

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 3.0 percent in FY 2014. However, the fiscal plan still calls for one-time funds to balance the budget. Postsecondary education institutions are to receive no increase in State General Fund support in FY 2014.

WKU 2013-14 Budget

The *WKU 2013-14 Budget* is WKU's financial plan for the fiscal year beginning July 1, 2013 and ending June 30, 2014, 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

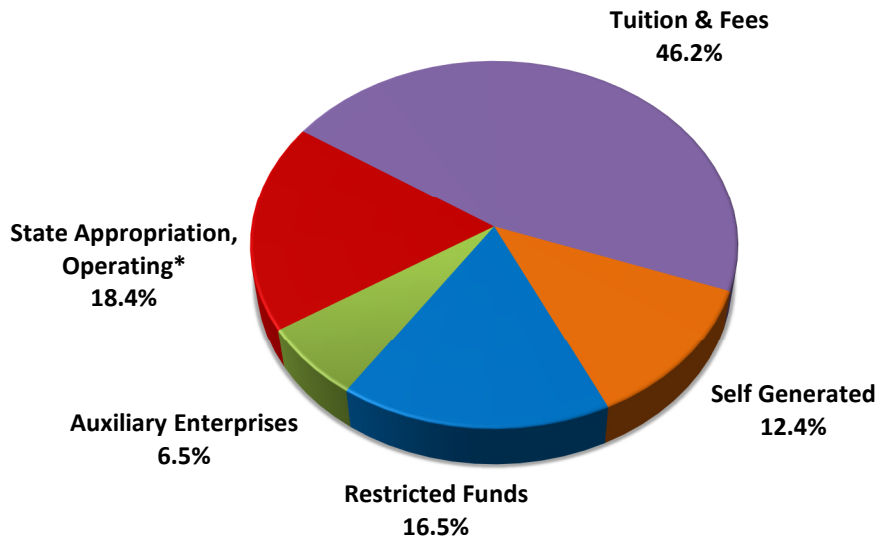
The 2013-14 Operating Budget and the dollar and percent increases, in comparison to the 2012-13 budget, are as follows:

	2013-14 Budget	Dollar Incr/Decr	Pct Increase
Total Budget	\$393,959,000	\$5,362,000	1.4%
Total E&G	368,361,000	3,948,000	1.1%
Unrestricted E&G	303,227,000	8,374,000	2.8%
Restricted E&G	65,134,000	(4,426,000)	(6.4%)
Total Auxiliary Enterprises	25,598,000	1,414,000	5.8%

Revenue Highlights

2013-14 budgeted revenue by source:

FY 14 Projected Revenue by Source



*Includes state funding for the Gatton Academy of Math and Science.

Total Budgeted Revenue by Source

	<u>Amount</u>	<u>Pct of Budget</u>
Tuition and Fees	\$182,080,000	46.2%
State Appropriations		
Operating	69,580,600	17.7
Kentucky Academy for M&S	2,844,600	.7
Restricted Funds		
Grants and Contracts	20,075,000	5.1
Student Financial Aid	45,059,000	11.4
Self-generated Funds		
(including carry forward)	48,721,800	12.4
Auxiliary Enterprises	25,598,000	6.5
TOTAL	\$393,959,000	100.0%

At its April 18, 2013 meeting, the Council on Postsecondary Education approved a 3 percent ceiling for tuition increases for the coming academic year for in-state undergraduate students at Kentucky’s public colleges and universities. This represents the smallest average tuition increase for Kentucky public institutions in 15 years. CPE President Bob King stated, “Given the challenging economic environment that our students face, the Council felt it was appropriate that tuition increases be as minimal as possible next year, while still allowing institutions some revenue to meet growing fixed costs.” 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, online and graduate rates. A five percent rate increase is recommended for nonresident, incentive, resident graduate, doctoral/professional programs, and online courses. WKU is implementing an undergraduate international tuition rate effective fall 2013. With WKU’s commitment to diversify the student body comes a need to expand funding for both international recruitment and support services for these students. The tuition rate margin between nonresident and international will be allocated to Enrollment Management. Lastly, WKU’s goal is to gradually increase the graduate nonresident domestic tuition rate and eliminate the graduate nonresident international tuition rate. The proposed increase for graduate nonresident domestic is 9.8 percent. As part of the 2013-14 budget reduction plan, there will not be an increase in the mandatory student fees.

WKU’s 2013-14 Tuition and Fees Schedule has been submitted for CPE approval at its June 20, 2013 meeting.

The Operating Budget includes projected revenue based on the 2013-14 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 \$182,080,000, an increase of \$9.3 million or 5.4 percent. Tuition and fees account for 46.2 percent of the total budget and 60.0 percent of the unrestricted E&G budget.

The budgeted state appropriation reflects the actions taken by the most recent Kentucky General Assembly. State appropriation will account for 18.4 percent of total budget and 23.9 percent of the unrestricted E&G budget of WKU.

The 2013-14 Operating Budget includes an increase of \$2,914,000 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.

More significant changes in unrestricted revenue include:

- The estimate for facilities and administrative recovery revenue resulting from grants and contracts is being reduced by \$271,000 due to fewer federal grants and contracts;
- Athletics is projecting an increase of \$225,000 in football ticket sales;
- The Division of Research is anticipating a reduction of \$303,000 in Center for Research and Development leasing revenue and an increase of \$376,000 in professional services fees from Advantage Kentucky Alliance Manufacturing Extension Partnership (AKA-MEP);
- The Center for Gifted Studies continues to grow as evidenced by a projected revenue increase of \$119,000;
- WKU Conferencing Services is estimating \$230,000 in revenue to be generated by its programming at the Augenstein Alumni Center;
- The Office of Lifelong Learning is growing its programming and will be budgeting \$290,000 for FY 2014; and
- Endowment income is transferred from the WKU Foundation to WKU for institutional expenses primarily for endowed professorships; an additional \$765,000 is being budgeted.

Restricted Funds from grants and contracts and federal and state student financial assistance programs comprise 16.5 percent of the total budget. Grants and contracts revenue is projected to decline by \$1,275,000 or 6.0 percent primarily due to the loss of federal grants and contracts.

Budgeted student financial assistance is projected to decline by \$3,151,000 or 6.5 percent. This loss of funds reflects a reduction in both federal (Pell Grant and SEOG) and state (KEES and College Access Program) funding. The most significant reason for this anticipated decrease is due to eligibility changes in the federal Pell Grant program. Such eligibility changes combined with limited funding will impact funds received for the state CAP Grant program. Due to the sequestration of federal funds, the SEOG program was also reduced.

The Auxiliary Enterprises revenue estimates are being increased by \$1,414,000 for FY 2014. Estimates reflect current year sales and an increase in book and apparel sales especially when the WKU Store opens in its new space in the renovated Downing Center. Additionally, the WKU Store is opening a Technology Department to service departments as well as faculty, staff and students. The Technology Department will sell both computers and software, and revenue is projected at \$1,500,000.

2013-14 Budget Reduction Plan

We are achieving a total budget reduction of \$2,139,000 that will allow us to cover the projected increase in fixed costs, fund over a million dollars of commitments that have been paid with unbudgeted funds, and make permanent the 2% salary increase that was implemented July 2012.

The plan was achieved without a reduction in anyone’s base salary and without lay-offs. None of these were easy decisions, nor were they ideal. Most campus departments will not be affected, and we have avoided across-the-board cuts, which are tough on morale. Budget balancing is achieved through the following actions (rounded to the nearest thousand):

Program Eliminations and Consolidations

Eliminate the Center of Excellence in the College of Education and Behavioral Sciences.	\$33,000
Merge the Institute for Citizenship and Social Responsibility with the ALIVE Center.	80,000
Restructure the delivery of faculty development services.	202,000
Combine WKU switchboard operations and the Welcome Center at the Augenstein Alumni Center.	15,000
Eliminate recurring funding for the Provost's Initiatives for Excellence Awards.	315,000
Subtotal	645,000

Program Reductions

Eliminate duplicative funding for the EdD stipends.	70,000
Reduce the budget for Research and Creative Activity Program grants.	50,000
Reduce funding for the Talisman yearbook and achieve additional efficiencies in Student Publications.	93,000
Reduce recurring funding for the Quality Enhancement Program.	24,000
Reduce food expenditures for guests at Parents and Family Weekend.	30,000
Reduce recurring funding for computer replacements.	41,000
Subtotal	308,000

Other Expenditure Curtailments/Revenue Adjustments

Redirect savings in the Utilities budget resulting from energy efficiencies achieved.	100,000
Eliminate budget increases based on the Higher Education Price Index (HEPI):	
Athletics	109,000
Student Technology	27,000
Student Government Association/Student Programming	8,000
Health Services	20,000
Student Centers	27,000
Reduce institutional subsidy to Athletics (excluding student aid) by 5% (\$132,000) to be achieved over five consecutive budgets.	26,000
Operating reductions achieved in nonacademic divisions.	
Campus Services	98,000
Finance & Administration	33,000
Information Technology	68,000
Student Affairs	40,000
Reduce the cell phone allowance by \$10/month.	44,000
Eliminate budgeted positions which have been vacant for 5 consecutive years.	91,000
Reduce centrally funded institutional memberships.	19,000
Close Radcliff Center in Hardin County with services being maintained at other Hardin County sites.	173,000
Reallocate tuition from DELO Cohort Programs to programs and Central Budget.	100,000
Other efficiencies.	203,000
Subtotal	1,186,000
Total	\$2,139,000

Expenditure Highlights

2013-14 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 following unavoidable cost and recurring commitment allocations are included in the 2013-14 Operating Budget:

Fixed Cost Increases

Unfunded 2% FY 2013 Salary Increase	\$2,140,000
Academics (library books/subscriptions, faculty promotions, minority faculty hiring plan)	500,000
Retirement System Rate Increase	873,000
Student Financial Assistance: Scholarships/Waivers/Grants in Aid	1,948,000
Contractual Obligations (maintenance including IT software contracts)	90,000
Maintenance and Operations	118,000
Other Compensation (salary structure, degrees/certifications)	39,000
Other Operating Expenses	245,000
Total	\$5,953,000

Other Recurring Commitments

Equipment and Classroom Improvement Funds	242,000
Implementation of WKU Marketing Program	75,000
Development Positions	120,000
Counseling Center - Operating Support Pre-Doctoral Internship Program	60,000
Student Leadership Programs	73,000
Regional Campus Marketing Support	225,000
Equipment Replacement Budget, Preston Center	125,000
Performing Artist Series	100,000
Total	\$1,020,000

Program Allocations

Nursing Growth including DNP	909,000
Physical Therapy Doctoral Program	631,000
DELO Programs	442,000
Summer School	500,000
Enrollment Management, International Recruitment and Retention Services	255,000
Cohort Programs from DELO to departments	392,000
Honors/International Programs Building, Debt Service	1,149,000
Total	\$4,278,000

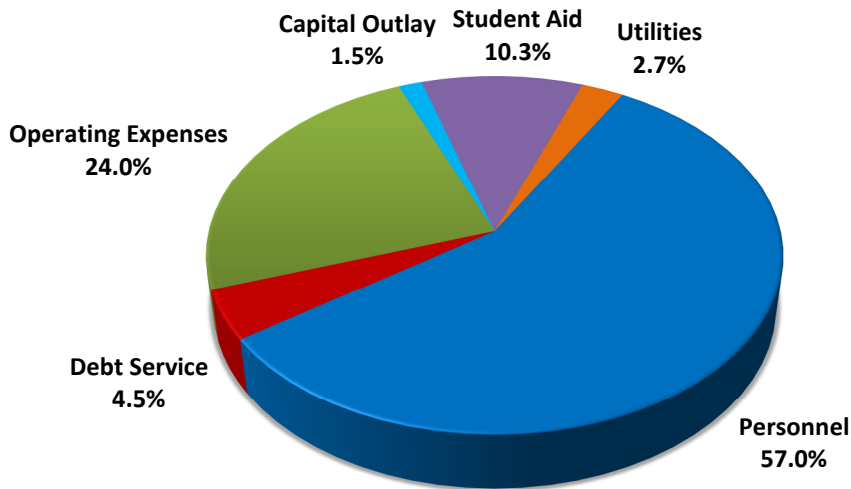
PROJECTED TUITION AND FEES REVENUE INCREASE

Fall/spring tuition (including EdD)	\$5,885,000
Navitas Program graduates, nonresident tuition	1,149,000
International tuition surcharge (undergraduate students)	255,000
DELO distribution to Central Budget	350,000
DNP/DPT	822,000
Summer	500,000
DELO registration fees	442,000
TOTAL	\$9,403,000

Expenditure Reductions Necessary to Balance Budget **\$1,848,000**

The FY 2014 budgeted expenditures, by major classification of expenditure, are summarized as follows:

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



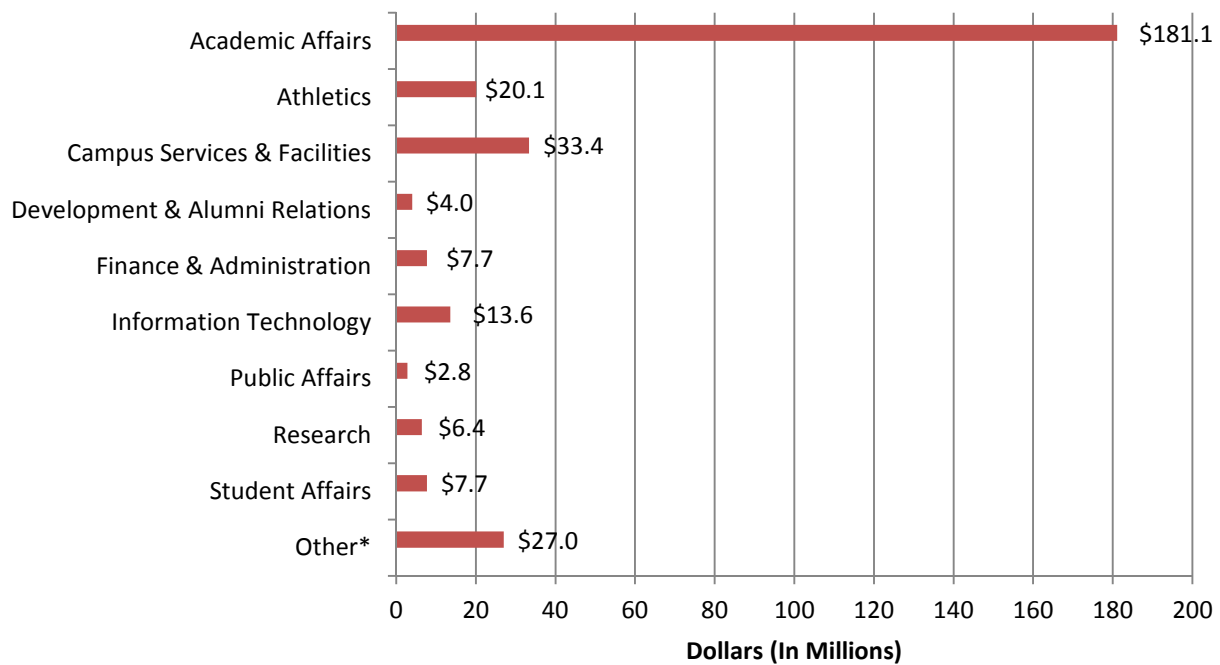
Total Budgeted Expenditures (In Millions)

<u>Major Classification</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Auxiliary</u>	<u>Total</u>
Personnel	\$173.0	\$0.1	\$8.6	\$181.7
Operating Expenses	72.7	19.7	11.4	103.8
Utilities	8.1	0	2.3	10.4
Capital Outlay	4.6	0	0.6	5.2
Student Aid	31.3	45.3	0	76.6
Debt Service	13.6	0	2.7	16.3
Total	\$303.3	\$65.1	\$25.6	\$394.0

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 2014 budgeted unrestricted E&G expenditures by organizational area. The Narrative section of the budget sets forth each division’s strategic priorities for FY 2014.

FY14 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 \$181.1 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 \$33.4 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 2014 are identified separately.

The Capital Budget totals \$112,811,500 from all sources of funds.

**TUITION AND MANDATORY STUDENT FEES SCHEDULE
PER SEMESTER**

<u>Student Level/Enrollment</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>Summer 2014/ Rate per Credit Hour</u>
Undergraduate			
Resident	\$4,236	\$4,361	\$363
Nonresident	10,500	11,124	927
International		11,448	954
Incentive	5,508	5,784	482
Graduate (Per Credit Hour)			
Resident	467	490	490
Nonresident, International	962	962	962
Nonresident, Domestic	583	640	640
Doctorate, Nurse Practitioner (Per Credit Hour)			
Resident	562	590	590
Nonresident	843	737	737
Doctorate, Physical Therapy (Per Credit Hour)			
Resident	562	590	590
Nonresident	843	737	737
Professional MBA (Per 6 Credit Hours)*			
Continuing Students	4,566	4,794	799
New Students	4,794	5,034	839
Distance Learning (Per Credit Hour)*			
Undergraduate	424	445	445
Graduate (Excluding DNP)	560	588	588
Active Military (Per Credit Hour)*	250	250	250
Dual Credit (Per Credit Hour)*		70	70
Independent Learning (Per Credit Hour)*			
Undergraduate	353	363	363
Graduate	467	490	490

Mandatory Student Fees:

Student Athletics Fee	\$216
Student Centers Fee	\$61
Student Centers Fee, DUC	
Renovation Bonds	\$70

*Mandatory student fees are not assessed to these students.