

Minutes of the Meeting of the Board of Trustees
University of Kentucky
Tuesday, June 6, 2017

The Board of Trustees of the University of Kentucky met on Tuesday, June 6, 2017, in the Board Room on the 18th floor of Patterson Office Tower.

A. Meeting Opened

E. Britt Brockman, chair of the Board of Trustees, called the meeting to order at 4:02 p.m. Chair Brockman asked Trustee Kelly Holland, secretary of the Board, to call the roll.

B. Roll Call

The following members of the Board of Trustees answered the call of the roll: C. B. Akins, Sr., Lee X. Blonder, James H. Booth, William C. Britton, E. Britt Brockman, Mark P. Bryant, Michael A. Christian, Angela L. Edwards, Cammie DeShields Grant, Robert Grossman, David V. Hawpe, Kelly Sullivan Holland, David Melanson, C. Frank Shoop, Robert Vance, and Barbara Young. Trustee Rowan Reid joined the meeting in progress. Trustee Jennifer Barber, Claude A. “Skip” Berry, III, Kelly Knight Craft, and Carol Martin “Bill” Gatton were not in attendance.

Secretary Holland announced that a quorum was present.

The University administration was represented by President Eli Capilouto, Provost Tim Tracy, Executive Vice President for Health Affairs Michael Karpf, Executive Vice President for Finance and Administration Eric Monday, and General Counsel William Thro.

The University faculty was represented by Chair of the University Senate Council, Katherine McCormick, the University staff was represented by Chair of the Staff Senate, Troy Martin, and President and Trustee-elect Ben Childress from the Student Government Association was also in attendance.

Guests and members of the news media were also in attendance.

C. Petition to Address the Board and Chairs Report

Chair Brockman reported that there had been one petition to address the Board since the last Board of Trustees meeting. The petition was deemed not relevant to any pending or future agenda item or essential information necessary for the Board to fulfill its statutory responsibilities.

Chair Brockman acknowledged and welcomed student Trustee-elect Ben Childress to the meeting and was pleased to have him join the Board for this discussion on the Fiscal Year 2017-18 Operating and Capital Budget.

D. Fiscal Year 2017-18 Operating and Capital Budget Presentation

President Capilouto began by reviewing with the Board the guiding principles of the University budget development. They are:

- 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

President Capilouto introduced Provost Tim Tracy and Executive Vice President for Finance and Administration (EVPFA) Eric Monday to detail the proposed 2017-18 budget and the tuition and fee schedule. Trustees were encouraged to ask questions throughout the work session/presentation.

EVPFA Monday began with an overview of the consolidated operating budget over the last 10 years and reviewed with the Board the fund sources that contribute to the overall budget. This includes: state appropriations, hospital system, auxiliaries, tuition and fees, gifts, grants and contracts, sales and services, and other income. UK's state appropriation is expected to increase by \$60,800, which is related to the implementation of the new performance funding formula. Five percent of the University's appropriation was at risk. UK is receiving the full five percent, plus \$60,800. Vice President of Financial Planning and Chief Budget Officer Angie Martin explained that the State held back five percent of the appropriations of all institutions (total of ~\$42,000,000), which was placed in a post-secondary education performance pool. This first year, the allocation to UK was not based upon targets and achievements toward those targets, but UK's performance compared to the one other research university.

EVPFA Monday continued with details of the fiscal health and financial results of the University over the last nine years, which included the Change in New Investments and Capital Assets, Change in Restricted Net Position, and Change in Unrestricted Net Position. He also reviewed the change in state appropriation, the University's current debt service (2.9% of expense budget), and origin and use of undesignated and designated general funds, auxiliary funds, restricted funds, and fund balances.

In response to questions regarding how UK compares to other Southeastern Conference (SEC) schools in debt service and state appropriations, EVPFA Monday noted that UK's debt profile is strong in that UK is the only institution that has a bond rating higher than that of its state. In the SEC, some states are investing more heavily in higher education and other states continue to be constrained.

EVPFA Monday shared that the initial step to building a budget is identifying the financial needs. Contributors to the financial needs pool include increases in institutional aid to help address student access and affordability, faculty/staff pay raises, increases in fixed costs, strategic investments, and changes in state appropriations.

EVPFA Monday explained that the next step in building the University's budget was to pinpoint available resources, including identifying new revenue streams, increase/locate efficiencies of the enterprise, the increase/decrease in state allocations, and the strategic reallocation of funds.

EVPFA Monday stated that the last step in the budget discussion is to evaluate an increase in tuition and fees. The Council on Postsecondary Education (CPE) sets the limit or rate of increase every year for all Kentucky public institutions. Provost Tracy reviewed the ten-year history on undergraduate and graduate tuition rates and the University's concerted effort to limit the impact of tuition and fee increases to students.

In discussing what UK's tuition should be, one question that is always asked is how does our pricing compare to other institutions and other flagships of the surrounding states. Provost Tracy stated that the resident undergraduate rate for the University of Kentucky falls in the middle compared to flagship institutions from surrounding states. UK's non-resident undergraduate tuition is toward the lower end of the market. Professional school tuition more closely aligns with the market and is not subject to CPE limits. He also reported that the resident and non-resident tuition rates track similarly against the University Review Committee's benchmark institutions.

Provost Tracy continued with a review of the CPE's 2017-18 tuition and mandatory fee parameters for UK for resident, non-resident, and the professional schools. He reviewed the proposed institutional aid, noting that 85 percent of UK students receive some form of institutional aid. He provided additional information on tuition net price by income quartile and the average debt of resident student graduates.

EVPFA Monday and Provost Tracy welcomed questions and comments from Trustees. Questions included the federal budget and its impact on federal grants, origin and uses of fund balances, salary increases for faculty promotion and tenure and continued investment in the "faculty fighting fund" and Diversity Hiring fund, growth of programs at satellite campuses, obligations to extension offices per state allocation mandates, professional schools' tuition and budgets, tuition as it compares to state per capita income, and resident/non-resident mix, cost, and its effect on tuition income. Additional discussion centered around scholarships and tuition discounts, merit- and needs-based scholarships, recruitment strategies among institutions, support systems for students, recruitment strategies to help navigate the fiscal complexities of the financial aid application process, and academic branding.

For more information, the 2017-18 Operating and Capital Budget presentation may be found at [http://www.uky.edu/Trustees/agenda/special/trustees/2017/june/FY17-18%20Operating%20and%20Capital%20Budget%20\(June%206,%202017](http://www.uky.edu/Trustees/agenda/special/trustees/2017/june/FY17-18%20Operating%20and%20Capital%20Budget%20(June%206,%202017)

E. Academic Year 2017-18 Tuition and Mandatory Fee Schedule (PR 1)

President Capilouto explained that the consideration and approval of the Academic Year 2017-18 Tuition and Fees Schedule was deferred this year to allow more complete information regarding incoming enrollment numbers to help develop/prepare the 2017-18 budget. The Council on Postsecondary Education will meet on June 16, 2017, to review recommendations from the

universities and UK's Board must approve its version prior to this CPE meeting.

Chair Brockman invited a motion for the Board to consider the proposed tuition and fee schedule. Trustee Christian moved approval for the discussion to continue, with a second by Trustee Shoop.

Chair Brockman stated that the recommendation is that the Board of Trustees approve the Academic Year 2017-18 Tuition and Mandatory Fees Schedule and authorize the President to submit the schedule to the Council on Postsecondary Education. The recommended tuition and mandatory fees reflect a four percent increase for most resident students and a 6.5 percent increase for most non-resident students. Due to market pressures, no increase in the resident and non-resident rates for students in the College of Pharmacy and the Master in Business Administration programs are recommended. The College of Medicine's rates reflect increases of two percent and 3.25 percent, respectively, and, as in the past, are fixed by entering class – the annual amount assessed to a student does not change during the four-year program.

EVPFA Monday reviewed the recommendation with the Board. Trustee Reid explained the mandatory-fee review process, which is managed by a student-run committee of the Student Government Association. There were additional questions and discussion regarding the reduction of the Athletics Fee and the reallocation to a Campus Modernization fund, the fees associated with the Student Center, and the uses for the Diversity Fee.

Trustee Reid stated:

“As the only student member on the Board of Trustees it is my responsibility to accurately reflect the views of the students that I represent. I cannot fulfill this responsibility if I voted in favor of raising tuition, especially when I feel the burden of this cost is always only placed on the students. Between decreasing state funding, faculty, and administrative raises, and the increasingly competitive pressure to give a small portion of scholarships to high achieving students, I feel that the escalation of the cost of higher education is being passed on only to students with no other parties in higher education sharing this burden. The CPE annually gives us the allowed percentage UK can raise tuition and each and every year we choose to raise it to that ceiling. After two years of budget sessions, I feel we address efficiencies only to a point where we can pass on the remaining deficit to students. To me this feels wrong. I think it is our duty as the *University for Kentucky* to do everything we can to ensure that we are running efficiently, before we pass on any higher costs to students, some of whom cannot truly afford this increase. While I respect the steps taken by this University to address the financial needs of students such as the new LEADs program, I still fear that there is room for us to grow as a community. We cannot actively build this community when students are the only ones shouldering the decrease in state appropriations. For these reasons, I do not support the four percent tuition increase.”

Trustee Hawpe opined:

“The President and his team have done an excellent job as always in strategizing, preparing the budget, and presenting it to us in a way that I can understand. I think the priorities are correct. I think the administration is aware of my special interests in some aspects of what we ought to be doing. I certainly will vote yes. I do it in spite of the continuing inadequate funding provided to this and other state colleges and universities, which I think is deeply unwise, and absolutely certain to have negative consequences for the state of Kentucky. I am going to vote yes, despite my conviction that the performance based funding formula is unwise, unwisely balanced, particularly in that it doesn't give appropriate weight to the achievement and productivity of the faculty, which in my view, is absolutely fundamental to the university's stature, its role, and its performance. Those are caveats that the administration and the president and his team can't do anything about. These are ones that are decided at the state level. This is my opportunity to share my conviction about those things that were handed to us by others and the difficulty, in my view, it creates in putting together and approving a budget that really will do the job this university ought to be doing.”

Trustee Akins stated:

“I will be voting in support of PR 1. I have the reservation that continues about the increased tuitions. We have the ability to secure millions of dollars for the building of buildings. We must have a concerted effort to reflect that same kind of intensity in securing dollars that will offset this continued burden that we're placing on our students for the future. Every year we raise tuition on those students and families. They have no say so in it whatsoever. It is superimposed. That's our job to make sure as the *University for Kentucky* that we relieve that burden and make sure that the opportunity for an education is coupled with access.”

With no further discussion, Chair Brockman called for the vote and PR 1 passed with 16 affirmative votes and one vote opposed from Trustee Reid. (See PR 1 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

F. Closed Session

Chair Brockman announced that the Board of Trustees needed to go into closed session in order to discuss the future acquisition or sale of real property by the University in circumstances where publicity would be likely to affect the value of a specific piece of property to be acquired for public use or sold by the University.

Vice Chair Akins moved that per KRS 61.810, the closed session shall be for the discussion of the future acquisition or sale of real property by the University in circumstances where publicity would be likely to affect the value of a specific piece of property to be acquired for public use or sold by the University. Trustee Holland seconded the motion and the motion passed without dissent.

Chair Brockman stated that only members of the Board would be permitted to attend and participate in the closed session. If the Board feels that there are other persons who have valuable input to the topic, such persons may be invited to participate, one at a time. Chair Brockman asked President Capilouto, Chief of Staff Bill Swinford, Executive Vice President for Finance and Administration Eric Monday and General Counsel to join the Board in closed session.

The Board went into closed session at 6:10 p.m.

G. Open Session

At 7:37 p.m., Chair Brockman stated that the closed session of the Board had concluded. No action was taken in closed session and the Board was back in open session.

H. Meeting Adjourned

Hearing no further business, the meeting was adjourned at 7:39 p.m.

Respectfully submitted,



Kelly Sullivan Holland
Secretary, Board of Trustees

(PR 1 is an official part of the Minutes of the meeting.)