

## **EXECUTIVE SUMMARY**

House Bill 265, the Executive Branch Budget, was passed by the 2012 Regular Session of the Kentucky General Assembly and provides a state expenditure plan for the 2012-14 biennium. The budget is premised on modest revenue growth of 3.0 percent in FY 2014. However, the fiscal plan still calls for one-time funds to balance the budget. Postsecondary education institutions are to receive no increase in State General Fund support in FY 2014.

### ***WKU 2013-14 Budget***

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.

### ***Operating Budget Summary***

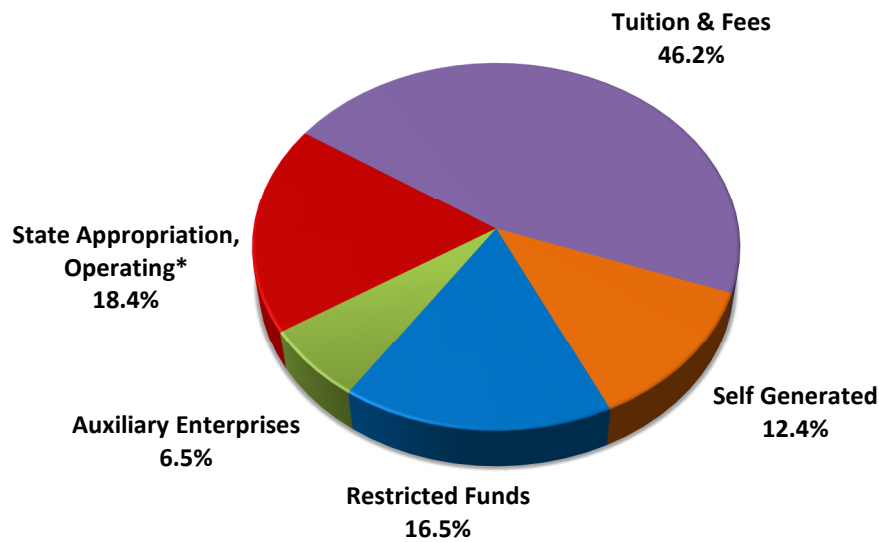
The 2013-14 Operating Budget and the dollar and percent increases, in comparison to the 2012-13 budget, are as follows:

|                                    | <b>2013-14 Budget</b> | <b>Dollar Incr/Decr</b> | <b>Pct Increase</b> |
|------------------------------------|-----------------------|-------------------------|---------------------|
| <b>Total Budget</b>                | \$393,959,000         | \$5,362,000             | 1.4%                |
| <b>Total E&amp;G</b>               | 368,361,000           | 3,948,000               | 1.1%                |
| <b>Unrestricted E&amp;G</b>        | 303,227,000           | 8,374,000               | 2.8%                |
| <b>Restricted E&amp;G</b>          | 65,134,000            | (4,426,000)             | (6.4%)              |
| <b>Total Auxiliary Enterprises</b> | 25,598,000            | 1,414,000               | 5.8%                |

### **Revenue Highlights**

2013-14 budgeted revenue by source:

### **FY 14 Projected Revenue by Source**



\*Includes state funding for the Gatton Academy of Math and Science.

### **Total Budgeted Revenue by Source**

|                           | <u><b>Amount</b></u> | <u><b>Pct of Budget</b></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                         |
| <b>TOTAL</b>              | <b>\$393,959,000</b> | <b>100.0%</b>               |

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 in-state undergraduate students at Kentucky's public colleges and universities. 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.

### **2013-14 Budget Reduction Plan**

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. None of these were easy decisions, nor were they ideal. Most campus departments will not be affected, and we have avoided across-the-board cuts, which are tough on morale. Budget balancing is achieved through the following actions (rounded to the nearest thousand):

#### **Program Eliminations and Consolidations**

|  |                |
|--|----------------|
| Eliminate the Center of Excellence in the College of Education and Behavioral Sciences.    | \$33,000       |
| Merge the Institute for Citizenship and Social Responsibility with the ALIVE Center.       | 80,000         |
| Restructure the delivery of faculty development services.                                  | 202,000        |
| Combine WKU switchboard operations and the Welcome Center at the Augenstein Alumni Center. | 15,000         |
| Eliminate recurring funding for the Provost's Initiatives for Excellence Awards.           | 315,000        |
| <b>Subtotal</b>  | <b>645,000</b> |

#### **Program Reductions**

|   |                |
|---|----------------|
| Eliminate duplicative funding for the EdD stipends.   | 70,000         |
| Reduce the budget for Research and Creative Activity Program grants.                                  | 50,000         |
| Reduce funding for the Talisman yearbook and achieve additional efficiencies in Student Publications. | 93,000         |
| Reduce recurring funding for the Quality Enhancement Program.   | 24,000         |
| Reduce food expenditures for guests at Parents and Family Weekend.                                    | 30,000         |
| Reduce recurring funding for computer replacements.   | 41,000         |
| <b>Subtotal</b>   | <b>308,000</b> |

**Other Expenditure Curtailments/Revenue Adjustments**

|   |                    |
|---|--------------------|
| Redirect savings in the Utilities budget resulting from energy efficiencies achieved.   | 100,000            |
| Eliminate budget increases based on the Higher Education Price Index (HEPI):  |                    |
| Athletics   | 109,000            |
| Student Technology  | 27,000             |
| Student Government Association/Student Programming  | 8,000              |
| Health Services   | 20,000             |
| Student Centers   | 27,000             |
| Reduce institutional subsidy to Athletics (excluding student aid) by 5% (\$132,000) to be achieved over five consecutive budgets. | 26,000             |
| Operating reductions achieved in nonacademic divisions.   |                    |
| Campus Services   | 98,000             |
| Finance & Administration  | 33,000             |
| Information Technology  | 68,000             |
| Student Affairs   | 40,000             |
| Reduce the cell phone allowance by \$10/month.  | 44,000             |
| Eliminate budgeted positions which have been vacant for 5 consecutive years.  | 91,000             |
| Reduce centrally funded institutional memberships.  | 19,000             |
| Close Radcliff Center in Hardin County with services being maintained at other Hardin County sites.                               | 173,000            |
| Reallocate tuition from DELO Cohort Programs to programs and Central Budget.  | 100,000            |
| Other efficiencies.   | 203,000            |
| <b>Subtotal</b>   | <b>1,186,000</b>   |
| <b>Total</b>  | <b>\$2,139,000</b> |

**Expenditure Highlights*****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            |
| <b>Total</b>  | <b>\$5,953,000</b> |

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            |
| <b>Total</b>  | <b>\$1,020,000</b> |

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          |
| <b>Total</b>  | <b>\$4,278,000</b> |

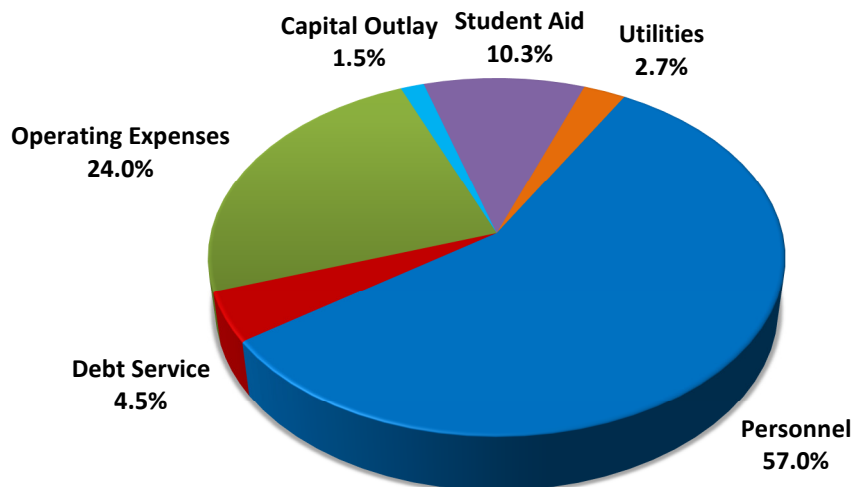
**PROJECTED TUITION AND FEES REVENUE INCREASE**

|  |                    |
|--|--------------------|
| 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            |
| <b>TOTAL</b>   | <b>\$9,403,000</b> |

**Expenditure Reductions Necessary to Balance Budget** **\$1,848,000**

The FY 2014 budgeted expenditures, by major classification of expenditure, are summarized as follows:

### Unrestricted E&G Expenditures by Major Classification



#### Total Budgeted Expenditures (In Millions)

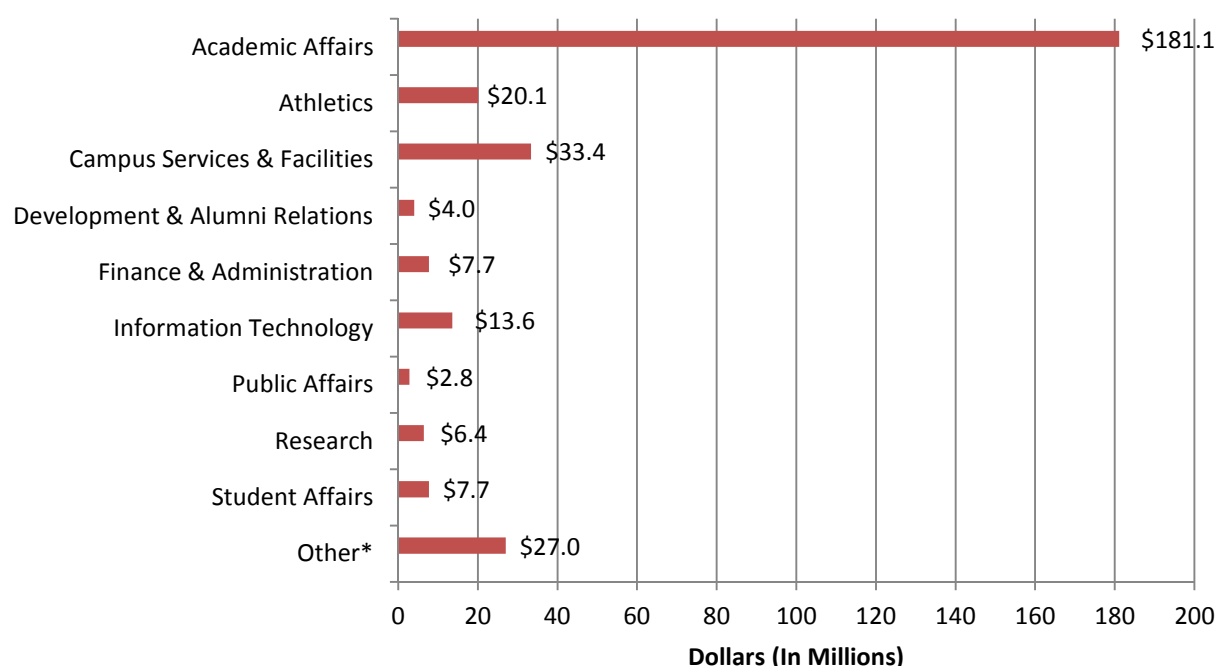
| <u>Major Classification</u> | <u>Unrestricted</u> | <u>Restricted</u> | <u>Auxiliary</u> | <u>Total</u>   |
|-----------------------------|---------------------|-------------------|------------------|----------------|
| Personnel                   | \$173.0             | \$0.1             | \$8.6            | \$181.7        |
| Operating Expenses          | 72.7                | 19.7              | 11.4             | 103.8          |
| Utilities                   | 8.1                 | 0                 | 2.3              | 10.4           |
| Capital Outlay              | 4.6                 | 0                 | 0.6              | 5.2            |
| Student Aid                 | 31.3                | 45.3              | 0                | 76.6           |
| Debt Service                | 13.6                | 0                 | 2.7              | 16.3           |
| <b>Total</b>                | <b>\$303.3</b>      | <b>\$65.1</b>     | <b>\$25.6</b>    | <b>\$394.0</b> |



Personnel expenditures include salary and benefits for approximately 2,000 budgeted, full-time filled positions and 200 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 2014 budgeted unrestricted E&G expenditures by organizational area. The Narrative section of the budget sets forth each division's strategic priorities for FY 2014.

### FY14 Budgeted Expenditures by Organizational Area



\*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 \$181.1 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 \$33.4 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 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**

| <b><u>Student Level/Enrollment</u></b>          | <b><u>FY 2013</u></b> | <b><u>FY 2014</u></b> | <b><u>Summer 2014/<br/>Rate per Credit Hour</u></b> |
|---|-----------------------|-----------------------|---|
| 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 (Per Credit Hour) |                       |                       |   |
| Resident  | 562                   | 590                   | 590   |
| Nonresident                                     | 843                   | 737                   | 737   |
| Doctorate, Physical Therapy (Per Credit Hour)   |                       |                       |   |
| 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 (Excluding DNP)                        | 560                   | 588                   | 588   |
| Active Military (Per Credit Hour)*              | 250                   | 250                   | 250   |
| Dual Credit (Per Credit Hour)*                  |                       | 70                    | 70  |
| Independent Learning (Per Credit Hour)*         |                       |                       |   |
| Undergraduate                                   | 353                   | 363                   | 363   |
| Graduate  | 467                   | 490                   | 490   |

**Mandatory Student Fees:**

|                          |       |
|--------------------------|-------|
| Student Athletics Fee    | \$212 |
| Student Centers Fee      | \$60  |
| Student Centers Fee, DUC |       |
| Renovation Bonds         | \$70  |

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