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OFFICE OF THE PRESIDENT

June 22, 2012

MEMORANDUM

TO: Board of Regents
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FROM: Gary A. Ransdell *Cary*

SUBJECT: 2012-13 Western Kentucky University Operating Budget

We are pleased to present to you the 2012-13 Western Kentucky University Operating Budget. The budget is a fiscal plan for the year beginning July 1, 2012 and ending June 30, 2013 and totals \$388,597,000.

In the 2012 Regular Session, the Kentucky General Assembly passed its 2012-14 Branch Budget Bill which includes a reduction of \$4,952,100 in WKU's FY 2013 State General Fund support and no increase in FY 2014. It is noted that the state funding reduction for postsecondary education institutions is 6.4 percent in comparison to 8.4 percent for most state agencies. While numerous legislators publicly expressed their support for education and postsecondary education, the state's economy is not recovering quickly enough to allow for any substantial projected revenue growth to be budgeted by the Commonwealth in any area of the Executive Branch. Thus, WKU will implement a budget reduction for the fifth consecutive year and cumulative state funding reductions totaling \$14,303,600.

A recent article in Bloomberg *Businessweek* stated:

...despite global competition, the system of higher education in the U.S. remains the best in the world. Still, American universities face increasing threats on several fronts: an explosion of higher education outlets globally, stagnant middle-class incomes, entry of for-profit providers, and the growing efficacy of alternative delivery modes, especially on the Web. The biggest threat, however, is the permanent decline in public support. As all universities grapple with the realities of the current economic slowdown, public universities suffer the most as they face dwindling state support. (<http://www.businessweek.com/articles/2012-03-30/public-no-more-why-the-b-school-model-works>)

The Spirit Makes the Master

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In a decade, WKU has seen its State General Fund appropriation per full-time equivalent (FTE) student decline from \$4,548 (FY 2003) to a projected \$4,356 per FTE student for FY 2012 assuming no change in enrollment. In 2003 constant dollars, this equates to a 25.9 percent drop in state support per student over the decade. Such loss in funding is significant to what WKU strives to achieve. What has been completely out of reach is our goal of providing market competitive salaries and staffing appropriate for a campus of over 21,000 students.

The FY 2013 Operating Budget reflects a planned 4.8 percent increase in resident undergraduate and graduate tuition and fees rates. However, WKU's estimated cost of attendance will increase only 3.1 percent for students choosing to live on campus. The referenced *Businessweek* article suggested that students will pay more for a college education if they see a higher perceived value. WKU is cognizant of concerns about affordability and will work to ensure that students see the value of their degree from WKU. The budget places a priority on student financial assistance through federal, state, university, and private giving sources.

Budgets are fiscal plans that reflect the allocation of resources consistent with strategic plans. WKU pared back its *2007-12 Strategic Plan* in response to the Commonwealth's austere economic environment. The revenue assumptions on which that plan was based have been rendered moot by the global recession which has tempered the University's progress and ambition since the plan was introduced in 2007. The intent of the abbreviated plan is to provide the campus sufficient guidance and flexibility in a most uncertain environment. The three broad areas of focus include: academic quality, efficiency and sustainability, and physical plant improvement. These priorities guide our spending of limited resources.

In July 2011, WKU embarked on a year-long, institution-wide strategic planning process which will culminate in the presentation of the *2012-18 Strategic Plan* this summer. We anticipate that the new plan will reinforce the priorities and progress that have undergirded WKU's transformation as an institution over the last 14 years, while accommodating emerging trends, opportunities, and responsibilities that continually reshape the higher education landscape.

We will be challenged over the next six years to become even more entrepreneurial and to identify new revenue and reallocate existing budgets to make the achievement of our strategic targets a reality. At the national and state level, debates regarding the cost of higher education and who pays for it (students or taxpayers) will continue. WKU is committed to increased efficiency, effectiveness, and accountability in and for the use of its resources. We, however, hold steadfast in the fact that the Commonwealth's long-term investment in postsecondary education is key to the Commonwealth's economic growth and to increasing the quality of life for its citizens.

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