

**Council on Postsecondary Education  
November 5, 2007**

## Postsecondary Education Budget Recommendation for 2008-10 Double the Numbers Strategic Investments

Strategic investments for postsecondary education are recommended as the Council's second priority in the 2008-10 biennium. Strategic investments include institutional investments that advance the Commonwealth's Double the Numbers imperative, CPE trust funds and funding programs, and pass-through programs. The staff recommends that the Council request appropriations of \$82,263,600 in 2008-09 and \$139,274,000 in 2009-10 to provide General Fund support for Kentucky postsecondary education strategic initiatives.

<i>Strategic Investments</i>	<i>FY 2008-09</i>	<i>FY 2009-10</i>
Institutional Double the Numbers Investments	\$28,000,000	\$48,500,000
CPE Trust Funds & Funding Programs	46,836,100	83,184,100
Pass-Through Programs	7,427,500	7,589,900
<b>Total</b>	<b>\$82,263,600</b>	<b>\$139,274,000</b>

### I. Institutional Double the Numbers Investments

In October 2007, a report entitled *Double the Numbers: Kentucky's Plan to Increase College Graduates* was presented to the Council. The fundamental message of that report is that Kentucky must double the number of college graduates living within its borders, from 400,000 in 2000, to approximately 800,000 in 2020, to achieve the HB 1 goal of raising the educational attainment level of state residents in order to achieve the national average. The report identifies five strategies for achieving the Double the Numbers goal, including: (1) raising high school graduation rates, (2) increasing the number of GED graduates and transition more to college, (3) enrolling more first-time students in KCTCS and transfer them to four-year programs, (4) increasing the number of Kentuckians going to and completing college, and (5) attracting college-educated workers to the state and creating new jobs for them.

The staff recommends that the Council request appropriations of \$28,000,000 in 2008-09 and \$48,500,000 in 2009-10 to support three institutional, strategic investment initiatives that will advance the Council's Double the Numbers plan: (a) developmental education, (b) statewide priorities, and (c) KCTCS Student Access Initiative. A summary of recommended funding increases and program descriptions follows:

<i>Institutional Double the Numbers Investments</i>	<i>FY 2008-09</i>	<i>FY 2009-10</i>
Developmental Education	\$5,500,000	\$8,500,000
Statewide Priorities	15,000,000	25,000,000
KCTCS Student Access Initiative	7,500,000	15,000,000
<b>Total</b>	<b>\$28,000,000</b>	<b>\$48,500,000</b>

**Developmental Education:** Per recommendations from the Council’s Developmental Education Task Force, this initiative is designed to support programmatic redesign and additional infrastructure needed to improve the success rates of developmental education students at Kentucky’s public postsecondary institutions. The staff recommends appropriations of \$5,500,000 in 2008-09 and \$8,500,000 in 2009-10 to support the developmental education initiative. If approved, the 2008-09 appropriation will be allocated among the public four-year universities in amounts of \$500,000 per institution, with \$1.5 million allocated to KCTCS to support infrastructure improvements. In 2009-10, an additional \$3,000,000 over the prior year will be allocated to the public postsecondary institutions based on a developmental education index derived by combining the number of first-year developmental education students at each institution with the average level of underpreparedness of the students. The resulting allocation follows:

	<u>2008-09</u>	<u>2009-10</u>
Eastern Kentucky University	\$500,000	\$761,600
Kentucky State University	500,000	582,800
Morehead State University	500,000	702,700
Murray State University	500,000	585,500
Northern Kentucky University	500,000	746,200
Western Kentucky University	500,000	868,400
University of Kentucky	500,000	567,500
University of Louisville	500,000	576,600
KCTCS	<u>1,500,000</u>	<u>3,108,700</u>
<b>Total</b>	<b>\$5,500,000</b>	<b>\$8,500,000</b>

These numbers do not include a 3.3 percent inflationary adjustment on 2008-09 developmental education funds that accrues in the second year of the biennium, which is accounted for in the inflationary increases section of the continuing operations agenda item. Program funds will be distributed to participating institutions upon receipt of a plan that outlines each institution’s proposed developmental education program improvements and includes short-term outcomes related to improved student success (i.e., persistence rates of developmental education students, an increase in the average number of credit hours passed by developmental education students, etc.). Guidelines for these plans will be presented at the January 2008 Council meeting. Based on a developmental education cost study conducted by Council staff, the recommended \$8.5 million annual investment will represent

approximately a 25 percent increase in funds being spent on developmental education among the public postsecondary institutions.

In addition to the institutional funding described above, a developmental education component has been incorporated into the Council’s proposed Degree Production Performance Fund, which provides performance awards to institutions that graduate underprepared students. It is estimated that as much as \$1.0 million over the biennium will be awarded among participating institutions for this purpose. Finally, the trust fund/funding program recommendation contains a request for \$1.8 million each year of the biennium to support statewide or system-level developmental education initiatives.

**Statewide Priorities:** This initiative is designed to support statewide priorities included in board-approved, institutional business plans related to research, regional stewardship, workforce development, transfer, STEM, college outreach and extension programs, graduate education, academic quality, diversity, and adult learners, among others. The staff recommends appropriations of \$15,000,000 in 2008-09 and \$25,000,000 in 2009-10 to support statewide priorities and public postsecondary institution business plans. If approved, the appropriations for 2008-09 and 2009-10 will be allocated among the public institutions based on each institution’s share of 2007-08 net total public funds, defined as gross General Fund appropriation minus debt service and mandated programs, plus gross tuition and fee revenue. The resulting allocation follows:

	<u>2008-09</u>	<u>2009-10</u>
Eastern Kentucky University	\$1,317,200	\$2,195,300
Kentucky State University	285,000	475,200
Morehead State University	719,500	1,199,100
Murray State University	964,200	1,607,000
Northern Kentucky University	1,088,400	1,814,000
Western Kentucky University	1,533,800	2,556,300
University of Kentucky	3,740,400	6,234,000
University of Louisville	2,544,600	4,241,000
KCTCS	<u>2,806,900</u>	<u>4,678,100</u>
<b>Total</b>	<b>\$15,000,000</b>	<b>\$25,000,000</b>

These numbers do not include a 3.3 percent inflationary adjustment on 2008-09 statewide priorities funds that accrues in the second year of the biennium, which is accounted for in the inflationary increases section of the continuing operations agenda item. If it meets the approval of the Governor and General Assembly, the Council staff will request that language be added to the budget bill so that a portion of these funds be appropriated, but not allotted, until plans and intended goals or outcomes are approved by the Council. Only upon goal or outcome attainment, and Council action, will funding become recurring to a university’s base operating budget. Guidelines for these plans will be presented at the January 2008 Council meeting.

**KCTCS Student Access Initiative:** For many Kentucky residents, the Kentucky Community and Technical College System (KCTCS) is an important, first point of access to the collegiate experience. About half of all students who enrolled at a Kentucky public postsecondary institution during fall semester 2006 attended a KCTCS institution. Many of the system's students come from low-income or lower, middle-income families. Traditionally, KCTCS has represented a relatively low cost option but, in recent years, attending KCTCS has become less affordable. Between 2000 and 2006, tuition and fees at KCTCS more than doubled, growing from \$1,230 to \$2,616, respectively. A recent publication, *Measuring Up*, an influential national report card for higher education, gave Kentucky a failing grade for affordability in 2006, due in part to high tuition and fees at KCTCS. Without taking student financial aid into consideration, the lowest-income quintile (20 percent) in the state would need to pay about one-fourth (24 percent) of their annual family income to attend KCTCS fulltime, up from 14 percent in 1994. In a recent Southern Regional Education Board (SREB) report, average tuition and fees at Kentucky community colleges now ranks second highest among the 16 member states in the southern region. In 2006, median tuition and fees among SREB states was \$1,900, compared to \$2,900 in Kentucky. Kentucky also was higher than the national median, which was \$2,400.

To preserve its role as a crucial point of affordable access and its role in the Double the Numbers plan, the staff recommends a moratorium on tuition increases at KCTCS for the 2008-10 biennium. The staff recommends that the Council request appropriations of \$7,500,000 in 2008-09 and \$15,000,000 in 2009-10 to support a KCTCS Student Access Initiative that, once implemented, will help support costs of increased enrollment and degree production for the system. These funds will help KCTCS remain affordable for students from low-income families, increase the number and diversity of students in the education pipeline, and contribute to realization of Kentucky's 2020 educational attainment goals.

Per the Council's accountability system, KCTCS costs and outcomes will be reviewed by the Council annually and reported to the Interim Joint Committee on Appropriations and Revenue, the Interim Joint Committee on Education, the Strategic Committee on Postsecondary Education, and the Legislative Research Commission. This process will provide an opportunity to assess satisfactory progress for the intended strategic investment.

## II. CPE Trust Funds and Funding Programs

The staff recommends that the Council request appropriations of \$46,836,100 in 2008-09 and \$83,184,100 in 2009-10 for trust funds and funding programs. These amounts include additional budget requests of \$25,755,000 in 2008-09 and \$62,103,000 in 2009-10 over the 2007-08 General Fund appropriation to support a Double the Numbers degree production fund, debt service for a fourth round of Bucks for Brains, technology initiatives, STEM and New Economy related programs and activities, and other initiatives critical to attainment of HB 1 and CPE public agenda goals and objectives. A listing of proposed additional budget requests by trust fund or funding program is provided in the following table.

<i>Trust Fund or Funding Program</i>	<i>FY 2008-09</i>	<i>FY 2009-10</i>
Double the Numbers Funding Program	\$5,000,000	\$20,000,000
Research Challenge Trust Fund	0	15,958,000
Regional University Excellence Trust Fund	0	4,256,000
Postsecondary Workforce Development Trust Fund	0	1,064,000
Technology Initiative Trust Fund	2,705,000	2,775,000
Physical Facilities Trust Fund <sup>1</sup>	NA	NA
Science & Technology Funding Program	9,950,000	9,950,000
Adult Education Funding Program <sup>2</sup>	NA	NA
Special Initiatives Funding Program	8,100,000	8,100,000
<b>Total<sup>3</sup></b>	<b>\$25,755,000</b>	<b>\$62,103,000</b>

<sup>1</sup> Totals for the Physical Facilities Trust Fund are included in the Capital Projects section of this agenda item.

<sup>2</sup> Totals for adult education are included in the Continuing Operations section of this agenda item.

<sup>3</sup> Does not include additional budget requests of \$1,173,500 in 2007-08, \$899,900 in 2008-09, and \$994,400 in 2009-10 for lung cancer research funded with tobacco settlement funds.

### A. Double the Numbers Funding Program

The staff recommends that the Council request appropriations of \$5,000,000 in 2008-09 and \$20,000,000 in 2009-10 to support a Degree Production Performance Fund.

This strategic investment fund focuses direct attention on the Council’s Double the Numbers plan and provides an incentive for public four-year universities to increase bachelor’s degree production and for KCTCS to increase the number of associate degrees and transfers over the biennium. Additional priority funding is proposed to encourage STEM degrees, minority degrees, degrees from developmental education students, and students who transfer from KCTCS and complete bachelor’s degrees at Kentucky four-year institutions.

In 2008-09, public four-year universities will be allocated \$5,000 per each additional bachelor’s degree and an extra \$1,250 per each additional priority bachelor’s degree. For KCTCS, \$2,500 will be allocated per each additional associate degree and an extra \$625 per each additional priority associate degree and transfer to four-year institutions. In 2009-

10, the amounts allocated will increase to \$15,000 per each additional bachelor's degree and an extra \$3,750 per each additional priority bachelor's degrees. For KCTCS, \$7,500 will be allocated per each additional associate degree and an extra \$1,875 per each additional priority associate degree and transfer to four-year institutions.

Degree categories are NOT mutually exclusive, so a graduate can be in multiple categories. STEM degrees are identified in the STEM fields using the same list from the federal government used in the Council's data portal. Minority degrees are identified as non-white degrees. Developmental education degrees are identified as the number of graduates who had taken at least one developmental course during their academic career (this area may be slightly modified if better data on the number of underprepared students becomes available). KCTCS transfer degrees are college graduates at the public four-year institutions who were coded as first-time transfers from KCTCS at the awarding institution at some point during their academic career. For KCTCS, transfers to Kentucky four-year institutions are students who transfer from KCTCS to a Kentucky four-year institution.

In 2008-09, the performance year will be the two-year average of 2006-07 and 2007-08 and the base year will be the two-year average of 2005-06 and 2006-07. In 2009-10, the performance year will be the two-year average of 2007-08 and 2008-09 and the base year will be the two-year average of 2006-07 and 2007-08.

## **B. Research Challenge Trust Fund**

The staff recommends that the Council request an appropriation of \$15,958,000 in 2009-10 for the Research Challenge Trust Fund (RCTF) to pay debt service on a \$150 million bond issue that provides a fourth round of funding for the Endowment Match Program at the research universities. The Lung Cancer Research Fund is another initiative funded through the RCTF. This request seeks appropriations of \$5,864,700 in 2007-08, \$5,591,100 in 2008-09, and \$5,685,600 in 2009-10 for the Lung Cancer Research Fund, which is funded with tobacco settlement funds.

**Endowment Match Program:** The Endowment Match Program encourages private investment in public higher education research activities to stimulate business development, generate increases in externally sponsored research, create better jobs and a higher standard of living, and facilitate Kentucky's transition to a knowledge-based economy. The staff recommends an appropriation of \$15,958,000 in 2009-10 to pay debt service on a \$150 million bond issue, the proceeds of which will be used to fund chairs, professorships, research staffs and infrastructure, and graduate fellowships at the public research universities. State funds will continue to be matched dollar-for-dollar by the institutions. Program funds will be allocated and distributed based on 2008-10 Endowment Match Program Guidelines that will be presented to the Council in January 2008.

**Lung Cancer Research Fund:** The 2000 General Assembly created the Lung Cancer Research Fund to support research, conducted at UK's Markey Cancer Center and UofL's Brown Cancer Center, which explores the causes, detection, and treatments of lung cancer. The program benefits Kentuckians through discovery of new cancer therapies, clinical trials, and an early detection research program. The staff recommends appropriations of \$5,864,700 in 2007-08, \$5,591,100 in 2008-09, and \$5,685,600 in 2009-10 for the Lung Cancer

Research Fund. These amounts include additional budget requests of \$1,173,500 in 2007-08, \$899,900 in 2008-09, and \$994,400 in 2009-10 to fund grants with an emphasis on translational and clinical research, support recruitment and start-up costs for new faculty, expand a drug discovery and development program, and purchase equipment and technical materials essential for core programs. The source of funding for this program is tobacco settlement funds. As such, the recommended funding amounts are not included in the Council's General Funds request.

### **C. Regional University Excellence Trust Fund**

The staff recommends that the Council request an appropriation of \$4,256,000 in 2009-10 for the Regional University Excellence Trust Fund to pay debt service on a \$40 million bond issue that provides a fourth round of funding for the Endowment Match Program at the comprehensive universities.

**Endowment Match Program:** The Endowment Match Program encourages private investment in public higher education research activities to stimulate business development, generate increases in externally sponsored research, create better jobs and a higher standard of living, and facilitate Kentucky's transition to a knowledge-based economy. The staff recommends that the Council request an appropriation of \$4,256,000 in 2009-10 for the Regional University Excellence Trust Fund to pay debt service on a \$40 million bond issue, the proceeds of which will be used to fund chairs, professorships, research staffs and infrastructure, and graduate fellowships at the public comprehensive universities. State funds will continue to be matched dollar-for-dollar by the institutions. Program funds will be allocated and distributed based on 2008-10 Endowment Match Program Guidelines that will be presented to the Council in January 2008.

### **D. Postsecondary Education Workforce Development Trust Fund**

The staff recommends that the Council request an appropriation of \$1,064,000 in 2009-10 for the Postsecondary Education Workforce Development Trust Fund to pay debt service on a \$10 million bond issue that provides a first round of funding for the Endowment Match Program at KCTCS.

**Endowment Match Program:** The Endowment Match Program encourages private investment in public higher education research activities to stimulate business development, generate increases in externally sponsored research, create better jobs and a higher standard of living, and facilitate Kentucky's transition to a knowledge-based economy. The staff recommends that the Council request an appropriation of \$1,064,000 in 2009-10 for the Postsecondary Education Workforce Development Trust Fund to pay debt service on a \$10 million bond issue, the proceeds of which will be used to fund professorships, workforce education and training program staff, transfer program staff, workforce development and transfer program infrastructures, and student scholarships at KCTCS. State funds will be matched dollar-for-dollar by the institutions. Program funds will be distributed based on 2008-10 Endowment Match Program Guidelines that will be presented to the Council in January 2008.

**E. Technology Initiative Trust Fund**

The staff recommends that the Council request an appropriation of \$10,130,200 in 2008-09 and \$10,200,200 in 2009-10 for the Technology Initiative Trust Fund. These amounts include additional budget requests of \$2,705,000 in 2008-09 and \$2,775,000 in 2009-10 to support expansion of Kentucky Postsecondary Education Network (KPEN) services; cover increased costs of Kentucky Virtual Library (KYVL) statewide, electronic database contracts; create a Kentucky Learning Content Repository (KLCR); and cover increased costs of eLearning contracts.

<i>Technology Initiative Trust Fund</i>	<i>FY 2008-09</i>	<i>FY 2009-10</i>
Kentucky Postsecondary Education Network	\$1,200,000	\$1,200,000
KYVL Electronic Databases	450,000	450,000
Kentucky Learning Content Repository	900,000	900,000
eLearning Contracts	155,000	225,000
Information Technology Initiatives Pool <sup>1</sup>	NA	NA
<b>Total</b>	<b>\$2,705,000</b>	<b>\$2,775,000</b>

<sup>1</sup> Amounts for the Information Technology Initiatives Pool are located in the Capital Projects section of this agenda item.

**Kentucky Postsecondary Education Network:** Postsecondary education is dependent on high-speed, high-bandwidth networks for the transmission of information. Students take classes and access electronic databases through the Web; faculty and students communicate with each other and with colleagues at other institutions using the Internet and Internet2; and high-level research depends on data-sharing among postsecondary education institutions, researchers, and the world. The Kentucky Postsecondary Education Network (KPEN) is an Internet protocol-optimized network specifically designed for postsecondary education requirements and applications. It accommodates high-demand, high-access Internet users and provides an easy mechanism for expansion of network services. The time has come to upgrade KPEN capabilities. A new, P-20 network called the Kentucky Education Network (KEN) is being built. Funding is needed to allow seamless connection to KEN and to enhance Internet2 applications. The staff recommends additional budget requests of \$1,200,000 in 2008-09 and \$1,200,000 in 2009-10 to support KEN development and implementation. These funds will be used to upgrade bandwidth at state-supported colleges and universities, allowing participating institutions to effectively utilize and participate in shared systems and to implement a phased migration to a next-generation statewide optical network.

**KYVL Electronic Databases:** Kentucky citizens performed over 22,000,000 KYVL electronic searches this past year. The Kentucky Virtual Library (KYVL) negotiates statewide contracts for and provides access to over 43 licensed indexing, abstract, and full-text databases. The databases contain more than 76,000 indexed publications, including 28,000 full-text resources, 557,016 images, and 2,000 maps. The cost of statewide contracts for electronic databases has increased over time. For KYVL to be able to maintain its current collection of products and continue to serve fundamental information needs, increased funding for its online article, index, and abstract database contracts is essential. The staff recommends additional requests of \$450,000 in 2008-09 and \$450,000 in 2009-10 to cover increased costs of KYVL's statewide database contracts. Access to quality research and information sources, regardless of geography, school size, local economy, or university budget, is fundamental to student preparedness, workforce interests, and an educated and informed citizenry.

**Kentucky Learning Content Repository:** The Kentucky Learning Content Repository (KYLCR) is a new, collaborative initiative sponsored by the Southern Regional Education Board (SREB) that, once implemented, will allow K-12 teachers and postsecondary faculty to share standards-based, digital resources across a 16-state region to improve course content, teaching, and learning. Currently, teachers and faculty are building or licensing learning content as needed. There is no structure for them to share content with each other. By building a single online access point to high-quality, accurate, engaging, and reusable learning content, all Kentucky teachers and faculty will have a convenient tool to engage in professional development, enhance courses, and ultimately improve learning outcomes. The staff recommends additional requests of \$900,000 in 2008-09 and \$900,000 in 2009-10 to fund hardware and software infrastructure costs, technical support services, digital content, and teacher and faculty training associated with development and implementation of the KYLCR. Because this is a collaborative P-16 initiative, the Kentucky Department of Education will submit a budget request for 2008-10 to share responsibility for building the repository.

**eLearning Contracts:** The Kentucky Virtual Campus (KYVC) has several contracts which enable it to provide eLearning services to academic and state agency partners. Two of these contracts (the Blackboard Course Management Software contract and an eLearning Integrator contract) will expire June 30, 2008. Cost increases for both contracts are anticipated as part of the rebidding process. The Blackboard CMS contract is expected to increase by about 30 percent in 2008-09. In addition, significant start-up and training costs will be incurred in year one. Cost increases for the eLearning Integrator contract are expected in both years of the upcoming biennium to support hosting, administration, and maintenance of current KYVC applications. The staff recommends additional requests of \$155,000 in 2008-09 and \$225,000 in 2009-10 to support inflationary increases associated with rebidding KYVC eLearning contracts. The requested funding will not cover the full amount of the projected increase. Additional sources of revenue will be found to cover the shortfall.

**Information Technology Initiatives Pool:** Funding for an information technology initiatives pool, which will ultimately flow through the Technology Initiative Trust Fund, is accounted for in the Capital Projects section of this agenda item. These funds will be used to upgrade outmoded postsecondary institution technology and equipment that support educational and general activities. The Kentucky Virtual Library and Kentucky Virtual Campus are eligible for

funding from the pool. The projects will be authorized in 2008-09. Approximately \$197.4 million in projects are eligible for funding from the pool and are included in Table 1-C in the capital agenda item section. The institutions will receive \$40 million of the \$50 million to support the 2008-10 biennium Council and institution priorities of increased bachelor's degree production, access, affordability, developmental education, STEM, transfers, adult learners, student learning, and increased capacity to support research and economic and community development. The \$40 million will be allocated among the institutions based on their proportionate share of 2005-06 actual unrestricted instruction expenditures. Each institution will receive a base allocation of \$1,000,000. Table 1-D in the Capital Projects section of this agenda item contains specific pool allocation guidelines.

**F. Physical Facilities Trust Fund**

The staff recommends that the Council request an appropriation of \$67,099,000 in 2009-10 for the Physical Facilities Trust Fund to pay annual debt service on bond issues that support capital renewal and maintenance projects, renovation of existing facilities, and new facility construction at Kentucky public postsecondary institutions. Even though these funds will ultimately flow through the Council's trust funds and funding programs budget, the requested amounts are not included in the funding totals shown in this section (see the Capital Projects section for details).

**G. Science and Technology Funding Program**

The staff recommends that the Council request appropriations of \$19,555,900 in 2008-09 and \$19,555,900 in 2009-10 for the Science and Technology Funding Program. These amounts include additional budget requests of \$9,950,000 in 2008-09 and \$9,950,000 in 2009-10 to support science, technology, engineering, and mathematics (STEM) statewide initiative, the P-16 engineering pipeline, and new economy initiatives.

<i>Science &amp; Technology Funding Program</i>	<i>FY 2008-09</i>	<i>FY 2009-10</i>
STEM Statewide Initiative	\$5,000,000	\$5,000,000
P-16 Engineering Pipeline	1,450,000	1,450,000
New Economy Initiatives	3,500,000	3,500,000
<b>Total</b>	<b>\$9,950,000</b>	<b>\$9,950,000</b>

**STEM Statewide Initiative:** The United States is facing a STEM crisis reflected in declining numbers of students who receive science degrees. According to the National Science Foundation, the proportion of the college-age population earning natural science and engineering degrees in the United States was significantly smaller than degrees awarded in these fields in 16 countries in Asia and Europe. The crisis is more acute in Kentucky than it is

in other U.S. states. According to the Progressive Policy Institute, Kentucky lags behind most states in STEM degree and STEM career production. In 2005, Kentucky ranked 47<sup>th</sup> in the number of scientists and engineers as a percentage of the workforce, 49<sup>th</sup> in the number of science and engineering bachelor's degrees awarded, and 42<sup>nd</sup> in the number of high-tech jobs as a share of the total employment. Responding to statistics such as these, the Council's Research, Economic Development, and Commercialization Policy Group commissioned a STEM Task Force in 2007 and charged that group with developing "a statewide P-20 strategic action plan to accelerate Kentucky's performance within the STEM disciplines." The task force identified eight interrelated recommendations that provide a blueprint for enhancing and improving Kentucky's performance in the STEM disciplines. The staff recommends additional budget requests of \$5,000,000 in 2008-09 and \$5,000,000 in 2009-10 to support activities and programs that represent the first phase of strategic interventions recommended by the task force focused on better statewide coordination, education incentives to higher education institutions and K-12 to promote improvements in the STEM curriculum and STEM professional development, formal and informal stewardship to encourage students to excel in STEM subjects, business incentives for employing and investing in Kentucky STEM graduates, and STEM outreach and public awareness.

**P-16 Engineering Pipeline:** Kentucky needs engineers and engineering technologists to improve the economy and create economic development opportunities for the state. Many students do not have access to a rigorous curriculum in middle or high school that prepares them for college-level engineering programs. Project Lead the Way (PLTW) is a non-profit organization that provides a four-year, pre-engineering sequence for high-school students, with an optional middle school program, in partnership with public schools, postsecondary institutions, and the private sector. With matching grants from participating school districts, the Council will work with the Kentucky Department of Education to develop a cadre of 80 PLTW schools over next biennia to strengthen the pre-engineering pipeline. The staff recommends additional requests of \$1,450,000 in 2008-09 and \$1,450,000 in 2009-10 to expand pre-engineering curricula in select middle and high schools and to continue supporting K-12 schools with existing PLTW programs.

**New Economy Initiatives:** A number of knowledge-based economy and STEM-related programs and projects fall within the rubric of New Economy Initiatives, including the Kentucky Science and Engineering Foundation (KSEF), Commercialization, the Kentucky Enterprise Fund, Kentucky EPSCoR, and the Kentucky Satellite Project (KySat). All of these initiatives, with the exception of KySat, have been in operation for more than six years and are experiencing demands for support that exceed initial appropriation levels. Increased funding for these growing programs will enable Kentucky to further develop existing areas of innovation and sustain a pipeline of new technologies that is crucial for building a viable, knowledge-based, entrepreneurial economy. The KySat Project is a new, collaborative enterprise that involves public organizations, private companies, and Kentucky colleges and universities (i.e., UK, UofL, WKU, MoSU, MuSU, and KCTCS) in the design, build, payload development, launch, and on-orbit operation of small satellites for innovation and learning purposes. KySat's mission is to train students in the dynamics of spacecraft design, construction, testing, and operation, as a means of bolstering science and technology education, R&D, innovation and commercialization, and economic development in Kentucky.

The staff recommends additional requests of \$3,500,000 in 2008-09 and \$3,500,000 in 2009-10 to support New Economy Initiatives.

**H. Adult Education Funding Program**

The staff recommends that the Council request appropriations of \$27,026,000 in 2008-09 and \$29,026,000 in 2009-10 for the Adult Education Funding Program. These amounts include additional budget requests of \$2,000,000 in 2008-09 and \$4,000,000 in 2009-10 over the 2007-08 General Fund appropriation. The requested funds will be used to support increased service levels at local adult education programs located throughout Kentucky. Even though these funds will ultimately flow through the Council’s trust funds and funding programs budget, the requested amounts are not included in the funding totals shown in this section (see the Continuing Operations section of this agenda item for details).

**I. Special Initiatives Funding Program**

The staff recommends that the Council request appropriations of \$9,050,000 in 2008-09 and \$9,050,000 in 2009-10 for the Special Initiatives Funding Program. These amounts include additional budget requests of \$8,100,000 in 2008-09 and \$8,100,000 in 2009-10, over the 2007-08 General Fund appropriation, which will be used to support the Council’s College Access Initiative, to implement the recommendations of the Developmental Education Task Force, to increase staff support of local P-16 Councils, to bolster statewide transfer infrastructure and coordination, and to expand diversity planning and program delivery efforts. A summary of requested amounts and program descriptions are provided below.

<i>Special Initiatives Funding Program</i>	<i>FY 2008-09</i>	<i>FY 2009-10</i>
College Access Initiative	\$3,000,000	\$3,000,000
Developmental Education	1,800,000	1,800,000
Local P-16 Councils	1,500,000	1,500,000
Transfer Improvement Initiative	1,500,000	1,500,000
Statewide Diversity Planning	300,000	300,000
<b>Total</b>	<b>\$8,100,000</b>	<b>\$8,100,000</b>

**College Access Initiative:** The College Access Initiative supports the Council’s *Double the Numbers Plan* effort to increase educational attainment to the national average by providing motivational, streamlined, and relevant college-going information that will encourage prospective students to inquire about and enroll in college. Kentucky’s educational attainment has significantly trailed the national average since the 1940s. The only way to change

Kentucky's future projection is to overcome significant cultural and informational barriers to college. Media outreach is critical to successfully raising awareness of educational opportunities. This request will fund traditional and online media outreach to encourage high school students to enroll in college and pursue STEM careers, to encourage high school and GED graduates to enroll in college, and to encourage adults with some college to complete their degree. The staff recommends additional budget requests of \$3,000,000 in 2008-09 and \$3,000,000 in 2009-10 to support the College Access Initiative.

**Developmental Education:** Kentucky shares with the nation a dual challenge to reduce the number of traditional and nontraditional students coming to postsecondary education underprepared and to improve the success rates of underprepared students admitted to its postsecondary institutions. Over half of first-time freshmen entering Kentucky public colleges and universities during fall semester 2004 were underprepared in at least one subject. The first-year drop-out rate of underprepared entering students (39 percent) was more than twice that of academically prepared freshmen (17 percent). These issues were addressed in the final report of Kentucky's Developmental Education Task Force released in February 2007. That report, entitled *Securing Kentucky's Future: A Plan for Improving College Readiness and Success*, recommended six priority actions to bring first-year success rates for underprepared students to levels at or near that of prepared students. The staff recommends additional budget requests of \$1,800,000 in 2008-09 and \$1,800,000 in 2009-10 to support and implement the recommendations of the Developmental Education Task Force for improving college preparedness and student success. These funds will support K-12 teacher and adult education professional development. These statewide initiatives will compliment the \$8.5 million in institutional infrastructure and program redesign allocated to the public postsecondary education institutions.

**Local P-16 Councils:** Kentucky's local P-16 councils are partnerships of school districts, universities and community and technical colleges, adult education providers, early childhood educators, employers, and civic groups that support high school-to-college, GED-to-college, and workplace transition initiatives, including dual enrollment, early diagnostic assessment, curriculum alignment, and career awareness. Kentucky's state and local P-16 councils are nationally recognized, and representatives from Kentucky have been invited to assist other states in their P-16 council efforts. The program has supported the formation and work of more than 19 local councils in Kentucky since its inception, serving approximately two-thirds of the Commonwealth. The most successful councils are those that have the support of at least one staff person designated to run the operations of the council, seek external grants and funding, direct local initiatives, and convene regular meetings of local stakeholders. The staff recommends additional budget requests of \$1,500,000 in 2008-09 and \$1,500,000 in 2009-10 to support local P-16 councils. These funds will partially support an executive director for some of the local councils and allow the state P-16 council to convene more regularly the network of local councils and to support and monitor local initiatives linked to the Commonwealth's educational and economic agenda of increased postsecondary completion and workplace readiness.

**Transfer Improvement Initiative:** The objectives of the Transfer Improvement Initiative are threefold: (1) support degree completion and transfer of KCTCS students to Kentucky public and independent colleges; (2) bolster KCTCS workforce development and transfer programs in areas of strategic benefit to the Commonwealth; and (3) strengthen the statewide transfer technology infrastructure providing increased opportunity for students, faculty, and staff to

access transfer planning resource information, course equivalencies, and degree completion requirements of baccalaureate programs at Kentucky public and independent colleges. This initiative is well aligned with the Council's Double the Numbers plan which includes strategies for increasing Kentucky's capacity to recruit and enroll more students, ensuring that more students persist to baccalaureate degree completion, and helping Kentucky reach its goal of doubling the number of baccalaureate degree holders and reaching the national average in educational attainment by 2020. The staff recommends additional budget requests of \$1,500,000 in 2008-09 and \$1,500,000 in 2009-10 to support the Transfer Improvement Initiative. These funds will be used to bolster statewide transfer technology infrastructure, expand statewide transfer coordination efforts, and establish academic and training partnerships between KCTCS and four-year institutions.

**Statewide Diversity Planning:** Recent actions by the U. S. Supreme Court established new standards for determining the need for diversity in postsecondary education. A statewide study has been undertaken that will produce policies for diversity planning and recommendations necessary for the Council and each institution to comply with the standards articulated by the Supreme Court in the Michigan cases *Grutter and Gratz*, Kentucky, and the federal law. Funding and implementation of the diversity plan recommendations will promote a postsecondary education system and community environment in which minority students can prosper academically and socially. The staff recommends additional budget requests of \$300,000 in 2008-09 and \$300,000 in 2009-10 to support the Statewide Diversity Planning Initiative. These funds will be used to expand current programs to encompass the broader base of groups that will receive services through diversity programs, including marketing and communications, conferences, and academic preparation assistance. One new position, a coordinator to assist with diversity planning, is included in the request.

### III. CPE Pass-Through Programs

The Council on Postsecondary Education has been designated as the receiving agency for several programs and activities with appropriations ultimately intended for postsecondary education institutions, other state agencies, or independent organizations. While these initiatives are monitored by the Council, their administration is, for the most part, directed by outside entities. For convenience, these programs and activities are grouped under the heading of "pass-through" programs in the CPE agency budget.

The staff recommends that the Council request appropriations of \$7,427,500 in 2008-09 and \$7,589,900 in 2009-10 for pass-through programs and activities. These amounts include additional budget requests of \$1,284,000 in 2008-09 and \$1,446,400 in 2009-10 for various pass-through programs, including a tuition rate increase for veterinary medicine contract spaces at out-of-state schools of veterinary medicine, additional spaces for veterinary medicine contract spaces, expansion funding for the Kentucky Autism Training Center, and an increase in state matching funds for federal GEAR UP grants.

<i>Pass-Through Programs</i>	<i>FY 2008-09</i>	<i>FY 2009-10</i>
Tuition Increase for Veterinary Medicine	\$0	\$153,400
Additional Spaces for Veterinary Medicine	224,000	233,000
Kentucky Autism Training Center	60,000	60,000
GEAR UP Grant State Match	1,000,000	1,000,000
<b>Total</b>	<b>\$1,284,000</b>	<b>\$1,446,400</b>

**Tuition Increase for Veterinary Medicine:** In 1950, Kentucky became a participant in a regional compact of southern states for education services. The purpose of the compact is to promote a regional approach to education, where possible, through sharing arrangements and to provide educational services requested by member states. Since Kentucky does not have professional schools in optometry or veterinary medicine, the Contract Spaces Program provides residents access to professional training programs in these areas through contracts with Indiana University and through the Southern Regional Education Board (SREB). Each year, the SREB asks participating schools to provide tuition rate information to share with compact members. Based on these data, tuition rates for veterinary medicine students are expected to increase over the coming biennium. The staff recommends that the Council request appropriations of \$4,280,100 in 2008-09 and \$4,442,500 in 2009-10 for the Contract Spaces Program. These amounts include an additional budget request of \$153,400 in 2009-10 to help offset the cost of rising tuition rates in the Contract Spaces Program. These funds will allow the state to maintain current levels of Kentucky resident participation in veterinary medicine programs.

**Additional Spaces for Veterinary Medicine:** Kentucky currently contracts for 144 spaces in veterinary medicine each year through the Contract Spaces Program, 136 spaces at Auburn University and eight spaces at Tuskegee Institute. In recent years, a growing concern among the Kentucky farming community has been the limited number of state residents majoring in large animal veterinary medicine, as well as a related lack of advancement in large animal research. Members of the General Assembly, Kentucky veterinary medicine associate officials, the Kentucky Farm Bureau, and Council staff have engaged in ongoing discussions regarding the need to increase the number of veterinarians in the Commonwealth. As indicated above, the staff recommends that the Council request appropriations of \$4,280,100 in 2008-09 and \$4,442,500 in 2009-10 for the Contract Spaces Program. These amounts include additional budget requests of \$224,000 in 2008-09 and \$233,000 in 2009-10 to reserve 10 additional spaces in veterinary medicine (six at Auburn University and four at Tuskegee Institute) through the Contract Spaces Program. The \$9,000 increase in the second year reflects anticipated tuition increases for veterinary medicine students in 2009-10.

**Kentucky Autism Training Center:** In 1996, the Kentucky Autism Training Center (KATC) was established to provide direct individual and family assistance and consultation services for those diagnosed with autism, to offer professional training programs for service providers, and to promote public education programs to increase public awareness of autism and related impairments. Housed at the University of Louisville, KATC staff members work with families and agencies to develop individualized child treatment plans, including conducting child-centered training activities. KATC is partially funded by CPE, KDE, state General Funds, a Jefferson County Public Schools grant, a Crusade for Children grant, and other philanthropic endeavors. The center depends on fundraising to fully finance its operation. In 2006, the Autism Commission recommended expansion of KATC responsibility to meet the need to train service providers regarding effective methods for delivering services to individuals with Autistic Spectrum Disorder, effectively using evidence-based methods for teaching, and managing behavior with feedback and follow-up monitoring and accountability. Providing opportunity for service providers to access relevant research material and attend conferences and workshops was also recommended. The staff recommends that the Council request appropriations of \$277,800 in 2008-09 and \$277,800 in 2009-10 for the Kentucky Autism Training Center. These amounts include additional budget requests of \$60,000 in 2008-09 and \$60,000 in 2009-10 to support expansion of Kentucky Autism Center services. If approved, these funds have potential to be multiplied through matching grant and contract awards.

**GEAR UP Grant State Match:** The *Gaining Early Awareness and Readiness for Undergraduate Programs* (GEAR UP) grant provides federal funding to build statewide and regional partnerships that support a range of services for students, parents, and school personnel. The grant works primarily with a cohort of a state's lowest performing schools, beginning at the Seventh grade level and continuing through high school. Program activities include developing rigorous college preparatory curricula, providing professional development to teachers, involving families in pre-college planning, providing supplemental scholarships, and coordinating an array of enrichment activities designed to support GEAR UP students. Each federal grant must be matched through a combination of state, local, and private funds. In September 2005, the Council began a new six-year award of \$21 million (\$3.5 million a year), in partnership with the Kentucky Higher Education Assistance Authority, to serve three cohorts of students. The Council and its partners must identify nonfederal sources of funding to match grant funds spent annually or the grant will be jeopardized. The staff recommends additional budget requests of \$1,000,000 in 2008-09 and \$1,000,000 in 2009-10 to provide matching funds necessary for continuation of the grant and sustain a pipeline of students that are prepared to complete postsecondary education.