

Our Upcoming Budget; Our Commitments to You

May 6, 2015

Colleagues and Students,

We are making progress on the development of the Fiscal Year 2015-16 Operating and Capital Budget. Three principles guide every decision:

1. Competitively pay our outstanding faculty and staff with pay increases that emphasize merit.
2. Ensure access and affordability by implementing moderate tuition and fee increases that make clear that the doors of our institution are open widest to Kentucky's daughters and sons.
3. Strategically plan so no across-the-board cuts are implemented and ensure that investments and efficiencies have a positive impact on our academic core — our highest priority as an institution.

Competitive Compensation

In the Fiscal Year 2015-16 Operating and Capital Budget the Board of Trustees will consider in June, we will propose increasing the hourly rates for our regular and temporary non-exempt staff (not including students) to a starting rate of \$10 per hour. The change will be implemented July 1 for main campus and related units (“main campus”) and October 1 for UK HealthCare (the start of UK HealthCare’s normal raise cycle).

We also will propose 3.5 percent merit salary increase pools for eligible main campus faculty and staff to be implemented July 1. Eligible exempt and non-exempt staff are expected to receive a minimum 1.0 percent of the 3.5 percent salary increase pool. UK HealthCare will announce any salary increase pool and salary increase guidelines for FY 2015-16 at a later time.

For main campus, the \$10 starting hourly rate adjustment and the 3.5 percent salary pool will follow the 5 percent and 2 percent pools distributed during the last two fiscal years.

We also are pleased to report that parking rates will increase by only \$1 per month; and employee health care costs (for single UK HMO and Regional Health plans) also will increase \$1 per month this year.

We must continue investing in our most valuable resource – our people.

Student Affordability

The University of Kentucky Board of Trustees in March and the Council on Postsecondary Education in April approved tuition and mandatory fee increases for Fall 2015 of 3 percent for undergraduate, Kentucky residents and 6 percent for undergraduate non-residents. Other rates are generally increasing by the same percentages. We will propose increasing University financial aid and scholarships by more than \$15 million. This increase means that in the last few years our commitment to scholarships and institutional aid has gone from \$75 million to more than \$100 million.

Funding Our Needs

The plan to again raise compensation and fund increases in fixed costs such as financial aid and utilities means we face more than \$40 million in funding needs beyond what was in our budget this year. State appropriations (\$280 million) are expected to remain flat in Fiscal Year 2015-16. However, we are determined to make progress. We must — and we will — create our own path forward for those we serve. To that end, the FY 2015-16 budget includes \$5 million of incentive funds for the colleges to be distributed based on performance — both in terms of quantity and quality improvements. We expect to generate these much-needed funds from tuition pricing, enrollment growth, and by aggressively pursuing every efficiency and new revenue we can implement or generate.

I deeply appreciate the work you do, and the commitment you have, for this special place. This budget, which our Board will consider in June, is yet another example of the tremendous work that we have done together in recent years as we have focused on transforming our campus so that we can better serve our students, the Commonwealth and the broader world. We are making tremendous progress on all those fronts. Together, we are poised to take another important step forward as we continue our work as Kentucky's brightest beacon of hope and progress for the future.

Eli Capilouto
President