

Proposed 2020-22 Biennial Budget Request for Postsecondary Education

Council on Postsecondary Education Work Session
October 30, 2019

Kentucky Council on
Postsecondary Education

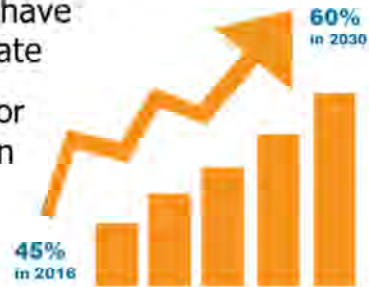
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Kentucky's Big Goal

- Increase educational attainment of working age adults to 60% by 2030
- Currently 45% of Kentucky adults have a postsecondary degree or certificate
- Responds to workforce demands for highly trained, educated population
- Benefits of increased attainment:
 - higher income (lower poverty)
 - accelerated job growth
 - better life choices and health
 - engaged citizens



Kentucky was Leading the Nation

- Between 2000 and 2009, Kentucky led the nation in improvement on key measures of student success

- #1 ➤ Percent of adults 25-64 with college degrees
- #2 ➤ Percent of adults 25-44 with college degrees
- #1 ➤ Six-year graduation rates at 4-year Institutions
- #3 ➤ Three-year graduation rates at 2-year institutions
- #5 ➤ Total undergraduate credentials produced
- #1 ➤ Undergraduate credentials awarded relative to population with no college degree



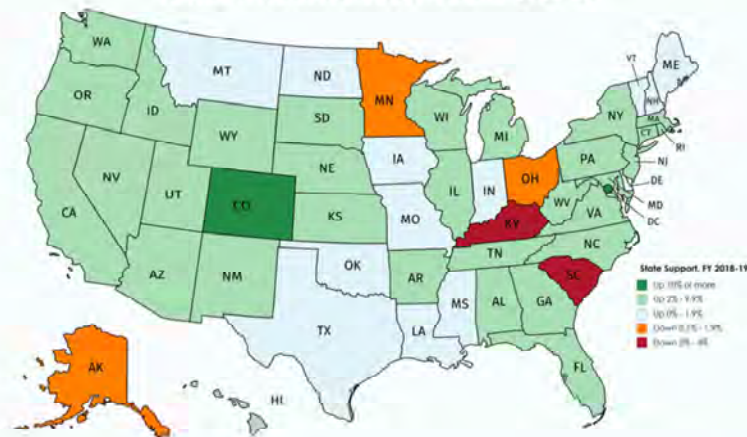
Source: NCHEMS, *Realizing Kentucky's Educational Attainment Goal*, September 2011.

Kentucky was making great progress toward the state's student success goals in the first decade of the 2000s. However, since onset of the Great Recession, Kentucky public postsecondary institutions have sustained a decade of funding cuts, losing more than a third of general fund support per student (nearly \$3,300 per student). This equates to a loss of \$487 million after factoring in inflation and changes in enrollment.

Approximately 70 percent of the loss in state funding was covered by increased tuition and fee revenue, with campus cost savings and efficiencies making up the remainder of lost revenue. We believe that this loss of state support, along with rising pension costs, have slowed our progress.

Kentucky is Continuing to Disinvest

Change in State Support for Public Higher Education
Between Fiscal Years 2017-18 and 2018-19



Source: State support for higher ed rises 3.7 percent, improves over 2017, *Inside Higher Education*, January 21, 2019
(created using Grapevine survey data, fiscal year 2018-19).

After the end of the Great Recession, most states across the nation began reinvesting in higher education. As this chart shows, Kentucky is one of a handful of states that is continuing to disinvest in higher education. Between 2018 and 2019, Kentucky was one of only two states that cut higher education greater than 2%. Forty-five states increased funding for postsecondary education in 2019.



Postsecondary Institutions

- Top Priorities for 2020-22 Biennium:
 - Performance Funding
 - Asset Preservation



Institutional Operating Funds

Table 1 – Proposed Operating Funds Request
(Dollars in Millions)

Category	2020-21	2021-22
Beginning Base (FY20 General Fund)	\$862.9	\$862.9
Base Adjustments (Debt Service)	(2.5)	(2.5)
Additional Budget Requests:		
Performance Funding	52.5	75.0
KSU Land Grant Match	.5	.5
Total Operating Funds Request	\$913.3	\$935.8
Percent Change (From FY20 Net Base)	6.2%	8.8%



The primary component of our institutional operating funds request is performance funding. We're requesting \$52.5 million in the first year and \$75 million in the second year.

We've also included a request for \$497,000 each year of the biennium for the KSU land grant match.

Combined with new funding request, increases are 6.2% and 8.8% respectively over the biennium.

Performance Funding

→ Request Features

- Additional appropriations of \$52.5 M in 2020-21 and \$75.0 M in 2021-22 to accelerate progress toward the state's 60 X 30 college attainment goal
- Anticipates that performance funds earned in 2019-20 will become recurring to campus base budgets
- Requests that the Governor and General Assembly take action to maintain 2% stop loss in 2021-22
- Recommends that mandated programs and funding amounts be line-itemed in budget bill language



Every year, since President Thompson came to the Council in 2009, CPE has implemented tuition and fee ceilings that cap the increases. This ended a decade-long trend of double-digit, average annual tuition and fee increases.

After implementation of these ceilings, the Council and the institutions have maintained an average annual growth rate for tuition and fees of about 4% per year. This past year, under President Thompson, the average increase was 2.2%.

Despite the tuition ceilings, resident undergraduate tuition and fee charges have grown 55% since 2009. CPE members and staff are concerned that we may be reaching a tipping point in terms of college affordability. The requested appropriations for performance funding are necessary to minimize tuition growth.

Performance Funding (Cont'd)

→ Rationale for Request

- Relieve pressure on institutional budgets and lessen magnitude of tuition increases
- Help Council and campuses maintain affordability and access for Kentucky citizens
- Provide resources necessary to continue making progress toward state student success goals
- Reduce potential reallocation of General Fund base when hold harmless and stop loss provisions sunset



Funding Model Impact

- State funding no longer being distributed based on historical share, but on outcomes produced
- Funding outcomes is providing incentives for student progression and timely completion
- Institutions are reacting to the model strategically
- Most funding disparities that developed over time have been rectified (equilibrium at 6 of 8 universities)
- Over the past four years, bachelor's degrees up 12%, URM degrees up 27%, and STEM+H degrees up 29%



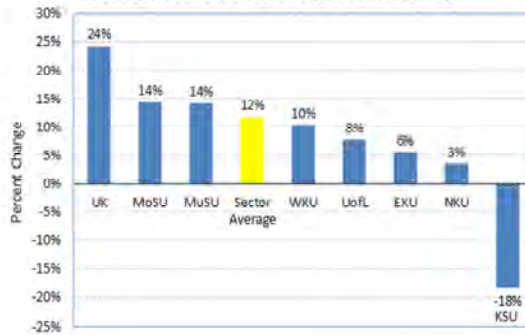
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We are in the third year of implementation of the model, and we're finding it is having a positive impact on institutional behaviors and producing additional student success outcomes.

Three years ago, postsecondary education system degree and credential production grew by 1.7%, which is not sufficient to meet the 60x30 goal. But over the past 2 years, degree and credential production has grown at average rate of 4% per year, which puts us back on the needed trajectory.

Bachelor's Degrees Produced

Four-Year Change in Bachelor's Degrees Produced
Between Academic Years 2013-14 and 2017-18

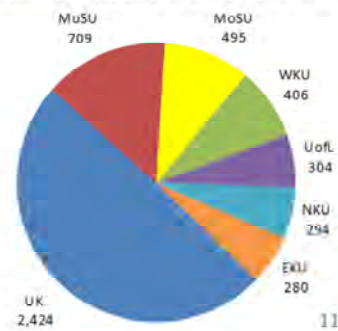


- The four-year change in bachelor's degrees produced was twice the sector average at UK and above the average at MoSU and MuSU



- About 75% of the cumulative net gain in bachelor's degrees over the past four years were produced at UK, MuSU, and MoSU

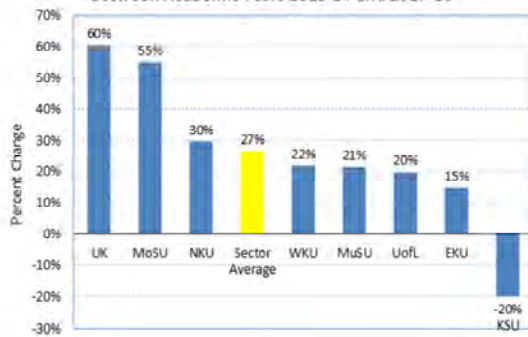
Cumulative Net Gain in Bachelor's Degrees
Academic Years 2013-14 through 2017-18



Total Additional
Bachelor's Degrees
4,912

Minority Bachelor's Degrees

Four-Year Change in Minority Bachelor's Degrees Produced
Between Academic Years 2013-14 and 2017-18

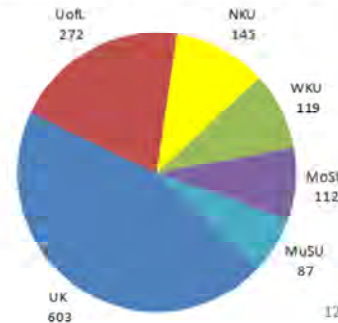


- The four-year change in minority bachelor's degrees produced was more than double the sector average at UK and MoSU



- About 75% of the cumulative net gain in minority bachelor's degrees were produced at UK, UofL, and NKU

Cumulative Net Gain in Minority Bachelor's Degrees
Academic Years 2013-14 through 2017-18

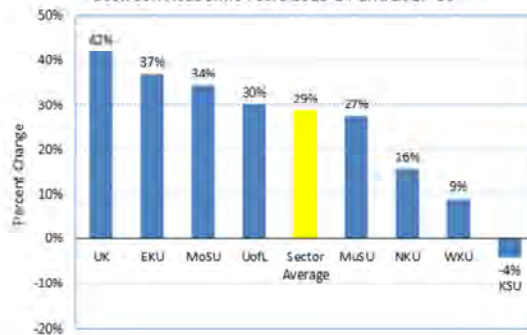


Total Addtl URM
Bachelor's Degrees
1,338

Gap-closing is a big priority for our system, and this is shared by the governor and legislature. This chart is evidence that the model is incentivizing degree production to the benefit of our minority students.

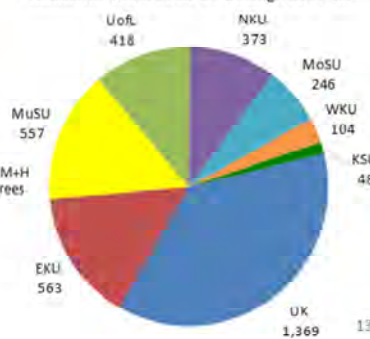
STEM+H Bachelor's Degrees

Four-Year Change in STEM+H Bachelor's Degrees Produced
Between Academic Years 2013-14 and 2017-18



- About 75% of the cumulative net gain in bachelor's degrees produced over the past four years were in STEM+H fields

Cumulative Net Gain in STEM+H Bachelor's Degrees
Academic Years 2013-14 through 2017-18



Total Addtl STEM+H
Bachelor's Degrees
8,678

- Growth in the number of STEM+H degrees produced at four universities – UK, EKU, MoSU, and UofL – exceeded the sector average of 29%



The STEM+H bachelor's degree production is another state priority because graduates from these fields earn higher than average salaries than students from other areas.

Since 2014, three-fourths of the additional bachelor's degrees produced by the public universities have been in STEM+H fields.

KSU Land Grant Match

→ Background

- As an 1890s institution, Kentucky State is eligible to receive federal funds to support its land-grant mission
- Grant conditions require federal funds to be matched dollar-for-dollar by the state (Public Law 95-113)
- Other sources of federal funds and tuition and fee revenue cannot be used to meet the match
- Over time, federal grant funds disbursed by the USDA have grown, requiring Kentucky to increase the match



KSU Land Grant Match (Cont'd)

→ Request Features

- Additional appropriations of \$497,400 in 2020-21 and \$497,400 in 2021-22 to meet the federal matching requirement for KSU's land-grant program
- A current year appropriation of \$497,400 to meet the matching requirement in 2019-20
- Recommends direct appropriation to KSU of any authorized funds
- As a mandated program, KSU's land-grant match will be deducted from performance funding model



KSU Land Grant Match (Cont'd)

→ Rationale for Request

- For 2019-20, KSU's land-grant program does not have sufficient funds to meet federal matching requirement
- Meeting the matching requirement is an obligation of the state, not Kentucky State University
- Requested funds are necessary to ensure that KSU will receive its full allotment of federal grant funds
- Funding will help sustain the effectiveness of outreach, service, and applied research of land-grant program



Capital Investment

Table 2 – Proposed Capital Investment Request
(Dollars in Millions)

Category	2020-21	2021-22
Asset Preservation	\$200.0	\$200.0
→ Debt Service	8.2	24.7
New and Expanded Space	0.0	0.0
Information Technology	0.0	0.0
Total Capital Request	\$200.0	\$200.0
→ Debt Service	8.2	24.7



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We are not requesting any additional funding for new space or technology projects. This isn't to say that there aren't new projects needed, but the need to invest in existing facilities is so great that the Council has prioritized asset preservation in its request.

Capital Investment (Cont'd)

→ Request Features

- \$400 M of state bond funds matched with \$200 M of campus funds to address 10% of estimated need
- Allocated using 1% base per university (2% base for KCTCS) and share of system total preservation need
- Recommends funding pool supported by a list of high priority projects
- Addresses need through a long-term partnership among state, institutions, and students and families

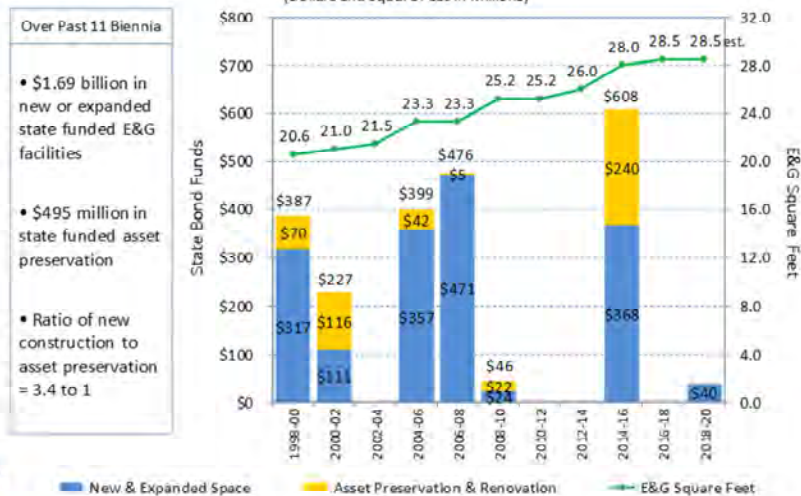


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In previous biennia, CPE budget recommendations for asset preservation have included a dollar for dollar match by the institutions. However, after a decade of state funding cuts and mandated pension cost increases, the Council is recommending only a 50-cents on the dollar match.

State Investment in Campus Facilities

State Investment in Postsecondary Education Facilities
Biennial Totals 1998-00 through 2018-20
(Dollars and Square Feet in Millions)



Over the past 11 biennia, the emphasis has been on new construction over renovation and renewal of existing facilities. The ratio has been about \$3.4 to \$1 of new construction to asset preservation. You can see that the level of investment has dropped off since the onset of the Great Recession and the Kentucky pension crisis.

Preservation Need versus Investment

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

VFA Study Projections:

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

¹ Cumulative need

State Investment:

<u>Biennium</u>	<u>Appropriations for Asset Preservation</u>
2008-10	\$22.0 million
2010-12	0.0
2012-14	0.0
2014-16	240.0 million
2016-18	0.0
2018-20	0.0
	<u>\$262.0 million</u>



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

In 2006, Kentucky hired a consulting firm to do a statewide assessment of postsecondary education facilities. Called the VFA Study, it projected over \$5 billion in needs for asset preservation during the 2011 timeframe. Updated in 2013, it found that had escalated to a \$6.3 billion need.

As can be seen in the table, the projections now show the need to be over \$7 billion.

Over the past six biennia, the General Assembly has appropriated a total of \$262 million to address the over \$7 billion need. The Council is concerned that if investment doesn't occur soon - in the face of rising construction costs - the problem is only going to get larger.

Capital Investment (Cont'd)

→ Rationale for Request

- Campuses have great need for asset preservation funding that has not been sufficiently addressed
- Over past decade, state has appropriated \$262 M for asset preservation projects versus a \$7.0 B+ need
- Growing inventory of facilities, infrastructure, and systems in need of renovation and renewal
- Escalating construction costs (up 17% 2007 to 2013)
- Modern facilities and systems reduce operating costs and better serve students





CPE Agency Budget

- Top Priorities for 2020-22 Biennium:
 - Contract Spaces
 - SREB Doctoral Scholars
 - College to Career Pathways Portal



CPE Operating Funds

Table 3 – Proposed Operating Funds Request
(Dollars in Millions)

Category	2020-21	2021-22
Beginning Base (FY20 General Fund)	\$17.3	\$17.3
Defined Calculations	0.1	0.2
Additional Budget Requests:		
Contract Spaces	0.3	0.3
SREB Doctoral Scholars	0.1	0.2
Total Operating Funds Request	\$17.8	\$18.0
Percent Change (From FY20 Base)	2.8%	4.0%



CPE Operating Funds (Cont'd)

→ Request Features

- Defined calculations are provided by the state budget office and, if authorized, would support a 1% salary increment and retirement system cost increases
- Requested contract spaces funding will allow CPE to maintain 164 veterinary seats and 44 optometry seats
- The SREB Doctoral Scholar's program will support two doctoral candidates at UK and two at UofL in 2020-21 and four candidates at each institution in 2021-22



CPE Capital Investment

Table 4 – Proposed Capital Investment Request
(Dollars in Millions)

Category	2020-21	2021-22
College to Career Pathways Portal	\$0.0	\$2.0
Upgrade Regional Optical Network	0.0	1.0
Total Capital Request	\$0.0	\$3.0
→ Debt Service	0.0	0.2

Total annual debt service equals \$218,500



CPE Capital Investment (Cont'd)

→ College to Career Pathways Portal

Online portal that helps students from all backgrounds understand career options and college costs and pathways, leading to preferred careers. This site will facilitate course and program comparisons across institutions, transfer of credits, and credit for prior learning.

Project Scope: \$2,000,000

- Utilizes a centralized catalog of programs and modules to facilitate course and degree program comparisons
- Interfaces with campus systems to allow evaluation and seamless transfer of credits



CPE Capital Investment (Cont'd)

→ Upgrade KyRON Infrastructure

This project will fund technology equipment to connect public universities and KCTCS to Kentucky Wired

Project Scope: \$1,000,000

- Currently, the Kentucky Regional Optical Network connects the state's postsecondary education community to national and international research through Internet2
- Supports firewall and router upgrades for the universities (10 gigabytes to 40) and KCTCS (1 gigabyte to 10 gigabytes)





Questions?

