

**MINUTES  
OF THE BOARD OF REGENTS  
WESTERN KENTUCKY UNIVERSITY**

**June 21, 2019**

**CALL TO ORDER**

Required statutory notice having been given, the special budget approval meeting of the Board of Regents of Western Kentucky University was held in the *Cornelius A. Martin Regents Room* at Jody Richards Hall. The meeting was called to order by Vice Chair, Gillard B. Johnson III, at approximately 9:00 a.m. (CDT).

**ROLL CALL**

The following Regents were present, representing a quorum of the Board:

Regents Present:

Mr. Gillard B. Johnson III, Vice Chair	Ms. Julie Harris Hinson
Ms. Linda G. Ball (via audiovisual)	Mr. Jason L. McKinney
Mr. David S. Brinkley	Mr. George Nichols III (via audiovisual)
Dr. Claus Ernst	Mr. J. David Porter
Mr. Frederick A. Higdon, Secretary	

Regents Absent:

Dr. Phillip W. Bale, Chair  
Mr. Stephen Mayer, Student Regent

Others Present:

Dr. Timothy C. Caboni, President  
Dr. Randy Capps, Parliamentarian  
Ms. Julia McDonald, Assistant to the President for Board and Executive Relations

**FINANCE AND BUDGET**

FB-1 Approval of the 2019-20 Operating Budget

**REQUEST:**

Approve the 2019-20 Operating Budget.

**FACTS:**

The *WKU 2019-20 Budget* is WKU's financial plan for the fiscal year beginning July 1, 2019 and ending June 30, 2020, 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);
- Capital Budget; and
- Supplemental Information.

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, the WKU Store, and student fees supporting Downing Student Union operating and debt costs.

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.

The FY 2020 Operating Budget, in comparison to the FY 2019 budget, are as follows:

	<b>FY 2020 Budget</b>	<b>Dollar Incr/Decr</b>	<b>Percent Incr/Decr</b>
<b>Total Budget</b>	\$387,762,000	(\$657,000)	(0.2%)
<b>Total E&amp;G</b>	364,353,000	(777,000)	(0.2%)
<b>Unrestricted E&amp;G</b>	302,906,000	(1,972,000)	(0.6%)
<b>Restricted E&amp;G</b>	61,447,000	1,195,000	2.0%
<b>Total Auxiliary Enterprises</b>	23,409,000	120,000	0.5%

### **Resource Allocation and Management Planning (RAMP) and Budget Development**

In January 2018, WKU started a campus-wide initiative to create more decentralized financial management and a shared governance approach to budget development. We need to rebalance our internal investments based on strategic priorities while ensuring our budgeting system supports our core mission. RAMP is a financial management philosophy that supports decentralized decision-making and allows us to incentivize and reward performance.

Our budget model and the new governance structures of Auxiliary and Support Unit Allocation Committee, Executive Budget Committee (EBC), and the Space Allocation Committee are all components of RAMP. The budget model uses the principles of responsibility-centered management (RCM) and reflects what campuses across the nation have been adopting. Ultimately,

the incentives built into the budget model should position WKU to be competitive in Kentucky's new performance funding model as existing dollars within the state's higher education system shift between institutions.

Budget model development concluded in November 2018. Shortly afterward, the Auxiliary and Support Unit Allocation Committee and the Executive Budget Committee, which include staff, faculty and student representation, were asked to make recommendations for the FY 2020 operating budget. Over the winter, these committees received and evaluated budget requests and the EBC submitted recommendations to President Caboni on March 15. Many of the recommendations for strategic investments and fixed costs allocations are a part of this budget and are described later in this agenda item.

Given the complexity of the new model, a compressed timeline for decision-making, and the need for additional training for budget officers in the colleges, there is a phased implementation of the new model. The goal is to implement the budget model with the 2020-21 budget, though it may be three to five years before we see full achievement of our vision for a RCM budget model.

### **Revenue Highlights**

FY 2020 budgeted revenue by source:

	<b><u>Amount</u></b>	<b><u>Pct of Budget</u></b>
Tuition and Fees	\$187,313,000	48.3%
State Appropriations		
Operating	68,225,600	17.6
Kentucky Academy for M&S	4,747,700	1.2
Kentucky Mesonet	750,000	0.2
Restricted Funds		
Grants and Contracts	18,070,000	4.7
Student Financial Aid	43,377,000	11.2
Self-generated Funds	28,649,700	7.4
Carry Forward Funds	13,220,000	3.4
Auxiliary Enterprises	23,409,000	6.0
<b>TOTAL</b>	<b>\$387,762,000</b>	<b>100.0%</b>

Tuition and fees and state appropriations account for 67 percent of the total budget. While the total budget changes very little from FY 2019, there are some changes by fund sources. The budget includes a projected decline of \$10.5 million or 5 percent in tuition and fees based on a projected decline in enrollment. The offices of Enrollment Management, Institutional Research, International Enrollment Management, Admissions, and Budget all contributed to an enrollment forecast to build the FY 2020 budget; however, an early forecast had to be finalized in February 2019 in order to complete the budget development process. The forecast takes into account projected graduations, historical student progression toward degree, and a conservative estimate of no increase in the entering freshman class. The projected decline of 690 students excludes dual credit students and the practice-based doctoral programs.

The enacted state budget, House Bill 200, included reallocation of postsecondary education institutions' base budget into the Performance Fund. The reallocation for FY 2020 is one percent of the FY 2019 state appropriation for operating. The loss of \$60,100 between FY 2019 and FY 2020 is due to WKU's performance funding outcomes in relationship to other universities. (See Supplemental Information section in budget book.)

The FY 2020 budget includes an increase of \$9.6 million from carry forward. The FY 2019 budget included a budgeted carry forward of \$3,665,000 which was necessary to balance the budget. The actual total carry forward in FY 2019 was \$27,162,454. It is anticipated that conservative spending in FY 2019 will result in carry forward exceeding the \$9.6 million being budgeted. Any requests for additional expenditure authority of carry forward will be submitted to the Board of Regents for approval.

**Expenditure Highlights**

The FY 2020 budget reflects the decision to align the projected revenue generated by the two percent tuition rate increase for returning students with what traditionally have been called fixed or unavoidable costs increases. The projected funding allocations are:

**2019-20 FIXED OR UNAVOIDABLE COSTS ALLOCATIONS**

<u>Provost/Academic Affairs</u>	
Faculty promotions	\$331,635
<u>VP Enrollment and Student Experience</u>	
Student accommodations (disability services)	114,500
<u>Chief Facilities Officer</u>	
Sodexo hourly and management contracts	102,195
Trash, elevator and chiller contracts	27,577
<u>EVP Strategy, Operations and Finance</u>	
ITS maintenance and licensing agreements	155,278
<u>University-Wide</u>	
Employer health insurance	869,000
Total	\$1,600,185

The budget includes the Strategic Investment Fund with \$2.5 million to be funded from new tuition revenue and from carry forward funds held from FY 2018. The Strategic Investment Fund will provide seed money for one or two years that can be used to create, grow or enhance programs until revenue is sufficient to sustain the respective initiative. Emphasis will be placed on areas where enrollment and revenue growth can be achieved. A preliminary allocation list is provided below. There will be a reserve held for future opportunities and investments.

**Strategic Investment Fund**

Investments to grow/enhance academic programs (5)	\$483,900
Enrollment and SE: KHEAA student aid verifications software	45,000
CEBS communications specialist	42,000
Global Learning and International Affairs, international recruitment	100,000
ITS strategic initiatives	263,000
Philanthropy capital campaign	150,000
Student recruitment, marketing and enhancements	300,000
Future opportunities/investments	1,116,100
Total	\$2,500,000

## Achieving a Balanced Budget

While improvements in student retention will continue, the overall enrollment is expected to decline as fewer students begin postsecondary education, international students continue to decline and larger classes graduate creating tuition revenue challenges. The budget will include a 5.0 percent decline in tuition and increases for tuition discounting and bad debt expenses that combine to calculate the change in net tuition. Additionally, there is a projected decline in mandatory student fees (MSF) revenue.

### Summary of Unrestricted E&G Budget Balancing:

Projected <u>net</u> tuition revenue loss	(\$15,872,000)
State appropriation loss	(60,100)
Subtotal	(\$15,932,100)
E&G mandatory student fees loss	(528,000)
Total	(\$16,460,100)

### Budget Adjustments

Carry forward allocation for balancing budget	5,755,000
Carry forward allocation offset, support/auxiliary units	1,900,000
Subtotal	7,655,000
Reduction targets including mandatory student fees:	
Colleges	3,409,300
Support/auxiliary units	5,234,700
Subtotal	8,644,000
Reallocation, University-wide for MSF debt	161,100
Total	\$16,460,100

Excluding the loss of mandatory student fees, the reduction targets are split \$3,409,300 (33.5 percent) to the colleges and \$6,767,700 (66.5 percent) to auxiliary/support units. The split is consistent percentage wise with the Executive Budget Committee's recommendation that utilized data from the FY 2019 budget model. The reduction target for support/auxiliary of \$5,234,700 reflects an adjustment with a carry forward allocation of \$1.9 million. Utilizing carry forward is necessary to ensure the combined reductions from FY 2019 and FY 2020 for support and auxiliary units are sustainable. Implementing the full \$6.8 million in reduction targets was not achievable without jeopardizing operational capacity.

These reduction targets by college and by division are to be achieved over the course of the next fiscal year. For example, colleges, auxiliary, and support units may make decentralized decisions to use carry forward, unbudgeted revenue, professional development or lapse salary to manage their reduction target in FY 2020.

Distributions to colleges were determined in consideration of base budgets and performance metrics. Target reductions reflect recommendations from Provost Stevens for the colleges to President Caboni.

**Reduction Targets (including Mandatory Student Fees)**

*Colleges:*

Gordon Ford College of Business	\$266,058
College of Education and Behavioral Sciences	391,109
Potter College of Arts and Letters	1,253,585
Ogden College of Science and Engineering	859,895
College of Health and Human Services	638,653
Subtotal	\$3,409,300

*Auxiliary/Support Units (budget model):*

Provost (support units)	\$1,173,193
Athletics	365,915
Chief Facilities Officer	1,190,616
Enrollment and Student Experience	305,433
Philanthropy and Alumni Engagement	180,611
Presidential	37,651
Strategic Communications and Marketing	204,158
Strategy, Operations and Finance	475,665
University-wide	1,301,458
Subtotal	\$5,234,700

Total \$8,644,000

**Capital Budget**

The Capital Budget totals \$49,500,000 from all sources of funds. HB 200 does not include any state funding for WKU requested capital construction projects.

**RECOMMENDATION:**

President Timothy C. Caboni recommends that the Board of Regents approve the 2019-20 Operating Budget.

**MOTION:**

Motion to approve the 2019-20 Operating Budget was made by Secretary Higdon and seconded by Regent Porter.

**VOTE / ACTION TAKEN**

Approved    Not Approved    Other \_\_\_\_\_

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**NOMINATING COMMITTEE REPORT**

NC-1 Election and Approval of the 2019-20 Slate of Elected and Appointed Officers

**REQUEST:**

Election and approval of the 2019-20 Board Officers, appointment of Treasurer, and recommendations for Chairpersons of the standing Committees of the Board.

**FACTS:**

The following Regents served on the Nominating Committee for the 2019-20 Board Slate of Officers:

Mr. George Nichols III, Chair  
Ms. Linda G. Ball  
Mr. David S. Brinkley  
Mr. J. David Porter

**RECOMMENDATIONS:**

The Nominating Committee unanimously recommends the following Regents be elected to serve as officers of the Board for 2019-20:

Mr. Gillard B. Johnson III - Chair  
Mr. Frederick A. Higdon – Vice Chair  
Mr. David S. Brinkley – Secretary

*Appointment of Treasurer:*

For the purpose of fulfilling the requirements of KRS 164.330 and the Board Bylaws, the Nominating Committee recommends Ms. Susan Howarth be appointed Treasurer for 2019-20. This appointment does not alter or add to the responsibilities of Ms. Howarth’s position or employment at the University, does not include compensation, and may be withdrawn by the Board at any time, with or without cause.

*Chairpersons for Standing Committees:*

Pursuant to the Board Bylaws, the members and Chairpersons of the standing committees of the Board shall be selected by the Chair of the Board of Regents. The Nominating Committee respectfully submits the following names for consideration to serve as Chairpersons of the standing committees listed below:

Academic Affairs Committee – Dr. Phillip W. Bale  
Finance and Budget Committee – Mr. Jason L. McKinney  
Student Affairs Committee – Ms. Julie Harris Hinson

**MOTION:**

Motion to approve the 2019-20 Board Slate of Elected and Appointed Officers was made by Regent Nichols and seconded by Regent Porter.

**VOTE / ACTION TAKEN**

Approved    Not Approved    Other \_\_\_\_\_

**OTHER BUSINESS**

Vice Chair Johnson asked Regents to make note of the following calendar dates:

- August 1 – Retreat
- August 2 – Third Quarterly Meeting

- August 19 – Faculty and Staff Convocation
- September 16-17 – Governor’s Symposium on Postsecondary Education Trusteeship
- October 19 – WKU Homecoming
- October 25 – Committee Meetings
- December 13 – Fourth Quarterly Meeting
- December 14 – College Recognition Ceremonies

**ADJOURN**

MOTION

Motion to adjourn the meeting was made by Regent Brinkley and seconded by Regent Porter.

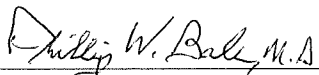
VOTE / ACTION TAKEN


Approved     Not Approved     Other \_\_\_\_\_

The meeting adjourned at approximately 9:50 a.m. (CDT).

**CERTIFICATION OF SECRETARY**

I hereby certify that the minutes herein above set forth an accurate record of the special budget approval meeting held June 21, 2019, in the *Cornelius A. Martin Regents Room* at Jody Richards Hall, and further certify that the meeting was held in compliance with KRS 61.810, 61.815, 61.820, and 61.825 (enacted as Sections 2, 3, 4 and 5 of House Bill 100, 1974 Regular Session, General Assembly).

  
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 Dr. Phillip W. Bale, Chair  
 WKU Board of Regents  
 Approved on August 2, 2019

  
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 Mr. Frederick A. Higdon, Secretary  
 WKU Board of Regents  
 Approved on August 2, 2019