



FY 2026 Budget Call Letter



Guidelines and Timeline for the FY 2026 Budget Development



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Introduction

This document serves as a guide to develop your unit's FY 2026 budget submission. It includes budget guidelines, assumptions, activities, and expected timeline. The budget guidelines are designed to enhance transparency surrounding decision-making and to promote consistency across all units.

WKU's budgeting efforts are firmly grounded in the strategic plan, *Climbing to Greater Heights 2018-2028*, which is essential to advancing the university's mission. Our budget development process is a comprehensive planning effort and reflects a collaborative environment, guided by continuous discussions among the Office of Budget and Financial Planning, Deans, Support Unit Leaders, budget governance committees, and campus executive leadership. The university relies on the long-term financial plan to inform budget decision-making, and has an annual budgeting process that is preceded by sound planning and subject to sound fiscal procedures. This inclusive process ensures accurate revenue and expense projections, incorporates the perspectives of all relevant parties, and upholds our commitment to shared governance and transparency.

The university operates within the decentralized Resource Allocation, Management and Planning (RAMP) budget model. Each unit is responsible for developing a detailed operating budget based on the needs and strategic plan of that unit. The budget management software, Axiom, is used for budget development with salary, benefits, and operating data entry completed and approved at the unit level before being submitted to be reviewed and approved by the Budget Office, then approved by executive leadership and the president. Once the budget has been completed, the final step is to present it for approval to the WKU Board of Regents.



Budget Guidelines and Assumptions

Units are expected to accurately budget revenue and expenditures within the standard categories used for internal financial reporting. This account structure is incorporated into Axiom to allow for automatic account structure grouping for each account code.

The Budget Office will hold timely meetings throughout the budget development process as a tool to address common needs as well as support for new budget managers. The schedule will be determined with input from the budget managers. In addition, the Budget Office will meet with each Budget Manager to finalize the base budget reconciliation and balancing. Units are expected to keep their budgets in balance or be aware of any pending changes to keep the budget balanced. The Budget Office will frequently monitor budget variances and will work with each Budget Manager if a budget becomes out of balance.

Budgeted use of carry forward or one-time funds are not permitted without prior approval from executive leadership.

Tuition Revenue

WKU's primary revenue source is tuition and fees, therefore estimation of tuition revenue is one of the most essential components of the budget process. This process is comprised of two equally important factors, enrollment and tuition rates.

Enrollment

University-wide enrollment projections are developed in conjunction with Institutional Research, Enrollment and Student Experience, Academic Affairs with input from Deans, and the Budget Office. Components used to determine enrollment projections include the incoming first-time, first-year (FTFY) class, retention of existing students, graduation rate, transfer students, and international enrollment. Per initial projections, overall enrollment is expected to decrease by 153 students, including a preliminary FTFY projection of 2,788 students, remaining flat from the current year. Projections will be updated through the end of the budget development process as additional data becomes available.

Tuition Rates

The Council on Postsecondary Education (CPE) has the statutory authority to determine and approve tuition rates for Kentucky's public universities. CPE is expected to adopt resident undergraduate tuition and mandatory fee ceilings for FY 2026 and FY 2027 by March 2025. WKU executive leadership is initially planning for a 2% tuition rate increase for FY 2026.



State Appropriation

The Commonwealth approves a state budget every two years through the biennial budget process. The budget was passed in House Bill 6 by the General Assembly which contains the budget for both FY 2025 and FY 2026. Per the state budget, base state appropriation is flat from the current year and will be loaded into Axiom for the FY 2026 budget.

In addition to the base state appropriation, the university receives performance funding which is allocated based on how well each state public university performs comparatively on 10 separate metrics. While there is a 9.5% increase to the total performance funding pool for FY 2026, the evaluation of the metrics and final performance funding allocation is not expected to be received until April or May 2025.

Grants and Contracts

Total grants and contracts are primarily comprised of external research and governmental student financial aid. These budgets are determined by the Budget Office in conjunction with the Office of Research & Creative Activity, Grants and Contracts Accounting, and Student Financial Assistance. As we are seeing an increase in our extramural research funding, it is important for us to consult with the individual Deans.

As was implemented with the FY 2025 budget, anticipated research revenue and expenditures will be budgeted in an index within each unit. The amount budgeted for each unit will be based on the split determined by RAMP metrics – grants and contracts external research expenditures from the prior year.

Unit Level Revenue Projections

Unit level revenue projections include auxiliaries, college/course fees, direct tuition revenue, revenue dependent programs, and sales & services. It is critical for these revenue projections to be accurate estimates using realistic projections and recent historical data. Revenue projections are due along with expense budget submissions per the budget development timeline. Auxiliary and revenue dependent budgets should be completed and balanced (revenues = expenses) when your unit budget submission is due.

Wages/Salaries

Employee salaries as of January 2025 will be loaded and available in Axiom. The 2% across-the-board salary increase effective January 1, 2025, will also be reflected in unit budgets in Axiom. This centrally funded salary increase will show as additional budget authority added for both salary and related fringe benefits at the unit level.

A decision on any additional salary increases during FY 2026 will be evaluated by executive leadership upon a recommendation from the Budget Executive Committee. If an additional salary increase is approved effective January 2026, half of the annual amount (six months) will be built into the FY 2026 budget. Since the distribution of the salary increase will not be known until fall 2025, the funds



will be included in a salary pool in a university-wide index and later transferred to unit budgets during FY 2026.

Fringe Benefits

Benefit rates are developed in order to cover the costs of fringe benefits offered by the university. The fringe rates for the FY 2026 budget are on the following pages and accounts for the employer health insurance rate increase effective January 2025. The variable rates represent the percentage that will be assessed against the employee's salary, and this amount, along with fixed fringe rates, will post to the same index to which the individual employee's salary is charged. These rates may be updated if new information becomes available.

Axiom will automatically calculate fringe benefits in real-time at the position level throughout the budget development process. For vacant positions (Pooled Positions in Axiom), a variable rate will be calculated based on an average of fixed and variable rates at the unit level. This unit level variable rate chart is listed below.

WKU's benefits committee is expected to provide a recommendation to the President's Cabinet by summer 2025 for health, dental, vision, and life insurance rates effective January 2026. Since the recommendation by the benefits committee and approval by the President's Cabinet will not be known until fall 2025, a projected increase to benefit rates will be included in a pool in a university-wide index. If any rate increase is approved effective January 2026, half of the annual amount (six months) will be transferred to unit budgets during FY 2026.



Table 1: Fringe Benefit

Variable Rate	
Retirement	
TRS 1-3	15.86%
TRS 4	9.78%
ORP	8.74%
KERS Nonhazardous	85.03%
KERS Hazardous	31.82%
TRS TRP/Rehire Retiree	27.24%
FICA	7.65%
Worker's Comp	0.50%
Employer Disability Insurance	0.15%
Fixed Rate	
Health Insurance	\$ 11,940.00
Dental Insurance	\$ 172.80
Vision Insurance	\$ 62.16
Life Insurance	\$ 51.00
Total	\$12,225.96



Table 2: Vacant Position (Pooled Positions) Fringe Rate

Unit	Benefits Rate
Athletics	32.11%
College of Education and Behavioral Sciences	46.17%
College of Health and Human Services	44.70%
Enrollment and Student Experience	64.88%
Gordon Ford College of Business	33.72%
Ogden College of Science and Engineering	41.40%
Philanthropy and Alumni Engagement	45.98%
Potter College of Arts and Letters	43.54%
President	47.26%
<u>Strategy, Operations and Finance</u>	
Business Services	96.64%
Facilities	95.33%
All Other SOF	61.15%
<u>Provost and Academic Affairs</u>	
Associate Provost	59.87%
Gatton Academy of Math and Science	46.62%
Graduate School	56.58%
International Programs	40.28%
Mahurin Honors College	50.23%
Provost and Vice President Academic Affairs	51.61%
Regional Campuses	73.95%
Research	59.91%
University Libraries	58.09%
WKU Online & Faculty Development	56.06%



Budget Realignment Strategy

Executive leadership recently took steps to realign the university's budget. The budget realignment strategy eliminates the longstanding practice of utilizing an estimate of year-end carry forward funds as a source of revenue to balance the budget, a strategy that is neither sustainable nor fiscally prudent. This will result in improved financial results and is a budgetary best practice that will lead to long-term budget stability.

Executive leadership anticipated completing the \$24 million budget realignment over two fiscal years, with an estimated \$18 million in FY 2025 and the remaining \$6 million in FY 2026 through various strategies impacting both revenue and expenses.

FY 2025 Budget Realignment

FY 2025 budget realignment amounts were distributed to units in July 2024 and FY25 budgets were subsequently adjusted. This budget adjustment is expected to be permanent in the FY 2026 budget and can be determined as you work through entries in Axiom during the budget development process.

Voluntary Separation Incentive Program (VSIP)

The university offered a voluntary separation incentive program in fall 2024 and this incentive was accepted by 57 employees. Budget savings from this program is intended to contribute to the budget realignment strategy. The remaining portion of the employees' salary and benefits budgets will be removed from current year, FY 2025, unit budgets. These budgets will also be permanently reduced from FY 2026 unit budgets.

The budgeted salaries and benefits will be retained centrally and held for the purposes of re-prioritizing human capital and investment in identified strategic needs. The retained budget pool shall be under the management of the Provost and Vice President for Academic Affairs and the Executive Vice President for Strategy, Operations and Finance. Position vacancies that are generated because of the VSIP will only be filled if approved by both the Provost and Vice President for Academic Affairs and the Executive Vice President for Strategy, Operations and Finance, in consultation with the University President.

The VSIP position budget removal and return of funds will be monitored by the Budget Office through the budget development monitoring spreadsheet.



Subvention

The RAMP budget model allocates revenue, such as tuition and fees and state appropriation, to each of the academic colleges based on established metrics. These revenues are then subject to a 13% participation fee to fund the subvention pool. The subvention pool is used to fund auxiliary programs at the same level as the prior year, pending any budget realignment strategies. As was the case in developing the FY 2025 budget, the Provost will manage subvention for the academic colleges with the Deans.



Budget Development Timeline

The FY 2026 budget development process will be guided by the following timeline. All dates are subject to change.

Dates	Activity
October	BEC provided recommendation to executive leadership regarding FY 2025 salary poll Executive leadership provided notice to campus on FY 2025 salary increases Initial enrollment projections provided
November	Budget Kickoff BEC holds bi-monthly meetings Discussion with Deans and Vice-Presidents on FY 2026 preliminary enrollment projections (ongoing through spring semester) Axiom rolled forward to FY 2026 with Budget and Labor data
December	BEC holds monthly meeting
January	Initial Labor verification and balancing at unit level by Budget Office Axiom opens for data entry Meetings with Budget managers on Axiom (schedule to be determined) Enrollment management provides monthly update on enrollment projections BEC holds bi-monthly meetings
February	Support unit budget submissions due - Revenue and Expenses BEC holds bi-monthly meetings Meetings with Budget managers on Axiom (schedule to be determined) Enrollment management provides monthly update on enrollment projections
March	Meet with Deans to finalize FY 2026 enrollment projections and unit tuition revenue budgets Update RAMP budget model with tuition and state appropriation revenue Academic unit budget submissions due - Revenue and Expenses Finalize budget balancing strategies



BEC recommendations due to executive leadership

April

Provost to meet with Deans for Subvention discussion

Performance funding finalized in budget

Final tuition rate ceiling from CPE

Final balancing of all budgets

May

Budget workshops with Board of Regents

June

Final budget approval by full Board of Regents