

**Council on Postsecondary Education
September 10, 2009**

2009-10 Agency Operating Budget

In late August 2009, the Office of the State Budget Director notified Council staff that consistent with the Governor's pro-education agenda, Kentucky Adult Education (statewide adult education provider program funds) and Kentucky's contract spaces program (student financial aid that pays the difference between in-state and out-of-state tuition for Kentucky students who enroll in veterinary and optometry programs out-of-state) are being exempted from the current round of budget cuts for 2009-10 (FY10).

Excluding these two statewide educational programs, the rest of the Council's General Fund budget for FY10 is expected to be reduced \$952,500.

ACTION: The staff recommends that the Council approve the proposed 2009-10 agency operating budget.
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The following FY10 agency operating budget provides a summary of revenues and expenditures proposed for the new fiscal year, as well as comparative information from FY09. A more technical and detailed version of the proposed FY10 agency budget is available upon request.

Traditionally, most attention is paid to CPE's recurring General Fund appropriation and the corresponding expenditures.

However, it is important to note that CPE's total agency budget does include other sources of revenue including tobacco settlement funds and cigarette tax revenue that support cancer research, trust funds that provide incentives for institutions to enhance various strategic initiatives, federal funds that support Kentucky's Adult Education programs, Kentucky GEAR UP, teacher quality grants, and miscellaneous agency receipts. All of these various funds have traditionally been channeled through CPE from an accounting and budgetary perspective.

The proposed FY10 agency operating budget is divided into two parts:

- 1) Statewide Coordination
- 2) Statewide Educational Programs and Services
 - o Kentucky Adult Education Statewide Administration and Instruction
 - o Student Assistance and Educational Support
 - o Technology and Academic Support
 - o Research and Economic Development

Statewide Coordination

The budget for statewide coordination supports the traditional expenditures associated with a postsecondary education coordinating board, including funds spent for policy leadership, strategic planning, regulation of the state’s postsecondary education system, finance (including biennial budget preparation and tuition setting), administrative services, communications, academic affairs and program review, economic and STEM initiatives, and information, research, and technology.

FY10 Budget Highlights

- Only about 12 percent of the FY10 agency General Fund appropriation is allocated to statewide coordination while the other 88 percent is allocated to statewide educational programs and services.
- As with most service agencies, salaries and benefits account for the largest portion of the statewide coordination budget (80 percent), which currently supports 61 staff members (58 full-time and three part-time). This does not include state level coordination of Kentucky Adult Education (KYAE).
- Council staff (excluding KYAE staff) has been reduced by 11 people since FY08.
- Travel expenses, cut by 23 percent over the past two years, will be cut another 11 percent in FY10.
- Most other operating budget items, such as rent, utilities, office supplies, etc., were basically flat-lined for FY10.

Table 1: Statewide Coordination		
	FY09 Actual	FY10 Budgeted
REVENUE		
General Fund	\$6,484,480	\$6,465,000
Restricted	\$602,400	\$452,100
Agency Receipts		
Total	\$7,086,880	\$6,917,100
EXPENDITURES		
Salaries and Benefits	\$5,569,807	\$5,524,300
Other Professional Services	\$287,731	\$167,000
Rent and Utilities	\$432,595	\$433,500
Travel	\$123,679	\$110,000
Technology and Equipment	\$372,932	\$389,200
Statewide Dues	\$113,876	\$114,000
Other Operating Expenses	\$186,260	\$179,100
Total	\$7,086,880	\$6,917,100

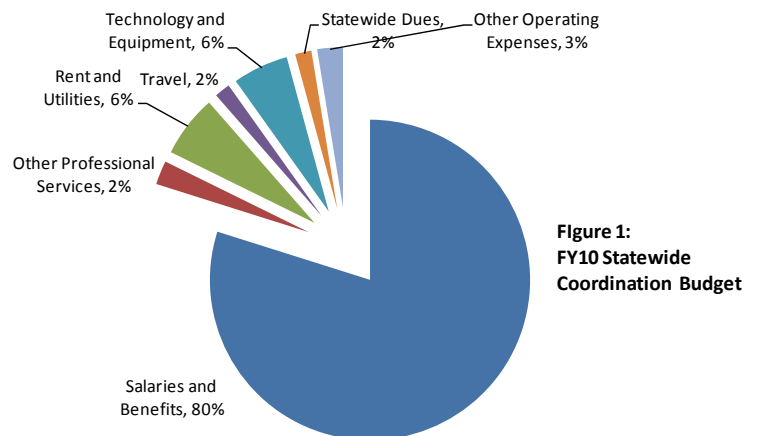


Figure 1: FY10 Statewide Coordination Budget

Kentucky Adult Education Statewide Administration and Instruction

Kentucky Adult Education was transferred to the Council in 2003. Comprehensive adult education programs are offered in every Kentucky county. Services range from all levels of adult education instruction to ESL, family literacy, corrections education, and workforce education.

In recent years, the Council consolidated various KYAE administrative functions and centralized a number of key support functions with other Council operations. However, for the budget display highlighted below, only the salaries and benefits for statewide coordination are included in the expenditure totals.

FY10 Budget Highlights

- General Funds account for 74.5 percent of KYAE’s program budget and federal funds account for 24.6 percent.
- Approximately 90 percent of KYAE program funds are distributed to the local adult education providers, while 5 percent support salary and benefits for statewide coordination, and another 5 percent support statewide programs and services.
- General Fund appropriations support approximately 23 staff members that work under the Council and provide statewide coordination and leadership for KYAE. KYAE’s staff has been reduced by four (4) since FY08.
- The combination of prudent fiscal management of federal funds and the adult education funding program have helped KYAE minimize the impact of previous cuts on statewide adult education providers.

Table 2: KYAE Statewide Administration and Instruction		
	FY09 Actual	FY10 Budgeted
REVENUE		
General Funds	\$24,339,220	\$24,226,280
Federal Funds	\$7,964,970	\$8,000,000
Other	\$153,980	\$252,000
Total	\$32,458,170	\$32,478,280
EXPENDITURES		
Statewide Coordination Salary and Benefits	\$1,754,220	\$1,641,280
Program Support	\$28,814,859	\$28,900,000
System Support	\$1,573,587	\$1,519,000
Evening Programs at Correctional Facilities	\$153,980	\$252,000
Administration/Other	\$161,524	\$166,000
Total	\$32,458,170	\$32,478,280

Student Assistance and Educational Support

Kentucky's contract spaces program accounts for approximately 84 percent of the budget for student assistance and educational support. Since the Commonwealth does not have professional schools in veterinary medicine and optometry, the contract spaces program provides Kentucky students with access to training spaces in these two professional programs through contracts with SREB and Indiana University. This area of the budget also supports a small number of educational and college preparation programs that mostly serve under-represented and at-risk youth and young adults.

FY10 Budget Highlights

- Additional recurring General Funds were allocated in FY10 to support 154 veterinary contract spaces (Kentucky students) and 44 optometry students. Unanticipated increases in tuition during FY09 resulted in significant budget pressure in this area which is now relieved with these additional resources.
- Due to the 4 percent reduction in CPE's total General Fund in FY10, all other programs in this area will receive a similar 4 percent cut in FY10 and will further reduce the number of students served by these programs.

Table 3: Student Assistance and Educational Support		
	FY09 Actual	FY10 Budgeted
REVENUE		
General Funds	\$4,974,600	\$5,583,000
Restricted Agency Receipts	\$399,610	\$343,900
Other	\$102,550	\$0
Total	\$5,476,760	\$5,926,900
EXPENDITURES		
Contract Spaces Program	\$4,180,350	\$4,686,100
Professional Education Preparation Program	\$341,500	\$327,800
Governor's Minority Student College Preparation Program	\$349,760	\$334,500
State Autism Training Center	\$170,400	\$163,600
SREB Doctoral Scholars Program	\$280,600	\$276,900
Washington Internship Program	\$54,150	\$88,000
P-16 Council	\$100,000	\$50,000
Total	\$5,476,760	\$5,926,900

Technology and Academic Support

There are a number of statewide academic support programs and services provided for in the FY10 agency operating budget. Many of these are funded predominantly with General funds and include substantial technology investments for postsecondary network connections, software, and licenses for the Kentucky Virtual Campus and Virtual Library, statewide faculty development, college outreach work, and college-level learning assessments.

Kentucky's educational system also benefits from several federally funded academic grant programs. Kentucky GEAR UP serves at-risk students and influences their educational choices through enhanced guidance and support. The Improving Educator Quality (IEQ) grant focuses on increasing the academic achievement of all students through professional development initiatives that ensure K-12 teachers and administrators are highly qualified.

FY10 Budget Highlights

- Statewide technology and academic support initiatives supported by General Funds were reduced by 4 percent due to the overall cut to CPE's agency budget in FY10.
- Both Kentucky GEAR UP and Kentucky's Improving Educator Quality Grant Program are expected to see slight increases in federal funds during FY10.
- A number of the larger discrepancies between FY09 actual and FY10 budgeted are the result of funds carried forward due to contractual timing issues.

Table 4: Technology and Academic Support

	FY09 Actual	FY10 Budgeted
REVENUE		
General Funds	\$5,982,800	\$5,743,500
Federal Funds	\$4,551,337	\$5,550,000
Restricted Agency Receipts	\$1,397,038	\$1,050,000
Carry Forward Funds	\$906,178	\$3,121,170
Trust Fund Interest	\$49,786	\$45,000
Total	\$12,887,139	\$15,509,670
EXPENDITURES		
Statewide Technology Services		
Kentucky Postsecondary Education Network	\$4,000,132	\$3,183,336
Kentucky Virtual Campus/Virtual Library	\$2,990,563	\$4,176,237
Faculty Development	\$27,956	\$71,325
College Access Initiative	\$381,206	\$151,307
College Level Learning Assessment	\$107,116	\$253,684
Other Technology Trust Fund Initiatives	\$412,824	\$1,693,703
Other Grant Funded Initiatives	\$416,005	\$430,078
Kentucky GEAR UP Program (Federally Funded)		
Host Institutions and Other Partners	\$1,839,376	\$2,671,600
Administrative and Centralized Services	\$1,622,567	\$1,328,400
Improving Educator Quality Grant (Federally Funded)		
IEQ Sub-Grants	\$1,029,298	\$1,476,200
IEQ Administrative Costs	\$60,096	\$73,800
Total	\$12,887,139	\$15,509,670

Research and Economic Development

The Council's FY10 agency operating budget includes a number of significant, statewide research and economic development initiatives. Funds for these initiatives originate from various sources, including General Funds, tobacco settlement funds, one cent per pack from the state cigarette tax, and trust funds.

The majority of the Science and Technology Fund Program is channeled through the Kentucky Science and Technology Corporation (KSTC) to fund a number of new economy initiatives that promote research and economic development in all areas of the Commonwealth. The Endowment Match Program (Bucks for Brains), translational research at UofL, and significant investments in lung cancer and ovarian cancer research also are channeled through the Council's agency budget with various levels of accountability and reporting requirements.

FY10 Budget Highlights

- Bond funds to support \$60 million in Bucks for Brains are budgeted for FY10.
- UofL also has \$7.5 million in translational research budgeted for FY10.
- All research and economic development projects supported by General Fund appropriations in FY10 are reduced by the 4 percent budget reduction due to the overall cut in CPE's agency budget in FY10.
- For the first time, tobacco settlement funds were appropriated to support two capital projects at UK in FY10.

Table 5: Research and Economic Development		
	FY09 Actual	FY10 Budgeted
REVENUE		
General Funds	\$8,698,940	\$8,345,200
Bond Funds	\$0	\$67,500,000
Tobacco Settlement Funds	\$7,264,220	\$6,656,600
Cigarette Tax (1 cent per pack)	\$5,460,338	\$6,500,000
Total	\$21,423,498	\$89,001,800
EXPENDITURES		
Science and Technology Funding Program (KSTC)	\$6,862,943	\$6,589,950
P-16 Engineering Pipeline	\$315,000	\$302,400
Program Administration	\$80,997	\$70,450
Regional Stewardship Funding Program	\$1,440,000	\$1,382,400
Endowment Match Program		
UK and UofL	\$0	\$50,000,000
Comprehensive Universities	\$0	\$10,000,000
Translational Research (UofL)	\$0	\$7,500,000
Cancer Research Institutions Matching Fund	\$5,460,338	\$6,500,000
Lung Cancer Research (Tobacco Settlement Funds)	\$5,514,220	\$4,705,600
Ovarian Cancer Screening Program (Tobacco Settlement Funds)	\$1,750,000	\$975,000
UK Capital Projects – debt service (Tobacco Settlement Funds)	\$0	\$976,000
Total	\$21,423,498	\$89,001,800

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