EXECUTIVE SUMMARY

**Kentucky believes in the transformative power of postsecondary education. This belief rests on a simple, enduring premise—a higher level of education leads to a higher quality of life, both individually and collectively.** In the world’s most enterprising and prosperous societies, postsecondary education is the engine of economic growth and the foundation of democracy**.**

Sustained, adequate funding in direct operating support to public postsecondary education institutions is vital to achieving statewide policy objectives and moving forward on the aggressive, long-term goals of HB 1 (1997). Increases in state funding, tuition revenue, and financial aid, as well as aggressive cost control, will be required to increase productivity and protect college access for low- and moderate-income students and families.

* *2011-2015 Strategic Agenda: Stronger by Degrees*

***Funding and Outcomes***

The changes in public funds (net General Fund and tuition and fees) since passage of the Postsecondary Education Reform Act of 1997 system-wide and by institution have been dramatic. In FY 1999, net General Fund was 60 percent of WKU’s total public funds per FTE student. By FY 2010, this percentage dropped to 34 percent. Each institution’s dependency on tuition revenue has grown dramatically. When adjusted for inflation, WKU’s public funds per FTE student have increased by approximately 24 percent over 11 years.

WKU has continued to demonstrate its commitment to academic quality and improved retention and graduation rates even during austere financial times. Degree completions increased by 45.5 percent over the same 11-year period. Total headcount enrollment increased 39 percent between fall 1998 and fall 2009. Among the biggest challenges have been insufficient funds to ensure competitive salaries for faculty and staff. The WKU Strategic Plan will be revised in FY 2012 with updated performance measures to be the basis for future State funding requests and WKU operating budgets.

*General Assembly*

Through the 2010 Regular Session of the Kentucky General Assembly, there was an expectation that the 2010-12 biennial budget would include funding reductions across most of state government as the legislature and the Administration sought to address a nearly $1.5 billion projected shortfall in General Fund receipts over the next two years.  Because budget action was not completed during the regular session, Governor Steven L. Beshear called a Special Session of the General Assembly to include, among a short list of priorities, the approval of an Executive Budget for 2010-12.

House Bill 1 was passed by the General Assembly during the 2010 Special Session.  Overall, most state agencies will receive a 3.5 percent funding reduction in the first year and an additional one percent reduction in the second year of the biennium.  Postsecondary education institutions, however, will be reduced by a significantly less amount: 1.4 percent of state funds in the first year and an additional one percent reduction in the second year of the biennium.

Neither the 2011 Regular Session nor the 2011 Extraordinary Session of the General Assembly resulted in any changes in approved 2011-12 state funding for postsecondary education.  However, significant financial concerns remain as the Governor develops and recommends a state budget for 2012-14.

***WKU 2011-12 Budget***

The *WKU 2011-12 Budget* is WKU’s financial plan for the fiscal year beginning July 1, 2011 and ending June 30, 2012, 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 2011-12 Operating Budget and the dollar and percent increases, in comparison to the 2010-11 budget, are as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2011-12 Budget** | **Dollar Increase** | **Pct Increase** |
| **Total Budget** | $385,047,000 | $3,324,000 | 0.9% |
| **Total E&G** | 359,993,000 | 1,308,000 | 0.4% |
| **Unrestricted E&G** | 288,092,000 | 17,193,900 | 6.3% |
| **Restricted E&G** | 71,901,000 | (15,885,900) | (18.1%) |
| **Total Auxiliary Enterprises** | 25,054,000 | 2,016,000 | 8.8% |

**Revenue Highlights**

2011-12 budgeted revenue by source:

**Total Budgeted Revenue by Source**

**Amount** **Pct of Budget**

Tuition and Fees $164,794,000 42.8%

State Appropriations

Operating 74,719,700 19.4

Kentucky Academy for M&S 2,657,600 .7

Restricted Funds

Grants and Contracts 21,870,000 5.7

Student Financial Aid 50,031,000 13.0

Self-generated Funds

(including nonrecurring) 45,920,700 11.9

Auxiliary Enterprises 25,054,000 6.5

**TOTAL $385,047,000 100.0%**

At its April 28, 2011 meeting, the Council on Postsecondary Education (CPE) approved 5 percent as the maximum resident undergraduate tuition and fees rate increase for 2011-12 at comprehensive universities. In its defense of holding the rate increase at a modest level, CPE President Bob King stated, “These tuition ceilings balance the needs of our campuses to support continued progress on retention and graduation goals and House Bill 1 (1997) goals while maintaining a high quality educational program for students.” There is a general sentiment that, during this period of sustained economic stringency, increases in resident undergraduate tuition and mandatory fees should be moderate and below historical rates of increase to ensure affordability, despite recent reductions in state General Fund support for postsecondary education.

The CPE also approved a Special Use Fees Exception Policy to help fund facilities that support student activities and services, such as student unions, fitness centers and recreation complexes. A special use fee approved by a governing board and by the CPE is exempt from the tuition rate increase cap. The Policy requires that the fee must be requested and endorsed by students. Fee information must be widely distributed, broadly discussed and voted on while school is in session. WKU received approval for a $70 per semester increase in the Student Centers Fee for the Downing University Center Renovation Project. The fee will stay in place until the bonds are retired, and the fee will not be subject to an annual increase.

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 rates and graduate rates. Resident graduate tuition and fees are being increased consistent with the undergraduate rate increase; however, the decision has been made to change to a per credit hour assessment which is common in Kentucky and across the nation.

Based on Board of Regents’ policy, the mandatory student fees are being increased based on the Higher Education Price Index (HEPI) which was 0.9 percent for 2010.

The Operating Budget includes projected revenue based on the 2011-12 tuition and fees rates included at the end of the Executive Summary and actual enrollment from fall 2010. The budget includes tuition and fees totaling $164.8 million, an increase of $9.1 million or 5.9 percent. Tuition and fees account for 42.8 percent of the total budget and 57.2 percent of the unrestricted E&G budget.

The 2011-12 Operating Budget includes the following budgeted tuition and fees revenue estimate increases:

Tuition, Fall & Spring\* $7,963,000

Tuition, Summer 391,000

Restricted Tuition 17,000

DELO\* 550,000

Student Athletics Fee 36,000

Other Student Fees 152,000

**TOTAL INCREASE $9,109,000**

**\***Numbers reflect DELO reallocation and distribution of $1,358,000 to colleges and continuation of $100,000 to central budget.

The budgeted state appropriation reflects the actions taken by the most recent Kentucky General Assembly. State appropriation will account for 20.1 percent of total budget and 26.9 percent of the unrestricted E&G budget of WKU. The budget includes state appropriations totaling $77.4 million based on the following adjustments:

FY 2011 State Appropriation $74,297,800

Add: Federal SFSF 4,410,900

FY 2011 Total $78,708,700

Increase in State Appropriation 3,629,300

Reduction in Debt Service, Existing Bonds (549,800)

Reduction in Federal SFSF (4,410,900)

FY 2012 State Appropriation $77,377,300

Percent Change in Operating Funds (1.0%)

The 2011-12 Operating Budget includes an increase of $719,300 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.

Restricted Funds from grants and contracts and federal and state student financial assistance programs comprise 18.7 percent of the total budget. Grants and contracts revenue is projected to decline by $4,803,000 or 18.0 percent across all sources (i.e., federal, state, local and private) primarily due to the loss of federal earmarks and private contracts.

Budgeted student financial assistance is projected to decline by $6,672,000 or 11.8 percent. This loss of funds reflects the Commonwealth of Kentucky’s inability to fully fund the College Access Program, federal changes in the Pell Grant program, and the elimination of the National Science and Math Access to Retain Talent and the Federal Academic Competiveness Grant programs.

The College Access Program (CAP) helps Kentucky’s financially needy undergraduate students attend eligible public and private colleges and universities, proprietary schools, and technical colleges. CAP Grants may be awarded to Kentucky residents enrolled for at least six semester hours (half time) in academic programs that take at least two years to complete. The maximum award for the 2011-2012 academic year is $1,900 ($950 each semester). Eligible part-time college students will receive an amount calculated on $79 per credit hour. The loss of funds is projected to impact 650 WKU students.

The U.S. Department of Education's Federal Student Aid Office (FSA) issued a letter to college financial aid administrators noting the changes to the Pell Grant program following the completion of FY 2011 spending. While the legislation made no changes to the maximum Pell Grant award of $5,550, it repealed, effective for the 2011-12 academic year, a 2008 provision authorizing eligible students to receive a second Pell Grant. FY 2011 was the first year WKU was able to allocate year round Pell Grant awards which were very popular with over 700 students. WKU currently awards Pell Grants to approximately 8,400 recipients or about 41 percent of our total headcount enrollment.

National Science and Math Access to Retain Talent scholarship program, also known as the National Smart Grant, will be eliminated next academic year. WKU has been awarding approximately $720,000 a year to 260 students. This grant has been available during the third and fourth years of undergraduate study (or fifth year of a five-year program) to at least half-time students who are eligible for the Federal Pell Grant and who are majoring in physical, life, or computer sciences; mathematics, technology, engineering or a critical foreign language; or non-major single liberal arts programs.

The Federal Academic Competiveness Grant program is being eliminated effective with academic year 2011-2012. This program also is targeted to talented Pell-eligible students. WKU awarded approximately $940,000 to 1,260 students in 2010-11.

The Commonwealth of Kentucky’s Teacher Scholarship Program is being phased out and no new recipients are being allowed; however, WKU may receive a second year federal allocation of $75,000 for the TEACH Grant support.

The Auxiliary Enterprises 2010-11 revenue estimates are being increased by a total of $2,016,000 above the approved FY 2011 budget. The increase is accounted for primarily by the approval of the increase in the Centers Fee to partially fund the Downing University Center Renovation Project.

**Expenditures Highlights**

***Recurring Reduction Implementation***

With the final enacted biennial budget coming in late May 2010, the 2010-11 Operating Budget included the final state appropriations allotment on the revenue side; however, there was not sufficient time to make thoughtful, programmatic expenditure reduction decisions. The FY 2011 budget included an expenditure budget balancing reduction entry of $1,123,100 and $407,000 of nonrecurring funds necessary to have a balanced 2010-11 budget. The enacted budget included an additional state funding reduction of $781,600 for FY 2012. Decisions have been made by Administrative Council on how to reduce the budget consistent with the approved state appropriations and are reflected in this budget. The nonrecurring reductions were presented to and approved by the Board of Regents. The recurring reductions by division are summarized as follows:

***Academic Affairs***

Personnel reductions totaling $1,220,837 (7 full-time faculty and 5 full-time staff $1,476,127

positions, 3 part-time transitional retiree faculty positions; partial cuts to 1 staff and

3 faculty positions, part-time funds for temporary faculty and staff members,

graduate assistant and student worker funding, stipend and salary contingency funds),

operating funds, travel/professional development, and capital funds reductions.

***Athletics***

Contingency funds in Athletic Facilities are being reduced. This will delay maintenance 47,545

projects and reduce travel capacity for staff and athletic teams.

***Campus Services and Facilities***

Eliminate 5 positions and another partial, material savings, and utility reduction. 348,800

***Chief Diversity Officer***

Temporary personnel funds, operating funds, and financial aid support will be reduced. 7,772

This will impact efforts to assist campus units in bringing their websites into ADA

Compliance; reduce support of Project Early Start (special orientation program for

minority students admitted as “Conditional Admits”); and reduce financial aid support to

minority students.

***Chief of Staff/General Counsel***

Operating and travel funds for professional development will be reduced. 5,952

***Development and Alumni Relations***

Eliminate one full-time position and new-donor acquisition annual fund piece resulting 45,965

in less donors and a reduction in alumni giving participation rate.

***Finance and Administration***

Move Employee Wellness position to WKU Health Services (revenue dependent) 65,702

and reduce computer/equipment replacement funds.

***Information Technology***

Various departments within the IT division will share in the budget reduction. 136,387

This reduction will postpone the repair and replacement of aging equipment not

only in IT but also in departments and computer labs. Parts and tools necessary

to repair computers will be reduced. The amount of equipment available to loan to students

and faculty will decrease. This reduction will also impact the implementation of new

technologies and will limit the ability to respond to unforeseen equipment failures.

***President***

Reduce President’s Home maintenance and repair funds. 10,908

***Public Affairs***

Reduce travel, non-employee services, operating funds and eliminate student aid and 25,995

scholarship. The reduction in non-employees services impacts Gala, Marketing

and Advertising, Government Relations and Campus Events.

***Research***

Reduce the cost share budgets for research and outreach. This reduction in the ability 23,972

to cost-share grant proposals will be offset by increasing the cost-sharing role of the WKU

Research Foundation.

***Student Affairs***

Reduce salary dollars due to savings on a position replacement and eliminate another 61,315

position. Also will take reduction in computer replacement funds.

***Central Budgets***

Central contingency budgets will be reduced. This will hinder funding for unique 55,260

opportunities and unanticipated expenses.

**TOTAL $2,311,700**

***2011-12 Fixed Costs and Commitments***

Fixed cost projections were calculated as part of the 2010-12 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 remain how the Commonwealth of Kentucky will address the unfunded liability in the State employee retirement systems and the lack of state funding for maintenance and operations for new academic facilities coming on line. Additional funding is needed to keep faculty and staff compensation competitive locally and nationally. The FY 2012 budget includes funds for a one percent salary increase (budgeted, filled, full-time positions only) with a floor of $500 and a ceiling of $1,000.

The following unavoidable cost and commitment allocations are included in the 2011-12 Operating Budget:

**2011-12 UNAVOIDABLE COST AND COMMITMENT ALLOCATIONS**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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| |  |  | | --- | --- | | **Estimated Fixed Cost Increases** |  | | Library Books and Subscriptions Inflationary Adjustment | $ 128,000 | | Contractual Obligations | 202,000 | | Faculty Promotions | 251,000 | | Retirement Systems Rate Increases | 562,000 | | Life Insurance (increase benefit from $15,000 to $30,000) | 45,000 | | Faculty & Staff Health Insurance (fully fund FY 2011 increase) | 641,000 | | Maintenance and Operations /Utilities Costs | 1,242,000 | | Scholarships/Financial Aid |  | | Scholarships, Institutional and Departmental | 622,000 | | State Mandated Tuition Waivers | 246,000 | | Faculty Staff Tuition Benefit | 373,000 | | Athletic Scholarships | 339,000 | | Institutional Fellowships & Reciprocity | 375,000 | | **Subtotal** | **5,026,000** | |  |  | | **Other Commitments** |  | | Graduate Assistantships Tuition Rate Increase Offset | 31,000 | | Salary Adjustments (including benefits) | 1,250,000 | | Restricted Tuition Programs (Technology, Health Svs, SGA/Programming) | 17,000 | | Parking & Transportation Revenue Allocated to P&T (Year 10 of 10) | 58,000 | | Honors College Staffing Plan | 149,000 | | Fellowship Support | 45,000 | | DELO Distribution (Online, Contracts, Dual Credit & Independent Learning) | 550,000 | | DELO Distribution (Part-Time Salaries Permanent Budget) | 1,358,000 | | Summer School | 391,000 | | **Subtotal** | **3,849,000** | |  |  | | **TOTAL** | **8,875,000** | |  |  | | **PROJECTED REVENUE INCREASE** |  | | Fall/Spring Tuition | 6,585,000 | | Summer Tuition | 382,000 | | DELO | 550,000 | | DELO Distribution to Colleges | 1,358,000 | | **Total** | **$8,875,000** | |
|  |

The FY 2012 budgeted expenditures, by major classification of expenditure, are summarized as follows:

**Total Budgeted Expenditures (In Millions)**

**Major Classification Unrestricted Restricted Auxiliary Total**

Personnel $165.9 $0.1 $8.3 $174.3

Operating Expenses 69.1 21.5 10.7 101.3

Utilities 8.4 0 2.8 11.2

Capital Outlay 4.8 0 0.5 5.3

Student Aid 26.7 50.3 0 77.0

Debt Service 13.2 0 2.7 15.9

Total $288.1 $71.9 $25.0 $385.0

Personnel expenditures include salary and benefits for approximately 2,000 budgeted, full-time filled positions and 170 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 2012 budgeted unrestricted E&G expenditures by organizational area. The Narrative section of the budget sets forth each division’s strategic priorities for FY 2012.

\*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 $173.5 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 $33.0 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 2010-12 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 or scheduled for FY 2012 are identified separately.

The Capital Budget totals $74,573,700 from all sources of funds.

**TUITION AND MANDATORY STUDENT FEES SCHEDULE**

**PER SEMESTER**

**Summer 2012/**

**Student Level/Enrollment FY 2011 FY 2012 Rate per Credit Hour**

Undergraduate

Resident $3,780 $4,042 $337 Nonresident 9,420 10,008 834

Incentive 4,836 5,172 431

Graduate (Per Credit Hour effective Fall 2011)

Resident 4,160 445 445 Nonresident, International 9,550 962 962

Nonresident, Domestic 4,610 489 489

Professional MBA (Per 6 Credit Hours)\*

Continuing Students 4,142 4,350 725

New Students 4,350 4,566 761

Doctorate, Nurse Practitioner

Resident 535 535

Nonresident 802 802

Distance Learning (Per Credit Hour)\*

Undergraduate 378 397 397

Graduate 499 526 526

GoArmyEd (MOA, Per Credit Hour)\* 250 250 250

Dual Credit (Per Credit Course)\* 200 200 200

Independent Learning (Per Credit Hour)\*

Undergraduate 315 331 331

Graduate 416 438 438

**Mandatory Student Fees:**

Student Athletics Fee $207

Student Centers Fee $59

Student Centers Fee, DUC

Renovation Bonds $70

\*Mandatory student fees are not assessed to these students.