

STRONGER by DEGREES



MEETING AGENDA

Budget Development Work Group
Thursday, August 13, 2015
Conference Room A

The Council on Postsecondary Education is Kentucky's statewide postsecondary and adult education coordinating agency charged with leading the reform efforts envisioned by state policy leaders in the *Kentucky Postsecondary Education Improvement Act of 1997*. The Council does not discriminate on the basis of race, color, national origin, sex, religion, age, or disability in employment or the provision of services, and provides, upon request, reasonable accommodation, including auxiliary aids and services necessary to afford individuals with disabilities an equal opportunity to participate in all programs and activities.

Kentucky Council on Postsecondary Education, 1024 Capital Center Drive, Suite 320, Frankfort KY 40601, Ph: (502) 573-1555, Fax: (502) 573-1535,
<http://cpe.ky.gov>

Twitter: <https://twitter.com/cpenews>

Printed with state funds

Facebook: <https://www.facebook.com/KYCPE>

AGENDA

Budget Development Work Group

Council on Postsecondary Education

Thursday, August 13, 2015

1:00 PM

Conference Room A

1. Opening Remarks
2. Update on 2016-18 Budget Development Process 3
 - a. Operating Funds
 - 1) Strategic Initiatives
 - a) Performance Funding
 - 2) Special Initiatives
 - a) Centers of Research Excellence
 - b) Equity Adjustment
 - c) KSU Enrollment Stabilization
 - d) KSU Land Grant Match
 - e) KCTCS Tuition Stabilization
 - b. Trust Funds
 - 1) Bucks for Brains
 - c. Capital Projects
 - 1) Asset Preservation/New Construction
 - 2) Information Technology
 - 3) Institutionally Funded Projects
 - d. Agency Budget
3. Other Business

2016-18 Biennial Budget Recommendation

Funding Categories

- A. Operating Funds
- B. Trust Funds
- C. Capital Projects
- D. Agency Budget

3

2016-18 Operating Funds Request

Proposed Components

A. Operating Funds

- Strategic Investments
 - Performance Funding \$86.7 M
- Special Initiatives
 - Centers of Research Excellence \$12.0 M
 - Equity Adjustment \$15.8 M
 - KSU Enrollment Stabilization TBD
 - KSU Land Grant Match TBD
 - KCTCS Tuition Stabilization \$ 3.5 M

Performance Funding

Proposed Features

- CPE staff will request \$43.4 million in nonrecurring funds in 2016-17 and \$86.7 million in nonrecurring funds in 2017-18 to support a new, system wide performance funding approach.
- These funds will be allocated among postsecondary sectors based on each sector's share of budget cuts since 2007-08.
- Performance funds in the research sector will be allocated based on enacted 2015-16 net General Fund share.
- Performance funds in the comprehensive sector will be allocated based on a combination of total public funds share and share of budget cuts since 2007-08 (w/ \$500k limit up or down).
- Funds will be requested on a nonrecurring basis and must be earned through performance to be retained beyond 2016-18.

Performance Funding

Proposed Features (Cont'd)

- Rewards progress toward attainment of campus specific goals, not for exceeding the performance of other institutions.
- CPE staff and campus officials will agree on areas of interest and metrics that are aligned with state goals (i.e., HB1, *Strategic Agenda*).
- CPE and university staffs will negotiate a goal for each metric.
- For new funds to become recurring, an institution must make progress toward or attain goals for identified metrics.
- Unearned funds would be deducted from the beginning base of an institution prior to development of the 2018-20 request.
- Performance will be measured in fall 2017 to determine if funds become recurring for 2018-20.

Performance Funding Basis for Sector Allocations

| Institution | Enacted 2007-08 Net General Fund | Final 2014-15 Net General Fund | Dollar Change | Percent Change | Full Base Restoration | 50% Base Restoration |
|-------------|--|--------------------------------------|------------------|-------------------|--------------------------|-------------------------|
| UK | \$335,071,000 | \$279,611,300 | (\$55,459,700) | -16.6% | \$84,955,100 | \$42,477,600 |
| UofL | 168,572,300 | 139,076,900 | (29,495,400) | -17.5% | | |
| EKU | 79,761,400 | 68,033,800 | (11,727,600) | -14.7% | 49,974,000 | 24,987,000 |
| KSU | 27,441,700 | 23,429,600 | (4,012,100) | -14.6% | | |
| MoSU | 48,202,100 | 41,039,500 | (7,162,600) | -14.9% | | |
| MuSU | 56,068,700 | 48,025,100 | (8,043,600) | -14.3% | | |
| NKU | 55,099,500 | 48,537,600 | (6,561,900) | -11.9% | | |
| WKU | 85,115,600 | 72,649,400 | (12,466,200) | -14.6% | 38,542,600 | 19,271,300 |
| KCTCS | 228,704,900 | 190,162,300 | (38,542,600) | -16.9% | | |
| System | <u>\$1,084,037,200</u> | <u>\$910,565,500</u> | (\$173,471,700) | -16.0% | \$173,471,700 | \$86,735,900 |

Increase on FY 2014-15 Base:

19.1%

9.5%

Performance Funding

Allocations by Sector and Institution

| Institution | 2016-17 Requested Increase | 2017-18 Requested Increase | Total Biennial Increase |
|-------------------------------|----------------------------------|----------------------------------|-------------------------------|
| University of Kentucky | \$14,183,900 | \$14,183,900 | \$28,367,800 |
| University of Louisville | 7,055,000 | 7,055,000 | 14,110,000 |
| Sector Total | \$21,238,900 | \$21,238,900 | \$42,477,800 |
| ∞ Eastern Kentucky University | \$2,847,300 | \$2,847,300 | \$5,694,600 |
| Kentucky State University | 766,100 | 766,100 | 1,532,200 |
| Morehead State University | 1,691,800 | 1,691,800 | 3,383,600 |
| Murray State University | 1,978,900 | 1,978,900 | 3,957,800 |
| Northern Kentucky University | 2,098,900 | 2,098,900 | 4,197,800 |
| Western Kentucky University | 3,110,900 | 3,110,900 | 6,221,800 |
| Sector Total | \$12,493,900 | \$12,493,900 | \$24,987,800 |
| KCTCS | \$9,635,700 | \$9,635,700 | \$19,271,400 |
| System Total | \$43,368,500 | \$43,368,500 | \$86,737,000 |

Performance Funding

Proposed Assessment Method

| Metric | Goal Biennial Change | Actual Biennial Change | Percent of Goal Attained | Point Value |
|----------|----------------------------|------------------------------|--------------------------------|----------------|
| Metric A | 1,120 | 838 | 75% | 0.75 |
| Metric B | 5.5 | 5.5 | 100% | 1.00 |
| Metric C | 10.0 | 8.0 | 80% | 0.80 |
| Metric D | 700.0 | 350.0 | 50% | 0.50 |
| Metric E | 60 | 24 | 40% | 0.40 |
| | | | Composite Point Score: | 3.45 |
| | | | Total Possible Points: | 5.00 |

In the above example, 70% of performance funds would become recurring in 2018-20 (i.e., $3.45/5.0 = 70\%$).

Performance Funding Metrics Discussed to Date

- Degrees produced
- Graduation rates
- Retention rates
- Progression metrics
 - 30 credit hours
 - 60 credit hours
 - 90 credit hours
- Closing achievement gaps
- Research productivity
- Degrees per 100 FTE students
- Type of degree (STEM+H)
- Transfer

10

Special Initiatives Proposed Requests

On August 3, campus presidents or their representative agreed to an approach that contained five Special Initiative requests:

- Centers of Research Excellence \$12.0 M
- Equity Adjustment \$15.8 M
- KSU Enrollment Stabilization TBD
- KSU Land Grant Match TBD
- KCTCS Tuition Stabilization \$ 3.5 M

11

Centers of Research Excellence

Proposed Features

- CPE staff will request \$6.0 million in recurring funds in 2016-17 and an additional \$6.0 million in recurring funds in 2017-18 to create Centers of Research Excellence at UK and UofL.
- These funds will be allocated 1/3 to UofL and 2/3 to UK based on statutory provisions of the Research Challenge Trust Fund.
- 12 • This program is designed to:
 - Create “Clusters of Research Excellence” that benefit Kentucky;
 - Encourage collaborative research between UK and UofL;
 - Increase university partnerships with business and industry; and
 - Create high wage jobs in public and private sectors of economy.
- Funds will be used to make targeted cluster hires in research focus areas that address important state needs.

Centers of Research Excellence

Proposed Funding Level

| Institution | Fiscal Year 2016-17 | Fiscal Year 2017-18 |
|-------------------------------------|------------------------|------------------------|
| University of Kentucky | \$4.0 | \$8.0 |
| University of Louisville | <u>2.0</u> | <u>4.0</u> |
| Program Totals | \$6.0 | \$12.0 |
| % Increase on FY16 Base (\$914.9 M) | .65% | 1.31% |

13

Equity Adjustment Proposed Features

- CPE staff will request \$7.9 million in recurring funds in 2016-17 and an additional \$7.9 million in recurring funds (or \$15.8 M total) in 2017-18 to address disparities in state support among institutions in the comprehensive sector.
- These funds will be allocated \$10.7 million to NKU and \$5.1 million to WKU, based on the outcome of a funding model developed by CPE and institutional staffs.
- If authorized, these funds would bring net General Fund at NKU and WKU to the sector median percent of formula.

14

Equity Adjustment Proposed Funding Level

| Institution | Fiscal Year 2016-17 | Fiscal Year 2017-18 |
|-------------------------------------|------------------------|------------------------|
| Northern Kentucky University | \$5.3 | \$10.7 |
| Western Kentucky University | <u>2.6</u> | <u>5.1</u> |
| Program Totals | \$7.9 | \$15.8 |
| % Increase on FY16 Base (\$914.9 M) | .86% | 1.72% |

15

KSU Enrollment Stabilization

Proposed Features

- KSU officials have asked Council staff to consider a Special Initiatives request to address a structural budget deficit brought on by a precipitous decline in student enrollment.
- If requested and appropriated, funds would be made available subject to:
 - KSU Board of Regents certification that all institutional financial remedies have been exhausted.
 - Confirmation by CPE staff that relief is warranted.
 - The funds would be nonrecurring and would be phased out over several biennia.
 - Any appropriated funds not used during a given fiscal year would revert to the General Fund.

19

KSU Land Grant Match

Proposed Features

- KSU has asked Council staff to request a sufficient amount of recurring state funds to allow the institution to meet federal match requirements for its land grant program.
- Every year, Congress appropriates federal funds for formula grants at 1890 land grant institutions.
- 17 • These funds must be matched dollar-for-dollar by the state, from non-federal sources, to ensure that KSU will continue to receive its full allotment of federal funds.
- Since 2007-08, the level of state funds in KSU's land grant base has not been sufficient to meet the federal match requirement.
- CPE staff has calculated the match deficit to be \$2,247,800 (FY15).
- Tuition and fee revenue cannot be used to meet the match.

KCTCS Tuition Stabilization

Proposed Features

- CPE staff will request \$1.8 million in recurring funds in 2016-17 and an additional \$1.8 million in 2017-18 to support lower tuition and fee increases at KCTCS in the upcoming biennium.
- Other features are yet to be determined.

2016-18 Operating Funds Request

Proposed Request by Component

| Funding Component | 2016-17 Requested Increase | 2017-18 Requested Increase | Total Biennial Increase |
|--------------------------------|----------------------------------|----------------------------------|-------------------------------|
| Strategic Investments | | | |
| Performance Funding | \$43,368,500 | \$43,368,500 | \$86,737,000 ^(a) |
| Special Initiatives | | | |
| Centers of Research Excellence | 6,000,000 | 6,000,000 | 12,000,000 ^(b) |
| Equity Adjustment | 7,922,200 | 7,922,200 | 15,844,400 ^(c) |
| KSU Enrollment Stabilization | TBD | TBD | TBD |
| KSU Land Grant Match | TBD | TBD | TBD |
| KCTCS Tuition Stabilization | 1,750,000 | 1,750,000 | 3,500,000 ^(d) |
| | \$59,040,700 | \$59,040,700 | \$118,081,400 |

- (a) Between 2007-08 and 2014-15, General Fund appropriations for the public postsecondary institutions decreased by \$173.5 million or 19.1 percent. CPE staff and campus officials are proposing that the Governor and General Assembly appropriate half that amount (i.e., \$86.7 million) to institutions on a nonrecurring basis in 2016-18, with the opportunity for those funds to become recurring in the next biennium, if earned through future performance (i.e., 100% of new funds would be placed at risk).
- (b) Includes \$8.0 million in recurring funds for UK and \$4.0 million in recurring funds for UofL to establish Centers of Research Excellence.
- (c) Includes \$10.7 million in recurring funds for NKU and \$5.2 million in recurring funds for WKU to address disparities in state support among institutions in the comprehensive sector.
- (d) Recurring funds that support lower tuition and fee increases at KCTCS during the upcoming biennium.

2016-18 Operating Funds Request

Proposed Request by Institution

| Institution | A | B | C | A + B + C | D - A | (D/A) - 1 |
|------------------------------|-----------------------------|-----------------------|-----------------------|---|----------------------------------|-------------------|
| | Enacted | 2016-17 | 2017-18 | D | E | F |
| | 2015-16 Net General Fund | Requested Increase | Requested Increase | Proposed 2017-18 Net General Fund | Dollar Change | Percent Change |
| University of Kentucky | \$279,611,300 | \$18,183,900 | \$18,183,900 | \$315,979,100 | \$36,367,800 ^(a) | 13.0% |
| University of Louisville | 139,076,900 | 9,055,000 | 9,055,000 | 157,186,900 | 18,110,000 ^(a) | 13.0% |
| Eastern Kentucky University | 68,033,800 | 2,847,300 | 2,847,300 | 73,728,400 | 5,694,600 | 8.4% |
| Kentucky State University | 23,429,600 | 766,100 | 766,100 | 24,961,800 | 1,532,200 ^(b) | 6.5% |
| Morehead State University | 43,339,500 | 1,691,800 | 1,691,800 | 46,723,100 | 3,383,600 | 7.8% |
| Murray State University | 48,025,100 | 1,978,900 | 1,978,900 | 51,982,900 | 3,957,800 | 8.2% |
| Northern Kentucky University | 48,537,600 | 7,433,100 | 7,433,100 | 63,403,800 | 14,866,200 ^(c) | 30.6% |
| Western Kentucky University | 74,649,400 | 5,698,900 | 5,698,900 | 86,047,200 | 11,397,800 ^(c) | 15.3% |
| KCTCS | <u>190,162,300</u> | <u>11,385,700</u> | <u>11,385,700</u> | <u>212,933,700</u> | <u>22,771,400 ^(d)</u> | 12.0% |
| | \$914,865,500 | \$59,040,700 | \$59,040,700 | \$1,032,946,900 | \$118,081,400 | 12.9% |

^(a) Includes \$8.0 million in recurring funds for UK and \$4.0 million in recurring funds for UofL to establish Centers of Research Excellence.

^(b) Does not include funding to meet the federal match requirement for KSU's Land Grant program or to address KSU's structural budget deficit. These funding amounts are yet to be determined.

^(c) Includes \$10.7 million in recurring funds for NKU and \$5.2 million in recurring funds for WKU to address disparities in state support among institutions in the comprehensive sector.

^(d) Includes \$3.5 million in recurring funds that support lower tuition and fee increases at KCTCS during the upcoming biennium.

2016-18 Operating Funds Request

Proposed Request by Component and Institution

| Institution | A | B | (B / A) C | D | (D / A) E | B + D F | (F / A) G |
|------------------------------|-----------------------------|---------------------------------------|--------------------|----------------------------|--------------------|----------------------|--------------------|
| | 2015-16 Net General Fund | Performance Funding ^(a) | Biennial Change | Special Initiatives | Biennial Change | Total Request | Biennial Change |
| University of Kentucky | \$279,611,300 | \$28,367,800 | 10.1% | \$8,000,000 ^(b) | 2.9% | \$36,367,800 | 13.0% |
| University of Louisville | 139,076,900 | 14,110,000 | 10.1% | 4,000,000 ^(b) | 2.9% | 18,110,000 | 13.0% |
| Eastern Kentucky University | 68,033,800 | 5,694,600 | 8.4% | 0 | 0.0% | 5,694,600 | 8.4% |
| Kentucky State University | 23,429,600 | 1,532,200 | 6.5% | 0 ^(c) | 0.0% | 1,532,200 | 6.5% |
| Morehead State University | 43,339,500 | 3,383,600 | 7.8% | 0 | 0.0% | 3,383,600 | 7.8% |
| Murray State University | 48,025,100 | 3,957,800 | 8.2% | 0 | 0.0% | 3,957,800 | 8.2% |
| Northern Kentucky University | 48,537,600 | 4,197,800 | 8.6% | 10,668,400 ^(d) | 22.0% | 14,866,200 | 30.6% |
| Western Kentucky University | 74,649,400 | 6,221,800 | 8.3% | 5,176,000 ^(d) | 6.9% | 11,397,800 | 15.3% |
| KCTCS | 190,162,300 | 19,271,400 | 10.1% | 3,500,000 ^(e) | 1.8% | 22,771,400 | 12.0% |
| | <u>\$914,865,500</u> | <u>\$86,737,000</u> | 9.5% | <u>\$31,344,400</u> | 3.4% | <u>\$118,081,400</u> | 12.9% |

- (a) Nonrecurring funds that represent 50% restoration of General Fund cuts sustained since 2007-08, with the opportunity for those funds to become recurring in the next biennium (i.e., 2018-20), if earned through future performance (i.e., 100% of new funds would be placed at risk).
- (b) Recurring funds for UK and UofL to establish Centers of Research Excellence.
- (c) Does not include funding to meet the federal match requirement for KSU's Land Grant program or to address KSU's structural budget deficit. These funding amounts are yet to be determined.
- (d) Recurring funds for NKU and WKU to address disparities in state support among institutions in the comprehensive sector.
- (e) Recurring funds that support lower tuition and fee increases at KCTCS during the upcoming biennium.

2016-18 Trust Funds Request Proposed Component

B. Trust Funds

- Bucks for Brains \$125.0 M

Bucks for Brains

Proposed Request

Endowment Match Program Distribution

| <u>Institution</u> | <u>Statutory RCTF Allocations</u> | <u>Allocation Percentages</u> | <u>Bucks for Brains Distribution</u> |
|--------------------------|-----------------------------------|-------------------------------|--------------------------------------|
| University of Kentucky | 2/3 | 66.7% | \$66,667,000 |
| University of Louisville | 1/3 | 33.3% | 33,333,000 |
| | | | <u>\$100,000,000</u> |

| <u>Institution</u> | <u>Final 2014-15 Net General Fund Revenue</u> | <u>Allocation Percentages</u> | <u>Bucks for Brains Distribution</u> |
|------------------------------|---|-------------------------------|--------------------------------------|
| Eastern Kentucky University | \$68,033,800 | 22.5% | \$4,509,800 |
| Kentucky State University | 23,429,600 | 7.8% | 1,553,100 |
| Morehead State University | 41,039,500 | 13.6% | 2,720,400 |
| Murray State University | 48,025,100 | 15.9% | 3,183,500 |
| Northern Kentucky University | 48,537,600 | 16.1% | 3,217,400 |
| Western Kentucky University | <u>72,649,400</u> | 24.1% | <u>4,815,800</u> |
| | \$301,715,000 | 100.0% | \$20,000,000 |

Workforce Deveopment Match Program Distribution

| <u>Institution</u> | <u>Bucks for Brains Distribution</u> |
|--------------------|--------------------------------------|
| KCTCS | \$5,000,000 |

2016-18 Capital Projects Request

Proposed Components

C. Capital Projects

- Asset Preservation/New Construction \$600.0 M
- Information Technology/Equipment \$ 60.0 M
- Institutionally Funded Projects TBD

Asset Preservation/New Construction

Proposed Features

- CPE staff will request debt service to support a \$600.0 million bond issue for asset preservation and new construction.
- Second installment of a three-biennia \$1.8 billion approach.
- Based on VFA findings, allocates 48% of proposed new funding to asset preservation and 52% to new and expanded space.
- Places greater emphasis on asset preservation by establishing a specified spending level for such projects at each institution.
- Provides increased flexibility by requesting a pool of funding for each campus, as opposed to line-itemed projects.
- Each pool is supported by a list of projects in institutional priority order.

25

Asset Preservation/New Construction

Proposed Features (Cont'd)

- Uses an agreed upon formula for allocating capital funding among institutions.
- Each institution would receive a fixed \$15.0 million base allocation (i.e., \$135 M total), with the remaining \$465.0 million distributed based on each institution's share of:

| | | |
|------------------------------------|-----|--------------|
| – VFA Study Assessed Need | 55% | (or \$256 M) |
| – FTE Students | 26% | (or \$121 M) |
| – Total Public Funds | 12% | (or \$56 M) |
| – Extramural Research Expenditures | 7% | (or \$32 M) |
- This is the same approach proposed in 2012-14 and 2014-16.
- Debt is typically issued in the 2nd year of the biennium.

Information Technology/Equipment Proposed Features

- CPE staff will request debt service to support a \$60.0 million bond issue for technology and equipment, including:
 - \$10.0 M for statewide initiatives; and
 - \$50.0 M for campus-based initiatives.
- Each institution would receive a fixed \$1.0 million base allocation, with the remaining \$41.0 million distributed based on each institution's share of system total E&G spending.
- If authorized by the General Assembly, funding for this request would be appropriated to the Technology Initiatives Trust Fund.

27

Institutionally Funded Projects

Project Categories

- Agency bond funded projects.
- Federal, restricted, and privately funded projects.
- Guaranteed energy savings projects.
- Leases.

2016-18 Capital Projects Request

Proposed Funding Level (In Millions)

| Category | 2016-18 |
|------------------------------------|------------|
| Asset Preservation and Renovation | \$288.0 |
| New and Expanded Space | 312.0 |
| Information Technology | 60.0 |
| Agency Bond Authority | TBD |
| Institutionally Funded Investments | <u>TBD</u> |
| Total Request | \$660.0 |

29

2016-18 Capital Projects Request

Advantages of Proposed Approach

- Supported by campus presidents, CPAB members, and elected leadership in 2014-16.
- Promotes balance between asset preservation and new construction, as recommended by VFA study.
- Pooled approach is scalable to any funding level.
- Allows each institution option to implement highest priority project, or multiple smaller but critical projects.
- Multiple biennia approach enhances planning capability and increases flexibility.
- Protects state investment in infrastructure and facilities.
- Data driven process for assessing needs and allocating funds.

30

2016-18 Capital Projects Request

Next Steps

- CPE staff presentation before the Capital Planning Advisory Board on August 19.
- After Branch Budget Guidelines are published, institutions will submit to CPE a consolidated list of capital projects in priority order.
- On November 1, six-year capital plans are final and submitted to heads of three branches of government.
- Action on budget request at November 13 Council meeting.
- If approved by the Council, CPE and institutional staffs will submit the 2016-18 biennial budget recommendation to the Governor and General Assembly on November 15.

31

2016-18 Agency Budget Request

Proposed Components

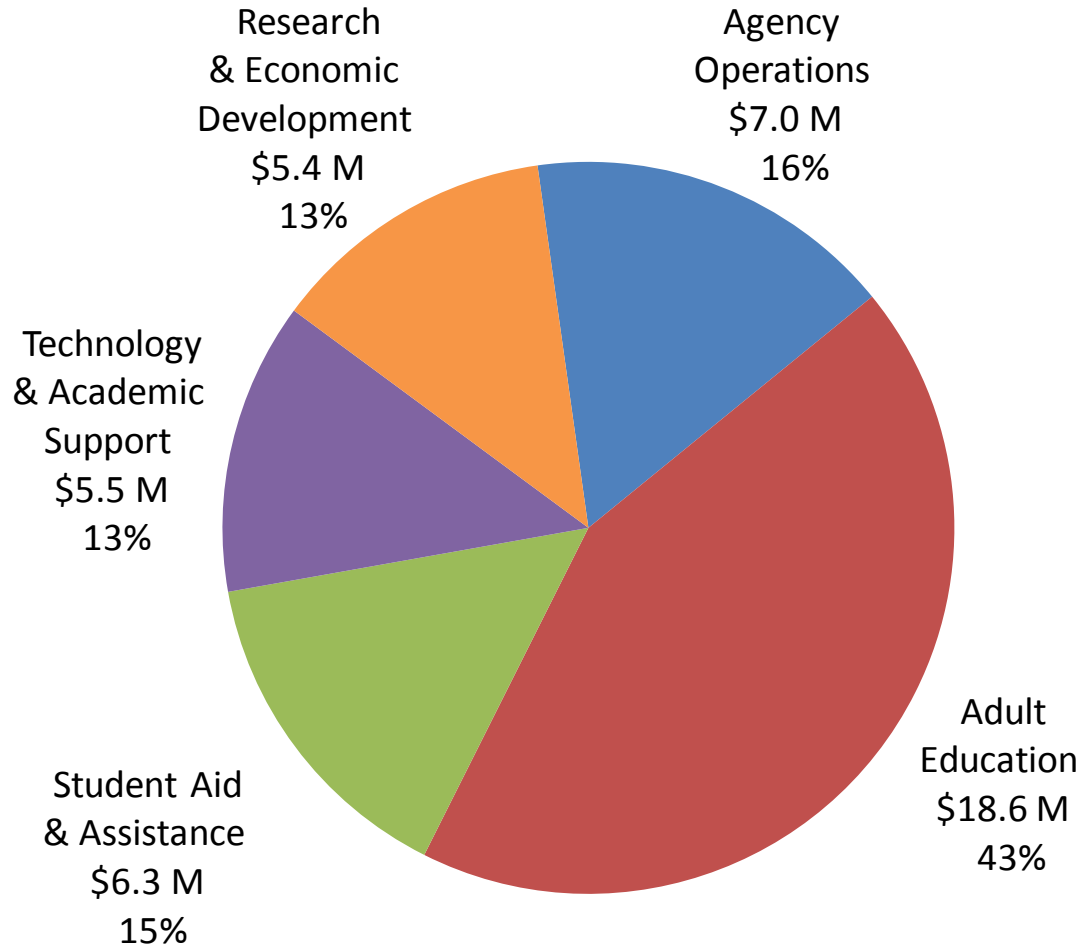
D. Agency Budget

- Agency Operations TBD
- Adult Education (Local Program Providers) TBD
- Student Aid & Assistance TBD
- Technology & Academic Support TBD
- Research & Economic Development TBD

Agency Budget Components

2015-16 General Fund Base

Total = \$42.9 Million



33

Agency Budget Components

2015-16 General Fund Base

| <u>Funding Category</u> | <u>Fiscal 2015-16 General Fund</u> | <u>Percent of Total</u> |
|---|--|-----------------------------|
| Agency Operations (Staff and Operating Expense) | \$7,012,000 | 16% |
| Adult Education (Local Program Providers) | \$18,575,500 | 43% |
| Student Aid and Assistance | | |
| Contract Spaces (164 Veterinary; 44 Optometry) | \$5,680,100 | |
| Professional Education Preparation Program | 251,900 | |
| Minority Student College Preparation Program | 176,000 | |
| State Autism Training Center | 125,800 | |
| SREB Doctoral Scholars Program | 67,900 | |
| Washington Intern Program | 48,000 | |
| Subtotal | \$6,349,700 | 15% |
| Technology and Academic Support | | |
| College Readiness/Senate Bill 1 | \$1,467,700 | |
| Technology Trust Fund (KYVC; KYVL; KPEN; KyRON) | 4,075,300 | |
| Subtotal | \$5,543,000 | 13% |
| Research and Economic Development | | |
| Science & Technology Funding Program (KSTC; PLTW) | \$5,433,300 | 13% |
| Agency Budget Total | <u>\$42,913,500</u> | 100% |

Agency Budget Requests Required Structure

Dictated by Branch Budget Guidelines:

- Base funding (i.e., fiscal year 2015-16 funding level)
- Defined calculations (i.e., mandated personnel increases)
- Additional budget requests, including:
 - Inflationary increases
 - Expansion requests
 - New projects, etc.

2014-16 Agency Budget Request

CPE Adopted Features

- Followed base and defined calculation instructions.
- Requested inflationary increases for most programs, based on estimated General Fund growth (i.e., 2% per year).
- Contained larger requested increases for:
 - Contract Spaces (to maintain number of slots).
 - SREB Doctoral Scholars (to fund an additional scholar).
 - Kentucky Adult Education (requested same % increase as the institutions).
- In 2014-16, the Council did not request increases for SB1 funding or the Washington Intern Program.

36

2016-18 Agency Budget Request

Current Status

- CPE finance staff has met twice with CPE senior leadership to discuss approach and process.
- Some initial thoughts:
 - Align agency budget request with the new Strategic Agenda.
 - Recognize that cuts have been severe for many programs and initiatives supported by CPE budget.
- Factors to consider:
 - For 2014-16, CPE requested a 4.7% increase in the first year and a 2.8% increase in the second year.
 - CPE agency budget received a 5% cut for the biennium.

37

2016-18 Agency Budget Request

Other Funding Sources

In addition to submitting a request for state General Funds, CPE will include a spending plan for:

- Restricted funds receipts
 - Federal indirect
 - Licensure
 - GED receipts
 - Tobacco tax proceeds (Cancer Research Match)
- Federal funds
 - Kentucky GEAR UP
 - Adult Education grant
 - Improving Educator Quality (IEQ) grant
- Tobacco funds (Master Settlement Agreement)
 - Lung cancer research and ovarian cancer screenings

2016-18 Agency Budget Request

Pass-Through Funds

The Council's biennial budget submission typically contains funding requests that ultimately get distributed to institutions or passed through to other agencies, such as:

- Physical Facilities Trust Fund
- Research Challenge Trust Fund (Bucks for Brains)
- Comprehensive University Excellence Trust Fund (Bucks for Brains)
- Lung Cancer Research Funds
- KSTC funding
- Technology Initiatives Trust Fund

39

2016-18 Agency Budget Request

Proposed Funding Level (In Millions)

| Category | 2016-18 |
|---------------------------------|------------|
| Agency Operations | TBD |
| Adult Education | TBD |
| Student Aid & Assistance | TBD |
| Technology & Academic Support | TBD |
| Research & Economic Development | <u>TBD</u> |
| Total Agency Budget Request | TBD |

40

Council on Postsecondary Education
2016-18 Biennial Budget Recommendation

Draft - For Discussion Purposes
August 13, 2015

Table 1: Proposed Request for Institutional Operations by Component

| Funding Component | 2016-17 Requested Increase | 2017-18 Requested Increase | Total Biennial Increase |
|--------------------------------|----------------------------------|----------------------------------|-------------------------------|
| Strategic Investments | | | |
| Performance Funding | \$43,368,500 | \$43,368,500 | \$86,737,000 ^(a) |
| Special Initiatives | | | |
| Centers of Research Excellence | 6,000,000 | 6,000,000 | 12,000,000 ^(b) |
| Equity Adjustment | 7,922,200 | 7,922,200 | 15,844,400 ^(c) |
| KSU Enrollment Stabilization | TBD | TBD | TBD |
| KSU Land Grant Match | TBD | TBD | TBD |
| KCTCS Tuition Stabilization | 1,750,000 | 1,750,000 | 3,500,000 ^(d) |
| | \$59,040,700 | \$59,040,700 | \$118,081,400 |

^(a) Between 2007-08 and 2014-15, General Fund appropriations for the public postsecondary institutions decreased by \$173.5 million or 19.1 percent. CPE staff and campus officials are proposing that the Governor and General Assembly appropriate half that amount (i.e., \$86.7 million) to institutions on a nonrecurring basis in 2016-18, with the opportunity for those funds to become recurring in the next biennium, if earned through future performance (i.e., 100% of new funds would be placed at risk).

^(b) Includes \$8.0 million in recurring funds for UK and \$4.0 million in recurring funds for UofL to establish Centers of Research Excellence.

^(c) Includes \$10.7 million in recurring funds for NKU and \$5.2 million in recurring funds for WKU to address disparities in state support among institutions in the comprehensive sector.

^(d) Recurring funds that support lower tuition and fee increases at KCTCS during the upcoming biennium.

TBD - To Be Determined.

Council on Postsecondary Education
2016-18 Biennial Budget Recommendation

Draft - For Discussion Purposes
August 13, 2015

Table 2: Proposed Request for Institutional Operations by Institution

| Institution | A | B | C | A + B + C | D - A | (D/A) - 1 |
|------------------------------|-----------------------------|-----------------------|-----------------------|---|-----------------------------|-------------------|
| | Enacted | 2016-17 | 2017-18 | D | E | F |
| | 2015-16 Net General Fund | Requested Increase | Requested Increase | Proposed 2017-18 Net General Fund | Dollar Change | Percent Change |
| University of Kentucky | \$279,611,300 | \$18,183,900 | \$18,183,900 | \$315,979,100 | \$36,367,800 ^(a) | 13.0% |
| University of Louisville | 139,076,900 | 9,055,000 | 9,055,000 | 157,186,900 | 18,110,000 ^(a) | 13.0% |
| Eastern Kentucky University | 68,033,800 | 2,847,300 | 2,847,300 | 73,728,400 | 5,694,600 | 8.4% |
| Kentucky State University | 23,429,600 | 766,100 | 766,100 | 24,961,800 | 1,532,200 ^(b) | 6.5% |
| Morehead State University | 43,339,500 | 1,691,800 | 1,691,800 | 46,723,100 | 3,383,600 | 7.8% |
| Murray State University | 48,025,100 | 1,978,900 | 1,978,900 | 51,982,900 | 3,957,800 | 8.2% |
| Northern Kentucky University | 48,537,600 | 7,433,100 | 7,433,100 | 63,403,800 | 14,866,200 ^(c) | 30.6% |
| Western Kentucky University | 74,649,400 | 5,698,900 | 5,698,900 | 86,047,200 | 11,397,800 ^(c) | 15.3% |
| KCTCS | 190,162,300 | 11,385,700 | 11,385,700 | 212,933,700 | 22,771,400 ^(d) | 12.0% |
| | \$914,865,500 | \$59,040,700 | \$59,040,700 | \$1,032,946,900 | \$118,081,400 | 12.9% |

^(a) Includes \$8.0 million in recurring funds for UK and \$4.0 million in recurring funds for UofL to establish Centers of Research Excellence.

^(b) Does not include funding to meet the federal match requirement for KSU's Land Grant program or to address KSU's structural budget deficit. These funding amounts are yet to be determined.

^(c) Includes \$10.7 million in recurring funds for NKU and \$5.2 million in recurring funds for WKU to address disparities in state support among institutions in the comprehensive sector.

^(d) Includes \$3.5 million in recurring funds that support lower tuition and fee increases at KCTCS during the upcoming biennium.

Council on Postsecondary Education
2016-18 Biennial Budget Recommendation

Draft - For Discussion Purposes
August 13, 2015

Table 3: Proposed Request for Institutional Operations by Component and Institution

| Institution | A | B | (B / A) C | D | (D / A) E | B + D F | (F / A) G |
|------------------------------|-----------------------------|---------------------------------------|--------------------|----------------------------|--------------------|------------------|--------------------|
| | 2015-16 Net General Fund | Performance Funding ^(a) | Biennial Change | Special Initiatives | Biennial Change | Total Request | Biennial Change |
| University of Kentucky | \$279,611,300 | \$28,367,800 | 10.1% | \$8,000,000 ^(b) | 2.9% | \$36,367,800 | 13.0% |
| University of Louisville | 139,076,900 | 14,110,000 | 10.1% | 4,000,000 ^(b) | 2.9% | 18,110,000 | 13.0% |
| Eastern Kentucky University | 68,033,800 | 5,694,600 | 8.4% | 0 | 0.0% | 5,694,600 | 8.4% |
| Kentucky State University | 23,429,600 | 1,532,200 | 6.5% | 0 ^(c) | 0.0% | 1,532,200 | 6.5% |
| Morehead State University | 43,339,500 | 3,383,600 | 7.8% | 0 | 0.0% | 3,383,600 | 7.8% |
| Murray State University | 48,025,100 | 3,957,800 | 8.2% | 0 | 0.0% | 3,957,800 | 8.2% |
| Northern Kentucky University | 48,537,600 | 4,197,800 | 8.6% | 10,668,400 ^(d) | 22.0% | 14,866,200 | 30.6% |
| Western Kentucky University | 74,649,400 | 6,221,800 | 8.3% | 5,176,000 ^(d) | 6.9% | 11,397,800 | 15.3% |
| KCTCS | 190,162,300 | 19,271,400 | 10.1% | 3,500,000 ^(e) | 1.8% | 22,771,400 | 12.0% |
| | \$914,865,500 | \$86,737,000 | 9.5% | \$31,344,400 | 3.4% | \$118,081,400 | 12.9% |

^(a) Nonrecurring funds that represent 50% restoration of General Fund cuts sustained since 2007-08, with the opportunity for those funds to become recurring in the next biennium (i.e., 2018-20), if earned through future performance (i.e., 100% of new funds would be placed at risk).

^(b) Recurring funds for UK and UofL to establish Centers of Research Excellence.

^(c) Does not include funding to meet the federal match requirement for KSU's Land Grant program or to address KSU's structural budget deficit. These funding amounts are yet to be determined.

^(d) Recurring funds for NKU and WKU to address disparities in state support among institutions in the comprehensive sector.

^(e) Recurring funds that support lower tuition and fee increases at KCTCS during the upcoming biennium.

Council on Postsecondary Education
2016-18 Biennial Budget Recommendation

Draft - For Discussion Purposes
August 13, 2015

Table 4: Proposed Request for Institutional Operations (Request Detail)

| Beginning Net Base: | UK | UofL | EKU | KSU | MoSU | MuSU | NKU | WKU | KCTCS | Total |
|---|---------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|-----------------|
| 2015-16 Enacted <u>Total</u> Appropriation | \$279,611,300 | \$140,416,300 | \$68,033,800 | \$23,429,600 | \$43,339,500 | \$48,025,100 | \$48,537,600 | \$74,649,400 | \$190,162,300 | \$916,204,900 |
| Minus: Debt Service (2015-16) | 0 | (1,339,400) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (1,339,400) |
| 2015-16 Enacted <u>Net</u> Appropriation | \$279,611,300 | \$139,076,900 | \$68,033,800 | \$23,429,600 | \$43,339,500 | \$48,025,100 | \$48,537,600 | \$74,649,400 | \$190,162,300 | \$914,865,500 |
| First-Year Operating Request: | | | | | | | | | | |
| 2015-16 Enacted <u>Net</u> Appropriation | \$279,611,300 | \$139,076,900 | \$68,033,800 | \$23,429,600 | \$43,339,500 | \$48,025,100 | \$48,537,600 | \$74,649,400 | \$190,162,300 | \$914,865,500 |
| Plus: Debt Service (2016-17) | 0 | TBD | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Strategic Investments | | | | | | | | | | |
| Performance Funding | 14,183,900 | 7,055,000 | 2,847,300 | 766,100 | 1,691,800 | 1,978,900 | 2,098,900 | 3,110,900 | 9,635,700 | 43,368,500 |
| Special Initiatives | | | | | | | | | | |
| Centers of Research Excellence | 4,000,000 | 2,000,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 6,000,000 |
| Equity Adjustment | 0 | 0 | 0 | 0 | 0 | 0 | 5,334,200 | 2,588,000 | 0 | 7,922,200 |
| KSU Structural Deficit | 0 | 0 | 0 | TBD | 0 | 0 | 0 | 0 | 0 | 0 |
| KSU Land Grant Match | 0 | 0 | 0 | TBD | 0 | 0 | 0 | 0 | 0 | 0 |
| KCTCS Tuition Stabilization | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,750,000 | 1,750,000 |
| 2016-17 Requested <u>Total</u> General Fund | \$297,795,200 | \$148,131,900 | \$70,881,100 | \$24,195,700 | \$45,031,300 | \$50,004,000 | \$55,970,700 | \$80,348,300 | \$201,548,000 | \$973,906,200 |
| Dollar Change from Prior Year | \$18,183,900 | \$7,715,600 | \$2,847,300 | \$766,100 | \$1,691,800 | \$1,978,900 | \$7,433,100 | \$5,698,900 | \$11,385,700 | \$57,701,300 |
| Percent Change from Prior Year | 6.5% | 5.5% | 4.2% | 3.3% | 3.9% | 4.1% | 15.3% | 7.6% | 6.0% | 6.3% |
| Beginning Net Base: | | | | | | | | | | |
| 2016-17 Requested <u>Total</u> General Fund | \$297,795,200 | \$148,131,900 | \$70,881,100 | \$24,195,700 | \$45,031,300 | \$50,004,000 | \$55,970,700 | \$80,348,300 | \$201,548,000 | \$973,906,200 |
| Minus: Debt Service (2016-17) | 0 | TBD | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2016-17 Requested <u>Net</u> General Fund | \$297,795,200 | \$148,131,900 | \$70,881,100 | \$24,195,700 | \$45,031,300 | \$50,004,000 | \$55,970,700 | \$80,348,300 | \$201,548,000 | \$973,906,200 |
| Dollar Change from Prior Year | \$18,183,900 | \$9,055,000 | \$2,847,300 | \$766,100 | \$1,691,800 | \$1,978,900 | \$7,433,100 | \$5,698,900 | \$11,385,700 | \$59,040,700 |
| Percent Change from Prior Year | 6.5% | 6.5% | 4.2% | 3.3% | 3.9% | 4.1% | 15.3% | 7.6% | 6.0% | 6.5% |
| Second-Year Operating Request: | | | | | | | | | | |
| 2016-17 Requested <u>Net</u> General Fund | \$297,795,200 | \$148,131,900 | \$70,881,100 | \$24,195,700 | \$45,031,300 | \$50,004,000 | \$55,970,700 | \$80,348,300 | \$201,548,000 | \$973,906,200 |
| Plus: Debt Service (2017-18) | 0 | TBD | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Strategic Investments | | | | | | | | | | |
| Performance Funding | 14,183,900 | 7,055,000 | 2,847,300 | 766,100 | 1,691,800 | 1,978,900 | 2,098,900 | 3,110,900 | 9,635,700 | 43,368,500 |
| Special Initiatives | | | | | | | | | | |
| Centers of Research Excellence | 4,000,000 | 2,000,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 6,000,000 |
| Equity Adjustment | 0 | 0 | 0 | 0 | 0 | 0 | 5,334,200 | 2,588,000 | 0 | 7,922,200 |
| KSU Structural Deficit | 0 | 0 | 0 | TBD | 0 | 0 | 0 | 0 | 0 | 0 |
| KSU Land Grant Match | 0 | 0 | 0 | TBD | 0 | 0 | 0 | 0 | 0 | 0 |
| KCTCS Tuition Stabilization | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,750,000 | 1,750,000 |
| 2017-18 Requested <u>Total</u> General Fund | \$315,979,100 | \$157,186,900 | \$73,728,400 | \$24,961,800 | \$46,723,100 | \$51,982,900 | \$63,403,800 | \$86,047,200 | \$212,933,700 | \$1,032,946,900 |
| Dollar Change from Prior Year | \$18,183,900 | \$9,055,000 | \$2,847,300 | \$766,100 | \$1,691,800 | \$1,978,900 | \$7,433,100 | \$5,698,900 | \$11,385,700 | \$59,040,700 |
| Percent Change from Prior Year | 6.1% | 6.1% | 4.0% | 3.2% | 3.8% | 4.0% | 13.3% | 7.1% | 5.6% | 6.1% |
| Ending Net Base: | | | | | | | | | | |
| 2017-18 Requested <u>Total</u> General Fund | \$315,979,100 | \$157,186,900 | \$73,728,400 | \$24,961,800 | \$46,723,100 | \$51,982,900 | \$63,403,800 | \$86,047,200 | \$212,933,700 | \$1,032,946,900 |
| Minus: Debt Service (2017-18) | 0 | TBD | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2017-18 Requested <u>Net</u> General Fund | \$315,979,100 | \$157,186,900 | \$73,728,400 | \$24,961,800 | \$46,723,100 | \$51,982,900 | \$63,403,800 | \$86,047,200 | \$212,933,700 | \$1,032,946,900 |
| Dollar Change from Prior Year | \$18,183,900 | \$9,055,000 | \$2,847,300 | \$766,100 | \$1,691,800 | \$1,978,900 | \$7,433,100 | \$5,698,900 | \$11,385,700 | \$59,040,700 |
| Percent Change from Prior Year | 6.1% | 6.1% | 4.0% | 3.2% | 3.8% | 4.0% | 13.3% | 7.1% | 5.6% | 6.1% |
| Net General Fund | | | | | | | | | | |
| Dollar Change for Biennium | \$36,367,800 | \$18,110,000 | \$5,694,600 | \$1,532,200 | \$3,383,600 | \$3,957,800 | \$14,866,200 | \$11,397,800 | \$22,771,400 | \$118,081,400 |
| Percent Change for Biennium | 13.0% | 13.0% | 8.4% | 6.5% | 7.8% | 8.2% | 30.6% | 15.3% | 12.0% | 12.9% |

44

TBD - To Be Determined

Total GF Requests

Net GF Requests

Council on Postsecondary Education
2016-18 Biennial Budget Recommendation

Draft - For Discussion Purposes
August 13, 2015

Table 5: Performance Funding Allocation by Sector and Institution

| Institution | 2016-17 Requested Increase | 2017-18 Requested Increase | Total Biennial Increase | |
|------------------------------|----------------------------------|----------------------------------|-------------------------------|-------|
| University of Kentucky | \$14,183,900 | \$14,183,900 | \$28,367,800 | } (a) |
| University of Louisville | 7,055,000 | 7,055,000 | 14,110,000 | |
| Sector Total | \$21,238,900 | \$21,238,900 | \$42,477,800 | |
| Eastern Kentucky University | \$2,847,300 | \$2,847,300 | \$5,694,600 | } (b) |
| Kentucky State University | 766,100 | 766,100 | 1,532,200 | |
| Morehead State University | 1,691,800 | 1,691,800 | 3,383,600 | |
| Murray State University | 1,978,900 | 1,978,900 | 3,957,800 | |
| Northern Kentucky University | 2,098,900 | 2,098,900 | 4,197,800 | |
| Western Kentucky University | 3,110,900 | 3,110,900 | 6,221,800 | |
| Sector Total | \$12,493,900 | \$12,493,900 | \$24,987,800 | |
| KCTCS | \$9,635,700 | \$9,635,700 | \$19,271,400 | |
| System Total | \$43,368,500 | \$43,368,500 | \$86,737,000 | } (c) |

- (a) In the research sector, performance funds are allocated between UK and UofL based on each institution's share of sector total 2015-16 net General Fund appropriations.
- (b) In the comprehensive sector, performance funds are allocated among institutions using a combination of total public funds share and each institution's share of sector total budget cuts between 2007-08 and 2014-15, while applying a \$500,000 upper and lower limit on the differential between the two.
- (c) Between 2007-08 and 2014-15, state General Fund appropriations for the public postsecondary institutions decreased by \$173.5 million or 19.1 percent. The proposed \$86.7 million Performance Funding component represents restoration of half of the cuts sustained by the system since 2007-08.