

EXECUTIVE SUMMARY

Governor Steven L. Beshear gave his eighth and final State of the Commonwealth address on January 7, 2015. He declared “Kentucky is back and we’re back with a vengeance.” Governor Beshear also declared the state of the Commonwealth to be strong. He noted in education, we have energized reform efforts to focus on rigorous standards, aligned assessments, and better prepared students for life after high school. Much has been accomplished in education as universities and employers alike were sounding the alarm that Kentucky students were simply not prepared.

House Bill 235, the Executive Branch Budget was passed by the 2014 Regular Session of the Kentucky General Assembly and provides a state expenditure plan for the 2014-16 biennium. FY 2016 is the second year of the biennium and WKU will be awarded \$2 million for the expansion of the Gatton Academy of Mathematics and Science. Funding will allow the enrollment in the Gatton Academy to increase from 120 to 200 students for fall 2016. With the exception of the Gatton Academy, WKU’s FY 2016 state appropriation will remain flat. However, for the 2016-18 biennium there is optimism that a new funding model will be agreed upon by the Council on Postsecondary Education and the eight Kentucky public institutions and KCTCS. In designing this new model, the focus has been on equity and performance measures.

The following WKU state appropriation changes are included in the FY 2015-16 year of the enacted biennial budget:

	<u>2015-16</u>
Base Operating Funds	\$0
Gatton Academy of Mathematics and Science	2,000,000
Total	\$2,000,000

WKU 2015-16 Budget

The *WKU 2015-16 Budget* is WKU’s financial plan for the fiscal year beginning July 1, 2015 and ending June 30, 2016, 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), WKU Restaurant Group, and the WKU Store.

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

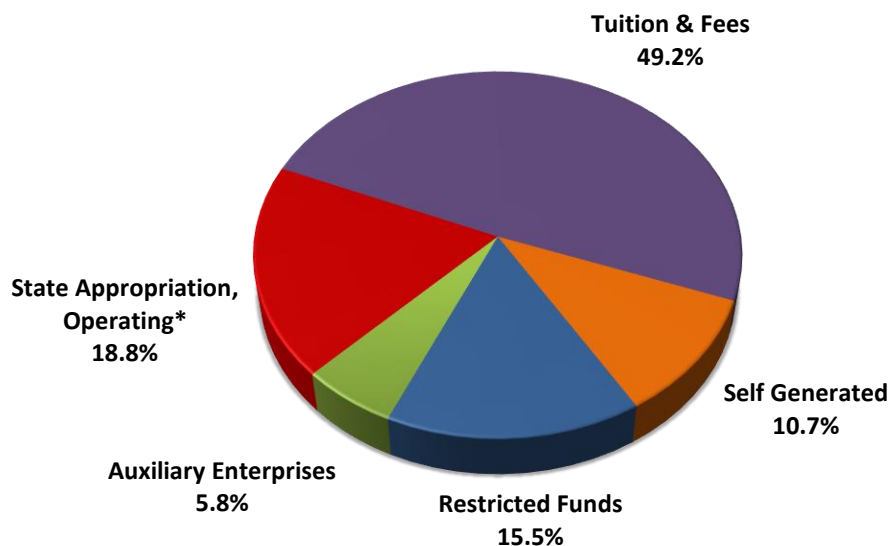
The 2015-16 Operating Budget and the dollar and percent increases, in comparison to the 2014-15 budget, are as follows:

	2015-16 Budget	Dollar Incr/Decr	Percent Incr/Decr
Total Budget	\$396,565,000	\$4,268,000	1.1%
Total E&G	373,818,000	5,310,000	1.4%
Unrestricted E&G	312,289,000	5,163,000	1.7%
Restricted E&G	61,529,000	147,000	0.2%
Total Auxiliary Enterprises	22,747,000	(1,042,000)	(4.4%)

Revenue Highlights

2015-16 budgeted revenue by source:

FY 2016 Projected Revenue by Source



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

Total Budgeted Revenue by Source

	<u>Amount</u>	<u>Pct of Budget</u>
Tuition and Fees	\$195,182,000	49.2%
State Appropriations		
Operating	69,722,600	17.6
Kentucky Academy for M&S	4,926,800	1.2
Restricted Funds		
Grants and Contracts	18,725,000	4.7
Student Financial Aid	42,804,000	10.8
Self-generated Funds (including carry forward)	42,457,600	10.7
Auxiliary Enterprises	22,747,000	5.8
TOTAL	\$396,565,000	100%

At its April 29, 2014 meeting, the Council on Postsecondary Education approved a resident, undergraduate tuition and mandatory fee ceiling for academic years 2014-15 and 2015-16 that equated to a maximum increase of 8.2 percent over the two years for WKU. CPE gives each institution more flexibility in determining all nonresident, online and graduate rates. WKU's 2015-16 Tuition and Fees Schedule, which is included in the Executive Summary, has been submitted for CPE approval at its June 12, 2015 meeting. WKU's resident, undergraduate tuition and mandatory fees will increase \$171/semester for a total increase of 3.7 percent.

With the exception of undergraduate distance learning and nonresident domestic graduate, tuition rates increases range from 3.3 percent to 7.5 percent. The undergraduate distance learning rate will increase 2.4 percent making it 20% higher than the resident undergraduate tuition rate. WKU's goal is to gradually increase the graduate nonresident domestic tuition rate and eliminate the graduate nonresident international tuition rate. The proposed rate increase for graduate nonresident domestic is 10.4 percent. The new rate introduced for Kentucky P-12 Professional Educators is a tuition discount for teachers and other certified school personnel. The budget includes a 3 percent increase in the Student Athletic Fee and Student Centers Fee; however, the result is a net decrease in revenue due to decline in enrollment. In addition, there is a newly implemented mandatory Parking Structure Fee, approved by the Student Government Association.

The Operating Budget includes projected revenue based on the 2015-16 tuition and fees rates, actual fall 2014 enrollment and projected growth in Pathways Program completers, continued growth in nursing and physical therapy, and a newly implemented Doctor of Psychology program. Projected revenue includes implementation of a new federal requirement to charge the in-state rate to qualifying veterans and dependents that relocate to Kentucky within three years of separation. In addition, National/International scholarship students (enrolling at TIP rate) are budgeted at the full non-resident rate to be offset by a University scholarship. The projected tuition revenue includes a reallocation from DELO Cohort programs to the central budget. The budget includes tuition and fees totaling \$195,182,000, an increase of \$3,936,000 or 2 percent. Tuition and fees account for 49.2 percent of the total budget and 62.5 percent of the unrestricted E&G budget.

The FY 2016 budgeted state appropriation reflects a \$2 million increase for the Gatton Academy of Mathematics and Science. WKU's state appropriation has been reduced a total of \$17,176,200 since FY 2008. State appropriation will account for 18.8 percent of total budget and 23.9 percent of the unrestricted E&G budget of WKU.

The 2015-16 Operating Budget includes a total increase of \$647,000 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:

- WKU Athletics is projecting an increase in revenue of \$794,000 primarily due to the newly extended contract with IMG, WKU's media rights provider;
- The Knicely Conference Center is projecting an increase in revenue of \$133,000 due to increased volume attributable to improved customer service;
- Parking & Transportation is expecting an increase of \$130,000 in revenue due to rate changes in motor vehicle permits; and
- The budget includes net asset allocation (carry forward) as a revenue source. Across the divisions, the amount being budgeted is approximately \$14.3 million or 14% less than the previous year. Due to FY 2015 budget reductions, carry forward funds are likely to be less in FY 2016.

Restricted Fund budgets from grants and contracts and federal and state student financial assistance programs comprise 15.5 percent of the total budget. Grants and contracts revenue is projected to increase by \$625,000 or 3.5 percent primarily due to an increase in projected funding from private sources.

Budgeted student financial assistance is projected to decline by \$478,000 or 1.1 percent. This change in funding reflects a reduction in Pell Grant due to the implementation of lifetime limits with Pell Grants combined with a decrease in the total number of estimated Pell eligible students. In contrast, there is a projected increase in the state-funded College Access Program due to extending the eligibility deadline and aggressive efforts on encouraging students to submit financial aid applications earlier for full consideration. Due to the anticipated increase in the number of students eligible for University scholarships; likewise, the number of KEES eligible students is estimated to increase.

The Auxiliary Enterprises revenue estimates are reduced by \$1,042,000 or 4.4 percent for FY 2016. While there is a slight increase in food contract commissions the primary decrease in revenue for Auxiliaries is contributed to an expected decline in the WKU Store new book sales, a trend occurring across college campuses.

2015-16 Base Reallocation Plan

While the projected tuition revenue increase, net of our \$2.4 million shortfall due to FY 2015 enrollment, is expected to be \$1.8 million, new expenditure obligations total approximately \$9.8 million. In an effort to help cover these obligations in excess of the increase in tuition, WKU is implementing a base reallocation totaling \$7,937,400 in FY 2016. Budget reallocations are being achieved through the following actions within divisions:

Academic Affairs, \$5,556,180

Eliminating ten vacant faculty positions and one vacant staff position, increasing revenue by applying an assessment to the gross tuition associated with growth in the BSN program, and reducing the following budgets: Navitas Royalty funds, Faculty Search Reimbursement funds, Accreditation Expense Reimbursement funds, Academic Quality funds, and salary contingent and benefit funds. In addition, Academic Affairs is absorbing two thirds of the reallocation through nonrecurring funds over the next two years to allow recurring sources to be identified in a thoughtful and deliberate manner.

Athletics, \$124,776

Reducing contingency funds in Athletic Facilities that are held for repairs and maintenance.

Chief Diversity Officer, \$30,241

Eliminating one filled position in the Office of Institutional Diversity and Inclusion.

Chief Enrollment and Graduation Officer, \$198,118

Eliminating one vacant position, reducing salary funds in one filled position, reducing salary contingency funds, and reducing graduate assistant and student worker funds. In addition, the Chief Enrollment and Graduation Officer division will be reducing non-personnel budgets across the division.

Chief Facilities Officer, \$681,047

Planning, Design, and Construction will be eliminating one filled position and reducing one vacant position. Environment, Health and Safety will be reducing one vacant position. Department of Facilities Management will be eliminating two vacant positions along with reducing general operating expenses throughout the department.

Development and Alumni Relations, \$54,538

Eliminating one vacant and one filled position and redirecting a portion of those savings to fund other Development and Alumni Relations priorities.

Finance and Administration, \$203,126

Shifting one filled position in the Center for Research and Development so it may be supported by revenue generated by the Center; reducing student employment in Parking and Transportation and in Accounting and Financial Reporting; reducing funding for external audit support; reducing funding for a Human Resources compensation/reclassification position and leaving position vacant and retaining one employee on temporary appointment; and eliminating Parking and Transportation radio rentals and professional development budget. In addition,

non-personnel budgets are being reduced across the division and Finance and Administration will assess feasibility of billing for special services provided to other units.

Chief Information Technology Officer, \$357,897

Eliminating a vacant administrative assistant position; reducing or eliminating vendor maintenance on several software packages or hardware appliances identified as non-critical; reducing funds for equipment replacement in departmental labs; reducing funds for faculty computer replacement by extending the refresh cycle from four to five years; and reducing lab hours in the MMTH lab and IT Help Desk coverage hours for non-critical, low utilization timeframes.

President, \$9,051

Reducing President's Office student wages and the President's Home part-time wages. In addition the President's Home general operating funds are being reduced.

Public Affairs, \$83,870

Reducing Honors College marketing budget, University marketing budget, and regional campus marketing budgets; eliminating funds to support the President's Circle Gala; and reducing general operating funds including travel and equipment purchases.

Student Affairs, \$212,167

Eliminating two vacant positions: Access Control and Counseling and Testing Center; reducing six staff positions from 12 months to 11 months: Center for Career and Professional Development and Student Disability Services; and reducing part-time, student worker, and salary contingent funds. Reducing non-employee services, travel, and general operating funds across the division.

University Wide, \$426,389

Reallocating central facilities capital funds to minimize divisional reductions. Also reducing a small portion of contingency funds.

Total \$7,937,400

Expenditure Highlights

2015-16 Fixed Costs/Recurring Programmatic Commitments

Fixed cost projections were calculated as part of the 2014-16 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. While state funding is increasing by \$2 million for FY 2016, those funds are provided to increase enrollment in the Gattton Academy of Mathematics and Science. Fixed cost increases will, therefore, be funded by a combination of projected increases in tuition revenue and divisional reallocations.

The following unavoidable cost and recurring commitment allocations are included in the 2015-16 Operating Budget:

Fixed Cost

Health Insurance, Increase Effective January 2015	\$ 989,000
Retirement Systems Rate Increases	261,000
Worker's Compensation Increase	372,000
Contractual Obligations	266,000
Utilities and M&O	621,000
DSU Debt	124,000
Scholarships	6,276,400
Other Operating Expenses	232,000
Subtotal	\$9,141,400

Program Allocations

Enrollment Management	457,000
Nursing Growth Including DNP	18,000
Doctor of Physical Therapy	891,000
DELO Programs	(223,000)
Summer School	(539,000)
Doctor of Psychology in Applied Psychology	97,000
International Students Support (tuition surcharge)	214,000
Cohort Programs from DELO to Departments	308,000
Subtotal	1,223,000

TOTAL **\$10,364,400**

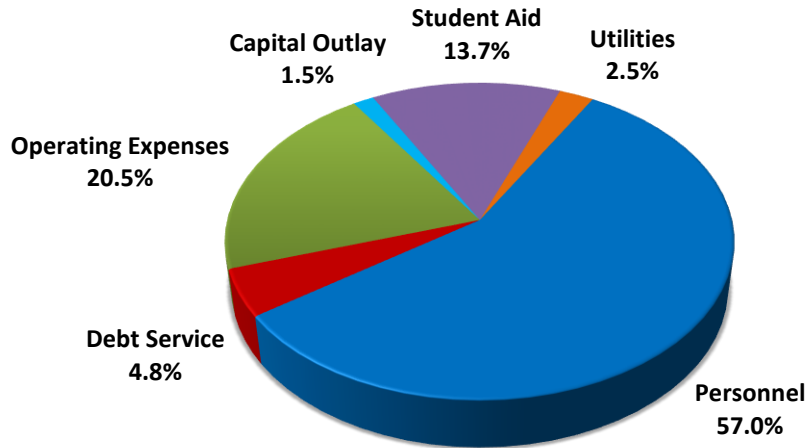
Projected Tuition Revenue

Fall/Spring Tuition	\$1,861,000
International Tuition Surcharge (undergraduate students)	214,000
DELO Distribution to Central Budget	308,000
Nursing Growth/DNP	18,000
Doctor of Physical Therapy	891,000
Doctor of Psychology in Applied Psychology	97,000
Summer	(539,000)
DELO Registration Fees	(223,000)
Investment Income Shortfall	(200,000)
TOTAL INCREASE	\$2,427,000

Expenditure Reallocations Necessary to Balance Budget **\$7,937,400**

The FY 2016 budgeted expenditures, by major classification of expenditure, are summarized as follows:

FY 2016 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	\$177.8	\$0.1	\$9.3	\$187.2
Operating Expenses	64.1	18.3	7.8	90.2
Utilities	7.9	0	2.5	10.4
Capital Outlay	4.7	0	0.5	5.2
Student Aid	42.9	43.1	0	86.0
Debt Service	14.9	0	2.6	17.5
Total	\$312.3	\$61.5	\$22.7	\$396.5

Increased scholarships account for the largest item in our fixed cost projections. With an actual increase of 450 projected returning scholarship recipients over FY 2015 budget; acceptance by 141 new freshmen and transfer scholarship recipients over budget in FY 2015; and 1,120 new freshmen and transfer projected scholarship acceptances in FY 2016 our academic scholarships have increased almost \$3.9 million. In addition, almost \$1.6 million in scholarships is to create a permanent budget for the National/International Academic Scholarship Program, a program that has been in place for decades but has never been funded permanently.

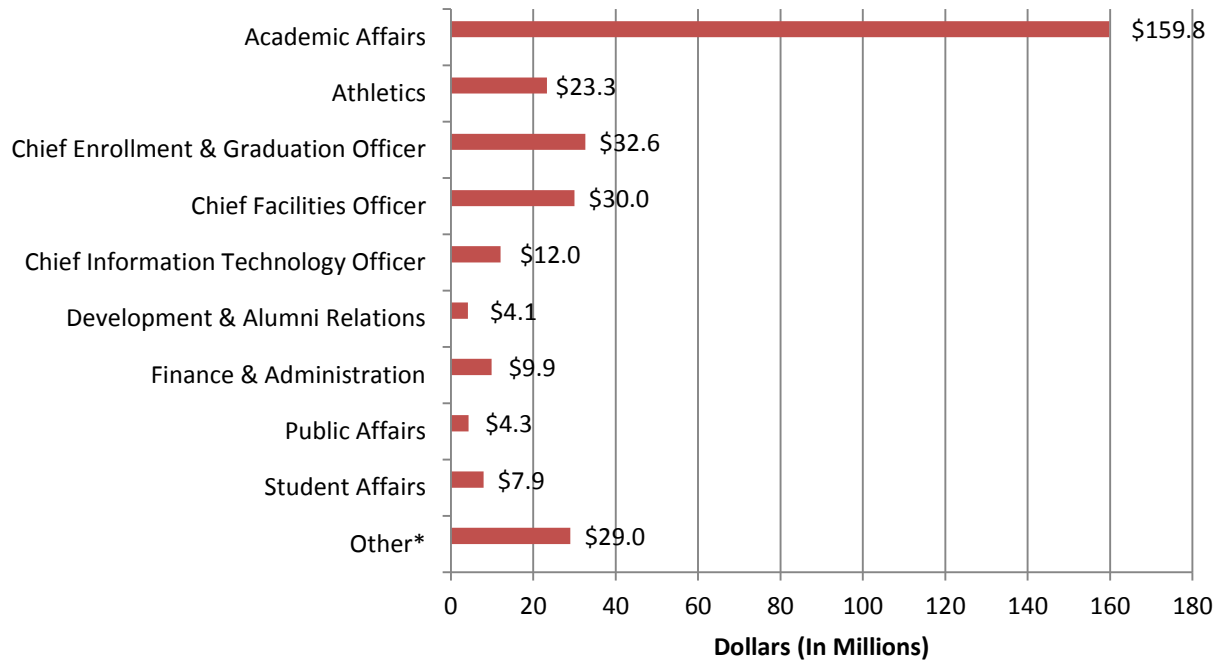
Projected personnel expenditures include salary and benefits for approximately 2,100 budgeted, full-time filled positions and 160 budgeted, full-time vacant positions. Also included in personnel costs are pool budgets for part-time faculty and staff, graduate assistants, and student employees. The Restricted 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 expenditure summary reflects the elimination of the Research division. The Center for Research and Development is being moved to Finance and Administration while the remaining

programs of the Research area will be directed to Academic Affairs. The intent is for our research activity to become more integrated with our academic mission.

The following graph summarizes FY 2016 budgeted unrestricted E&G expenditures by organizational area. The Narrative section of the budget sets forth each division's strategic priorities for FY 2016.

FY16 Budgeted Expenditures by Organizational Area



*Other includes Office of the President, Chief Diversity Officer, General Counsel, 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, the largest division, totals \$159.8 million or about 51 percent of the unrestricted E&G budget.
- ❖ Chief Enrollment & Graduation Officer, the second largest division, has a budget totaling \$32.6 million or about 10 percent of the unrestricted E&G budget.
- ❖ Other includes Office of the President, Chief Diversity Officer, General Counsel, 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 2014-16 Biennial Budget includes state bonds (\$48 million) to complete the Science Campus.

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 2016 are identified separately.

The Capital Budget totals \$114,841,500 from all sources of funds.

TUITION AND MANDATORY STUDENT FEES SCHEDULE PER SEMESTER

<u>Student Level/Enrollment</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>Summer 2016/ Rate per Credit Hour</u>
Undergraduate			
Resident*	\$4,570	\$4,741	\$395
Military Resident		4,741	395
Nonresident	11,676	12,066	1,006
International	12,000	12,390	1,033
Incentive	6,072	6,294	525
Graduate (Per Credit Hour)			
Resident	515	543	543
Military Resident		543	543
Kentucky P-12 Educator (first 3 hours)**		495	495
Kentucky P-12 Educator (over 3 hours)**		295	295
Nonresident, International	962	962	962
Nonresident, Domestic	691	763	763
Doctorate, Nurse Practitioner (Per Credit Hour)			
Resident	620	643	643
Nonresident	775	833	833
Doctorate, Physical Therapy (Per Credit Hour)			
Resident	620	643	643
Nonresident	775	833	833
Professional MBA**		5,285	
Continuing Students	5,034		
New Students	5,285		
Distance Learning (Per Credit Hour)**			
Undergraduate	463	474	474
Graduate (Excluding Kentucky P-12 Educator, DNP and DPT)	618	652	652
Active Military (Per Credit Hour)**	250	250	250
Dual Credit (Per Credit Hour)**	70	70	70
WKU on Demand (Per Credit Hour)			
Undergraduate	381	395	395
Graduate	515	543	543

Mandatory Student Fees Per Semester:

Student Athletics Fee	\$218
Student Centers Fee	\$62
Student Centers Fee, DSU Renovation Bonds	\$70
Parking Structure Fee, Creason Bonds	\$30

*Resident rate increase of 3.1 percent.

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