

A Message about the Governor's Budget Proposal

January 17, 2012

I am attending Governor Beshear's Budget Address to a joint session of the state legislature this evening. I want to share with you what we know about the Governor's proposal and how we will proceed over the next few months as the legislature grapples with creating a two-year state budget. In short, the Governor has proposed:

- Cutting UK's operating budget for the coming year by 6.4 percent or \$19.4 million. That would take the university's operating budget from about \$303 million this year to about \$284 million for the fiscal year starting July 1, 2012.
- Keeping flat our operating budget for the following year -- starting July 1, 2013 -- at about \$284 million. Other state agencies, under the proposed budget, would be cut by more than 8 percent this coming year. The Governor has proposed holding flat the basic funding formula for the state's K-12 schools.
- Authorizing UK to spend \$175 million -- dollars we generate ourselves or in a public-private partnership -- for new and renovated housing, as part of our multi-year campus revitalization plan to build up to 9,000 residence hall beds.
- Authorizing the University to spend \$200 million -- again, money we generate ourselves or raise privately -- on-campus facility construction to stimulate our revitalization efforts.
- Creating a \$25 million pool of dollars for all universities to split essentially for deferred maintenance needs. We would have to match any dollars we receive from the pool.

Such reductions without question would have a significant impact on the University of Kentucky. It would force all of us to make strategic - and, yes, tough -- decisions.

To put the magnitude of the proposed cuts into clear context: In December of 2007, our state appropriation was \$335 million -- revenues that are the cornerstone, along with tuition dollars, for our operating budget. Since that time, as the country plunged into a deep recession, we have absorbed cuts of some \$30 million. Our state appropriation this year is roughly the same as it was in 2001.

In recent legislative sessions, the Governor and lawmakers have tried to mitigate cuts to education by using a number of temporary funding sources and steps -- \$3 billion in federal stimulus and a restructuring of the state's debt payments, among the most significant measures taken.

Those dollars are gone. And the Governor has said that one-time steps to stem against further cuts are no longer available.

So, while the state's actual revenue picture has started to improve, the upcoming budget for the Commonwealth will be more difficult than any in memory.

But the bottom line is this: while the Governor's budget proposal is important, it represents the first step in a long process. Let me assure you, UK will be in Frankfort every day to make our case about

the importance of investment in this institution. We have a compelling story to tell, and we intend to tell it vigorously – sharing the incredible stories I have heard across campus about the ways in which we prepare our students, reach breakthroughs in our laboratories, and uplift communities across Kentucky.

I believe there is broad support among policy-makers for higher education generally and the state's flagship, land-grant institution in particular. The question is how to balance all the state's priorities with finite resources.

The Governor's inclusion of budget authorization for these residence halls is an expression of confidence in this institution -- as the leader in postsecondary education that prepares Kentucky's best and brightest for the future, research that advances our civilization, and as a catalyst for economic growth.

But tonight's budget proposal reinforces in stark terms something we've known for some time: we are living in a "new normal." The days of sustained increases in state or federal support for our endeavors have passed. We must now, increasingly, look to earn our way. We must be more efficient. We must be careful stewards of the public money we do receive. We also must be more innovative and creative. And we must be willing to ask tough, focused questions about how we continue our ascent as an institution.

These are, at the risk of understatement, precarious times. But this institution has weathered them before. We will again. Our goal, however, will be not simply weathering the storm, but working collaboratively on new approaches that will make us stronger and better poised to fulfill the Kentucky Promise that prompted our creation nearly 150 years ago.

Because of you, I remain certain that our best days continue to lie ahead. Over the next several months, I will be updating you regularly about our efforts. Thank you for your commitment to fulfilling our promise to our students, faculty, staff, and the Commonwealth of Kentucky.

Sincerely,

Eli Capilouto
President