

## **STRONGER** by DEGREES



## **MEETING AGENDA**

### **Budget Development Work Group**

Monday, July 20, 2015

E. Bruce Heilman Student Center, Chowning Executive Dining Room, Campbellsville  
University, Campbellsville, KY

The Council on Postsecondary Education is Kentucky's statewide postsecondary and adult education coordinating agency charged with leading the reform efforts envisioned by state policy leaders in the *Kentucky Postsecondary Education Improvement Act of 1997*. The Council does not discriminate on the basis of race, color, national origin, sex, religion, age, or disability in employment or the provision of services, and provides, upon request, reasonable accommodation, including auxiliary aids and services necessary to afford individuals with disabilities an equal opportunity to participate in all programs and activities.

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## **AGENDA**

### Budget Development Work Group

Council on Postsecondary Education

Monday, July 20, 2015

10:00 AM

E. Bruce Heilman Student Center, Chowning Executive Dining Room, Campbellsville  
University, Campbellsville, KY

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1. Opening Remarks
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  - a. Operating Funds
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      - c) Special Initiatives
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# 2016-18 Biennial Budget Recommendation

## Funding Categories

- A. Operating Funds
- B. Trust Funds
- C. Capital Request
- D. Agency Budget

# 2016-18 Biennial Budget Recommendation

## Potential Components

- A. Operating Funds
  - Performance Funding
  - Equity Adjustment (Comprehensive Sector Only)
  - Special Initiatives
    - KSU Enrollment Stabilization
    - KSU Land Grant Match
    - KCTCS Tuition Stabilization

# Performance Funding

## Proposed Features

On April 1, CPE staff received a performance funding proposal from UK & UofL that contained the following provisions:

- Proposed that the Council request new state funding for the postsecondary sectors based on prior reductions.
- That the new funds in the research sector be allocated between UK & UofL based on existing net General Fund share.
- The research campuses agreed that 100% of new funds must be earned through performance to be retained beyond 2016-18.
- Recommended that institutions be rewarded for improvement relative to their own goals for performance, not for exceeding the performance of other institutions.

# Performance Funding

## Proposed Features

Cont'd:

- That CPE staff and research university officials agree on a limited number of areas of interest and related metrics that are aligned with state goals (i.e., HB1 and *Strategic Agenda* goals).
- Each institution would select five metrics from agreed upon list.
- CPE and university staffs would negotiate a goal for each metric.
- For new funds to become recurring, an institution must meet or demonstrate continuous progress in four of five metrics.
- Unearned funds would be deducted from the 2018-20 request.
- Performance would be measured in fall 2017 to determine if funds become recurring for 2018-20.

# Performed Funding

## Proposed Assessment Method

| Metric   | Actual<br>Biennial<br>Change | Goal<br>Biennial<br>Change | Percent<br>of Goal<br>Attained | Point<br>Value |
|----------|------------------------------|----------------------------|--------------------------------|----------------|
| Metric A | 838                          | 1,120                      | 75%                            | 0.75           |
| Metric B | 5.5                          | 5.5                        | 100%                           | 1.00           |
| Metric C | 8                            | 10.0                       | 80%                            | 0.80           |
| Metric D | 350                          | 700.0                      | 50%                            | 0.50           |
| Metric E | 24                           | 60                         | 40%                            | 0.40           |
|          |                              |                            | Composite Point Score:         | 3.45           |
|          |                              |                            | Total Possible Points:         | 5.00           |

In the above example, 70% of performance funds would become recurring in 2018-20 (i.e.,  $3.45/5.0 = 70\%$ ).

# Performance Funding

## Potential Metrics

- Degrees produced
- Graduation rates
- Retention rates
- Progression metrics
  - 30 credit hours
  - 60 credit hours
  - 90 credit hours
- Closing achievement gaps
- Research productivity
- Degrees per 100 FTE students
- Type of degree (STEM+H)
- Transfer



# Equity Adjustment Proposed Features

On June 3, the comprehensive university presidents reached near full agreement regarding the allocation of any Operating Funds the Council might request for their sector in 2016-18.

Features of that agreement include:

- Recommends Council request full base restoration (\$173 M).
- The model identified a disparity in General Fund and \$15.8 M would be required to fund NKU and WKU at sector median.
- The requested sector share for the comprehensive universities would include two elements: 1) equity and 2) performance.

# Equity Adjustment Proposed Features

## Features (Cont'd):

- A separate request outside the comprehensive share would be requested for KSU (amount and conditions to be determined).
- The 2018-20 request would include an additional \$7.9 M of equity funding for NKU and WKU, thus resolving equity issue.
- Regardless of ultimate size of the Council's request, it would include full \$7.9 M of equity funding this biennium and next.
- In less than full funding scenario, the Council will recommend to elected leadership that ratio of equity to performance be maintained.

Comprehensive Sector Calculation

|                                             |                             |
|---------------------------------------------|-----------------------------|
| Enacted Fiscal 2015-16 Net General Fund     | \$301,372,300               |
| Phased Equity Adjustment <sup>(a)</sup>     | 7,922,000                   |
| Sub-Total                                   | \$309,294,300               |
| Plus:                                       |                             |
| Performance Funding Increase Amount         | 17,065,000                  |
| Requested Net General Fund (Biennial Total) | \$326,359,300               |
| Dollar Change                               | \$24,987,000 <sup>(b)</sup> |
| Percent Change                              | 8.3%                        |
| Performance Funding Increase Percentage     | 5.51742%                    |

Chart Data

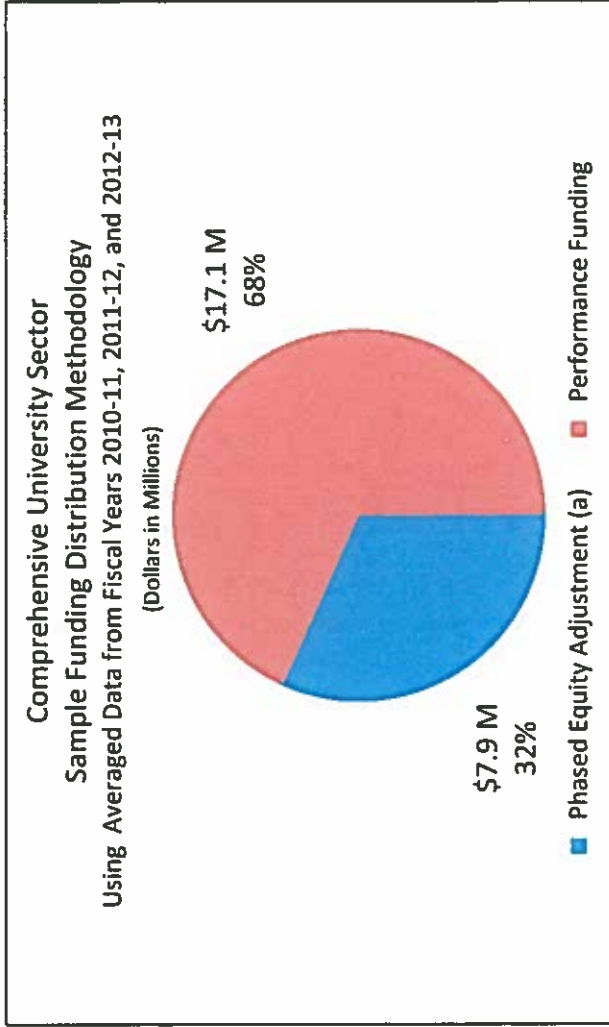
| Funding Category                        | Dollars<br>In Millions |
|-----------------------------------------|------------------------|
| Phased Equity Adjustment <sup>(a)</sup> | \$7.9                  |
| Performance Funding                     | \$17.1                 |
| Total New Funds Requested               | \$25.0                 |

Features:

- In the above hypothetical, CPE would request a biennial increase for the comprehensive sector of \$25.0 million, or 8.3 percent.
- The "Phased-In Equity Adjustment" was calculated using data obtained from the document *Sample Funding Model Distribution by Component and Institution* run on fiscal year 2010-11, 2011-12, and 2012-13 data.
- The hypothetical assumes a 32%/68% split between the phased-in equity adjustment amount and performance funding amount.
- It is proposed that the 32%/68% split be retained in both full-funding and less-than-full-funding scenarios.
- It is proposed that the phased-in equity adjustment be added to the existing net General Fund base for each institution before the performance funding percent increase is applied.

<sup>(a)</sup> The phased equity adjustment is defined as the amount of additional net General Fund appropriations required for NKU and WKU to be funded at the sector median percent of formula (excluding KSU) divided by two, representing a proposed phase in of the new General Fund over two biennia.

<sup>(b)</sup> The comprehensive sector lost \$49,974,000 of its net General Fund base between FY08 and FY15. The requested biennial increase represents 50% of that amount, or \$24,987,000. This may not be all of the comprehensive sector request. CPE reserves the right to request funding for additional items, such as KSU's Land Grant match.



Council on Postsecondary Education

Sample Funding Distribution Methodology for the Comprehensive Sector

Using Averaged Data from Fiscal Years 2010-11, 2011-12, and 2012-13

Draft - For Discussion Purposes

July 14, 2015

Hypothetical Distribution Among Institutions:

| Comprehensive Institution    | Fiscal 2015-16<br>Net General Fund | Phased Equity<br>Adjustment <sup>(a)</sup> | Performance<br>Funding Amount | Requested Net<br>General Fund | Dollar<br>Change    | Percent<br>Change |
|------------------------------|------------------------------------|--------------------------------------------|-------------------------------|-------------------------------|---------------------|-------------------|
| Eastern Kentucky University  | \$68,033,800                       | \$0                                        | \$3,753,700                   | \$71,787,500                  | \$3,753,700         | 5.5%              |
| Kentucky State University    | 18,786,900 <sup>(c)</sup>          | 0                                          | 1,036,600                     | 19,823,500                    | 1,036,600           | 5.5%              |
| Morehead State University    | 43,339,500                         | 0                                          | 2,391,200                     | 45,730,700                    | 2,391,200           | 5.5%              |
| Murray State University      | 48,025,100                         | 0                                          | 2,649,700                     | 50,674,800                    | 2,649,700           | 5.5%              |
| Northern Kentucky University | 48,537,600                         | 5,334,100                                  | 2,972,300                     | 56,844,000                    | 8,306,400           | 17.1%             |
| Western Kentucky University  | 74,649,400                         | 2,587,900                                  | 4,261,500                     | 81,498,800                    | 6,849,400           | 9.2%              |
| <b>Sector Totals</b>         | <b>\$301,372,300</b>               | <b>\$7,922,000</b>                         | <b>\$17,065,000</b>           | <b>\$326,359,300</b>          | <b>\$24,987,000</b> | <b>8.3%</b>       |

<sup>(c)</sup> KSU's fiscal 2015-16 net General Fund appropriation has been adjusted to remove an estimated \$4,642,700 in Land Grant program funding contained in the university's base. At this time, it is anticipated that funding for KSU's Land Grant program will be addressed as a Special Initiatives request in the Council's 2016-18 biennial budget recommendation.

## **Special Initiatives Proposed Requests**

KSU and KCTCS officials have proposed Special Initiatives requests for the 2016-18 biennium, including:

- KSU Enrollment Stabilization
- KSU Land Grant Match
- KCTCS Tuition Stabilization

# KSU Enrollment Stabilization

## Proposed Features

- KSU has proposed a contingent appropriation of an amount to be determined as an enrollment-related, revenue replacement fund to address the university's uncertain student enrollment environment.
- If requested, funds would be made available subject to:
  - KSU Regent certification that all institutional financial remedies have been exhausted.
  - Confirmation by CPE staff that relief is warranted.
  - The funds would be nonrecurring and would be phased out over several biennia.
  - If not used, any appropriated funds would revert to the General Fund.

# **KSU Enrollment Stabilization**

## **Rationale for Request**

Since 2010, KSU has experienced a decline in student enrollment, which has created a structural deficit in the university's operating budget.

- KSU FTE enrollment decreased from 2,348 in fall 2010 to 1,588 in fall 2014 (-32.4%).
- KSU headcount enrollment decreased from 2,851 in fall 2010 to 1,895 in fall 2014 (-33.5%).

# **KSU Land Grant Match**

## **Rationale for Request**

- Beginning with FY 2007-08 the KSU Land Grant program has lacked sufficient funds for the federal funds match.
- The calculated gap for the match is \$2,247,800.
- Congress appropriates an annual sum for formula grants at 1890 land grant institutions.
- States provide funds from non-federal sources equal to the amount defined for specific formula grants .
- State matching funds are required for Hatch Multistate Research, Hatch Regular, McIntire-Stennis, Evans-Allen, NARETPA section 1444, and Section 1445 of Smith-Lever.



# KSU Land Grant Match Proposed Request

Kentucky State University  
 Analysis of Land Grant Program Funding  
 Fiscal Years 2007-08 and 2014-15

Draft - For Discussion Purposes  
 July 14, 2015

## Change in Land Grant Funding by Source

| <u>Funding Source</u>                        | <u>2007-08</u>   | <u>2014-15</u>                  | <u>7-Year<br/>Change</u> |
|----------------------------------------------|------------------|---------------------------------|--------------------------|
| Land Grant Program Federal Funding           | \$5,524,400      | \$6,890,500                     | 24.7%                    |
| Minus:<br>Matching State Funds in KSU's Base | <u>5,437,693</u> | <u>4,642,700</u> <sup>(b)</sup> | -14.6%                   |
| Required Match Deficit <sup>(a)</sup>        | (86,707)         | <b>(2,247,800)</b>              |                          |

## Change in KSU's State Appropriation

| <u>Funding Category</u>         | <u>Enacted<br/>2007-08</u> | <u>Final<br/>2014-15</u> | <u>7-Year<br/>Change</u> |
|---------------------------------|----------------------------|--------------------------|--------------------------|
| Net General Fund Appropriations | \$27,441,700               | \$23,429,600             | -14.6%                   |

<sup>(a)</sup> Federal funding for KSU's Land Grant program requires a dollar for dollar state match.

<sup>(b)</sup> Calculated by applying the same percentage reduction to KSU's 2007-08 Land-Grant program base as the overall cut to the university between 2007-08 and 2014-15 (i.e., 14.6%).

Sources: United States Department of Agriculture (USDA); CPE Comprehensive Database.

# KCTCS Tuition Stabilization

## Proposed Features

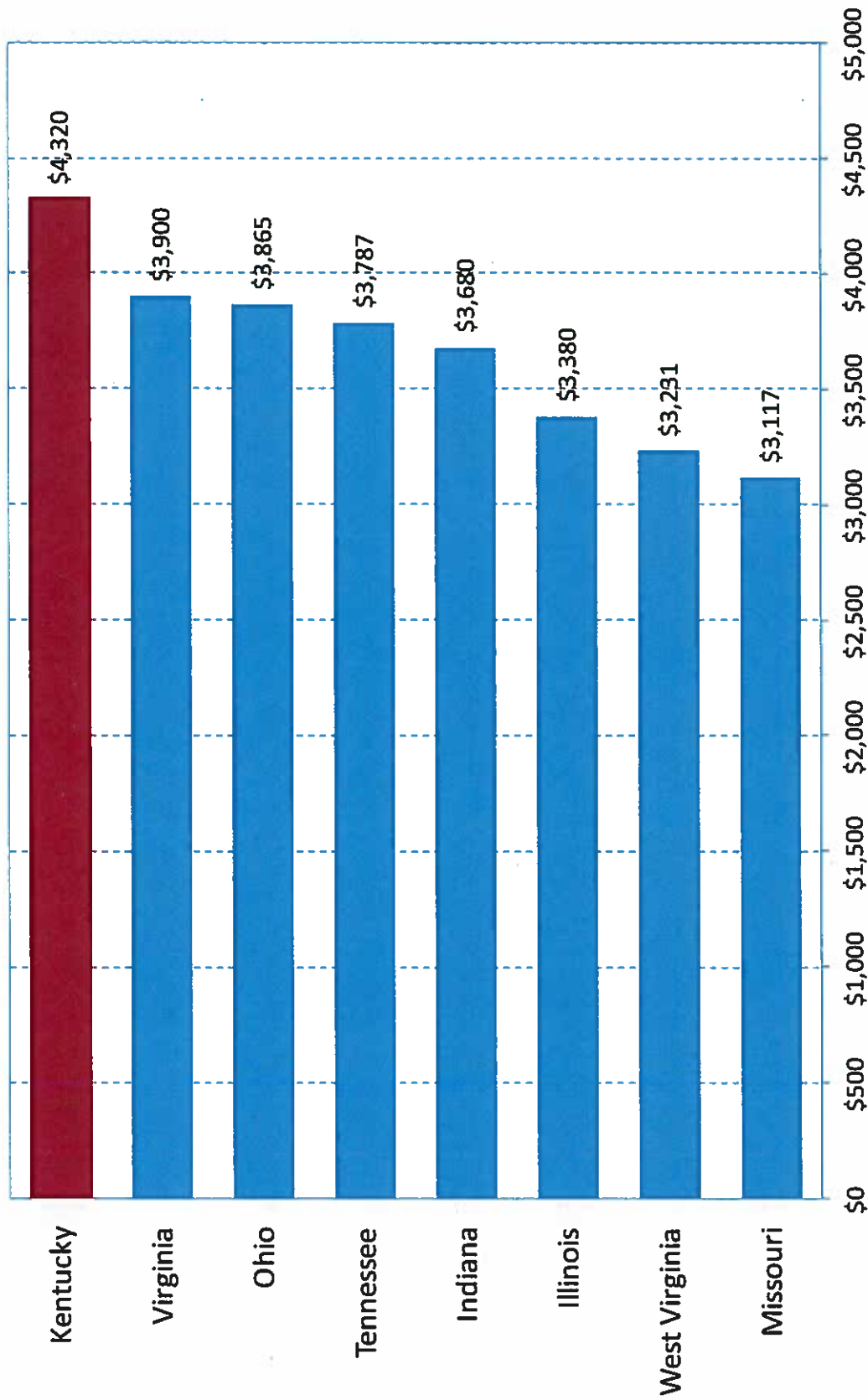
- KCTCS officials have proposed additional General Fund to minimize tuition and fee increases for the 2016-18 biennium.
- The proposed funding would be requested as a Special Initiatives request for the 2016-18 biennium.
- As a Special Initiative, any requested funding would be in addition to their sector share requested for performance.
- Funds would be requested on a recurring basis to reduce growth in tuition and fees in both years of the biennium.
- At this point, the level of funding is to be determined
- The initial concept is to use this funding to hold tuition and fee increases at KCTCS to the 1% to 2% range for 2016-18.

# KCTCS Tuition Stabilization

## Rationale for Request

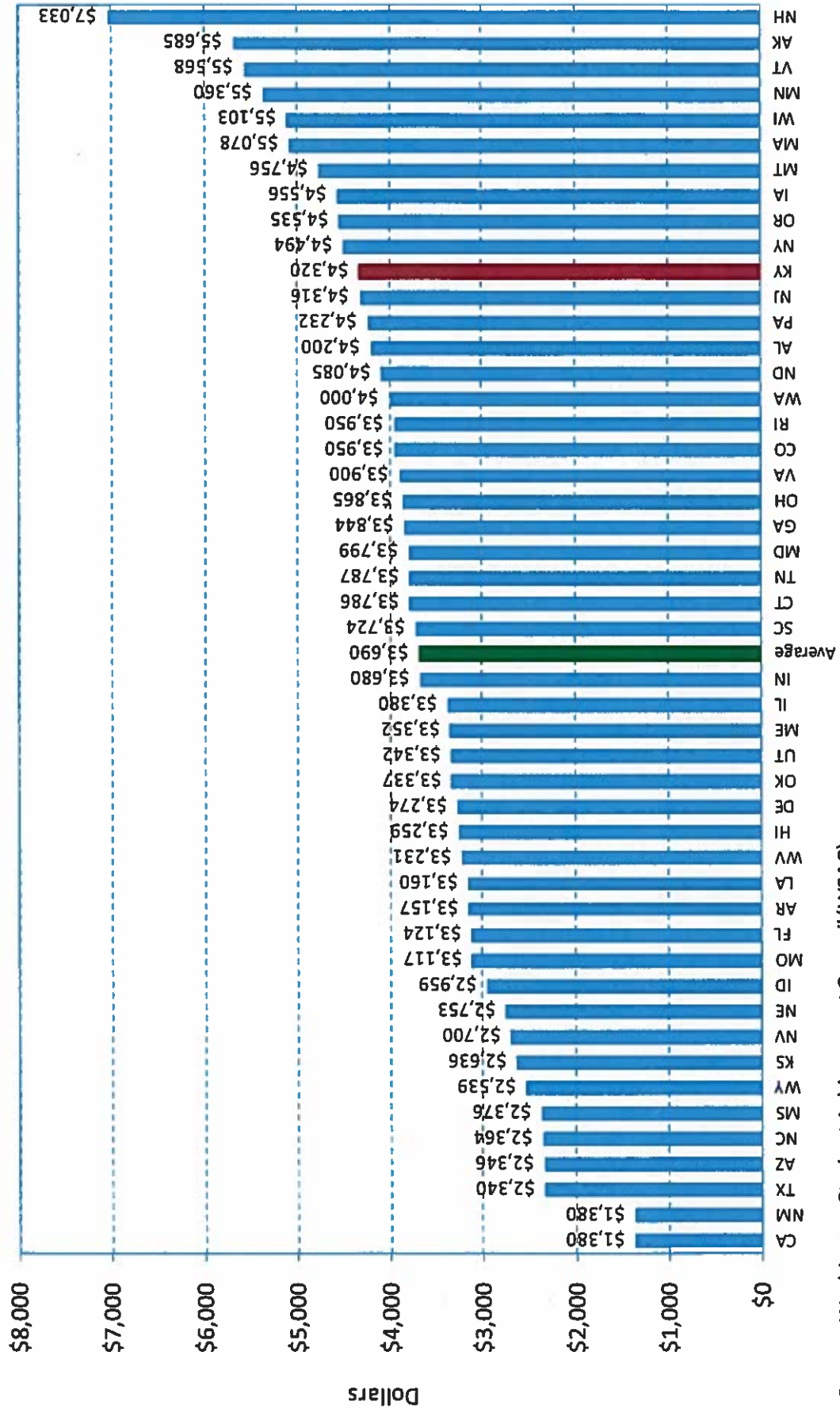
- KCTCS had the highest tuition and fees:
  - among seven states surrounding Kentucky in 2013-14.
  - among SREB states in 2015-16 (i.e., \$4,650).
- KCTCS's tuition ranked 11<sup>th</sup> highest nationally in 2013-14.
- KCTCS had 10<sup>th</sup> lowest tuition increase since FY10, nationally.
- Total Public Funds per FTE at KCTCS decreased by \$1,354/FTE (or -14%) since FY08, the largest percent decline among the sectors (Research -\$1,618, or -6%; Comps +\$380, or +2%).
- KCTCS TPF per student ranks 10th out of 16 SREB states.
- Nine SREB states have local appropriations (average \$1,097/FTE).

Community Colleges in Kentucky and Surrounding States  
 Resident Tuition and Required Fees (Estimated State Averages)  
 Academic Year 2013-14



Source: Washington Student Achievement Council (WSAC).

Community Colleges in Kentucky and Across the Nation  
 Resident Tuition and Required Fees (Estimated State Averages)  
 Academic Year 2013-14

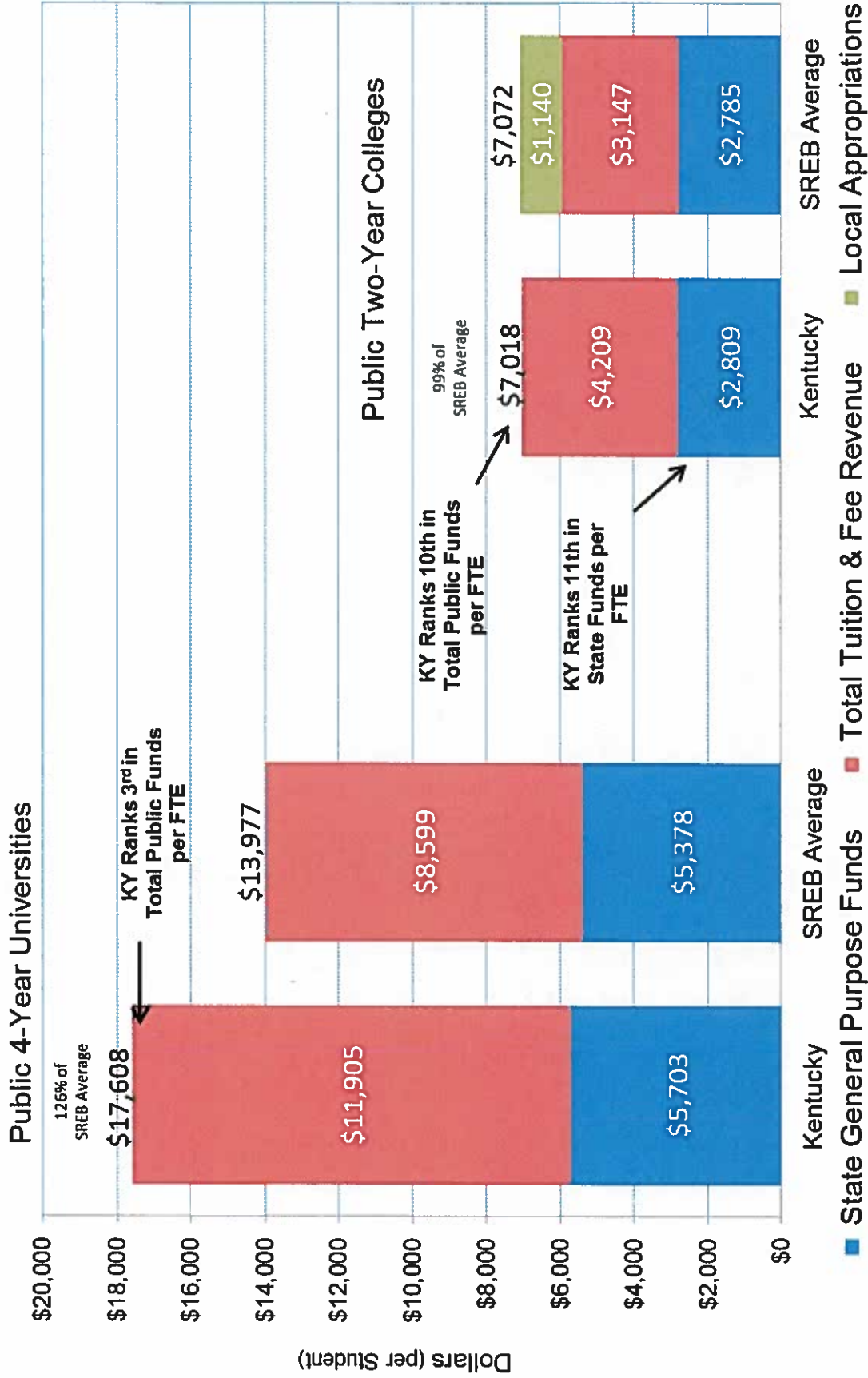


Source: Washington Student Achievement Council (WSAC).

# Kentucky Public Four-Year and Two-Year Sectors Compared to SREB Averages

## Total Public Funds Per FTE Student

### Fiscal Year 2012-13



Source: SREB, State Data Exchange.



Kentucky Public Postsecondary Sectors and System  
 Average Yearly Increases in Resident Undergraduate Tuition and Fees  
 Academic Years 2002 - 2009 and 2009 - 2016

|                         | <u>7-Year AAGR<br/>2002 - 2009</u> | <u>7-Year AAGR<br/>2009 - 2016</u> |
|-------------------------|------------------------------------|------------------------------------|
| Research Sector         | 10.6%                              | 5.0%                               |
| Comprehensive Sector    | 12.5%                              | 4.6%                               |
| Two-Year College Sector | 14.0%                              | 3.6%                               |
| Postsecondary System    | 12.4%                              | 4.3%                               |

**65% Decrease in Average  
 Yearly Increases FY09 - FY16**

AAGR - Average Annual Growth Rate.

Source: Council on Postsecondary Education, Comprehensive Database.

\*Sector and System averages are weighted based on resident undergraduate fee enrollment

Kentucky Public Postsecondary Institution  
 Change in Net General Fund Appropriations  
 Fiscal Years 2007-08 and 2014-15

Draft - For Discussion Purposes  
 July 14, 2015

| Institution                  | Enacted<br>2007-08 Net<br>General Fund | Final<br>2014-15 Net<br>General Fund | Dollar<br>Change       | Percent<br>Change | Full Base<br>Restoration | 50% Base<br>Restoration |
|------------------------------|----------------------------------------|--------------------------------------|------------------------|-------------------|--------------------------|-------------------------|
| University of Kentucky       | \$335,071,000                          | \$279,611,300                        | (\$55,459,700)         | -16.6%            | \$84,955,100             | \$42,477,600            |
| University of Louisville     | 168,572,300                            | 139,076,900                          | (29,495,400)           | -17.5%            |                          |                         |
| Eastern Kentucky University  | 79,761,400                             | 68,033,800                           | (11,727,600)           | -14.7%            |                          |                         |
| Kentucky State University    | 27,441,700                             | 23,429,600                           | (4,012,100)            | -14.6%            |                          |                         |
| Morehead State University    | 48,202,100                             | 41,039,500                           | (7,162,600)            | -14.9%            | 49,974,000               | 24,987,000              |
| Murray State University      | 56,068,700                             | 48,025,100                           | (8,043,600)            | -14.3%            |                          |                         |
| Northern Kentucky University | 55,099,500                             | 48,537,600                           | (6,561,900)            | -11.9%            |                          |                         |
| Western Kentucky University  | 85,115,600                             | 72,649,400                           | (12,466,200)           | -14.6%            |                          |                         |
| KCTCS                        | 228,704,900                            | 190,162,300                          | (38,542,600)           | -16.9%            | 38,542,600               | 19,271,300              |
| <b>System Total</b>          | <b>\$1,084,037,200</b>                 | <b>\$910,565,500</b>                 | <b>(\$173,471,700)</b> | <b>-16.0%</b>     | <b>\$173,471,700</b>     | <b>\$86,735,900</b>     |

Increase on FY 2014-15 Base:

19.1%

9.5%



Kentucky Public Research University  
Performance Funding Allocation Based on Net General Fund Share  
2016-18 Biennial Budget Recommendation

Biennial and Annual Allocations

| Institution              | Fiscal 2015-16<br>Net General<br>Fund Revenue | Percent<br>of Total | Biennial Total<br>Performance<br>Allocation | Fiscal 2016-17<br>Allocation | Fiscal 2017-18<br>Allocation | Rounded<br>Biennial Total<br>Allocation |
|--------------------------|-----------------------------------------------|---------------------|---------------------------------------------|------------------------------|------------------------------|-----------------------------------------|
| University of Kentucky   | \$279,611,300                                 | 66.8%               | \$28,367,700                                | \$14,183,900                 | \$14,183,900                 | \$28,367,800                            |
| University of Louisville | 139,076,900                                   | 33.2%               | 14,109,900                                  | 7,055,000                    | 7,055,000                    | 14,110,000                              |
| <b>Sector Totals</b>     | <b>\$418,688,200</b>                          | <b>100.0%</b>       | <b>\$42,477,600</b>                         | <b>\$21,238,900</b>          | <b>\$21,238,900</b>          | <b>\$42,477,800</b>                     |

Allocation Amount: \$42,477,600

**Council on Postsecondary Education  
Hypothetical 2016-18 Funding Request for Institutional Operations  
Performance Funding, Equity Adjustment, and Special Initiative Requests**

| Beginning Net Base:                   | UK            | UofL          | EKU          | KSU          | MoSU         | MuSU         | NKU          | WKU          | KCTCS         | Total           |
|---------------------------------------|---------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|-----------------|
| 2015-16 Enacted Total Appropriation   | \$279,611,300 | \$140,416,300 | \$68,033,800 | \$23,429,600 | \$43,339,500 | \$48,025,100 | \$48,537,600 | \$74,649,400 | \$190,162,300 | \$916,204,900   |
| Minus:                                |               |               |              |              |              |              |              |              |               |                 |
| Debt Service (2015-16)                | 0             | (1,339,400)   | 0            | 0            | 0            | 0            | 0            | 0            | 0             | (1,339,400)     |
| 2015-16 Enacted Net Appropriation     | \$279,611,300 | \$139,076,900 | \$68,033,800 | \$23,429,600 | \$43,339,500 | \$48,025,100 | \$48,537,600 | \$74,649,400 | \$190,162,300 | \$914,865,500   |
| <b>First-Year Operating Request:</b>  |               |               |              |              |              |              |              |              |               |                 |
| 2015-16 Enacted Net Appropriation     | \$279,611,300 | \$139,076,900 | \$68,033,800 | \$23,429,600 | \$43,339,500 | \$48,025,100 | \$48,537,600 | \$74,649,400 | \$190,162,300 | \$914,865,500   |
| Plus:                                 |               |               |              |              |              |              |              |              |               |                 |
| Debt Service (2016-17)                | 0             | TBD           | 0            | 0            | 0            | 0            | 0            | 0            | 0             | 0               |
| Strategic Investments                 | 14,183,900    | 7,055,000     | 1,876,900    | 518,300      | 1,195,600    | 1,324,900    | 1,486,200    | 2,130,800    | 9,635,700     | 39,407,300      |
| Performance Funding                   | 0             | 0             | 0            | 0            | 0            | 0            | 2,667,000    | 1,294,000    | 0             | 3,961,000       |
| Equity Adjustment                     | 0             | 0             | 0            | TBD          | 0            | 0            | 0            | 0            | 0             | 0               |
| KSU Structural Deficit                | 0             | 0             | 0            | 2,247,800    | 0            | 0            | 0            | 0            | 0             | 2,247,800       |
| KSU Land Grant Match                  | 0             | 0             | 0            | 0            | 0            | 0            | 0            | 0            | 0             | 0               |
| KCTCS Tuition Stabilization           | 0             | 0             | 0            | 0            | 0            | 0            | 0            | 0            | TBD           | 0               |
| 2016-17 Requested Total General Fund  | \$293,795,200 | \$146,131,900 | \$69,910,700 | \$26,195,700 | \$44,535,100 | \$49,350,000 | \$52,690,800 | \$78,074,200 | \$199,798,000 | \$960,481,600   |
| Dollar Change from Prior Year         | \$14,183,900  | \$7,055,000   | \$1,876,900  | \$2,766,100  | \$1,195,600  | \$1,324,900  | \$4,153,200  | \$3,424,800  | \$9,635,700   | \$44,276,700    |
| Percent Change from Prior Year        | 5.1%          | 4.1%          | 2.8%         | 11.8%        | 2.8%         | 2.8%         | 8.6%         | 4.6%         | 5.1%          | 4.8%            |
| <b>Beginning Net Base:</b>            |               |               |              |              |              |              |              |              |               |                 |
| 2016-17 Requested Total General Fund  | \$293,795,200 | \$146,131,900 | \$69,910,700 | \$26,195,700 | \$44,535,100 | \$49,350,000 | \$52,690,800 | \$78,074,200 | \$199,798,000 | \$960,481,600   |
| Minus:                                |               |               |              |              |              |              |              |              |               |                 |
| Debt Service (2016-17)                | 0             | TBD           | 0            | 0            | 0            | 0            | 0            | 0            | 0             | 0               |
| 2016-17 Requested Net General Fund    | \$293,795,200 | \$146,131,900 | \$69,910,700 | \$26,195,700 | \$44,535,100 | \$49,350,000 | \$52,690,800 | \$78,074,200 | \$199,798,000 | \$960,481,600   |
| Dollar Change from Prior Year         | \$14,183,900  | \$7,055,000   | \$1,876,900  | \$2,766,100  | \$1,195,600  | \$1,324,900  | \$4,153,200  | \$3,424,800  | \$9,635,700   | \$45,616,100    |
| Percent Change from Prior Year        | 5.1%          | 5.1%          | 2.8%         | 11.8%        | 2.8%         | 2.8%         | 8.6%         | 4.6%         | 5.1%          | 5.0%            |
| <b>Second-Year Operating Request:</b> |               |               |              |              |              |              |              |              |               |                 |
| 2016-17 Requested Net General Fund    | \$293,795,200 | \$146,131,900 | \$69,910,700 | \$26,195,700 | \$44,535,100 | \$49,350,000 | \$52,690,800 | \$78,074,200 | \$199,798,000 | \$960,481,600   |
| Plus:                                 |               |               |              |              |              |              |              |              |               |                 |
| Base Adjustments                      | 0             | TBD           | 0            | 0            | 0            | 0            | 0            | 0            | 0             | 0               |
| Debt Service (2017-18)                | 0             | TBD           | 0            | 0            | 0            | 0            | 0            | 0            | 0             | 0               |
| Strategic Investments                 | 14,183,900    | 7,055,000     | 1,876,900    | 518,300      | 1,195,600    | 1,324,900    | 1,486,200    | 2,130,800    | 9,635,700     | 39,407,300      |
| Performance Funding                   | 0             | 0             | 0            | 0            | 0            | 0            | 2,667,000    | 1,294,000    | 0             | 3,961,000       |
| Equity Adjustment                     | 0             | 0             | 0            | 0            | 0            | 0            | 0            | 0            | 0             | 0               |
| KSU Structural Deficit                | 0             | 0             | 0            | TBD          | 0            | 0            | 0            | 0            | 0             | 0               |
| KSU Land Grant Match                  | 0             | 0             | 0            | 0            | 0            | 0            | 0            | 0            | 0             | 0               |
| KCTCS Tuition Stabilization           | 0             | 0             | 0            | 0            | 0            | 0            | 0            | 0            | TBD           | 0               |
| 2017-18 Requested Total General Fund  | \$307,979,100 | \$153,186,900 | \$71,787,600 | \$26,714,000 | \$45,730,700 | \$50,674,900 | \$56,844,000 | \$81,499,000 | \$209,433,700 | \$1,003,849,900 |
| Dollar Change from Prior Year         | \$14,183,900  | \$7,055,000   | \$1,876,900  | \$518,300    | \$1,195,600  | \$1,324,900  | \$4,153,200  | \$3,424,800  | \$9,635,700   | \$43,368,300    |
| Percent Change from Prior Year        | 4.8%          | 4.8%          | 2.7%         | 2.0%         | 2.7%         | 2.7%         | 7.9%         | 4.4%         | 4.8%          | 4.5%            |
| <b>Ending Net Base:</b>               |               |               |              |              |              |              |              |              |               |                 |
| 2017-18 Requested Total General Fund  | \$307,979,100 | \$153,186,900 | \$71,787,600 | \$26,714,000 | \$45,730,700 | \$50,674,900 | \$56,844,000 | \$81,499,000 | \$209,433,700 | \$1,003,849,900 |
| Minus:                                |               |               |              |              |              |              |              |              |               |                 |
| Debt Service (2017-18)                | 0             | TBD           | 0            | 0            | 0            | 0            | 0            | 0            | 0             | 0               |
| 2017-18 Requested Net General Fund    | \$307,979,100 | \$153,186,900 | \$71,787,600 | \$26,714,000 | \$45,730,700 | \$50,674,900 | \$56,844,000 | \$81,499,000 | \$209,433,700 | \$1,003,849,900 |
| Dollar Change from Prior Year         | \$14,183,900  | \$7,055,000   | \$1,876,900  | \$518,300    | \$1,195,600  | \$1,324,900  | \$4,153,200  | \$3,424,800  | \$9,635,700   | \$43,368,300    |
| Percent Change from Prior Year        | 4.8%          | 4.8%          | 2.7%         | 2.0%         | 2.7%         | 2.7%         | 7.9%         | 4.4%         | 4.8%          | 4.5%            |
| <b>Net General Fund</b>               |               |               |              |              |              |              |              |              |               |                 |
| Dollar Change for Biennium            | \$28,367,800  | \$14,110,000  | \$3,753,800  | \$3,284,400  | \$2,391,200  | \$2,649,800  | \$8,306,400  | \$6,849,600  | \$19,271,400  | \$88,984,400    |
| Percent Change for Biennium           | 10.1%         | 10.1%         | 5.5%         | 14.0%        | 5.5%         | 5.5%         | 17.1%        | 9.2%         | 10.1%         | 9.7%            |

TBD - To Be Determined      Total GF Requests      Net GF Requests

# 2016-18 Biennial Budget Recommendation

## Potential Components

- B. Trust Funds
  - Bucks for Brains

# Bucks for Brains

## Proposed Request

Council on Postsecondary Education      Draft - For Discussion  
 2016-18 Biennial Budget Recommendation      July 14, 2015  
 Endowment Match Program Distribution

| <u>Institution</u>       | <u>Statutory RCTF Allocations</u> | <u>Allocation Percentages</u> | <u>Bucks for Brains Distribution</u> |
|--------------------------|-----------------------------------|-------------------------------|--------------------------------------|
| University of Kentucky   | 2/3                               | 66.7%                         | \$66,667,000                         |
| University of Louisville | 1/3                               | 33.3%                         | 33,333,000                           |
|                          |                                   |                               | <u>\$100,000,000</u>                 |

| <u>Institution</u>           | <u>Final 2014-15 Net General Fund Revenue</u> | <u>Allocation Percentages</u> | <u>Bucks for Brains Distribution</u> |
|------------------------------|-----------------------------------------------|-------------------------------|--------------------------------------|
| Eastern Kentucky University  | \$68,033,800                                  | 22.5%                         | \$4,509,800                          |
| Kentucky State University    | 23,429,600                                    | 7.8%                          | 1,553,100                            |
| Morehead State University    | 41,039,500                                    | 13.6%                         | 2,720,400                            |
| Murray State University      | 48,025,100                                    | 15.9%                         | 3,183,500                            |
| Northern Kentucky University | 48,537,600                                    | 16.1%                         | 3,217,400                            |
| Western Kentucky University  | <u>72,649,400</u>                             | 24.1%                         | <u>4,815,800</u>                     |
|                              | <u>\$301,715,000</u>                          | 100.0%                        | <u>\$20,000,000</u>                  |

# 2016-18 Biennial Budget Recommendation

## Potential Components

- C. Capital Request
  - Asset Preservation
  - New Construction
  - Information Technology
  - Institutionally Funded Projects





## Asset Preservation/New Construction

- Similar to the 2014-16 approach
- Aligned with VFA recommendations for blend of funding for asset preservation and new construction
- Funds pools for asset preservation and new construction
- “Part 2” of a 3 biennia plan to address campus needs
- Uses a blended index to distribute funds
  - Base amount for each institution
  - Shares of Asset Preservation Need (VFA Study)
  - Shares of FTE students
  - Share of total public funds
  - Share of extramural research expenditures
- **Strong support for Accountability (CPE certification)**

# Information Technology/Equipment

## 2014-16 Approach:

- \$10 Million for statewide initiatives
- \$50 Million for Campuses (Base funding plus share of E&G spending)

## Decision Points

- Sizing of the recommendation



## **Institutionally Funded Projects**

**Includes:**

- **Agency Bond Funded Projects**
- **Federal, Restricted, and Privately Funded Projects**
- **Guaranteed Energy Savings Projects**
- **Leases**

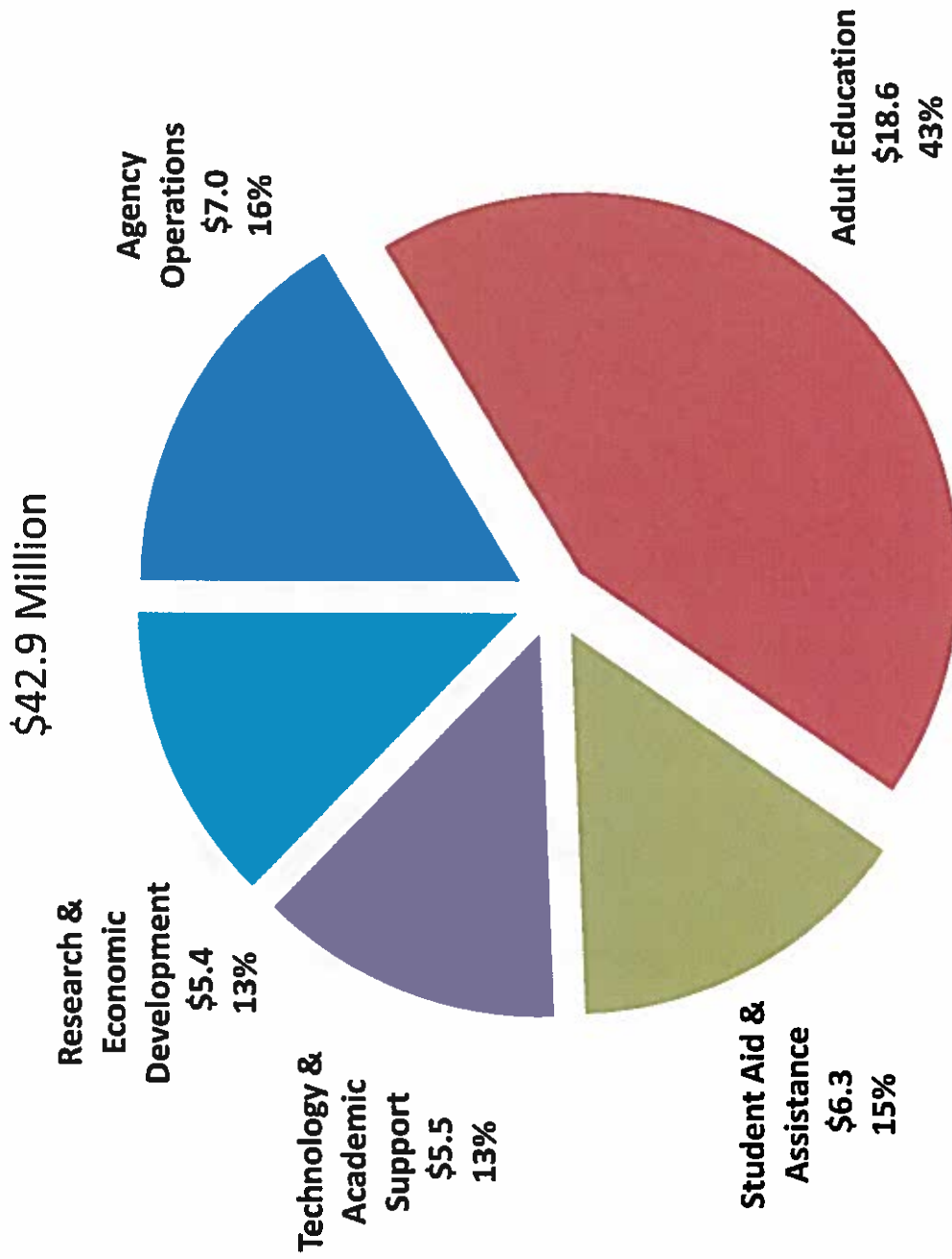
# 2016-18 Biennial Budget Recommendation

## Potential Components

### D. Agency Budget

- Agency Operations
- Adult Education (Local Program Providers)
- Student Aid & Assistance
- Technology & Academic Support
- Research & Economic Development

# Agency Budget by Component 2015-16 General Fund Base



# 2016-18 Agency Budget Request Structure

Dictated by the Branch Budget Guidelines:

- Base funding (fiscal year 2015-16 funding level)
- Defined Calculations (mandated personnel increases)
- Additional Budget Requests
  - Inflationary increases
  - Expansion requests
  - New projects, etc.

# 2016-18 Agency Budget Request

Meeting planned with CPE leaders to discuss approach & process

## 2014-16 Approach features

- Followed Base & Defined Calculations instructions
- Inflationary increases for most programs set to predicted General Fund growth (2% per year)
- Larger Increases:
  - Contract Spaces (maintained number of slots)
  - SREB Doctoral Scholars (fund an additional scholar)
  - Kentucky Adult Education (same increase as requested for the institutions)
- No increase requested for SB1 funding or Washington Intern Program

# 2016-18 Agency Budget Request

Some Initial Thoughts:

- **Align Agency Request with new Strategic Agenda**
- **Recognize that cuts have been severe for the programs and initiatives supported by the CPE budget**
  - **2014-16 request: 4.7% increase in the first year, 2.8% increase in the second year**
  - **CPE received a 5% cut for the biennium**

# 2016-18 Agency Budget Components & General Fund Base Funding

|                                              |                     |            |
|----------------------------------------------|---------------------|------------|
| Operations (Staff and Operating)             | \$7,012,000         | 16%        |
| Adult Education (Local Program Providers)    | 18,575,500          | 43%        |
| Student Aid & Assistance                     |                     |            |
| Contract Spaces (164 Vet., 44 Opt.)          | 5,680,100           |            |
| Professional Education Prep. Program         | 251,900             |            |
| Minority Student College Prep. Program       | 176,000             |            |
| State Autism Training Center                 | 125,800             |            |
| SREB Doctoral Scholars Program               | 67,900              |            |
| Washington Intern Program                    | <u>48,000</u>       |            |
| <b>Total</b>                                 | <b>6,349,700</b>    | <b>15%</b> |
| Technology & Academic Support                |                     |            |
| College Readiness/Senate Bill 1              | 1,467,700           |            |
| Technology Trust Fund (KYVC/VL, KPEN, KYRON) | <u>4,075,300</u>    |            |
| <b>Total</b>                                 | <b>5,543,000</b>    | <b>13%</b> |
| Research & Economic Development              |                     |            |
| Science & Tech. Funding Program (KSTC, PLTW) | 5,433,300           | 13%        |
| <b>TOTAL CPE AGENCY GENERAL FUND BASE</b>    | <b>\$42,913,500</b> |            |

# 2016-18 Agency Budget Request

Will also include spending plan for:

- **Restricted Fund Receipts**
  - Federal Indirect
  - Licensure
  - GED Receipts
  - Tobacco Tax Proceeds (Cancer Research Match)
- **Federal Funds**
  - Kentucky GEAR UP
  - Adult Education Grant
  - Improving Educator Quality
- **Tobacco Funds (Master Settlement Agreement)**
  - Lung Cancer Research and Ovarian Cancer Screenings



## 2016-18 Agency Budget Request

The Agency Budget will also include the request for the funds for the institutions that will be shared or are in some way conditional, such as:

- Physical Facilities Trust Fund
- Research Challenge Trust Fund (Bucks for Brains)
- 2014-16 request for Performance Funding (Degree Production)

# Postsecondary Resources & Performance

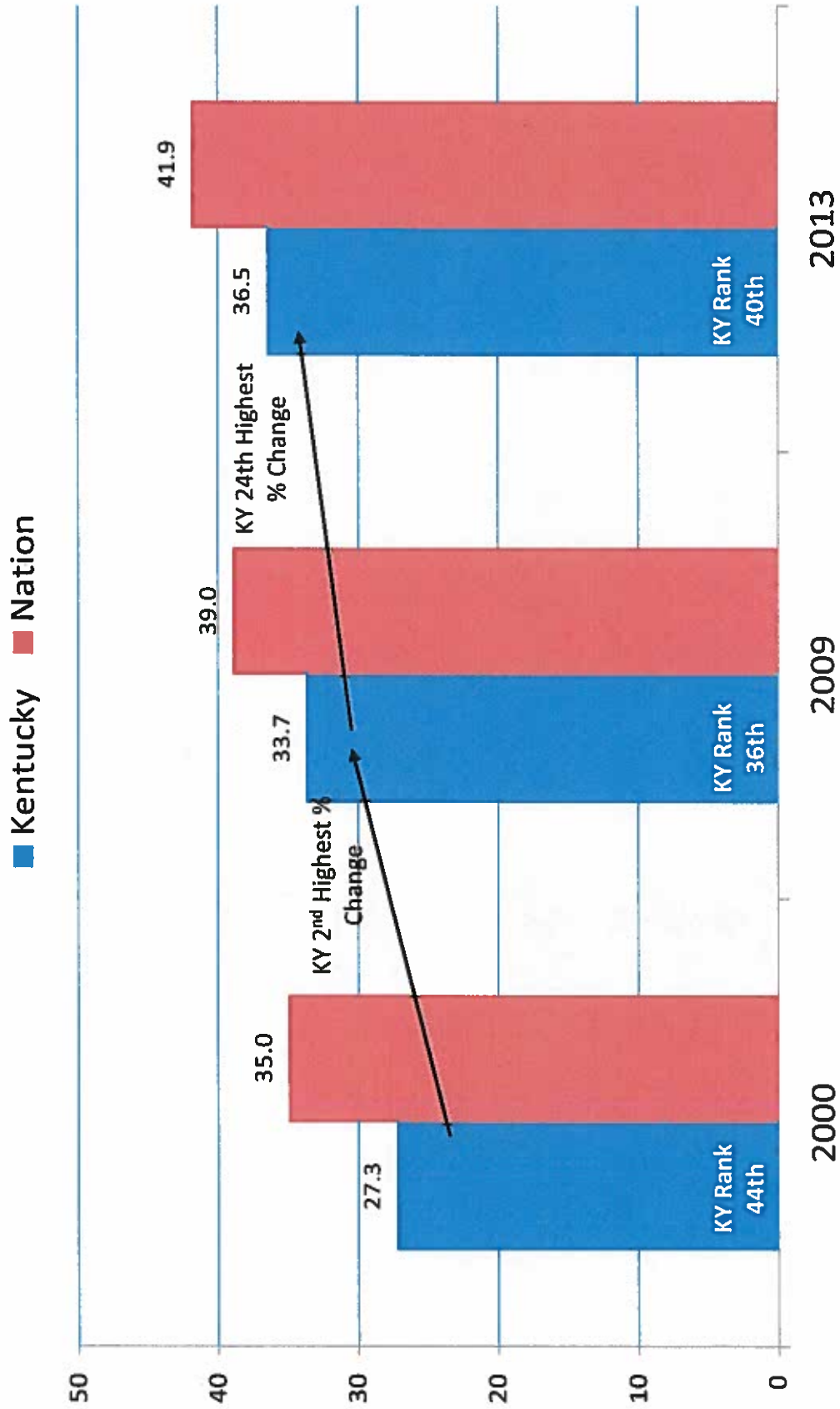
# KENTUCKY LEADS THE NATION IN POSTSECONDARY IMPROVEMENT

State Rank in Percent Change (2000 – 2009)

- #1 ➤ Percent of adults 25-64 with college degrees.
- #2 ➤ Percent of adults 25-44 with college degrees.
- #1 ➤ Six-year graduation rates at 4-year Institutions.
- #3 ➤ Three-year graduation rates at 2-Year institutions.
- #5 ➤ Total undergraduate credentials produced.
- #1 ➤ Undergraduate credentials awarded relative to population with no college degree.

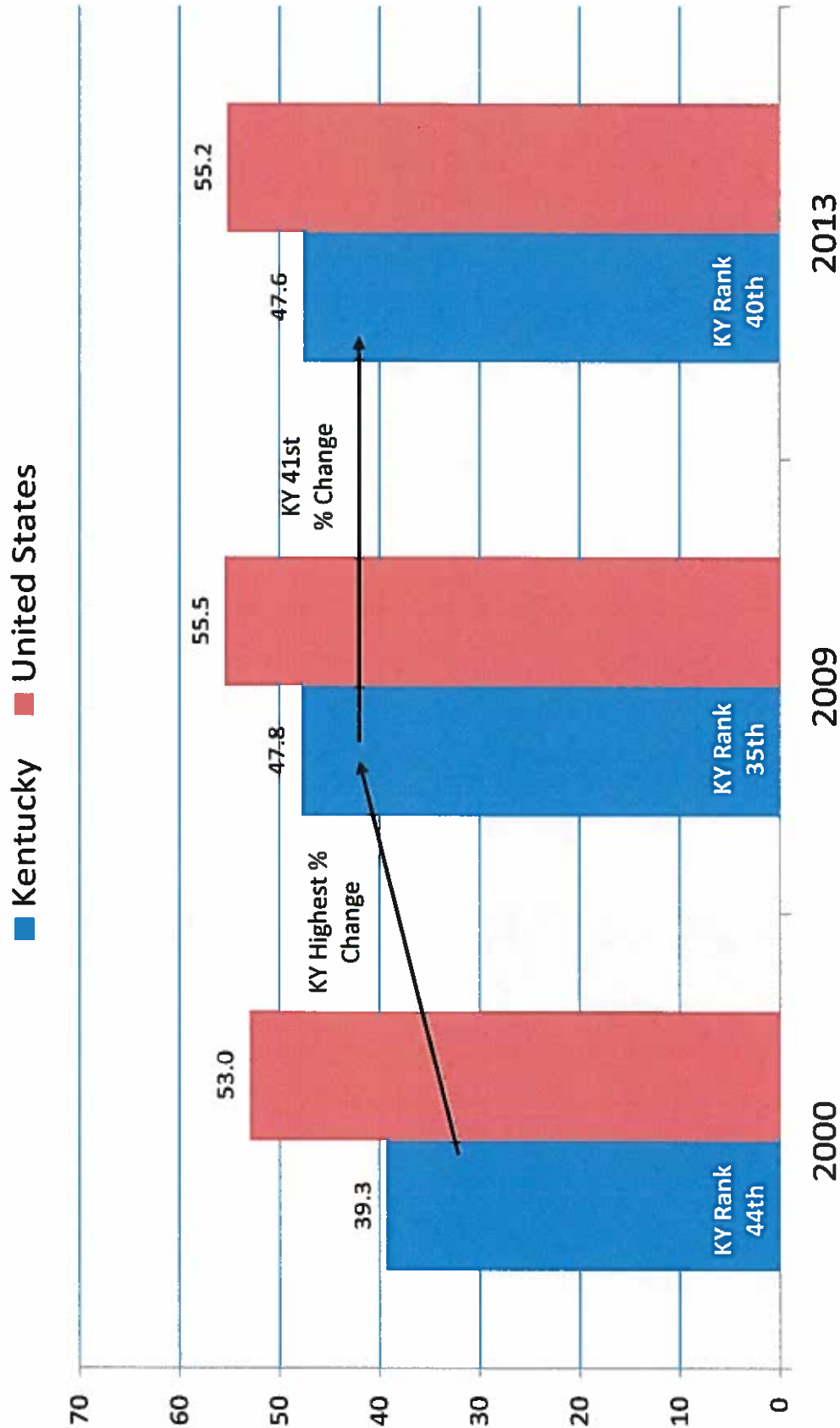
Source: National Center for Higher Education Management Systems (NCHEMS), *Realizing Kentucky's Educational Attainment Goal: A Look in the Rear View Mirror and Down the Road Ahead*, September 2011.

# Percent of 25 to 44 Year Olds with Associate Degrees and Higher



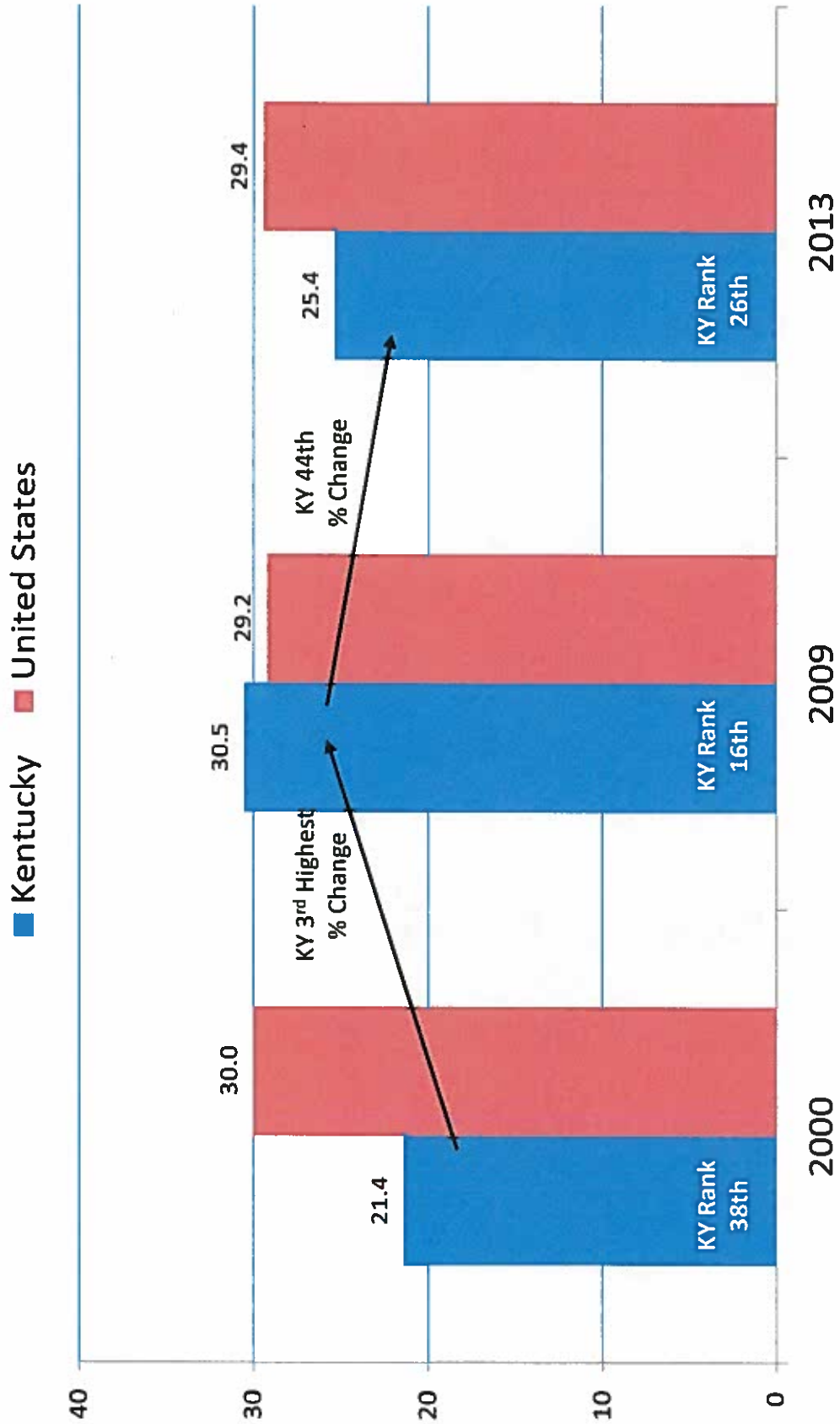
Source: U.S. Census Bureau, 2000 Decennial Census, American Community Survey (ACS).

# Six-Year Graduation Rates at Four-Year Institutions



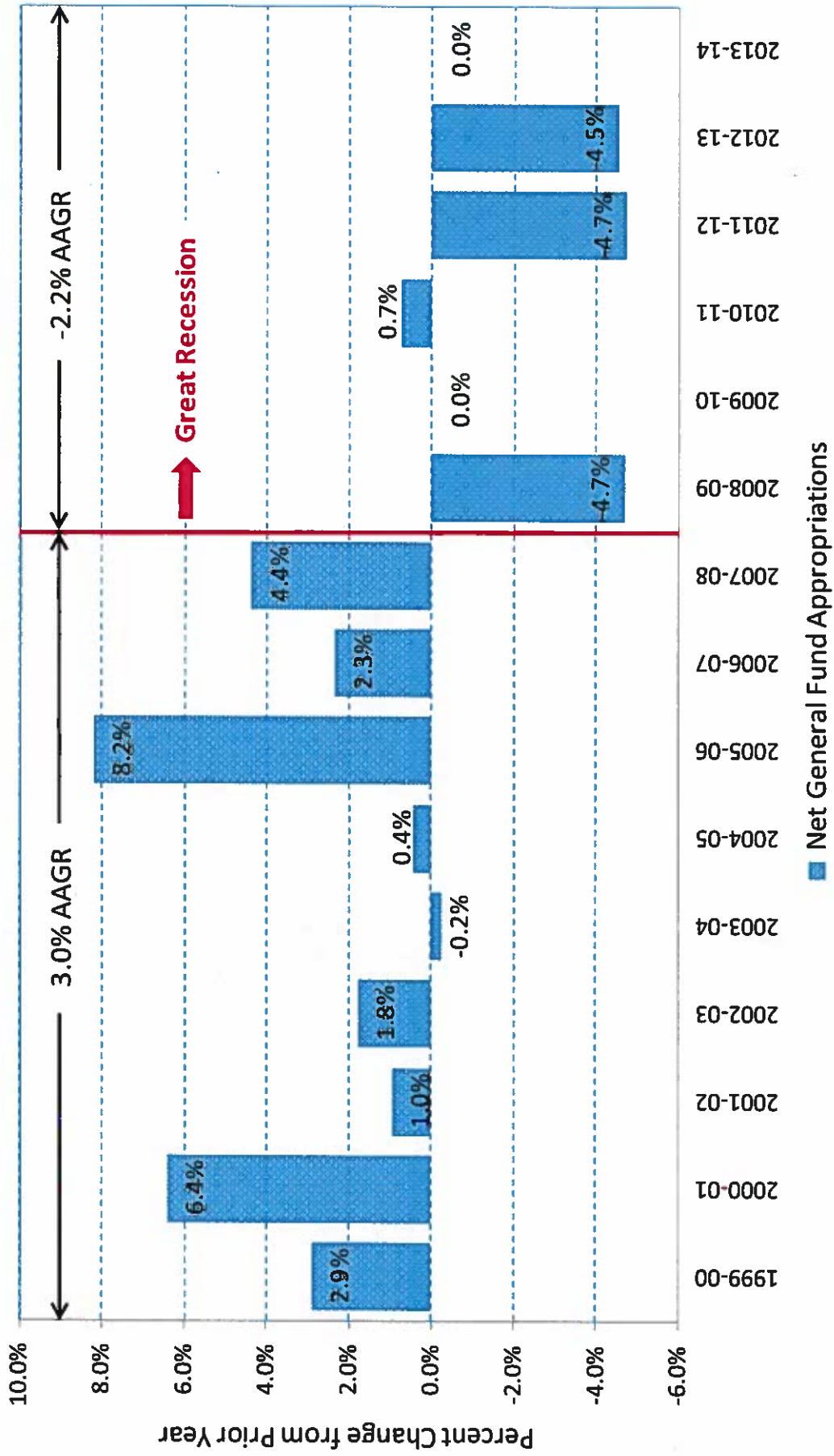
Source: NCES, IPEDS Graduation Rate Survey.

# Three-Year Graduation Rates at Two-Year Institutions



Source: NCES, IPEDS Graduation Rate Survey.

# Kentucky Public Four-Year University Annual Change in Net General Fund Appropriations Fiscal Years 1999-00 through 2013-14



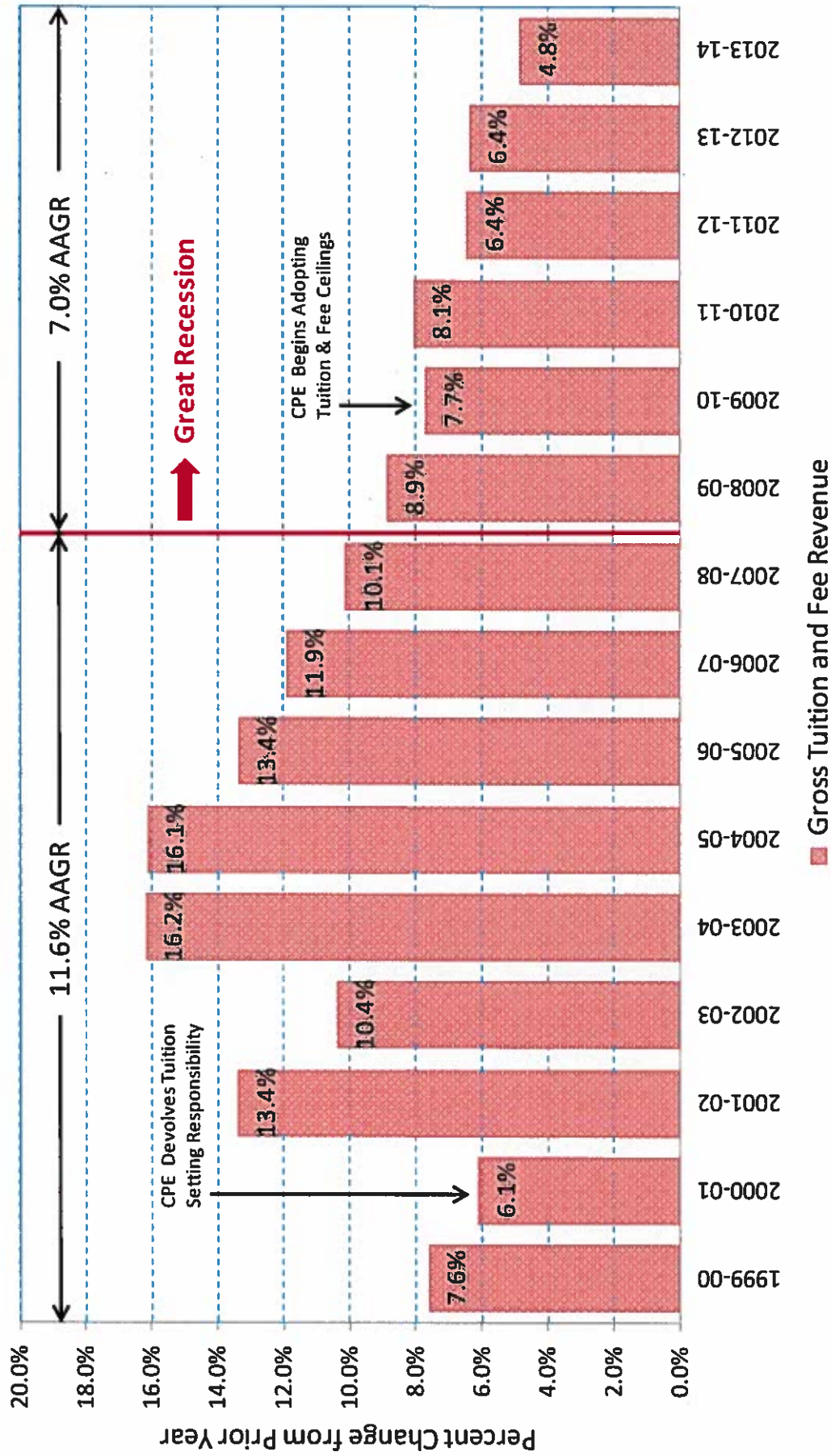
Source: Council on Postsecondary Education, Comprehensive Database.

AAGR - Average Annual Growth Rate



# Kentucky Public Four-Year University Annual Growth in Gross Tuition and Fee Revenue

Fiscal Years 1999-00 through 2013-14

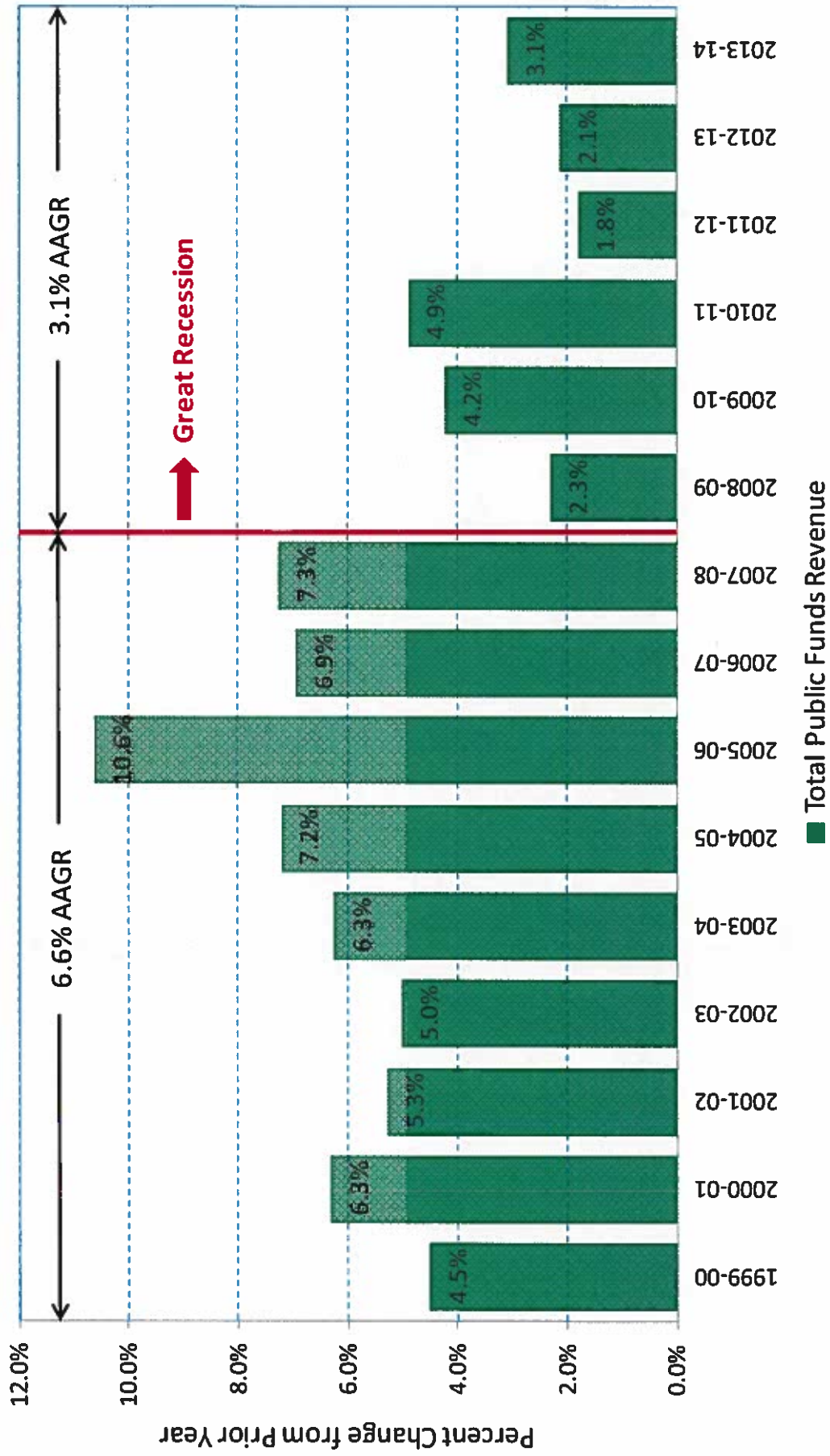


Source: Council on Postsecondary Education, Comprehensive Database.

AAGR - Average Annual Growth Rate



# Kentucky Public Four-Year University Annual Growth in Total Public Funds Revenue Fiscal Years 1999-00 through 2013-14



Source: Council on Postsecondary Education, Comprehensive Database. AAGR - Average Annual Growth Rate

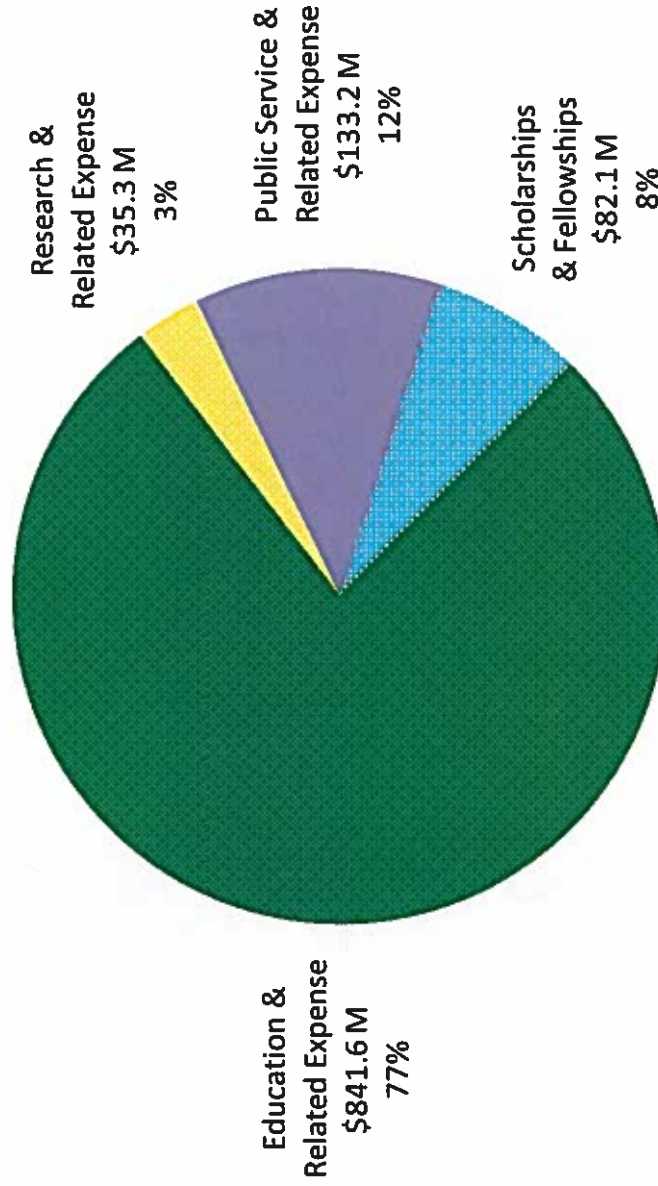
# Sources & Uses of Funds Data

# Sources & Uses of Funds Data

## E&G Expense by Mission Category

Kentucky Public Comprehensive University  
Education and General (E&G) Expense by Mission-Related Category  
Fiscal Year 2012-13

Total = \$1,092.2 Million



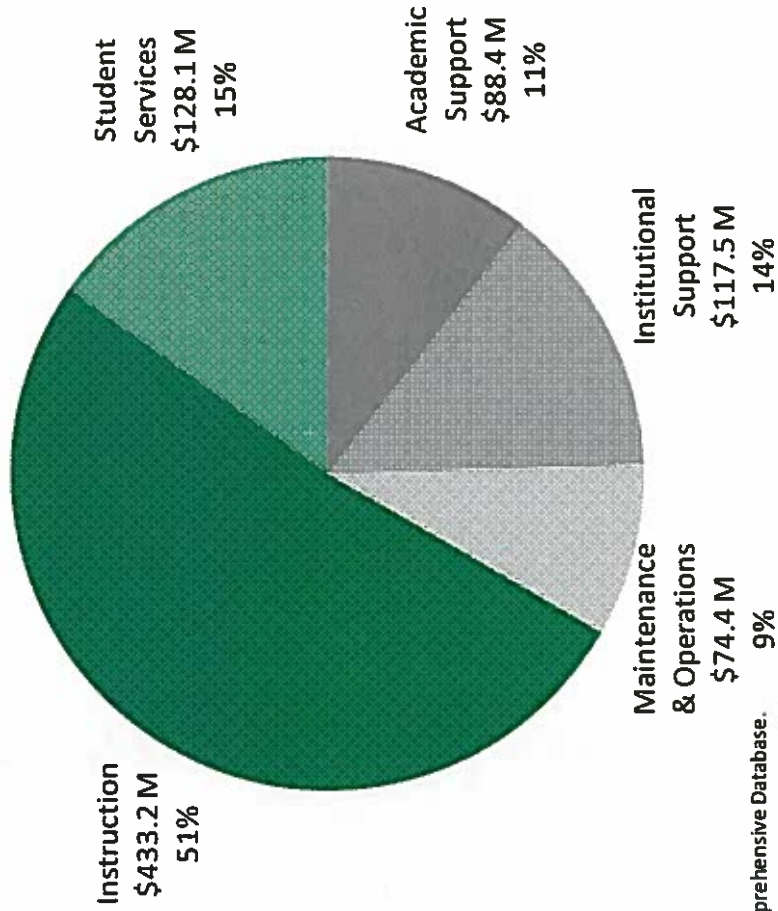
Sources: Integrated Postsecondary Education Data System (IPEDS); Council on Postsecondary Education, Comprehensive Database.

# Sources & Uses of Funds Data

## E&R Spending by Component

Kentucky Public Comprehensive University  
Education and Related (E&R) Spending by Component  
Fiscal Year 2012-13

Total = \$841.6 Million



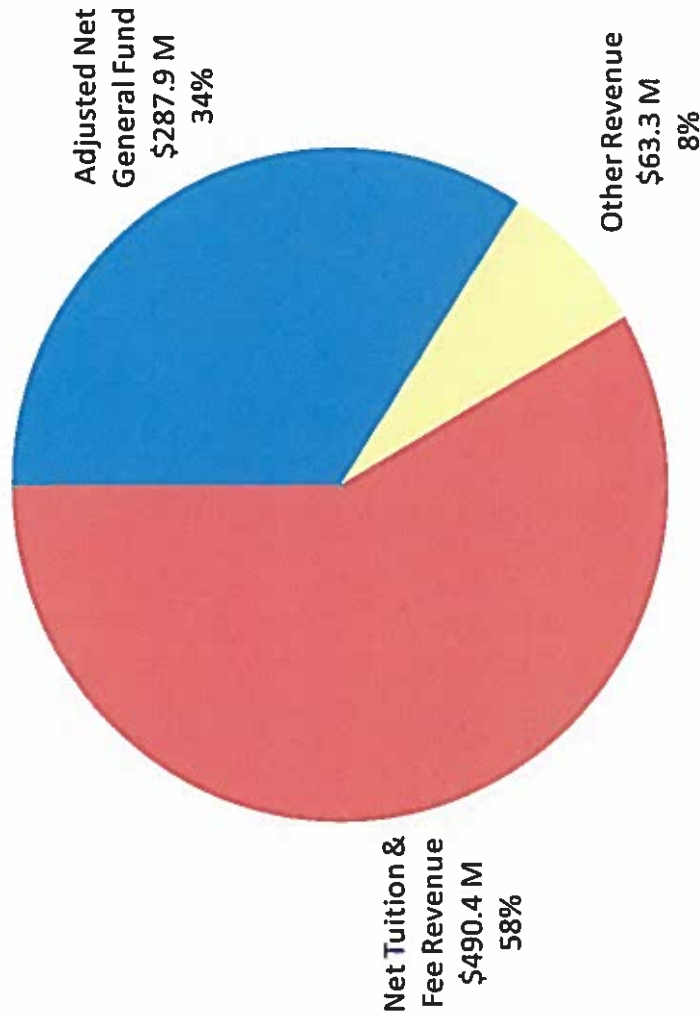
Sources: IPEDS; CPE, Comprehensive Database.

# Sources & Uses of Funds Data

## Funding Sources for E&R Spending

Kentucky Public Comprehensive University  
Available Funding Sources Supporting Education and Related (E&R) Spending  
Fiscal Year 2012-13

Total = \$841.6 Million



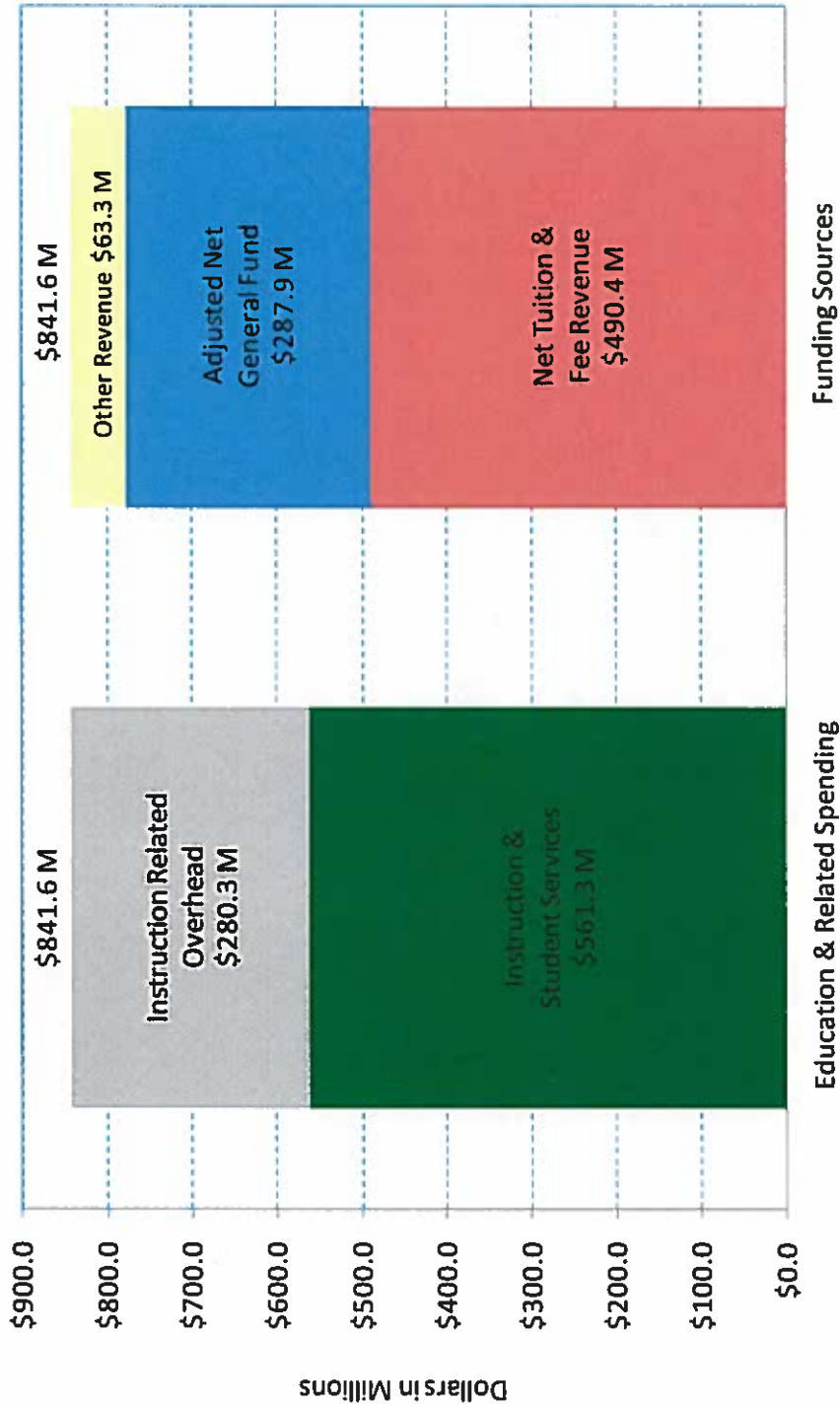
Sources: Integrated Postsecondary Education Data Systems (IPEDS); CPE Comprehensive Database.



# Sources & Uses of Funds Data

## E&R Spending and Funding Sources

Kentucky Public Comprehensive University  
 Education and Related (E&R) Spending Components and Available Funding Sources  
 Fiscal Year 2012-13



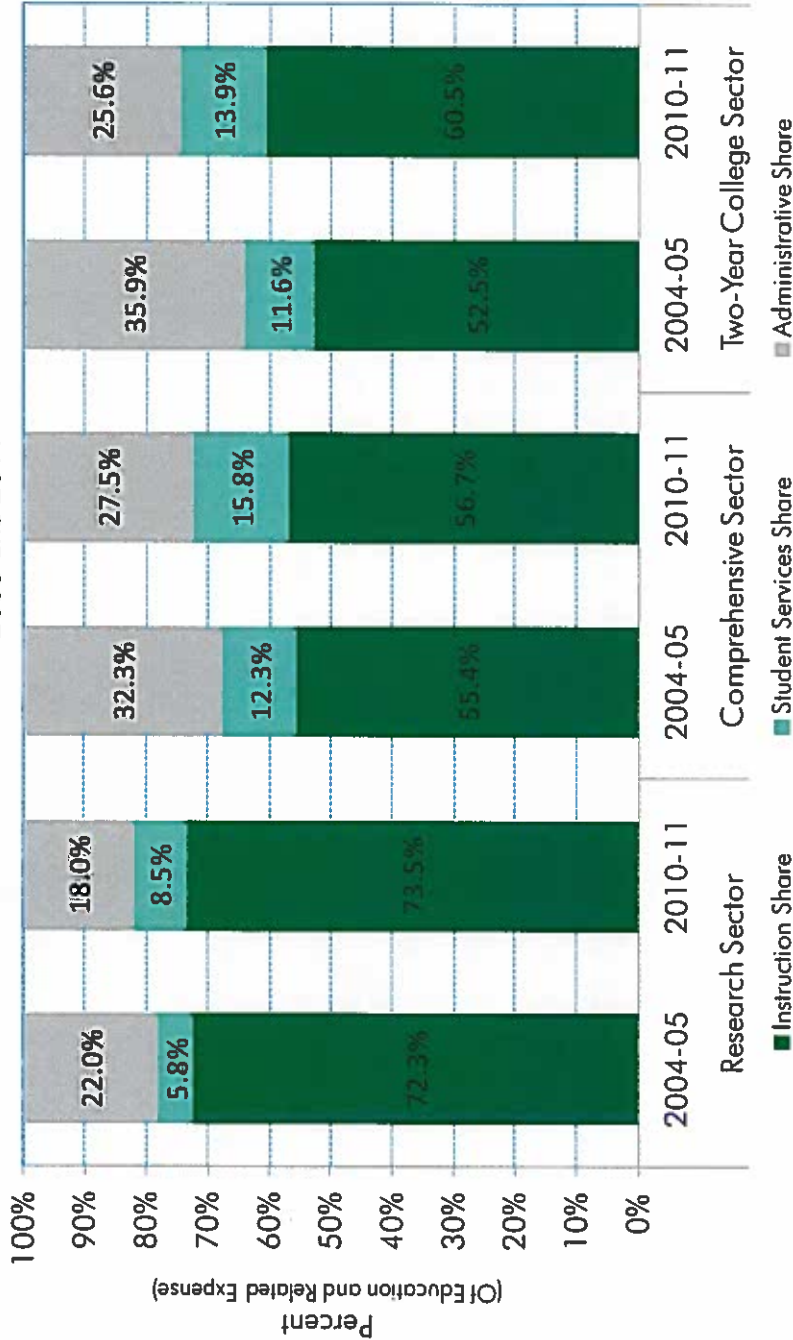
Sources: Integrated Postsecondary Education Data Systems (IPEDS); CPE Comprehensive Database.

# Sources & Uses of Funds Data

## Change in E&R Spending by Sector

Draft - For Discussion Purposes Only

Kentucky Public Postsecondary Sectors  
Distribution of Education and Related Expense Components  
Academic Years 2005 and 2011



Education and Related Expense includes spending on instruction, student services, and the education share of spending on academic support, institutional support, and operations and maintenance. It does not include auxiliary enterprise, hospital, or independent operations expenditures.  
Sources: NCES, Delta Cost Project Database; NCES, IPEDS Data; CPE Comprehensive Database.