1. CALL TO ORDER

Required statutory notice having been given, the special budget meeting of the Board of Regents of Western Kentucky University was held in the *Cornelius A. Martin Regents Room* of the Mass Media and Technology Hall on the Western Kentucky University campus. The meeting was called to order by Chair Lois Gray at approximately 3:10 p.m., CDT.

2. INVOCATION

The invocation was provided by Mr. Tony Glisson, Human Resources Director.

3. OATH OF OFFICE

The Constitutional Oath of Office was administered to Mr. Kevin Smiley, Student Regent, by Ms. Lois Gray, Chair of the Board of Regents. President Gary A. Ransdell presented Mr. Smiley with the official Regent’s pin which was designed specifically for members of the Board.

4. ROLL CALL

The following Regents were present:

- Ms. Lois Gray, Chair
- Ms. Yevette Haskins
- Ms. Judi Hughes
- Dr. Patricia Minter, Faculty Regent
- Mr. J. David Porter
- Ms. Forrest Roberts
Absent from the meeting was Mr. Larry Zielke.

Others in attendance included the following WKU Administrative Council members:

- Dr. Gary A. Ransdell, President
- Dr. Barbara Burch, Provost & Vice President for Academic Affairs
- Ms. Deborah Wilkins, Chief of Staff / General Counsel
- Mr. Howard Bailey, Vice President for Student Affairs
- Dr. Richard Bowker, Vice President for Research & Dean of Graduate Studies
- Mr. Tom Hiles, Vice President for Institutional Advancement
- Dr. Richard Kirchmeyer, Vice President for Information Technology
- Ms. Ann Mead, Vice President for Finance and Administration
- Mr. John Osborne, Vice President for Campus Services and Facilities
- Dr. Wood Selig, Director of Athletics
- Dr. Richard Miller, Associate Vice President for Academic Affairs & Chief Diversity Officer

In keeping with the policy of the Board, the agenda for the meeting and information and materials pertinent to items thereon had been mailed in advance of the meeting by the President to members of the Board.

5. BUDGET APPROVAL

5.1 Approval of 2009-10 Budget

Ms. Ann Mead, Vice President for Finance and Administration, presented the 2009-10 Budget to the Board of Regents.

**REQUEST:** Approval of the 2009-10 Budget including the full-time employees’ one-time payment provision and converting it to base salary adjustments effective July 1, 2010.

**FACTS:** The *Western Kentucky University 2009-10 Budget* is WKU’s financial plan for the fiscal year beginning July 1, 2009 and ending June 30, 2010, and it includes the proposed Operating Budget and Capital Budget. The proposed Operating Budget totals $349,445,000. Excluding 2008-10 Contingency Plan projects, the FY 2010 Capital Budget totals $138,252,300 from all sources of funds.
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 2009-10 Operating Budget and the dollar and percent increases, in comparison to the 2008-09 budget, are distributed as follows:

<table>
<thead>
<tr>
<th></th>
<th>2009-10 Budget</th>
<th>Dollar Increase</th>
<th>Pct Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Budget</td>
<td>$349,445,000</td>
<td>$17,005,000</td>
<td>5.1%</td>
</tr>
<tr>
<td>Total E&amp;G</td>
<td>328,773,000</td>
<td>16,224,000</td>
<td>5.2%</td>
</tr>
<tr>
<td>Unrestricted E&amp;G</td>
<td>262,047,000</td>
<td>10,741,000</td>
<td>4.3%</td>
</tr>
<tr>
<td>Restricted E&amp;G</td>
<td>66,726,000</td>
<td>5,483,000</td>
<td>9.0%</td>
</tr>
<tr>
<td>Total Auxiliary Enterprises</td>
<td>20,672,000</td>
<td>781,000</td>
<td>3.9%</td>
</tr>
</tbody>
</table>

Included in the budget document are narratives by division that link funding allocations to strategic priorities and intended outcomes for FY 2010.

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 $600,000 do not require General Assembly approval and are not included in the Capital Budget. Many projects with a scope of less than $600,000 will address deferred maintenance needs and classroom improvements. These projects will be funded from carry forward funds and the Classroom Improvements and Facilities Management budgets.

The 2008-10 Budget includes authorization to proceed with agency bond-funded projects. Bonds were issued in 2009 and no additional projects will be bonded in 2010. 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 or scheduled for FY 2010 are identified separately.

**2009-10 Projected Revenue**

The Council on Postsecondary Education (CPE), by statute, has the authority to set tuition rates for all public colleges and universities. At its March 6, 2009 meeting, the CPE approved a maximum base tuition (including mandatory student fees) rate increase of 4
percent for all of the comprehensive universities. WKU’s recommended Tuition and Fees Schedule was approved by the CPE at its May 22, 2009 meeting and is provided at the end of the Executive Summary.

The Operating Budget includes the projected revenue based on the 2009-10 tuition and fees rates and actual fall 2008 enrollment. Tuition and fees also include graduation fees, Student Athletics Fee, distance learning and contract instruction, independent learning, dual credit courses, and course-specific fees that are returned to the respective academic departments.

Based on Board policy, the Higher Education Price Index (HEPI) is the basis for the increase in the Student Athletics Fee and the Centers Fee. The Restricted Tuition budgets (i.e., Student Technology, Health Services, and Student Government Association and Programming) reflect budget adjustments due to enrollment growth and the HEPI one year change. HEPI increased 3.6 percent in 2008.

The FY 2010 budget reflects minimal interest earnings on overnight deposits, debt service reserve and pooled investments from the Commonwealth of Kentucky. The University’s banking contract for overnight deposits states “all collected funds...automatically earn interest at a rate of Federal Funds + .10 percent.” The projected total reduction of $733,000 (FY 2009 and FY 2010) will be offset by growth in tuition revenue.

Restricted Funds, including grants and contracts and student financial assistance, comprise 19.1 percent of the total budget. Grants and contracts include an increase of $1,203,000 over the FY 2009 budget. The projected revenue for grants and contracts expenditures is projected to increase by five percent across all sources (i.e., federal, state, and private).

An increase of $4.3 million in student financial assistance reflects actual FY 2009 awards data and projected student eligibility with an increase in Pell Grant maximum awards. The largest projected increases are in the federal programs of Pell Grants (15.7 percent) and Academic Competitiveness Grants (20.0 percent) and the state programs of KEES Program (3.0 percent) and College Access Program (15.6 percent).

The Auxiliary Enterprises 2009-10 revenue estimates are being increased by a total of $781,000 above the approved FY 2009 budget. The increase is accounted for primarily by the mandatory Student Centers Fee increase of $2 per full-time student per semester, increased Bookstore sales, and food and vending contract commissions.

The proposed 2009-10 Operating Budget includes the following adjustments to state appropriations and projected tuition and fees revenue available for budgeting:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Appropriation, Operating (Budget Reduction Reserve)</td>
<td>$787,200</td>
</tr>
<tr>
<td>State Appropriation, Debt Service (Existing Bonds)</td>
<td>288,100</td>
</tr>
<tr>
<td>Tuition, Fall &amp; Spring (Excluding Restricted Tuition)</td>
<td>4,384,000</td>
</tr>
<tr>
<td>Tuition, Summer</td>
<td>75,000</td>
</tr>
</tbody>
</table>
The 2009-10 budgeted revenue by source is summarized as follows:

Total Budgeted Revenue by Source:

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
<th>Pct of Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuition and Fees</td>
<td>$142,338,000</td>
<td>40.7%</td>
</tr>
<tr>
<td>State Appropriations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating</td>
<td>77,401,200</td>
<td>22.1%</td>
</tr>
<tr>
<td>Budget Reduction Reserve</td>
<td>4,012,300</td>
<td>1.2%</td>
</tr>
<tr>
<td>Debt Service</td>
<td>1,958,100</td>
<td>0.6%</td>
</tr>
<tr>
<td>Restricted Funds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants, and Contracts</td>
<td>25,319,000</td>
<td>7.2%</td>
</tr>
<tr>
<td>Student Financial Aid</td>
<td>41,407,000</td>
<td>11.8%</td>
</tr>
<tr>
<td>Net Asset Allocation (nonrecurring)</td>
<td>15,621,000</td>
<td>4.5%</td>
</tr>
<tr>
<td>Other</td>
<td>20,716,400</td>
<td>6.0%</td>
</tr>
<tr>
<td>Auxiliary Enterprises</td>
<td>20,672,000</td>
<td>5.9%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$349,445,000</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>
2009-10 Proposed Expenditures

Based on the projected state appropriations, investment income, and fall and spring tuition revenue, the following allocations are included in the 2009-10 Operating Budget:

**UNAVOIDABLE COST INCREASES**

Minimum Wage Increase $342,000  
Debt Service Increase (State Bonds) 288,000  
KERS Rate Increase 135,000  
Campus Additions, Maintenance and Operations 742,000  
Utility Increase (New and Existing Buildings) 951,000  
Employee Educational Benefits (Faculty/Staff and Dependent Child) 77,000  
Vehicle, Fire and Tornado Insurance Premium 80,000  

Contractual Obligations  
- CCTV Police Department 8,000  
- System Software Contracts Increases 83,000  
- Chiller Contract 95,000  
- Sodexho Contract 28,000  
- Sexual Harassment License Contract 10,000  
- Owensboro Lease (1/2 Year) 43,000  

Subtotal 267,000  

- CCTV Personnel (Maintain Oversight of Video Surveillance) 56,000  
- Faculty Promotions 265,000  

**Subtotal** 3,203,000

**STUDENT FINANCIAL ASSISTANCE**

Undergraduate Scholarships/Grants-in-Aid/Mandated, Offset Rate Increase 582,000  
Gatton Academy Scholarships, 2nd Year 157,000  
Graduate Assistantships and International Fellowships, Offset Rate Increase 170,000  

**Subtotal** 909,000

**SALARY/BENEFITS**

Health Insurance (1/2 year funding of approx. 6% University Increase) 260,000  

**Subtotal** 260,000

**OTHER CAMPUS POLICIES**

Parking and Transportation (Year 8 of 10) 58,000  
Restricted Tuition Programs 143,000  
State Appropriations Reduction Reserve 787,000  

**Subtotal** 988,000  
**TOTAL** $5,360,000

Governor Beshear, has called a Special Session to address the 2010 budget. Based on the anticipated Budget Reduction Order, we are planning for the FY 2009 two percent reduction to be
made permanent. During the spring we developed a reallocation plan equal to a four percent reduction in State funding or approximately $3.2 million and placed the funding in the Budget Reduction Reserve.

Full-time employees who were hired on or before December 1, 2008 will receive a one-time payment of 1.5 percent of salary with a floor of $500 and a ceiling of $1,000. Approximately $1.6 million will be allocated from the Reserve to fund this one-time payment for budgeted full-time employees. This payment will be included in the last payroll of July 2009. Additionally, based on Governor Beshear’s intent that colleges and universities not be reduced below the revised FY 2009 appropriation, we are recommending that the $1.6 million be recognized as a permanent base salary adjustment effective July 1, 2010.

Programs responsible for generating revenue are allocated the projected revenue increases or decreases. 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.

The FY 2010 budgeted expenditures, by major classification of expenditure, are summarized as follows:

<table>
<thead>
<tr>
<th>Major Classification</th>
<th>Unrestricted</th>
<th>Restricted</th>
<th>Auxiliary</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>$148.2</td>
<td>$.8</td>
<td>$7.0</td>
<td>$156.0</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>58.6</td>
<td>24.9</td>
<td>9.9</td>
<td>93.4</td>
</tr>
<tr>
<td>Budget Reduction Reserve</td>
<td>4.0</td>
<td>0</td>
<td>0</td>
<td>4.0</td>
</tr>
<tr>
<td>Utilities</td>
<td>8.9</td>
<td>0</td>
<td>2.5</td>
<td>11.4</td>
</tr>
<tr>
<td>Capital Outlay</td>
<td>5.3</td>
<td>0</td>
<td>.8</td>
<td>6.1</td>
</tr>
<tr>
<td>Student Aid</td>
<td>22.9</td>
<td>41.0</td>
<td>0</td>
<td>63.9</td>
</tr>
<tr>
<td>Debt Service</td>
<td>14.1</td>
<td>.1</td>
<td>.5</td>
<td>14.7</td>
</tr>
<tr>
<td>Total</td>
<td>$262.0</td>
<td>$66.8</td>
<td>$20.7</td>
<td>$349.5</td>
</tr>
</tbody>
</table>

Personnel expenditures include salary and benefits for approximately 1,900 budgeted, full-time filled positions and 190 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.

Ms. Forrest Roberts stated that, “The narrative section shows significant increase in operating expenses for campus and facilities. We need a more detailed explanation of the reason for those increases.” President Gary Ransdell stated that, “Most of the increases for campus and facilities are due to increased utilities.”

Dr. Patricia Minter stated, “I noticed a discrepancy in the Debt Service amount listed on pages three and five. What is the difference in those two numbers?” Ms. Ann Mead answered, “The amount listed on page three represents the State Debt Service, and the amount listed on page five represents the WKU Debt Service.”

Ms. Tamela Smith stated, “Overall, I think it is a good budget. I would like to see more in terms of items for the staff, such as a computer pool and other resources / needs to help ensure the success of WKU staff.”

**MOTION:** Ms. Judi Hughes made a motion to approve the 2009-10 Budget including the full-time employees’ one-time payment provision and converting it to base salary adjustments effective July 1, 2010. Motion was seconded by Dr. Patricia Minter and carried unanimously.

6. **OTHER BUSINESS**

- BOR Retreat – July 30, 2009
- Third Quarterly Board Meeting – July 31, 2009
- Committee Meetings – October 9, 2009
- Fourth Quarterly Board Meeting – October 30, 2009

Dr. Patricia Minter suggested changing the October 9 date for the Board Committee Meetings due to Fall Break. President Ransdell stated that, “We will get back to you with an alternate date.”
7. ADJOURNMENT

With no further business, motion to adjourn was made by Mr. David Porter. Motion was seconded by Ms. Yevette Haskins and carried unanimously.