
2018-19 OPERATING BUDGET DEVELOPMENT

REQUEST: Approve the following recommendations necessary for the development of the 2018-19 operating budget:

- 1) Approve the proposed increase of \$50 in the online course fee assessed to full-time students;
- 2) Approve the 2018-19 Tuition and Fees Schedule;
- 3) Approve a 4 percent full-time employee salary increase pool; and
- 4) Approve the FY 2019 Budget Balancing Plan.

FACTS:

Online Course Fee Increase

Starting in FY 2013, an online course fee was assessed to full-time students at \$71 per credit hour. The \$71 was the difference in the per credit hour charged for a face-to-face course and the distinct distance learning course rate per credit hour. The fee was increased for three consecutive years to \$100 per credit hour in FY 2017. Most of the increases over the years have been included as a budget balancing measure to replace funds eliminated in budget cuts. The fee increases have not resulted in fewer students choosing this enrollment option. However, it is noted that 41 required or restricted elective courses were offered only online last fall. (Academic Affairs is reviewing courses offered only online to determine if any changes should be made in the future.) Last fall, approximately 4,300 full-time students paid the online fee or one-third of the full-time undergraduate population. Year-to-date, the fee assessed totals \$3.4 million.

When looking at Kentucky public universities' fee assessments this academic year, Eastern Kentucky University charged \$409 per credit hour and the University of Louisville charged \$497 per credit hour. Other Kentucky public universities assess a course fee ranging from \$10 per credit hour to \$65 per credit hour in comparison to WKU's fee of \$100 per credit hour.

Pros: The University has proposed budget reductions that will impact instructional staffing jobs through the elimination of both filled and vacant positions. The online course fee increase will allow Academic Affairs to address a small part of this reduction through a revenue increase, thereby preserving positions and resources that would otherwise be lost by the division without this new revenue. This will be important in enabling financial flexibility in anticipation of adding selected courses and staffing classes for the coming fall semester based on enrollments sometimes not known until August. It is a common practice to make additional staffing decisions to accommodate student demand. Academic Affairs needs funds from vacant lines to be able to assign additional instructors.

Cons: The fee increase will make the online courses more expensive for full-time undergraduate students who choose to continue to enroll in online courses. Some of the online courses are required for completion of degrees and are offered online only.

2018-19 Tuition and Fees Schedule

At its April 27, 2018 meeting, the Council on Postsecondary Education (CPE) adopted a two-year resident undergraduate tuition and fee rate increase ceiling of no more than 6.0% over two years and no more than 4.0% in any one year for the universities. Institutions are given more latitude to set online, graduate and nonresident rates. All rates must be submitted to CPE for final approval at its June 22, 2018 meeting.

The attached Schedule summarizes the tuition and mandatory fees that will be submitted for approval at the special called meeting to approve the 2018-19 Operating Budget. The following are key points related to the semester rates being proposed:

- Undergraduate resident and nonresident rates: 4% increase.
- Nonresident rate remains 2.50 times the resident rate. International rate is the nonresident rate plus a student services support surcharge of \$324.
- Tuition Incentive Program: 2% increase. Goal is to move the rate to 50% of the nonresident undergraduate rate over the next few years.
- The Kentucky P-12 Educator rate is a discount of approximately one-third from the resident graduate rate. The larger discount in FY 2018 did not impact enrollment in any significant manner.
- Nonresident, graduate, international rate: a reduction in the rate is being recommended to better position WKU in the market.
- No resident rate increase is being recommended for the three doctoral programs and graduate distance learning to better position WKU in the market.
- The dual credit rate is set 1/3 of KCTCS rate to comply with the Kentucky Dual Credit Scholarship Program and keep the Dual Credit Scholarship available to high school students choosing WKU.
- No increases in mandatory student fees are being recommended.

Pros: President Caboni announced that revenue from the tuition rate increase will be allocated for salary increases. It is estimated that the tuition rate increase will generate \$5,574,000. The proposed tuition rate increases will fund a 4% salary increase pool for full-time employees and approximately \$474,000 (including associated benefits) will be allocated for market/equity adjustments and to create a fund for counteroffers to retain talented faculty and staff. The proposed distribution will be finalized during the fall semester.

Cons: Approximately one-third of WKU's full-time undergraduate students are Pell-eligible. The maximum *Federal Pell Grant* for the 2018–19 award year (July 1, 2018, through June 30, 2019)

will be \$6,095 or an increase of 3%. This equates to 57% of the proposed 2018-19 full-time, resident, undergraduate tuition rate. Forty-seven percent of WKU's students take out loans to pay their cost of attendance. While it's unknown if the tuition rate increase will impact any student's decision to attend WKU, it will, more than likely, increase the amount students borrow to attend WKU.

Moving from a 3 to 4% increase will increase scholarships and grants-in-aid expenditures. This will require carry forward to balance the budget.

Lastly, it is noted that 4% tuition rate increase will leave only a 2% tuition rate increase in FY 2020. This will not be sufficient to fund a planned 4% salary increase in that year. It will be difficult to have a pool of funds to fund high priority items identified in the new strategic plan.

4 percent full-time employee salary increase pool

It is estimated that a 4% full-time salary increase pool will cost approximately \$5.1 million on an annual basis. It is recommended that merit allocation decisions be made in the fall and the recommended increase occur January 1, 2019.

Pros: The salary increase pool was 4% in FY 2008 with no or minimal increases for all subsequent years. Employee salaries lag behind benchmark and market salaries in many categories. It is the University's plan to complete a salary market analysis in FY 2019. Competitive salaries are need for improved recruitment and retention of employees.

Cons: none.

FY 2019 Budget Balancing Plan

The most significant budget development decisions are driven by setting the tuition rates, projecting revenue and projecting fixed costs increases.

Revenue: the biennial budget enacted by the General Assembly, projections of enrollment and tuition revenue

Projected Fixed Costs Increases: including but not limited to faculty promotions, employer funded health insurance, state-required pension payments, contractual obligations, property insurance, student financial aid, and employee salary increases

Enrollment declines have resulted in lost revenue and required the University to develop budget reduction plans. The approved operating budget for FY 2018 included a strategy of using \$10,976,000 in carry forward to balance the budget and determining expenditure reductions over the course of the year. An additional tuition revenue shortfall of \$4,138,000 has occurred this year. Lastly, enrollment projections support a potential additional student loss equivalent to \$6,030,000. In summary, WKU needs to adjust its expenditure base by \$21,144,000 next year to align with projected enrollment. The projected shortfall in State General Fund is \$129,800.

With the revenue from the tuition rate increase being pledged to the employee salary increase pool, the expenditure base will need to be reallocated to fund the projected fixed costs summarized below.

2018/19 UNAVOIDABLE COST AND COMMITMENT ALLOCATIONS

Faculty Promotions	\$	430,800
Employer Health Insurance Effective Jan. 2018 (from \$600/mth in FY18 to \$652/mth in FY19)		848,000
Retirement: KERS Rate Increase		4,980,000
Salary Adjustments for Degree Completions		14,000
Utilities & Maintenance, New Space in Science Complex		28,100
Contractual Obligations		388,100
State Property Insurance		184,400
Student Financial Aid		531,000
Fixed Costs Total		7,404,400

Summary of Budget Balancing:

Tuition Revenue Loss	(\$21,144,000)
State General Fund Loss	(129,800)
Fixed Costs Increases	(7,404,400)
Online fee Increase	1,600,000
 Total Shortfall	 (\$27,078,200)

Given the magnitude of the total reduction target and development of new budget model, it is not feasible to achieve the full reduction target by July 1. The input of new provost and deans will be integral to shaping priorities to achieve a balanced budget.

Reductions to Divisions, effective July 1, 2018	\$18,833,000
Capture Vacant Positions by January 2019	5,230,000
Carry Forward/Budget Model Step-down	3,015,200
Total	\$27,078,200

BUDGETARY IMPLICATIONS:

The Board of Regents will be asked to approve the 2018-19 Operating Budget at its meeting on June 22, 2018. The budget is a fiscal plan for July 1, 2018 – June 30, 2019. Maximum expenditure authority, from all sources of funds, is given to the Administration through this budget approval. However, revenue estimates are, in fact, just estimates. Expenditure adjustments may occur throughout the year to meet changing needs and to stay within actual revenue receipts.

RECOMMENDATION:

The WKU Board of Regent's Finance and Budget Committee recommends that the Board of Regents approve the following recommendations necessary for the development of the 2018-19 operating budget:

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MOTION:

Approve the Finance and Budget Committee operating budget recommendations.

TUITION AND MANDATORY STUDENT FEES SCHEDULE PER SEMESTER

Student Level/Enrollment	FY 2018	FY 2019	Summer 2019/ Rate per Credit Hour
Undergraduate			
Resident	\$5,101	\$5,301	\$442
Military Resident	5,101	5,301	442
Nonresident	12,756	13,248	1,104
International	13,080	13,572	1,131
Incentive	6,744	6,876	573
Graduate (Per Credit Hour)			
Resident	589	607	607
Military Resident	589	607	607
Kentucky P-12 Educator*	395	415	415
Nonresident, International	998	962	962
Nonresident, Domestic	873	899	899
Doctorate, Ed. Leadership (Per Credit Hour)			
Resident	589	589	589
Military Resident	589	589	589
Nonresident, International	998	962	962
Nonresident, Domestic	873	873	873
Doctorate, Nurse Practitioner (Per Credit Hour)			
Resident	663	663	663
Nonresident	858	858	858
Doctorate, Physical Therapy (Per Credit Hour)			
Resident	643	643	643
Nonresident	883	909	909
Professional MBA*	5,826	5,826	
Distance Learning (Per Credit Hour)*			
Undergraduate	510	530	530
Graduate (Excluding Kentucky P-12 Educator, DNP and DPT)	707	707	707
Active Military (Per Credit Hour)*	250	250	250
Dual Credit (Per Credit Hour)*	53	54	
WKU On Demand (Per Credit Hour)			
Undergraduate	425	442	442
Graduate	589	607	607

Mandatory Student Fees per Semester (No change from FY 2018):

Student Athletics Fee	\$218
Student Centers Fee	\$62
Student Centers Fee, DSU Renovation Bonds	\$70
Parking Structure Fee, Creason Bonds	\$30

*Mandatory student fees are not assessed to these students.

Note: Full-time undergraduate students pay \$150 per credit hour for online courses in addition to full-time rate.