 2019

Table 8 - Metrics Where Rates of Growth Exceeded Sector Average
Between Fiscal years 2018-19 and 2019-20

Performance Metric	UK	UofL	EKU	KSU	MoSU	MuSU	NKU	WKU
Student Success Outcomes								
Bachelor's Degrees	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
STEM+H Bachelor's Degrees	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
URM Bachelor's Degrees	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Low Income Bachelor's Degrees	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Student Progression @ 30 Hours	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Student Progression @ 60 Hours	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Student Progression @ 90 Hours	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Earned Credit Hours	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Operational Support Activity								
Instructional Square Feet	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Direct Cost of Instruction	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
FTE Students	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Metrics Above Sector Average	10	4	5	0	3	3	2	4

Tuition/Enrollment/Aid Drivers

Tuition:

- Essential portion of our budget
- Our undergraduate rates are currently within ranges of competitor peers but “all in” costs are less
- Undergraduate tuition rates are NOT aligned with costs (no differential pricing)
- We will not be able to rely on fee increases alone to fund our future needs

Institutional Financial Aid:

- More student are receiving higher amounts of institutional aid (45.9% in FY16 vs 50.3% in FY19)
- Central aid support expenses in excess of \$45 mill in FY20- increasing average of 5% per year (excl. Athletics)
- Competitive landscape will drive costs higher

Enrollment:

- Headcount – down 120 heads / 187 FTE from prior year
- Spring – down 50 heads / 86 FTE from prior year
- Budget predicated on level (FY19) enrollment
- Retention is critical

Analysis Of FY 2019-20 Tuition Revenues




















	Actual Activity		Diff from Prior	Budgeted	Trend	Difference from:		Comments
	Prior	Current				Budget	Trend	
1. Headcount:								
Fall	20,569	20,449	-120	20,569	20,569	-120		Budgeted flat enrollment (FY 19 counts) and fell 120 short
Spring	19,059	19,009	-50	19,059	18,948	-50	61	Had the historic trend continued we would have missed spring by approx 110 (because Fall was under budget) but we were only 50 down for an improvement of 50 heads--a 61 student improvement
pct held	92.7%	93.0%						
2. FTE:								
Fall	17,145	16,958	-187	17,145	17,145	-187	0	Budgeted flat FTE (FY 19 counts) and fell 187 short
Spring	15,748	15,662	-86	15,748	15,576	-86	86	Had the historic trend continued we would have missed spring by approx 160 (because Fall was under budget) but we were only 86 down for an improvement of 86 FTE
pct held	91.9%	92.4%						
3. Financial (in millions):								
Fall	\$ 137.3	\$ 140.7	\$ 3.4	\$ 142.1	\$ 142.1	\$ (1.4)		Tuition estimates based on flat enrollment with a 2.4% increase. Due to the enrollment drop we fell \$1.4 mill short of budget
Spring	\$ 127.0	\$ 130.4	\$ 3.4	\$ 131.0	\$ 129.8	\$ (0.6)	\$ 0.6	Had the historic trend continued we would have missed spring by approx \$1.3 mill (because Fall was under budget) but we were only \$600k off budget for an improvement of approximately 600k
pct held	92.5%	92.7%						
								Cumulative shortfall from budget (2.00)

Budget to Actual Report thru December

FY2020 versus FY2019

Status Indicators

Better	
On Trend	
Worse	

Revenues	FY 2020			FY 2019			Trend	Status
	Annual Budget	YTD December	% Realized	Annual Actuals	YTD December	% of Annual		
<u>General Funds</u>								
Tuition and Fees	326,958,382	172,314,000	52.7%	314,291,115	168,407,917	53.6%	-0.9%	
State Appropriations	126,633,700	69,648,500	55.0%	127,117,700	69,914,700	55.0%	0.0%	
Transfers In	23,655,527	7,118,108	30.1%	23,461,045	8,863,383	37.8%	-7.7%	
Other Revenue	16,311,627	8,660,680	53.1%	16,922,416	8,361,838	49.4%	3.7%	
Auxiliaries	12,528,885	11,066,695	88.3%	12,604,644	10,847,186	86.1%	2.3%	
Hospital-Related	9,237,209	4,476,863	48.5%	8,522,013	4,066,688	47.7%	0.7%	
General Funds Total	515,325,330	273,284,845	53.0%	502,918,933	270,461,712	53.8%	-0.7%	
<u>Non-General Funds</u>								
UL Research Foundation	508,670,468	245,065,629	48.2%	568,696,016	236,172,798	41.5%	6.6%	
UL Athletic Association	117,714,000	73,364,285	62.3%	110,732,317	75,249,951	68.0%	-5.6%	
UL Foundation	53,246,000	21,446,040	40.3%	75,708,138	30,503,779	40.3%	0.0%	
Other Department Funds	36,435,770	16,359,760	44.9%	32,470,471	15,403,014	47.4%	n/a	
Non-General Funds Total	716,066,238	356,235,714	49.7%	787,606,942	357,329,541	45.4%	4.4%	
Total Revenues	\$1,231,391,568	\$629,520,559	51.1%	\$1,290,525,875	\$627,791,253	48.6%	2.5%	
<u>Expenses</u>								
Expenses	FY 2020			FY 2019			Trend	Status
	Annual Budget	YTD December	% of Budget	Annual Actuals	YTD December	% of Annual		
<u>All Funds</u>								
Salary	575,197,629	275,981,073	48.0%	563,650,112	282,295,789	50.1%	-2.1%	
Fringe Benefits	144,697,499	71,751,968	49.6%	142,236,553	70,480,613	49.6%	0.0%	
Operating	325,507,029	163,794,093	50.3%	385,713,606	143,601,091	37.2%	13.1%	
Financial Aid	135,352,478	68,979,531	51.0%	132,480,708	67,822,631	51.2%	-0.2%	
Debt Service	29,620,341	12,142,410	41.0%	22,303,642	12,663,459	56.8%	-15.8%	
Utilities	21,016,592	7,360,322	35.0%	18,642,049	7,004,729	37.6%	-2.6%	
Total Expenses	\$1,231,391,568	\$600,009,396	48.7%	\$1,265,026,670	\$583,868,312	46.2%	2.6%	
Revenue Over/(Under) Expenses		\$29,511,163			\$43,922,942			

Budget to Actual Report thru December

FY2020 versus FY2019

Descriptions of Notable Revenue Variances

Revenues	Actuals (thru December)		Change	Notes
	FY 2020	FY 2019		
Tuition and Fees	172,314,000	168,407,917	3,906,083	Increase due to higher tuition rates
Transfers In	7,118,108	8,863,383	(1,745,275)	Due to timing of debt service transfers from corporations
Auxiliaries	11,066,695	10,847,186	219,508	
UL Research Foundation	245,065,629	236,172,798	8,892,831	
<i>Clinical</i>	<i>96,668,967</i>	<i>93,293,859</i>	<i>3,375,108</i>	
<i>Peds Transition Pass-through</i>	<i>5,000,000</i>	<i>0</i>	<i>5,000,000</i>	Norton pass-through funds to ULP (see "Expenses")
<i>Academic Program Support</i>	<i>32,909,001</i>	<i>32,666,956</i>	<i>242,045</i>	\$1.4M Passport sale
<i>Sponsored Research</i>	<i>85,153,681</i>	<i>82,390,971</i>	<i>2,762,710</i>	Federal, state, local, non-profit
<i>Pass-through financial aid</i>	<i>20,822,150</i>	<i>24,665,019</i>	<i>(3,842,870)</i>	Pell grants; Federal Work Study; KEES; College Access Program; timing of revenues
UL Athletic Association	73,364,285	75,249,951	(1,885,666)	1 less home game; no Alabama game guarantee; \$1M less in MBB
UL Foundation	21,446,040	30,503,779	(9,057,739)	One-time \$10.6 million gift received in FY 2019; otherwise \$1.6M above prior year

Budget to Actual Report thru December

FY2020 versus FY2019

Descriptions of Notable Expense Variances

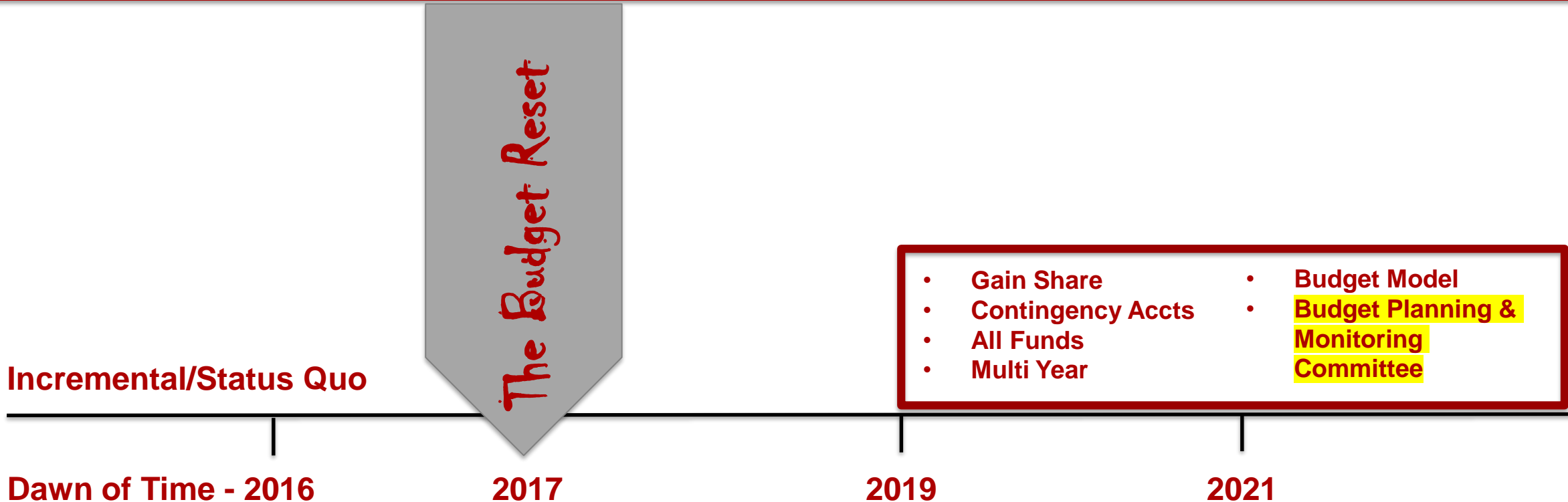
Expenses	Actuals (thru December)		Change	Notes
	FY 2020	FY 2019		
Salaries and Wages	275,981,073	282,295,789	(6,314,716)	Football payouts in FY 2019
Fringe Benefits	71,751,968	70,480,613	1,271,355	Increase in employer health insurance contribution rate (anticipated)
Financial Aid	68,979,531	67,822,631	1,156,900	\$0.5M athletics; regional recruiting
Operating	163,794,093	143,601,091	20,193,002	
<i>Peds Transition Pass-through</i>	<i>5,000,000</i>		<i>5,000,000</i>	One-time Norton pass-through funds to ULP (see "Revenues")
<i>Expenses tied to grants</i>	<i>3,149,154</i>		<i>3,149,154</i>	Increase associated with higher grant revenues
<i>ULP advance</i>	<i>2,900,000</i>		<i>2,900,000</i>	Advanced contractual payment from Q4 to Q2
<i>Library subscriptions</i>	<i>1,110,705</i>		<i>1,110,705</i>	Timing related
<i>Athletics</i>	<i>1,050,088</i>		<i>1,050,088</i>	Contractual plus higher student athlete expenses
<i>Other</i>	<i>2,404,684</i>		<i>2,404,684</i>	Online marketing; student success; law library
<i>IT related</i>	<i>1,857,197</i>		<i>1,857,197</i>	Networking and telecommunications
Adjusted Operating	146,322,265	143,601,091	2,721,174	

The Budget: A View To The Future

Pressures On Our Budget

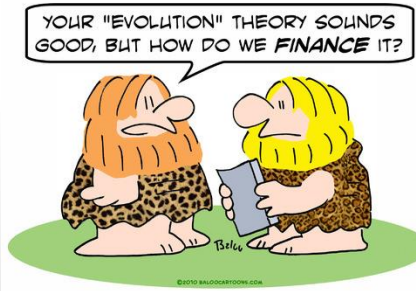


Our Budget Evolution – Recent Changes to Meet Challenges



Dawn of Time - 2016

2017
Our Dark Era!!!



Budget Planning and Monitoring Committee (BPMC): About the Committee

- **Committee Charge:**
 - To advise the president and her leadership team about the allocation of current and future financial resources and ensure they are in alignment with the university's mission and strategic plan.
- **Why A Budget Committee:**
 - Promote transparency of the budget and process
 - Gain insight and input into budgetary decisions
 - Instill unity, ownership, and responsibility
- **Chairs:**
 - University Provost
 - University VP- Finance/CFO
- **Membership:**
 - Deans (6)
 - Faculty (9)
 - Staff (3)
 - Student (3)
 - Central (9)
- **Sub-Committees (to consolidate activities into the main committee):**
 - » Funding Request Sub-committee
 - » Budget Model Allocation Sub-committee
 - » Administrative Activity Review Sub\committee

The Committee – Structure and Support

BUDGET PLANNING AND MONITORING COMMITTEE 2020

Beth Boehm, Co-Chair
Dan Durbin, Co-Chair

Jim Begany
Kevin Gardner
Keith Sherman

Michael Wade Smith
Vince Tyra

New Funding Request Subcommittee

- Reviews general fund requests
- Establish request process

Krista Wallace-Boaz, Chair
Reginald Bruce
Colin Crawford
Sonya Hardin
Virginia Hosono
David Simpson
Zach Pennington
Robert Goldstein
Walter Newell
Brad Shafer

Budget Model Discretionary Allocation Subcommittee

- Recommend how discretionary funds should be allocated

Gerry Bradley, Chair
Marion Hambrick
David Jenkins
David Schultz
Shavon Wagner
Ben Barberie
Cynthia Clemons
Rehan Khan
Michael Mardis
Diane Chlebowy

Administrative Activity Review Subcommittee

- Reviews costs and structure for admin activities directly allocated to units

John Usher, Chair
Craig Blakely
Audrey Kline
Bruce Keisling
Amy Lingo
Lindsey Ronay
Jasper Noble
Kevyn Merten
Sandra Russell
Mark Watkins

Related Committees That Support The BPMC

- **Budget Model Workgroup**

- Charged by provost to establish rules and policies to:
 - Implement new budget model;
 - Define on-going role of workgroup; and
 - Recommend approach to resetting academic unit budgets.
- Co-chaired by Gerry Bradley and Jim Begany

- **Task Force On Tuition and Fee Setting**

- Charged by provost to:
 - Determine cost of attendance at UofL and peer institutions;
 - Recommend undergraduate and graduate tuition rate ranges for FY 2021 and FY 2022
 - In consultation with professional schools, recommend tuition rate ranges for FY 2021 and FY 2022
 - Review and recommend changes to students fees
 - Review online tuition rates
- Co-chaired by Gail DePuy and Rick Graycarek

- **President's Strategic Planning**

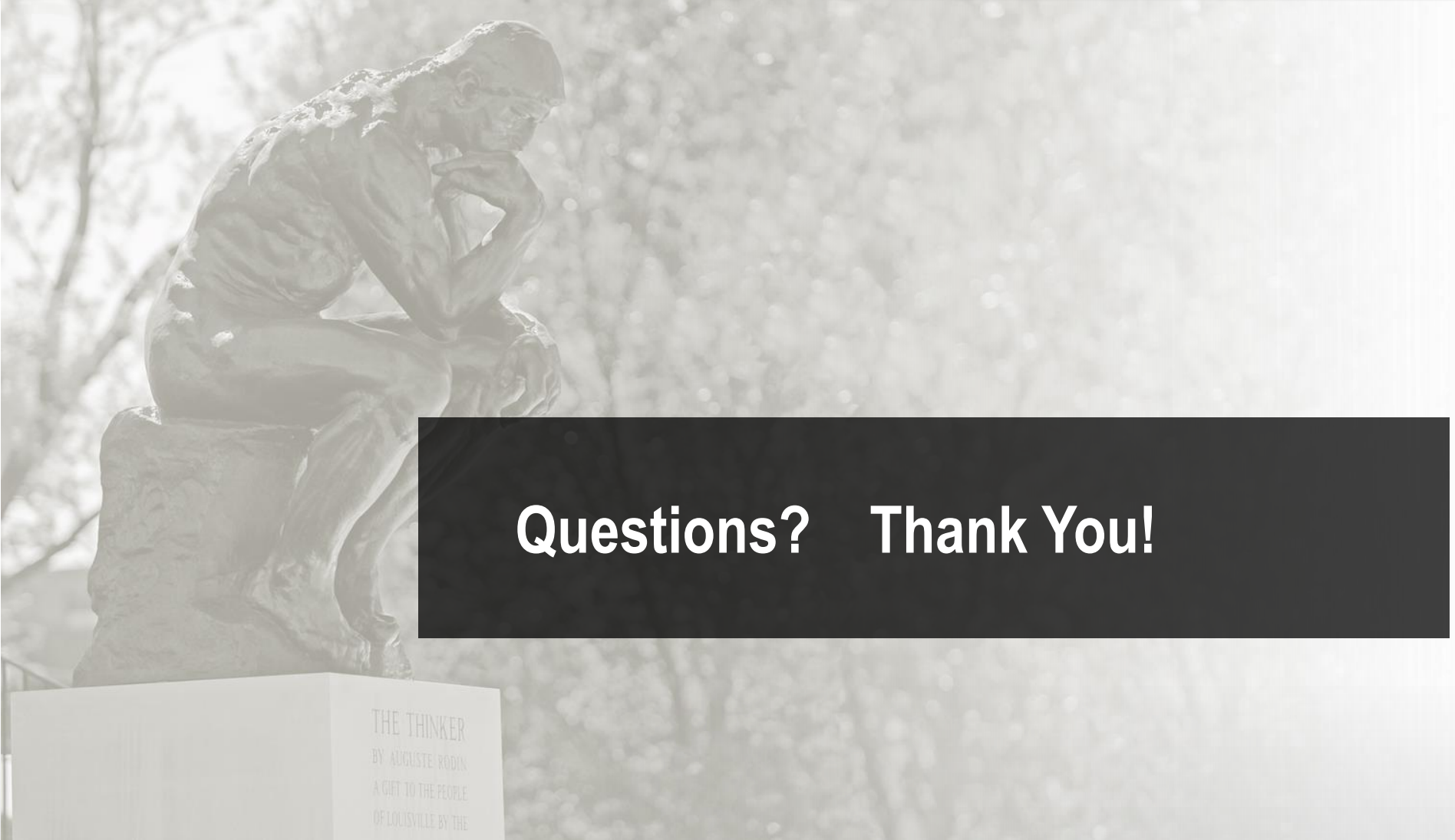
- Charged by president to:
 - Develop a strategic plan to guide its actions in becoming a great place to learn, to work, and in which to invest
- Cardinal Principles
 - Set of guiding principles that shape our community and our actions
 - Every member of the University of Louisville family is expected to follow these rules
- Co-chaired by Jeff Bumpous and Gail DePuy

FY 2021 Budget Process

1. **University-wide budget assumptions and instructions released (late January)**
2. **Units estimate revenues per new budget model**
3. **Units develop detailed expenditure plan**
4. **Meetings with Provost and CFO to review budget plan**
5. **Input from Budget Planning and Monitoring Committee**
6. **Approval by President**
7. **Presentation to Board of Trustees Finance Committee (May)**
8. **Presentation to Board of Trustees (June)**

How Can You Help?

- **Stay engaged with your BPMC representative**
- **Think BIG picture**
- **Impact enrollment (recruit + retention)**
- **Help us identify ways to improve**



Questions? Thank You!

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