

AGENDA

Budget Development Work Group

Council on Postsecondary Education

Sunday, September 10, 2017

6:00 PM

Louisville Marriott East, Steamboat Room

-
1. Opening Remarks
 2. Update on 2018-20 Biennial Budget Development Process 2
 - a. Postsecondary Institutions
 - b. CPE Agency Operations
 3. Other Business
 4. Adjournment
Next Meeting: October 17, 2017 @ 10am



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2018-20 Biennial Budget Development Process

Budget Development Work Group Meeting
September 10, 2017

Overview

1) Postsecondary Institutions

- a) Operating Funds
- b) Trust Funds
- c) Special Initiatives
- d) Capital Projects

2) Council on Postsecondary Education

- a) Operating Funds
- b) Capital Projects





Postsecondary Institution Funding Components

Operating Funds

→ Campus Input Summary:

- Seven institutions support additional appropriations for **Performance Funding** (UK, UofL, EKU, KSU, NKU, WKU, KCTCS)
- Two institutions believe the state should focus on priorities other than performance (MoSU, MuSU)
- Five institutions support an inflationary increase for **Mandated Programs**, which are excluded from the funding model (UK, EKU, KSU, MoSU, KCTCS)
- Three institutions offered tentative support, but said funding for mandated programs was not a high priority for their institution (UofL, MuSU, WKU)



Operating Funds (Cont'd)

→ Campus Input Summary (Cont'd):

- NKU does not support funding for mandated programs
- Five institutions do not support including a funding request for **Growth in Outcomes** (UK, UofL, KSU, MuSU, NKU)
- Two institutions were equivocal regarding growth in outcomes funding (EKU, MoSU)
- Two institutions expressed support for growth in outcomes funding (WKU, KCTCS)



Operating Funds (Cont'd)

→ Areas of Agreement:

- ✓ The 2018-20 budget request should include additional General Fund appropriations for **Performance Funding**
- ✓ Most institutions support including an inflationary adjustment for **Mandated Programs** (2.0% per year)

→ Remaining Decision Points:

- What amounts should be requested for performance funding in FY19 and FY20?
- Should a request for **Growth in Outcomes** be included?
- What is the rationale for each component?



Operating Funds (Cont'd)

Table 1 - Sample Operating Funds Request
(Dollars in Millions)

Category	2018-19	2019-20
Performance Funding	\$ 21.6	\$ 43.3
Mandated Programs	2.4	4.8
Growth in Outcomes	0.0	17.3
Total Request	\$ 24.1	\$ 65.4
Increase on FY18 Base (\$886.9 M)	2.7%	7.4%



Trust Funds

→ Campus Input Summary:

- Two institutions support another round of funding for **Bucks for Brains** (UK @ \$120M, UofL @ \$90M)
- One institution supports funding for the **Workforce Development Trust Fund** (KCTCS @ \$5M)
- Five institutions either do not support a request for trust funds or would prefer that the state focus on other priorities (KSU, MoSU, MuSU, NKU, WKU)
- One institution did not provide input regarding trust funds (EKU)

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Trust Funds (Cont'd)

→ Areas of Agreement:

- No consensus at this time

→ Remaining Decision Points:

- Should the Council's 2018-20 budget recommendation include a request for **Bucks for Brains**?
- Should it include a funding request for the **Workforce Development Trust Fund**?
- If yes, in what amounts?

Trust Funds (Cont'd)

Table 2 - Sample Trust Funds Request
(Dollars in Millions)

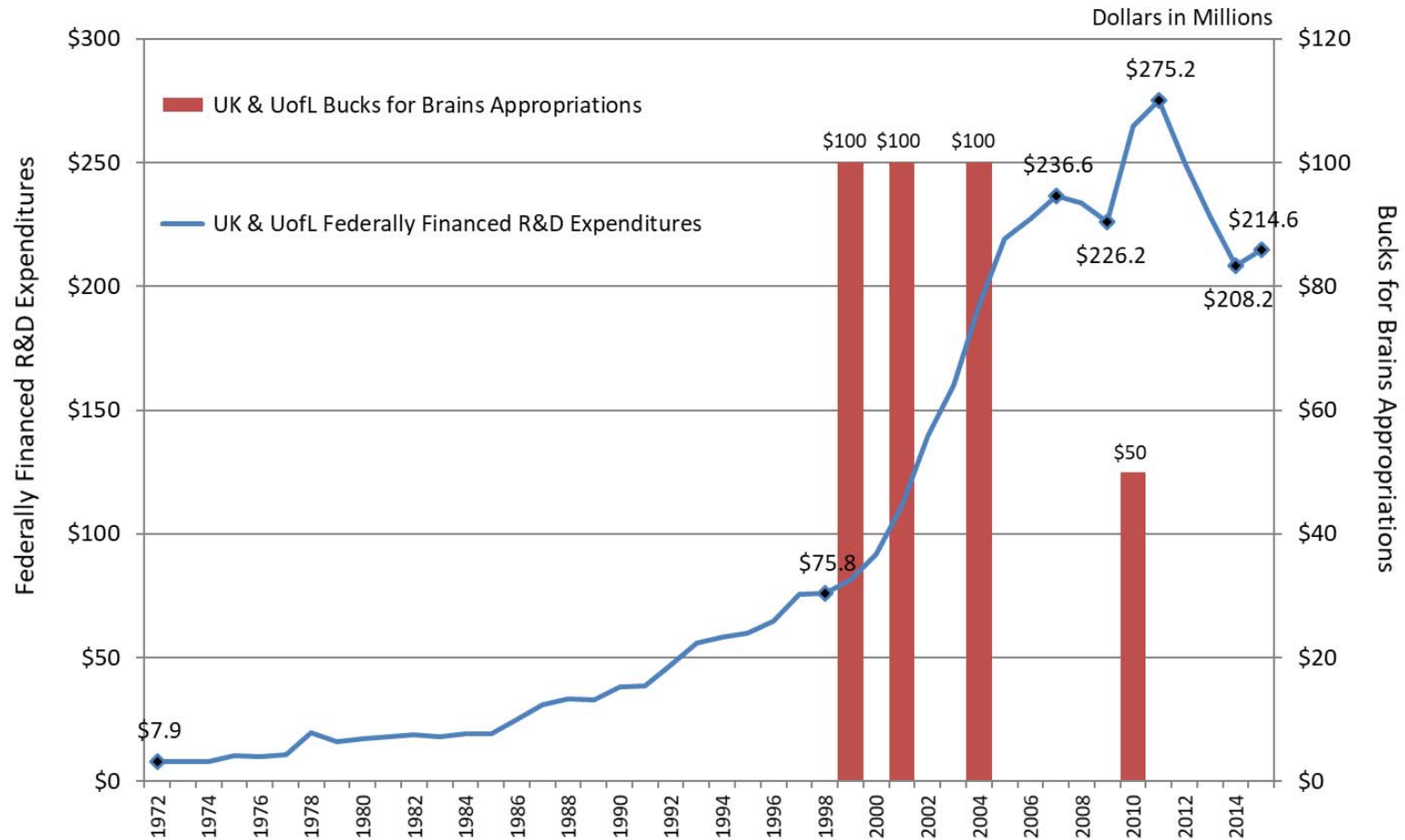
Category	State Bond Funds	Annual Debt Service
Bucks for Brains	\$ 90.0	\$ TBD
Workforce Development	5.0	TBD
Total Request	\$ 95.0	\$ TBD

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Trust Funds (Cont'd)

Bucks for Brains Appropriations and
 Federally Financed Research and Development (R&D) Expenditures
 1972 - 2015



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Special Initiatives

→ Campus Input Summary:

- Six institutions support including a funding request for **KERS/KTRS Increases** (EKU, KSU, MoSU, MuSU, WKU, KCTCS)
- NKU favors including a statement of support, but not a request for specific funding amounts
- In addition to the request for pension funds, KCTCS proposes funding for two other initiatives:
 - \$19.1 M each year for a **Competitive Workforce Initiative**
 - \$11.0 M each year to offset cost of **Dual Credit Tuition Waivers**
- UofL proposes funding for two initiatives:
 - \$1.0 M for **Workforce Development and Training**
 - \$4.8 M to increase the number of **Engineering Graduates**



Special Initiatives (Cont'd)

→ Campus Input Summary (Cont'd):

- UK did not identify any special initiatives to include in the request

→ Areas of Agreement:

- ✓ Five comprehensive universities and KCTCS support a request to offset anticipated **KERS/KTRS Increases**

→ Remaining Decision Points:

- Which, if any, other special initiatives should be included in the Council's 2018-20 budget request?
- What is the compelling rationale? Benefit to the state?



Special Initiatives (Cont'd)

→ Additional Campus Input:

- UofL is the only institution that favors including a request for **Workforce Development and Training**
- UofL is the only institution that supports funding to increase the number of **Engineering Graduates**
- KCTCS is the only institution that endorses funding for its **Competitive Workforce Initiative**
- Three institutions support including a request for **Dual Credit Tuition Waivers** (EKU, KSU, KCTCS)
- Six institutions do not support funding for dual credit tuition waivers (UK, UofL, MoSU, MuSU, NKU, WKU)



Special Initiatives (Cont'd)

Table 3 - Sample Special Initiatives Request
(Dollars in Millions)

Category	2018-19	2019-20
KERS/KTRS Increases ¹	\$27.9	\$27.9
Other Special Initiative?	TBD	TBD
Total Request	\$TBD	\$TBD
Increase on FY18 Base (\$886.9 M)	TBD	TBD

¹ The required employer contribution rate for KERS employees in non-hazardous positions is expected to increase from 49.5% in 2017-18 to 84.1% in 2018-19.



Capital Projects

→ Campus Input Summary:

- Seven institutions support a request that focuses on **Asset Preservation** (UofL, ECU, KSU, MoSU, MuSU, NKU, KCTCS)
- UK supports state bonds for top priority projects
- WKU believes operating funds should take precedence over capital funding
- All institutions support an **Optional Student Fee**, outside of Council approved tuition and fee ceilings, that can be used to finance asset preservation projects
- All institutions support including a funding request for an **Information Technology and Equipment** pool



Capital Projects (Cont'd)

→ Campus Input Summary (Cont'd):

- Several CBOs support using each institution's share of total E&G expenses to distribute IT & Equipment pool

→ Areas of Agreement:

- ✓ Most institutions believe the Council's capital request should focus on **Asset Preservation**, as opposed to **New Construction**
- ✓ Most institutions support using share of system total asset preservation need to allocate state bond funds
- ✓ All institutions support a change in the Council's tuition policy that would allow an **Asset Preservation Fee**



Capital Projects (Cont'd)

→ Areas of Agreement (Cont'd):

✓ The 2018-20 budget request should include state bond funds for an **Information Technology & Equipment** pool

→ Remaining Decision Points

- What amount of state bond funds should be requested for asset preservation projects in 2018-20?
- Should the Council and institutions lobby for something other than the traditional dollar-for-dollar match?
- Is share of sector total E&G expenses an appropriate method for allocating an information technology and equipment pool among institutions?



Capital Projects (Cont'd)

Table 4 – Sample Capital Projects Request
(Dollars in Millions)

Category	State Bond Funds	Annual Debt Service
Asset Preservation	\$600 - \$700	\$TBD
New and Expanded Space	0	0
Info Tech and Equipment	40 - 60	TBD
Total Request	\$640 - \$760	\$TBD
Institutionally Funded Project Authorization		TBD

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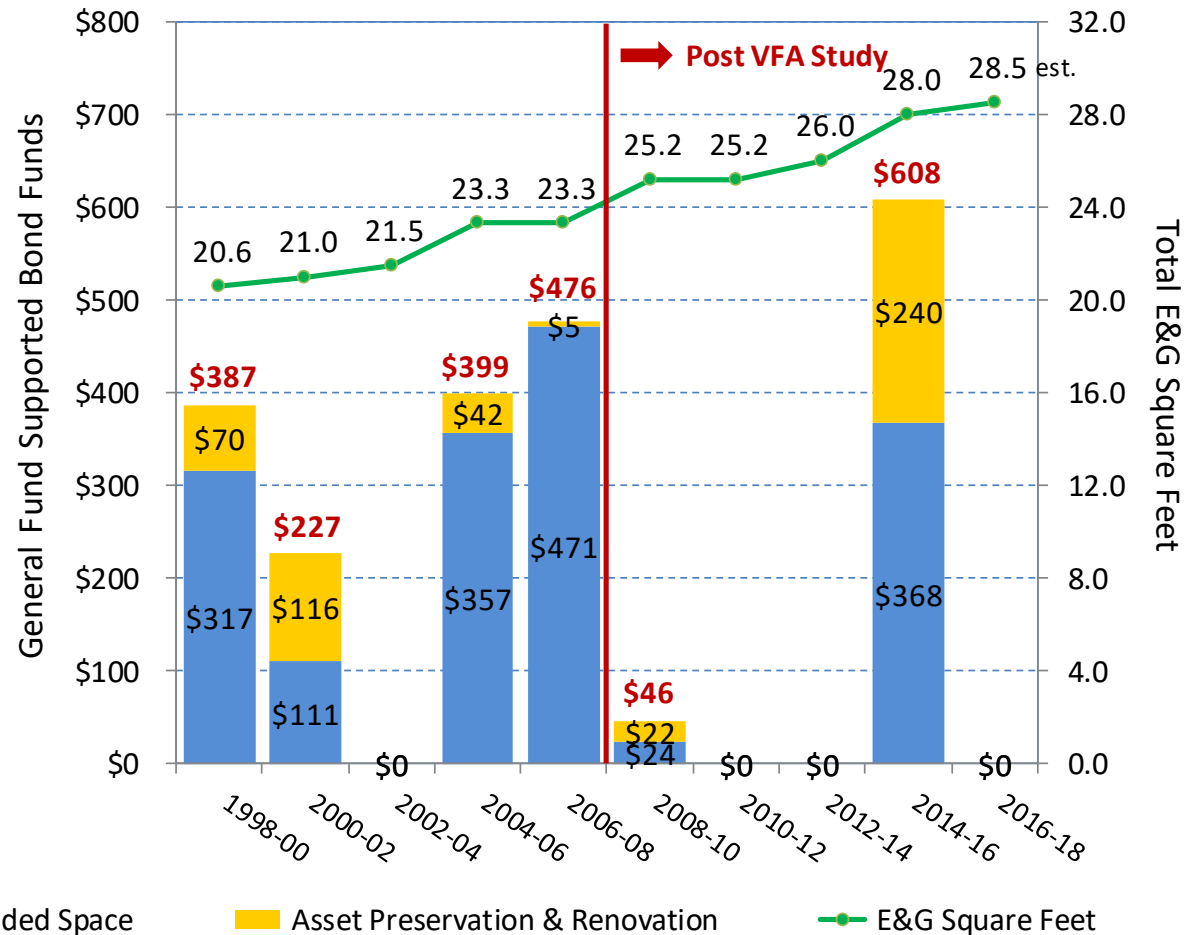


Capital Projects (Cont'd)

State Investment in Education and General (E&G) Facilities
Biennia 1998-00 through 2016-18
(Dollars and Square Feet in Millions)

Over Past 10 Biennia

- \$1.6 billion in new or expanded state funded E&G facilities
- \$495 million in state funded asset preservation
- Ratio of new construction to asset preservation = 3.3 to 1



Capital Projects (Cont'd)

Projected Asset Preservation Need versus State Investment
Fiscal Years 2007 through 2021

VFA Study Projections:

<u>Time Period</u>	<u>Projected Asset Preservation Need ¹</u>
2007-2011	\$5.1 billion
2012-2016	6.3 billion
2017-2021	\$7.3 billion

¹ Cumulative need

State Investment:

<u>Biennium</u>	<u>Appropriations for Asset Preservation</u>
2008-10	\$22.0 million
2010-12	0.0
2012-14	0.0
2014-16	240.0 million
2016-18	0.0
	<u>\$262.0 million</u>

- During the past five biennia, the state has funded about 3.6% of an estimated total \$7.3 billion asset preservation need





Council on Postsecondary Education Funding Components

Operating Funds

Table 5 - Sample Operating Funds Request (CPE)
(Dollars in Millions)

Category	2018-19	2019-20
Defined Calculations and Inflation	TBD	TBD
Kentucky Adult Education	TBD	TBD
Student Success Small Grants	\$ 1.2	\$ 1.2
Contract Spaces – Maintain Spaces	0.7	0.7
SREB Doctoral Scholars	0.1	0.1
Military Student Initiative	TBD	TBD
Commonwealth College	2.4	2.4
Total Request	\$TBD	\$TBD
Increase on FY18 Base (\$41.5 M)	TBD	TBD

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Capital Projects

Table 6 – Sample Capital Projects Request (CPE)
(Dollars in Millions)

Category	State Bond Funds	Annual Debt Service
Military Student Initiative	\$ 2.0	\$TBD
Commonwealth College	4.0	0
Enhance Kentucky Regional Optical Network	1.0	TBD
Total Request	\$ 7.0	\$TBD

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