



Kentucky Council on Postsecondary Education

Matthew G. Bevin
Governor

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Aaron Thompson, Ph.D.
President

December 3, 2018

The Honorable Christian McDaniel, Co-Chairman
Interim Joint Committee on Appropriations and Revenue
702 Capital Avenue, Annex Room 204
Frankfort, KY 40601

The Honorable Steven Rudy, Co-Chairman
Interim Joint Committee on Appropriations and Revenue
702 Capital Avenue, Annex Room 304
Frankfort, KY 40601

Dear Senator McDaniel and Representative Rudy:

House Bill 200, enacted by the 2018 Regular Session of the Kentucky General Assembly, established an Optometry Contract Spaces Working Group to “study the effects of both the establishment of a forgivable loan program for the students of the Optometry Contract Spaces Program and the projected return of Optometry graduates to practice in Kentucky.” The bill directed the Work Group to complete its work and provide a report setting forth its recommendations to the Interim Joint Committee on Appropriations and Revenue no later than December 1, 2018. (The submission date occurred on a Saturday, necessitating submission on the following work day.)

As you are aware, the contract spaces program provides Kentucky residents with access to select optometry schools through partnership arrangements at a cost commensurate with tuition rates paid by resident students. The program is designed to provide greater access for Kentucky residents to optometry programs with the hope that a significant number of graduates will return to the state to help meet the need for optometrists throughout the Commonwealth.

We are pleased to share the enclosed report detailing the Work Group’s discussions and recommendations. We thank each of the members for their time and expertise, and welcome any questions you may have.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Aaron Thompson".

Aaron Thompson, Ph.D.
President, Council on Postsecondary Education

cc: Members of the Optometry Contract Spaces Working Group

Enclosure

**Report of the Optometry Contract Spaces Working Group
to the Interim Joint Committee on
Appropriations and Revenue**

December 1, 2018

Members of the Optometry Contract Spaces Working Group

Senate President Representative

Senator David Givens

Speaker of the House Representative

Representative Jim Gooch

Minority Member of the Senate Representative

Senator Ray Jones

Minority Member of the House Representative

Representative Russ Meyer

Dean of College of Optometry at the University of Pikeville

Michael Bacigalupi, O.D., M.S., FAAO, Dean

President of Kentucky Optometric Association, or Representative

Dinah Bevington, J.D., Executive Director

Council on Postsecondary Education

Robert King, President through October 31, 2018

Aaron Thompson, President after November 1, 2018

Lead Staff to the Work Group

Lee Nimocks, Vice President, Policy, Planning and External Relations

Work Group Charge

Kentucky House Bill 200 (2018) established an Optometry Contract Spaces Working Group comprised of the president of the Council on Postsecondary Education (CPE) or his representative, the Speaker of the House or his representative, a minority member of the House appointed by the Speaker, the President of the Senate or his representative, a minority member of the Senate appointed by the President, the Dean of the Kentucky College of Optometry at the University of Pikeville or his representative, and the President of the Kentucky Optometric Association or his representative.

HB 200 calls on the Work Group to “study the effects of both the establishment of a forgivable loan program for the students of the Optometry Contract Spaces Program and the projected return of Optometry graduates to practice in Kentucky.”¹ The bill directed the Work Group to complete its work and provide a report setting forth its recommendations to the Interim Joint Committee on Appropriations and Revenue no later than December 1, 2018.

The Work Group met four times in 2018 (August 14; September 11; October 2; and November 8) to review the current program and consider alternative approaches. The Work Group reviewed program costs, program demand, the employment outlook of Kentucky optometrists, geographic distribution of the current workforce, salary data, the new optometry program at the University of Pikeville, and program scenarios assuming changes in state General Fund support. Summaries and agenda materials from all of the meetings can be found on CPE’s statutory committee meetings and records webpage².

Program Background

The Kentucky Optometry Contract Spaces Program, established in 1974, provides Kentucky residents with access to select optometry schools. These partnership arrangements, largely facilitated through the Southern Regional Education Board (SREB), allow Kentuckians to enroll in high-quality professional education at a cost commensurate with tuition rates paid by resident students. The program is designed to provide greater access for Kentucky residents to optometry programs with the hope that a significant number of graduates will return to the state to help meet the need for optometrists throughout the Commonwealth.

A predetermined number of spaces for Kentucky students are reserved at each participating university. Students meeting the requirements for Kentucky residency for purposes of tuition

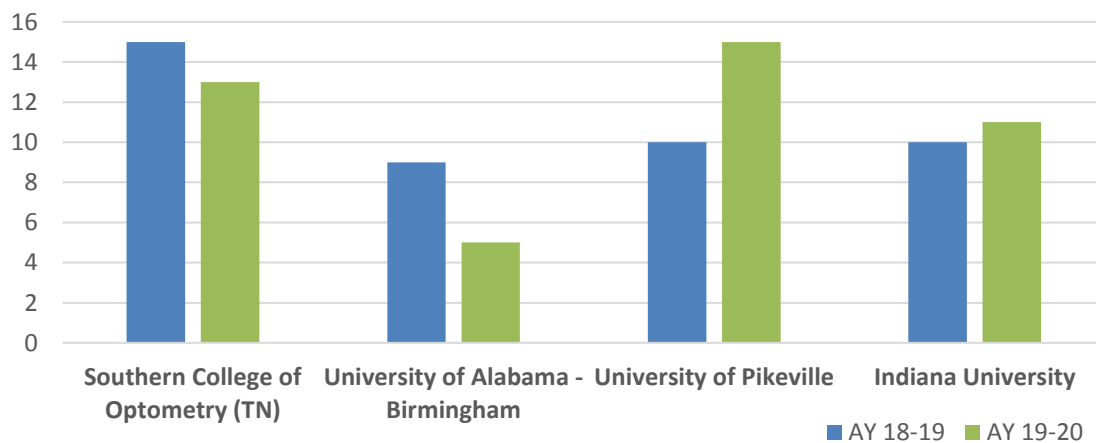
¹ Kentucky House Bill 200, 2018 Regular Session, <http://www.lrc.ky.gov/record/18RS/HB200.htm>

² CPE’s Statutory Committee Meetings and Records, <http://cpe.ky.gov/aboutus/meetings.html>

who are selected by the campuses for enrollment in these programs are required to pay only the in-state tuition rate at the out-of-state institution (or the rough equivalent at private institutions, since they do not offer differential rates of tuition based on residency). The Commonwealth pays a contract fee to the universities to reserve the spaces and cover the balance of the students' educational costs. While no statutory directive exists for this program, Kentucky has a long history of funding this program through the biennial Executive Branch budget bill.

The most recent Executive Branch budget bill (HB 200, 2018) funds 44 spaces at optometry schools, or an average of 11 spaces per class in the four-year program. While prior Executive Branch budget bills did not prescribe where those spaces were to be purchased, the Council has a longstanding practice of purchasing space from the following intuitions: Southern College of Optometry (Southern), University of Alabama-Birmingham (UAB), and Indiana University (IU). The distribution of spaces now includes the University of Pikeville's Kentucky College of Optometry, established in 2016.

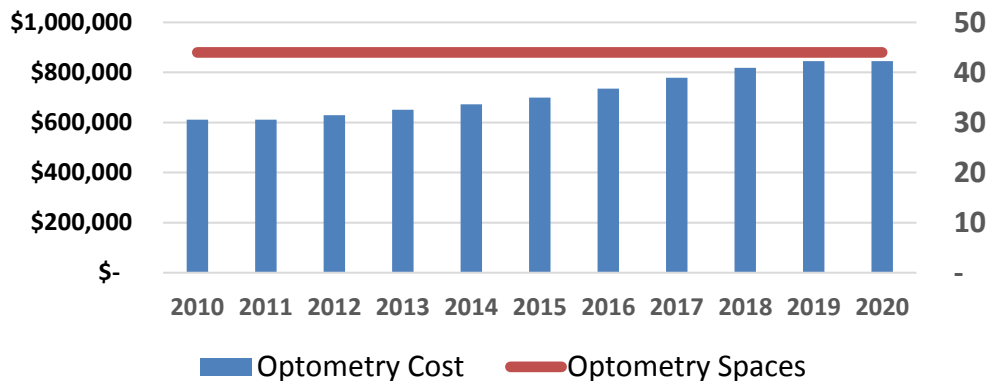
The current budget bill (HB 200) specifies that Kentucky contract with the Kentucky College of Optometry for 10 seats in the current academic year (2018-19) and 15 seats in 2019-20. Seats have been shifted from the other campuses to accommodate this requirement. In addition to the 15 seats at the Kentucky College of Optometry in 2019-20, there are thirteen (13) spaces at Southern; five (5) at UAB; and eleven (11) at IU.



Factors Driving the Current Review

Program Cost: While the number of slots (44) has not changed over the past decade, state General Fund program costs, driven primarily by tuition increases, have increased 38%, from \$611,600 in 2010 to \$844,800 in 2020. Individual per-seat General Fund costs have increased

from an average of \$13,900 in 2010 to \$19,200 in 2020. There was discussion among Work Group members that continued growth at this rate is not sustainable, particularly when other areas of public education continue to receive significant budget cuts, and the General Fund is under significant strain due to needed additional investment in the state pension system and other programs.



Kentucky’s New Optometry Program: The establishment of the Kentucky College of Optometry at the University of Pikeville in 2016 called into question one of the key purposes of the contract spaces program, which is to provide greater access to professional programs not available in Kentucky. The University of Pikeville is focused primarily on preparing optometrists to serve the people of Central Appalachia, but it does accept students from all parts of the United States. Because there are no other colleges of optometry in Kentucky, and none in West Virginia, North Carolina, South Carolina, and Georgia, the new optometry school’s primary service area is the southeastern part of the country. The current class size is 60 students with a projected enrollment of 64 new students each year after the first graduating class in 2020. Among the considerations of the workgroup was whether the introduction of an in-state program has changed the need for the contract spaces program as it was currently structured, or perhaps the need for a program at all.

Current Employment of Optometrists in Kentucky: The Work Group reviewed data from several sources to determine the current number of optometrists employed in Kentucky and their geographic distribution across the state. Data from the Board of Optometric Examiners and the Kentucky Optometric Association identify 619 practicing optometrists in the state with the largest concentration in urban counties and the Golden Triangle. The data show that 82 counties have at least one licensed optometrist with their primary practice located in those counties, and 11 additional counties have a satellite/secondary office location. Twenty-four Kentucky counties currently do not have a practicing optometrist (Ballard, Carlisle, Hickman,

Fulton, Livingston, Lyon, Webster, Green, Cumberland, Trimble, Henry, Gallatin, Owen, Garrard, Pendleton, Robertson, Bracken, Nicholas, Bath, Menifee, Wolfe, Elliott and Knott).

Future Optometry Demand: One of the key questions of the Work Group was whether the current pipeline of optometrists was sufficient to meet the future demand. The Kentucky Center for Statistics' [Kentucky Occupational Outlook Report to 2026](#) projects that optometrist positions will grow by 13.7% between 2016 and 2026, with 246 total openings during that time (24 per year on average). Approximately two thirds of these positions (172) will be generated through processes of occupational mobility, retirement, and separation replacing existing jobs, and the other third (74) through occupational growth. The Center's [Future Skills Report](#) identifies optometry as a "very fast growing" occupation in Kentucky with future demand (2017-2021) concentrated in the more urban areas and central region, but with all areas of the state experiencing some demand.

Pipeline of New Optometrists: In terms of the future supply to meet this demand, data from the Kentucky Optometric Association provided to CPE in 2016 indicates that a high percentage of Kentuckians who benefit from the optometry contract spaces program return to Kentucky to practice after graduation. Since 2003, 29 of the 38 students (76%) who received a contract seat at the University of Alabama became licensed in Kentucky. Since 2008, 26 of the 30 students (85%) who received a contract seat at Indiana University became licensed in Kentucky. Between 2001 and 2016, 53 of the 71 students (74%) who received a contract seat at the Southern College of Optometry became licensed in Kentucky. The new Kentucky College of Optometry with 60 plus graduates annually will add significantly to the pipeline of future optometrists.

Work Group Considerations and Recommendations

- **Implement a Service Requirement?** One of the questions before the Work Group was whether a service requirement should be imposed on students as a condition of receiving the program subsidy. Two models were discussed: 1) In the "contract" model the student would sign a contract stating they would receive the award in exchange for meeting the service requirements. If the student does not meet the service requirements set forth in the contract, the award would convert to a loan and a payment plan would be set; 2) In the "loan" model the student would receive funds in the form of a loan and then as service requirements were met, they would submit their qualifying status updates to have the amount forgiven. This could be done over time, or all at once. ***Based on the high percentage of former contract students who are now licensed to practice in Kentucky, as well as the future pipeline of optometrists from the Kentucky College of Optometry, the***

Work Group concluded that imposing a service requirement to the contract spaces program is not needed at this time.

- **Responding to Funding Challenges.** The Work Group was presented with several scenarios responding to questions about program sustainability in light of funding cuts and financial pressures across state government (see appendix A). The first scenario shows costs increasing 2.5% annually with the state assuming those increases. Over a decade, the cost to the state would increase from \$844,800 to over \$1,029,600. The Work Group also considered a scenario of flat funding, which would require either a shift in cost to the student, or a reduction in the number of purchased seats. Finally, the Work Group reviewed scenarios assuming a 6 percent budget cut in 2021 and a 2 percent budget cut each year thereafter. In both cases, the cost of tuition growth is shifted to the students, or the number of seats is reduced. ***There was consensus among Work Group members that changes in the program structure were needed to ensure the program's financial sustainability moving forward.***
- **Expand Program Choice?** There was a lot of discussion among Work Group members about establishing a scholarship model with a fixed dollar amount per award determined by the General Assembly. In this scenario, students awarded funding could use the award at any accredited optometry program in the nation. This would allow greater state control over the program budget, and greater choice for students among optometry programs. ***It was the consensus among Work Group members that given the high return rate of contract students to the state after graduation, Kentucky should continue its long-established relationships with the current out-of-state optometry programs and the Kentucky College of Optometry, and funding should be limited to those campuses. The Kentucky Board of Optometric Examiners has knowledge of the curriculum of each of these schools and the assurance that these schools teach to the highest scope and standard of optometric medicine.***
- **Create a Fixed Scholarship for Use at Current Contract Institutions?** While the Work Group supports continued relationships between Kentucky and the current contract institutions, it recognized the importance of controlling costs by restructuring the current program in a way that provides the state with greater program predictability and stability. ***There was general agreement that the program should be changed to a scholarship model with program parameters established by the General Assembly, program administration by Kentucky Higher Education Assistance Authority (KHEAA), and award decisions determined by a selection committee of optometry professionals and educators.***

- **Address the unique role of the Kentucky College of Optometry?** While the Kentucky College of Optometry has not yet graduated its inaugural class, there is a high expectation that it will provide strong service to Kentucky, particularly in the rural, Appalachian regions of the state. Program demand is strong, and Kentuckians make up a significant portion of the student body. Members of the Work Group suggested that the state provide its home program with a fixed percentage of state funding and allow the campus flexibility in how the funding is used to support Kentucky students. ***It was the consensus among Work Group members that Kentucky's only optometry program be recognized through a higher proportion of overall program funding, and significant flexibility (within certain parameters) be allowed in how their funding is distributed among Kentucky students.***

Summary

The Work Group members reached consensus on a number of issues related to the future of the Optometry Contract Spaces Program, concluding that it is in Kentucky's interest to continue to support Kentucky students pursuing a professional degree in optometry due to strong future occupational demand, as well as a lack of a publicly supported program within the state. However, due to continuing budget constraints facing the Commonwealth and continually increasing program costs, the current model should be restructured to maintain support for students while ensuring costs to the Commonwealth are more predictable and the program can be sustained over time.

It was the consensus of the Work Group that this program be restructured as a scholarship program and administered by KHEAA.

Funding supporting this program would be divided into two allocations, with one-third reserved for Kentucky students attending the Kentucky College of Optometry. Award amounts would be subject to available funds (the amount of General Funds appropriated to the program by the General Assembly during each two-year state budget cycle). Award criteria for this portion of the allocation would be determined in consultation with the Kentucky College of Optometry and within specific parameters established by the General Assembly.

The other two-thirds of the funding would support KHEAA-administered scholarships that could be used at any of the four optometry programs currently in partnership with the Commonwealth (Kentucky College of Optometry, Southern College of Optometry, University of Alabama, and Indiana University).

The annual scholarship award level would be subject to available funds (the amount of General Funds appropriated to the program by the General Assembly during each two-year state budget cycle) and would be determined by the Optometry Scholarship Committee in consultation with KHEAA after a review of available resources and individual program costs. Award criteria, and the application and selection processes would be determined by KHEAA in consultation with the Committee. Information about financial literacy and other affordable methods of paying for program costs may also be distributed to scholarship applicants.

The Work Group determined that this program should be codified in statute and that the Optometry Scholarship Committee comprised of optometry educators and professionals be established. The Committee should include a representative from the Kentucky Optometric Association (KOA), a representative from the Kentucky College of Optometry, two at-large members involved in pre-optometry programs identified by the Council on Postsecondary Education (representing different areas of the state), and a representative from one of the three out-of-state contract institutions (Southern College of Optometry, University of Alabama, and Indiana University) to be determined on a rolling, two-year basis. The at-large members would serve four-year terms and would be confirmed by the Kentucky Senate. The Committee would be managed/advised by KHEAA.

The Work Group stipulated that students currently benefiting from the contract program in optometry medicine should continue to be supported at current levels through graduation. The Work Group also called for an annual analysis of program data and information compiled by KHEAA with support from CPE, including:

- Graduation outcomes (do graduates return to the state to practice if they are supported at an out-of-state campus, or stay in state if they attended the Kentucky College of Optometry);
- Occupational demand;
- Geographic distribution of optometrists in the state;
- Scholarship award amounts and distribution information (where did the recipients do their undergraduate programs and where they are from, how many applications, and how many scholarships).

The annual reports should be available for review online.

APPENDIX A

Optometry - Assumes All Seats at SREB Rate - Current Biennium and Future Years - Several Potential Scenarios

Program Cost Grows at 2.5% per Year

State pays for Tuition increases

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Cost Per Seat	19,200	19,200	19,700	20,200	20,700	21,200	21,700	22,200	22,800	23,400
Seats	44	44	44	44	44	44	44	44	44	44
Total Cost	844,800	844,800	866,800	888,800	910,800	932,800	954,800	976,800	1,003,200	1,029,600

Flat Funding Scenarios

Shift Cost to Students

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Cost Per Seat	19,200	19,200	19,700	20,200	20,700	21,200	21,700	22,200	22,800	23,400
Paid by Kentucky	19,200	19,200	19,200	19,200	19,200	19,200	19,200	19,200	19,200	19,200
Add'l Cost to Student	-	-	500	1,000	1,500	2,000	2,500	3,000	3,600	4,200

Reduce Spaces

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Cost Per Seat	19,200	19,200	19,700	20,200	20,700	21,200	21,700	22,200	22,800	23,400
Year 4 Students	11	11	11	11	11	9	10	10	10	9
Year 3 Students	11	11	11	11	9	10	10	10	9	9
Year 2 Students	11	11	11	9	10	10	10	9	9	9
Year 1 Students	11	11	9	10	10	10	9	9	9	9
	44	44	42	41	40	39	39	38	37	36
Total Cost	844,800	844,800	827,400	828,200	828,000	826,800	846,300	843,600	843,600	842,400

Funding Cut Scenarios - 6% cut in 2021 - 2% cuts each year thereafter

Shift Cost to Students

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Cost Per Seat	19,200	19,200	19,700	20,200	20,700	21,200	21,700	22,200	22,800	23,400
Paid by Kentucky	19,200	19,200	18,000	17,600	17,200	16,900	16,600	16,300	16,000	15,700
Add'l Cost to Student	-	-	1,700	2,600	3,500	4,300	5,100	5,900	6,800	7,700

Reduce Spaces

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Cost Per Seat	19,200	19,200	19,700	20,200	20,700	21,200	21,700	22,200	22,800	23,400
Year 4 Students	11	11	11	11	11	8	9	9	10	6
Year 3 Students	11	11	11	11	8	9	9	10	6	8
Year 2 Students	11	11	11	8	9	9	10	6	8	7
Year 1 Students	11	11	8	9	9	10	6	8	7	9
	44	44	41	39	37	36	34	33	31	30
Total Cost	844,800	844,800	807,700	787,800	765,900	763,200	737,800	732,600	706,800	702,000