

AGENDA

Council on Postsecondary Education

October 10, 2001

8:30 a.m. (ET)

**Council on Postsecondary Education, Meeting Room A
Frankfort, Kentucky**

Roll Call

1. Action: Adult Education Local Needs Assessment and Community Development Pilot Project
2. Action: UK Shively Sports Center, Replacement of Heating, Ventilation, and Air Conditioning System

Higher Education Finance – presentation by Dennis Jones

Budget Work Session

3. Development of 2002-04 Operating Recommendation: Benchmark Funding
4. Development of 2002-04 Budget Recommendation: Trust Funds
5. Development of 2002-04 Operating Recommendation: Special Funding Requests
6. Development of 2002-04 Capital Budget Recommendation
7. Development of 2002-04 Agency Operating and Capital Recommendations

Other Business

Next Meeting – November 4-5

Adjournment

Adult Education Local Needs Assessment and Community Development Pilot Project

Action: The staff recommends that the council approve the Adult Education Local Needs Assessment and Community Development Pilot Project, authorizing the allocation of up to \$200,000 of the Adult Education and Literacy Trust Fund for 2001-02.

The council's Adult Education Action Plan includes a component for Local Needs Assessment and Community Development. In conjunction with the public communications campaign, ten Kentucky communities will serve as pilot sites. The council will issue a Request for Proposal of up to \$200,000 for a consultant to conduct a survey of educational assets and needs, evaluate the results, and report to the council by December 2002.

Once local assessment is completed, community organizers are expected to identify systemic solutions and create a strategic plan to increase participation in education programs at all levels. The community will be encouraged to form a local P-16 council if they do not have one. Guthrie/Mayes, the campaign's public relations firm, will contribute effective media strategies for the model programs to leverage support from the private sector.

Results of the ten communities' efforts will be evaluated, with successful assessment models, community development efforts, and strategic plans showcased throughout the state. The council's five critical questions of reform will guide the assessment and community development project.

The Selection of the Communities

The communities were selected based on low levels of literacy, high dropout rates, the demonstrated strength and leadership of the adult education program, participation in GEAR UP Kentucky, geographic distribution, county population, and proximity to media markets. The communities are:

Boyd County (Ashland)
Fayette County (Lexington)
Hardin County (Elizabethtown)
Hopkins County (Madisonville)
Jefferson County (Louisville)
McCracken County (Paducah)
Northern Kentucky (Boone, Campbell, Kenton)

Perry County (Hazard)
Pulaski County (Somerset)
Warren County (Bowling Green)

Staff preparation by Cheryl D. King, Ben Boggs, and Melissa McGinley

University of Kentucky Shively Sports Center Replacement of Heating, Ventilation, and Air Conditioning System

Action: The staff recommends that the council approve the University of Kentucky's request to install a new heating, ventilation, and air conditioning system to serve the Shively Sports Center with \$475,000 of private funds.

The University of Kentucky proposes to install a new heating, ventilation, and air conditioning system to serve the Shively Sports Center. The project involves removing all existing HVAC equipment, removing an existing wall to enlarge the mechanical room, and installing a new HVAC system. The chilled water main will be extended from the nearby Nutter Training Center to supply the water to operate the new units. The new system will be designed to interface with the existing campus system.

The Shively Sports Center is the practice facility for the university's Olympic sports, such as track and field, gymnastics, and wrestling. It is located near the intersection of Cooper Drive and Sports Center Drive, immediately adjacent to the Nutter Training Center on the UK main campus. The University of Kentucky has certified that funding (\$475,000) for the project will be available from the UK Athletic Association's Blue/White Fund.

The council has the statutory responsibility to review and approve postsecondary education capital construction projects costing \$400,000 or more regardless of fund source. Following council action, the staff will forward the council's recommendation to the secretary of the Finance and Administration Cabinet and to the Capital Projects and Bond Oversight Committee.

Council on Postsecondary Education
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2002-04 Budget Recommendation Work Session

At the November 5 council meeting, members will take action on funding issues that will lay the groundwork for postsecondary education reform for the next biennium. The following material provides information on the five primary 2002-04 budget components:

- Operating Recommendation
- Strategic Investment and Incentive Trust Funds Recommendation
- Special Funding Requests
- Capital Outlay Recommendation
- Agency/KYVU/KYVL Operating and Capital Recommendations

A separate schedule of the council staff's preliminary funding recommendations for postsecondary education is inserted in the agenda book. The postsecondary education budget includes:

- Postsecondary Education Institutions
- Council and KYVU/KYVL (including pass-through programs)
- Kentucky Higher Education Assistance Authority
- Strategic Investment and Incentive Trust Funds

Development of 2002-2004 Operating Recommendation: Benchmark Funding

The Kentucky Postsecondary Education Improvement Act of 1997 (House Bill 1) eliminated the funding formula used to develop the biennial funding recommendations for the public colleges and universities and directed the council to develop a new funding approach. The council, in cooperation with the institutions and the executive and legislative branches, developed a benchmark funding model for the 2000-02 operating recommendation. This model compared funding at Kentucky institutions to public funds of similar non-Kentucky institutions.

Following the 2000 legislative session, the council, the Strategic Committee on Postsecondary Education (SCOPE), and the presidents undertook a comprehensive review of the process used in developing the 2000-02 funding recommendation. The resulting *Points of Consensus* included provisions to retain benchmark funding with the following modifications for the 2002-04 operating recommendation:

- The institutions were given the opportunity to revise their benchmarks.
- If feasible, state funding for debt service and mandated public service and research programs having no instructional function would be excluded from the benchmark funding calculation.
- A standard tuition and fees revenue deduction was established to determine the 2002-04 state appropriation funding objective.

Each of these changes is described below.

Benchmark Institutions. Based on provisions in the *Points of Consensus*, each institution could replace up to five benchmark institutions. It was agreed that institutions with medical schools would not be selected as benchmarks for the Kentucky comprehensive universities. Seven institutions chose to renegotiate their benchmarks. The University of Kentucky, the University of Louisville, and the Kentucky Community and Technical College System did not renegotiate their benchmarks. Enrollment and financial data for the revised benchmark institutions are used in the 2002-04 benchmark funding calculations.

Debt Service and Mandated Programs. As indicated in the *Points of Consensus*, if feasible, state funding for debt service and mandated public service and research programs having no student enrollment or instructional function will be deducted from the state support amounts at the benchmark and Kentucky institutions. MGT of America, Inc., conducted a survey of the benchmark and Kentucky institutions and is analyzing the data. The council staff will provide an update on the survey at the meeting.

Tuition and Fees Revenue Standard Deduction. A key consideration in the development of each institution's funding need is the amount of public funds that should be generated by tuition and fees. According to the *Points of Consensus*, a set percentage for tuition and fees revenue, or

budgeted tuition and fees revenue, whichever is lower, will be deducted from the public funding amount to determine the 2002-04 state appropriation objective. At its May 2001 meeting, the council established a standard tuition and fees revenue deduction of 37 percent for the public universities, excluding Kentucky State University. For the KCTCS, KSU, and Lexington Community College the standard deduction is 30 percent. A summary of the 2002-04 tuition and fees deduction calculation is provided on Attachment A.

2002-04 Funding Need

Several factors will be used to calculate a 2002-04 funding need for each institution including the tuition and fees revenue deduction, the funding objective, transfer of trust funds to the institutions' base appropriations, and estimated fall 2001 enrollment. These last three items are addressed below.

Funding Objective. A measure of central tendency (defined as an average of a set of observations such as a mean, median, or a percentile) will be used to determine the 2002-04 funding objective for each institution. At its September 2001 meeting, the council approved the average of the 50th, 55th, and 60th percentiles as the funding objective.

Because the benchmarks' public funds per full-time equivalent (FTE) student are derived from 1998-99 financial data, the funding objective was increased by the actual inflation rate for 1999-2000 (2.7%) and 2000-01 (3.4%) and a projected rate for 2001-02 (3.2%) to compare with current Kentucky funding levels. A similar approach was used in the 2000-02 benchmark funding process.

Transfer of 2000-02 Trust Funds. The calculations to determine each institution's funding need will include some allocated 2000-02 trust funds. These funds include the action agenda funds, workforce training funds, and some enrollment growth and retention funds.

Enrollments. The 2000-02 operating budget recommendation was based on fall 1998 actual FTE enrollments, the most current data available. Due to the recent and projected increases in enrollment, the council staff and institutions agreed to use estimated fall 2001 FTE enrollments to calculate the institutions' 2002-04 funding needs. A summary of each institution's estimated enrollment is shown on Attachment B.

Preliminary Recommendations

The funding recommendation for each institution will be based on either a benchmark "phase-in" amount or the *2002 Branch Budget Request Guidelines* (promulgated by the Legislative Research Commission) inflationary increase of 2 percent each year, whichever is greater. However, the annual increase will be limited to 10 percent. A similar approach was used for 2000-02 benchmark funding. A summary of the institutions' preliminary benchmark calculations is provided on Attachment C. These calculations are presented for discussion purposes only. Assuming different phase-in funding periods, the calculations indicate an additional funding need for 2002-04 of:

Three Year Phase-in	\$72 million
Four Year Phase-in	\$63 million
Five Year Phase-in	\$56 million

These amounts have not yet been adjusted to exclude debt service or mandated programs from the benchmark funding calculations.

The council may wish to discuss any or all of these issues.

Staff preparation by Angela Martin and Linda Jacobs

**TUITION AND FEES REVENUE AS A PERCENT OF PUBLIC FUNDS
2002-04 BENCHMARK FUNDING**

<u>Institution</u>	<u>2001-02 Enacted Appropriation (HB 502)</u>	<u>Trust Funds</u>				<u>Pass Through Programs</u>	<u>Total General Fund Appropriation</u>	<u>2001-02 Budgeted Tuition and Fees Revenue**</u>	<u>Total General Fund and Tuition and Fees Revenue (Public Funds)</u>	<u>Budgeted Tuition and Fees Revenue as a % of Public Funds</u>	<u>2002-04 Benchmark Funding Model Tuition & Fees Deduction***</u>
		<u>Enrollment Growth & Retention*</u>	<u>Action Agenda</u>	<u>Workforce Development Training</u>							
EKU	72,435,200	363,300	2,433,000		-	75,231,500	38,697,800	113,929,300	34.0%	34.0%	
KSU	22,717,900	62,200	732,000		-	23,512,100	8,584,500	32,096,600	26.7%	26.7%	
MoSU	41,030,700	320,500	1,435,000		-	42,786,200	24,013,500	66,799,700	35.9%	35.9%	
MuSU	50,737,100	349,000	1,659,000		-	52,745,100	33,642,000	86,387,100	38.9%	37.0%	
NKU	44,613,400	436,600	1,414,000		-	46,464,000	44,395,300	90,859,300	48.9%	37.0%	
UK (excluding LCC)	313,616,900	370,000			600,000	314,586,900	121,680,900	436,267,800	27.9%	27.9%	
LCC	8,593,700	315,200			-	8,908,900	11,331,800	20,240,700	56.0%	30.0%	
UL	179,478,800	306,200			-	179,785,000	86,468,300	266,253,300	32.5%	32.5%	
WKU	67,701,700	663,500	2,327,000		-	70,692,200	43,690,000	114,382,200	38.2%	37.0%	
KCTCS	184,748,000	3,500,000		6,000,000	-	194,248,000	63,393,300	257,641,300	24.6%	24.6%	
Total	\$ 985,673,400	\$ 6,686,500	\$ 10,000,000	\$ 6,000,000	\$ 600,000	\$ 1,008,959,900	\$ 475,897,400	\$ 1,484,857,300			

* Reflects earned enrollment growth funds and allocated retention funds.

** As reported to the CPE Comprehensive Data Base (form FD-1B).

*** The proposed standard is 30% for KCTCS, LCC, and KSU and 37% for EKU, Morehead, Murray, NKU, UK, UofL, and WKU or budgeted tuition and fees revenue, whichever is lower.

ESTIMATED FALL 2001 HEADCOUNT ENROLLMENT AND FULL-TIME EQUIVALENT*

Attachment B

	<u>EKU</u>	<u>KCTCS</u>	<u>KSU</u>	<u>MoSU</u>	<u>MuSU</u>	<u>NKU</u>	<u>UK</u>	<u>LCC</u>	<u>UofL</u>	<u>WKU</u>	<u>Total</u>
Undergraduate											
Full-Time	9,991	25,086	1,668	6,079	6,732	8,264	15,136	4,978	9,807	11,315	99,056
Part-Time	2,916	34,945	498	994	1,092	3,214	2,064	3,022	4,423	2,817	55,985
<i>Total Undergraduate</i>	<i>12,907</i>	<i>60,031</i>	<i>2,166</i>	<i>7,073</i>	<i>7,824</i>	<i>11,478</i>	<i>17,200</i>	<i>8,000</i>	<i>14,230</i>	<i>14,132</i>	<i>155,041</i>
Graduate											
Full-Time	388		60	326	503	93	2,760		1,958	639	6,727
Part-Time	1,467		89	1,401	1,168	803	2,540		2,212	1,721	11,401
<i>Total Graduate</i>	<i>1,855</i>	<i>-</i>	<i>149</i>	<i>1,727</i>	<i>1,671</i>	<i>896</i>	<i>5,300</i>	<i>-</i>	<i>4,170</i>	<i>2,360</i>	<i>18,128</i>
Professional											
Full-Time						214	1,297		1,269		2,780
Part-Time						162	53		-		215
<i>Total Professional</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>376</i>	<i>1,350</i>	<i>-</i>	<i>1,269</i>	<i>-</i>	<i>2,995</i>
Total											
Full-Time	10,379	25,086	1,728	6,405	7,235	8,571	19,193	4,978	13,034	11,954	108,563
Part-Time	4,383	34,945	587	2,395	2,260	4,179	4,657	3,022	6,635	4,538	67,601
Total	14,762	60,031	2,315	8,800	9,495	12,750	23,850	8,000	19,669	16,492	176,164
Estimated Fall 2001											
Full Time Equivalent (FTE)*	11,840	36,734	1,924	7,203	7,988	9,964	20,745	5,985	15,246	13,467	131,097
Fall 1998 FTE	12,468	33,741	1,856	6,746	7,505	9,165	21,241	4,551	15,894	12,055	125,222
(as used in 2000-02 benchmark calculations)											
Percent Change	-5.0%	8.9%	3.6%	6.8%	6.4%	8.7%	-2.3%	31.5%	-4.1%	11.7%	4.7%

* FTE = Total full-time headcount + 1/3 part-time headcount. Excludes post doctoral students and house staff.

**D R A F T - PRELIMINARY CALCULATIONS
FOR DISCUSSION PURPOSES ONLY
2002-2004 BENCHMARK FUNDING - FINANCIAL ANALYSIS**

	<u>EKU</u>	<u>KCTCS</u>	<u>KSU</u>	<u>MoSU</u>	<u>MuSU</u>	<u>NKU</u>	<u>UK</u>	<u>LCC</u>	<u>UofL</u>	<u>WKU</u>
2002-2004 Benchmark Objective (1)	\$ 10,050	\$ 7,059	\$ 10,637	\$ 9,885	\$ 10,179	\$ 9,895	\$ 16,103	\$ 6,332	\$ 16,501	\$ 10,050
2001-02 Estimated Objective (2)	\$ 11,014	\$ 7,736	\$ 11,657	\$ 10,833	\$ 11,155	\$ 10,844	\$ 17,647	\$ 6,939	\$ 18,083	\$ 11,014
Less Tuition and Fees (Standard or Budgeted) (3)	3,745	1,903	3,112	3,889	4,127	4,012	4,923	2,082	5,877	4,075
Net Funding Need Per FTE	\$ 7,269	\$ 5,833	\$ 8,545	\$ 6,944	\$ 7,028	\$ 6,832	\$ 12,724	\$ 4,857	\$ 12,206	\$ 6,939
2001-02 State General Fund Appropriations	\$ 72,435,200	\$ 184,748,000	\$ 22,717,900	\$ 41,030,700	\$ 50,737,100	\$ 44,613,400	\$ 313,616,900	\$ 8,593,700	\$ 179,478,800	\$ 67,701,700
Trust Funds										
Enrollment Growth and Retention (4)	365,300	3,500,000	62,200	320,500	349,000	436,600	370,000	315,200	306,200	663,500
Action Agenda	2,433,000	-	732,000	1,435,000	1,659,000	1,414,000	-	-	-	2,327,000
Workforce Development Training	-	6,000,000	-	-	-	-	-	-	-	-
Pass Through Programs	-	-	-	-	-	-	600,000	-	-	-
Total State General Fund Appropriations	\$ 75,233,500	\$ 194,248,000	\$ 23,512,100	\$ 42,786,200	\$ 52,745,100	\$ 46,464,000	\$ 314,586,900	\$ 8,908,900	\$ 179,785,000	\$ 70,692,200
Estimated Fall 2001 FTE (5)	11,840	36,734	1,924	7,203	7,988	9,964	20,745	5,985	15,246	13,467
Estimated General Fund Per FTE	\$ 6,354	\$ 5,288	\$ 12,223	\$ 5,940	\$ 6,603	\$ 4,663	\$ 15,164	\$ 1,488	\$ 11,793	\$ 5,249
Difference (Need less estimated)	\$ 915	\$ 542	\$ (3,678)	\$ 1,004	\$ 425	\$ 2,168	\$ (2,441)	\$ 3,369	\$ 414	\$ 1,689
General Fund Appropriation Need (Difference X Enrollment Fall 2001 FTE)	\$ 10,832,651	\$ 20,029,049	\$ (7,131,059)	\$ 7,233,248	\$ 3,394,915	\$ 21,606,783	\$ (50,629,918)	\$ 20,164,644	\$ 6,308,471	\$ 22,748,784
3 Year Phase-In Annual Increase (6)	\$ 3,610,884	\$ 6,676,350	\$ -	\$ 2,411,083	\$ 1,131,638	\$ 4,646,400	\$ -	\$ 890,890	\$ 2,102,824	\$ 7,069,220
4 Year Phase-In Annual Increase (6)	\$ 2,708,163	\$ 5,007,262	\$ -	\$ 1,808,312	\$ 848,729	\$ 4,646,400	\$ -	\$ 890,890	\$ 1,577,118	\$ 5,687,196
5 Year Phase-In Annual Increase (6)	\$ 2,166,530	\$ 4,005,810	\$ -	\$ 1,446,650	\$ 678,983	\$ 4,321,357	\$ -	\$ 890,890	\$ 1,261,694	\$ 4,549,757
Executive Budget Inflationary Increase										
2001-02 Base	\$ 75,233,500	\$ 194,248,000	\$ 23,512,100	\$ 42,786,200	\$ 52,745,100	\$ 46,464,000	\$ 314,586,900	\$ 8,908,900	\$ 179,785,000	\$ 70,692,200
Less: Debt Service	4,325,200	10,712,900	2,244,500	884,200	1,886,300	5,043,000	10,590,500	695,000	11,331,500	2,592,600
UofL Hospital Contract	-	-	-	-	-	-	-	-	17,052,900	-
Net Appropriation	\$ 70,908,300	\$ 183,535,100	\$ 21,267,600	\$ 41,902,000	\$ 50,858,800	\$ 41,421,000	\$ 303,996,400	\$ 8,213,900	\$ 151,400,600	\$ 68,099,600
2002-03 Increase - 2.0%	\$ 1,418,200	\$ 3,670,700	\$ 425,400	\$ 838,000	\$ 1,017,200	\$ 828,400	\$ 6,079,900	\$ 164,300	\$ 3,028,000	\$ 1,362,000
2003-04 Increase - 2.0%	\$ 1,446,500	\$ 3,744,100	\$ 433,900	\$ 854,800	\$ 1,037,500	\$ 845,000	\$ 6,201,500	\$ 167,600	\$ 3,088,600	\$ 1,389,200
Total 2002-04 Increase	\$ 2,864,700	\$ 7,414,800	\$ 859,300	\$ 1,692,800	\$ 2,054,700	\$ 1,673,400	\$ 12,281,400	\$ 331,900	\$ 6,116,600	\$ 2,751,200

Next Steps:

**Mandated Programs & Debt Service Deductions
Phase-In of Funding Need**

Three Year Phase-in Funding Need:

\$ 72,130,200

Four Year Phase-in Funding Need:

\$ 62,808,400

Five Year Phase-in Funding Need:

\$ 56,074,000

1. The average of the 50th, 55th, and 60th percentiles.
2. The benchmark funding objective increased by inflation.
3. The tuition and fees deduction is based on 2001-02 budgeted tuition and fees as a percent of total public funds or the standard deduction approved by the council (37% for universities; 30% for KSU, KCTCS, and LCC).
4. Amount reflects earned enrollment growth funds and retention funds. Unearned enrollment growth funds lapse to the trust funds.
5. FTE = total full-time headcount + 1/3 part-time headcount.
6. The shaded areas represent the greater funding need (benchmark funding as compared to the inflationary increase). The council staff recommends limiting the annual percentage increase to 10 percent .
(NKU and LCC annual increases are limited to 10 percent.)

Development of 2002-04 Budget Recommendation: Trust Funds

The 1998-2000 biennium featured the use of a new funding mechanism -- Strategic Investment and Incentive Trust Funds. The 1998 General Assembly appropriated funds to six trust funds. The 2000 General Assembly continued its commitment to reform and appropriated funds to the original six trust funds and established two additional trust funds, the Adult Education and Literacy Trust Fund and the Science and Technology Trust Fund. The council staff proposes two types of funding recommendations for the 2002-04 trust funds: base adjustments (transfer of funds) and requests for additional funds.

Base Adjustments

Transfer of 2000-02 trust fund appropriations. The 2000 General Assembly permanently transferred some of the 1998-2000 trust funds to the institutions effective July 1, 2000. The transfers included funds for the programs of distinction at the comprehensive universities and the research challenge programs at the University of Kentucky and the University of Louisville. The council staff suggests that some of the 2000-02 trust fund appropriations likewise be transferred to the institutions. The permanent transfer of funds allows the institutions to plan for recurring costs, such as salaries.

The staff suggests that the 2001-02 Enrollment Growth and Retention Program funds be transferred to the institutions, if earned. The staff further suggests that any unearned funds be transferred to a new Enrollment Growth and Retention Trust Fund. The unearned funds could then be distributed to eligible institutions in accordance with the 2002-04 trust funds guidelines. The staff also suggests that the Action Agenda funds and the Workforce Training funds be transferred to the institutions.

According to state budget procedures, debt service for state bonds will be transferred from the trust funds to the Finance and Administration Cabinet. Debt service was appropriated in 2001-02 for the following programs and will be transferred out of postsecondary education's base budget.

	2001-02 <u>Debt Service</u>
Technology Initiative Trust Fund:	
Equipment Replacement	\$3,800,000
Physical Facilities Trust Fund:	
Capital Renewal and Maintenance	\$3,018,100
Renovation, Replacement, and Infrastructure	\$10,436,000
New Construction	\$7,446,000

Transfer of 2001-02 pass-through program funds to the trust funds. The federal Experimental Program to Stimulate Competitive Research (EPSCoR) was initiated by the National Science Foundation in 1978 to encourage long-term improvements in states' science and engineering enterprises. EPSCoR requires state matching funds which have previously been included as a pass-through program in the council's budget. The council staff recommends that the Kentucky EPSCoR funds, which totaled \$2,626,200 in 2001-02, be transferred from the pass-through programs to the Science and Technology Trust Fund because of the program's direct relationship to New Economy initiatives.

Continuation funding. For several programs, the council staff is treating the 2001-02 base funding appropriations as recurring funds in each year of the 2002-04 biennium. A list of these programs follows.

	<u>Continuation Funding</u>
Research Challenge Trust Fund:	
Lung Cancer Research Program	\$6,080,000
Adult Education and Literacy Trust Fund	\$11,768,000
Science and Technology Trust Fund:	
Research and Development	\$3,000,000
Commercialization	\$750,000
Regional Technology Service	\$500,000

Requests for Additional Funds

The council staff is contemplating the following requests for additional funds for the 2002-04 trust funds.

Endowment Match Program. The Endowment Match Program is funded through the Research Challenge Trust Fund and the Regional University Excellence Trust Fund. The program received surplus General Funds of \$110 million in 1998-99 and \$120 million in 2000-01. The staff recommends that the state fund a third round of 'Bucks for Brains' by issuing \$120 million of bonds. The bond proceeds would be matched dollar-for-dollar by the institutions.

The staff recommends that the bond proceeds be allocated in the same manner as the 2000-01 Endowment Match Program funds:

- \$67 million to the University of Kentucky.
- \$33 million to the University of Louisville.
- \$20 million allocated to each comprehensive university based on its share of net state general fund appropriations.

The council subcommittee reviewing the Endowment Match Program guidelines is expected to submit revised guidelines to the council in February 2002. The council staff may recommend that the revised guidelines apply to any remaining Endowment Match Program funds as well as to any new funds.

Administrative Information Systems. The Postsecondary Education Workforce Development Trust Fund assists the Kentucky Community and Technical College System to improve and expand Kentucky workforce skills. For 2000-02, the council requested \$2 million annually for the KCTCS to continue implementation of administrative information systems. The 2000 General Assembly provided \$4 million in the first year of the biennium with the stipulation that the funds would be transferred to the KCTCS on a pro-rata basis over the 2000-02 biennium. In addition, the 2000-02 Budget of the Commonwealth states that "it is anticipated that the budget for this item in the next biennial budget will be adjusted to reflect a recurring appropriation of \$2 million annually." The council staff recommends such a request.

Technology Initiative Trust Fund. This trust fund is the most broadly drawn of the six original strategic initiative and investment trust funds. Four programs were funded in 2000-02: equipment replacement, network infrastructure, public communications campaign, and faculty development. The council staff is considering recommending additional funding requests for equipment replacement and network infrastructure. The staff is also considering recommending that the faculty development funds not be continued. The proposed requests for additional funds are discussed below.

Equipment replacement. The equipment replacement program provides funds to the institutions for replacing or upgrading instructional and research equipment. The program received debt service on a \$20 million seven-year bond issuance in 2001-02. The bond proceeds were allocated proportionally to the institutions based on their 1998-99 actual unrestricted instruction and research expenditures. The staff suggests that the council request debt service for another \$20 million bond issuance for 2002-04.

The council generally establishes guidelines for distributing trust funds to the institutions. According to the *Points of Consensus*, the council is to establish these guidelines, including the allocation methods and any required matching funds, prior to submitting the 2002-04 budget recommendation. Draft guidelines for the equipment replacement program are presented in Attachment A.

Network Infrastructure. Postsecondary education is dependent on high-speed, high bandwidth networks for the transmission of information. Students access classes through high-speed networks and access electronic databases through the Web. The Kentucky Information Highway and the companion Kentucky Postsecondary Education Network need expansion. The current

limited bandwidth impairs efforts to transmit video and Web-based instruction. The program received \$1.2 million in 2001-02. The staff suggests that these funds continue and that an additional \$1 million for network infrastructure be provided in 2003-04.

Capital Renewal and Maintenance. The Capital Renewal and Maintenance Program in the Physical Facilities Trust Fund establishes an effective program to renew and maintain institutional facilities. The program provides matching dollars to reduce deferred maintenance backlogs and to address long-range facility renewal needs. Research by the National Association of College and University Business Officers and the Association of Physical Plant Administrators shows that colleges and universities are deferring approximately \$4 of needed maintenance for each \$1 spent. Institutions should invest in deferred maintenance and facility renewal by spending approximately 2.5 percent to 3 percent of its facility replacement value annually.

In 2000-02, the program received \$3.018 million to support debt service for a \$30 million bond issuance. The staff suggests that another \$30 million bond issuance be requested for 2002-04 to further reduce the backlog of capital renewal and deferred maintenance projects.

The bond proceeds could be distributed to the institutions based on educational and general square footage of their campuses. The 2000-02 Capital Renewal and Maintenance Program funds were distributed using a similar process. The institutions would match the bond proceeds. Draft guidelines for the 2002-04 program are presented beginning in Attachment B.

Student Financial Aid. The Student Financial Aid and Advancement Trust Fund is funded from the net lottery revenues and includes the Kentucky Educational Excellence Scholarship program (KEES). In addition to KEES, the lottery revenues help fund the state's need-based program, the College Access Program, the Kentucky Tuition Grants Program for students attending private institutions, the council's public communications campaign, as well as other programs. The allocation of the lottery revenues is defined in KRS 154A.130.

Currently, the lottery revenues are estimated to be \$158 million for each year of the 2002-04 biennium. Based on the statutory allocations, there may be \$49.6 million available for KEES and the other identified programs in 2002-03 and \$62 million in 2003-04. The KEES and other program expenditures are estimated to total \$63.5 million in 2002-03 and \$79.6 million in 2003-04. Thus, the estimated lottery revenue shortfalls are \$13.8 million in 2002-03 and \$17.6 million in 2003-04. The staff's suggested funding recommendation will be based on the estimated cost of KEES and the other programs, including the Kentucky National Guard Tuition Assistance and the public communications campaign.

Rural Innovation Fund. The Rural Innovation Fund is included in the Science and Technology Trust Fund. The program enables small, rural Kentucky-based firms to partner with postsecondary institutions to undertake research and development to create entrepreneurial businesses.

The 2000 General Assembly was able to appropriate \$1 million in 2000-01 for the program but did not have the fiscal capacity to appropriate any funds for 2001-02. The 2000-02 budget bill (HB 502) includes language that any unspent Rural Innovation Fund dollars remaining at the end

of fiscal year 2001 would not lapse but would carry forward into fiscal year 2002 and be available for expenditure for the program. In addition, the Kentucky Innovation Act (HB 572) clearly contemplates that the Rural Innovation Fund will be an ongoing, recurring program. The staff recommends that the council request \$1 million annually to establish recurring funds for the program.

Engineering and Technology Education Initiatives. The council approved the “Strategy for Statewide Engineering Education in Kentucky” in July, 2000 to educate more engineers to support Kentucky’s New Economy. Since that time, joint undergraduate engineering programs have been created between the University of Kentucky and Western Kentucky University, the University of Louisville and Murray State University, and between UofL and WKU. First-year funding of these programs has been provided by the council and the institutions from non-recurring sources. The council agreed to seek recurring state General Funds to partially support current and future joint engineering programs created under the statewide strategy.

Kentucky’s potential to deliver world-class research and development also depends on increasing its intellectual capacity in the area of information technology. Information technology is among the Office of the New Economy’s priority funding areas.

The staff recommends that the council request \$3 million annually for joint academic programs that support the New Economy, primarily engineering. Some funds may be used to support academic programs that produce needed professionals in information technology. The net cost of the joint programs will be shared by the Commonwealth and the institutions.

Kentucky EPSCoR. As discussed earlier, the council staff recommends that the Kentucky EPSCoR funds be transferred from the council's pass-through programs to the Science and Technology Trust Fund. In addition, the council staff recommends additional funding for the program in 2002-04.

With regard to the 2000-02 budget request, the council recommended that the Kentucky EPSCoR appropriation increase by \$2 million per year recurrently as part of the Governor's knowledge-based economy initiative. The 2000 General Assembly increased the Kentucky EPSCoR program appropriation by \$4 million nonrecurrently for 2000-01. As these funds are used for matching federal EPSCoR funds, the staff suggests that the council again request an additional \$2 million recurrently for the Kentucky EPSCoR program for 2002-04.

Enrollment Growth and Retention Trust Fund. According to the *Points of Consensus*, the council will request an Enrollment Growth and Retention Trust Fund. The amount requested is to be based on, at a minimum, the enrollment and retention goals negotiated with each institution, the benchmark-funding objective for each institution, and the differentiated costs of undergraduate and graduate instruction.

The staff suggests that the Enrollment Growth and Retention Trust Fund include the following three programs: Enrollment Growth, Retention, and System Challenge Grants. As described in the draft guidelines (see Attachment C), the enrollment funds would be allocated to the institutions based on actual fall 2002 enrollment growth (fall 2001 to fall 2002), recognize the

difference between undergraduate and graduate instructional costs, and reward increased enrollments from targeted underserved counties. The retention funds would be allocated to the institutions based on actual increases in first-time student retention rates (fall 2001 to fall 2002).

The council members have previously discussed ways to reduce inefficient competition for students between institutions, both public and independent. The staff proposes a \$300,000 System Challenge Grant Program to support successful collaboration among public and independent postsecondary institutions, the P-12 education system, and community leaders. The funds would reward regional P-16 partnerships that better prepare and enroll students in postsecondary education. To be eligible for grants, regions must have or create P-16 councils, establish goals for improving student preparation and postsecondary enrollment, and develop strategies to meet those goals. Funds will be allocated based on performance. Draft guidelines are included in Attachment C.

Teacher Quality Trust Fund. The success of reform depends on improving the preparation of Kentuckians for life and work and on insuring more Kentuckians are prepared for postsecondary education. Increasing teacher quality is essential to achieving both goals. The council staff suggests creating a Teacher Quality Trust Fund to support improvement in all academic programs that produce teachers and school leaders.

The staff suggests a \$4 million request to be distributed on a competitive proposal basis. As described in the draft guidelines (see Attachment D), the staff suggests that the council fund up to four proposals including one proposal involving an independent college. Institutions directly receiving funds must meet the ten criteria established by the General Assembly (KRS 164.097) and be certified by the Education Professional Standards Board. Institutions not meeting these criteria may participate in the program as part of a consortia led by a qualifying institution.

The council may wish to discuss any or all of these issues.

Staff preparation by Angela Martin and Bill Payne

DRAFT
Equipment Replacement Program Guidelines
2002-04

Introduction

The Equipment Replacement Program in the Technology Initiative Trust Fund will fund the debt service on a \$20 million seven-year bond issuance and to upgrade and replace instructional and research equipment. The council staff will work with the Finance and Administration Cabinet to provide the necessary documentation so that the bonds may be issued in January 2003.

The bond proceeds will be allocated proportionally to the institutions based on 2000-01 actual unrestricted instruction and research expenditures.

Use and Distribution of Equipment Replacement Program Funds

1. Each institution is to submit a list of planned equipment purchases and identify whether the equipment is for instruction or research. In addition, the institutions are to certify that:
 - The institution will maintain at least its 2000-01 level of expenditures for instructional and research equipment for each year of the 2002-04 biennium.
 - The institution will dispose of the replaced, obsolete instruction and research equipment.

The information is to be submitted to the council no later than August 1, 2002.

2. Institutions upgrading or replacing research equipment must match the program funds dollar-for-dollar.
 - The availability of research equipment matching funds must be certified by the institution prior to the release of the program funds.
3. The council will review the lists of planned equipment purchases and recommend action to the Secretary of the Finance and Administration Cabinet.
4. Instruction and research equipment shall have an average useful life of no less than five years.

DRAFT
Capital Renewal And Maintenance
Program Guidelines
2002-04

Introduction

The Council on Postsecondary Education recommends that the Capital Renewal and Maintenance Program in the Physical Facilities Trust Fund receive debt service in 2003-04 for a \$30 million bond issuance to reduce deferred maintenance backlogs and address long-range facility renewal needs. The bond proceeds will be matched by the institutions. As in previous biennia, the council staff will work with the Finance and Administration Cabinet to provide the necessary documentation so that the bonds may be issued in January 2003.

The bond proceeds will be distributed to the institutions based on their educational and general square footage. The 2000-02 Capital Renewal and Maintenance Program funds were distributed using a similar process.

Use and Distribution of Capital Renewal and Maintenance Program Funds

1. Bond proceeds will be matched at varying rates by the institutions based on their efforts to maintain existing facilities. As shown on the following schedule, the matching rates are based on the average useful life of capital renewal and maintenance projects completed from 1990 to 2000. Including the required institutional match, \$53.9 million in capital renewal and deferred maintenance projects will be funded. Eligible matching funds can include agency, private, or federal funds. Capital renewal projects completed as part of an energy performance contract will not qualify as matching funds.
2. The availability of matching funds must be certified by the institution prior to the release of the program funds.
3. By August 1, 2002, each institution will submit a list of requested projects to be funded with the state bonds and the required institutional match. Requested projects must be included in the institution's 2002-08 capital plan submitted to the Capital Planning Advisory Board and the council. Any project costing \$400,000 or more must be listed in the enacted 2002-04 Budget of the Commonwealth.

The council will act on the institutions' proposals and report that action to the Secretary of the Finance and Administration Cabinet for approval.

DRAFT
Enrollment Growth and
Retention Trust Fund Guidelines
2002-04

Introduction

The Enrollment Growth and Retention Trust Fund supports increased enrollment and retention in Kentucky's postsecondary education institutions. The council, in conjunction with the institutions, established enrollment and retention targets that will be used in measuring progress toward increased educational attainment. These goals reflect the *2001-2006 Action Agenda* and House Bill 1 initiatives to reach national averages in educational attainment by 2020.

The council's 2002-04 operating recommendation includes a \$25.3 million appropriation to the Enrollment Growth and Retention Trust Fund in 2003-04.

Objectives

The 2002-04 Enrollment Growth and Retention Trust Fund:

- Supplements the existing benchmark funding approach.
- Provides institutions funding to support increased undergraduate and graduate enrollments.
- Rewards institutions for increasing enrollment of undergraduate students from targeted underserved counties.
- Rewards institutions for achieving retention goals.
- Encourages cooperation among local P-16 organizations.

Allocation of 2003-04 Funds

The Enrollment Growth and Retention Trust Fund will have separate pools for enrollment growth, retention, and a system challenge grant program. The amount of each pool is based on assigning \$300,000 to the system challenge grant program, and then allocating 45 percent of the remaining funds to enrollment growth and 55 percent to retention. Based on a total request of \$25.3 million, each pool would be funded as follows:

Enrollment Growth	\$ 11,250,000
Retention	13,750,000
System Challenge Grants	<u>300,000</u>
Trust Fund Total	<u>\$ 25,300,000</u>

Distribution of 2003-04 Funds

Enrollment Growth

- Enrollment funds will be distributed proportionately to the public institutions based on enrollment growth (increase between fall 2001 and fall 2002 actual headcount enrollment) and per student funding objectives. This approach allows for distribution amounts to be calculated in January 2003, or about six months before the program funds become available. Institutions will, therefore, be able to include the funds in the development of their 2003-04 operating budgets.
- Differences in the costs of providing undergraduate and graduate instruction will be reflected by adjusting the benchmark funding objectives by cost factors obtained from the *1997-98 Education Cost Study* conducted by the Washington State Higher Education Coordinating Board (March 2000). These cost factors are listed below.

Research Universities	
Undergraduate students	0.8021
Graduate students	2.2907
Comprehensive Universities	
Undergraduate students	0.9792
Graduate students	1.3648
KCTCS and LCC	
Undergraduate students	1.0000

For example, if a comprehensive institution's benchmark funding objective equals \$7,000, then its per student funding objectives would be \$6,854 for undergraduate students ($\$7,000 \times .9792$) and \$9,554 for graduate students ($\$7,000 \times 1.3648$). The product of these funding objectives and enrollment growth figures form the basis for distribution of enrollment growth funds.

- Institutions will be rewarded not only for overall undergraduate and graduate enrollment growth, but also for enrolling larger numbers of undergraduate students from targeted underserved counties. This will be accomplished by increasing each institution's undergraduate student funding objective by 10 percent for target county enrollment

Attachment C

growth. For example, if a comprehensive institution's undergraduate funding objective equals \$6,854, the objective used to fund growth in the number of undergraduate students from target counties would equal \$7,539 (\$6,854 x 1.10).

- The distributed enrollment funds will be recurring to the institutions.
- Enrollment growth funds will be distributed on a quarterly basis beginning July 1, 2003.

Retention

- Retention funds will be distributed to the institutions based on their progress toward achieving their fall 2002 retention goals. For example, if an institution meets 80 percent of their retention goal, it will receive 80 percent of their allocated funds. Retention funds will be allocated among the public institutions based on actual fall 2002 undergraduate student headcount.
- Retention is measured by the number of first-time, degree-seeking freshmen (full-time and part-time undergraduate students) that return a year later to the same institution (fall 2001 to fall 2002).
- The distributed retention funds will be recurring to the institutions.
- Retention funds will be distributed on a quarterly basis beginning July 1, 2003.
- Biennial retention goals were established for each institution as part of the *2001-2006 Action Agenda*. These goals are listed below.

Retention Rates of First-Time Freshmen Fall-to-Fall Three-Year Average

	Actual		Goal		
	2000	2001*	2002	2003	2004
Eastern Kentucky University	62.6%	--	63.6%	64.8%	66.0%
Kentucky State University	63.7%	--	64.7%	65.7%	66.7%
Morehead State University	61.7%	--	63.5%	64.4%	65.4%
Murray State University	69.8%	--	70.8%	71.3%	71.8%
Northern Kentucky University	63.3%	--	65.0%	65.8%	66.6%
University of Kentucky	79.2%	--	79.5%	80.0%	80.5%
University of Louisville	70.2%	--	72.2%	73.2%	74.2%
Western Kentucky University	67.9%	--	69.1%	69.7%	70.3%
Lexington Community College	62.0%	--	63.0%	63.0%	63.0%
KCTCS	53.5%	--	55.2%	56.0%	56.8%

* Available January 2002.

System Challenge Grant Program

- The System Challenge Grant Program rewards regional P-16 partnerships among public and independent colleges, P-12 schools, and communities that better prepare students for, and enroll students in, postsecondary education. To be eligible for grants, regions must have or create P-16 councils, establish goals for improving student preparation and postsecondary enrollment, and develop strategies to meet those goals. Funds will be allocated based on performance.
- System Challenge Grants will be awarded to regional P-16 councils developing programs that help:
 - Increase the college-going rate of GED completers and high school graduates.
 - Reduce the percentage of adults with less than a high school diploma or GED.
 - Raise the number of students taking the ACT.
 - Raise the scores of students taking the ACT.
 - Increase the number of AP or college level courses per 100 high school juniors and seniors.
 - Increase the percentage of high school students taking the pre-college curriculum or the ACT core coursework.
 - Improve student performance on the CATS high school assessment.
- P-16 councils shall submit proposals outlining their plans and proposed goals no later than December 31, 2002. Proposals should define measurable goals consistent with the objectives of the program. The amount of the award will be based on the number and nature of the proposals received.
- Awards will be granted to P-16 councils meeting their goals. Funds will be allocated to the designated fiscal agent of the regional P-16 council. Funds will be awarded July 1, 2004.

DRAFT
Teacher Quality Trust Fund Guidelines
2002-04

Introduction

The success of postsecondary education reform in Kentucky depends on improving the preparation of Kentuckians for life and work and ensuring more Kentuckians are prepared for postsecondary education. Increasing teacher quality is essential to achieving both goals. The Teacher Quality Trust Fund will support improvement in teacher education programs for teachers and school leaders who prepare students for postsecondary education.

The 2002-04 Teacher Quality Trust Fund supports improvements in teacher education programs that:

- Improve learning for P-12 students.
- Reduce the gap in learning for economically disadvantaged and minority students.
- Address teacher and school leader shortages in Kentucky.
- Improve retention of teachers in the profession.
- Increase the ethnic and racial diversity of teachers and school leaders.
- Involve the entire university in the preparation of teachers and school leaders.
- Increase the discipline-based knowledge of teachers.
- Better prepare teachers to teach special needs students.
- Create effective P-16 partnerships.
- Respond to the recommendations of the state P-16 Council's mathematics and literacy alignment teams.
- Provide education and professional development to early childhood providers.
- Prepare professionals in other fields who want to teach.

Allocation of 2003-04 Funds

Four million dollars will be available for distribution in 2003-04. The council will fund up to four proposals, one involving an independent college or a consortium including an independent college. Institutions directly receiving funds must meet the ten criteria established by the General Assembly (KRS 164.097) and be certified by the Education Professional Standards Board. Institutions not meeting these criteria may participate in the program as part of a consortia led by a qualifying institution. Funds are recurring to the trust fund. Multi-year proposals are permitted but continued funding will be based on evaluation of results.

Distribution of 2003-04 Funds

The council staff, in consultation with national experts, will review institutional proposals. These experts also will be available to assist in the development of proposals. Proposals must include quantified goals and evaluation measures to assess success. Proposals must be submitted no later than December 1, 2002. Multi-institutional proposals are encouraged. Funds will be distributed on a quarterly basis beginning July 1, 2003. Institutions will submit a program evaluation by September 1, 2004, based on the goals and measures provided in the original proposal. Multi-year proposals must submit a progress report by January 1, 2004.

DRAFT
Engineering and Technology
Education Initiative Guidelines
2002-04

Introduction

The Engineering and Technology Education program supports expansion of academic programs to better prepare more Kentuckians to participate in the New Economy. The council requests \$3 million annually within the Science and Technology Trust Fund primarily to fund joint engineering programs started by the University of Kentucky, the University of Louisville, and Western Kentucky University and by the University of Louisville and Murray State University.

The council approved the "Strategy for Statewide Engineering Education in Kentucky" July 17, 2000, to prepare more engineers throughout the state. Since that time, four joint undergraduate engineering programs have been established. The funds will support these and subsequent joint engineering programs under the guidelines of the statewide strategy. Some part of the fund also may support the creation of academic programs to increase the number of information technology specialists in the state.

Objectives

Successful program proposals will meet the following objectives:

- Increase the number of engineering and information technology workers employed in Kentucky.
- Provide significant (at least 40 percent) matching funds from participating institutions.
- Employ the KYVU and other distance learning to increase access.
- Include activities to increase the number of students entering engineering or information technology programs, especially women and minority students.

Allocation of Funds

Requests for engineering funding should be for joint programs offered by a comprehensive university and either the University of Kentucky or the University of Louisville. They should conform to the principles outlined in the Kentucky "Strategy for Statewide Engineering Education." The Kentucky Community and Technical College System, independent colleges, and P-12 schools may be partners in proposals.

Requests for funding for information technology academic programs must address the objectives outlined above. Collaborative proposals are encouraged. Proposals must include a public university. The Kentucky Community and Technical College System, independent colleges, and P-12 schools may be partners in proposals.

Eligible engineering and information technology academic programs include baccalaureate, post-baccalaureate, and professional development programs.

Distribution of Funds

Programs will be eligible for funding beginning in 2002. Funding amounts will be based on submission of detailed proposals. Funding will be recurring.

Programs seeking funding beginning in 2002 should be submitted to the council for review by May 30, 2002. Successful proposals will receive funds on a quarterly basis. If funds are available after the first allocation, the council will accept proposals seeking funding for 2003 through December 1, 2002.

Participating institutions should submit an annual report providing enrollment, retention, graduation, and employment data for students.

DRAFT PRELIMINARY CALCULATIONS - FOR DISCUSSION PURPOSES ONLY
Kentucky Council on Postsecondary Education
2002-04 Postsecondary Education Funding Recommendation
(As of October 4, 2001)

	2001-02	2002-03			2003-04	
		Base Adjustments	Additional Funding	Total	Additional Funding	Total
Postsecondary Education Institutions						
Base	\$ 985,673,400	\$ 18,688,500 (1)		\$ 1,004,361,900		
Benchmark Funding			\$ 31,500,000 (2)	31,500,000	\$ 31,500,000	\$ 63,000,000
O&M New Facilities			-			
Other Changes to Base	-	600,000	-	600,000	-	-
Special Funding Request			-			
Total Postsecondary Education Institutions	\$ 985,673,400	\$ 19,288,500	\$ 31,500,000	\$ 1,036,461,900	\$ 31,500,000	\$ 1,067,961,900
Council/KYVU/KYVL						
Pass Through Programs	9,415,400	(1,578,200) (4)	287,800	8,125,000	6,100	8,131,100
Total Council	\$ 19,908,400	\$ (3,119,200)	\$ 1,766,800	\$ 18,556,000	\$ 188,700	\$ 18,744,700
KHEAA	\$ 50,789,000	\$ -	\$ 1,655,800	\$ 52,444,800	\$ 12,456,900	\$ 64,901,700
TRUST FUNDS						
Research Challenge Trust Fund						
Enrollment Growth and Retention Program	\$ 1,650,000	\$ (1,650,000) (5)	\$ -	\$ -	\$ -	\$ -
Lung Cancer Research Program	6,080,000	-	-	6,080,000	-	6,080,000
Endowment Match Program (2003-04 Debt Service)	-	-	-	-	\$ 19,000,000	19,000,000
Total Research Challenge Trust Fund	\$ 7,730,000	\$ (1,650,000)	\$ -	\$ 6,080,000	\$ 19,000,000	\$ 25,080,000
Regional University Excellence Trust Fund						
Enrollment Growth and Retention Program	\$ 2,850,000	(2,850,000) (5)	\$ -	\$ -	\$ -	\$ -
Action Agenda	10,000,000	(10,000,000) (6)	-	-	-	-
Endowment Match Program (2003-04 Debt Service)	-	-	-	-	3,800,000	3,800,000
Total Regional University Excellence Trust Fund	\$ 12,850,000	\$ (12,850,000)	\$ -	\$ -	\$ 3,800,000	\$ 3,800,000
Postsecondary Education Workforce Development Trust Fund						
Workforce Training	\$ 6,000,000	\$ (6,000,000) (7)	\$ -	\$ -	\$ -	\$ -
Enrollment Growth and Retention	3,500,000	(3,500,000) (5)	-	-	-	-
Administrative Information Systems	-	-	\$ 2,000,000	2,000,000	-	2,000,000
Total Post. Ed. Workforce Development Trust Fund	\$ 9,500,000	\$ (9,500,000)	\$ 2,000,000	\$ 2,000,000	\$ -	\$ 2,000,000
Technology Initiative Trust Fund						
Equipment Replacement - Debt Service for \$20 million	\$ 3,800,000	\$ (3,800,000) (8)	\$ -	\$ -	\$ 3,800,000	\$ 3,800,000
Network Infrastructure	1,200,000	-	-	\$ 1,200,000	1,000,000	2,200,000
Public Communications Campaign (KEES Transfer-\$1.5 mil)	-	-	-	-	-	-
Faculty Development	1,000,000	(1,000,000) (9)	-	-	-	-
Total Technology Initiative Trust Fund	\$ 6,000,000	\$ (4,800,000)	\$ -	\$ 1,200,000	\$ 4,800,000	\$ 6,000,000

DRAFT PRELIMINARY CALCULATIONS - FOR DISCUSSION PURPOSES ONLY
Kentucky Council on Postsecondary Education
2002-04 Postsecondary Education Funding Recommendation
(As of October 4, 2001)

	2001-02	2002-03			2003-04	
		Base Adjustments	Additional Funding	Total	Additional Funding	Total
Physical Facilities Trust Fund						
Capital Renewal & Maintenance - Debt Service (\$30 million each biennium)	\$ 3,018,000	\$ (3,018,000) (8)	\$ -	\$ -	\$ 3,018,000	\$ 3,018,000
Renovation, Replacement & Infrastructure - Debt Service (\$103.4 million authorized - 2000-02)	10,436,000	(10,436,000) (8)	-	-	?	?
New Construction - Debt Service (\$74 million authorized - 2000-02)	7,446,000	(7,446,000) (8)	-	-	?	?
Total Physical Facilities Trust Fund	\$ 20,900,000	\$ (20,900,000)	\$ -	\$ -	\$ 3,018,000	\$ 3,018,000
Student Financial Aid and Advancement Trust Fund	\$ 37,500,000	\$ (600,000)	\$ 26,574,300	\$ 63,474,300	\$ 16,133,400	\$ 79,607,700
Adult Education and Literacy Trust Fund	\$ 12,000,000	\$ (232,000)	\$ -	\$ 11,768,000	\$ -	\$ 11,768,000
Science and Technology Trust Fund						
Kentucky Science and Technology Strategy						
Research & Development	\$ 3,000,000	\$ -	\$ -	\$ 3,000,000	\$ -	\$ 3,000,000
Commercialization	750,000	-	-	750,000	-	750,000
Regional Technology Service	500,000	-	-	500,000	-	500,000
Entrepreneurial Policy Impact Audit	-	-	-	-	-	-
Rural Innovation Fund	-	-	1,000,000	1,000,000	-	1,000,000
Engineering & Information Education Initiatives	-	-	3,000,000	3,000,000	-	3,000,000
Kentucky EPSCoR	-	2,626,200 (4)	2,000,000	4,626,200	-	4,626,200
Total Science and Technology Trust Fund	\$ 4,250,000	\$ 2,626,200	\$ 6,000,000	\$ 12,876,200	\$ -	\$ 12,876,200
Enrollment Growth and Retention Trust Fund						
Enrollment Growth Program	\$ -	\$ 1,108,900 (5)	\$ -	\$ 1,108,900	\$ 11,250,000	\$ 12,358,900
Retention Program	-	4,000,000 (5)	-	4,000,000	13,750,000	17,750,000
Systemwide Challenge Grant Program	-	-	-	-	300,000	300,000
Total Enrollment Growth and Retention Trust Fund	\$ -	\$ 5,108,900	\$ -	\$ 5,108,900	\$ 25,300,000	\$ 30,408,900
Teacher Quality Trust Fund	\$ -	\$ -	\$ -	\$ -	\$ 4,000,000	\$ 4,000,000
Total Strategic Investment and Incentive Trust Funds	\$ 110,730,000	\$ (42,796,900)	\$ 34,574,300	\$ 102,507,400	\$ 76,051,400	\$ 178,558,800
TOTAL POSTSECONDARY EDUCATION	\$ 1,167,100,800	\$ (26,627,600)	\$ 69,496,900	\$ 1,209,970,100	\$ 120,197,000	\$ 1,330,167,100

1. Includes earned Enrollment Growth, Action Agenda, and Workforce Development Training funds transferred to institutions' base.
2. Reflects a four year phase-in of benchmark funding.
3. Includes transfer from KYVU to the the KY Postsecondary Ed. Network.
4. Includes transfer of funds for the EPSCoR program to the Science and Technology Trust Fund (-\$2.6 million) and from KYVU to the KY Postsecondary Ed Network (\$1.6).
5. Funds for retention and the unearned enrollment growth funds are transferred to the Enrollment Growth and Retention Trust Fund. Earned enrollment growth funds are transferred to the institutions' base.
6. The Action Agenda program funds are transferred to the institutions' base.
7. The Workforce Development Training program funds are transferred to the KCTCS base.
8. Funds for debt service are transferred to the Finance and Administration Cabinet.

DRAFT PRELIMINARY CALCULATIONS - FOR DISCUSSION PURPOSES ONLY
Kentucky Council on Postsecondary Education
2002-04 Postsecondary Education Funding Recommendation
(As of October 4, 2001)

2001-02	2002-03			2003-04	
	Base Adjustments	Additional Funding	Total	Additional Funding	Total

9. Funds for this program are not being requested in 2002-04.

Council on Postsecondary Education
October 10, 2001

Development of 2002-04 Operating Recommendation: Special Funding Requests

The *Points of Consensus* includes a provision that the institutions be given an opportunity to request state General Funds for special and meritorious initiatives for the 2002-04 biennium, and that the criteria for the council's evaluation of special funding requests be established early in the process.

In May, the council approved the 2002-04 Special Funding Request Guidelines and Evaluation Criteria (see Attachment A). The guidelines limit the number of funding requests that institutions should submit to the council and delineate the purpose of special initiative funds. For example, special funding requests should not include personnel or operating cost increases normally funded in base budgets.

Special funding requests will be assessed based on their potential for achieving the goals in the *2001-2006 Action Agenda* (the five questions) and in the *2020 Vision*. Additional criteria include the unique nature and strategic opportunity represented by the request, the potential for collaboration, and the impracticality of paying for the request out of base funding or trust funds.

As of September 2001, the council staff had received 23 special funding requests which total \$26.9 million for 2002-03 and \$26.0 million for 2003-04. A summary is presented in Attachment B. A brief description of each request is presented in Attachment C.

The council will hold institutional budget hearings October 10, 2001. The presidents will have the opportunity to inform the council about their special funding requests and capital priorities for 2002-04.

Staff preparation by Bill Payne

2002-04 Special Funding Requests Guidelines And Evaluation Criteria

Special funding requests should represent unique opportunities to advance postsecondary education beyond the means allowed by other state funding mechanisms. Generally, the council will not consider institutional requests that can be funded through base budgets or trust funds. Special funding requests should further the Action Agenda, help achieve Kentucky's 2020 goals, and relate to the five questions that are used to measure progress. Special funding is not guaranteed. Institutions should bear in mind that economic conditions could sharply limit available dollars.

Guidelines

- Institutions should submit no more than two special funding requests for the 2002-04 biennium.
- Special funding requests should not include personnel or operating-cost increases normally funded in base budgets, such as utilities and health insurance, even if increases are unusually high.
- Funding sought for capital construction projects that cost \$400,000 or more or major equipment purchases of \$100,000 or more should be included in an institution's capital request.

Evaluation Criteria

- Unique nature of the request and the strategic opportunity represented.
- Collaboration, where feasible.
- Impracticality of paying for the request out of base funding or trust funds.
- Relationship of the proposal to furthering the Action Agenda, achieving Kentucky's 2020 goals, and the five questions measuring progress.

Process

Special funding requests must be submitted on or before September 1. Each request should include the following:

- Detailed description of the proposal, including how the funds will be used.
- Description of how the proposal would further the Action Agenda, help achieve Kentucky's 2020 goals, and relate to the five questions measuring progress.

**Council on Postsecondary Education
2002-04 Special Funding Requests
October 10, 2001**

Institution/Request	Revenue Category	2002-03			2003-04		
		State Funds Requested	Other Sources	Total	State Funds Requested	Other Sources	Total
Eastern Kentucky University							
1. Interpreter Training Program	Nonrecurring	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Recurring	596,384	-	596,384	596,384	-	596,384
	Subtotal	596,384	-	596,384	596,384	-	596,384
2. Faculty/Staff Salary Adjustments to Market	Nonrecurring	-	-	-	-	-	-
	Recurring	1,000,000	-	1,000,000	1,020,000	-	1,020,000
	Subtotal	1,000,000	-	1,000,000	1,020,000	-	1,020,000
3. Enrollment and Retention Funds	Nonrecurring	-	-	-	-	-	-
	Recurring	390,200	-	390,200	390,200	-	390,200
	Subtotal	390,200	-	390,200	390,200	-	390,200
	EKU Total	\$ 1,986,584	\$ -	\$ 1,986,584	\$ 2,006,584	\$ -	\$ 2,006,584
Kentucky Community and Technical College System							
1. Administrative Information Systems	Nonrecurring	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Recurring	2,000,000	-	2,000,000	2,000,000	-	2,000,000
	Subtotal	2,000,000	-	2,000,000	2,000,000	-	2,000,000
2. Comprehensive Community and Technical Colleges - Academic and Administrative Costs	Nonrecurring	-	-	-	-	-	-
	Recurring	1,692,000	108,000	1,800,000	2,253,000	224,000	2,477,000
	Subtotal	1,692,000	108,000	1,800,000	2,253,000	224,000	2,477,000
3. Program Operations, New Facilities	Nonrecurring	-	-	-	-	-	-
	Recurring	1,060,000	207,000	1,267,000	1,680,000	217,000	1,897,000
	Subtotal	1,060,000	207,000	1,267,000	1,680,000	217,000	1,897,000
4. Leslie County Center of Hazard CC	Nonrecurring	-	-	-	-	-	-
	Recurring	290,000	37,000	327,000	299,000	38,000	337,000
	Subtotal	290,000	37,000	327,000	299,000	38,000	337,000
5. Kentucky School of Craft, Hazard CC	Nonrecurring	182,000	-	182,000	-	-	-

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<u>Institution/Request</u>	<u>Revenue Category</u>	<u>2002-03</u>			<u>2003-04</u>		
		<u>State Funds Requested</u>	<u>Other Sources</u>	<u>Total</u>	<u>State Funds Requested</u>	<u>Other Sources</u>	<u>Total</u>
	Recurring	530,000	25,000	555,000	2,032,000	75,000	2,107,000
	Subtotal	712,000	25,000	737,000	2,032,000	75,000	2,107,000
	KCTCS Total	\$ 5,754,000	\$ 377,000	\$ 6,131,000	\$ 8,264,000	\$ 554,000	\$ 8,818,000
Kentucky State University							
1. State Matching of Federal Land Grant Funds	Nonrecurring	\$ 5,470,583	\$ -	\$ 5,470,583	\$ -	\$ -	\$ -
	Recurring	2,422,827	4,845,654	7,268,481	2,495,512	4,991,023	7,486,535
	Subtotal	7,893,410	4,845,654	12,739,064	2,495,512	4,991,023	7,486,535
	KSU Total	\$ 7,893,410	\$ 4,845,654	\$ 12,739,064	\$ 2,495,512	\$ 4,991,023	\$ 7,486,535
Morehead State University							
1. Baccalaureate Degree in Adult Education and KCTCS Associate Degree with Adult Education Emphasis	Nonrecurring	\$ 27,650	\$ -	\$ 27,650	\$ -	\$ -	\$ -
	Recurring	365,952	26,058	392,010	380,750	27,361	408,111
	Subtotal	393,602	26,058	419,660	380,750	27,361	408,111
2. Space Science Center	Nonrecurring	7,900	-	7,900	-	-	-
	Recurring	245,892	-	245,892	255,653	-	255,653
	Subtotal	253,792	-	253,792	255,653	-	255,653
	MoSU Total	\$ 647,394	\$ 26,058	\$ 673,452	\$ 636,403	\$ 27,361	\$ 663,764
Murray State University							
1. MSU College Prep and Entrepreneurship Academy	Nonrecurring	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Recurring	273,160	-	273,160	546,760	-	546,760
	Subtotal	273,160	-	273,160	546,760	-	546,760
2. On-line Bachelor of Science in Business Degree (BSB)	Nonrecurring	150,000	-	150,000	150,000	-	150,000
	Recurring	40,000	-	40,000	40,000	-	40,000
	Subtotal	190,000	-	190,000	190,000	-	190,000
3. Kentucky Undergraduate Research and	Nonrecurring	-	-	-	-	-	-

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October 10, 2001**

Institution/Request	Revenue Category	2002-03			2003-04		
		State Funds Requested	Other Sources	Total	State Funds Requested	Other Sources	Total
Scholarly Activity Program	Recurring	325,000	-	325,000	325,000	-	325,000
	Subtotal	325,000	-	325,000	325,000	-	325,000
4. Developing a Joint Master of Social Work (MSW) Program with WKU (see WKU priority 3)*	Nonrecurring	-	-	-	-	-	-
	Recurring	-	-	-	-	-	-
	Subtotal	-	-	-	-	-	-
	MUSU Total	\$ 788,160	\$ -	\$ 788,160	\$ 1,061,760	\$ -	\$ 1,061,760
Northern Kentucky University							
1. Center for Information Technology	Nonrecurring	\$ 91,000	\$ -	\$ 91,000	\$ 35,000	\$ -	\$ 35,000
	Recurring	149,000	-	149,000	201,000	-	201,000
	Subtotal	240,000	-	240,000	236,000	-	236,000
2. Laboratory for the Transfer of Technology to Science and Mathematics Teachers	Nonrecurring	140,000	-	140,000	102,000	-	102,000
	Recurring	50,000	70,000	120,000	110,000	70,000	180,000
	Subtotal	190,000	70,000	260,000	212,000	70,000	282,000
	NKU Total	\$ 430,000	\$ 70,000	\$ 500,000	\$ 448,000	\$ 70,000	\$ 518,000
University of Kentucky							
1. Pharmacy Expansion/Community Responsive Education Program	Nonrecurring	\$ 843,500	\$ -	\$ 843,500	\$ -	\$ -	\$ -
	Recurring	3,340,680	174,384	3,515,064	3,340,680	125,676	3,466,356
	Subtotal	4,184,180	174,384	4,358,564	3,340,680	125,676	3,466,356
2. The Kentucky Action Agenda Scholarships	Nonrecurring	-	-	-	-	-	-
	Recurring	1,839,600	-	1,839,600	2,457,600	-	2,457,600
	Subtotal	1,839,600	-	1,839,600	2,457,600	-	2,457,600
	UK Total	\$ 6,023,780	\$ 174,384	\$ 6,198,164	\$ 5,798,280	\$ 125,676	\$ 5,923,956

University of Louisville

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Institution/Request	Revenue Category	2002-03			2003-04		
		State Funds Requested	Other Sources	Total	State Funds Requested	Other Sources	Total
1. Off Campus Teaching Program - Trover Clinic Foundation	Nonrecurring	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Recurring	1,035,100	-	1,035,100	1,051,300	-	1,051,300
	Subtotal	1,035,100	-	1,035,100	1,051,300	-	1,051,300
2. Community at E-Main	Nonrecurring	-	277,000	277,000	-	-	-
	Recurring	334,150	285,000	619,150	334,150	285,000	619,150
	Subtotal	334,150	562,000	896,150	334,150	285,000	619,150
	UofL Total	\$ 1,369,250	\$ 562,000	\$ 1,931,250	\$ 1,385,450	\$ 285,000	\$ 1,670,450
Western Kentucky University							
1. Kentucky Academy for Mathematics and Science	Nonrecurring	\$ 750,000	\$ -	\$ 750,000	\$ 750,000	\$ -	\$ 750,000
	Recurring	954,455	-	954,455	2,627,233	-	2,627,233
	Subtotal	1,704,455	-	1,704,455	3,377,233	-	3,377,233
Western Kentucky University (cont.)							
2. Advancing the New Economy: Innovation and Commercialization Center Serving Central Kentucky	Nonrecurring	-	-	-	-	-	-
	Recurring	125,000	-	125,000	175,000	-	175,000
	Subtotal	125,000	-	125,000	175,000	-	175,000
3. Developing a Joint Master of Social Work (MSW) Program with MuSU *	Nonrecurring	-	-	-	-	-	-
	Recurring	180,000	-	180,000	339,000	-	339,000
	Subtotal	180,000	-	180,000	339,000	-	339,000
	WKU Total	\$ 2,009,455	\$ -	\$ 2,009,455	\$ 3,891,233	\$ -	\$ 3,891,233
	Grand Total	<u>\$ 26,902,033</u>			<u>\$ 25,987,222</u>		

* Murray State University and Western Kentucky University propose developing a joint Master of Social Work (MSW) program for the western region of the Commonwealth. The request is shown under both universities, but the dollar amounts requested are only included in the WKU total.

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Eastern Kentucky University*Priority 1: Interpreter Training Program*

The Interpreter Training Program (ITP) at EKU is the only program of its kind in the Commonwealth of Kentucky. It was established during the mid-1990s in response to legislative mandates to train interpreters for the deaf and hard of hearing. Through the program on its main campus, the Center on Deafness, summer institutes for educational interpreters, and a cooperative program at the University of Louisville, EKU provides direct instruction, outreach and technical assistance, and service to the deaf and hard of hearing community. For the past five years, the Department of Vocational Rehabilitation (DVR) has been a principal source of funding for the ITP. Due to federal and state budget cuts, the DVR has been forced to reduce fiscal support of the ITP by approximately \$600,000.

	2002-03			2003-04		
	State Funds Requested	Other Sources	Total	State Funds Requested	Other Sources	Total
Nonrecurring	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Recurring	596,384	-	596,384	596,384	-	596,384
Total	<u>\$ 596,384</u>	<u>\$ -</u>	<u>\$ 596,384</u>	<u>\$ 596,384</u>	<u>\$ -</u>	<u>\$ 596,384</u>

Priority 2: Faculty and Staff Salary Adjustments to Market

This request for faculty and staff salary adjustments stems from studies that show compensation levels at Eastern Kentucky University below market. Campus officials contend that current salaries and wages result in increased turnover and contribute to difficulties in attracting qualified staff. Increases in tuition revenue and state appropriations are expected to be sufficient to provide only cost-of-living increases to faculty and staff salaries. Funding of this special request is required if progress is to be made toward providing equitable compensation for EKU faculty and staff.

	2002-03			2003-04		
	State Funds Requested	Other Sources	Total	State Funds Requested	Other Sources	Total
Nonrecurring	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Recurring	1,000,000	-	1,000,000	1,020,000	-	1,020,000
Total	<u>\$ 1,000,000</u>	<u>\$ -</u>	<u>\$ 1,000,000</u>	<u>\$ 1,020,000</u>	<u>\$ -</u>	<u>\$ 1,020,000</u>

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Priority 3: Enrollment and Retention Funds

Eastern Kentucky University requests funding to replace enrollment growth program funds that it is not eligible to receive because it will not meet its enrollment goal this year. According to campus officials, ECU will likely meet its retention goal, but declining numbers of traditional age students in their service region, increasing numbers of students choosing to attend community colleges, and a culture that does not always value education contributed to the university's inability to achieve its enrollment goal. Replacement funds are needed to continue present programming and develop new initiatives for recruitment and retention activities on the main campus and at the extended campus centers.

	2002-03			2003-04		
	State Funds Requested	Other Sources	Total	State Funds Requested	Other Sources	Total
Nonrecurring	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Recurring	390,200	-	390,200	390,200	-	390,200
Total	<u>\$ 390,200</u>	<u>\$ -</u>	<u>\$ 390,200</u>	<u>\$ 390,200</u>	<u>\$ -</u>	<u>\$ 390,200</u>

Kentucky Community and Technical College System

Priority 1: Administrative Information System

In 1998, the General Assembly authorized a bond issue to initiate the development and implementation of an integrated information technology system for the KCTCS. These funds were used to purchase the major elements of the system's infrastructure, including software, hardware, personnel for operation and system maintenance, and staff training. The purpose of this request is to fund investment in the next generation of administrative system software. This upgrade will allow software maintenance and local-user access in a Web-based environment and will enable the colleges to expand student services via components such as registration, advising, curriculum design and development, faculty and staff development, and transcript and competency records.

	2002-03			2003-04		
	State Funds Requested	Other Sources	Total	State Funds Requested	Other Sources	Total
Nonrecurring	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Recurring	2,000,000	-	2,000,000	2,000,000	-	2,000,000
Total	<u>\$ 2,000,000</u>	<u>\$ -</u>	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>	<u>\$ -</u>	<u>\$ 2,000,000</u>

Priority 2: Comprehensive Community and Technical Colleges

During the 2000-02 biennium, KCTCS purchased property for the construction of a new facility and worked with representatives of the northern Kentucky community to develop a comprehensive community and technical college. The Board of Regents extended local board governance authority to three college districts comprised of

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Bowling Green Technical College, Central Kentucky Technical College, and Northern Kentucky Technical College. This request seeks funding for academic and administrative infrastructure of these new comprehensive colleges. It is anticipated that the addition of academic and technical offerings at the colleges will provide increased opportunities for enrolling new students and for bolstering retention and graduation rates among existing students.

	2002-03			2003-04		
	State Funds Requested	Other Sources	Total	State Funds Requested	Other Sources	Total
Nonrecurring	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Recurring	1,692,000	108,000	1,800,000	2,253,000	224,000	2,477,000
Total	<u>\$ 1,692,000</u>	<u>\$ 108,000</u>	<u>\$ 1,800,000</u>	<u>\$ 2,253,000</u>	<u>\$ 224,000</u>	<u>\$ 2,477,000</u>

Priority 3: Program Operations, New Facilities

The KCTCS requests funding to program, staff, and operate the new Student Services and Academic Complex in Somerset, the new East Park Technical Complex in Ashland, and the McCreary County Extension of Somerset Community College. Although the 2000 General Assembly provided funding for the construction of these new facilities, they did not provide funding for programs and operations. If approved, funding will support an increased level of student services and expanded technical offerings at the Student Services and Academic Complex, an array of technical programs at the East Park Technical Complex, and expanded technical offerings at the McCreary County Extension. It is anticipated that the addition of technical programs and expanded academic offerings will encourage more students to enter and progress through the postsecondary system and will facilitate new business formation.

	2002-03			2003-04		
	State Funds Requested	Other Sources	Total	State Funds Requested	Other Sources	Total
Nonrecurring	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Recurring	1,060,000	207,000	1,267,000	1,680,000	217,000	1,897,000
Total	<u>\$ 1,060,000</u>	<u>\$ 207,000</u>	<u>\$ 1,267,000</u>	<u>\$ 1,680,000</u>	<u>\$ 217,000</u>	<u>\$ 1,897,000</u>

Priority 4: Leslie County Center of Hazard Community College

The KCTCS requests funds to operate the Leslie County Center of Hazard Community College. The Leslie County Center plays an important role by placing credit courses, job training opportunities, and student services within easy access of Leslie County and neighboring county residents. It is anticipated that approval of this request will advance educational reform by enrolling more students, providing them with services, helping to prepare residents of this underserved area for life and work, and facilitating economic development through job training.

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	2002-03			2003-04		
	State Funds Requested	Other Sources	Total	State Funds Requested	Other Sources	Total
Nonrecurring	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Recurring	290,000	37,000	327,000	299,000	38,000	337,000
Total	\$ 290,000	\$ 37,000	\$ 327,000	\$ 299,000	\$ 38,000	\$ 337,000

Priority 5: Kentucky School of Craft, Hazard Community College

The KCTCS requests funds to support the purchase of start up equipment for the Kentucky School of Craft (KSC). The KSC will prepare master artisans in five areas of Appalachian crafts: woods, metals/jewelry, fiber, blacksmithing, and clay/ceramics. The program's vision is to graduate world-class crafts workers who will be capable of sustained livelihoods as artisans and to facilitate the sale of high quality products as part of an overall plan for developing tourism. The benefits of this proposal include increased graduation rates, an improved workforce, and a better quality of life.

	2002-03			2003-04		
	State Funds Requested	Other Sources	Total	State Funds Requested	Other Sources	Total
Nonrecurring	\$ 182,000	\$ -	\$ 182,000	\$ -	\$ -	\$ -
Recurring	530,000	25,000	555,000	2,032,000	75,000	2,107,000
Total	\$ 712,000	\$ 25,000	\$ 737,000	\$ 2,032,000	\$ 75,000	\$ 2,107,000

Kentucky State University

Priority 1: Land Grant Match

Kentucky State University requests the state match for Federal Research and Federal Extension program expenditures to establish a Small Family Farm Institute. Objectives of the institute include new crop development, value-added and market development; sustainable farms and families; nutrition, health, and food safety; and sustainable communities.

	2002-03			2003-04		
	State Funds Requested	Other Sources	Total	State Funds Requested	Other Sources	Total
Nonrecurring	\$ 5,470,583	\$ -	\$ 5,470,583	\$ -	\$ -	\$ -
Recurring	2,422,827	4,845,654	7,268,481	2,495,512	4,991,023	7,486,535
Total	\$ 7,893,410	\$ 4,845,654	\$ 12,739,064	\$ 2,495,512	\$ 4,991,023	\$ 7,486,535

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Morehead State University

Priority 1: Baccalaureate Degree in Adult Education & KCTCS Associate Degree with Adult Education Emphasis

Morehead State University proposes to address adult literacy in the Commonwealth by establishing a Baccalaureate Degree in Adult Education and by working with the KCTCS to develop an Associate Degree in Adult Education. The basic reasoning is that better prepared adult education professionals will improve the quality of adult education services for undereducated adults. The expected outcomes of the programs will be increased educational attainment levels of adults, expanded economic development opportunities, and an informed citizenry.

	2002-03			2003-04		
	State Funds Requested	Other Sources	Total	State Funds Requested	Other Sources	Total
Nonrecurring	\$ 27,650	\$ -	\$ 27,650	\$ -	\$ -	\$ -
Recurring	365,952	26,058	392,010	380,750	27,361	408,111
Total	<u>\$ 393,602</u>	<u>\$ 26,058</u>	<u>\$ 419,660</u>	<u>\$ 380,750</u>	<u>\$ 27,361</u>	<u>\$ 408,111</u>

Priority 2: Space Science Center

Morehead State University seeks funding to support creation of a Space Science Center. The goals of the Center include engaging in radio frequency astrophysics research, providing satellite mission tracking services for NASA, and expanding undergraduate degree offerings to include satellite telecommunications and a minor in astronomy. Funding will be used to support operating and capital needs, two faculty positions in electrophysics, a staff position, and graduate and undergraduate assistants. The Center's research and education initiatives will support evolution toward the New Economy by contributing to a high-tech workforce and facilitating commercialization of research.

	2002-03			2003-04		
	State Funds Requested	Other Sources	Total	State Funds Requested	Other Sources	Total
Nonrecurring	\$ 7,900	\$ -	\$ 7,900	\$ -	\$ -	\$ -
Recurring	245,892	-	245,892	255,653	-	255,653
Total	<u>\$ 253,792</u>	<u>\$ -</u>	<u>\$ 253,792</u>	<u>\$ 255,653</u>	<u>\$ -</u>	<u>\$ 255,653</u>

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Murray State University

Priority 1: College Prep and Entrepreneurship Academy

Murray State University proposes to increase college-going rates in target counties by establishing a College Prep and Entrepreneurship Academy. Instructional teams composed of university, community college, and local school personnel will participate in two-week summer programs designed to develop math, science, technology, and entrepreneurship skills in participating seventh and eighth grade students. To provide an incentive to participate, students will be awarded \$100-\$400 mini-grants upon program completion. The broad goals of the Academy include: raising expectations for postsecondary education among students, parents, and teachers; raising skill levels; and encouraging students to stay in school and take the courses needed to go to college.

	2002-03			2003-04		
	State Funds Requested	Other Sources	Total	State Funds Requested	Other Sources	Total
Nonrecurring	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Recurring	273,160	-	273,160	546,760	-	546,760
Total	<u>\$ 273,160</u>	<u>\$ -</u>	<u>\$ 273,160</u>	<u>\$ 546,760</u>	<u>\$ -</u>	<u>\$ 546,760</u>

Priority 2: On-line Bachelor of Science in Business Degree

According to a recent KYVU study, about two-thirds of Kentucky adults who responded to a survey prefer Internet courses to onsite courses as a means of furthering their education. The degree programs and curriculums most in demand are associate or bachelor degrees in business or accounting. Murray State University—in cooperation with the KCTCS, the KYVU, and the other public universities in Kentucky—proposes to develop and offer an on-line program of 20 business courses that would enable students to complete a four-year business degree on-line. The primary goal of the program will be to meet the needs of students who have completed the on-line AA/B program, but who for personal or professional reasons cannot take courses on a Kentucky campus. Funding will be used to provide faculty stipends for course development and training, as well as to compensate a project coordinator.

	2002-03			2003-04		
	State Funds Requested	Other Sources	Total	State Funds Requested	Other Sources	Total
Nonrecurring	\$ 150,000	\$ -	\$ 150,000	\$ 150,000	\$ -	\$ 150,000
Recurring	40,000	-	40,000	40,000	-	40,000
Total	<u>\$ 190,000</u>	<u>\$ -</u>	<u>\$ 190,000</u>	<u>\$ 190,000</u>	<u>\$ -</u>	<u>\$ 190,000</u>

Priority 3: Kentucky Undergraduate Research and Scholarly Activity Program

Murray State University officials request funding for a program, called the Kentucky Undergraduate Research and Scholarly Activity Program, that would provide undergraduates from Kentucky's six comprehensive universities with an opportunity to engage in the scholarly, creative, and research activities of their faculty. The program will provide faculty-mentored research and scholarly activity opportunities over a ten week summer

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period to 100 undergraduates at Eastern Kentucky University, Kentucky State University, Morehead State University, Murray State University, Northern Kentucky University, and Western Kentucky University. Funding for the program will be used to provide students a \$2,700 stipend for the summer work period, plus a \$300 allowance for supplies and expenses. Similar programs in other states have been credited with attracting students to higher education, retaining students once they arrive, and providing students with a depth of knowledge that far exceeds that obtained in the ordinary classroom.

	2002-03			2003-04		
	State Funds Requested	Other Sources	Total	State Funds Requested	Other Sources	Total
Nonrecurring	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Recurring	325,000	-	325,000	325,000	-	325,000
Total	<u>\$ 325,000</u>	<u>\$ -</u>	<u>\$ 325,000</u>	<u>\$ 325,000</u>	<u>\$ -</u>	<u>\$ 325,000</u>

Priority 4: (See WKU priority 3)

Northern Kentucky University

Priority 1: Center for Information Technology

Northern Kentucky University proposes to establish a Center for Information Technology to serve as a link between high tech companies and the university. The proposed Center will have a twofold mission: (a) connect high tech companies with the technological, human and programmatic resources of the university; and (b) enhance and enrich the educational and research opportunities of NKU students and faculty. Funding for the proposal will cover start-up and infrastructure costs, such as hiring a director, an associate director, and a secretary, as well as office renovation, equipment, and programming. It is anticipated that the Center will stimulate development of programs for adult learners, stimulate development of academic programs that provide the “skills and knowledge needed to work in a technologically advanced society,” and provide businesses access to “just-in-time” education and skills upgrades.

	2002-03			2003-04		
	State Funds Requested	Other Sources	Total	State Funds Requested	Other Sources	Total
Nonrecurring	\$ 91,000	\$ -	\$ 91,000	\$ 35,000	\$ -	\$ 35,000
Recurring	149,000	-	149,000	201,000	-	201,000
Total	<u>\$ 240,000</u>	<u>\$ -</u>	<u>\$ 240,000</u>	<u>\$ 236,000</u>	<u>\$ -</u>	<u>\$ 236,000</u>

Priority 2: Laboratory for the Transfer of Technology to Science and Mathematics Teachers

When completed in 2002, Northern Kentucky University’s Natural Science Center will be one of the best-equipped teaching facilities in the southeast. NKU proposes to use the equipment in this facility to train P-12 science and mathematics teachers in the modern technology of science. While many of these of teachers have

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obtained the skills necessary to master equipment used in their teaching field, neither they nor their students have access to leading-edge scientific and computational devices. NKU will develop advanced workshops and courses on technology usage, and allow teachers and their students access to Center equipment. Funding for this proposal will be used to purchase laboratory equipment, as well as to hire a Laboratory Manager. It is anticipated that the program will encourage more Kentuckians to enroll in college and that more students will be prepared for the rigors of college-level mathematics and science courses.

	2002-03			2003-04		
	State Funds Requested	Other Sources	Total	State Funds Requested	Other Sources	Total
Nonrecurring	\$ 140,000	\$ -	\$ 140,000	\$ 102,000	\$ -	\$ 102,000
Recurring	50,000	70,000	120,000	110,000	70,000	180,000
Total	<u>\$ 190,000</u>	<u>\$ 70,000</u>	<u>\$ 260,000</u>	<u>\$ 212,000</u>	<u>\$ 70,000</u>	<u>\$ 282,000</u>

University of Kentucky

Priority 1: Pharmacy Expansion/Community Responsive Education Program

The University of Kentucky proposes to address a statewide shortage of pharmacists by establishing five educational hubs around the Commonwealth through which half of the pharmacy curriculum can be delivered. The proposal calls for expanding the class size of the College of Pharmacy from 88 to 130 students through this unique interdisciplinary approach. It is anticipated that the program will increase the number of pharmacy graduates in Kentucky to the national average and will employ high technology learning.

	2002-03			2003-04		
	State Funds Requested	Other Sources	Total	State Funds Requested	Other Sources	Total
Nonrecurring	\$ 843,500	\$ -	\$ 843,500	\$ -	\$ -	\$ -
Recurring	3,340,680	174,384	3,515,064	3,340,680	125,676	3,466,356
Total	<u>\$ 4,184,180</u>	<u>\$ 174,384</u>	<u>\$ 4,358,564</u>	<u>\$ 3,340,680</u>	<u>\$ 125,676</u>	<u>\$ 3,466,356</u>

Priority 2: The Kentucky Action Agenda Scholarships

Under this proposal, the University of Kentucky will establish scholarships that will help achieve reform goals in the Action Agenda. Three different scholarship programs are proposed. The Commonwealth Educational Access Scholarships will be designed to recruit highly qualified GED-prepared students and high school graduates from target counties historically underserved by higher education. The Community College Transfer Scholarships will be geared toward academically outstanding students who have earned Associate in Arts/Sciences degrees from a KCTCS institution or the Lexington Community College. The Commonwealth Graduate Fellowships will support enrollment in the University of Kentucky's graduate and professional programs. It is anticipated that the new scholarships will promote greater access and encourage increased levels of advanced degree attainment.

**Council on Postsecondary Education
2002-04 Special Funding Requests**

	2002-03			2003-04		
	State Funds Requested	Other Sources	Total	State Funds Requested	Other Sources	Total
Nonrecurring	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Recurring	1,839,600	-	1,839,600	2,457,600	-	2,457,600
Total	<u>\$ 1,839,600</u>	<u>\$ -</u>	<u>\$ 1,839,600</u>	<u>\$ 2,457,600</u>	<u>\$ -</u>	<u>\$ 2,457,600</u>

University of Louisville

Priority 1: Off Campus Teaching Program – Trover Clinic Foundation

The University of Louisville is requesting replacement (permanent) funding of their Off-Campus Teaching Center medical education program. Almost 90 percent of Kentucky's counties are considered to be health profession shortage areas. Studies show that doctors tend to set up practice in towns like those in which they train. For this reason, several medical schools now have regional, rural campuses that provide the last two years of medical school clinical training in smaller towns. The OCTC is U of L's commitment to the regional campus concept. Expected outcomes of the program include placing practicing physicians in Kentucky's smaller towns, bolstering local economies, and promoting health care careers at the high school and college levels.

	2002-03			2003-04		
	State Funds Requested	Other Sources	Total	State Funds Requested	Other Sources	Total
Nonrecurring	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Recurring	1,035,100	-	1,035,100	1,051,300	-	1,051,300
Total	<u>\$ 1,035,100</u>	<u>\$ -</u>	<u>\$ 1,035,100</u>	<u>\$ 1,051,300</u>	<u>\$ -</u>	<u>\$ 1,051,300</u>

Priority 2: Community at E-Main

The University of Louisville proposes to develop a technology workforce and business development center to identify workforce needs, recruit individuals to technology centers, provide the education and training necessary to meet projected job demand in high-tech fields, and link new and existing businesses to technology support in the Louisville region. If successful, the program will provide for a readily available, highly trained, capable technology workforce and business development support in the Louisville region.

**Council on Postsecondary Education
2002-04 Special Funding Requests**

	2002-03			2003-04		
	State Funds Requested	Other Sources	Total	State Funds Requested	Other Sources	Total
Nonrecurring	\$ -	\$ 277,000	\$ 277,000	\$ -	\$ -	\$ -
Recurring	334,150	285,000	619,150	334,150	285,000	619,150
Total	\$ 334,150	\$ 562,000	\$ 896,150	\$ 334,150	\$ 285,000	\$ 619,150

Western Kentucky University

Priority 1: Kentucky Academy of Mathematics and Science

Western Kentucky University proposes establishing the Kentucky Academy for Mathematics and Science, a statewide early admissions college program for bright, highly motivated high school students who have demonstrated an interest in pursuing careers in mathematics, science, and technology. Instead of spending their junior and senior years in traditional high schools, 200 students will enroll in the Kentucky Academy and live in a unique and dedicated residence hall on the WKU campus. At the end of two years, Academy students will have earned at least 60 college credit hours in mathematics, science, and the humanities. Campus officials contend that the Academy is a key to building a workforce that possesses the math and science skills necessary to fuel the state's New Economy initiatives.

	2002-03			2003-04		
	State Funds Requested	Other Sources	Total	State Funds Requested	Other Sources	Total
Nonrecurring	\$ 750,000	\$ -	\$ 750,000	\$ 750,000	\$ -	\$ 750,000
Recurring	954,455	-	954,455	2,627,233	-	2,627,233
Total	\$ 1,704,455	\$ -	\$ 1,704,455	\$ 3,377,233	\$ -	\$ 3,377,233

Priority 2: Advancing the New Economy: Innovation and Commercialization Center Serving Central Kentucky

In response to the state's New Economy initiatives, Western Kentucky University is creating an Innovation and Commercialization Center serving the central region of Kentucky. The goal of the Center is to create and support zero-stage start-up companies that produce innovative new economy products, services, or technologies. Funds are needed to provide support for the faculty, graduate, and undergraduate students who will be the service providers to ICC clients. In terms of outcomes, the Center will serve as a catalyst for new business formation, provide opportunities for faculty and students to gain practical applications of their studies, retrain workers for high tech jobs, and improve the standard of living through higher paying jobs.

**Council on Postsecondary Education
2002-04 Special Funding Requests**

	2002-03			2003-04		
	State Funds Requested	Other Sources	Total	State Funds Requested	Other Sources	Total
Nonrecurring	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Recurring	125,000	-	125,000	175,000	-	175,000
Total	<u>\$ 125,000</u>	<u>\$ -</u>	<u>\$ 125,000</u>	<u>\$ 175,000</u>	<u>\$ -</u>	<u>\$ 175,000</u>

Priority 3: Developing a Joint Master of Social Work (MSW) Program for Western Kentucky

Murray State University and Western Kentucky University propose to jointly offer a Master of Social Work Degree. The program is intended to meet the personnel needs of the Cabinet for Families and Children, as well as other human service agencies. Funding for the program will be used to pay for faculty salaries and benefits, and for operating expenses. It is anticipated that the program will improve the professional qualifications of human service providers and thereby improve the quality of life for Kentuckians.

	2002-03			2003-04		
	State Funds Requested	Other Sources	Total	State Funds Requested	Other Sources	Total
Nonrecurring	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Recurring	180,000	-	180,000	339,000	-	339,000
Total	<u>\$ 180,000</u>	<u>\$ -</u>	<u>\$ 180,000</u>	<u>\$ 339,000</u>	<u>\$ -</u>	<u>\$ 339,000</u>

Development of 2002-04 Capital Budget Recommendation

Each public university and the Kentucky Community and Technical College System was required to submit a 2002-08 capital plan to the Capital Planning Advisory Board (CPAB) by April 15, 2001. The Capital Planning Advisory Board held hearings July 24-25 to discuss the capital priorities of all state agencies, including postsecondary education institutions. The projects identified in the first biennium of the 2002-08 capital plans generally evolve into the 2002-04 capital requests. The institutions submitted their 2002-04 capital requests to the council July 2. The council's 2002-04 capital budget recommendation will be requested through the Physical Facilities Trust Fund and the Technology Trust Fund.

Physical Facilities Trust Fund. The Physical Facilities Trust Fund was created with the passage of the *Kentucky Postsecondary Education Improvement Act of 1997* (House Bill 1). Projects funded through the trust fund are to be consistent with the adopted postsecondary education strategic agenda and the resources available to the trust fund. Generally, bonds are issued to fund the approved projects, and the trust fund receives money for the debt service. For the 2002-04 capital budget, the council staff proposes the following priorities:

- *Capital renewal and maintenance:* The capital renewal and maintenance pool provides funds to renew and maintain institutional facilities. The program provides matching dollars to reduce deferred maintenance backlogs and to address long-range facilities renewal needs. In 2000-02, this trust fund received an appropriation of \$3.018 million to support debt service for a \$30 million bond issuance. For 2002-04, staff will recommend another \$30 million bond issuance to further reduce the backlog of capital renewal and deferred maintenance projects.
- *Major renovations of educational and general (E&G) facilities:* This program provides funds to improve or to replace specific existing facilities that cannot continue to be used for the purpose for which they were originally constructed.
- *Construction of new (E&G) facilities or expansion of existing facilities:* This program provides additional instruction or research space required by an institution to support its mission.

The council's consulting architect reviewed 42 capital projects for which the institutions are requesting \$672 million of state bonds. The State Budget Director has stated that if debt service is held to no more than six percent of the state's revenue, as in the past, the entire state's projected additional bonding capacity for the 2002-04 biennium is \$235 million. A summary of

projects reviewed by the council's consulting architect, Mr. David Banks, is provided in Attachment A.

Generally, state bonds are requested for educational and general facilities and equipment while authority to spend cash or issue agency bonds is requested for auxiliary enterprises. A summary of the institutions' capital requests by fund source is presented in Attachment B (Tables 1-4).

According to the *Points of Consensus*, the council will evaluate institutional capital requests using the revised Kentucky Space Needs Model and the recommendations of a professional consultant with regard to quality of existing space. Considering the existing educational and general space and the new space that was authorized by the 1998 and 2000 General Assembly, the space model shows a net 20 percent space surplus for the entire system. However, there are net space deficits at Lexington Community College and the Hopkinsville Community and Technical College District.

When projecting out to 2006, the target year for capital planning, the space model shows an 8 percent net space surplus for the entire system. But six institutions are projected to have net space deficiencies. Northern Kentucky University is projected to need special use and general use, physical education and recreation, and open laboratory space. University of Kentucky is projected to need research laboratory and special use and general use space. University of Louisville is projected to need research laboratory, physical education and recreation, and special use and general use space. Lexington Community College is projected to need space in all categories. Hopkinsville Community and Technical College District is projected to need open laboratory and special use and general use space. Jefferson Community and Technical College District is projected to need open laboratory, offices, special use and general use and support space. Other institutions have overall space surpluses but may have deficits within a specific space category. A summary of the space model results is presented in Attachment C.

During August, Mr. Banks visited the institutions' campuses and discussed their capital requests. Mr. Banks found that generally the campuses are very clean and in good condition. He observed that many of the major renovation and capital renewal projects are the result of long-standing requests by the institutions from past biennia. Mr. Banks suggests that some projects show signs that institutions are not budgeting sufficient funds to properly maintain facilities. He further suggests that requests for new construction many times lack the proper planning and programming to determine accurately the funding required for completion of the project. Mr. Banks suggests that, for approved projects, it may be more appropriate to first provide the institutions funds for project planning and programming and then provide capital construction funds in the following biennium. Mr. Banks' report will be presented at the council meeting.

Technology Trust Fund. The Technology Trust Fund, also created in HB1, includes the Equipment Replacement Program. The program provides matching dollars to upgrade research equipment and also provides funds for instructional equipment in classrooms. In 2001-02, this program received \$3.8 million to support debt service for a \$20 million bond issuance. For 2003-04, the staff plans to recommend another \$20 million bond issue to further address the replacement and upgrade of instructional and research equipment.

Next Steps

The council will hold institutional budget hearings October 10, 2001. The presidents will have the opportunity to inform the council about their capital priorities and special funding requests for 2002-04.

The council is required to submit the 2002-04 capital budget recommendation to the Governor's Office for Policy and Management by November 15.

Staff preparation by Sherron Jackson

**2002-04 Institutional Capital Project Requests
Summary of All Fund Sources
As of September 30, 2001
TABLE 1**

Institution	State General Funds (1)	Federal and Agency Funds	Agency Bonds	Total
Eastern Kentucky University	\$ 70,875,000	\$ 10,000,000	\$ 10,050,000	\$ 90,925,000
KY Comm. and Tech. College System	324,600,000	6,000,000	-	330,600,000
Kentucky State University	62,651,000	3,224,000	-	65,875,000
Morehead State University	107,873,000	3,400,000	19,200,000	130,473,000
Murray State University	227,658,000	650,000	74,520,000	302,828,000
Northern Kentucky University	103,100,000	15,195,000	37,600,000	155,895,000
University of Kentucky (2)	406,798,000	190,590,000	66,651,000	664,039,000
UK - Hospital	-	182,874,000	13,990,000	196,864,000
University of Louisville	150,126,000	216,499,000	12,129,000	378,754,000
Western Kentucky University	83,029,000	5,699,000	11,320,000	100,048,000
System Total	\$ 1,536,710,000	\$ 634,131,000	\$ 245,460,000	\$ 2,416,301,000

1. State General Funds include requests for state supported bonds.
2. Includes requests for the Lexington Community College.

**2002-04 Institutional Capital Project Requests
State General Funds
As of September 30, 2001
TABLE 2**

Institution	State General Funds			Total
	Capital Construction (1)	Technology Initiative	Equipment	
Eastern Kentucky University	\$ 52,850,000	\$ 12,890,000	\$ 5,135,000	\$ 70,875,000
KY Comm. and Tech. College System	291,155,000	12,000,000	21,445,000	324,600,000
Kentucky State University	58,895,000	3,756,000	-	62,651,000
Morehead State University	81,830,000	22,200,000	3,843,000	107,873,000
Murray State University	211,572,000	6,746,000	9,340,000	227,658,000
Northern Kentucky University	101,200,000	1,900,000	-	103,100,000
University of Kentucky (2)	406,798,000	-	-	406,798,000
University of Louisville	110,501,000	26,225,000	13,400,000	150,126,000
Western Kentucky University	73,274,000	9,645,000	110,000	83,029,000
System Total	\$ 1,388,075,000	\$ 95,362,000	\$ 53,273,000	\$ 1,536,710,000

1. Includes capital renewal and maintenance, renovations, and construction of new facilities.
2. Includes requests for the Lexington Community College.

2002-04 Institutional Capital Project Requests
Agency Bond Authority
As of September 30, 2001
TABLE 3

Institution	Capital Construction	Fire Safety	Total
Eastern Kentucky University	\$ 10,050,000	\$ -	\$ 10,050,000
Kentucky State University	-	-	-
Morehead State University	16,200,000	3,000,000	19,200,000
Murray State University	74,520,000	-	74,520,000
Northern Kentucky University	37,600,000	-	37,600,000
University of Kentucky and LCC	66,651,000	-	66,651,000
UK - Hospital	13,990,000	-	13,990,000
University of Louisville	12,129,000	-	12,129,000
Western Kentucky University	11,320,000	-	11,320,000
System Total	\$ 242,460,000	\$ 3,000,000	\$ 245,460,000

2002-04 Institutional Capital Project Requests
Restricted Agency and Federal Funds
As of September 30, 2001
TABLE 4

Institution	Capital Construction (1)	Technology Initiative	Equipment	Total
Eastern Kentucky University	\$ 8,000,000	\$ 2,000,000	\$ -	\$ 10,000,000
KY Comm. and Tech. College System	6,000,000	-	-	6,000,000
Kentucky State University	3,224,000	-	-	3,224,000
Morehead State University	3,000,000	-	400,000	3,400,000
Murray State University	650,000	-	-	650,000
Northern Kentucky University	10,950,000	2,500,000	1,745,000	15,195,000
University of Kentucky (2)	126,230,000	19,072,000	45,288,000	190,590,000
UK - Hospital	104,315,000	23,190,000	55,369,000	182,874,000
University of Louisville	201,776,000	460,000	14,263,000	216,499,000
Western Kentucky University	3,978,000	1,721,000	-	5,699,000
System Total	\$ 468,123,000	\$ 48,943,000	\$ 117,065,000	\$ 634,131,000

1. Includes capital renewal and maintenance projects, renovations, and construction of new facilities.
2. Includes requests for the Lexington Community College.

Attachment A

**2002-04 Institutional Capital Project Requests
Projects Reviewed by Consulting Architect**

Institution and Project	Total Scope	State Funds	Agency Funds
Eastern Kentucky University			
1. Business and Technology Center	\$ 26,000,000	\$ 26,000,000	\$ -
2. University Activity Center Phase II	14,000,000	14,000,000	-
5. Remodel Mattox Hall for Offices/Classrooms	600,000	600,000	-
Subtotal - EKU	\$ 40,600,000	\$ 40,600,000	\$ -
Kentucky Community and Technical College System			
2. Ashland TC: Regional Postsecondary Ed. Center	\$ 28,276,000	\$ 28,276,000	\$ -
3. Maysville CC: Academic Technical Building Renovation	8,900,000	8,900,000	-
4. Hazard CC: KY School of Craft Phase II	8,759,000	8,759,000	-
5. Owensboro CC: Advanced Technology Center	23,794,000	23,794,000	-
6. Madisonville CC: Technical Building	9,697,000	9,697,000	-
9. KCTCS System Office Facility	20,393,000	20,393,000	-
10. Henderson CC: Tri-County Technical Center	12,833,000	12,833,000	-
11. Southeast CC: Appalachian Development Center	16,000,000	10,000,000	6,000,000
12. Hazard CC: Lees Campus Library/Science Building Renovation	1,355,000	1,355,000	-
14. Hopkinsville CC: Academic Building Renovation	6,795,000	6,795,000	-
15. Jefferson CC: LV Building Renovation	8,805,000	8,805,000	-
17. Ashland CC: Academic LRC Building Renovation	18,325,000	18,325,000	-
30. Hopkinsville CC: Agricultural Technology Facility	10,122,000	10,122,000	-
Subtotal - KCTCS	\$ 174,054,000	\$ 168,054,000	\$ 6,000,000
Kentucky State University			
1. Hill Student Center Renovation and Expansion	\$ 4,400,000	\$ 4,400,000	\$ -
2. Bradford Hall - Business Wing Expansion	10,800,000	10,800,000	-
3. Hathaway Hall Renovation	5,937,000	5,937,000	-
8. Betty White Facility Renovation and Expansion	4,278,000	4,278,000	-
9. Bell Gym Renovation	3,800,000	3,800,000	-
Subtotal - KSU	\$ 29,215,000	\$ 29,215,000	\$ -
Morehead State University			
1. ADUC Renovation and Expansion Phase II	\$ 10,000,000	\$ 10,000,000	\$ -
2. New NASA Space Science Center	12,200,000	12,200,000	-
3. Camden-Carroll Library Renovation and Expansion	20,000,000	20,000,000	-
Subtotal - MoSU	\$ 42,200,000	\$ 42,200,000	\$ -
Murray State University			
1. New Science Building Phase II	\$ 13,000,000	\$ 13,000,000	\$ -
2. Recreation and Wellness Center	15,000,000	15,000,000	-
5. New Breathitt Veterinary Center	12,500,000	12,500,000	-
Subtotal - MuSU	\$ 40,500,000	\$ 40,500,000	\$ -

Attachment A

**2002-04 Institutional Capital Project Requests
Projects Reviewed by Consulting Architect**

Institution and Project	Total Scope	State Funds	Agency Funds
Northern Kentucky University			
1. Old Science Building Renovation	\$ 15,400,000	\$ 15,400,000	\$ -
2. Landrum Hall Structural Repairs Phase II	850,000	850,000	-
3. New Student Union	27,500,000	15,650,000	11,850,000
Subtotal - NKU	\$ 43,750,000	\$ 31,900,000	\$ 11,850,000
University of Kentucky and LCC			
1. Morgan Building Addition Part A	\$ 28,693,000	\$ 25,843,000	\$ 2,850,000
2. Pharmacy Building Expansion	45,083,000	33,083,000	12,000,000
3. Gatton Building Complex	75,127,000	37,753,000	37,374,000
4. Law School Building	65,266,000	52,234,000	13,032,000
5. Lexington Community College Campus Expansion	23,633,000	23,045,000	588,000
6. Architecture Building	19,512,000	14,112,000	5,400,000
Subtotal - UK & LCC	\$ 257,314,000	\$ 186,070,000	\$ 71,244,000
University of Louisville			
1. HSC Research Facilities Phase III	\$ 98,000,000	\$ 58,800,000	\$ 39,200,000
4. Natural Science Building Renovation Phase I	4,843,000	4,843,000	-
5. Houchens Student Services Building Renovation	5,697,000	5,697,000	-
Subtotal - UofL	\$ 108,540,000	\$ 69,340,000	\$ 39,200,000
Western Kentucky University			
1. Science Campus Renovation Phase II	\$ 33,000,000	\$ 33,000,000	\$ -
3. Schneider Hall Renovation	7,000,000	7,000,000	-
6. Owensboro Regional Postsecondary Education Center	24,169,000	24,169,000	-
Subtotal - WKU	\$ 64,169,000	\$ 64,169,000	\$ -
Total - System	\$ 800,342,000	\$ 672,048,000	\$ 128,294,000

**Capital Renewal and Deferred Maintenance Program
Useful Life Summary for Projects Completed Between 1990 and 2000**

Institution	Actual Useful Life of Building System Projects Completed Between 1990 and 2000 Compared to Expected Useful Life					Average Percentage Useful Life	Match Rate Per Program Dollar	Allocation 2002-04 Program Funds			Required Institutional Match
	Site Improvement Infrastructure	Exterior Closure Systems	Interior Construction and Finishes	Mechanical Systems	Electrical Systems			Total E & G Square Footage	Percent of Total Space	\$30 Million Bond Pool	
EKU	-	123.75%	146.67%	129.92%	220.83%	155.29%	\$ 0.75	1,697,061	9.6%	\$ 2,883,000	\$ 2,162,300
KCTCS	-	145.69%	90.91%	108.73%	120.00%	116.33%	\$ 0.85	4,277,663	24.2%	7,266,900	6,176,900
KSU	97.87%	108.37%	109.15%	102.17%	108.15%	105.14%	\$ 0.85	523,286	3.0%	889,000	755,700
MoSU	-	109.24%	145.00%	133.70%	184.00%	142.99%	\$ 0.75	919,682	5.2%	1,562,400	1,171,800
MuSU	160.83%	161.19%	146.73%	158.11%	143.43%	154.06%	\$ 0.75	1,219,947	6.9%	2,072,400	1,554,300
NKU	97.30%	75.54%	104.95%	131.67%	86.68%	99.23%	\$ 0.90	948,985	5.4%	1,612,100	1,450,900
UK	218.67%	153.57%	154.78%	161.14%	203.80%	178.39%	\$ 0.75	4,336,516	24.6%	7,366,900	5,525,200
UofL	122.64%	117.23%	129.68%	132.38%	127.08%	125.80%	\$ 0.80	2,494,165	14.1%	4,237,000	3,389,600
WKU	112.15%	123.51%	147.25%	154.32%	125.90%	132.63%	\$ 0.80	1,242,202	7.0%	2,110,300	1,688,200
Total								<u>17,659,507</u>	<u>100.0%</u>	<u>\$30,000,000</u>	<u>\$ 23,874,900</u>
Total Capital Renewal and Deferred Maintenance Funds										<u>\$ 53,874,900</u>	

Average Useful Life	Match Rate
1. Useful Life History: Less Than 90% of expected useful life	\$1 for \$1
2. Useful Life History: Greater than 91% but less than 105% of expected useful life	\$0.90 for \$1
3. Useful Life History: Greater than 105% but less than 120% of expected useful life	\$0.85 for \$1
4. Useful Life History: Greater than 120% but less than 135% of expected useful life	\$0.80 for \$1
5. Useful Life History: Greater than 136% of expected useful life	\$0.75 for \$1

Note:

The University of Kentucky's information includes the main campus, medical center and Lexington Community College expected useful life data.

**KENTUCKY COUNCIL ON POSTSECONDARY EDUCATION
SPACE NEEDS MODEL - COMPARISON OF EXISTING SPACE
SUMMARY**

	2000 BASE YEAR						2006 TARGET YEAR				
	Actual ASF	Student FTE	Staffing FTE	Guidelines ASF	Surplus/ Deficit	Percent Surplus/ Deficit	Student FTE	Staffing FTE	Guidelines ASF	Surplus/ Deficit	Percent Surplus/ Deficit
<i>Doctoral Universities</i>											
University of Kentucky	4,186,402	16,938	5,645	3,894,277	292,125	7%	17,756	5,718	4,876,987	(690,585)	(16%)
Lexington Community College	150,114	4,328	333	254,540	(104,426)	(70%)	5,194	366	295,025	(144,911)	(97%)
University of Louisville	2,494,165	14,677	4,310	2,413,365	80,800	3%	14,708	4,429	2,968,751	(474,586)	(19%)
<i>Subtotal Doctoral Universities</i>	6,830,681	35,943	10,288	6,562,182	268,499	4%	37,658	10,513	8,140,763	(1,310,082)	(19%)
<i>Comprehensive Universities</i>											
Eastern Kentucky University	1,697,061	11,288	1,866	1,191,531	505,530	30%	11,921	1,913	1,240,308	456,753	27%
Kentucky State University	523,286	1,772	367	301,476	221,810	42%	2,201	412	332,305	190,981	36%
Morehead State University	919,682	6,269	916	645,337	274,345	30%	6,755	951	677,497	242,185	26%
Murray State University	1,219,947	6,901	933	710,574	509,373	42%	7,502	965	753,983	465,964	38%
Northern Kentucky University	948,985	9,370	1,100	945,057	3,928	0%	11,275	1,208	1,087,653	(138,668)	(15%)
Western Kentucky University	1,242,202	11,852	1,687	1,153,054	89,148	7%	12,915	1,765	1,236,096	6,106	0%
<i>Subtotal Comprehensive Universities</i>	6,551,163	47,452	6,869	4,947,029	1,604,134	24%	52,569	7,214	5,327,842	1,223,321	19%
<i>KCTCS Community & Technical College Districts</i>											
Ashland	222,214	1,742	348	161,173	61,041	27%	1,861	360	169,694	52,520	24%
Big Sandy	331,244	1,960	300	175,114	156,130	47%	2,188	320	194,812	136,432	41%
Bluegrass	160,502	1,052	241	138,032	22,470	14%	1,238	262	158,362	2,140	1%
Bowling Green	128,910	952	145	111,103	17,807	14%	963	155	113,566	15,344	12%
Elizabethtown	238,748	2,470	347	186,314	52,434	22%	2,710	371	205,372	33,376	14%
Henderson	99,701	751	130	60,676	39,025	39%	798	134	63,230	36,471	37%
Hopkinsville	116,086	1,912	174	121,307	(5,221)	(4%)	2,031	179	126,976	(10,890)	(9%)
Jefferson	475,747	6,646	762	470,390	5,357	1%	7,077	787	495,659	(19,912)	(4%)
Kentucky River	331,506	1,767	335	164,393	167,113	50%	1,849	342	168,629	162,877	49%
Madisonville	212,613	1,483	265	129,377	83,236	39%	1,593	276	137,444	75,169	35%
Maysville	163,065	1,124	187	100,264	62,801	39%	1,231	196	108,983	54,082	33%
Northern Kentucky	122,303	664	166	88,403	33,900	28%	788	181	102,081	20,222	17%
Owensboro	205,357	2,186	270	180,319	25,038	12%	2,342	280	191,129	14,228	7%
Somerset	1,014,834	2,075	346	189,879	824,955	81%	2,191	355	197,317	817,517	81%
Southeast	159,096	1,827	199	116,812	42,284	27%	1,940	205	122,382	36,714	23%
Western Kentucky	295,737	2,811	402	250,721	45,016	15%	2,818	398	244,887	50,850	17%
<i>Subtotal KCTCS</i>	4,277,663	31,422	4,617	2,644,277	1,633,386	38%	33,618	4,801	2,800,523	1,477,140	35%
System Total	17,659,507	114,817	21,774	14,153,488	3,506,019	20%	123,845	22,528	16,269,128	1,390,379	8%

Development of 2002-04 Agency Operating and Capital Recommendations

Planning for the 2002-04 agency biennial budget occurs amid significant concern for the Commonwealth's short-term economic outlook. Revenue estimates for 2001-02 already have been adjusted downward by \$295 million with the prospect of an additional \$100-200 million shortfall. The council's agency operations appropriation already has been reduced 3 percent in 2001-02 and we expect another round of cuts before the end of the calendar year.

Our focus in 2002-04 is on continuing the reform and on those activities that directly affect the reform. For this reason, expansion requests will be limited in number and will focus on the strategic trust funds and to a limited extent the pass-through programs and the KYVU/KYVL budget. There will be no expansion requests for agency operations.

KYVU/KYVL

The Kentucky Virtual Library has been an unqualified success with over 600,000 hits per month. The public and independent institutions, along with the Kentucky Department of Education and the Kentucky Department for Libraries and Archives, formed a consortium that: provides all citizens of Kentucky broad access to 34 electronic databases; allows for postsecondary education institutions and other libraries to share a common library management system; and extends a ground-courier service for delivery of instructional and library materials across the Commonwealth. The 2002-04 biennial budget proposal will include a request for \$1.0 million for an additional nine electronic databases and an allocation of \$300,000 to upgrade the library management system, replace the library search software, and permit continuing upgrade of computer-based systems.

Pass-Through Programs

The Contract Spaces pass-through program provides 36 seats in veterinary medicine at Auburn University and Tuskegee University and 14 spaces in optometry at Southern College of Optometry in Tennessee, the University of Alabama, and Indiana University optometry schools. We will request sufficient funds – \$150,200 in 2002-03 and an additional \$237,200 in 2003-04 – to maintain the current veterinary and optometry seats at the adjusted tuition rates.

Kentucky must show continuous progress in the recruitment of African American faculty and staff and in the recruitment of African American students. In the current biennium, the council approved \$187,000 in non-recurring funds from the Technology Initiative Trust Fund for 11 additional minority doctoral scholars in the SREB Faculty Diversity Program. We will request

state funds to replace those non-recurring funds so this program can continue at the current enhanced level.

The Governor's Minority Student College Preparation Program prepares minority middle-school students for college by giving them on-campus experiences. Again, the council approved non-recurring funds from the Technology Initiative Trust Fund (\$95,000) to expand by 10 the number of sites primarily at KCTCS institutions. We will request state funds to replace those non-recurring funds so this program can continue at the current enhanced level.

Current Services Request

The agency operations, the KYVU, and remaining pass-through program budgets will live within the limits of current services funding provided by the state to all agencies. As of this date, the state proposes a 2 percent increase in state appropriation for each year of the new biennium. Again, as of this date, the state proposes that each state employee receive an annual 5 percent salary increase. There is no guarantee that the 2 percent increase can be provided in the coming biennium. But salary increases, health insurance rate increases, and any inflationary increases in operating expenses have to be absorbed within the state appropriation.

Agency Capital Budget Request

State agencies are required to present all leases in excess of \$200,000 as a capital expense item. The lease for the offices in the Capital Center Complex are just below the \$200,000 limit and may exceed that limit during the 2002-04 biennium. We will report the lease as a capital item.

The council staff presented a tentative capital project for expansion of the Kentucky Postsecondary Education Network (KPEN) as part of the agency's six-year capital plan. The 2002-04 budget proposal will include \$1.0 million for network expansion (see trust funds agenda item). At this time, we do not know whether the funds that are requested for the network will be used to issue bonds for the purchase of equipment (capital expense) or whether they will support payments for additional bandwidth (operating expense). A group of state and university technology officers is looking at the requirements for a new, improved network. The capital project request gives the council options to either allocate all or part of the \$1.0 million requested in the Technology Initiative Trust Fund to operating expenses or debt service payments.

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