



A LEADING AMERICAN UNIVERSITY WITH INTERNATIONAL REACH
OFFICE OF THE PRESIDENT

June 6, 2011

MEMORANDUM

TO: Board of Regents
Mr. Jim Meyer, Chair
Ms. Yvette Haskins, Vice Chair
Dr. Melissa B. Dennison
Mr. Freddie Higdon
Mr. Jim Johnson
Mr. James Kennedy

Dr. Patricia H. Minter
Mr. J. David Porter
Mr. Billy Stephens
Mr. Rob Wilkey
Mr. Laurence J. Zielke

FROM: Gary A. Ransdell *Gary*

SUBJECT: Update on 2011-12 Budget

At the June 24th called meeting of the Board of Regents, I will recommend approval of the 2011-12 Budget including the tuition and fees schedule (see enclosure). The technical aspects of preparing a printed budget document for your approval are numerous, but I would like to share key components of the budget with you in advance of the meeting. The full Budget Book will be sent with Board material prior to our meeting on June 24.

Revenue:

- The FY 2012 budget will reflect the elimination of Stimulus Funds of \$4,410,900 and an increase in state funds of \$3,629,300 for a net loss of \$781,600. This is on the heels of budget reductions totaling almost \$8.2 million since FY 2009.
- An increase to the E&G budget of \$8.9 million from tuition and fees revenue will be budgeted consistent with the CPE's approved maximum tuition rate increase parameters and based on fall 2010 enrollment. The cap on resident undergraduate tuition and fees is 5 percent excluding the special use fee provision. The proposed allocation is enclosed.
- An increase of \$2.2 million in Auxiliary Enterprises revenue to be generated by the Centers Fee increase recently approved by the Board is not included in the \$8.9 million as it is not E&G tuition revenue. The Special Use Fee increase request has been submitted to the CPE for approval at its June 10 meeting. The budget includes \$2,204,000 specifically pledged for the repayment of the Downing University Center Renovation Project bonds.
- The most significant change beyond the budget cuts is the reduction in state and federal funds for student financial aid. At this point, we are projecting a loss of \$6,672,000 or 11.8 percent. This loss of funds reflects the Commonwealth of Kentucky's inability to fully fund the College Access Program, federal changes in the Pell Grant program, and the elimination of the National Science and Math Access to Retain Talent and the Federal Academic Competitiveness Grant programs.

The Spirit Makes the Master

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Expenditures:

- The Executive Summary includes a summary of the recurring reduction implementation plan of \$2,311,700 reflecting two years' operating budget cuts.
- The budget will include a one percent salary increase for full-time employees employed before December 1, 2010, with a floor of \$500 and a ceiling of \$1,000. The cost of this increase is \$1,250,000. The budget also includes \$641,000 to fully fund the employer contribution of \$471 per month. Although the Benefits Committee does not prepare its health insurance premium structure for approval until later this summer, all indications point to no increase in employee health insurance rates for 2012. For a modest amount of \$45,000, the university's life insurance benefit will increase from \$15,000 to \$30,000.

While a one percent salary increase is woefully short of what we would like to allocate for salary adjustments, it reflects our limited capacity to achieve our compensation goals with no increase in state funds, a cap on tuition rate increases, and a resolve to not cut budgets further. We, however, did achieve a combined 3.5 percent salary increase in FY 2011 while no other Kentucky college or university provided any salary increases. Please see the enclosed summary of WKU salary increases for some historical perspective. You may hear of some universities giving larger salary increases next year, but several of these institutions have chosen to cut their budgets further in order to fund the increases. We have chosen to protect positions. It is also worth noting that most other Kentucky institutions have not provided salary increases to faculty or staff during that last three years, and we have been consistent in providing some level of increase each year. I also have attached some salary data circulated by CPE which shows the salary pressures (plus furloughs) for state employees and teachers.

- The projected increase in tuition revenue is \$8,875,000 with 57 percent being recommended for estimated fixed cost increases and the balance being allocated for salary adjustments and other programmatic commitments. The largest allocation in the other commitments category is a \$1,358,000 DELO revenue distribution to create permanent college budgets for part-time faculty salaries. Historically, these funds that accrued to DELO and have been distributed on an annual nonrecurring basis.
- The complete list of proposed unavoidable cost and commitment allocations is enclosed.

While no one can consider this as a budget that meets our real needs, it is a balanced budget with only \$300,000 in carry forward funds used to achieve that objective. Projected tuition revenue is sufficient to cover a majority of our projected costs and provide a minimal salary adjustment. If you have any questions, please contact me or Ann Mead (270-745-2434). I look forward to seeing you on June 24.

GAR:sh

Enclosures

xc: Ms. Julia McDonald

The following unavoidable cost and commitment allocations are included in the 2011-12 Operating Budget:

2011-12 UNAVOIDABLE COST AND COMMITMENT ALLOCATIONS

Estimated Fixed Cost Increases	
Library Books and Subscriptions Inflationary Adjustment	\$ 128,000
Contractual Obligations	202,000
Faculty Promotions	251,000
Retirement Systems Rate Increases	562,000
Life Insurance (increase benefit from \$15,000 to \$30,000)	45,000
Faculty & Staff Health Insurance (fully fund FY 2011 increase)	641,000
Maintenance and Operations /Utilities Costs	1,242,000
Scholarships/Financial Aid	
Faculty/Staff Tuition Benefit	375,000
Scholarships, Institutional and Departmental	622,000
State Mandated Tuition Waivers	246,000
Athletics Scholarships	373,000
Institutional Fellowships & Reciprocity	339,000
Subtotal	5,026,000
Other Commitments	
Graduate Assistantships Tuition Rate Increase Offset	31,000
Salary Adjustments (including benefits)	1,250,000
Restricted Tuition Programs (Technology, Health Svcs, SGA/Programming)	17,000
Parking & Transportation Revenue Allocated to P&T (Year 10 of 10)	58,000
Honors College Staffing Plan	149,000
Fellowship Support	45,000
DELO Distribution (Online, Contracts, Dual Credit & Independent Learning)	550,000
DELO Distribution (Permanent Budget for Part-Time Salaries)	1,358,000
Summer School	391,000
Subtotal	3,849,000
TOTAL	8,875,000
PROJECTED REVENUE INCREASE	
Fall/Spring Tuition	6,585,000
Summer Tuition	382,000
DELO	550,000
DELO Distribution to Colleges Made Permanent	1,358,000
Total	\$8,875,000

WKU Historical Salary Increases

2011-12	1% (\$500 floor/\$1,000 ceiling)
2010-11	1.5% (09/10 increase made permanent) 2% Across the Board
2009-10	1.5% One Time Pay (\$500 floor/\$1,000 ceiling)
2008-09	\$500 Full Time Employees \$284,000 Faculty Salary Compression/Market Adjustment
2007-08	4% Salary Increase Pool \$317,000 Faculty Market Adjustments
2006-07	3% \$75,000 Equity Adjustments (second six months)
2005-06	4% - Merit \$75,000 Gender/Ethnicity Equity Study, Salary Adjustments
2004-05	3% - Merit \$135,000 Police Market Equity Adjustments
2003-04	3.7% Average – Merit \$310,000 Gender/Ethnicity/Market Adjustments
2002-03	4% Average \$338,000 Market (faculty, staff, administrative) \$113,000 Gender/Ethnicity Equity Adjustments
2001-02	2% Across the Board \$125,000 Faculty Market \$75,000 Staff Market
2000-01	3% Average 1% Across the Board 2% Merit \$450,000 Faculty Market \$125,000 Staff Market
1999-2000	2% - COL 1.5% - Merit \$400,000 Faculty Market
1998-99	1.7% COL 2.3% Merit \$425,000 Faculty Market
1997-98	4%

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

<u>Student Level/Enrollment</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>Summer 2012/ Rate per Credit Hour</u>
Undergraduate			
Resident	\$3,780	\$4,042	\$337
Nonresident	9,420	10,008	834
Incentive	4,836	5,172	431
Graduate (Per Credit Hour effective Fall 2011)			
Resident	4,160	445	445
Nonresident, International	9,550	962	962
Nonresident, Domestic	4,610	489	489
Professional MBA (Per 6 Credit Hours)*			
Continuing Students	4,142	4,350	725
New Students	4,350	4,566	761
Doctorate, Nurse Practitioner			
Resident		535	535
Nonresident		802	802
Distance Learning (Per Credit Hour)*			
Undergraduate	378	397	397
Graduate	499	526	526
GoArmyEd (MOA, Per Credit Hour)*	250	250	250
Dual Credit (Per Credit Course)*	200	200	200
Independent Learning (Per Credit Hour)*			
Undergraduate	315	331	331
Graduate	416	438	438

Mandatory Student Fees:

Student Athletics Fee	\$207
Student Centers Fee	\$59
Student Centers Fee, DUC	
Renovation Bonds	\$70