



OPERATING BUDGET ²⁰²⁰ ₂₀₂₁

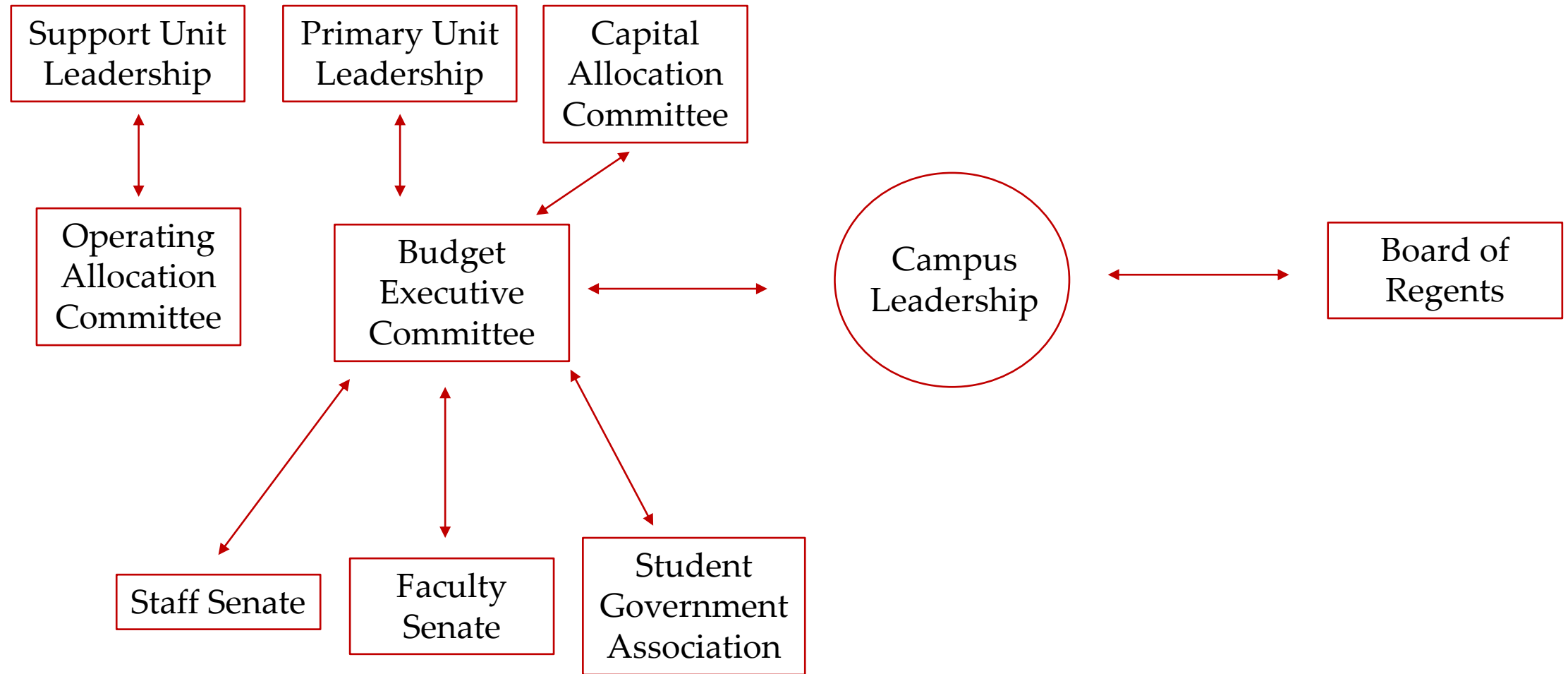
**Board of Regents
FY21 Budget Presentation**

I will cover this morning –

- Outline of the FY 21 Budget Development Process
- High Level Budget Summary
- Revenue Budget Highlights
- Expenditure Budget Highlights
- Budget Balancing Strategies
- Capital Budget Highlights
- Next Steps going forward

Budget Development Process

A Collaborative Budget Development Process



Timeline for Budget Development – A Unique Year

Time Frame	Activity
2019	
September	Budget Governance Committees are established
October – December	Governance Committee Meetings and Budget Hearings Began
2020	
January – February	Primary Unit Budget Request Submissions & Discussions
February – March	Original Pre-COVID Revenue and Expense Forecasting Tuition & Fee Setting Discussions
March – April	Campus Response to COVID-19 begins BEC begins emergency meetings to revise budget projections Budget Recommendations sent to Campus Leadership
Early May	Campus Leadership communicate BEC Budget Recommendations with the Board of Regents and campus governance groups
May – Early June	Active monitoring of enrollment, revenue, & expenditure forecasts
June 26, 2020	Budget Presentation to Board of Regents

Budget Governance Committees

Operating Allocation Committee

Co-Chairs: **Belinda Higginbotham**, Bursar; **Kristi Smith**, Interim Chief Financial Officer

- **Chris Shook** – Dean, Gordon Ford College of Business
- **Susann de Vries**^{***} - Dean, University Libraries
- **Guy Jordan**^{**} - Chair, Faculty Senate Budget Committee
- **Amanda Trabue** – VP for Philanthropy & Alumni Engagement
- **Tuesdi Helbig** – Director, Institutional Research
- **Cheryl Davis** – Associate Provost for Research & Creativity
- **Emilee England**^{**} - Staff Senate
- **Eric Reed** – Chair, History
- **Todd Stewart** – Director, Athletics
- **Bruce Schulte**^{*} - Associate VP for Strategy, Perf. & Accountability
- **Greg Hackbarth**^{*} - Assistant VP, Information Technology

**Denotes non-voting member*

***Denotes Ex Officio appointment (with voting privileges)*

****Denotes 1 yr membership*

Budget Governance Committees

Capital Allocation Committee

Chair: **Bryan Russell**, Chief Facilities Officer

- **Corinne Murphy**– Dean, College of Education & Behavioral Sciences
- **Greg Arbuckle**^{***} - Dean, Ogden College of Science & Engineering
- **Jennifer Tougas** – Interim Assistant VP for Business Services
- **Travis Wilson**^{**} – Chair, Applied Human Sciences
- **Mark Ciampa**^{**}– Faculty Senate
- Staff Senate Representative
- **Ken Branch**^{*} – Director, Facilities Management
- **Jessica Steenbergen**^{*} – Scheduling Applications Coordinator
- **Amy Fugate**^{*} – Director, Accounting & Financial Reporting
- **Craig Biggs**^{*} - Associate Athletic Director

**Denotes non-voting member*

***Denotes Ex Officio appointment (with voting privileges)*

****Denotes 1 yr membership*

Budget Governance Committees

Budget Executive Committee

Co-Chairs: Provost **Cheryl Stevens**; Executive Vice President **Susan Howarth**

- **Larry Snyder***** - Dean, Potter College of Arts & Letters
- **Tania Basta** – Dean, College of Health and Human Services
- **Julie Shadoan**** - Chair, Faculty Senate
- **Ethan Logan** – VP, Enrollment & Student Experience
- **Laura DeLancey**** - Faculty Senate
- **Mike Lofts**** - Chair, Staff Senate
- **Dan Clark**** - Faculty Senate
- **Garrett Edmonds**** - Student Government Association Representative
- **Rebekah Russell*** - Interim Assistant VP for Budget, Finance & Analytics
- **Ladonna Hunton*** - Associate VP for Academic Budget & Administration

**Denotes non-voting member*

***Denotes Ex Officio appointment (with voting privileges)*

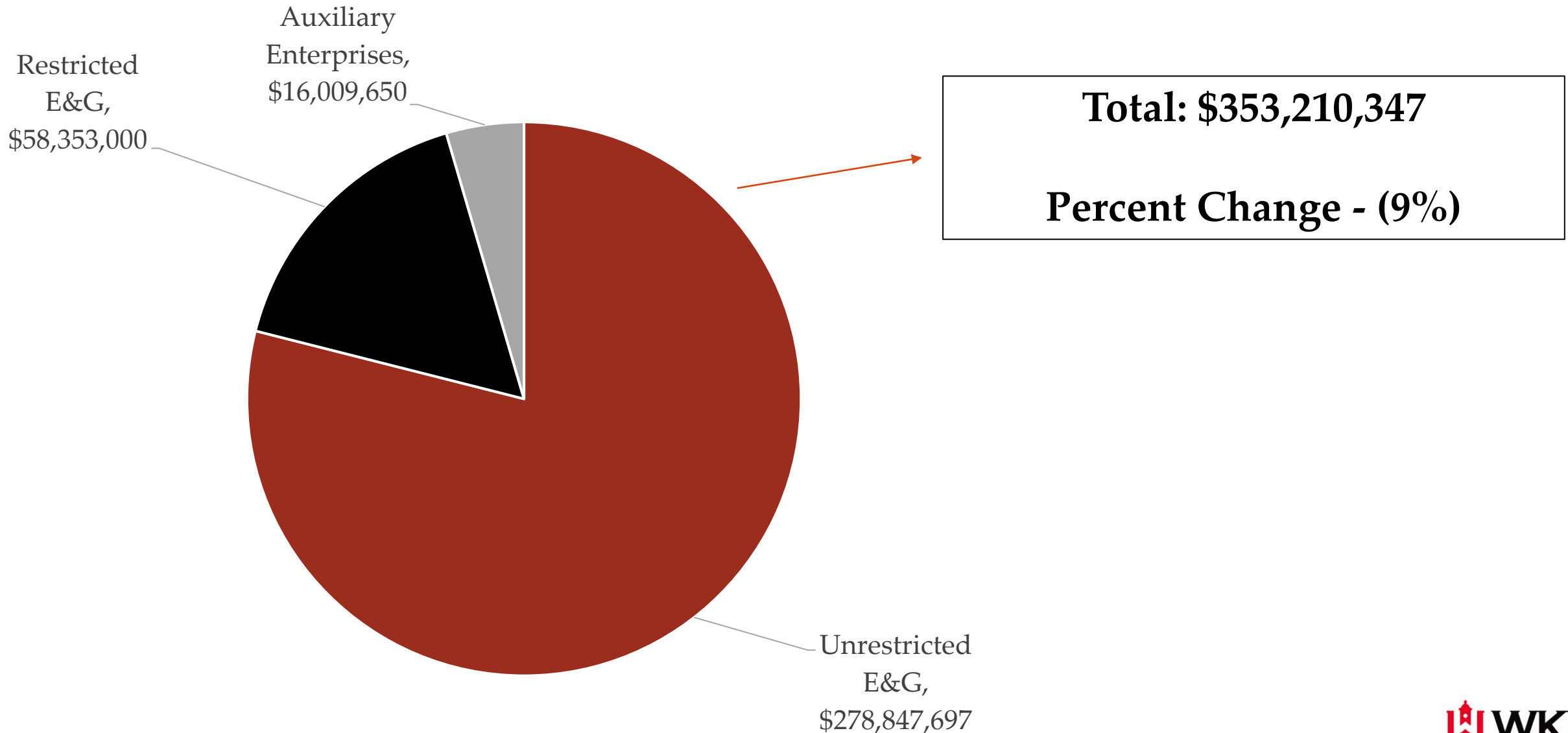
****Denotes 1 yr membership*

FY 2020-21 Budget Summary

Total Proposed FY21 Budget

	FY20 Budget	FY21 Budget	Dollar Change	Percent Change
Total E&G	\$364,353,000	\$337,200,697	(\$27,152,303)	(8%)
Unrestricted E&G	\$302,906,000	\$278,847,697	(\$24,058,303)	(8%)
Restricted E&G	\$61,447,000	\$58,353,000	(\$3,094,000)	(5%)
Total Auxiliary Enterprises	\$23,409,000	\$16,009,650	(\$7,399,350)	(32%)
Total Budget	\$387,762,000	\$353,210,347	(\$34,551,653)	(9%)

Total Proposed FY21 Budget



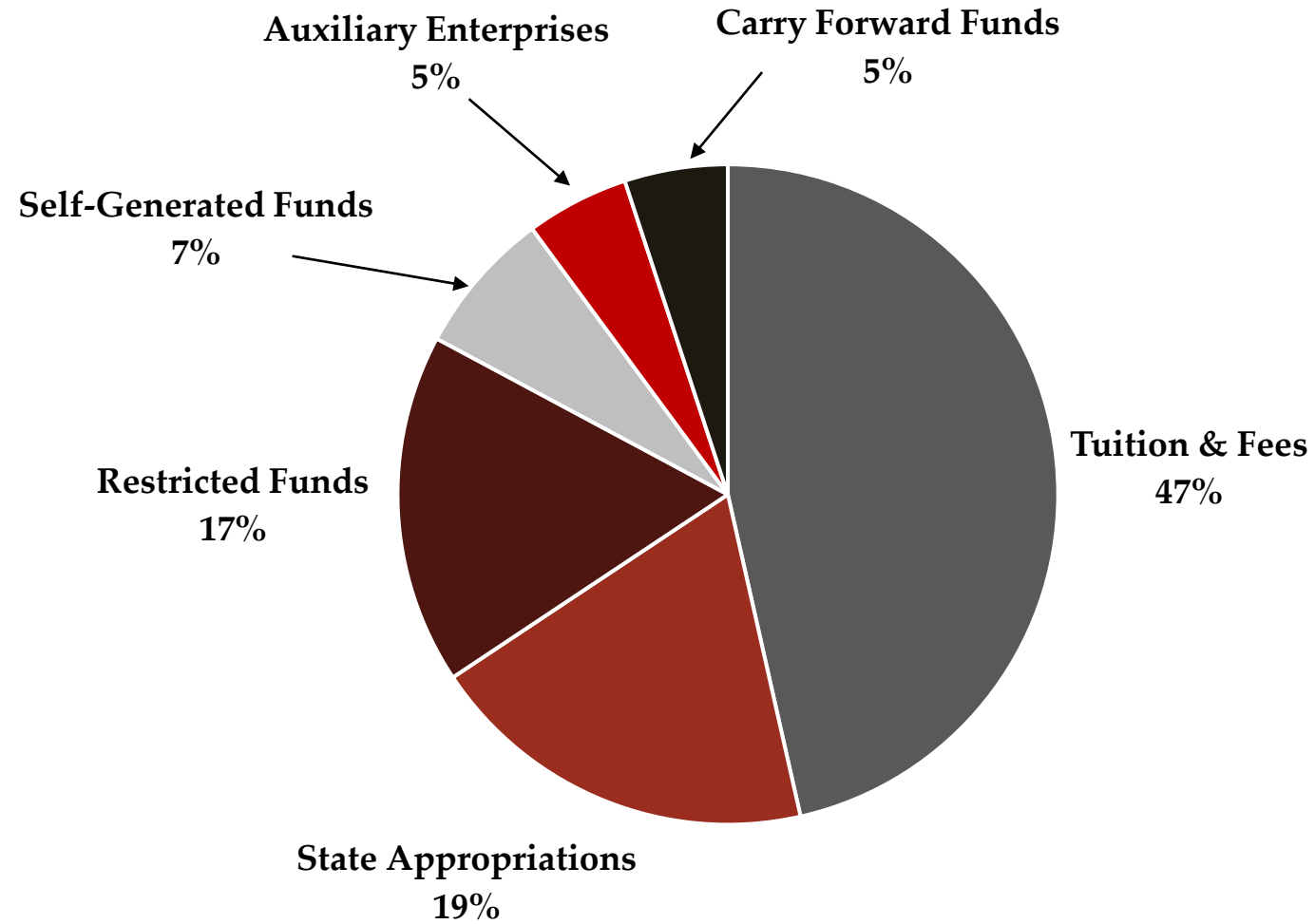
Revenue Budget Highlights

Revenue Budget Highlights - Sources

	Amount	Percent of Budget
Tuition & Fees	\$165,969,192	47%
State Appropriations	\$73,354,100	19%
Anticipated Reduction	(\$7,259,620)	
Restricted Funds		17%
Grants & Contracts	\$15,400,000	
Student Financial Aid	\$42,953,000	
Self-generated Funds	\$27,564,025	7%
Carry Forward Funds	\$19,220,000	5%
Auxiliary Enterprises	\$16,009,650	5%
Total	\$353,210,347	100%

This is 66% of revenue

Revenue Budget Highlights - Sources



Revenue Budget Highlights – Tuition & Fees

- Prior to COVID-19, WKU was poised to navigate a modest decline in tuition and fee revenue due to smaller class sizes working through the pipeline.
- Larger enrollment declines are anticipated due to the ongoing COVID-19 pandemic. An anticipated decline in tuition revenue is projected at \$11.4 million.
- Fee revenue is also anticipated to decline approximately 5%
- Yield indicators for first time freshmen remain strong. WKU is on track to welcome the largest increase to the freshmen class in 18 years

Revenue Budget Highlights – Tuition & Fees

- **Tuition Drivers**

- The Council for Post-Secondary Education set a one-year tuition parameter – giving institutions more flexibility.
- For FY21 All Tuition rates will remain unchanged over prior year.
- Distance Learning surcharge and fees will be suspended for the next academic year to provide our students and their families maintain affordability.



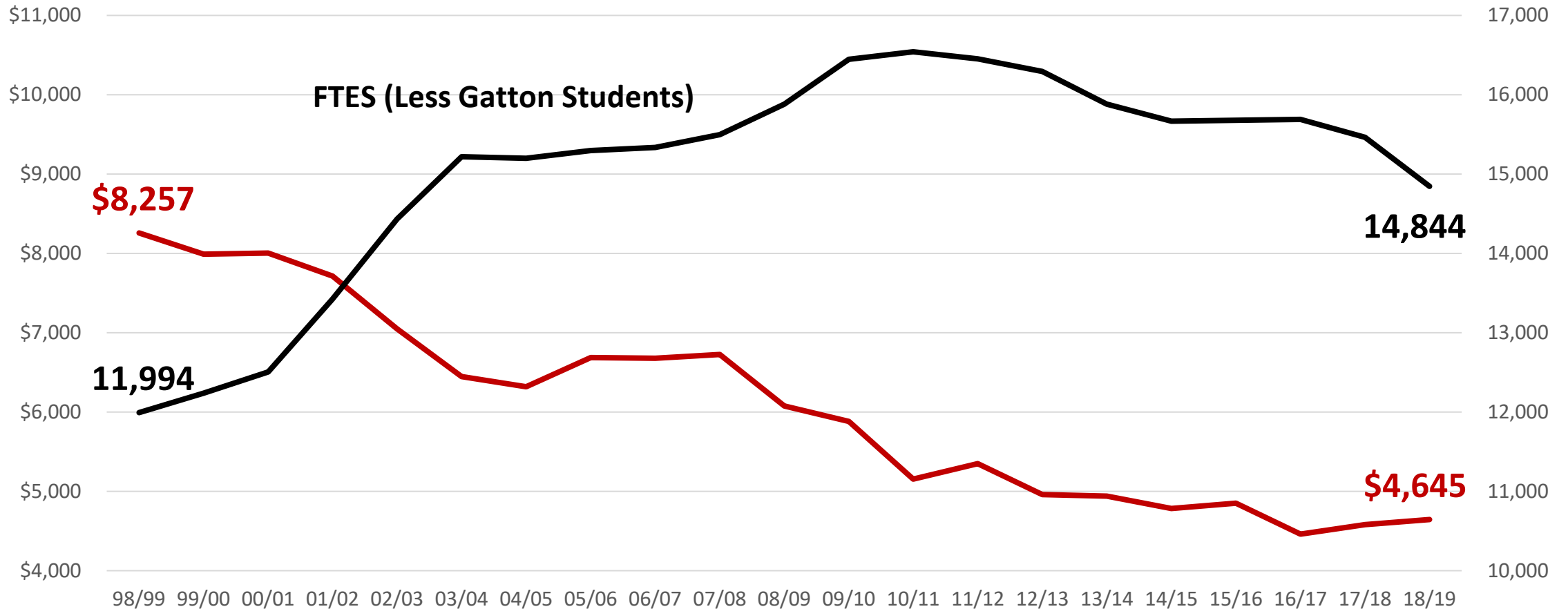
Revenue Budget Highlights – State Appropriation

	2019-20	2020-21	Difference
General Operating	\$68,225,600	\$67,619,000	(\$606,600)
KY Academy for Math & Science	\$4,747,700	\$4,985,100	\$237,400
Kentucky Mesonet	\$750,000	\$750,000	-
Total	\$73,723,300	\$73,354,100	(\$369,200)
Anticipated Reduction	-	(\$7,259,620)	-

- The KY General Assembly passed a one-year state budget in response to the COVID-19 pandemic.
- State appropriations are held relatively flat for WKU.
- WKU's Performance Funding metrics hold steady to prior year, but total allocated funding drops considerably due to the smaller pool of funding.

Revenue Budget Highlights – State Appropriation

WKU Net General Fund Appropriations* per FTE Student



*In constant FY19 dollars. Excludes Gatton Academy of Mathematics and Science, Kentucky Mesonet and state supported debt service.

Revenue Budget Highlights – Auxiliaries



- Effective July 1, the WKU Store will be transitioned to Barnes & Noble College management. The FY21 revenue and expenditure budgets have decreased by approximately \$7 million to reflect this change.

Revenue Budget Highlights – Sales & Service Revenues

- Self-generated revenue, or Sales & Services Revenues, are anticipated to decline approximately \$2 million.
- These declines are largely due to cancelled events, decreased rentals, and less athletic revenue.
- Note – any revenue dependent units who experience revenue declines will be expected to decrease expenditures accordingly.



Expenditure Budget Highlights

Expenditure Budget Highlights

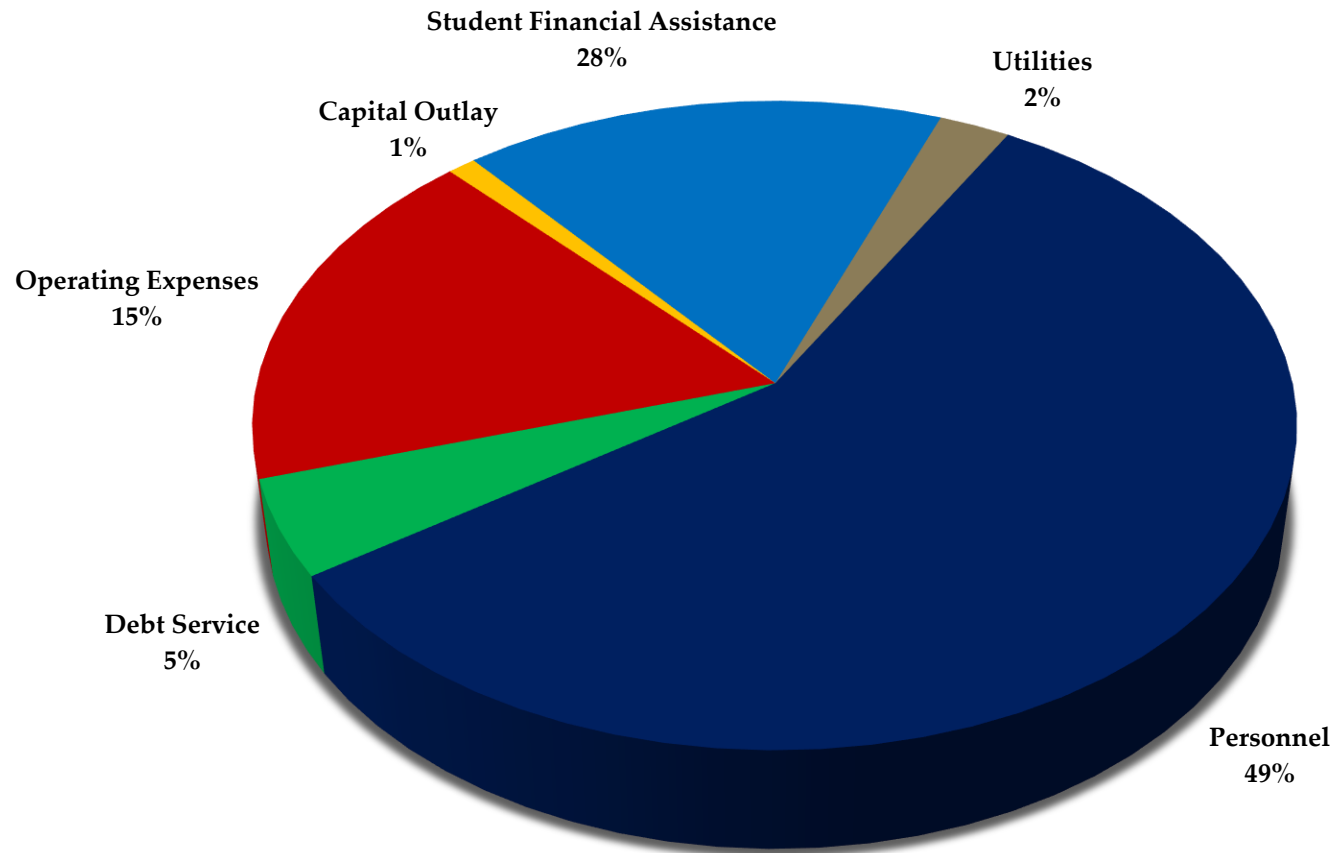
Division	Personnel	Operating	Student Aid	Capital Outlay	Debt Service	Total
Academic Affairs	\$110,322,032	\$30,001,771	\$9,290,241	\$471,440	-	\$150,085,484
Enrollment & Student Experience	\$14,713,860	\$8,068,625	\$43,322,927	\$574,132	\$2,415,000	\$69,094,544
University Wide	\$5,183,057	(\$3,012,024)	\$38,608,968	-	\$14,282,868	\$55,062,869
Strategy, Operations & Finance	\$24,878,786	\$21,319,877	-	\$1,392,633	\$375,529	\$47,966,825
Athletics	\$8,949,080	\$4,611,334	\$8,130,784	\$26,000	-	\$21,717,198
Philanthropy & Alumni Engagement	\$3,334,836	\$517,427	-	\$20,350	-	\$3,872,613
Communications & Marketing	\$2,979,387	\$773,087	-	\$67,224	-	\$3,819,698
Presidential	\$1,556,595	\$34,521	-	-	-	\$1,591,116
Total	\$171,917,633	\$62,314,618	\$99,352,920	\$2,551,779	\$17,073,397	\$353,210,347

Expenditure Budget Highlights

Total Budgeted Expenditures by Major Classification (In Millions)

Major Classification	Unrestricted	Restricted	Auxiliary	Total	Percent
Salaries & Benefits (Personnel)	\$165.5	\$.20	\$6.3	\$172.0	49%
Operating Expenses	\$33.3	\$15.0	\$6.9	\$55.2	15%
Utilities	\$7.1	-	-	\$7.1	2%
Capital Outlay	\$2.1	-	\$.45	\$2.55	1%
Student Financial Assist.	\$56.1	\$43.2	-	\$99.3	28%
Debt Service	\$14.7	-	\$2.4	\$17.1	5%
Total	\$278.8	\$58.4	\$16.0	\$353.2	100%

Expenditure Budget Highlights

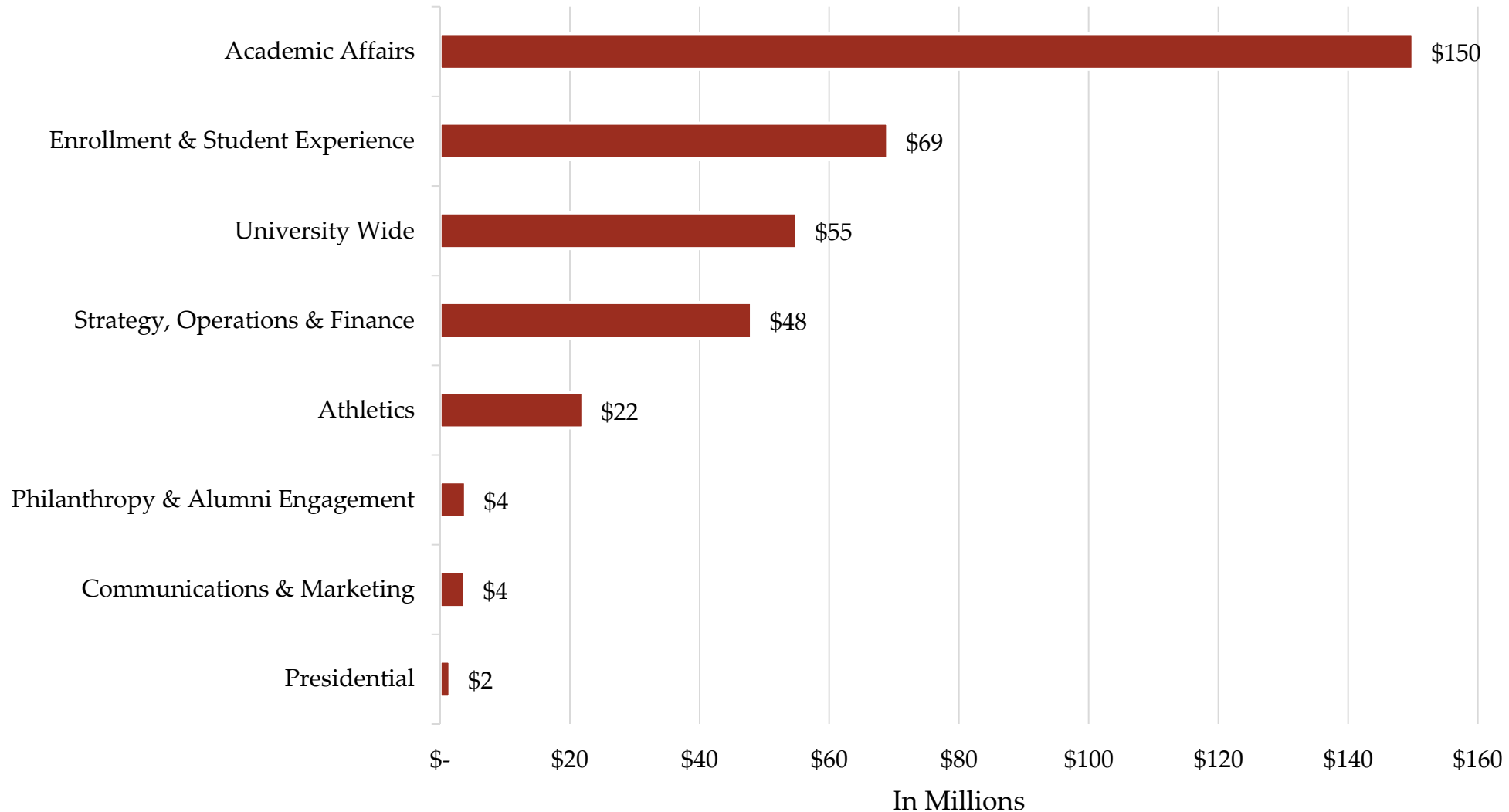


Expenditure Budget Highlights

- FY21 expenditures are down in all major categories, with the exception of Student Financial Assistance.
 - Student Financial Assistance increases by approximately \$4.9 million due to new scholarship model
- Academic Affairs, WKU's largest division, totals \$150 million or approximately 42% of the total budget.
- University wide expenditures include bond payments, institutional based (non federal aid) scholarships, and additional funding for potential increases to the Kentucky Retirement System contribution rates.

Expenditure Budget Highlights

2020-21 Total Budgeted Expenditures By Division



Expenditure Budget Highlights – Fixed Cost Increases

- Due to the unique budget circumstances, the Budget Executive Committee recommended two fixed costs adjustments in the FY21 budget. These two allocations are as follows:

Provost/Academic Affairs:	
Faculty Promotions	\$361,335
University Wide:	
Employer Health Insurance	\$55,680
Total: \$417,015	

Balanced Budget Approach

Balanced Budget Approach

What lead to FY21 shortfall?

- Smaller class sizes working through the pipeline.
- Declining State Appropriations – projected to be a decline of 10% mid year adjustment
- COVID-19 Impacts to tuition and fees, revenue dependent departments, and sales & services revenues

How will we address it?

- Shared sacrifices across campus through salary reductions, travel freeze, and hiring pause.
- Divisional expenditure reduction targets met through the entire fiscal year.

Balanced Budget Approach

- The \$27 million unrestricted budget deficit will be addressed through a series of recommendations from the Budget Executive Committee (BEC)
- The BEC recommends a two-pronged approach of centrally managed reduction targets, in addition to divisionally managed targets.

Balanced Budget Approach

Central Strategies	Amount
Continued Hiring Pause	\$2,000,000
Travel Reductions	\$6,000,000
Performance Improvements	\$2,500,000
Tiered Salary Reductions	\$2,400,000
Applied Carry Forward Funds	\$6,000,000
Subtotal	\$18,900,000
Division Managed Reductions	\$8,293,414
Total	\$27,193,414

Pending Board of Regents Approval

Balanced Budget Approach

Unit	FY21 Reduction Target
College of Ed. & Behavioral Sciences	\$783,660
College of Health & Human Services	\$722,593
Gordon Ford College of Business	\$472,231
Ogden College of Sci. & Engineering	\$1,188,561
Potter College of Arts & Letters	\$1,345,427
Academic Support Units	\$994,348
Total	\$5,506,820

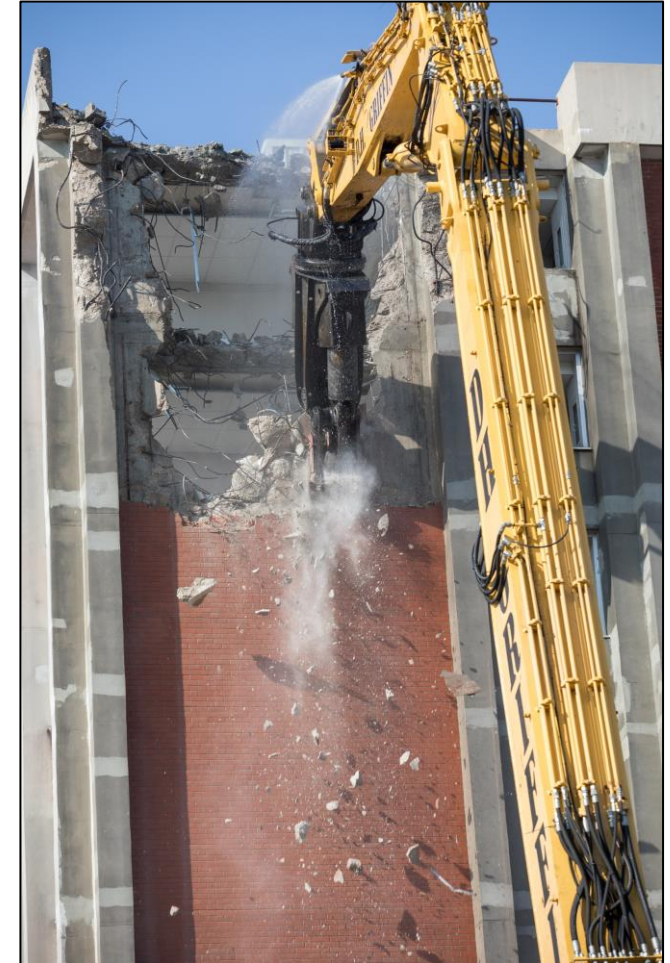
Unit	FY21 Reduction Target
Athletics	\$1,060,834
Enrollment & Student Experience	\$241,507
Philanthropy & Alumni Engagement	\$69,537
Presidential	\$57,256
Communications & Marketing	\$53,367
Strategy, Operations, & Finance	\$1,304,093
Total	\$2,786,594

Capital Budget

Capital Budget

Total Capital Budget: \$52,440,523

- **2020-21 Authorized Projects (HB 352)**
 - **Nursing Classrooms at Medical Center Health** - \$1,500,000 est.
 - Renovation in progress
 - **Renovations to the WKU Police Department** - \$1,440,523 est.
 - Renovation in progress
- **2018-20 Authorized Projects (HB 200)**
 - **Renovate Helm/Cravens Library (WKU Commons)** - \$38,500,000 est.
 - Renovation/Construction in progress
 - **Capital Renewal Pool** - \$10,000,000
 - As needed
 - **Upgrade Underground Infrastructure** - \$1,000,000
 - Planning Stages underway



Looking Forward...Next Steps

Looking Forward to FY 2021-22 and Beyond

With the implementation of RAMP, the budget reporting & development cycle will change moving forward.

- RAMP is fully live - July 1, 2020
- Training on new budget software (Axiom) in early July
- Axiom will allow for long-term forecasting and development of 3, 5, and 10-year financial plans.
- Budget development will become a year around process.
- Revenue targets will be established for primary academic units during mid to late summer annually in partnership between Enrollment & Student Experience, Academic Affairs and Strategy, Operations and Finance.
- The plan will be to complete the FY22 Operating Budget in late April 2021, with Board of Regents budget workshop in May 2021.

Budget Monitoring and Contingency Planning FY 2020-21

Monthly Budget Monitoring:

- Finalizing work on Monthly budget monitoring tools – these include:
 - Payroll Spend
 - Procurement Spend
 - Budget vs Actual by unit
 - Quarterly Cash and Financial Position Reporting
 - Other tools using Axiom
- Reports presented to President monthly – schedule required meetings with Deans and Vice Presidents

Contingency Planning:

- Budget Executive Committee to develop contingency plans:
 - Red Scenario – how to manage through additional enrollment declines
 - Green Scenario – what and when to “undo” reductions from the list of \$27 million

Questions?
