

AGENDA
Council on Postsecondary Education Retreat
February 9, 2012

Spendthrift, 7th Floor, Marriott Griffin Gate Resort
Lexington, Kentucky

(All sessions are in Spendthrift unless otherwise noted.)

- | | |
|---------------|---|
| 9:00 - 9:15 | Welcome and Retreat Overview (Continental breakfast available beginning at 8:30) |
| 9:15 - 11:00 | 2011-15 Strategic Agenda for Postsecondary and Adult Education <ul style="list-style-type: none">• 2011 Postsecondary Education Draft Accountability Report• Look at the Year Ahead• Focus Area Workgroups Breakout Sessions<ul style="list-style-type: none">○ College Readiness – Spendthrift, 7th floor○ Student Success – Elmendorf, 7th floor○ Research, Economic, & Community Development – Terrace Ballroom, 1st Floor○ Efficiency & Innovation – Terrace Ballroom, 1st Floor |
| 11:00 - 11:15 | Break |
| 11:15 - 12:00 | Discussion with President Jim Votruba, Northern Kentucky University |
| 12:00 - 1:00 | Lunch (located on the first floor terrace atrium) |
| 1:00 - 2:00 | Discussion with Mayor Jim Gray, Lexington
<i>Economic Development, BEAM Initiative</i> |
| 2:00 - 3:30 | Discussion and Updates <ul style="list-style-type: none">• Budget Update• Tuition• Legislative Update• University of Pikeville• Other Items |
| 3:30 - 4:00 | Wrap-up Discussion |
| 4:00 | Adjourn |
| 5:30 | Reception |

STRONGER by DEGREES

A STRATEGIC AGENDA for Kentucky Postsecondary and Adult Education

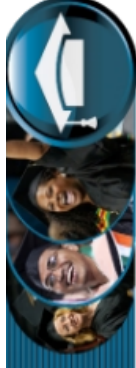


2010-11 Performance Update

Presentation to the Council on Postsecondary Education Retreat
February 9, 2012

STRONGER by DEGREES

A STRATEGIC AGENDA for Kentucky Postsecondary and Adult Education



Statewide Performance Metrics

College Readiness

Readiness of Kentucky high school graduates who enter college

GED® graduates

New teacher excellence (top 15% nationally)

Progress



Student Success

Degrees and credentials conferred

Graduation rates (bachelor's and associate)

Graduation rate gaps of lower-income, underprepared, and underrepresented minority students

State appropriations for public higher education

Low-income students without grants

Progress



Research, Economic, and Community Development

Research and development funding

Degrees and credentials in science, technology, engineering, mathematics, and health-related fields

Educational attainment at the associate or higher degree level, ages 25-44

Progress



Efficiency and Innovation

Online learning

Degree productivity

Progress



COLLEGE READINESS

Policy Objective 1: Increase the number of college-ready Kentuckians entering postsecondary education.

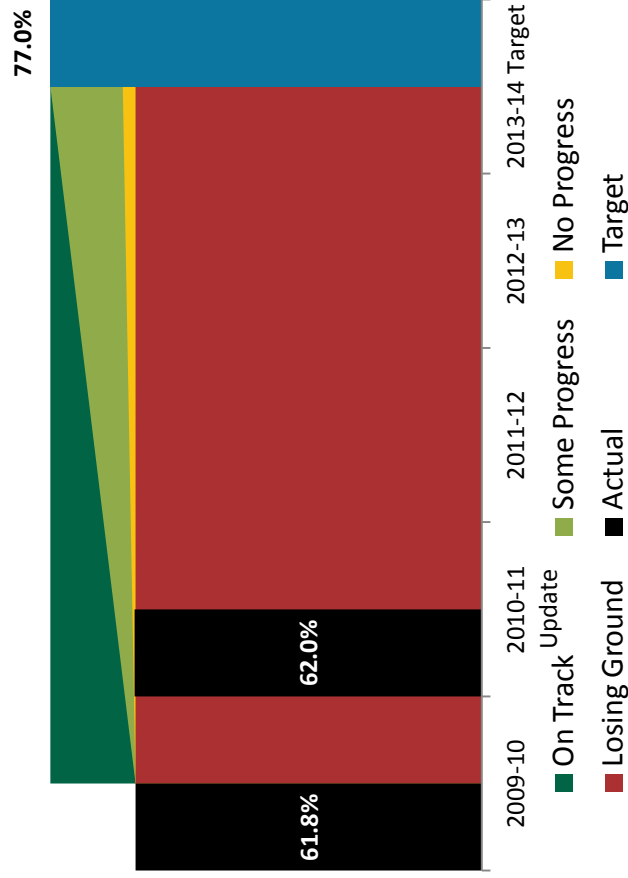


College readiness of college entrants

Percent of recent Kentucky high school graduates who entered college in Kentucky and met statewide standards for readiness in English, mathematics, and reading.

Source: CPE Comprehensive Database (KPEDS).

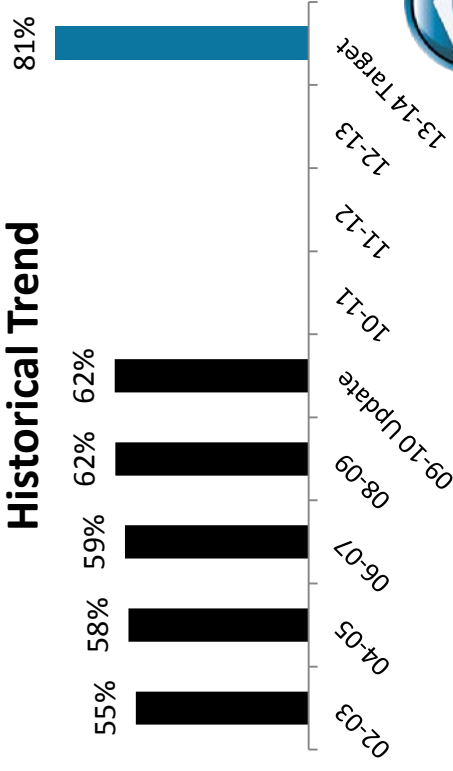
Progress Trajectory



Progress to Target

1%

Historical Trend



COLLEGE READINESS

Policy Objective 1: Increase the number of college-ready Kentuckians entering postsecondary education.



Readiness of all high school graduates

Percent of recent Kentucky public high school graduates in the region who met statewide standards for readiness in English, mathematics, and reading.

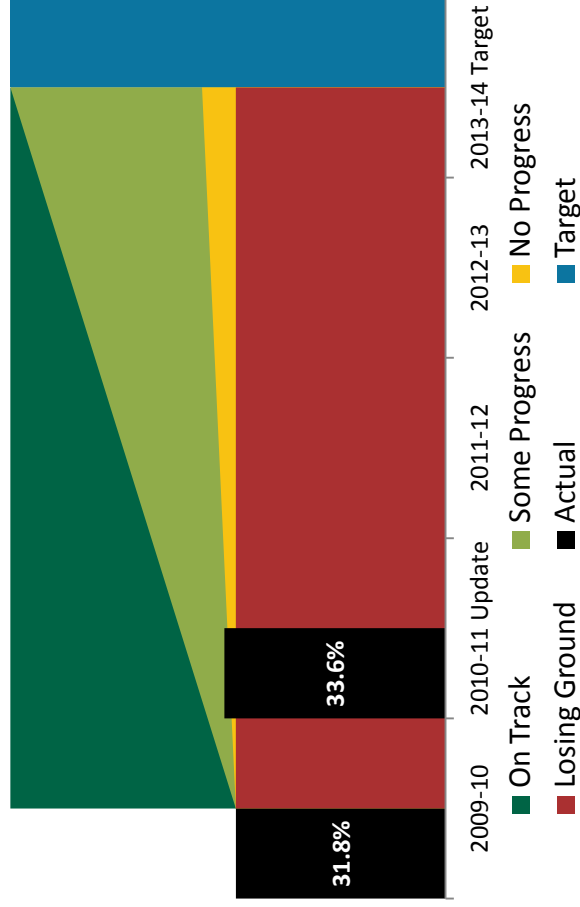
Source: Kentucky Department of Education (KDE), *High School Graduates College/Career Readiness Percentage*

Progress to Target

5%

Progress Trajectory

66.0%



66%

Historical Trend

32%

34%

2009-10 2010-11 Update 2011-12 2012-13 2013-14 Target

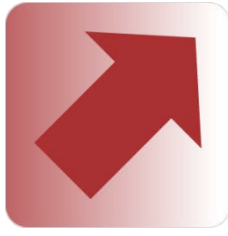
On Track Some Progress No Progress
Losing Ground Actual Target



COLLEGE READINESS

Policy Objective 1: Increase the number of college-ready Kentuckians entering postsecondary education.

College-going rate of all high school graduates



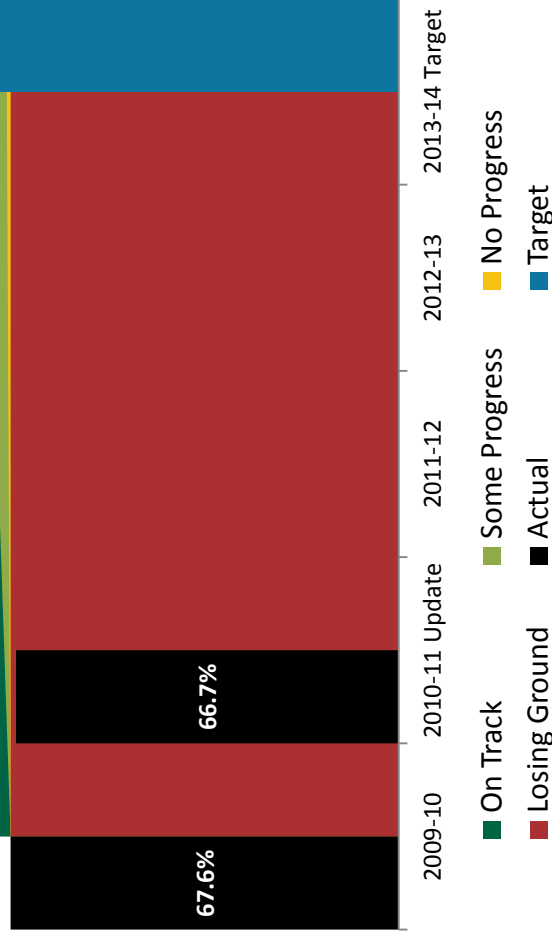
Losing Ground

The percent of recent graduates of Kentucky high schools who enter any public, private or proprietary college or university in Kentucky.

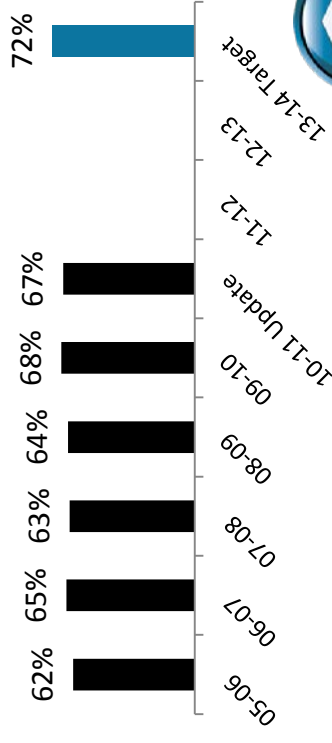
Source: KHEAA Kentucky Educational Excellence Scholarship (KEES) database; National Student Clearinghouse Student Tracker; CPE Comprehensive Database (KPEDS)

Progress Trajectory

Progress to Target



Historical Trend



COLLEGE READINESS

Policy Objective 2. Increase the number of college-ready GED graduates.



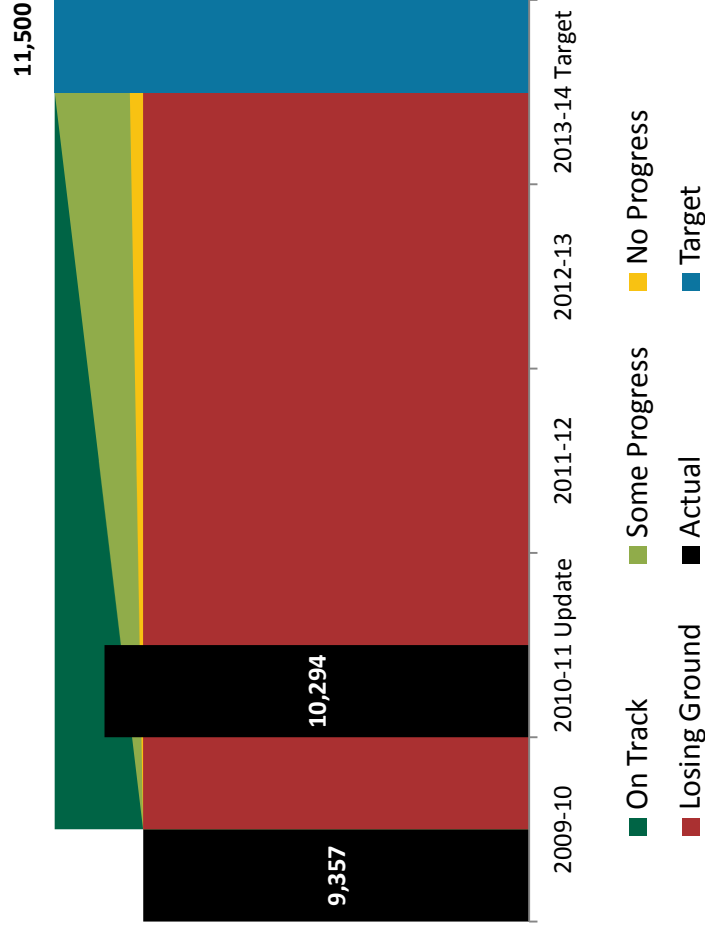
On Track

GED® Graduates

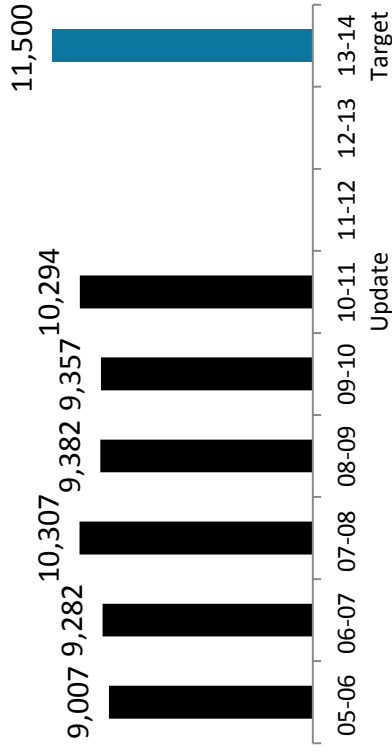
Annual number of GED® graduates in Kentucky.

Source: CPE Comprehensive Database (KPEDS).

Progress Trajectory



Historical Trend



COLLEGE READINESS

Policy Objective 3. *Increase the effectiveness of Kentucky's K-12 teachers and school leaders.*

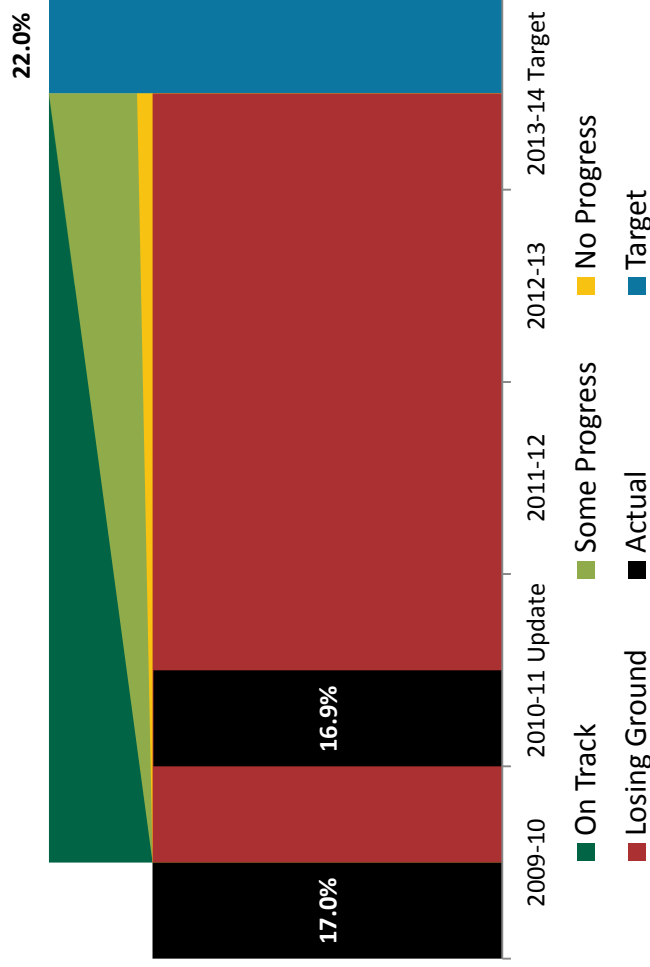


New teacher excellence (top 15% nationally)

Percent of teaching program graduates scoring in the top 15 percent nationally on Praxis II Practice of Learning and Teaching (PLT) licensure exams (three-year smoothed average).

Data Source: Education Professional Standards Board from ETS Score Reports

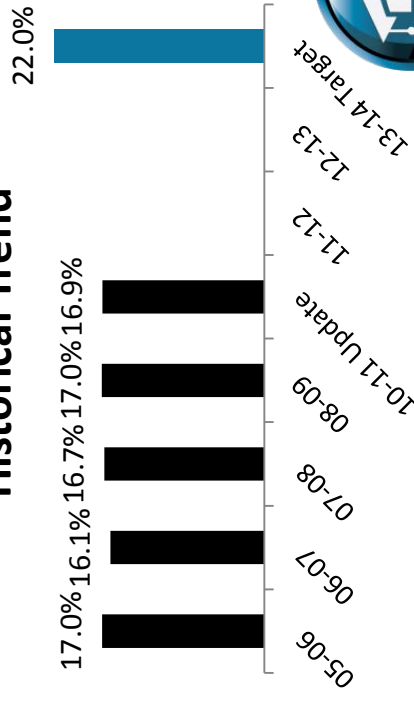
Progress Trajectory



Progress to Target

0%

Historical Trend



STUDENT SUCCESS

Policy Objective 4. Increase high quality degree production and completion rates at all levels and close achievement gaps

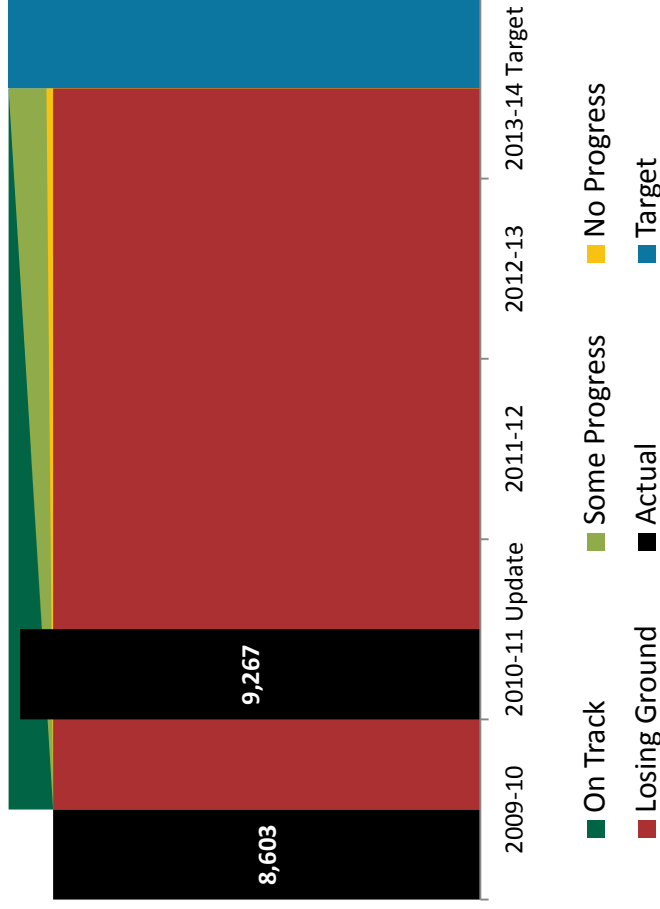


Associate degrees conferred

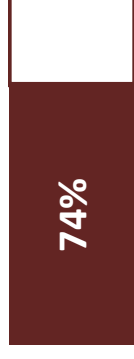
Number of Associate degrees awarded at KCTCS during the academic year.

Data Source: CPE Comprehensive Database (KPEDS)

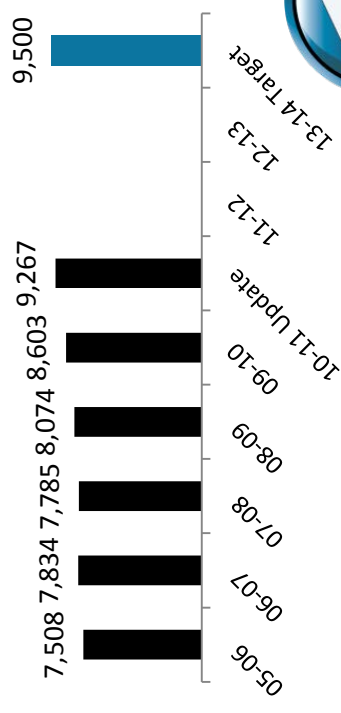
Progress Trajectory



Progress to Target



Historical Trend



STUDENT SUCCESS

Policy Objective 4. Increase high quality degree production and completion rates at all levels and close achievement gaps

Bachelor's degrees conferred

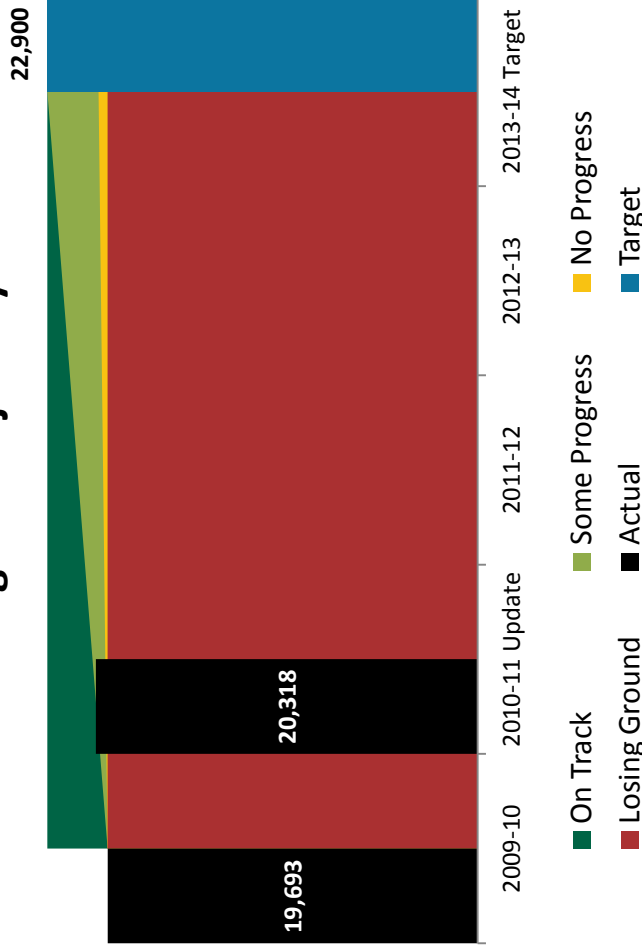


Some Progress

Number of Bachelor's degrees awarded at Kentucky's public universities and AIKCU independent institutions during the academic year.

Data Source: CPE Comprehensive Database (KPEDS)

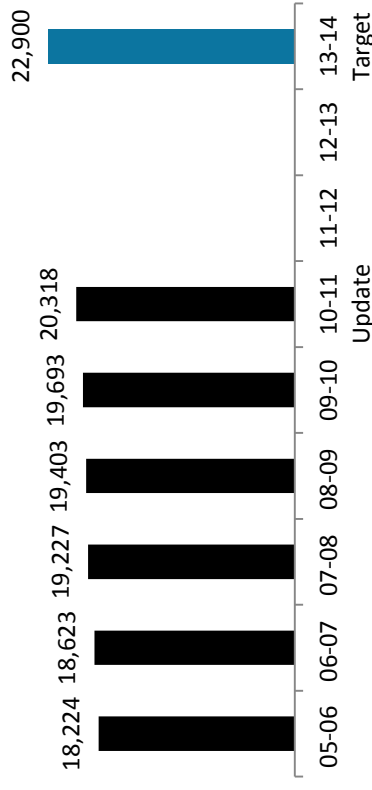
Progress Trajectory



Progress to Target



Historical Trend



STUDENT SUCCESS

Policy Objective 4. Increase high quality degree production and completion rates at all levels and close achievement gaps

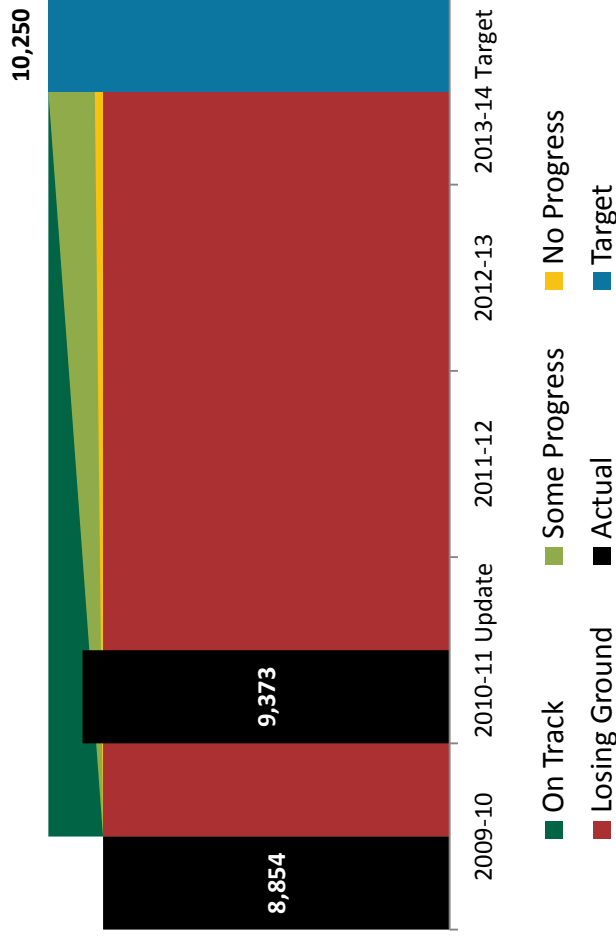


Graduate degrees conferred

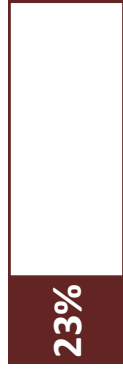
Number of Masters, Specialist and Doctoral degrees awarded at Kentucky's public universities and AIKCU independents during the academic year.

Data Source: CPE Comprehensive Database (KPEDS)

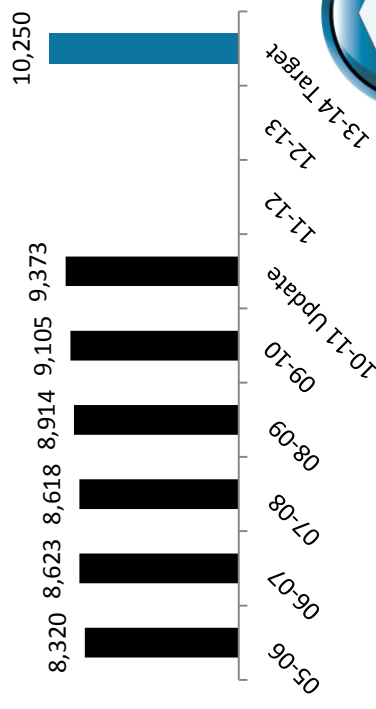
Progress Trajectory



Progress to Target



Historical Trend



STUDENT SUCCESS

Policy Objective 4. Increase high quality degree production and completion rates at all levels and close achievement gaps

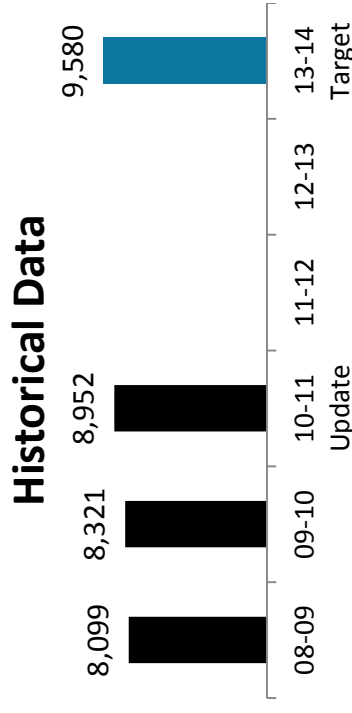
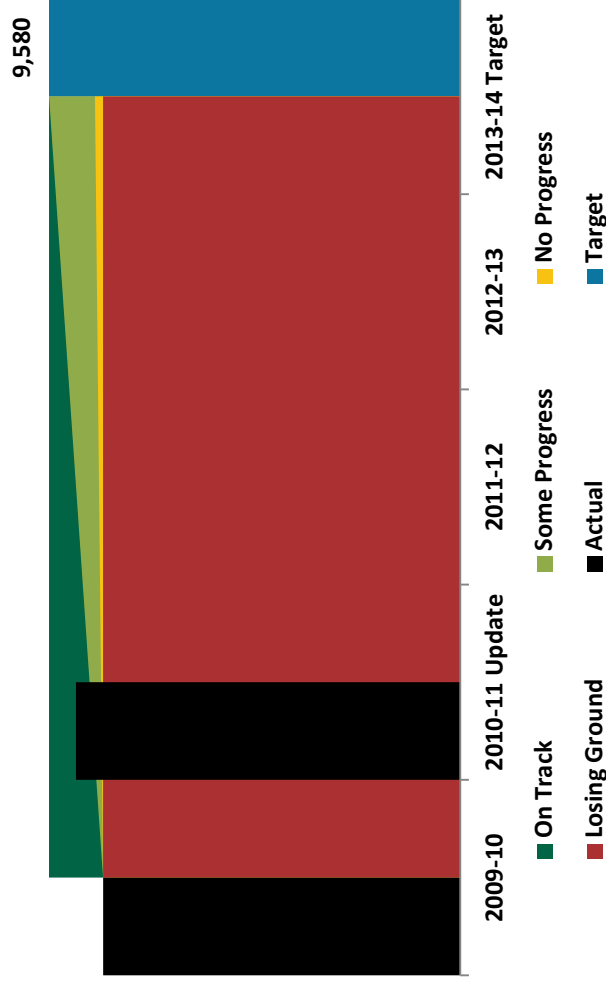


Transfer from KCTCS to four-year Institutions

Number of students transferring credit from KCTCS to four-year public and independent institutions in Kentucky within the academic year.

Data Source: CPE KPEDS

Progress Trajectory



STUDENT SUCCESS

Policy Objective 4. Increase high quality degree production and completion rates at all levels and close achievement gaps



Some Progress

Bachelor's degree graduation rate

Six-year graduation rate of first-time, full-time bachelor's degree seekers (IPEDS).

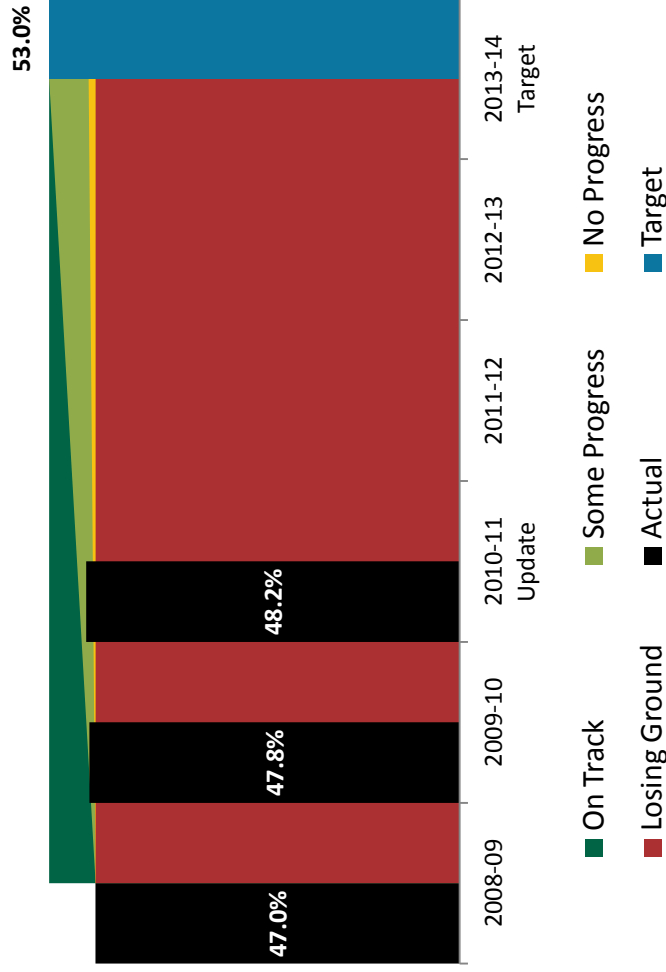
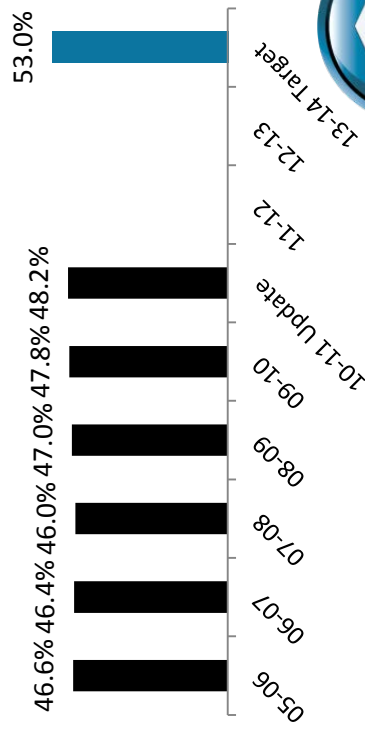
Data Source: CPE Comprehensive Database (KPEDS)

Progress Trajectory

Progress to Target



Historical Trend



STUDENT SUCCESS

Policy Objective 4. Increase high quality degree production and completion rates at all levels and close achievement gaps



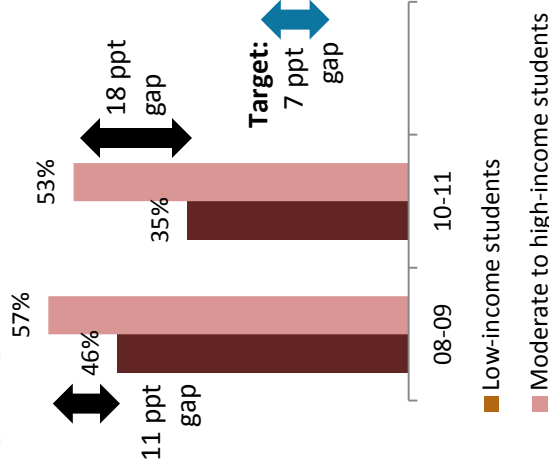
Graduation rate gaps of low-income, not college-ready, and underrepresented minority students

Gap between the graduation rate of students in the target group and students who are not in the target group (using the IPEDS six-year graduation rate).

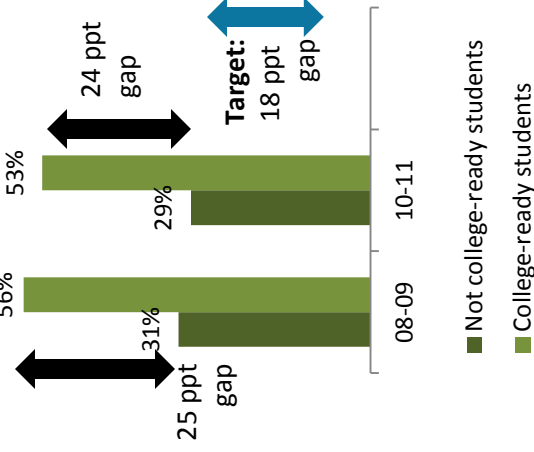
Data Source: CPE Comprehensive Database (KPEDS)



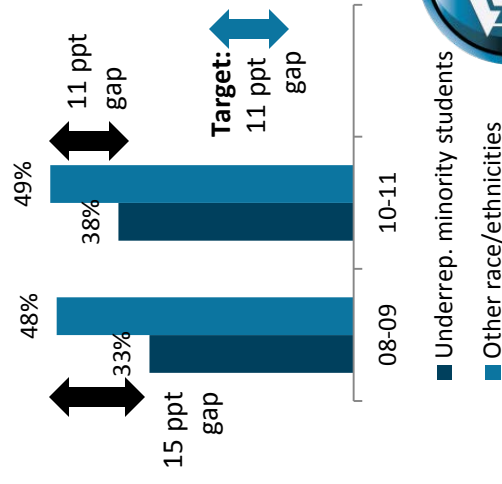
Income gap



College readiness gap

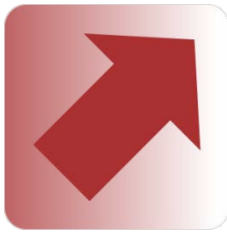


Race/ethnicity gap



STUDENT SUCCESS

Policy Objective 5: Decrease financial barriers to college access and completion.



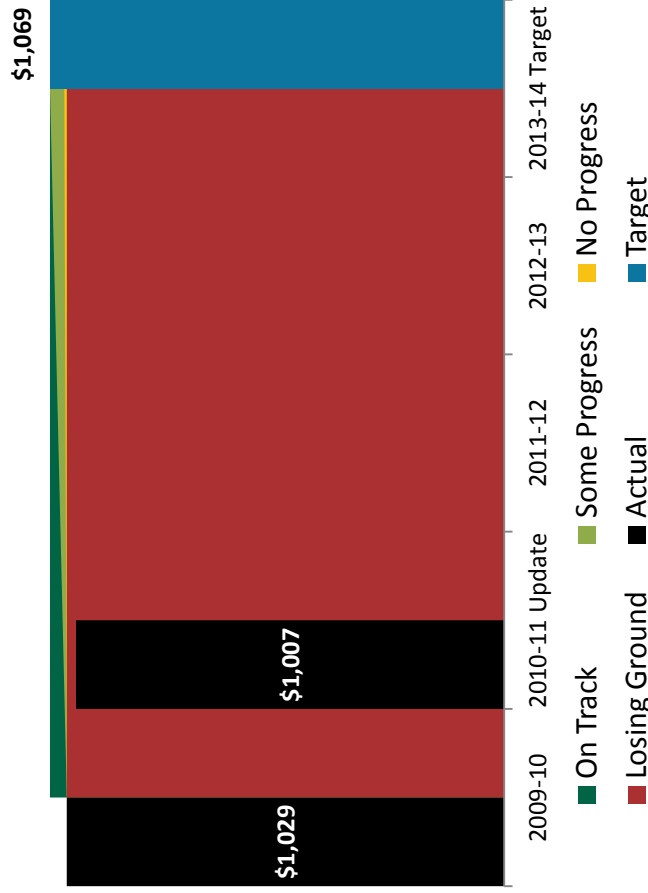
Losing Ground

State appropriations for public higher education

Total net general fund appropriations for public postsecondary colleges and universities. Does not include funding for state financial aid programs.

Data Source: Enacted Budgets of the Commonwealth and Budget Reduction

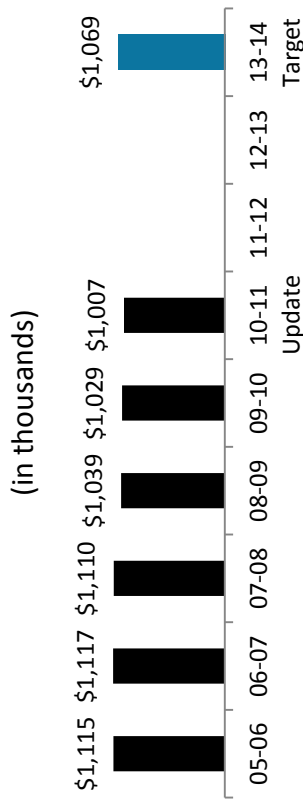
Progress Trajectory



Progress to Target

0%

Historical Trend



STUDENT SUCCESS

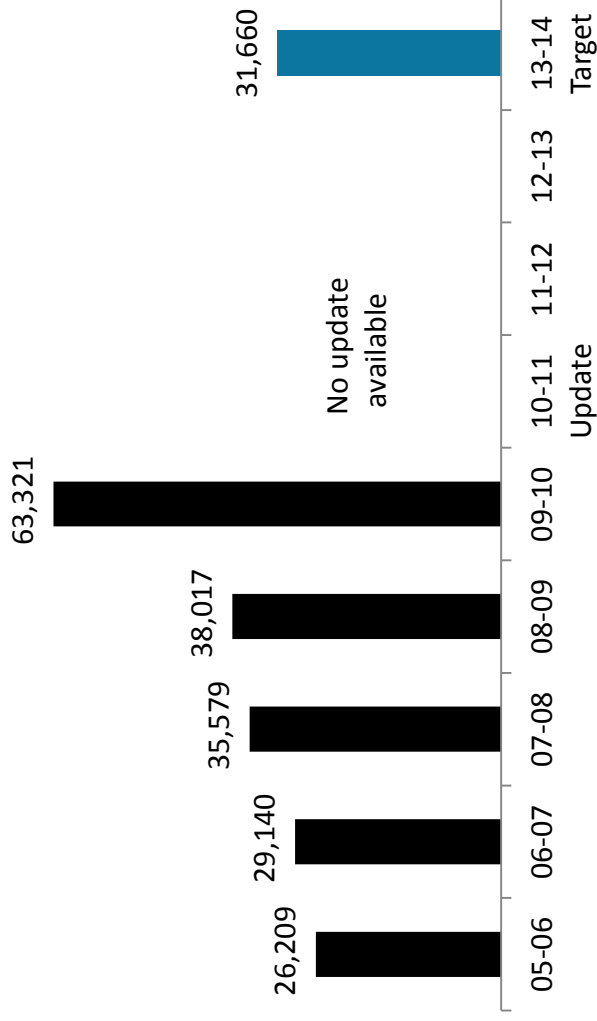
Policy Objective 5: Decrease financial barriers to college access and completion.



Low-income students without grants

Annual number of qualified students who applied for state grants for low-income students, but who did not receive grants because program funds were exhausted (CAP and KTG programs).

Data Source: Kentucky Higher Education Assistance Authority (KHEAA)



STUDENT SUCCESS

Policy Objective 5: Decrease financial barriers to college access and completion.

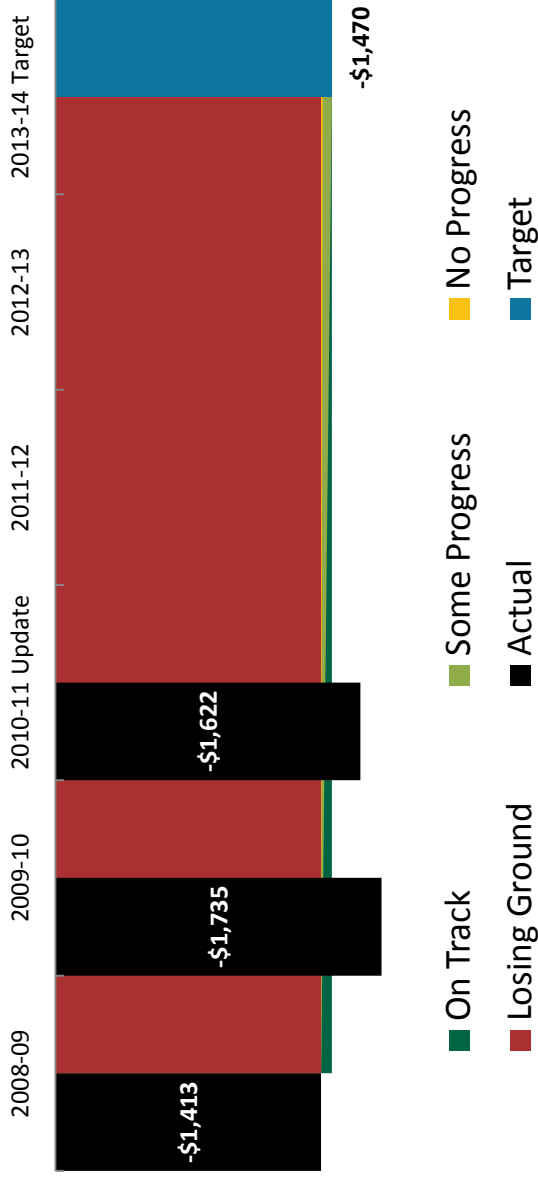


Net direct cost for low-income students

The average cost of tuition, fees and books after all grants and scholarships among full-time, Kentucky resident, Pell grant recipients. Negative amounts reflect grant and scholarship money available to pay indirect costs such as room and board.

Data Source: CPE Comprehensive Database (KPEDS); NCES IPEDS

Progress Trajectory



Progress to Target

100%



RESEARCH, ECONOMIC AND COMMUNITY DEVELOPMENT

Policy Objective 6: Increase basic, applied, and translational research to create new knowledge and economic growth.

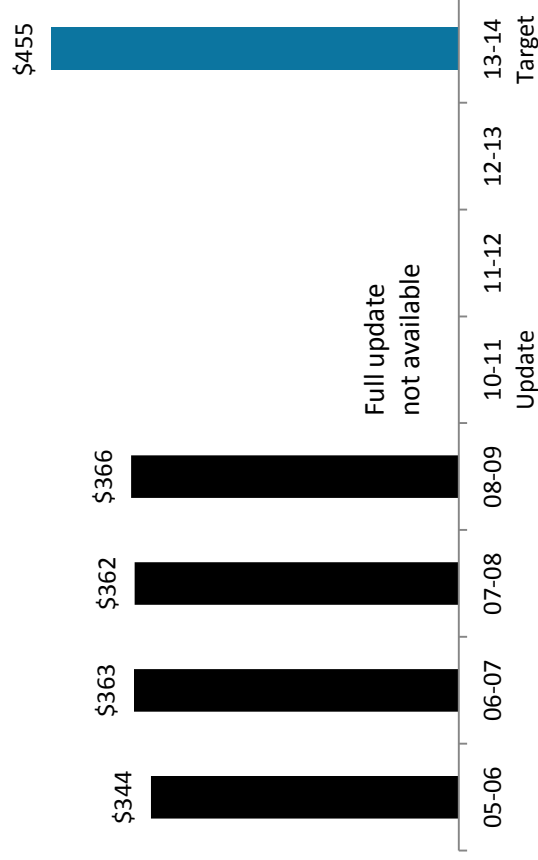


Some Progress

Externally-funded research and development

Amount of research and development expenditures in science and engineering from federal, state, local, corporate, and foundation funding, but excluding institutionally-funded research.

Data Source: National Science Foundation (NSF) Survey of R&D Expenditures at Universities and Colleges



RESEARCH, ECONOMIC AND COMMUNITY DEVELOPMENT

Policy Objective 6: Increase basic, applied, and translational research to create new knowledge and economic growth.



Degrees and credentials in STEM+H fields

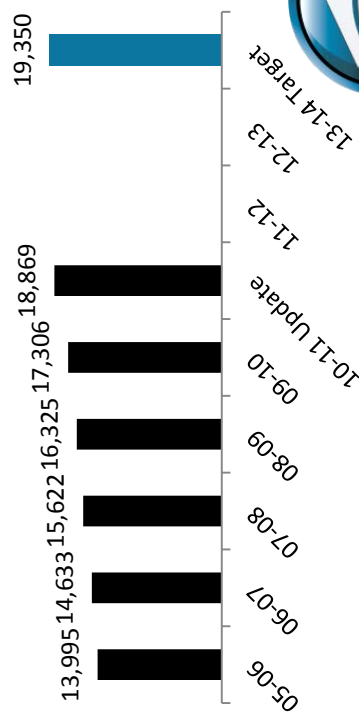
Number and level of degrees and credentials conferred in science, technology, engineering, mathematics and health-related fields during the academic year.

Data Source: CPE Comprehensive Database (KPEDS)

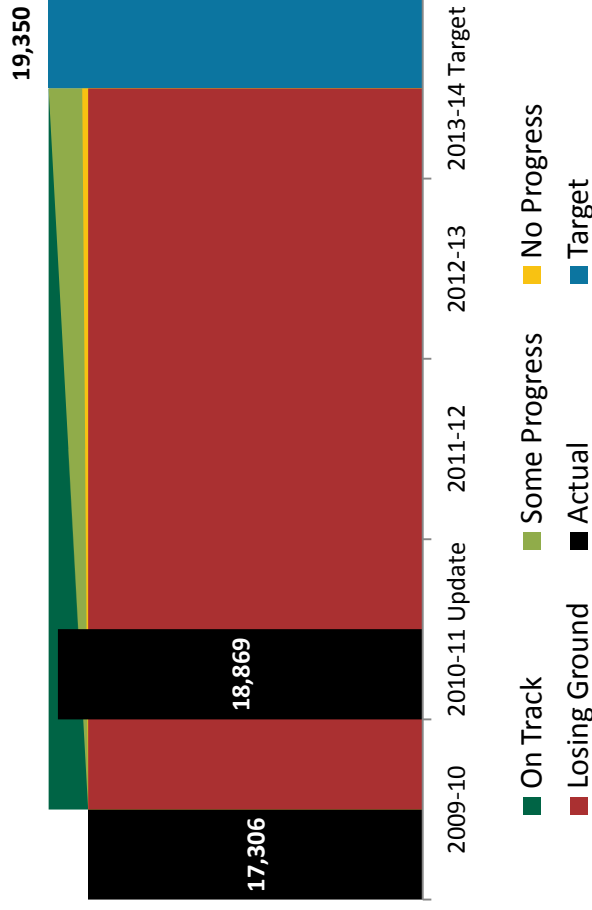
Progress to Target



Historical Trend



Progress Trajectory



RESEARCH, ECONOMIC AND COMMUNITY DEVELOPMENT

Policy Objective 7. Increase educational attainment and quality of life in Kentucky communities through regional stewardship, public service, and community outreach.



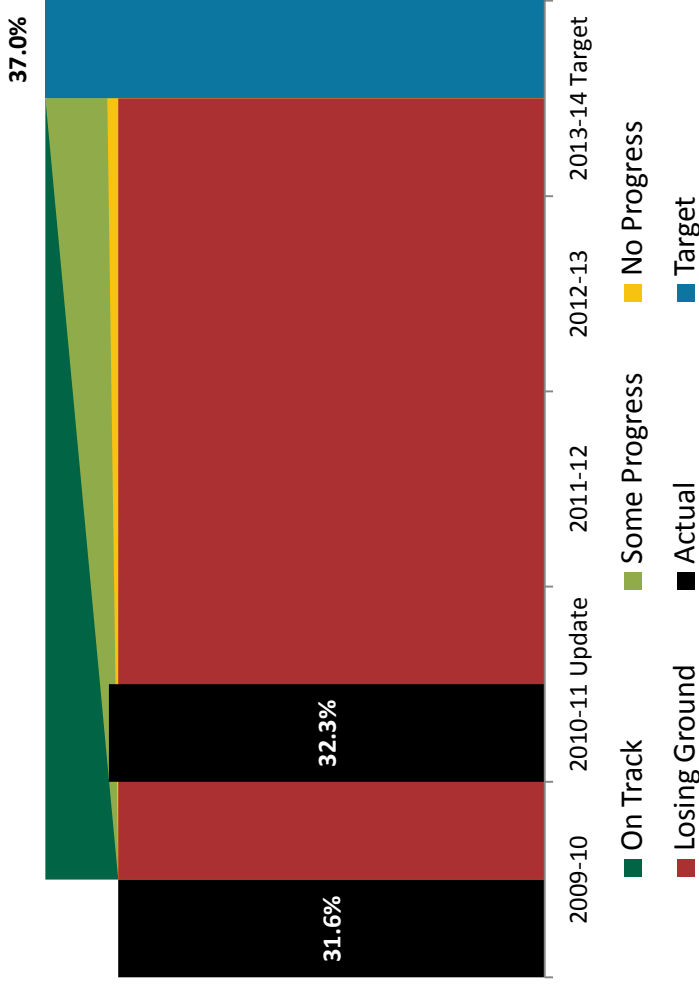
Some Progress

Educational attainment of young adults

Percent of population ages 25-44 with an associate or higher degree.

Data Source: Decennial Census & American Community Survey (ACS), US Census Bureau

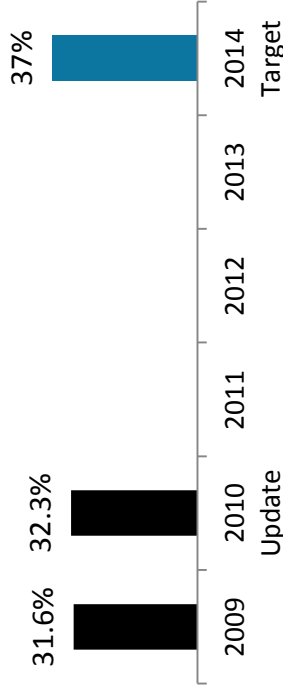
Progress Trajectory



Progress to Target



Historical Trend



EFFICIENCY AND INNOVATION

Policy Objective 8. Increase academic productivity through program innovations.

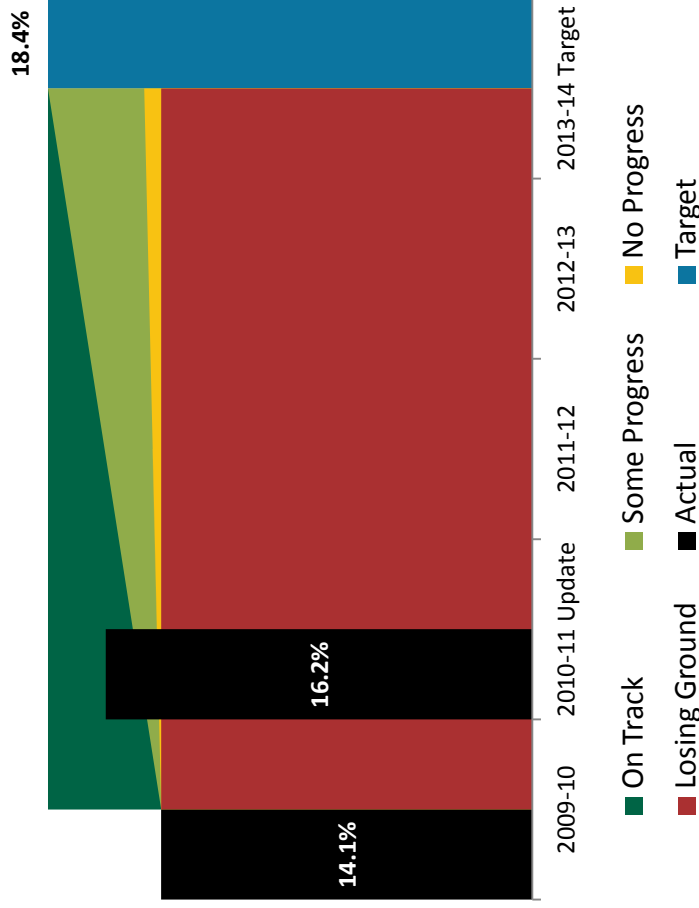
Online learning



Percent of completed credits taken through online and other distance learning.

Data Source: CPE Comprehensive Database (KPEDS)

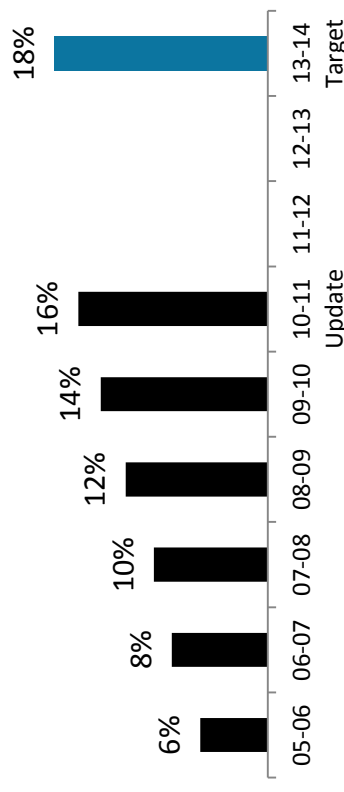
Progress Trajectory



Progress to Target

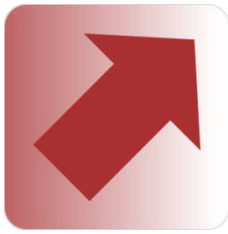


Historical Trend



EFFICIENCY AND INNOVATION

Policy Objective 8. Increase academic productivity through program innovations.



Losing Ground

Credits attempted by degree graduates

Average credit hours attempted by bachelor's graduates at four-year institutions and by associate graduates at KCTCS.

Data Source: CPE KPEDS

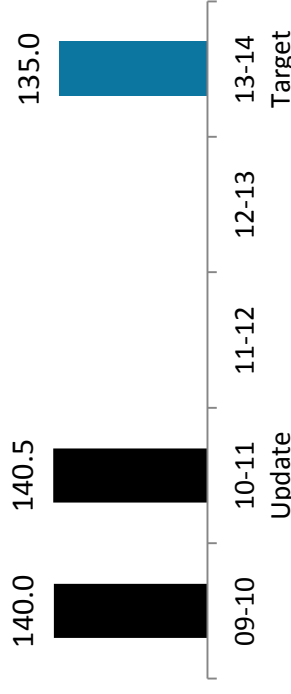
Progress Trajectory



Progress to Target

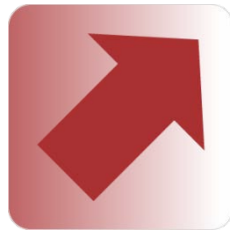
0%

Historical Trend



EFFICIENCY AND INNOVATION

Policy Objective 9. Maximize the use of postsecondary and adult education resources.



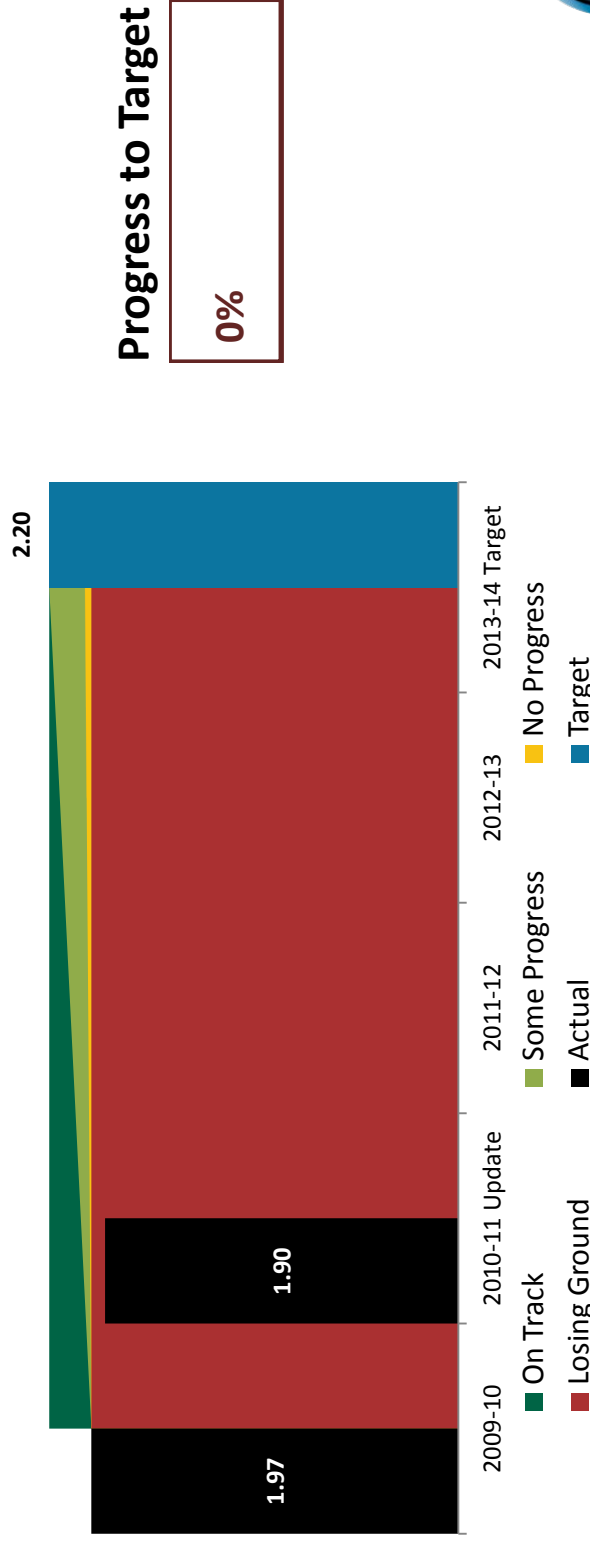
Losing Ground

Degree productivity relative to education and related expenditures

Number of degrees and credentials conferred for every \$100,000 in education and related expenditures at public colleges and universities.

Data Source: Complete to Compete initiative, from IPEDS and US Census data

Progress Trajectory



STRONGER by DEGREES

A STRATEGIC AGENDA for Kentucky Postsecondary and Adult Education

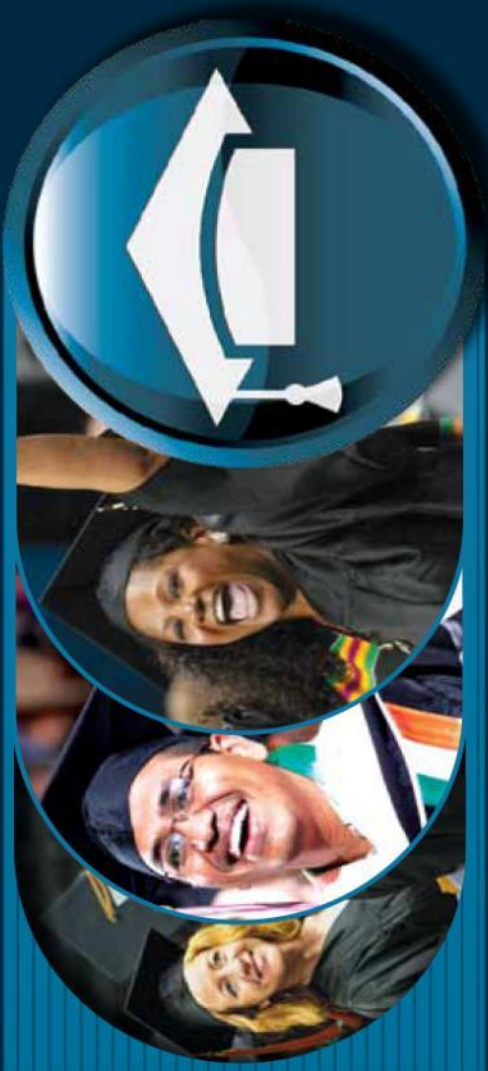


2010-11 Performance Update

Presentation to the Council on Postsecondary Education Retreat
February 9, 2012

STRONGER by DEGREES

A STRATEGIC AGENDA for Kentucky Postsecondary and Adult Education



Postsecondary Education and CPE Budget Update

Presentation to the House Appropriations and Revenue
Budget Review Subcommittee on Postsecondary Education
January 26, 2012

Kentucky continues to rank low in many quality of life and standard of living indicators including: obesity, lung cancer, heart disease, poverty, incarceration rates, and per capita personal income.



In a global economy, the future of our Communities, our Commonwealth, and our Country rests on our ability to dramatically increase educational attainment and the quality of our workforce (HB 1 1997).



Kentucky is the only state in the nation to rank in the top five in improvement for each of the following college attainment and degree completion metrics.

Return on Investment: A Decade of Progress

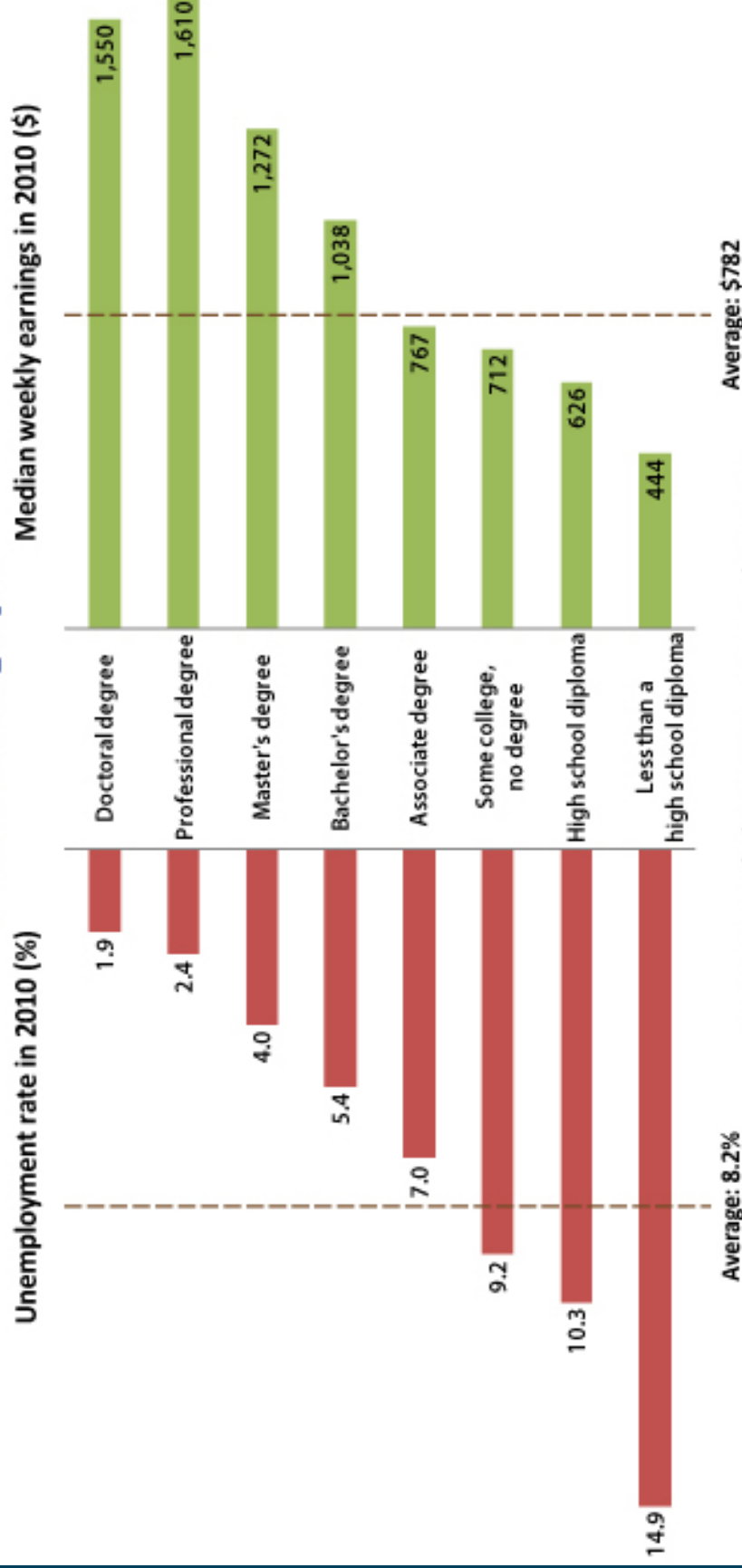
College Attainment and Completion Metrics	Kentucky Change from 2000 to 2009					
	Percent Change	Change Ranked Among States	2000	2009	State Rank in 2000	State Rank in 2009
Adults Aged 25 to 64 with College Degrees (Associate and Higher)	24.4	1	24.5	30.5	47	45
Adults Aged 25 to 44 with College Degrees (Associate and Higher)	23.6	2	27.3	33.7	44	36
Six-Year Graduation Rates at Four-Year Institutions (Public and Private)	21.7	1	39.3	47.8	44	35
Three-Year Graduation Rates at Two-Year Institutions (Public and Private)	42.7	3	21.4	30.5	38	16
Undergraduate Credentials (One-Year or More in Length)	55.7	5	23,115	35,999	NA	NA
Undergraduate Credentials Awarded per 1,000 18 to 44 Year Olds with No College Degree	63.0	1	18.4	29.9	45	36

Source: Realizing Kentucky's Educational Attainment Goal: A Look in the Rear View Mirror and Down the Road Ahead, 2011 Report by the National Center for Higher Education Management Systems

By 2018, 54% of all jobs in Kentucky—over 1 million jobs—will require some level of postsecondary education.

**-Center on Education and the Workforce,
Georgetown University, 2010**

Education pays:



Source: Bureau of Labor Statistics, Current Population Survey

New Strategic Agenda 2011-15

Focus areas

- ❖ College Readiness
- ❖ Student Success
- ❖ Research and Economic & Community Development
- ❖ Efficiency and Innovation

Aggressive Performance Targets



Performance Metrics and Accountability

Statewide			Institution		Region
College Readiness	Readiness of Kentucky high school graduates who enter college				Readiness of all high school graduates in the region
	GED® graduates				College-going rate of high school graduates in the region
	New teacher excellence (top 15% nationally)		New teacher excellence (top 15% nationally)		
Student Success	Degrees and credentials conferred	Degrees and credentials conferred	Degrees and credentials conferred		
	Graduation rates (bachelor's and associate)	Graduation rates (bachelor's and associate)	Graduation rates (bachelor's and associate)		
	Graduation rate gaps of low-income, underprepared, and underrepresented minority students	Graduation rate gaps of low-income, underprepared, and underrepresented minority students	Graduation rate gaps of low-income, underprepared, and underrepresented minority students		
	State appropriations for public higher education	State appropriations for public higher education	Transfer from KCTCS to four-year colleges and universities		
	State financial aid funding deficit	State financial aid funding deficit	Net direct cost for low-income students		
Research, Economic and Community Development	Research and development funding	Research and development funding	Research and development funding		
	Degrees and credentials in science, technology, engineering, mathematics, and health-related fields	Degrees and credentials in science, technology, engineering, mathematics, and health-related fields	Degrees and credentials in science, technology, engineering, mathematics, and health-related fields		
	Educational attainment at the associate degree level and higher, ages 25-44	Educational attainment at the associate degree level and higher, ages 25-44			Educational attainment at the associate degree level and higher in the region, ages 25-44
Efficiency and Innovation	Online learning	Online learning	Online learning		
	Degree productivity relative to education and related expenditures	Degree productivity relative to education and related expenditures	Credits earned by degree graduates		



STATE TARGET

College Readiness



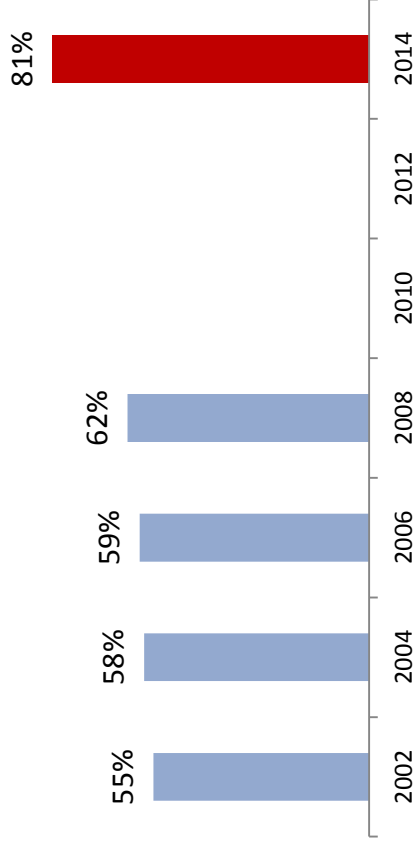
Readiness of high school graduates who enter college

Percent of recent Kentucky high school graduates entering college in Kentucky who meet statewide standards for readiness in English, mathematics, and reading.

Source: CPE Comprehensive Database (KPEDS).

Baseline	Target	Percent Change
62%	81%	31%

In accordance with Senate Bill 1 (2009), state target reduces by half the number of students entering college who are not college-ready in all subjects.



STATE TARGET

Student Success

Degrees and Credentials

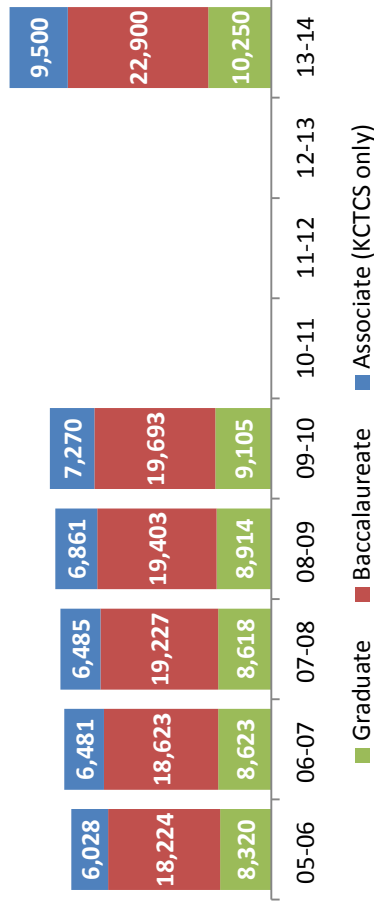
Number of degrees and credentials conferred during the academic year, by level.

Source: CPE Comprehensive Database (KPEDS)

	Baseline	Target	Percent Change
Total	55,106	59,400	8%
Associate (KCTCS only)	7,270	9,500	31%
Bachelor's	19,693	22,900	16%
Graduate	9,105	10,250	13%

State target equals weighted total of institutional targets and matches annual 4% increase in Associate and Bachelor's degrees needed to reach 2015 attainment target (NCHEMS, 2011).

Note: Total includes certificates and diplomas, including graduate certificates, which are not included in degree sub-categories on display.



STATE TARGET

Student Success

Bachelor's Degree Graduation Rates and Gaps

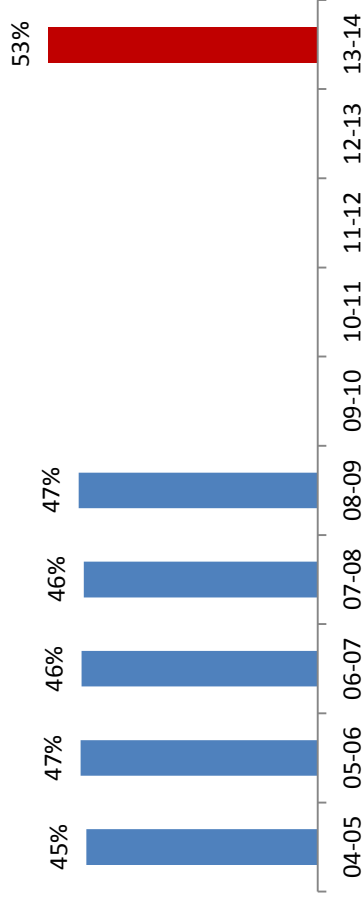
Six-year graduation rate of full-time, bachelor's degree seekers and graduation rate gap of low-income, underprepared, and underrepresented minority students.

Source: CPE Comprehensive Database (KPEDS)

	Baseline	Target	Percent Change
Grad Rate	47%	53%	13%
Low-Inc. Gap	7 ppt	5 ppt	-29%
Underprep. Gap	25 ppt	18 ppt	-28%
Minority Gap	15 ppt	11 ppt	-27%

State target slightly above weighted total of institutional targets (52%). Moves KY closer to national average of 55%.

Graduation rate gaps targets provide significant movement (-30%) toward cutting performance gaps in half by 2015-16.



STATE TARGET

Research, Economic, & Community Development

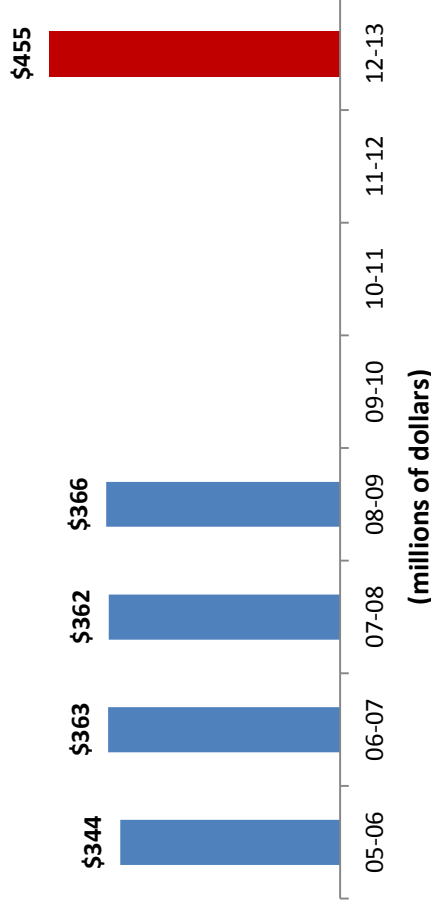
Externally-Funded Research and Development

Annual research and development expenditures in science and engineering from federal, state, local, corporate, and foundation funding, but excluding institutionally-funded research. Source: National Science Foundation.

Baseline	Target	Percent Change
\$366 million	\$455 million	24%

State target equals weighted total of institutional targets and represents substantial progress toward the SREB average in externally-funded R&D per capita.

UK and UofL targets are on trajectory to meet 2020 targets in HB1 (1997).



STATE TARGET

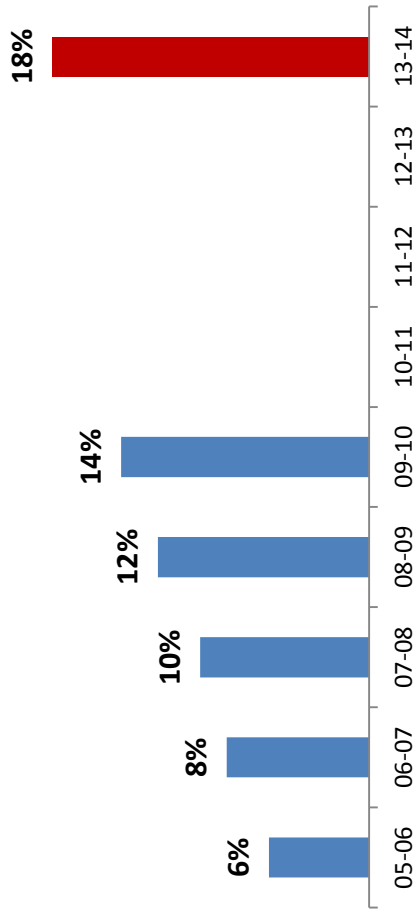
Efficiency and Innovation

Distance Learning

Percent of total completed credits taken through online and other technology-enhanced modes of distance learning.

Source: CPE Comprehensive Database (KPEDS).

Baseline	Target	Percent Change
14%	18%	28%



State target equals weighted total of institutional targets and would match the current SREB best-performing state (Georgia).



2012-14 BUDGET REQUEST

Aligned with Strategic Agenda

Maintain Base Operating Support (\$1,006 M)

- ❖ Reduce pressure on tuition

Maintenance and Operations on New Facilities (\$40 M)

- ❖ Significant unfunded M&O from recession

Strategic Investments

- ❖ College readiness (\$17 M in FY13)
 - Teacher quality and remediation
- ❖ Student success (\$25 M in FY14)
 - Performance funding
- ❖ Research (\$15 M in FY13)
 - Faculty retention and recruitment to stimulate increased federal contracts and grants
- ❖ Bucks for Brains (\$75 M in FY13)

Capital Investments (\$1 B in 2012-14)

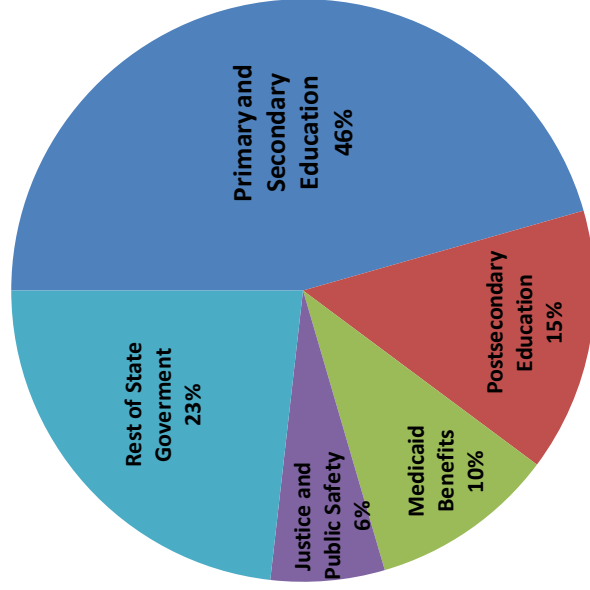
- ❖ New capital concept focused on multi-year & balanced (capital renewal vs. new)
- ❖ Technology investments



State investment in education is losing ground to other state expenditures.

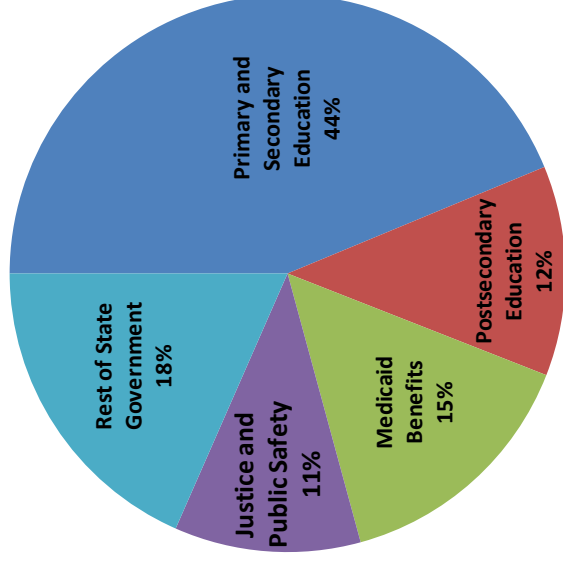
FY 1999

KY General Fund Budget Enacted (\$6 billion)



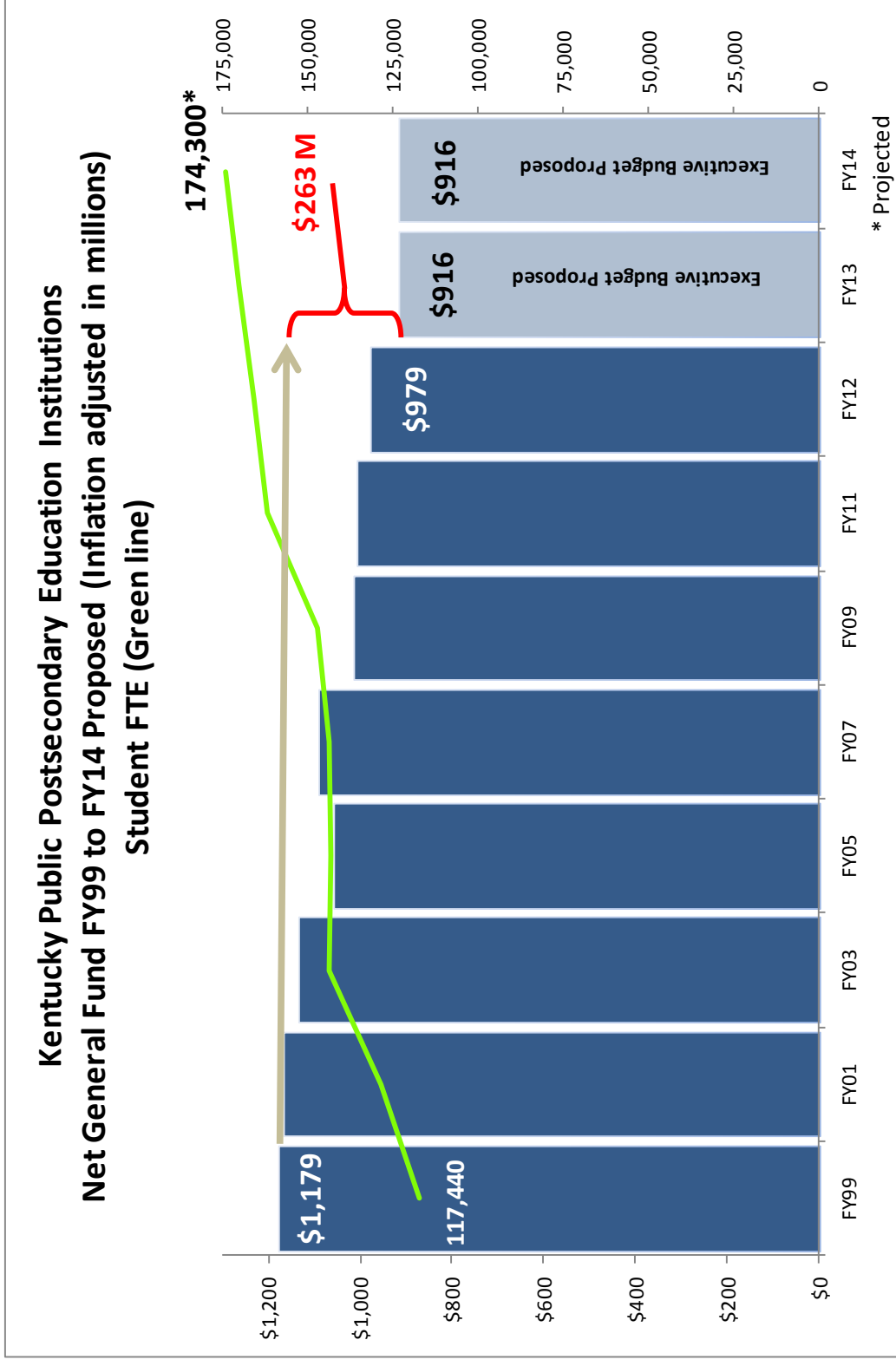
FY 2014

KY General Fund Executive Budget Proposed (\$9.8 Billion)



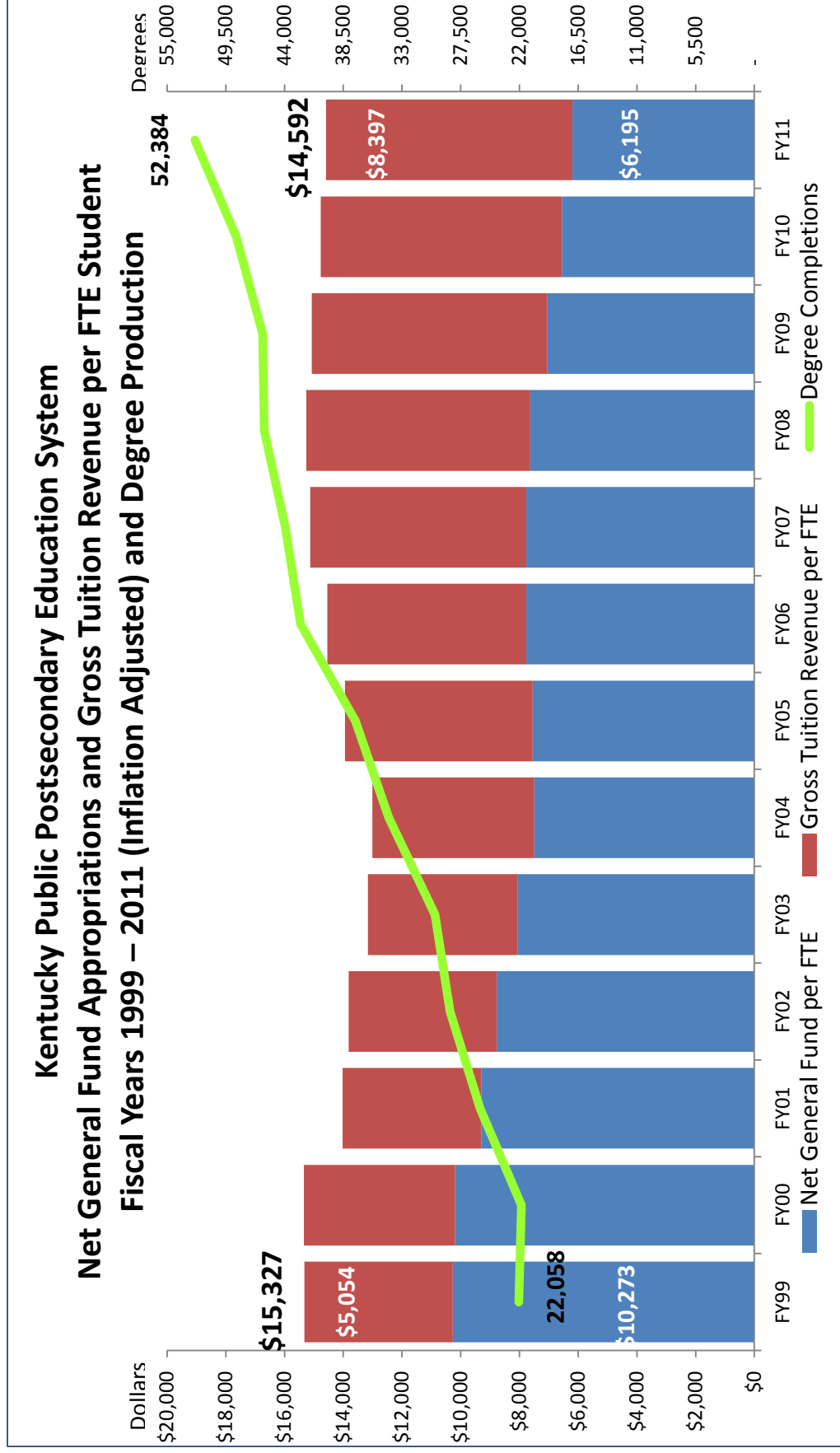
Reduced State Support and Enrollment Growth

If the Executive Budget is enacted, state support for the public universities and KCTCS will have decreased by \$263 million (22% reduction) since FY99, while student enrollment (FTE) is projected to increase by over 56,000 (48% increase).



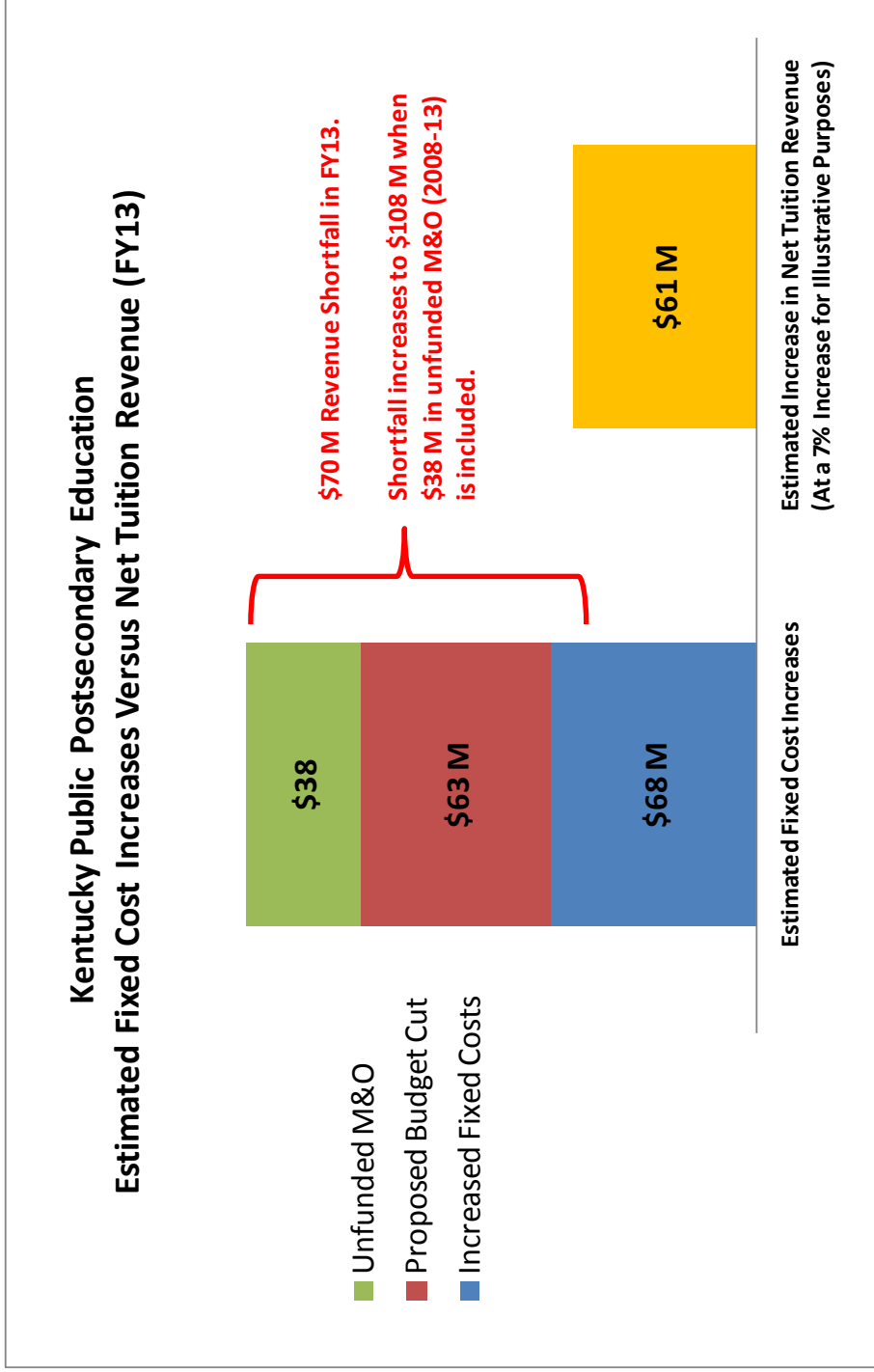
Reduced State Support & Increased Degrees

State support for the public universities and KCTCS decreased by nearly \$4,100 (40% reduction) per FTE student since FY99, while degrees increased by over 30,000 (137% increase), and overall cost decreased by over \$700 per FTE student.



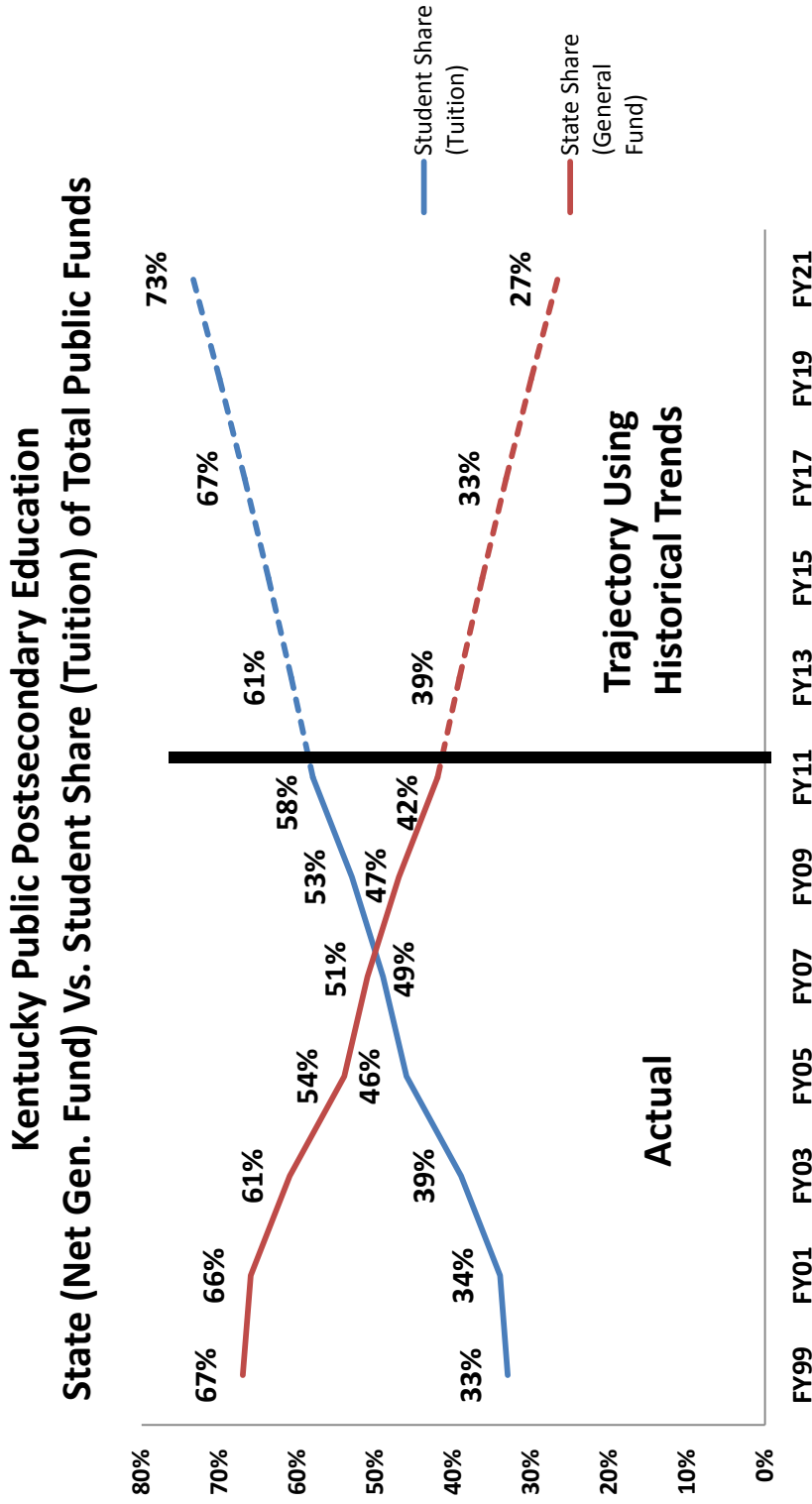
Fixed Cost Increases and Net Tuition Revenue

Institutional fixed cost increases are estimated to grow by \$68 million in FY13. Even a 7% increase in tuition will not cover the funding gap (\$70 million) created by the proposed budget cuts (\$63 M), in addition to \$38 million in unfunded M&O between 2008-13.



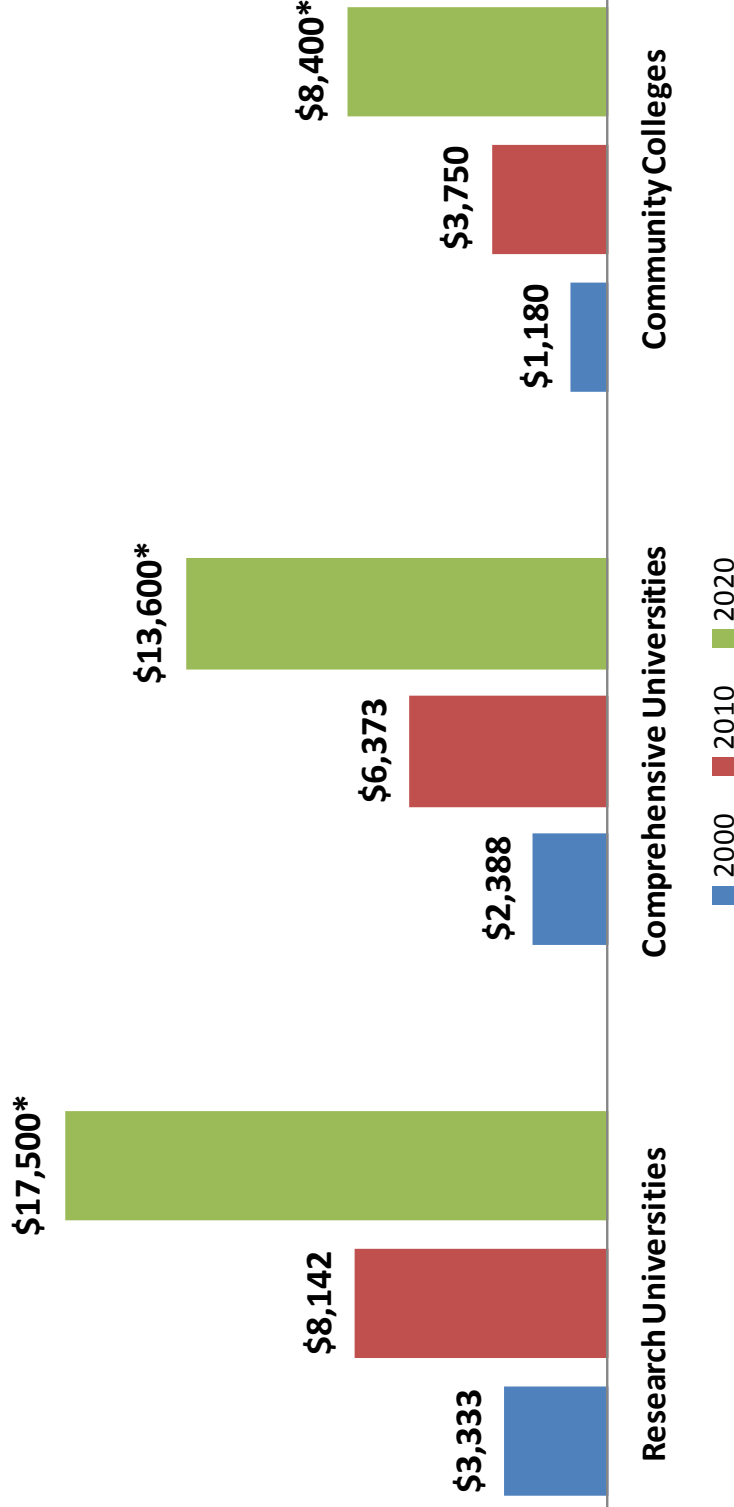
Shared Responsibility?

State share of total public funds, which supports core academic expenses and strategic improvements, declined dramatically from 67% in FY99 to 42% in FY11. Significant state support is needed to reverse these trends.



Unsustainable Trajectory

Kentucky Public Postsecondary Education Tuition Historical and Trajectory*

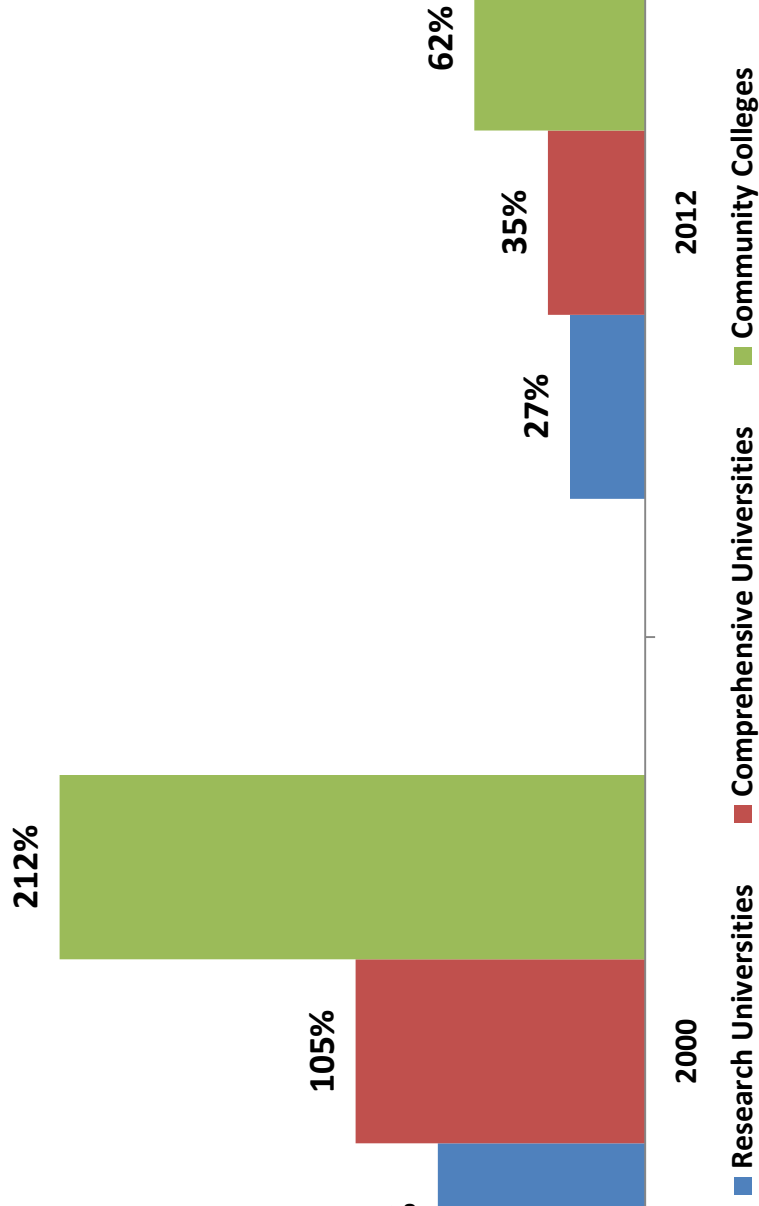


* Using historical average annual increases from 1990-2010



State Student Financial Aid

Maximum KEEES Award (\$2,500) as a Percent of Tuition By Sector (2000 and 2012)



CPE Tuition Policy and Process

KRS 164.020 (8) states that the Council on Postsecondary Education shall determine tuition.

Balance policy objectives

- ❖ Funding adequacy
- ❖ Shared benefits and responsibility
- ❖ Affordability and access
- ❖ Attracting and importing talent
- ❖ Effective use of resources

Process

- ❖ Review data (winter)
- ❖ Set tuition caps (spring)
- ❖ Finalize rates (early summer)



Tuition (includes mandatory fees)

The amount of money charged to students for core academic programs and services. May be charged per term, per course, or per credit.

Mandatory Fees

- ❖ Fees assessed each full-time student regardless of degree level or program.
- ❖ DO include fees for:
 - Health services, activity fee, computer use fee, and athletic fee, etc., where the programs are not optional for full-time students.
- ❖ DO NOT include fees:
 - Assessed in a particular program (e.g., nursing)
 - Unique to a given situation (e.g., late registration)
 - For room and board.



New Special Use Fee Exception Policy

Process

- ❖ Council staff worked collaboratively with campus representatives to develop policy.
- ❖ Approved by the Council in 2011.

Key Features

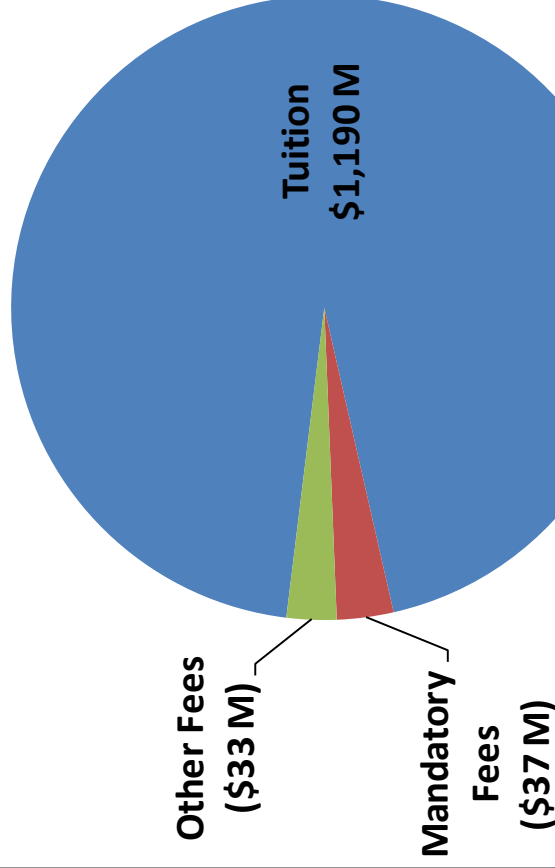
- ❖ Institutions in unique cases are provided extra flexibility with the Council's tuition cap.
- ❖ Allows students to assess themselves a fee to improve campus activities (e.g., student unions, fitness centers, recreation complexes, health clinics, and/or tutoring centers).
- ❖ Must be broadly discussed, voted on, and requested by students and approved by governing boards.
- ❖ Covers debt service and M&O on requested facilities.
- ❖ Must be reasonable and requests should be infrequent.



Tuition and Fee Revenue

Approximately 94% of gross tuition revenue is generated by tuition, with about 3% originating from mandatory fees and another 3% in other fees. A number of institutions have “bundled” their fees with tuition over the past decade to help simplify student billing.

Kentucky Public Postsecondary Education
Gross Tuition Revenue in FY 2010 (\$1.2 B)



Postsecondary Education Capital Investments

Context

- Approximately \$1.6 billion in capital investments since 1997
- 5 to 1 investment in new projects versus capital renewal/major renovations
- Approximately 2,000 buildings and 50 million square feet of space
- VFA facility study in 2007 – aging infrastructure/backlog of major system updates
- Multi-biennial approach - \$3 B over 6 years equates to 38% of projected need
- More balanced approach (55% asset preservation/renovation and 45% new projects) needed to start addressing critical needs

Components of 2012-14 Capital Request

- **Asset preservation/renovation (\$550 M in 2012-14)**
 - Capital renewal and major renovations (reduce utility costs)
 - Leverage data from VFA study
- **New buildings (\$450 M in 2012-14)**
 - Focus on funding top institutional priorities over next six years
- **Information technology (\$60 M in 2012-14)**
 - Investments in efficiencies
 - Critical need to maintain rural access to postsecondary and adult education
 - High speed connections and electronic resources
 - Reduces need for bricks and mortar



Asset Preservation & Capital Renewal

Executive Budget Proposed

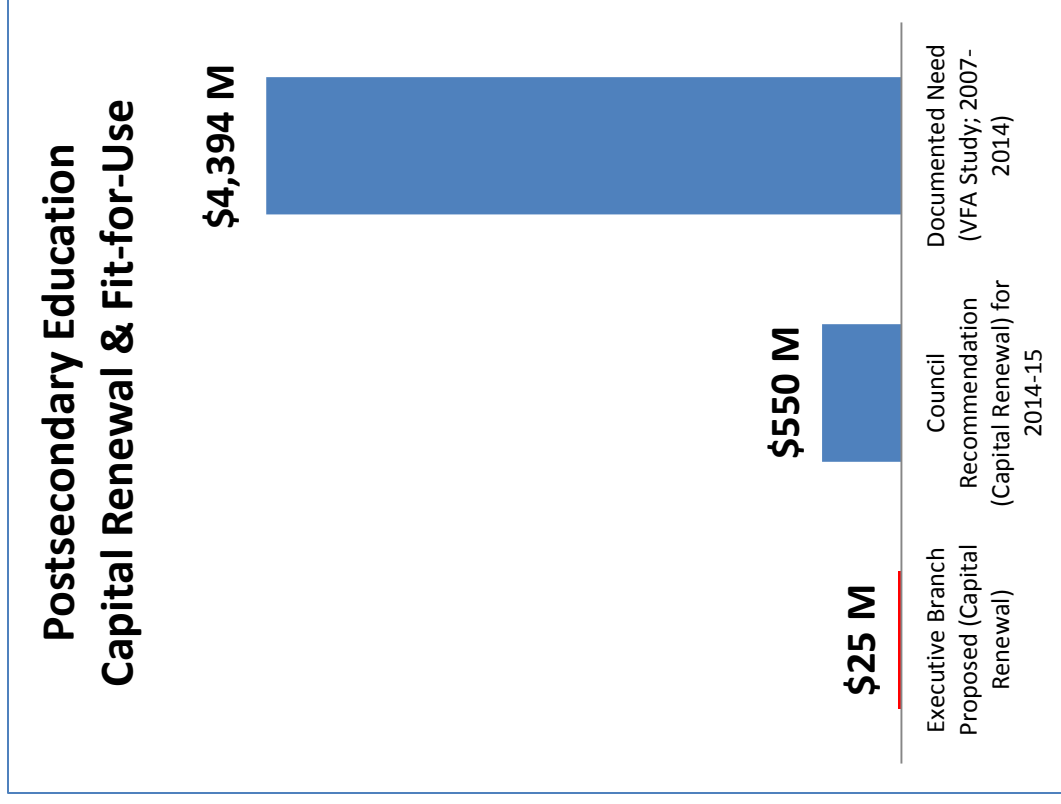
- ❖ \$25 million pool (\$12.5 M in FY13 and FY14) to fund asset preservation and renewal projects

Distribution

- ❖ Intend to use new capital concept which emphasizes a multi-year, blended approach

Matching Requirements

- ❖ There will be a varied institutional match (60-100%) for each \$1 of pool funds
- ❖ Match will reflect prior institutional investment in asset preservation and renewal projects (e.g., lower match rate for greater prior campus investment)

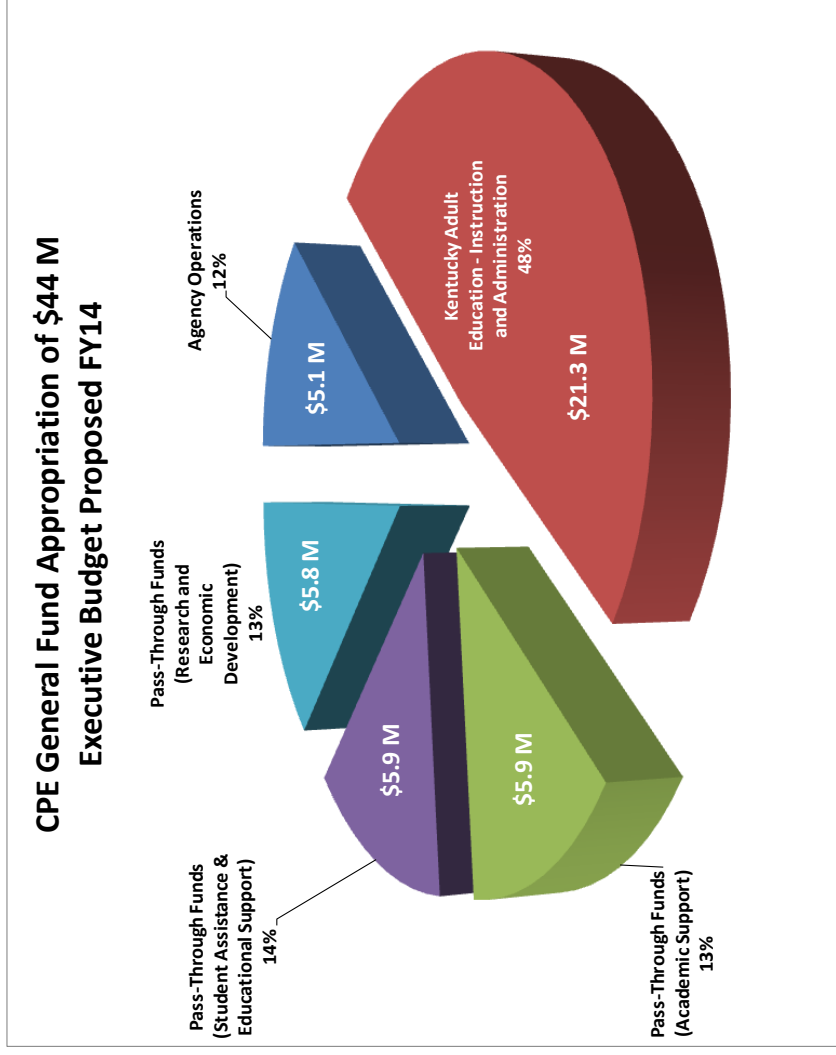


CPE General Funds

Approximately 88% of CPE's General Funds are pass-through funds used to support various statewide educational programs and services. Almost half of CPE's General Fund budget supports Kentucky Adult Education.

Executive Budget Proposed

- ❖ Additional 8.4% reduction.
- ❖ Cumulative budget cut of 28% (\$17 million) since enacted FY08.
- ❖ CPE General Fund appropriation reduced to \$44 million in FY14 from \$61 million in FY08.



CPE Powers and Duties (KRS 164.020)

Include, but not limited to:

- ❖ Develop, implement, and revise statewide strategic agenda, including public accountability system
- ❖ Data collection, research, and analysis to assist Executive and Legislative branches with policy development
- ❖ Determine tuition
- ❖ Submit biennial budget request
- ❖ SB 1 (2009) implementation activities
- ❖ Review and approve new and existing academic programs
- ❖ License new and existing non-state supported programs
- ❖ Ensure coordination and connectivity of statewide technology and e-Learning services
- ❖ Coordinate and administer statewide Kentucky Adult Education program



Kentucky Adult Education

(Instruction and Statewide Administration)

Executive Budget Proposed

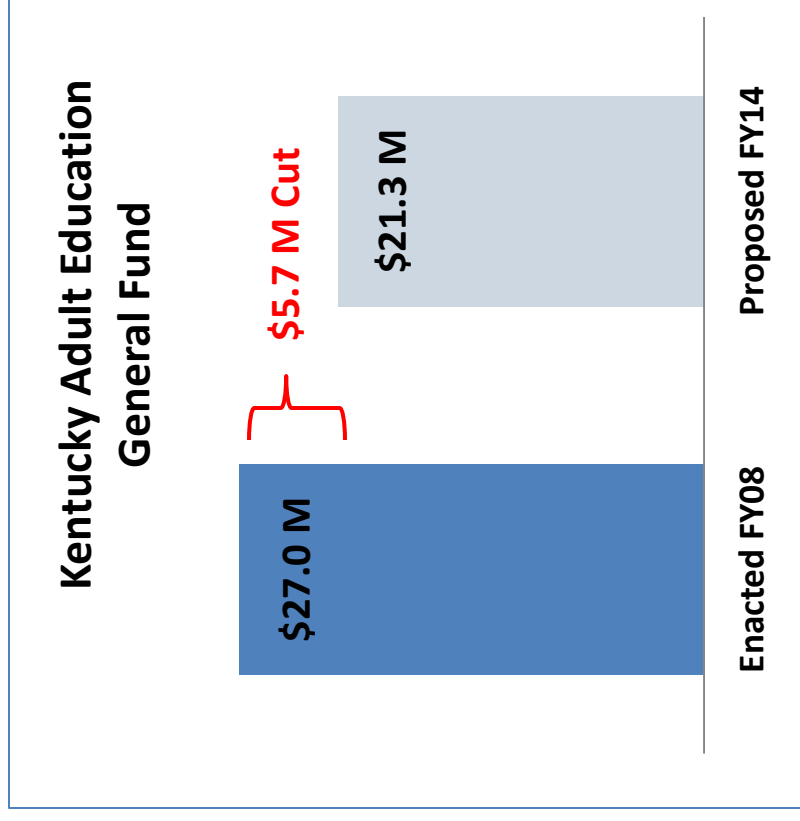
- ❖ Additional 7.8% reduction.
- ❖ Cumulative budget cut of 21% (\$5.7 million) since enacted FY08.

Use of Programs and Services

- ❖ 410,000 adults, 15% of the working-age population (18-64), lack H.S. credential or GED.
- ❖ 40,000 students participate annually.
- ❖ KY ranked 41st (2008) in percent of population (25-64) with H.S. diploma or equivalent.
- ❖ About 26% of GED graduates transition to college within two years.

Additional Budget Cut Impact

- ❖ 3,000 less students served
- ❖ \$855 million potential loss of future earnings if these students were awarded a GED.



KY Postsecondary Education Network (KPEN) KY Virtual Campus & KY Virtual Library

Executive Budget Proposed

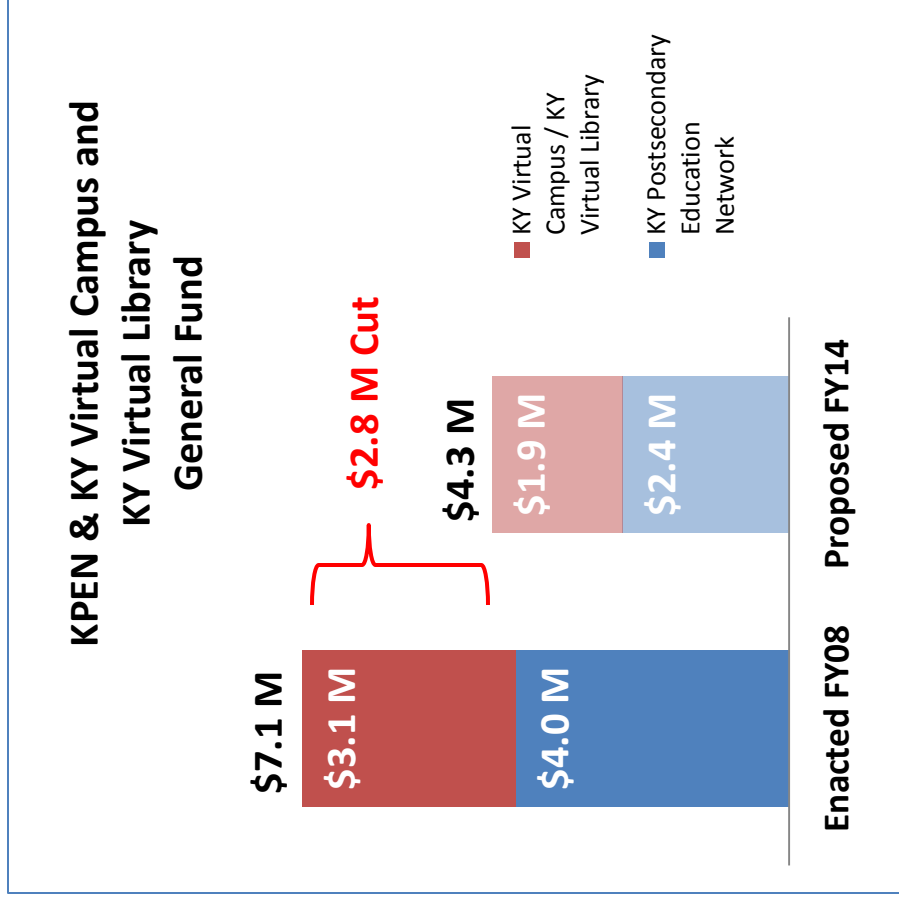
- ❖ Additional 7.8% reduction.
- ❖ Cumulative budget cut of 39% (\$2.8 million) since enacted FY08.

Use of Programs and Services

- ❖ KPEN supports internet broadband connection across the postsecondary system.
- ❖ KYVC/KYVL provides valuable e-Learning resources to library patrons and distance learning students across the state (access).

Additional Budget Cut Impact

- ❖ Staff/student productivity loss due to 40% reduction in bandwidth.
- ❖ Loss of millions in contract savings during online enrollment growth period.



Science and Technology Funding Program

(Kentucky Science and Technology Corporation)

Executive Budget Proposed

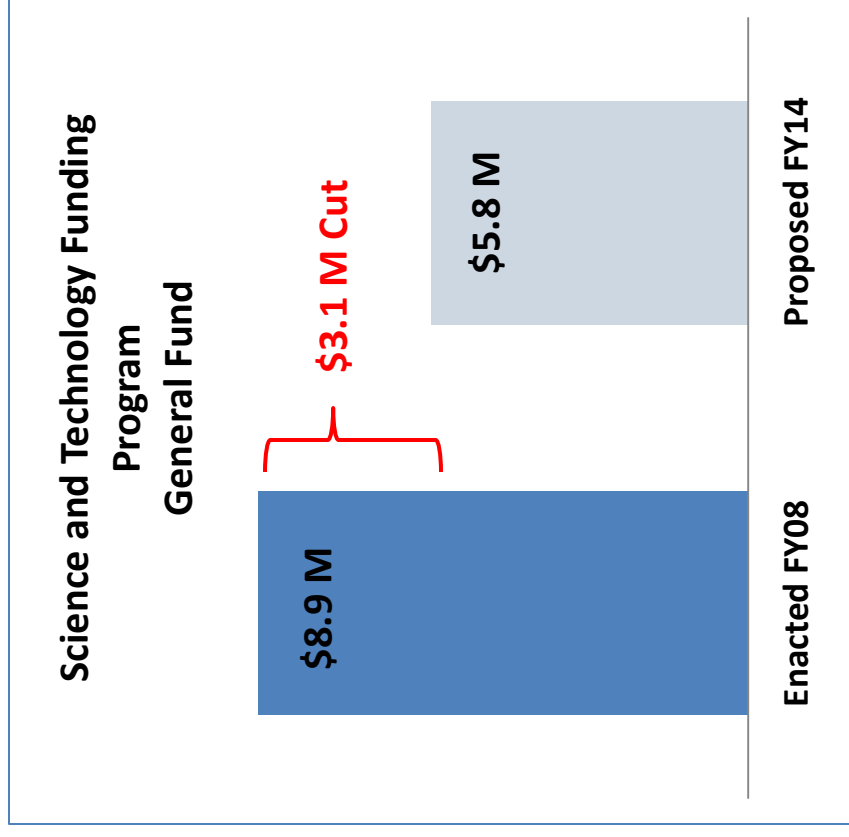
- ❖ Additional 7.8% reduction.
- ❖ Cumulative budget cut of 35% (\$3.1 million) since enacted FY08.

Use of Programs and Services

- ❖ Funds support R&D investments managed by Kentucky Science and Technology Corporation (KSTC).
- ❖ Intended to stimulate innovation-based economic development and job creation.

Additional Budget Cut Impact

- ❖ Significant reduction in innovation grants and potential loss of federal funds via EPSCoR.
- ❖ Potential loss \$12-15 million in follow-on funding from venture capital and federal sources.



Contract Spaces Program

Executive Budget Proposed

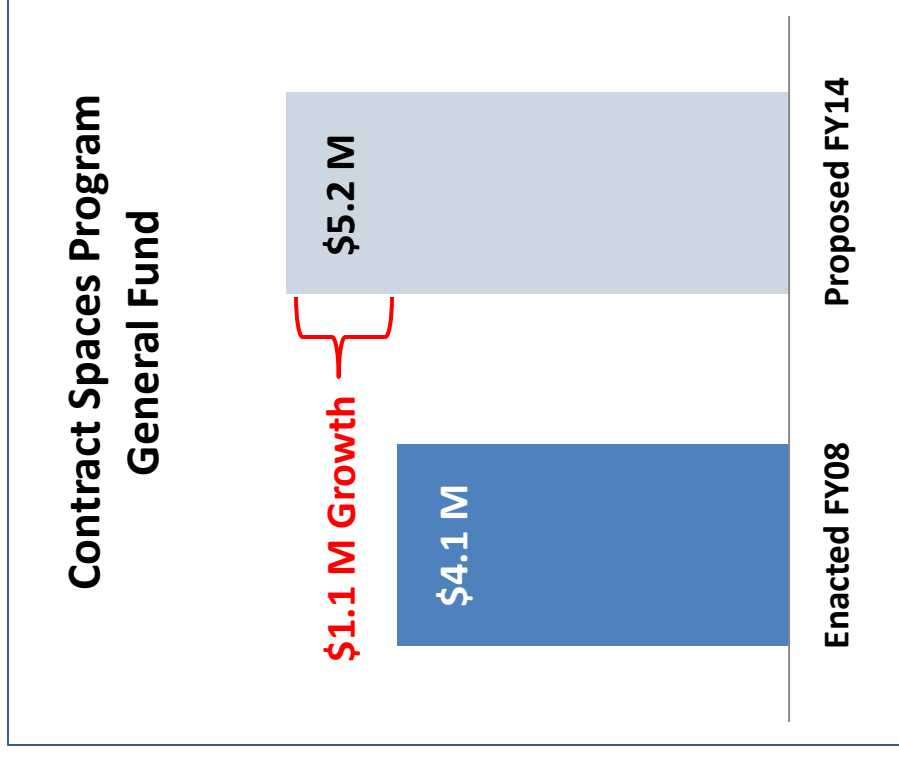
- ❖ Maintains 164 veterinary and 44 optometry spaces with small tuition growth.
- ❖ Cumulative General Fund increase of 28% (\$1.1 million) since FY08.

Use of Programs and Services

- ❖ Tuition grant program for Kentucky residents to study veterinary medicine and optometry outside state.

Additional Budget Cut Impact

- ❖ Only program to receive an actual General Fund increase since FY08.



Agency Operations and Personnel

Executive Budget Proposed

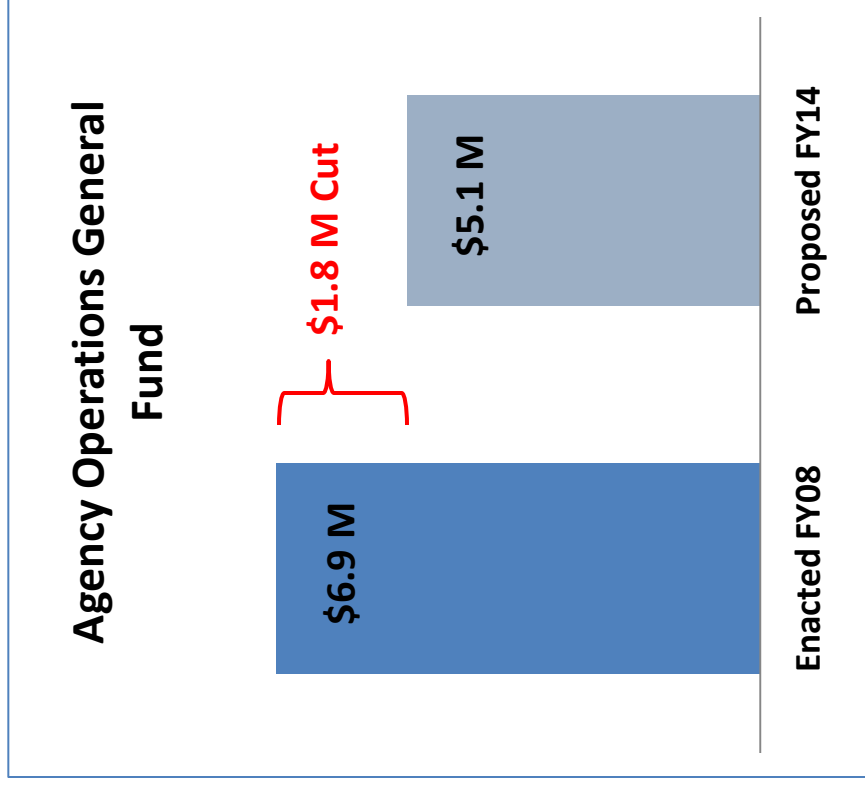
- ❖ Additional 9.2% reduction.
- ❖ Cumulative budget cut of 27% (\$1.8 million) since enacted FY08.

Use of Programs and Services

- ❖ Licensing and student protection.
- ❖ Statewide strategic planning, accountability, data collection/reporting, academic program review and approval, tuition setting, advocate for improving quality of workforce and use of university research to stimulate economic development.

Additional Budget Cut Impact

- ❖ Staff has been reduced by 20-25 positions since FY008.
- ❖ Additional loss of capacity will make it much more difficult to carry out statutory role and duties.



Improving the quality of Kentucky's workforce and research capacity is imperative.

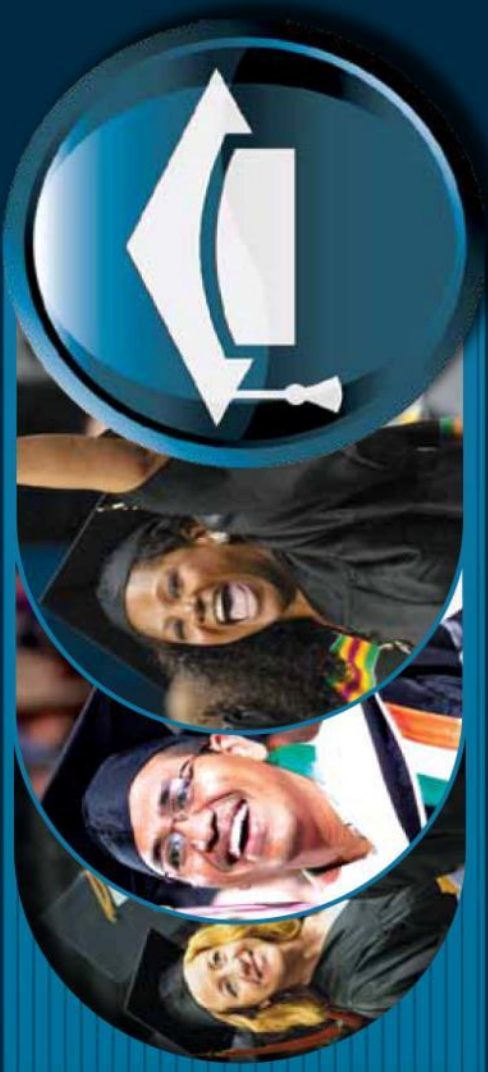
Kentucky has achieved significant educational progress since reform.

Erosion of state support will significantly impair future success.



STRONGER by DEGREES

A STRATEGIC AGENDA for Kentucky Postsecondary and Adult Education



Postsecondary Education and CPE Budget Update

Presentation to the House Appropriations and Revenue
Budget Review Subcommittee on Postsecondary Education
January 26, 2012

Council on Postsecondary Education
February 10, 2012

2012-14 Executive Budget Recommendation Summary

Fiscal Environment

- On Tuesday, January 17, 2012, Governor Beshear released his 2012-14 Executive Budget recommendation.
- The Executive Budget includes no revenue from new taxes or expanded gaming.
- The Executive Budget proposes cuts to most state agencies of 8.4 percent in FY 13 and straight-lined budgets in FY 14. Most agencies have experienced cuts of 25 to 30 percent over the last two years.
- Some priority areas were increased (state employee retirement and health insurance, Corrections, Medicaid, Pre-school) or exempted from cuts (SEEK, Student Financial Aid, Veterans' Affairs). Some areas received a smaller reduction than the 8.4 percent (K-12 Non-SEEK, Education and Workforce, Justice and Public Safety, Postsecondary Education).
- See **Attachment A** for additional details from the Executive Budget Briefing.

Institution Operations

- The Executive Budget for 2012-14 recommends a 6.4 percent General Fund reduction in FY 13 and a straight-lined budget in FY 14.
 - \$18.9 million that was transferred from FY 12 to FY 11 was restored to the institutions' base before the 6.4 percent reduction was applied. (The decrease from the FY 12 revised budget to the recommended FY 13 institutions' budget is 4.5 percent.)
 - Technical adjustments were made for debt service, the UofL hospital contract, and UK/EKU/KCTCS Physical Therapy program funding.
- See **Attachment B** for details by institution.

Capital Investments

- The Executive Budget includes General Fund debt service for \$25 million in asset preservation/renovation.
- The Executive Budget includes one state supported capital project at Murray State University.
- The recommendation allows the institutions to fund \$451 million in capital projects with agency bonds.
- See **Attachment C** for details by institution.

CPE Agency Funds (Statewide Coordination and Statewide Educational Programs and Services)

- The Executive Budget recommendation maintains funding (including tuition increases) for 164 veterinary spaces and 44 Optometry Spaces in the Contract Spaces Program.
- The Executive Budget proposes an 8.4 percent reduction to all other areas of CPE's Agency Budget in FY13 and straight-lines the budget in FY 14.
- Debt service of \$629,000 in FY 13 and \$1,887,000 in FY 14 is included in the Physical Facilities Trust Fund to support \$25 million for postsecondary education asset preservation/renovation capital projects.
- The Executive Budget recommendation includes \$1,558,500 in both FY 13 and FY 14 to support SB 1 (2009) implementation.

Financial Aid

- The Executive Budget dedicates 100 percent of the value of the lottery revenues for student financial aid.
- The recommendation fully funds the KEES program at \$101.7 million in FY 13 and \$102.5 million in FY 14.
- The Executive Budget funds Kentucky's need-based financial aid program, the College Access Program (CAP), at \$58.9 million in both FY 13 and FY 14. (Funding in FY12 is \$60.6 million.)
- The Kentucky Tuition Grant (KTG), need-based aid specifically for students who attend independent colleges and universities, is funded at \$31.6 million in both FY 13 and FY 14. (Funding in FY 12 is \$32.5 million.)

Executive Branch Budget FY 2012 - 2014

Governor Steven L. Beshear
January 17, 2012

Governor's Goals

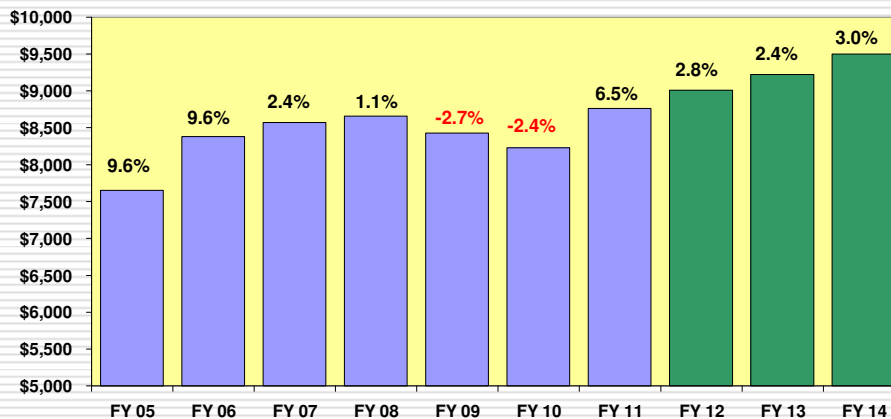
- ☐ Improve job competitiveness
 - ☐ Protect education funding
 - ☐ Make progress in early childhood education
 - ☐ Provide healthcare for most vulnerable
 - ☐ Protect the public's safety
 - ☐ Make fiscally responsible and critical investments for the future
 - ☐ Run a lean and efficient government
 - ☐ Reduce reliance on one-time funds
-

Budget Challenges

- ❑ Increasing, but modest revenues
- ❑ One-time funds supporting spending levels not available
 - Stimulus funds
 - Funds from prior years
 - Deferred payroll
 - Non-recurring balancing measures
- ❑ Increasing costs to maintain same services
- ❑ Cumulative impact of five consecutive years of budget cuts

Modest Revenue Growth Predicted

(millions and percent change from prior fiscal year)



Balanced Budget FY 12 - 14

	Biennial Total (millions)
Official Revenue Estimate	\$ 18,721
Base Level of Spending (FY 11 & 12)	\$ 18,648
Additional Required and Recommended Spending	\$ 815
Total Recommended Spending	\$ 19,463
Gap Between Revenues and Spending	\$ (742)
Measures to Fill the Gap	
Cuts	\$ 286
Fund Transfers	\$ 245
Use of the Budget Reserve Trust Fund	\$ 102
Tax Amnesty and Enhanced Compliance	\$ 61
Other Resources and Lapses	\$ 29
Beginning Balance	\$ 20
Total Budget Balancing Measures	\$ 742

Sources of Funds

- ☐ No New Taxes
- ☐ No Expanded Gaming Revenues
- ☐ Modest Revenue Growth
- ☐ Tax Amnesty and Enhanced Compliance
- ☐ Fund Transfers
- ☐ Budget Reserve Trust Fund

Additional Revenue Collections from Existing Taxes

- ☐ Tax Amnesty and Enhanced Compliance Program
 - Revenue collection incentives and enhanced compliance initiatives
 - \$59 million FY 13 \$2 million FY 14 (Net Impact)
 - ☐ Abandoned Property Program
 - Extend pilot program in Jefferson County and other appropriate areas
 - Liabilities turned into assets for communities
 - \$7 million FY 13 \$10 million FY 14
-

Targeted Spending to Protect Priorities

- ☐ Most agencies reduced 8.4% in FY 13 and straight-lined in FY 14
 - ☐ Priority areas straight-lined or increased
 - ☐ Lesser reductions in several areas
-

Highlights - Limited Areas with Additional Spending

	Biennial Total millions
Debt Service	
Existing Debt	\$ 372
New Bond Projects (\$304 million)	\$ 19
Retirement and Health Insurance	
Retirement Contributions to KERS	\$ 79
Health Insurance +2% per Year	\$ 45
Teachers' Retirement - Medical	\$ 43
Corrections & AOC - HB 463	
Increased Parole and Pretrial Officers	\$ 14
New Local Corrections Assistance Fund	\$ 9
Reinvest Drug Law Savings	\$ 7

Highlights - Limited Areas with Additional Spending

	Biennial Total millions
Health and Family Services	
Medicaid	\$ 84
Substance Abuse Treatment	\$ 8
Supports for Community Living	\$ 14
Community Placements for Adults with Severe Mental Illness	\$ 2
Community Based Services Caseload Reductions	\$ 21
Child Support Enforcement Match Replacement	\$ 18
New Eastern State Hospital - Lease and Operations	\$ 16
KASPER Enhancements	\$ 4
Adult Abuse Registry	\$ 2
Colon Cancer Screening Program	\$ 1
Postsecondary Education	
Restore Universities' Base to 2012 Originally Enacted	\$ 38
Preschool Expansion	\$ 15
Expand eligibility for 4 year-olds from 150% to 160% poverty level	
Others	\$ 5
Total Recommended Additional Spending	\$ 815

Critical Areas Exempt from Cuts

- SEEK
 - Preschool
 - Medicaid
 - Corrections
 - Debt Service
 - Health Insurance & Retirement
 - Teachers' Retirement
 - Student Financial Aid
 - Coal Severance Funds
 - Community Based Services
 - Behavioral Health
 - Public Advocacy
 - Revenue Operations
 - Tourism – Fair Board, Horse Park
 - Mine Permitting, Reclamation & Enforcement
 - Veterans' Affairs
-

Most State Agencies Cut 8.4%

- Governor's Office
 - Attorney General
 - Auditor's Office
 - Treasurer
 - Dept. Agriculture
 - Sec. of State
 - Dept. Local Government
 - Military Affairs
 - Other General Govt. Agencies
 - Economic Development
 - Energy & Environment
 - Finance Cabinet
 - CHFS other than Medicaid, DCBS, Aging, Behavioral Health
 - Labor Cabinet
 - CPE
 - Public Protection Cabinet
 - Tourism Arts & Heritage
 - Public Transportation
 - Legislative Branch
-

Judicial Branch

☐ Judicial Branch

- Net increase of 1.5% over biennium
 - ☐ Fund fit up for judicial centers coming on-line
 - ☐ Fund increases in health insurance and retirement contributions
 - ☐ Operational reductions required to balance
-

K-12 Education Highest Priority

☐ Preserves SEEK funding

- Same total General Fund appropriation in FY 13 and FY 14 as FY 12
- Base per-pupil guarantee \$3,833 in FY 13 and \$3,827 in FY 14

☐ Expands Preschool Eligibility to 160% of Poverty Level for 4-year olds in FY 14

- 4,430 more children will be served – 18% increase
- Goal to expand to 200% of Poverty Level, adding another approx. 4,000 children by the end of Beshear administration

☐ Funds \$100 million School Facilities Bonds

- Authorizes additional \$100 million Offers of Assistance
-

K-12 Education Highest Priority

- ☐ Provides increase in health insurance funding to support 2% increase each plan year
 - ☐ 4.5% reduction in FY 13 for Non-SEEK grants to school districts; straight-lined in FY 14
 - ☐ Funds employer contributions for Kentucky Teachers' Retirement System
-

Postsecondary Education

- ☐ Restores \$18.9 million to Base Budgets shifted from FY 12 to FY 11
 - ☐ 6.4% Base Budget Reductions for Universities and Colleges
 - ☐ No cuts to student financial aid programs
 - Fully funds KEES program
 - No cuts to Need-Based programs
 - Fully funds National Guard Tuition Assistance Program
 - ☐ \$25 million General Fund bonds for asset preservation and maintenance – no General Fund bonds for new projects
 - ☐ \$451 million Agency Bonds
 - priority projects for which institutions have identified debt service and plan to move forward
-

Education and Workforce

- ☐ Agencies
 - Education Professional Standards Board
 - Kentucky Comm. on Deaf and Hard of Hearing
 - Office for the Blind
 - Office of Employment and Training
 - Office of Career and Technical Education
 - Office of Vocational Rehabilitation
 - Kentucky Educational Television
 - Kentucky Dept. of Libraries and Archives
 - ☐ 4.2% reduction in FY 13
 - ☐ Straight-lined funding in FY 14
-

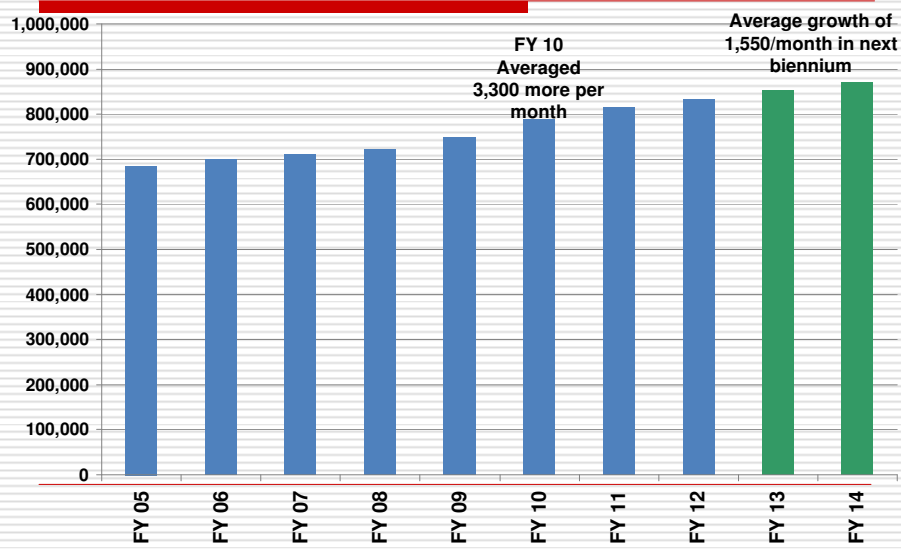
Health and Family Services

- ☐ Medicaid program exempt from reductions
 - Increasing costs and eligible members
 - Management initiatives proposed to contain cost increases
 - Expand substance abuse treatment
 - Expand community placements for those with intellectual disabilities and severe mental illness
 - ☐ Behavioral Health exempt from reductions
 - ☐ Reduce Caseloads in the Dept. of Community Based Services
 - ☐ Costs to Open New Eastern State Hospital
 - ☐ Maintain Child Support Enforcement Program
 - ☐ Expand the KASPER program
 - ☐ Create an Adult Abuse Registry – reduced cuts for aging programs
 - ☐ Match funding to begin colon cancer screening program
 - ☐ Balance of Cabinet cut 8.4% in FY 13; straight-lined in FY 14
-

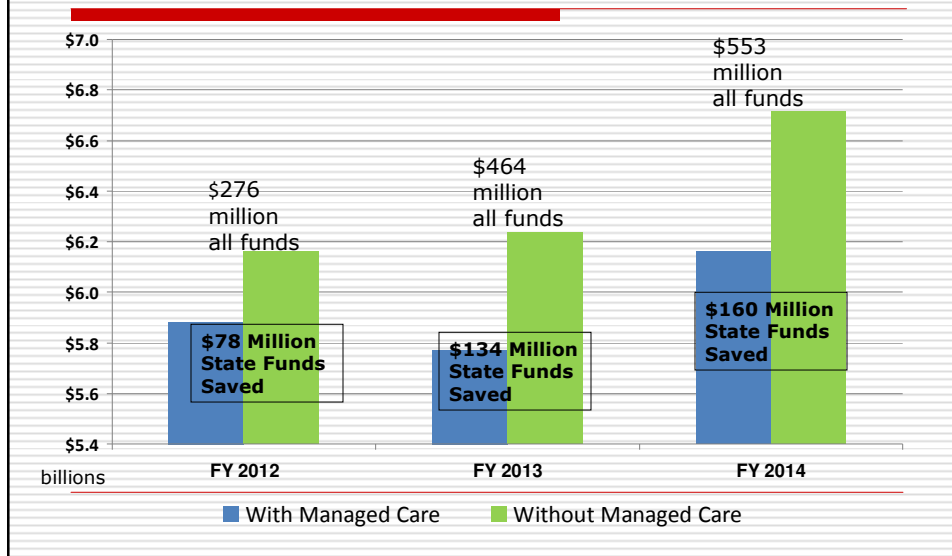
Medicaid

- ☐ Increased General Fund need because:
 - Increasing enrollment due to the recession
 - Increasing healthcare costs
- ☐ Cost increases mitigated by managed care
- ☐ Recommended General Fund increase
 - FY 13: \$-0- FY 14: \$108 million
- ☐ Continue to implement cost containment measures

Medicaid Population is Still Growing – But at a Slower Rate



\$1.3 Billion Managed Care Savings through FY 14



Medicaid Investments

- ☐ **Supports for Community Living**
 - ☐ Additional 800 community placements for individuals with intellectual disabilities
 - ☐ \$3.3 million FY 13 \$10.2 million FY 14
- ☐ **Adults with Severe Mental Illness**
 - ☐ 200 community placements in FY 13, 400 more in FY 14
 - ☐ \$.6 million FY 13 \$1.2 million FY 14
- ☐ **Substance Abuse Treatment for Adolescents and Adults**
 - ☐ Community based treatment programs for substance abuse
 - ☐ Coverage for 5,800 medicaid eligible adolescents and adults
 - ☐ \$3.4 million FY 13 \$4.4 million FY 14

Department for Community Based Services

- ☐ No cuts to the Department
 - ☐ Caseload Reduction Initiative
 - Protection and Permanency
 - ☐ Reduce average caseloads from 20 to 18
 - Family Support
 - ☐ Reduce average caseloads from 1,000 to 800
 - \$10.8 million FY 13 \$9.9 million FY 14
 - ☐ Maintain Child Support Enforcement – Match Replacement
 - Required to maintain current enforcement efforts
 - \$10.7 million FY 13 \$7.5 million FY 14
-

Public Health - Colon Cancer Screening Program

- ☐ Initial funding for HB 415 enacted in 2008
 - ☐ \$500,000 per year to provide colon cancer screening for uninsured Kentuckians
 - ☐ Provides access to screening for 2,000 uninsured Kentuckians
 - ☐ Funds will be matched dollar for dollar by *Kentucky Cancer Foundation* – total of \$1 million per year
 - ☐ Services to be provided by local health departments
 - ☐ Increased screening will save lives and money
-

Public Employees and Retirees / Personnel Cabinet

- ☐ Honors the HB 1 scheduled increase in KERS and SPRS employer contribution rates
 - \$22 million FY 13 \$43 million FY 14
 - ☐ Provide funding to support 2% increase each plan year for health insurance costs
 - \$15 million FY 13 \$30 million FY 14
 - ☐ No furloughs
-

Economic Development

- ☐ Reinvests in programs to retain and create jobs
 - \$20 million High-Tech grants and loans – bond funds
 - ☐ Supports creation of Angel Investment Tax Credit Program
 - ☐ Funds One-Stop Business Portal
 - \$5 million for Phase I
-

Energy & Environment

- Mining programs exempt from cuts
 - Mine Permitting
 - Mine Reclamation and Enforcement
 - Balance of Cabinet cut 8.4% in FY 13; straight-lined funding in FY 14
 - Funds permanent cap for Maxey Flats Superfund site, with continued monitoring
 - \$17 million bonds
 - \$18 million trust funds from responsible parties
-

Department of Veterans' Affairs

- Veterans' Nursing Homes
 - Operating funds to open new wing at West Kentucky Veterans' Center in Hanson
 - Fund construction of 4th state veterans' nursing home in Radcliff
 - Reauthorize 5th veterans' cemetery in Leslie County
 - No operating budget reductions
-

Finance and Administration

- ☐ 8.4% cut in FY 13 ; straight-lined FY 14
 - ☐ Revenue
 - No cuts to operating funds to support Tax amnesty and revenue collection efforts
 - ☐ Debt Service on Existing Debt
 - \$177 M in FY 13 \$194 M in FY 14
 - ☐ Impact of previous debt restructuring
 - ☐ Payments on bonds previously authorized
-

Justice & Public Safety

- ☐ **Corrections** - Core cost driver is incarcerated felon population

Consensus Forecast	FY 2013	FY 2014
Felon Population – Without HB 463	21,646	22,011
HB 463 Impacts	(1,782)	(2,871)
Projected Felon Population	19,864	19,141

Corrections – HB 463 Implementation

- ❑ **HB 463 Summary – Savings and Reinvestment**
 - Drug law changes
 - Mandated re-entry supervision – last 6 months of sentence
 - Good time credit while on parole
 - Re-invest savings in expanded treatment programs, parole services, pre-trial release, and evidence-based practices

	millions
Corrections & AOC - HB 463	
Increased Parole and Pretrial Officers	\$ 13
New Local Corrections Assistance Fund	\$ 9
Reinvest Drug Law Savings	\$ 7

- ❑ Phase out one more private prison
-

Justice & Public Safety

- ❑ 2.2% cuts for most agencies in FY 13; straight-lined in FY 14
 - State Police
 - Juvenile Justice
 - Justice Administration
 - ❑ Kentucky State Police Training Academy
 - \$2 million for replacement of administration and classroom building
 - ❑ Department for Public Advocacy exempt from cuts
-

Labor

- ☐ Agencies:
 - Workplace Standards
 - General Administration and Program Support – Shared Services
 - ☐ 8.4% reduction in FY 13
 - ☐ Straight-lined funding in FY 14
-

Public Protection

- ☐ Agencies
 - Office of the Secretary
 - Alcoholic Beverage Control
 - Housing, Buildings and Construction
 - Board of Claims/Crime Victims Compensation Board
 - Board of Tax Appeals
 - Horse Racing Commission
 - ☐ 8.4% reduction in FY 13; straight-lined funding in FY 14
-

Tourism Arts & Heritage

- ☐ Most Cabinet agencies cut 8.4% in FY 13; straight-lined funding in FY 14
 - Secretary's Office
 - Arts Council
 - Parks
 - Department of Travel
 - Historical Society
 - Heritage Council
 - Center for the Arts
 - ☐ Fish & Wildlife Resources – no General Funds
 - ☐ Artisans Center at Berea – supported with Road Funds
-

Most Agencies Cut 8.4% - on top of 25% – 30% cuts already taken

- ☐ \$1.3 billion has been cut from appropriations over the last four years
 - ☐ The easy measures have been taken
 - ☐ Impact of the additional cuts will be real:
 - service delays
 - more employee attrition
 - some possible layoffs
 - loss of federal funds
 - possible facility closures
-

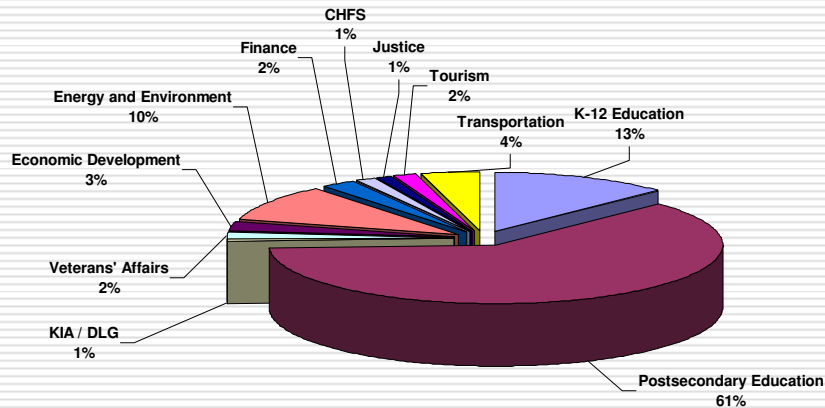
Cumulative Impact of Cuts

Finance Agencies	30% - 38%	KET	27%
Labor	38%	Education and Workforce	23% - 27%
Area Development Districts	38%	CHFS Non-Medicaid	7% - 28%
Public Protection	30% - 38%	K-12 Non-SEEK	27%
Constitutional Officers	32% - 36%	Natural Resources	15%
Military Affairs	34%	State Police	15%
Environmental Protection	32%	Universities	15%
Tourism, Arts & Heritage	30%	Juvenile Justice	13%
Economic Development	29%	Veterans' Affairs	6%

Capital Budget Highlights

- ❑ Limited New Capital Program
 - Smallest since 1996
- ❑ Invest in necessary state government infrastructure
- ❑ **General Fund Bonds** \$ 304 million
- ❑ **Road Fund Bonds** \$ 23 million
- ❑ **Agency Fund Bonds** \$ 451 million
- ❑ **Total** \$ 778 million
- ❑ Debt Capacity Ratio = 6.3%

Total Bonds Authorized



Capital Budget –General Fund Bonds

	millions
K-12 Education	\$ 100
Energy and Environment	\$ 78
Postsecondary Education	\$ 25
Economic Development	\$ 20
Finance	\$ 19
Veterans' Affairs	\$ 14
Tourism	\$ 13
CHFS	\$ 11
Transportation	\$ 10
Justice	\$ 9
KIA / DLG	\$ 6
Total	\$ 304

General Fund Supported Bond Projects

millions

Agency	Project	FY 2013	FY 2014	Total
School Facilities Construction Comm	2010-12 Offers of Assistance	\$ 100.0	\$ -	\$ 100.0
Ky Infrastructure Authority	KIA - Wastewater Revolving Fund Match	\$ -	\$ 1.5	\$ 1.5
Ky Infrastructure Authority	KIA - Drinking Water Revolving Fund Match	\$ -	\$ 2.2	\$ 2.2
Local Government	Flood Control Matching Fund	\$ -	\$ 2.0	\$ 2.0
Veterans' Affairs	Fourth Veterans' Nursing Home - Radcliff	\$ -	\$ 14.0	\$ 14.0
Economic Development	High-Tech Construction/Investment Pool	\$ -	\$ 20.0	\$ 20.0
Energy & Env-Office of Secretary	Ky Heritage Land Conservation Fund Projects	\$ 2.3	\$ 2.3	\$ 4.6
Environmental Protection	Maxey Flats Cap	\$ -	\$ 17.0	\$ 17.0
Environmental Protection	Petroleum Underground Storage Tank Projects	\$ 26.0	\$ 28.0	\$ 54.0
Environmental Protection	State Owned Dam Repair	\$ 2.5	\$ -	\$ 2.5
Finance-Facilities and Support Services	Maintenance Pool 2012-14	\$ 3.0	\$ 3.0	\$ 6.0
Finance-Facilities & Supp Svcs	Statewide Microwave Network (KEWS) Maintenance	\$ 2.2	\$ -	\$ 2.2
Finance-Facilities & Supp Svcs	Parking Garage Maintenance	\$ 1.5	\$ -	\$ 1.5
Finance-Facilities & Supp Svcs	Council of State Governments Building Complex	\$ 0.5	\$ 5.0	\$ 5.5
Finance-General Administration	Lexington Downtown Redevelopment Project- Planning & Design	\$ 3.5	\$ -	\$ 3.5
Finance - Revenue*	One Stop Business Portal- Phase I	\$ 5.0	\$ -	\$ 5.0
Health and Family Services-GAPS	Maintenance Pool 2012-14	\$ 2.5	\$ 2.5	\$ 5.0
Behavioral Health	Electrical System Upgrade at Western - Design	\$ 1.0	\$ -	\$ 1.0
Medicaid Administration	Medicaid Eligibility System	\$ 5.0	\$ -	\$ 5.0
Justice Administration-Medical Examiner	Site Acquisition and Design - New Medical Examiner Lab and Office	\$ 1.0	\$ -	\$ 1.0
State Police	Demolition and Construction of Training Academy Building	\$ 2.0	\$ -	\$ 2.0
Corrections-Adult Institutions	Maintenance Pool 2012-14	\$ 2.8	\$ 2.8	\$ 5.5
Council on Postsecondary Education	Asset Preservation/Renovation Pool	\$ 12.5	\$ 12.5	\$ 25.0
Murray State University*	Breathitt Veterinary Lab - Site Acquisition and Design	\$ 4.0	\$ -	\$ 4.0
Parks	Maintenance Pool 2012-14	\$ 3.0	\$ 3.0	\$ 6.0
Parks	Upgrade Wastewater System-Ft Boonesborough	\$ 2.0	\$ -	\$ 2.0
Parks	Splash Park Development-Various Parks	\$ -	\$ 3.0	\$ 3.0
Fair Board	Parking Garage Maintenance	\$ 2.0	\$ -	\$ 2.0
Transportation	Wetland Restoration	\$ 5.0	\$ 5.0	\$ 10.0
Total General Fund Bonds		\$ 184.2	\$ 123.8	\$ 304.0

*Reauthorized - not new bonds

Capital Budget – Agency Bond Projects

- University agency bond projects authorized at levels the universities can support and actually plan to issue

millions

■ Eastern Kentucky University	\$ 64
■ Morehead State University	\$ 24
■ Murray State University	\$ 19
■ Northern Kentucky University	\$ 67
■ University of Kentucky	\$200
■ University of Louisville	\$ 39
■ Western Kentucky University	\$ 39
■ Total	\$451

Agency Bond Projects

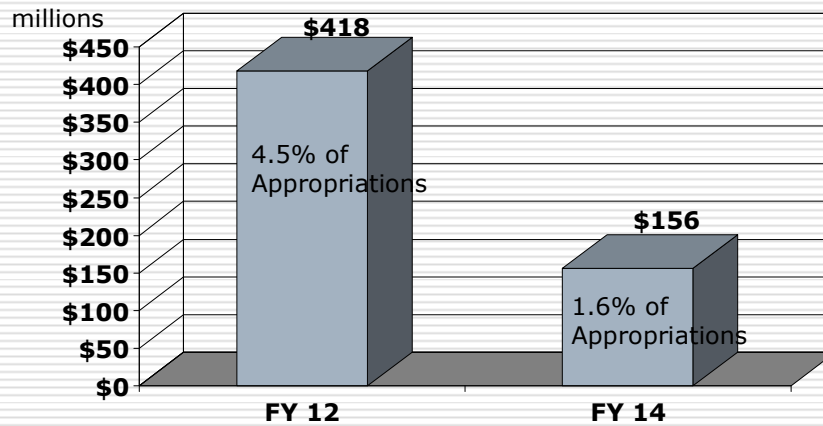
Projects	Agency Bonds (millions)
Eastern Ky University	
Renovate Residence Hall-Additional	\$ 6.0
Refinance ESPC	\$ 27.0
Construct University Activity Center, Phase II	\$ 31.3
Total	\$ 64.3
Morehead State University	
Renovate West Mignon Residence Hall-Add	\$ 0.6
Renovate Cartmell Residence Hall	\$ 11.1
Renovate Mignon Residence Hall	\$ 9.3
Construct Food Service/Retail & Parking Struct-Add	\$ 2.1
Replace Exterior Precast Panels-Nunn Hall-Add	\$ 0.4
Construct Residential Facility at Univ. Farm-Add	\$ 0.3
Total	\$ 23.7
Murray State University	
Construct New University Library- Design	\$ 3.8
Renovate Hester Hall	\$ 8.4
Complete Capital Renewal: H & D Pool < \$600,000	\$ 6.5
Total	\$ 18.7
Northern Ky University	
Expand/Renovate Albright Health Center	\$ 45.0
Acquire/Renovate New Residence Hall	\$ 10.0
Expand University Drive Parking Garage	\$ 12.0
Total	\$ 67.0
University of Ky - Agency Bond Pool	\$ 200.0
University of Louisville	
Purchase Land for Support Services in Northeast Quadrant	\$ 15.0
Guaranteed Energy Savings Contract-Additional	\$ 4.5
Expand Student Activities Center	\$ 19.5
Total	\$ 39.0
Western Ky University	
Renovate Downing University Center-Phase V	\$ 16.5
Construct Honors College Facility	\$ 22.0
Total	\$ 38.5
Grand Total	\$ 451.3

Surplus Expenditure Plan

- ☐ Necessary Governmental Expenses
- ☐ 50% to Restore SEEK funding to FY 12 Per Pupil Guarantee
- ☐ 50% to Restore Budget Reserve Trust Fund

Reduced reliance on one-time funds

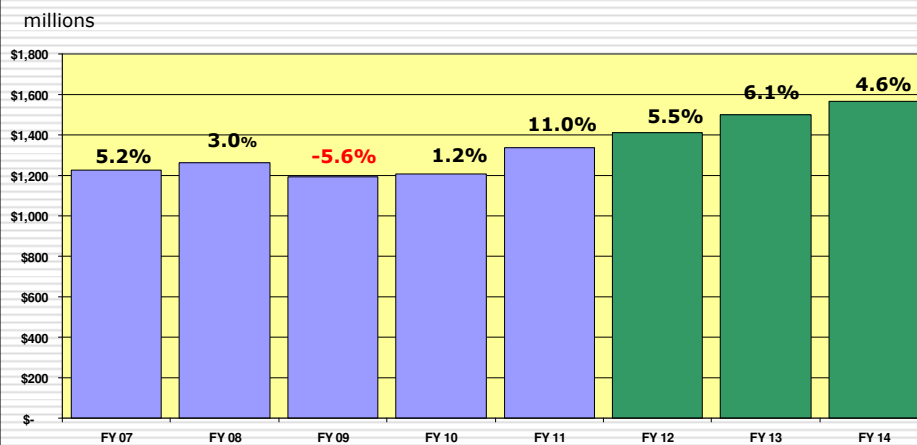
Improved Structural Balance



FY 12 at enactment

FY 14 proposed

Road Fund Revenues Improving



Transportation Cabinet

- ☐ Increased revenue sharing with local govts.
 - \$34 million FY 13 \$25 million FY 14
 - ☐ Replace the drivers' licensing system
 - ☐ County Maintenance Facility Replacements
 - Replacing 7 county maintenance facilities and salt domes
-

2012 Six Year Highway Plan

- ☐ Projects selected will:
 - Solve a maintenance problem
 - Address a known safety concern
 - Deal with significant traffic congestion
 - Improve highways for Kentucky's employers and citizens
 - ☐ Annual design and construction contract lettings of \$1 billion
-

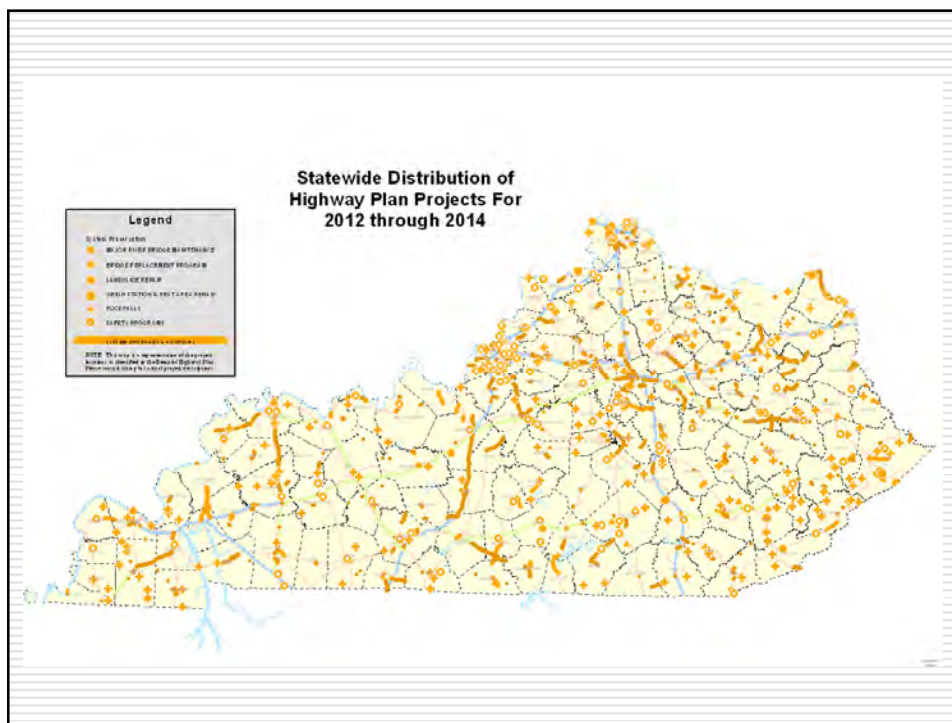
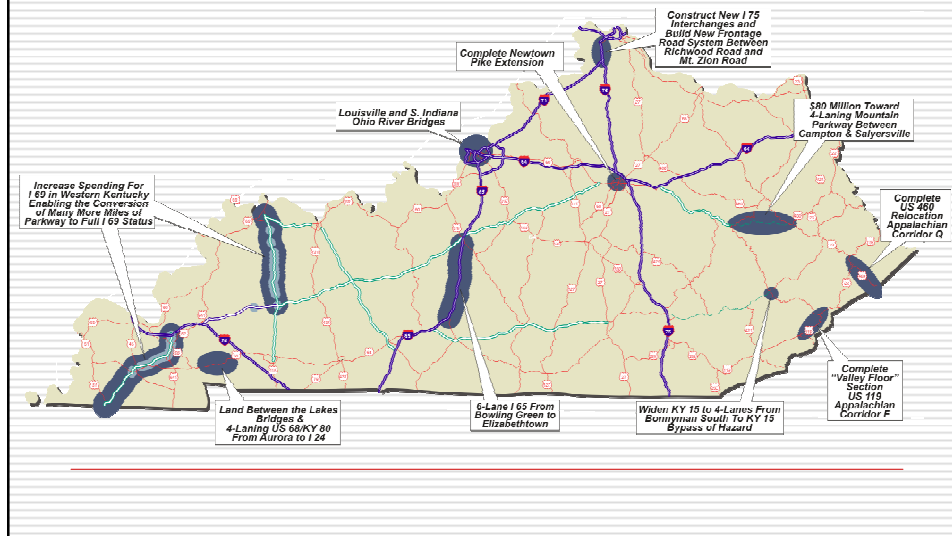
Highlighted Projects

- ❑ Kentucky share of the Louisville and Southern Indiana Ohio River Bridges Project.
- ❑ Completes the 6-laning of Interstate 65 between Bowling Green and Elizabethtown
- ❑ Constructs new bridges on US68/KY80 at Lake Barkley and Kentucky Lake and completes the 4-laning of US68/KY80 from Aurora to I24 at Cadiz.
- ❑ Increases spending for Interstate 69 in Western Kentucky enabling the ultimate conversion of many more miles of parkway to full I-69 status.
- ❑ Provides \$80 million toward the 4-laning of the Mountain Parkway between Campton and Salyersville.
- ❑ Widens KY15 to 4-lanes from north of KY80 near Bonnyman to south of KY80 at the KY15 Bypass of Hazard.

Highlighted Projects

- ❑ Completes the relocation of US460 (Appalachian Corridor Q) between US23 and the Virginia state line.
- ❑ Completes the “Valley Floor” section of US 119 (Appalachian Corridor F) in Letcher County between Partridge and Oven Fork.
- ❑ Completes the Newtown Pike Extension Project in downtown Lexington.
- ❑ Constructs new Interstate 75 Interchanges and builds a new frontage road system between Richwood Road and Mt. Zion Road in Boone County.
- ❑ Dedicates over \$100 million annually to primary road system pavement repairs across the state.
- ❑ Spends over \$500 million to repair or replace more than 240 substandard bridges across the Commonwealth.

Highlighted Projects



ATTACHMENT B

Kentucky Public Postsecondary Institutions Difference Between 2011-12 Adjusted and 2012-13 and 2013-14 Proposed Net General Fund Appropriations

Institution	2011-12 ^(a) Adjusted Net General Fund	2012-13 ^(b)		2013-14 ^(b)	
		HB 265 Proposed Executive Budget Net General Fund	Dollar Change	Percent Change	HB 265 Proposed Executive Budget Net General Fund
University of Kentucky	\$303,279,200	\$283,869,300	(\$19,409,900)	-6.4%	\$283,869,300
University of Louisville	150,849,100	141,194,800	(9,654,300)	-6.4%	141,194,800
Eastern Kentucky University	72,301,000	67,673,700	(4,627,300)	-6.4%	67,673,700
Kentucky State University	25,146,800	23,537,400	(1,609,400)	-6.4%	23,537,400
Morehead State University	43,820,900	41,016,400	(2,804,500)	-6.4%	41,016,400
Murray State University	51,288,200	48,005,800	(3,282,400)	-6.4%	48,005,800
Northern Kentucky University	50,037,500	46,835,100	(3,202,400)	-6.4%	46,835,100
Western Kentucky University	77,377,300	72,425,200	(4,952,100)	-6.4%	72,425,200
KCTCS	204,546,700	191,455,700	(13,091,000)	-6.4%	191,455,700
System Totals	<u>\$978,646,700</u>	<u>\$916,013,400</u>	<u>(\$62,633,300)</u>	<u>-6.4%</u>	<u>\$916,013,400</u>

^(a) Net General Fund appropriations adjusted to restore \$18.9 million transferred from FY12 to FY11 to maintain Kentucky's eligibility for federal Ed Jobs program funding and to transfer \$160,000 from KCTCS to UK and EKU in amounts of \$80,000 each to support Physical Therapy programs at the universities.

^(b) Total General Fund appropriations, net of debt service and UofL hospital contract, as proposed in HB 265, the Governor's Executive Budget.

Source: Kentucky Budget of the Commonwealth.

Council on Postsecondary Education v Executive Branch
CPE v Governors Capital Projects Recommendations
State Bonds Authority
2012-14

Institution and Project Category	2012-14 CPE Recommendation		2012-14 Executive Budget (HB 265)			
	Project Scope	State Bonds	Institution or Other Funds	State Bonds	Other Funds	Total
1 Asset Preservation/Renovation	567,992,800	567,992,800		25,000,000		25,000,000
2 New/Expanded Projects *	432,007,200	432,007,200		4,000,000		4,000,000
3 Information Technology	60,000,000	60,000,000				-
System Total	\$ 1,060,000,000	\$ 1,060,000,000	\$ -	\$ 29,000,000	\$ -	\$ 29,000,000

Notes:

- 1 *Murray State University Acquire Land/Design Breathitt Veterinary Center reallocates bonds from a KY Agriculture Heritage Center project to MuSU for this project.
- 2 HB 265 includes language that direct CPE to distribute the \$25 million Asset Preservation funds and to determine a required institution match.
- 3 CPE has made no determination regarding the distribution or the required institution match for the \$25.0 million asset preservation bond pool.

Revised: January 20, 2012

Council on Postsecondary Education v Executive Branch
CPE v Governors Capital Recommendations
Agency Bond Authority
2012-14

2012-14 CPE Recommendation				2012-14 Executive Recommendation HB 265		
Institution and Project Title		Project Scope	Agency Bonds	Reauthorized A. Bond Authority		
				Agency Bonds	Other Funds	Total Scope
Eastern Kentucky University						
1	Renovate Residence Hall	\$ 12,000,000	\$ 12,000,000	\$ 6,000,000	\$	6,000,000
2	Construct New Student Housing-Garden Apts.	54,000,000	54,000,000			-
3	Construct University Activity Center, Phase II	31,275,000	31,275,000	31,275,000		31,275,000
4	Construct North Campus Res. Dist. Retail Unit	2,250,000	2,250,000			-
5	Expand Thompson Schwendeman Building	6,025,000	6,025,000			-
6	Refinance Guaranteed Energy Savings Performance Contracts **			27,000,000		27,000,000
Subtotal - EKV		\$ 105,550,000	\$ 105,550,000	\$ -	\$ -	\$ 64,275,000
Kentucky State University						
1	Construct Parking Structure	\$ 13,470,000	\$ 13,470,000		\$	-
2	Construct New Residence Hall, Phase III	52,762,000	52,762,000			-
Subtotal - KSU		\$ 66,232,000	\$ 66,232,000	\$ -	\$ -	\$ -
Morehead State University						
1	Renovate West Mignon Residence Hall *	\$ 5,562,000	\$ 5,562,000	\$ 614,000	\$ 4,948,000	\$ 5,562,000
2	Renovate Cartmell Residence Hall	11,064,000	11,064,000	11,064,000		11,064,000
3	Renovate Mignon Residence Hall	9,268,000	9,268,000	9,268,000		9,268,000
4	Construct Food Svcs/Retail & Parking Structure in Housing Complex*	18,867,000	18,867,000	2,081,000	14,786,000	18,867,000
5	Replace Exterior Precast Panels-Nunn Hall*	3,372,000	3,372,000	372,000	3,000,000	3,372,000
6	Construct Residential Facility-University Farm*	2,837,000	2,837,000	313,000	2,524,000	2,837,000
7	Construct Student Residential Apartment Complex	58,586,000	58,586,000			-
8	Comply with ADA – Auxiliary	3,445,000	3,445,000			-
9	Capital Renewal & Maintenance Pool -Auxiliary	2,668,000	2,668,000			-
Subtotal - MoSU		\$ 115,669,000	\$ 115,669,000	\$ 23,712,000	\$ 25,258,000	\$ 50,970,000
Murray State University						
1	Planning and Design New University Library	\$ 62,033,000	\$ 62,033,000	\$ 3,800,000	\$	3,800,000
2	Renovate Hester Hall	8,400,000	8,400,000	8,400,000		8,400,000
3	Complete Life Safety Projects H&D <\$600,000	590,000	590,000			-
4	Complete ADA Compliance: H&D Pool < \$600,000	629,000	629,000			-
5	Complete Capital Renewal: H&D Pool < \$600,000	6,534,000	6,534,000	6,534,000		6,534,000
6	Abate Asbestos: H&D Pool < \$600,000	962,000	962,000			-
7	Renovate Buildings H&D Pool <\$600,000	590,000	590,000			-
Subtotal - MuSU		\$ 79,738,000	\$ 79,738,000	\$ 18,734,000	\$ -	\$ 18,734,000
Northern Kentucky University						
1	Expand/Renovate Albright Health Center *	\$ 60,000,000	\$ 45,000,000	\$ 45,000,000	\$	63,000,000
2	Acquire/Renovate New Residence Hall	10,000,000	10,000,000	10,000,000		10,000,000
3	Acquire Gateway/Highland Hts Campus	3,400,000	3,400,000			-
4	Expand University Drive Parking Garage	12,000,000	12,000,000	12,000,000		12,000,000
5	Acquire Land/Master Plan 2012-2014	15,000,000	15,000,000			-
6	Construct Satellite Parking Lot	3,775,000	3,775,000			-
Subtotal - NKU		\$ 104,175,000	\$ 89,175,000	\$ 67,000,000	\$ -	\$ 85,000,000

Council on Postsecondary Education v Executive Branch
CPE v Governors Capital Recommendations
Agency Bond Authority
2012-14

Institution and Project Title	2012-14 CPE Recommendation			2012-14 Executive Recommendation HB 265		
	Project Scope	Agency Bonds	Institution or Other Funds	Agency Bonds	Reauthorized A. Bond Authority	Other Funds
Western Kentucky University						
1 Renovate Downing University Center Phase V	\$ 16,500,000	\$ 16,500,000	\$ -	\$ 16,500,000		\$ 16,500,000
2 Construct Honors College Facility	22,000,000	22,000,000		22,000,000		22,000,000
Subtotal - WKU	\$ 38,500,000	\$ 38,500,000	\$ -	\$ 38,500,000	\$ -	\$ 38,500,000
University of Kentucky						
1 Agency Bond Pool **	\$ -	\$ -	\$ -	\$ 200,000,000		\$ 200,000,000
2 Construct Student Housing	120,000,000	120,000,000				
3 Expand Patient Care Facility - Hospital Phase 3	150,000,000	150,000,000				
4 Construct Ophthalmology Clinic - Hospital	20,000,000	20,000,000				
5 Improve Life Safety, Projects Pool	5,000,000	5,000,000		X		
6 Renovate/Expand Commonwealth Stadium	100,000,000	100,000,000		X		
7 Renovate/Upgrade Baseball Facilities	15,000,000	15,000,000		X		
8 Renovate /Upgrade Softball Facilities	7,500,000	7,500,000				
9 Renovate Dentistry Building	2,100,000	2,100,000				
10 Repair Emergency Infrastructure/Building Systems	25,000,000	25,000,000		X		
11 Repair/Upgrade/Improve Building Mechanical	25,000,000	25,000,000		X		
12 Repair/Upgrade/Improve Building Shell Systems	5,000,000	5,000,000		X		
13 Repair/Upgrade/Improve Building Electrical Systems	5,000,000	5,000,000		X		
14 Repair/Upgrade/Improve Building Elevator Systems	5,000,000	5,000,000		X		
15 Acquire Land	50,000,000	50,000,000		X		
16 Construct Data Center	40,000,000	40,000,000				
17 Construct Freestanding Clinic - UKHC	36,000,000	36,000,000				
18 Construct Office Tower - UKHC	95,600,000	95,600,000				
19 Acquire/Renovate Academic Facilities	25,000,000	25,000,000		X		
20 Repair/Upgrade/Expand Central Plants	62,000,000	62,000,000		X		
21 Renovate /Upgrade Soccer Complex	7,500,000	7,500,000				
22 Capital Renewal Maintenance Pool - Housing	15,000,000	15,000,000		X		
23 Expand/Renovate Student Center	100,000,000	100,000,000		X		
Subtotal - UK	\$ 915,700,000	\$ 915,700,000	\$ -	\$ 200,000,000	\$ -	\$ 200,000,000
University of Louisville						
1 Purchase Land Support Service (Northeast Quad)	\$ 15,000,000	\$ 15,000,000		\$ 15,000,000		\$ 15,000,000
2 Renovate Guaranteed Energy Savings (2012-14)*	20,000,000	20,000,000		4,516,000	15,484,000	20,000,000
3 Expand Student Activities Center	19,530,000	19,530,000		19,530,000		19,530,000
4 Renovate Student Activities Center	15,000,000	15,000,000				-
5 Construct HSC Parking Structure III	44,949,000	44,949,000				-
6 Construct Belknap Parking Garage II	42,270,000	42,270,000				-
Subtotal - UofL	\$ 156,749,000	\$ 156,749,000	\$ -	\$ 39,046,000	\$ 15,484,000	\$ 54,530,000
System Total	\$ 1,582,313,000	\$ 1,567,313,000	\$ 15,000,000	\$ 451,267,000	\$ 40,742,000	\$ 512,009,000

Notes:

- *This project includes reauthorized funds.
- ** A new project identified by the Governor's Budget.

Revised: January 20, 2012

Council on Postsecondary Education v Executive Branch
CPE v Governors Capital Recommendations
3rd Party Financing (KRS 45.763)
2012-14

Institution and Project Title	2012-14 CPE Recommendation				2012-14 Executive Recommendation HB 265			
	Project Scope	Bonds or 3rd Party Financing	Institution or Other Funds		3rd Party Financing	Other Funds	Total	
Eastern Kentucky University								
1 Construct New Student Housing-Garden Apts.	\$ 54,000,000 \$	54,000,000			\$ 54,000,000	\$		54,000,000
2 Construct New Student Housing	36,000,000	36,000,000			36,000,000			36,000,000
3 Construct EKV Hotel/Learning Center	40,000,000	40,000,000			40,000,000			40,000,000
Subtotal - EKV	\$ 130,000,000 \$	130,000,000	\$ -		\$ 130,000,000	\$ -	\$	130,000,000
Kentucky State University								
1 Construct Retail Space/Hotel on East Main/Douglas Streets	\$ 36,588,000 \$	36,588,000			\$ 36,588,000	\$		36,588,000
2 Construct New Residence Hall, Phase III	52,762,000	52,762,000			52,762,000			52,762,000
Subtotal - KSU	\$ 89,350,000 \$	89,350,000	\$ -		\$ 89,350,000	\$ -	\$	89,350,000
Murray State University								
1 Construct Paducah Regional Campus Facility	\$ 17,646,000 \$	17,646,000	\$ -		\$ 17,646,000	\$		17,646,000
Subtotal - MSU	\$ 17,646,000 \$	17,646,000	\$ -		\$ 17,646,000	\$ -	\$	17,646,000
Northern Kentucky University								
1 Expand/Renovate Baseball Field	\$ 4,000,000 \$	4,000,000			\$ 4,000,000	\$		4,000,000
2 Enhance Softball and Tennis Complex	5,500,000	5,500,000			5,500,000			5,500,000
Subtotal - NKU	\$ 9,500,000 \$	9,500,000	\$ -		\$ 9,500,000	\$ -	\$	9,500,000
University of Kentucky								
1 Construct/Replace/Upgrade Student Housing Phase I *	\$ - \$	-	\$ -	44,532,000	\$ 175,000,000	\$ -	\$	175,000,000
2 Lease-Purchase Electronic Health Records	59,532,000	15,000,000			15,000,000	44,532,000		59,532,000
3 Lease-Purchase/Construct Ambulatory Facility - UK Health care	50,000,000	50,000,000			50,000,000			50,000,000
4 Construct Parking Structure #9	42,990,000	42,990,000			42,990,000			42,990,000
5 Lease-Purchase Construct Digital Village Building #3	25,310,000	25,310,000			25,310,000			25,310,000
6 Acquire/Construct Good Samaritan Medical Office Building	23,700,000	23,700,000			23,700,000			23,700,000
7 Construct Ophthalmology Clinic - Hospital	20,000,000	20,000,000			20,000,000			20,000,000
8 Lease-Purchase Fit-Up Hospital Dining Facility/Equipment	17,000,000	17,000,000			17,000,000			17,000,000
9 Off Campus Office Building	10,000,000	10,000,000			10,000,000			10,000,000
10 Expand Boone Tennis Center	6,500,000	6,500,000			6,500,000			6,500,000
11 Construct University Storage Building	5,800,000	5,800,000			5,800,000			5,800,000
12 Construct Fit-Up Retail Space	4,000,000	4,000,000			4,000,000			4,000,000
Subtotal - UK	\$ 264,832,000 \$	220,300,000	\$ 44,532,000		\$ 395,300,000	\$ 44,532,000	\$	439,832,000
University of Louisville								
1 Expand Ambulatory Care Building - Academic Addition	\$ 72,649,000 \$	72,649,000	\$ -		\$ 72,649,000	\$ -	\$	72,649,000
2 Purchase Land Near Health Sciences Campus - Phase I	34,246,000	34,246,000			34,246,000			34,246,000
3 Construct Athletic Academic Support Facility	16,228,000	16,228,000			16,228,000			16,228,000
4 Construct Soccer Stadium	16,119,000	16,119,000			16,119,000			16,119,000
5 Expand Patterson Baseball Stadium	4,573,000	4,573,000			4,573,000			4,573,000
6 Expand Ulmer Softball Stadium	2,600,000	2,600,000			2,600,000			2,600,000
Subtotal - UofL	\$ 146,415,000 \$	146,415,000	\$ -		\$ 146,415,000	\$ -	\$	146,415,000
System Total	\$ 657,743,000 \$	613,211,000	\$ 44,532,000		\$ 788,211,000	\$ 44,532,000	\$	832,743,000

Revised: January 20, 2012

Council on Postsecondary Education
February 10, 2012

2012-13 Tuition Setting Process

ACTION: The staff recommends that the Council approve the attached Tuition and Mandatory Fee Policy and 2012-13 Tuition Setting Timeline that provide a framework for establishing public postsecondary tuition and fees for AY 2012-13.

At the November 10, 2011, Council meeting, staff submitted draft Tuition and Mandatory Fee Policy and 2012-13 Preliminary Tuition Setting Timeline documents to Council members for review and discussion. Since that time, staff has continued to work with campus chief budget officers to finalize the tuition policy, process, and timeline documents.

Attached for Council review and action are recommended Tuition and Mandatory Fee Policy (Attachment A) and 2012-13 Tuition Setting Timeline (Attachment B) documents that, once approved, will be used to guide the 2012-13 Tuition and Fee Setting process. Also attached are tables, graphs, and figures that highlight key tuition issues for the upcoming academic year and provide policy relevant information which will facilitate the tuition setting process.

Tuition Policy, Process, and Timeline

Tuition and Mandatory Fee Policy

A draft Tuition and Mandatory Fee Policy was submitted to the Council at the November 10 meeting. Since that time, the policy has been reviewed and discussed by CPE staff, campus presidents, and institution chief budget officers. There were no suggested changes to the policy.

Staff recommends that the Council approve the attached Tuition and Mandatory Fee Policy (Attachment A), which will guide development of tuition and mandatory fee rate ceilings and facilitate assessment of campus rate proposals for academic year 2012-13.

Tuition Setting Process

The process for determining tuition and mandatory fee ceilings and bringing institution rate proposals for Council approval will be similar to the one used in 2011-12. A major goal of the process is to provide ample time for stakeholder discussion and exchange of information between and among Council staff, institutional presidents, chief budget officers, and Council members. This exchange of information will lead to better understanding of key tuition issues and provide opportunity for feedback and direction, before taking action on tuition rates.

2012-13 Tuition Setting Timeline

Attachment B contains a final timeline of activities and anticipated completion dates for the 2012-13 tuition setting process. Since its introduction in preliminary form at the November 10 Council meeting, the timeline has been reviewed and discussed by CPE staff and postsecondary institution chief budget officers. There were no suggested changes to the timeline.

As can be seen in the timeline, it is anticipated that the Council will review and approve tuition policy and timeline documents at the February 10 meeting, take action on staff's recommended tuition ceilings at the April 20 meeting, and approve each institution's proposed tuition and mandatory fee rates at the June 20 meeting.

Staff recommends that the Council approve the attached 2012-13 Tuition Setting Timeline that establishes completion dates for the development of tuition and mandatory fee ceilings and submission of postsecondary institution rate proposals.

Key Tuition Issues

Highlighted below is a list of key issues that will likely impact the 2012-13 tuition setting process.

Declining Share of State Budgets

In recent decades, a persistent problem for many state systems of American higher education has been a reduction in relative priority given to postsecondary education as a percentage of overall state budgets. In the Commonwealth of Kentucky, for example, in every biennium since 2006-08, postsecondary education's share of total state General Fund appropriations has decreased, and HB 265, the Governor's Executive Branch Budget, proposes appropriation levels in 2012-14 that will further erode higher education's share of the total state General Fund.

- As can be seen in Attachment C, in fiscal year 1998-99, postsecondary education (which includes the Council on Postsecondary Education, state student financial aid, and postsecondary institution funding components) received appropriations totaling \$873 million, or a 14.6 percent share of Kentucky's total General Fund budget (\$6 billion) that year.
- Fifteen years later, in FY14, the Governor's Executive Branch Budget (HB 265) calls for \$9.8 billion in total state General Fund spending, or an increase of \$3.8 billion compared to FY99.
- Despite the increase in the overall state budget, higher education's share of the total state General Fund fell from 14.6 percent to 12.0 percent, resulting in a \$290 million inflation adjusted decrease for the postsecondary institutions alone during this period.

- If postsecondary education were to retain the same share of the state's total General Fund budget in 2014 that it had in 1999, it would receive about \$230 million more in state support.

Long-term, sustained state support for education continues to be placed in jeopardy due to unsustainable increases in Medicaid and Corrections, stemming in part from a historically low level of educational attainment in Kentucky.

General Fund Reductions

The high water mark in terms of state support for Kentucky's public postsecondary institutions occurred in 2007-08, when the 2006 General Assembly enacted a budget containing a combined total \$1.084 billion in net General Fund appropriations for state colleges and universities (2006-08 Budget of the Commonwealth). Since that time, the postsecondary institutions have sustained five budget cuts in four years, including three mid-year Budget Reduction Orders and two enacted reductions.

- As can be seen in Attachment D-1, between 2007-08 and 2011-12, state colleges and universities lost \$105.4 million or 9.7 percent of their combined net General Fund operating revenue, representing an average annual decrease of 2.5 percent.

The Governor's 2012-14 Executive Branch Budget (HB 265) calls for more of the same, recommending a \$62.6 million or 6.4 percent reduction in postsecondary institution net General Fund appropriations between 2011-12 and 2012-13.

- As can be seen in Attachment D-2, the Executive Budget proposes combined net General Fund appropriations of \$916.0 million for Kentucky colleges and universities in 2012-13 (and the same amount is proposed for 2013-14).
- If the Governor's budget is enacted as proposed, the combined loss in postsecondary institution net General Fund revenue between 2007-08 and 2012-13 will be \$168.0 million or 15.5 percent.

Unfunded M&O Expense

When the General Assembly authorizes and issues bonds for new capital construction projects on Kentucky public postsecondary institution campuses, there are costs associated with maintaining and operating those facilities (i.e., M&O costs). These costs stem from activities necessary for a building and its systems and equipment to perform their intended function and include salaries and benefits expense for janitorial and maintenance staff, as well as, utilities and energy costs.

Before 2008, it had been standard practice for the Kentucky legislature to provide General Fund support for the maintenance and operation of previously authorized education and general (E&G) facilities expected to come online during the biennium. Over the past four years, however, austere state budget conditions contributed to a suspension of this practice, with KCTCS being the only institution to receive partial M&O funding in 2008-10, and no institution receiving M&O in 2010-12.

- As can be seen in Attachment E, Council staff estimates that annual M&O expense associated with new E&G facilities coming online at Kentucky's public postsecondary institutions increased by \$37.0 million between 2008-09 and 2011-12.

The Council on Postsecondary Education requested state General Fund appropriations to support M&O for new facilities both in 2008-10 and in 2010-12. Other than the partial M&O funding received by KCTCS in 2008-10, these requests went unfunded.

Lack of state General Fund support for M&O during this period has been equivalent to a 3.7 percent budget cut (on an approximate \$1.0 billion net General Fund base). This is because institutions are required to reallocate resources from other uses (i.e., instruction, research, public service) to open, operate, and maintain the new facilities.

- It is estimated that an additional \$3.1 million in annual M&O expense will be required over the course of the 2012-14 biennium (Attachment E).

The Council's 2012-14 Biennial Budget Recommendation contained requests not only to support the expected increase in M&O expense in 2012-14, but also to recover the \$37.0 million in unfunded M&O incurred between 2008-09 and 2011-12.

The Governor's Executive Budget (HB 265) does not contain any funding for M&O, which will require state colleges and universities to divert a combined \$40.1 million in resources from other campus programs and activities to cover these necessary expenditures.

Fixed Cost Increases

Every year, CPE staff provides Council members with estimates of anticipated fixed cost increases at Kentucky's public postsecondary institutions, as well as, estimates of additional tuition and mandatory fee revenue that could be generated by different levels of rate increase implemented during the upcoming academic year.

Fixed cost increases typically include M&O costs for new facilities, mandated increases in KERS and KTRS retirement system contributions and health insurance premiums, and increased expenses for other fixed costs such as utilities, contractual obligations, and workmen's and unemployment compensation.

- Attachment F-1 shows the potential impact of a 6.4 percent cut in net General Fund appropriations (as proposed in the Executive Budget, HB 265), anticipated fixed cost increases, and estimated increases in tuition and fee revenue on postsecondary institution operating budgets for the upcoming 2012-13 academic year.
- If the Governor's budget is enacted as proposed, Kentucky's public postsecondary institutions will lose a combined \$62.6 million in net General Fund revenue between FY12 and FY13.
- This reduction coincides with estimated increases of \$1.2 million in M&O expense for facilities coming online next year, \$5.0 million in mandated increases in employer paid retirement contributions and health insurance premiums, and \$57.1 million in other fixed cost increases.

As described in more detail above, the \$1.2 million increase in annual M&O expense for 2012-13 does not include \$37.0 million in unfunded M&O expense associated with facilities that came online between 2008-09 and 2011-12, or \$1.8 million requested for 2013-14.

Although the Council's 2012-14 Budget Recommendation included requests totaling \$40.1 million to support M&O costs over the biennium, the Executive Budget (HB 265) does not contain any funding for M&O.

The sustained lack of funding for M&O, combined with other fixed cost increases, has placed increased pressure on postsecondary institution budgets and required campus leaders to divert resources from other programs or functional areas to cover these necessary expenditures.

- When the proposed reduction in General Fund, unfunded M&O, and estimated fixed cost increases are considered in combination, postsecondary institutions are facing a total possible revenue loss of \$163.0 million in 2012-13.

Attachment F-1 also shows how much tuition and mandatory fee revenue would be generated at various levels of rate increase (net of institutional scholarships and waivers).

- For example, a 5 percent tuition and fee increase, assessed uniformly across all postsecondary sectors and all categories of students, would generate a combined increase in tuition and fee revenue of \$42.6 million, net of institutionally provided scholarships and waivers.
- In other words, the estimated increase in net tuition and fee revenue associated with a 5 percent rate increase would cover only about one-fourth of the potential \$163.0 million loss associated with proposed budget reductions, unfunded M&O, and fixed cost increases, resulting in a net operating deficit of \$120.4 million.

This gap is illustrated graphically in Attachment F-2.

Financial Aid

Listed below is financial aid information relevant to the 2012-13 tuition and fee setting process.

Federal Aid

- The maximum federal Pell-grant award is expected to stay the same in 2012-13 (i.e., \$5,550) as it was in 2011-12 (News from NASFAA, 2012-13 Federal Pell Grant Payment and Disbursement Schedules).
- In 2009-10, the average Pell-grant award for students attending a KCTCS institution was \$3,318 and the average award for students attending a Kentucky public, four-year institution was \$3,893 (U.S. Department of Education, Distribution of Federal Pell Grant Program Funds by Institution, 2009-10 Award Year).

State Aid

- Enacted appropriations for state funded student financial aid have leveled off in recent years and the Governor's Executive Budget (HB 265) does not call for increases in 2012-14 over amounts enacted in 2010-12.
- For example, while state student aid appropriations grew by 3.6 percent per year between FY07 and FY11, if the Governor's budget is enacted as proposed, there will be little change in state student aid between FY11 and FY14 (+0.1 percent growth).
- The maximum state KEES award is expected to be \$2,500 next year, and the maximum state CAP award is expected to be \$1,900 (Kentucky Higher Education Assistance Authority).
- In 2010-11, the average state KEES award was \$882 for students attending a KCTCS institution and \$1,565 for students attending a Kentucky public, four-year institution (KHEAA Financial Aid Distribution by Institution, 2010-11).
- That same year, average state CAP awards were \$1,417 at KCTCS institutions and \$1,660 at Kentucky public, four-year institutions (KHEAA Financial Aid Distribution by Institution, 2010-11).
- In 2009-10, Kentucky ranked 12th highest nationwide in state-funded, need-based undergraduate grant dollars per FTE student and 7th highest in state-funded, total undergraduate grant dollars per FTE student (NASSGAP, 41st Annual Survey Report, 2009-10).

Price Trends and Comparisons

Kentucky Price Trends

The pace of increase in tuition and fee sticker prices at Kentucky's public postsecondary institutions has slowed in recent years, compared to a more aggressive growth pattern evident during the preceding decade.

- As can be seen in Attachment G, with the exception of two institutions that implemented a special use fee last year, the one-year change in resident undergraduate tuition and mandatory fees is lower than the five-year average annual growth rate (AAGR) for most institutions.
- As a reminder, the University of Louisville, Morehead State University, Northern Kentucky University, and Western Kentucky University all implemented student endorsed and Council approved special use fees last year, which allowed these institutions to exceed Council rate ceilings.
- The two-year AAGR in resident undergraduate tuition and mandatory fees is lower than the five-year AAGR for every institution.
- Other than the four institutions that implemented a special use fee last year, the one-year change in resident undergraduate tuition and mandatory fees reflects Council approved rate ceilings of 4 percent, 5 percent, and 6 percent for the two-year, comprehensive, and research sectors, respectively.

Regional Price Comparison

For several years, CPE staff has provided Council members with information comparing list prices of Kentucky public colleges and universities averaged by sector to comparable groups of institutions and sectors in surrounding states.

As can be seen in Attachments H-1, H-2, and H-3, the relative rank of Kentucky's public postsecondary institution tuition and required fees varies by sector compared to similar institutions in a contiguous eight-state region.

- In academic year 2010-11, resident undergraduate tuition and required fees at the University of Kentucky ranked fifth highest out of eight flagship universities in the region.
- That same year, average resident undergraduate tuition and fees at Kentucky's comprehensive universities ranked fifth highest out of eight states in the region.
- Compared to community colleges in the states surrounding Kentucky, average resident tuition and fees at KCTCS ranked highest (using academic year 2009-10 data).

These data also show that compared to similar institutions in surrounding states:

- Full-time tuition and fees at the University of Kentucky tend to be about average for resident undergraduate students, lower for nonresident undergraduate students, about average for resident graduate students, and lower for nonresident graduate students.
- Average full-time tuition and fees at Kentucky's comprehensive colleges and state universities tend to be about average for resident and nonresident undergraduate students, about average for resident graduate students, and lower for nonresident graduate students.
- Average full-time tuition and fees at Kentucky's community colleges tend to be higher for both resident and nonresident students compared to surrounding states.

As can be seen in Attachments I-1, I-2, and I-3, the relative rank of Kentucky's public postsecondary institution, average resident undergraduate tuition and required fees has changed by sector over time compared to similar institutions and sectors in a contiguous eight-state region.

- Between academic years 1999-00 and 2010-11, resident undergraduate tuition and fees at the University of Kentucky grew at an average annual rate of 9.1 percent and increased in rank compared to similar institutions from sixth highest to fifth highest out of eight states in the region.
- During that same time period, average resident undergraduate tuition and fees at Kentucky's comprehensive colleges and state universities grew at an average rate of 9.7 percent per year and increased in rank from seventh highest to fifth highest out of eight states.
- Average resident tuition and fees at Kentucky's community colleges grew at an average annual rate of 12.3 percent and increased in rank from seventh highest to highest among eight states between academic years 1999-00 and 2009-10.

Policy Relevant Information

For the past several years, CPE staff has produced a series of tables, graphs, and figures that provides context for the tuition setting process. This information is typically organized around the fundamental objectives of the Council's tuition and mandatory fee policy, including funding adequacy, shared benefits and responsibility, affordability and access, attracting and importing talent, and effective use of resources.

Funding Adequacy

As described in the Key Tuition Issues section of this agenda item, on an inflation adjusted basis, state General Fund support for Kentucky's public postsecondary institutions has eroded over the past decade, particularly during the last four years. At the same time, the number of full-time equivalent (FTE) students enrolled at state colleges and universities has increased dramatically.

State Support

- As can be seen in Attachment J-1, inflation adjusted net General Fund appropriations for Kentucky's public postsecondary system decreased from \$1,179 million in FY99 to \$979 million in FY12, a reduction of \$200 million, or 17.0 percent.
- If the Governor's Executive Budget is enacted as proposed, state support for the institutions will decrease by an additional \$63 million or 6.4 percent.
- During this same time period, full-time equivalent enrollment at Kentucky colleges and universities (designated by the green line in Attachment J-1) is expected to increase by 56,860 students or 48.5 percent.

The combination of declining state support and growing enrollment resulted in a marked reduction in state support per FTE student over the last decade.

- As can be seen in Attachment J-3, inflation adjusted net General Fund appropriations per FTE student fell from \$10,273 in FY99 to \$6,195 in FY11 for the postsecondary education system, a loss of \$4,078 per student and an average annual decrease of 4.1 percent.

The decrease in state funding per student occurred in all postsecondary sectors and at every institution, although the extent of the decline varies by sector and institution.

- Attachment J-2 shows that the steepest declines occurred in the research (-\$5,841 per student) and two-year college sectors (-\$4,078 per student) during this period.

These data show that state General Fund support at Kentucky's postsecondary institutions did not keep pace with inflation and enrollment growth over the past decade. As a result, the institutions have relied on increased tuition and fee revenue to partially offset the decline in state support during this period.

Total Public Funds

At the system level, revenue from tuition and fee increases did not fully fund the gap created by reductions in state General Fund support on a per student basis.

- As can be seen in Attachment J-3, inflation adjusted Total Public Funds per FTE student fell from \$15,327 in FY99 to \$14,592 in FY11, an average annual decrease of 0.4 percent.
- Tuition and fee revenue per student increased by \$3,343 during this period, but fell \$735 per student short of filling the gap created by decreased state support.

The change in Total Public Funds per student varied considerably by sector and institution during this period.

- As can be seen in Attachment J-4, inflation adjusted Total Public Funds per student decreased in the research (-\$485 per student) and two-year college (-\$2,935) postsecondary sectors, between FY99 and FY11, while the comprehensive university sector registered an increase in per student funding (+\$2,959) during this period.

Most postsecondary institutions saw their inflation adjusted per student funding increase over the past decade, indicating that at these institutions, the change in Total Public Funds kept pace with inflation and enrollment growth during this period. It is important to keep in mind that these data make no statement about the adequacy of a given institution's or a given sector's funding level in FY99, but do provide an indication of how institutions and sectors have fared over time in the face of inflation and enrollment growth relative to that baseline.

Interstate Funding Comparison

Another way to assess funding adequacy is to compare higher education funding in Kentucky to funding in other states, using data from the State Higher Education Finance (SHEF) Report published annually by the State Higher Education Executive Officers (SHEEO) organization in Boulder, Colorado. According to the 2010 SHEF report:

- Kentucky's educational appropriations per FTE student (adjusted for cost of living, higher education inflation, and enrollment mix) equaled \$7,532 in 2010, or about 16.7 percent above the national average of \$6,451. Between 2005 and 2010, educational appropriations per FTE student increased by 0.1 percent in Kentucky, compared to a 3.2 percent decrease in the U.S. average during that period.
- Over the past 15 years, Kentucky's percent change in state appropriations, tuition revenue, and state-funded financial aid per FTE student are all above average compared to other states.
- Full-time equivalent student enrollment grew by 9.7 percent at Kentucky's public postsecondary institutions between 2005 and 2010, compared to an average increase nationally of 14.9 percent.
- In 2010, Kentucky institutions registered a one-year increase in FTE student enrollment of 6.6 percent. That same year, the average increase in FTE enrollment for higher education institutions nationwide was 6.3 percent.

Shared Benefits and Responsibility

The Council's tuition policy espouses the belief that funding postsecondary education should be a shared responsibility of the state and federal government, students and families, and postsecondary education institutions. A basic rationale for this cost sharing approach is that benefits accrue to both the state and the individual from college attainment.

The state benefits from broad postsecondary attainment in the form of a strong economy and an informed citizenry. College graduates benefit through an elevated quality of life, expanded career opportunities, and increased lifetime earnings.

During the late 1990s, the Commonwealth of Kentucky assumed about two-thirds of college costs through provision of net General Fund appropriations, and students and their families assumed the other third in the form of tuition and fee revenue. Since that time, due largely to declining state support for postsecondary education, Kentucky has increasingly relied on tuition and fee revenue as a means of financing its public colleges and universities.

- As can be seen in Attachment K-1, gross tuition and fee revenue as a share of Total Public Funds for the state's public postsecondary system has increased from 33 percent in FY99 to 58 percent in FY11, indicating that Kentucky students and their families are shouldering an increasing share of college costs.
- Increases in student share occurred in all postsecondary sectors and at every institution during this period, although the extent of the ascension varies by sector and institution.
- In FY11, student share is below 50 percent at two institutions (UK and KSU) and above 65 percent at two institutions (NKU and WKU). State support for land grant missions at UK and KSU contribute to lower student shares at these institutions.
- These data show that the average student share for the comprehensive university sector remained about 10 percentage points higher than the average student shares of either the research or the two-year college sector during this period.

The trend toward a growing student share of college costs does not bode well for Kentucky students and their families, and when the historical trend is projected ten years into the future, it does not appear sustainable as a postsecondary financing approach.

- As illustrated graphically in Attachment K-2, if Kentucky continues to follow its recent trend of replacing reductions in state support with tuition and fee revenue, the student share of college costs for the postsecondary system could exceed 70 percent by 2020.

It is unclear at what point rising tuition costs would have an adverse effect on college going rates or college attainment in Kentucky (although we do know that low income students graduate at significantly lower rates than the general student body which is also impacted by their levels of preparedness), but these data indicate that without significant increases in state General Fund support and student financial aid to buffer price increases, combined with continuing use of aggressive cost containment strategies, the current trend is not sustainable as a model to fund achievement of HB 1 (1997) reform goals.

Affordability

Students rarely pay the full price of postsecondary institution tuition and fees. Financial aid from federal, state, and institutional sources reduces the cost of college attendance for most students. For this reason, a frequently used metric for assessing college affordability is net price.

Net Price

- As can be seen in Attachments L-1, L-2, and L-3, during academic year 2010-11, need and merit-based grants and scholarships from all sources covered the full cost of tuition, fees, and books for all full-time, resident undergraduate students in the lowest income quartile, and many resident undergraduate students in the second income quartile, across all postsecondary sectors.
- Compared to last year, unmet direct costs went up at Kentucky's public four-year institutions for all income levels. This occurred despite an increase in federal Pell grant award recipients and a growing number of FAFSA filers at these institutions.
- Unmet direct costs went down at KCTCS institutions between academic years 2010 and 2011. These data show KCTCS institutions are by far Kentucky's low-cost postsecondary providers despite larger aid amounts at the four-year universities.
- The graphs also show that students in the highest income categories received substantial support through the KEES program and institutional aid in AY11.

The conclusion that can be drawn from these data is that Kentucky's public colleges and universities remain accessible for most full-time, resident undergraduate students, particularly those in the lowest income categories, despite moderate increases in tuition and fee sticker prices over the past few years, due in large part to the availability of student financial aid.

However, if net price increases over time, it can be a sign that college is becoming less affordable for students and their families, particularly if the growth in net price exceeds growth in median family income. For this reason, the increase in unmet direct costs at Kentucky's public four-year institutions is a trend worth noting.

Student Debt

Another indicator of college affordability is average student loan debt. If unmet need increases over time, some students and families may increase reliance on student loans to help pay their increasing share of college costs. Student loan debt of Kentucky's graduating seniors has increased in recent years, but continues to rank in the bottom quartile compared to other states.

- According to The Project on Student Debt, 63 percent of Kentucky college seniors who graduated in 2006 had student loan debt, with an average for those in debt of \$15,406 (The Project on Student Debt, Student Debt and the Class of 2006, September 2007). This level of average debt ranked Kentucky 44th among 50 U.S. states and the District of Columbia.
- Nationally, 58 percent of the class of 2006 graduated with loan debt, with an average for those in debt of \$19,646.
- Four years later, 58 percent of Kentucky's class of 2010 graduated with debt and incurred an average debt of \$19,375 while in college (The Project on Student Debt, Student Debt and the Class of 2010, November 2011). Average debt of Kentucky graduates ranked 43rd among 50 U.S. states and the District of Columbia for the 2010 cohort.
- The Project on Student Debt estimates that about two-thirds of college seniors who graduated in 2010 had student debt, with an average of \$25,250 for those with debt.

Although Kentucky's graduating seniors have lower average debt loads than postsecondary graduates in most other states, loan default rates among Kentucky graduates are above the national average.

- In 2009, Kentucky's student loan default rate was 10.2 percent, which ranked 10th highest in the nation that year. The U.S. average student loan default rate was 8.8 percent in 2009.

Student Access

Attachments M-1 and M-2 show the change in fall semester, student headcount enrollment at Kentucky public postsecondary institutions over the past five years, broken down by undergraduate versus graduate, and full-time versus part-time.

Undergraduate/Graduate Enrollment

Due in part to the sustained recession, undergraduate enrollment at Kentucky public colleges and universities grew at a stronger pace the past two years, than it did the three preceding years. Graduate enrollment remained relatively stable the past five years, with slight growth occurring the past two years. The rates of growth for both undergraduate and graduate enrollment vary by institution and sector.

- As can be seen in Attachment M-1, undergraduate enrollment in Kentucky's public postsecondary system grew at an average annual rate of 5.3 percent between fall semesters 2008 and 2010. Over the same time period, graduate enrollment increased by 1.8 percent per year.
- The five-year average annual growth rates for undergraduate and graduate enrollment are 2.9 percent and 0.8 percent, respectively.
- The two-year college and research university postsecondary sectors experienced the largest one-year increases in undergraduate enrollment, growing by 6.3 percent and 2.8 percent, respectively.
- One-year change in undergraduate enrollment at five institutions exceeded 2.0 percent: KCTCS (+6.3 percent), UK (+4.0 percent), ECU (+2.9 percent), NKU (+2.4 percent), and MU (+2.2 percent).
- Between fall semesters 2008 and 2010, undergraduate enrollment at KCTCS grew by 16,722 students or 18.6 percent. This represents an average annual growth rate of 8.9 percent.

Full-Time/Part-Time Enrollment

- As can be seen in Attachment M-2, full-time enrollment in Kentucky's public postsecondary system grew at an average annual rate of 5.5 percent between fall semesters 2008 and 2010. Over the same time period, part-time enrollment increased by 4.0 percent per year.
- The five-year average annual growth rates for full-time and part-time enrollment are 2.8 percent and 2.5 percent, respectively.
- The two-year college and research university postsecondary sectors experienced the largest one-year increases in full-time enrollment, growing by 8.0 percent and 3.1 percent, respectively.
- The research university sector was the only sector to record a one-year decrease in part-time student enrollment (-1.2 percent), continuing a recent trend of increasing full-time enrollment and falling part-time enrollment evident the past five years.

- One-year change in full-time student enrollment exceeded 2.0 percent at four institutions: KCTCS (+8.0 percent), UK (+3.3 percent), UofL (+2.8 percent), and KSU (+2.4 percent).
- Between fall semesters 2008 and 2010, full-time enrollment at KCTCS grew by 9,815 students or 28.1 percent. This represents an average annual growth rate of 13.2 percent.

As is typically the case during recessions, rates of growth in postsecondary enrollment have increased in recent years, placing additional cost demands on institutions during a time when state support for higher education is waning.

Effective Use of Resources

As discussed in the Funding Adequacy section of this agenda item, Kentucky's public colleges and universities have experienced a steady erosion of inflation-adjusted state General Fund support per student over the past 12 years. This loss was partially offset by increased tuition and fee revenue, but the net effect of declining state support and growing student enrollment has been a \$735 decrease in real, Total Public Funds revenue per student between fiscal years 1999 and 2011.

The postsecondary institutions have effectively implemented a variety of cost containment, cost management, and cost avoidance strategies in recent years to help minimize the impact of budget reductions, unfunded M&O expenses, and yearly increases in fixed costs on educational quality and postsecondary reform goals.

A testament to the ability of these institutions to make effective use of resources in an environment characterized by increasing demands on a diminishing level of budgetary resources is the dramatic growth in degrees and completions which has occurred during this period.

- As can be seen in Attachment N, Kentucky's public postsecondary system produced 30,326 more degrees and other completions in academic year 2010-11, than it did in 1998-99 (a 137.5 percent increase), despite a \$735 reduction in inflation-adjusted Total Public Funds per student during this period.
- This graph also illustrates the change over time in higher education funding sources from a one-third student, two-thirds state share for financing college costs, to a model that requires students and their families to pay an increasing share of college costs, approaching 60 percent in FY11.

Council on Postsecondary Education Tuition and Mandatory Fee Policy

The Council on Postsecondary Education is vested with authority under KRS 164.020 to determine tuition at public postsecondary education institutions in the Commonwealth of Kentucky. Kentucky's goals of increasing educational attainment, promoting research, assuring academic quality, and engaging in regional stewardship must be balanced in the context of current needs, effective use of resources, and economic conditions. For the purposes of this policy, mandatory fees are included in the definition of tuition. During periods of relative austerity, the proper alignment of the state's limited financial resources requires increased attention to the goals of the *Kentucky Postsecondary Education Improvement Act of 1997* (HB 1) and the Strategic Agenda for Kentucky Postsecondary and Adult Education.

Fundamental Objectives

- Funding Adequacy

HB 1 states that Kentucky shall have a seamless, integrated system of postsecondary education, strategically planned and adequately funded to enhance economic development and quality of life. In discharging its responsibility to determine tuition, the Council, in collaboration with the institutions, seeks to balance the affordability of postsecondary education for Kentucky's citizens with the institutional funding necessary to accomplish the goals of HB 1 and the Strategic Agenda.

- Shared Benefits and Responsibility

Postsecondary education attainment benefits the public at large in the form of a strong economy and an informed citizenry, and it benefits individuals through elevated quality of life, broadened career opportunities, and increased lifetime earnings. The Council and the institutions believe that funding postsecondary education is a shared responsibility of the state and federal government, students and families, and postsecondary education institutions.

- Affordability and Access

Since broad educational attainment is essential to a vibrant state economy and to intellectual, cultural, and political vitality, the Commonwealth of Kentucky seeks to ensure that postsecondary education is broadly accessible to its citizens. The Council and the institutions are committed to ensuring that college is affordable and accessible to all academically qualified Kentuckians with particular emphasis on adult learners, part-time students, minority students, and students from low and moderate income backgrounds. The Council believes that no citizen of the Commonwealth who has the drive and ability to succeed should be denied access to postsecondary education in Kentucky because of inability to pay. Access should be provided through a reasonable combination of savings, family contributions, work, and financial aid, including grants and loans.

In developing a tuition and mandatory fees recommendation, the Council and the institutions shall work collaboratively and pay careful attention to balancing the cost of attendance, including tuition and mandatory fees, room and board, books, and other direct and indirect costs, with students' ability to pay by taking into account (1) students' family and individual income; (2) federal, state, and institutional scholarships and grants; (3) students' and parents' reliance on loans; (4) access to all postsecondary education alternatives; and (5) the need to enroll and graduate more students.

- Attracting and Importing Talent to Kentucky

It is unlikely that Kentucky can reach its 2020 postsecondary education attainment goals by focusing on Kentucky residents alone. Tuition reciprocity agreements, which provide low-cost access to out-of-state institutions for Kentucky students that live near the borders of other states, also serve to attract students from surrounding states to Kentucky's colleges and universities. In fact, according to the Council's 2007 Brain Gain report, four out of every ten (37 percent) out-of-state graduates were still in Kentucky five years after receiving their degrees.

The Council and the institutions are committed to making Kentucky's institutions financially attractive to nonresident students while recognizing that nonresident undergraduate students should pay a significantly larger proportion of the full cost of their education. Any proposed policy on nonresident tuition and mandatory fees should also be evaluated based on its potential impact on attracting and retaining students which directly enhance diversity and Kentucky's ability to compete in a global economy.

- Effective Use of Resources

Kentucky's postsecondary education system is committed to using the financial resources invested in it as effectively and productively as possible to advance the goals of HB 1 and the Strategic Agenda, including undergraduate and graduate education, engagement and outreach, research, and economic development initiatives. The colleges and universities seek to ensure that every dollar available to them is invested in areas that maximize results and outcomes most beneficial to the Commonwealth and its regions. The Council's performance metrics shall be used to monitor both statewide and institutional performance toward HB 1 and Strategic Agenda goals.

The institutions also recognize their responsibility to demonstrate that they are good stewards of limited public resources by providing annual reports to their governing boards and the Council on their efforts to contain costs, improve efficiencies and productivity, and reallocate existing resources to high priority activities.

Special Use Fees Exception Policy

During the 2010-11 tuition setting process, campus officials requested that the Council consider excluding student endorsed fees from its mandatory fee definition, thus omitting consideration of such fees when assessing institutional compliance with Council approved tuition and fee rate ceilings. Based on feedback received from institutional Chief Budget Officers (CBOs) at their December 2010 meeting, it was determined that there was general interest in treating student endorsed fees differently from other mandatory fees.

In January and February 2011, Council staff collaborated with institutional presidents, CBOs, and their staffs in developing the following Special Use Fees Exception Policy:

- To the extent that students attending a Kentucky public college or university have deliberated, voted on, and requested that their institution's governing board implement a special use fee for the purposes of constructing and operating and maintaining a new facility, or renovating an existing facility, that supports student activities and services;
- And recognizing that absent any exemption such student endorsed fees, when implemented in the same year that the Council adopts tuition and fee rate ceilings, would reduce the amount of additional unrestricted tuition and fee revenue available for the institution to support its Education and General (E&G) operation;
- The Council may elect to award an exemption to its tuition and fee rate ceiling equivalent to all or a portion of the percentage increase resulting from imposition of the student endorsed fee, provided said fee meets certain eligibility requirements.

Definitions

A student endorsed fee is a mandatory flat-rate fee, that has been broadly discussed, voted on, and requested by students and adopted by an institution's governing board, the revenue from which may be used to pay debt service and operations and maintenance expenses on new facilities, or capital renewal and replacement costs on existing facilities and equipment, that support student activities and services, such as student unions, fitness centers, recreation complexes, health clinics, and/or tutoring centers.

Maintenance and Operations (M&O) expenses are costs incurred for the administration, supervision, operation, maintenance, preservation, and protection of a facility. Examples of M&O expenses include janitorial services, utilities, care of grounds, security, environmental safety, routine repair, maintenance and replacement of furniture and equipment, and property and facility planning and management.

Eligibility Criteria

A student endorsed fee will continue to be a mandatory fee within the context of the Council's current mandatory fee definition and may qualify for an exemption from Council approved tuition and fee rate ceilings. Campus officials and students requesting an exemption under this policy must be able to demonstrate that:

- All enrolled students have been afforded ample opportunity to be informed, voice their opinions, and participate in the decision to endorse a proposed fee. Specifically, it must be shown that fee details have been widely disseminated, broadly discussed, voted on while school is in session, and requested by students.

- For purposes of this policy, voted on means attaining:
 - a. A simple majority vote via campus wide referendum, with a minimum of one-quarter of currently enrolled students casting ballots;
 - b. A three-quarters vote of elected student government representatives; or
 - c. A simple majority vote via campus wide referendum, conducted in conjunction and coinciding with general election of a student government president or student representative to a campus board of regents or board of trustees.
- The proposed fee and intended exemption request have been presented to and adopted by the requesting institution's governing board. It is anticipated that elected student government representatives will actively participate in board presentations.
- Revenue from such fees will be used to pay debt service and M&O expenses on new facilities, or capital renewal and replacement costs on existing facilities and equipment, which support student activities and services, such as student unions, fitness centers, recreation complexes, health clinics, and/or tutoring centers. The Council expects these uses to be fully explained to students prior to any votes endorsing a fee.
- In any given year, the impact of a student endorsed fee on the overall increase in tuition and mandatory fees for students and their families will be reasonable. It may be appropriate to phase in the exemption over multiple years to maintain affordability and access.
- Requests for student endorsed exemptions are infrequent events. The Council does not expect requests for exemptions under this policy to occur with undue frequency from any single institution and reserves the right to deny requests that by their sheer number are deemed excessive.
- A plan is in place for the eventual reduction or elimination of the fee upon debt retirement, and details of that plan have been shared with students. The Council does not expect a fee which qualifies for an exemption under this policy to be assessed at full rate in perpetuity. Such fees should either terminate upon completion of the debt or, in the case of new facilities, may continue at a reduced rate to defray ongoing M&O costs. In either case, to qualify for an exemption, students should be fully aware of the extent of their obligation prior to any votes endorsing a fee.

Exemption Process

Requests for an exemption under this policy will be evaluated on a case by case basis. To initiate the process:

- The requesting institution will notify Council staff of any pending discussions, open forums, referendums, or student government actions pertaining to a proposed special use fee and discuss fee details with Council staff as needed.

- After a fee has been endorsed by student referendum or through student government action and approved by the institution's governing board, campus officials and students will submit a written exemption request to the Council for its consideration.
- Council staff will review the request, assess whether or not the proposed fee qualifies for an exemption, and make a recommendation to the Council.

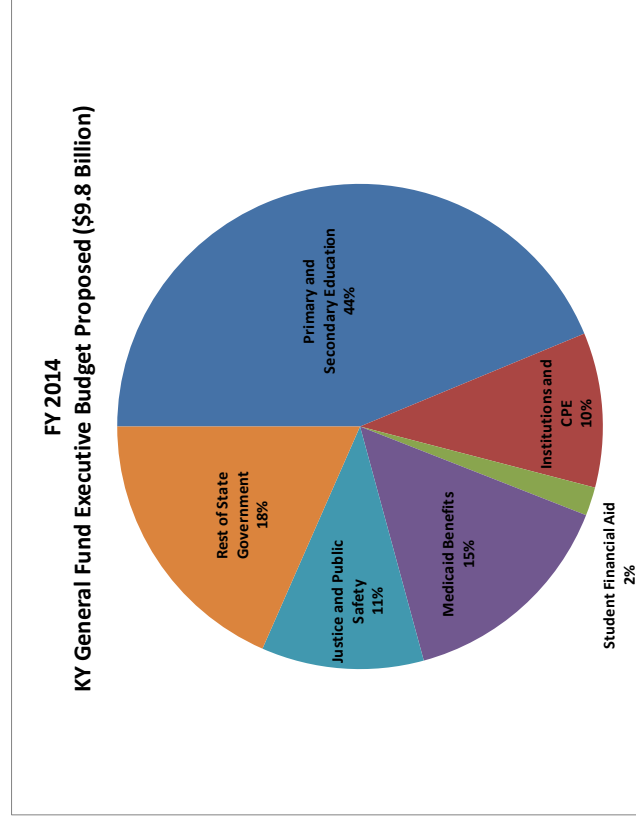
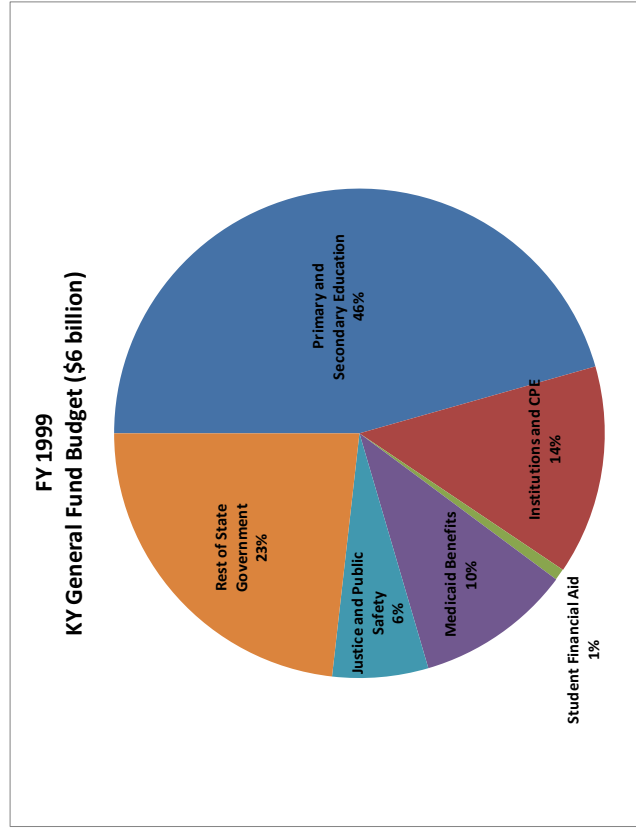
To facilitate the exemption request process, requesting institutions and students are required to provide the Council with the following information:

- Documents certifying that the specific project and proposed fee details have been widely disseminated, broadly discussed, voted on, and requested by students, as well as adopted by the institution's governing board.
- Documents specifying the fee amount, revenue estimates, uses of revenue, impact on tuition and fees during the year imposed (i.e., percentage points above the ceiling), and number of years the fee will be in place.
- Documents identifying the project's scope, time frame for completion, debt payment schedule, and plan for the eventual reduction or elimination of the fee upon debt retirement.

Council on Postsecondary Education 2012-13 Tuition Setting Timeline

- Nov 10, 2011 CPE Meeting – The staff provides Council members an update regarding the 2012-13 tuition setting process. They share the 2011-12 tuition policy and a preliminary 2012-13 tuition setting timeline with Council members.
- Nov-Dec 2011 Initiate discussions with institutions and generate draft tuition policy and tuition setting process documents for 2012-13.
- Council staff collects data and generates information related to funding adequacy, affordability, access, financial aid, and productivity.
- Institutional staffs collect data and generate information related to fixed cost increases, potential impacts of tuition increases, anticipated uses of additional tuition revenue, financial aid, and student debt.
- Jan 2012 Council and institutional staffs exchange information from respective data collection efforts and work together to finalize for distribution to Council members.
- Feb 10, 2012 CPE Meeting – The Council takes action on 2012-13 Tuition and Mandatory Fee Policy and 2012-13 Tuition Setting Process documents.
- The staff provides Council members with policy relevant information related to funding adequacy, affordability, access, financial aid, and productivity. Institutions share information regarding potential impacts of tuition increases and anticipated uses of additional tuition revenue.
- Feb-Apr 2012 Council and institutional staffs discuss policy relevant information and preliminary tuition parameters. The Council president updates Council members regarding these discussions.
- Apr 20, 2012 CPE Meeting – The Council takes action on recommended tuition and mandatory fee parameters.
- May 2012 Institutional staffs share proposed 2012-13 tuition and mandatory fee rates with the Council president. The Council president updates Council members regarding the proposed rates.
- Jun 20, 2012 CPE Meeting – The Council takes action on each institution's proposed 2012-13 tuition and mandatory fee rates.

Change in Postsecondary Education's Share of Total State Budget FY 1999 and FY 2014 (Executive Branch Proposed)



	FY 1999	FY 2014
Postsecondary Education Funding		
Public Postsecondary Education Institutions and CPE (KY Adult Education and pass-through programs)	\$827 million	\$988 million
State Student Financial Aid	\$46 million	\$190 million
Total	\$873 million	\$1,178 million

Notes:

- Adjusted for inflation, net General Funds for the public postsecondary education institutions has decreased by approximately \$290 million since FY 1999.
- In FY 2014 (12.2%), if postsecondary education had retained the same share of the General Fund budget it had in 1999 (14.6%), it would have generated approximately \$230 million more in state support for higher education.
- If public postsecondary education had the same funding per student FTE in FY 2014 that it had in FY 1999 (~\$10,000 per FTE inflation adjusted), it would generate approximately \$734 million more in state support for higher education.
- Based upon projected student FTE of 165,000 in FY 2014, state funding per FTE (adjusted for inflation), would decrease by approximately \$4,500 per student, a 45% reduction, since FY 1999.

ATTACHMENT D-1

Kentucky Public Postsecondary Institutions Difference Between 2007-08 Enacted and 2011-12 Adjusted Net General Fund Appropriations

Institution	2007-08 Enacted Net General Fund	2011-12 ^(c) Adjusted Net General Fund	Dollar Change	Percent Change	AAGR
University of Kentucky	\$335,071,000 ^(a)	\$303,279,200	(\$31,791,800)	-9.5%	-2.5%
University of Louisville	168,572,300	150,849,100	(17,723,200)	-10.5%	-2.7%
Eastern Kentucky University	79,761,400	72,301,000	(7,460,400)	-9.4%	-2.4%
Kentucky State University	27,441,700	25,146,800	(2,294,900)	-8.4%	-2.2%
Morehead State University	48,202,100	43,820,900	(4,381,200)	-9.1%	-2.4%
Murray State University	56,068,700	51,288,200	(4,780,500)	-8.5%	-2.2%
Northern Kentucky University	55,099,500	50,037,500	(5,062,000)	-9.2%	-2.4%
Western Kentucky University	85,115,600	77,377,300	(7,738,300)	-9.1%	-2.4%
KCTCS	228,704,900 ^(b)	204,546,700	(24,158,200)	-10.6%	-2.8%
System Totals	<u>\$1,084,037,200</u>	<u>\$978,646,700</u>	<u>(\$105,390,500)</u>	-9.7%	-2.5%

^(a) Includes \$2,000,000 special session appropriation for UK's Center for Applied Energy Research.

^(b) Includes \$2,373,800 reorganization transfer to KCTCS for Kentucky Board of Emergency Medical Services.

^(c) Net General Fund appropriations adjusted to restore \$18.9 million transferred from FY12 to FY11 to maintain Kentucky's eligibility for federal Ed Jobs program funding and to transfer \$160,000 from KCTCS to UK and ECU in amounts of \$80,000 each to support Physical Therapy programs at the universities.

AAGR - Average Annual Growth Rate.

Source: Kentucky Budget of the Commonwealth.

ATTACHMENT D-2

Kentucky Public Postsecondary Institutions Difference Between 2011-12 Adjusted and 2012-13 Proposed Net General Fund Appropriations

Institution	2011-12 ^(a) Adjusted Net General Fund	2012-13 ^(b) Proposed Net General Fund	Dollar Change	Percent Change
University of Kentucky	\$303,279,200	\$283,869,300	(\$19,409,900)	-6.4%
University of Louisville	150,849,100	141,194,800	(9,654,300)	-6.4%
Eastern Kentucky University	72,301,000	67,673,700	(4,627,300)	-6.4%
Kentucky State University	25,146,800	23,537,400	(1,609,400)	-6.4%
Morehead State University	43,820,900	41,016,400	(2,804,500)	-6.4%
Murray State University	51,288,200	48,005,800	(3,282,400)	-6.4%
Northern Kentucky University	50,037,500	46,835,100	(3,202,400)	-6.4%
Western Kentucky University	77,377,300	72,425,200	(4,952,100)	-6.4%
KCTCS	204,546,700	191,455,700	(13,091,000)	-6.4%
System Totals	<u>\$978,646,700</u>	<u>\$916,013,400</u>	<u>(\$62,633,300)</u>	-6.4%

^(a) Net General Fund appropriations adjusted to restore \$18.9 million transferred from FY12 to FY11 to maintain Kentucky's eligibility for federal Ed Jobs program funding and to transfer \$160,000 from KCTCS to UK and ECU in amounts of \$80,000 each to support Physical Therapy programs at the universities.

^(b) Total General Fund appropriations, net of debt service and UofL hospital contract, as proposed in HB 265, the Governor's Executive Budget.

Source: Kentucky Budget of the Commonwealth.

ATTACHMENT E

Kentucky Public Postsecondary Institutions Estimated Increases in Facilities Maintenance and Operations Expense Between Fiscal Years 2008-09 and 2013-14

Institution	Historical M&O 2008-12 ^(a)	New M&O 2012-13	New M&O 2013-14
University of Kentucky	\$6,459,400	\$261,900	\$66,900
University of Louisville	6,504,600	471,600	125,900
Eastern Kentucky University	3,898,000	0	0
Kentucky State University	521,000	249,300	229,700
Morehead State University	2,924,300	0	0
Murray State University	762,600	0	0
Northern Kentucky University	4,393,900	0	0
Western Kentucky University	3,299,400	0	0
KCTCS	8,273,300	264,800	1,409,500
Total	\$37,036,500	\$1,247,600	\$1,832,000

^(a) Includes M&O for facilities that came online between 2008-09 and 2011-12, which was requested in the Council's 2010-12 budget recommendation, but not funded.

Source: Kentucky Council on Postsecondary Education, 2010-12 Biennial Budget Recommendation.

Council on Postsecondary Education 2012-14 Biennial Budget Recommendation Requested Appropriations for Facilities Maintenance and Operations

Institution	2012-13 ^(b) M&O Request	2013-14 M&O Request	Biennial Total
University of Kentucky	\$6,721,300	\$66,900	\$6,788,200
University of Louisville	6,976,200	125,900	7,102,100
Eastern Kentucky University	3,898,000	0	3,898,000
Kentucky State University	770,300	229,700	1,000,000
Morehead State University	2,924,300	0	2,924,300
Murray State University	762,600	0	762,600
Northern Kentucky University	4,393,900	0	4,393,900
Western Kentucky University	3,299,400	0	3,299,400
KCTCS	8,538,100	1,409,500	9,947,600
Total	\$38,284,100	\$1,832,000	\$40,116,100

^(b) Includes M&O for facilities that came online between 2008-09 and 2011-12, which was requested in the Council's 2010-12 budget recommendation, as well as M&O for 2012-13.

Source: Kentucky Council on Postsecondary Education, 2012-14 Biennial Budget Recommendation.

Kentucky Public Postsecondary Institutions

Estimated Budgetary Impact of 6.4% Net Base Reduction and Fixed Cost Increases

ATTACHMENT F-1

Potential Reductions in 2012-13 Funds Available for Instruction

Institution	2011-12 ^(a) Revised Net General Fund	2011-12 ^(a) Ed Jobs Restoration	2011-12 ^(a) Adjusted Net GF Baseline	Governor's ^(d) Recommended Budget Reduction to Net Base	Increase in ^(e) KERS & KTRS Contributions	Other Fixed ^(f) Cost Increases	Increase in ^(h) M&O Costs for New Facilities	Total Potential Reductions
University of Kentucky	\$297,330,100	\$5,869,100	\$303,199,200	(\$19,404,700)	\$0	(\$17,297,800)	(\$6,721,300)	(\$43,423,800)
University of Louisville	147,929,100	2,920,000	150,849,100	(9,654,300)	-	(17,023,400)	(6,976,200)	(33,653,900)
Eastern Kentucky University	70,823,000	1,398,000	72,221,000	(4,622,100)	(902,300)	(3,327,500)	(3,898,000)	(12,749,900)
Kentucky State University	24,660,000	486,800	25,146,800	(1,609,400)	(92,000)	(825,600)	(770,300)	(3,297,300)
Morehead State University	42,972,700	848,200	43,820,900	(2,804,500)	(503,600)	(3,577,800)	(2,924,300)	(9,810,200)
Murray State University	50,295,400	992,800	51,288,200	(3,282,400)	(562,400)	(2,588,400)	(762,600)	(7,195,800)
Northern Kentucky University	49,068,900	968,600	50,037,500	(3,202,400)	(1,200,000)	(2,928,800)	(4,393,900)	(11,725,100)
Western Kentucky University	75,879,500	1,497,800	77,377,300	(4,952,100)	(718,000)	(3,520,000)	(3,299,400)	(12,489,500)
KCTCS	200,744,200	3,962,500	204,706,700	(13,101,200)	(995,100)	(6,032,500)	(8,538,100)	(28,666,900)
System Totals	\$959,702,900	\$18,943,800	\$978,646,700	(\$62,633,100)	(\$4,973,400)	(\$57,121,800)	(\$38,284,100)	(\$163,012,400)

^(a) Total enacted 2011-12 General Fund appropriations, minus debt service and UofL hospital contract, minus \$18.9 million transferred from 2011-12 to 2010-11 to maintain Kentucky's eligibility for federal Ed Jobs program funding.

^(b) In the 2012-14 Branch Budget Request Manual, the Office of the State Budget Director requires postsecondary education institutions to add the value of the 2011-12 General Fund reduction (i.e., the \$18.9 million Ed Jobs transfer) to the revised 2011-12 funding level to adjust the Baseline Budget in each fiscal year of the 2012-14 biennium.

^(c) Sum of 2011-12 revised net General Fund and Ed Jobs restoration funds, but also includes a technical adjustment transferring \$160,000 from KTCSS to UK and EKV in amounts of \$80,000 each. The \$160,000 had been included in KTCSS's budget for a number of years to support a physical therapy program, but KTCSS had been transferring the funds to UK and EKV each year. This adjustment eliminates the need for KTCSS to make the yearly transfers.

^(d) The Governor's Executive Budget contains a proposed 6.4% reduction in General Fund appropriations to Kentucky public postsecondary institutions.

^(e) Increase in employer retirement contributions and health insurance premiums associated with KERS and KTRS rate increases.

^(f) Estimated increase in selected fixed costs such as utilities, contractual obligations, workmen's compensation, and unemployment compensation.

^(g) UK and UofL do not participate in KERS or KTRS. Anticipated increases in employer retirement contributions and health insurance premiums at UK and UofL are included in the 'Other Fixed Cost Increases' column.

^(h) Increase in Maintenance and Operations (M&O) costs for new E&G facilities coming on-line in 2008-09, 2009-10, 2010-11, 2011-12, and 2012-13.

Estimated Increase in Net Tuition and Mandatory Fee Revenue at Different Levels of Rate Increase ⁽ⁱ⁾⁽ⁱⁱ⁾

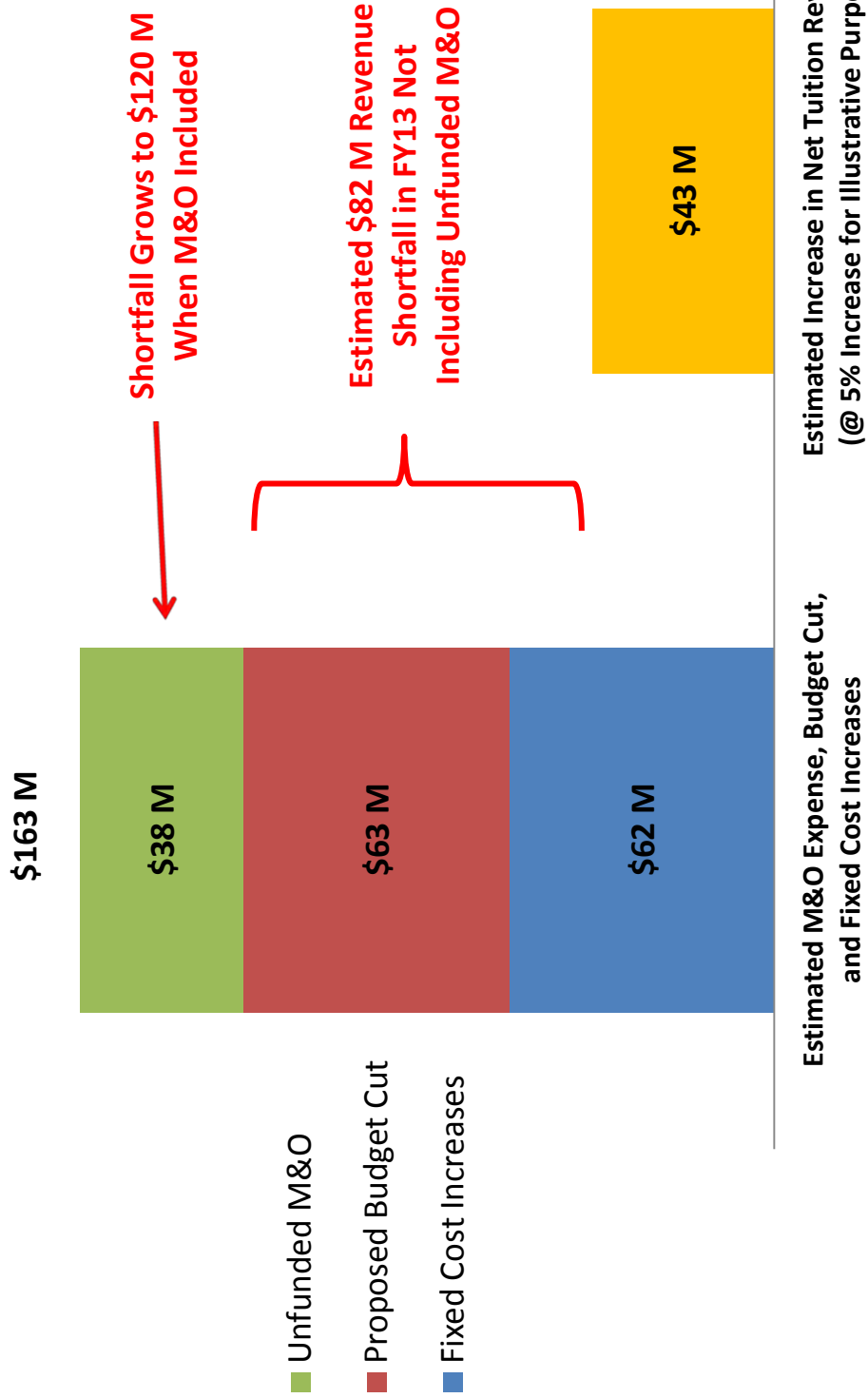
Institution	Uniform Increases Across Sectors			
	Tuition Revenue @ 1% Increase	Tuition Revenue @ 3% Increase	Tuition Revenue @ 5% Increase	Tuition Revenue @ 7% Increase
University of Kentucky	\$2,242,300	\$6,726,900	\$11,211,500	\$15,696,100
University of Louisville	1,353,200	4,059,600	6,766,000	9,472,400
Eastern Kentucky University	647,100	1,941,300	3,235,500	4,529,700
Kentucky State University	191,000	573,000	955,000	1,337,000
Morehead State University	474,400	1,423,200	2,372,000	3,320,800
Murray State University	624,900	1,874,700	3,124,500	4,374,300
Northern Kentucky University	800,000	2,400,000	4,000,000	5,600,000
Western Kentucky University	1,080,800	3,242,400	5,404,000	7,565,600
KCTCS	1,100,000	3,300,000	5,500,000	7,700,000
System Totals	\$8,513,700	\$25,541,100	\$42,568,500	\$59,595,900

⁽ⁱ⁾ Incremental increase in gross tuition and fee revenue, net of institutional scholarships and waivers. Assumes flat student enrollment growth and equivalent levels of rate increase across all categories of students (i.e., every academic level, residency, and full-time/part-time status) under each rate level scenario.

⁽ⁱⁱ⁾ At most institutions, a proportion of tuition and mandatory fee revenue is designated as restricted funds and cannot be used to cover fixed cost increases.

ATTACHMENT F-2

Kentucky Public Postsecondary Institutions
Unfunded M&O, Proposed Budget Cut, and Fixed Cost Increases
Versus Net Tuition Revenue (FY13)



**Kentucky Public Postsecondary Institution
Undergraduate Tuition and Mandatory Fees ⁽¹⁾**

Kentucky Residents

Institution	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	1 Year Change	2 Year AAGR	5 Year AAGR
University of Kentucky ⁽²⁾	6,604	7,199	7,848	8,241	8,735	9,260	6.0%	6.0%	7.0%
University of Louisville	6,252	6,870	7,564	7,944	8,424	9,126	8.3%	7.2%	7.9%
Eastern Kentucky University	5,192	5,682	6,080	6,312	6,624	6,960	5.1%	5.0%	6.0%
Kentucky State University	4,950	5,320	5,692	5,920	6,216	6,534	5.1%	5.1%	5.7%
Morehead State University	4,870	5,280	5,670	6,038	6,492	6,942	6.9%	7.2%	7.3%
Murray State University	4,998	5,418	5,748	5,976	6,264	6,576	5.0%	4.9%	5.6%
Northern Kentucky University	5,448	5,952	6,528	6,792	7,128	7,584	6.4%	5.7%	6.8%
Western Kentucky University	5,860	6,416	6,930	7,200	7,560	8,084	6.9%	6.0%	6.6%
KCTCS	3,270	3,450	3,630	3,750	3,900	4,050	3.8%	3.9%	4.4%

Nonresidents

Institution	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	1 Year Change	2 Year AAGR	5 Year AAGR
University of Kentucky ⁽²⁾	14,063	14,995	15,990	16,790	17,796	18,865	6.0%	6.0%	6.1%
University of Louisville	16,072	17,664	18,354	19,272	20,424	21,846	7.0%	6.5%	6.3%
Eastern Kentucky University	14,538	15,382	16,612	17,280	18,144	19,056	5.0%	5.0%	5.6%
Kentucky State University	11,500	12,490	13,490	14,208	14,920	15,678	5.1%	5.0%	6.4%
Morehead State University	12,950	13,340	14,742	15,094	16,236	17,370	7.0%	7.3%	6.0%
Murray State University	13,566	14,718	15,612	16,236	17,040	17,892	5.0%	5.0%	5.7%
Northern Kentucky University	10,200	10,776	11,952	12,792	13,896	15,072	8.5%	8.5%	8.1%
Western Kentucky University	14,400	15,470	17,088	17,784	18,840	20,016	6.2%	6.1%	6.8%
KCTCS	9,810	10,350	11,700	12,750	13,350	13,950	4.5%	4.6%	7.3%

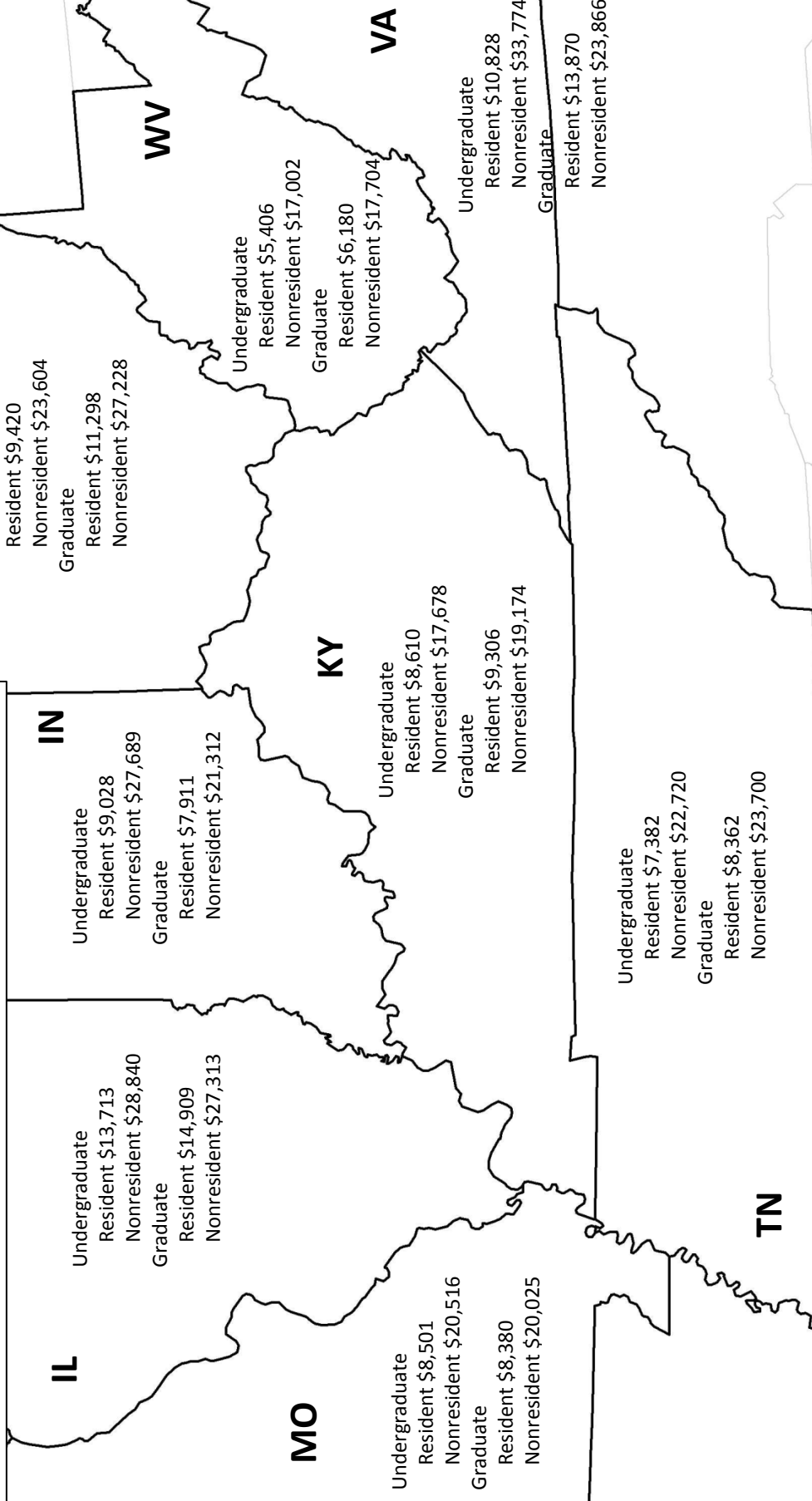
⁽¹⁾ For institutions that charge by credit hour, reported undergraduate rates are based on 30 credit hours per year.

⁽²⁾ Undergraduate rates for UK are an average of upper and lower division rates.

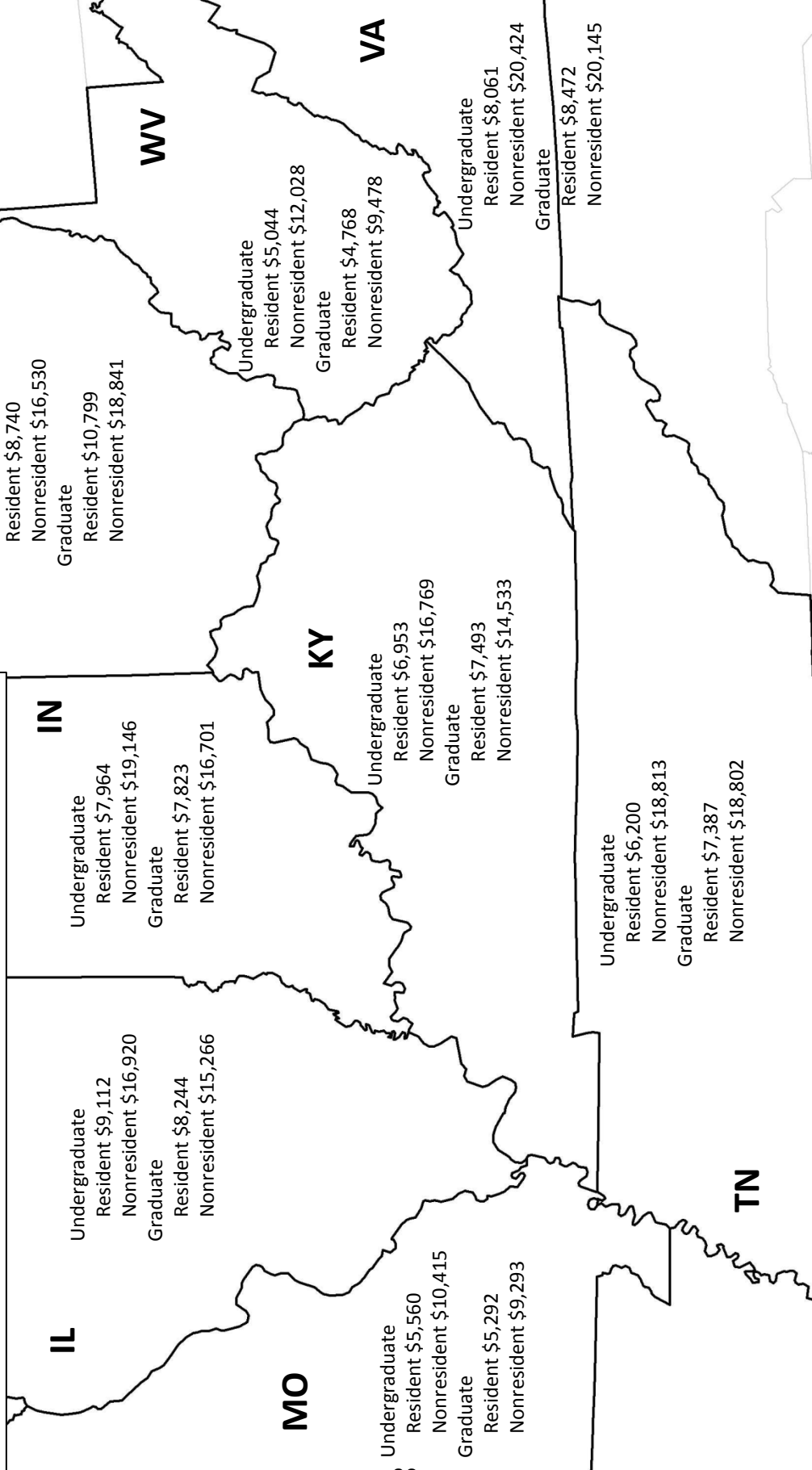
AAGR -- Average Annual Growth Rate.

Source: CPE Comprehensive Database.

Flagship Universities 2010-11 Tuition and Required Fees By State, Level, and Residency



Comprehensive Colleges and State Universities **Average 2010-11 Tuition and Required Fees** **By State, Level, and Residency**



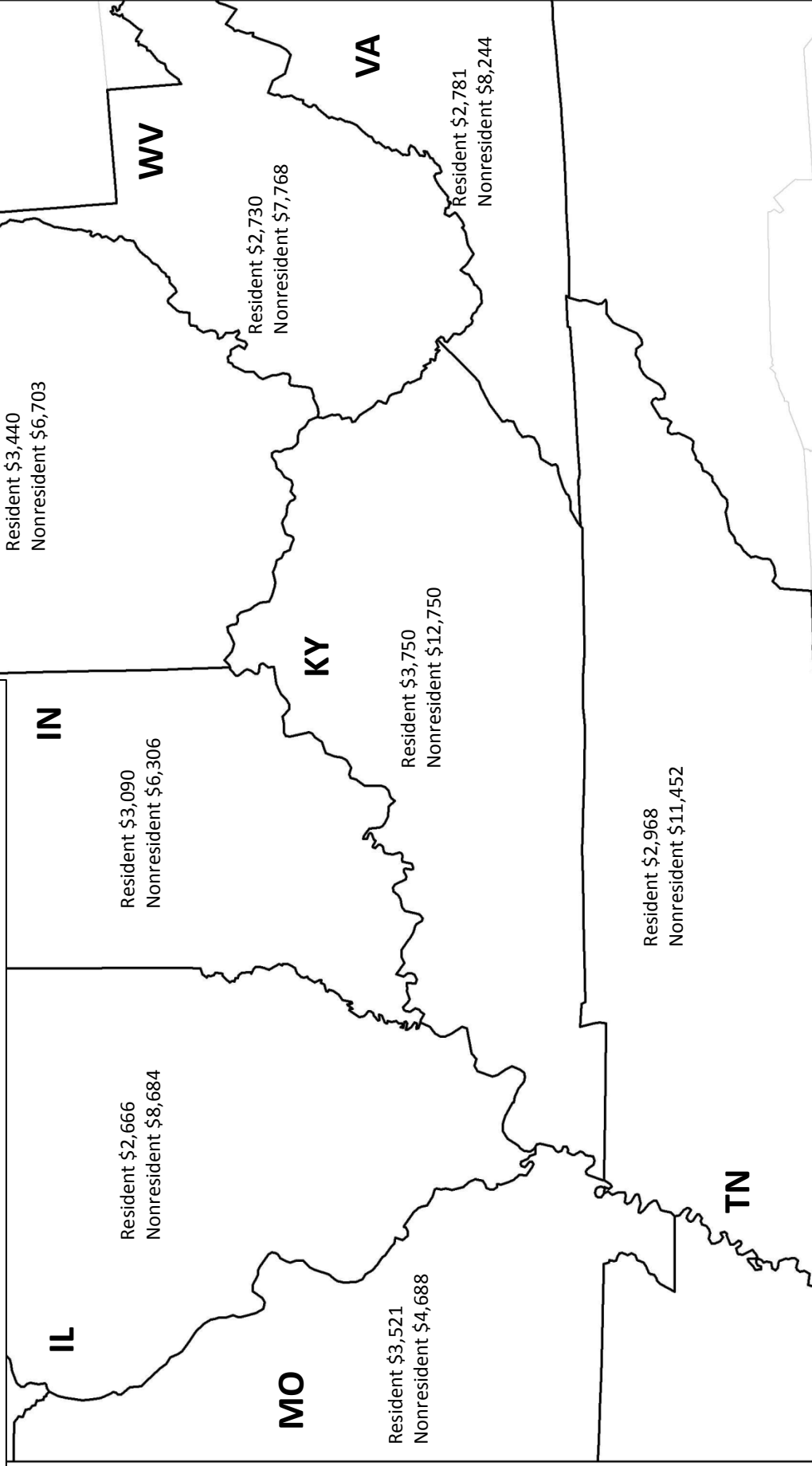
KENTUCKY COUNCIL ON
POSTSECONDARY EDUCATION

Source: Integrated Postsecondary Education Data System.

Community Colleges

Average 2009-10 Tuition and Required Fees

By State, Level, and Residency



Note: For institutions that charge by credit hour, reported rates are based on 30 credit hours per year.
Source: Washington Higher Education Coordinating Board, 2009-10 Tuition and Fee Report



**Flagship Universities in Kentucky and Surrounding States
Change in Resident Undergraduate Tuition and Required Fees
Between Academic Years 1999-00 and 2010-11**

State	1999-00		2010-11		Dollar Change	Percent Change	AAGR	1999-00		2010-11	
	Resident UG Tuition & Fees		Resident UG Tuition & Fees					Rank		Rank	
Illinois	4,770		13,713		8,943	187.5%	10.1%	1		1	
Virginia	4,130		10,828		6,698	162.2%	9.2%	5		2	
Ohio	4,137		9,420		5,283	127.7%	7.8%	4		3	
Indiana	4,212		9,028		4,816	114.3%	7.2%	3		4	
Kentucky	3,296		8,610		5,314	161.2%	9.1%	6		5	
Missouri	4,581		8,501		3,920	85.6%	5.8%	2		6	
Tennessee	3,104		7,382		4,278	137.8%	8.2%	7		7	
West Virginia	2,748		5,406		2,658	96.7%	6.3%	8		8	

Source: Integrated Postsecondary Education Data System.

ATTACHMENT I-2

Comprehensive Colleges and State Universities in Kentucky and Surrounding States Change in Average Resident Undergraduate Tuition and Required Fees Between Academic Years 1999-00 and 2010-11

State	1999-00		2010-11		Dollar Change	Percent Change	AAGR	1999-00		2010-11	
	Resident UG Tuition & Fees		Resident UG Tuition & Fees					Rank		Rank	
Illinois	3,674		9,112		5,438	148.0%	8.6%	2		1	
Ohio	4,330		8,740		4,410	101.8%	6.6%	1		2	
Virginia	3,631		8,061		4,430	122.0%	7.5%	3		3	
Indiana	3,556		7,964		4,408	124.0%	7.6%	4		4	
Kentucky	2,509		6,953		4,444	177.1%	9.7%	7		5	
Tennessee	2,626		6,200		3,574	136.1%	8.1%	6		6	
Missouri	2,866		5,560		2,694	94.0%	6.2%	5		7	
West Virginia	2,505		5,044		2,539	101.4%	6.6%	8		8	

Source: Integrated Postsecondary Education Data System.

ATTACHMENT I-3

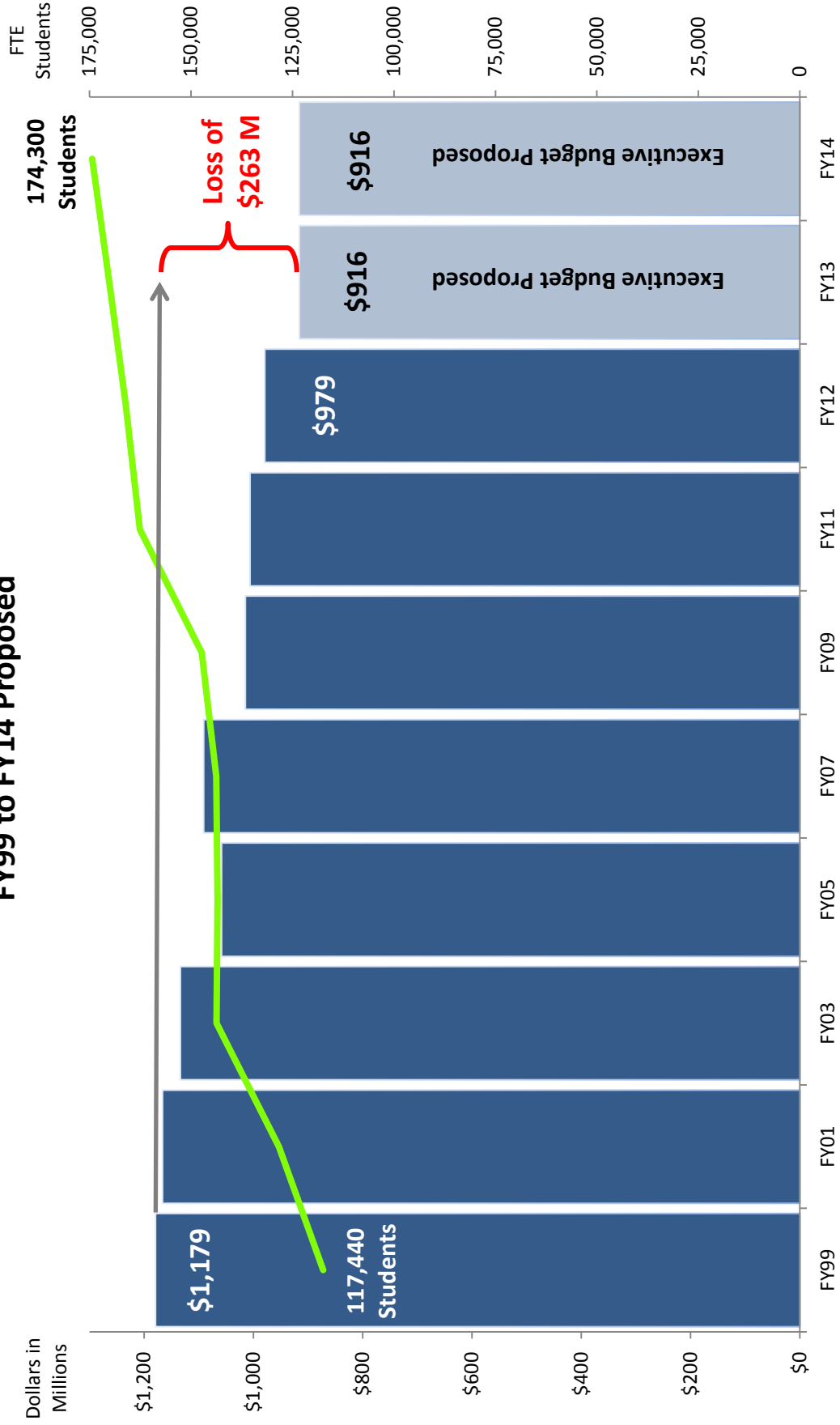
Community Colleges in Kentucky and Surrounding States Change in Average Resident Tuition and Required Fees Between Academic Years 1999-00 and 2009-10

State	1999-00		2009-10		Dollar Change	Percent Change	AAGR	1999-00		2009-10	
	Resident Tuition & Fees	Resident Tuition & Fees	Resident Tuition & Fees	Resident Tuition & Fees				Rank	Rank		
Kentucky	1,180	3,750	2,570	217.8%	12.3%	7	1				
Missouri	1,404	3,521	2,117	150.8%	9.6%	5	2				
Ohio	2,045	3,440	1,395	68.2%	5.3%	2	3				
Indiana	2,540	3,090	550	21.7%	2.0%	1	4				
Tennessee	1,308	2,968	1,660	126.9%	8.5%	6	5				
Virginia	1,159	2,781	1,622	139.9%	9.1%	8	6				
West Virginia	1,610	2,730	1,120	69.6%	5.4%	3	7				
Illinois	1,426	2,666	1,240	87.0%	6.5%	4	8				

Source: Washington Higher Education Coordinating Board.

ATTACHMENT J-1

Kentucky Public Postsecondary System Inflation Adjusted Net General Fund Appropriations FY99 to FY14 Proposed



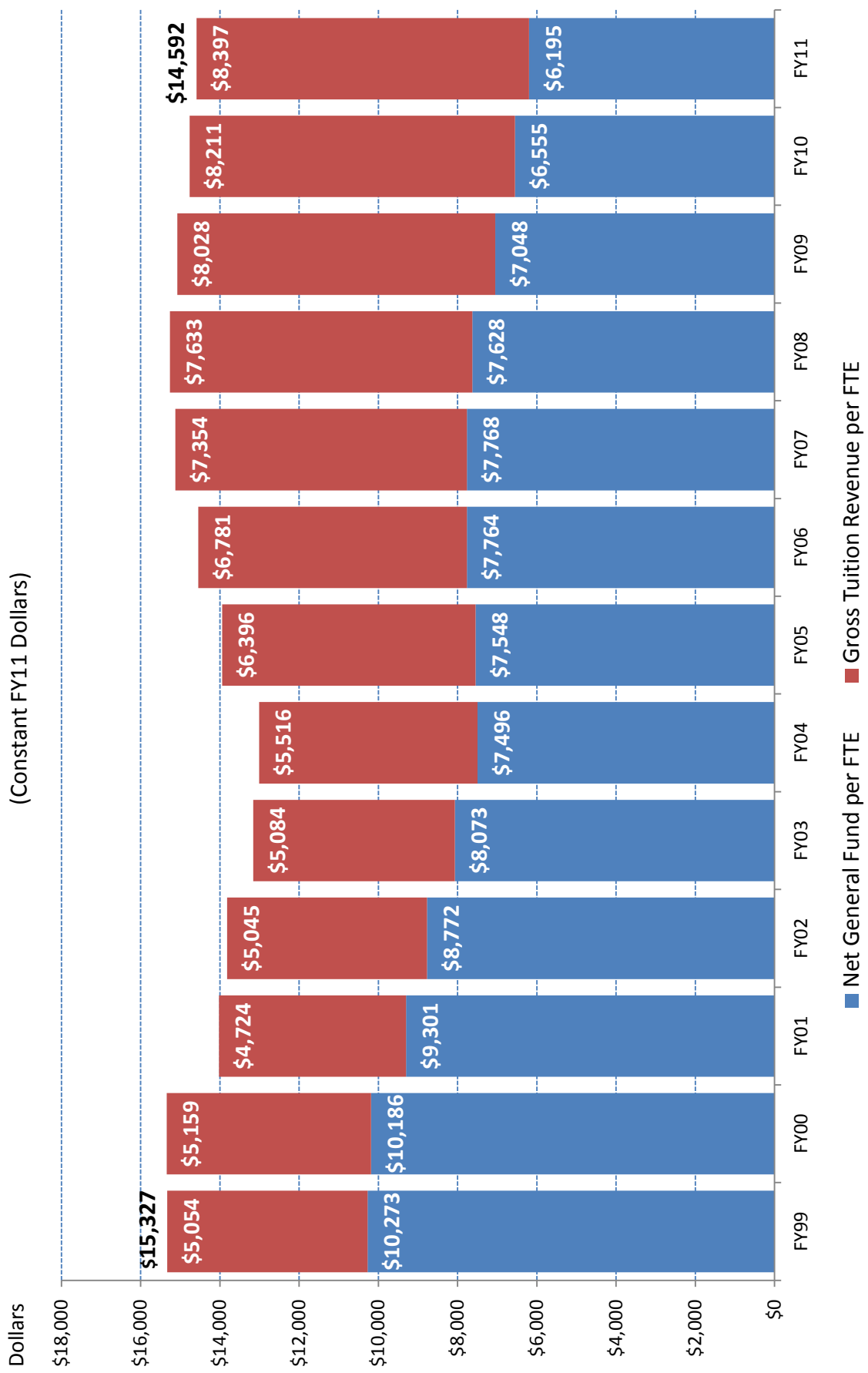
ATTACHMENT J-2

Inflation Adjusted Net General Fund Appropriations per Full-Time Equivalent Student by Kentucky Public Postsecondary Sector Fiscal Years 1999 - 2011



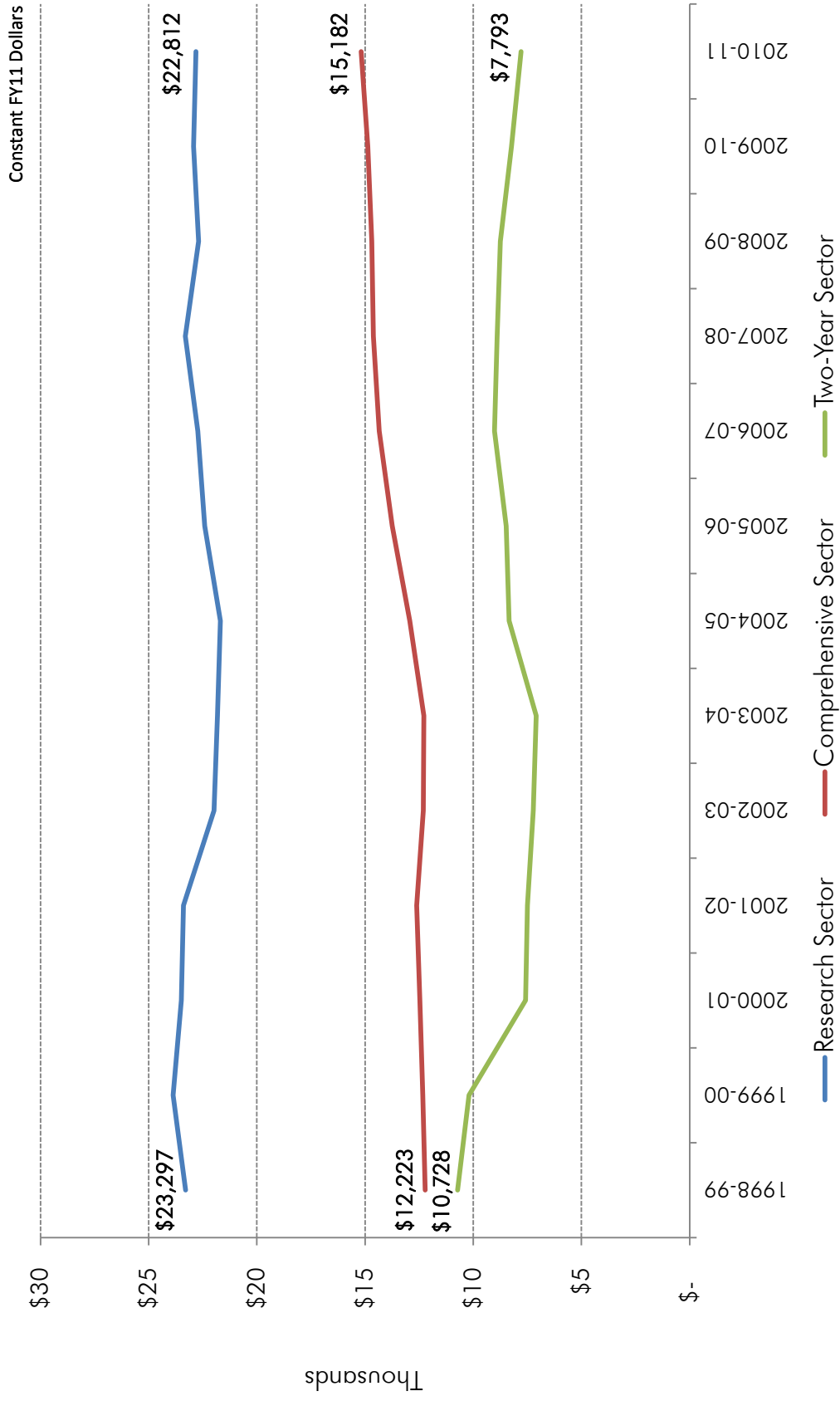
Sources: Kentucky Budget of the Commonwealth; CPE, Comprehensive Database.

Kentucky Public Postsecondary System **Net General Fund Appropriations and Gross Tuition Revenue per FTE Student** **Fiscal Years 1999 - 2011** (Constant FY11 Dollars)



ATTACHMENT J-4

Inflation Adjusted Total Public Funds per Full-Time Equivalent Student by Kentucky Public Postsecondary Sector Fiscal Years 1999 - 2011



Sources: Kentucky Budget of the Commonwealth, CPE, Comprehensive Database.

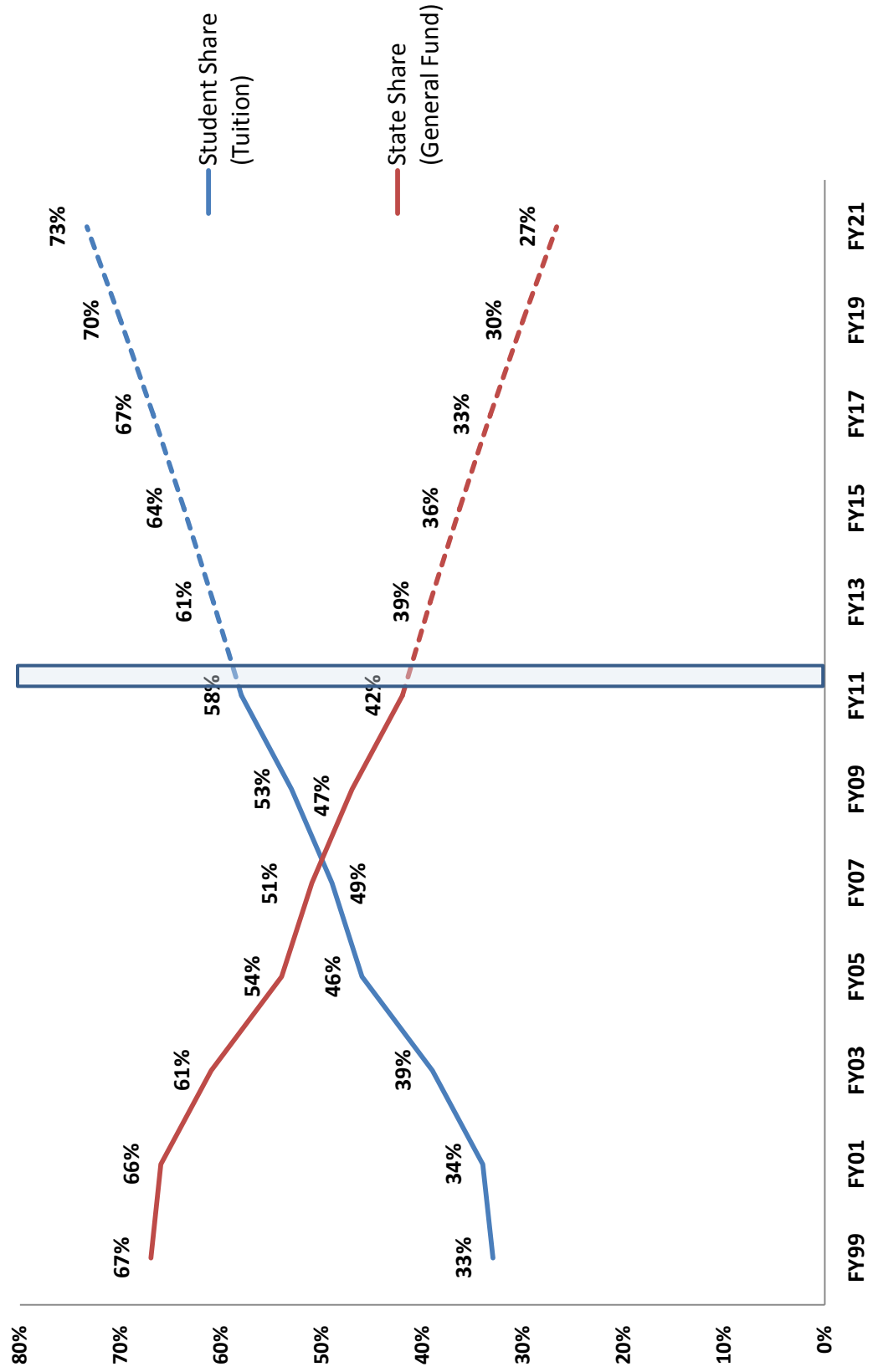
ATTACHMENT K-1

Gross Tuition and Fee Revenue Share of Total Public Funds by Kentucky Public Postsecondary Institution and Sector Fiscal Years 1999-2011

Institution/Sector	1998-99	2000-01	2002-03	2004-05	2006-07	2008-09	2010-11
University of Kentucky	27%	28%	31%	39%	42%	46%	49%
University of Louisville	34%	35%	41%	47%	51%	56%	60%
Eastern Kentucky University	38%	37%	41%	49%	54%	59%	63%
Kentucky State University	26%	28%	35%	33%	37%	41%	47%
Morehead State University	38%	38%	43%	48%	50%	55%	58%
Murray State University	37%	39%	44%	51%	56%	60%	62%
Northern Kentucky University	55%	55%	58%	64%	63%	68%	71%
Western Kentucky University	40%	40%	46%	56%	60%	64%	67%
KCTCS	28%	28%	35%	42%	42%	46%	54%
Research Sector	29%	31%	35%	42%	45%	50%	54%
Comprehensive Sector	40%	41%	46%	53%	56%	61%	64%
Two-Year College Sector	28%	28%	35%	42%	42%	46%	54%
Postsecondary System	33%	34%	39%	46%	49%	53%	58%

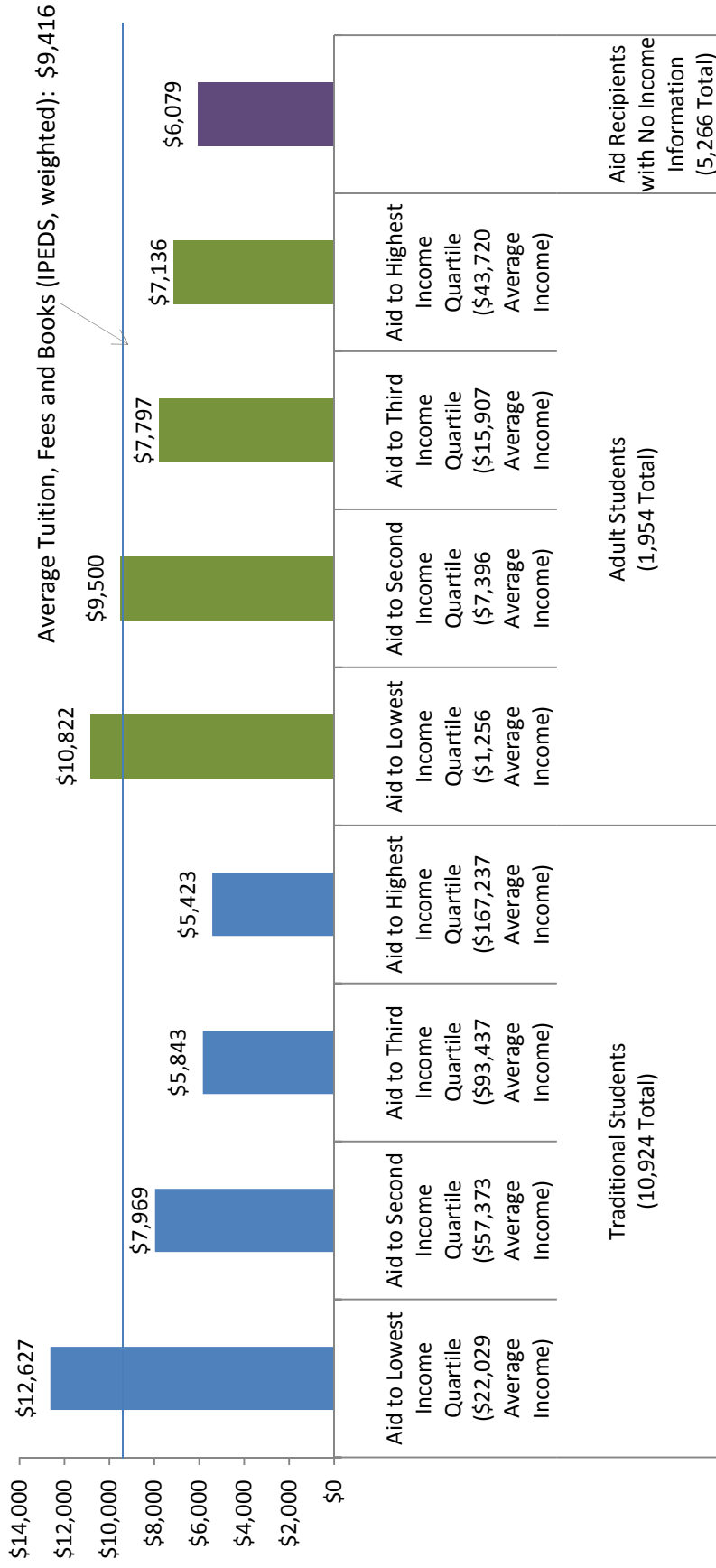
Sources: Kentucky Budget of the Commonwealth; CPE, Comprehensive database.

Kentucky Public Postsecondary System State (General Fund) vs. Student Share (Tuition Revenue)



Highlights

- * Grants and scholarships covered the full cost of tuition, fees and books for most students in the lowest income categories.
- * Even students in the highest income categories received significant support through KEES and institutional aid.
- * Seventy-four percent of full-time, in-state undergraduate students at research universities received grants in 2010-11 (fall 2010 enrollment).
- * Grants in excess of tuition were used to pay for room and board, which averaged an additional \$8,319 (IPEDS, weighted).



Unmet Tuition, Fee and Book Costs					
	-\$3,211	\$1,447	\$3,573	\$3,993	\$1,406
					-\$84
					\$1,619
					\$2,280
					\$3,337

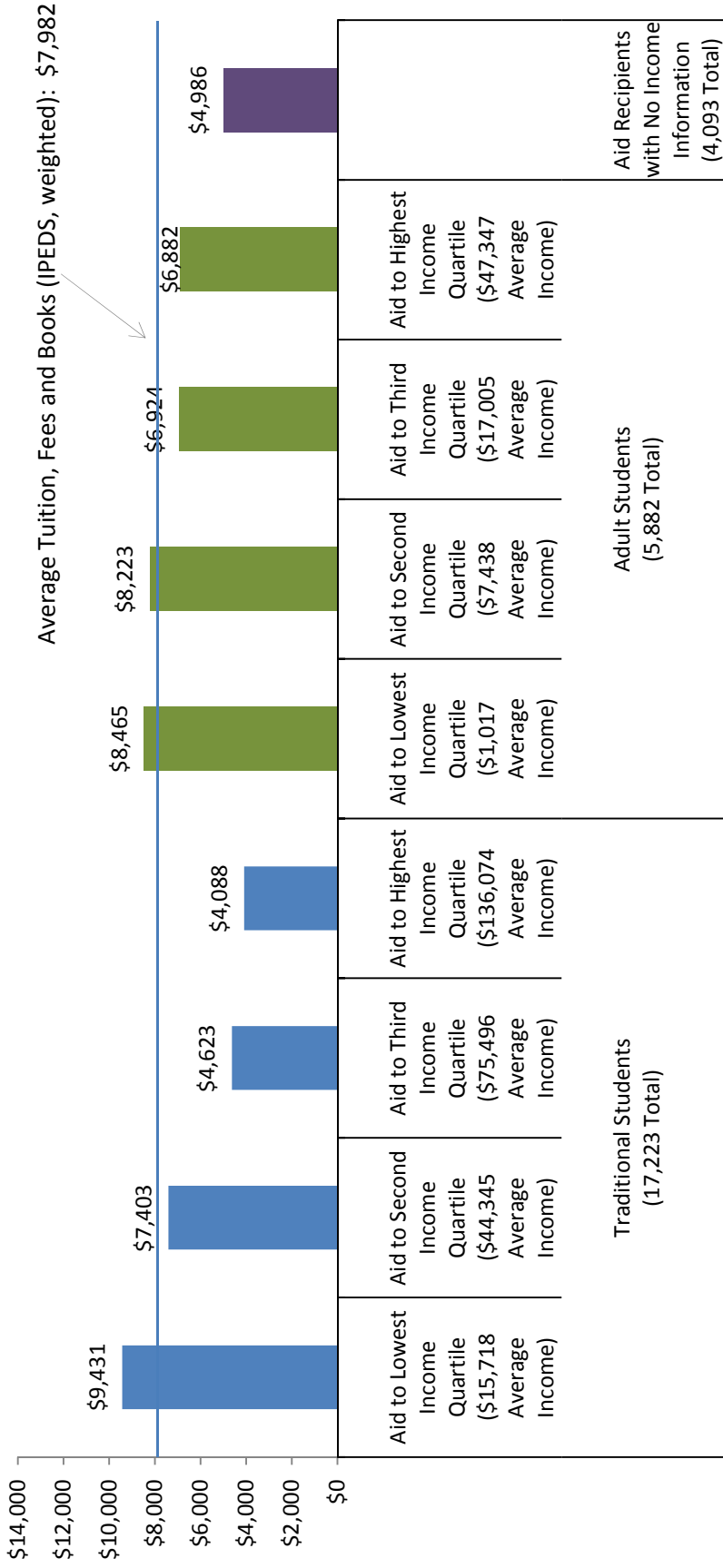
Notes: Aid includes all need and merit-based grants and scholarships from federal, state, institutional and other sources. Income quartiles rank all students in the sector within their dependency category by family income, and divide them into four equal-sized groups based on their income rank. Traditional students were under 25 years old and were claimed as dependents on their parents' taxes, while adult students filed taxes independently. Students without income information did not file the federal financial aid application, but are still eligible for KEEs, institutional, and other grants.

Comprehensive Universities: Need and Merit-Based Aid by Student Type and Family Income

Full-Time, In-State, Undergraduates at Kentucky's Public Comprehensive Universities who Received Grants or Scholarships in 2010-11

Highlights

- * Grants and scholarships covered the full cost of tuition, fees and books for most students in the lowest income categories.
- * Even students in the high .
- * Seventy percent of full-time, in-state undergraduate students at comprehensive universities received grants in 2010-11 (fall 2010 enrollment).
- * Grants in excess of tuition were used to pay for room and board, which averaged an additional \$6,773 (IPEDS, weighted).

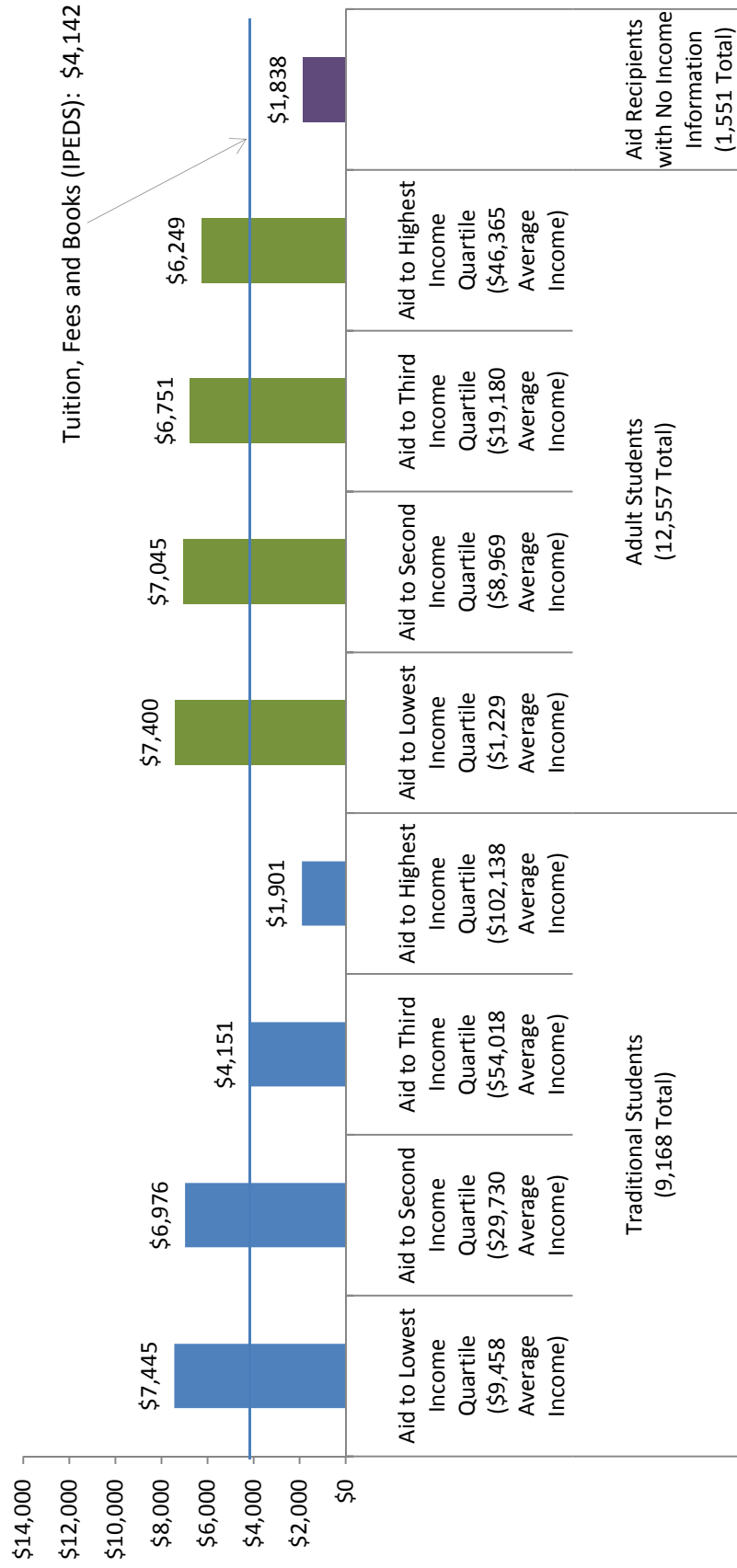


Unmet Tuition, Fee and Book Costs					
	-\$1,449	\$579	\$3,359	\$3,894	-\$483
					-\$241
					\$1,058
					\$1,100
					\$2,996

Notes: Aid includes all need and merit-based grants and scholarships from federal, state, institutional and other sources. Income quartiles rank all students in the sector within their dependency category by family income, and divides them into four equal-sized groups based on their income rank. Traditional students were under 25 years old and were claimed as dependents on their parents' taxes, while adult students filed taxes independently. Students without income information did not file the federal financial aid application, but are still eligible for KEES, institutional, and other grants.

Highlights

- * Grants and scholarships covered the full cost of tuition, fees and books for most students in the lowest income categories.
- * Even students in the highest income categories received significant support through KEES and institutional aid.
- * Fifty-five percent of full-time undergraduate students at KCTCS received grants in 2010-11 (fall 2010 enrollment).
- * Grants in excess of tuition were used to pay for off-campus rent, utilities and food, which KCTCS estimated at an additional \$6,975 (IPEDS).



Unmet Tuition, Fee and Book Costs					
	-\$3,303	-\$2,834	-\$9	\$2,241	-\$3,258
					-\$2,903
					-\$2,609
					-\$2,107
					\$2,304

Notes: Aid includes all need and merit-based grants and scholarships from federal, state, institutional and other sources. Income quartiles rank all students in the sector within their dependency category by family income, and divides them into four equal-sized groups based on their income rank. Traditional students were under 25 years old and were claimed as dependents on their parents' taxes, while adult students filed taxes independently. Students without income information did not file the federal financial aid application, but are still eligible for KEEES, institutional, and other grants.

**Kentucky Public Postsecondary Institution
Student Headcount Enrollment (Fall Semesters 2005 through 2010)**

ATTACHMENT M-1

Undergraduate

Institution	2005	2006	2007	2008	2009	2010	1 Year Change	2 Year AAGR	5 Year AAGR
University of Kentucky	18,732	19,328	18,830	18,988	19,217	19,988	4.0%	2.6%	1.3%
University of Louisville	15,057	15,103	15,125	15,495	15,619	15,818	1.3%	1.0%	1.0%
Sector Total	33,789	34,431	33,955	34,483	34,836	35,806	2.8%	1.9%	1.2%
Eastern Kentucky University	13,942	13,623	13,659	13,839	13,991	14,396	2.9%	2.0%	0.6%
Kentucky State University	2,228	2,341	2,510	2,497	2,638	2,606	-1.2%	2.2%	3.2%
Morehead State University	7,549	7,515	7,625	7,487	7,550	7,399	-2.0%	-0.6%	-0.4%
Murray State University	8,585	8,607	8,361	8,179	8,249	8,429	2.2%	1.5%	-0.4%
Northern Kentucky University	12,107	12,668	12,725	13,030	13,206	13,517	2.4%	1.9%	2.2%
Western Kentucky University	15,978	16,067	16,508	16,966	17,645	17,827	1.0%	2.5%	2.2%
Sector Total	60,389	60,821	61,388	61,998	63,279	64,174	1.4%	1.7%	1.2%
KCTCS	84,931	86,475	92,828	89,942	100,348	106,664	6.3%	8.9%	4.7%
System Total	179,109	181,727	188,171	186,423	198,463	206,644	4.1%	5.3%	2.9%

Graduate

Institution	2005	2006	2007	2008	2009	2010	1 Year Change	2 Year AAGR	5 Year AAGR
University of Kentucky	6,970	7,090	7,086	7,112	7,112	7,181	1.0%	0.5%	0.6%
University of Louisville	5,996	6,005	5,841	5,557	5,704	5,757	0.9%	1.8%	-0.8%
Sector Total	12,966	13,095	12,927	12,669	12,816	12,938	1.0%	1.1%	0.0%
Eastern Kentucky University	2,277	2,140	2,180	2,192	2,277	2,171	-4.7%	-0.5%	-0.9%
Kentucky State University	158	159	186	162	196	245	25.0%	23.0%	9.2%
Morehead State University	1,513	1,510	1,441	1,494	1,496	1,443	-3.5%	-1.7%	-0.9%
Murray State University	1,689	1,697	1,795	1,843	1,829	1,987	8.6%	3.8%	3.3%
Northern Kentucky University	1,918	1,970	2,082	2,079	2,199	2,231	1.5%	3.6%	3.1%
Western Kentucky University	2,667	2,597	2,757	2,795	3,067	3,076	0.3%	4.9%	2.9%
Sector Total	10,222	10,073	10,441	10,565	11,064	11,153	0.8%	2.7%	1.8%
System Total	23,188	23,168	23,368	23,234	23,880	24,091	0.9%	1.8%	0.8%

Source: CPE Comprehensive Database.

Note: Data does not include house staff and post-doctoral students at UK and UofL.

AAGR -- Average Annual Growth Rate.

**Kentucky Public Postsecondary Institution
Student Headcount Enrollment (Fall Semesters 2005 through 2010)**

ATTACHMENT M-2

Full-Time

Institution	2005	2006	2007	2008	2009	2010	1 Year Change	2 Year AAGR	5 Year AAGR
University of Kentucky	21,485	21,745	22,187	22,876	23,273	24,037	3.3%	2.5%	2.3%
University of Louisville	14,956	15,071	15,338	15,318	15,669	16,103	2.8%	2.5%	1.5%
Sector Total	36,441	36,816	37,525	38,194	38,942	40,140	3.1%	2.5%	2.0%
Eastern Kentucky University	11,506	11,438	11,635	11,761	12,354	12,560	1.7%	3.3%	1.8%
Kentucky State University	1,670	1,823	1,964	1,984	2,204	2,256	2.4%	6.6%	6.2%
Morehead State University	6,247	6,120	6,119	5,919	5,875	5,733	-2.4%	-1.6%	-1.7%
Murray State University	7,693	7,597	7,575	7,493	7,472	7,531	0.8%	0.3%	-0.4%
Northern Kentucky University	9,613	9,726	9,850	10,060	10,554	10,712	1.5%	3.2%	2.2%
Western Kentucky University	13,868	13,903	14,010	14,329	14,936	15,049	0.8%	2.5%	1.6%
Sector Total	50,597	50,607	51,153	51,546	53,395	53,841	0.8%	2.2%	1.3%
KCTCS	33,857	32,860	33,386	34,897	41,390	44,712	8.0%	13.2%	5.7%
System Total	120,895	120,283	122,064	124,637	133,727	138,693	3.7%	5.5%	2.8%

Part-Time

Institution	2005	2006	2007	2008	2009	2010	1 Year Change	2 Year AAGR	5 Year AAGR
University of Kentucky	4,217	4,673	3,729	3,224	3,056	3,132	2.5%	-1.4%	-5.8%
University of Louisville	6,097	6,037	5,628	5,734	5,654	5,472	-3.2%	-2.3%	-2.1%
Sector Total	10,314	10,710	9,357	8,958	8,710	8,604	-1.2%	-2.0%	-3.6%
Eastern Kentucky University	4,713	4,325	4,204	4,270	3,914	4,007	2.4%	-3.1%	-3.2%
Kentucky State University	716	677	732	675	630	595	-5.6%	-6.1%	-3.6%
Morehead State University	2,815	2,905	2,947	3,062	3,171	3,109	-2.0%	0.8%	2.0%
Murray State University	2,581	2,707	2,581	2,529	2,606	2,885	10.7%	6.8%	2.3%
Northern Kentucky University	4,412	4,912	4,957	5,049	4,851	5,036	3.8%	-0.1%	2.7%
Western Kentucky University	4,777	4,761	5,255	5,432	5,776	5,854	1.4%	3.8%	4.2%
Sector Total	20,014	20,287	20,676	21,017	20,948	21,486	2.6%	1.1%	1.4%
KCTCS	51,074	53,615	59,442	55,045	58,958	61,952	5.1%	6.1%	3.9%
System Total	81,402	84,612	89,475	85,020	88,616	92,042	3.9%	4.0%	2.5%

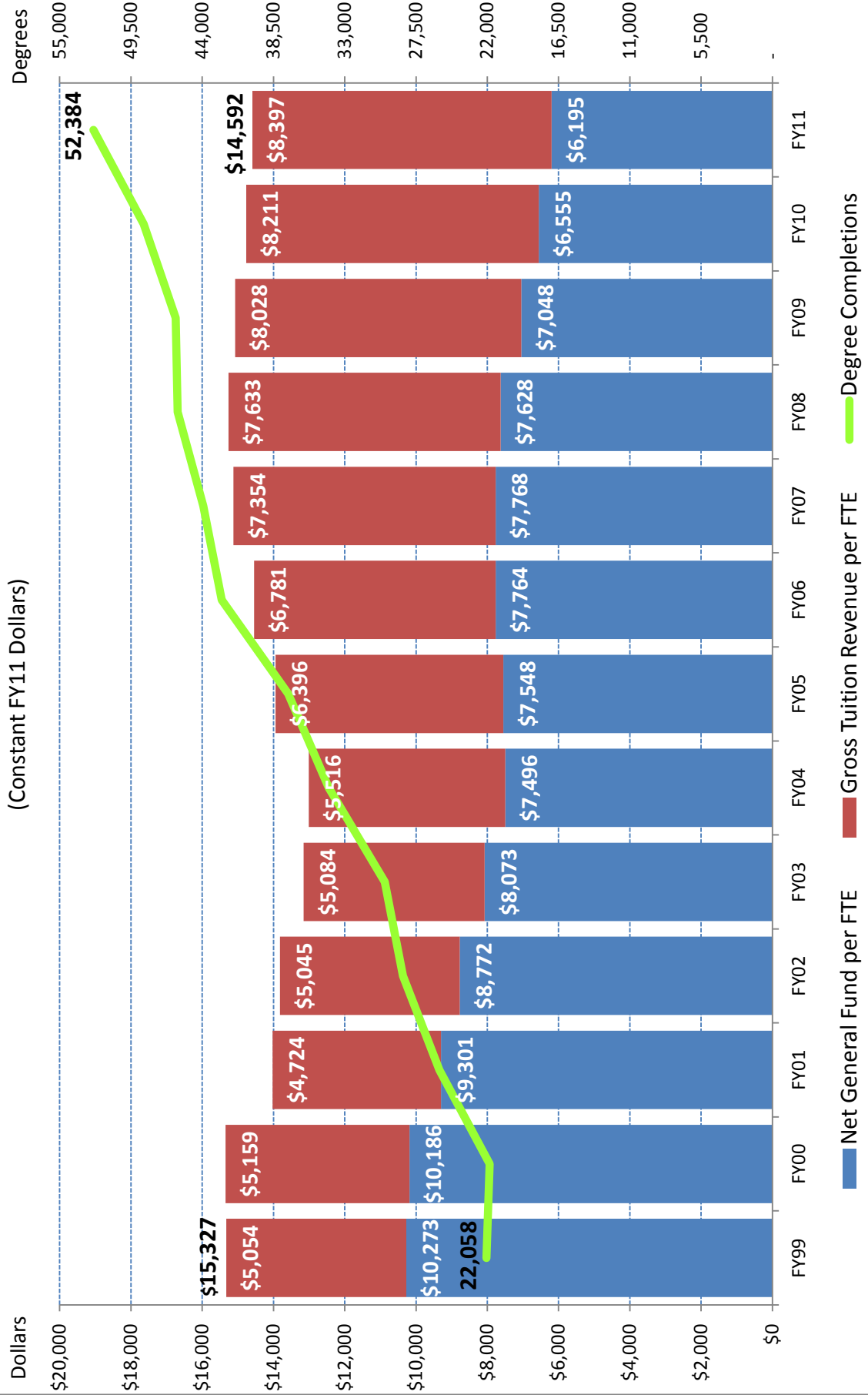
Source: CPE Comprehensive Database.

Note: Data does not include house staff and post-doctoral students at UK and UofL.

AAGR -- Average Annual Growth Rate.

Kentucky Public Postsecondary System Net General Fund Appropriations and Gross Tuition Revenue per FTE Student Fiscal Years 1999 - 2011 (Constant FY11 Dollars)

ATTACHMENT N



HB 265 creates, retains, or deletes the following special language for postsecondary education capital projects.

Eliminated:

- 1 **Lease/Purchase Agreements for Public Postsecondary Institutions:** Where applicable, authorization for a lease-purchase capital project for a public postsecondary institution as set forth in Part II, Capital Projects Budget, of this Act is provided pursuant to KRS 45.763.
- 2 **Operations and Maintenance Funding:** It is the intent of the 2010 General Assembly that public postsecondary institutions should not base any decision to proceed with any capital project authorized in Part II, Capital Projects Budget, of this Act, that is funded from Agency Bonds, Restricted Funds, or Other Funds, on an expectation of receiving General Fund moneys for the operations and maintenance of that facility in future bienniums.

Retained:

- 1 **Agency Bond Funded Projects for Public Postsecondary Institutions:** The governing board of a public postsecondary institution shall certify in writing prior to issuance of Agency Bonds as set forth in Part II, Capital Projects Budget, of this Act that the project: (a) will generate sufficient funds to retire the bonded indebtedness and pay for ongoing operating expenses; or (b) will not result in an increase in tuition. The governing board shall submit a copy of the certification to the president of the Council on Postsecondary Education, the secretary of the Finance and Administration Cabinet, and the Capital Projects and Bond Oversight Committee.
 - 2 **Asset Preservation and Renovation Pool:** The Asset Preservation and Renovation Pool provides funding for individual projects at Kentucky's public postsecondary institutions to upgrade and replace building systems and infrastructure in education and general facilities. The individual projects funded from this pool shall be submitted by the Council on Postsecondary Education to the secretary of Finance and Administration Cabinet from the project listings previously submitted by the institutions to the Council. The Council shall determine the amount allocated to each postsecondary education institution and the amount of required matching funds and report that allocation to the Secretary of the Finance and Administration Cabinet and the Capital Projects and Bond Oversight Committee.
- New Language:**
- 1 There is no specific new language included in HB 265 that pertains to public postsecondary education institution capital projects.



COMMONWEALTH OF KENTUCKY
OFFICE OF THE GOVERNOR

STEVEN L. BESHEAR
GOVERNOR

700 CAPITOL AVENUE
SUITE 100
FRANKFORT, KY 40601
(502) 564-2611
FAX: (502) 564-2517

January 24, 2012

President Robert L. King
Council on Postsecondary Education
1024 Capital Center Drive, Suite 320
Frankfort, Kentucky 40601

Dear President King:

Thank you for your valuable input on the development of an appropriate scope of work for the review of the advisability and feasibility of bringing the University of Pikeville into the state system of postsecondary education institutions. As you know, responses have been received from potential consultants, and a selection committee will make a decision soon.

Previously the Council had expressed some concern about its role in this review due to a perceived conflict of interest with its then Chairman, former Governor Paul Patton. However, now that Governor Patton has resigned from the Council, there is no reason for the Council not to be fully engaged in the review process.

As you know, KRS 164.020 sets forth the powers and duties of the Council which includes in section (18): "Review proposals and make recommendations to the Governor regarding the establishment of new public community colleges, technical institutions, and new four (4) year colleges." I am requesting that the Council provide all necessary support and information to and for the selected consultant and to provide guidance to the General Assembly and me regarding the University of Pikeville proposal based upon the findings and recommendations of the consultant's report.

As the Council is attached administratively to the Governor's Office, there should be no administrative issues associated with the Council staff taking a lead role with oversight of the consultant's work. Again, I appreciate your thoughtful consideration of the issues which should be reviewed regarding this proposal, and look forward to your analysis.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Beshear", written over a horizontal line.

Steven L. Beshear



Commonwealth of Kentucky

SOLICITATION

TITLE: University of Pikeville Consultant

DATE ISSUED

2011-12-29

SOLICITATION CLOSES
Date: 2012-01-12

Time: 15:30:00

SOLICITATION NO.

RFP 750 1200000189

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Room 096 Capitol Annex
Kathy Robinson

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**Please see the Terms and Conditions
For Information on where to submit
Your Bid/Proposal.**
**V
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Name:
Address:
City, State Zip Code:
Phone #:
Email Address:
Contact Name:
Contact Email:
Vendor Customer (VC) #:
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Name:
Address:
City, State Zip Code:
Phone #:
Email Address:
Contact Name:
Contact Email:
Vendor Customer (VC) #:
FOR INFORMATION CALL:

Kathy Robinson
502-564-7544

ONLINE BIDDING PROHIBITED

Yes

OWNERSHIP TYPE:
☐ Sole Proprietorship ☐ Partnership ☐ Corporation

**SIGNATURE OF AUTHORIZED AGENT IS REQUIRED UNLESS RESPONSE IS SUBMITTED ELECTRONICALLY
FAILURE TO SIGN SHALL RENDER THE BID INVALID.**
Signature X _____ **FEIN#** _____ **DATE** _____

All offers subject to all terms and conditions contained in this solicitation.

Line Items

Line Group: Default

Line	CL Description	Due Date	Quantity	Unit Issue	Unit Cost	Line Total Or Contract Amt
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1 University of Pikeville Feasibility Study

Comm Code	Comm Description	Manufacturer	Model #	Man Part #
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91800 CONSULTING SERVICES

Extended Description

The Office of the Governor is seeking an independent contractor to study the advisability and feasibility of moving the University of Pikeville into the state university system.

B I L L T O	494552	S H I P T O	
	FINANCE OAS		
	702 CAPITAL AVENUE		
	Rm 195 Capital Annex Bldg		
	FRANKFORT KY 40601		
	US		

Evaluation Criteria			
The following criteria will be used when determining the award of this solicitation			
Code	Criteria Description	Points	Vendor Response (DO NOT LIST PRICES IN THIS SECTION. UNIT PRICES AND TOTAL PRICES MUST BE FILLED IN ADJACENT TO THEIR LINE ITEMS.)

	Expertise and Qualifications	35
	Previous Experience	25
	TOTAL COST	40

1200000189	Document Phase Final	Document Description University of Pikeville Consul tant	Page 4 of 28
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**REQUEST FOR PROPOSAL (RFP)
FOR
PERSONAL SERVICE CONTRACT**

**For
Office of the Governor
University of Pikeville Feasibility Study
Solicitation # RFP 750 1200000189**

December 29, 2011

**Issued by
The Finance and Administration Cabinet
Office of Procurement Services
On Behalf of
The Office of the Governor**

This document constitutes a Request for Proposal for Personal Service Contract from qualified individuals and organizations to furnish those services as described herein for the Commonwealth of Kentucky, Office of the Governor.

Offerors are advised that any personal service contract resulting from the Request for Proposals for Personal Service Contract must comply with all applicable provisions of KRS 45A and KRS 12.210 prior to becoming effective.

A contract, based on this RFP, may or may not be awarded. Any contract award from this RFP is invalid until properly approved and executed by the Finance and Administration Cabinet and filed with the Legislative Research Commission, Government Contract Review Committee.

1200000189	Document Phase Final	Document Description University of Pikeville Consul tant	Page 5 of 28
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Table of Contents

Section 1 – Administrative Overview

- 1.00 Purpose
- 1.05 Issuing Office
- 1.10 Restriction on Communications
- 1.15 Schedule of RFP Activities
- 1.30 Access to Solicitation, RFP and Addenda
- 1.35 Notification of Award

Section 2 – Scope of Work

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- 01.50 Travel Expenses
- 01.55 Other Expenses
- 01.60 Purchasing and Specifications
- 01.65 Conflict of Interest Laws and Principles
- 01.70 Campaign Finance
- 01.75 Access to Records
- 01.80 Protest
- 01.85 Social Security
- 01.90 Violation of Tax and Employment Laws
- 01.95 Discrimination

Attachments - Secretary's order 11-004

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SECTION 1 – ADMINISTRATIVE OVERVIEW

1.00 Purpose

The Office of the Governor is seeking an independent contractor to study the advisability and feasibility of moving the University of Pikeville into the state university system.

1.05 Issuing Office

The Finance and Administration Cabinet, Office of Procurement Services is issuing this RFP on behalf of the Office of the Governor for a University of Pikeville Feasibility Study. The Office of Procurement Services is the only office authorized to change, modify, amend, alter or clarify the specifications and the terms and conditions of this RFP.

1.10 Restrictions on Communications

The Agency Contact named below shall be the **sole point of contact** throughout the procurement process. All communications, oral and written (regular mail, express mail, electronic mail or fax), concerning this procurement shall be addressed to:

Kathy Robinson, CPPO, CPPB
Finance and Administration Cabinet
Office of Procurement Services
502-564-4510
Kathy.robinson@ky.gov

From the issue date of this RFP until a Contractor(s) is selected and the selection is announced, Offerors are not allowed to communicate with any Commonwealth Staff concerning this RFP except:

The Agency Contact cited in this RFP; or
Via written questions submitted to the Agency Contact

For violation of this provision, the Commonwealth shall reserve the right to reject their proposal response.

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1.15 Schedule of RFP Activities

The following schedule presents the major activities associated with the RFP distribution, written questions and proposal submission. While there is no guaranteed date for the award of a contract, an anticipated date of award is also given. The Commonwealth reserves the right at its sole discretion to change the Schedule of Activities, included the associated dates and times.

Release of RFP	December 29, 2011
Proposals Due by 3:30pm	January 12, 2012
All bidders are cautioned to be aware of the security in the Capitol Annex located at 702 Capitol Avenue, Frankfort, KY. All bids shall be time stamped in the Office of Procurement Services no later than the due date and time defined in this Solicitation. In person or courier delivered bids in response to this Solicitation shall be delivered to Office of Procurement Services, Capitol Annex Building, Room 096 . Delays due to building security checks shall not be justification for acceptance of a late bid.	

***NOTE: All time referenced are Eastern Time Zone.**

1.30 Access to Solicitation, RFP and Addenda

The Solicitation, the RFP and attachments and any Addenda shall be posted to the eProcurement directory at <https://eprocurement.ky.gov>

It is the vendors' responsibility to assure they have obtained copies of all information and forms.

1.35 Notification of Award

To view the Award of Contract(s) and the Contractor(s) receiving the Award(s) for this Solicitation, access the eProcurement Directory at <https://eprocurement.ky.gov>. The Award(s) information can be accessed by clicking on the View Awards link under the Procurement area located on the top of the center column of the eProcurement Directory homepage. It is the vendor's responsibility to review this information in a timely fashion. No other notification of the results of an Award of Contract will be provided.

END OF SECTION 1

SECTION 2 – SCOPE OF WORK

2.00 Scope of Work

A consultant shall be selected through the Request for Proposal process to study and make recommendations on the advisability and feasibility of moving the University of Pikeville (The University) into the state university system. The study will review:

- # The extent of the postsecondary educational need in the region;
- # The existing capacity of the University to meet the educational need – academic and financial capacity, including matters pertaining to debt, post-retirement benefit liabilities, endowment management, physical resources, technology utilization, student support

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capacities, workforce issues, strategic positioning and accreditation;

- # Additional resources that may be necessary to assure the success of the University as a public institution;
- # The impact this new public institution would have on other public institutions in the Commonwealth;
- # The processes and resources that would be needed, at both the state level and at the University of Pikeville to facilitate a smooth transition from a privately supported and governed institution to a public entity.
- # The legal changes that the University would be required to take to become a public institution, relating but not limited to record-keeping and data reporting; prevailing wage laws; freedom of information laws; pension system access for staff; Council on Postsecondary Education and legislative approvals for capital construction; and Council on Postsecondary Education approvals for tuition and fees; code of ethics requirements; board members and board powers; and course transferability requirements;
- # How moving the University into the state university system would advance the goals of HB1, the Postsecondary Education Improvement Act of 1997; and
- # Identification of alternative approaches that could address the higher educational needs of the region.

The target date for delivery of the final report is **March 15, 2012**. If this is not achievable, please indicate by what date a final report could be delivered, and if an interim report could be delivered on March 15, 2012.

Responders to the RFP shall be prepared to present their findings to legislative bodies or government boards.

END OF SECTION 2

SECTION 3 – TERMS AND CONDITIONS

3.00 Beginning of Work

This Contract is not effective and binding until approved by the Secretary of the Finance and Administration Cabinet and filed with the Legislative Research Commission's Government Contract Review Committee. The Contractor shall not commence any billable work until a valid Contract has been fully executed. The Contract shall represent the entire agreement between the parties. Prior negotiations, representations, or agreements, either written or oral, between the parties hereto relating to the subject matter hereof shall be of no effect upon this Contract.

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3.05 Contract Components and Order of Precedence

The Commonwealth's acceptance of the Contractor's offer in response to the Solicitation, indicated by the issuance of a Contract Award, shall create a valid contract between the Parties consisting of the following:

1. Any written Agreement between the Parties;
2. Any Addenda to the Solicitation;
3. The Solicitation and all attachments hereto;
4. PSC Standard Terms and Conditions;
5. Any Best and Final Offer;
6. Any clarifications concerning the Contractor's proposal in response to the Solicitation;
7. The Contractor's proposal in response to the Solicitation.

In the event of any conflict between or among the provisions contained in the Contract, the order of precedence shall be as enumerated above.

3.10 Contract Term

The term of the Contract is from the date of award through the end of the current biennium, June 30, 2012.

This agreement is not effective until the Secretary of the Finance and Administration Cabinet or his authorized designee has approved the contract and until the contract has been filed with the Legislative Research Commission, Government Contract Review Committee.

3.15 Changes and Modifications to the Contract

Pursuant to 200 KAR 5:311, no modification or change of any provision in the Contract shall be made, or construed to have been made, unless such modification is mutually agreed to in writing by the Contractor and the Commonwealth, and incorporated as a written amendment by the Office of Procurement Services prior to the effective date of such modification or change.

Modification shall be subject to prior approval from the Secretary of the Finance and Administration Cabinet or his authorized designee and the LRC Government Contract Review Committee. Memoranda of Understanding, written clarification, and/or correspondence shall not be construed as amendments to the Contract.

END OF SECTION 3

SECTION 4 – PROCUREMENT RULES AND REQUIREMENTS

4.00 Rules of Procurement

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To facilitate this procurement, various rules have been established. These are described in the following paragraphs.

Vendors should also review and comply with the general bidding requirements listed under “Laws, Policies and Procedures” and “Standard Attachments and General Terms” located on the eProcurement web page at <https://eprocurement.ky.gov>.

The procurement process will provide for the evaluation of proposals and selection of the winning proposal in accordance with State law and regulations. KRS Chapter 45A of the Kentucky Model Procurement Code provides the regulatory framework for the procurement of services by State agencies.

4.05 Waiver of Minor Irregularities

The Commonwealth reserves the right to reject any offers and to waive informalities and minor irregularities in offers received.

4.10 Clarification of Proposals

The Commonwealth reserves the right to request additional information as may reasonably be required for selection, and to reject any proposals for failure to provide additional information on a timely basis.

The Commonwealth reserves the right to conduct discussions with any offeror who has submitted a proposal to determine the offeror’s qualifications for further consideration. Discussions shall not disclose any information derived from proposal submitted by other offerors.

4.15 Best and Final Offers

The Commonwealth reserves the right at its discretion to request a Best and Final Offer (BAFO) for technical and/or cost proposals. Offerors are cautioned to propose their best possible offers at the outset of the process, as there is no guarantee that any Offeror will be allowed an opportunity to submit a Best and Final technical and/or cost offer.

4.20 Certification Regarding Debarment and Suspension

In accordance with Federal Acquisition Regulation 52.209-5, the Vendor shall certify, by signing the Solicitation, that to the best of its knowledge and belief, the Vendor and/or its Principals is (are) not presently debarred, suspended, proposed for debarment, or declared ineligible for the award of contracts by any State or Federal agency.

“Principals”, for the purposes of this certification, means officers, directors, owners, partners, and persons having primary management or supervisory responsibilities within a business entity (e.g., general manager, plant manager, head of subsidiary, division, or business segment, and similar positions.

4.25 Vendor Response and Public Inspection

The RFP specifies the format, required information and general content of proposals submitted in response to the RFP. The Office of Procurement Services shall not disclose any portions of the proposals prior to contract award to anyone outside the Office of Procurement Services, representatives of the agency for whose benefit the contract is proposed, representatives of the Federal government, if required, and the members of the evaluation committees. After a contract is awarded in whole or in part, the Commonwealth shall have the right to duplicate, use, or

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disclose all proposal data submitted by Vendors in response to this RFP as a matter of public record.

Any and all documents submitted by a Vendor in response to the RFP shall be available for public inspection after contract award. No such documents shall be exempt from disclosure under the Kentucky Open Records Act regardless of the vendor's designation of the information contained therein as proprietary, confidential, or otherwise. Therefore, the Commonwealth will not redact or withhold any documents submitted in response to the RFP if a request to inspect these records is made.

The Commonwealth of Kentucky shall have the right to use all system ideas, or adaptations of those ideas, contained in any proposal received in response to this RFP. Selection or rejections of the proposal will not affect this right.

4.30 Reciprocal Preference for Kentucky Resident Bidders and Preferences for a Qualified Bidder

The scoring of bids/proposals is subject to **Reciprocal preference for Kentucky resident bidders and Preferences for a Qualified Bidder or the Department of Corrections, Division of Prison Industries (KAR 200 5:410).**

Vendors not claiming resident bidder or qualified bidder status need not submit the corresponding affidavit.

KRS 45A.490 Definitions for KRS 45A.490 to 45A.494.

As used in KRS 45A.490 to 45A.494:

- (1) "Contract" means any agreement of a public agency, including grants and orders, for the purchase or disposal of supplies, services, construction, or any other item; and
- (2) "Public agency" has the same meaning as in KRS 61.805.

KRS 45A.492 Legislative declarations.

The General Assembly declares:

- (1) A public purpose of the Commonwealth is served by providing preference to Kentucky residents in contracts by public agencies; and
- (2) Providing preference to Kentucky residents equalizes the competition with other states that provide preference to their residents.

KRS 45A.494 Reciprocal preference to be given by public agencies to resident bidders – List of states – Administrative regulations.

- (1) Prior to a contract being awarded to the lowest responsible and responsive bidder on a contract by a public agency, a resident bidder of the Commonwealth shall be given a preference against a nonresident bidder registered in any state that gives or requires a preference to bidders from that state. The preference shall be equal to the preference given or required by the state of the nonresident bidder.
- (2) A resident bidder is an individual, partnership, association, corporation, or other business entity that, on the date the contract is first advertised or announced as available for bidding:
 - (a) Is authorized to transact business in the Commonwealth; and
 - (b) Has for one (1) year prior to and through the date of the advertisement, filed Kentucky corporate income taxes, made payments to the Kentucky unemployment insurance fund established in KRS 341.490, and maintained a Kentucky workers' compensation policy in effect.
- (3) A nonresident bidder is an individual, partnership, association, corporation, or other business entity that does not meet the requirements of subsection (2) of this section.
- (4) If a procurement determination results in a tie between a resident bidder and a nonresident

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bidder, preference shall be given to the resident bidder.

(5) This section shall apply to all contracts funded or controlled in whole or in part by a public agency.

(6) The Finance and Administration Cabinet shall maintain a list of states that give to or require a preference for their own resident bidders, including details of the preference given to such bidders, to be used by public agencies in determining resident bidder preferences. The cabinet shall also promulgate administrative regulations in accordance with KRS Chapter 13A establishing the procedure by which the preferences required by this section shall be given.

(7) The preference for resident bidders shall not be given if the preference conflicts with federal law.

(8) Any public agency soliciting or advertising for bids for contracts shall make KRS 45A.490 to 45A.494 part of the solicitation or advertisement for bids.

The reciprocal preference as described in KRS 45A.490-494 above shall be applied in accordance with 200 KAR 5:400.

Determining the residency of a bidder for purposes of applying a reciprocal preference

Any individual, partnership, association, corporation, or other business entity claiming resident bidder status shall submit along with its response the attached Required Affidavit for Bidders, Offerors, and Contractors Claiming Resident Bidder Status. The BIDDING AGENCY reserves the right to request documentation supporting a bidder's claim of resident bidder status. Failure to provide such documentation upon request shall result in disqualification of the bidder or contract termination.

A nonresident bidder shall submit, along with its response, its certificate of authority to transact business in the Commonwealth as filed with the Commonwealth of Kentucky, Secretary of State. The location of the principal office identified therein shall be deemed the state of residency for that bidder. If the bidder is not required by law to obtain said certificate, the state of residency for that bidder shall be deemed to be that which is identified in its mailing address as provided in its bid.

Preferences for a Qualified Bidder or the Department of Corrections, Division of Prison Industries (KAR 200 5:410).

Pursuant to 200 KAR 5:410, and KRS 45A.470, Kentucky Correctional Industries will receive a preference equal to twenty (20) percent of the maximum points awarded to a bidder in a solicitation. In addition, the following "qualified bidders" will receive a preference equal to fifteen (15) percent of the maximum points awarded to a bidder in a solicitation: Kentucky Industries for the Blind, any nonprofit corporation that furthers the purposes of KRS Chapter 163 and any qualified nonprofit agencies for individuals with severe disabilities as defined in KRS 45A.465(3). Other than Kentucky Industries for the Blind, a bidder claiming "qualified bidder" status shall submit along with its response to the solicitation a notarized affidavit which affirms that it meets the requirements to be considered a qualified bidder- affidavit form included. If requested, failure to provide documentation to a public agency proving qualified bidder status may result in disqualification of the bidder or contract termination.

4.35 Proposal Submission

Each qualified Offeror shall submit only one (1) proposal. Alternate proposals shall not be accepted. Failure to submit as specified may result in the proposal's rejection.

All submitted technical and cost proposals shall remain valid for a minimum of six (6) months after the proposal due date.

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In the event of any conflict or variation between the Solicitation or modification as issued by the Commonwealth and the vendor's response, the version as issued shall prevail.

Proposals shall be submitted in two (2) parts: the technical proposal and the cost proposal. The RFP technical response shall include one (1) marked original and six (6) copies under sealed cover and one (1) cost proposal marked original under separate sealed cover. All proposals must be received no later than 3:30pm, January 12, 2012.

Proposals shall be submitted to:

ATTN: Kathy Robinson, CPPO, CPPB
Finance and Administration Cabinet
Office of Procurement Services
702 Capitol Avenue
Capitol Annex, Room 096
Frankfort, KY 40601

The outside cover of the package containing the technical proposal shall be marked:

University of Pikeville Feasibility Study
RFP number RFP 750 1200000189
TECHNICAL PROPOSAL
Name of Offeror

The outside cover of the package containing the cost proposal shall be marked:

University of Pikeville Feasibility Study
RFP number RFP 750 1200000189
COST PROPOSAL
Name of Offeror

4.40 Format of Technical Proposal

The Technical Proposal must be arranged and labeled in the manner set forth below. Failure to arrange and label your submittal in this manner may result in rejection of your proposal.

Do not include any Cost Proposal information in the Technical Proposal.

Electronic or Facsimile proposals shall not be considered.

- 1. TRANSMITTAL LETTER on Vendor's letterhead and signed by an agent authorized to bind the Vendor. If the Transmittal Letter is not signed, the proposal may be deemed non-responsive. The Transmittal Letter shall include the following:**

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- # A statement that deviations are included, if applicable;
- # A statement that proprietary information is included, if applicable;
- # A statement that, if awarded a contract as a result of this Solicitation, the Vendor shall comply in full with all the requirements of the Kentucky Civil Rights Act, and shall submit all data required by KRS 45.560 to 45.640;
- # A sworn statement pursuant to KRS 11A.040 that the Vendor has not knowingly violated any provisions of the Executive Branch Code of Ethics.
- # A statement certifying that the price in this proposal was arrived at independently without collusion, consultation, communication, or agreement as to any matter relating to such prices with any other Offeror or with any competitor;
- # A statement affirming that the Vendor is properly authorized under the laws of the Commonwealth of Kentucky to conduct business in this state and will remain in good standing with the office of the Kentucky Secretary of State for the duration of any awarded contract resulting from this Solicitation;
- # The name, address, telephone number, fax number and email address and website address, if available, of the contact person to service as a point of contact for day-to-day operations.
- # Subcontractor information to include name of company, address, telephone number and contact name, if applicable.

2. Completed and Signed Solicitation and Addenda

- # An authorized representative of the Vendor **MUST** complete and sign the Solicitation form.
Failure to sign shall render bid invalid.
- # "Vendor" box and "Remit To" box must be completed.
- # Vendor shall indicate ownership type and "Additional Vendor Information"
- # Vendor shall complete "FEIN" if applicable.
- # Vendor shall provide date the form is completed and signed.
- # Signed face of most recent Addenda, if applicable.

3. Signed and Notarized Required Affidavit for Bidders or Offerors (available at the following link)

https://eprocurement.ky.gov/NR/ronlyres/04CCFB6B-690B-4069-BDA4-9AEA3FBAAAD3/0/Revised_Affidavit_Final_

4. Signed and Notarized Required Affidavit for Bidders, Offerors and Contractors Claiming Resident Bidder Status (if applicable) (available at the following link)
Vendors not claiming Resident Bidder Status need not submit the affidavit.

<http://finance.ky.gov/NR/ronlyres/99F81F8C-C7D4-4804-B956-C1737B65DFCF/0/AffidavitforClaimingResidentBidder>

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5. Signed and Notarized Required Affidavit for Bidders, Offerors and Contractors Claiming Qualified Bidder Status (if applicable) (available at the following link)

Vendors not claiming Qualified Bidder Status need not submit the affidavit.

<http://finance.ky.gov/NR/rdonlyres/51DEF520-C7F6-4175-8652-B0656294E245/0/AffidavitforQualifiedBidderStatus1.doc>

6. Certificate of Authority to Transact Business in the Commonwealth (if applicable)
7. Response to the Technical Portion of the RFP.
 1. Final Report – Target date for completion of a final report of issues identified in Section 2.00 Scope of Work is **March 15, 2012**. If this is not achievable, indicate by what date a final report could be delivered, and if an interim report could be delivered on **March 15, 2012**.
 2. Previous Experience – Vendor shall include a summary of the organizations background, history and experience with similar projects.
 3. Expertise and Qualifications – Vendor shall include a list of staff who shall complete the study. List must include name, qualifications and hourly rate charged for services.

4.45 Format of Cost Proposal

The Cost Proposal must be submitted under separate cover from the Technical Proposal and must be arranged and labeled in the manner specified.

Failure to submit the Cost Proposal under separate cover may result in rejection of your proposal.

Vendor shall propose a Total Cost for completion of a written review of issues identified in Section 2.00 Scope of Work to be presented to the Office of the Governor no later than March 15, 2012. Total Cost shall include Vendor's presentation(s) of findings to legislative bodies or government boards.

END OF SECTION 4

SECTION 5 – RFP TECHNICAL EVALUATION

5.00 Technical Proposal Evaluation

The Commonwealth shall conduct a comprehensive, fair, and impartial evaluation of all proposals. The Commonwealth may reject any proposal that is incomplete or in which there are significant inconsistencies or inaccuracies. The Commonwealth reserves the right to reject all

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proposals.

Each Vendor is responsible for submitting all relevant, factual and correct information with their offer to enable the evaluator(s) to afford each vendor the maximum score based on the available data submitted by the Vendor. This information must be attached with cross-references to the appropriate in the Solicitation (i.e. page number, paragraph, subject, etc.).

Past Vendor Performance may be considered in the award of this Contract. Vendors with a record of poor performance in the last twelve (12) months may be found non-responsible and ineligible for award.

The Office of Procurement Services reserves the right to conduct discussions with any Offeror who has submitted a proposal to determine the Offeror's qualifications for further consideration. Discussions shall not disclose any information derived from proposals submitted by other Offeror's.

5.05 Technical Proposal Scoring Criteria

After determining that a proposal includes all required information and data, the Office of Procurement Services will evaluate the proposal based on the following evaluation factors:

Evaluation Criteria	Points Possible
Previous Experience	25 Points
Expertise and Qualifications	35 Points

Total Points Possible for Technical Proposal – 60 points

END OF SECTION 5

SECTION 6 – COST PROPOSAL EVALUATION

6.00 Cost Proposal Evaluation

The Proposal with the lowest Price receives the maximum score. The Proposal with the next lowest Price receives points by dividing the lowest Price by the next lowest price and multiplying that percentage by the available points.

For example: Assume 40 points is allocated to the lowest Price criteria for this procurement.

Proposal "A" bids \$30,000 as the lowest price and receives the maximum 40 points

$(\$30,000/\$30,000) = 1.00 \times 40 = 40$.

Assume Proposal "B" is the next lowest Price at \$40,000. Then "B" receives 30 points.

$(\$30,000/\$40,000) = .75 \times 40 = 30$.

6.05 Cost Proposal Scoring Criteria

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Evaluation Criteria	Points Possible
Total Cost	40 points
Total Points Possible	40 Points

Total Points Possible for Cost Proposal – 40 points

END OF SECTION 6

SECTION 7 - NEGOTIATION

7.00 Negotiation

After determining the best proposal received, the Office of Procurement Services reserves the right to negotiate a fair and reasonable compensation based on the pricing submitted in the offeror's proposal. If the negotiations fail to reach an agreement on a fair and reasonable compensation rate, the Office of Procurement Services reserves the right to proceed to the next highest rated proposal.

7.05 Items to be Negotiated

Terms and conditions that may be negotiated at the sole discretion of the Commonwealth include but are not limited to issues related to the Technical and/or Cost proposals.

END OF SECTION 7

SECTION 8– RANKING OF PROPOSALS AND AWARD OF CONTRACT

8.00 Best Interest of the Commonwealth

The Commonwealth will rank the proposal in the manner set forth within this Solicitation. However, the Commonwealth reserves the right to reject any or all proposals in whole or in part based on the best interest of the Commonwealth.

8.05 Total Points Possible for Proposal

Criteria	Points Possible
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Technical Proposal	60 points
Cost Proposal	40 points
Total Points Possible	100 Points

END OF SECTION 8

PSC STANDARD TERMS AND CONDITIONS Revised November 2011

Whereas, the first party, the state agency, has concluded that either state personnel are not available to perform said function, or it would not be feasible to utilize state personnel to perform said function; and

Whereas, the second party, the contractor, is available and qualified to perform such function; and

Whereas, for the abovementioned reasons, the state agency desires to avail itself of the services of the second party;

NOW THEREFORE, the following terms and conditions are applicable to this contract:

01.00 Effective Date:

This agreement is not effective until the Secretary of the Finance and Administration Cabinet or his authorized designee has approved the contract and until the contract has been submitted to the Legislative Research Commission, Government Contract Review Committee ("LRC"). Payments on personal service contracts and memoranda of agreement shall not be authorized for services rendered after government contract review committee disapproval, unless the decision of the committee is overridden by the Secretary of the Finance and Administration Cabinet or agency head, if the agency has been granted delegation authority by the Secretary.

01.05 Renewals:

Upon expiration of the initial term, the contract may be renewed in accordance with the terms and conditions in the original solicitation. Renewal shall be subject to prior approval from the Secretary of the Finance and Administration Cabinet or his authorized designee and the LRC Government Contract Review Committee in accordance with KRS 45A.695 and KRS 45A.705, and contingent upon available funding.

01.10 LRC Policies:

Pursuant to KRS 45A.725, LRC has established policies which govern rates payable for certain

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professional services. These are located on the LRC webpage (<http://www.lrc.ky.gov/Statcomm/Contracts/homepage.htm>) and would impact any contract established under KRS 45A.690 et seq., where applicable.

01.15 Choice of Law and Forum:

All questions as to the execution, validity, interpretation, construction and performance of this agreement shall be governed by the laws of the Commonwealth of Kentucky. Furthermore, the parties hereto agree that any legal action which is brought on the basis of this agreement shall be filed in the Franklin County Circuit Court of the Commonwealth of Kentucky.

01.20 Cancellation:

The state agency shall have the right to terminate and cancel this agreement at any time not to exceed thirty (30) days' written notice served on the contractor by registered or certified mail.

01.25 Funding Out Provision:

The state agency may terminate this contract if funds are not appropriated to the contracting agency or are not otherwise available for the purpose of making payments without incurring any obligation for payment after the date of termination, regardless of the terms of the contract. The state agency shall provide the contractor thirty (30) calendar days written notice of termination of the contract.

01.30 Reduction in Contract Worker Hours

The Kentucky General Assembly may allow for a reduction in contract worker hours in conjunction with a budget balancing measure for some professional and non-professional service contracts. If under such authority the agency is required by Executive Order or otherwise to reduce contract hours, the contract will be reduced by the amount specified in that document.

01.35 Authorized to do Business in Kentucky:

The contractor affirms that it is properly authorized under the laws of the Commonwealth of Kentucky to conduct business in this state and will remain in good standing to do business in the Commonwealth of Kentucky for the duration of any contract awarded.

The Contractor shall maintain certification of authority to conduct business in the Commonwealth of Kentucky during the term of this Contract. Such registration is obtained from the Secretary of State, who will also provide the certification thereof.

01.40 Registration with the Secretary of State by a Foreign Entity.

Pursuant to KRS 45A.480(1)(b), an agency, department, office, or political subdivision of the Commonwealth of Kentucky shall not award a state contract to a person that is a foreign entity required by [KRS 14A.9-010](#) to obtain a certificate of authority to transact business in the Commonwealth ("certificate") from the Secretary of State under [KRS 14A.9-030](#) unless the person produces the certificate within fourteen (14) days of the bid or proposal opening. Therefore, foreign entities should submit a copy of their certificate with their solicitation response. If the foreign entity is not required to obtain a certificate as provided in [KRS 14A.9-010](#), the foreign entity should identify the applicable exception in its solicitation response. Foreign entity is defined within [KRS 14A.1-070](#).

For all foreign entities required to obtain a certificate of authority to transact business in the Commonwealth, if a copy of the certificate is not received by the contracting agency within the time frame identified above, the foreign entity's solicitation response shall be deemed non-responsive or the awarded contract shall be cancelled.

Businesses can register with the Secretary of State at

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<https://secure.kentucky.gov/sos/ftbr/welcome.aspx> .

01.45 Invoices for fees:

The contractor shall maintain supporting documents to substantiate invoices and shall furnish same if required by state government.

Pursuant to KRS 45A.695, no payment shall be made on any personal service contract unless the individual, firm, partnership, or corporation awarded the personal service contract submits its invoice for payment on a form established by the committee.

*Invoice form is available on the Legislative Research Commission, Government Contract Review Committee website: <http://www.lrc.ky.gov/Statcomm/Contracts/homepage.htm>

01.50 Travel expenses, if authorized:

The contractor shall be paid for no travel expenses unless and except as specifically authorized by the specifications of the contract.

01.55 Other expenses, if authorized herein:

The contractor shall be reimbursed for no other expenses of any kind, unless and except as specifically authorized within the specifications of the contract.

If the reimbursement of such expenses is authorized, the reimbursement shall be only on an out-of-pocket basis. Request for payment of same shall be processed upon receipt from the contractor of valid, itemized statements submitted periodically for payment at the time any fees are due. The contractor shall maintain supporting documents that substantiate every claim for expenses and shall furnish same if requested by state government.

- # Invoicing for fee: the contractor's fee shall be original invoice(s) and shall be documented by the contractor. The invoice(s) must conform to the method described in the specifications of the contract.
- # Invoicing for travel expenses: the contractor must follow instructions described in the specifications of the contract. Either original or certified copies of receipts must be submitted for airline tickets, motel bills, restaurant charges, rental car charges, and any other miscellaneous expenses.
- # Invoicing for miscellaneous expenses: the contractor must follow instructions prescribed in the specifications of the contract. Expenses submitted shall be documented by original or certified copies.

01.60 Purchasing and specifications:

The contractor certifies that he will not attempt in any manner to influence any specifications to be restrictive in any way or respect nor will he attempt in any way to influence any purchasing of services, commodities or equipment by the Commonwealth of Kentucky. For the purpose of this paragraph and the following paragraph that pertains to conflict-of interest laws and principles, "he" is construed to mean "they" if more than one person is involved and if a firm, partnership, corporation, or other organization is involved, then "he" is construed to mean any person with an interest therein.

01.65 Conflict-of-interest laws and principles:

The contractor certifies that he is legally entitled to enter into this contract with the Commonwealth of Kentucky, and by holding and performing this contract will not be violating either any conflict of interest statute (KRS 45A.330-45A.340, 45A.990, 164.390), or KRS 11A.040 of the executive branch code of ethics, relating to the employment of former public servants.

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01.70 Campaign finance:

The contractor certifies that neither he/she nor any member of his/her immediate family having an interest of 10% or more in any business entity involved in the performance of this contract, has contributed more than the amount specified in KRS 121.056(2), to the campaign of the gubernatorial candidate elected at the election last preceding the date of this contract. The contractor further swears under the penalty of perjury, as provided by KRS 523.020, that neither he/she nor the company which he/she represents, has knowingly violated any provisions of the campaign finance laws of the Commonwealth, and that the award of a contract to him/her or the company which he/she represents will not violate any provisions of the campaign finance laws of the Commonwealth.

01.75 Access to Records:

The contractor, as defined in KRS 45A.030 (9) agrees that the contracting agency, the Finance and Administration Cabinet, the Auditor of Public Accounts, and the Legislative Research Commission, or their duly authorized representatives, shall have access to any books, documents, papers, records, or other evidence, which are directly pertinent to this contract for the purpose of financial audit or program review. Records and other prequalification information confidentially disclosed as part of the bid process shall not be deemed as directly pertinent to the contract and shall be exempt from disclosure as provided in KRS 61.878(1)(c). The contractor also recognizes that any books, documents, papers, records, or other evidence, received during a financial audit or program review shall be subject to the Kentucky Open Records Act, KRS 61.870 to 61.884.

In the event of a dispute between the contractor and the contracting agency, Attorney General, or the Auditor of Public Accounts over documents that are eligible for production and review, the Finance and Administration Cabinet shall review the dispute and issue a determination, in accordance with Secretary's Order 11-004. (See attachment)

01.80 Protest

Pursuant to KRS 45A.285, The Secretary of the Finance and Administration Cabinet, or his designee, shall have authority to determine protests and other controversies of actual or prospective Vendors in connection with the solicitation or selection for award of a Master Agreement or Contract.

Any actual or prospective Vendor, who is aggrieved in connection with the solicitation or selection for award of a Master Agreement or Contract, may file protest with the Secretary of the Finance and Administration Cabinet. A protest or notice of other controversy must be filed promptly and in any event within two (2) calendar weeks after such aggrieved person knows or should have known of the facts giving rise thereto. All protests or notices of other controversies must be in writing and shall be addressed to

Lori H. Flanery, Secretary
Commonwealth of Kentucky
Finance and Administration Cabinet
Room 383, New Capitol Annex
702 Capitol Avenue

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Frankfort, KY 40601
Phone #: (502) 564-4240
Fax #: (502) 564-6785

The Secretary of Finance and Administration Cabinet shall promptly issue a decision in writing. A copy of that decision shall be mailed or otherwise furnished to the aggrieved party and shall state the reasons for the action taken.

The decision by the Secretary of the Finance and Administration Cabinet shall be final and conclusive.

01.85 Social security: (check one)

_____ the parties are cognizant that the state is not liable for social security contributions pursuant to 42 U.S. Code, section 418, relative to the compensation of the second party for this contract.

_____ the parties are cognizant that the state is liable for social security contributions pursuant to 42 U.S. Code, section 418, relative to the compensation of the second party for this contract.

01.90 Violation of tax and employment laws:

KRS 45A.485 requires the contractor to reveal to the Commonwealth, prior to the award of a contract, any final determination of a violation by the contractor within the previous five (5) year period of the provisions of KRS chapters 136, 139, 141, 337, 338, 341, and 342. These statutes relate to the state sales and use tax, corporate and utility tax, income tax, wages and hours laws, occupational safety and health laws, unemployment insurance laws, and workers compensation insurance laws, respectively.

To comply with the provisions of KRS 45A.485, the contractor shall report any such final determination(s) of violation(s) to the Commonwealth by providing the following information regarding the final determination(s): the KRS violated, the date of the final determination, and the state agency which issued the final determination.

KRS 45A.485 also provides that, for the duration of any contract, the contractor shall be in continuous compliance with the provisions of those statutes which apply to the contractor's operations, and that the contractor's failure to reveal a final determination as described above or failure to comply with the above statutes for the duration of the contract, shall be grounds for the Commonwealth's cancellation of the contract and the contractor's disqualification from eligibility for future state contracts for a period of two (2) years.

Contractor must check one:

_____ The contractor has not violated any of the provisions of the above statutes within the previous five (5) year period.

_____ the contractor has violated the provisions of one or more of the above statutes within the previous five (5) year period and has revealed such final determination(s) of violation(s). A list of such determination(s) is attached.

01.95 Discrimination:

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Discrimination (because of race, religion, color, national origin, sex, age, or disability) prohibited. This section applies only to contracts utilizing federal funds, in whole or in part. During the performance of this contract, the contractor agrees as follows:

1. The contractor will not discriminate against any employee or applicant for employment because of race, religion, color, national origin, sex or age. The contractor further agrees to comply with the provisions of the Americans with Disabilities Act (ADA), Public Law 101-336, and applicable federal regulations relating thereto prohibiting discrimination against otherwise qualified disabled individuals under any program or activity. The contractor agrees to provide, upon request, needed reasonable accommodations. The contractor will take affirmative action to ensure that applicants are employed and that employees are treated during employment without regard to their race, religion, color, national origin, sex, age or disability. Such action shall include, but not be limited to the following; employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensations; and selection for training, including apprenticeship. The contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices setting forth the provisions of this non-discrimination clause.
2. The contractor will, in all solicitations or advertisements for employees placed by or on behalf of the contractor, state that all qualified applicants will receive consideration for employment without regard to race, religion, color, national origin, sex, age or disability.
3. The contractor will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice advising the said labor union or workers' representative of the contractor's commitments under this section, and shall post copies of the notice in conspicuous places available to employees and applicants for employment. The contractor will take such action with respect to any subcontract or purchase order as the administering agency may direct as a means of enforcing such provisions, including sanctions for noncompliance.
4. The contractor will comply with all provisions of Executive Order No. 11246 of September 24, 1965 as amended, and of the rules, regulations and relevant orders of the Secretary of Labor.
5. The contractor will furnish all information and reports required by Executive Order No. 11246 of September 24, 1965, as amended, and by the rules, regulations and orders of the Secretary of Labor, or pursuant thereto, and will permit access to his books, records and accounts by the administering agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations and orders.
6. In the event of the contractor's noncompliance with the nondiscrimination clauses of this contract or with any of the said rules, regulations or orders, this contract may be cancelled, terminated or suspended in whole or in part and the contractor may be declared ineligible for further government contracts or federally-assisted construction contracts in accordance with procedures authorized in Executive Order No. 11246 of September 24, 1965, as amended, and such other sanctions may be imposed and remedies invoked as provided in or as otherwise provided by law.
7. The contractor will include the provisions of paragraphs (1) through (7) of section 202 of Executive Order 11246 in every subcontract or purchase order unless exempted by rules, regulations or orders of the Secretary of Labor, issued pursuant to section 204 of Executive Order No. 11246 of September 24, 1965, as amended, so that such provisions will be binding upon

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each subcontractor or vendor. The contractor will take such action with respect to any subcontract or purchase order as the administering agency may direct as a means of enforcing such provisions including sanctions for noncompliance; provided, however, that in the event a contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the agency, the contractor may request the United States to enter into such litigation to protect the interests of the United States.

END OF PSC STANDARD TERMS AND CONDTIONS

END OF RFP

ATTACHMENT

SECRETARY'S ORDER 11-004

FINANCE AND ADMINISTRATION CABINET

Vendor Document Disclosure

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WHEREAS, in order to promote accountability and transparency in governmental operations, the Finance and Administration Cabinet believes that a mechanism should be created which would provide for review and assistance to an Executive Branch agency if said agency cannot obtain access to documents that it deems necessary to conduct a review of the records of a private vendor that holds a contract to provide goods and/or services to the Commonwealth; and

WHEREAS, in order to promote accountability and transparency in governmental operations, the Finance and Administration Cabinet believes that a mechanism should be created which would provide for review and assistance to an Executive Branch agency if said agency cannot obtain access to documents that it deems necessary during the course of an audit, investigation or any other inquiry by an Executive Branch agency that involves the review of documents; and

WHEREAS, KRS 42.014 and KRS 12.270 authorizes the Secretary of the Finance and Administration Cabinet to establish the internal organization and assignment of functions which are not established by statute relating to the Finance and Administration Cabinet; further, KRS Chapter 45A.050 and 45A.230 authorizes the Secretary of the Finance and Administration Cabinet to procure, manage and control all supplies and services that are procured by the Commonwealth and to intervene in controversies among vendors and state agencies; and

NOW, THEREFORE, pursuant to the authority vested in me by KRS 42.014, KRS 12.270, KRS 45A.050, and 45A.230, I, Lori H. Flanery, Secretary of the Finance and Administration Cabinet, do hereby order and direct the following:

- I. Upon the request of an Executive Branch agency, the Finance and Administration Cabinet ("FAC") shall formally review any dispute arising where the agency has requested documents from a private vendor that holds a state contract and the vendor has refused access to said documents under a claim that said documents are not directly pertinent or relevant to the agency's inquiry upon which the document request was predicated.
- II. Upon the request of an Executive Branch agency, the FAC shall formally review any situation where the agency has requested documents that the agency deems necessary to conduct audits, investigations or any other formal inquiry where a dispute has arisen as to what documents are necessary to conclude the inquiry.
- III. Upon receipt of a request by a state agency pursuant to Sections I & II, the FAC shall consider the request from the Executive Branch agency and the position of the vendor or party opposing the disclosure of the documents, applying any and all relevant law to the facts and circumstances of the matter in controversy. After FAC's review is complete, FAC shall issue a Determination which sets out FAC's position as to what documents and/or records, if any, should be disclosed to the requesting agency. The Determination shall be issued

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within 30 days of receipt of the request from the agency. This time period may be extended for good cause.

IV. If the Determination concludes that documents are being wrongfully withheld by the private vendor or other party opposing the disclosure from the state agency, the private vendor shall immediately comply with the FAC's Determination. Should the private vendor or other party refuse to comply with FAC's Determination, then the FAC, in concert with the requesting agency, shall effectuate any and all options that it possesses to obtain the documents in question, including, but not limited to, jointly initiating an action in the appropriate court for relief.

V. Any provisions of any prior Order that conflicts with the provisions of this Order shall be deemed null and void.

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Top 10 Higher Education State Policy Issues for 2012

by the AASCU State Relations
and Policy Analysis Team

While history was witness to many notable events that affected the United States and the world in 2011, the defining theme of the year was that of an increasingly and dangerously fragile interconnected global economy. The cascading effect of the lackluster domestic economy on higher education was felt in its most acute form yet, with 2011 marking a new low point in state funding for public colleges and universities. Hundreds of millions of dollars in funding cuts, combined with increasing student enrollments, resulted in per-student funding reaching a 30-year low.

Coming off the heels of the 2010 elections and the ensuing wave of fiscal conservatism that swept over many state legislatures and gubernatorial offices, public college and university leaders were challenged with navigating the shifting state policy landscape in their efforts to maintain the essential missions of these public institutions. For many, 2011 seemed to have marked a somber turning point in which the major stock owner of the American public university switched hands—from that of the collective taxpayer, through funding allocated by the state, to that of students and their families, through funding paid for via tuition payments.

And while 2011 was a stressful year for all stakeholders in the American academy, state lawmakers and campus leaders worked to mitigate the impact of what at times appears to be an irreversible slide of U.S. public higher education being a collectively-funded public good to that of an individually purchased private good. The protracted period of fiscal austerity in the public financing of higher education has, in many states, simultaneously spurred policy reform and campus innovation. The ongoing economic and budgetary conditions have led to a redoubling of efforts to move the dial on many measures, among them: college readiness, student success, institutional productivity and instructional delivery, all the while maintaining, if not improving, the academic quality for which U.S. public universities are renowned. At the state level, in the absence of new funding, this work has been borne out of efforts to provide greater flexibility to campuses and to strategically allocate resources in a manner that incentivizes institutions to achieve state educational and economic goals.

What lies ahead for 2012? Presented here are the top 10 state issues most likely to be at the forefront of discussion and action that will affect public higher education across the 50 states, in the view

of the state relations and policy analysis staff at the American Association of State Colleges and Universities (AASCU). This synopsis is informed by an environmental scan of state policy activities, current trends and events that will continue to shape the policy landscape. Some issues are perennial in nature, while others reflect attention to near-term actions in state policy and events that shape public discourse.

It is abundantly clear that one overarching issue is dominant and infused throughout this discussion of top higher education state policy issues: college affordability. While long a theme of American public higher education, the issue has reached a crescendo. The ten issues briefly discussed below share an overarching and common goal of restraining the rise in college prices. A second pervasive theme underlying state and institutional policy efforts is a shift in conversation from one that has been acutely focused on college access to one that is focused more broadly on both access and completion. It has become increasingly clear that meeting U.S. educational attainment goals and ensuring economic competitiveness will require a concerted effort to get a larger proportion of students across the degree completion finish line.

#1—State Operating Support for Public Higher Education

Topping the list for the fourth consecutive year is state funding for public higher education. The impact of reductions in legislatively-allocated taxpayer appropriations for colleges and universities is profound, negatively affecting virtually every aspect of the campus enterprise. Much attention will be on states' budget plans for fiscal year 2013 to see if the budget year that begins July 1 in most states will see improvement in higher education funding from the current fiscal year, which witnessed funding reductions in 36 states—15 of which saw double-digit decreases. Despite a weak U.S. growth forecast and stubbornly high unemployment rates, state revenues have picked up considerably since the depth of the Great Recession in 2008, with a 2012 forecast calling for a continued revenue growth trajectory.

Despite having closed budget gaps of more than a half trillion dollars in recent years, states continue to deal with budget imbalances caused by insufficient revenue streams and a multitude of spending pressures. The greatest pressure point will come from states' Medicaid spending commitments, which according to one estimate, are slated to increase nearly 29 percent in fiscal year 2012 alone. State budget pressure points include the funding of state public employee health programs, state employee pension programs and unemployment insurance programs, as well as meeting K-12 education funding commitments—among others—all of which may continue to drown out higher education as a state funding priority.

#2—Productivity (The Cost of Providing a College Education)

Given its utilitarian connotations, the term “productivity” has historically been eschewed by many who have been most closely associated with the core teaching and learning functions within the academy. Yet, with few exceptions, the perceived importance of productivity improvement has changed mightily in recognition of the overused axiom that has come to define the state of higher education funding in a post-Great Recession America: Public college and universities are operating in a “new normal” era. There is now a consensus that it may take years for state funding levels for higher education to reach pre-recession levels. Yet, with the mission of public colleges and universities inextricably tied to the economic, cultural and social vitality of the states in which they reside, considerable focus is being given by state lawmakers and campus and system leaders alike to maximize the utility of all resources in the pursuit of boosting student outcomes without diluting academic quality. This has led to considerable state policy activity, especially as it involves the next three state policy issue areas.

#3—Governance Restructuring and Regulatory Reform

With an eye toward saving money, reducing state bureaucracy and increasing effectiveness, lawmakers

in several states have proposed and enacted reforms in higher education governance. These include consolidation measures such as combining, reducing or eliminating coordinating and governing boards. State lawmakers in the year ahead will continue to pursue regulatory reforms aimed at boosting efficiency, cost savings and productivity, while also ensuring institutional accountability and transparency. In lieu of new, additional state operating monies, lawmakers have shown an increased willingness to provide institutions with greater flexibilities, often accompanied with incentives, while also holding them accountable for meeting agreed-to measures of performance on an array of outcomes. An easing of state regulatory burdens will manifest in the form of providing public universities with greater control over fiscal matters, such as those involving tuition setting authority, procurement, personnel policy and rules regarding campus construction.

#4—College Completion

While college access continues to climb, college completion—those who actually earn a degree once enrolled—has generally remained stagnant in recent decades. Although the U.S. ranks third in the percentage of 55-64-year-olds that hold a college degree, the 25-34-year-old age group ranks a disappointing twelfth. Responding to these trends, the Obama administration set a goal for the U.S. to once again become the world's leader in higher education attainment by 2020. This ambitious undertaking requires the nation to increase the number of graduates that hold a postsecondary degree or certificate by fifty percent by the decade's end. This means that college completion will remain a top priority for states in the upcoming year.

Data show that there will be an increase in careers/jobs that require a postsecondary degree or certificate, illustrating the importance of college completion as a key tool in the growth and sustained success of the U.S. economy's ability to remain competitive on a global scale. A number of nationally funded initiatives and programs have been introduced in recent years to address the issue of college completion and to help states implement their

completion goals. While the challenge of increasing citizens' educational attainment rates has gained national attention, it is up to individual states to carry out their specific completion agendas. 2012 will witness an increased focus on collaboration between states and public colleges and universities in their collective efforts to address regional workforce needs and to increase the production of postsecondary degrees and certificates.

#5—Performance-based Funding

With encouragement from major players in American higher education, including the Lumina Foundation, the National Governors Association (NGA) and the U.S. Department of Education, performance-based funding (PBF) re-emerged as a popular higher education financing and productivity improvement strategy in 2011. Some 17 states are either discussing or designing PBF systems, with a number of them developing new approaches linking appropriations and campus performance.

The PBF trend is fueled by the need for increased productivity in public higher education. The demand for more skilled graduates, coupled with substantial state funding cuts, has led to calls for greater efficiency within the academic enterprise. While PBF has a mixed history of success, advances in institutional and state data systems and best practices garnered by previous PBF attempts have led to more sophisticated efforts to link state funding and institutional outcomes. 2011 yielded a clarion call for productivity improvement in higher education; innovative PBF systems designed and unveiled throughout the U.S. in 2012 will be a manifestation of the advanced role being played by this funding mechanism.

#6—Tuition Policy

Tuition prices, tuition caps and authority to set tuition levels will continue to be major state public policy issues in 2012. State funding for higher education has not kept pace with growing student enrollments, resulting in significantly less funding per student and leaving students and families to pay a greater share

of college costs while accumulating record high debt levels. This has led to intense protests in 2011 against this trend, and there is evidence to suggest this will continue in 2012.

Tuition and fee increases varied greatly from state to state in 2011, with the average published in-state tuition and fees rate increasing 8.3 percent, or \$631, to an average \$8,244 at public, four-year colleges and universities. The total cost of attendance, which includes room and board, increased 6 percent to \$17,131. Over the last five years, the published tuition rate at these institutions increased 5.1 percent over the rate of inflation. It is important to note, however, that the net tuition and fee rate, which includes increases in financial aid, increased only 1.6 percent beyond the rate of inflation during the same period.

Higher tuition and fees levels, coupled with many state governments contributing record-low proportions of institutional budgets, led legislatures, university systems and campuses to reconsider their roles and relationships in 2011. Tuition-setting authority was a core component of the changing compact between these entities, with some movement in tuition deregulation from states to systems and individual campuses. In many instances, states have granted institutions wider discretion over tuition policy in exchange for a commitment to meet specified productivity- and accountability-related measures. Discussions involving tuition-setting authority, tuition caps and other tuition related policies will continue to be major issues for state policymakers and university leaders in the coming year.

#7—State Student Grant Program Funding and Reform

As the country's economic troubles grind on and more students apply for state financial aid, states have continued to cut or suspend both need- and merit-based student financial aid grant programs. While nationwide data on state financial aid cuts and/or suspensions are not yet available for the 2011-12 academic year, individual state-level cuts ranging from 15 percent in one legislative year to 70

percent over two legislative years were reported in 2011. In addition, the federal Leveraging Educational Assistance Program (LEAP), a federal matching program for state need-based aid programs, was eliminated in March 2011. The full effects of the LEAP cuts—combined with the simultaneous elimination of the federally funded but state-administered Robert F. Byrd Honors Scholarship merit aid program—will be clearer in 2012. Given the strain on state budgets, cuts to state aid programs and the increasing number of aid applicants, political discussions regarding the appropriate balance between need-based and merit-based aid will continue to take place in 2012.

Some higher education researchers are currently investigating how state grant programs could potentially ease access burdens for needy students and more efficiently target aid dollars. Research topics range from restoring previously cut need-based aid programs to simplifying the federal FAFSA form, which many states require students use in their application for state financial aid. Many of these projects are still in the preliminary research or recommendation stages. As was true in 2011, the only certainty on the state student aid grant front in 2012 is that there will be no lack of student demand for funds and an increasingly uncertain level of supply from cash-strapped states.

#8—College Readiness

College readiness will continue to be a critical issue in the year ahead, with added urgency as states strive to meet college completion goals with ever-shrinking resources. The coming year will witness substantial focus on the implementation of the Common Core State Standards (CCSS), with invigorated efforts to bring about effective collaboration between the K-12 and postsecondary sectors.

For decades, state policymakers have undertaken a variety of efforts to improve college readiness, but a recurring obstacle has been the lack of connection between secondary and postsecondary education systems. This has resulted in great variability across states in K-12 education standards, lack of alignment between high school and college expectations, and

continued high rates of postsecondary remediation. In 2009, a major breakthrough occurred when the National Governors Association and the Council of Chief State School Officers (CCSSO) came together to coordinate the Common Core State Standards Initiative, an effort to develop uniform national standards for college and career readiness. In 2010, academic content standards for English language arts and mathematics were released and have since been adopted by 45 states. A crucial second step will be the development of assessments aligned to the CCSS. Federal Race to the Top funds currently support two consortia involved in this activity: the Partnership for Assessment of Readiness for College and Careers (PARCC) and the SMARTER Balanced Assessment Consortium. Another major advance occurred in late 2010 when AASCU, CCSSO and the State Higher Education Executive Officers (SHEEO) announced a partnership to facilitate the implementation of the new standards. This collaboration is working to bring together essential partners around CCSS implementation issues and will address the integration of CCSS into pre-service and in-service teacher education.

#9—Veterans Education

Military and veterans education issues have increasing state and federal implications. In fiscal year 2010, according to the National Center for Veterans Analysis and Statistics, there were over 800,000 Veterans Administration education program beneficiaries. The Post-9/11 GI Bill alone, enacted in 2009, drew over 400,000 veteran students to colleges and universities across the country between fiscal years 2009 and 2010. Given both the withdrawal of U.S. troops in Iraq and the effect of 2010 amendments expanding the Post-9/11 GI Bill, the number of veterans using education benefits is anticipated to grow further.

However, the Post-9/11 GI Bill amendments—most notably the “last payer” provision, which requires higher education institutions to deduct most other financial assistance received by a veteran student, including state financial aid/state tuition waiver programs, when certifying Post-9/11 GI Bill eligibility—do not always coordinate smoothly with the rules

governing individual state assistance programs for veteran students. In addition, on the active-duty military education front, the ongoing higher education issues surrounding the Department of Defense (DoD) standardized Memorandum of Understanding (MOU) for institutions participating in the Tuition Assistance (TA) program continue to play out on both state and federal levels. Thus, states, higher education institutions and an increasing number of veteran students will continue to face policy and implementation questions regarding the interplay of state and federal veterans education benefits in 2012 and beyond.

#10—Immigration Policy

With pressing unresolved issues pertaining to unauthorized immigrants—along with repeated failure at federal immigration reform—state legislatures across the nation have been taking immigration matters into their own hands. In recent years, they have introduced and enacted record numbers of bills and resolutions, including controversial laws eliciting backlash and legal challenges. In this context, concerns about undocumented college students represent one part of this movement, with bills designed either to expand or to restrict the educational opportunities of these individuals. Activity will continue at a high level in 2012, characterized by heightened levels of partisanship.

The primary issue of the past decade centers on whether undocumented students should qualify for in-state tuition, which helps improve affordability and increase access for these students. Thirteen states now allow this, including two states that passed legislation in 2011 and one state that approved in-state tuition through board action last year. On the other side of the matter, four states currently prohibit in-state tuition for undocumented students, and other states have been working to reverse existing in-state tuition laws. A second more recent issue centers on the ability of undocumented students to enroll in college at all. Three states now ban enrollment at some or all of their public institutions of higher education. Significantly, at least eight states attempted to ban enrollment in 2011, though only one

succeeded. A final issue is whether undocumented students should be entitled to state student financial aid. In 2011, two additional states moved in this direction, allowing some private and/or public funds to go to undocumented students, bringing the total number of states that offer this to four. All of these issues will be under discussion in the coming year.

Conclusion

In addition to the 10 higher education issues discussed above, several others will see plenty of discussion and debate in the 2012 state policy arena. Funding campuses' critical infrastructure and capital improvement needs (deferred maintenance) is an issue many legislatures will seek to address. The continued development of state level student longitudinal data systems will take place, and with it, efforts to maximize the utility of such systems to boost accountability and inform strategies for meeting state educational and workforce goals.

Additionally, the recurring issues of teacher education, concealed weapons on public college campuses, and student enrollment policy, especially as it pertains to capacity pressures in many states, will see continued strong activity in 2012. An issue gaining increasing attention concerns states' oversight and consumer protection as it relates to for-profit education providers, reflected in growing activity in recent months by a number of state attorneys general.

The prolonged economic downturn has reaffirmed the value postsecondary education provides to economic security and the social well-being of individuals, states and the nation. The connection between prosperity and postsecondary education will be evidenced vividly in 2012 by a focus on how, despite ongoing fiscal challenges, states can utilize sound public policy to foster continued access to, and success in, college for all those who seek to derive the benefits of a postsecondary education.

AASCU State Relations and Policy Analysis Team

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