

EXECUTIVE SUMMARY

The enacted 2016-18 Budget of the Commonwealth (HB 303) directed the Council on Postsecondary Education (CPE) to establish a working group comprised of the President of the Council, the President of each public university and KCTCS, the Governor, the Speaker of the House, and the President of the Senate. The purpose of the group was to develop a comprehensive funding model for the allocation of state General Fund appropriations for institutional operations. The Kentucky General Assembly withheld \$42.9 million from the public postsecondary institutions to be held by CPE in a performance fund for 2017-18. These funds were to be distributed based on achievement goals and metrics.

Senate Bill 153, Postsecondary Education Performance Fund, was signed by Governor Matt Bevin on March 21, 2017. Senate Bill 153 closely follows the recommendation for a performance funding model for public universities that was developed by the Performance Funding Workgroup appointed by Governor Matt Bevin. The model includes a distribution of allocable funding based on 35 percent student success, 35 percent course completion, 10 percent maintenance and operations, 10 percent institutional support, and 10 percent academic support.

The enacted budget, House Bill 303, and Senate Bill 153 include the following WKU state funding for FY 2018:

	<u>2017-18</u>
General Operating	\$67,725,700
Kentucky Mesonet Operating	750,000
Equity Adjustment	2,347,900
Performance Funding	3,830,200
Total State Appropriation	\$74,653,800

WKU 2017-18 Budget

The *WKU 2017-18 Budget* is WKU's financial plan for the fiscal year beginning July 1, 2017 and ending June 30, 2018, 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

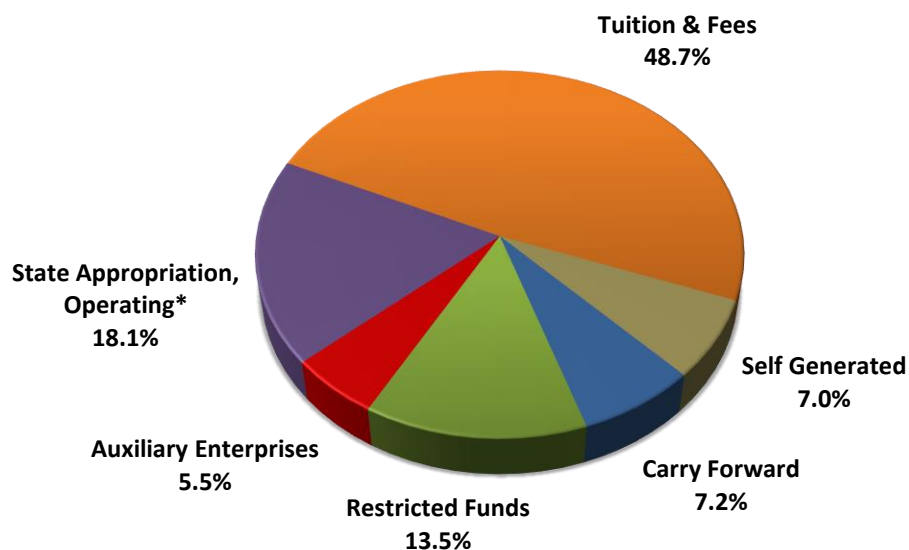
The 2017-18 Operating Budget and the dollar and percent increases, in comparison to the 2016-17 budget, are as follows:

	2017-18 Budget	Dollar Incr/Decr	Percent Incr/Decr
Total Budget	\$413,651,000	\$11,399,000	2.8%
Total E&G	390,819,000	11,409,000	3.0%
Unrestricted E&G	334,843,000	11,383,000	3.5%
Restricted E&G	55,976,000	26,000	.05%
Total Auxiliary Enterprises	22,832,000	(10,000)	(.04%)

Revenue Highlights

2017-18 budgeted revenue by source:

FY 2018 Projected Revenue by Source



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

Total Budgeted Revenue by Source

	<u>Amount</u>	<u>Pct of Budget</u>
Tuition and Fees	\$201,309,000	48.7%
State Appropriations		
Operating	69,081,000	16.7
Kentucky Academy for M&S	4,822,800	1.2
Kentucky Mesonet	750,000	0.2
Restricted Funds		
Grants and Contracts	15,500,000	3.7
Student Financial Aid	40,476,000	9.8
Self-generated Funds	29,061,200	7.0
Carry Forward Funds	29,819,000	7.2
Auxiliary Enterprises	22,832,000	5.5
TOTAL	\$413,651,000	100.0%

At its March 31, 2017 meeting, the Council on Postsecondary Education (CPE) approved a resident, undergraduate tuition and mandatory fee ceiling for academic year 2017-18. In an effort to close the gap in tuition and fee rates among the comprehensive universities within a given sector, the Council approved various tuition and fee ceilings. CPE gives each institution more flexibility in determining all nonresident, online and graduate rates. WKU's 2017-18 Tuition and Fees Schedule, which is included in the Executive Summary, has been submitted for CPE approval based on its statutory responsibility to approve tuition. WKU's resident, undergraduate tuition and mandatory fees will increase \$145/semester for a total increase of three percent.

The Operating Budget includes projected revenue based on the 2017-18 tuition and fees rate increase, actual FY 2017 enrollment, and a projected two percent enrollment decline in FY 2018. Tuition rates and projected revenue for the doctoral programs were determined by the respective departments with any change in revenue allocated back to the departments. The budget includes tuition and fees totaling \$201,309,000, a decrease of \$3,484,000 or two percent. Tuition and fees account for 48.7 percent of the total budget and 60 percent of the unrestricted E&G budget.

The FY 2018 budgeted state appropriation reflects an equity adjustment in the amount of \$2,347,900 and performance funds totaling \$3,830,200. The equity adjustment was a result of historical data revealing disparities in state support in the comprehensive sector. Therefore, the 2016-18 biennial budget recommendation included an equity adjustment for both Northern Kentucky University and Western Kentucky University. State appropriation will account for 18.1 percent of WKU's total budget and 22.3 percent of unrestricted E&G budget.

Changes in self-generated revenue of departments across campus are allocated back to the division associated with the respective programs and activities. The distribution of carry forward funds to divisions is designed to encourage thoughtful expenditure of nonrecurring funds.

Significant changes in unrestricted revenue estimates include:

- Budgeted tuition shows an overall decline of approximately \$4.4 million and reflects a four percent decline in fall and spring tuition revenue in FY 2017 and a projected decline of two percent in FY 2018;
- Circle of Support (Kelly Autism Program) fee for 20 new students generating an estimated \$200,000 in revenue;
- An estimated decrease in Knicely Conference Center and Augenstein Conference Center revenues due to catering being handled through the Aramark dining contract;
- An estimated increase in faculty led student study abroad deposits totaling \$500,000;
- Advantage KY Alliance Manufacturing Extension Partnership Professional Services' increase of \$287,000;
- The Athletics Department is projecting an increase of \$100,000 in basketball ticket sales and an increase of \$225,000 in game guarantees; and
- The budget includes net asset allocation (carry forward) as a revenue source. Across the divisions, the amount being budgeted is approximately \$29.8 million. The inclusion of revenue dependents and workshops, being budgeted for the first time, results in a 61 percent increase over the previous year.

Restricted Fund budgets from grants and contracts and federal and state student financial assistance programs comprise 13.5 percent of the total budget. Grants and contracts revenue is projected to increase by \$430,000 or 2.9 percent due to projected funding from all sources of grants and contracts.

Budgeted student financial assistance is projected to decline by \$404,000 or one percent. This change in funding reflects a reduction in Pell Grant. 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. The number of KEES eligible students is estimated to increase.

The Auxiliary Enterprises revenue estimates are decreased by \$10,000 for FY 2018. The slight decline is contributed to variances in sales. Within the WKU Store, there is an estimated increase in new and used book sales and a decrease in book rentals.

Expenditure Highlights

The FY 2018 budget reflects a budget adjustment to account for a four percent decline in fall and spring tuition revenue in FY 2017 and a projected decline of two percent in FY 2018. However, decisions have not been made on specific budget reductions across the campus. Such decisions will be made in the context of actual enrollment in FY 2018 and a significant strategic planning process that will occur in FY 2018.

2017-18 Fixed Costs/Recurring Programmatic Commitments

The following unavoidable costs, recurring commitment allocations, and other programmatic adjustments (tuition base) are included in the 2017-18 Operating Budget:

Fixed Cost

Faculty Promotions	405,000
Retirement Systems	149,000
Health Insurance Effective January 2017	700,000
FICA/MQFE Federal Requirement (½ Year)	210,000
Utilities & Maintenance and Operations	40,000
Contractual Obligations	210,000
Salary Adjustments on Degrees	22,000
Insurance	100,000
Student Financial Assistance	2,602,000
Legal Fees	80,000
Student Accessibility/Loss of State Funding	175,000

Other Commitments and Program Allocations

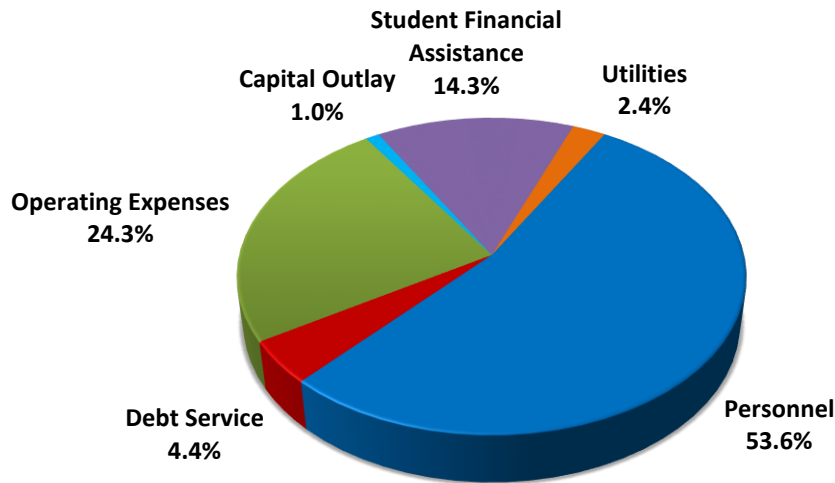
2% Cost of Living Adjustment (1% Jan 2017, 1% July 2017)	2,467,000
Growing Private Giving Support	375,000
Student Retention/Professional Advisors	320,000
Admissions Student Recruiting/Retention Initiatives	159,000
Campus & State Police Events Security	130,000
Central Contingency Fund	142,000
WKU Pathways	(210,000)
Summer School	636,000
Doctor of Education in Educational Leadership	7,000
International Students Support (tuition surcharge)	(217,000)
Doctor of Nursing	139,000
Doctor of Physical Therapy	116,000
Doctor of Psychology in Applied Psychology	(9,000)
DELO Registration Fees	1,187,000
Cohort Programs from DELO to Departments	329,000
TOTAL	\$10,264,000

Sources

Fall/Spring Tuition	\$4,304,000
State Appropriations	2,613,000
Base Reallocation	1,369,000
WKU Pathways	(210,000)
Summer School	636,000
Doctor of Education in Educational Leadership	7,000
International Students Support (tuition surcharge)	(217,000)
Doctor of Nursing	139,000
Doctor of Physical Therapy	116,000
Doctor of Psychology in Applied Psychology	(9,000)
DELO Registration Fees	1,187,000
Cohort Programs from DELO to Departments	329,000
TOTAL	\$10,264,000

The FY 2018 budgeted expenditures, by major classification of expenditure, are summarized as follows:

FY 2018 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	\$179.5	\$0.1	\$7.9	\$187.5
Operating Expenses	81.5	15.1	9.7	106.3
Utilities	8.1	0	2.2	10.3
Capital Outlay	3.1	0	0.4	3.5
Student Financial Assistance	47.9	40.8	0	88.7
Debt Service	14.7	0	2.6	17.3
Total	\$334.8	\$56.0	\$22.8	\$413.6

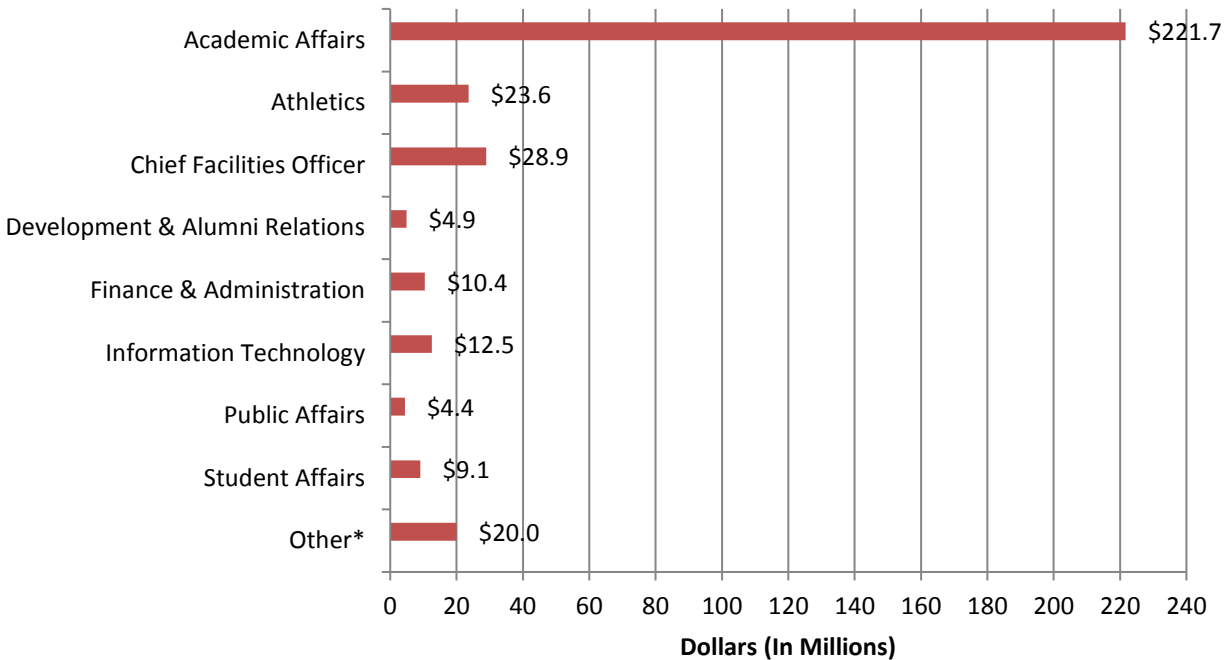
Included in the fixed cost projection is a one percent cost of living adjustment, which is the third installment of a three-part phase-in of a three percent total salary increase over the 2016-18 biennium as follows: one percent on July 1, 2016; one percent on January 1, 2017; and one percent on July 1, 2017.

Projected personnel expenditures include salary and benefits for approximately 1,800 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 2018 budgeted unrestricted E&G expenditures by organizational area. The Narrative section of the budget sets forth each division's strategic priorities for FY 2018.

FY 2018 Budgeted Expenditures by Organizational Area



*Other includes Office of the President, 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 \$221.7 million or about 66 percent of the unrestricted E&G budget.
- ❖ Chief Facilities Officer, the second largest division, has a budget totaling \$28.9 million or about nine percent of the unrestricted E&G budget.
- ❖ Other includes Office of the President, 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 debt and leases.

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 \$1,000,000 do not require General Assembly approval and are not included in the Capital Budget. Many projects with a scope of less than \$1,000,000 will address deferred maintenance needs and classroom improvements.

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 2018 are identified separately.

The Capital Budget totals \$89,311,500 from all sources of funds.

TUITION AND MANDATORY STUDENT FEES SCHEDULE PER SEMESTER

<u>Student Level/Enrollment</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>Summer 2018/ Rate per Credit Hour</u>
Undergraduate			
Resident*	\$4,956	\$5,101	\$425
Military Resident	4,956	5,101	425
Nonresident	12,396	12,756	1,063
International	12,720	13,080	1,090
Incentive	6,696	6,744	562
Graduate (Per Credit Hour)			
Resident	570	589	589
Military Resident	570	589	589
Kentucky P-12 Educator**	395	395	395
Nonresident, International	998	998	998
Nonresident, Domestic	816	873	873
Doctorate, Nurse Practitioner (Per Credit Hour)			
Resident	643	663	663
Nonresident	833	858	858
Doctorate, Physical Therapy (Per Credit Hour)			
Resident	643	643	643
Nonresident	833	883	883
Professional MBA**	5,549	5,826	
Distance Learning (Per Credit Hour)**			
Undergraduate	496	510	510
Graduate (Excluding Kentucky P-12 Educator, DNP and DPT)	679	707	707
Active Military (Per Credit Hour)**	250	250	250
Dual Credit (Per Credit Hour)**	52	53	
WKU On Demand (Per Credit Hour)**			
Undergraduate	413	425	425
Graduate	570	589	589

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 percent.

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

Note: Full-time undergraduate students pay \$100 per credit hour for online courses in addition to full-time rate. On Demand courses are billed separately from other registrations.