
2021-22 OPERATING BUDGET

REQUEST:

Approve the 2021-22 Operating Budget.

FACTS:

The *WKU 2021-22 Budget* is WKU's financial plan for the fiscal year beginning July 1, 2021 and ending June 30, 2022, 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);
- Capital Budget; and
- Supplemental Information.

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 resources that are to be utilized at the discretion of the university. 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 student fees supporting Downing Student Union operating and debt costs.

The Capital Budget provides a listing of major capital and lease/purchase projects, funding sources, and the current status of these projects. 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.

The FY 2022 Operating Budget, in comparison to the FY 2020 budget, are as follows:

	FY 2022 Budget	Dollar Incr/Decr	Percent Incr/Decr
Total Budget	\$375,677,370	(\$12,084,630)	(3.2%)
Total E&G	359,383,525	(\$4,969,475)	(1.3%)
Unrestricted E&G	301,715,525	(\$1,190,475)	(0.4%)
Restricted E&G	57,668,000	(\$3,779,000)	(6.5%)
Total Auxiliary Enterprises	16,293,845	(\$7,115,155)	(43.7%)

Resource Allocation and Management Planning (RAMP) and Budget Development

Rather than a historical, incremental budgeting approach, WKU has implemented an all funds approach in which revenues are allocated to Primary Units (i.e. Gordon Ford College of Business, Potter College of Arts & Letters, etc.), while central support unit costs (such as facilities operations, information technology, central administration, etc.) are allocated using established metrics. This process creates a more transparent and collaborative environment for budget development guided by ongoing discussions between Primary Units, Central Support Units, the Budget Governance groups, and campus leadership.

Revenue Highlights

FY 2022 budgeted revenue by source:

	Amount	Percent of Budget
Tuition and Fees	\$180,357,700	48%
State Appropriations		21%
Base Appropriation	67,619,000	
Kentucky Academy for Math & Science	4,985,100	
Kentucky Mesonet	750,000	
Performance Fund	1,398,800	
KERS Allocation	3,592,500	
Restricted Funds		15%
Grants & Contracts	15,400,000	
Student Financial Aid	42,268,000	
Self-generated Funds	29,392,425	11%
CarryForward Funds	13,620,000	5%
Auxiliary Enterprises	16,293,845	4%
TOTAL	\$375,677,370	100%

State Appropriation Highlights

The Kentucky General Assembly passed a one-year state budget. The final bill included the addition of the prior year performance funding into the base allocation. Furthermore, the General Assembly passed an increase to the performance funding pool, with WKU receiving approximately \$1.4M of that increase. The Kentucky Employee Retirement System rates were increased to 85%, but additional allotment of \$3,592,500 was approved to offset the large increase.

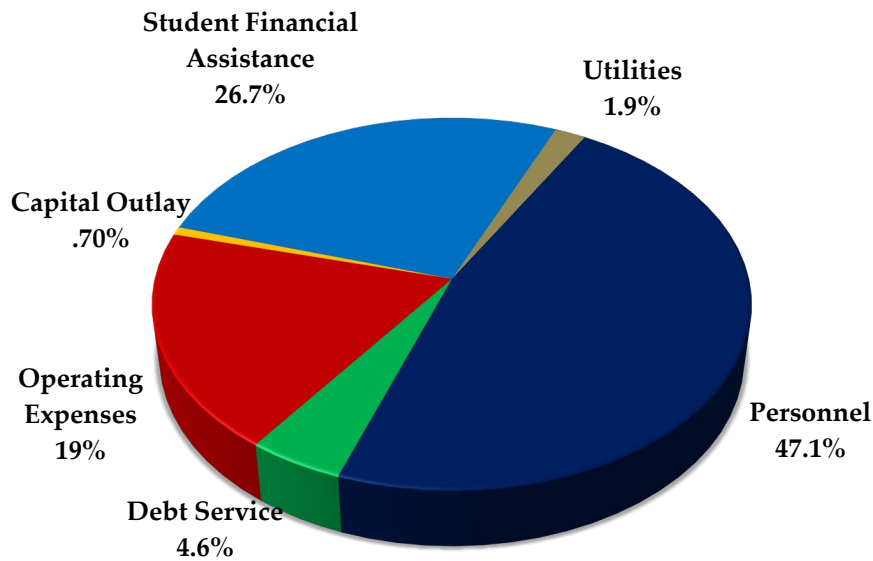
Tuition and Fees Highlights

The division of Enrollment and Student Experience continued to work hard recruiting students to WKU with limited availability to high schools during the pandemic. The first-time freshmen enrollment indicators, such as paid housing deposits and application fees remain strong throughout the budget development process.

The CPE enacted a tuition and fee-setting schedule enabling the university to increase tuition a maximum of 3.0% over the next two years, with a one-year maximum of 2%. In order to give institutions the most flexibility as possible, the CPE requested individual university tuition and fee proposals in May 2021. The university is recommending a 2% tuition increase for FY2021-22.

While the resident undergraduate student tuition rate is the most significant contributor to WKU's operating revenue, it is essential that affordability be maintained for our students and their families. While the recommended tuition rate increased by 2%, the decision was made to permanently eliminate the "Distance Learning Surcharge Fee". This fee reduction will have a significant impact on affordability for our students, regardless of modality.

2021-22 Total Expenditures by Major Classification



Major Classification	Unrestricted	Restricted	Auxiliary	Total
Personnel	\$170.3	\$0.1	\$6.6	\$177.0
Operating Expense	\$49.6	\$15.0	\$6.6	\$71.2
Utilities	\$7.1	\$0.0	\$0.0	\$7.1
Capital Outlay	\$2.2	\$0.0	\$0.5	\$2.7
Student Financial Assistance	\$57.8	\$42.6	\$0.0	\$100.4
Debt Service	\$14.7	\$0.0	\$2.6	\$17.3
Total	\$301.7	\$57.7	\$16.3	\$375.7

FY2021-22 Fixed Costs

As part of the RAMP budget process, the Operating Allocation committee provided recommendations to the Budget Executive Committee for the prioritization of FY22 fixed cost or unavoidable cost allocations. The following recommendations were approved:

Fixed Cost Increases	
IT Software Funding/Contract Increases	\$ 415,560
Ogden Graduate Assistantships	\$ 60,000
Marching Band Funding	\$ 160,000
Strategic Investment Fund Increase	\$ 185,000
Total	\$ 820,560

Achieving a Balanced Budget

The university has been making progress toward a balanced budget. This budget includes permanent budget reduction targets that have not been met, but the new budget reduction target is \$5.8M to be allocated between Academic Affairs and Strategy, Operations and Finance. Below is a chart representing the progress made toward these reduction targets?

	<u>FY20</u>	<u>FY21</u>	<u>FY22</u>
Academic Affairs Primary & Support Units	\$4,582,493	\$6,060,357	\$3,137,486
Administrative Support Units	\$2,760,049	\$4,012,092	\$2,672,674
University Wide	\$6,531,758	\$17,685,830	\$3,349,872
Grand Total Reduction Targets	\$13,874,300	\$27,758,279	\$9,160,032

Capital Budget

The Capital Budget totals \$65,500,000 from all sources of funds. HB 192 does not include any state funding for WKU requested capital construction projects.

RECOMMENDATION:

President Timothy C. Caboni recommends that the Board of Regents approve the 2021-22 Operating Budget.

MOTION:

Approve the 2021-22 Operating Budget.