UA3/9/7 Budget Summary

WKU President's Office - Ransdell

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Budget Summary

Fellow Faculty and Staff:

Over the last several weeks staff in the Finance and Administration division have been working to finalize the FY 2015-16 campus budget. We are facing significant financial challenges as we close out the current year and prepare for the year ahead. I want to outline those challenges for you, provide a broad context for the larger problem, and detail our specific plans to achieve a balanced budget for next year.

First, funding for higher education is a national as well as statewide challenge. There are a number of factors for Kentucky, including modest growth in state tax revenues since the 2008 recession and growing pressures on the state budget, such as Public Pensions, Medicaid, Corrections, as well as K-12 and higher education. Kentucky has not provided new funds to support higher education since the 2008 biennial budget was passed and has in fact been cutting funds in most years since then. So the first challenge is outside of our control—a decline in state funding support.

Second is a newer issue for us—enrollment decline. Kentucky’s public postsecondary universities and the Kentucky Community and Technical College System achieved record enrollment of 235,833 in fall 2011. By fall 2014, however, enrollment had declined to 215,509, a drop of 8.6 percent. KCTCS has experienced the highest rate of enrollment decline, dropping from 108,302 to 87,027 or a loss of 19.6 percent, but we too have experienced a decline from 21,048 to 20,178, or a loss of 870 students (4.1 percent). Much of that loss is in the part-time adult learner category. I point this out because it is helpful to know that declining enrollment is a statewide dynamic, not just a WKU concern. We are working harder than ever to recruit and retain students who can be successful at WKU, including growing our full-time traditional student population and our international enrollment. However, coupled with years of reductions in our state appropriation, the impact of both an enrollment decline and loss of state funds is significant.

While we do not anticipate further state budget cuts through this biennium, the FY 2016 state budget includes no increase in state funding. WKU has lost $15.4 million in state funds since 2008, and we have internally reallocated an additional $7.1 million to meet our fixed cost increases and ensure a balanced budget annually.

Cost drivers for us include scholarships and mandated tuition waivers; increases in employee benefits such as retirement, health care, and workers compensation; contractual obligations such as insurance, computer software, library subscriptions, etc.; and maintenance and utility costs for new and expanded facilities. In addition to those costs we cannot control, we also have a number of strategic priorities that we must address, particularly related to student recruitment. I am providing more detail on each of these cost drivers below. All totaled, these increased expenditures add up to $9.6 million that we will need to cover.

There are only three ways to cover new expenditures: increased state appropriation, increased tuition, and/or reallocation of existing funds. New state funds are not forthcoming in the next fiscal year, as I have stated. WKU’s most significant source of revenue is tuition. The resident undergraduate tuition rate is capped at 3 percent for next fiscal year. In summary, a 3 percent tuition increase will generate approximately $4.3 million, but net only $1.9 million when enrollment losses are calculated. Therefore, in order to achieve a balanced budget, we must reallocate approximately $7.7 million within our existing budget.
The following is a detailed breakdown of how and why funds will be reallocated in the 2016 fiscal year:

- We have experienced considerable success in competing for Kentucky’s best and brightest students. However, in order to be competitive for these students, we have strengthened our scholarship awards but stretched our budget capacity (see attachment for scholarship details). The budget increase for our academic scholarships will increase $3,878,000 in order to fund projected freshmen who are accepting our scholarship awards and returning students performing at a high academic level. The entire scholarship program is being re-evaluated with changes coming with the entering class of fall 2016.
- Cost increases for employee benefits (e.g., health insurance, retirement, workers’ compensation) total $1,657,000.
- Contractual obligations, property insurance, and utilities and maintenance on new square footage on campus require a budget increase of $1,208,000.
- Enrollment Management includes among its responsibilities Admissions, International Student Recruitment and Support Services, Academic Advising and Retention Center, Student Financial Assistance, and the Academic Transitions Program. When the Chief Enrollment and Graduation Officer position was established to lead a separate division, reporting to the President, we discovered that Academic Affairs had been subsidizing the operations with one-time funding. In total, $457,000 is being added to the division to secure its base operations with permanent funding.
- Other scholarship adjustments include departmental scholarships, faculty/staff/dependent-child scholarships, graduate fellowships, and Athletics grants-in-aid. The total increase for these scholarships is $819,400. The balance of the other scholarships ($1,579,000) is to create a permanent budget for the National/International Academic Scholarship Program. This program has been in place for decades, but it has never been funded permanently. This allows for students to be recruited to WKU with a guarantee that the tuition cost to the students will be reduced from the non-resident rate to our published tuition incentive program tuition rate (32 percent higher than the resident tuition rate). This scholarship was awarded to 163 students last fall.

Division Vice Presidents are working to identify targeted reductions in each of their budgets and have complete flexibility in how to manage impact on division operations. Where possible, we have identified central funds to reallocate as well. A more detailed summary of how we will achieve these reallocations will be forthcoming once finalized.

I know these are difficult times and that we are all weary of yet another challenging fiscal year. I want to assure you that we are working hard with our colleagues in public higher education to make our case to policy makers in the Commonwealth. CPE President Bob King attended our most recent Board of Regents’ meeting to outline the basic tenets of a performance-based funding model that will ultimately guide our request to the Governor and the Kentucky General Assembly for increased funding for higher education in 2016. If funded, WKU would significantly benefit from this funding model. To demonstrate the measure of our challenge, it would take $173 million to fund higher education at the 2008 state funding levels—that is how much our public colleges and universities in Kentucky have been cut since then.

Going forward, we must continue to make strategic decisions that grow both our enrollment and our graduation outcomes with the intent of achieving three things: hit total enrollment targets
which produce more revenue than needed to fund fixed cost increases in FY 17; drive up our position in the performance-based higher education funding model; and, sustain a high level of academic quality. If we can achieve these goals, then we can begin to consider new revenue from a modest tuition increase and/or improved state funding for faculty and staff compensation in FY 2016-17.

My goal is to keep you informed as much as is practical without overloading you with too much data. Ann Mead or I can provide whatever additional information you might seek. Thank you for your continuing your good work.

Gary A. Ransdell

Dr. Gary A. Ransdell | President