

Message about the State Budget

March 29, 2012

Colleagues and students,

Early this morning, the legislative conference committee – composed of House and Senate members – agreed to the framework for a two-year state budget.

As expected, it is an extremely difficult budget for higher education and the entire state. Most disappointing was the refusal by the legislature to grant the University of Kentucky \$200 million in debt capacity – what’s called “agency bond authority” -- that would be used for campus construction completely funded by University-generated resources.

With construction and borrowing costs at virtually historic lows, agency bonding authority represents a creative and prudent public policy approach – one that would allow UK to earn its way during a difficult economy. With that authority, we could construct better space for the education, research and service efforts of our students and faculty. We would also create hundreds of good-paying construction jobs that would positively impact our region.

It’s deeply disappointing that we were not granted the authority to spend money we generate to make UK and Kentucky better.

Moreover, as proposed at the beginning of the legislative process, our operating budget for the coming fiscal year will be cut by 6.4 percent, a reduction of nearly \$20 million. The following year our budget would be flat at that reduced level. This will force us to make some tough and painful choices. It will also require us to be more resourceful and innovative in determining how best to move forward with fewer dollars.

One bright spot is that the budget agreement leaves intact \$175 million in authorization over the next two years to move forward with a public-private partnership to begin transforming living and learning space to maximize the talent and capacity of our students.

We cannot let the results of the legislative session deter us from moving ahead. Our work together is too important to yield to the futility of frustration and disappointment. We simply have to find another path forward.

To that end, our internal budgeting process is beginning now in earnest. I will keep in touch with you as we begin to make decisions.

Perhaps most importantly, I have deep confidence in all of you – the students, faculty and staff that make UK a special place. Nearly 150 years ago, the Kentucky Promise was born. That profound idea – that we must light the way for the Commonwealth – guides us still today. And that is true in both good and challenging times.

Thank you for all you do and for your commitment to the Promise that guides us still.