

Council on Postsecondary Education
February 1, 2008

2008-10 Executive Budget Recommendation Summary

Fiscal Environment

- On Tuesday, January 29, 2008, Governor Beshear released his 2008-10 Executive Budget recommendation.
- Due to an unprecedented and challenging fiscal environment for the Commonwealth, the Governor recommended significant cuts in many areas of state government.
- Postsecondary and adult education received the worst-case scenario with a 12 percent budget reduction in 2008-10, which is in addition to the 3 percent reduction in FY08.
- Governor Beshear did mention that “if and when additional resources become available, higher education should be a top priority for new funds.”
- See **Attachment A** for additional details from the Executive Budget Briefing.

Institution Operations

- The Executive Budget for 2008-10 recommended a decrease in General Funds of 12 percent or approximately \$127 million in FY09 for postsecondary education institutions, which was flat-lined in FY10. This is in addition to the 3 percent cut or \$32.5 million reduction in 2007-08.
- With these budget cuts, General Fund support for public postsecondary education is reduced to pre-reform funding levels when adjusted for inflation.
- The Executive Budget did include \$60 million for the Bucks for Brains Endowment Match Program, \$33.3 million for UK, \$16.6 million for UofL, and \$10 million for the comprehensive universities.
- See **Attachment B** for details by institution.

Council Operations

- The Executive Budget also recommended a decrease of 12 percent for Council General Funds or approximately \$7 million.
- The recommendation cut funding for Council operations and eliminated or significantly reduced a number of pass-through programs and strategic initiatives and funding programs.
- See **Attachment C** for details.

Capital

- The Executive Budget included General Fund debt service for \$113.7 million in state funded capital projects; all but the replacement of Morehead’s boiler project were originally authorized in the 2006 session but vetoed.
- Included in the capital projects list for 2008-10 were \$13.9 million for capital renewal, \$10 million for information technology, and \$6 million for UK and UofL lab renovations and research equipment.
- The recommendation also allows the institutions to fund with agency bonds another \$519.5 million in capital projects.
- See **Attachment D** for details on the capital projects.

Financial Aid

- Kentucky’s two major need-based student financial aid programs, the College Access Program (CAP) and the Kentucky Tuition Grant Program (KTG), were spared from spending reductions in the Executive Budget recommendation in both years of the 2008-10 biennium.
- The Kentucky Educational Excellence Scholarship (KEES), the merit-based program, was reduced by approximately \$13 million in 2008-10.

Executive Budget Briefing

Governor Steven L. Beshear

FY 2008 - 2010
January 29, 2008

General Fund

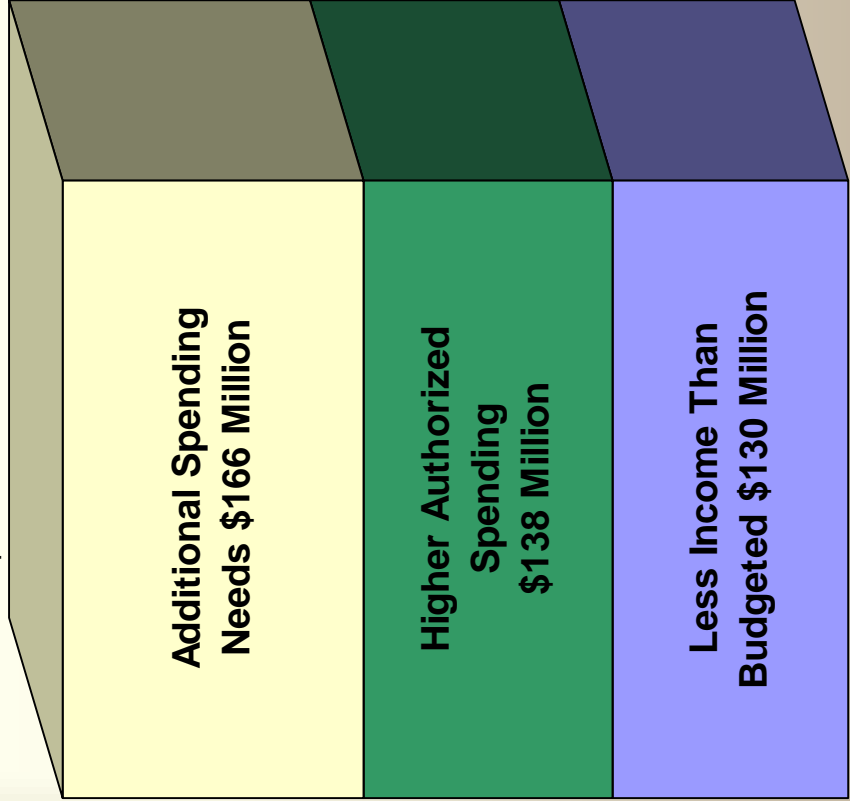
CFG Revenue Estimates

| | <u>FY07</u> Actual | <u>FY08</u> Estimate | <u>FY09</u> Estimate | <u>FY10</u> Estimate |
|---------------------------|-----------------------|-------------------------|-------------------------|-------------------------|
| Sales & Use | 2,817.7 | 2,897.6 | 2,969.1 | 3,057.5 |
| Individual Income | 3,041.5 | 3,370.0 | 3,472.8 | 3,629.7 |
| Corporation Inc & LLET* | 999.8 | 644.5 | 622.3 | 619.2 |
| Coal Severance | 222.0 | 223.7 | 223.7 | 224.0 |
| Cigarette & OTP | 177.4 | 179.7 | 179.3 | 178.2 |
| Property | 492.5 | 497.0 | 518.9 | 542.3 |
| Lottery | 186.6 | 187.5 | 191.5 | 195.0 |
| Other | <u>636.3</u> | <u>633.1</u> | <u>646.0</u> | <u>650.4</u> |
| Total General Fund | 8,573.8 | 8,633.0 | 8,823.6 | 9,096.3 |
| % Increase | 2.4% | 0.7% | 2.2% | 3.1% |

FY 08 Outlook in Early January

“The Problem”

Total Budget Shortfall
\$434 Million



“The Solution”

Balance to be Addressed in Budget Recommendation



Budget Approach

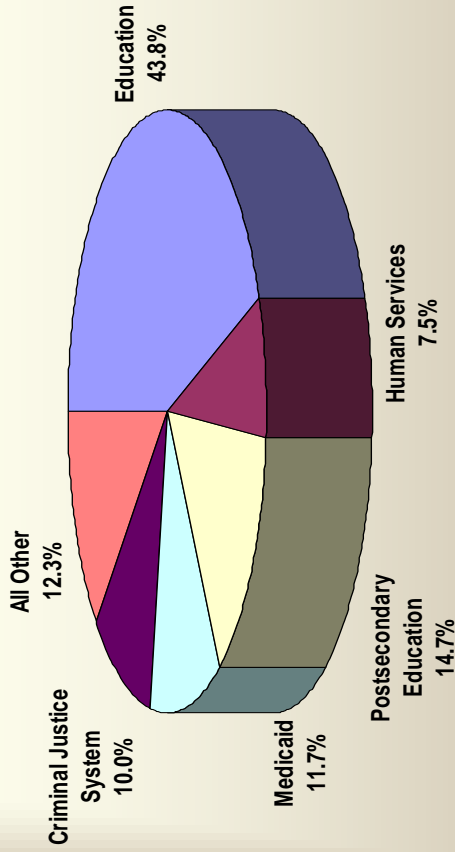
- Assessed the Gap Between Existing Spending Levels and Projected Revenues
- Identified Additional Resources
- Identified “Needs” for Additional Spending
- Determined Reduction Levels Necessary to Balance
- Identified Priorities for Preserving Funding
- Evaluated Impacts of Potential Reductions

Postsecondary Education

- Need-Based Student Financial Aid Not Reduced
- Restore Vetoed Projects from 2006
- Authorize All University Agency Fund Bond Projects Requested
- Authorize \$60 Million for "Bucks for Brains"

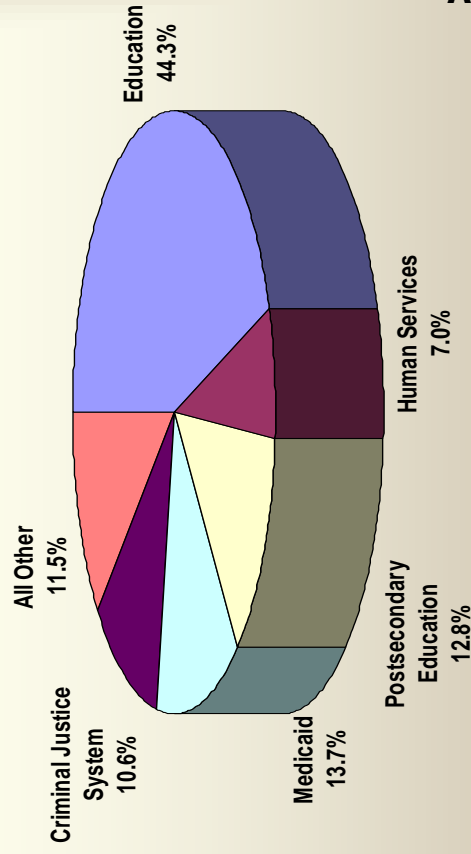
Where Does the General Fund Go?

FY 2006 – 2008
(Enacted 2006)



Total = \$18.1 Billion

FY 2008 – 2010



Total = \$18.5 Billion

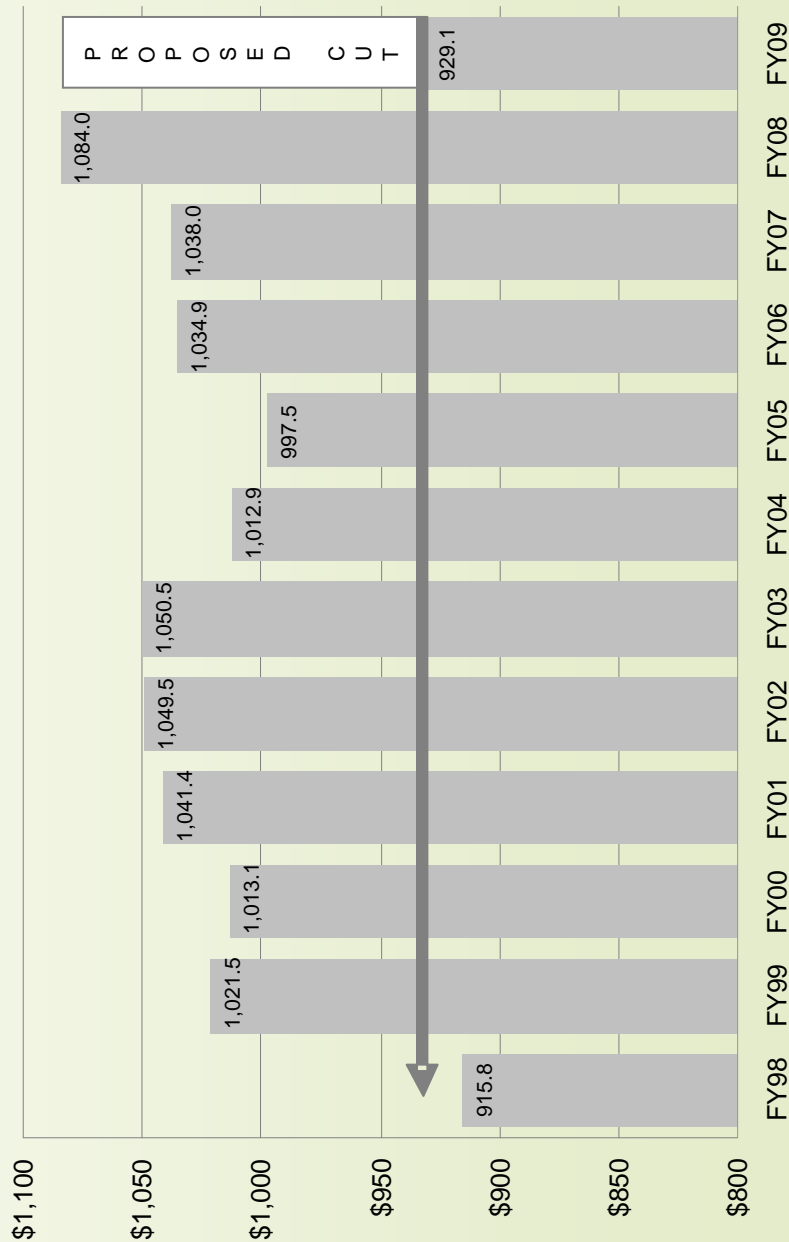
Note: Debt Service is reflected in "All Other" in Finance Cabinet in biennium after appropriated

Capital Investment Program

- Honoring Prior Commitments
 - Restore Vetoed Bond Projects from 2006
 - \$100 Million for School Facilities Construction
 - \$18 Million to Complete Statewide Public Safety Communications Network
- Investing in Critical Needs
- Providing Flexibility for Universities
 - Authorize ALL Requested Agency Bond Projects

Governor's recommended FY09 General Fund appropriations to postsecondary institutions

In millions, inflation adjusted to 2008 dollars



Source: Council on Postsecondary Education

**Analysis of HB 406 2008-10 Executive Budget
State General Fund Appropriations**

| | FY08 | | | FY 09 | | FY10 | |
|--------------------------------------|----------------------|-----------------------|----------------------------|------------------------------------|---------------------------------------|------------------------------------|---------------------------------------|
| | Enacted | Revised for 3% Cut | Difference From Enacted | Executive Budget Recommendation | Difference From 2007-08 Enacted | Executive Budget Recommendation | Difference From 2007-08 Enacted |
| Institutions | | | | | | | |
| Eastern Kentucky University | 80,230,200 | 77,837,400 | (2,392,800) | 70,264,500 | (9,965,700) | 70,284,300 | (9,945,900) |
| Kentucky State University | 28,349,000 | 27,525,700 | (823,300) | 24,513,100 | (3,835,900) | 24,512,100 | (3,836,900) |
| Morehead State University | 48,697,600 | 47,251,500 | (1,446,100) | 42,456,600 | (6,241,000) | 42,331,800 | (6,365,800) |
| Murray State University | 56,068,700 | 54,386,600 | (1,682,100) | 48,030,900 | (8,037,800) | 48,030,900 | (8,037,800) |
| Northern Kentucky University | 55,330,000 | 53,677,000 | (1,653,000) | 50,068,200 | (5,261,800) | 50,077,700 | (5,252,300) |
| University of Kentucky | 337,016,500 | 326,964,400 | (10,052,100) | 290,879,100 | (46,137,400) | 290,912,400 | (46,104,100) |
| University of Louisville | 191,346,100 | 186,288,900 | (5,057,200) | 172,600,700 | (18,745,400) | 172,406,400 | (18,939,700) |
| Western Kentucky University | 86,396,200 | 83,842,700 | (2,553,500) | 74,815,500 | (11,580,700) | 75,103,600 | (11,292,600) |
| KCTCS | 228,704,900 | 221,843,800 | (6,861,100) | 196,246,900 | (32,458,000) | 196,246,900 | (32,458,000) |
| Total Institutions | 1,112,139,200 | 1,079,618,000 | (32,521,200) | 969,875,500 | (142,263,700) | 969,906,100 | (142,233,100) |
| CPE | 89,017,300 | 87,029,100 | (1,988,200) | 52,090,800 | (36,926,500) | 61,814,700 | (27,202,600) |
| KHEAA | 175,050,400 | 175,050,400 | 0 | 165,750,300 | (9,300,100) | 166,266,300 | (8,784,100) |
| Total Postsecondary Education | 1,376,206,900 | 1,341,697,500 | (34,509,400) | 1,187,716,600 | (188,490,300) | 1,197,987,100 | (178,219,800) |

**Analysis of HB 406 2008-10 Executive Budget
State General Fund Appropriations**

| | FY 09 | | | FY 10 | | |
|--------------------------------------|-----------------------|------------------------------------|----------------------|-----------------------|------------------------------------|----------------------|
| | CPE Recommendation | Executive Budget Recommendation | Difference | CPE Recommendation | Executive Budget Recommendation | Difference |
| Institutions | | | | | | |
| Eastern Kentucky University | 87,222,000 | 70,264,500 | (16,957,500) | 92,077,500 | 70,284,300 | (21,793,200) |
| Kentucky State University | 30,469,500 | 24,513,100 | (5,956,400) | 31,869,200 | 24,512,100 | (7,357,100) |
| Morehead State University | 52,968,200 | 42,456,600 | (10,511,600) | 55,645,800 | 42,331,800 | (13,314,000) |
| Murray State University | 60,021,900 | 48,030,900 | (11,991,000) | 63,371,600 | 48,030,900 | (15,340,700) |
| Northern Kentucky University | 63,851,300 | 50,068,200 | (13,783,100) | 69,398,500 | 50,077,700 | (19,320,800) |
| University of Kentucky | 359,544,800 | 290,879,100 | (68,665,700) | 375,412,800 | 290,912,400 | (84,500,400) |
| University of Louisville | 207,528,100 | 172,600,700 | (34,927,400) | 220,332,400 | 172,406,400 | (47,926,000) |
| Western Kentucky University | 93,360,100 | 74,815,500 | (18,544,600) | 98,372,900 | 75,103,600 | (23,269,300) |
| KCTCS | 253,051,300 | 196,246,900 | (56,804,400) | 278,978,900 | 196,246,900 | (82,732,000) |
| Total Institutions | 1,208,017,200 | 969,875,500 | (238,141,700) | 1,285,459,600 | 969,906,100 | (315,553,500) |
| CPE | 91,706,300 | 52,090,800 | (39,615,500) | 207,071,600 | 61,814,700 | (145,256,900) |
| KHEAA | 297,077,800 | 165,750,300 | (131,327,500) | 312,198,200 | 166,266,300 | (145,931,900) |
| Total Postsecondary Education | 1,596,801,300 | 1,187,716,600 | (409,084,700) | 1,804,729,400 | 1,197,987,100 | (606,742,300) |

**Council Operations
2008-10 General Funds Budget**

| Council on Postsecondary Education | Revised 2007-08 General Fund | 2008-09 CPE Request | 2008-09 Executive Budget Recommendation | Difference | 2009-10 CPE Request | 2009-10 Executive Budget Recommendation | Difference |
|---|---|--------------------------------|--|-------------------|--------------------------------|--|--------------------|
| | (A) | (B) | (A-B) | (C) | (D) | (C-D) | |
| Base operations | \$8.9 M | \$10.4 M | \$8.7 M | (\$1.7 M) | \$11.0 M | \$8.7 M | (\$2.3 M) |
| Pass-through programs | \$6.2 M | \$6.4 M | \$4.4 M | (\$2.0 M) | \$6.6 M | \$4.4 M | (\$2.2 M) |
| Strategic initiatives and incentive funding programs | | | | | | | |
| Kentucky Adult Education | \$25 M | \$27 M | \$22 M | (\$5 M) | \$29 M | \$22 M | (\$7 M) |
| Research Challenge Trust Fund | | | | | \$16 M | \$0 | (\$16 M) |
| Reg Univ Excell Trust Fund | | | | | \$4.3 M | \$0 | (\$4.3 M) |
| Technology Initiative Trust Fund | \$6.0 M | \$10.1 M | \$6.8 M | (\$3.3 M) | \$19.4 M | \$6.8 M | (\$12.6 M) |
| Physical Facilities Trust Fund | \$22.5 M | | | | \$67.1 M | \$9.7 M | (\$57.4 M) |
| Post. Workforc Dev Trust Fund | \$1.2 M | Transferred | Transferred | | \$1.1 M | \$0 | (\$1.1 M) |
| Science & Tech Funding Prgm | \$10.6 M | \$19.6 M | \$8.2 M | (\$11.4 M) | \$19.6 M | \$8.2 M | (\$11.4 M) |
| Regional Stewardship | \$3.6 M | \$2.1 M | \$1.5 M | (\$.6 M) | \$2.1 M | \$1.5 M | (\$.6 M) |
| Research Support | \$3 M | Transferred | Transferred | | Transferred | Transferred | |
| Special Initiatives Funding Prgm | \$1 M | \$9.1 M | \$0 | (\$9.1 M) | \$9.1 M | \$0 | (\$9.1 M) |
| Performance Funding Program | \$1 M | \$6 M | \$.5 M | (\$5.5 M) | \$21 M | \$.5 M | (\$20.5 M) |
| GEAR UP | \$0 | \$1 M | \$0 | (\$1 M) | \$1 M | \$0 | (\$1 M) |
| Subtotal | \$73.9 M | \$74.9 M | \$39 M | (\$35.9 M) | \$189.7 M | \$48.7 M | (\$ 141 M) |
| Total | \$89.0 M | \$91.7 M | \$52.1 M | (\$39.6 M) | \$207.3 M | \$61.8 M | (\$145.3 M) |

**COUNCIL ON POSTSECONDARY EDUCATION
2008-10 CAPITAL PROJECTS RECOMMENDATIONS**

Revised: January 29, 2008

| Institution/Project Name | Vetoed | Council Recom | Ex. Budget Recom | 2008-10 Executive Budget Recommendation | | |
|---|--------|------------------|---------------------|---|---------------------|-----------------------|
| | | | | State Bonds | Other Funds | Total |
| GENERAL FUND PROJECTS | | | | | | |
| University of Kentucky | | | | | | |
| 1 Expand and Upgrade Livestock Disease Diagnostic Center-Phase II | X | X | X | \$ 13,500,000 | \$ | 13,500,000 |
| Eastern Kentucky University | | | | | | |
| 1 EKU-UK Dairy Research Project-Meadowbrook Farm | X | X | X | 5,300,000 | | 5,300,000 |
| Kentucky State University | | | | | | |
| 1 Expand and Renovate Betty White Nursing Building | X | X | X | 4,900,000 | | 4,900,000 |
| Morehead State University | | | | | | |
| 1 Business Continuance Datacenter | X | | X | \$ 2,500,000 | \$ | 2,500,000 |
| 2 Replace Power Plant Pollution Control System & Boiler Tube | | | X | 5,700,000 | | 5,700,000 |
| Subtotal | | | | \$ 8,200,000 | \$ - | \$ 8,200,000 |
| Western Kentucky University | | | | | | |
| 1 Renovate Science Campus-Phase III | X | X | X | 9,000,000 | 6,000,000 | 15,000,000 |
| 2 Construct Materials Characterization Center/ICSET-Ph II | X | X | X | 4,500,000 | 600,000 | 5,100,000 |
| 3 Replace Ford College of Business-Grise Hall Phase I | X | | X | 5,800,000 | | 5,800,000 |
| Subtotal | | | | \$ 19,300,000 | \$ 6,600,000 | \$ 25,900,000 |
| Kentucky Community and Technical College System | | | | | | |
| 1 Cynthiana-Licking Valley Campus-Phase II-Maysville CTC | X | | X | \$ 1,000,000 | \$ | 1,000,000 |
| 2 Construct Carrollton Campus-Jefferson CTC | X | | X | 12,000,000 | | 12,000,000 |
| 3 Energy and Advanced Technology Center-Madisonville CC | X | | X | 4,000,000 | | 4,000,000 |
| 4 Advanced Technology Center-Owensboro CTC - Completion | X | X | X | 14,055,000 | | 14,055,000 |
| 5 Rowan County Campus-Planning and Design (Maysville CTC) | X | | X | 1,500,000 | | 1,500,000 |
| Subtotal | | | | \$ 32,555,000 | \$ - | \$ 32,555,000 |
| Statewide Pools - CPE | | | | | | |
| 1 Capital Renewal and Maintenance Pool | X | X | X | \$ 13,927,000 | \$ | 13,927,000 |
| 2 Information Technology and Equipment Acquisitions | X | X | X | 10,000,000 | | 10,000,000 |
| 3 Research Support/Lab Renovation & Equipment | X | X | X | 6,000,000 | | 6,000,000 |
| Subtotal | | | | \$ 29,927,000 | \$ - | \$ 29,927,000 |
| Total - General Fund Projects | | | | \$ 113,682,000 | \$ 6,600,000 | \$ 120,282,000 |

Notes:

- 1 Language is included in the Executive Budget to allow Murray State University to spend \$15 million authorized by the 2006 G. A. to complete the Chemistry building.
- 2 The Executive Budget, with exception of the MoSU Boiler Plant project, only addresses the projects authorized by the 2006 session of the G.A but vetoed.

**COUNCIL ON POSTSECONDARY EDUCATION
2008-10 CAPITAL PROJECTS RECOMMENDATIONS**

| Institution/Project Name | Vetoed | Council Recom | Ex. Budget Recom | 2008-10 Executive Budget Recommendation | | |
|---|--------|------------------|---------------------|---|---------------------|-----------------------|
| | | | | Agency Bonds | Other Funds | Total |
| AGENCY BOND PROJECTS | | | | | | |
| University of Kentucky | | | | | | |
| 1 Construct New Housing | | X | X | \$ 28,000,000 | \$ | 28,000,000 |
| 2 Renovate Blazer Hall Cafeteria | X | X | X | 2,800,000 | | 2,800,000 |
| 3 Renovate Student Center Food Court | | X | X | 2,675,000 | | 2,675,000 |
| 4 Sanitary Sewer Expansion | | X | X | 10,000,000 | | 10,000,000 |
| 5 Upgrade Existing Dorms for Housing | | | X | 7,000,000 | | 7,000,000 |
| Subtotal | | | | \$ 50,475,000 | \$ - | \$ 50,475,000 |
| University of Louisville | | | | | | |
| 1 Construct - HSC Research III (Additional) | | X | X | \$ 15,800,000 | \$ | 15,800,000 |
| 2 Construct - HSC Parking Structure II | X | X | X | 30,700,000 | | 30,700,000 |
| 3 Expand - Student Activities Center | | X | X | 9,960,000 | | 9,960,000 |
| 4 Construct - Westside Dining Facility | | X | X | 5,370,000 | | 5,370,000 |
| 5 Expand & Renovate Dental School | | X | X | 38,700,000 | \$ 4,000,000 | 42,700,000 |
| 6 Construct HSC Parking Structure III | | X | X | 38,735,000 | | 38,735,000 |
| 7 Purchase Central Station Property | | X | X | 9,000,000 | | 9,000,000 |
| Subtotal | | | | \$ 148,265,000 | \$ 4,000,000 | \$ 152,265,000 |
| Eastern Kentucky University revised | | | | | | |
| 1 Renovate Residence Hall | | X | X | \$ 10,000,000 | \$ | 10,000,000 |
| 2 Construct New Student Housing | X | X | X | 21,000,000 | | 21,000,000 |
| Subtotal | | | | \$ 31,000,000 | \$ - | \$ 31,000,000 |
| Kentucky State University | | | | | | |
| 1 Construct Parking Structure | X | X | X | \$ 7,000,000 | \$ | 7,000,000 |
| Morehead State University | | | | | | |
| 1 Capital Renewal & Maintenance Pool - Auxiliary | | X | X | \$ 1,383,000 | \$ | 1,383,000 |
| 2 Construct Campus Recreation Center | X | X | X | 39,000,000 | | 39,000,000 |
| 3 Renovate Alumni Tower Residence Hall | | X | X | 4,631,000 | | 4,631,000 |
| 4 Construct Food Svcs Facility in Housing Complex | | X | X | 8,251,000 | | 8,251,000 |
| 5 Construct Parking Structure | | X | X | 7,000,000 | | 7,000,000 |
| 6 Renovate Mignon Tower Residence Hall | | X | X | 5,682,000 | | 5,682,000 |
| 7 Comply with ADA - Auxiliary | | X | X | 2,727,000 | | 2,727,000 |
| Subtotal | | | | \$ 68,674,000 | \$ - | \$ 68,674,000 |

**COUNCIL ON POSTSECONDARY EDUCATION
2008-10 CAPITAL PROJECTS RECOMMENDATIONS**

| Institution/Project Name | Vetoed | Council Recom | Ex. Budget Recom | 2008-10 Executive Budget Recommendation | | |
|--|--------|------------------|---------------------|---|----------------------|-----------------------|
| | | | | Agency Bonds | Other Funds | Total |
| AGENCY BOND PROJECTS | | | | | | |
| Murray State University | | | | | | |
| 1 Replace Franklin Hall | X | X | X | \$ 15,000,000 | \$ | 15,000,000 |
| 2 Replace Richmond Hall - Add'l | | X | X | 1,923,000 | | 1,923,000 |
| 3 Renovate White Hall | | X | X | 9,600,000 | | 9,600,000 |
| 4 Complete Capital Renewal: H&D Pool \$600,000 | | X | X | 7,617,000 | | 7,617,000 |
| 5 Renovate Regents Hall | | X | X | 10,200,000 | | 10,200,000 |
| 6 Abate Asbestos H&D Pool | | X | X | 1,423,000 | | 1,423,000 |
| 7 Renovate Curris Center T'Room & Food Service Equip | X | X | X | 908,000 | | 908,000 |
| 8 Complete ADA Compliance H&D Pool \$600,000 | | X | X | 744,000 | | 744,000 |
| 9 Renovate Buildings H&D Pool \$600,000 | | X | X | 605,000 | | 605,000 |
| 10 Complete Life Safety Projects H&D Pool \$600,000 | | X | X | 388,000 | | 388,000 |
| Subtotal | | | | \$ 48,408,000 | \$ - | \$ 48,408,000 |
| Northern Kentucky University | | | | | | |
| 1 Acquire & Renovate Residence Halls (Current Year Auth) | X | X | X | \$ 23,500,000 | \$ | 23,500,000 |
| 2 Construct Parking Garage #4 | | X | X | 11,500,000 | | 11,500,000 |
| 3 Construct/Acquire New Residence Hall | | X | X | 30,000,000 | | 30,000,000 |
| 4 Renovate/Expand Norse Commons | X | X | X | 7,000,000 | | 7,000,000 |
| Subtotal | | | | \$ 72,000,000 | \$ - | \$ 72,000,000 |
| Western Kentucky University | | | | | | |
| 1 Van Meter Hall Renovation | X | X | X | \$ 18,400,000 | \$ 2,760,000 | \$ 21,160,000 |
| 2 Ivan Wilson Fine Arts Center Expansion Ph I | X | X | X | 9,200,000 | 1,380,000 | 10,580,000 |
| 3 Acquire Property and Construct Parking Lots | X | X | X | 4,600,000 | 690,000 | 5,290,000 |
| 4 Expand Preston Center | X | X | X | 11,500,000 | 1,725,000 | 13,225,000 |
| 5 Renovate Downing University Center Phase III | | X | X | 46,000,000 | 2,000,000 | 48,000,000 |
| 6 Renovate Garrett Conference Center Phase I | | X | X | 4,000,000 | 6,300,000 | 10,300,000 |
| 7 Subtotal | | | | \$ 93,700,000 | \$ 14,855,000 | \$ 108,555,000 |
| Total Agency Bond Authority | | | | \$ 519,522,000 | \$ 18,855,000 | \$ 538,377,000 |

Notes:

1 The Executive Budget includes all agency bond projects requested by postsecondary education institutions in the 2008-10 biennial request.