

TITLE: 2020-22 Postsecondary Education Budget Recommendation
 CPE Agency Budget Request

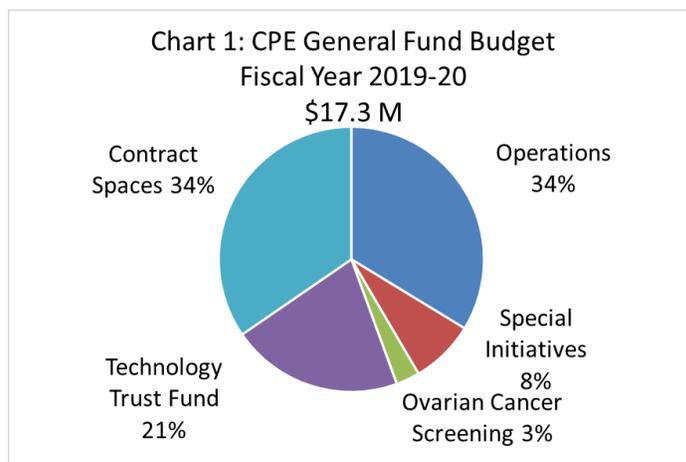
RECOMMENDATION: The Finance Committee reviewed and approved this item on October 16, 2019 and recommends the Council approve the CPE Agency Budget Request.

PRESENTERS: Ben Brandstetter, Finance Committee Chair
 Bill Payne, Vice President for Finance and Administration, CPE
 Shaun McKiernan, Director of Finance and Budget, CPE

BUDGET OVERVIEW

The Council’s General Fund agency budget can be broken down into five main categories: (1) agency operations; (2) special initiatives; (3) ovarian cancer screenings; (4) technology trust fund; and (5) contract spaces. Each of these components is described briefly below.

General Fund appropriations for agency operations support expenditures associated with the Council’s higher education coordinating board role, including resources for policy leadership, strategic planning, regulation of the state’s postsecondary education system, higher education finance policy analysis and development (including the biennial budget recommendation, performance funding, and tuition setting), administrative services, communications, academic affairs and program review, and information, research, and data analysis. About 34 percent of the Council’s 2019-20 General Fund budget is allocated to agency staff and operating costs (see Chart 1).



The Council's budget for special initiatives, which in the past was often referred to as Teacher Quality and College and Career Readiness/Senate Bill 1 funds, supports staff, operating funds, and grants to the public postsecondary institutions to advance the Council's *2016-2021 Strategic Agenda for Postsecondary Education*. Special initiatives make up 8% of the Council's General Fund budget.

In prior biennia, a portion of the Council's Tobacco Funds were directed by the General Assembly to support ovarian cancer screenings. For 2018-20, the General Assembly made General Fund appropriations of \$500,000 for each year, or about 3% of CPE's 2019-20 General Fund budget, for ovarian cancer research.

The Contract Spaces program funds 164 Kentucky residents pursuing degrees in veterinary medicine at out of state institutions (Auburn and Tuskegee Universities) and 44 Kentucky residents pursuing degrees in optometry at the University of Pikeville, Southern College of Optometry (in Memphis), Indiana University, and the University of Alabama - Birmingham. As can be seen in Chart 1, in the current fiscal year, 34 percent of the agency's General Fund budget is allocated to student financial aid programs and assistance.

Three program areas use Technology Trust Fund General Fund dollars: technology support, the Kentucky Virtual Library (KYVL), and the Kentucky Postsecondary Education Network (KPEN). About 21 percent of the agency's total General Fund budget is allocated to the technology trust fund.

Kentucky Adult Education was moved from the Council's budget to the Education and Workforce Development Cabinet in 2018-19. Funding for Science and Technology, which primarily supported programs administered by the Kentucky Science and Technology Corporation, was moved to the Economic Development Cabinet.

2020-22 Agency Budget Request

CPE staff has limited agency budget requests for the upcoming 2020-22 biennium. Staff recommends additional General Fund appropriations for personnel and operating cost increases (consistent with the state's budget instructions, or defined calculations), for the Contract Spaces program, and for the SREB doctoral scholars program. Every biennium, CPE asks for, and typically receives, additional funds to cover employee related and other mandated cost increases and tuition increases for the Contract Spaces program. For 2020-22, CPE is also proposing new funding to reinstate the SREB Doctoral Scholars Program, which provides support to underrepresented minority doctoral candidates. Kentucky participated in this program between 1994 and 2017.

Defined Calculations

Every biennium, Office of State Budget Director staff instruct CPE staff to request cost increases associated with Kentucky Employee Retirement System (KERS) rate increases and employee salary cost-of-living adjustments.

- *Council staff recommends increases in General Fund appropriations of \$148,900 in 2020-21 and \$241,200 in 2021-22 to fund the Council's defined calculations.*

Contract Spaces Program

The Contract Spaces program provides funding to pay the out-of-state tuition and fee differential, so that Kentucky residents can access veterinary medicine and optometry degree programs in other states at "in-state" tuition and fee rates. Generally, these degree programs are not offered at public institutions in Kentucky (the new optometry program at Pikeville University representing the exception).

The Council contracts with the Southern Regional Educational Board (SREB) to reserve veterinary medicine and optometry seats for Kentucky students. SREB sets aside seats in the veterinary medicine programs at Auburn University and Tuskegee University, and it reserves optometry seats at Southern College of Optometry in Memphis, TN, and the University of Alabama at Birmingham (UAB). The Council also contracts with Indiana University and the University of Pikeville for optometry seats.

CPE staff recommends that the Council's 2020-22 budget request maintain funding for 164 veterinary medicine seats and 44 optometry seats and cover anticipated tuition and fee increases for these programs in academic years 2018-19 and 2019-20. Funding for the Contract Spaces program also pays Kentucky's dues for SREB membership.

For 2020-21 and 2021-22, Kentucky has reached an agreement with Auburn and Tuskegee for a special rate of \$32,000 per veterinary student, instead of the respective \$34,500 and \$35,200 SREB rates. This is \$1,000 more than the rate charged by Auburn and Tuskegee for 2018-19 and 2019-20. For optometry students, the SREB rate is \$19,800 per student in 2020-21 and \$20,200 per student in 2021-22. CPE is assuming that 12 of the 44 optometry seats will go to Indiana University, which charges \$13,500 per seat. SREB has also increased annual dues. In 2020-21, SREB is planning to charge Kentucky \$211,600 in dues. In 2021-22, the dues will increase to \$214,800.

- *Council staff recommends increases in General Fund appropriations of \$273,200 in 2020-21 and \$289,200 in 2021-22 to fund Contract Spaces cost increases,*

maintain 164 veterinary spaces and 44 optometry spaces, and to fund increases in Kentucky's SREB membership dues.

SREB Doctoral Scholars Program

After advocating for expansion of the Southern Regional Education Board (SREB) Doctoral Scholars Program for several biennia, cuts to CPE's agency budget resulted in funding for the program being eliminated in the 2018-20 biennium. Kentucky's participation in the SREB program began in 1994, or the second year of the board's existence. The program is intended to help underrepresented minority doctoral candidates complete a doctorate more quickly and to encourage them to join the ranks of the professoriate. The program provides opportunities for professional development, as well as encouragement and support for students to matriculate from their doctoral programs and to achieve their scholarly goals.

The SREB Doctoral Scholars Program costs \$25,000 per student, per year, and students are eligible for up to three years of financial support. Postsecondary institutions have the opportunity to participate in the program and sponsor additional opportunities and activities for students under certain circumstances. In previous biennia, the University of Kentucky and the University of Louisville have participated in Kentucky's Doctoral Scholars Program.

- *CPE staff recommends additional appropriations of \$100,000 in fiscal 2020-21 to support two SREB doctoral scholar's students at the University of Kentucky and two at the University of Louisville in the first year of the upcoming biennium, and recommends \$200,000 in fiscal year 2021-22 to support two additional doctoral scholar's students at each institution in the second year of the biennium.*

CPE staff's goal is to support a total of six SREB doctoral scholar's students at the University of Kentucky and six doctoral scholar's students at the University of Louisville. Recurring funding for the program will need to increase to \$300,000 in the 2022-24 biennium to support that level of participation.

If the requested funding is authorized and added to the agency's current General Fund base (i.e., \$17,296,300 in 2019-20), these increases will result in total General Fund appropriations of \$17,818,400 in fiscal year 2020-21 and \$18,026,700 in fiscal year 2021-22. Funding components and request amounts of the CPE agency budget request are shown in Table 1.

Table 1: Components of 2020-22 Agency Budget Request

Funding Component	Fiscal Year 2020-21	Fiscal Year 2021-22
Beginning Base (2019-20 General Fund)	\$17,296,300	\$17,296,300
Additional Budget Requests:		
Defined Calculations	\$148,900	\$241,200
Contract Spaces	273,200	289,200
SREB Doctoral Scholars	100,000	200,000
Total Requested Increases	\$522,100	\$730,400

Other Fund Sources

Several programs administered by CPE receive funding from sources other than the state General Fund, including cancer research funded with tobacco settlement funds, the Cancer Research Match program and the licensure program funded with restricted funds, and GEARUP made possible with federal funds. As part of the biennial budget process, the Council must request spending authority to expend these funds. For each of these fund sources, CPE staff is requesting the current year (i.e., fiscal 2019-20) level of expenditure authority for each year of the upcoming biennium.

Tobacco Settlement Funds

The 2000 General Assembly created the Lung Cancer Research Fund to support research at the University of Kentucky’s Markey Cancer Center and the University of Louisville’s Brown Cancer Center. Research conducted by these centers explore the causes, detection, and treatment of lung cancer. The program benefits Kentuckians through discovery of new cancer therapies, clinical trials, and an early detection program. In the *2018-20 Budget of the Commonwealth*, the General Assembly specified that these funds should support cancer research more generally and be allocated 50:50 between the University of Kentucky and the University of Louisville.

- *Council staff recommends Tobacco Settlement Fund appropriations of \$6,686,500 in 2020-21 and \$6,686,500 in 2021-22 for cancer research at the University of Kentucky and the University of Louisville.*

Restricted Funds

Every biennium, a request for restricted-funds spending authority must be included in the Council’s budget request. The Cancer Research Matching Fund is the largest program in CPE’s agency budget that is financed with restricted funds. Funding for that

program is obtained through a one-cent-per-pack cigarette tax, and the proceeds are allocated and disbursed to UK and UofL to conduct lung cancer research.

The Council also receives restricted funds from the federal government through indirect cost recovery on federal grants and from licensure of non-public bachelor's and above degree granting institutions doing business in Kentucky.

Eight years ago, the Council began receiving licensure fees to support its statutory obligation to protect institutions and citizens against postsecondary institutions that might engage in fraudulent practices, unfair competition, or substandard educational programs (per KRS 164.947). These fees support onsite visits required by statute and provide resources for personnel and operating costs associated with increased volume and complexity of licensing colleges and degree programs in Kentucky.

- *Council staff recommends restricted funds appropriations of \$4,973,300 in fiscal year 2020-21 and \$4,973,300 in fiscal year 2021-22.*

Federal Funds

Federal Fund spending authority will be requested for GEAR UP (Gaining Early Awareness and Readiness for Undergraduate Programs) at the fiscal year 2019-20 level: \$4,000,000 in both 2020-21 and 2021-22. Federal funds are received and disbursed in accordance with the terms and conditions of the federal grants.

- *Council staff recommends annual, total appropriations of \$4,000,000 in fiscal year 2020-21 and \$4,000,000 in fiscal year 2021-22 to enable federal fund expenditures related to the GEAR UP program.*