



Board of Regents

SPECIAL BUDGET APPROVAL MEETING

June 21, 2013 ~ 12:30 p.m. (CDT)

**Mass Media and Technology Hall
*Cornelius A. Martin Regents Room***



WESTERN KENTUCKY UNIVERSITY
Board of Regents ~ Special Budget Approval Meeting
June 21, 2013 ~ 12:30 p.m. (CDT)
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AGENDA

- Call to Order (*Mr. Frederick A. Higdon, Chair*)
 - Invocation (*Dr. Richard C. Miller, Vice Provost and Chief Diversity Officer*)
 - Special Recognition / Presentation (*President Gary A. Ransdell*)
 - Roll Call (*Dr. Melissa B. Dennison, Secretary*)
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1. FINANCE AND BUDGET COMMITTEE (*Mr. J. David Porter*)

Action Item:

- 1.1 Approval of the 2013-14 Operating Budget including the Tuition and Fees Schedule
[pp 1-8 and separate attachment]
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2. NOMINATING COMMITTEE (*Mr. Jim Johnson*)

Action Item:

- 2.1 Recommendation / Election of 2013-14 BOR Slate of Officers **[p 9]**
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3. OTHER BUSINESS

2013 calendar dates:

- Retreat – **July 25 at 11:00 a.m. (WKU Glasgow Campus)**
 - Third Quarterly Meeting – **July 26 at 8:00 a.m. (MMTH - Regents Room)**
 - Opening Convocation – **August 23 at 8:00 a.m. (Van Meter Auditorium)**
 - CPE Governor's Trusteeship Conference – **September 12-13 (Louisville Downtown Marriott)**
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4. ADJOURNMENT

2013-14 OPERATING BUDGET AND TUITION AND FEES SCHEDULE

REQUEST:

Approve the 2013-14 Budget including the Tuition and Fees Schedule.

FACTS:

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.

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 Increase	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%

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 resident undergraduate students. 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.

Expenditures Highlights

Recurring WKU Reduction Implementation

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. Most campus departments will not be affected, and we have avoided across-the-board cuts. Budget balancing was achieved as summarized on page 5 & 6 of the Executive Summary.

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

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			
Resident	562	590	590
Nonresident	843	737	737
Doctorate, Physical Therapy			
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	560	588	588
Active Military (Per Credit Hour)*	250	250	250
Dual Credit (Per Credit Course)*		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.

RECOMMENDATION:

President Gary A. Ransdell recommends that the Board of Regents approve the 2013-14 Operating Budget including the Tuition and Fees Schedule.

MOTION:

Approve the 2013-14 Operating Budget including the Tuition and Fees Schedule.

2013-14 BOARD SLATE OF OFFICERS

REQUEST:

Election of the 2013-14 Board Officers, and appointment of Treasurer.

FACTS:

The following Regents served on the Nominating Committee for the 2013-14 Board Slate of Officers recommendation:

Mr. Frederick A. Higdon
Mr. Jim Johnson
Mrs. Cynthia Harris

RECOMMENDATION:

The Nominating Committee and President Gary A. Ransdell recommend the following Slate of Officers for 2013-14:

Mr. J. David Porter - Chair
Mr. Frederick A. Higdon - Vice Chair
Dr. Melissa B. Dennison - Secretary
Ms. K. Ann Mead - Treasurer

MOTION:

Approval of the 2013-14 Board Slate of Officers.