

**Council on Postsecondary Education
September 28, 2008**

2008-09 Agency Operating Budget

ACTION: The staff recommends that the Council approve the Fiscal Year 2008-09 agency operating budget.

The 2008 General Assembly enacted House Bill 406 providing appropriations to the Council of \$87,384,700 for FY 2008-09.

General Fund	\$53,946,000
Tobacco Settlement Funds	5,586,100
Restricted Funds	8,753,200
Federal Funds	<u>19,099,400</u>
TOTAL	\$87,384,700

The FY 2008-09 agency operating budget details revenues (including appropriations, anticipated appropriation increases, and carry-forward amounts) and expenditures proposed for FY 2008-09, and presents comparative information from FY 2007-08.

The Council operates four major budget areas: (1) operations, (2) pass-through programs, (3) strategic investment and incentive funding programs, and (4) federal programs. Within each of these major areas, additional financial and narrative detail is provided. The operations budget is presented as a consolidation of agency operations, KYVC/KYVL (excluding databases and other contracts), and Kentucky Adult Education. Pass-through programs represent funds for which the Council has been designated as the receiving agency but are intended for programs and activities conducted by outside entities. Strategic investment and incentive funding programs include both trust funds and funding programs.

The proposed budget is divided into five sections:

Section 1	Agency Summary
Section 2	Operations
Section 3	Pass-Through Programs
Section 4	Strategic Investment and Incentive Funding Programs
Section 5	Federal Funds

Budget Highlights

The Council's budget for FY 2008-09 should be reviewed in the context of the state's austere financial and budget climate. Since mid-year of FY 2007-08, the state imposed three budget reductions on state agencies.

The first budget reduction decreased General Funds to the Council by 3 percent (\$1,988,200), as well as the reduction of \$250,000 in restricted agency funds, and \$1.2 million in accumulated interest earnings on Council trust funds.

The second budget reduction occurred as the Governor and the General Assembly developed the 2008-10 biennial budget. The Council's budget for FY 2008-09 was reduced by another \$5,163,900 in General Funds and another \$200,000 in accumulated interest earnings on Council trust funds.

The third budget reduction was applied to the FY 2008-09 budget in the form of "efficiency savings" imposed by the appropriations bill (HB 406) enacted by the 2008 General Assembly. This resulted in a further reduction in General Funds of \$1,369,000. Kentucky Adult Education programs were exempt from this cut, but all other Council programs received a 4.5 percent General Fund reduction.

Highlighted below are noteworthy facts on the recommended Council budget for 2008-09.

Operations

- To help better manage costs, there was an organizational transfer of Kentucky Virtual Campus and Virtual Library technology contracts for databases, software licenses, computer hubs, and courier services from operations to the Technology Trust Fund.
- Approximately 79 percent of the operations budget is for salaries and fringe benefits for Council employees.
- The three rounds of budget cuts for operations, including the mid-year 2007-08, the enacted 2008-10, and the 2008-09 efficiency cuts, totaled approximately \$500,000, and necessitated a current reduction of eight full-time staff, an 8 percent decrease.
- The cuts of recurring General Funds to support Council staff positions at previous levels, in addition to other personnel vacancies that historically occur throughout the year, provide unique challenges in terms of making sure all General Funds used for operations do not lapse while at the same time trying to effectively manage unnecessary accumulations of one-time, nonrecurring funds.
- Most other operations budget items, such as rent, utilities, travel, office supplies, etc., were basically flat-lined for 2008-09.

Pass-Through Programs

- Budget reductions over the past year resulted in funding decreases to several programs including the Professional Education Preparation Program, the Governor's

Minority Student College Preparation Program, the Autism Training Center, the SREB Doctoral Scholars, and the Washington Internship Program.

- Budget reductions also resulted in the elimination of recurring General Funds for several pass-through programs including Metroversity Consortium, Telecommunications Consortium, and Kentucky Rural Development Center.
- Kentucky's contract spaces program (veterinary and optometry seats at out-of-state institutions) was increased in 2008-09. The veterinary medicine program will receive funding for 10 new seats each year of the biennium.

Strategic Investment and Incentive Funding Programs

- Included in the 2008-09 budget is the authorization for the fourth round of Bucks for Brains (Endowment Match Program) which totals \$60 million.
- In addition, the University of Louisville received \$7.5 million to support translational research.
- The Ovarian Cancer Screening program increased from \$775,000 to \$975,000 per year.
- As stated in the operations section, there was an organizational transfer of Kentucky Virtual Campus and Virtual Library technology contracts for databases, software licenses, computer hubs, and courier services from operations to the Technology Trust Fund.
- General Fund budget reductions resulted in significant funding decreases to KYVC/ML programs and services, with negative statewide implications for access.
- Statewide strategic science and technology investments and the return on these investments will be reduced in 2008-09 due to a nearly 20 percent cut in funding for programs administered by the Kentucky Science and Technology Corporation.
- The 2008-09 budget also eliminated two strategic initiatives, including recurring money for the performance funding pilot, as well as funds for the Principal Leadership Institute.

Federal Programs

- The Council will operate three federal programs in FY 2008-09: Kentucky Adult Education, GEAR UP Kentucky, and the Improving Educator Quality State Grant Program.