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Balancing Our Budget by Year End

March 2, 2017

Fellow Faculty and Staff:

As we move closer to enrollment census date of March 23, for spring 2017, we are able to zero in on the degree to which we will need to reallocate funds to cover the tuition revenue shortfall. Our fall collections were approximately three percent short of the budget estimate. Spring numbers project to be about five percent short of the budget estimate. In total, we are estimating that we will need to capture one-time funds in the amount of approximately \$6.5 million in order to balance the budget by year end.

Our pressures this spring come from several fronts. We have approximately 1,000 students who still owe \$2.9 million. We have not fully offset losses in traditional part-time students and international enrollments, with growth in out-of-state domestic and online enrollments. We have grown our high school dual credit enrollment to 2,156 students, but those students do not produce revenue for us. All of the universities in Kentucky are facing declines in in-state enrollments.

We are assessing the best approach for projecting our fall enrollment. Our historic practice of building the coming year's budget based on the current year's enrollment is no longer a stable budgeting practice.

Since last fall, the Administrative Council has been advised to withhold spending of carry forward funds as much as feasible. I am working with Administrative Council to determine available carry forward funds and other one-time funds that are available to offset this shortfall. We should be able to finalize our budget balancing plan for this year by late March.

It is too soon to determine the impact of our enrollment numbers on next year's budget. There is also significant uncertainty about the tuition rate increase for next year, as set by the Council on Postsecondary Education. We are projecting a three percent resident undergraduate rate increase in order to manage our fixed costs increases. We will know this key variable of the budget process by late March. The two percent Faculty/Staff salary increase (one percent last January 1, and one percent next July 1) is being covered by an "equity" adjustment in our FY 17-18 appropriation from the state.

On a more positive note, much has been done this year to move us forward in improved student retention, and efforts to engage the entire campus are ongoing. We are cautiously optimistic that these efforts will position us more favorably in the new Performance Funding Model, which is making its way through the General Assembly this month, and will yield additional tuition revenue in future years.

Gary A. Ransdell