

# AGENDA

**Council on Postsecondary Education  
Special Meeting  
Discussion of 2010-12 Operating and Capital Budget Recommendation**

**Thursday, October 1, 2009**  
1:30 p.m. (ET)  
Meeting Room A, Council on Postsecondary Education  
Frankfort, Kentucky

1. Oath of Office
2. Roll Call
3. Overview ..... 1
4. Points of Consensus ..... 5
5. Institutional Operating Funds ..... 9
6. Capital Investments ..... 35
7. Agency Operating Funds ..... 47
8. Update on 2010-11 Tuition Setting Process ..... 53
9. Next Meeting – November 6, 2009
10. Adjournment



**Council on Postsecondary Education  
October 1, 2009**

**Discussion of 2010-12  
Operating and Capital Budget Recommendation  
Overview**

The purpose of the specially called CPE meeting on October 1, 2009, is to focus on the Council's 2010-12 budget (General Fund) recommendation. It is intended to provide an opportunity for Council members to gain a deeper understanding of the current operating and capital budget proposals being discussed between Council staff and the public postsecondary institutions and provide a forum for discussion in advance of the Council taking action on a final budget recommendation at its next meeting on November 6, 2009.

As a reminder, Kentucky Revised Statutes (KRS) 164.020 (9) give the Council on Postsecondary Education the sole discretion with advice from the presidents of the universities and KCTCS to make recommendations to the Governor and the General Assembly for appropriations in the biennial budget process.

Traditionally, the Council's appropriations request is broken down into three main categories:

**1) Institutional Operating Funds**

These are state General Funds requested on behalf of the institutions to support their unique missions and House Bill 1 (1997) goals. These state appropriations are used for educational and general expenditures on campus including faculty and staff salaries, benefits, scholarships, utilities, etc.

**2) Capital Investments**

These are state bond funded and institution agency funded capital projects proposed for the 2010-12 biennium. Capital investments typically include specific building requests as well as several funding pools that are distributed among the institutions to assist with preserving existing buildings (i.e., new roofs, plumbing, electrical, etc.), as well as updating information technology across the system.

**3) Agency Operating Funds**

These are General Funds used to primarily support various statewide educational programs and services (e.g., Kentucky Adult Education, contract spaces, Kentucky Postsecondary Education Network, Kentucky Virtual Library, etc.), as well as the Council's core statewide coordinating function.

Council staff has provided separate agenda items on each one of these areas for review and discussion.

To assist with the 2010-12 budget request process, the Council's Budget Development Work Group also recommended producing several additional documents including:

- **Points of Consensus**

The Points of Consensus document is a collaborative work product between Council staff and the institutions that reinforces basic principles to guide the development of the Council on Postsecondary Education's 2010-12 operating and capital budget recommendation.

- **Institutional Strategic Initiative Summaries**

Given the budget uncertainty for 2010-12, if funds do become available above the technical adjustments being requested, these brief summaries highlight university and KCTCS strategic initiatives that would be undertaken that support institutional business plans or strategic plans consistent with the mandates of the *Kentucky Postsecondary Education Improvement Act of 1997*.

#### Update on 2010-11 Tuition Setting Process

Although the Council will not take action on 2010-11 tuition rates until 2010, a brief update on the 2010-11 tuition setting process is included as an agenda item since revenue from tuition becomes even more essential in a budget environment where there are limited or no additional state appropriations to support increases in fixed costs and general operations of the postsecondary education system.

#### Consensus Forecasting Group Update

At the September Council meeting, Council staff provided an update on some initial revenue planning estimates for the next biennium that were released by the Office of the State Budget Director (OSBD), in conjunction with the Consensus Forecasting Group (CFG).

At that time, the budget planning estimates called for an increase in General Fund revenue of \$127 million (1.5 percent growth) in FY11 and an increase of \$290 million (3.5 percent growth) in FY12.

The CFG met again on September 25 to review various state and national economic data related to the FY10-12 General Fund revenue forecast. There is significant concern about Kentucky's employment levels and their ability to rebound over the next several years. At the meeting's conclusion, the CFG's chair directed OSBD's economic analysis staff to generate two scenarios for their next meeting on Monday, October 12, at which time official CFG numbers for the upcoming biennium will be adopted.

These new CFG General Fund numbers will be instructive to the Council in order to draft a reasonable, yet aggressive 2010-12 state appropriation request for postsecondary education.

2010-12 Budget Timeline

October 1	CPE Special Budget Meeting to Discuss Draft Recommendations
October 2-30	Solicit Additional Feedback from Key Policy Makers
October 12	CFG Adopts Official FY10, FY11, and FY12 Revenue Estimates
November 6	Council Takes Action on 2010-12 Budget Recommendation
November 7-15	Submit Budget to Executive/Legislative Branches
November – December	Executive Branch Budget Development
January 2010	Governor Submits Executive Budget to General Assembly
January – April 2010	Review and Action by General Assembly
April 15, 2010	Final Legislative Day



**Council on Postsecondary Education  
October 1, 2009**

**Discussion of 2010-12  
Operating and Capital Budget Recommendation  
Points of Consensus**

As a reminder, over the last several months Council staff worked collaboratively with the chief budget officers and the presidents on a Points of Consensus (POC) document that reinforces basic principles to guide the development of the Council on Postsecondary Education's 2010-12 operating and capital budget recommendation.

Given the current economic environment and the state budget difficulties, it was agreed that the Points of Consensus for the 2010-12 budget recommendation should be a simple document that provides historical context for the request and focuses on two areas, base funding and capital investments.

On September 2, 2009, a joint meeting of the presidents and chief budget officers was held to discuss the final draft of the Points of Consensus and its implications. All institutions were unified behind the approach outlined in the attached Points of Consensus document with the exception of Murray State University.

Specifically, although in principle Murray supports the idea of emphasizing the need for maintenance and operation funds to support new facilities coming online, due to the timing of the request, Murray has fewer new facilities coming online in FY09-FY12 versus some other institutions, which results in a smaller base adjustment, particularly in FY12.

Given the severity of the recent budget cuts to all institutions, this places Murray at a disadvantage if base or "technical" adjustments are the only new funds allocated in FY10-12. Council staff is continuing to work with Murray on a way to incorporate appropriate language in the POC to gain full consensus.

The attached document is the final draft that was discussed at the joint president and chief budget officers meeting to be signed by the Council president, the university presidents, and the president of KCTCS to show support for a unified approach to the Council's 2010-12 operating and capital budget recommendation.

Staff preparation by John Hayek

## Points of Consensus Among University Presidents, KCTCS President, and the Council President Concerning the 2010-12 Funding Request (Revised Sept. 28, 2009)

The following Points of Consensus are principles that should guide the development of the Council on Postsecondary Education's 2010-12 operating and capital budget recommendation.

Since 2002, the postsecondary education system has absorbed mid-year cuts in state appropriations with three of the most severe reductions occurring since December 2007. These budget cuts have negatively impacted the system's ability to achieve the goals of the *Kentucky Postsecondary Education Improvement Act of 1997* (House Bill 1). Aggressive cost containment and cost avoidance tactics, productivity gains, and increases in tuition rates have helped the system survive and even prosper during this difficult period.

Despite these economic and budget difficulties, the aggressive goals outlined in House Bill 1 have not changed and neither has the determination of the public postsecondary education community to transform the Commonwealth and dramatically improve the quality of life and standard of living for all Kentuckians.

Stable and consistent investment in education at all levels is essential to achieving a brighter future for Kentucky. The Governor has committed to keep public funding of postsecondary education in fiscal year 2009-10 level with its fiscal year 2008-09 funding through a combination of General Funds and federal stimulus funds, and asserted that base funding in future years for postsecondary education and K-12 should not be penalized when stimulus funds are exhausted.

It is imperative that the system of postsecondary education work with the Governor and the General Assembly to determine a reasonable, yet aggressive, funding level for 2010-12 that is aligned with statewide budget priorities and is sensitive to the budget reductions experienced since the beginning of fiscal year 2007-08.

Given the traditional inverse relationship between state appropriations and tuition rates, CPE will work with the institutions to set tuition and mandatory fees at levels that support the operational needs, quality, and strategic goals of the institutions and the state, while keeping the system accessible.

### General Principles

- The operating and capital request will be simple and abbreviated and will include two parts:
  - Base Funding
  - Capital Investments

- Each part of the request will directly advance the goals of the *Kentucky Postsecondary Education Improvement Act of 1997*.
- No redistribution among institutions of existing institutional General Fund base appropriations should occur.
- General Fund appropriations to institutions should continue to be lump sum with necessary accountability requirements.
- General Funds for debt service, the UofL hospital contract, and mandated public service and research programs that are not student credit hour generating will be excluded from any funding comparisons and performance measures.

## I. Base Funding

In recognition of the Commonwealth's commitment to postsecondary education as the long-term solution to Kentucky's chronic problems, recommendations for funding to be appropriated to the base budgets of the universities and the Kentucky Community and Technical College System will include:

- Base adjustments
  - Changes in debt service requirements for institutional bond issues supported by state appropriations and to be paid by the institution.
  - Changes to the UofL hospital contract.
  - Changes to the federal match required for KSU's land grant program.
  - Maintenance and operating funds for new educational and general facilities. (Note: Because such funds are traditionally provided, but were not during the 2008-10 biennium, funding levels for 2010-12 should be calculated by including new buildings beginning in 2008-09.)
- If funds become available, through the normal budget process, the budget bill's General Fund Surplus Expenditure Plan, or other means that increase fiscal capacity, they will be strategically used to enhance improvement retention and graduation rates, enhance access and enrollment growth, quality, degree production, research, regional and statewide stewardship, and other initiatives that support institutional business plans or strategic plans consistent with the mandates of the *Kentucky Postsecondary Education Improvement Act of 1997*. These additional General Funds would be distributed to institutions in the manner in which they have been reduced.

[Note: The above bullet point consolidates the 2<sup>nd</sup> and 3<sup>rd</sup> bullet points from the previous version of the Points of Consensus.]

## II. Capital Investments

- Projects recommended for state bonds or state funds:

The capital budget recommendations should align with the findings and recommendations of the 2007 statewide facilities assessment by VFA, Inc., including capital renewal, space adequacy and renovations, and new and expanded educational and general facilities.

Given the large backlog of capital renewal and deferred maintenance needs across Kentucky's public postsecondary education institutions, preserving current assets should be a priority in the capital funding request.

The capital budget recommendation should include the total cost of new projects, as well as funds required for maintenance and operations and debt service.

- Projects recommended for agency bonds or agency funds:

The CPE should continue to recommend a sufficient agency bond pool amount and recommend that institutions have the autonomy to bond their projects without affecting the state bonding capacity and be given greater flexibility to seek interim legislative authorization for projects.

The CPE and the institutions will work together to identify models which maximize institutional authority to finance capital projects.

**Council on Postsecondary Education  
October 1, 2009**

**Discussion of 2010-12  
Operating and Capital Budget Recommendation  
Institutional Operating Funds**

Base Funding

The primary way that the Commonwealth supports its public postsecondary education institutions is through appropriating General Funds used for institutional operations. These funds, along with tuition, are the largest sources of revenue used to pay for the teaching, research, and service missions at the universities and community college system.

More specifically, General Funds are used to help pay for faculty and staff salaries and fringe benefits, student financial aid, utilities and maintenance of buildings, libraries, student support services, and numerous other educational and general operating expenses. When available, these funds also strengthen existing initiatives and support new strategic initiatives consistent with the mandates of House Bill 1 (1997).

Unfortunately, due to the austere economic and budget environment, General Fund support for public postsecondary education decreased a total of \$78 million over the past two years, from \$1.084 billion in FY08 to \$1.006 billion in FY09.

However, in a sign of support of postsecondary education, the Governor committed to maintain institutional base operating funds in FY10 at the same level as FY09 by using a combination of General Funds (\$936 million) and State Fiscal Stabilization Funds (SFSF) (\$70 million).

	<b>FY09 Revised Net GF (After 2% Cut)</b>	<b>FY10 Projected Net GF</b>	<b>FY10 SFSF</b>	<b>FY10 Combined</b>	<b>FY10 Percent of SFSF</b>
<b>EKU</b>	\$73,731,000	\$68,663,500	\$5,067,500	\$73,731,000	7%
<b>KSU</b>	25,496,900	23,730,600	1,766,300	25,496,900	3%
<b>MoSU</b>	44,630,700	41,577,500	3,053,200	44,630,700	4%
<b>MuSU</b>	51,884,300	48,413,800	3,470,500	51,884,300	5%
<b>NKU</b>	51,267,200	47,662,900	3,604,300	51,267,200	5%
<b>UK</b>	310,271,400	289,204,600	21,066,800	310,271,400	30%
<b>UofL</b>	154,522,400	142,343,600	12,178,800	154,522,400	17%
<b>WKU</b>	79,013,800	73,597,700	5,416,100	79,013,800	8%
<b>KCTCS</b>	214,931,200	200,554,700	14,376,500	214,931,200	21%
<b>Total</b>	<b>\$1,005,748,900</b>	<b>\$935,748,900</b>	<b>\$70,000,000</b>	<b>\$1,005,748,900</b>	<b>100%</b>

The impact of this decision on the Council's 2010-12 operating budget recommendation is that in order to maintain General Fund base funding support even with its FY09 level, the Council will have to request an increase of \$70 million in state appropriations in FY11 and FY12 just to fill the gap created by the federal stimulus funds. The Governor committed to postsecondary education that it would not be financially penalized for being the recipient of the federal stimulus funds. However, operationally, in the state's budget system, this will make the Council's 2010-12 institutional operating funds recommendation look larger than it normally would. Please refer to Attachment A for additional details.

It is also important to note that an unknown at this time is how additional SFSF will be used to support the universities and KCTCS in FY11. This will be heavily dependent on how quickly Kentucky's economy is recovering from the current recession.

### Base Adjustments

Historically, even in years with budget cuts or no new General Funds to be allocated, postsecondary education would receive a series of base or "technical" adjustments to its base funding.

In the past, base adjustments were limited to debt service, University of Louisville's Quality and Charity Care Trust Contract, and maintenance and operating (M&O) funds for new educational and general facilities coming online in a given biennium. For 2010-12, the change in the federal match for Kentucky State University's land grant program is also being added as a base adjustment.

- Debt Service

This base adjustment is to pay for debt service for state funded capital projects that is held at the university level. This is debt service on more mature bonds and has decreased over the last decade because the debt service (\$135 million in FY09) for newer state funded public postsecondary education facilities resides within the Finance Cabinet's budget.

Total debt service provided to institutions to pay for state funded capital projects in prior years will decrease from approximately \$20.5 million in FY10 to \$18.9 million in FY11, and to \$12.6 million in FY12.

- UofL's Quality and Charity Care Trust Contract

This contract, originally entered into in 1983, provides support for hospital care services to economically disadvantaged patients through the University of Louisville Hospital.

In FY11, the base adjustment for this contract is expected to be about \$20.8 million and \$21.5 million in FY12. These figures are only up slightly from approximately \$20 million in General Funds appropriated in FY10.

- **KSU Land Grant Program**

KSU is an 1890 HBCU land grant institution. As such, it receives special federal funding to help finance agricultural research and extension activities. To receive these federal funds for its land grant program, KSU must match them with an equal amount of state General Funds. This has become increasingly difficult due to the recent budget cuts.

Thus, in order to guarantee full federal match for FY10 through FY12, a new base adjustment is being proposed for KSU’s land grant program. It is estimated that \$1,277,625 will be needed in FY11 to cover the full match in FY10 and FY11, and an additional \$340,103 to cover the match in FY12.

- **Maintenance and Operating Funds (M&O) for New Buildings**

Maintenance and operations (M&O) typically includes the day-to-day activities necessary for the building and its systems and equipment to perform their intended function, including janitorial and maintenance staff, as well as utility and energy costs.

In Kentucky, it has been standard practice to provide M&O on new educational and general space coming online. However, in 2008-10, due to the difficult budget environment, only KCTCS was awarded partial M&O. Universities bringing new facilities online in 2008-10 had to utilize tuition revenue or reallocate General Fund revenue from other areas of the institution to open, operate, and maintain these new facilities. The need to reallocate resources from other areas, in essence, acted like an additional budget cut for these institutions.

In order to help remedy this situation, unfunded M&O in FY09 and FY10 is being added to M&O for new facilities coming online in FY11. This equates to a base adjustment of approximately \$29.8 million in FY11 and an additional \$9.7 million in FY12, for a total biennial request of \$39.5 million.

	2010-11 M&O New Facilities*	2011-12 M&O New Facilities*	Biennial M&O Request*
EKU	\$779,534	\$3,118,547	\$3,898,081
KSU	457,360	63,576	520,936
MoSU	2,004,120	920,240	2,924,360
MuSU	762,572	-	762,572
NKU	5,402,578	1,496,549	6,899,127
UK	4,252,097	2,179,720	6,431,816
UofL	5,901,774	602,794	6,504,567
WKU	2,284,750	1,014,588	3,299,338
KCTCS	7,927,968	345,271	8,273,240
<b>Total</b>	<b>\$29,772,753</b>	<b>\$9,741,284</b>	<b>\$39,514,037</b>

\* Initial Estimates

Strategic Initiative Funding

Even though maintaining current base funding levels and receiving base adjustments are the proposed top priorities for institutional operating funds in the Council's 2010-12 budget recommendation, all the presidents, CBOs, and Council staff members believe it is important to position postsecondary education in the event additional funds become available.

Thus, according to the Points of Consensus (POC), if additional funds become available above the base or "technical" adjustments, either through the normal budget process, the budget bill's General Fund Surplus Expenditure Plan, or other means that increase fiscal capacity, it was agreed that institutions' General Fund base appropriations should increase in the manner in which they have been reduced.

The table below highlights the agreed upon distribution methodology for the strategic initiative funding request.

	Distribution Percentages	Strategic Funds FY11	Strategic Funds FY12	Strategic Funds Total
UK	32%	\$3,167,700	\$9,503,100	\$12,670,800
UofL	18%	1,794,600	5,383,800	7,178,400
EKU	8%	770,300	2,310,900	3,081,200
KSU	2%	248,400	745,200	993,600
MoSU	5%	456,200	1,368,600	1,824,800
MuSU	5%	534,500	1,603,500	2,138,000
NKU	5%	489,500	1,468,500	1,958,000
WKU	8%	779,400	2,338,200	3,117,600
KCTCS	18%	1,759,400	5,278,200	7,037,600
<b>Total</b>	<b>100%</b>	<b>\$10,000,000</b>	<b>\$30,000,000</b>	<b>\$40,000,000</b>

As of late September, for illustrative purposes, the strategic initiative funds being proposed, \$10 million in FY11 and an additional \$30 million in FY12, for a total of \$40 million, equates to about a half percent of the state's revised \$8.4 billion General Fund revenue. This request attempts to re-capture a portion of the approximately 1.5 percent of the state's General Fund lost to other areas of state government, particularly Medicaid, over the past 10 years.

Per the POC, if available, the additional \$40 million in General Funds would be strategically used to increase retention and graduation rates, enhance access and enrollment growth, improve quality and degree production, increase research, strengthen regional and statewide stewardship, and other initiatives that support institutional business plans or strategic plans consistent with the mandates of the *Kentucky Postsecondary Education Improvement Act of 1997*.

At its August 18 meeting, members of the Council's Budget Development Work Group requested that each institution prepare a two-page summary describing how it would use any strategic initiative funds over and above the base or "technical" adjustments.

During the joint presidents/chief budget officers meeting in early September, it was communicated that strategic initiatives, particularly related to increasing retention and graduation rates, were of particular interest to the Executive Branch.

#### Review and Discussion

For review and discussion, Attachment A contains several worksheets (one with SFSF included in the FY10 base and one without) that highlight each institutions base funding and base adjustments, as well as the distribution of strategic funds for FY11 and FY12.

Attachment B contains a brief summary from each institution outlining proposed uses of strategic initiative funds.

Council on Postsecondary Education 2010-12 Budget Recommendation  
Change in Public Institution Net Appropriations

Technical Adjustments plus \$40 Million in Strategic Funding

Strategic Funding:	\$ 40,000,000
2010-11 Percent:	25.0%
2011-12 Percent:	75.0%

First-Year Change:

Institution	2009-10 <sup>(a)</sup>	Technical Adjustments			Strategic Initiatives	2010-11 Net Base Request	Net Base Dollar Change	Net Base Percent Change
	Revised Net Appropriation	M&O New Facilities	Transfers					
UK	310,271,400	4,252,097	-		3,167,700	317,691,197	7,419,797	2.4%
UofL	154,522,400	5,901,774	-		1,794,600	162,218,774	7,696,374	5.0%
EKU	73,731,000	779,534	276,480		770,300	75,557,314	1,826,314	2.5%
KSU	19,972,458 <sup>(b)</sup>	457,360	276,480		248,400	20,954,698	982,240	4.9%
MoSU	44,630,700	2,004,120	276,480		456,200	47,367,500	2,736,800	6.1%
MuSU	51,884,300	762,572	276,480		534,500	53,457,852	1,573,552	3.0%
NKU	51,267,200	5,402,578	-		489,500	57,159,278	5,892,078	11.5%
WKU	79,013,800	2,284,750	276,480		779,400	82,354,430	3,340,630	4.2%
KCTCS	214,931,200	7,927,969	-		1,759,400	224,618,569	9,687,369	4.5%
System Totals	<u>1,000,224,458</u>	<u>29,772,754</u>	<u>1,382,400</u>		<u>10,000,000</u>	<u>1,041,379,612</u>	<u>41,155,154</u>	<u>4.1%</u>

Second-Year Change:

Institution	2010-11	Technical Adjustments			Strategic Initiatives	2011-12 Net Base Request	Net Base Dollar Change	Net Base Percent Change
	Net Base Request	M&O New Facilities	Transfers					
UK	317,691,197	2,179,719	-		9,503,100	329,374,016	11,682,819	3.7%
UofL	162,218,774	602,793	-		5,383,800	168,205,367	5,986,593	3.7%
EKU	75,557,314	3,118,547	-		2,310,900	80,986,761	5,429,447	7.2%
KSU	20,954,698	63,576	-		745,200	21,763,474	808,776	3.9%
MoSU	47,367,500	920,240	-		1,368,600	49,656,340	2,288,840	4.8%
MuSU	53,457,852	-	-		1,603,500	55,061,352	1,603,500	3.0%
NKU	57,159,278	1,496,549	-		1,468,500	60,124,327	2,965,049	5.2%
WKU	82,354,430	1,014,588	-		2,338,200	85,707,218	3,352,788	4.1%
KCTCS	224,618,569	345,271	-		5,278,200	230,242,040	5,623,471	2.5%
System Totals	<u>1,041,379,612</u>	<u>9,741,283</u>	<u>-</u>		<u>30,000,000</u>	<u>1,081,120,895</u>	<u>39,741,283</u>	<u>3.8%</u>

Biennial Change:

Institution	2009-10 <sup>(a)</sup>	Technical Adjustments			Strategic Initiatives	2011-12 Net Base Request	Biennial Net Base Dollar Change	Biennial Net Base Percent Change
	Revised Net Appropriation	M&O New Facilities	Transfers					
UK	310,271,400	6,431,816	-		12,670,800	329,374,016	19,102,616	6.2%
UofL	154,522,400	6,504,567	-		7,178,400	168,205,367	13,682,967	8.9%
EKU	73,731,000	3,898,081	276,480		3,081,200	80,986,761	7,255,761	9.8%
KSU	19,972,458	520,936	276,480		993,600	21,763,474	1,791,016	9.0%
MoSU	44,630,700	2,924,360	276,480		1,824,800	49,656,340	5,025,640	11.3%
MuSU	51,884,300	762,572	276,480		2,138,000	55,061,352	3,177,052	6.1%
NKU	51,267,200	6,899,127	-		1,958,000	60,124,327	8,857,127	17.3%
WKU	79,013,800	3,299,338	276,480		3,117,600	85,707,218	6,693,418	8.5%
KCTCS	214,931,200	8,273,240	-		7,037,600	230,242,040	15,310,840	7.1%
System Totals	<u>1,000,224,458</u>	<u>39,514,037</u>	<u>1,382,400</u>		<u>40,000,000</u>	<u>1,081,120,895</u>	<u>80,896,437</u>	<u>8.1%</u>

<sup>(a)</sup> These figures contain \$930.2 million in projected net state General Fund, plus \$70.0 million in federal State Fiscal Stabilization Fund (SFSF) dollars.

<sup>(b)</sup> KSU's 2009-10 revised net appropriation of \$25,496,900 minus \$5,524,442 in the university's base to fund a federal land-grant program match.

Council on Postsecondary Education 2010-12 Budget Recommendation  
Change in Public Institution Net Appropriations

Technical Adjustments, \$70 Million in SFSF Replacement, plus \$40 Million in Strategic Funding

Strategic Funding:	\$ 40,000,000
2010-11 Percent:	25.0%
2011-12 Percent:	75.0%

First-Year Change:

Institution	2009-10 <sup>(a)</sup>	Technical Adjustments			SFSF Replacement	Strategic Initiatives	2010-11 Net Base Request	Net Base Dollar Change	Net Base Percent Change
	Projected Net General Fund	M&O New Facilities	Transfers						
UK	289,204,600	4,252,097	-		21,066,800	3,167,700	317,691,197	28,486,597	9.8%
UofL	142,343,600	5,901,774	-		12,178,800	1,794,600	162,218,774	19,875,174	14.0%
EKU	68,663,500	779,534	276,480		5,067,500	770,300	75,557,314	6,893,814	10.0%
KSU	18,206,158 <sup>(b)</sup>	457,360	276,480		1,766,300	248,400	20,954,698	2,748,540	15.1%
MoSU	41,577,500	2,004,120	276,480		3,053,200	456,200	47,367,500	5,790,000	13.9%
MuSU	48,413,800	762,572	276,480		3,470,500	534,500	53,457,852	5,044,052	10.4%
NKU	47,662,900	5,402,578	-		3,604,300	489,500	57,159,278	9,496,378	19.9%
WKU	73,597,700	2,284,750	276,480		5,416,100	779,400	82,354,430	8,756,730	11.9%
KCTCS	200,554,700	7,927,969	-		14,376,500	1,759,400	224,618,569	24,063,869	12.0%
System Totals	930,224,458	29,772,754	1,382,400		70,000,000	10,000,000	1,041,379,612	111,155,154	11.9%

Second-Year Change:

Institution	2010-11 Net Base Request	Technical Adjustments			SFSF Replacement	Strategic Initiatives	2011-12 Net Base Request	Net Base Dollar Change	Net Base Percent Change
		M&O New Facilities	Transfers						
UK	317,691,197	2,179,719	-		-	9,503,100	329,374,016	11,682,819	3.7%
UofL	162,218,774	602,793	-		-	5,383,800	168,205,367	5,986,593	3.7%
EKU	75,557,314	3,118,547	-		-	2,310,900	80,986,761	5,429,447	7.2%
KSU	20,954,698	63,576	-		-	745,200	21,763,474	808,776	3.9%
MoSU	47,367,500	920,240	-		-	1,368,600	49,656,340	2,288,840	4.8%
MuSU	53,457,852	-	-		-	1,603,500	55,061,352	1,603,500	3.0%
NKU	57,159,278	1,496,549	-		-	1,468,500	60,124,327	2,965,049	5.2%
WKU	82,354,430	1,014,588	-		-	2,338,200	85,707,218	3,352,788	4.1%
KCTCS	224,618,569	345,271	-		-	5,278,200	230,242,040	5,623,471	2.5%
System Totals	1,041,379,612	9,741,283	-		-	30,000,000	1,081,120,895	39,741,283	3.8%

Biennial Change:

Institution	2009-10 <sup>(a)</sup>	Technical Adjustments			SFSF Replacement	Strategic Initiatives	2011-12 Net Base Request	Biennial Net Base Dollar Change	Biennial Net Base Percent Change
	Projected Net General Fund	M&O New Facilities	Transfers						
UK	289,204,600	6,431,816	-		21,066,800	12,670,800	329,374,016	40,169,416	13.9%
UofL	142,343,600	6,504,567	-		12,178,800	7,178,400	168,205,367	25,861,767	18.2%
EKU	68,663,500	3,898,081	276,480		5,067,500	3,081,200	80,986,761	12,323,261	17.9%
KSU	18,206,158	520,936	276,480		1,766,300	993,600	21,763,474	3,557,316	19.5%
MoSU	41,577,500	2,924,360	276,480		3,053,200	1,824,800	49,656,340	8,078,840	19.4%
MuSU	48,413,800	762,572	276,480		3,470,500	2,138,000	55,061,352	6,647,552	13.7%
NKU	47,662,900	6,899,127	-		3,604,300	1,958,000	60,124,327	12,461,427	26.1%
WKU	73,597,700	3,299,338	276,480		5,416,100	3,117,600	85,707,218	12,109,518	16.5%
KCTCS	200,554,700	8,273,240	-		14,376,500	7,037,600	230,242,040	29,687,340	14.8%
System Totals	930,224,458	39,514,037	1,382,400		70,000,000	40,000,000	1,081,120,895	150,896,437	16.2%

<sup>(a)</sup> Projected net state General Fund, excluding federal State Fiscal Stabilization Fund (SFSF) dollars.

<sup>(b)</sup> KSU's 2009-10 projected net General Fund of \$23,730,600 minus \$5,524,442 in the university's base to fund a federal land-grant program match.





## EASTERN KENTUCKY UNIVERSITY

### 2010-12 BIENNIAL BUDGET: STRATEGIC INITIATIVES FUNDING REQUEST

Eastern Kentucky University is currently engaged revising and updating its existing strategic plan. This process includes the linking of strategic planning and budgeting. The University has determined that strategic initiatives in the following areas will be given priority. Sub-bullets indicate possible areas for utilization of funds and will be refined and modified through the planning process prior to development of the first annual budget of the biennium.

#### ❖ Student Success

- Implementation of strategic enrollment management plan  
The University will focus efforts on strategies intended to increase applicant pools and matriculation rates to more adequately serve the state's attainment objectives.
- Strengthened advising and mentoring of students  
Strategies will be developed and implemented to better advise and mentor students with the goals of improving retention and time to degree.
- Increased effort in on-line and other alternative delivery methods  
EKU faculty and staff are currently studying how to better provide on-line instruction that takes advantage of the Eastern Culture to add value to these programs. Expansion of on-line offerings to reach underserved populations will require resources.
- Strengthened academic infrastructure to recruit, develop, and retain a highly qualified faculty dedicated to ECU's mission  
Teaching remains the primary mission focus at ECU with scholarship and service seen as requisite for effective teaching. Enhancing the instructional capacity of the faculty is seen as an integral component of student success.
- Faculty professional development to improve teaching  
Teaching remains the primary mission focus at ECU with scholarship and service seen as requisite for effective teaching. Enhancing the instructional capacity of the faculty is seen as an integral component of student success.
- Transition program aimed at reducing remediation  
The issue of students being prepared to attend college, primarily in the areas of mathematics and reading, has continued to increase over the past several years so that almost one-half of those who matriculate at ECU are required to participate in some form of developmental education. Not only is this costly to the University, but defers the time a student can move into taking the classes

that count toward a degree. In addition, the cost to the student to take developmental classes can reduce their financial aid eligibility to complete classes toward a degree.

EKU is in the process of implementing a program where high school students who in their senior year have been identified as needing developmental instruction will be able to take such in their home counties prior to matriculation. In addition these courses will be taught by high school instructors in conjunction with EKU faculty, thus providing professional education opportunities for these high school teachers. The end result will be students who will have completed all or most of their developmental course requirements at no cost to them, thus enabling them to begin taking courses counting toward their degree immediately.

- Transition and support services for veterans and other adult learners  
Increased resources will be required to more adequately serve returning veterans and members of the adult population with college work but who are short of the degree.  
Provision of a child care center would enhance recruitment and retention of students as well as provide valuable services to faculty, staff, and the City or Richmond and Madison County.

#### Regional Stewardship

- More complete implementation of educational extension agent program in support of education, economic development, and quality of life issues
- Further Develop KCTCS partnerships to facilitate transfer
- Broadening of offerings at regional campuses
- Further development of collaborative ventures with Morehead State, private institutions, KCTCS and others in region to leverage resources
- Service Learning

#### Quality Enhancement Plan (critical and creative thinking)

- The Studio for Academic Creativity  
Under development in the Crabbe Library, this unique Studio will represent a facility to bring together students with faculty and other resources aimed at fostering creativity in written, oral, and high tech presentations.
- Support for the Honors Program  
EKU's nationally recognized honors program provides a natural platform for the Quality Enhancement Plan and is an enriching experience for both students and faculty.
- Implementation of Critical and Creative Thinking Across the Curriculum  
In order for the QEP to have maximum effect, faculty must have the opportunity for discipline specific professional development in the incorporation of critical and creative into the classroom experience.

**KENTUCKY COMMUNITY AND TECHNICAL COLLEGE SYSTEM**  
**Strategic Initiative Requests**  
**2010 Biennial Budget Session**

The overarching goals of the Kentucky Postsecondary Education Improvement Act of 1997 (HB1) are to have a highly skilled workforce with the education and training necessary for the state's businesses and industries to successfully compete in the global economy and to provide every citizen with prosperity and a standard of living that exceeds the national average by the year 2020. These goals continue to drive the priorities of KCTCS in serving its unique role in Kentucky's postsecondary education system and provide the foundation for the KCTCS Plan for a Competitive Commonwealth.

Additionally, the 2010-2016 KCTCS Strategic Plan that becomes effective July 1, 2010 states that the mission of KCTCS is to improve the employability and quality of life of Kentucky citizens as the primary provider of:

- College and Workforce Readiness
- Transfer Education
- Workforce Education and Training

The newly stated goals of the 2010-2016 KCTCS Strategic Plan are to:

- Advance excellence and innovation in teaching, learning, and service
- Increase student access, transfer, and success
- Cultivate diversity, multiculturalism, and inclusion
- Enhance the economic and workforce development of the Commonwealth
- Promote the recognition and value of KCTCS.

To advance the goals of HB1 (1997) and the 2010-2016 KCTCS Strategic Plan, KCTCS proposes the following strategic initiatives for consideration in 2010 Biennial Budget Session of the Kentucky General Assembly:

**REMEDICATION SERVICES**

Far too many students are entering college unprepared to succeed in fundamental courses of English, math, and reading. Students with developmental education needs are less likely to be retained to a second year of study than were prepared students at both the institutional and system level.

A proposed change to the cutoff scores by CPE that determine the level of readiness for entry into college-level courses will go into effect in 2010, which will likely drive more students to KCTCS who cannot begin college-level work at the university level. To-date, KCTCS has 13,330 first-time credential-seeking students enrolled in fall 2009 who are in need of remediation. If the new CPE standards for 2010 were in effect now, the estimated number of under-prepared students by subject would be:

- Math: 8,683 students.
- Reading: 4,466 students.
- English: 4,307 students.

For increasing numbers of students to succeed in their first year of college and continue to graduation, more attention must be paid to providing sufficient remediation services to students with deficiencies in these essential subject areas.

**CPE Strategic Initiative funds will be used to enhance student success, educational attainment, and the completion of KCTCS credentials by:**

- supporting more students completing the developmental sequence and having success in the first corresponding college-level course
- increasing college completion rates of students enrolled in one or more remedial classes by 3% yearly from 2009-2014 as required by Senate Bill 1 (2009)
- expanding capacity to serve more students who need remediation as a result of change in CPE cutoff score in 2010
- increasing the number of full-time faculty with appropriate training and ongoing professional development
- enhancing comprehensive assessment, placement, and academic advising programs
- expanding college readiness initiatives with local school districts to reduce the number of high school graduates needing remedial services

### **ONLINE DUAL CREDIT**

The KCTCS Plan for A Competitive Commonwealth states that KCTCS will contribute to an increased level of preparedness for high school graduates by increasing the percentage of high school dual credit/dual enrollment students from 9 percent in 2006-07 to 15 percent by 2020, yielding approximately 30,500 dual credit/dual enrolled high school students at KCTCS in 2020 with a greater emphasis on general education courses.

According to CPE's report "*The Dual Enrollment of High School Students in Postsecondary Education in Kentucky, 2001-02 to 2004-05*" high school students who "dually enrolled were indeed more likely to be retained and had a higher mean GPA than their peers".

Results from a study of dual credit student success ("Why Expand Dual-Credit Programs") published in the *Community College Journal of Research and Practice* (2007) indicates "that participation in dual credit programs had a positive and significant relationship with educational aspirations." Likewise, results of another study ("The Influences of Dual Credit Programs on College Students' Integration and Goal Attainment") published in the *Journal of College Student Retention* (1999) indicates through "logistic regression that dual credit significantly influenced students' ability to persist and graduate."

KCTCS is currently the primary provider of dual credit/dual enrollment programs in Kentucky and the leading provider of online instruction, both in a traditional format and via the newly launched KCTCS Online that provides selected programs in modularized, competency-based course formats on a 24/7/365 basis. The proposed strategic initiative will bring together these two capabilities of KCTCS in an innovative approach that enables more high school students to accelerate their education.

### **CPE Strategic Initiative funds will be used to enhance student success, educational attainment, and the completion of KCTCS credentials by:**

- targeting students who demonstrate readiness for college-level work
- focusing on improving college and workforce outcomes for more students, especially those who are not traditionally successful
- providing intensive support and opportunities to meet readiness benchmarks to under-represented and under-prepared
- offering competency and performance based courses that lead to a degree or credential; are applicable towards a college program or general education requirements; are transferable to a four-year institution; and align with the K12 Program of Studies for the purpose of awarding credit towards the high school diploma
- employing new Web 2.0 learning technologies



## **Proposed Utilization of Strategic Initiative Funding 2010-12 Biennium**

Kentucky State University's philosophy of open access to students affords KSU the opportunity to plan a comprehensive strategy that will contribute to the Commonwealth's goals as expressed in House Bill 1. As an HBCU, Kentucky State University has a mission of access. As a CPE affiliated comprehensive university, it has an obligation to increase baccalaureate degrees. KSU's Strategic Plan – "*Growth with Distinction*" seeks to bring those two seemingly conflicting requirements into agreement.

Over the last several years, KSU has made steady progress in growing its student population, providing more course and degree offerings, analyzing and improving where necessary its quality of service to students, faculty, and staff. KSU's comprehensive strategy to contribute to the Commonwealth's goals as expressed in House Bill 1 requires continued state supported funding.

### **Priority One – Quality Enhancement Program "Academic With Attitude"**

Student readiness for college has been reported by the Developmental Education Task Force as well as the number and type of course remediation high school students require. KSU's Summer Academic Bridge Program was effective in increasing the first year retention rate. The more expansive Quality Enhancement Program, "Academics with Attitude," creates a holistic learning environment in which a student's attitude towards the educational experience is positively transformed over a period of two years.

KSU proposes using new State funds to support the strategic initiative of the Quality Enhancement Program for increased Developmental Education needs and to fund initiatives for retaining and graduating more students to meet its Double the Numbers goals for Kentucky. The primary objectives of the QEP initiative are:

- To expand and enhance student advising, create learning communities for QEP cohorts, provide academic support services and track student performance in developmental courses.
- To improve retention rates for completers by impacting the number of students who matriculate to graduation.

### **Priority Two – Academic Program Growth**

In the last several years, KSU has added undergraduate and graduate degree programs in the business, education, communication and technology fields. Its current focus includes

further increasing graduate programs, enhancing the distance learning program, adding endowed faculty positions and supporting faculty development.

KSU proposes using new State funds for:

- Developing and implementing new master's degree programs that build on the strengths of KSU's existing programs and that are in keeping with the university's mission.
- Enhancement of continuing and distance learning programs which offer opportunities for non-traditional students to earn credit hours toward degree completion.
- Increasing support for faculty development which educates faculty about using appropriate information technology in their instruction, including distance learning.

### **Priority Three – Use of Emerging Technologies**

KSU is increasingly investing in today's emerging technologies, which positively impact the way KSU delivers education. These technologies are being used for a number of campus programs, projects and initiatives which include enhancing teaching and learning inside and outside the classroom, providing increased security, enhancing administrative information systems and increasing wireless connectivity across the campus. KSU proposes using new State funds to:

- Enhance and deploy administrative information systems (Finance, Human Resources, Alumni Relations/Development and Student Services) to improve services through greater information sharing and redesigned workflow processes.
- Systematically update all computer hardware and software over an established refresh cycle that approximates the useful life of the technology.
- Enhance and maintain information technology support at the university for all users of standard hardware/software.
- Develop and implement an online system for gathering and analyzing data required for outcomes assessment (e.g., student outcomes, research productivity)





## **Morehead State University New Funding Priorities 2010-2012**

Increases in state funding available for Morehead State University in the 2010-2012 biennium would be used to fund initiatives directly supporting the University's ASPIRE strategic plan. Below are examples of high-priority initiatives proposed to further each of the six goals included in ASPIRE.

### **Goal 1: Academic Excellence**

- Expand funding to grow the Undergraduate Research Fellowship program. This program provides opportunities for undergraduate students to work one-on-one with faculty on research projects in their academic program of study. Students participating in this program earn a competitive wage and gain hands-on experience which is typically not available until graduate school. This initiative not only improves academic excellence but improves retention through mentoring and affordability by providing students an opportunity to work part-time on campus in a learning experience.
- Morehead State continues to see an increase in demand for portions of the academic curriculum to be delivered through distance learning technology—primarily through online instruction. To ensure quality, new funds would be allocated to increase the support for faculty to ensure effective and quality delivery of online courses. Additional instructional designers and technology specialists are needed to assist faculty with migrating academic content into online courses using best practice standards and technologies for online learning and to conduct on-going assessment of online courses using the Quality Matters program for course review. Quality Matters is a faculty-centered, peer review process designed to certify the quality of online courses and online components.
- Close the Salary Gap for MSU Faculty – MSU faculty currently are paid at 87% of the average salary of their peers. The need to move faculty salaries to the average of peer institutions will help ensure the ability to attract and retain quality faculty in all disciplines.

### **Goal 2: Student Success**

- MSU continues to revise its merit and need-based scholarship program to be more competitive in attracting and retaining Kentucky's best students and addressing needs of targeted enrollment groups including adults and part-time

students. Additional funds would be used to offset increases in tuition for existing scholarship students as well as increasing funds available for qualifying need-based students through the Eagle Access scholarship program which funds the gap between total cost of attendance and a student's federal and state award.

- Continued investments in resources to improve student advising and support services are needed to continue to improve the retention rate of students who enter the university. Working existing strategies have generated an increase in the fall-to-fall retention rate of first time freshmen from 61% in 2005 to 70% in 2010 but more work is needed and will be compounded by the need to address the changes in development education proposed in Senate Bill 1.

### **Goal 3: Productive Partnerships**

- MSU has initiated multiple pilot projects throughout the service region with K-12 schools to address the need to increase the college-going rate of Kentucky graduates and reduce the number of students that enter college with developmental needs. Additional funds will be needed to move the successful pilots into sustainable programs.

### **Goal 4: Improved Infrastructure**

- Additional funding is needed to address deferred maintenance in state-owned facilities on the MSU campus as well as upgrades to technology systems and networks.

### **Goal 5: Resource Enhancement**

- In 2008, over 75% of the proposals submitted for external support through research and sponsored programs were approved for funding. New funds would enable investment in more support resources for faculty to be able to increase the number of competitive proposals generated annually.

### **Goal 6: Enrollment and Retention**

- More aggressive marketing and recruitment efforts are needed in rural areas to work with underserved populations and increase the pipeline of students entering postsecondary education. Likewise, new resources are needed for target marketing and assistance to attract and retain minority students, veterans and KCTCS graduates.



### **PROPOSED USES FOR ADDITIONAL STRATEGIC INITIATIVES FUNDING IN 2010-12**

As an important focus of its mission as a comprehensive regional university, Murray State has made a public commitment to foster excellence, build partnerships and create community. Additionally, in its support of HB1, it has set a goal of reaching an enrollment of 12,000 students by the year 2012. If the additional funding projected for the next biennium were to materialize in the amounts indicated for Murray State, we would utilize such additional resources to support HB1 initiatives in accordance with our Plan for Achieving State-wide Priorities.

**Improve Graduation Rates:** Murray State has historically had the second highest 6-year graduation rates among the public universities. However, it is a university priority to continue to improve in that area and to show regular increases of degrees conferred. Additional strategic initiatives funding would help support a multi-faceted approach to achieve this priority. Murray State has realized some programmatic efficiencies through revamping its General Studies program and by reducing the average number of hours required to graduate from 126 to 120 hours. We anticipate that this revamped pathway to degree completion will enhance our 6-year graduation rate and increase the number of degrees conferred. To provide the academic infrastructure to adequately accomplish this priority would require 6 to 8 new faculty positions. This investment would be necessary to maintain the current student faculty ratios in the face of the expected increased student enrollment and to assure that critical areas such as the STEM disciplines are adequately staffed. Equally important, the additional faculty would play a vital role in ongoing campus efforts to ramp up the advising process, which will be critical in assuring that students are able to efficiently plan their academic programs to reduce time to degree, and to sustain the University's traditional high graduation rate. In conjunction with the preceding strategies, we would hope to invest in the Center for Teaching, Learning and Technology for computers, servers and technological equipment. This will provide an enhanced infrastructure to enable increased on-line and web course offerings.

**Retention:** Retention is an essential component of successful graduation rates and increasing the number of degrees conferred. It is a necessary follow on to successful freshmen enrollments. To increase its effectiveness in this area, the University has recently established a Retention Office that is working closely with faculty to monitor the progress of individual students. Current strategies include continuing communication with students who are undeclared, or are admitted with conditions, as well as students with financial issues, and those who have withdrawn or are considering leaving Murray State. Additional funding would facilitate the expansion of services for at risk students including more one on one contacts with students who are considering withdrawing from school and the provision of more resources tailored to specific academic retention needs providing a more solid foundation for academic success.

**Remediation:** As part of the process continuum of sustaining effective graduation rates, a portion of strategic funding would be allocated to our Community Education department which has the charge of working specifically with students who are not academically ready for pursuing a four-year degree when they first enroll. Additional resources would be used for teaching, team-building, technology, testing and training. Because of the new ACT test score requirements, the needs in this area will increase substantially.

**Access:** All of the above strategies are dependent on enabling students to enroll in the first place. Murray State has a multi-pronged strategy to improve its effectiveness in this area. Additional funding would be allocated to needs based tuition waivers and scholarships with increased focus on providing financial aid for transfer students. We also need to cover increasing costs for our new Enterprise Resource Planning (ERP) system which has greatly improved recruitment processes such as scheduling classes, which helps with advising, billing tuition and improving the efficiency of managing the entire student financial aid process. Also, the university is in the initial stages of creating a one-stop unified location for these various student services. The focus is to eliminate the need for students to be shuttled around from one office to another during the registration process. Increased funding will be provided as necessary to assure the effectiveness of the University's new **Transfer Center**, which has been established specifically to increase the enrollment of KCTCS students seeking to attain baccalaureate degrees.

**Program of Distinction- Telecommunications System Management (TSM):** Murray State's Program of Distinction recently was recognized as having the best graduate program in the nation in this discipline for 2009. Strategic Initiative funds would be used to increase operating and travel budgets as part of program outreach activities and to provide scholarships for KCTCS transfer students with associate degrees who are transferring into the TSM program in accordance with Murray state's articulation agreement with KCTCS. Also, more funding would be allocated for regular university scholarships in the TSM disciplines.

**Community Outreach:** Since creating community is one of the three university imperatives, this is a high priority for institutional support. We would anticipate providing additional resources to build out from our current Regional Stewardship program by focusing on our evolving Town and Gown activities. As part of these efforts, faculty are strongly encouraged to engage in public service to the region and this is built into their workloads.

In the process of implementing the articulated strategies detailed above, cost shifting would likely occur as specific needs and program requirements became more apparent. In the event that none of this funding were to become available, efforts in all the areas described would be severely curtailed, as the university would have to husband its resources so as to sustain, to the extent possible, the current level of effort to meet the HB1 initiatives.



**Northern Kentucky University  
2010-12 Strategic Budget Request**

Northern Kentucky University continues to be firmly committed to deploying its resources to address the university's strategic priorities, regional needs, and statewide goals, as outlined in the NKU Business Plan. Given state budget reductions in recent years, coupled with the need to keep college tuition affordable, the reallocation of existing resources has been necessary but also very challenging given NKU's lower-than-average level of state public funding per student. Our focus on student success and regional progress is evidenced by that fact that, despite resource limitations, expenditures on instruction, research, public service, libraries, and academic support increased by 6.5% in 2008-09.

With the realization that resources will continue to be stretched for the foreseeable future, university leaders recently revisited the university's strategic plan to identify areas of greatest strategic priority, along with the necessary support infrastructure. Outlined below are the University's broad strategic priorities for the current year through the 2010-12 biennium, along with examples of current initiatives that will advance these priorities and the statewide goal of increased degree completion.

DEVELOP TALENT

As a comprehensive metropolitan university, Northern Kentucky University is focused on positively impacting the economic development of our region and the Commonwealth of Kentucky. The disciplines for which labor market needs are expected to be the greatest are within the sciences, technology, engineering, and mathematics. Emphasis will be placed on growing programs in the health professions and information technology. Between 2000 and 2009, the number of information technology graduates increased 53%. The number of students graduating with a credential in a health discipline between 2000 and 2009 increased by 81%. Over the past ten years, NKU has produced more than 5,500 graduates with credentials in the sciences, technology, engineering, or mathematics. Overall, NKU's total undergraduate enrollment increased by nearly 20% (2<sup>nd</sup> highest increase in the state) and bachelor's degree production increased by 52% (also the 2<sup>nd</sup> highest).

Efforts to develop talent will also focus on increasing degree attainment by addressing causes of student attrition. Strategies to do so include increasing support for Early Alert, a formal proactive feedback system used by NKU faculty and staff that alerts support providers in the Student Achievement Center to early poor performance behaviors and indicators of possible attrition. The system allows service providers to connect students to appropriate resources to get them back on track academically, socially and personally. The number of students identified through this system continues to grow, requiring correspondingly increasing levels of support.

Of special concern is achievement among African American students. Programming targeted to this population is based on a developmental process that engages students at the freshman level and moves them to their graduation date. It contains a summer institute, a University 101 course specifically for African Americans, meetings with an advisor/mentor three times a semester, study tables all semester, and specific study groups for midterm and final examinations. Dramatic increases in degrees awarded to racial or ethnic minorities may be due in large part to such programming. Between 2000 and 2008, the total number of degrees awarded to racial or ethnic minorities increased by over 200%, the highest percentage increase for state universities.

Another important strategy for increasing baccalaureate degree attainment is student transfer. NKU fosters transfers from KCTCS institutions and other two-year colleges through articulation agreements that recognize credits earned toward university degree requirements. There are several such agreements in place at NKU, with three new additions. NKU's transfer scholarship program is another important strategy. The impact of these partnerships and scholarships has been increases in transfers to NKU from KCTCS colleges, and high graduation rates for KCTCS transfers. From 2007 to 2008, NKU was one of only two universities to meet its transfer goals, while system-wide the number of transfers actually declined. There was an even more dramatic increase in KCTCS transfers to NKU between 2008 and 2009, at 35%. Between 1999 and 2009, KCTCS transfers increased by 170%. The three-year graduation rate from NKU for KCTCS transfers is 71%, the highest among Kentucky state universities.

DRAFT - FOR DISCUSSION PURPOSES ONLY  
INCREASE STUDENT ENGAGEMENT IN LEARNING

Active learning strategies will be promoted through targeted faculty development. Active learning strategies engage students more deeply in their learning experiences, more aptly prepare them for work and life after college, and better empower them to become productive citizens and lifelong learners. By increasing the level of student engagement in the learning process, it is expected that increased use of active learning strategies will positively impact student retention and success. As is the case with restructuring the core curriculum, broader implementation of active learning strategies will require additional investments in faculty development.

ENSURE ACADEMIC QUALITY

NKU's general education program will be revamped in a manner that will result in a more streamlined, integrated, and purposeful core curriculum. Student learning outcomes for the general education program are being defined more clearly. Assessment methodologies are being defined that will enable the measurement of learning gains over time, and provide the information necessary to target program improvements. It is expected that these changes will not only improve academic quality but also reduce costs in the long term, realized by fewer course elective and reduced reliance on adjunct faculty. The changes are also expected to reduce time to degree completion, which will in turn lower costs for students and increase graduation rates. Investments in faculty professional development and stipends for curriculum work are needed to implement these improvements.

ENGAGE IN EFFECTIVE REGIONAL STEWARDSHIP

Ensuring that students are academically prepared to enter college requires collaboration with school districts to align curricula and assist with the professional development of teachers. One example of NKU's work in this area is the Kentucky Center for Mathematics, which currently trains and supports teachers in 101 counties. Institutional partnerships are another vehicle. There are a total of 34 such partnerships in which NKU provides outreach instruction to teachers, and 126 partnerships where outreach instruction is provided to children from preschool through grade 12.

Successful strategies that achieve results will be fully supported, with effort and resources directed to areas of highest priority. Investments will be made in support of these priorities through increase in state appropriation, tuition revenue, internal reallocations, and other sources. Some of these investments will be for new initiatives while others may restore mission-critical programs and positions that have been cut over the past couple of years. In addition to investments in these priorities, the university will have to fund increases in fixed/mandatory costs, such as benefits, utilities, and other cost-of-living increases.

Northern Kentucky University will be challenged in these endeavors by capacity limitations in terms of instructional space, full-time faculty resources, and decision support capabilities. The university has a critical shortage of academic/instructional space. Compared to a system average for comprehensive universities of 134 square feet per FTE, NKU has 79 square feet per FTE student. This difference equates to 5 to 7 academic buildings. Classrooms and laboratories on NKU's campus are being utilized at a rate that exceeds CPE standards. Growth in academic programs in targeted disciplines such as health professions, finance, and the sciences can only be achieved by the construction of new academic classroom buildings and renovation of selected existing buildings.

The capacity to manage information in a way that supports decision-making has a direct impact on NKU's ability to implement the most appropriate interventions for improving academic quality and student success. This capacity has been challenged by the ongoing transition to a new enterprise resource technology system, which will require building a data warehousing, data governance, and data quality infrastructure. The timeline for having such an infrastructure in place depends on the human and technical resources available.

Within its campus and surrounding communities, Northern Kentucky University has the will, the talent, the vision, and the commitment to meet the workforce needs of the region and the Commonwealth; to raise levels of educational attainment; to deliver high-quality academic programs of relevance; and to help students earn degrees in a timely manner. With the necessary resources, there is no question that NKU will deliver value to its stakeholders.



**2010-2012 BIENNIAL BUDGET: CONTINUING THE  
MOMENTUM OF THE UNIVERSITY OF KENTUCKY'S  
TOP 20 BUSINESS PLAN**

In December 2005, the University of Kentucky Board of Trustees approved the Top 20 Business Plan, which established the financial and capital investments necessary to achieve the legislative mandate that UK become a Top 20 public university by 2020. During its 2006 session, the General Assembly fully funded the Business Plan.

In the 18 months between April 2006 and December 2007, the University used those funds to make strategic investments. Those initial investments in the Business Plan are showing results.

**In the first two years of implementation of the Top 20 Business Plan (2006-2008), the University achieved record highs:**

- Record undergraduate enrollment: 19,328
- Record University-wide graduation rate: 61.4%
- Record African-American graduation rate: 50.3%
- Record first-professional (Dentistry, Law, Medicine, and Pharmacy) degrees awarded: 409
- Record high research expenditures reported to the National Science Foundation: \$337 million

**The academic year recently completed (2008-09) saw more records achieved:**

- Record first- to second-year retention rate: 81%
- Record number of doctoral degrees awarded: 312
- Record first-professional (Dentistry, Law, Medicine, and Pharmacy) enrollment: 1,558
- Record number of full-time faculty: 2,096
- Record number of African-American faculty: 84, including 11 new African-American faculty
- Record number (234) and percent (48.4) of women in Executive/Administrative/Managerial positions

**That momentum continues into the 2009-2010 academic year:**

- Record number of freshman applications: 12,195 (10 percent increase)
- Average ACT of first-year students rose from 24.4 to 24.7
- Record number of students with a 31-36 ACT composite: 375 (28 percent increase)
- Record number of Governor Scholar and Governor School for the Arts participants in the first-year class: 404 (four percent increase)
- Record number of African-American students in the first-year class: 404 (17 percent increase)
- Record undergraduate African-American enrollment: 1,382 (12 percent increase)
- International students in the first-year class: 44 (38 percent increase)
- Record Hispanic students in the first-year class: 78 (26 percent increase)
- Hispanic undergraduate students: 293 (21 percent increase)
- Newly enrolled transfer students: 1,041 (seven percent increase)
  - Newly enrolled transfers from the Kentucky Community and Technical College System: 416 (15 percent increase)
  - Newly enrolled transfers from Bluegrass Community and Technical College: 243 (10 percent increase)

This progress is threatened by the financial retrenchment of the last two years. Just as investments four years ago continue to yield positive results today, the University's ability to continue and expand Business Plan investments now will have an impact on institutional progress for the next several years. Decisions made today will determine whether UK can continue to close the gap that separates it from the Top 20 public universities in the U.S.

New funds are necessary to continue implementing the Business Plan and build on the recent progress toward Top 20 status. The University of Kentucky will continue to invest in the people and initiatives necessary to meet increasing student demand, ensure student success, and earn more external research funding.



**2010-2012 BIENNIAL BUDGET: CONTINUING THE  
MOMENTUM OF THE UNIVERSITY OF KENTUCKY'S  
TOP 20 BUSINESS PLAN**

I. UK will continue to invest in the Provost's "**War on Attrition**", a series of initiatives designed to ensure student success. These efforts include reducing the student-to-faculty ratio, hiring more academic advisors, and implementing intervention strategies to support first-year and at-risk students. The initial stages of this "War" have shown results thanks to the way the University invested original Business Plan funding. But the progress is at risk.

• UK Retention Rate - Fall 1996:	77.9 percent
• UK's Retention Rate - Fall 2005 (Pre- <u>Business Plan</u> ):	77.8 percent
• UK Retention Rate - Now:	81.0 percent
• Top 20 Retention Rate:	92.0 percent
• UK Graduation Rate - 1997:	48.1 percent
• UK Graduation Rate - 2005 (Pre- <u>Business Plan</u> ):	59.6 percent
• UK Graduation Rate - 2008:	61.4 percent
• Top 20 Graduation Rate:	77.5 percent
• UK Bachelor's Degrees Awarded - 1997:	3,133
• UK Bachelor's Degrees Awarded - 2005 (Pre- <u>Business Plan</u> ):	3,285
• UK Bachelor's Degrees Awarded - 2008:	3,650 (up 17% since '97)
• Top 20 Average Bachelor's Degrees Awarded:	6,299
• UK's current student-to-faculty ratio:	18 to 1
• Average ratio among Top 20 universities:	15 to 1
• Faculty UK needs to reach Top 20 average:	236
• <b>Number of faculty positions eliminated since December 2007</b>	<b>101</b>

II. UK will **hire more faculty and student support staff** to:

A. Respond to increasing demand:

• Undergraduate Applications for Fall 1997:	7,547
• Undergraduate Applications for Fall 2005 (Pre- <u>Business Plan</u> ):	10,515
• Undergraduate Applications for Fall 2009:	12,195 (up 62% since '97)

B. Sustain enrollment increases while ensuring student success:

• UK's Undergraduate Enrollment - Fall 1997:	17,015
• UK's Undergraduate Enrollment - Fall 2005 (Pre- <u>Business Plan</u> ):	18,492
• UK's Undergraduate Enrollment - Now:	19,220 (up 13% since '97)
• Top 20 Average Undergraduate Enrollment:	27,261

C. Continue to increase federally financed research:

• UK Federally Funded Research - 1997:	\$ 62 million
• UK Federally Funded Research - Pre- <u>Business Plan</u> :	\$100 million
• UK Federally Funded Research - 2007:	\$155 million (up 150% since '97)
• Top 20 Average Federally Funded Research:	\$228 million

III. UK is making significant progress in **designing a new General Education Curriculum** in which every class will be substantially smaller or have small group components and that 1) facilitates a smoother transition from high school to college, 2) focuses on student communication and analytical skills, 3) has defined measurable student learning outcomes, and 4) lays a strong foundation for undergraduate student success and degree completion.



## Proposed Uses of Additional Funding for Strategic Initiatives in 2010-2012

The following is a concise plan showing how the University of Louisville would use new State funds to advance its most important strategic initiatives. The proposed uses of funds tie directly with the University's newly adopted strategic plan – *“The 2020 Plan. Making It Happen.”* In all cases the initiatives depicted below can be scaled to size to meet any budget increase scenario.

- I. **Undergraduate Initiatives and continued improvement of Six Year Graduation Rates:** A significant portion of any additional funds appropriated to the University of Louisville would be used to help strengthen the University's core undergraduate academic programs. Success in the classroom contributes considerably to student retention, improved graduation rates and ultimately towards the Commonwealth's goal of “Doubling the Numbers” of Kentuckians with baccalaureate degrees by year 2020. UofL is committed to doing just that.
- New funds would be allocated to supplement the institutional student financial aid budget for both need-based aid and merit-based scholarships. For example, UofL's “Transfer Scholarship” program primarily targets students from Jefferson Community and Technical College. Additional funds are critical to meet the increasing demand of transfer students moving on to four-year degree programs. Also, funds would be allocated to the “Cardinal Covenant” program to further expand that successful need-based aid program for those students at the lower end of the socio-economic spectrum.
  - Funds would be allocated towards the development of new academic programs, such as STEM or Sustainability programs, that appeal to student interest and meet State workforce needs.
  - Funds would be used to enhance undergraduate research opportunities thus aiding in the recruitment of top students who actively seek-out such opportunities. Additionally, we will utilize our “Bucks for Brains” professors to help us excite a new generation of researchers.
  - Funds would also be used to further improve student life for both traditional and non-traditional students at UofL, including active duty military and veterans. Experience has shown that enhanced student life programs help improve both graduation and retention rates and greatly contribute to overall student satisfaction and ultimately to success in the classroom.
- II. **Build Strong Graduate Programs:** Strong graduate programs are essential to the University of Louisville in attaining its goal of becoming a premier, nationally-recognized metropolitan research university. Moreover, to accomplish this goal it is important for UofL to grow its graduate enrollment to meet institutional and state-wide workforce demands in selected, high-demand programs. Here is UofL's strategy for doing that:

- Graduate education is expensive, particularly at the doctoral level. Increased funding for new and existing Ph.D. programs is vital to student recruitment, which is necessary for meeting internal graduate enrollment and economic development goals. To advance this initiative, new funds are needed for additional graduate assistants in Ph.D. programs across campus. Priority would be given to interdisciplinary and niche programs, such as cognitive science and bioinformatics, that meet highly-technical State workforce demands.
- Keeping graduate assistant and fellowship stipends competitive is key to recruiting and retaining the best and brightest graduate students. UofL has made good progress in recent years but is still not competitive nationally for top candidates. New funds would be used to bolster graduate stipends in selected disciplines thus closing the gap with peer universities.

**III. Support for Research (R&D):** UofL has made great strides in bringing extramurally funded research to the Commonwealth, especially in areas of health and life sciences. Much of this success can be attributed to the forward-looking investment in the Endowment Match Program, a.k.a. “Bucks for Brains.” Data clearly show that since Higher Education reform, UofL has recruited numerous top scientists and scholars, many of whom have come to Kentucky with federal research grants in hand along with a cadre of seasoned research professionals. This influx of new funds is a “shot in the arm” to the economies of both the Commonwealth of Kentucky and Louisville. However, despite recent success more needs to be done to meet the lofty research goals outlined in HB1.

- To maintain the momentum in research productivity, additional funds would be allocated for new research-active faculty positions. While concentrating on extramurally funded research, these new faculty would also provide much needed undergraduate and graduate instruction across campus disciplines as well as helping us attain our faculty diversity agenda.
- Recruiting world class faculty researchers to UofL often requires investing in very expensive start-up packages. These include lab renovations, research and ancillary equipment and support staff to work in the labs. If available, additional State funds would be applied to these initiatives. This would go a long way in aiding recruitment nationally.
- As UofL’s research enterprise grows, the University must also provide much needed infrastructure to support the growth in research activity. New funds can be invested in areas such as information technology that will provide for tomorrow’s growth in computational capacity required for competitive research projects.



## STRATEGIC INITIATIVES FUNDING REQUEST WESTERN KENTUCKY UNIVERSITY

### **PRIORITY 1: *DOUBLE THE NUMBERS*: Improved Retention and Graduation, \$460,000 in Year 1 and \$1,093,000 in year 2**

In order to increase and accelerate the baccalaureate degree graduation rate, we must be able to offer a wider range of courses and programs including increased evening and weekend offerings through on-site delivery at extended campuses. We must provide increased student support staff including academic advisors and career and financial aid counselors at these sites. Expanding enrollment in high demand programs is constrained by availability of high-quality faculty and requirements of external accrediting bodies. Increasing the number and competitiveness of faculty lines in these areas will enhance our capacity to meet student demand and help address the projected shortfall of health care professionals in Kentucky.

Expanding access to higher education requires WKU to increase teaching and student support services at its extended campus sites (Owensboro, Glasgow and Elizabethtown/Fort Knox). As the economy begins to recover, it is essential to provide working or place-bound Kentuckians the means to strengthen their educational portfolio and/or retrain in fields that open new doors to economic opportunity. Specifically, we must (1) Expand the number of Baccalaureate completer programs available in Owensboro (e.g., critical needs areas such as engineering, biotechnology and health care) for especially individuals holding or pursuing Associate's degrees through OCTC; (2) Increase our capacity to serve increasing numbers of students pursuing entire degree programs at the Glasgow Campus; (3) Provide appropriate capacity-building programs for residents of Elizabethtown/Fort Knox to undergird the region's changing economic profile as a result of the BRACC transition; and (4) Expand educational opportunities to accommodate students interested in pursuing degrees in critical needs areas including nursing and other health care fields at all WKU campuses.

Our data show that six-year graduation rates of college ready entrants is 66% versus less than 40% for those students needing one or more developmental courses. WKU's approach to addressing college readiness and SB1 is three-pronged, focusing on (1) Early assessment and intervention programs for high school students in partnership with school districts throughout the GRREC region, (2) Expanding developmental and supplemental course offerings for students entering WKU not college-ready, and (3) Expanding major support systems essential to enhancing student success and meeting SB1 targets.

With respect to early assessment and intervention, recurring support will enable us to provide support needed by students in both literacy and mathematics (approximately 8,200 students annually). This program will be an important contributor to meeting the SB1 target of a 50% decrease by 2014 in the number of college-bound students placing into developmental or supplemental courses. As we work with our GRREC partners to solve the systemic problems of college readiness, we also face an immediate need to expand opportunities for college-entering students to remediate developmental or supplemental needs, in order to address the targeted 3% annual increase in numbers of graduates who entered college with developmental or supplemental needs.

WKU's Summer Early Entry Program has given entering students the opportunity to complete their developmental coursework prior to the beginning of their first fall semester. During summer 2009, 100% of students enrolled successfully completed at least one developmental course and 87% finished the program fully college-ready. Access to this highly successful program is constrained by available faculty, and student demand is projected to more than double each of the next two years.

Additional support staff and faculty time are critical to developing and maintaining initiatives associated with readying students for success in literacy and mathematics which, in turn, will improve retention and graduation rates. These include providing or expanding professional development opportunities for P12 teachers. WKU's Center for Literacy is poised to offer ongoing professional development initiatives for teachers throughout the 40 districts that comprise GRREC. These initiatives were successfully piloted with one time funding during summer 2009, and focused on providing P12 teachers as well as university professors the skills and techniques necessary to improve vocabulary and comprehension of written material within the context of their content courses.

**PRIORITY 2: HONORS COLLEGE AND ACADEMIC QUALITY, \$150,000 in Year 1 and \$500,000 in Year 2**

Everyday WKU is seeing the positive effects of its decision to create Kentucky's first and only Honors College. The process, however, of building the academic infrastructure of the College continues. Several key components need funding to enable the continued development of the Honors College as an academic multiplier for Kentucky. First, the Honors College needs to hire faculty who specialize in both Honors pedagogy and working with this unique demographic of students. The hiring of Honors College faculty is important to both the Honors College and WKU. Other institutions' experience shows that honors colleges attract faculty applicants who would not typically apply for positions at WKU. In much the same way, high-achieving students choose to forgo enrolling at an elite private institution across the nation to attend an Honors College at a state institution here in Kentucky.

Faculty will desire to have an academic experience akin to a highly selective private college, but have the resources, collegial environment of a large public institution. Hiring dedicated Honors College faculty will enhance both the academic rigor and intellectual culture throughout campus. Additionally, just like the infusion of high achieving students improves the academic culture of an institution, these outstanding faculty benefit all students and faculty at WKU, and, by extension, raise the reputation of higher education across the Commonwealth.

Second, the Honors College needs additional funds for academic programming to assist students continuing their education beyond the bachelor's degree. WKU's investment in an Honors College has created a multiplier effect on students across campus who have successfully applied for top graduate/professional schools and been awarded an impressive array of nationally competitive scholarships. In sum, investment in this strategic priority will have substantial institutional benefits to the entire WKU campus and assist in keeping the Commonwealth's most capable students in Kentucky for their higher education.

**PRIORITY 3: TEACHER PREPARATION AND P12 INITIATIVES, \$430,000 in Year 2**

WKU has a century-long history of shaping the progress of P12 education in Kentucky. In recent years, it has become evident that there exists a desperate need for (1) qualified teachers in STEM disciplines, (2) an increased focus on literacy education among our teacher education students, and (3) increased preparation of elementary teachers in mathematics. WKU is responding to these needs in innovative and proactive ways, but additional support is required to sustain these initiatives and move them forward.

WKU's grant-funded SKyTeach initiative (modeled after the nationally recognized UTeach program) is designed to produce large numbers of highly-qualified science and math educators who will elevate the level of STEM teaching and learning in middle and high school, and to enhance the college readiness of students in mathematics and STEM-related disciplines. The program currently enrolls over 110 students after only one year of implementation and is projected to grow substantially over the next few years. We must expand and solidify our capacity to provide instruction to students in this program, as these students will in turn shape the next generation of Kentucky college-bound students. We have initiated the program with a major grant from the Exxon/Mobil Foundation; a provision of the grant is for WKU, at the end of the grant period, to permanently fund the positions now grant-funded.

WKU has reorganized its teacher education program and is making curricular changes that will require additional requirements for prospective teachers in both literacy and mathematics. Additional faculty positions will complement our college readiness initiatives in the area of teacher professional development, support the short-term need for additional teaching capacity in developmental and supplemental courses, and expand our ability to meet curricular needs of our students majoring in middle and secondary education.

**PRIORITY 4: ACADEMIC EXCELLENCE SUPPORTED BY LIBRARY HOLDINGS, \$169,400 in year 1 and \$315,200 in Year 2**

In order to meet the needs of our growing population and diversity of students, as well as the increasing needs of research faculty, it is essential that we enhance support for University Libraries at all locations. There are two critical needs to increase our capacity to serve students and faculty. Expansion of our JSTOR electronic collections subscription to JSTOR III-IV will provide expanded access to electronic publications in the arts and humanities, life sciences, business, management, accounting, law, and education. Project Muse represents the foremost collection of electronic publications from university presses, not-for-profit publishers and prestigious scholarly societies. Moving WKU's Project Muse subscription from 'Standard Collection' to the Muse 'Premium Collection' will provide access to enhanced services for students and faculty. In addition, there is increasing need for expanded book and periodical holding by the University Libraries.

**Council on Postsecondary Education  
October 1, 2009**

**Discussion of 2010-12  
Operating and Capital Budget Recommendation  
Capital Investments**

Background

Each biennium the Council is asked to present a recommendation to the Governor and the General Assembly that identifies the capital needs of postsecondary education institutions. That recommendation is expected to reflect the level of space required to achieve the goals established by House Bill 1 (1997).

In previous biennial budgets, postsecondary education fared reasonably well garnering a significant share of the total debt authorized by the General Assembly. A comparison of the Council's recommendation and the enacted authorization by the General Assembly (1998-2010) is provided below.

Biennium	Enacted Postsecondary Ed.	CPE Recommended	Percent Enacted v CPE Recommended
FY08-10*	\$45,627,000	\$775,682,800	6%
FY06-08	476,198,000	388,114,900	123%
FY04-06	400,741,000	410,512,200	98%
FY02-04**	422,000	307,835,600	.1%
FY00-02	227,392,000	228,592,000	99%
FY98-00	374,657,000	310,574,000	121%
Total	\$1,525,037,000	\$2,421,311,500	63%
Biennial Avg.	\$254,172,800	\$403,552,000	63%

\*In this biennium, the General Assembly authorized few capital projects because of the economic downturn.

\*\*There was no budget enacted by the General Assembly in the 2002 session; the state operated on a spending plan implemented by the Governor.

During this same period of time, the new appropriation-supported debt authorized by the General Assembly totaled approximately \$9.1 billion, over \$6 billion alone in the last three biennia.

The \$1.5 billion in enacted postsecondary education capital projects over the last six biennia equates to approximately 17 percent of the total authorized state debt during this period of time.

### Comprehensive Facilities Study (a.k.a. VFA Study)

In 2007, to help illustrate the importance of modern facilities to support House Bill 1 (1997) goals, the Council and institutions conducted a comprehensive statewide review of education and general facilities. The study assessed over 700 buildings and found that:

- Most of Kentucky's buildings are over 30 years old and their condition is consistent with age.
- Kentucky's facilities are in relatively poor condition (Facilities Condition Index of 22 percent) compared to the industry standard and, if left unaddressed, this will deteriorate to 36 percent within five years, which is twice the national average of 18 percent.
- Many systems have exceeded their useful life expectancies and now need attention.
- A significant number of buildings no longer adequately support the academic programming originally envisioned.
- There is a significant need to add new capacity to support the increased number of students coming into the system to double the number of bachelor's degree holders in Kentucky.

The results of this facilities study provided a foundation for the Council's request in 2008-10 which addressed both short and long-term capital needs and tightened the link between facility condition, fit-for-continued-use, and the need for new space. However, the dire financial condition of the Commonwealth prevented the 2008 General Assembly from addressing all but a small portion of the need.

Given the comprehensive nature of the 2007 VFA facilities study, it is anticipated that findings from the study will also drive the Council's 2010-12 capital budget recommendation.

### Capital Planning Advisory Board Update

In a report to the Capital Planning Advisory Board, September 18, 2009, a Capital Projects and Bond Oversight Committee staff economist, Kristi Culpepper, presented to the board that an analysis conducted by her office indicates that "absent other sources of revenue, the state likely does not have any capacity to issue additional debt and have the state's debt burden remain below the 6 percent benchmark used historically by policymakers."

The state's appropriation supported debt service as a percent of general, agency, and road fund revenues was approximately 4.8 percent in 2008. However, with the significant additional bonded debt appropriated over the last several years combined with debt already authorized for the next several years, this percent is expected to rise to approximately 6.7 percent in 2012.

With regard to the 2010-12 biennium, the staff report concluded that "to the extent that economic weakness translates into declining or flat revenues, Kentucky's economy will be a constraint on the state's ability to support additional bonded indebtedness."

## Capital Investment: Principles and Process for FY10-12

The guiding principles used to build the FY10-12 capital recommendation ensure that infrastructure is adequate to achieve the 2020 reform goals and include:

- An evaluation system that is fully integrated, fair, equitable, and meets the needs of citizens, regions, and the state.
- A blend of capital investments to make sure that facilities fit their intended purpose and meet future education needs, support for degree production, research capacity, and asset preservation.
- A sustained infusion of funds to promote high quality learning and services.

Traditionally, additional tools used to complete the evaluations and build a capital recommendation include:

- A comparison of space need against national standards.
- A comparison of research space need against projected extramural research expenditures.
- Institutional project priorities.
- Consideration of condition and fit-for-use of related space.
- Institution implementation of maintenance standards.
- Application of a priorities setting model by a five member review panel.

The criteria used by the external review panel rate the extent to which the proposed capital investments:

- Directly support HB 1 goals, the Public Agenda, and statewide economic development goals.
- Support the institutional mission as a high priority.
- Provide for the completion of projects authorized in a prior biennium and which, if not funded, will compromise the viability of the phased facility (based on evidence of intent).
- Meet the need for additional space or the need to retool/remodel/replace existing space as indicated by the space model.
- Significantly reduce the capital renewal and maintenance burden, if the institution has demonstrated good facilities stewardship.

The capital budget process proposes to establish projects in five or fewer distinct priority categories. Over the last several biennia, the following categories have been used:

- 1) Capital renewal, maintenance, and infrastructure (asset preservation).
- 2) Major renovations.
- 3) New construction and expansion of educational and general space.
- 4) New construction of research space.
- 5) Information technology initiatives.

Please refer to Attachment A for a brief description of each category.

In the six year (2010-16) capital planning process, the public universities and KCTCS identified over \$3.6 billion of capital investments needed in the 2010-12 biennium for which General Fund support is requested.

This total was initially reduced to approximately \$2.2 billion after the top six institutional capital projects were identified along with two statewide capital pools. Given the budget and debt capacity restraints at the state level, it is anticipated that the Council's final 2010-12 capital recommendation will be significantly reduced.

The Council's 2010-12 capital process anticipates developing a reasonable, yet aggressive recommendation that features the highest priorities among that group of projects for the 2010 session of the legislature.

### Review and Discussion

Based upon the findings of the 2007 facilities study and the long-term goals established by House Bill 1 (1997), combined with the reported budget and debt capacity limitations of the state, a number of critical decisions need to be made by the Council regarding its 2010-12 capital investment request related to:

- The magnitude of the total capital request.
- Fairness among campuses related to unique institutional missions, goals, and current needs.
- Prioritization and weights among capital investment categories:
  - Asset preservation of existing buildings (e.g., upgrading major systems)
  - Major renovations
  - New educational and general space
  - New research space
  - Information technology needs

To facilitate a discussion regarding the development of a recommendation for capital projects supported by the General Fund, a number of capital worksheets were drafted.

- Preliminary list of the top six capital projects (50 total projects plus two statewide pools) identified by institutions to be supported by state General Funds. See Attachment B.
- Preliminary list of the top 10 evaluated projects identified by the institutions (plus two statewide pools) to be supported by state General Funds. See Attachment C.
- Preliminary list of the top 15 evaluated projects identified by the institutions (plus two statewide pools) to be supported by state General Funds. See Attachment C.
- Preliminary list of the top six evaluated capital projects (plus two statewide pools) identified in five general project categories. See Attachment D.

**Renewal, Maintenance, and Infrastructure Pool (Asset Preservation)**

A strategic pool of funds to preserve state assets and address major building systems renewal. It is required to respond to an urgent need to address the significant backlog of deferred renewals. It will enhance the teaching and learning environment and reduce operating costs. A pool will begin addressing the approximately \$5.3 billion of deferred capital renewal, maintenance, and infrastructure projects that were identified by the statewide facilities assessment conducted by VFA, Inc. Only projects involving educational and general facilities are eligible for funding from the pool. The projects would be authorized in 2010-11. Funds would be allocated among the institutions based on an agreed methodology (see Attachment E).

**Major Renovations**

Focuses on renovating, remodeling, and total replacement of building systems components, upgrading space and occupied areas of existing facilities to address space adequacy and fit-for-continued-use for program purposes as identified when constructed or as the space is currently being used by the institution. Renovation is a cost effective way to make sure a facility serves current and future needs of the program(s) either by design or retrofit. Projects in this category address findings by the statewide facilities assessment that buildings should serve a program's current and future need either by design or retrofit, fit today's expectations, and meet program needs, including safety issues.

**New/Expanded E&G, Space Adequacy, and Support Facilities**

A directed strategy designed to address the unique mission and needs of specific institutions, particularly current and future enrollment growth. This category is intended to provide new capacity to support Kentucky's HB 1 goals and the Double the Numbers Plan to increase college graduates.

**Research & Economic Development Projects**

Respond to the research goals outlined in HB 1. Provide new and expanded facilities needed to stimulate increased research and economic development in Kentucky and provides space for increased research and development expenditures, endowed professors, chairs, and research groups.

**Information Technology Initiatives**

Systems designed to address instructional, administrative, and research based initiatives. Also, projects that support research and policy development, access to data, collaboration, student transfer, and replacement of obsolete systems. Only projects involving educational and general activities, the Kentucky Virtual Library, and the Kentucky Virtual Campus are eligible for funding from the pool. For example, priorities are increased bachelor's degree production, access, affordability, developmental education, STEM, transfers, adult learners, student learning, and increased capacity to support research and economic and community development. The projects would be authorized in 2010-11. Funds would be allocated among the institutions based on an agreed methodology (see Attachment F).

Council on Postsecondary Education  
General Fund Capital Project Priorities  
DRAFT Project List 2010-12

Date: October 1, 2009

System Priority	Institution/Project Name	General Funds	Other Funds	Total	Cumulative Gen Fund Cost	Annual Est. Debt Service(w/res)	Sys Cum. Debt Service	Proj. Annual M&O Cost	Institution Capital Plan Priority
1	Capital Renewal, Maintenance & Infrastructure	\$ 200,000,000		\$ 200,000,000	\$ 200,000,000	\$ 21,736,000	\$ 21,736,000	\$ -	
2	NKU - Construct Health Innovation/Renovate Old Science	92,500,000		92,500,000	292,500,000	10,053,000	31,789,000	1,503,967	#1
3	* KCTCS - Construct Owensboro Advanced Technology Center, Ph II	14,055,000		14,055,000	306,555,000	1,528,000	33,317,000	418,902	#1
4	KSU - Renovate & Expand Betty White Nursing Building	7,825,000		7,825,000	314,380,000	851,000	34,168,000	111,753	#1
5	EKU - Construct Science Building, Phase 2	65,040,000		65,040,000	379,420,000	7,068,000	41,236,000	1,713,145	#1
6	UK - Construct Science Research Building 2	205,880,000		205,880,000	585,300,000	22,375,000	63,611,000	3,732,449	#1
7	WKU - Renovate Science Campus, Phase IV	29,000,000		29,000,000	614,300,000	3,152,000	66,763,000	-	#1
8	UofL - Renovate Medical Dental Research Building	61,554,000		61,554,000	675,854,000	6,690,000	73,453,000	-	#2
9	MuSU - Construct/Complete New Science Complex, Final Phase	30,000,000		30,000,000	705,854,000	3,261,000	76,714,000	879,334	#1
10	KCTCS - Construct JCTC Carrollton Campus, Phase I	12,000,000		12,000,000	717,854,000	1,305,000	78,019,000	479,812	#2
11	MoSU - Renovate & Expand Student Center, Phase II	52,921,000		52,921,000	770,775,000	5,752,000	83,771,000	1,038,541	#1
12	UofL - Construct Belknap Classroom/Academic Building	75,000,000		75,000,000	845,775,000	8,151,000	91,922,000	1,730,876	#1
13	MoSU - Construct Space Science Center Clean Room	4,394,000		4,394,000	850,169,000	480,000	92,402,000	-	#2
14	WKU - Construct Lab & IT Spaces Center Research & Development	4,500,000	10,500,000	15,000,000	854,669,000	492,000	92,894,000	270,294	#3
15	UK - Construct Gatton Building Complex	117,460,000	25,000,000	142,460,000	972,129,000	12,766,000	105,660,000	2,389,726	#2
16	MoSU - Renovate Combs Classroom Building	26,355,000		26,355,000	998,484,000	2,865,000	108,525,000	-	#4
17	EKU - Construct EKU/UK Dairy Research Project (Meadowbrook)	10,160,000		10,160,000	1,008,644,000	1,105,000	109,630,000	2,034,807	#9
18	KCTCS - Construct Advanced Mfg. Facility (additional) Bluegrass	22,000,000		22,000,000	1,030,644,000	2,391,000	112,021,000	961,759	#5
19	NKU - Construct New College of Business Building	80,000,000		80,000,000	1,110,644,000	8,695,000	120,716,000	2,127,200	#2
20	UofL - Renovate Life Sciences Building	57,790,000		57,790,000	1,168,434,000	6,281,000	126,997,000	575,774	#5
21	WKU - Construct New Gordon Ford College of Business	49,000,000		49,000,000	1,217,434,000	5,325,000	132,322,000	1,779,046	#4
22	KSU - Replace Boiler and Pollution Controls	4,222,000		4,222,000	1,221,656,000	462,000	132,784,000	-	#2
23	MoSU - Construct Vet - Tech Clinical Service Center	22,881,000		22,881,000	1,244,537,000	2,487,000	135,271,000	-	#5
24	MuSU - Construct New Breathitt Veterinary Center	27,500,000		27,500,000	1,272,037,000	2,989,000	138,260,000	626,531	#6
25	UofL - Construct Belknap Research/Academic/CONN Center	90,000,000		90,000,000	1,362,037,000	9,782,000	148,042,000	-	#3
26	KCTCS - Construct Maysville - Licking Valley Center, Phase II (additional)	1,000,000	4,959,000	5,959,000	1,363,037,000	114,000	148,156,000	189,790	#4
27	KCTCS - Construct Energy & Technology Center, Madisonville	4,000,000		4,000,000	1,367,037,000	438,000	148,594,000	-	#3
28	WKU - Renovate Underground Electrical Infrastructure	35,000,000		35,000,000	1,402,037,000	3,804,000	152,398,000	-	#2
29	UofL - Construct Instructional Building HSC (Renovate Kornhauser Library)	39,394,000		39,394,000	1,441,431,000	4,282,000	156,680,000	437,596	#4
30	EKU - Construct College of Education Complex	59,089,000		59,089,000	1,500,520,000	6,423,000	163,103,000	1,431,155	#2
31	MuSU - Construct Science Resource & Sustainability Center	7,000,000		7,000,000	1,507,520,000	762,000	163,865,000	242,575	#2
32	EKU - Renovate Lancaster Center Building	1,234,000		1,234,000	1,508,754,000	139,000	164,004,000	-	#7
33	UofL - Renovate College of Education Building	27,226,000		27,226,000	1,535,980,000	2,959,000	166,963,000	-	#8
34	KSU - Construct Business & Technology Center	27,535,000		27,535,000	1,563,515,000	2,973,000	169,936,000	773,393	#4
35	NKU - Renew/Renovate University Center Phase II	38,000,000		38,000,000	1,601,515,000	4,130,000	174,066,000	-	#6
36	MuSU - Construct New University Library	48,000,000		48,000,000	1,649,515,000	5,217,000	179,283,000	-	#3
37	MuSU - Renovate Blackburn Science Building (old)	28,903,000		28,903,000	1,678,418,000	3,141,000	182,424,000	-	#9
38	MoSU - Construct Honors College Facility	1,802,000		1,802,000	1,680,220,000	200,000	182,624,000	122,352	#6
39	WKU - Construct Honors College Facility	2,000,000	12,000,000	14,000,000	1,682,220,000	222,000	182,846,000	227,400	#7
40	KSU - Replace Aging Steam/Chilled Water Pipes, Phase I	3,299,000		3,299,000	1,685,519,000	362,000	183,208,000	-	#7
41	MuSU - Construct Paducah Regional Campus Facility	17,646,000		17,646,000	1,703,165,000	1,918,000	185,126,000	599,765	#5
42	KCTCS - Construct Urban Campus, Gateway	25,328,000		25,328,000	1,728,493,000	2,753,000	187,879,000	712,654	#6
43	EKU - Construct Danville Postsecondary Ed. Center	14,000,000		14,000,000	1,742,493,000	1,522,000	189,401,000	497,437	#16
44	NKU - Construct Chiller Plant	15,000,000		15,000,000	1,757,493,000	1,631,000	191,032,000	120,754	#3
45	KSU - Build Centralized Boiler Plant, South Campus	24,414,000		24,414,000	1,781,907,000	2,653,000	193,685,000	223,003	#6
46	EKU - Renovate Student Health Center	2,072,000		2,072,000	1,783,979,000	230,000	193,915,000	-	#8
47	KSU - Construct Pedestrian Bridge across US 60	2,151,000		2,151,000	1,786,130,000	238,000	194,153,000	-	#3
48	MoSU - Acquire Land Related to Master Plan	4,000,000		4,000,000	1,790,130,000	438,000	194,591,000	-	#7
49	CPE Construct High Density Storage Facility	28,225,000		28,225,000	1,818,355,000	3,068,000	197,659,000	-	#24
50	NKU - Renovate Old Civic Center Building	3,700,000		3,700,000	1,822,055,000	406,000	198,065,000	-	#4
51	NKU - Acquire/Renovate Gateway/Highland Heights Campus	9,000,000		9,000,000	1,831,055,000	978,000	199,043,000	-	#7
52	Information Technology Initiatives Pool	60,000,000		60,000,000	1,891,055,000	5,434,000	204,477,000	-	
	<b>Total</b>	<b>\$ 1,891,055,000</b>	<b>\$ 52,459,000</b>	<b>\$ 1,943,514,000</b>		<b>\$ 204,477,000</b>		<b>27,951,790</b>	

Notes:

1. KCTCS priority #1 and WKU priority #5 "Construct OCTC Advanced Technology Center Phase II" are the same project. The WKU project was deleted from the list.
2. Debt Service is 20 years with reserve capitalized in the issuance.
3. For projects that do not come online during the 2012-14 biennium there is no calculation; for those with partial online date after June 30, 2014, the additional M&O is not calculated.

**Council on Postsecondary Education  
General Fund Capital Project Planning Priorities  
2010-12 Capital Request Scenarios**

Date: October 1, 2009

	<b>Total General Fund Request 2010-12</b>		Est. Annual M&O Cost	Debt Service as % of Total	Inst Priority
	GF Request	Annual Debt Serv.			
<b>Top 10 Priorities E&amp;G + CRR + IT</b>					
<b>Education &amp; General Projects</b>					
1 NKU - Construct Health Innovation/Renovate Old Science	\$ 92,500,000	\$ 10,053,000	\$ 1,503,967	11.93	#1
2 KCTCS - Construct Owensboro Advanced Technology Center, Ph II	14,055,000	1,528,000	418,902	1.81	#1
3 KSU - Renovate & Expand Betty White Nursing Building	7,825,000	851,000	111,753	1.01	#1
4 EKU - Construct Science Building, Phase 2	65,040,000	7,068,000	1,713,145	8.39	#1
5 UK - Construct Science Research Building 2	205,880,000	22,375,000	3,732,449	26.56	#1
6 WKU - Renovate Science Campus, Phase IV	29,000,000	3,152,000	-	3.74	#1
7 UofL - Renovate Medical Dental Research Building	61,554,000	6,690,000	-	7.94	#2
8 MuSU - Construct/Complete New Science Complex, Final Phase	30,000,000	3,261,000	879,334	3.87	#1
9 KCTCS - Construct JCTC Carrollton Campus, Phase I	12,000,000	1,305,000	479,812	1.55	#2
10 MoSU - Renovate & Expand Student Center, Phase II	52,921,000	5,752,000	1,038,541	6.83	#1
Subtotal - E&G	\$ 570,775,000	\$ 62,035,000	\$ 9,877,903	73.63	
11 Capital Renewal, Maintenance & Infrastructure	100,000,000	10,869,000		12.90	
12 Information Technology Initiatives Pool	50,000,000	11,352,000		13.47	
<b>System Total</b>	<b>\$ 720,775,000</b>	<b>\$ 84,256,000</b>	<b>\$ 9,877,903</b>	<b>100.00</b>	

	<b>Total General Fund Request 2010-12</b>		Est. Annual M&O Cost	Debt Service as % of Total	Inst Priority
	GF Request	Annual Debt Serv.			
<b>Top 15 Priorities E&amp;G + CRR + IT</b>					
<b>Education &amp; General Projects</b>					
1 NKU - Construct Health Innovation/Renovate Old Science	\$ 92,500,000	\$ 10,053,000	\$ 1,503,967	9.22	#1
2 KCTCS - Construct Owensboro Advanced Technology Center, Ph II	14,055,000	1,528,000	418,902	1.40	#1
3 KSU - Renovate & Expand Betty White Nursing Building	7,825,000	851,000	111,753	0.78	#1
4 EKU - Construct Science Building, Phase 2	65,040,000	7,068,000	1,713,145	6.48	#1
5 UK - Construct Science Research Building 2	205,880,000	22,375,000	3,732,449	20.53	#1
6 WKU - Renovate Science Campus, Phase IV	29,000,000	3,152,000	-	2.89	#1
7 UofL - Renovate Medical Dental Research Building	61,554,000	6,690,000	-	6.14	#2
8 MuSU - Construct/Complete New Science Complex, Final Phase	30,000,000	3,261,000	879,334	2.99	#1
9 KCTCS - Construct JCTC Carrollton Campus, Phase I	12,000,000	1,305,000	479,812	1.20	#2
10 MoSU - Renovate & Expand Student Center, Phase II	52,921,000	5,752,000	1,038,541	5.28	#1
11 UofL - Construct Belknap Classroom/Academic Building	75,000,000	8,151,000	1,730,876	7.48	#1
12 MoSU - Construct Space Science Center Clean Room	4,394,000	480,000	-	0.44	#2
13 WKU - Construct Lab & IT Spaces Center Research & Development	4,500,000	492,000	270,294	0.45	#3
14 UK - Construct Gatton Building Complex	117,460,000	12,766,000	2,389,726	11.71	#2
15 MoSU - Renovate Combs Classroom Building	26,355,000	2,865,000	-	2.63	#4
Subtotal - E&G	\$ 798,484,000	\$ 86,789,000	\$ 14,268,799	79.62	
16 Capital Renewal, Maintenance & Infrastructure	100,000,000	10,869,000		9.97	
17 Information Technology Initiatives Pool	50,000,000	11,352,000		10.41	
<b>System Total</b>	<b>\$ 948,484,000</b>	<b>\$ 109,010,000</b>	<b>\$ 14,268,799</b>	<b>100.00</b>	

**Council on Postsecondary Education  
Capital Project Planning Priorities  
General Fund 2010-12**

Priority	Institution/Project Name	General Funds	Other Funds	Total	Institution Priority
<b>Project Category 1: Capital Renewal, Maintenance, and Infrastructure</b>					
1	Capital Renewal, Maintenance & Infrastructure (45% FCI reduction)	\$ 500,000,000	\$ -	\$ 500,000,000	
	<i>Subtotal - project category 1</i>	\$ 500,000,000	\$ -	\$ 500,000,000	
<b>Project Category 2: Major Renovations</b>					
1	KSU - Expand & Renovate Betty White Nursing Building	7,825,000		7,825,000	#1
2	WKU - Renovate Science Campus, Phase IV	29,000,000		29,000,000	#1
3	UofL - Renovate Medical Dental Research Building	61,554,000		61,554,000	#2
4	MoSU - Renovate & Expand Student Center, Phase II	52,921,000		52,921,000	#1
5	MoSU - Renovate Combs Classroom Building	26,355,000		26,355,000	#4
6	UofL - Renovate Life Sciences Building	57,790,000		57,790,000	#5
7	KSU - Replace Boiler and Pollution Controls	4,222,000		4,222,000	#2
8	WKU - Renovate Underground Electrical Infrastructure	35,000,000		35,000,000	#2
9	EKU - Renovate Lancaster Center Building	1,234,000		1,234,000	#7
10	UofL - Renovate College of Education Building	27,226,000		27,226,000	#8
11	NKU - Renew/Renovate University Center Phase II	38,000,000		38,000,000	#6
12	MuSU - Renovate Blackburn Science Building (old)	28,903,000		28,903,000	#9
13	KSU - Replace Aging Steam/Chilled Water Pipes, Phase I	3,299,000		3,299,000	#7
14	EKU - Renovate Student Health Center	2,072,000		2,072,000	#8
15	NKU - Renovate Old Civic Center Building	3,700,000		3,700,000	#4
16	NKU - Acquire/Renovate Gateway/Highland Heights Campus	9,000,000		9,000,000	#7
	<i>Subtotal - project category 2</i>	\$ 388,101,000	\$ -	\$ 388,101,000	
<b>Project Category 3: New/Expanded E&amp;G, Space Adequacy, and Support Facilities</b>					
1	NKU - Construct Health Innovation/Renovate Old Science	92,500,000		92,500,000	#1
2	KCTCS/WKU - Construct Owensboro Advanced Technology Center, Ph II (1)	14,055,000		14,055,000	#1
3	EKU - Construct Science Building, Phase 2	65,040,000		65,040,000	#1
4	MuSU - Construct/Complete New Science Complex, Final Phase	30,000,000		30,000,000	#1
5	KCTCS - Construct JCTC Carrollton Campus, Phase I	12,000,000		12,000,000	#2
6	UofL - Construct Belknap Classroom/Academic Building	75,000,000		75,000,000	#1
7	MoSU - Construct Space Science Center Clean Room	4,394,000		4,394,000	#2
8	UK - Construct Gatton Building Complex	117,460,000	25,000,000	142,460,000	#2
9	NKU - Construct New College of Business Building	80,000,000		80,000,000	#2
10	WKU - Construct New Gordon Ford College of Business	49,000,000		49,000,000	#4
11	WKU - Construct Owensboro Technology Center, Phase III	14,055,000		14,055,000	#5
12	MoSU - Construct Vet - Tech Clinical Service Center	22,881,000		22,881,000	#5
13	MuSU - Construct New Breathitt Veterinary Center	27,500,000		27,500,000	#6
14	KCTCS - Construct Maysville - Licking Valley Center, Phase II (additional)	1,000,000	4,959,000	5,959,000	#4
15	KCTCS - Construct Energy & Technology Center, Madisonville	4,000,000		4,000,000	#3
16	UofL - Construct Instructional Building HSC (Renovate Kornhauser Library)	39,394,000		39,394,000	#4
17	EKU - Construct College of Education Complex	59,089,000		59,089,000	#2
18	MuSU - Construct Science Resource & Sustainability Center	7,000,000		7,000,000	#2
19	KCTCS - Construct Advanced Mfg. Facility (additional) Bluegrass	22,000,000		22,000,000	#5
20	KSU - Construct Business & Technology Center	27,535,000		27,535,000	#4
21	MuSU - Construct New University Library	48,000,000		48,000,000	#3
22	MoSU - Construct Honors College Facility	1,802,000		1,802,000	#6
23	WKU - Construct Honors College Facility	2,000,000	12,000,000	14,000,000	#7
24	MuSU - Construct Paducah Regional Campus Facility	17,646,000		17,646,000	#5
25	KCTCS - Construct Urban Campus, Gateway	25,328,000		25,328,000	#6
26	CPE - Construct High Density Storage Facility	28,225,000		28,225,000	#24
27	EKU - Construct Danville Postsecondary Ed. Center	14,000,000		14,000,000	#16
28	NKU - Construct Chiller Plant	15,000,000		15,000,000	#3
29	KSU - Build Centralized Boiler Plant, South Campus	24,414,000		24,414,000	#6
30	KSU - Construct Pedestrian Bridge across US 60	2,151,000		2,151,000	#3
31	MoSU - Acquire Land Related to Master Plan	4,000,000		4,000,000	#7
	<i>Subtotal - project category 3</i>	\$ 946,469,000	\$ 41,959,000	\$ 988,428,000	

**Council on Postsecondary Education  
Capital Project Planning Priorities  
General Fund 2010-12**

Priority	Institution/Project Name	General Funds	Other Funds	Total	Institution Priority
<b>Project Category 4: Research &amp; Economic Development Projects</b>					
1	UK - Construct Science Research Building 2	205,880,000		205,880,000	#1
2	WKU - Construct Lab & I T Spaces Center Research & Development	4,500,000	10,500,000	15,000,000	#3
3	EKU - Construct EKU/UK Dairy Research Project (Meadowbrook)	10,160,000		10,160,000	#9
4	UofL - Construct Belknap Research/Academic/CONN Center	90,000,000		90,000,000	#3
<i>Subtotal - project category 4</i>		\$ 310,540,000	\$ 10,500,000	\$ 321,040,000	
<b>Project Category 5: Information Technology Initiatives</b>					
1	Information Technology Initiatives	60,000,000		60,000,000	
<i>Subtotal - project category 5</i>		\$ 60,000,000	\$ -	\$ 60,000,000	
<b>System Total - General Fund Projects</b>		<b>\$ 2,205,110,000</b>	<b>\$ 52,459,000</b>	<b>\$ 2,257,569,000</b>	

Notes

1. The KCTCS Construct OCTC Advanced Technology Center Phase II is the same project as requested by WKU. These projects are combined.

Updated: September 4, 2009

**Capital Renewal and Deferred Maintenance Program  
Baseline Data for Preventive Maintenance Program - Project History 1995 - 2009  
September 23, 2009**

Institution Name	Avg. Percentage Useful Life	Allocation of Pool 2010-2012			
		2008 Total E & G Square Footage	Percent of Total Space	CRDM Program Bond Pool	Req. Institutional Match
EKU	152.03	1,716,996	9.4%	10,142,500	6,085,500
KCTCS	135.28	4,244,281	23.1%	17,711,900	12,398,300
KSU	159.09	514,066	2.8%	6,539,700	3,923,800
MoSU	141.30	817,307	4.5%	7,447,900	5,213,500
MuSU	132.43	1,235,444	6.7%	8,700,200	6,090,100
NKU	124.28	1,590,680	8.7%	9,764,200	7,811,400
UK Main Campus	181.94	4,263,432	23.2%	17,769,300	10,661,600
UofL	140.47	2,608,958	14.2%	12,814,000	8,969,800
WKU	146.41	1,372,311	7.5%	9,110,200	6,377,100
<b>Total</b>		18,363,475	100.0%	\$ 99,999,900	\$ 67,531,100
<b>Total Pool Amount</b>		<b>\$ 100,000,000</b>			
<b>Base Allocation</b>		<b>\$ 45,000,000</b>			
<b>Allocation based on % of E&amp;G Space</b>		<b>\$ 55,000,000</b>			
<b>Total Projects Completed</b>					<b>\$ 167,531,000</b>

Notes:

- 1 Allocation approach equals a base of \$5M plus % of total E&G space.
- 2 E&G space equals actual space included in the 2009 iteration of the space model (fall 2008).

Average Useful Life	Match Rate
1. Useful Life History: Less Than 90% of expected useful life	\$ 1.00
2. Useful Life History: Greater than 90% but less than 110% of expected useful life	0.90
3. Useful Life History: Greater than 110% but less than 130% of expected useful life	0.80
4. Useful Life History: Greater than 130% but less than 150% of expected useful life	0.70
5. Useful Life History: Greater than 150% of expected useful life	0.60

**Capital Projects Request  
Information Technology and Equipment Purchase Pool  
Pool Allocation Guidelines**

<b>Institution</b>	<b>2007-08 Actual Unrestricted Expend. for Instruction</b>	<b>Share of Total Unrest. Instr. Exp.</b>	<b>Minimum Base Amount</b>	<b>Alloc. Share of IT/Equip Pool</b>	<b>Total</b>	<b>% Share of Pool</b>
Eastern Kentucky University	\$ 80,454,600	0.08	\$ 1,000,000	\$ 3,027,200	\$ 4,027,200	8.05
Kentucky State University	13,845,000	0.01	1,000,000	520,900	1,520,900	3.04
Morehead State University	44,518,800	0.05	1,000,000	1,675,100	2,675,100	5.35
Murray State University	51,348,489	0.05	1,000,000	1,932,000	2,932,000	5.86
Northern Kentucky University	60,468,000	0.06	1,000,000	2,275,200	3,275,200	6.55
Western Kentucky University	85,359,298	0.09	1,000,000	3,211,700	4,211,700	8.42
University of Kentucky	236,146,600	0.25	1,000,000	8,885,200	9,885,200	19.77
University of Louisville	206,624,805	0.22	1,000,000	7,774,400	8,774,400	17.55
Kentucky Community & Technical College System	\$ 178,025,257	0.19	1,000,000	6,698,300	\$ 7,698,300	15.40
<i>Subtotal</i>	<i>\$ 956,790,849</i>	<i>1.00</i>	<i>\$ 9,000,000</i>	<i>\$ 36,000,000</i>	<i>\$ 45,000,000</i>	<i>90.00</i>
CPE/KYVC/KYVL Statewide Initiatives			5,000,000	\$ -	\$ 5,000,000	10.00
<b>Total - IT &amp; Equipment Pool</b>	<b>\$ 956,790,849</b>	<b>1.00</b>	<b>\$ 14,000,000</b>	<b>\$ 36,000,000</b>	<b>\$ 50,000,000</b>	<b>100.00</b>
<b>Total Pool Amount</b>	<b>\$ 50,000,000</b>					
<b>Base Allocation CPE</b>	<b>\$ 5,000,000</b>					
<b>Base Allocation Institutions</b>	<b>\$ 9,000,000</b>					
<b>Allocation based on % of Unrestr Exp for Instr</b>	<b>\$ 36,000,000</b>					
<b>Total Projects Completed</b>					\$ 50,000,000	

**Notes:**

- 1 Minimum base allocation for any institution is \$1,000,000. For CPE it is 10.0% of the total appropriation (only).
- 2 The remaining \$36.0 million pool is allocated proportionately among the institutions based on 2007-08 actual unrestricted expenditure for instruction.
- 3 Institutions must certify that at least their 2007-08 level of actual unrestricted instruction expenditures for information technology and equipment will be maintained.
- 4 Each institution is to select approved projects that advance the achievement of the goals outlined in the 2010-12 CPE budget request for the institutions, specifically those leading to increased bachelor's degree production, as well as other key CPE initiatives related to access, affordability, developmental education, STEM, transfers, adult learners, use of technology, student learning, and increased capacity to support research and economic and community development.
- 5 These selected projects will be evaluated by an external consultant for compliance prior to the release of pool funds.
- 6 There will be an assessment process in place for accountability purposes.



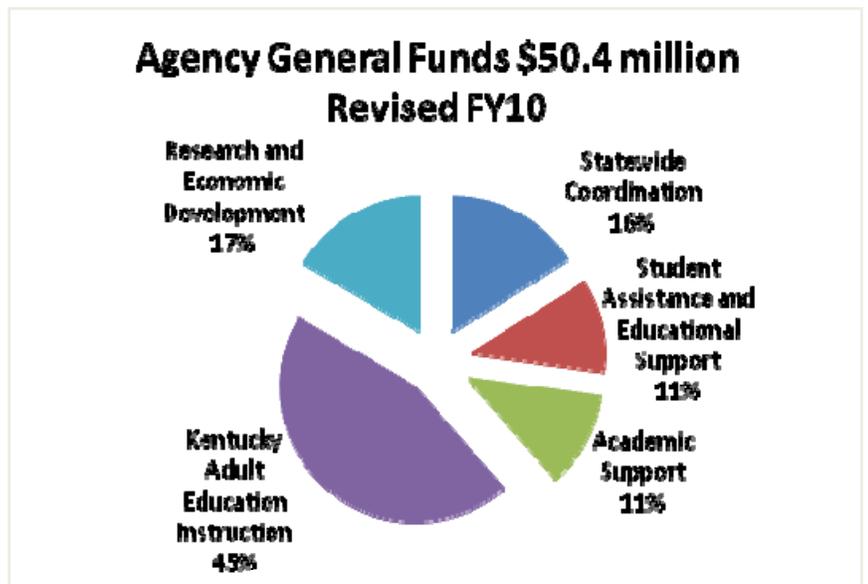
**Council on Postsecondary Education  
October 1, 2009**

**Discussion of 2010-12  
Operating and Capital Budget Recommendation  
Agency Operating Funds**

The Council is also expected to make a 2010-12 budget request for General Funds to support its agency operations. As previously discussed, it is helpful to divide agency operations into two major parts:

- 1) Statewide coordination
- 2) Statewide educational programs and services

Only about 16 percent (which for budget request purposes includes KYAE statewide administration personnel) of the FY10 agency General Fund appropriation is allocated to statewide coordination, while the other 84 percent is allocated to statewide educational programs and services including Kentucky Adult Education instruction, student assistance and educational support (primarily contract spaces), academic support (primarily KPEN and KYVC/KYVL technology contracts), and research and development (primarily to support new economy initiatives coordinated by the Kentucky Science and Technology Corporation). Please refer to the attached for a brief description of each of these areas.



2010-12 Agency Operating Fund Request (Tentative)

As an Executive Branch state agency, any recommendations for additional General Funds in 2010-12 will likely be severely limited and strongly linked to the state's overall budget environment. Thus, as a starting point for the proposed agency budget recommendation, Council staff attempted to limit the state appropriation request for 2010-12 to roughly the preliminary General Fund growth rates initially released by the Consensus Forecasting Group (CFG) in August, which were 1.5 percent growth in FY11 and 3.5 percent in FY12.

After the recent cut to the agency's operating budget in FY10, the revised General Fund baseline budget is \$50.4 million. If the agency's General Fund base grew at the CFG projected rates during the biennium, this would equate to a General Fund recommendation

of approximately \$755,400 in FY11 and \$1.8 million in FY12, to be spread among the various statewide educational programs and services, along with the budget for statewide coordination.

Highlighted below are a number of issues that need to be addressed in the agency's budget request.

### **Statewide Coordination**

- A complicating factor to the agency budget request is the fact that as an Executive Branch unit of state government, the Council is mandated to request budget increases related to statewide coordination personnel and fringe benefits. In technical budget terms, this is referred to as "defined calculations." These alone equate to about half of the anticipated General Fund growth in both FY11 and FY12, \$.4 million and \$.9 million, respectively.

### **Statewide Educational Programs and Services**

- A 1.5 percent increase in Kentucky Adult Education's General Fund allocation equates to \$338,800 in FY11 and \$790,500 in FY12.
- In order to support increased spaces and tuition increases for the next biennium in contract spaces, it is estimated that an additional \$52,500 will be needed in FY11 and \$400,000 in FY12.
- There are several statewide educational programs and services that have been supported by nonrecurring agency funds in the past biennium. These programs, including the local P-16 councils, the Governor's Minority Student College Preparation Program, and the SREB Doctoral Scholars Program, will require a source of recurring General Funds of approximately \$343,900 in each year of the biennium, to sustain activities at the current level.
- It is important to note that due to the organizational structure of the Executive Branch budget, any capital investment pools and related debt service for state funded capital projects are requested as a part of the agency's 2010-12 budget request and are typically included in the second year of the biennium in the Physical Facilities Trust Fund (under academic support). The amount to be requested in this area is still to be determined.
- Approximately \$86,200 in FY11 and \$204,000 in FY12 would be needed in order to support increased statewide activities related primarily to KPEN and the KYVC/KYVL technology contracts.
- Approximately \$104,400 in FY11 and \$247,400 in FY12 would be required to increase new economy investments coordinated by the Kentucky Science and Technology Corporation.

### Transfer of Pass-Through Funds to Institutions

Due to the current budget and fiscal environment, a number of the statewide educational programs and services that fall under agency operations have been and likely will continue to be negatively impacted by budget reductions primarily because they fall organizationally under the Council's budget and are treated like a typical state agency.

With the Governor's pro-education agenda, it would better protect the Governor's policy commitment to have funding for a number of these educational programs allocated directly to the providers and organizers of the programs as opposed to allocating the funds to a pass-through entity like the Council.

Thus, if acceptable to respective parties, Council staff will likely recommend that a select number of statewide educational programs and services (e.g., Professional Education Preparation Program, Washington D.C. Internship Program, the State Autism Training Center, and the Regional Stewardship Funding Program) be moved from the Council's budget to institutional budgets as part of the 2010-12 budget recommendation process.

In consultation with the Council's budget and legal staff, it appears that some of the proposed moves fall below the reorganizational threshold and may require simple base adjustments in the budget request process, whereas others may need to be addressed through budget language or statutory changes. A number of these moves will require additional discussions with key stakeholders, and proposed changes will not move forward without appropriate consensus.

### Joint Budget Requests

It is important that Council staff is also having discussions with KDE, EPSB, and the Education Cabinet on several joint budget requests for 2010-12. Council staff will keep the Council updated as additional details emerge from these discussions over the next several weeks.

- Senate Bill 1 (2009) - Given the magnitude of changes being proposed in SB 1 (2009), there have been some initial discussions within the steering committee and among Council and the Kentucky Department of Education staff, as well as with legislators, that a joint budget request may be needed for 2010-12 in order to effectively implement the recommendations of the legislation, particularly as it relates to alignment of standards, data collection, reducing remediation rates, and professional development of new and current teachers and professional staff.
- P-20 Data Warehouse - It is anticipated that CPE will participate in the preparation of a Joint Budget Request to be submitted by the Education and Workforce Development Cabinet, in collaboration with KDE and EPSB. The amount and form of the request will be determined by the newly created P-20 Data Collaborative. A commitment by each state to develop P-20 longitudinal data systems is a prerequisite to receiving ARRA state stabilization funding and Race to the Top funds.

Staff preparation by John Hayek

## Description of Agency Programs

### Statewide Coordination

- The budget for statewide coordination supports the traditional expenditures associated with a postsecondary education coordinating board, including funds spent for policy leadership, strategic planning, regulation of the state's postsecondary education system, finance (including biennial budget preparation and tuition setting), administrative services, communications, academic affairs and program review, economic and STEM initiatives, and information, research, and technology.

### Kentucky Adult Education Instruction

- Kentucky Adult Education Funding Program – The Kentucky Adult Education Act passed by the 2000 General Assembly created a partnership with the Council, increased funding and set the stage for dramatic improvements in the educational status of adult Kentuckians. This program is primarily funded through General Fund appropriations, but sometimes receives funds from other public or private sources. Council staff provides policy leadership and allocates funds for specific program and system support to statewide adult education programs. The agency also receives federal adult education funds pursuant to the Federal Adult Education and Family Literacy Act, Title II of the Workforce Investment Act of 1998 (Public Law 105 220). KYAE integrates these federal funds with the state funds (displayed in this report under the Kentucky Adult Education Funding Program) to administer a comprehensive adult education system designed to meet the varied needs of Kentucky's eligible adult learners.

### Student Assistance and Educational Support

- The contract spaces program provides Kentucky students with access to Veterinary Medicine and Optometry degree programs, which are not offered at public institutions in Kentucky, at certain out-of-state postsecondary institutions at resident tuition rates. The Council contracts with Indiana University and the Southern Regional Educational Board (SREB) that reserves veterinary medicine seats at Auburn and Tuskegee Universities and optometry seats at the University of Alabama, Birmingham; the Southern College of Optometry, Memphis, Tennessee; and Indiana University.
- The Professional Education Preparation Program assists students and prospective students from rural and inner-city areas experiencing medical and dental workforce shortages to gain admission to, and graduation from, medical and dental school. The Council contracts with Pikeville College, the University of Louisville, and the University of Kentucky.
- The Governor's Minority Student College Preparation Program is a pipeline program to provide academic enrichment activities for middle and junior high school students, encourage them to stay in school and to enter college, make young African-American students aware of the benefits and value of college and make them more likely to consider college as an achievable option, and prepare these students to be successful in college-level work. The Council approves programs in several postsecondary institutions.
- The State Autism Training Center is based on a statewide needs assessment and collaboration with its advisory board. The Kentucky Autism Training Center provides school-based consultations, family technical assistance, and training activities for promoting the early identification of autism in young children. The Center focuses on forming partnerships with other agencies to help in preparing direct service providers to work with individuals with

autism and places emphasis on providing information and training on intervention strategies that are supported by research as being effective with individuals with autism.

- The SREB Doctoral Scholars Program is a cooperative interstate venture that seeks to support and encourage minority students to pursue doctoral degrees. The program seeks to increase the number of minority college faculty members and executives by increasing the availability pool of minority candidates. The Southern Regional Education Board administers the program.
- P-16 local councils bring the state P-16 agenda to the level of individual institutions and school districts. Local councils address issues of teacher quality and supply, alignment of high school and adult education with postsecondary and workforce expectations, and greater integration among all sectors of education in Kentucky. CPE awards funds on a competitive basis.
- The Washington D.C. Internship Program is administered through the Washington Center for Internships and Academic Seminars and is a project of the Institute for Experiential Learning. The program, a combination of work and study, places undergraduate and graduate students, or college graduates, in the nation's capital for a semester (summer, fall, or spring).

### Academic Support

- The Technology Initiative Trust Fund is intended to support investments in electronic technology to improve student learning. It is the most broadly drawn of all the trust funds in that it receives funding to carry out the broad purposes of House Bill 1 and the Council's strategic agenda. There are appropriations directed to specific activities, including the statewide technology network, faculty development, and college access. Additionally, the CPE president allocates unbudgeted balances within the trust fund to programs and activities, which are consistent with the purpose of postsecondary education, the adopted strategic agenda, and the biennial budget process. Each allocation has a staff person named as the project lead and expenditures are reviewed monthly.
- The Physical Facilities Trust Fund appropriations are for debt service associated with various postsecondary education capital construction projects authorized by the legislature. Appropriations are made to this trust fund in the second year of the biennium.

### Research and Economic Development

- The Science and Technology Funding Program finances programs related to economic development under the Kentucky Innovation Act. The 2000 Kentucky General Assembly gave the Council new responsibilities to manage certain knowledge-based economic initiatives. Via a contract with the Council, the Kentucky Science and Technology Corporation (KSTC) administers five of these programs: the Research and Development Voucher, Commercialization, Rural Innovation, EPSCoR, and the Science and Engineering Foundation.
- The Regional Stewardship Funding Program was created by the 2006 General Assembly, which supports public engagement activities at the six comprehensive universities that promote regional or statewide economic development, livable communities, social inclusion, creative governance, and civic participation. Funds are used to develop and maintain program infrastructure, bolster intellectual capacity in targeted priority areas, and finance stewardship initiatives that further the Public Agenda for Postsecondary and Adult Education.



**Council on Postsecondary Education  
October 1, 2009**

**Update on 2010-11 Tuition Setting Process**

Although the Council will not take action on 2010-11 tuition rates until 2010, a brief update of the process is included since revenue from tuition becomes even more essential in a budget environment where there are limited or no additional state appropriations to support increases in fixed costs and continuing operations of the postsecondary education system.

Background

The Council is vested with authority under KRS 164.020 to determine tuition at public postsecondary institutions in the Commonwealth of Kentucky. For many years prior to reform, the Council established tuition on a two-year cycle that corresponded with the biennial budget process, and growth in resident undergraduate tuition and fees was linked to increases in per capita personal income (PCPI) in Kentucky and compared to rates in adjacent states.

Following passage of House Bill 1 (1997), the Council and the institutions began establishing tuition rates on an annual basis and moved away from using the PCPI to determine tuition levels. The sections below contain a brief description of the tuition setting process that was used in 2009-10 and an update regarding 2010-11.

Tuition and Mandatory Fee Policy

At its November 7, 2008, meeting, the Council approved the attached Tuition and Mandatory Fee Policy for use during the 2009-10 tuition setting process (Attachment A). This policy was the culmination of months of discussion among the Council staff, institutional presidents and chief budget officers, and Council members, with many suggested revisions finding their way into the final document.

2009-10 Tuition Setting Process

The Council also approved the attached 2009-10 Tuition Setting Process document at the November 7 meeting (Attachment A). The document specified that a collaborative process involving multiple stakeholders would be used to determine tuition and mandatory fee rates for academic year 2009-10. It also highlighted a commitment on the part of the Council and the institutions to engage in a process that would be rational, transparent, fair, and evidence-based, and identified relevant information that would be reviewed and discussed throughout the tuition setting process, including historical funding patterns, effective use of resource measures, affordability indicators, enrollment patterns, fixed costs increases, and funding adequacy.

It is anticipated that the Council staff, institutional presidents and chief budget officers, and Council members will discuss the tuition setting process for 2010-11 and present a revised document for Council action at the February 1, 2010, meeting.

### Tuition and Fee Parameters

At its March 6, 2009, meeting, the Council approved rate ceilings for 2009-10 resident undergraduate tuition and mandatory fees that were differentiated by sector:

- 3 percent at KCTCS
- 4 percent at the comprehensive universities
- 5 percent at the research universities

The Council also approved a requirement that each institution's nonresident undergraduate rate be at least twice its resident undergraduate rate. The Council has typically given institutions a lot of flexibility in setting graduate and first-professional rates which are more market driven.

A collaborative and iterative process was used to determine this approach, involving dialogue between Council and institutional staffs, and among the Council president, student groups, and executive and legislative leadership. The outcomes of the 2009-10 tuition setting process differed from those of prior years, in that the tuition and fee rates were differentiated by sector, and that the Council chose to implement the rate ceilings.

Given that Kentucky's economy typically lags the national economy, the tuition setting environment for 2010-11 will most likely be similar to that of 2009-10. This could result in a continuation of modest tuition increases across the sectors.

### 2010-11 Tuition Setting Process

At its September 21, 2009, meeting with institutional chief budget officers (CBOs), the Council staff received positive feedback regarding the 2009-10 tuition setting process. In particular, several CBOs praised the collaborative approach that was used last year, and they expressed a preference for the Council to establish tuition parameters early in the process for 2010-11 to facilitate tuition decisions at the institutional level.

Although there was some discussion last year of moving to a two-year cycle for setting tuition (in conjunction with the biennial budget process), several in the group felt that continuing with the current practice of establishing rates on an annual basis was prudent given uncertainties in national and state economies going forward.

There was also discussion that an extended timeline for Council action on 2010-11 rates may be appropriate this year, with final action on tuition and mandatory fees not taken until after the General Assembly has enacted a budget for 2010-12.

Based on the feedback received thus far, it is anticipated that the tuition setting process for 2010-11 will be similar to the one used in 2009-10. With that in mind, a preliminary 2010-11 tuition setting timeline is proposed in Attachment B.

### Changing Tuition Billing Structure from Flat-Rate to Per-Credit-Hour

Over the past year, a number of universities expressed interest in moving from a flat-rate billing structure in 2009-10 to a per-credit-hour billing structure in 2010-11, similar to the way Morehead State University made the transition several years ago. This will require additional discussions between the Council and the institutions regarding the potential impact of the change on certain segments of the student population, particularly during the transition period.

It may also necessitate using a different methodology (i.e., an enrollment-weighted-average tuition rate increase calculation) to evaluate the impact of tuition increases across various levels of student credit hours taken in order to determine compliance with Council tuition parameters.

Council staff strongly recommended that any institutions looking to make this type of change in 2010-11 need to provide ample time for Council staff and the Council to review the proposed changes. Specifically, Council and Council staff will want to make sure that students have been appropriately informed of the impact of the tuition changes and that particular groups of students (e.g., students taking 15 credit hours per semester in order to graduate in four years) are not overburdened during the transition period.

## **Council on Postsecondary Education Tuition and Mandatory Fee Policy**

The Council on Postsecondary Education is vested with authority under KRS 164.020 to determine tuition at public postsecondary education institutions in the Commonwealth of Kentucky. Kentucky's goals of increasing educational attainment, promoting research, assuring academic quality, and engaging in regional stewardship must be balanced in the context of current needs, effective use of resources, and economic conditions. For the purpose of this policy, mandatory fees are included in the definition of tuition. During periods of relative austerity, the proper alignment of the state's limited financial resources requires increased attention to the goals of the *Kentucky Postsecondary Education Improvement Act of 1997* (HB 1) and the Public Agenda for Postsecondary and Adult Education.

### **Fundamental Objectives**

- Funding Adequacy

HB 1 states that Kentucky shall have a seamless, integrated system of postsecondary education strategically planned and adequately funded to enhance economic development and quality of life. In discharging its responsibility to determine tuition, the Council, in collaboration with the institutions, seeks to balance the affordability of postsecondary education for Kentucky's citizens with the institutional funding necessary to accomplish the goals of HB 1 and the Public Agenda.

- Shared Benefits and Responsibility

Postsecondary educational attainment benefits the public at large in the form of a strong economy and an informed citizenry, and it benefits individuals through elevated quality of life, broadened career opportunities, and increased lifetime earnings. The Council and the institutions believe that funding postsecondary education is a shared responsibility of the state and federal government, students and families, and postsecondary education institutions.

- Affordability and Access

Since broad educational attainment is essential to a vibrant state economy and to intellectual, cultural, and political vitality, the Commonwealth of Kentucky seeks to ensure that postsecondary education is broadly accessible to its citizens. The Council and the institutions are committed to ensuring that college is affordable and accessible to all academically qualified Kentuckians with particular emphasis on adult learners, part-time students, minority students, and students from low and moderate income backgrounds. The Council believes that no citizen of the Commonwealth who has the drive and ability to succeed should be denied access to postsecondary education in Kentucky because of the inability to pay. Access should be provided through a reasonable combination of savings, family contributions, work, and financial aid including grants and loans.

In the development of a tuition and mandatory fees recommendation, the Council and the institutions shall work collaboratively and pay careful attention to balancing the cost of attendance, including tuition and mandatory fees, room and board, books, and other direct and indirect costs, with students' ability to pay by taking into account (1) students' family and individual income; (2) federal, state, and institutional scholarships and grants; (3) students and parents' reliance on loans; (4) access to all postsecondary education alternatives; and (5) the need to enroll and graduate more students.

- Attracting and Importing Talent to Kentucky

The Double the Numbers Plan recognizes that Kentucky cannot reach its 2020 educational attainment goals by focusing on Kentucky residents alone. Tuition reciprocity agreements, which provide low-cost access to Kentucky students that live near the borders of other states, also serve to attract students from border states to Kentucky's colleges and universities. Likewise, the Double the Numbers Plan includes nonresident students in institutional degree production targets for 2020 as well as targets for importing individuals with degrees from other states to live and work in Kentucky.

The Council and the institutions are committed to making Kentucky's institutions financially attractive to nonresident students while recognizing that nonresident undergraduate students should pay a significantly larger proportion of the full educational cost in order to keep the cost for Kentuckians as moderate as possible. Any proposed policy on nonresident tuition and mandatory fees should also be evaluated based on its potential impact on attracting and retaining students which directly enhance diversity and Kentucky's ability to compete in a global economy.

- Effective Use of Resources

Kentucky's postsecondary education system is committed to using the financial resources invested in it as effectively and productively as possible to advance the goals of HB 1, including undergraduate and graduate education, engagement and outreach, research, and economic development initiatives. The colleges and universities seek to ensure that every dollar available to them is invested in areas that maximize results and outcomes most beneficial to the Commonwealth and its regions. The Council's key indicators of progress shall be used to monitor both statewide and institutional performance toward HB 1 goals.

The institutions also recognize their responsibility to demonstrate that they are good stewards of limited public resources by providing annual reports to their governing boards and the Council on their efforts to contain costs, improve efficiencies and productivity, and reallocate existing resources to high priority activities.

## **Council on Postsecondary Education 2009-10 Tuition Setting Process**

Determining tuition and mandatory fee rates for academic year 2009-10 will be a collaborative and iterative process in which all stakeholders will participate. The process commenced with Council staff engaging institutional staff and the Council president engaging Council members and other key stakeholders in discussions starting in July 2008. The Council reviewed a draft at its September 28, 2008, meeting. It is anticipated that the Council will approve the revised policy and process in November 2008 and end with Council action on tuition and mandatory fees in March 2009.

- Council staff and institutional representatives will collectively review and discuss information relevant to the tuition setting process during the fall and winter.
- The Council president will report to the Council on the status of these discussions throughout the process.
- The Council may, by direct action or by consensus, convey general direction to the institutions throughout the process.
- Council staff and institutional representatives will work collaboratively during January and February 2009 toward the goal of developing consensus on the recommended tuition and mandatory fees.
- Council staff will update the Council on progress made toward a draft recommendation in February 2009.
- The Council expects that nonresident undergraduate tuition and mandatory fee charges shall be not less than two times higher than Council approved resident rates for the 2009-10 academic year. Any institution desiring to assess a nonresident rate that is less than two times the resident rate should request an exception to this policy.
- Council staff will recommend tuition and mandatory fees to the Budget and Finance Policy Group and the Council for approval in March 2009.

The Council and the institutions are committed to engaging in a process that is rational, transparent, fair, and evidence-based.

- A rational approach is one that is well aligned with state goals for public postsecondary education in Kentucky.
- A transparent approach is one that clearly articulates the rationale for its selection, is explicit about any underlying assumptions related to its function, and provides ample opportunity for stakeholder comment during its development.

- A fair approach is one that is impartial and recognizes that tuition rates and rate increases need not be the same for all institutions.
- An evidence-based approach is one that considers both relevant historical information as well as prospective institutional strategies for addressing the fundamental tuition objectives set forth in this policy.

Relevant information to be reviewed and discussed throughout the tuition setting process may include, but is not limited to, the following:

- Historical funding patterns.
- Effective use of institutional resources.
- College affordability, financial aid, student debt, and ability to pay.
- Student access, enrollment patterns, impact on academic quality, and other market factors.
- Fixed costs and priority strategic investments.
- Funding adequacy and tuition revenue estimates.

## **Council on Postsecondary Education Preliminary 2010-11 Tuition Setting Timeline**

Oct. 1, 2009	<u>CPE Meeting</u> – The staff provides Council members an update regarding the 2010-11 tuition setting process. Staff shares the 2009-10 tuition policy and a preliminary 2010-11 tuition setting timeline.
Oct. 2009	Staff initiates discussions with institutions and generates draft tuition policy and tuition setting process documents for 2010-11.
Nov. 6, 2009	<u>CPE Meeting</u> – The Council staff provides Council members draft Tuition and Mandatory Fee Policy and 2010-11 Tuition Setting Process documents for review and discussion.
Nov.-Dec. 2009	The Council staff collects data and generates information related to funding adequacy, affordability, access, financial aid, and productivity.
Nov.-Dec. 2009	Institutional staffs collect data and generate information related to fixed cost increases, potential impacts of tuition increases, anticipated uses of additional tuition revenue, financial aid, and student debt. Initial institutional notification to Council staff of plans to move to per credit hour rate.
Jan. 2010	Council and institutional staffs exchange information from respective data collection efforts and work together to finalize for distribution to Council members.
Feb. 1, 2010	<u>CPE Meeting</u> – The Council takes action on proposed Tuition and Mandatory Fee Policy and 2010-11 Tuition Setting Process documents. Staff provides the Council with tuition relevant information related to funding adequacy, affordability, access, financial aid, and productivity. The institutions share information with Council members regarding the potential impact of tuition increases and anticipated uses of additional tuition revenue.
Feb. 2010	Council and institutional staffs meet to review tuition relevant information and discuss tuition parameters. The Council president updates the Council on these discussions. Institutions present to Council staff plans regarding move to per credit hour rate.
Mar. 15, 2010	<u>CPE Meeting</u> – The Council takes action on recommended tuition and mandatory fee parameters.
Apr. 2010	Institutional staffs share proposed 2010-11 tuition and mandatory fee rates with the Council president. The Council president updates Council members regarding the proposed rates.
May 24, 2010	<u>CPE Meeting</u> – The Council takes action on each institution’s proposed 2010-11 tuition and mandatory fee rates.