

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

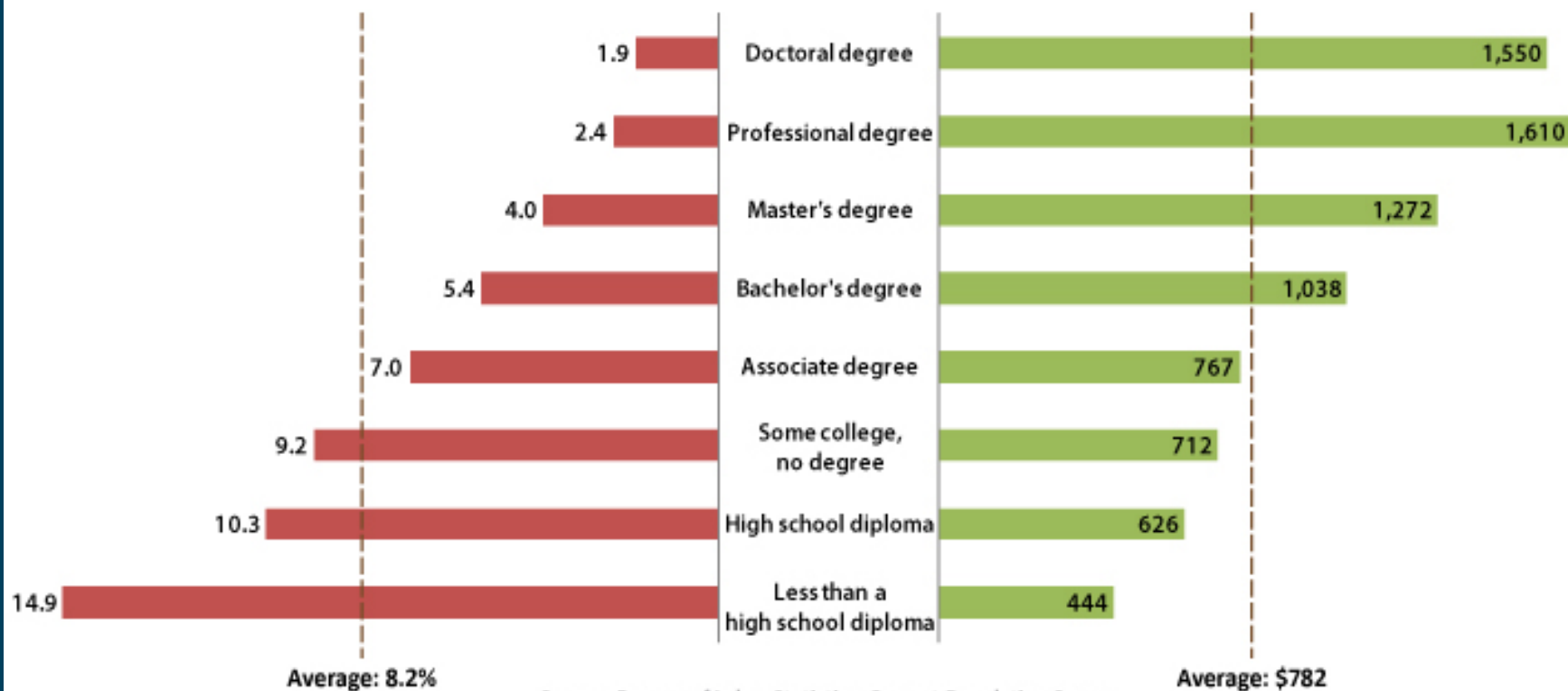
By 2018, 54% of all jobs in Kentucky—over 1 million jobs—will require some level of postsecondary education.

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

Education pays:

Unemployment rate in 2010 (%)

Median weekly earnings in 2010 (\$)



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	
	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	
	State appropriations for public higher education	Transfer from KCTCS to four-year colleges and universities	
	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	
	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 in the region, ages 25-44
Efficiency and Innovation	Online learning	Online learning	
	Degree productivity relative to education and related expenditures	Credits earned by degree graduates	



STATE TARGET

College Readiness



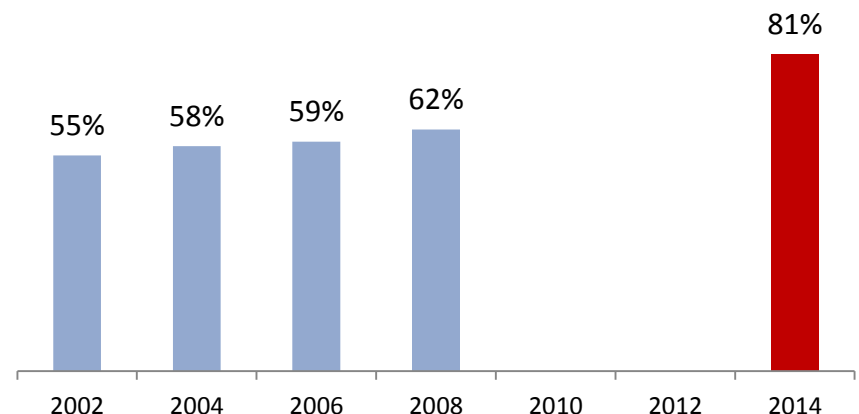
Readiness of high school graduates who enter college

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

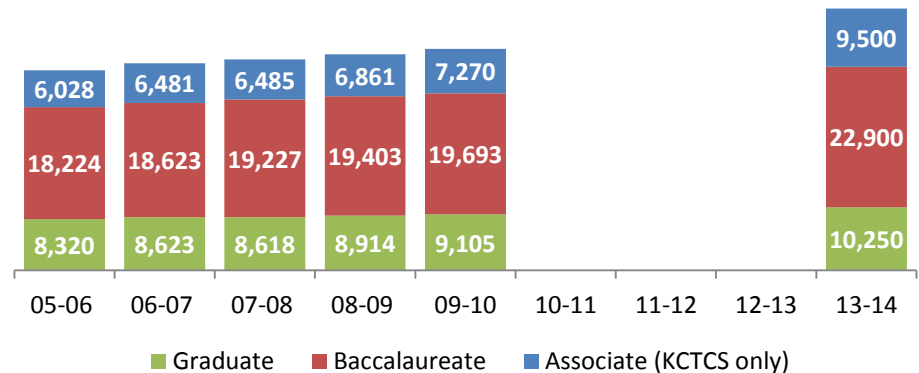
Number of degrees and credentials conferred during the academic year, by level.

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

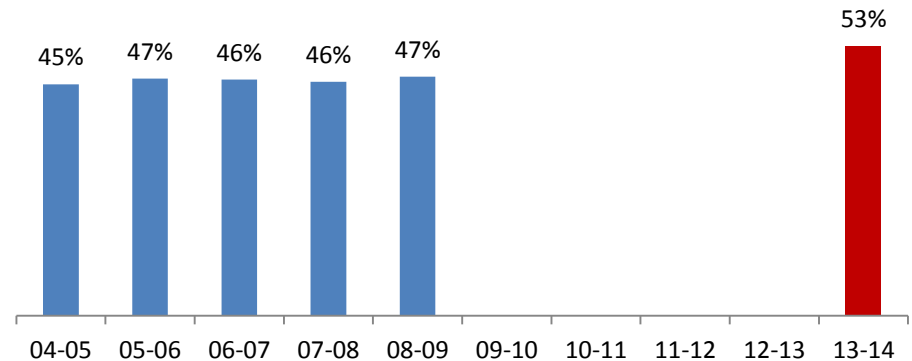
Six-year graduation rate of full-time, bachelor's degree seekers and graduation rate gap of low-income, underprepared, and underrepresented minority students.

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

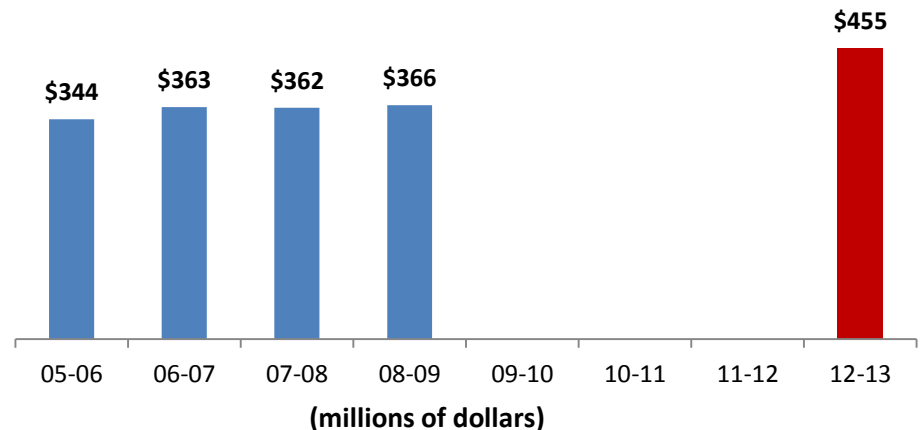
Externally-Funded Research and Development

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



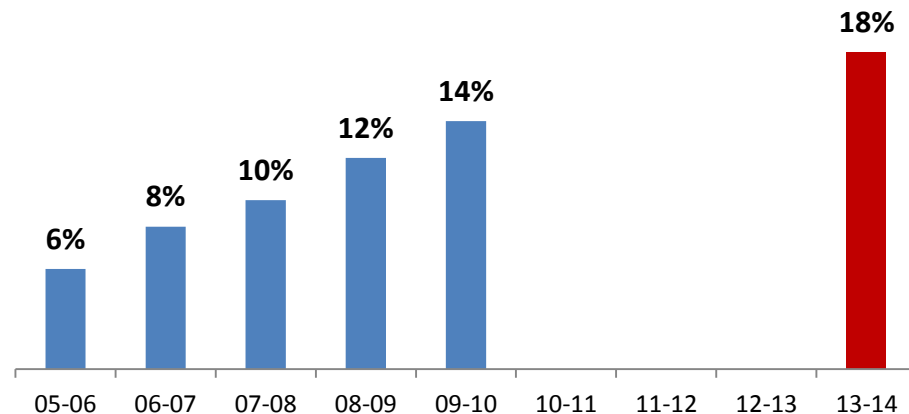
Distance Learning

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

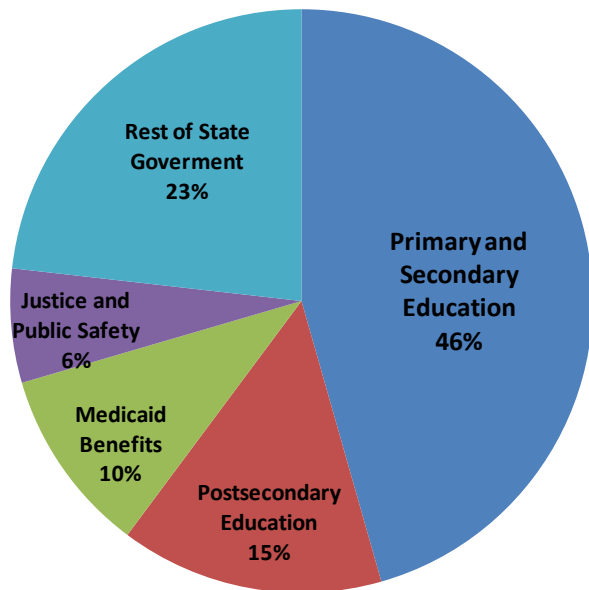
- ❖ College readiness (\$17 M in FY13)
 - Teacher quality and remediation
- ❖ Student success (\$25 M in FY14)
 - Performance funding
- ❖ Research (\$15 M in FY13)
 - Faculty retention and recruitment to stimulate increased federal contracts and grants
- ❖ Bucks for Brains (\$75 M in FY13)

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

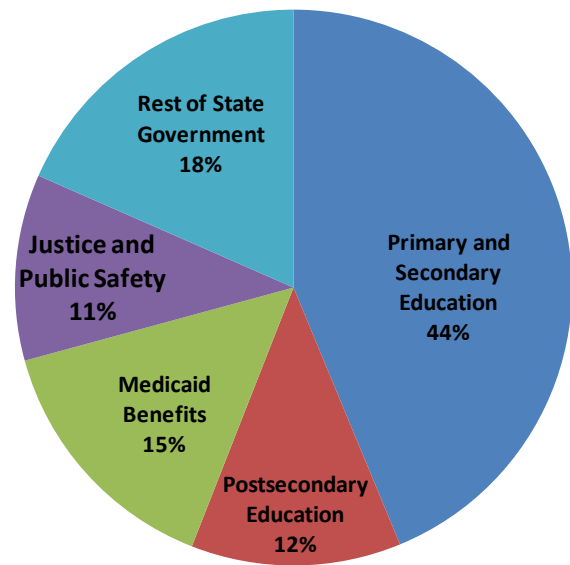
- ❖ New capital concept focused on multi-year & balanced (capital renewal vs. new)
- ❖ Technology investments

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

FY 1999
KY General Fund Budget Enacted (\$6 billion)

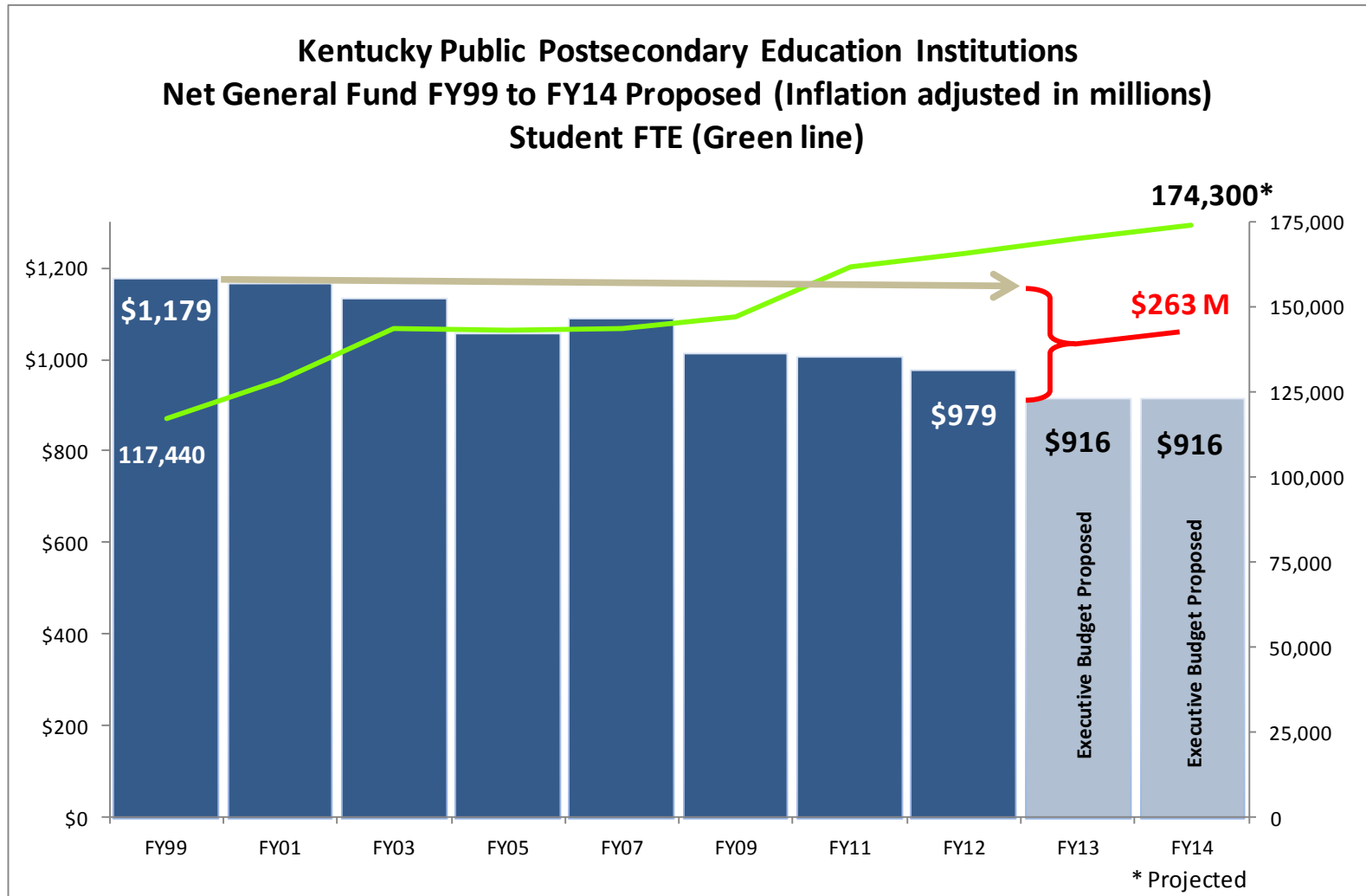


FY 2014
KY General Fund Executive Budget Proposed (\$9.8 Billion)



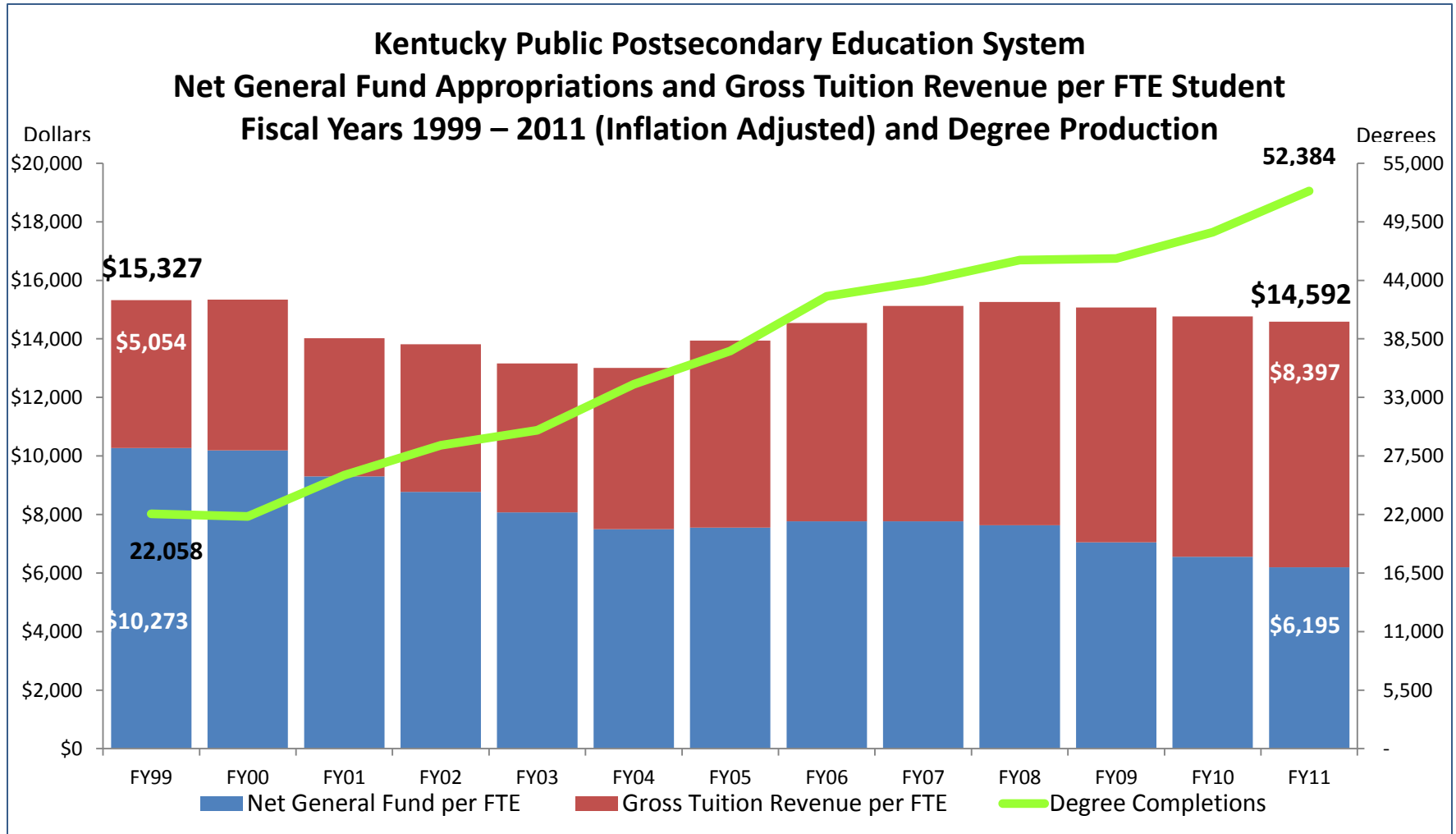
Reduced State Support and Enrollment Growth

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).



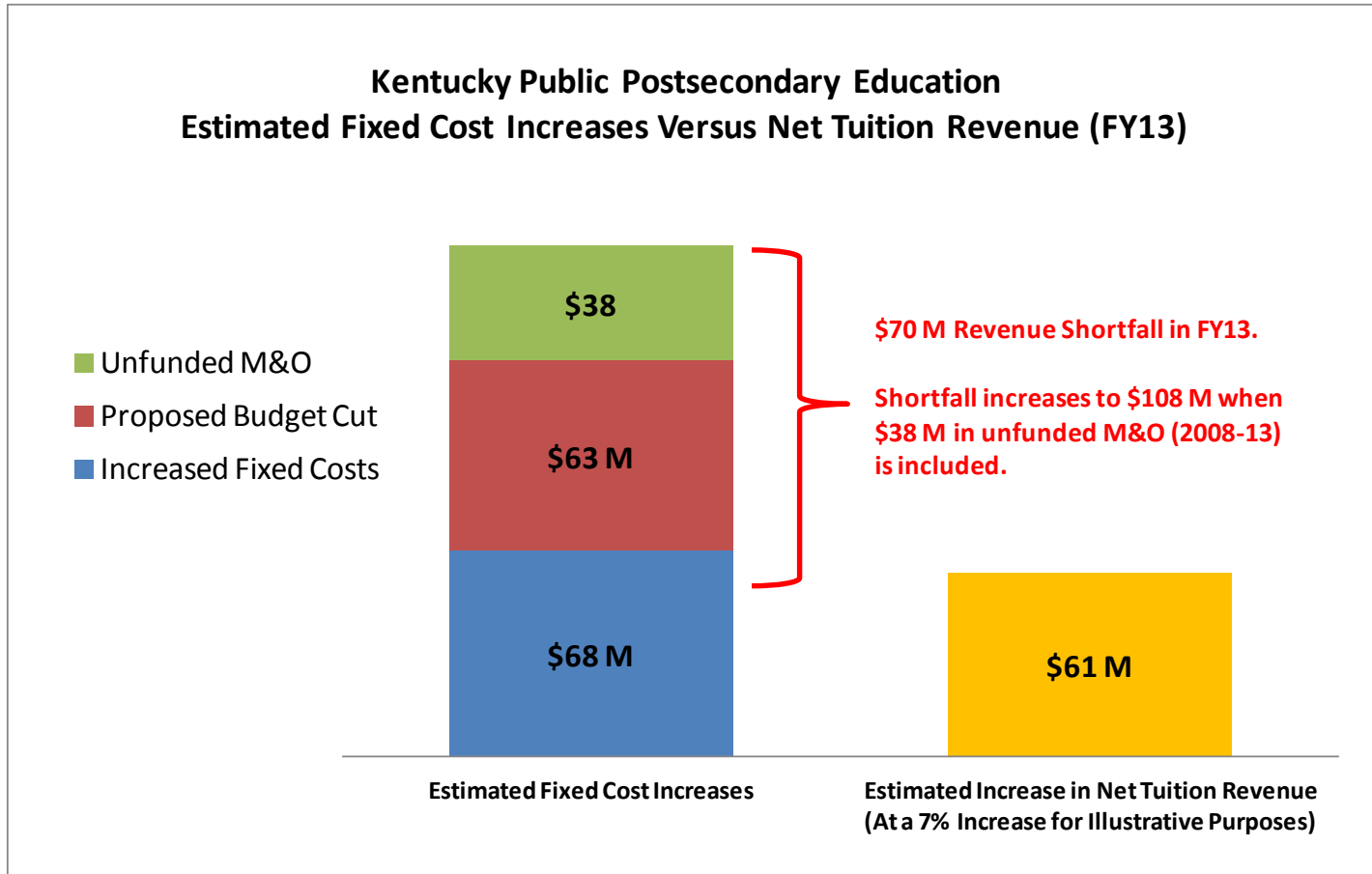
Reduced State Support & Increased Degrees

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.



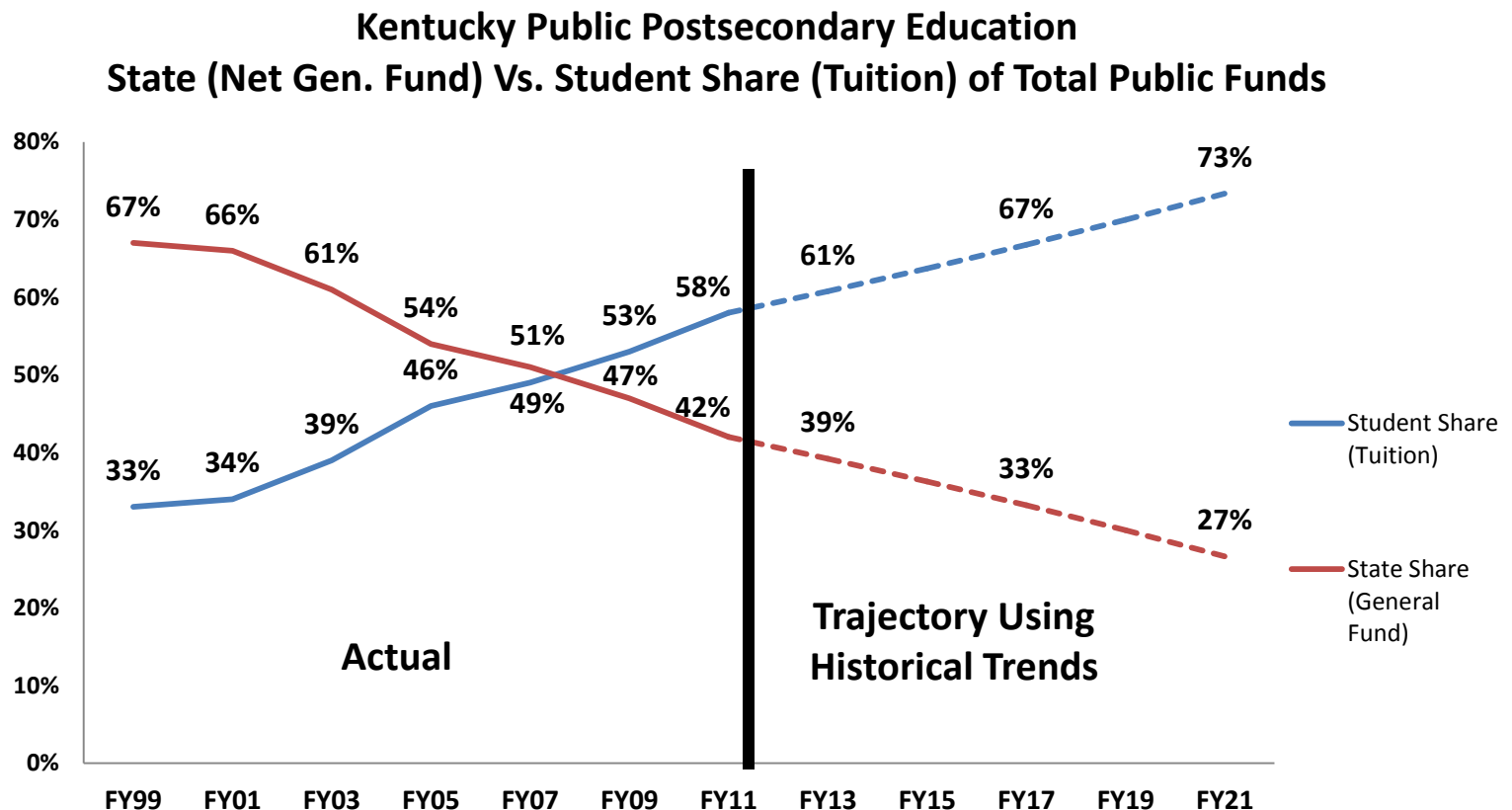
Fixed Cost Increases and Net Tuition Revenue

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.



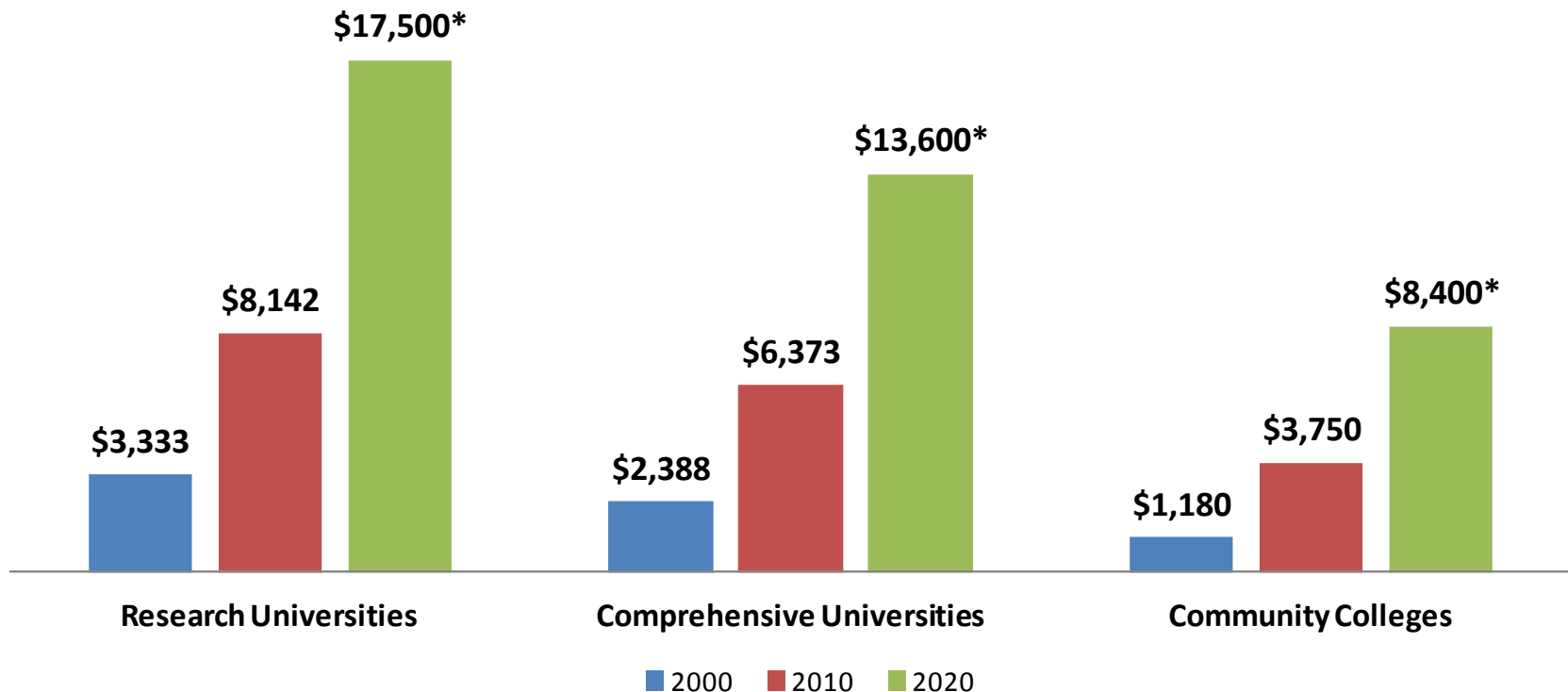
Shared Responsibility?

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*

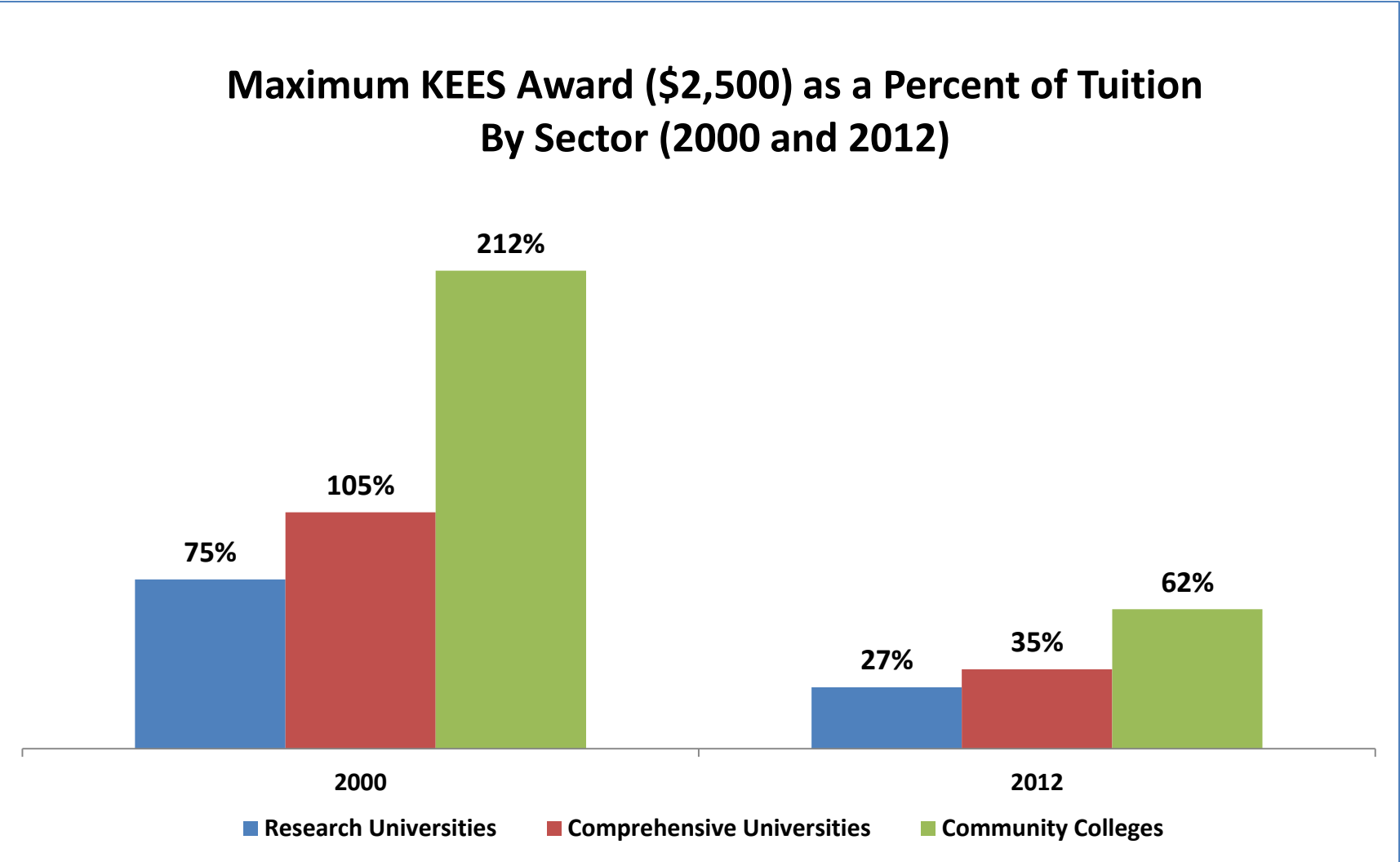


* Using historical average annual increases from 1990-2010



State Student Financial Aid

Maximum KEES 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.

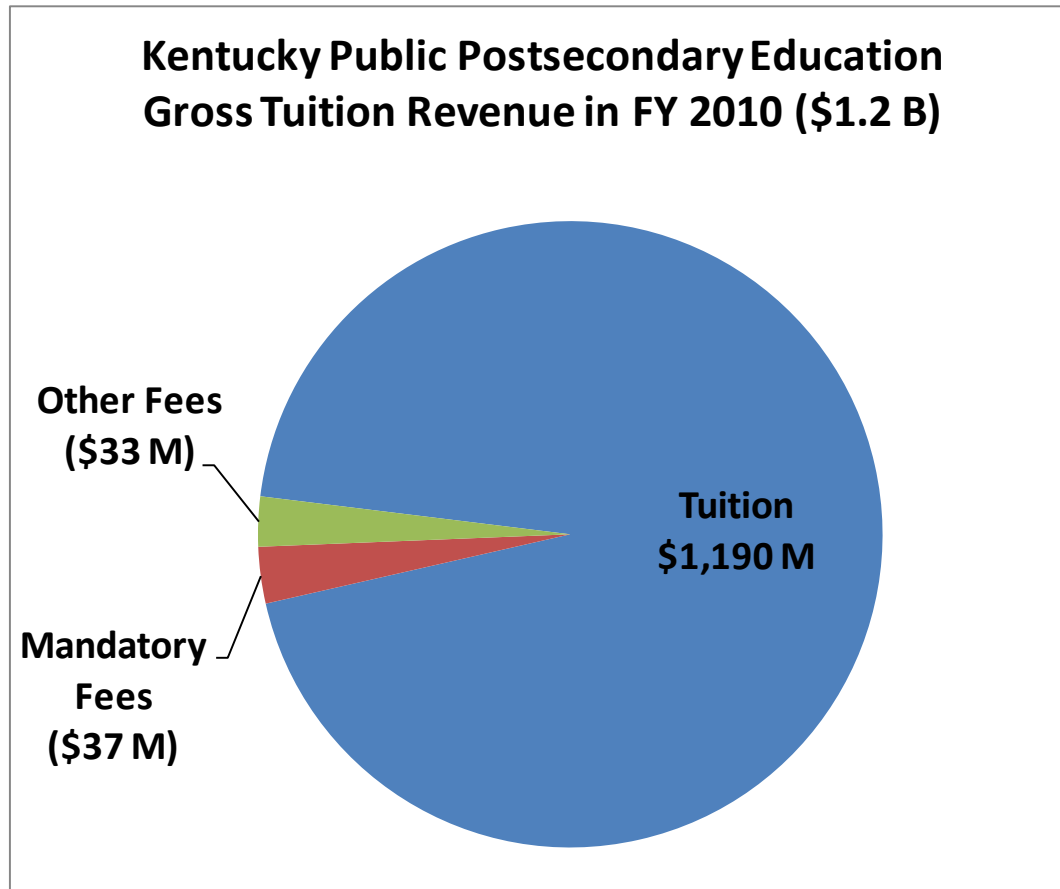
Key Features

- ❖ 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.



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

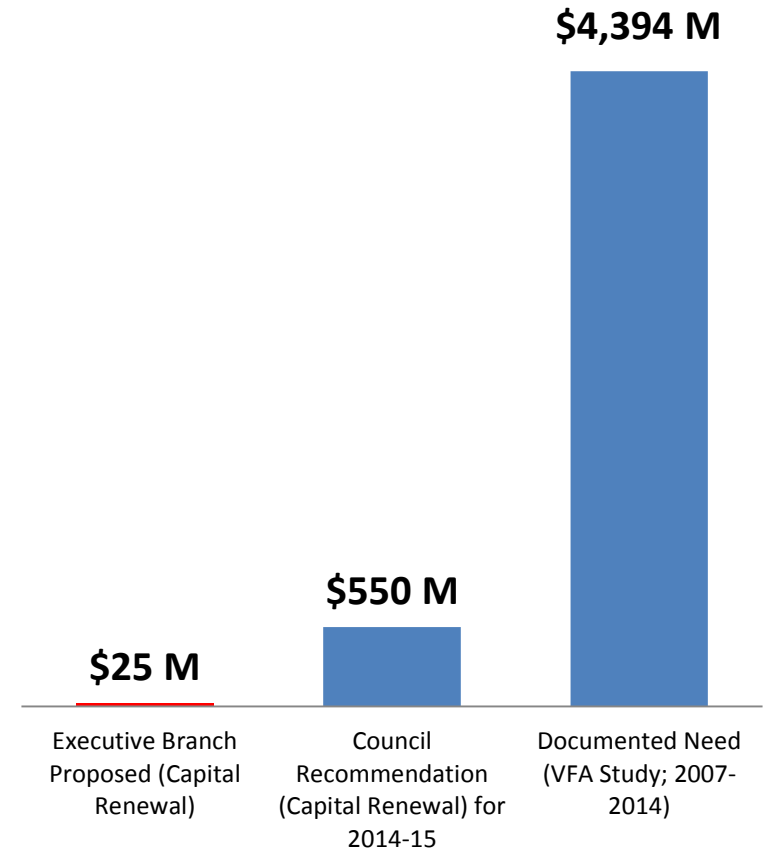
Distribution

- ❖ 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)

Postsecondary Education Capital Renewal & Fit-for-Use

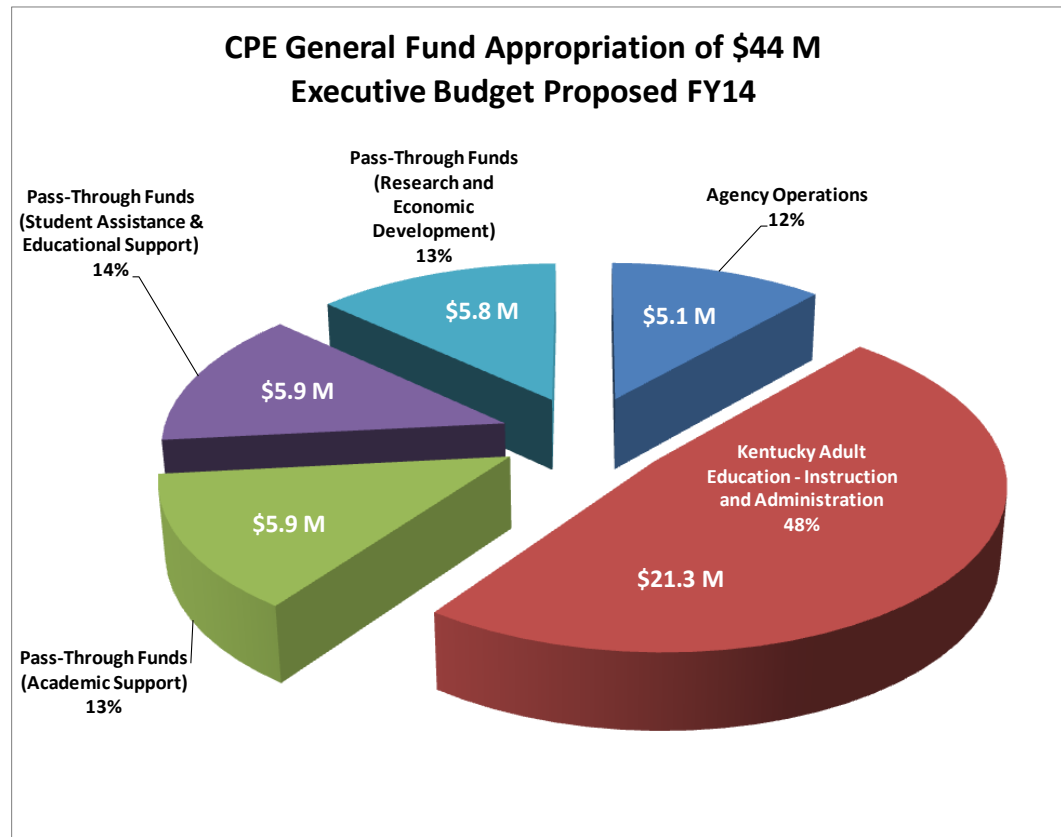


CPE General Funds

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

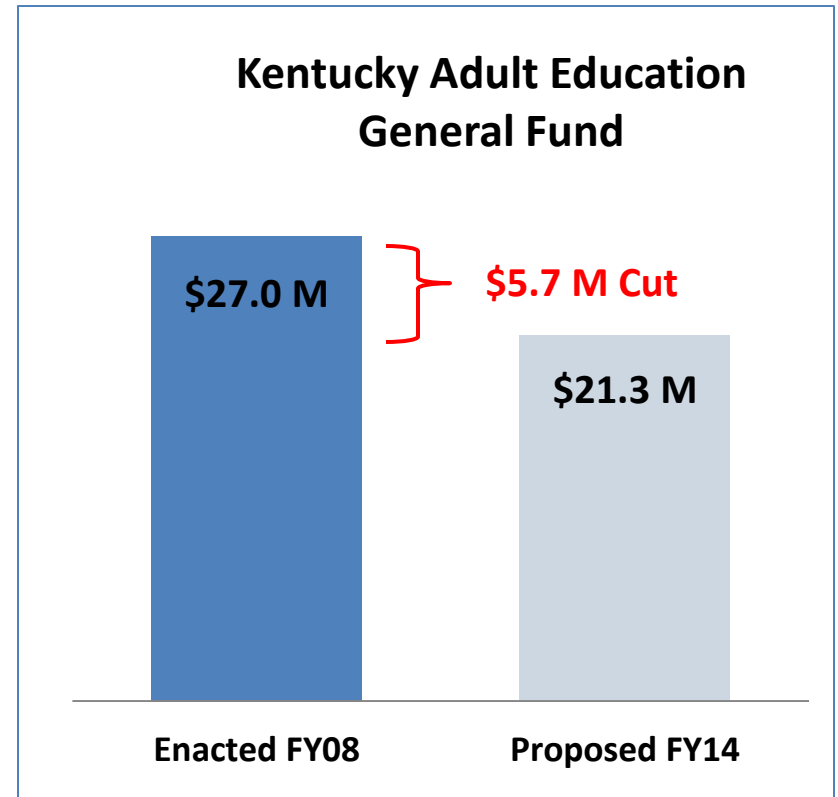
- ❖ Additional 7.8% reduction.
- ❖ Cumulative budget cut of 21% (\$5.7 million) since enacted FY08.

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

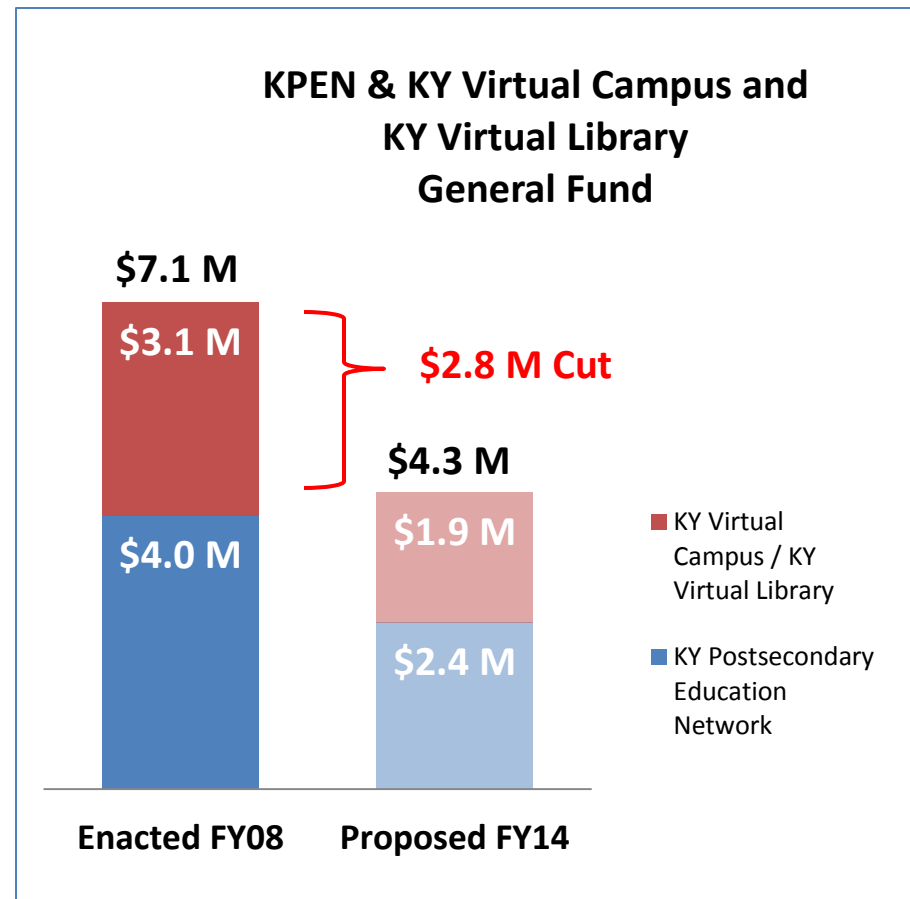
- ❖ Additional 7.8% reduction.
- ❖ Cumulative budget cut of 39% (\$2.8 million) since enacted FY08.

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

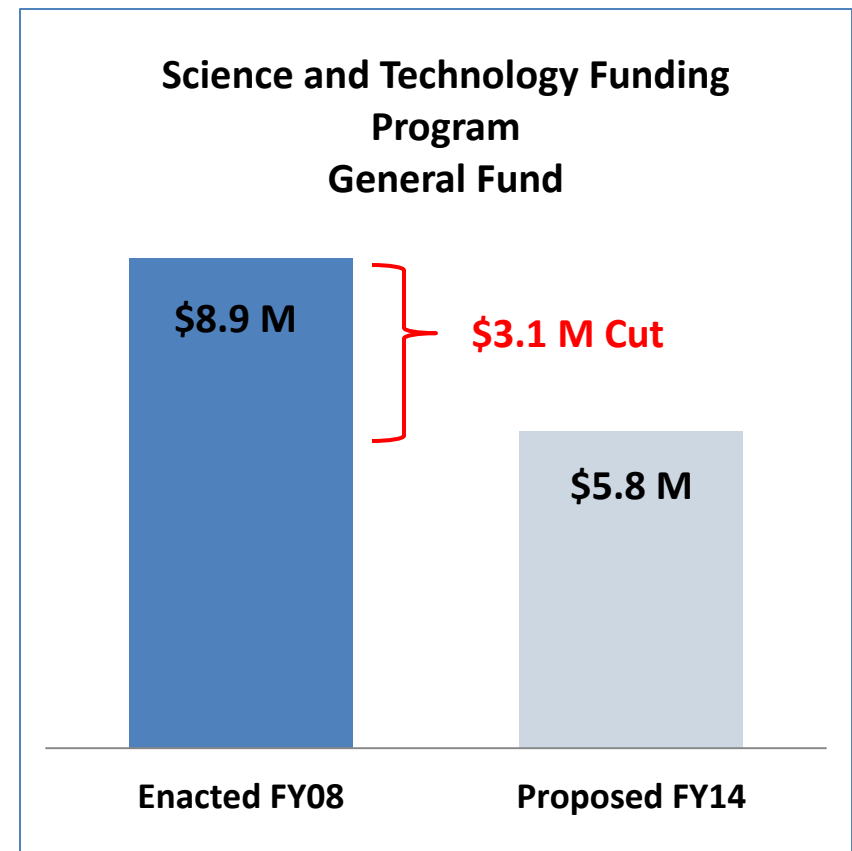
- ❖ Additional 7.8% reduction.
- ❖ Cumulative budget cut of 35% (\$3.1 million) since enacted FY08.

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

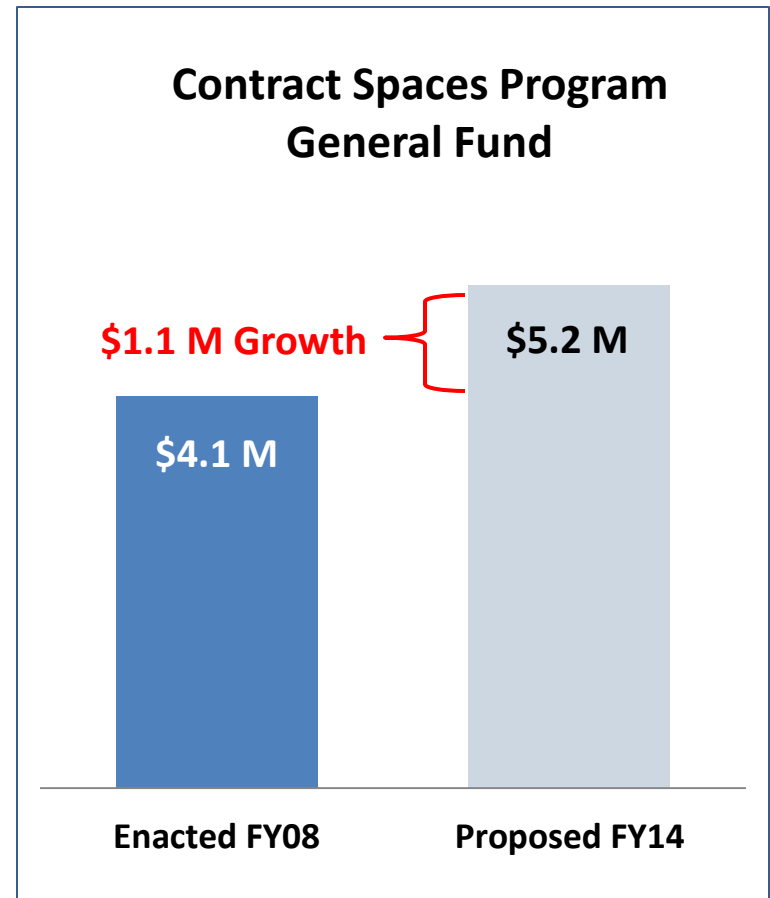
- ❖ Maintains 164 veterinary and 44 optometry spaces with small tuition growth.
- ❖ Cumulative General Fund increase of 28% (\$1.1 million) since FY08.

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

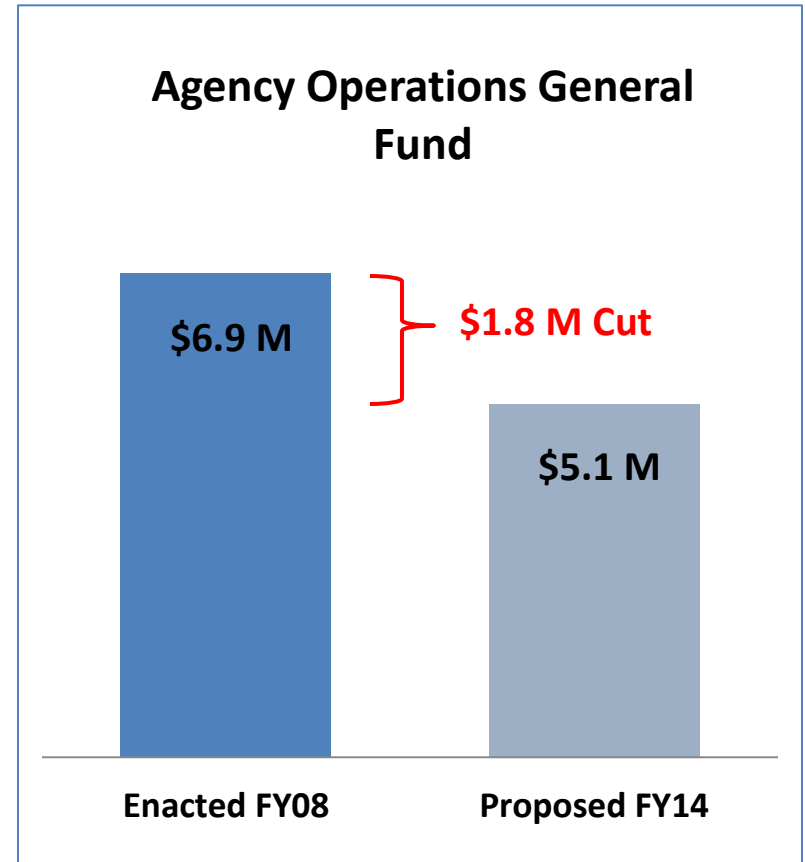
- ❖ Additional 9.2% reduction.
- ❖ Cumulative budget cut of 27% (\$1.8 million) since enacted FY08.

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 FY08.
- ❖ 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.



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