

## EXECUTIVE SUMMARY

House Bill 200, the Executive Branch Budget, was passed by the 2018 Regular Session of the Kentucky General Assembly and provides a state expenditure plan for the 2018-20 biennium. The final bill includes a 6.25% reduction to postsecondary education institutions' state appropriation, a Performance Fund pool, and increased Kentucky Employer Retirement System rates.

The enacted budget includes the following funding for the 2018-19:

	<u>2018-19</u>
General Operating	\$64,537,100
Gatton Academy of Mathematics and Science	4,747,700
Kentucky Mesonet	750,000
Subtotal	\$70,034,800
Performance Fund*	4,414,100
Total	\$74,448,900

\*The budget bill includes \$31,000,000 in the postsecondary education Performance Fund to be distributed by the Council on Postsecondary Education. WKU anticipates receiving \$4,414,100 from the Fund in 2018-19. The final distribution will be announced by CPE after data are verified.

### ***WKU 2018-19 Budget***

The *WKU 2018-19 Budget* is WKU's financial plan for the fiscal year beginning July 1, 2018 and ending June 30, 2019, 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 resources that are to be utilized at the discretion of the university. 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), WKU Restaurant Group, and the WKU Store.

The Capital Budget provides a listing of major capital and lease/purchase projects, funding sources, and the current status of these projects. 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***

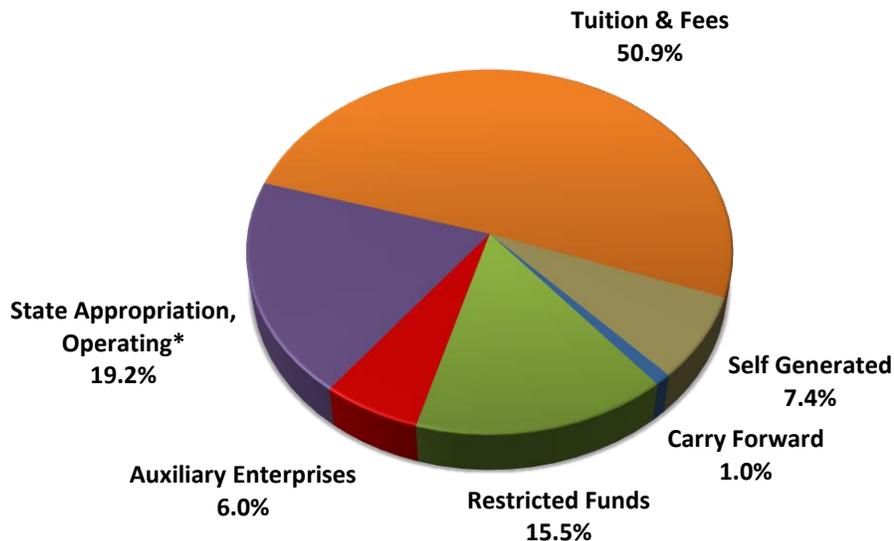
The 2018-19 Operating Budget and the dollar and percent increases, in comparison to the 2017-18 budget, are as follows:

	<b>2018-19 Budget</b>	<b>Dollar Incr/Decr</b>	<b>Percent Incr/Decr</b>
<b>Total Budget</b>	\$388,419,000	(\$25,232,000)	(6.1%)
<b>Total E&amp;G</b>	365,130,000	(25,689,000)	(6.6%)
<b>Unrestricted E&amp;G</b>	304,878,000	(29,965,000)	(8.9%)
<b>Restricted E&amp;G</b>	60,252,000	4,276,000	7.6%
<b>Total Auxiliary Enterprises</b>	23,289,000	457,000	2.0%

### **Revenue Highlights**

2018-19 budgeted revenue by source:

### **FY 2019 Projected Revenue by Source**



\*Includes state funding for the Gatton Academy of Mathematics and Science and Kentucky Mesonet.

### Total Budgeted Revenue by Source

	<u>Amount</u>	<u>Pct of Budget</u>
Tuition and Fees	\$197,858,000	50.9%
State Appropriations		
Operating	68,951,200	17.8
Kentucky Academy for M&S	4,747,700	1.2
Kentucky Mesonet	750,000	0.2
Restricted Funds		
Grants and Contracts	17,500,000	4.5
Student Financial Aid	42,752,000	11.0
Self-generated Funds	28,906,100	7.4
Carry Forward Funds	3,665,000	1.0
Auxiliary Enterprises	23,289,000	6.0
<b>TOTAL</b>	<b>\$388,419,000</b>	<b>100.0%</b>

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 six percent over two years and no more than four percent 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.

After discussions with the Board of Regents, the Administration is recommending an increase of four percent for full-time, resident, undergraduate students. The attached Schedule summarizes the tuition and mandatory fees the Administration will request be approved at the same time as the approval of the 2018-19 Operating Budget. The following are key points related to the rates being proposed:

- Undergraduate resident and nonresident rates: four percent 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: two percent 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 at one third 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; and
- The fee for online courses taken by full-time students is to be increased from \$100/credit hour to \$150/credit hour.

The Operating Budget includes projected revenue based on the 2018-19 tuition and fees rate increase, actual FY 2018 enrollment, and projected FY 2019 enrollment. The offices of Enrollment Management, Institutional Research, International Enrollment Management, Admissions, and Budget all contributed to an enrollment forecast to build the FY 2019 budget. The biggest drivers in the projected enrollment decline are international students (undergraduate and graduate), part-time resident graduate students and full-time resident undergraduate students. The forecast takes into account projected graduations, historical student progression toward degree, a drop in admissions due to a change in the Composite Academic Index, and a conservative estimate of no increase in entering freshmen class. The collective impact of these variables is a projected decline of 525 students. This projection excludes dual credit students and the practice-based doctoral programs. Tuition rates and projected revenue for the doctoral programs were determined by the respective departments with any change in revenue allocated back to the departments. The budget includes tuition and fees totaling \$197,858,000, a decrease of \$3,451,000, nearly two percent. Tuition and fees account for 50.9 percent of the total budget and 64.9 percent of the unrestricted E&G budget.

For FY 2019, the fee for online courses taken by full-time students is being increased from \$100 per credit hour to \$150 per credit hour. 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.

The FY 2019 budgeted state appropriation reflects a 6.25% reduction enacted by the Kentucky General Assembly totaling \$4,619,000, including a \$75,100 decrease to Gatton Academy for Mathematics and Science. The state appropriation also includes an allocation of performance funds totaling approximately \$4,414,100. State appropriation will account for 19.2 percent of WKU's total budget and 24.4 percent of unrestricted E&G budget.

Changes in self-generated revenue of departments across campus are allocated back to the division associated with the respective programs and activities. Carry forward (net assets) is being budgeted at a level necessary to balance the budget. It is anticipated that actual carry forward will exceed the budget due to very conservative spending in FY 2018.

Significant changes in unrestricted revenue estimates include:

- Budgeted fall and spring tuition includes a four percent tuition increase, a decline of \$4 million pertaining to an enrollment decline in FY 2018, and an additional \$6 million projected tuition loss relating to FY2019;
- WKU Pathways will decrease by \$546,000 due to the decline in international student enrollment projections;
- Communication Sciences and Disorders cohort is estimated to bring in \$445,000 in revenue;
- An increase in parking related revenues of \$251,000; and
- The budget includes carry forward (net assets) as a revenue source. \$3,665,000 from June 30, 2018 carry forward will be captured to help fund the FY 2019 reduction target.

Restricted Fund budgets from grants and contracts and federal and state student financial assistance programs comprise 15.5 percent of the total budget. Grants and contracts revenue is projected to increase by \$2 million or 13 percent primarily due to projected funding from private gifts, grants and contracts.

Budgeted student financial assistance is projected to increase by \$2.2 million or six percent. This change reflects an increase in Pell Grant funding due to regulatory changes allowing year round Pell awards. In addition, College Access Program funding is increasing based on late awarding cycle with KHEAA.

The Auxiliary Enterprises revenue estimates are increased by \$457,000 for FY 2019. The upsurge is primarily contributed to a three percent increase in dining contract commissions and capital renewal funds.

**Expenditure Highlights**

The FY 2019 budget reflects a four percent full-time budgeted employee salary increase pool totaling \$5,100,000 and a \$474,000 (including associated benefits) pool to be used for market/equity adjustments and counteroffers to retain talented faculty and staff. The increases will go into effect January 1, 2019.

With the revenue from the tuition rate increase pledged to the employee salary increase pool, the expenditure base is 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/month in FY18 to \$652/month 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
<b>Total Shortfall</b>	<b>(\$27,078,200)</b>

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.

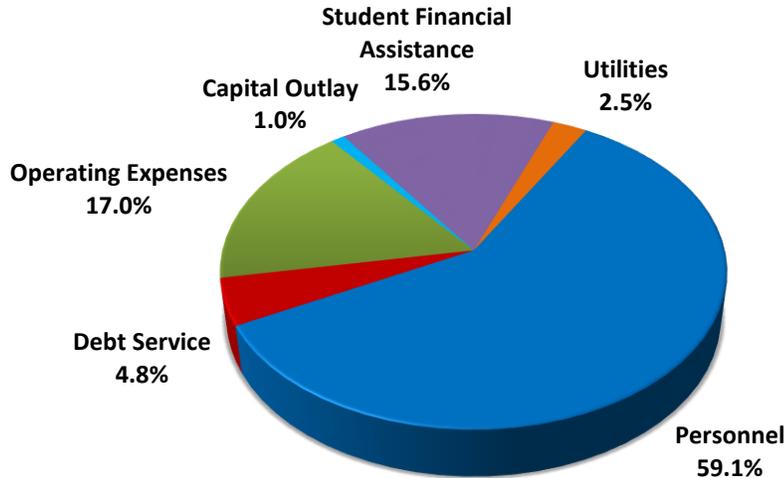
Reductions to Divisions, effective July 1, 2018	\$18,833,000
Capture Vacant Positions by January 2019	5,230,000
Carry Forward/Budget Model Step-down	3,015,200
<b>Total</b>	<b>\$27,078,200</b>

Divisional budget reductions, Phase 1 and 2, implemented for FY 2019 are listed below:

	Personnel	Non-Personnel	Total
Provost/Academic Affairs	\$8,464,493	\$1,019,798	\$9,484,291
Athletics	226,502	912,981	1,139,483
Chief Facilities Officer	750,700	959,413	1,710,113
Enrollment and Student Experience	904,663	708,076	1,612,739
Finance and Administration	738,018	322,877	1,060,895
General Counsel	0	61,453	61,453
Information Technology	1,243,428	40,000	1,283,428
International Officer	412,591	210,417	623,008
Philanthropy and Alumni Engagement	462,660	82,378	545,038
Presidential	95,587	8,173	103,760
Public Affairs	242,894	136,195	379,089
University Wide	90,000	739,703	829,703
<b>Total</b>	<b>\$13,631,536</b>	<b>\$5,201,464</b>	<b>\$18,833,000</b>

The FY 2019 budgeted expenditures, by major classification of expenditure, are summarized as follows:

## FY 2019 Unrestricted E&G Expenditures by Major Classification



### Total Budgeted Expenditures (In Millions)

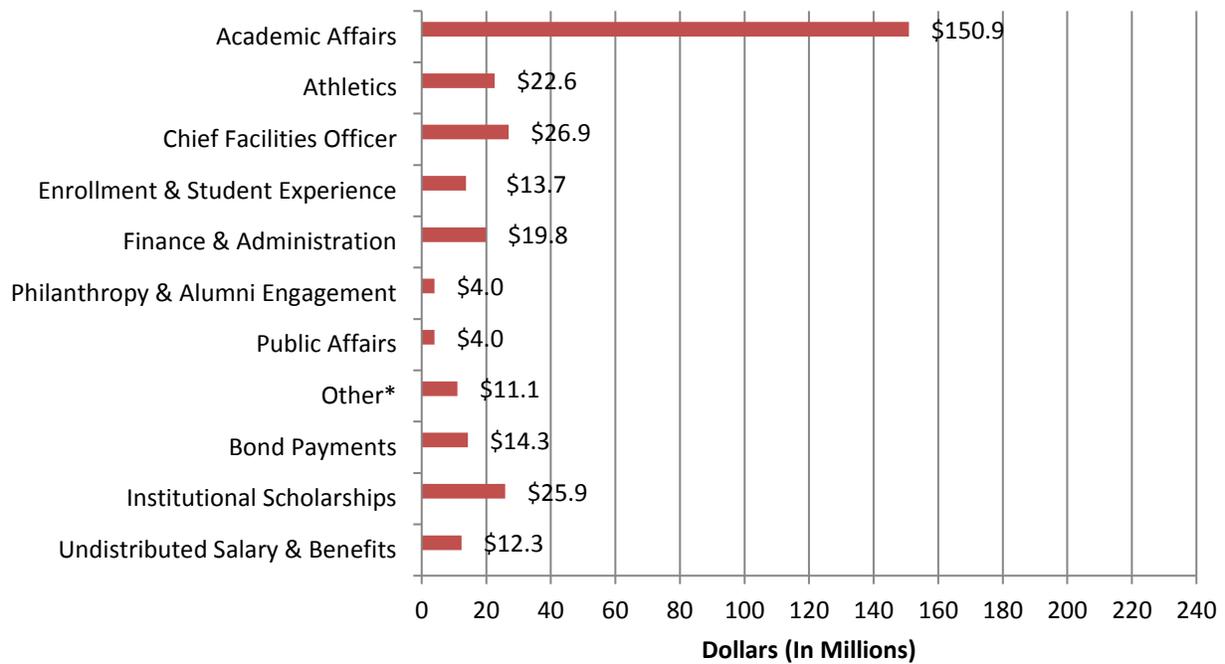
<u>Major Classification</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Auxiliary</u>	<u>Total</u>
Personnel	\$180.2	\$0.1	\$7.6	\$187.9
Operating Expenses	51.8	17.1	10.3	79.2
Utilities	7.5	0	2.3	9.8
Capital Outlay	3.0	0	0.5	3.5
Student Financial Assistance	47.7	43.0	0	90.7
Debt Service	14.7	0	2.6	17.3
<b>Total</b>	<b>\$304.9</b>	<b>\$60.2</b>	<b>\$23.3</b>	<b>\$388.4</b>

Projected personnel expenditures include salary and benefits for approximately 1,700 budgeted, full-time filled positions and 120 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 2019 budgeted unrestricted E&G expenditures. The Narrative section of the budget sets forth each division's strategic priorities for FY 2019.

## FY19 Unrestricted Budgeted Expenditures



\*Other includes Office of the President, General Counsel, and other 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, the largest division, totals \$150.9 million or about 49 percent of the unrestricted E&G budget.
- ❖ Chief Facilities Officer, the second largest division, has a budget totaling \$26.9 million or about nine percent of the unrestricted E&G budget.
- ❖ Other includes Office of the President, General Counsel, and other University-Wide. Bond payments, institutional scholarships and undistributed salary and benefits are separately identified components of University-Wide.

### **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 \$1,000,000 do not require General Assembly approval and are not included in the Capital Budget. Many projects with a scope of less than \$1,000,000 will address deferred maintenance needs and classroom improvements.

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 2019 are identified separately.

The Capital Budget totals \$77,000,000 from all sources of funds. HB 200 does not include any state funding for WKU requested capital construction projects.

## TUITION AND MANDATORY STUDENT FEES SCHEDULE PER SEMESTER

<u>Student Level/Enrollment</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>Summer 2019/ Rate per Credit Hour</u>
<b>Undergraduate</b>			
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
<b>Graduate (Per Credit Hour)</b>			
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
<b>Doctorate, Ed. Leadership (Per Credit Hour)</b>			
Resident	589	589	589
Military Resident	589	589	589
Nonresident, International	998	962	962
Nonresident, Domestic	873	873	873
<b>Doctorate, Nurse Practitioner (Per Credit Hour)</b>			
Resident	663	663	663
Nonresident	858	858	858
<b>Doctorate, Physical Therapy (Per Credit Hour)</b>			
Resident	643	643	643
Nonresident	883	909	909
Professional MBA*	5,826	5,826	
<b>Distance Learning (Per Credit Hour)*</b>			
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	
<b>WKU On Demand (Per Credit Hour)</b>			
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.