

**KENTUCKY COUNCIL ON POSTSECONDARY EDUCATION  
SPECIAL-CALLED EXECUTIVE COMMITTEE MEETING**



July 24, 2024 – 11:00 a.m. ET

Virtual meeting: <https://us02web.zoom.us/j/89129396618>

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<b>I.</b>	<b>Call to Order and Roll Call</b>	
<b>II.</b>	<b>Approval of Regulations for the Kentucky Aerospace, Aviation, and Defense Investment Fund .....</b>	<b>2</b>
<b>III.</b>	<b>2024-25 CPE Agency Budget .....</b>	<b>24</b>
<b>IV.</b>	<b>Adjournment</b>	

**TITLE:** Approval of Regulations for Kentucky Aerospace, Aviation, and Defense Investment Fund

**DESCRIPTION:** Staff recommends the Executive Committee approve the proposed regulations for Aviation Training Scholarships and Aviation Equipment Grants, on behalf of the full Council.

**STAFF CONTACTS:** Sterling Crayton, Attorney  
Travis Powell, Sr. Vice President and General Counsel

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## **BACKGROUND INFORMATION**

At its June 21, 2024, meeting, the Council delegated authority to the Executive Committee to review and approve on its behalf the proposed regulations for the Kentucky Aerospace, Aviation, and Defense Investment Fund in order to meet the August 1, 2024, deadline for promulgation in accordance with Senate Bill 127 (2024).

## **LEGISLATIVE ACTION**

Enacted during the 2024 session of the Kentucky General Assembly, Senate Bill 127 created the Kentucky Aerospace, Aviation, and Defense Investment Fund to be administered by the Council on Postsecondary Education (CPE) to enable CPE and aviation industry partners to match public and private dollars to award scholarships to eligible students and equipment grants to eligible aviation programs. It is anticipated that funding for the programs will be appropriated in the next biennium.

The legislation requires CPE to reserve at least 65% of the fund for eligible aviation scholarships and to define a process for establishing contractual partnerships as outlined in 13 KAR 6:010, *Aviation Training Scholarships*. The bill also requires CPE to reserve up to 35% of the fund for aviation program equipment grants and to establish a process to determine the criteria for issuance, as outlined in 13 KAR 6:020, *Aviation Equipment Grants*. Administratively, the bill directs CPE to promulgate regulations by August 1, 2024, and requires that CPE submit draft regulations to the Interim Joint Committee on Education and the Interim Joint Committee on Transportation 30 days prior for comment and consideration.

Pursuant to the requirements of the bill, now codified in KRS 164.7011-.7021, members of the statutorily required committees were provided with draft regulations for review on June 28. Feedback was requested by July 29 in order to provide any necessary revisions to the draft

regulations before the August 1 deadline.

The next steps include:

- The promulgation (filing) of the administrative regulations by August 1 with the Administrative Regulation Review Subcommittee (ARRS) of the General Assembly;
- Future presentations will be held with stakeholders to explain the regulations in August/September;
- A public comment period will commence upon filing and conclude on September 30;
- A 90-day legislative committee review period (following the ARRS review);
- Unless deferred or found deficient, the regulations will go into effect in December 2024; and
- Each year the programs are in effect, a written report will be provided to the Council and statutorily required committees no later than December 1 of each year to include an analysis of the aviation scholarships and aviation equipment grants.

## **BUDGET/IMPACT**

Once funded, there will be an impact on CPE's budget as a result of these programs. KRS 164.7013 allows for a portion of the Healthcare Workforce Investment Fund to be expended towards the Council's costs to administer the programs, not to exceed .5% of all gross moneys in the fund or \$75,000 annually, whichever is less.

1 COUNCIL ON POSTSECONDARY EDUCATION

2 (New Administrative Regulation)

3 13 KAR 6:010. Aviation training scholarships.

4 RELATES TO: KRS 164.7011, 164.7013, 164.7015

5 STATUTORY AUTHORITY: KRS 164.7013, 164.7015

6 NECESSITY, FUNCTION, AND CONFORMITY: KRS 164.7013(8)(a) requires the Council on  
7 Postsecondary Education to promulgate administrative regulations to administer the Kentucky aerospace,  
8 aviation, and defense investment fund. KRS 164.7015 requires the Council to set forth the requirements  
9 for partnership proposals between aviation programs and aviation industry partners to provide aviation  
10 training scholarships to Kentucky residents enrolled in aviation programs.

11 Section 1. Definitions.

12 (1) "Advisory committee" is defined by KRS 164.7011(1).

13 (2) "Aviation" is defined by KRS 164.7011(2).

14 (3) "Aviation industry partner" is defined by KRS 164.7011(3).

15 (4) "Aviation program" is defined by KRS 164.7011(4).

16 (5) "Council" is defined by KRS 164.001(8).

17 (6) "Dedicated money" is defined by KRS 164.7011(6).

18 (7) "Eligible aviation credential" is defined by KRS 164.7011(7).

19 (8) "Fund" is defined by KRS 164.7011(8).

20 (9) "Kentucky resident" is defined by KRS 164.020(8).

1 (10) “Match” means general fund appropriation monies from the fund provided to the institution subject  
2 to funds availability, based on at least a dollar-for-dollar contribution from the aviation industry partner  
3 pursuant to KRS 164.7015(3)(a).

4 Section 2. Notice of Funding Opportunities.

5 (1) Each year that general fund appropriations are available for distribution through the aerospace,  
6 aviation, and defense investment fund, the Council shall publish notice of availability of funding  
7 opportunities for partnerships and issue a request for partnership proposals.

8 (2) The notice and request for partnership proposals shall include:

9 (a) The funding period;

10 (b) The date by which to submit a partnership proposal;

11 (c) The dollar amount of available matching funds;

12 (d) A list of priority eligible aviation credentials with high workforce demand as determined by the  
13 advisory committee;

14 (e) The partnership proposal evaluation criteria and relative weighting of each criterion;

15 (f) How to submit a partnership proposal; and

16 (g) The targeted date for making awards.

17 Section 3. Partnership Proposals. To be eligible for funding, a partnership proposal shall include:

18 (1) The participating aviation industry partners and aviation programs certified by the signature of  
19 their respective chief executive officers and a designated point of contact and contact information for each  
20 partner;

21 (2) Certification that the aviation program meets the definition in KRS 164.7011(4);

22 (3) The total proposed budget for the program, which includes the aviation industry partner  
23 contribution and the amount of aerospace, aviation, and defense investment funds requested for match in  
24 accordance with requirements set forth by the Council;

1 (4) A narrative explaining how the aviation program plans to use the aviation industry partner  
2 contribution and match from the fund to award aviation training scholarships in eligible aviation  
3 credentials;

4 (5) A description of the aviation program's plan for student recruitment, scholarship award criteria,  
5 and selection process;

6 (6) An explanation of how the aviation program shall increase student enrollment in eligible aviation  
7 or aerospace credentials, program completion, and meet local, regional, or state workforce demands;

8 (7) If using dedicated moneys, an explanation of how the aviation industry partner shall onboard and  
9 retain graduates;

10 (8) An explanation of how graduates shall be supported through their service obligations;

11 (9) A description of how the partnership proposal shall meet the priorities set forth in KRS  
12 164.7015(2);

13 (10) A response to any other partnership proposal criteria as determined by the advisory committee;

14 (11) A statement of assurances that both the aviation industry partner and the aviation program shall  
15 adhere to the statutory requirements in any written partnership contract as set forth in KRS 164.7015(3);  
16 and

17 (12) The amount of the aviation industry partner's contribution certified by its chief financial officer  
18 and supported by appropriate documentation.

19 Section 4. Evaluation Process.

20 (1) The advisory committee shall review and rank each timely submitted and complete proposal giving  
21 priority for proposals targeted to eligible aviation credentials with high workforce demand as determined  
22 by the advisory committee.

23 (2) Each proposal shall be evaluated based on any other objective criterion developed by the advisory  
24 committee.

1 Section 5. Partnership Awards.

2 (1) Upon award, the Council, the aviation industry partner, and aviation program shall enter into a  
3 partnership contract in accordance with the terms set forth in KRS 164.7015(3).

4 (2) Once the partnership contract is finalized, the Council shall disburse from the fund monies  
5 deposited by the aviation industry partner and the matching funds appropriated by the General Assembly  
6 to the aviation program.

7 Section 6. Responsibilities of the Aviation Program. After an award is made and a partnership contract  
8 is finalized, the aviation program shall:

9 (1) Establish and enforce an aviation training scholarship application and process for solicitation,  
10 acceptance, and review of scholarship applications from students who are Kentucky residents in  
11 collaboration with the aviation industry partner;

12 (2) Require aviation training scholarship applicants to complete the Free Application for Federal  
13 Student Aid, if applicable;

14 (3) Establish aviation training scholarship deadlines;

15 (4) Award aviation training scholarships;

16 (5) Develop and administer a scholarship contract between the recipient and the aviation program in  
17 accordance with KRS 164.7015(6) and (7); and

18 (6) Meet any reporting requirements set forth in the partnership contract.

**PUBLIC HEARING AND PUBLIC COMMENT PERIOD:** A public hearing on this administrative regulation shall be held on September 21, 2023 at 10:00 a.m. EST at the Council on Postsecondary Education, 100 Airport Road, Second Floor, Frankfort, Kentucky, 40601 in Conference Room A. Individuals interested in being heard at this hearing shall notify this agency in writing five workdays prior to the hearing of their intent to attend. If no notification to attend the hearing is received by that date, the hearing may be cancelled.

This hearing is open to the public. Any person who wishes to be heard will be given an opportunity to comment on the proposed administrative regulation. A transcript of the public hearing will not be made unless a written request for a transcript is made.

If you do not wish to be heard at the public hearing, you may submit written comments on the proposed administrative regulation. Written comments shall be accepted until September 30, 2023.

Send written notification of intent to be heard at the public hearing or written comments on the proposed administrative regulation to the contact person.

Contact Person: Sterling Crayton  
Attorney  
Council on Postsecondary Education  
100 Airport Road, Second Floor, Frankfort, Kentucky 40601  
Phone: 502.573.1555  
Email: [sterling.crayton@ky.gov](mailto:sterling.crayton@ky.gov)



\_\_\_\_\_  
Date

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Madison Silvert, Chair  
Council on Postsecondary Education

APPROVED AS TO FORM:

\_\_\_\_\_  
Date

\_\_\_\_\_  
Sterling Crayton, Attorney  
Council on Postsecondary Education

## REGULATORY IMPACT ANALYSIS AND TIERING STATEMENT

Administrative Regulation 13 KAR 6:010. Aviation training scholarships.

Contact person: Sterling Crayton  
Attorney  
Council on Postsecondary Education  
Phone: 502.573.1555  
Email: [sterling.crayton@ky.gov](mailto:sterling.crayton@ky.gov)

(1) Provide a brief summary of:

(a) What this administrative regulation does:

This administrative regulation establishes the Kentucky Aviation Training Scholarships, established in KRS 164.7015, designed to reduce the financial barriers of Kentucky residents seeking high-demand eligible aviation or aerospace credentials.

(b) The necessity of this administrative regulation:

KRS 164.7013(8) requires the Council on Postsecondary Education to promulgate regulations to administer the programs related to the Kentucky aerospace, aviation, and defense investment fund. KRS 164.7015 requires the Council to set forth the requirements for partnership proposals between aviation programs and aviation industry partners to provide aviation training scholarships to Kentucky residents enrolled in eligible aviation programs in Kentucky.

(c) How this administrative regulation conforms to the content of the authorizing statutes:

The administrative regulation conforms explicitly to the authorizing statute.

(d) How this administrative regulation currently assists or will assist in the effective administration of the statutes:

This regulation creates a process for issuing notice of funding opportunities, sets requirements for partnership proposals, creates an evaluation process, and a process for making awards as required by the statutes.

(2) If this is an amendment to an existing administrative regulation, provide a brief summary of:

(a) How the amendment will change this existing administrative regulation: N/A.

(b) The necessity of the amendment to this administrative regulation: N/A.

(c) How the amendment conforms to the content of the authorizing statutes: N/A.

(d) How the amendment will assist in the effective administration of the statutes: N/A.

(3) List the type and number of individuals, businesses, organizations, or state and local governments affected by this administrative regulation:

The Council on Postsecondary Education; any education or training program located in Kentucky that issues eligible aviation or aerospace credentials or is a specific requirement to earning an eligible aviation or aerospace credential, including but not limited to an institution that is a member of Kentucky's public postsecondary education system or a public high school vocational program; any flight training program that is a certified pilot school regulated by the Federal Aviation Administration in accordance with 14 C.F.R. pt. 141 or is a public high school vocational program; and aviation industry partners, which are grantors that the Council determines customarily employs individuals with an eligible aviation or aerospace credential in a relevant aviation role in the usual course of the grantor's business. The number of entities affected could be dozens, if not hundreds, but none are required to participate.

- (4) Provide an analysis of how the entities referenced in paragraph (3) of this subsection will be impacted by either the implementation of this administrative regulation, if new, or by the change if it is an amendment, including:
  - (a) A detailed explanation of the actions the entities referenced in paragraph (3) of this subsection will be required to undertake in order to comply with the proposed administrative regulation: To be eligible for funding, an aviation industry partner and aviation program submit a partnership proposal. Upon proposal evaluation and subsequent award, the Council, the aviation industry partner, and aviation program shall enter into a partnership contract in accordance with the terms set forth in relevant statutes and this regulation.
  - (b) An estimate of the costs imposed on entities referenced in paragraph (3) of this subsection in order to comply with the proposed administrative regulation: The cost imposed on entities will not exceed the amount designated as their aviation industry partner contribution. There will be some administrative cost in creating and submitting a proposal.
  - (c) The benefits that may accrue to the entities referenced in paragraph (3) of this subsection as a result of compliance: Once the partnership contract is finalized, the Council shall disburse from the fund moneys deposited by the aviation industry partner and the matching funds appropriated by the General Assembly to the aviation program. This will allow the aviation program to provide scholarships to students in programs offering eligible aviation credentials as outlined in the partnership agreement. Aviation industry partners who are employers may employ these individuals upon graduation for the period to fulfill their scholarship service requirements and hopefully beyond.
- (5) Provide an estimate of how much it will cost to implement this administrative regulation:
  - (a) Initially: approximately \$150,000 once funding is received for awards to be made.
  - (b) On a continuing basis: Same as above.
- (6) What is the source of the funding to be used for the implementation and enforcement of this administrative regulation? CPE staff are currently funded from appropriations made by the General Assembly in the 2022-2024 budget. Moving forward, a portion of the general fund appropriations made to the aerospace, aviation, and defense investment fund may be used for administration pursuant to KRS 164.7013(7).

- (7) Provide an assessment of whether an increase in fees or funding will be necessary to implement this administrative regulation, if new, or by the change if it is an amendment: This regulation does not assess fees. Funding is allocated for administration per the legislation.
- (8) State whether this administrative regulation establishes any fees or directly or indirectly increases any fees: This regulation does not assess fees.
- (9) TIERING: Is tiering applied? (Explain why or why not) Tiering is not applicable because similarly situated entities are treated similarly under this administrative regulation. However, upon advice of the advising committee, the Council may create separate pools of funding to meet geographic aviation and/or workforce needs.

## FISCAL IMPACT STATEMENT

Administrative Regulation 13 KAR 6:010. Aviation training scholarships.

Contact person: Sterling Crayton  
Attorney  
Council on Postsecondary Education  
Phone: 502.573.1555  
Email: [sterling.crayton@ky.gov](mailto:sterling.crayton@ky.gov)

(1) Identify each state statute, federal statute, or federal regulation that requires or authorizes the action taken by the administrative regulation.

KRS 164.7011, KRS 164.7013, KRS 164.7015

(2) Identify the promulgating agency and any other affected state units, parts, or divisions:

The Council on Postsecondary Education and any public aviation program, which would include members of Kentucky's public postsecondary education system or a public high school vocational program that issues eligible aviation credentials.

(a) Estimate the following for the first year:

Expenditures: N/A.

Revenues: N/A.

Cost Savings: N/A.

(b) How will expenditures, revenues, or cost savings differ in subsequent years? N/A.

(3) Identify affected local entities (for example: cities, counties, fire departments, school districts):

Any public aviation program, which would include members of Kentucky's public postsecondary education system or a public high school vocational program that issues eligible aviation credentials.

(a) Estimate the following for the first year:

Expenditures: N/A.

Revenues: N/A.

Cost Savings: N/A.

(b) How will expenditures, revenues, or cost savings differ in subsequent years? N/A.

(4) Identify additional regulated entities not listed in questions (2) or (3):

An education or training program located in Kentucky that issues eligible aviation or aerospace credentials or is a specific requirement to earning an eligible aviation or aerospace credential, any flight training program that is a certified pilot school regulated by the Federal Aviation Administration in accordance with 14 C.F.R. pt. 141, and aviation industry partners, which are grantor to the fund that

the Council determines customarily employs individuals with an eligible aviation or aerospace credential in a relevant aviation role in the usual course of the grantor's business.

(a) Estimate the following for the first year: N/A.

Expenditures: N/A.

Revenues: N/A.

Cost Savings: N/A.

(b) How will expenditures, revenues, or cost savings differ in subsequent years? N/A.

(5) Provide a narrative to explain the:

(a) Fiscal impact of this administrative regulation: Duties related to this regulation are generally assumed by Council staff members as part of their many other responsibilities. There will be additional costs of administration of approximately \$150,000.

(b) Methodology and resources used to determine the fiscal impact: General analysis.

(6) Explain:

(a) Whether this administrative regulation will have an overall negative or adverse major economic impact to the entities identified in questions (2) - (4) (\$500,000 or more, in aggregate): This regulation is not anticipated to have negative impact on any regulated entities. Participation is voluntary and this regulation establishes a program that will fulfill workforce needs and provide high wage employment to participants which should provide a major positive economic impact to the Commonwealth.

(b) The methodology and resources used to reach this conclusion: General analysis.

1 COUNCIL ON POSTSECONDARY EDUCATION

2 (New Administrative Regulation)

3 13 KAR 6:020. Aviation equipment grants.

4 RELATES TO: KRS 164.7011, 164.7013, 164.7017

5 STATUTORY AUTHORITY: KRS 164.7013, 164.7017

6 NECESSITY, FUNCTION, AND CONFORMITY: KRS 164.7013(8) requires the Council on  
7 Postsecondary Education to promulgate administrative regulations to administer the Kentucky aerospace,  
8 aviation, and defense investment fund. KRS 164.7017 requires the Council to set forth the requirements  
9 for partnership proposals between aviation programs and aviation industry partners to provide aviation or  
10 aviation equipment grants for a public high school vocational program or public postsecondary education  
11 institution to maintain, acquire, or lease aviation or aviation equipment.

12 Section 1. Definitions.

13 (1) "Advisory committee" is defined by KRS 164.7011(1).

14 (2) "Aviation" is defined by KRS 164.7011(2).

15 (3) "Aviation industry partner" is defined by KRS 164.7011(3).

16 (4) "Aviation program" is defined by KRS 164.7011(4).

17 (5) "Council" is defined by KRS 164.001(8).

18 (6) "Dedicated money" is defined by KRS 164.7011(6).

19 (7) "Eligible aviation credential" is defined by KRS 164.7011(7).

20 (8) "Fund" is defined by KRS 164.7011(8).

1 (9) Match” means general fund appropriation monies from the fund provided to the institution subject  
2 to funds availability, based on at least a dollar-for-dollar contribution from the aviation industry partner  
3 pursuant to KRS 164.7017(2)(a).

4 (10) "Public aviation program" is defined by KRS 164.7011(12).

5 Section 2. Notice of Funding Opportunities.

6 (1) Each year that general fund appropriations are available for distribution through the fund, the  
7 Council shall publish notice of availability of funding opportunities for partnerships and issue a request for  
8 partnership proposals.

9 (2) The notice and request for partnership proposals shall include:

10 (a) The funding period;

11 (b) The date by which to submit a partnership proposal;

12 (c) The dollar amount of available matching funds;

13 (d) The partnership proposal evaluation criteria and relative weighting of each criterion;

14 (e) How to submit a partnership proposal; and

15 (f) The targeted date for making awards.

16 Section 3. Partnership Proposals. To be eligible for funding, a partnership proposal shall include:

17 (1) The participating aviation industry partners and aviation programs certified by the signature of  
18 their respective chief executive officers and a designated point of contact and contact information for each  
19 partner;

20 (2) Certification that the public aviation program meets the definition in KRS 164.7011(12);

21 (3) The total proposed budget for the program, which includes the aviation industry partner  
22 contribution and the amount of aerospace, aviation, and defense investment funds requested for match in  
23 accordance with requirements set forth by the Council;



1 (4) A narrative explaining how the partnership would meet the criteria for prioritization set forth in  
2 KRS 164.7017(3)(a);

3 (5) A response to any other partnership proposal criteria as determined by the advisory committee; and

4 (6) The amount of the aviation industry partner's contribution certified by its chief financial officer  
5 and supported by appropriate documentation.

6 Section 4. Evaluation Process. The advisory committee shall review and rank each timely submitted  
7 and complete proposal based on its published evaluation criteria, which shall include the priorities set forth  
8 in KRS 164.7017(3)(a) and any other objective criteria developed by the advisory committee.

9 Section 5. Partnership Awards.

10 (1) Upon award, the Council, the aviation industry partner, and aviation program shall enter into a  
11 partnership contract in accordance with the terms set forth in KRS 164.7017(2).

12 (2) Once the partnership contract is finalized, the Council shall disburse from the fund monies  
13 deposited by the aviation industry partner and the matching funds appropriated by the General Assembly  
14 to the aviation program.

15 Section 6. Responsibilities of the Aviation Program. After an award is made and a partnership contract  
16 is finalized, the aviation program shall:

17 (1) Submit proof that the entire amount of the aviation equipment grant is invested in accordance with  
18 KRS 164.7017(4); and

19 (2) Meet any reporting requirements set forth in the partnership contract.

**PUBLIC HEARING AND PUBLIC COMMENT PERIOD:** A public hearing on this administrative regulation shall be held on September 21, 2023 at 10:00 a.m. EST at the Council on Postsecondary Education, 100 Airport Road, Second Floor, Frankfort, Kentucky, 40601 in Conference Room A. Individuals interested in being heard at this hearing shall notify this agency in writing five workdays prior to the hearing of their intent to attend. If no notification to attend the hearing is received by that date, the hearing may be cancelled.

This hearing is open to the public. Any person who wishes to be heard will be given an opportunity to comment on the proposed administrative regulation. A transcript of the public hearing will not be made unless a written request for a transcript is made.

If you do not wish to be heard at the public hearing, you may submit written comments on the proposed administrative regulation. Written comments shall be accepted until September 30, 2023.

Send written notification of intent to be heard at the public hearing or written comments on the proposed administrative regulation to the contact person.

Contact Person: Sterling Crayton  
Attorney  
Council on Postsecondary Education  
100 Airport Road, Second Floor, Frankfort, Kentucky 40601  
Phone: 502.573.1555  
Email: [sterling.crayton@ky.gov](mailto:sterling.crayton@ky.gov)

\_\_\_\_\_  
Date

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Madison Silvert, Chair  
Council on Postsecondary Education

APPROVED AS TO FORM:

\_\_\_\_\_  
Date

\_\_\_\_\_  
Sterling Crayton, Attorney  
Council on Postsecondary Education

## REGULATORY IMPACT ANALYSIS AND TIERING STATEMENT

Administrative Regulation 13 KAR 6:020. Aviation equipment grants.

Contact person: Sterling Crayton  
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Council on Postsecondary Education  
Phone: 502.573.1555  
Email: [sterling.crayton@ky.gov](mailto:sterling.crayton@ky.gov)

(1) Provide a brief summary of:

- (a) What this administrative regulation does: This administrative regulation establishes the Kentucky Aviation Equipment Grants, established in KRS 164.7017, designed to increase investment in public aviation programs and strengthen the pipeline of aviation professionals in Kentucky.

The necessity of this administrative regulation: KRS 164.7013(8) requires the Council on Postsecondary Education to promulgate regulations to administer the programs related to the Kentucky aerospace, aviation, and defense investment fund. KRS 164.7017 requires the Council to set forth the requirements for partnership proposals between public aviation programs and aviation industry partners to provide equipment grants for public aviation programs to maintain, acquire, or lease aviation equipment.

- (b) How this administrative regulation conforms to the content of the authorizing statutes: The administrative regulation conforms explicitly to the authorizing statute.
- (c) How this administrative regulation currently assists or will assist in the effective administration of the statutes: This regulation creates a process for issuing notice of funding opportunities, sets requirements for partnership proposals, creates an evaluation process, and a process for making awards as required by the statutes.

(2) If this is an amendment to an existing administrative regulation, provide a brief summary of:

- (a) How the amendment will change this existing administrative regulation: N/A.  
(b) The necessity of the amendment to this administrative regulation: N/A.  
(c) How the amendment conforms to the content of the authorizing statutes: N/A.  
(d) How the amendment will assist in the effective administration of the statutes: N/A.

(3) List the type and number of individuals, businesses, organizations, or state and local governments affected by this administrative regulation: The Council on Postsecondary Education; any public aviation program which are members of Kentucky's public postsecondary education system or a public high school vocational programs that offer eligible aviation credentials; and aviation industry partners, which are grantors that the Council determines customarily employs individuals with an eligible aviation or aerospace credential in a relevant aviation role in the usual course of the grantor's business. The number of entities affected could be dozens, if not hundreds, but none are required to participate.

- (4) Provide an analysis of how the entities referenced in paragraph (3) of this subsection will be impacted by either the implementation of this administrative regulation, if new, or by the change if it is an amendment, including:
- (a) A detailed explanation of the actions the entities referenced in paragraph (3) of this subsection will be required to undertake in order to comply with the proposed administrative regulation: To be eligible for funding, an aviation industry partner and public aviation program shall submit a partnership proposal. Upon proposal evaluation and subsequent award, the Council, the aviation industry partner, and public aviation program shall enter into a partnership contract in accordance with the terms set forth in relevant statutes and this regulation.
  - (b) An estimate of the costs imposed on entities referenced in paragraph (3) of this subsection in order to comply with the proposed administrative regulation: The cost imposed on entities will not exceed the amount designated as their aviation industry partner contribution. There will be some administrative cost in creating and submitting a proposal.
  - (c) The benefits that may accrue to the entities referenced in paragraph (3) of this subsection as a result of compliance: Once the partnership contract is finalized, the Council shall disburse from the fund moneys deposited by the aviation industry partner and the matching funds appropriated by the General Assembly to the public aviation program. This will allow the public aviation program to maintain, acquire, or lease aviation or aviation equipment as outlined in the partnership agreement.
- (5) Provide an estimate of how much it will cost to implement this administrative regulation:
- (a) Initially: approximately \$150,000 once funding is received for awards to be made.
  - (b) On a continuing basis: Same as above.
- (6) What is the source of the funding to be used for the implementation and enforcement of this administrative regulation? CPE staff are currently funded from appropriations made by the General Assembly in the 2022-2024 budget. Moving forward, a portion of the general fund appropriations made to the aerospace, aviation, and defense investment fund may be used for administration pursuant to KRS 164.7013(7).
- (7) Provide an assessment of whether an increase in fees or funding will be necessary to implement this administrative regulation, if new, or by the change if it is an amendment: This regulation does not assess fees. Funding is allocated for administration per the legislation.
- (8) State whether this administrative regulation establishes any fees or directly or indirectly increases any fees: This regulation does not assess fees.
- (9) TIERING: Is tiering applied? (Explain why or why not) Tiering is not applicable because similarly situated entities are treated similarly under this administrative regulation. However, upon advice of the advising committee, the Council may create separate pools of funding to meet geographic aviation and/or institutional needs.

## FISCAL IMPACT STATEMENT

Administrative Regulation 13 KAR 6:020. Aviation equipment grants.

Contact person: Sterling Crayton  
Attorney  
Council on Postsecondary Education  
Phone: 502.573.1555  
Email: [sterling.crayton@ky.gov](mailto:sterling.crayton@ky.gov)

(1) Identify each state statute, federal statute, or federal regulation that requires or authorizes the action taken by the administrative regulation.

KRS 164.7011, KRS 164.7013, KRS 164.7017

(2) Identify the promulgating agency and any other affected state units, parts, or divisions:

The Council on Postsecondary Education and any public aviation program, which would include members of Kentucky's public postsecondary education system or a public high school vocational program that issues eligible aviation credentials.

(a) Estimate the following for the first year:

Expenditures: N/A.

Revenues: N/A.

Cost Savings: N/A.

(b) How will expenditures, revenues, or cost savings differ in subsequent years? N/A.

(3) Identify affected local entities (for example: cities, counties, fire departments, school districts):

Any public aviation program, which would include members of Kentucky's public postsecondary education system or a public high school vocational program that issues eligible aviation credentials.

(a) Estimate the following for the first year:

Expenditures: N/A.

Revenues: N/A.

Cost Savings: N/A.

(b) How will expenditures, revenues, or cost savings differ in subsequent years? N/A.

(4) Identify additional regulated entities not listed in questions (2) or (3):

None.

(a) Estimate the following for the first year: N/A.

Expenditures: N/A.

Revenues: N/A.

Cost Savings: N/A.

(b) How will expenditures, revenues, or cost savings differ in subsequent years? N/A.

(5) Provide a narrative to explain the:

(a) Fiscal impact of this administrative regulation: Duties related to this regulation are generally assumed by Council staff members as part of their many other responsibilities. There will be additional costs of administration of approximately \$150,000.

(b) Methodology and resources used to determine the fiscal impact: General analysis.

(6) Explain:

(a) Whether this administrative regulation will have an overall negative or adverse major economic impact to the entities identified in questions (2) - (4) (\$500,000 or more, in aggregate): This regulation is not anticipated to have negative impact on any regulated entities. Participation is voluntary and this regulation establishes a program that will assist in fulfilling workforce needs and provide high wage employment which should provide a major positive economic impact to the Commonwealth.

(b) The methodology and resources used to reach this conclusion: General analysis.

**TITLE:** 2024-25 CPE Agency Budget

**DESCRIPTION:** Staff recommends that the Executive Committee approve the 2024-25 agency budget.

**STAFF CONTACTS:** Leslie Brown, Executive Director of Budget  
Travis Powell, Sr. Vice President and General Counsel

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### **SUPPORTING INFORMATION**

Each year, the Council reviews and approves the agency’s revenue and expenditure budget for the upcoming fiscal year. Below is a description of CPE’s budget as proposed for fiscal year 2024-25. The enacted state budget for 2024-2026 (primarily HB 6, but also HB 1, and SB 91), along with CPE’s 2025-26 biennial budget request (submitted to the state budget office and Legislative Research Commission October 1, 2023) provide the framework for the proposed 2024-25 agency budget. Budgeted figures for the current year (i.e., 2023-24) are included for comparison.

#### **CPE General Fund Budget**

House Bill 6 provides a continuation budget for CPE. It does provide additional General Fund allocations for agency Operations, specifically for cost-of-living adjustments for staff (3% in 2024-25, and another 3% in 2025-26), though there is a reduction related to positions that were vacant in fiscal year 2023-24. The General Fund was also reduced in recognition that CPE’s contributions to the state retirement system will drop from 66.17% of a participating employee’s salary in 2023-24 to 48.75% next year (i.e., 2024-25).

The 2024-2026 budget provides \$2.0 million in funding for CPE to conduct a study on expansion opportunities for post-baccalaureate programs at the public universities. Funding is available in 2023-24 and can carry forward. SB 91 allows unspent funds to be used for administrative purposes.

General Fund appropriations for three programs in the Technology Trust Fund and the Doctoral Scholars Program remain the same for the upcoming biennium. General Funds in the Technology Trust Fund provide support for the Kentucky Virtual Library, Kentucky Postsecondary Education Network, and CPE’s Technology Support. The Doctoral Scholars program, reinstated in 2021-22, provides scholarships and other programming to help two underrepresented minority doctoral candidates at the University of Kentucky and University of



Louisville graduate and pursue careers in academia after graduation. UK and UofL match these funds, so a total of four students benefit from this program every year.

Other General Fund appropriations are passed through to the institutions as follows:

- \$750,000 was provided for KSU oversight in the 2024-26 biennium. These funds will be used to pay for CPE staff dedicated to KSU and to continue the work of outside consultants. 2022-2024 oversight funding was \$1.5 million.
- \$7.0 million for the Healthcare Workforce Investment Fund for 2024-25, and \$3.0 million for 2025-26.
- \$1.0 million for ovarian cancer research and screening (same level as 2023-24)
- \$2.0 million for spinal cord and head injury research (same level as 2023-24)
- Finally, CPE pays the SREB dues for Kentucky, and \$10,000 was added for 2024-25 to cover cost increases.
- In special appropriations bills, CPE received \$300,000 to pass along to the National Stem Cell Foundation (NSCF) and \$8.0 million for Appalachian Regional Health (ARH).

The table below shows General Fund appropriations by expenditure category for CPE’s agency budget for 2023-24 and 2024-25. The table below does not show ARH or NSCF funding.

CPE Agency Budget Fiscal Years 2023-24 and 2024-25		
Expenditure Category	Fiscal 2023-24	Fiscal 2024-25
General Fund <sup>1</sup>		
Operating Funds <sup>2</sup>	\$ 7,978,800	\$ 7,774,900
Healthcare Workforce Investment Fund	-	7,000,000
Debt Service for Bucks for Brains	3,224,000	-
Technology Trust Fund	3,653,200	3,653,200
Spinal Cord and Head Injury Research	2,000,000	2,000,000
Ovarian Cancer Screening	1,000,000	1,000,000
Doctoral Scholars	50,000	50,000
SREB Dues	214,800	224,800
Total	\$ 18,120,800	\$ 21,702,900
<sup>1</sup> Does not include funding for Postbaccalaureate Initiatives study (\$2.0 million in 2023-24, which carries forward) or KSU Oversight (\$1.5 million over 2022-2024 and \$750,000 over 2024-2026).		
<sup>2</sup> Includes funding for Operations and Strategic Initiatives.		

### **2024-25 Operating Budget**

The CPE operating budget includes most of the agency’s funding for personnel and operations. Next year, CPE will use state General Fund appropriations, along with \$500,000 in Restricted

Funds received by the Council for administering federal grants (i.e., primarily the GEAR UP grant), to fund agency operations. Personnel expenses make up 86 percent of the Operating budget, which is typical for state government agencies. General Fund appropriations in 2024-25 will again support 47 employees (47 employees in 2022-23 and 2023-24), which is down from 97 staff in 2007-08.

CPE’s 2023-24 budget is largely a continuation budget. Next year, CPE leaders will continue to focus on the successful transition of students from secondary to postsecondary education through leadership of the P-20 Education Continuum. CPE will continue collaboration with state workforce and economic development leaders in the state and policy and programming in this area.

The table below compares CPE’s 2023-24 and 2024-25 operating budgets.

CPE Operating Budget Fiscal Years 2023-24 and 2024-25				
	Fiscal 2023-24	Proposed 2024-25	Percent Change	Notes
<b>Sources of Funds</b>				
General Fund	\$ 7,978,800	\$ 7,774,900	-2.6%	
Restricted Funds	600,000	500,000	-16.7%	Budgeted additional funds in FY24 for office upgrades
<b>Total Sources of Funds</b>	<b>\$ 8,578,800</b>	<b>\$ 8,274,900</b>	<b>-3.5%</b>	
<b>Uses of Funds</b>				
Salaries and Benefits <sup>1</sup>	6,799,200	6,512,300	-4.2%	Reduction of vacancies
Other Personnel Costs	525,800	575,800	9.5%	
<b>Total Personnel</b>	<b>\$ 7,325,000</b>	<b>\$ 7,088,100</b>	<b>-3.2%</b>	
Building, Rentals, Repairs	351,800	351,800	0.0%	
Computer & Miscellaneous Services	436,500	336,500	-22.9%	See note above
Supplies, Travel, Dues, Other	350,500	383,500	9.4%	
<b>Total Operating</b>	<b>\$ 1,138,800</b>	<b>\$ 1,071,800</b>	<b>-5.9%</b>	
<b>Total Grants</b>	<b>\$ 115,000</b>	<b>\$ 115,000</b>	<b>0.0%</b>	Graduate Profile
<b>Total</b>	<b>\$ 8,578,800</b>	<b>\$ 8,274,900</b>	<b>-3.5%</b>	

<sup>1</sup> Estimate for FY24 General Fund for salary increases and health insurance was \$947,000, final amount required a reduction of \$173,900 to salaries and benefits.

### **CPE Tobacco Fund, Federal Funds, and Restricted Funds Budgets**

In addition to state General Fund appropriations, the Council’s budget contains other sources of revenue, including tobacco settlement funds, cigarette tax revenue, federal grant funds, and agency receipts.

The following table provides a summary of the Council’s 2023-24 authorized expenditure levels for these funds and proposed expenditures for 2024-25. The enacted budget specifies the

expenditure limits for each fund type.

CPE Tobacco, Federal, and Restricted Funds Fiscal Years 2023-24 and 2024-25		
Expenditure Category	Fiscal 2023-24	Fiscal 2024-25
Tobacco Fund		
Cancer Research and Screening	\$ 6,250,000	\$ 5,843,200
Federal Funds		
GEAR UP	\$ 4,288,900	\$ 4,915,000
Other Federal Funds		
ESSER*		TBD
Simmons*		TBD
Healthcare Workforce Collaborative	16,737,000	4,027,900
Total Federal Funds	\$ 21,025,900	\$ 8,942,900
Restricted Funds		
Operations (Federal Indirect)	\$ 600,000	\$ 500,000
Cancer Research Match		3,907,500
Licensure (Licensure Fees)	500,000	500,000
Total Restricted Funds	\$ 49,401,800	\$ 4,907,500

\*ESSER and Simmons Funds will be requested once remaining funds are determined.

Tobacco Fund appropriations in CPE’s budget for 2024-25 support cancer research at UK and UofL. This appropriation is divided equally.

CPE will have access to federal GEAR UP grant funds in 2024-25. GEAR UP, which stands for Gaining Early Awareness and Readiness for Undergraduate Programs, is a federally funded program that helps students in underprivileged schools prepare for postsecondary education. GEAR UP is a seven-year, \$24.5 million grant program.

The state budget provides federal funds from the State Fiscal Recovery Fund of the American Rescue Plan to CPE in 2024-25 for the Healthcare Workforce Collaborative and for Simmons College. When the amount is determined for 2024-25, CPE will seek an appropriation increase. The Healthcare Workforce Collaborative brings together public higher education officials and industry leaders to “strengthen the education and training pipeline of healthcare professions within Kentucky’s public two and four-year colleges and universities.” Funding for the collaborative totals \$10.0 million and is separate from the General Fund appropriation for the Healthcare Workforce Investment Fund. The state budget provides a total of \$7,280,200 for Simmons College, a private HBCU in Louisville for facilities and to “expand academic offerings

to include the areas of psychology to produce more licensed mental health practitioners, quality control technicians, and logistics and supply chain management.” The Healthcare Workforce Collaborative and Simmons College will have until December 2026 to access these funds.

Restricted Funds in the CPE budget support several programs, including the Cancer Research Match program, Licensure, and Agency Operations. These funds come to CPE from a variety of sources, such as:

- Cigarette tax proceeds (i.e., one cent from each pack of cigarettes sold in Kentucky) fund the Cancer Research Match program, which is allocated to UK and UofL equally, provided the institutions are able to match the distributions with institutional funds expended on cancer research.
- Licensure fees fund the Licensure Unit. The Council licenses all Kentucky non-profit and for-profit baccalaureate degree granting and above institutions, and out-of-state public institutions operating or soliciting in the Commonwealth. The Licensure Unit also has duties related to the State Authorization Reciprocity Agreement (SARA), which allows Kentucky public and licensed institutions to do business in other SARA states. Licensure revenue of about \$400,000 per year supports the equivalent of three full-time staff members who ensure the Council’s licensure duties are performed. Staff plans to use some carryforward balance to fund a significant update to the Licensure computer system. Total expenditures of \$500,000 for the year are planned.
- Finally, the Council receives funds related to the administration of federal grants and is authorized to spend those funds to support agency operations.

### **Other Funds**

The Council manages two funds that are technically considered “off-budget,” but these funds are well-known by the state budget office and the legislature. These funds are the Equine University Program Trust Fund and the Technology Trust Fund (i.e., KYVL receipts and smaller grants).

The Equine Program receives funds collected by the state related to pari-mutuel betting. The funding, traditionally about \$600,000 per year, is distributed equally to the five institutions with Equine programs (UK, UofL, MoSU, MuSU, and WKU) to help fund capital investments in their programs.

The Technology Trust Fund (TTF) receives state General Fund appropriations (mentioned above), but the fund also receives Kentucky Virtual Library (KYVL) member dues, interest earnings, private grant funds, and funds from institutions for collective purchases and state government agencies on occasion. These funds will be spent in 2024-25 as allowed by the terms of the funding.

In late May 2024, CPE received a new round of funding (\$3,250,000) from the James Graham Brown Foundation, which will be active through 2030, to fund the work of the Kentucky Student Success Collaborative at CPE. Also of note, CPE has received a \$1.5 million grant from the ECMC foundation to address student basic needs. This grant will be active through December 2026.