

AMERICAN RECOVERY AND
REINVESTMENT ACT
POSTSECONDARY
EDUCATION
UPDATE

KENTUCKY COUNCIL ON
POSTSECONDARY EDUCATION



INTERIM JOINT COMMITTEE
ON EDUCATION

ROBERT L. KING
PRESIDENT

JUNE 8, 2009

Overview

- ❖ Context
- ❖ ARRA and Kentucky Postsecondary Education
- ❖ Cost Containment and Avoidance Strategies

Context

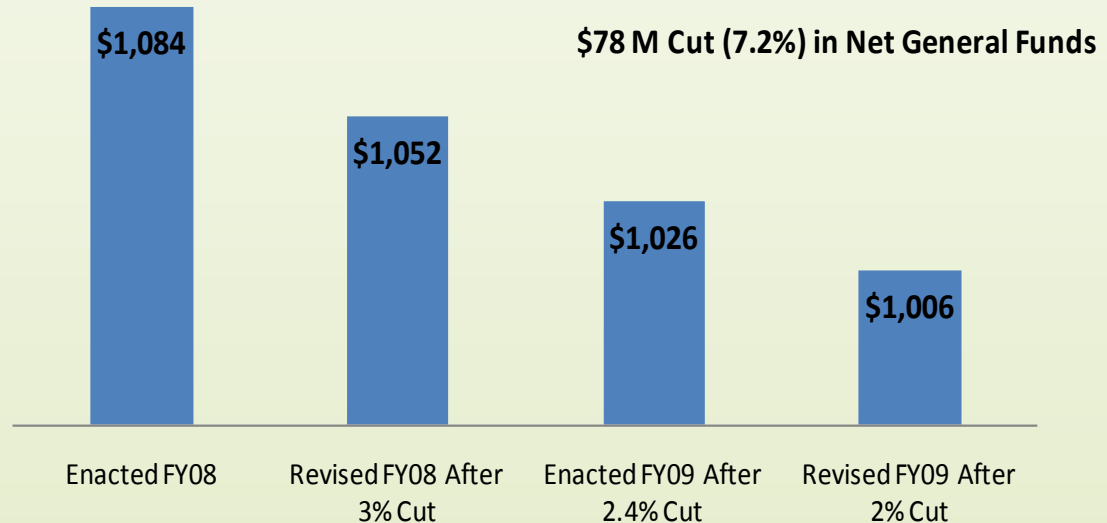
College applications are up significantly for Fall 2009 for a number of public postsecondary education institutions.

- ❖ Net General Fund appropriations to public postsecondary education institutions were cut \$78 million, or 7.2%, from the enacted FY08 base.
- ❖ CPE worked with institutions to moderate growth in tuition with the lowest rate increases in a decade.
- ❖ Public postsecondary education enrollment increased by 2.3%, from 206,419 (Fall 2006) to 211,179 (Fall 2008).
- ❖ Degrees and credentials granted increased by 8%, from 42,496 (AY06) to 45,904 (AY08).
- ❖ Extramural research expenditures increased by 12%, from \$324 million (FY05) to \$363 million (FY07).

Recent Budget Cuts

Net General Funds to Universities and KCTCS have been cut \$78 million or 7.2% over the past 18 months.

Kentucky Public Postsecondary Education Net General Funds (\$ Millions) FY08 to FY09



Source: CPE Comprehensive Database

American Recovery and Reinvestment Act (ARRA)

Impact on Kentucky Postsecondary Education

- 1) Funds distributed by formula in the form of grants to states
- 2) Funds distributed via competitive grants
- 3) Funds distributed directly to individuals

ARRA

Funds distributed by formula in the form of state grants

Kentucky is required to establish a longitudinal data system to track students from K-12, to college, and ultimately to the workforce, as an assurance for SFSF.

- ❖ Over \$1 billion in federal education-related program funds (most to K-12).
- ❖ Approximately \$533 million of Kentucky's share of the State Fiscal Stabilization Fund (SFSF) will go to K-12 and higher education.
- ❖ The Governor's plan calls for approximately 55% of the SFSF, in combination with General Funds, to be used to keep public postsecondary education and K-12 at current funding levels for FY10.

ARRA

Funds distributed by competitive grants

- ❖ Billions of dollars to be distributed via competitive grants from various federal agencies (NSF, NIH, etc.).
- ❖ CPE coordinated a process to gather multiple-institution and institution/industry collaborations.
- ❖ Workgroups formed in seven key areas.
 - 1) Energy and sustainability
 - 2) Homeland security
 - 3) E-Health
 - 4) Technology and networking
 - 5) College readiness
 - 6) S.T.E.M.
 - 7) NASA / space science

Fifty-eight (58) concept papers were generated to compete for ARRA grants in seven key areas.

ARRA

Funds distributed directly to individuals

Approximately \$234 million in Pell Grants were awarded to 87,906 Kentucky students in 2007-08.

(Source: Federal Pell Grant End of Year Report, Table 22, 2007-08)

- ❖ Pell Grants for low-to-moderate income families will increase significantly, from \$4,731 to \$5,350 in FY10 and \$5,550 in FY11.
- ❖ The American Opportunity Tax Credit, which will replace the Hope Tax Credit, will increase to \$2,500 per year for direct educational expenses.
- ❖ Federal work study funds to Kentucky will increase by about \$2.6 million.

Cost Containment & Avoidance Strategies

Recent General Fund cuts have resulted in increased operating efficiencies, internal reallocations, and additional cost containment measures.

- ❖ Reduced faculty and staff by over 700.
- ❖ Made changes to various employee benefits saving over \$32 million.
- ❖ Restructured academic and administrative units saving over \$25 million.
- ❖ Increased participation in joint purchasing agreements saving over \$7 million.
- ❖ Restructured debt service saving over \$15 million.
- ❖ Engaged in new energy contracts and initiatives saving over \$5 million.

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