EXECUTIVE SUMMARY

Economic development and higher education cannot be mutually exclusive terms, particularly at a time when the world and the nation are slowly moving from the wreckage of a deep recession. If history has taught us anything, higher education can provide the means for a community, a region or a country to reinvent, re-tool or re-think its prime industries and economy. Talented human capital in the form of a college-educated community population can provide the impetus for writing a new chapter in the success of a community’s economic viability, and, ultimately its economic vitality.

 Dr. Milton D. Glick, President, University of Nevada, Reno

 October 2009

*2010 Extraordinary 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. Through the 2010 Regular Session, there was an expectation that the biennial budget would include state funding reductions across most of state government. It was anticipated that the budget had to address a nearly $1.5 billion projected shortfall in General Fund receipts over the next two years.

House Bill 1 was enacted by the General Assembly during the Special Session. Overall, most state agencies will receive a 3.5 percent state funding reduction in the first year and an additional 1.0 percent cut in the second year of the biennium. Postsecondary education remains an economic priority for the Administration and the General Assembly as evidenced by a 1.4 percent state funding reduction in the first year and an additional 1.0 percent cut in the second year of the biennium.

***WKU 2010-11 Budget***

The *WKU 2010-11 Budget* is WKU’s financial plan for the fiscal year beginning July 1, 2010 and ending June 30, 2011, and it includes the Operating Budget and Capital Budget. The budget document includes the following components:

* Narratives by area that summarize Strategic Plan priorities;
* Glossary of Terms and Abbreviations;
* Revenue Summary;
* Expenditure Summary by Organizational Area (Unrestricted, Restricted, and Auxiliary Enterprises) 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 derived 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. Projects that are authorized but are not likely to be started in FY 2011 are separately identified.

***Operating Budget Summary***

The 2010-11 Operating Budget and the dollar and percent increases, in comparison to the 2009-10 budget, are distributed as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2010-11 Budget** | **Dollar Increase** | **Pct Increase** |
| **Total Budget** | $381,723,000 | $29,443,500 | 8.4% |
|  **Total E&G** | 358,685,000 | 28,256,700 | 8.6% |
|  **Unrestricted E&G** | 270,898,100 | 12,611,900 | 4.9% |
|  **Restricted E&G** | 87,786,900 | 15,644,800 | 21.7% |
|  **Total Auxiliary Enterprises** | 23,038,000 | 1,186,800 | 5.4% |

**Revenue Highlights**

2010-11 budgeted revenue by source:

**Total Budgeted Revenue by Source**

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

 Tuition and Fees $155,685,000 40.8%

 State Appropriations

 Operating 71,090,400 18.6

 Designated\* 3,207,400 .8

 Restricted Funds

 Grants and Contracts 26,673,000 7.0

 Student Financial Aid 56,703,000 14.9

 State Fiscal Stabilization Fund 4,410,900 1.2

 Self-generated Funds

 (including nonrecurring) 40,915,300 10.7

 Auxiliary Services 23,038,000 6.0

 **TOTAL $381,723,000 100.0%**

 \*Includes state-supported debt and the Kentucky Academy for Mathematics and Science.

The Unrestricted E&G budget represents 71.0 percent of the total budget and tuition and fees supporting the Unrestricted E&G budget represent 57.5 percent of the Unrestricted E&G budget. Thus, the most important source of unrestricted funds to meet projected fixed costs obligations is derived from tuition and fees. At its April 23, 2010 meeting, the Council on Postsecondary Education (CPE) approved 5 percent as the maximum resident undergraduate tuition and fees rate increase for 2010-11 at comprehensive universities. In its defense of holding the rate increase at a modest level, the CPE expressed 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. For Kentucky students and families, particularly those with low to moderate incomes, it is anticipated that increases in Pell grants and institutionally provided need-based aid, and expanded postsecondary education tax credits stemming from the recently enacted federal stimulus package will offset a portion of these increases over the next year.”

The CPE approves all tuition and fees rates; however, each institution has more flexibility in setting nonresident and graduate rates. Resident graduate tuition and fees are being increased 5 percent consistent with the undergraduate rate increase. Nonresident rates, with the exception of graduate international, are being increased 6 percent. The graduate international rate is not being increased due to market conditions and our intent to remain competitive in student recruitment.

Based on Board policy, the mandatory student fees are being increased based on the Higher Education Price Index (HEPI) which was 2.3 percent for 2009.

The Operating Budget includes projected revenue based on the 2010-11 tuition and fees rates included at the end of the Executive Summary and actual enrollment from fall 2009. The budget includes tuition and fees totaling $155.7 million, an increase of $9.3 million or 6.3 percent.

The 2010-11 Operating Budget includes the following budgeted tuition and fees revenue estimate adjustments:

 Tuition, Fall & Spring (including Restricted Tuition) 5,999,000

 Tuition, Summer (including Restricted Tuition) 266,000

 Tuition, EdD Program 111,000

 DELO Tuition, Winter (245,000)

 DELO Online Learning (Fall, Spring, Winter & Summer) 1,049,000

 DELO Contract Learning 839,000

 DELO, Independent Learning 383,000

 Student Athletics Fee 336,000

 Other Student Fees 554,000

 **TOTAL INCREASE $9,292,000**

The budgeted state appropriation reflects the actions taken by the most recent Kentucky General Assembly. The budget includes state appropriations totaling $74.3 million, a decrease of $1,258,000. Funding previously appropriated to the Council on Postsecondary Education for the Regional Stewardship initiative is being allocated to the respective comprehensive universities. WKU is receiving $268,200 in state funding; however, this represents an offsetting loss in state grants as well. Funding for state-supported bonds is decreasing $1,408,300. There is no fiscal impact with this reduction as the bonds payments are decreasing by a like amount. Lastly, the budget includes $1,005,200 in state funding to replace the State Fiscal Stabilization Funds (SFSF) which will be reduced in FY 2011. State Fiscal Stabilization Funds are supporting unrestricted expenditures. The funds are technically restricted funds from the Federal government. If state funding is not available in FY 2012, WKU could be faced with a budget reduction of $4,410,900 when no State Fiscal Stabilization Funds remain.

Changes in state appropriations and State Fiscal Stabilization Funds between the original FY 2009-10 budget and the FY 2010-11 budget are summarized as follows:

**House Bill 406, FY 2010 $83,371,600**

FY 2010 Proposed Increase Eliminated (787,200)

2% Mandated Budget Reduction (1,612,500)

Decrease in State Appropriation (5,416,100)

Allocation of State Fiscal Stabilization Funds 5,416,100

Transfer of Regional Stewardship Funds 268,200

Decrease in State Fiscal Stabilization Funds (1,005,200)

Replacement of State Fiscal Stabilization Funds 1,005,200

Decrease in State Appropriation (1.4%) (1,123,100)

Reduction in Debt Service, Existing Bonds (1,408,300)

**House Bill 1, FY 2011 (including SFSF) $78,708,700**

Percent Change in Operating Funds (4.0%)

Percent Change in Debt Service (71.9%)

State appropriation will account for 20.7 percent of total E&G budget and 27.4 percent of the unrestricted E&G budget of WKU. Actual and projected state support per FTE student are as follows:

 State Appropriation

 Year FTE Students State Appropriation Per FTE Student

 1999-00 12,238 $55,653,400 $4,548

 2009-10 16,466 $70,967,600 $4,310

 10-Yr Pct Change 34.5% 27.5% (5.2%)

 2010-11 (Projected) 16,466 $71,090,400 $4,317

 1-Yr Pct Change 0.2% 0.2%

 Note: The state support per FTE student calculations exclude state-supported debt service and the Academy of Mathematics and Science. Projected 2010-11 is based on actual fall 2009 enrollment excluding the Academy students.

The 2010-11 Operating Budget includes an increase of $709,900 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 21.9 percent of the total budget. Additionally, the budget includes $4,410,900 in federal State Fiscal Stabilization Funds – a decrease of $1,005,200 offset by a similar increase in state appropriations.

Grants and contracts revenue is projected to increase by $1,354,000 or 5.3 percent across all sources (i.e., federal, state, and private) with the greatest opportunity being in federal funding.

An increase of $15.3 million (36.9 percent) in student financial assistance reflects actual FY 2010 awards data and projected student eligibility with an increase in Pell Grant maximum awards. The largest budgeted increases are in the federal programs of Pell Grants (71.6 percent) and Academic Competitiveness Grants (53.1 percent). At the time that Pell Grant projections were finalized for FY 2010, regulatory changes regarding year round awards had not occurred. This summer is the first semester WKU has seen the impact. Early in summer registration, WKU has seen summer Pell Grant awards of approximately $1.5 million in comparison to $337,000 for last summer. Thus, the final numbers for FY 2010 may exceed the original Pell Grants estimate by over 30 percent.

Pell awards are based on the Expected Family Contribution (EFC). For FY 2010, the maximum EFC was $4,617 and it will increase to $5,273 for FY 2011. The maximum Pell Grant award for zero EFC is increasing $200 from $5,350 to $5,550. While an increase in Pell is anticipated due to the EFC/award amount changes, the most significant change will result from the regulatory change that allows multiple Pell Grant awards in one academic year. Due to the combined changes, at least 7,700 Pell Grant recipients are estimated for FY 2011.

Significant regulatory changes have occurred that impact awards for the National Science and Mathematics Access to Retain Talent (SMART) and the federal Academic Competitiveness Grant (ACG). SMART grants now may be awarded to part-time students and all foreign language majors. ACG awards are extended to part-time students also.

Eligibility for the Commonwealth’s College Access Program is consistent with the EFC used for awarding Pell Grants. Due to the increase in maximum EFC used for awarding purposes, the increase in the number of eligible applicants that applied prior to the priority date of March 15th, and the absence of state budget at time awards were made, funding for the Commonwealth’s College Access Program is expected to decline approximately 16% from the original projection.

At this time, the Teacher Scholarship Program is being phased out and no new recipients are being allowed; thus, resulting in an estimated reduction of $320,000.

The Auxiliary Enterprises 2009-10 revenue estimates are being increased by a total of $1,186,800 above the approved FY 2010 budget. The increase is accounted for primarily by increased Bookstore book and apparel sales.

**Expenditures Highlights**

Fixed cost projections were prepared as part of the 2010-12 Biennial Budget request process. Throughout the legislative session, these projections have been revised as necessary. The most significant funding concerns pertain to increases in State employee retirement system contribution rates and the lack of state funding for maintenance and operations for new facilities coming on line. A full list of estimated fixed cost increases is provided below.

With the final enacted biennial budget coming in late May, the 2010-11 Operating Budget includes the final state appropriations allotment on the revenue side; however, there was not sufficient time to make thoughtful, programmatic expenditure reduction decisions. Thus, the budget includes an expenditure budget balancing reduction entry of $1,123,100. Decisions will be made in the summer/fall on how to reduce the budget consistent with the approved state appropriations and will be submitted to the Board of Regents for approval.

The following unavoidable cost and commitment allocations are included in the 2010-11 Operating Budget with the funding sources being the projected revenue resulting from the approved tuition rates and nonrecurring funds necessary to have a balanced budget:

**2010-11 UNAVOIDABLE COST AND COMMITMENT ALLOCATIONS**

|  |  |
| --- | --- |
| Estimated Fixed Cost Increases |  |
| Retirement Systems |  1,305,000  |
| Unemployment Compensation |  96,000  |
| Library Books and Subscriptions Inflationary Adjustment |  149,000  |
| Contractual Obligations (Incl. Property Insurance) |  381,000  |
| Faculty Promotions  |  303,000  |
| Health Insurance (1/2 yr. of FY 2010 Incr.) |  260,000  |
| FY 2011 Health Insurance (1/2 of FY 2011) |  623,000  |
| Campus Additions Maintenance/Utilities Costs |  1,310,000  |
| Scholarships/Financial Aid |  1,511,000  |
| Graduate Assistantships (resident tuition increase offset) |  120,000  |
|  **Subtotal** |  **6,058,000**  |
| Other Commitments |  |
| ADA Web Sites Compliance Position |  54,000  |
| Technical Director for Van Meter Auditorium |  55,000  |
| Restricted Tuition Programs (Technology, Health Svs, SGA/Programming) |  144,000  |
| Parking & Transportation Revenue Allocated to P&T (Year 9 of 10) |  58,000  |
| DELO Distribution (Online, Contracts, Dual Credit & Independent Learning) |  2,026,000  |
| Education Leadership Doctoral Program |  111,000  |
| Summer School |  303,000  |
|  **Subtotal** |  **2,751,000**  |
|  |  |
| **TOTAL** |  **8,809,000**  |
|  |  |
| **PROJECTED REVENUE INCREASE** |  |
| Fall/Spring Tuition  |  5,999,000  |
| Summer Tuition |  266,000  |
| Doctoral Program, Education |  111,000  |
| DELO |  2,026,000  |
| Nonrecurring (Carry Forward) |  407,000  |
| **TOTAL** |  **8,809,000**  |

The FY 2011 budgeted expenditures, by major classification of expenditure, are summarized as follows:

**Total Budgeted Expenditures (In Millions)**

 **Major Classification Unrestricted Restricted Auxiliary Total**

 Personnel $158.6 $0.1 $7.9 $166.6

 Operating Expenses 66.0 26.3 11.1 103.4

 Budget Reduction Reserve (1.1) 0 0 (1.1)

 Utilities 9.3 0 2.9 12.2

 Capital Outlay 5.1 0 0.6 5.7

 Student Aid 20.3 61.4 0 81.7

 Debt Service 12.7 0 0.5 13.2

 Total $270.9 $87.8 $23.0 $381.7

Personnel expenditures include salary and benefits for approximately 2,000 budgeted, full-time filled positions and 150 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 2011 budgeted unrestricted E&G expenditures by organizational area. The Narrative section of the budget sets forth each division’s strategic priorities for FY 2011.

\*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 and $4,410,900 of Federal State Fiscal Stabilization Funds that cannot be separately identified.

* The Division of Academic Affairs, including institutional scholarships and fellowships, totals $164.1 million or about 61 percent of the unrestricted E&G budget.
* The Division of Campus Services and Facilities, the second largest division, has a budget totaling $31.6 million or about 12 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 2011 are identified separately.

The Capital Budget totals $101,298,000 from all sources of funds.

**TUITION AND MANDATORY STUDENT FEES SCHEDULE**

**PER SEMESTER**

 **Summer 2011/**

**Student Level/Enrollment FY 2010 FY 2011 Rate per Credit Hour**

Undergraduate

 Resident $3,600 $3,780 $315

 Nonresident 8,892 9,420 785

 Incentive 4,560 4,836 403

Graduate

 Resident 3,960 4,160 416 Nonresident, International\* 9,550 9,550 506

 Nonresident, Domestic 4,350 4,610 461

Professional MBA (Per 6 Credit Hours)\*\*

 Continuing Students 4,142 4,142 690

 New Students 4,142 4,350 725

Distance Learning (Per Credit Hour)\*\*

 Undergraduate 360 378 378

 Graduate 475 499 499

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

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

Independent Learning (Per Credit Hour)\*\*

 Undergraduate 300 315 315

 Graduate 396 416 416

**Mandatory Student Fees:**

Student Athletics Fee $205

Student Centers Fee $ 59

 \*Full-time International graduate students will be awarded graduate fellowship of $4,490 per semester.

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