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Budgeting: Large Schools



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Topics

Introductions

Operating and capital budgets

Accounting for budgeting and financial reporting

Fund accounting

Budgetary best practices and budget models

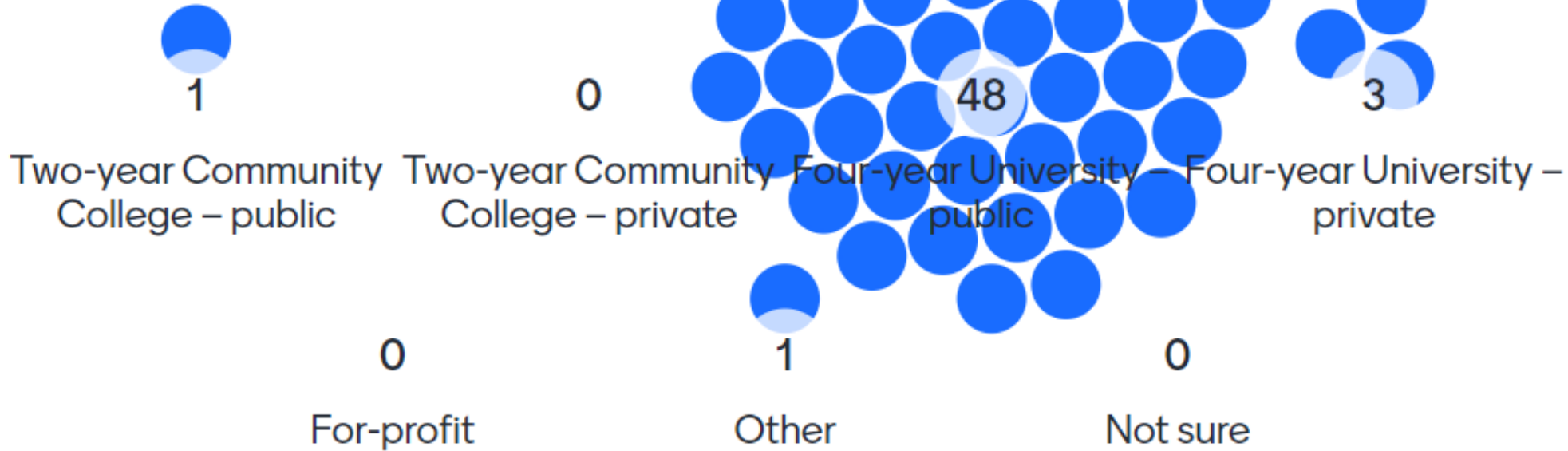
UK operating budget

Budget communications

Upcoming changes



Your institution?



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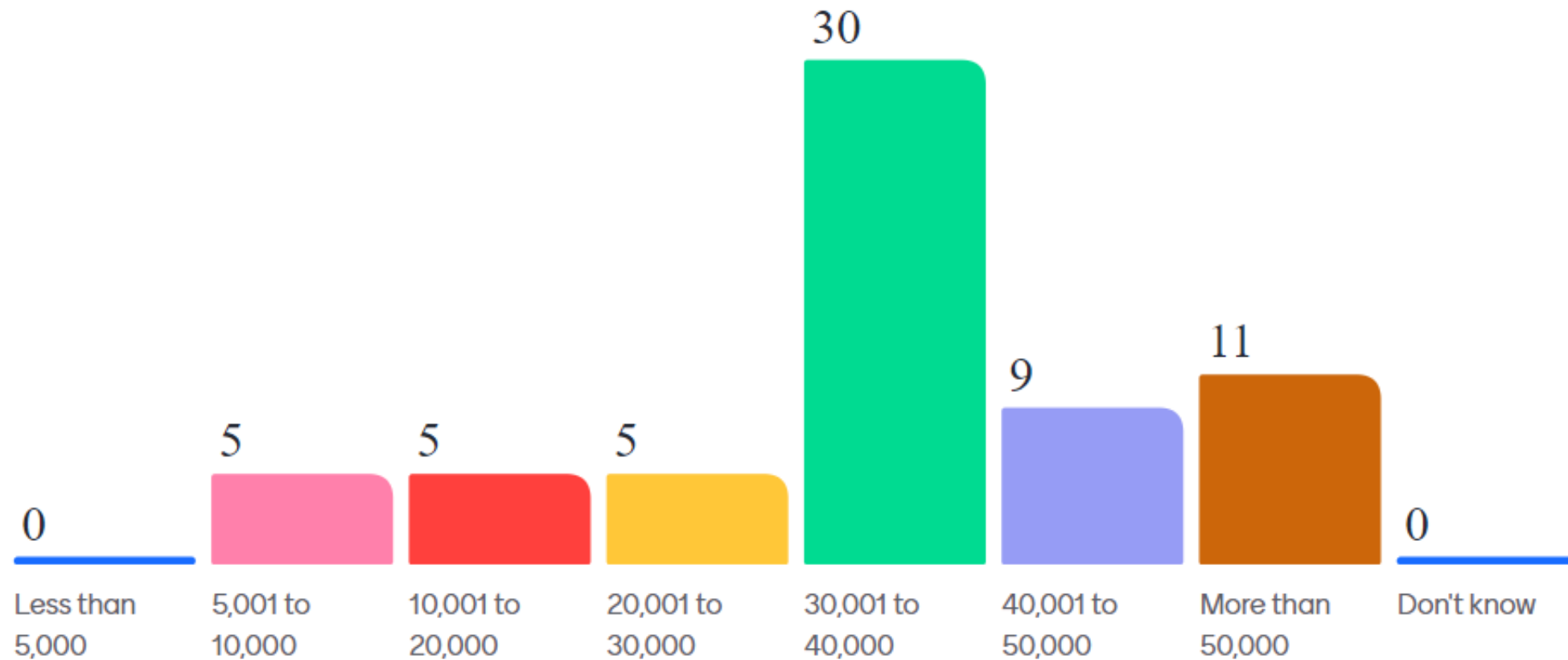
What is your institution's home state?

73 responses



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How many students?

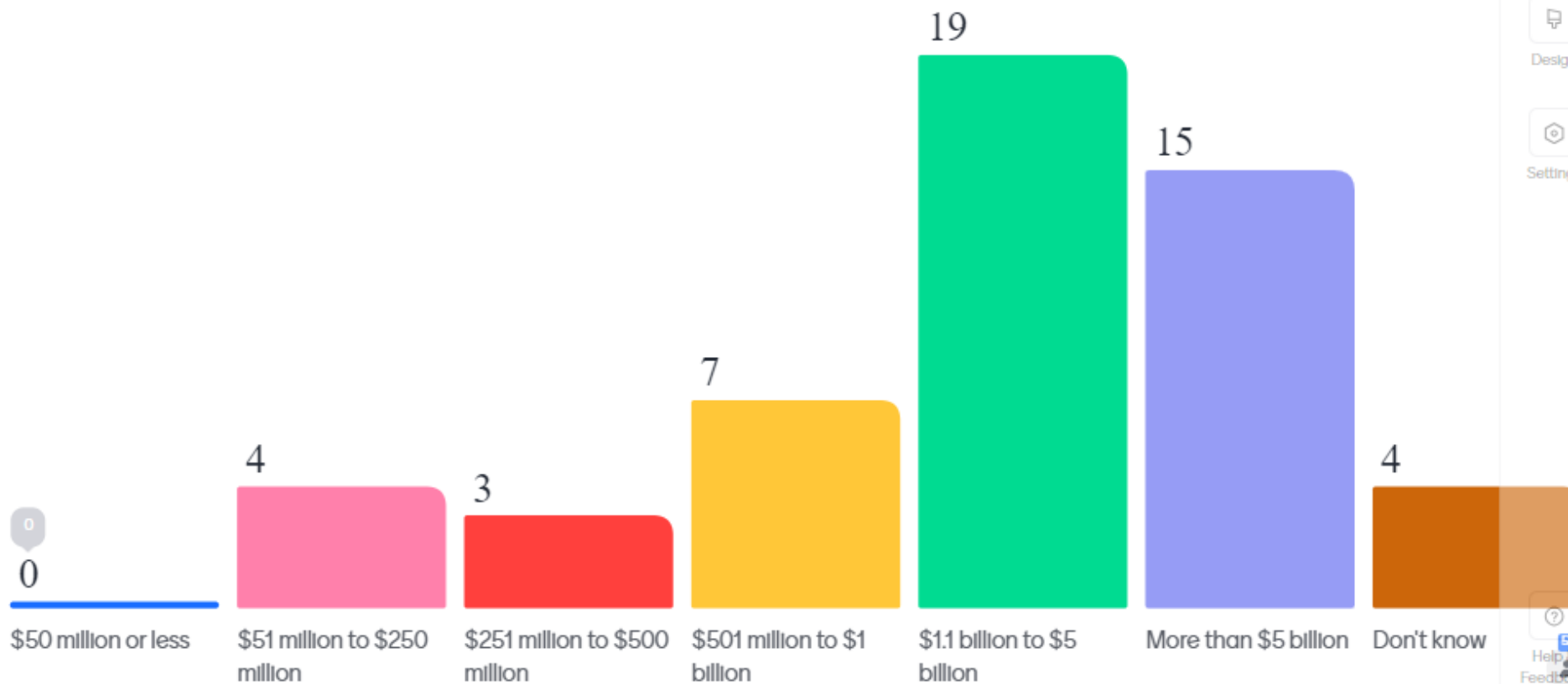


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Size of annual operating budget?



Account

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University of Kentucky

- Flagship, land-grant, public, R-1 university
- 16 degree-granting colleges
- 200+ academic programs
- 33,885 fall 2023 headcount enrollment
- 25,574 employees
 - 3,441 faculty
 - 9,248 hospital
 - 12,885 staff
- FY 2024-25 operating budget \$8.4 billion

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Operating Budget

- Budget: “an estimate of income and expenditure for a set period of time”
 - *-Oxford Online Dictionary*
- Southern Association of Colleges and Schools Commission on Colleges(SACSCOC) requires “an annual budget that is preceded by sound planning, is subject to sound fiscal procedures, and is approved by the governing board”
- Strategic plans are a critical prelude to developing an operating budget.
- “If you don’t know where you are going, you might wind up someplace else”
 - *-Yogi Berra*

Capital Budget

- Plan for spending large sums of money for investment in plant, equipment or infrastructure; separate from the operating budget
- Capital budget for a project can extend for several years
- Project fund sources:
 - Cash (e.g., fund balances, private funds)
 - State or federal appropriations
 - University debt (university bonds or internal loan)
 - Public Private Partnership (P3)
- Approvals
 - Governing board
 - Legislative authorization

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Budgeting

- Purpose:
 - Manage resources
 - Planning and control to achieve specific goals
- Time orientation: forward-looking
- Operating and capital budgets
- Budgetary basis of accounting

Financial Reporting

- Purpose:
 - Record, summarize, and report financial transactions
 - Provides accurate picture of financial health
- Time orientation: historical
- Audited financial statements
- Generally Accepted Accounting Principles (GAAP) basis of accounting

Budgeting

- Regulations and guidance
 - States
 - Accreditors
 - NACUBO
 - Government Finance Officers Association
 - National Advisory Council on State and Local Budgeting

Financial Reporting

- Regulations and guidance
 - Generally Accepted Accounting Principles
 - Governmental Accounting Standards Board
 - Financial Accounting Standards Board
 - NACUBO
 - Government Finance Officers Association

Basis of Accounting: Generally Accepted Accounting Principles (GAAP) vs Budgetary Basis of Accounting

Examples of differences

- Debt service principal payments are not recorded as an expense per GAAP but can be considered an expense/transfer for budgeting
- Capital outlay may be treated as an expense for budgeting purposes in lieu of depreciation and amortization expense recognized by GAAP
- Encumbered amounts are not classified as expenses under GAAP while encumbrances are commonly treated as expenditures for budgets
- Under GAAP, investment income and the change in the fair market value of endowment investments are recognized as revenue. For budgets, endowment spending distributions may be treated as revenue
- All component units and funds that are reported in GAAP financial statements may not be included in the consolidated operating budget
- Some expenses recognized by GAAP may not be included in the budgetary calculation of available fund balances such as internal loans and changes in pension liabilities

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Financial Terms

- Fiscal year (FY)
- Accounts
- Assets
- Liabilities
- Net Position
- Fund Balance
- Reserves
- Revenues
- Expenses
- Encumbrances
- Recurring and Nonrecurring
- Positions
(position vs. person)

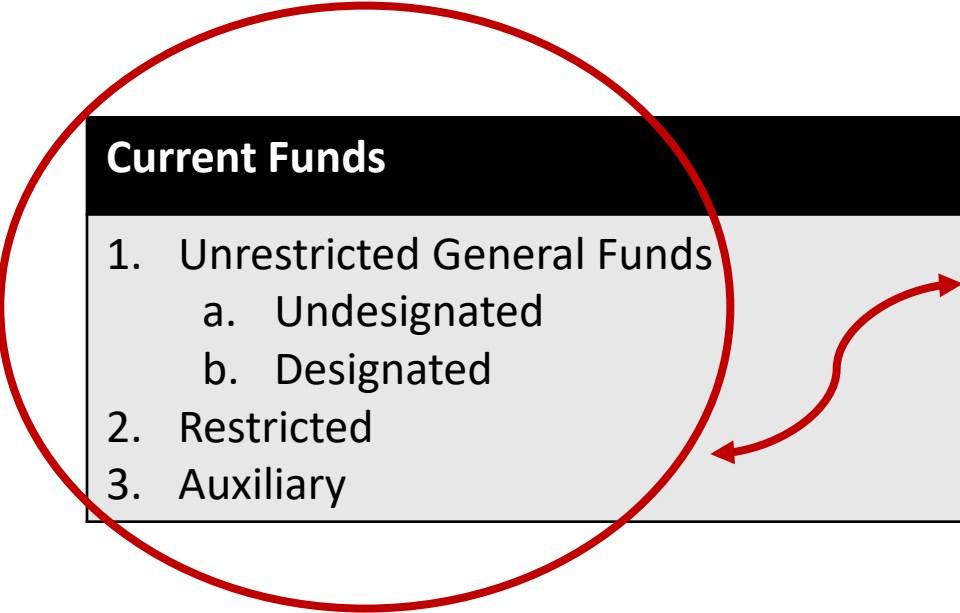
Fund Accounting

- Fund: a self-balancing set of accounts including assets, liabilities, fund balance, revenues and expenses
 - Income Statement
Revenues minus expenses = change in net position or fund balance
 - Balance Sheet
Assets minus liabilities = net position or fund balance
- Fund classifications: current, non-current, or agency

Fund Accounting

Current Funds	Non-Current Funds	Agency Funds
<ol style="list-style-type: none">1. Unrestricted2. Restricted3. Auxiliary	<ol style="list-style-type: none">1. Endowment2. Loan3. Plant	<ol style="list-style-type: none">1. External entities such as student organizations

Operating Budget: Current Funds

Current Funds	Non-Current Funds	Agency Funds
 <ul style="list-style-type: none">1. Unrestricted General Funds<ul style="list-style-type: none">a. Undesignatedb. Designated2. Restricted3. Auxiliary	<ul style="list-style-type: none">1. Endowment2. Loan3. Plant	<ul style="list-style-type: none">1. External entities such as student organizations

UK Budget: Limited to Current Funds

Fund Group	Sub-Group	Revenue Examples	Assignment of Revenue and Expense Budgets
Unrestricted	Undesignated General Funds	Tuition, state appropriations	Revenue budgeted centrally; expense authority allocated to education and general units
Unrestricted	Designated General Funds	Patient care, course fees	Revenue and expense authority budgeted by unit
Restricted	Restricted Funds	Federal research grants, gifts	Revenue and expense authority budgeted by unit or UK Research Foundation
Auxiliary	Auxiliary Funds	Athletic ticket sales, parking permit fees	Revenue and expense authority budgeted by unit

UK Operating Budget Fund Accounting

Accounts assigned a Funding Category Code (FCC) which indicate the fund source

FCC	FCC Title	Description	Undesignated General Funds	Designated General Funds	Auxiliary Funds	Restricted Funds
I	Income Supported	Income generated by unit from external sources excluding auxiliary funds		✓		
S	General Funds	Funding generated mostly through tuition and state appropriations	✓			
E	Endowment Supported	Spending distributions from endowments				✓
A	Auxiliary Funds	Funds generated from an auxiliary function (e.g., Athletics, service centers)			✓	

Expense Classifications

Natural Object: <i>nature of the expense</i>	Function: <i>purpose of the expense</i>
<ol style="list-style-type: none">1. Salaries and Wages2. Employee Benefits3. Supplies and Services4. Depreciation and Amortization5. Student Scholarships and Financial Aid6. Utilities	<ol style="list-style-type: none">1. Education and General<ol style="list-style-type: none">A. InstructionB. ResearchC. Public ServiceD. LibrariesE. Academic SupportF. Student ServicesG. Institutional SupportH. Operations and Maintenance of PlantI. Student Financial Aid2. Hospitals and Clinics3. Auxiliary Enterprises

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Budgetary Best Practices

- Structurally balanced budget
- Unrestricted fund balance guidelines
- Adopt financial policies to efficiently and effectively manage resources
 - Business procedures
 - Reserves
 - Debt Management
 - Investment of funds
 - Risk management and internal controls
 - Long-term financial planning
 - Budget development process
 - Guide budgetary decision making

--Government Finance Officers Association

Budget Process

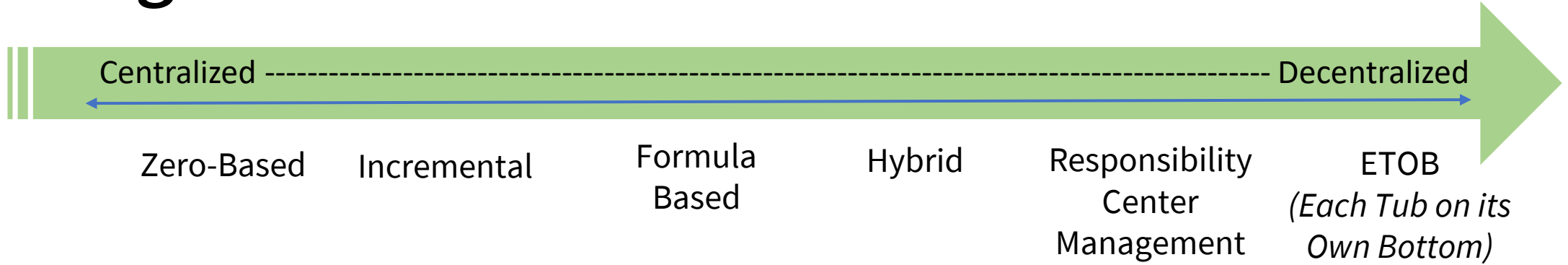
- Incorporates a long-term perspective
- Establishes linkages to organizational goals
- Focuses budget decisions on results and outcomes
- Involves and promotes effective communication with stakeholders
- Provides incentives to management and employees

*--National Advisory Council on State and Local Budgeting
Government Finance Officers Association*

Operating Budget Lifecycle

- Development
- Approval
- Implementation
 - Timing of apportioned allocations
- Maintenance
 - Budget transfers
 - Budget revisions
- Reporting

Budget Models



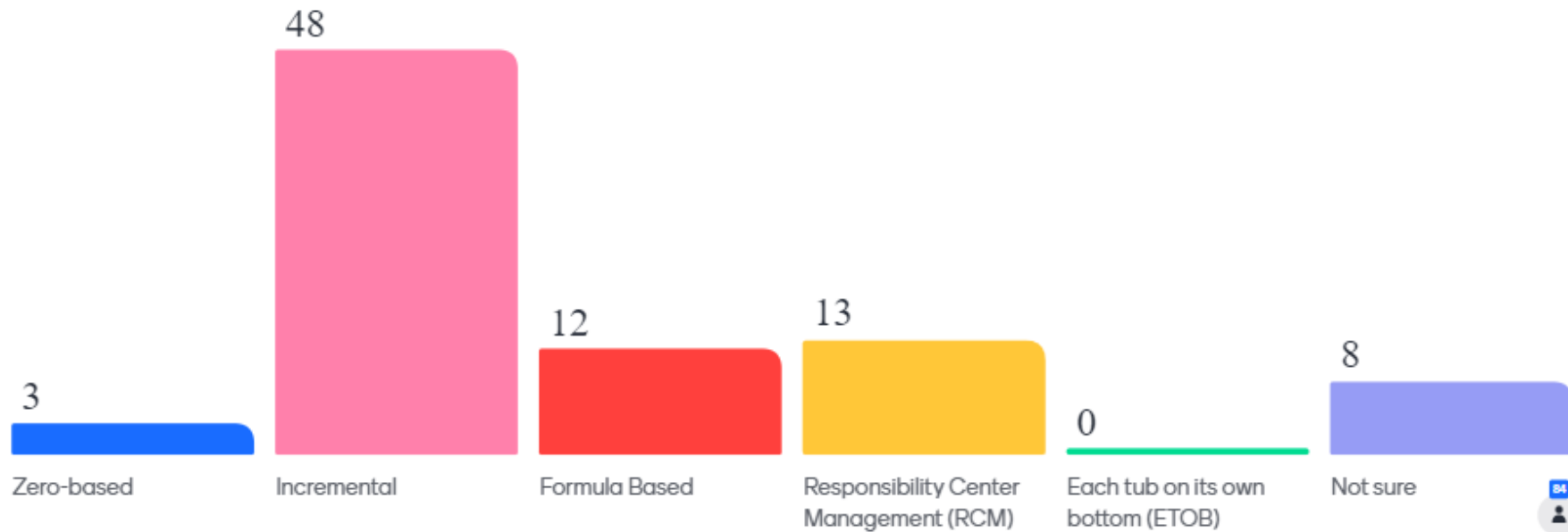
The Continuum

- Revenues (excluding tuition)
- Fund Balance Carry Forward
- Revenue Share Programs
- Administrative Responsibility

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Mentimeter

Primary budget model used by your institution?



Topics

UK operating budget

Overview

1. UNDESIGNATED GENERAL FUNDS REVENUES
 - a. State appropriations (performance funding model)
 - b. Tuition
 - c. Shared services and investment income
2. UNDESIGNATED GENERAL FUNDS EXPENSES
 - a. Employees and students
 - b. College incentive models
 - c. Alignment of investments



UK Operating Budget

- Fiscal year end June 30
- Balanced
- Sets revenue estimates and expenditure authority
- Current Funds
 1. Undesignated General Funds
 2. Designated General Funds
 3. Restricted Funds
 4. Auxiliary Funds

UK Strategic Plan



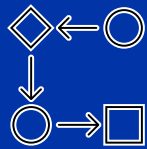
Putting Students First



Taking Care of Our People



Inspiring Ingenuity



Ensuring Greater Trust, Transparency and Accountability



Bringing Together Many People, One Community

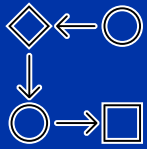
UK Enduring Budget Development Principles



Student access and affordability



Competitive pay for faculty and staff



Strategically plan to prevent across-the-board cuts and maintain and enhance academic quality



Building a community of belonging

UNIVERSITY OF KENTUCKY



3

**Higher
Education**

Athletics

**UK
HealthCare**

ENTERPRISES

UNIVERSITY OF KENTUCKY



**Higher
Education**

Athletics

**UK
HealthCare**



President

Provost

**Finance and
Administration**

**Student
Success**

Research

**University
Wide**

8

**FISCAL
AREAS**

UNIVERSITY OF KENTUCKY

8

**FISCAL
AREAS
SUBSET
EXAMPLES**

**Higher
Education**

Athletics

**UK
HealthCare**

President

Provost

**Finance and
Administration**

**Student
Success**

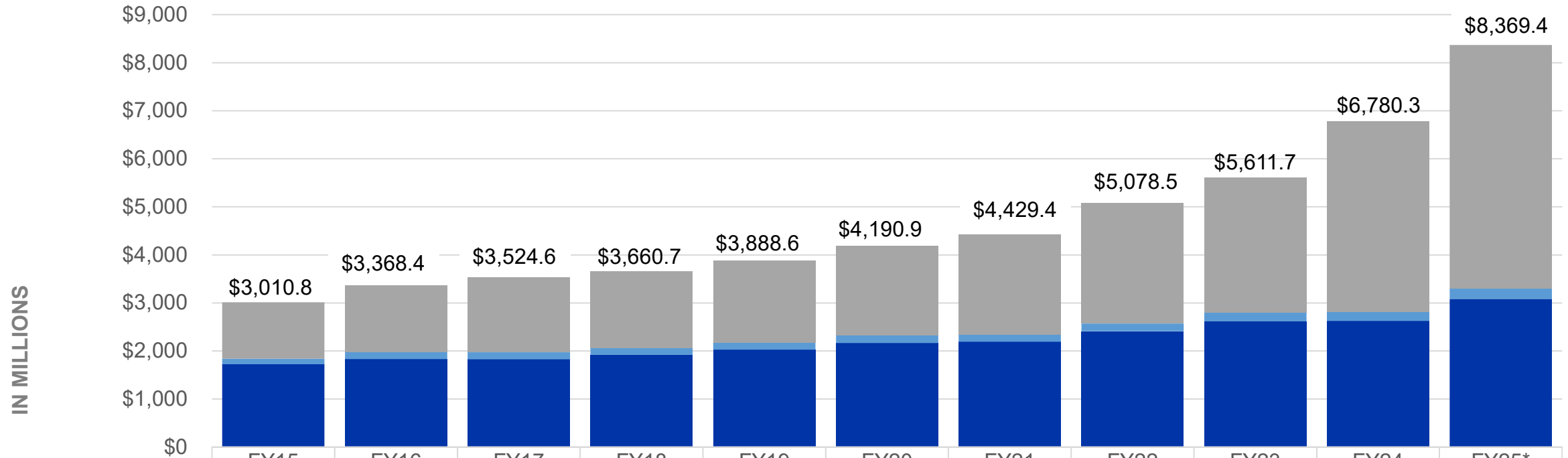
Research

**University
Wide**

- President
- General Counsel
- Philanthropy & Alumni Engagement
- Internal Audit
- Institutional Diversity
- Land-grant Engagement

- No personnel
- Undesignated general funds revenue budget
- Central bank function
- Undesignated general fund reserves

University of Kentucky Consolidated Original Budget



	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25*
■ UKHC - Hospital System	1,170.3	1,381.7	1,550.4	1,595.4	1,712.3	1,865.0	2,085.1	2,505.8	2,805.6	3,961.0	5,070.3
■ Athletics	117.7	157.7	145.9	145.0	150.9	159.6	152.7	162.4	191.6	192.9	216.9
■ Higher Education	1,722.8	1,829.0	1,828.3	1,920.3	2,025.4	2,166.3	2,191.6	2,410.3	2,614.5	2,626.4	3,082.3

Figures based on revenues. FY 2015 – 2018, UKHC-Hospital System includes hospital state appropriation.

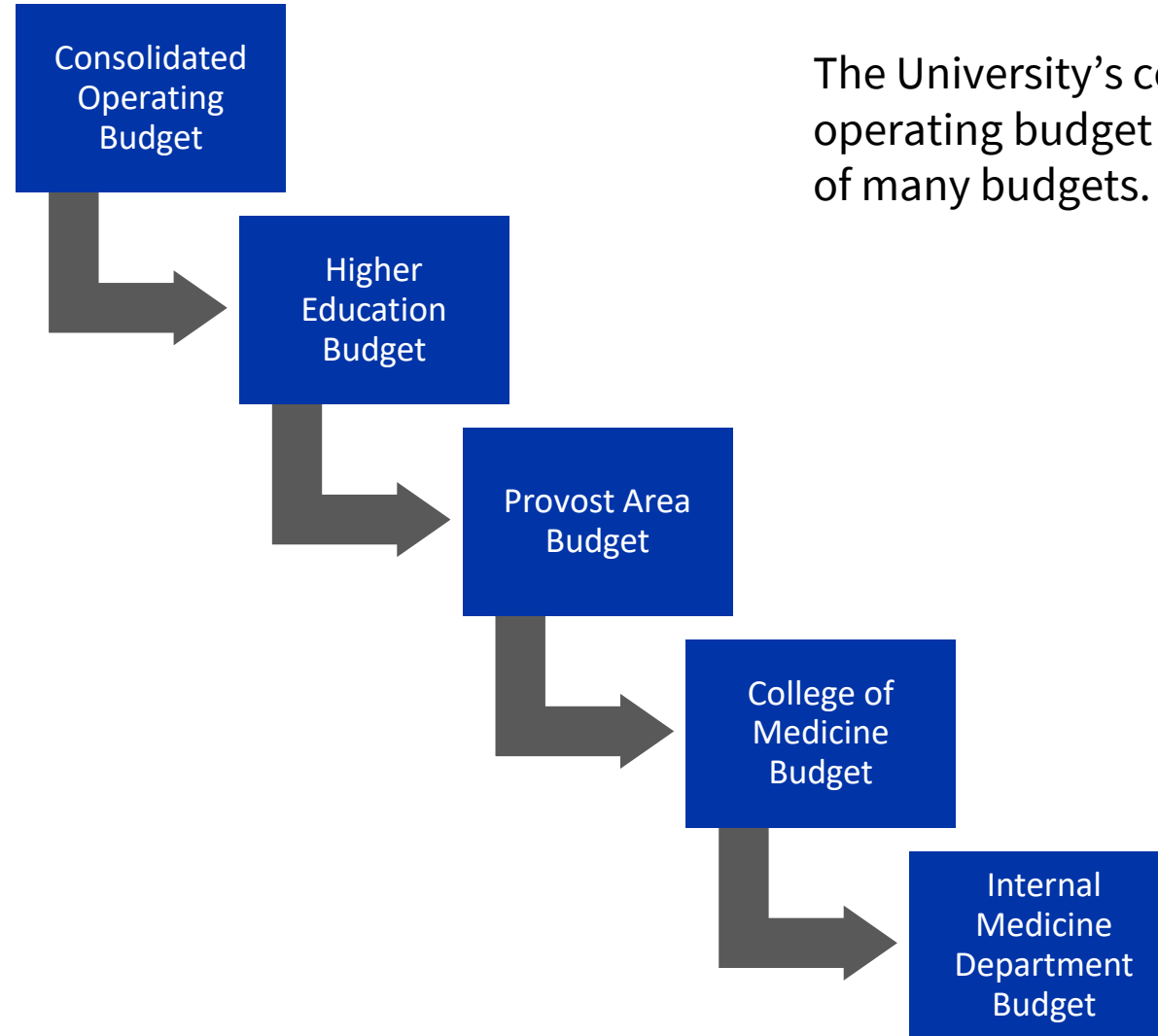
*Pending

Background:

The consolidated operating budget is balanced and:

- establishes expenditure authority for each area, college and department
- includes all components of the university (e.g., academic enterprise, hospital system, clinical patient care, research, philanthropy, athletics)
- includes Current Funds only

Budget Hierarchy



The University's consolidated operating budget is comprised of many budgets.

University of Kentucky Budget Development Process

- Budget calendar
- Operating budget process memorandum
- Internal review
- Revenue estimates (preliminary and final requests)
- Needs assessments (preliminary and final requests)
- Review and analysis of submissions
- Decisions
- Approvals

UK Budget Models

Fund Group	Budget Model Type	Budget Models	Description
Undesignated General Funds	Centralized	<ul style="list-style-type: none"> • Incremental • Incentive-Based 	<ul style="list-style-type: none"> • Revenues budgeted centrally; Senior leadership allocates expenditure authority to units • Incentive-based performance funding models
Designated General Funds	Decentralized	<ul style="list-style-type: none"> • Revenue-Based • Responsibility Center Management 	<ul style="list-style-type: none"> • Units directly receive earned revenues and estimate revenue and expense budgets • Large self-supporting units (i.e., UK Healthcare and Research) assessed cost of central services (shared services)
Auxiliary Funds	Decentralized	<ul style="list-style-type: none"> • Responsibility Center Management 	<ul style="list-style-type: none"> • Units estimate revenue and expense budgets • Units directly receive earned revenues • Large auxiliaries (e.g., Athletics, Housing, and Dining) assessed cost of central services (shared services)
Restricted Funds	Decentralized	<ul style="list-style-type: none"> • Revenue-Based 	<ul style="list-style-type: none"> • Units directly receive earned revenues and estimate revenue and expense budgets

UNIVERSITY OF KENTUCKY

**Undesignated
General Funds
13.0%**

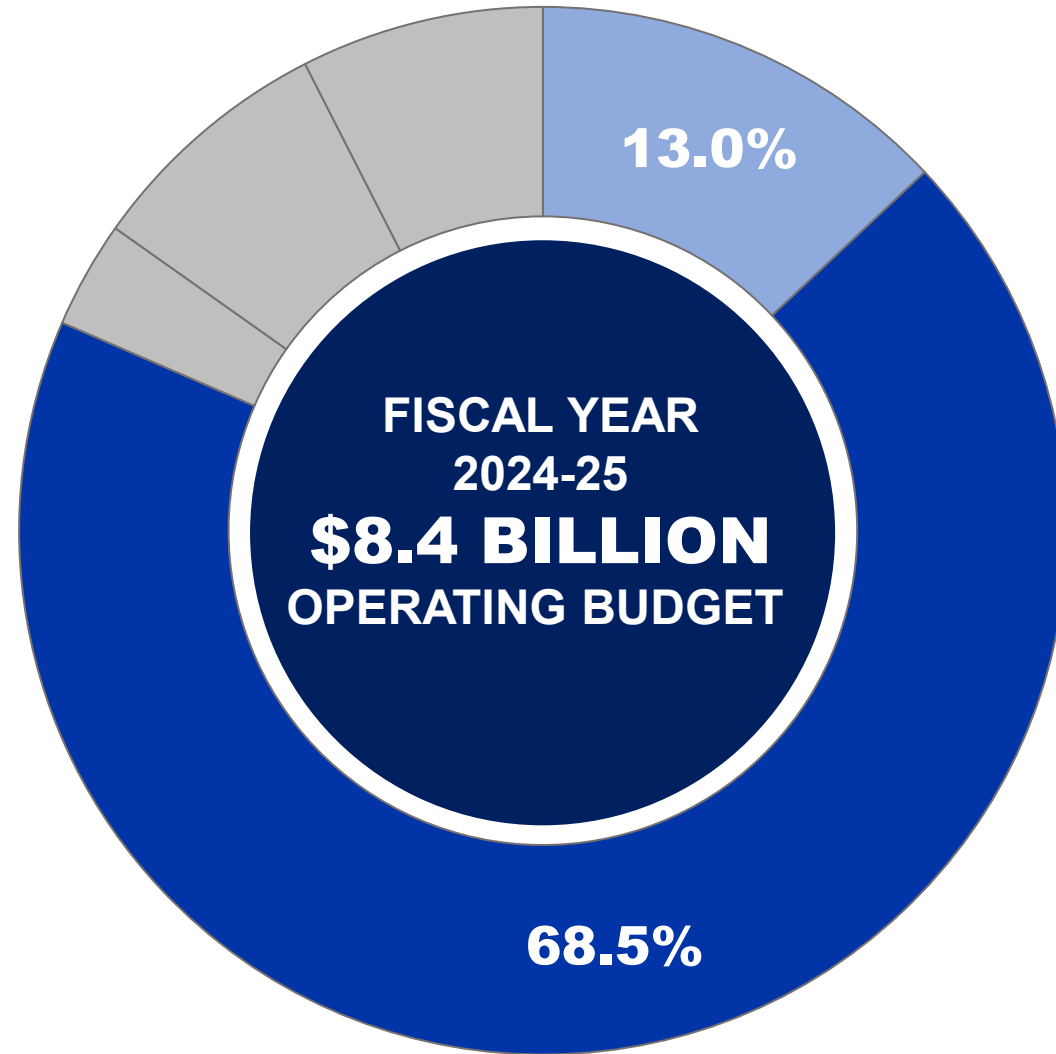
\$1,083.6 million

WHERE THE MONEY
COMES FROM
(in millions)

\$630.8 Tuition
\$358.6 State Appropriations
\$94.2 Other

HOW IT IS USED

- Instruction
- Public Service
- Utilities
- Administrative Support
- Institutional Student Aid



**Designated
General Funds
68.5%**

\$5,733.2 million

WHERE THE MONEY
COMES FROM
(in millions)

\$5,064.9 UKHC - Hospital System
\$515.0 Clinical Services
\$43.6 Fees
\$109.7 Other

HOW IT IS USED

- Patient Care
- Instruction
- Public Service
- Student Services
- Academic Support

UNIVERSITY OF KENTUCKY

**Auxiliary
Funds
3.3%**

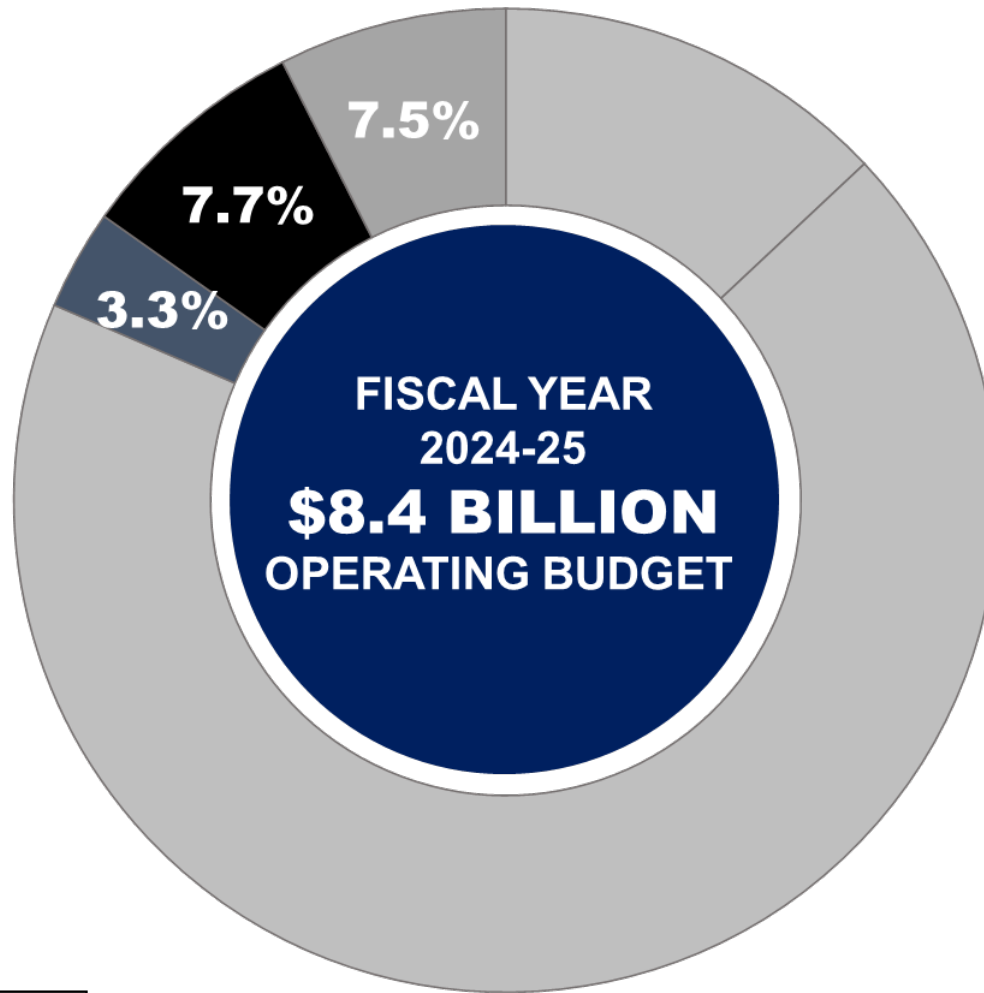
\$276.9 million

WHERE THE MONEY
COMES FROM
(in millions)

\$141.4 UK Athletics
\$27.0 Housing
\$11.8 Dining
\$16.1 Transportation Services
\$80.6 Service Centers and
Recharge Operations

HOW IT IS USED

Auxiliary units pay all of
their expenses and receive no
taxpayer or tuition support.



**Restricted
Funds
7.7%**

\$645.7 million

WHERE THE MONEY
COMES FROM
(in millions)

\$510.4 Research Grants and Contracts
\$33.9 Endowments and Investments
\$101.4 Gifts and Other

HOW IT IS USED

- Research
- Student Financial Aid
- Public Service

**Fund
Balances 7.5%**

**\$630.0
million**

WHERE THE MONEY
COMES FROM
Savings from prior years

HOW IT IS USED

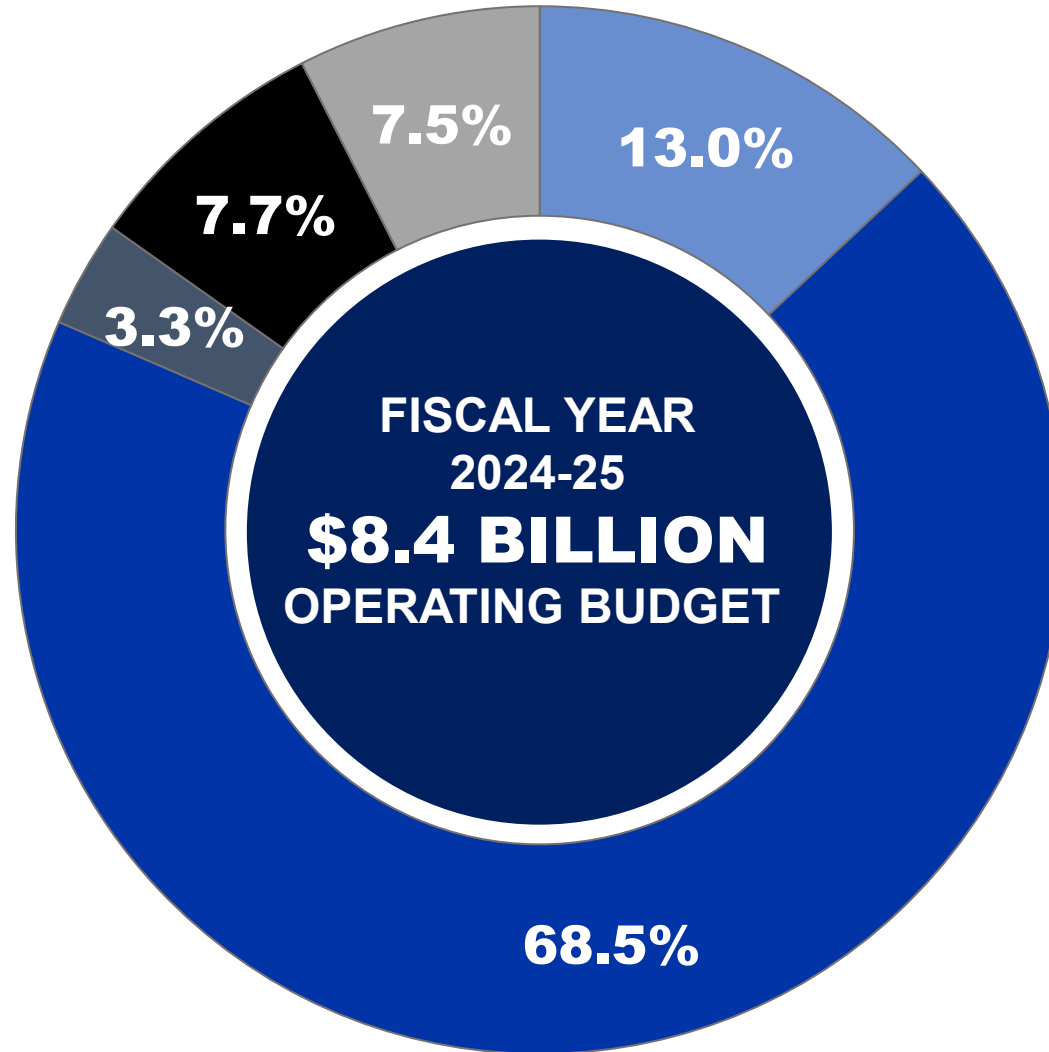
- Capital Projects
- Faculty Start-Up Packages
- Pilot Programs

UNIVERSITY OF KENTUCKY

**Designated
General Funds
68.5%**

**Undesignated
General Funds
13.0%**

**Restricted
Funds
7.7%**



**Auxiliary
Funds
3.3%**

**Fund
Balances
7.5%**

Topics

UK operating budget

Overview

1. UNDESIGNATED GENERAL FUNDS REVENUES

- a. State appropriations (performance funding model)
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2. UNDESIGNATED GENERAL FUNDS EXPENSES

- a. Employees and students
- b. College incentive models
- c. Alignment of investments



University of Kentucky

Undesignated General Funds - Revenues

- State Appropriations
 - Performance funding
- Tuition Revenue
 - Enrollment
 - Tuition rates
 - Residency mix
- Other Revenues
 - Service assessments
 - Investment income

University of Kentucky

Undesignated General Funds: Five-Year Revenue History

RECURRING BUDGET	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	RECOMMENDED FY 2024-25
State Appropriations, Total	\$265.2	\$271.3	\$318.2	\$309.7	\$358.6
<i>Performance Funds*</i>	\$6.6	\$6.1	\$30.9	\$33.3	\$34.7
<i>Mandated Programs**</i>	\$80.6	\$80.6	\$91.7	\$91.7	\$102.1
<i>Special Appropriations</i>			\$11.0	\$0	\$26.0
Student Tuition	490.0	507.2	557.0	581.7	630.8
Other	54.0	63.1	71.4	86.6	94.2
Total	\$809.2	\$841.6	\$946.6	\$978.0	\$1,083.6

IN MILLIONS

*Effective FY 2022, performance funds are cumulative.

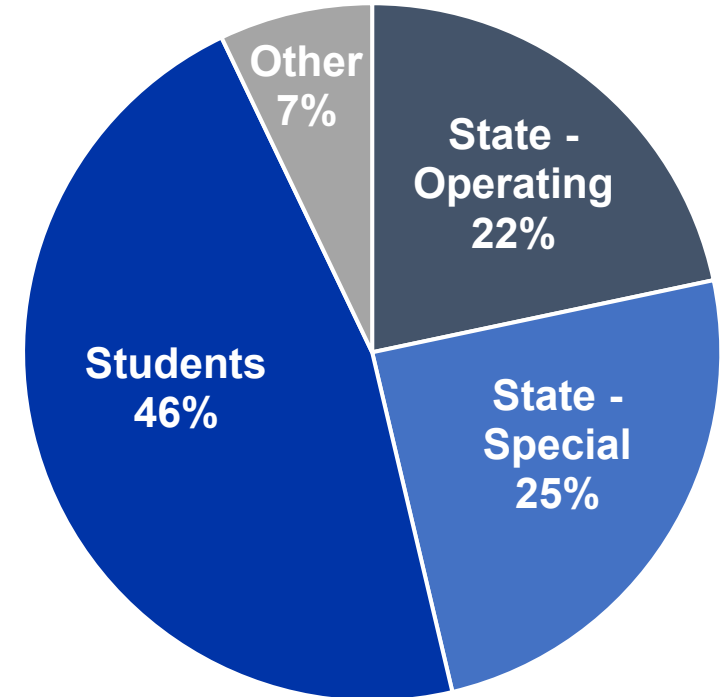
**State appropriations include funding for programs mandated by the Kentucky General Assembly such as the Agricultural Cooperative Extension Service and the Center for Applied Energy Research.

University of Kentucky

Undesignated General Funds Incremental Change

RECURRING BUDGET	RECOMMENDED FY 2024-25
State Appropriations	
Inflationary Adjustment	\$ 11.1
Performance Funds	1.4
Mandated Programs	
State, Fire and Tornado Insurance	9.9
Cancer Registry	.5
Special Appropriations	
CAER Quasi Endowment	20.0
Markey Cancer Center	5.0
Immune Dysregulation Research	<u>1.0</u>
Total	48.9
<hr/>	
Student Tuition	
2.2% Rate Increases	49.2
6,500 First-Year Undergraduate Cohort	
<hr/>	
Other	
Investment Income	5.3
Service Assessments	1.8
Misc.	<u>.4</u>
Sub-Total	7.5
<hr/>	
Total	\$105.6

Where will our new revenues come from?



Topics

UK operating budget

Overview

1. UNDESIGNATED GENERAL FUNDS REVENUES

a. State appropriations (performance funding model)

b. Tuition

c. Shared services and investment income

2. UNDESIGNATED GENERAL FUNDS EXPENSES

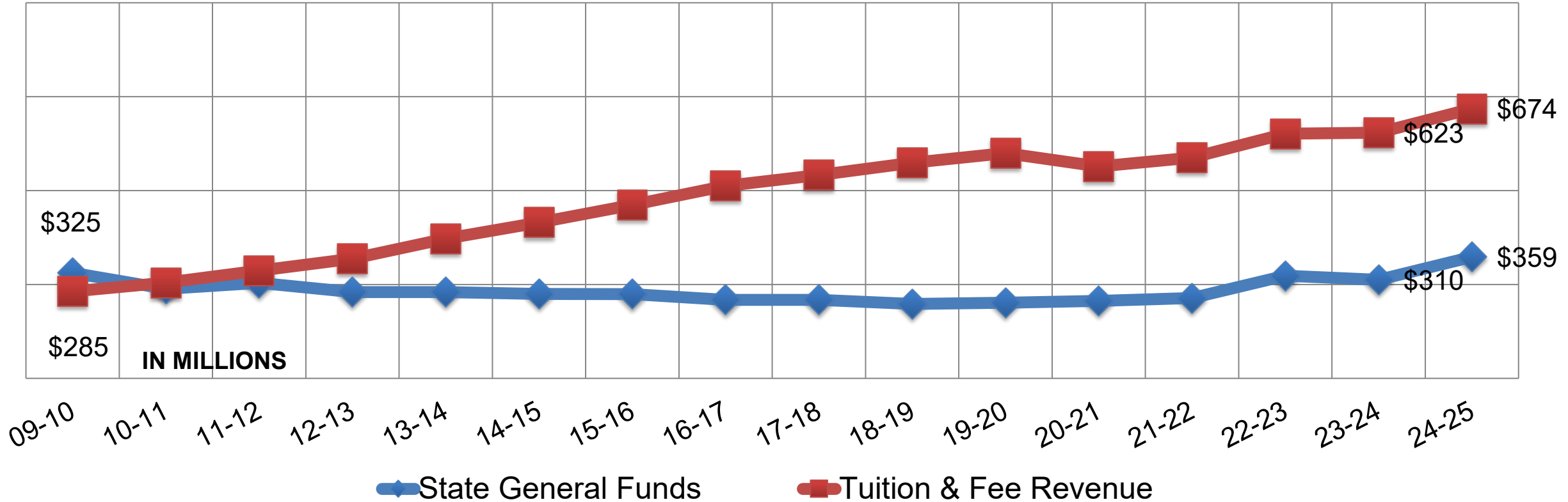
a. Employees and students

b. College incentive models

c. Alignment of investments



University of Kentucky Public Funds

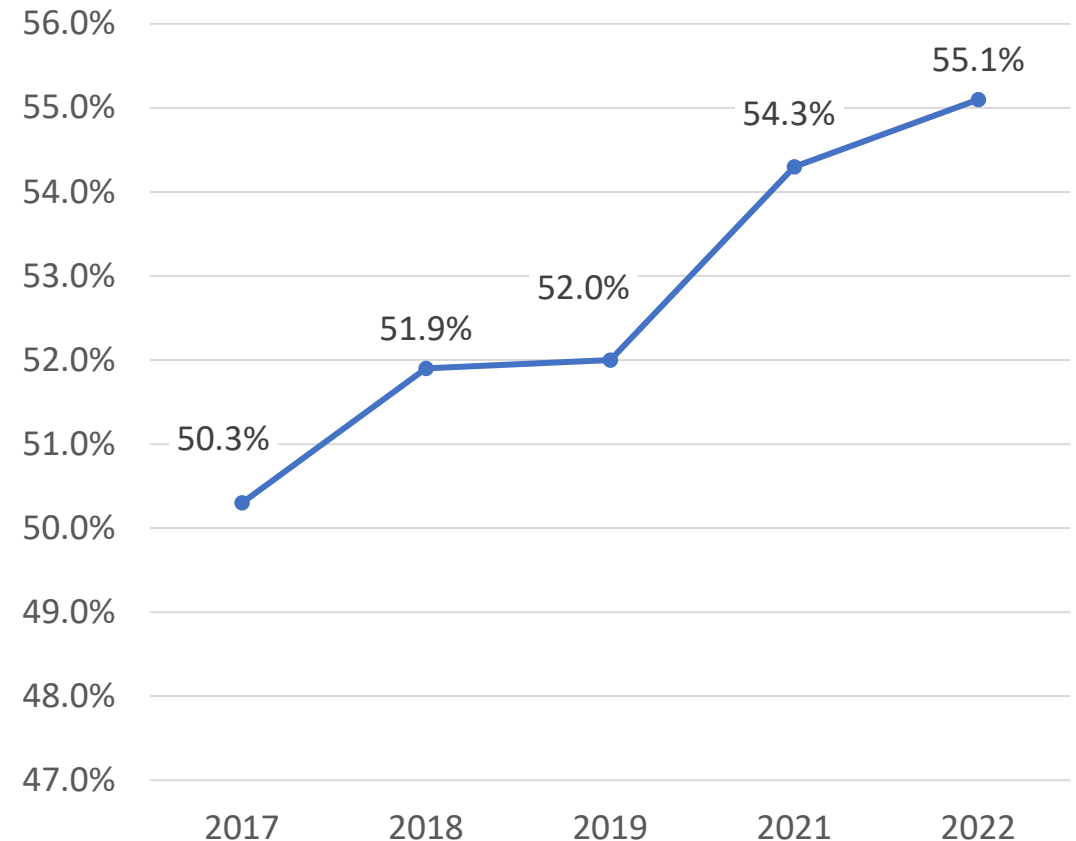


Kentucky's Goal

- Increase educational attainment of working age adults to 60% by 2030
- Currently 55.1% of Kentucky adults have a postsecondary education certificate or degree
- Benefits of increased attainment:
 - higher income (lower poverty)
 - accelerated job growth
 - better life choices and health
 - engaged citizens

Source: 2023 Progress Report, Kentucky Council on Postsecondary Education

Kentucky's Educational Attainment



Allocation of State Appropriations

Shortcomings of Previous Kentucky Method

- For more than a decade, state appropriations were distributed based on share of funding received the prior year (ATB base + or - approach)
- This approach failed to recognize changes in:
 - Enrollment
 - Program mix
 - Student outcomes (progression, degree completion)
- There were no financial incentives for achieving desired state goals

Kentucky Performance Funding Model Goals

- Increase retention and progression of students toward timely completion
- Increase the number of degrees and credentials conferred
- Produce more degrees and credentials in fields that garner higher wages upon completion (STEM+H fields, high demand fields, targeted industries)
- Close achievement gaps by growing degrees and credentials earned by *underrepresented*, low income, and underprepared students

Kentucky Performance Funding Model: Major Decision Points

- Type of model

- Targets and goals

- Outcomes based

- Number of models

- One model for all (research universities, comprehensive universities, community colleges)

- Two models (research and comprehensive universities with community colleges separate)

- Three models (each sector separate)

Kentucky Performance Funding Model

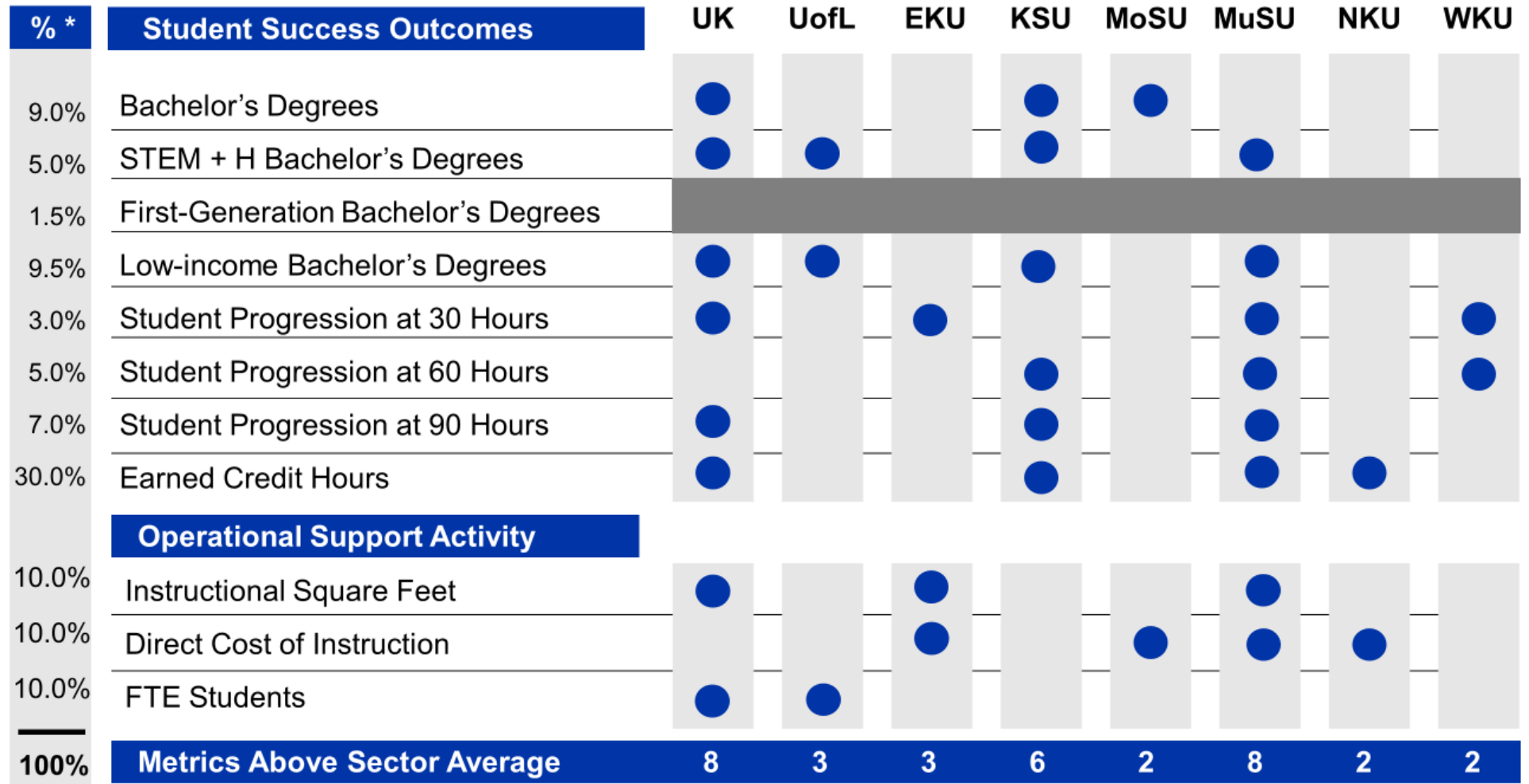
Public Universities

- 11 metrics primarily focused on student success (e.g., bachelor's degrees)
- Competitive-based model rewards universities with rates of growth that exceed the sector average
- Model reviewed every three years
- Metric calculations
 1. The universities' state appropriations, net of mandated programs and small school adjustment, are allocated to the 11 metrics
 2. The allocated funds are apportioned to each institution based on its share of the metric (e.g., # of degrees awarded). This represents what an institution *should* receive based on its productivity
 3. Performance pool funds are allocated based on what an institution *should* receive, subject to the amount of available funds

Kentucky Performance Funding Model

Metrics where rates of growth exceeded sector average between FY 2023-24 and FY 2024-25

* Performance funding metric shares



Kentucky Performance Funding Model for Public Universities

SB 191 Model Updates

1. Replaced the metric for degrees awarded to underrepresented minorities (3% weight) to degrees awarded to first-generation students (1.5% weight) for one-year only. Postsecondary Education Working Group to recommend by December 1, 2024, how to define “underrepresented students” effective FY 2025-26
2. Increased low-income degree premium from 3% to 9.5%. Decrease the earned-credit-hour metric decreased from 35% to 30%
3. Increased the small school adjustment amounts for Kentucky State University and Morehead State University to allow them to compete more effectively in the model
4. Increased the weighting of credit hours earned by nonresident students from 50% to 75% to help institutions maintain and grow enrollment
5. Added adult learner incentive by adding a weight (1.0) for credit hours earned by nontraditional, resident, undergraduate students ages 25+
6. Eliminated degree efficiency index weighting as it did not work as intended

Kentucky Results Achieved

- State funding no longer only being distributed based on historical share, but on outcomes produced
- Funding based on outcomes is providing incentives for student progression and timely completion
- Since 2014, bachelor's degrees up 3.4% and STEM+H degrees up 25.7%. However, number of undergraduate full-time equivalent students is down 14.3%

Kentucky Public Universities Metric Change Examples

Undergraduate Full-time Equivalent Students

Institution	Fall 2014	Fall 2022	Change	Change
UK	21,605.9	21,269.4	(336.4)	-1.6%
UofL	13,408.7	12,051.7	(1,357.1)	-10.1%
EKU	11,679.4	9,891.4	(1,788.0)	-15.3%
KSU	1,507.3	1,276.7	(230.5)	-15.3%
MoSU	6,466.8	4,533.2	(1,933.7)	-29.9%
MuSU	7,733.9	6,033.7	(1,700.2)	-22.0%
NKU	10,359.6	7,774.4	(2,585.2)	-25.0%
WKU	13,697.8	11,306.4	(2,391.4)	-17.5%
Total	86,459.3	74,136.8	(12,322.5)	-14.3%

Low-Income Bachelor's Degrees

Institution	2013-14	2022-23	Change	Change
UK	1,287	1,441	154	12.0%
UofL	1,218	1,242	24	2.0%
EKU	1,343	1,171	(172)	-12.8%
KSU	203	130	(73)	-36.0%
MoSU	703	584	(119)	-16.9%
MuSU	687	703	16	2.3%
NKU	962	800	(162)	-16.8%
WKU	1,381	1,074	(307)	-22.2%
Total	7,784	7,145	(639)	-8.2%

UK's Contribution to Kentucky's Public University System



UNDERGRADUATE FTE STUDENTS

	Fall 2014	Fall 2022	Increase	Growth
System	86,459	74,137	(12,322)	-14.3%
UK	21,606	21,269	(337)	-1.6%

UK SHARE OF SYSTEM DECLINE 2.7%



BACHELOR'S DEGREES

	2013-14	2022-23	Increase	Growth
System	17,096	17,676	580	3.4%
UK	3,988	5,238	1,250	31.3%

UK SHARE OF SYSTEM GROWTH 215.5%



STEM + H BACHELOR'S DEGREES

	2013-14	2022-23	Increase	Growth
System	5,093	6,403	1,310	25.7%
UK	1,345	2,126	781	58.1%

UK SHARE OF SYSTEM GROWTH 59.6%



LOW-INCOME BACHELOR'S DEGREES

	2013-14	2022-23	Increase	Growth
System	7,784	7,145	(639)	-8.2%
UK	1,287	1,441	154	12.0%

State Performance Funding Model: Sources and Allocations

PERFORMANCE FUNDING POOL*

Fiscal Year	Universities Required Contributions	State Funding	Total Allocated Funding
2017-18	\$28.9	\$ --	\$28.9
2018-19	24.2	--	24.2
2019-20	38.6	--	38.6
2020-21	11.7	--	11.7
2021-22**	--	13.5	13.5
2022-23	--	75.8	75.8
2023-24	--	75.8	75.8
2024-25	--	81.9	81.9

IN MILLIONS

UK RESULTS

UK Contribution	UK Awards
\$ 9.1	\$13.4
8.0	9.2
9.8	14.5
3.6	6.6
--	6.1
--	30.9
--	33.3
--	34.7

IN MILLIONS

* Represents state appropriations and required contributions from the universities to the Performance Funding Pool, which were distributed to the institutions based on outcomes.

** Effective FY 2022, performance pool allocations are cumulative.

Kentucky Performance Funding Model

Distribution of FY 2024-25 Performance Funds

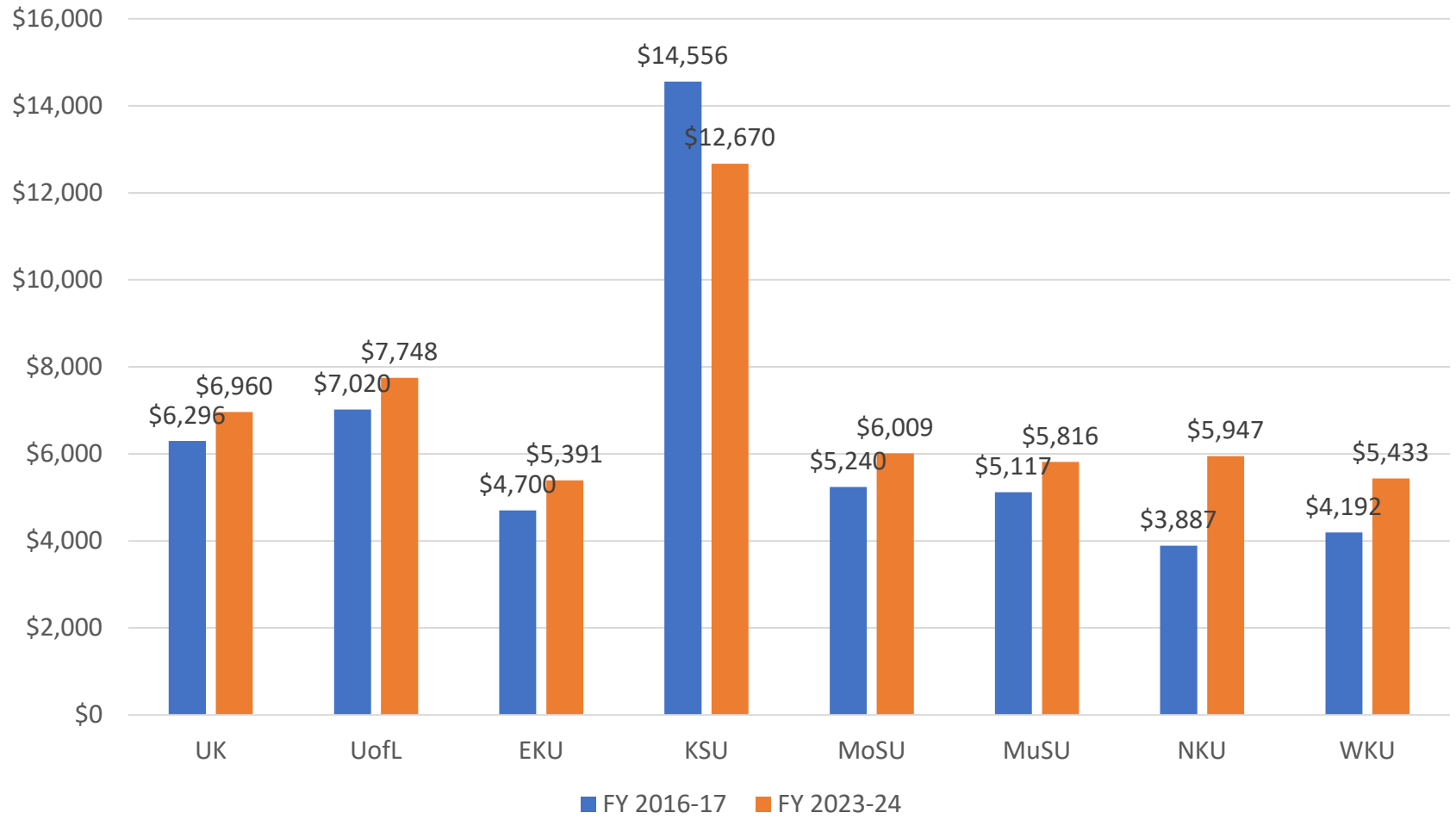
<u>Institution</u>	<u>2024-25 Adjusted* Net General Fund</u>		<u>2024-25 Performance Distribution</u>	
UK	\$195,715,200	31.9%	\$34,737,000	42.4%
UofL	131,309,900	21.4%	18,752,200	22.9%
EKU	63,708,500	10.4%	4,769,400	5.8%
KSU	19,343,900	3.2%	0	0.0%
MoSU	36,665,400	6.0%	214,400	0.3%
MuSU	42,428,500	6.9%	4,759,800	5.8%
NKU	53,013,500	8.6%	13,224,300	16.1%
WKU	70,693,900	11.5%	5,460,300	6.7%
Subtotal	\$612,878,800	100.0%	\$81,917,400	100.0%
KCTCS Colleges	172,696,700		23,082,600	
Total	\$785,575,500		\$105,000,000	

*State appropriations less mandated programs and debt service.

**Performance funding distributions are considered non-recurring allocations to the institutions.

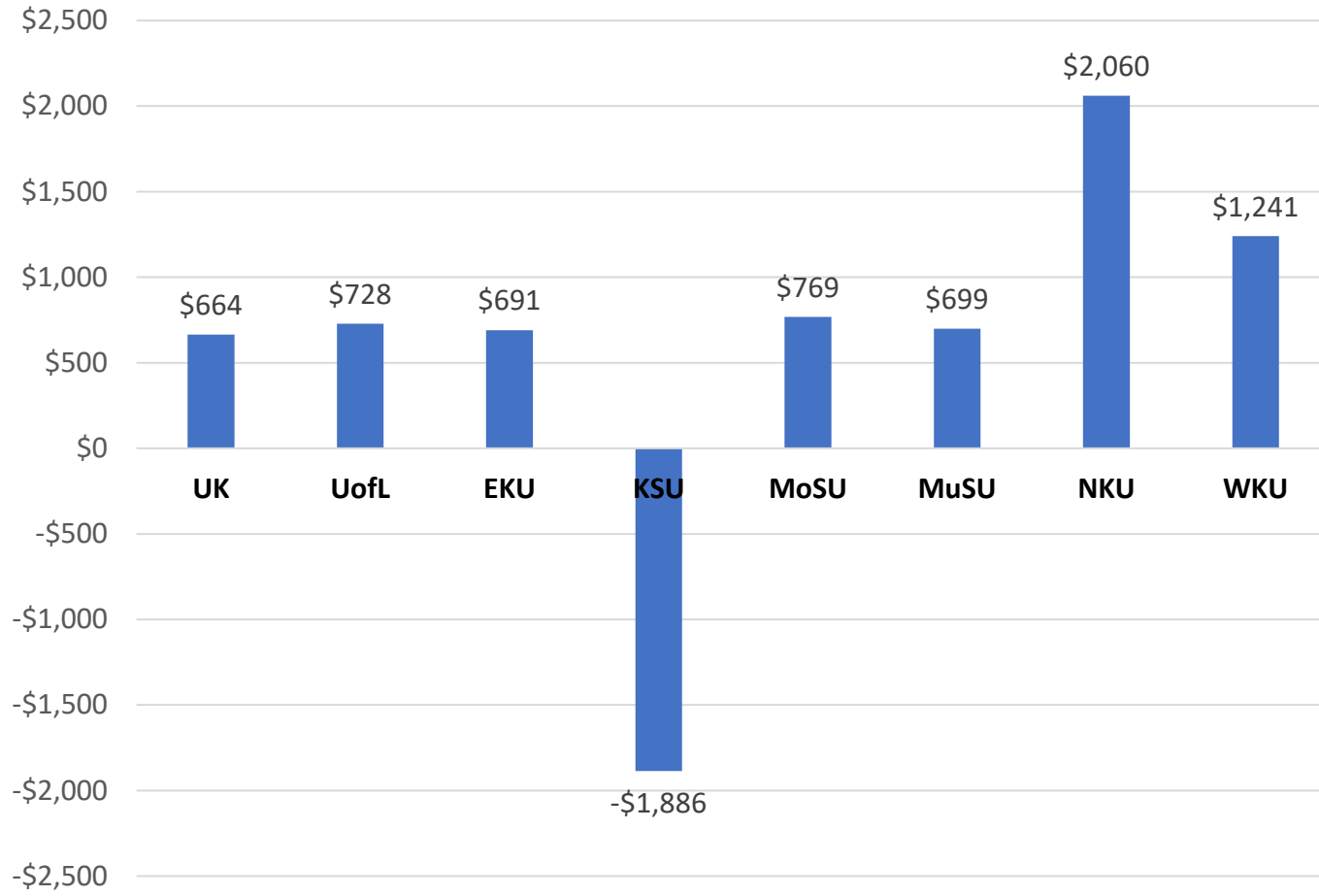
State Funds for Educating Students per Full-Time Equivalent Student

Fiscal Years 2016-17 and 2023-24



- Notes:
- Regular General Fund appropriation minus debt service and mandated program funding, plus performance funding distribution.
 - Source: KY Council on Postsecondary Education, Finance and Budget Unit and Data and Advanced Analytics Unit

Change in State Funds for Educating Students per Full-Time Equivalent Student From Fiscal Year 2016-17 to Fiscal Year 2023-24



Notes:

- Regular General Fund appropriation minus debt service and mandated program funding, plus performance funding distribution.
- Source: KY Council on Postsecondary Education, Finance and Budget Unit and Data and Advanced Analytics Unit

Topics

UK operating budget

Overview

1. UNDESIGNATED GENERAL FUNDS REVENUES

a. State appropriations (performance funding model)

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2. UNDESIGNATED GENERAL FUNDS EXPENSES

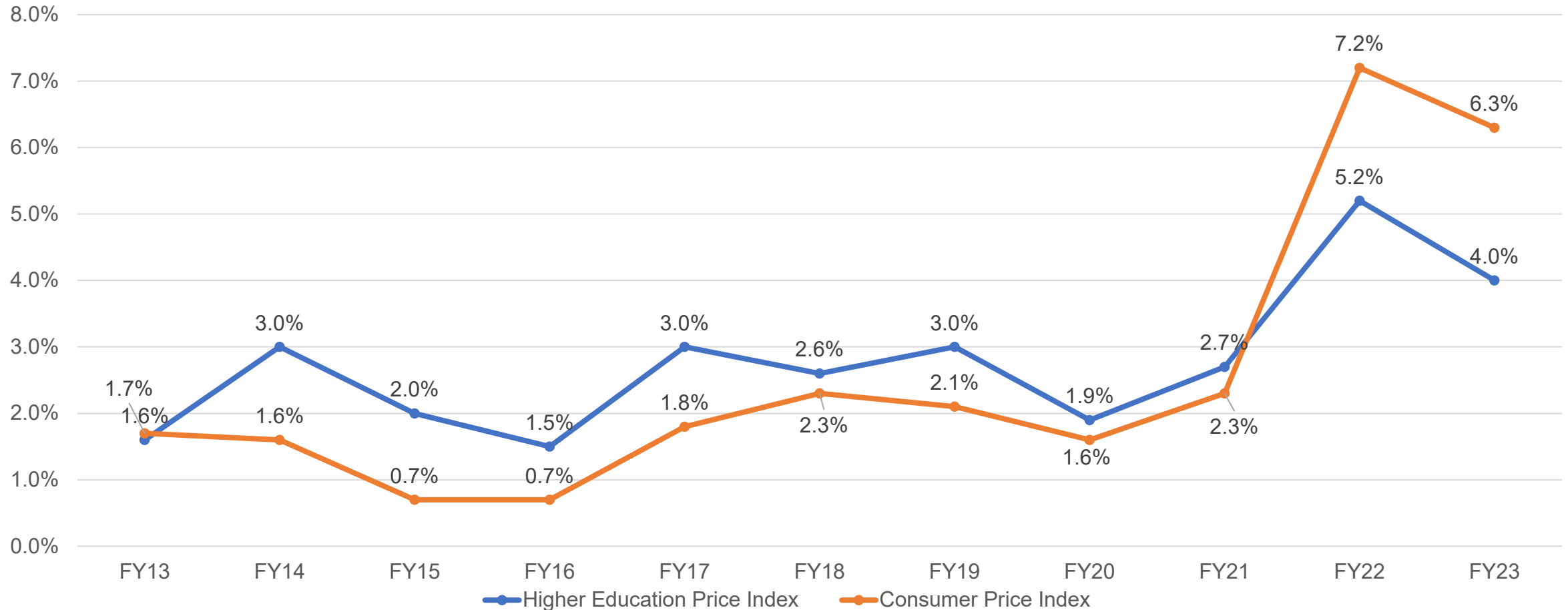
a. Employees and students

b. College incentive models

c. Alignment of investments



Higher Education Price Index and Consumer Price Index Year-Over-Year Change



Source: 2023 Commonfund Higher Education Price Index Report

UK Tuition and Mandatory Fees (per semester)

Undergraduate	Fall 2023	Fall 2024	% Change
Resident	\$ 6,606.00	\$6,751.00	2.2%
Non-resident	\$16,703.00	\$17,070.00	2.2%
UKOnline (Per Credit Hour)	\$ 611.00	\$624.00	2.1%

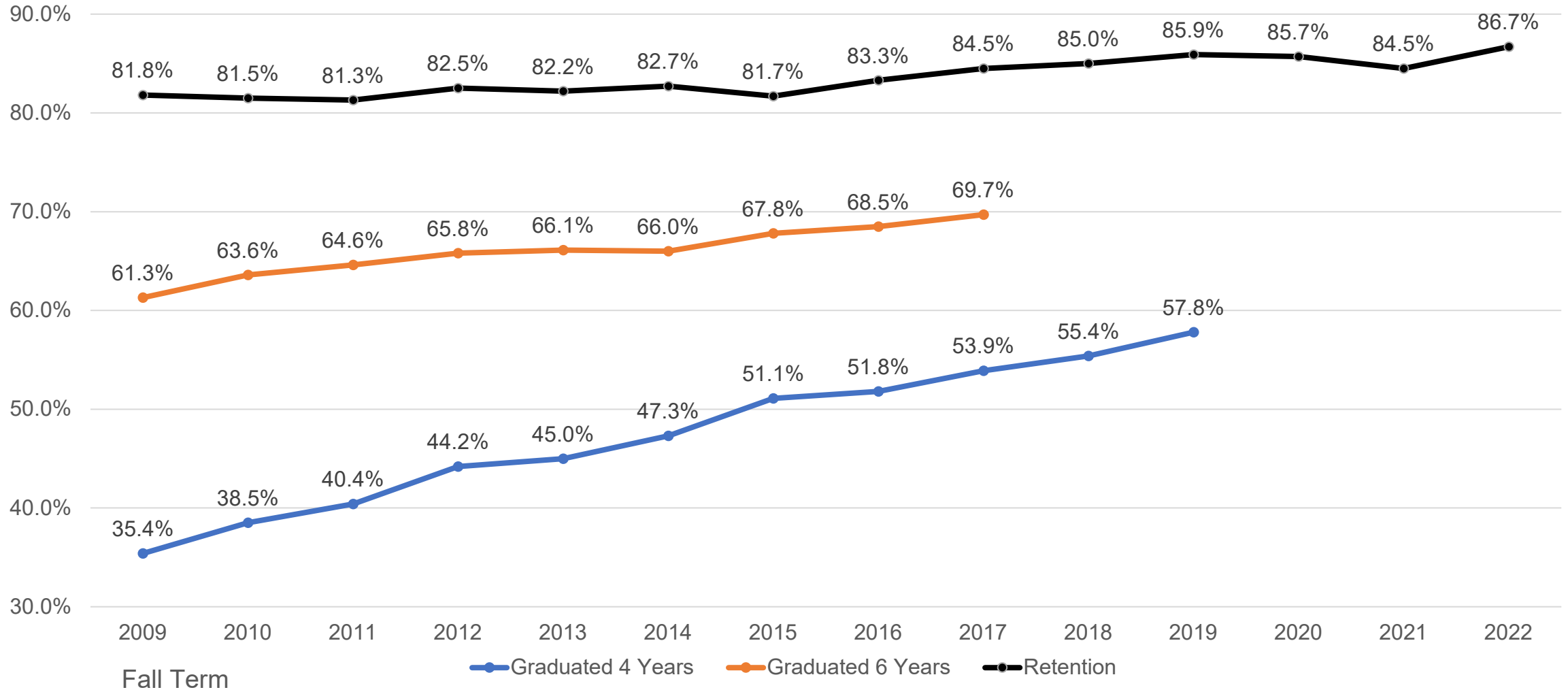
Graduate	Fall 2023	Fall 2024	% Change
Resident	\$ 7,165.00	\$7,322.00	2.2%
Non-resident	\$17,729.50	\$18,119.00	2.2%
Graduate Students Enrolled Exclusively in Distance Education Courses	\$ 6,619.00	\$6,761.00	2.2%

University of Kentucky

Student Enrollment, Headcount

	Fall 2019 Actual	Fall 2020 Actual	Fall 2021 Actual	Fall 2022 Actual	Fall 2023 Actual	Fall 2024 Target
Undergraduate First-time in College	5,348	4,891	4,721	6,061	6,437	6,500
Other Undergraduates	16,928	17,355	17,207	16,706	17,534	18,400
Sub-Total Undergraduates	22,276	22,246	21,928	22,767	23,971	24,900
Graduate/Professional	8,269	8,864	9,608	9,943	9,914	9,950
TOTAL	30,545	31,110	31,536	32,710	33,885	34,850

Retention and Graduation Rates by Entering Cohort



Tuition Revenue Forecast

Retention by Undergraduate Cohort													
As of January 8, 2024				Fall Retention Rate Changes		0.0%							
				Fall 2024 Cohort Budget Target		6,500							
				Fall 2024 Cohort Residency Split		64.0%		Resident					
Resident													
Cohort Term	Cohort Size	Cohort Size with Exclusions	Retained 1st Spring	Retained 2nd Fall	Retained % 2nd Fall	Retained 3rd Fall	Retained % 3rd Fall	Retained 4th Fall	Retained % 4th Fall	Retained 5th Fall	Retained % 5th Fall	Retained 6th Fall	Retained % 6th Fall
Fall 2005	2,899	2,881	2,650	2,291	79.03%	2,021	69.71%	1,928	66.51%				
Fall 2006	3,140	3,103	2,811	2,411	76.78%	2,186	69.62%	2,035	64.81%				
Fall 2007	2,897	2,859	2,648	2,352	81.19%	2,089	72.11%	1,959	67.62%				
Fall 2008	3,118	3,090	2,892	2,534	81.27%	2,243	71.94%	2,104	67.48%				
Fall 2009	3,218	3,178	3,045	2,640	82.04%	2,319	72.06%	2,154	66.94%	1,034	32.13%	526	16.35%
Fall 2010	3,276	3,227	3,073	2,714	82.84%	2,446	74.66%	2,324	70.94%	1,286	39.26%	561	17.12%
Fall 2011	3,021	2,980	2,828	2,469	81.73%	2,281	75.50%	2,129	70.47%	1,138	37.67%	489	16.19%
Fall 2012	3,153	3,117	2,987	2,676	84.87%	2,429	77.04%	2,284	72.44%	868	27.53%	457	14.49%
Fall 2013	3,225	3,186	2,999	2,667	82.70%	2,437	75.57%	2,249	69.74%	842	26.11%	449	13.92%
Fall 2014	3,216	3,185	2,991	2,688	83.58%	2,425	75.40%	2,235	69.50%	716	22.26%	460	14.30%
Fall 2015	3,190	3,153	2,962	2,665	83.54%	2,437	76.39%	2,233	70.00%	645	20.22%	440	13.79%
Fall 2016	3,165	3,134	2,950	2,681	84.71%	2,414	76.27%	2,227	70.36%	674	21.30%	445	14.06%
Fall 2017	3,075	3,054	2,875	2,627	85.43%	2,354	76.55%	2,168	70.50%	623	20.26%	370	12.03%
Fall 2018	3,188	3,160	2,983	2,705	84.85%	2,479	77.76%	2,234	70.08%	608	19.07%	362	11.36%
Fall 2019	3,373	3,354	3,146	2,936	87.04%	2,632	78.03%	2,378	70.50%	600	17.79%	371	11.00%
Fall 2020	3,083	3,079	2,864	2,642	85.70%	2,426	78.69%	2,186	70.90%	509	16.50%		
Fall 2021	3,147	3,146	2,945	2,673	84.94%	2,460	78.17%	2,218	70.49%				
Fall 2022	3,769	3,769	3,573	3,287	87.21%	2,951	78.30%						
Fall 2023	3,844	3,844	3,662	3,344	87.00%								
Fall 2024	4,160												

Topics

UK operating budget

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Service Assessments for Shared Services

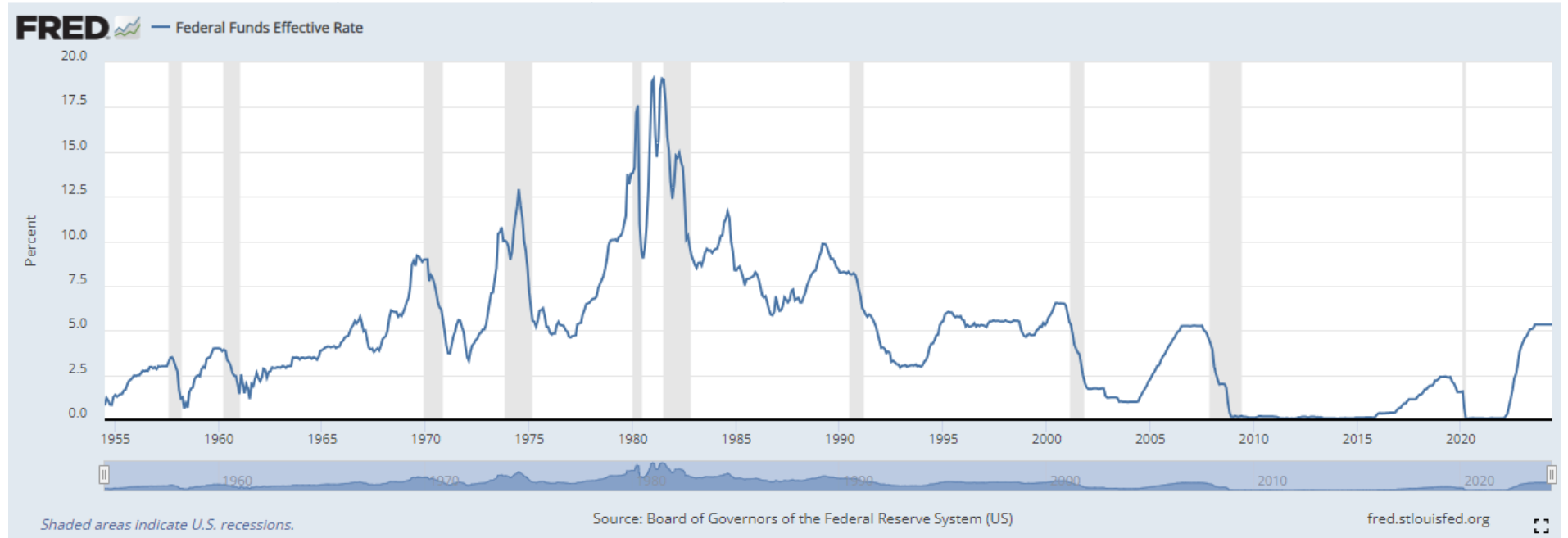
4		2023-24						
5		Cost Study					Adjusted	
6		2022-23	Analysis	2023-24	2023-24		Additional	
7		Actual	& Prior Direct	Recommended	Amount	%	Direct	
8		Assessment	Investments	Assessment	Change	Change	Investments	
9	Athletics	\$2,728,400	\$3,261,166	\$3,137,700	\$409,300	15%		\$3,137,700
10	Dining	383,600	629,603	421,960	38,360	10%		421,960
11	Housing	578,100	742,697	635,910	57,810	10%		635,910
12	Parking	529,600	405,017	503,120	(26,480)	-5%		503,120
13	UKRF	2,654,400	n/a	2,787,100	132,700	5%		2,787,100
14	UKHC	22,863,679	25,420,292	25,420,292	2,556,613	11%	\$3,182,000	28,602,292
15	UHS	248,600	221,811	248,600	-	0%		248,600
16	Student Center	856,100	556,253	856,100	-	0%		856,100
17		\$30,842,479	\$31,236,839	\$34,010,782	\$3,168,303	10%	\$3,182,000	\$37,192,782

Support and Resource Units

- President's Office
- Provost Office
- EVP Finance & Administration
- Philanthropy
- Human Resource Services
- Internal Audit
- Legal Counsel
- Procurement
- University Financial Services
- Risk Management
- University Budget Office
- Environmental Management
- Office of Emergency Management
- Information Technology Services
- UK Police
- Facilities Management

Investment Income

FYE	Original Budget
2015	\$2,084,000
2016	\$3,479,000
2017	\$4,020,000
2018	\$9,552,900
2019	\$16,326,400
2020	\$24,173,000
2021	\$6,673,000
2022	\$9,813,000
2023	\$14,691,200
2024	\$22,691,200
2025	\$28,006,000



U.S. recessions are shaded. Source: Board of Governors of the Federal Reserve System (US) <https://fred.stlouisfed.org/series/FEDFUNDS>

Topics

UK operating budget

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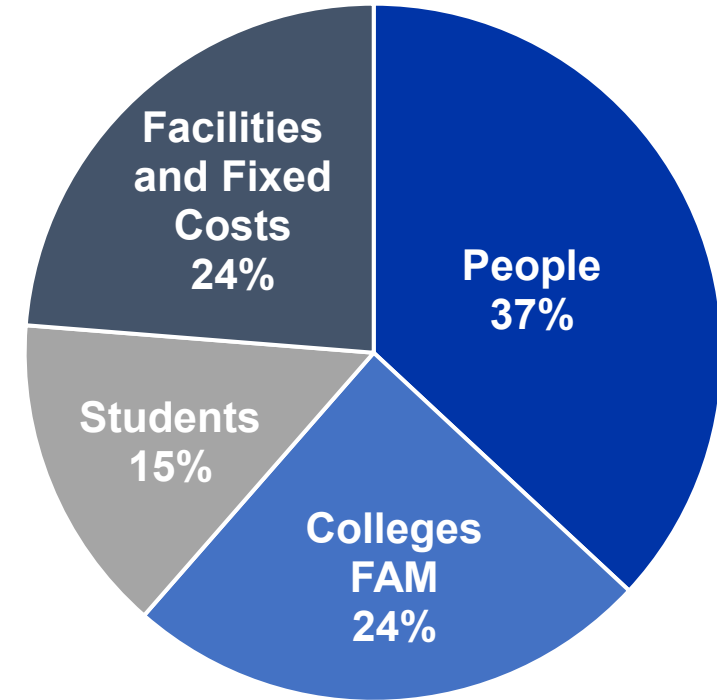
- a. Employees and students
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Undesignated General Funds Incremental Changes Projected FY 2025 Budget Uses

RECURRING BUDGET	RECOMMENDED FY 2024-25
People Faculty and Staff Salary Increase Benefits Faculty Promotions and Retention Funds	\$29.4
College Financial Allocation Models Net Tuition Revenue (NTR) College Productivity Model (CPM) Performance Funding Allocation (PFA)	19.5
Students Student Financial Aid Advising QEP	11.8
Facilities and Fixed Costs Modernization of Facilities Safety and Security	18.9
Special State Appropriations	26.0
Total	\$105.6

How will we allocate our resources?



*Excludes special state appropriations

Topics

UK operating budget

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- a. **Employees and students**
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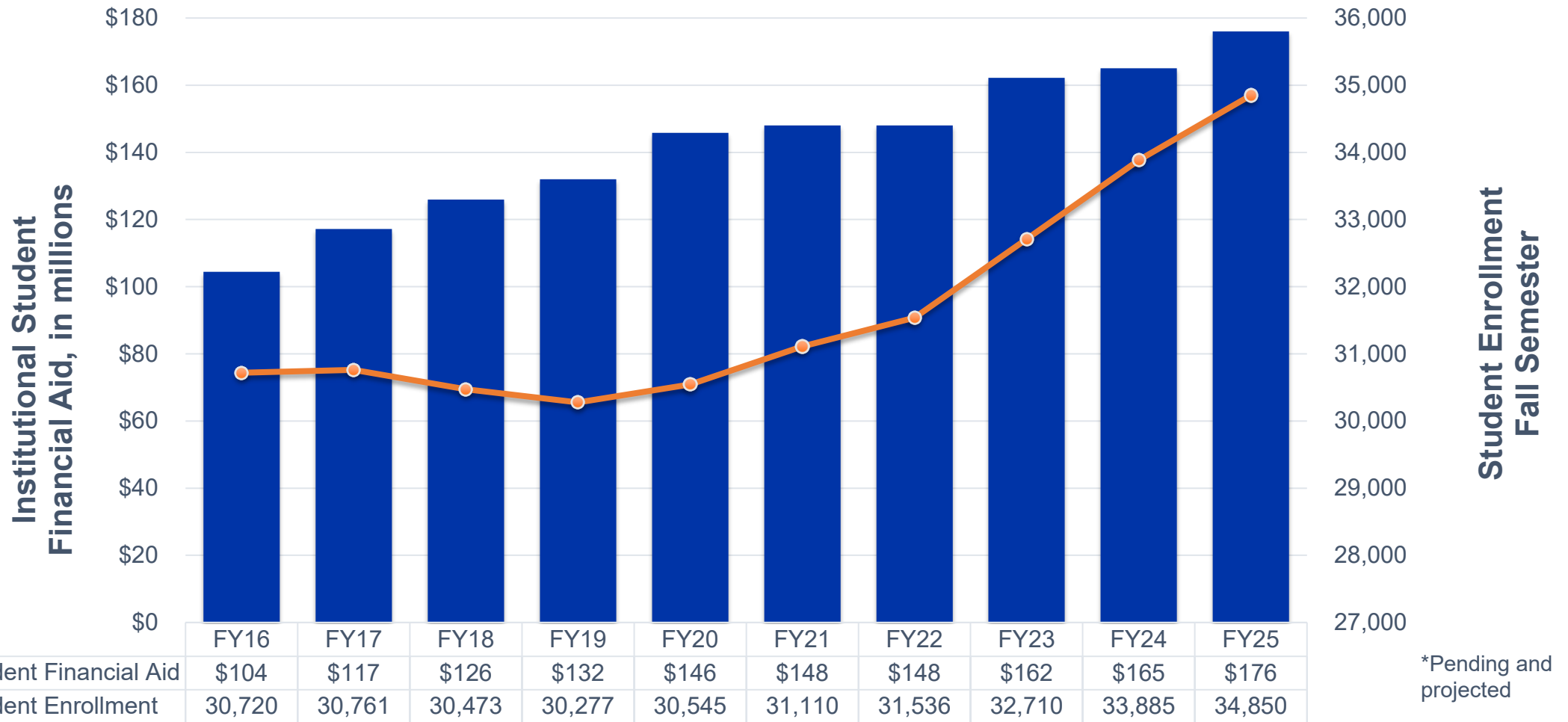
Our People

- 11th time in last 12 years provided increases in pay
- Third year in a row will give supervisors maximum flexibility for distribution of salary increase funds
- Offsetting majority of rising costs of employee health benefits

Fiscal Year	Undesignated General Funds (in millions)
2013-14	20.1
2014-15	8.6
2015-16	15.5
2016-17	7.7
2017-18	12.4
2018-19	5.6
2019-20	7.4
2020-21	0.0
2021-22	8.8
2022-23	17.3
2023-24	12.5
2024-25	18.2

FISCAL YEAR 2024-25 BUDGET

UK Institutional Student Financial Aid and Student Enrollment



Topics

UK operating budget

Overview

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Fueling Our Success: Financial Allocation Models

NET TUITION REVENUE (NTR)

TEACHING (2019)



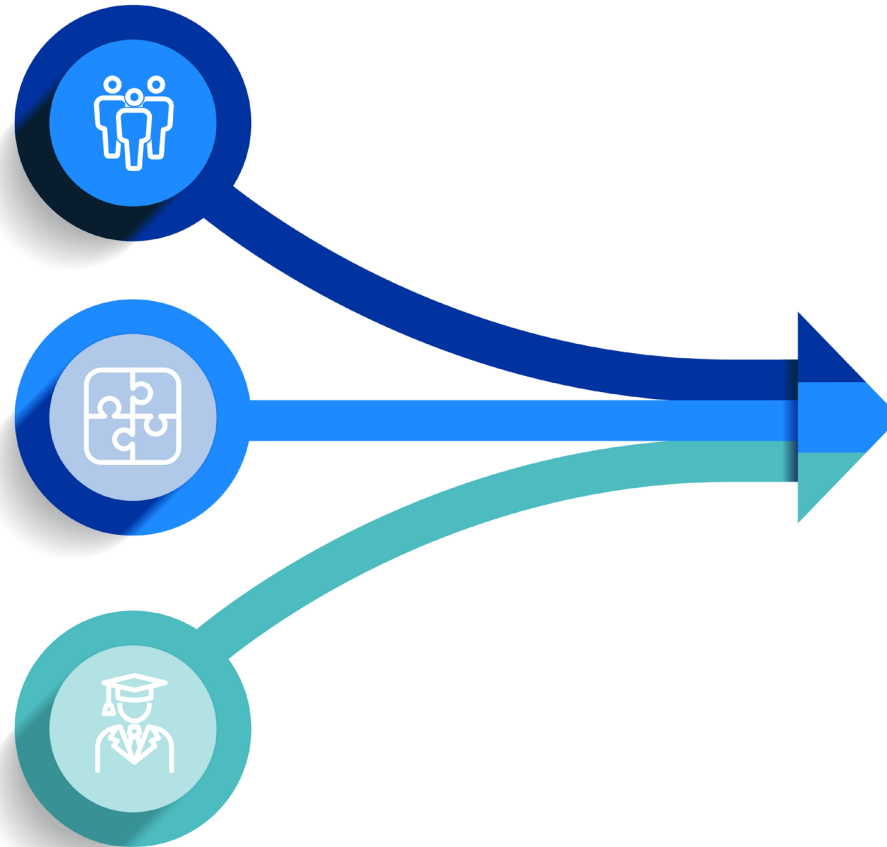
**COLLEGE PRODUCTIVITY
MODEL (CPM)**

INSTITUTIONAL VALUES (2022)



**PERFORMANCE FUNDING
ALLOCATION (PFA)**

ENROLLMENT AND GRADUATION
(2023)



Fueling Our Success: College Financial Allocation Models



NET TUITION REVENUE (NTR)

Incentivize enrollment growth by sharing increase in net tuition revenue
Implemented FY 2020-21; Revised for FY 2024-25



COLLEGE PRODUCTIVITY MODEL (CPM)

Incentivize institutional values
Implemented FY 2021-22

Colleges awarded funds if performance is above the mean for metrics:

- Degrees Awarded Per Faculty
- Percent of Faculty External Compensation (Research)
- Percent of Attempted Student Credit Hours Taught by Tenured and/or Full-Time Faculty
- Percent of Diverse Tenured and/or Diverse Full-Time Faculty
- Work Life Survey Results



PERFORMANCE FUNDING ALLOCATION (PFA)

Incentivize enrolling and graduating more students and in-person instruction
Implemented FY 2022-23

Colleges awarded funds based on proportionate share of:

- Degree Production
- Enrollment of New Students
- Increase Percent of Courses with Traditional Modality

FISCAL YEAR 2024-25 BUDGET

Fueling Our Success: College Financial Allocation Models Actual Distributions

	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24*
NTR				
Model	\$ 3.2	\$ 4.4	\$ 6.3	\$ 5.7
Outside Model	<u>9.0</u>	<u>19.6</u>	<u>5.4</u>	<u>2.2</u>
	\$12.2	\$24.0	\$11.7	\$7.9
CPM		\$3.0	\$4.5	\$6.0
PFA			\$3.0	\$3.0
College Reallocation (CPM 30% / PFA 70%)			\$7.5	\$9.0
Total	\$12.2	\$27.0	\$26.7	\$25.9

IN MILLIONS

*As of May 13, 2024

Topics

UK operating budget

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UK Strategic Plan



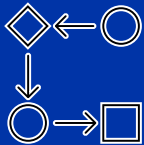
Putting Students First



Taking Care of Our People



Inspiring Ingenuity



Ensuring Greater Trust, Transparency and Accountability



Bringing Together Many People, One Community

FISCAL YEAR 2024-25 BUDGET

Aligning Our Investments with the Strategic Plan



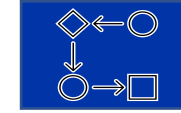
Putting Students First



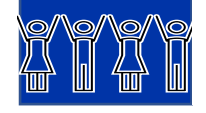
Taking Care of Our People



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Bringing Together Many People, One Community

	Putting Students First	Taking Care of Our People	Inspiring Ingenuity	Ensuring Greater Trust, Transparency and Accountability	Bringing Together Many People, One Community
College Financial Allocation Models	●	●	●	●	●
Facility Modernization Projects	●	●	●		
Safety and Security	●	●			
Libraries Investment	●		●		
Student Advising	●				
Student Financial Aid	●				
Salary Increases		●			●
Health Benefits		●			●
Faculty "Fighting Fund"		●			●
Quality Enhancement Program	●				
Next Generation Scholars	●				

Topics

Introductions

Operating and capital budgets

Accounting for budgeting and financial reporting

Fund accounting

Budgetary best practices and budget models

UK operating budget

Budget communications

Upcoming changes

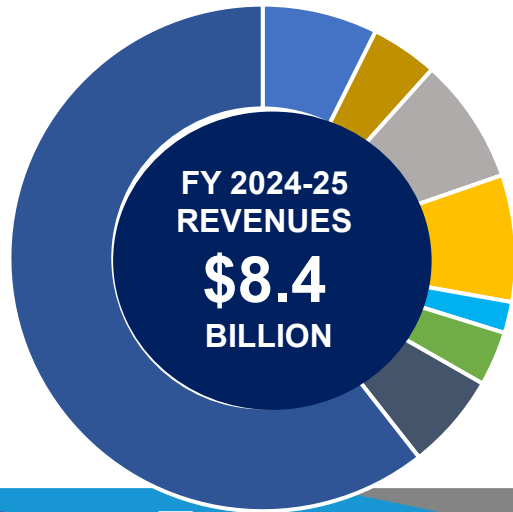
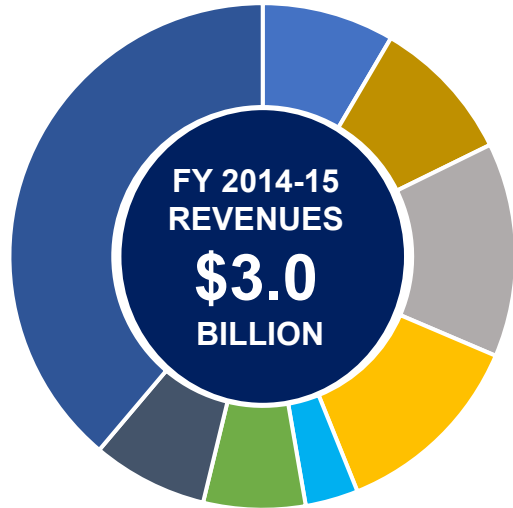


Budget Communications

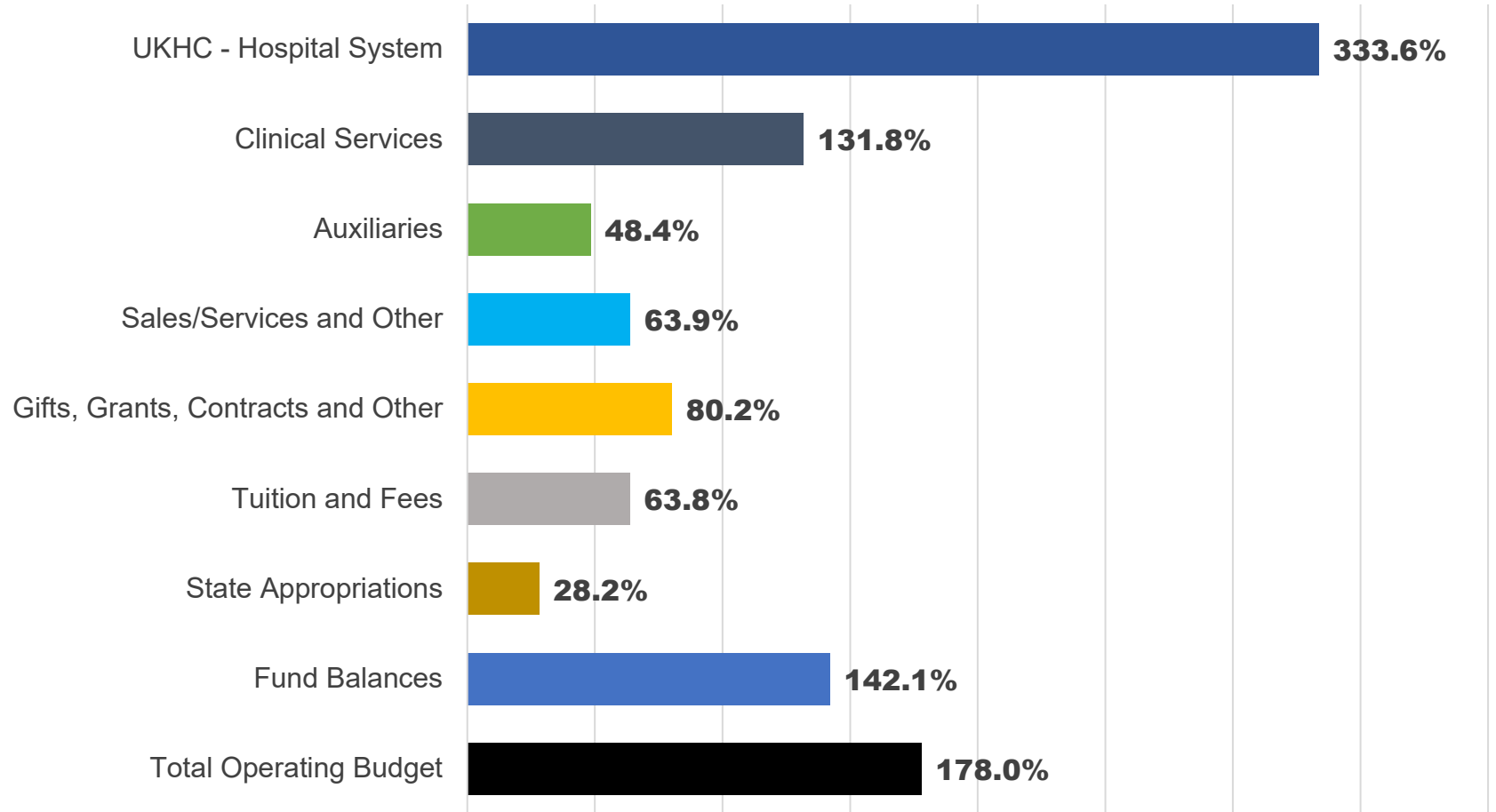
- Periodic messages to campus
- Salary & benefit changes
- Consolidated budget document www.uky.edu/ubo/
 - UK Leadership
 - President's Budget Message
 - Budget at a Glance
 - Revenue and Expense Summaries
 - Expenses by Colleges and Units
 - Tuition, Fee, and Rate Schedules
 - Capital Budget
 - Glossary

FISCAL YEAR 2024-25 BUDGET

Operating Revenues

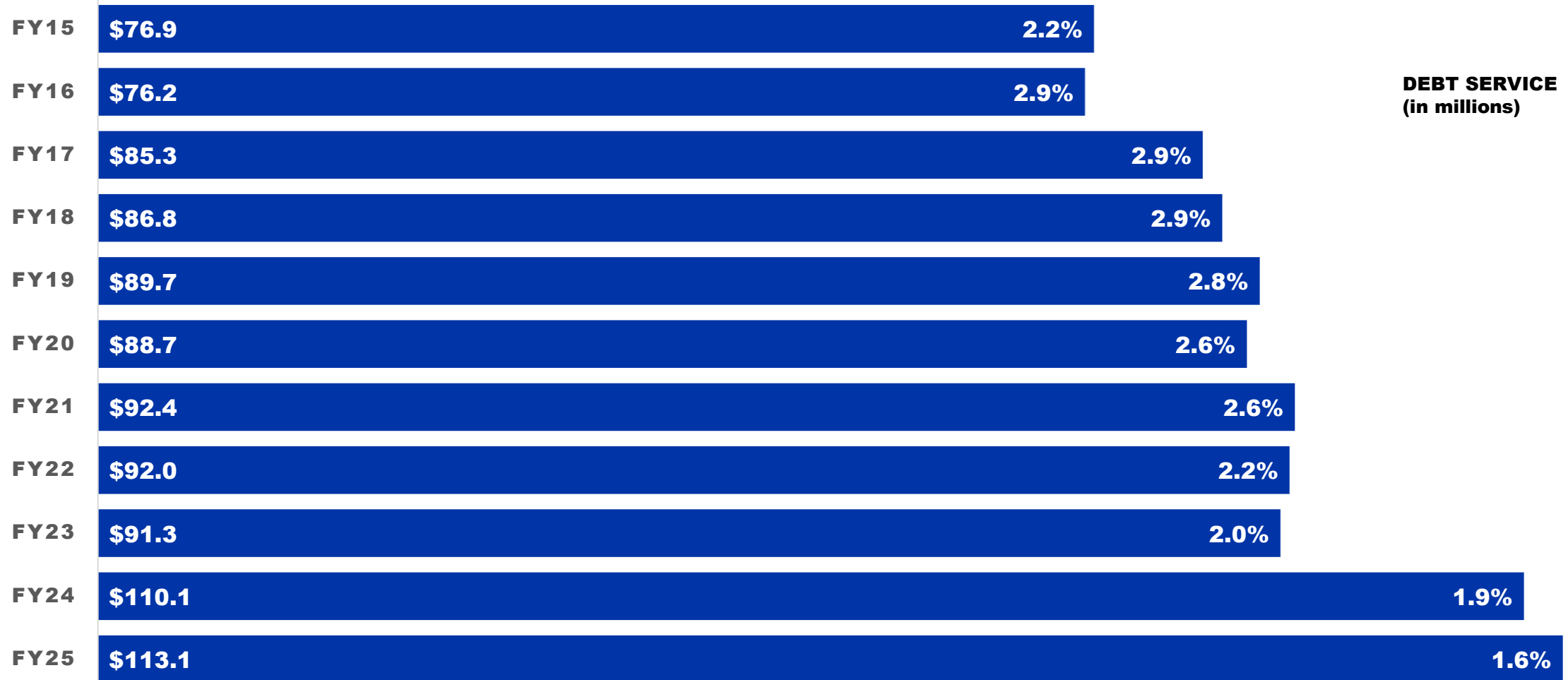


Operating Revenues Percent Change FY 2014-15 to FY 2024-25



FISCAL YEAR 2024-25 BUDGET

Fiscal Health: Debt Service as a Percentage of Adjusted Operating Budget*



*Operating Budget less Restricted Funds and Fund Balances

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Upcoming Changes

- Recognizing as a liability compensated absences including sick leave
- Overtime salary threshold increase with automatic indexing every three years
- Refund of unused meal plan flex dollars
- Financial Responsibility, Administrative Capability, and Certification Procedure Rules
- Statement on Financial Reporting Model Improvements - GASB

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What are some budgeting challenges at your institution?

153 responses



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Mentimeter

What other budget topics would you like covered in this session?

45 responses

Allocation

Long range financial planning

Liabilities explained...

Legislature process.

Topics more relevant to unit based budgeting versus institute

Endowment distributions

Grant and gift budgeting

Allocation

Any changes coming

Sharing of budgeting tools. Excel sheets etc.

Pass Throughs

Internal reporting

Less UK

36



Questions?



CPE Code:

Monday (End @ 11:45 AM):

41M11M



CPE Codes:

Monday (End @ 3:00 PM):

41M03M