Board of Regents

SPECIAL BUDGET APPROVAL MEETING

June 22, 2012 ~ 8:30 a.m. (CDT)
MMTH ~ Regents Room
AGENDA

- Call to Order (Mr. Frederick A. Higdon, Chair)
- Invocation (Mr. Tony Glisson, Human Resources Director)
- Oath of Office – Mr. Cory Dodds, Student Regent (Mr. Frederick A. Higdon, Chair)
  - Special Recognition / Presentation (President Gary A. Ransdell)
- Roll Call (Mr. J. David Porter, Vice Chair)
- Approval of Minutes (Mr. Frederick A. Higdon, Chair)
  - First Quarterly Meeting – January 20, 2012
  - Second Quarterly Meeting – April 27, 2012

1. FINANCE AND BUDGET COMMITTEE (Mr. J. David Porter)

Action Item:

1.1 Approval of the 2012-13 Operating Budget including the Tuition and Fees Schedule
   [pp 1-8 / budget books previously mailed]

2. NOMINATING COMMITTEE (Mr. Jim Meyer)

Action Item:

2.1 Recommendation / Election of 2012-13 BOR Officers [p 9]

3. OTHER BUSINESS

2012 calendar dates:
- Retreat – July 26 at 10:00 am (Center for Research and Development)
- Third Quarterly Meeting – July 27 at 8:00 am (MMTH - Regents Room)
- Opening Convocation – August 24 at 8:00 am (Van Meter Auditorium)
- CPE Governor’s Trusteeship Conference – September 13-14 (Louisville)
- President’s Circle Gala – September 21 at 6:00 pm (Knicey Conference Center)
- Committee Meetings – September 28 at 9:00 am (MMTH – Regents Room)
- Homecoming – October 20 at 3:00 pm (WKU vs. ULM)
- Fourth Quarterly Meeting – October 26 at 9:00 am (Gatton Academy)
- Committee Meetings – December 15 / time TBD (MMTH – Regents Room)
- Commencement (Graduate and Undergraduate) – December 15 at 9:30 am and 2:00 pm

4. ADJOURNMENT
Board of Regents
2012-2013 Committee Membership

EXECUTIVE COMMITTEE
Mr. Frederick A. Higdon, Chair
Mr. J. David Porter, Vice Chair
Dr. Melissa B. Dennison
Mr. Jim Johnson
Mr. Jim Meyer, Ex-Officio
AC Rep – Deborah Wilkins

ACADEMIC AFFAIRS COMMITTEE
Dr. Melissa B. Dennison, Chair
Mr. Cory Dodds
Mr. Jim Meyer
Dr. Patricia H. Minter
Mr. Rob Wilkey
AC Rep – Provost Gordon Emslie

FINANCE AND BUDGET COMMITTEE
Mr. J. David Porter, Chair
Ms. Cynthia Harris
*Mr. Jim Johnson
Mr. James Kennedy
Mr. Rob Wilkey
Mr. Laurence J. Zielke
AC Rep – Ann Mead

STUDENT AFFAIRS COMMITTEE
Mr. Jim Johnson, Chair
Mr. Cory Dodds
Mr. James Kennedy
Dr. Patricia H. Minter
AC Reps – Howard Bailey and John Osborne

* At the June 1, 2012 BOR Committee meetings, Chair Freddie Higdon appointed Mr. Jim Johnson to serve on the Finance & Budget Committee.

June 1, 2012
2012-13 OPERATING BUDGET AND TUITION AND FEES SCHEDULE

REQUEST:

Approve the 2012-13 Budget including the Tuition and Fees Schedule.

FACTS:

The *WKU 2012-13 Budget* is WKU’s financial plan for the fiscal year beginning July 1, 2012 and ending June 30, 2013, and it includes the Operating Budget and Capital Budget. The budget document includes the following components:

- Narratives by area that summarize 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 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.
The 2012-13 Operating Budget and the dollar and percent increases, in comparison to the 2011-12 budget, are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2012-13 Budget</th>
<th>Dollar Increase</th>
<th>Pct Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Budget</strong></td>
<td>$388,597,000</td>
<td>$3,550,000</td>
<td>0.9%</td>
</tr>
<tr>
<td><strong>Total E&amp;G</strong></td>
<td>364,413,000</td>
<td>4,420,000</td>
<td>1.2%</td>
</tr>
<tr>
<td><strong>Unrestricted E&amp;G</strong></td>
<td>294,853,000</td>
<td>6,761,000</td>
<td>2.3%</td>
</tr>
<tr>
<td><strong>Restricted E&amp;G</strong></td>
<td>69,560,000</td>
<td>(2,341,000)</td>
<td>(3.3%)</td>
</tr>
<tr>
<td><strong>Total Auxiliary Enterprises</strong></td>
<td>24,184,000</td>
<td>(870,000)</td>
<td>(3.5%)</td>
</tr>
</tbody>
</table>

**Total Budgeted Revenue by Source**

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
<th>Pct of Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuition and Fees</td>
<td>$172,732,000</td>
<td>44.5%</td>
</tr>
<tr>
<td>State Appropriations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating</td>
<td>69,580,600</td>
<td>17.9%</td>
</tr>
<tr>
<td>Kentucky Academy for M&amp;S</td>
<td>2,844,600</td>
<td>.7%</td>
</tr>
<tr>
<td>Restricted Funds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants and Contracts</td>
<td>21,350,000</td>
<td>5.5%</td>
</tr>
<tr>
<td>Student Financial Aid</td>
<td>48,210,000</td>
<td>12.4%</td>
</tr>
<tr>
<td>Self-generated Funds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(including nonrecurring)</td>
<td>49,695,800</td>
<td>12.8%</td>
</tr>
<tr>
<td>Auxiliary Enterprises</td>
<td>24,184,000</td>
<td>6.2%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$388,597,000</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

At its April 20, 2012 meeting, the Council on Postsecondary Education (CPE) approved 5 percent as the maximum resident undergraduate tuition and fees rate increase for 2012-13 at comprehensive universities. In its defense of holding the rate increase at a modest level, CPE President Bob King stated, “These are difficult economic times all around. We understand that raising tuition, even at moderate levels, causes concern for our students and families. What would cause greater concern, however, is if we allowed the quality of our academic programs and services to deteriorate. These tuition ceilings strike the right balance between affordability concerns of Kentuckians and the needs of our campuses to serve students.” 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 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. WKU’s 2012-13 Tuition and Fees Schedule is submitted for CPE approval at its June 21, 2012 meeting.

Based on Board of Regents’ policy, the mandatory student fees are being increased based on the Higher Education Price Index (HEPI) which was 2.4 percent for 2011. No increase is applicable to the Student Centers – DUC Renovation Bonds Fee.

The Operating Budget includes projected revenue based on the 2012-13 tuition and fees rates included at the end of the Executive Summary and actual enrollment from fall 2011. The budget includes tuition and fees totaling $172,732,000, an increase of $7.9 million or 4.8 percent. Tuition and fees account for 44.5 percent of the total budget and 58.6 percent of the unrestricted E&G budget. The budget includes a provision to charge the online learning tuition fee (20 percent of the regular tuition rate per credit hour) to all students, including full-time students. Until now, this fee has been assessed only to part-time students. However, with the increasing costs of technology and online course development, the University can no longer afford to waive the fee for full-time students. With this change, all students taking an online course will pay the same rate per credit hour. This is a common tuition assessment practice at many public universities, including those in Kentucky.

The budgeted state appropriation reflects the actions taken by the most recent Kentucky General Assembly. State appropriation will account for 18.6 percent of total budget and 24.6 percent of the unrestricted E&G budget of WKU. The budget includes state appropriations totaling $72,425,200 based on the following adjustments:

<table>
<thead>
<tr>
<th>FY 2012 State Appropriation</th>
<th>$77,377,300</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduction in State Appropriation</td>
<td>4,952,100</td>
</tr>
<tr>
<td>FY 2013 State Appropriation</td>
<td>$72,425,200</td>
</tr>
</tbody>
</table>

Percent Change in State Funding (6.4%)

The 2012-13 Operating Budget includes an increase of $1,721,200 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 17.9 percent of the total budget. Grants and contracts revenue is projected to decline by $520,000 or 2.4 percent primarily due to the loss of state grants and contracts.
Budgeted student financial assistance is projected to decline by $1,821,000 or 3.6 percent. This loss of funds reflects a better estimate of the changes in the Pell Grant Program that occurred last year. 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. WKU currently awards Pell Grants to approximately 8,400 recipients or about 41 percent of our total headcount enrollment.

The Auxiliary Enterprises revenue estimates are being lowered by $870,000 for FY 2013. Estimates reflect current year sales and a conservative outlook for the future sales given the renovation of Downing University Center and the relocation of the WKU Store.

**Expenditures Highlights**

**Recurring State General Fund Reduction Implementation**

The enacted 2012-14 state budget includes a reduction in funding for WKU of $4,952,100 effective July 1, 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 recurring reductions are summarized starting on page 4 & 5 of the Executive Summary.

The FY 2013 budgeted expenditures, by major classification of expenditure, are summarized as follows:

<table>
<thead>
<tr>
<th>Major Classification</th>
<th>Unrestricted</th>
<th>Restricted</th>
<th>Auxiliary</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>$170.2</td>
<td>$0.1</td>
<td>$8.5</td>
<td>$178.8</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>70.4</td>
<td>20.9</td>
<td>9.8</td>
<td>101.1</td>
</tr>
<tr>
<td>Utilities</td>
<td>8.2</td>
<td>0</td>
<td>2.7</td>
<td>10.9</td>
</tr>
<tr>
<td>Capital Outlay</td>
<td>4.4</td>
<td>0</td>
<td>0.6</td>
<td>5.0</td>
</tr>
<tr>
<td>Student Aid</td>
<td>29.2</td>
<td>48.5</td>
<td>0</td>
<td>77.7</td>
</tr>
<tr>
<td>Debt Service</td>
<td>12.4</td>
<td>0</td>
<td>2.7</td>
<td>15.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$294.8</strong></td>
<td><strong>$69.5</strong></td>
<td><strong>$24.3</strong></td>
<td><strong>$388.6</strong></td>
</tr>
</tbody>
</table>

**2012-13 Fixed Costs and Commitments**

Fixed cost projections were calculated as part of the 2012-14 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 are how the Commonwealth of Kentucky will address the unfunded liability in the State employee retirement systems and the lack of state funding for any fixed cost or
compensation increases. The FY 2013 budget includes nonrecurring funds for a two percent salary increase for regularly budgeted full-time employees employed as of July 1, 2011 with a satisfactory performance appraisal and continuing employment anticipated.

The following unavoidable cost and commitment allocations are included in the 2012-13 Operating Budget:

**Estimated Fixed Cost Increases**
- Library Books and Subscriptions Inflationary Adjustment $160,000
- Contractual Obligations $492,000
- Faculty Promotions $250,000
- Retirement Systems Rate Increases $845,000
- Degrees/Certifications $5,000
- Health Insurance for Rehires not Electing WKU’s Insurance $40,000
- Maintenance and Operations/Utilities Costs: Music Recital Facility and Alumni Center $175,000
- Student Financial Assistance: Scholarships/Fellowships/Waivers/Grants-in-aid $2,417,000
- Fuel Costs, Police Department and Shuttle Buses $105,000
- AED Devices Repair and Maintenance $10,000
- Access Control Program Costs $80,000

**Subtotal** $4,579,000

**Strategic Commitments**
- 2% Salary Increase $2,100,000
- International Legal Affairs Specialist $62,000
- Owensboro Campus Staffing $125,000
- IT Personnel for Library Services $159,000
- Minority Faculty Hiring Plan $105,000
- IT Critical Needs Lease Purchase $316,000
- Nursing Growth $586,000
- Nursing Doctoral Tuition $248,000
- Cohort Communication Disorders $143,000
- Professional MBA (48,000)
- Restricted Tuition Programs (Technology, Health Svvs, SGA/Programming) (40,000)
- DELO Distribution (Online, Winter, Contracts, Dual Credit & Independent Learning) $87,000
- Summer School (135,000)

**Subtotal** $3,708,000

**TOTAL** $8,287,000

**PROJECTED REVENUE INCREASE**
- Carry Forward for 2% Salary Increase $2,100,000
- Fall/Spring Tuition $6,075,000
Professional MBA  (48,000)  
Nursing Doctoral Tuition  248,600  
Summer Tuition  (135,000)  
DELO  87,000  
Restricted Tuition  (40,000)  
TOTAL  $8,287,000  

*Excludes tuition revenue reserved for a portion of state budget reduction.

**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 2012-14 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 to date or scheduled for FY 2013 are identified separately.

The Capital Budget totals $105,521,000 from all sources of funds.
# Tuition and Mandatory Student Fees Schedule

## Per Semester

<table>
<thead>
<tr>
<th>Student Level/Enrollment</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>Summer 2013/ Rate per Credit Hour</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Undergraduate</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Resident</td>
<td>$4,042</td>
<td>$4,236</td>
<td>$353</td>
</tr>
<tr>
<td>Nonresident</td>
<td>10,008</td>
<td>10,500</td>
<td>875</td>
</tr>
<tr>
<td>Incentive</td>
<td>5,172</td>
<td>5,508</td>
<td>459</td>
</tr>
<tr>
<td><strong>Graduate (Per Credit Hour)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Resident</td>
<td>445</td>
<td>467</td>
<td>467</td>
</tr>
<tr>
<td>Nonresident, International</td>
<td>962</td>
<td>962</td>
<td>962</td>
</tr>
<tr>
<td>Nonresident, Domestic</td>
<td>489</td>
<td>583</td>
<td>583</td>
</tr>
<tr>
<td><strong>Doctorate, Nurse Practitioner</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Resident</td>
<td>535</td>
<td>562</td>
<td>562</td>
</tr>
<tr>
<td>Nonresident</td>
<td>802</td>
<td>843</td>
<td>843</td>
</tr>
<tr>
<td><strong>Doctorate, Physical Therapy</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Resident</td>
<td></td>
<td>562</td>
<td>562</td>
</tr>
<tr>
<td>Nonresident</td>
<td></td>
<td>843</td>
<td>843</td>
</tr>
<tr>
<td><strong>Professional MBA (Per 6 Credit Hours)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Continuing Students</td>
<td>4,350</td>
<td>4,566</td>
<td>761</td>
</tr>
<tr>
<td>New Students</td>
<td>4,566</td>
<td>4,794</td>
<td>799</td>
</tr>
<tr>
<td><strong>Distance Learning (Per Credit Hour)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Undergraduate</td>
<td>397</td>
<td>424</td>
<td>424</td>
</tr>
<tr>
<td>Graduate</td>
<td>526</td>
<td>560</td>
<td>560</td>
</tr>
<tr>
<td><strong>Active Military (Per Credit Hour)</strong></td>
<td>250</td>
<td>250</td>
<td>250</td>
</tr>
<tr>
<td><strong>Dual Credit (Per Credit Course)</strong></td>
<td>200</td>
<td>200</td>
<td>200</td>
</tr>
<tr>
<td><strong>Independent Learning (Per Credit Hour)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Undergraduate</td>
<td>315</td>
<td>353</td>
<td>353</td>
</tr>
<tr>
<td>Graduate</td>
<td>416</td>
<td>467</td>
<td>467</td>
</tr>
</tbody>
</table>

## Mandatory Student Fees:

- **Student Athletics Fee**: $212
- **Student Centers Fee**: $60
- **Student Centers Fee, DUC Renovation Bonds**: $70

*Mandatory student fees are not assessed to these students.*

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Finance and Budget Committee | 2012-13 Operating Budget including Tuition and Fees Schedule
RECOMMENDATION:

President Gary A. Ransdell recommends that the Board of Regents approve the 2012-13 Operating Budget including the Tuition and Fees Schedule.

MOTION:
Approve the 2012-13 Operating Budget including the Tuition and Fees Schedule.
2012-13 BOARD SLATE OF OFFICERS

REQUEST:

Election of the 2012-13 Board Officers, and appointment of Treasurer.

FACTS:

The following Regents served on the Nominating Committee for the 2012-13 Board Slate of Officers recommendation:

Mr. Jim Meyer - Chair
Dr. Melissa B. Dennison
Mr. Laurence J. Zielke

RECOMMENDATION:

The Nominating Committee and President Gary A. Ransdell recommend the following Slate of Officers for 2012-13:

Mr. Frederick A. Higdon - Chair
Mr. J. David Porter - Vice Chair
Dr. Melissa B. Dennison - Secretary
Ms. K. Ann Mead - Treasurer

MOTION:

Approval of the 2012-13 Board Slate of Officers.