

AGENDA

Council on Postsecondary Education

Monday, April 25, 2016

6:00 PM

Western Kentucky University - Augenstein Alumni Center, Rm 208

1. Welcoming and Opening Remarks
2. 2016 Legislative Session Summary 2
3. Other Business
4. Adjournment

Central Time

2016 Legislative Session Summary

The following legislation related to postsecondary education was adopted during the 2016 session. The bills were passed by both houses of the legislature and have been delivered to the Governor. Several bills have been signed, and the others are under consideration by the Governor, who has a ten day window to veto any non-budget bill in its entirety. Line-item veto authority applies only to appropriation bills.

While the information below provides some information about budgetary actions, see attached information regarding HB 303 (the Executive Branch Budget Bill) for more detailed information regarding specific budgetary action affecting the postsecondary campuses, Kentucky Adult Education, and CPE. HB 303 currently is under review by the Governor.

- **HB 10** – Specifies additional funding for the two need-based aid programs (the College Access Program and the Kentucky Tuition Grant Program) to replace lottery monies that are now being directed to the dual credit scholarship program and to the new Work Ready Scholarship Program (see details about these programs below).
 - CAP funding: \$76,051,700 in 16-17; \$78,723,800 in 17-18.
 - KTG funding: \$41,323,800 in 16-17; \$42,762,600 in 17-18.

According to KHEAA, these additional appropriations will fund the CAP program at about 90% of the statutorily required amount and KTG at 97%.

- **HB 15 – Board Governance Bill** - Requires the Council, in cooperation with the public campuses, to develop a comprehensive orientation and education program for new board members and continuing education programs for all board members.
 - For new members, the orientation must be at least six instruction hours to include the following information: the roles of the council and governing board members, the strategic agenda and the strategic implementation plan, and the respective institution's mission, budget and finances, strategic plans, and priorities, institutional policies and procedures, board fiduciary responsibilities, legal considerations including open records and open meetings requirements, and ethical considerations arising from board membership;
 - The orientation program must allow new members to complete the requirements electronically or in person.
 - New board members must complete the orientation within one year of appointment. The Council must provide an annual report to the Governor and General Assembly of all those new board members who do not complete required orientation.

- Private college and university board members must be invited to participate.
- The new law requires the Council to review and approve all existing board orientation programs at the public universities and KCTCS.
- **HB 80** – Increases General Assembly authorization from \$650,000 to \$1 million for some university capital construction projects (building completion, utility installation or technology acquisition or upgrade).
- **HB 276** – Allows institutions to implement a tuition policy that provides the resident rate of tuition to any member of a reserve component of the military.
- **HB 626 – Omnibus Workforce/Education/Scholarship Bill**
 1. **Work Ready Scholarship Program: (\$9.4 million in 16-17; \$15.9 million in 17-18)**
 - Provides “last dollar” funding for eligible students (state funding kicks in after all other federal and state aid is applied, excluding student loans and work-study);
 - The scholarship can be used for programs of study that lead to certificates, diplomas or associate’s degrees;
 - Eligible institutions include public universities, public two-year campuses, and non-profit private colleges and universities;
 - The price is set at that school’s in-state tuition and mandatory fees; By the 2020-2021 school year, eligible students must have earned 3 dual credit hours in high school to be eligible; 6 hours by 2021-2022; 9 hours by 2022-2023;
 - Students have to enroll right after graduating from high school, or if they get their GED, they must enroll by their 19th birthday;
 - The students must be enrolled and complete 15 credit hours, and must maintain a 2.5 cumulative GPA. If they do not earn the 2.5 GAP or do not complete the term for reasons that are not excused, the scholarship they received for that semester must be repaid;
 - They can “re-earn” the scholarship the following semester, but only if all outstanding debt to KHEAA is paid in full;
 - The student’s eligibility terminates after four semesters, earning an associate’s degree, or six semesters after high school graduation.
 2. **Dual Credit Scholarship Program (\$5 million 16-17; \$10 million 17-18)** - Eligible students must be juniors or seniors in a public or certified private high school. Institution offering dual credit may be a 2-year or 4-year public institution, or a private nonprofit college or university.

- The “dual credit rate” a participating institution may charge per class is capped at ½ of the in-state hourly tuition rate at KCTCS times three (currently $\$110 \times 3 = \330).
 - The maximum amount the dual credit scholarship may cover is 50% of the dual credit rate ($\$330 / 2 = \165 per course).
 - If the student is on free or reduced price lunch at any time in high school, the scholarship amount is the full dual credit rate. Non Free and Reduced Price Lunch students/families will be responsible for the other 50% ($\$165$ per course).
 - The scholarship may be applied to tuition, textbooks, and other required material expenses.
 - A student can receive the scholarship for a maximum of three dual credit courses while in high school.
3. **Performance Based Funding** - To be phased in over three years (5% of base higher education appropriation in 17-18, 15% in 18-19, 25% in 19-20). Accounts will be established for each campus (including each KCTCS campus). Amounts in accounts can be carried forward if the funds remain unearned. Additional detail, including information about the working group charged with developing the model, is included in the HB 303, the budget bill.
4. **Workforce Investment Fund (\$100 million - bonded)** - Capital investment to encourage workforce training through partnerships between education institutions (universities, KCTCS, schools) and private industry. Can include new construction, equipment or renovations. Establishes an advisory board and requires that it work in partnership with the Economic Development Cabinet to select and manage the development of the projects. The bill requires (1) at least 10 percent of projects shall be in Appalachia; (2) no more than 25 percent of funds may be used in any one congressional district, (3) at least one project be developed in each workforce region in each biennium, and (4) there is a minimum 10 percent private business partnership.
- **SB 140** – SARA Bill - Authorizes the Council to enter into the State Authorization Reciprocity Agreement (SARA), for the purpose of authorizing a postsecondary institution located in another state to provide distance education to Kentucky residents. CPE is required to serve as the lead or "portal" agency responsible for contact with other states on matters pertaining to interstate reciprocity agreements and the Council is required to promulgate administrative regulations. The bill will allow participating Kentucky institutions to streamline the regulatory hurdles they currently have to jump over if they wish to provide distance education to residents in other SARA member states. It also potentially expands educational offerings to Kentucky residents. Among the negatives of this legislation, Kentucky loses some control of quality, particularly as

it relates to setting high bars for faculty qualifications. According to SARA, accreditation, whether regional or national, shall suffice as a representation for sufficient quality.

- **SB 296** – Establishes Governor’s School for Entrepreneurs. The bill creates an advisory board for the School, which includes the president of CPE, the commissioner of education, and the secretary of the Cabinet for Education and Workforce Development (CEWD) on as ex-officio members. The bill requires the CEWD to contract with an entrepreneurship education organization to administer and operate the program.

Detailed information on the 2016 legislative session can be accessed from the Legislative Research Commission’s website: <http://www.lrc.ky.gov/record/16RS/record.htm>

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Enacted 2016-18 Biennial Budget (HB 303)

The following is a summary of the 2016-18 Biennial Budget (pending any Governor line item vetos) as the actions might apply to the postsecondary institutions.

Operating Funds

- HB 303 is silent on the Governor's budget stabilization plan with regards to the reductions in the current fiscal year for the postsecondary institutions. On April 20, the Governor's office restored all of KSU's current year reduction and restored 2.5% of the 4.5% taken from all of the other institutions.
- Includes a 4.5% reduction in 2016-17 for all institutions except KSU, again applied to the enacted 2015-16 net General Fund base, not the revised net General Fund base after the 4.5% cut. The 4.5% reduction is carried forward into the second year of the biennium (i.e., flat funding). KSU is again exempt from the 4.5% reduction in 2017-18.
- House Bill 626, passed by both chambers, requires 5% of the institutions' base funding to be placed in a performance fund in FY 2018. In FY 2019, the percentage of the base going into the fund grows to 15%, and in FY 2020 and going forward, the percentage is 25%. KSU is not included in the performance fund.
- Provides additional General Fund dollars in 2017-18 to NKU and WKU to address disparities in the allocation of state appropriations among the comprehensive postsecondary education institutions in the amounts of \$5,334,200 and \$2,588,000, respectively; then applies the 4.5% cut and performance reallocation.
- Provides an additional \$3,300,000 from the General Fund in each year to fully fund KSU's Land Grant match (an addition of \$569,500 to the funding level provided by the House.)
- Provides \$580,000 in additional General Fund in each fiscal year for MoSU's Craft Academy.
- Provides \$750,000 in General Fund for WKU in each fiscal year for Kentucky Mesonet.

Trust Funds

- Contains no new funding for Strategic Investment and Incentive Trust Funds.

Capital Construction

- The enacted budget does not include any General Fund supported capital projects.
- The enacted budget includes two agency bond capital projects for each institution that requested it (see list on the following page).

Scholarships

- Provides \$9,400,000 in 2016-17 and \$15,900,000 in 2017-18 for the Kentucky Work Ready Scholarship Program.

Workforce Development

- The Education and Workforce Development Cabinet budget includes bonding to support a \$100.0 million Workforce Development Construction Pool.

| Agency Bond Projects: | | | |
|------------------------------|---|-----------------------|----------------|
| UK | Facilities Renewal, Modernization, & Def'd Maint. | \$ 60,000,000 | |
| UK | Renovate/Upgrade Healthcare Facilities | 150,000,000 | |
| UofL | Renovate Residence Halls | 46,320,000 | |
| UofL | Expand – Papa John's Stadium/Football Complex | 55,000,000 | |
| EKU | Construct Student Life Facilities | 90,000,000 | (+ \$3M Other) |
| EKU | Construct Parking Deck | 15,000,000 | |
| MoSU | Construct Food Service/Retail & Parking – Add'l | 6,600,000 | |
| MoSU | Renovate Cartmell Residence Hall | 15,200,000 | |
| MuSU | Renovate White Hall | 16,299,000 | |
| MuSU | Complete ADA Compliance Pool – H&D | 1,957,000 | |
| NKU | Construct/Acquire New Residence Hall | 28,500,000 | |
| NKU | Construct Satellite Parking Lot | 6,000,000 | (+ \$6M Other) |
| WKU | Renovate Garrett Conference Center | 12,000,000 | |
| WKU | Construct Parking Structure III | 10,000,000 | |
| | Total | \$ 512,876,000 | |

Council on Postsecondary Education

Potential Impact of 2016-18 **Enacted Budget** on Postsecondary Institution Net General Fund Appropriations

April 20, 2016

| Institution | 2015-16 Enacted Net General Fund | 2016-17 Enacted Net General Fund | Dollar Change | Percent Change | 2017-18 Enacted Net ^(h) General Fund | Dollar Change | Percent Change |
|------------------------------|--|--|-----------------------|-------------------|---|-----------------------|-------------------|
| University of Kentucky | \$279,611,300 | \$267,028,800 | (\$12,582,500) | -4.5% | \$253,677,400 | (\$25,933,900) | -9.3% |
| University of Louisville | 139,076,900 | 132,818,400 | (6,258,500) | -4.5% | 126,177,500 | (12,899,400) | -9.3% |
| Eastern Kentucky University | 68,033,800 | 64,972,300 | (3,061,500) | -4.5% | 61,723,700 | (6,310,100) | -9.3% |
| Kentucky State University | 23,429,600 | 26,729,600 ^(c) | 3,300,000 | 14.1% | 26,729,600 ^(c) | 3,300,000 | 14.1% |
| Morehead State University | 43,339,500 ^(a) | 41,969,200 ^(d) | (1,370,300) | -3.2% | 39,899,700 ^(d) | (3,439,800) | -7.9% |
| Murray State University | 48,025,100 | 45,864,000 | (2,161,100) | -4.5% | 43,570,800 | (4,454,300) | -9.3% |
| Northern Kentucky University | 48,537,600 | 46,353,400 | (2,184,200) | -4.5% | 48,875,200 ^(f) | 337,600 | 0.7% |
| Western Kentucky University | 74,649,400 ^(b) | 72,040,200 ^(e) | (2,609,200) | -3.5% | 70,823,600 ^(e, g) | (3,825,800) | -5.1% |
| KCTCS | 190,162,300 | 181,605,000 | (8,557,300) | -4.5% | 172,524,700 | (17,637,600) | -9.3% |
| System Totals | \$914,865,500 | \$879,380,900 | (\$35,484,600) | -3.9% | \$844,002,200 | (\$70,863,300) | -7.7% |

^(a) Included \$2,300,000 in fiscal 2015-16 for MoSU's Craft Academy, dual credit program.

^(b) Included an additional \$2,000,000 in fiscal 2015-16 for WKU's Gatton Academy of Math and Science.

^(c) Includes \$3,300,000 in each fiscal year to fully fund the state match payments required of land-grant universities under federal law.

^(d) Includes an additional \$580,000 in each fiscal year for MoSU's Craft Academy.

^(e) Includes \$750,000 in each fiscal year at WKU for the Kentucky Mesonet.

^(f) Includes \$5,334,200 in fiscal 2017-18 for Equity Adjustment funding at NKU, added before the 4.5% reduction.

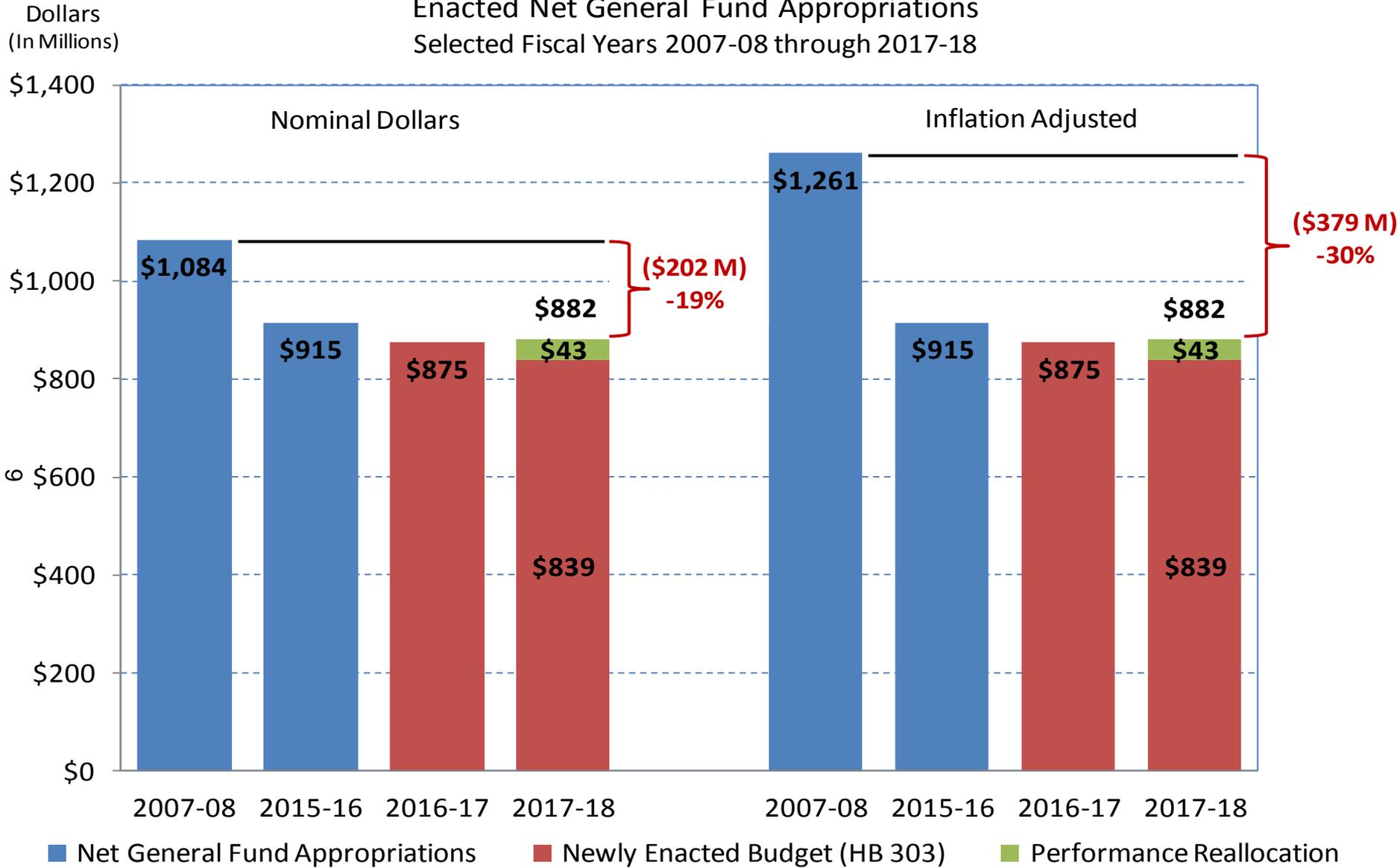
^(g) Includes \$2,588,000 in fiscal 2017-18 for Equity Adjustment funding at WKU, added before the 4.5% reduction.

^(h) The Enacted Budget includes a proposed transfer of \$42.9 million in fiscal 2017-18 from the postsecondary institutions to a Postsecondary Education Performance Fund (i.e., 5.0% of the revised net General Fund base after the addition of the Equity Adjustment for NKU and WKU.) The transfer is shown in this table.

Note: Information above does not reflect any vetoes, which may occur.

Sources: Commonwealth of Kentucky, 2014-16 Budget of the Commonwealth; Commonwealth of Kentucky, 2016-18 Enacted Budget.

Kentucky Public Postsecondary System Enacted Net General Fund Appropriations Selected Fiscal Years 2007-08 through 2017-18



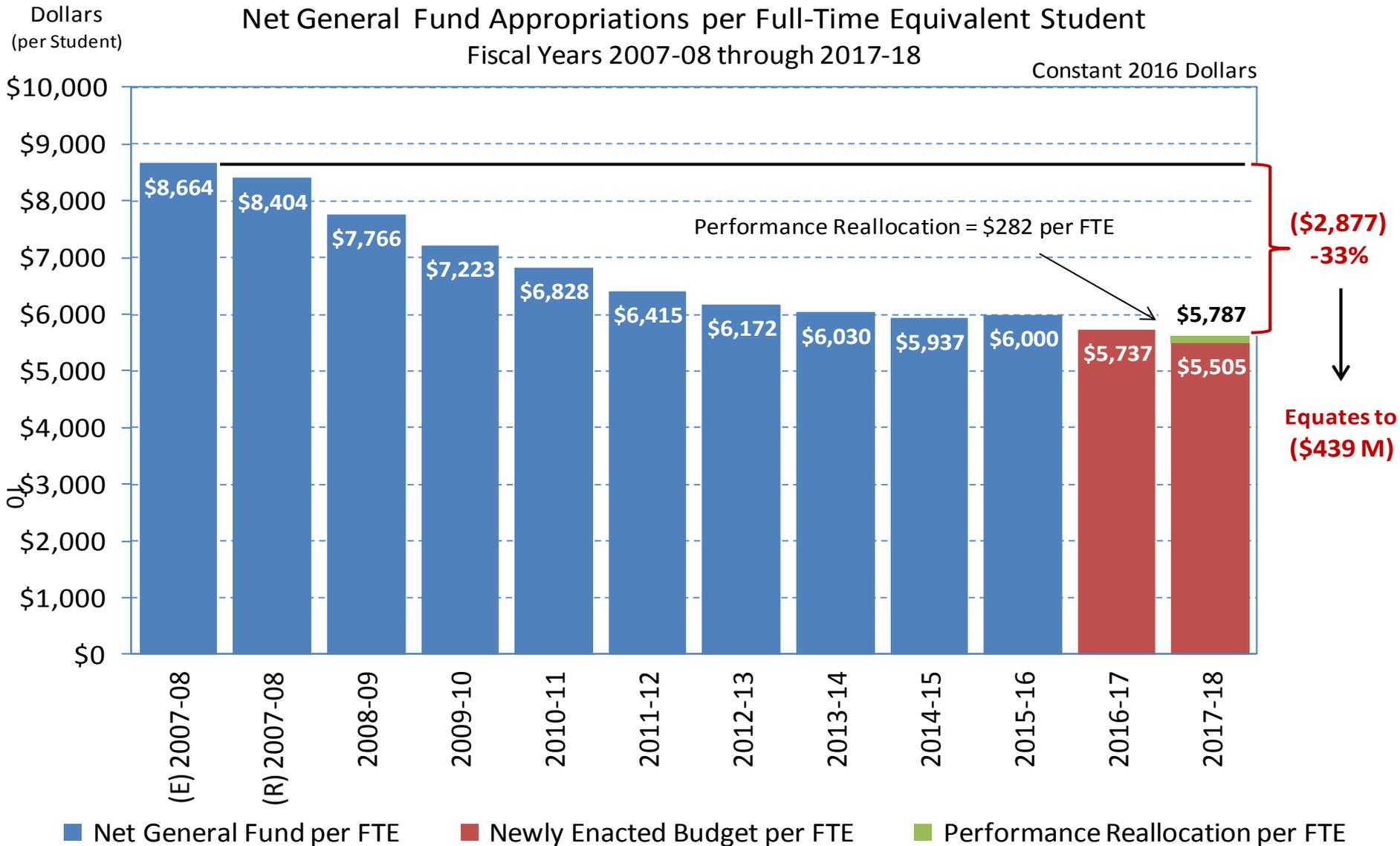
Sources: Kentucky Budgets of the Commonwealth; Kentucky 2016-18 Executive Budget.



Kentucky Public Postsecondary System

Net General Fund Appropriations per Full-Time Equivalent Student

Fiscal Years 2007-08 through 2017-18



(E) = Enacted; (R) = Revised. Note: Figures displayed after 2015-16 are not inflation adjusted and assume no enrollment growth.

Sources: Kentucky Budget of the Commonwealth, multiple biennia; Commonfund Institute, Higher Education Price Index.



Council on Postsecondary Education

Fiscal Years 2015-16 through 2017-18

| | <u>Fiscal Year 2015-16</u> | | <u>Fiscal Year 2016-17</u> | | <u>Fiscal Year 2017-18</u> | |
|---|--------------------------------|--------------------|--------------------------------|-------|--------------------------------|-------|
| Beginning Base (2015-16 Enacted) | \$42,913,500 | | \$42,913,500 | | \$42,913,500 | |
| Changes and Additions | | | | | | |
| Budget Reduction ¹ | (1,675,500) | -3.9% ¹ | (1,931,100) | -4.5% | (1,931,100) | -4.5% |
| Transfer to Education & Workforce Dev. | 0 | | (50,000) | | (50,000) | |
| Addition - Retirement cost increases | 0 | | 234,300 | | 276,100 | |
| Addition - Contract Spaces ² | 0 | | 59,500 | | 59,500 | |
| → General Fund Total | <u>\$41,238,000</u> | | <u>\$41,226,200</u> | | <u>\$41,268,000</u> | |

¹ In FY 2015-16, all areas except Contract Spaces are expected to be cut 4.5%. Contract Spaces was exempted.

² CPE requested \$346,300 in 2016-17 and \$508,600 in 2017-18 to fund Contract Spaces tuition increases.

**Enacted and Revised Agency General Fund Budget
Fiscal Year 2015-16**

| | <u>Enacted FY 2015-16</u> | <u>Revised FY 2015-16</u> | <u>Dollar Change</u> | <u>Percent Change</u> |
|------------------------------------|-------------------------------|-------------------------------|--------------------------|---------------------------|
| Agency Operations | \$7,012,000 | \$6,697,500 | (\$314,500) | -4.5% |
| Pass Through Programs | | | | |
| Contract Spaces | 5,680,100 | 5,680,100 | 0 ^(a) | 0.0% |
| All Other Pass Through Programs | 669,600 | 638,500 | (31,100) | -4.6% |
| Strategic Trust Funds | | | | |
| Technology Initiative Trust Fund | 4,075,300 | 3,891,800 | (183,500) | -4.5% |
| Adult Education (local programs) | 18,575,500 | 17,739,600 | (835,900) | -4.5% |
| Science & Technology | 5,433,300 | 5,188,800 | (244,500) | -4.5% |
| SB 1 (2009)/Teacher Quality | <u>1,467,700</u> | <u>1,401,700</u> | <u>(66,000)</u> | -4.5% |
| General Fund Total | \$42,913,500 | \$41,238,000 | (\$1,675,500) | -3.9% |

^(a) Contract spaces program exempted from current year cut.

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**Enacted and Revised Agency General Fund Budget
Fiscal Years 2015-16 through 2017-18**

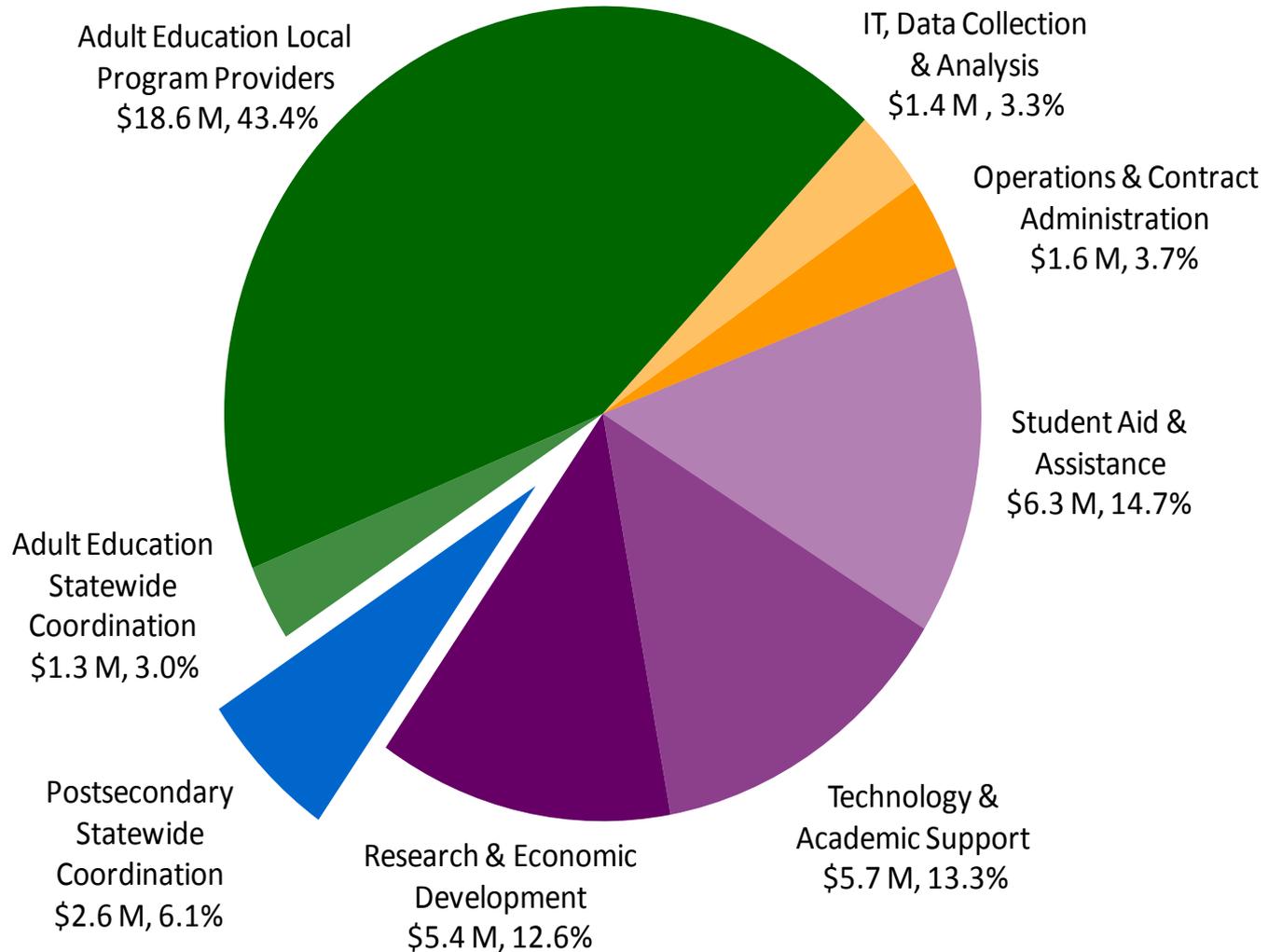
| | <u>Enacted FY 2015-16</u> | <u>Enacted FY 2016-17</u> | <u>Dollar Change</u> | <u>Percent Change</u> | <u>Enacted FY 2017-18</u> | <u>Dollar Change</u> | <u>Percent Change</u> |
|------------------------------------|-------------------------------|-------------------------------|--------------------------|---------------------------|-------------------------------|--------------------------|---------------------------|
| Agency Operations | \$7,012,000 | \$6,893,400 ^(b) | (\$118,600) | -1.7% | \$6,900,400 ^(b) | (\$111,600) | -1.6% |
| Pass Through Programs | | | | | | | |
| Contract Spaces | 5,680,100 | 5,680,100 | 0 | 0.0% | 5,864,500 ^(c) | 184,400 | 3.2% |
| All Other Pass Through Programs | 669,600 | 635,900 | (33,700) | -5.0% | 632,600 | (37,000) | -5.5% |
| Strategic Trust Funds | | | | | | | |
| Technology Initiative Trust Fund | 4,075,300 | 3,870,200 | (205,100) | -5.0% | 3,850,000 | (225,300) | -5.5% |
| Adult Education (local programs) | 18,575,500 | 17,640,500 | (935,000) | -5.0% | 17,548,400 | (1,027,100) | -5.5% |
| Science & Technology | 5,433,300 | 5,112,300 ^(d) | (321,000) | -5.9% | 5,085,600 ^(d) | (347,700) | -6.4% |
| SB 1 (2009)/Teacher Quality | <u>1,467,700</u> | <u>1,393,800</u> | <u>(73,900)</u> | -5.0% | <u>1,386,500</u> | <u>(81,200)</u> | -5.5% |
| General Fund Total | \$42,913,500 | \$41,226,200 | (\$1,687,300) | -3.9% | \$41,268,000 | (\$1,645,500) | -3.8% |

^(b) Includes an addition of \$234,300 in FY 2016-17 and \$276,100 to fund retirement system cost increases.

^(c) Includes funds in 2017-18 to fully fund Contract Spaces as required in the enacted budget.

^(d) Includes a transfer of \$50,000 to the Education and Workforce Development Cabinet for the Governor's School for Entrepreneurs.

Kentucky Council on Postsecondary Education
Enacted 2015-16 General Fund Appropriation by Budget Category
Total = \$42.9 Million (M)



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