

EXECUTIVE SUMMARY

House Bill 265, the Executive Branch Budget, was passed by the 2012 Regular Session of the Kentucky General Assembly and provides a state expenditure plan for the 2012-14 biennium. The budget is premised on modest revenue growth of 2.4 percent in FY 2013 and 3.0 percent in FY 2014. However, the fiscal plan still calls for one-time funds to balance the budget. Most state agencies will see their state funding reduced by 8.4 percent. In comparison, education remains the Administration's and the General Assembly's highest priority with SEEK funding for K-12 being preserved, non-SEEK grants being reduced 4.5 percent, no reductions in need-based aid programs, and postsecondary education institutions being reduced by 6.4 percent.

WKU 2012-13 Budget

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.

Operating Budget Summary

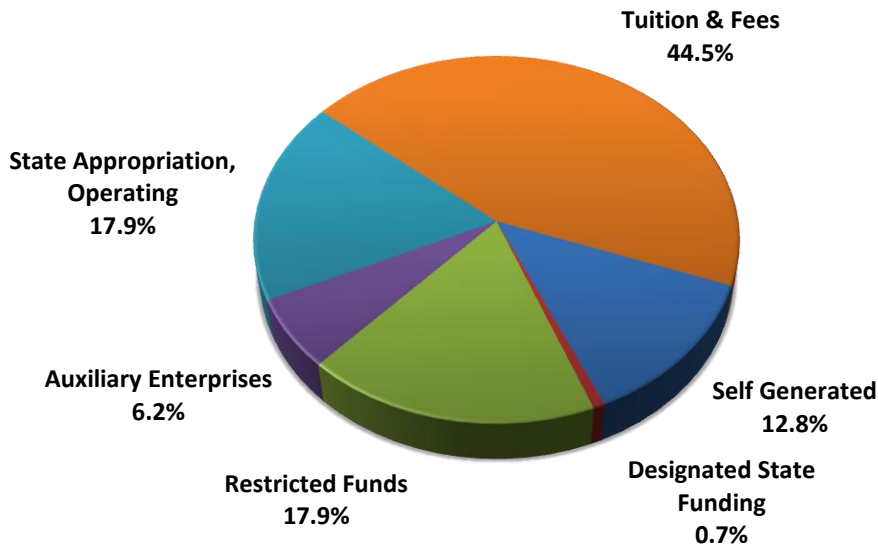
The 2012-13 Operating Budget and the dollar and percent increases, in comparison to the 2011-12 budget, are as follows:

	2012-13 Budget	Dollar Increase	Pct Increase
Total Budget	\$388,597,000	\$3,550,000	0.9%
Total E&G	364,413,000	4,420,000	1.2%
Unrestricted E&G	294,853,000	6,761,000	2.3%
Restricted E&G	69,560,000	(2,341,000)	(3.3%)
Total Auxiliary Enterprises	24,184,000	(870,000)	(3.5%)

Revenue Highlights

2012-13 budgeted revenue by source:

Projected Revenue by Source



Total Budgeted Revenue by Source

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

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:

FY 2012 State Appropriation	\$77,377,300
Reduction in State Appropriation	4,952,100
FY 2013 State Appropriation	\$72,425,200
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. The reduction is being implemented by division as follows:

Academic Affairs, \$1,880,117

Reducing the following budgets: part-time faculty salary and benefits, classroom improvement funds, and teaching and research equipment funds. Also absorbing a portion of the reduction by

using one-time carry forward funds, with the understanding that this amount will need to be cut from recurring funds in FY 2013-14.

Athletics, \$130,232

The Athletic Department has restructured the current Russell agreement to allow for Athletics to cut costs for athletic supplies. Additionally, contingency funds in Athletic Facilities are being reduced.

Campus Services and Facilities, \$450,922

Reducing general administrative expenses; maintenance supplies and materials; janitorial supplies; salary contingency; and utility funds for coal, ash collection and removal. Capital renewal funds used to address deferred maintenance to facilities will also be reduced.

Development and Alumni Relations, \$26,141

Eliminating one full-time position.

Finance and Administration, \$82,542

Reducing the Vehicle Replacement budget and using the projected increase in the procurement card rebate, which would have been allocated to the Vehicle Replacement budget, to cover the balance of the reduction.

Information Technology, \$170,280

Eliminating two vacant positions and reducing capital equipment funds.

President, \$13,451

Reducing President's Home maintenance and repair funds.

Research, \$25,529

Reducing funds used to publish the Office of Research "Western Scholar."

Student Affairs, \$38,458

Reducing salaries in vacant positions, V.P. operating funds, Police travel and unallocated revenue. In addition, Student Leadership and Campus Activity Board funds will help cover the reduction.

Central Sources, \$2,134,428

Reducing central contingency budgets, increasing revenue from investment income, reallocating savings from refinancing of debt, and redistributing online learning base tuition revenue.

Total \$4,952,100

Note: Chief Diversity Officer, Chief of Staff, and Public Affairs' portion of the budget reduction is being covered by savings from refinancing of debt.

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:

2012-13 UNAVOIDABLE COST AND COMMITMENT ALLOCATIONS

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 Svcs, 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**

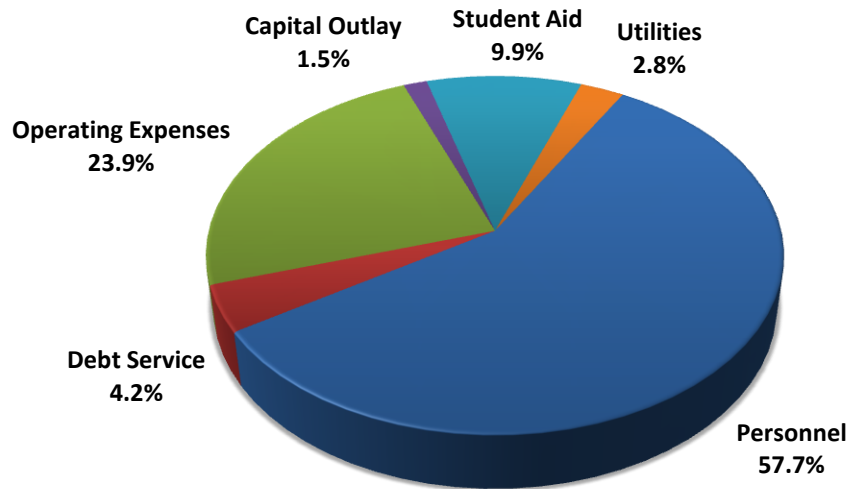
PROJECTED REVENUE INCREASE

Carry Forward for 2% Salary Increase	\$2,100,000
Fall/Spring Tuition	6,075,000 *
Professional MBA	(48,000)
Nursing Doctoral Tuition	248,000
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.

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

**Unrestricted E&G
Expenditures by Major Classification**



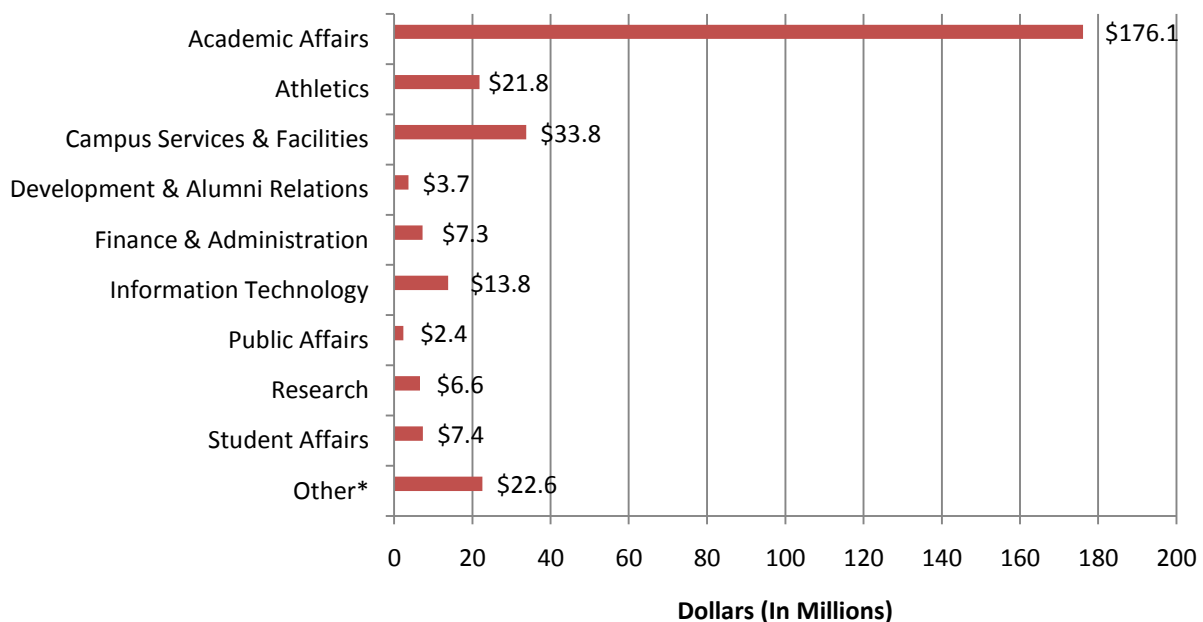
Total Budgeted Expenditures (In Millions)

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

Personnel expenditures include salary and benefits for approximately 2,000 budgeted, full-time filled positions and 200 budgeted, full-time vacant positions. Also included in personnel costs are pool budgets for part-time faculty and staff, graduate assistants, and student employees. The Restricted Fund budget for grants and contracts are budgeted in pools: instruction, research, public service, and student financial aid. Funds are allocated to specific grants and contracts once awards are made by the respective entities. Thus, the actual distribution of expenditures by major classification will likely be different than the pool budgets.

The following graph summarizes FY 2013 budgeted unrestricted E&G expenditures by organizational area. The Narrative section of the budget sets forth each division’s strategic priorities for FY 2013.

Budgeted Expenditures by Organizational Area



*Other includes Office of the President, Chief Diversity Officer, Chief of Staff, and University-Wide.

Note: Budgeted expenditures include \$621,600 of restricted, federally-funded College Work Study that cannot be separately identified. Work Study funds are distributed throughout the divisions.

- ❖ The Division of Academic Affairs, including institutional scholarships and fellowships, totals \$176.1 million or about 60 percent of the unrestricted E&G budget.
- ❖ The Division of Campus Services and Facilities, the second largest division, has a budget totaling \$33.8 million or about 11 percent of the unrestricted E&G budget.
- ❖ Other includes Office of the President, Chief Diversity Officer, Chief of Staff, and University-Wide. The most significant funding items in University-Wide include funding for statutorily-mandated scholarships, undistributed staff benefits, general institutional expenses and funding for principal and interest payments on bonded debt.

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**

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

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.