MINUTES

OF THE BOARD OF REGENTS

WESTERN KENTUCKY UNIVERSITY

June 22, 2007

AGENDA ITEM 1 - Call to Order

Required statutory notice having been given, a special meeting of the Board of Regents of Western Kentucky University was held for the specific purpose of:

1) Approval of the 2007-08 Budget and Faculty/Staff Compensation Report, FY 2007-08.

The meeting was conducted in the Cornelius A. Martin Regents Room of the Mass Media and Technology Hall on the Western Kentucky University campus and interactive television from the campus of University of Utah. The meeting was called to order by Vice Chair Lois Gray at approximately 9:30 a.m., CDT.

AGENDA ITEM 2 - Roll Call

The following members were present at the location indicated:

Ms. Lois Gray
Ms. Judi Hughes
Ms. Jeanne Johnson
Mr. James Meyer
Ms. Forrest Roberts
Ms. LaDonna Rogers
Ms. Tamela M. Smith (via interactive television from University of Utah)
Mr. Larry Zielke

Mr. Fischer and Ms. Haskins were absent.

Due to a vacancy in the Faculty Regent's position, Ms. Julia Shadoan, President-Elect of the University Senate, represented the faculty in a non-voting capacity.

Others in attendance included: President Gary Ransdell; Ms. Liz Esters, Secretary to the Board of Regents and Staff Assistant to the President; Dr. Barbara G. Burch, Provost and Vice President for Academic Affairs; Mr. Tom Hiles, Vice President for Institutional Advancement; Dr. Richard Kirchmeyer, Vice President for Information Technology; Ms. Ann Mead, Chief Financial Officer; Dr. Gene Tice, Vice President for Student Affairs; Dr. John Osborne, Associate Vice President for Campus Services; Dr. Wood Selig, Athletics Director; Ms. Robbin Taylor, Assistant to the President for Governmental Relations; and Ms. Deborah Wilkins, General Counsel.

AGENDA ITEM 3 - Approval of the 2007-08 Budget and Faculty and Staff Compensation Report, FY 2007-08.

FACTS: The Western Kentucky University 2007-08 Budget is WKU's financial plan for the fiscal year beginning July 1, 2007, and ending June 30, 2008, and it includes the proposed Operating Budget and Capital Budget. The budget document includes the following components:

- Revenue Summary;
- Expenditure Summary by Organizational Area (Unrestricted, Restricted, and Auxiliary Enterprises);
- Expenditure Summary by Program Classification Structure (PCS);
- Budget Narratives by area that summarize Strategic Plan priorities and budget information by category of expense;
- Expenditure Detail by unit; 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 appropriations and tuition and fees - - and restricted revenue (e.g., federal funds for student financial aid and extramural funding for grants and contracts). Auxiliary Enterprises revenue is derived from the self-supporting activities of the University such as housing (reimbursed costs from the Student Life Foundation), food services, and bookstore operations. The Capital Budget provides a listing of major capital and lease/purchase projects, funding sources, and the current status of these projects.

The 2007-08 Operating Budget and the dollar and percent increases, over the 2006-07 Operating Budget, are distributed as follows:

	2007-08 Budget	Dollar Increase	Pct Increase
Total Budget	$314,642,000	$20,888,000	7.1%
Total E&G	295,605,000	19,289,000	7.0%
Unrestricted E&G	236,014,000	21,062,000	9.8%
Restricted E&G	59,591,000	(1,773,000)	(2.9%)
Total Auxiliary Services	19,037,000	1,599,000	9.2%

Western Kentucky University, as a publicly-assisted institution, derives the 66.0 percent of its operating revenue from state appropriation and tuition and fees. The state appropriation is determined by the Kentucky General Assembly. Setting the tuition and fees rates is the responsibility of the Board of Regents and subject to approval by the Council on Postsecondary Education.

The largest source of revenue to Western Kentucky University is tuition and fees. The Operating Budget includes the projected revenue based on the 2007-08 tuition and fees rates and actual enrollment from fall 2006. Tuition and fees also include graduation fees, Student Athletic Fee, distance learning instruction, Correspondence Study course fees, and course-specific fees that are returned to the respective units. The budget includes tuition and fees totaling $120.1 million which is an increase of $9.8 million for FY 2008.

The second largest source of funding for Western Kentucky University is from the Commonwealth of Kentucky. The 2006-08 Biennial Budget includes a state appropriation increase of $6.2 million for FY 2007. The FY 2008 state appropriation enhances WKU's base operating budget, provides operating support for the Academy of Mathematics and Science, and funds anticipated costs for existing state-supported bond issues.

The proposed additional state appropriations and tuition and fees revenue allocations represent the most significant sources of incremental funding to adjust the current year's

budget. These allocations address the following needs: (1) unavoidable projected costs increases, (2) strategic initiatives, and (3) other campus priorities. The proposed 2007-08 Operating Budget includes the following recommended allocations from additional state appropriation and tuition revenue.

PROPOSED BUDGET ALLOCATIONS

UNAVOIDABLE PROJECTED COST INCREASES	
Debt Service on Existing Bonds	(1,890,400)
Minimum Wage Increase	300,000
KERS Rate Increase	132,000
Restricted Tuition, Fall/Spring	368,000
Restricted Tuition, Summer	(267,000)
New Facilities, Maintenance and Utilities	753,000
Graduate Fellowships (tuition increase offset)	123,000
Faculty Promotions	246,000
Utilities	200,000
Scholarships, Deficits and Tuition Rate Increase	977,000
Graduate Fellowships for International Students	131,000
Misc. Software Increases for Information Technology	49,000
Insurance Premium Increase (fire & tornado)	100,000
External Auditor Increase	15,000
Summer School (based on stable enrollment)	449,000
Winter	200,000
Subtotal	**1,885,600**
STRATEGIC INITIATIVES	
The Academy of Mathematics and Science, Operating Funds	2,300,000
Academy Instructional Costs	687,000
Libraries	250,000
Owensboro/Elizabethtown Expand Programs	300,000
Educational Leadership Doctoral Program	225,000
Honors Program	250,000
Study Abroad Program	200,000
Minority Recruitment/Need-Based Scholarships	185,000
Clinical Education Complex	200,000
Associate VP Research/Development	300,000
Rural Mobile Health/Environmental Health & Safety Units	341,000
Institutional Advancement	375,000
Nursing Positions	60,000
Subtotal	**5,673,000**
OTHER CAMPUS PRIORITIES	
4% Salary Increase Pool	4,474,400
1% Operating Increase	300,000
Parking & Transportation (Year 6 of 10)	58,000
Garrett Conference Center Utilities, Moved to E&G	150,000
Division of Extended Learning and Outreach	257,000
Faculty Mkt Adjustments to Achieve Higher In-state Comparison	317,000
Athletics Department/Div I-A Football	2,302,000
Graduate Fellowships (Tuition Waiver)	200,000
Office of Associate VP Campus Services Moved to E&G	183,000
New Staff Positions	501,000
Subtotal	**8,742,400**
TOTAL PROPOSED EXPENDITURES	**$16,301,000**

Approximately 59.4 percent of the unrestricted E&G budget is for personnel costs (primarily salary and benefits for employees and student workers) and 20.9 percent is for operating expenses. Approximately 7.4 percent is allocated for student financial aid

(excluding student employment). The remaining 12.3 percent is allocated for debt service, capital outlay, and utilities. The budget for personnel includes approximately 1,851 full-time, filled positions and 179 full-time, vacant positions. This represents a 4.6 percent increase in budgeted positions. Faculty positions account for approximately 41.0 percent of the unrestricted E&G budgeted positions.

The Faculty and Staff Compensation Report, FY 2007-08, provides all recommended salaries for filled positions and vacant positions. The average merit-based salary increase is 4 percent.

Restricted Funds, including grants and contracts and student financial assistance, comprise 18.9 percent of the total budget. The restricted budget includes a decrease of $1,773,000 from the 2006-07 budget. The projected revenue for grants and contracts expenditures is being lowered by $3 million based on increased competitiveness for grants and contracts and potential reductions in funding at the state and federal level. The increase in student financial assistance reflects actual awards data and the budgeting of two new federal programs: National Science and Mathematics Access to Retain Talent (SMART) and Federal Academic Competitiveness Grants (FACG).

The Auxiliary Enterprises 2007-08 revenue estimates are being increased by a total of $1,599,000 above the approved 2006-07 budget. The increase is accounted for primarily by higher reimbursed costs from the WKU Student Life Foundation and a modest increase in revenue from Bookstore sales.

The Capital Budget lists projects that were vetoed in the 2006 Session of the General Assembly. Should these projects be restored in a special session or the 2007 Session of the General Assembly, the University is prepared to bid and construct in a timely fashion in as much design work has already been completed.

The Capital Budget includes legislatively-authorized projects which will be under way next year or are currently under way. These authorized projects will address many of the projects identified in WKU's Six-Year Capital Plan and the Deferred Maintenance Plan. Additional project authorizations are listed should additional funds be available from University resources (e.g., Capital Projects Pool).

Capital leases obligations are listed in the Capital Budget. Leases are primarily for acquisition of vehicles and equipment and for the President's Residence. Payments on existing leases are declining 5.5 percent between FY 2008 and FY 2007 with the outstanding balance being $512,943, as of June 30, 2008.

The following high-priority capital projects are included in the enacted 2006-08 Biennial Budget and 2004-06 Biennial Budget:

State General Fund Bonds	
Construct College of Education Building	$35,000,000
Renovate Science Campus, Phase II	33,000,000
State General Fund Bonds/Agency Bonds/University Funds	
Academy of Mathematics and Science	11,803,000
Agency Bonds/University Funds/Private Funds	
Renovate Academic/Athletic Bldg.#2	49,781,000
South Campus Improvements	8,550,000
IT Infrastructure	1,000,000
Health Services Clinic	5,750,000
University Funds/Private Funds	
Capital Projects Pool	10,195,000
Primary Electrical System - Phase IV	1,987,000
Student Publications Building	1,600,000
Renovate Faculty House	500,000

Purchase Property for Campus Expansion	3,000,000
Performance Contracting (Guaranteed Energy Savings)	TBD
Renovation/Expansion of Carroll Knicely Center	3,500,000
Renovate Electrical Distribution	4,500,000
Federal Funds	
Construct Agriculture Research Services Lab	22,825,000
Construct Mesonet Weather Monitoring System	3,000,000

RECOMMENDATION: President Gary A. Ransdell recommends that the Western Kentucky University Board of Regents approve the 2007-08 Budget and Faculty and Staff Compensation Report, FY 2007-08.

Motion to approve the 2007-08 Budget and Faculty and Staff Compensation Report, FY 2007-08 was made by Mr. Meyer and seconded by Ms. Rogers.

Using the outline below, Chief Financial Officer Ann Mead explained the recommended budget:

Total Budget		**$314,642,000**
Less:		
• **Restricted Funds:**		
Grants and Contracts	**29,116,000**	
Student Financial Aid	**30,475,000**	
• **Self-Generated Revenue And Carry Forward**	**29,535,800**	
• **Auxiliary Enterprises**	**19,037,000**	
• **State-Supported Debt**	**1,280,600**	
• **Academy for Math & Science**	**2,800,000**	
• **Public Funds (State and Students)**	**$202,397,600**	
Sources:		
• **State Appropriation**	**82,315,600**	***(26.2 Pct. Of Budget)***
• **Tuition and Fees**	**120,082,000**	***(38.2 Pct. Of Budget)***

Note: The WKU Operating Budget does not include private gifts of the WKU Foundation and the College Heights Foundation.

Following a time of addressing specific questions from members of the Board by Ms. Mead and President Ransdell, Ms. Gray called for the vote on Mr. Meyer's motion to approve the 2007-08 Budget and Faculty and Staff Compensation Report, FY 2007-08. The motion carried unanimously.

With no further business on the agenda, motion to adjourn was made by Ms. Roberts and seconded by Ms. Hughes. Meeting adjourned at approximately 10:05 a.m.

CERTIFICATION OF SECRETARY

I hereby certify that the minutes herein above set forth an accurate record of votes and actions taken by the Board of Regents of Western Kentucky University in a special meeting held June 22, 2007, in the Cornelius A. Martin Regents Room in the Mass Media and Technology Hall on the Western campus, and further certify that the meeting was held in compliance with KRS 61.810, 61.815, 61.820, and 61.825 (enacted as Sections 2, 3, 4 and 5 of House Bill 100, 1974 Regular Session, General Assembly).

Elizabeth W. Esters
Secretary

Lois W. Gray
Chair
November 2, 2007

Elizabeth W. Esters
Secretary
November 2, 2007