



Board of Regents

SPECIAL BUDGET APPROVAL MEETING

June 24, 2011 ~ 10:00 am (CDT)

MMTH – Regents Room



WESTERN KENTUCKY UNIVERSITY
Board of Regents ~ Special Budget Approval Meeting
June 24, 2011 – 10:00 am (CDT)

AGENDA

- Call to Order (*Mr. Jim Meyer, Chair*)
 - Invocation (*Ms. Deborah T. Wilkins, Chief of Staff / General Counsel*)
 - Oath of Office – Mr. Billy Stephens, Student Regent (*Mr. Jim Meyer, Chair*)
 - ❖ Special Recognition / Presentation (*President Gary A. Ransdell*)
 - Roll Call (*Mr. J. David Porter, Secretary*)
 - Approval of Minutes
 - ❖ Second Quarterly Meeting – April 29, 2011
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1. FINANCE AND BUDGET COMMITTEE (*Mr. J. David Porter, Chair*)

Action Items:

- 1.1 Approval of the 2011-12 Budget and Tuition & Mandatory Student Fees Schedule
[pp 1-7 and separate attachment]
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2. NOMINATING COMMITTEE (*Mr. Jim Meyer, Chair*)

Action Item:

- 2.1 Recommendation / Election of 2011-12 BOR Officers **[p 8]**
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3. OTHER BUSINESS

2011 calendar dates:

- Retreat – **July 28 at 10:00 am (Topper Club, Houchens Industries–L.T. Smith Stadium)**
 - Third Quarterly Meeting – **July 29 at 8:00 am (Regents Room, MMTH)**
 - CPE Trusteeship Conference – **September 22-23 (Marriott Griffin Gate Resort – Lexington)**
 - Committee Meetings – **September 30**
 - Fourth Quarterly Meeting – **October 21**
 - Homecoming – **October 22**
 - Graduate Commencement – **December 16**
 - Undergraduate Commencement – **December 17**
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4. ADJOURNMENT

**2011-12 BUDGET AND TUITION
AND MANDATORY STUDENT FEES SCHEDULE**

REQUEST:

Approve the 2011-12 Budget including the Tuition and Mandatory Student Fees Schedule.

FACTS:

The *WKU 2011-12 Budget* is WKU's financial plan for the fiscal year beginning July 1, 2011 and ending June 30, 2012, and it includes the Operating Budget and Capital Budget. The budget document includes the following components:

- Executive Summary;
- Glossary of Terms and Abbreviations;
- Narratives by area including summaries of Strategic Plan priorities;
- Revenue Summary;
- Expenditure Summary by Organizational Area (Unrestricted, Auxiliary Enterprises and Restricted) and Program Classification Structure (PCS);
- Expenditure Detail by unit (not included in the Summary Budget); and
- Capital Budget.

The Operating Budget includes Educational and General (E&G) and Auxiliary Enterprises revenues and expenditures. E&G revenue consists of unrestricted revenue – primarily state appropriation and tuition and fees – and restricted revenue (e.g., federal and state funds for student financial aid and for grants and contracts). Unrestricted funds are established to account for resources which may be utilized at the discretion of the governing board. Restricted funds are separately identified resources for which external donors or agencies place limitations on how the funds may be used. Auxiliary Enterprises revenue is derived from the self-supporting activities of WKU such as housing (reimbursed costs from the Student Life Foundation), food services, and bookstore operations.

The Capital Budget provides a listing of major capital and lease/purchase projects, funding sources, and the current status of these projects. It is noted that the General Assembly authorizes a maximum funding for each project for a biennium. However, depending on funding available, some projects may be completed at less than the authorized amount. Projects that are authorized but are not likely to be started in FY 2012 are separately identified.

The 2011-12 Operating Budget and the dollar and percent increases, in comparison to the 2010-11 budget, are as follows:

	2011-12 Budget	Dollar Increase	Pct Increase
Total Budget	\$385,047,000	\$3,324,000	0.9%
Total E&G	359,993,000	1,308,000	0.4%
Unrestricted E&G	288,092,000	17,193,900	6.3%
Restricted E&G	71,901,000	(15,885,900)	(18.1%)
Total Auxiliary Enterprises	25,054,000	2,016,000	8.8%

Total Budgeted Revenue by Source

	<u>Amount</u>	<u>Pct of Budget</u>
Tuition and Fees	\$164,794,000	42.8%
State Appropriations		
Operating	74,719,700	19.4
Kentucky Academy for M&S	2,657,600	.7
Restricted Funds		
Grants and Contracts	21,870,000	5.7
Student Financial Aid	50,031,000	13.0
Self-generated Funds (including nonrecurring)	45,920,700	11.9
Auxiliary Enterprises	25,054,000	6.5
TOTAL	\$385,047,000	100.0%

State Appropriations and tuition and fees account for almost 63 percent of the total budget and 84 percent of the unrestricted E&G budget. Thus, decisions regarding these two revenue streams significantly impact any operating budget of this university.

At its April 28, 2011 meeting, the Council on Postsecondary Education (CPE) approved 5 percent as the maximum resident undergraduate tuition and fees rate increase for 2011-12 at comprehensive universities. There is a general sentiment that, during this period of sustained economic stringency, increases in resident undergraduate tuition and mandatory fees should be moderate and below historical rates of increase to ensure affordability, despite recent reductions in state General Fund support for postsecondary education.

The CPE also approved a Special Use Fees Exception Policy to help fund facilities that support student activities and services, such as student unions, fitness centers and recreation complexes. A special use fee approved by a governing board and by the CPE is exempt from the tuition rate increase cap. The Policy requires that the fee must be requested and endorsed by students. Fee information must be widely distributed, broadly discussed and voted on while school is in session. WKU received approval for a \$70 per semester increase in the Student Centers Fee for the Downing University Center Renovation Project. The fee will stay in place until the bonds are retired, and the fee will not be subject to an annual increase.

The CPE approves all tuition and fees rates with its focus on setting maximum parameters for resident undergraduates. Each institution has more flexibility in determining all nonresident rates and graduate rates. Resident graduate tuition and fees are being increased consistent with the undergraduate rate increase; however, the decision has been made to change to a per credit hour assessment which is common in Kentucky and across the nation.

Based on Board of Regents’ policy, the mandatory student fees are being increased based on the Higher Education Price Index (HEPI) which was 0.9 percent for 2010.

The Tuition and Mandatory Student Fees Schedule is found on page 13 of the Executive Summary. The Operating Budget includes projected revenue based on the 2011-12 tuition and fees rates and actual enrollment from fall 2010. The budget includes tuition and fees totaling \$164.8 million, an increase of \$9.1 million or 5.9 percent. It is noted that the fee increase to support the Downing University Center Renovation Project is recognized as revenue of Auxiliary Enterprises and not the E&G budget.

The budgeted state appropriation reflects the actions taken by the most recent Kentucky General Assembly. State appropriation will account for 20.1 percent of total budget and 26.9 percent of the unrestricted E&G budget of WKU. The budget includes state appropriations totaling \$77.4 million based on the following adjustments:

FY 2011 State Appropriation	\$74,297,800
Add: Federal SFSF	4,410,900
FY 2011 Total	\$78,708,700
Increase in State Appropriation	3,629,300
Reduction in Debt Service, Existing Bonds	(549,800)
Reduction in Federal SFSF	(4,410,900)
FY 2012 State Appropriation	\$77,377,300
Percent Change in Operating Funds	(1.0%)

The 2011-12 Operating Budget includes an increase of \$719,300 resulting from projected growth in sales and services and other revenue sources. Changes in self-generated revenue of departments across campus are allocated back to the departments associated with the respective programs and activities. A majority of these programs are called “Revenue Dependent” which identifies them as programs responsible for funding all of their direct programmatic needs. Revenue Dependent programs’ budgets are listed separately in the Expenditure Summary as the last listing within the Educational and General Budgeted Expenditures, Unrestricted Funds by Organizational Area.

Restricted Funds from grants and contracts and federal and state student financial assistance programs comprise 18.7 percent of the total budget. Grants and contracts revenue is projected to decline by \$4,803,000 or 18.0 percent across all sources (i.e., federal, state, local and private) primarily due to the loss of federal earmarks and private contracts. Budgeted student financial assistance is projected to decline by \$6,672,000 or 11.8 percent.

The Auxiliary Enterprises revenue estimates are being increased by a total of \$2,016,000 above the approved FY 2011 budget. The increase is accounted for primarily by the approval of the increase in the Centers Fee to partially fund the Downing University Center Renovation Project.

Expenditure Highlights

Recurring Reduction Implementation

With the final enacted biennial budget coming in late May 2010, the 2010-11 Operating Budget included the final state appropriations allotment on the revenue side; however, there was not sufficient time to make thoughtful, programmatic expenditure reduction decisions. The FY 2011 budget included an expenditure budget balancing reduction entry of \$1,123,100 and \$407,000 of nonrecurring funds necessary to have a balanced 2010-11 budget. The enacted budget included an additional state funding reduction of \$781,600 for FY 2012. Decisions have been made by Administrative Council on how to reduce the budget consistent with the approved state appropriations and are reflected in this budget. The nonrecurring reductions were presented to and approved by the Board of Regents. The recurring reductions by division are summarized starting on page 7 of the Executive Summary.

Expenditure Summary

The FY 2012 budgeted expenditures, by major classification of expenditure, are summarized as follows:

Total Budgeted Expenditures (In Millions)

<u>Major Classification</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Auxiliary</u>	<u>Total</u>
Personnel	\$165.9	\$0.1	\$8.3	\$174.3
Operating Expenses	69.1	21.5	10.7	101.3
Utilities	8.4	0	2.8	11.2
Capital Outlay	4.8	0	0.5	5.3
Student Aid	26.7	50.3	0	77.0
Debt Service	13.2	0	2.7	15.9
Total	\$288.1	\$71.9	\$25.0	\$385.0

2011-12 Fixed Costs and Commitments

Fixed cost projections were calculated as part of the 2010-12 Biennial Budget request process. Throughout legislative sessions, these projections have been revised to support the need for continuing state funding and the need for a modest tuition rate increase. The most significant funding concerns remain how the Commonwealth of Kentucky will address the unfunded liability in the State employee retirement systems and the lack of state funding for maintenance and operations for new academic facilities coming on line. Additional funding is needed to keep faculty and staff compensation

competitive locally and nationally. The FY 2012 budget includes funds for a one percent salary increase (budgeted, filled, full-time positions only) with a floor of \$500 and a ceiling of \$1,000.

The following unavoidable cost and commitment allocations are included in the 2011-12 Operating Budget:

2011-12 UNAVOIDABLE COST AND COMMITMENT ALLOCATIONS

Estimated Fixed Cost Increases

Library Books and Subscriptions Inflationary Adjustment	\$ 128,000
Contractual Obligations	202,000
Faculty Promotions	251,000
Retirement Systems Rate Increases	562,000
Life Insurance (increase benefit from \$15,000 to \$30,000)	45,000
Faculty & Staff Health Insurance (fully fund FY 2011 increase)	641,000
Maintenance and Operations /Utilities Costs	1,242,000
Scholarships/Financial Aid	
Scholarships, Institutional and Departmental	622,000
State Mandated Tuition Waivers	246,000
Faculty Staff Tuition Benefit	373,000
Athletic Scholarships	339,000
Institutional Fellowships & Reciprocity	375,000
Subtotal	5,026,000

Other Commitments

Graduate Assistantships Tuition Rate Increase Offset	31,000
Salary Adjustments (including benefits)	1,250,000
Restricted Tuition Programs (Technology, Health Svcs, SGA/Programming)	17,000
Parking & Transportation Revenue Allocated to P&T (Year 10 of 10)	58,000
Honors College Staffing Plan	149,000
Fellowship Support	45,000
DELO Distribution (Online, Contracts, Dual Credit & Independent Learning)	550,000
DELO Distribution (Part-Time Salaries Permanent Budget)	1,358,000
Summer School	391,000
Subtotal	3,849,000

TOTAL **8,875,000**

PROJECTED REVENUE INCREASE

Fall/Spring Tuition	6,585,000
Summer Tuition	382,000
DELO	550,000
DELO Permanent Distribution to Colleges	1,358,000
TOTAL	\$8,875,000

Restricted Funds

Reductions in the College Access Program, federal changes in the Pell Grant program, and the elimination of the National Science and Math Access to Retain Talent and the Federal Academic Competiveness Grant programs account for the largest budget reductions in restricted funds.

The loss of restricted funds reflects the Commonwealth of Kentucky's inability to fully fund the College Access Program (CAP) which helps Kentucky's financially needy undergraduate students attend eligible public and private colleges and universities, proprietary schools, and technical colleges. CAP Grants may be awarded to Kentucky residents enrolled for at least six semester hours (half time) in academic programs that take at least two years to complete. The maximum award for the 2011-2012 academic year is \$1,900 (\$950 each semester). Eligible part-time college students will receive an amount calculated on \$79 per credit hour. The loss of funds is projected to impact 650 WKU students.

The U.S. Department of Education's Federal Student Aid Office (FSA) issued a letter to college financial aid administrators noting the changes to the Pell Grant program following the completion of FY 2011 spending. While the legislation made no changes to the maximum Pell Grant award of \$5,550, it repealed, effective for the 2011-12 academic year, a 2008 provision authorizing eligible students to receive a second Pell Grant. FY 2011 was the first year WKU was able to allocate year round Pell Grant awards which were very popular with over 700 students. WKU currently awards Pell Grants to approximately 8,400 recipients or about 41 percent of our total headcount enrollment.

National Science and Math Access to Retain Talent scholarship program, also known as the National Smart Grant, will be eliminated next academic year. WKU has been awarding approximately \$720,000 a year to 260 students. This grant has been available during the third and fourth years of undergraduate study (or fifth year of a five-year program) to at least half-time students who are eligible for the Federal Pell Grant and who are majoring in physical, life, or computer sciences; mathematics, technology, engineering or a critical foreign language; or non-major single liberal arts programs.

The Federal Academic Competiveness Grant program is being eliminated effective with academic year 2011-2012. This program also is targeted to talented Pell-eligible students. WKU awarded approximately \$940,000 to 1,260 students in 2010-11.

The Commonwealth of Kentucky's Teacher Scholarship Program is being phased out and no new recipients are being allowed; however, WKU may receive a second year federal allocation of \$75,000 for the TEACH Grant support.

Capital Budget Summary

The Capital Budget includes legislatively-authorized capital projects that will be under way next year or are currently under way including the source of funding, estimated cost, and the status of each respective project. Projects with a scope less than \$600,000 do not require General Assembly approval and are not included in the Capital Budget. Many projects with a scope of less than \$600,000 will address deferred maintenance needs and classroom improvements.

The 2010-12 Biennial Budget does not include any state-funded projects for postsecondary education.

Most of the capital projects reflect legislative authorization; projects started at an amount less than the authorized amount are displayed at the intended scope. Projects authorized but not funded or scheduled for FY 2012 are identified separately.

The Capital Budget totals \$74,573,700 from all sources of funds.

RECOMMENDATION:

President Gary A. Ransdell recommends that the Board of Regents approve the 2011-12 Budget including the Tuition and Mandatory Student Fees Schedule.

MOTION:

Approve the 2011-12 Budget including the Tuition and Mandatory Student Fees Schedule.

2011-12 BOARD SLATE OF OFFICERS

REQUEST:

Election of the 2011-12 Board Officers, and appointment of Treasurer.

FACTS:

The following Regents served on the Nominating Committee for the 2011-12 Board Slate of Officers recommendation:

Mr. Jim Meyer - Chair

Ms. Yvette Haskins

Mr. Larry Zielke

RECOMMENDATION:

The Nominating Committee and President Gary A. Ransdell recommend the following Slate of Officers for 2011-12:

Mr. Freddie Higdon - Chair

Mr. J. David Porter - Vice Chair

Dr. Melissa B. Dennison - Secretary

Ms. Ann Mead - Treasurer

MOTION:

Approval of the 2011-12 Board Slate of Officers.