

## EXECUTIVE SUMMARY

Our pension system is on the brink of insolvency. We have more than \$35 billion in pension obligations. It takes leadership from all stewards of taxpayer dollars to keep our commitments to our teachers and state workers. I appreciate our university presidents who recognize the magnitude of this challenge and are willing to participate and contribute to the solution. Once we get our fiscal house in order, Kentucky will be in a much stronger position to make additional investments in higher education.

### Governor Matt Bevin, April 1, 2016 Press Statement

The 2016 Regular Session of the General Assembly included much discussion of the Commonwealth of Kentucky's pension obligations. While Kentucky is showing modest revenue growth, it is a challenge to devote revenue growth to any needed priorities given the magnitude of the unfunded pension liabilities. The enacted budget, House Bill 303 includes the following funding for the 2016-18 biennium:

	<u>2016-17*</u>	<u>2017-18**</u>
General Operating	\$71,290,200	\$67,725,700
Kentucky Mesonet Operating	750,000	750,000
Equity Adjustment	0	2,347,900
Total State Appropriation	\$72,040,200	\$70,823,600

\*Reflects 4.5% reduction in funding.

\*\*House Bill 303 excludes funds appropriated for the Postsecondary Education Performance Fund. WKU will have the opportunity to earn an additional \$3,688,100 in FY 2018.

### **WKU 2016-17 Budget**

The *WKU 2016-17 Budget* is WKU's financial plan for the fiscal year beginning July 1, 2016 and ending June 30, 2017, 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***

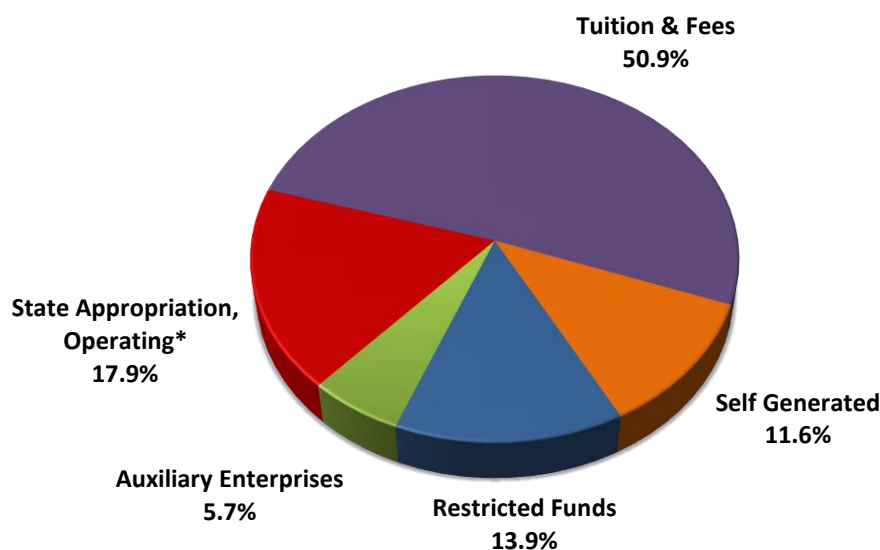
The 2016-17 Operating Budget and the dollar and percent increases, in comparison to the 2015-16 budget, are as follows:

	<b>2016-17 Budget</b>	<b>Dollar Incr/Decr</b>	<b>Percent Incr/Decr</b>
<b>Total Budget</b>	\$402,252,000	\$5,687,000	1.4%
<b>Total E&amp;G</b>	379,410,000	5,592,000	1.5%
<b>Unrestricted E&amp;G</b>	323,460,000	11,171,000	3.6%
<b>Restricted E&amp;G</b>	55,950,000	(5,579,000)	(9.1%)
<b>Total Auxiliary Enterprises</b>	22,842,000	95,000	0.4%

### **Revenue Highlights**

2016-17 budgeted revenue by source:

### **FY 2017 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	\$204,793,000	50.9%
State Appropriations		
Operating	66,305,100	16.5
Kentucky Academy for M&S	4,985,100	1.2
Kentucky Mesonet	750,000	0.2
Restricted Funds		
Grants and Contracts	15,070,000	3.7
Student Financial Aid	40,880,000	10.2
Self-generated Funds (including carry forward)	46,626,800	11.6
Auxiliary Enterprises	22,842,000	5.7
<b>TOTAL</b>	<b>\$402,252,000</b>	<b>100.0%</b>

At its April 26, 2016 meeting, the Council on Postsecondary Education (CPE) approved a resident, undergraduate tuition and mandatory fee ceiling for academic year 2016-17. For the comprehensive universities, in an effort to reduce growing disparity in published tuition and fee rates within that sector, the Council approved a “common dollar increase” ceiling of \$432.00/year for each institution. CPE gives each institution more flexibility in determining all nonresident, online and graduate rates. WKU’s 2016-17 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 \$215/semester for a total increase of 4.5 percent.

The Operating Budget includes projected revenue based on the 2016-17 tuition and fees rates and actual fall 2015 enrollment. 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 projected tuition revenue includes an increase in the online learning fee charged to full-time students as one strategy for balancing the budget. The online tuition assessment for full-time students will increase from \$79/credit hour to \$100/credit hour. The budget includes tuition and fees totaling \$204,793,000, an increase of \$9,611,000 or 4.9 percent. Tuition and fees account for 50.9 percent of the total budget and 63.3 percent of the unrestricted E&G budget.

The FY 2017 budgeted state appropriation reflects a 4.5% reduction (\$3,359,200) in state funding and a first time funding of the Kentucky Mesonet in the amount of \$750,000. State appropriation will account for 17.9 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 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:

- Honors College is instituting a student membership which will support the College activities with an estimated \$96,000 in revenue;
- Geophysical Services professional fees will be budgeted for the first time at \$150,000;
- DELO is estimating \$50,000 in fees for Continuing Professional Development (CPD) Administration;
- The Athletics Department is projecting an increase of \$250,000 in football ticket sales and an increase of \$200,000 in Athletics Marketing; however, a reduction of \$575,000 is being budgeted due to a projected decline in Conference USA distributions and a loss of \$144,000 reflects a decline in Student Athletic Fee revenue associated with a decline in enrollment; and
- The budget includes net asset allocation (carry forward) as a revenue source. Across the divisions, the amount being budgeted is approximately \$18.5 million or 28.9% more than the previous year. Given the uncertainty about reductions in both state appropriation and tuition revenue, divisions have been careful in spending and are more reliant on one-time funds to cover operating expenses.

Restricted Fund budgets from grants and contracts and federal and state student financial assistance programs comprise 13.9 percent of the total budget. Grants and contracts revenue is projected to decrease by \$3,655,000 or 19.5 percent due to a decrease in projected funding from all sources of grants and contracts.

Budgeted student financial assistance is projected to decline by \$1,924,000 or 4.5 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. The number of KEES eligible students is estimated to increase.

The Auxiliary Enterprises revenue estimates are increased by \$95,000 for FY 2017. Income estimates for the auxiliary operations reflect a slight decline in enrollment that has impacted student fees revenue and WKU Store revenue. Within the WKU Store, a distinct estimate is being presented for book rentals separate from other book related sales. The FY 2017 budget reflects anticipated revenue of \$267,000 from opening the downtown store, Topper Corner.

## **Expenditure Highlights**

### ***2016-17 Fixed Costs/Recurring Programmatic Commitments***

Fixed cost projections were calculated as part of the 2016-18 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 \$750,000 for FY 2017, those funds are provided to support the Kentucky Mesonet, a statewide weather and climate monitoring network. 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 2016-17 Operating Budget:

**Fixed Cost**

Cost of Living Adjustment 1% July 1, 2016 & January 1, 2017	\$1,823,000
Cost of Living Adjustment July 1, 2017, Partial Funding	553,000
Faculty Promotions	428,000
Retirement Systems	1,907,000
Health Insurance Effective January 2016	400,000
FICA/MQFE Federal Requirement January 2017	225,000
Fringe Benefits on Supplemental Pay	15,000
Contractual Obligations	222,000
Utilities & M&O	82,000
Student Financial Assistance	1,925,000
Other Operating Expenses	<u>162,000</u>
<b>Subtotal</b>	<b>\$7,742,000</b>

**Program Allocations**

University Indirect Cost Recovery, Grants and Contracts, Central Budget Replacement	\$200,000
Certified Police Officers Retention Adjustment	73,000
Indian Initiative Instructional Cost	36,000
Gatton Academy Instructional Cost	257,000
WKU Pathways Program	580,000
Nursing Growth	162,000
Doctor of Nursing	134,000
Doctor of Physical Therapy	21,000
Doctor of Psychology in Applied Psychology	118,000
DELO Programs	709,000
Summer School	480,000
Cohort Programs from DELO to Departments	193,000
International Students Support	<u>265,000</u>
<b>Subtotal</b>	<b>\$3,228,000</b>

DELO Distribution to be used for Budget Reduction	<u>\$600,000</u>
<b>TOTAL</b>	<b>\$11,570,000</b>

**Projected Tuition Revenue**

Fall/Spring Tuition	\$8,308,000
DELO Distribution to Central Budget	600,000
WKU Pathways Program	580,000
Nursing Growth	162,000
Doctor of Nursing	134,000
Doctor of Physical Therapy	21,000
Doctor of Psychology in Applied Psychology	118,000
DELO Registration Fees	709,000
Summer School	480,000
Cohort Programs from DELO to Departments	193,000
International Students Support (tuition surcharge)	<u>265,000</u>
<b>TOTAL</b>	<b>\$11,570,000</b>

<b>Amount Necessary to Balance Budget</b>	<b>(\$6,039,200)</b>
---	----------------------

The following strategic principles were used to determine the budget reductions/reallocations:

1. Throughout the budget reduction process, WKU will focus on maintaining and enhancing the quality of the learning environment for our students.
2. Budget reductions must not compromise the safety of faculty, staff, students, or visitors or the University's ability to perform essential maintenance on the physical plant.
3. Budget reduction decisions will focus on maintaining core strengths while building flexibility for the future.
4. Budget reduction strategies should be sensitive to access, diversity, affordability, and timely completion of degree programs for students.
5. Budget efficiencies must not hamper WKU's ability to earn performance/incentive funding from the state or its efforts to enhance the tuition revenue base.
6. Budget reductions must not adversely impact institutional or program accreditations or compliance.
7. Budget reductions should include an appropriate balance of cost savings and revenue enhancements.
8. Budget reduction decisions will be communicated to the university community in a timely manner.
9. To ensure maximum financial savings, budget reductions will be identified in FY 2016 with full implementation in FY 2017, where feasible.

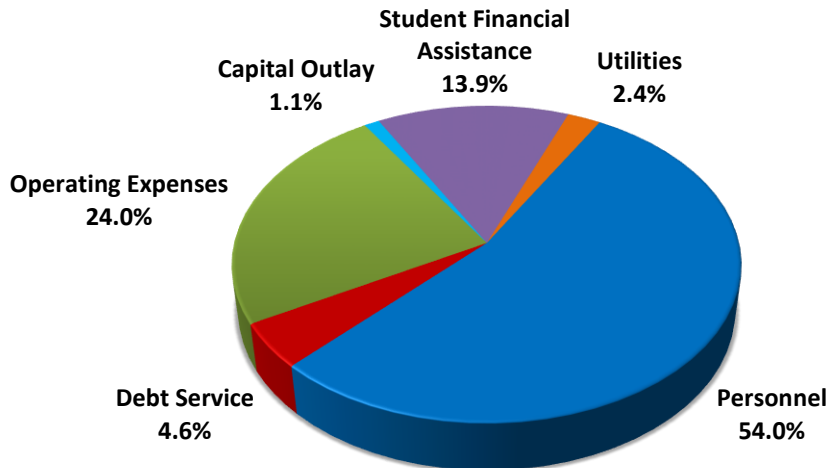
Below is a summary of the FY 2017 Budget Reduction/Base Reallocation Plan:

Revenue Reallocation to Central Funding	\$600,000
DELO will contribute to central funding through increasing the tuition assessment for full-time, students taking an online course from \$79 per credit hour to \$100 per credit hour starting in fall 2016.	
Administrative Reorganization	257,700
The Alive Center and the Institute for Citizenship and Social Responsibility are being consolidated. Reorganization is also taking place within the Office of Diversity & Inclusion and Enrollment Management will be reporting to the Provost and Vice President for Academic Affairs.	
Cost Containment/Efficiencies	2,142,000
Cost containment and efficiencies include transitioning the Department of Facilities Management building services and grounds employees to SODEXO; academic administrative budgeted positions, salary reductions on vacant lines; part time faculty budget; eliminating vacant faculty positions strategically; action agenda funds; and Academic Affairs' divisional funds.	

Shift Funding from Permanent to One-Time or Other Sources	2,313,800
<p>The shift of funding includes the Transitional Retirement Program; Employee Wellness Program Manager; faculty computer replacement; Honors College Development &amp; Travel Abroad Awards; the Facilities Reserve; Student Health Education; Center for Research and Development maintenance budget; and central funding of salary increases for degrees/completions.</p>	
Program Reductions	513,700
<p>Program reductions include a cap on the Dependent Child Tuition Benefit Program at 4 years, starting with freshmen class; Gatton Academy of Math and Science; Transit Services; and Track and Field programs.</p>	
Program Eliminations	<u>212,000</u>
<p>Program eliminations consist of the Spouse Tuition Benefit Program; Student Legal Services; and Pre-doctoral interns in Counseling and Testing.</p>	
<b>Total</b>	<b>\$6,039,200</b>

The FY 2017 budgeted expenditures, by major classification of expenditure, are summarized as follows:

### FY 2017 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	\$174.7	\$0.1	\$8.1	\$182.9
Operating Expenses	77.8	14.7	9.3	101.8
Utilities	7.9	0	2.4	10.3
Capital Outlay	3.5	0	0.4	3.9
Student Financial Assistance	44.8	41.2	0	86.0
Debt Service	14.8	0	2.6	17.4
<b>Total</b>	<b>\$323.5</b>	<b>\$56.0</b>	<b>\$22.8</b>	<b>\$402.3</b>

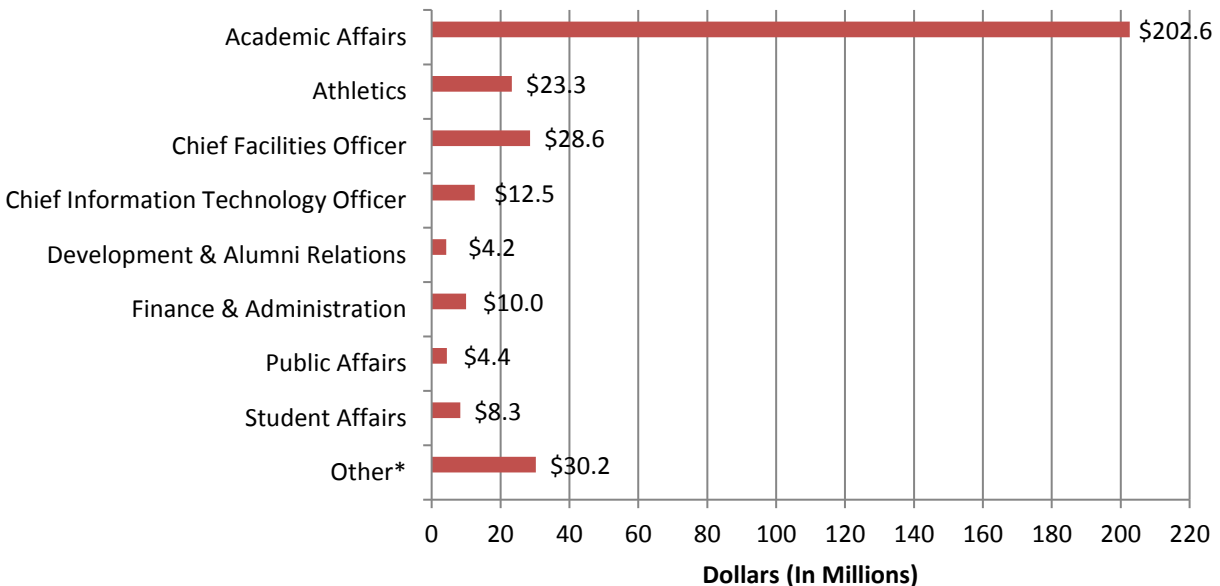
An increase in the KERS Non-hazardous employer contribution rate from 38.77 percent to 48.59 percent constitutes one of our largest items in our fixed cost projections. Also included in the fixed cost projection is a cost of living adjustment to be phased in as follows: 1 percent on July 1, 2016; 1 percent on January 1, 2017; and 1 percent on July 1, 2017.

Projected personnel expenditures include salary and benefits for approximately 1,900 budgeted, full-time filled positions and 130 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 2017 budgeted unrestricted E&G expenditures by organizational area. The Narrative section of the budget sets forth each division's strategic priorities for FY 2017.

### FY17 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 \$202.6 million or about 63 percent of the unrestricted E&G budget.
- ❖ Chief Facilities Officer, the second largest division, has a budget totaling \$28.6 million or about 9 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 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 \$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 2017 are identified separately.

The Capital Budget totals \$97,911,500 from all sources of funds.

**TUITION AND MANDATORY STUDENT FEES SCHEDULE PER SEMESTER**

<u>Student Level/Enrollment</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>Summer 2017/ Rate per Credit Hour</u>
Undergraduate			
Resident*	\$4,741	\$4,956	\$413
Military Resident	4,741	4,956	413
Nonresident	12,066	12,396	1,033
International	12,390	12,720	1,060
Incentive	6,294	6,696	558
Graduate (Per Credit Hour)			
Resident	543	570	570
Military Resident	543	570	570
Kentucky P-12 Educator**	495	395	395
Nonresident, International	962	998	998
Nonresident, Domestic	763	816	816
Doctorate, Nurse Practitioner (Per Credit Hour)			
Resident	643	643	643
Nonresident	833	833	833
Doctorate, Physical Therapy (Per Credit Hour)			
Resident	643	643	643
Nonresident	833	833	833
Professional MBA**	5,285	5,549	
Distance Learning (Per Credit Hour)**			
Undergraduate	474	496	496
Graduate (Excluding Kentucky P-12 Educator, DNP and DPT)	652	679	679
Active Military (Per Credit Hour)**	250	250	250
Dual Credit (Per Credit Hour)**	70	52	
WKU On Demand (Per Credit Hour)			
Undergraduate	395	413	413
Graduate	543	570	570

**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 4.5 percent.

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