



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 a Veterinary Medicine Contract Spaces Working Group to “study the effects of both the establishment of a forgivable loan program for the students of the Veterinary Medicine Contract Spaces Program and the projected return of large animal veterinary 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 veterinary 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 veterinary programs with the hope that a significant number of graduates will return to the state to help meet the need for veterinarians 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 Veterinary Medicine Contract Spaces Working Group

Enclosure

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

December 1, 2018

Members of the Veterinary Medicine Contract Spaces Working Group

Senate President Representative

Senator David Givens

Speaker of the House Representative

Representative James Tipton

Minority Member of the Senate Representative

Senator Dennis Parrett

Minority Member of the House Representative

Representative Susan Westrom

Council on Postsecondary Education

Robert King, President through October 31, 2018

Aaron Thompson, President after November 1, 2018

Kentucky Commissioner of Agriculture

Ryan F. Quarles, Commissioner

Governor's Office of Agricultural Policy

Warren Beeler, Executive Director

Kentucky Cattleman's Association

Dave Maples, Executive Vice President

Kentucky Pork Producers

Dennis Liptrap, Immediate Past President

Kentucky Poultry Federation

Jamie Guffey, Executive Director

Kentucky Veterinary Medical Association

Philip E. Prater, Board Member

Kentucky Farm Bureau

Eddie Melton, First Vice President

Kentucky Thoroughbred Owners and Breeders

Stuart Brown, Director

Lead Staff to the Work Group

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

Work Group Charge

Kentucky House Bill 200 (2018) established a Veterinary Medicine 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 Commissioner of Agriculture, the Governor's Office of Agriculture Policy, and several other representatives of organizations representing agricultural and veterinary interests. See page 1 of this report for a full list.

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 Veterinary Medicine Contract Spaces Program and the projected return of large animal veterinary 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 veterinarians, geographic distribution of the current workforce, salary data, the Auburn University veterinary medicine program, 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

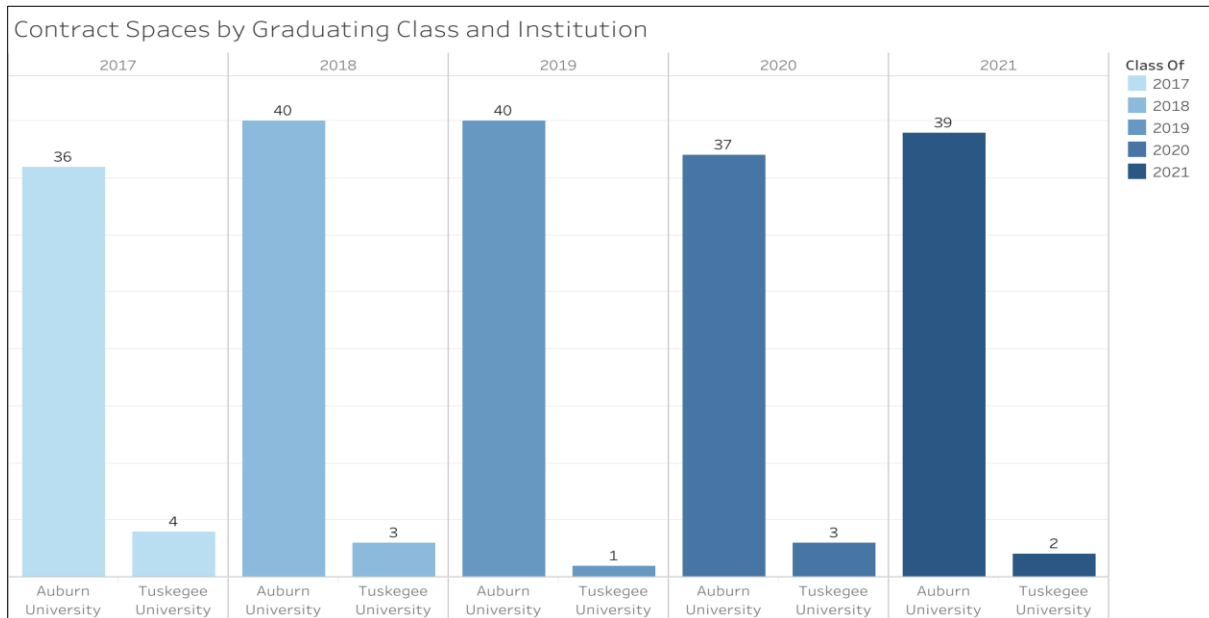
The Kentucky Veterinary Contract Spaces Program, established in 1951, provides Kentucky residents with access to select veterinary schools. Currently there are no publicly- or privately-supported veterinary medicine schools located in the Commonwealth. These partnership arrangements, facilitated through 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 attend veterinary programs with the hope that a significant number of graduates will return to the state to help meet the need for veterinarians throughout the Commonwealth. See appendix A for the contract for the SREB contracted spaces for fiscal years 2018-19 and 2019-20.

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>

A predetermined number of spaces for Kentucky students are reserved at the two participating universities. Students meeting the requirements for Kentucky residency for purposes of tuition who are selected by the campuses to enroll in these programs are required to pay only the in-state tuition rate at the out-of-state institution (or the rough equivalent at the private institution, since it does 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 (the difference between in-state and out-of-state rates). While no statutory directive exists for this program, Kentucky has a long history of funding the program biannually through the Executive Branch budget bill.

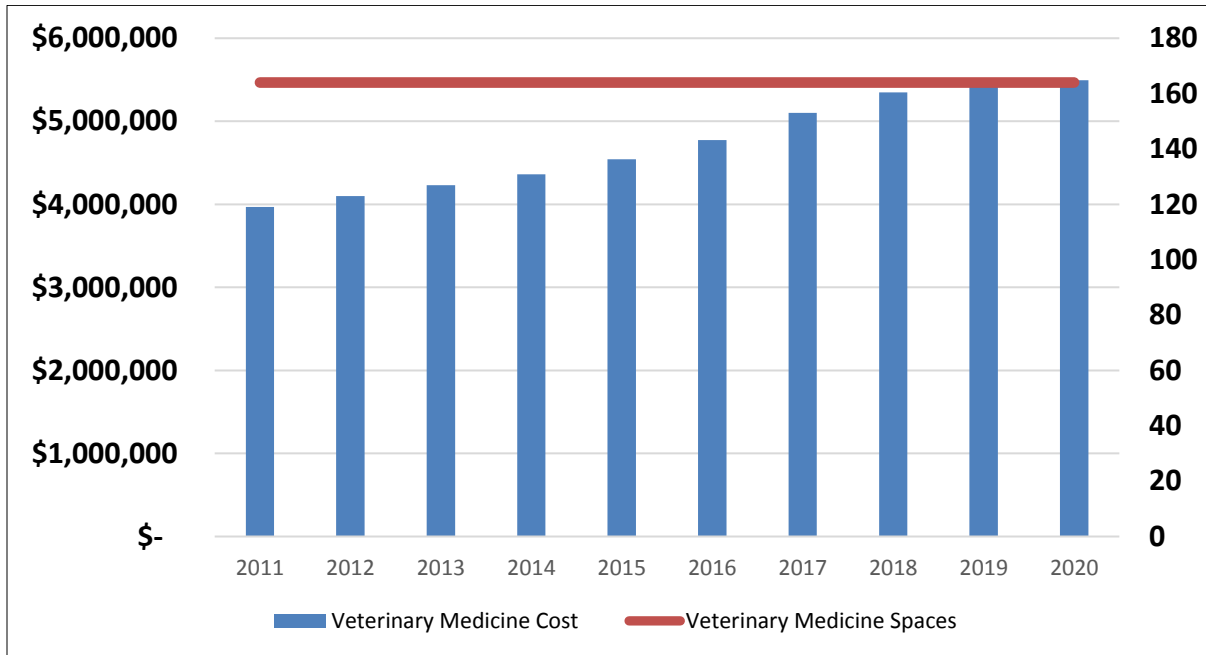
The most recent Executive Branch budget bill (HB 200, 2018) funds 164 spaces at two veterinary schools, or an average of 41 spaces per class in the four-year program. While prior Executive Branch budget bills did not prescribe where those spaces are to be purchased, CPE has a longstanding practice of purchasing space from the following institutions: Auburn University and Tuskegee University. Currently 152 of the 164 seats are reserved at Auburn University and 12 seats are reserved at Tuskegee University. The chart below shows contract spaces by graduating class and campus from 2017 to the projected classes in 2021.



Factors Driving the Current Review

Program Cost: While the number of slots (164) has not changed over the past decade, SREB rates per seat have increased 38 percent from \$24,200 in 2011 to \$33,500 in 2020 (Kentucky received a discounted SREB rate of \$31,000 for the current biennium due to state budget

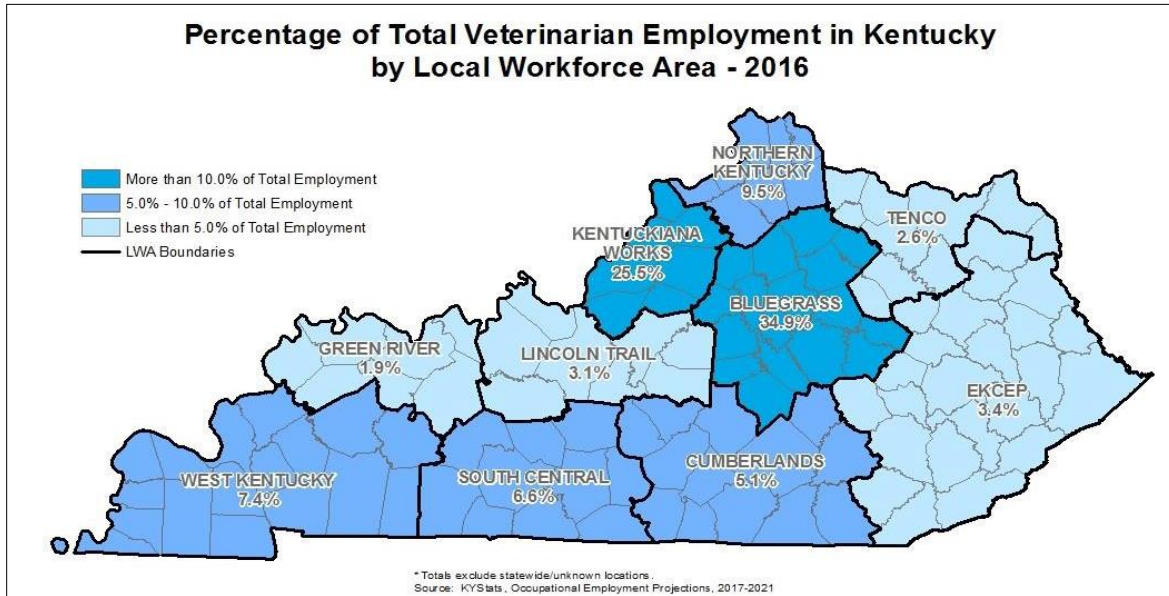
constraints). There was discussion among Work Group members that continued growth at this rate is not sustainable, particularly when other areas of public education continue to receive significant budget cuts, and the General Fund is under significant strain due to the need for additional investment in the state pension system and other programs. Compounding this issue, past budget bills have included a requirement that CPE fully fund the program out of its own limited operational budget if the appropriation does not cover program costs. This approach, too, is not sustainable due to significant cuts to state agency budgets.



Current Employment of Veterinarians in Kentucky: The Work Group reviewed data from several sources to determine the current number of veterinarians employed in Kentucky and their geographic distribution across the state.

Data from the Board of Veterinary Examiners identify 1,564 practicing veterinarians with addresses in the state and 2,613 licensed veterinarians in total. The largest concentration are practicing in urban counties and the Golden Triangle. The data show 17 of the 120 counties have only one licensed veterinarian with a practice in that county, and 10 of the 120 counties do not have any licensed veterinarians with their primary practice located in those counties. Dr. Prater with the Kentucky Veterinary Medical Association (KVMA) noted that counties without a licensed veterinarian are adjacent to counties that do have one, and that in general there is adequate access to veterinary services across the state.

Data from the Kentucky Center for Statistics confirmed the distribution of veterinarians across the state, with the largest concentrations in urban areas and lighter concentrations in the eastern part of the state and in more rural areas.



Future Veterinary Demand: One of the key questions of the Work Group was whether the current pipeline of veterinarians was sufficient to meet the future demand. The Kentucky Center for Statistics’ [Kentucky Occupational Outlook Report to 2026](#) projects that veterinary positions will grow by 19.3% between 2016 and 2026, with 704 total openings during that time. Approximately two-thirds of these positions (469) will be generated through processes of occupational mobility, retirement, and separation replacing existing jobs, with the other third (235) generated through occupational growth. The Center’s [Future Skills Report](#) identifies veterinary medicine as a “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 Veterinarians: In terms of the future supply to meet this demand, data from Auburn University indicates that just over half of Kentuckians who benefit from the veterinary contract spaces program at that institution return to Kentucky to practice after graduation. Based on their 2018 analysis, Kentucky residents with Auburn University veterinary degrees returned to Kentucky after four to eight years at an overall rate of 55.62%. No comparable data was available from Tuskegee University. According to the Kentucky Veterinary Medical Association, this return rate is 10% - -30% higher than in states with veterinary schools.³

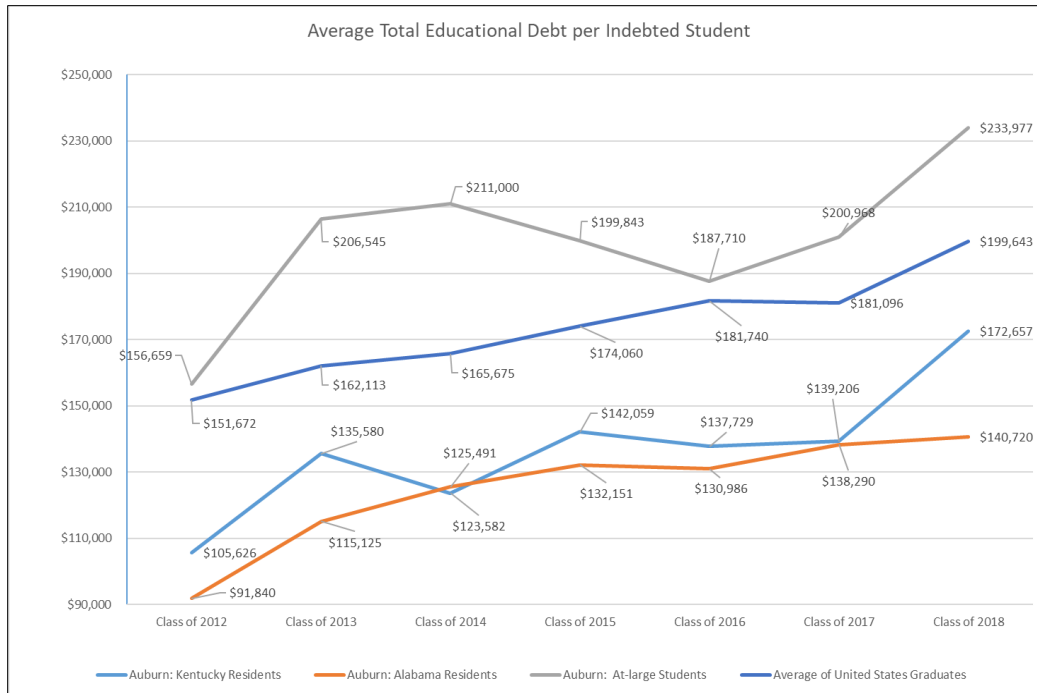
³ Report from the Kentucky Veterinary Medicine Association, August 14, 2018, <https://v3.boardbook.org/Public/PublicItemDownload.aspx?ik=42994800>

Kentucky residents graduating in the class of	# of residents graduated	# Employed in Kentucky in July 2018	% Employed in Kentucky in July 2018	Years from graduation until July 2018
2010	35	25	71.43%	8
2011	34	15	44.12%	7
2012	36	18	50.00%	6
2013	35	19	54.29%	5
2014	38	22	57.89%	4
2010 to 2014	178	99	55.62%	4 to 8

The Work Group briefly discussed the role of veterinary paraprofessionals (bachelor’s and associates level veterinary technologists) in supplementing future workforce needs. Programs are offered at Owensboro Community and Technical College (associate), Murray State (baccalaureate and post-baccalaureate certificate), and Morehead State (associate and baccalaureate). Work Group members noted that while veterinary technologists serve an important role, they cannot provide all of the essential services required in a veterinary practice.

Cost for Veterinary Degrees: Among the considerations and concerns of Work Group members were program costs and debt levels facing many of the graduates. According to the Association of American Veterinary Medical Colleges, average annual tuition of veterinary programs is \$50,000 for out-of-state students and \$23,500 for resident students.⁴ Average student loan debt for veterinary school graduates in 2016 was \$144,000 (all students) and \$168,000 (those with debt). There are some smaller federal programs to help support veterinary education, including the Veterinary Medical Loan Repayment Program (up to \$25,000 each year for eligible veterinarians who agree to serve in designated shortage areas) and the Federal Public Service Forgivable Loan Program where payments can be forgiven after 10 years. The chart below was provided by Auburn University and provides average debt levels for several categories of their students. According to Auburn University, the increased educational debt for Kentucky residents in class of 2018 was due to eight students having no debt and two students who had five years of veterinary debt because of life circumstances out of their control.

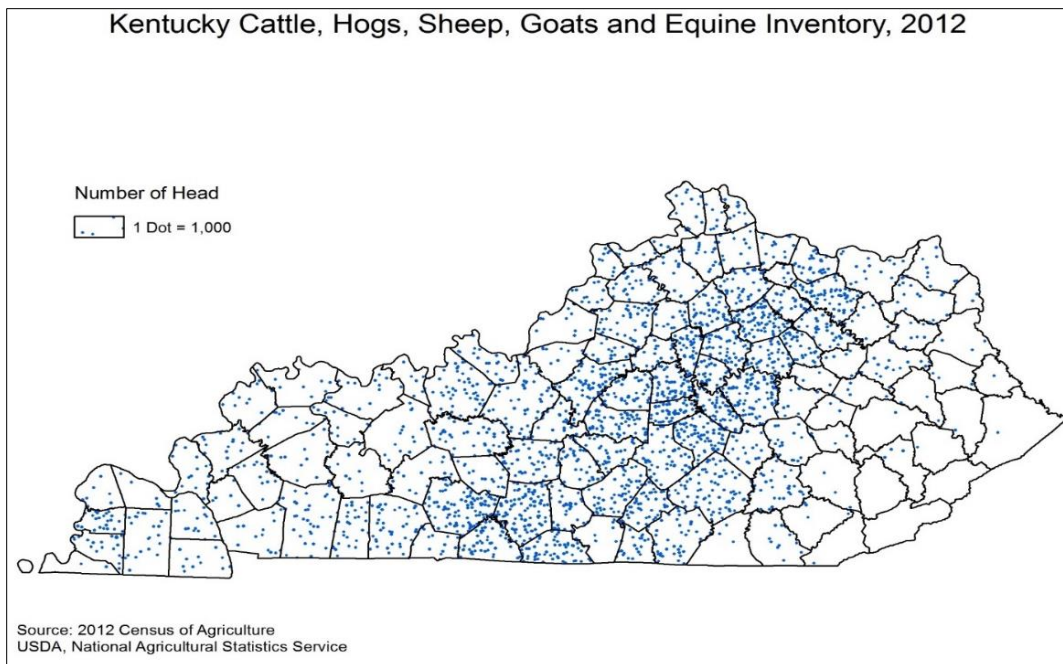
⁴ <https://www.avma.org/About/SAVMA/StudentFinancialResources/Pages/default.aspx>



Need for Large Animal Veterinarians: Another of the key questions facing Work Group members was whether the state faced a shortage of veterinarians dedicated to large or food animals, including beef, dairy, swine, poultry and equine. Several members of the Work Group expressed this concern during meetings, and it has been a common issue of concern over the years as the General Assembly has reviewed contract spaces program funding levels and impact. However, it is the strong position of the KVMA that “there is not a shortage of large animal veterinarians, but more correctly stated, there is a mal-distribution of veterinarians in areas of Kentucky that lack sufficient numbers of cattle, sheep, goats, hogs, and horses for a veterinarian to practice exclusively large animal medicine and pay back student loans...” Data from KVMA show that 91 of the 120 counties have at least one mixed practice (serve both large and pet/companion animals). Several counties have more than one mixed practice, and/or exclusive large animal practices.⁵

Data from the Governor’s Office of Agricultural Policy provided state maps showing concentrations of food animals in specific regions of the state, demonstrating that there is not necessarily a need for large animal veterinarians in every county, particularly if there is one or more practicing in neighboring counties. Other members of the Work Group noted that the growth in large-scale corporate farming has led to employment of onsite veterinarians to tend to the needs of specific herds.

⁵ Report from the Kentucky Veterinary Medicine Association, August 14, 2018 <https://v3.boardbook.org/Public/PublicItemDownload.aspx?ik=42994800>



Work Group Considerations and Recommendations

- 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 \$5.084 million to over \$6.5 million. (This cost scenario is for illustrative purposes only. Per-seat contract costs currently are determined by SREB on an annual basis in consultation with the veterinary schools in the SREB region.) 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 reduced. ***There was consensus among Work Group members that given the current dynamics of the state budget, increases in funding may not be possible. Further, members of the Work Group recognized that previous budget bill requirements that CPE fund program deficits out of its own limited operational budget is not sustainable due to significant cuts to state agency budgets. The Work Group also agreed that in a flat or decreased funding environment, maintaining the current 164 spaces was a top priority, even if the amount of funding per space had to be reduced. If contract students are required to pay a portion of their out-of-state premiums, all students must participate to make the per-student cost reasonable.***

- **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. Service might simply be returning to Kentucky to practice for a set number of years or requiring a return to Kentucky and working with large/food animals. 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 converts to a loan and a payment plan would be set; 2) In the “forgivable loan” model students would receive funds in the form of a loan and then as service requirements are met, they would submit their qualifying status updates to have the amount forgiven. This could be done over time, or all at once. ***Based upon the information regarding the percent of former contract students who are now licensed to practice in Kentucky as well as the lack of evidence that Kentucky suffers from a lack of large animal veterinarians, the Work Group concluded that imposing a service requirement through a contract or forgivable loan to the veterinary contract spaces program is not needed at this time. However, program data (including statistics and information from the Kentucky Board of Veterinary Examiners, the Kentucky Veterinary Medical Association, Auburn University, Tuskegee University, and the Council on Postsecondary Education) should be reviewed every few years to assess whether a change is necessary at a later date.***
- **Expand Program Choice?** Among the items discussed by the Work Group was whether Kentucky students would benefit from a larger range of choices among veterinary schools, either through additional contract spaces agreements or through a scholarship model with a fixed dollar amount per award determined by the General Assembly. In the latter scenario, students would go through a selection process, and those chosen could use the award at any accredited veterinary program in the nation. This would allow greater state control over the program budget, and greater choice for students among veterinary programs. However, this would end the practice of reserving seats for qualified Kentuckians at Tuskegee University and Auburn University and potentially increase the level of competition for Kentuckians into highly selective programs. ***It was the consensus among Work Group members that given the long-standing and positive relationship the state has had with Auburn University and Tuskegee University, and the positive return rate of contract students to the state after graduation, Kentucky should continue its long-established relationships with the current contract campuses. The state should continue to purchase spaces from those institutions, rather than transition the program to a scholarship model or introduce additional American Veterinary Medical Association accredited campuses into the contract program.***

- **Identify other sources of funding to support Kentucky veterinarians and veterinary students?** Warren Beeler, executive director of the Governor’s Office of Agriculture Policy, shared information with the Work Group about the Kentucky Agricultural Finance Corporation’s (KAFC) Large Animal Veterinary Loan Program, which is funded through payments from the Tobacco Master Settlement Agreement. While the program is designed to assist veterinarians construct, expand, equip or buy into a practice serving large animal producers, with board approval it might be used to help support Kentucky veterinarians by allowing them to refinance student loans at lower interest rates. ***Work Group members agreed the state should explore strategies and programs to provide lower cost loans for veterinary students. Additionally, the Work Group agreed the state should pursue supplemental funding for the Contract Spaces Program if General Fund support is not sufficient to cover program costs. However, sources of supplemental funding should not include funding from CPE. Members of the Work Group determined that cutting the budget of a state agency to fund cost increases in this program is an unsustainable and unacceptable approach to supporting this program.***
- **Should Kentucky pursue its own school of veterinary medicine?** Work Group members spent some time at the first meeting discussing whether Kentucky should develop its own veterinary school. This issue was last considered in Kentucky in 1975 when the legislature requested a study to assess the feasibility of launching a veterinary school at Murray State University. The idea ultimately was shelved due to the estimated expense. Although President King noted that veterinary school models have evolved since 1975, and it may be possible to have much lower start-up and ongoing program expenses, a number of members of the Work Group questioned the cost/benefit of such a plan. ***Several members strongly argued that this would be the wrong approach for Kentucky, and that the potential cost of new veterinary program in Kentucky would far outweigh the benefits Kentucky receives from the current partnership with Auburn University and Tuskegee University. The Work Group also agreed it was beyond its scope of work to make any recommendations related to a Kentucky-based veterinary school.***

Summary

The Work Group members reached consensus on a number of issues related to the future of the Veterinary Medicine Contract Spaces Program, concluding that it is in Kentucky’s strong interest to continue to support resident students pursuing a professional degree in veterinary medicine 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 Work Group noted that efforts should be made to supplement General Fund dollars with other external resources to maintain support for students while ensuring costs are more predictable and the program can be sustained over time. Further, additional funding should not come from the operating budget of CPE or any other state agency that might administer the program in the future.

Members of the Work Group agreed that Kentucky should continue to partner with Auburn University and Tuskegee University, and that maintaining the current number of purchased seats (164) should be among the highest priorities. If program funding is not sufficient to cover the costs of the 164 seats at SREB rates, the per-seat subsidy would be reduced for all participating students. It should be noted that it will be necessary to work with the two participating campuses directly rather than through SREB if program funding amounts do not allow purchase of the seats at SREB rates. Also, going forward there should be no guarantee to students that they will pay Auburn University's published "in-state" tuition rates. While the goal of the program is to subsidize the full difference between the in-state and out-of-state rates, it cannot be guaranteed.

The Work Group recommended that the General Assembly consider the creation of a Veterinary Education Trust Fund to hold a sufficient reserve of funds to support the program. Funding would not lapse, so unused dollars could be applied to the needs of future students. A Trust Fund structure, separate from the operating budget structure of the administering state agency or cabinet, would provide some protection to the program and to the agency should the state implement mid-year budget reductions or if appropriated dollars do not cover anticipated program costs. It also would provide a vehicle for the receipt and disbursement of non-state funds.

The Work Group recognized the heavy loan burdens that many veterinary school graduates carry and agreed the state should explore strategies and programs to provide lower cost loans for veterinary students. Members of the Work Group agreed that the Kentucky Higher Education Assistance Authority (KHEAA) / Kentucky Higher Education Student Loan Corporation (KHESLC) may provide recipients of the veterinary contract spaces information on available financing options to fund the remaining cost of their degree program.

The Work Group called for a more regular review and reporting of program data and information, including:

- Graduation outcomes (do graduates return to the state to practice?);
- Occupational demand;

- Geographic distribution of veterinarians in the state;
- Contract amounts and distribution information (where did the recipients do their undergraduate programs and where they are from, and how many applications).

The annual reports should be available for review online.

The Work Group also encouraged local communities with limited numbers of veterinarians serving large animals and the agricultural community to work with the state to create incentive programs to address those needs.

APPENDIX A



Commonwealth of Kentucky

CONTRACT

DOC ID NUMBER:

PON2 415 1900001858

Version: 1

Record Date:

Document Description: SREB - Contract Spaces FY19-20

Cited Authority: KRS164.020(22)
Pass Through Grant authorized by General Assembly

Reason for Modification:

Issuer Contact:

Name: Kara Couch
Phone: 502-573-1555
E-mail: Kara.Couch@ky.gov

Vendor Name:

SOUTHERN REGIONAL EDUCATION BOARD

592 TENTH STREET NW

ATLANTA GA 30318-5790

Vendor No.

KY0028975

Vendor Contact

Name: JAMES BOTTOMS
Phone: 404-875-9211
Email: GENE.BOTTOMS@SREB.ORG

Effective From: 2018-07-01

Effective To: 2020-06-30

Line Item	Delivery Date	Quantity	Unit	Description	Unit Price	Contract Amount	Total Price
1		0.00000		Optometry Students - FY2019	\$0.000000	\$460,800.00	\$460,800.00

Extended Description:

Kentucky does not operate a public school of veterinary medicine or a school of optometry. In order to provide opportunities for Kentuckians to pursue advanced education in the fields of veterinary medicine and optometry, and to meet Kentucky's needs for veterinarians and optometrists, the Commonwealth contracts with the Southern Regional Education Board (SREB) to provide educational opportunities for Kentuckians to attend selected schools that do offer these programs. SREB contracts with individual schools in other states and those schools agree to reserve a fixed number of seats for Kentucky students. Kentucky students compete for veterinary medicine seats at Auburn University and Tuskegee University, and for optometry seats at the Southern College of Optometry in Tennessee, and at the University of Alabama in Birmingham. Optometry slots for FY2019: CPE will pay \$19,200 per slot. For a total of 24 optometry spaces. Funds shall be applied in the following manner: * Southern College of Optometry: 15 spaces * The University of Alabama in Birmingham through SREB: 9 spaces. Source of Funds: General Method of Payment: Upon receipt and approval of invoice from SREB. Invoices shall include student name and email address. Total amount not to exceed \$460,800. Effective From: July 1, 2018 Effective To: June 30, 2019

Effective From: 2018-07-01

Effective To: 2020-06-30

Line Item	Delivery Date	Quantity	Unit	Description	Unit Price	Contract Amount	Total Price
2		0.00000		Veterinary Students - FY2019	\$0.000000	\$5,084,000.00	\$5,084,000.00

Extended Description:

Same as line 1 above. Veterinary slots for FY2019-20: CPE will pay \$31,000 per slot. CPE will fund up to 152 for Auburn, 12 at Tuskegee through SREB. Source of Funds: General Method of Payment: Upon receipt and approval of invoice from SREB. Invoices shall include student name and email address. Total not to exceed \$5,084,000 Effective From: July 1, 2018 Effective To: June 30, 2019

Effective From: 2018-07-01 Effective To: 2020-06-30

Line Item	Delivery Date	Quantity	Unit	Description	Unit Price	Contract Amount	Total Price
3		0.00000		Dues and Contract Administration FY19 and FY20	\$0.000000	\$414,100.00	\$414,100.00

Extended Description:

Dues paid to SREB for Kentucky's participation in education efforts coordinated by SREB and for administration of the contract spaces program. FY2019 Dues \$205,500 FY2020 Dues \$208,600 Source of Funds: General Method of Payment: Upon receipt and approval of invoice from SREB. Effective From: July 1, 2018 Effective To: June 30, 2020

Effective From: 2018-07-01 Effective To: 2020-06-30

Line Item	Delivery Date	Quantity	Unit	Description	Unit Price	Contract Amount	Total Price
4		0.00000		Optometry Students - FY2020	\$0.000000	\$345,600.00	\$345,600.00

Extended Description:

Kentucky does not operate a public school of veterinary medicine or a school of optometry. In order to provide opportunities for Kentuckians to pursue advanced education in the fields of veterinary medicine and optometry, and to meet Kentucky's needs for veterinarians and optometrists, the Commonwealth contracts with the Southern Regional Education Board (SREB) to provide educational opportunities for Kentuckians to attend selected schools that do offer these programs. SREB contracts with individual schools in other states and those schools agree to reserve a fixed number of seats for Kentucky students. Kentucky students compete for veterinary medicine seats at Auburn University and Tuskegee University, and for optometry seats at the Southern College of Optometry in Tennessee, and at the University of Alabama in Birmingham. Optometry slots for FY2020: CPE will pay \$19,200 per slot. For a total of 18 optometry spaces. Funds shall be applied in the following manner: * Southern College of Optometry: 13 spaces * The University of Alabama in Birmingham through SREB: 5 spaces. Source of Funds: General Method of Payment: Upon receipt and approval of invoice from SREB. Invoices shall include student name and email address. Total amount not to exceed \$345,600. Effective From: July 1, 2019 Effective To: June 30, 2020

Effective From: 2018-07-01 Effective To: 2020-06-30

Line Item	Delivery Date	Quantity	Unit	Description	Unit Price	Contract Amount	Total Price
5		0.00000		Veterinary Students - FY2020	\$0.000000	\$5,084,000.00	\$5,084,000.00

Extended Description:

Same as line above. Veterinary slots for FY2019-20: CPE will pay \$31,000 per slot. CPE will fund up to 152 for Auburn, 12 at Tuskegee through SREB. Source of Funds: General Method of Payment: Upon receipt and approval of invoice from SREB. Invoices shall include student name and email address. Total not to exceed \$5,084,000 Effective From: July 1, 2019 Effective To: June 30, 2020

Shipping Information:	Billing Information:
Council on Postsecondary Education 1024 Capital Center Drive Suite 320 Frankfort KY 40601	Council on Postsecondary Education 1024 Capital Center Drive Suite 320 Frankfort KY 40601

TOTAL CONTRACT AMOUNT:	\$11,388,500.00
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CONTRACTUAL AGREEMENT
between
KENTUCKY COUNCIL ON POSTSECONDARY EDUCATION
and
SOUTHERN REGIONAL EDUCATION BOARD

SECTION ONE:

Duties and Responsibilities of Southern Regional Education Board

The Southern Regional Education Board (SREB) agrees to do the following:

1. To provide optometry spaces for qualified Kentucky students

For FY2019 at:

 - a. 15 spaces at the Southern College of Optometry in Tennessee; and,
 - b. 9 spaces at the University of Alabama-Birmingham.

For FY2020 at:

 - c. 13 spaces at the Southern College of Optometry; and,
 - d. 5 spaces at the University of Alabama-Birmingham .

2. To provide a total number of 164 veterinary medicine spaces for qualified Kentucky students for FY2019 and a total of 164 veterinary medicine spaces for FY2020 at:
 - a. 152 spaces at Auburn University; and
 - b. 12 spaces at Tuskegee University.

3. To contract with the participating institutions to reserve the required number of spaces and pass-through funds paid to SREB by the Commonwealth according to the established contract spaces cost for optometry and veterinary medicine.
4. To inform the Council of the final action on admissions by the participating institutions, for the entering first year class and for returning students. Notification to the Council may be by way of an invoice from SREB listing each participating student and their email address.

5. To contract with the participating institutions, and to include in the contract that any funds provided through this agreement are to be used exclusively for providing tuition savings to the enrolled Kentucky students.

6. Kentucky students enrolled at participating institutions shall have the same rights as other students enrolled in those programs; and
7. To credit the Council with one-half of the contract amount paid per student for each student who does not complete at least one-half of the academic year. Any funds owed to the Council shall be deducted from the invoice in the succeeding fiscal year. If no funds are owed to SREB by the Council, SREB shall refund the credited amount prior to the end of the succeeding fiscal year.

8. SREB may allow a participating institution to substitute a student under this agreement with the approval of the Council. If a substitution is made, the refund agreement in 7 above shall not apply and no funds shall be credited to the benefit of the Council.

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9. To produce contract spaces reports and to cooperate with individual state efforts to promote education in the south.
10. To retain executive and legislative membership in SREB from Kentucky.
11. If this agreement is terminated for any reason prior to the completion of training in the program for a student currently enrolled and participating in the program, the student shall be allowed to continue his or her training as a non-resident student as long as the student continues to meet institutional requirements of the program.
12. To provide response from a participating institution on individual student accounts if requested by a student indicating tuition saving credits per Contract Space Agreement.

SECTION TWO:

Duties and Responsibilities of the Council on Postsecondary Education

The Council agrees to do the following:

1. To certify applicants, or to arrange for the certification of applicants from Kentucky public colleges and universities to the participating institution as eligible for consideration for training in either optometry or veterinary medicine within fifteen (15) days of notice of proposed final admissions.
2. To promulgate policies and procedures governing the participation of Kentucky residents in these programs.
3. To pay SREB annually the sum referenced in Section 3 of this agreement for each student accepted and enrolled by one of the contracting institutions. Provided, however, that such financial support shall not exceed four (4) years for any participating student. The Council shall pay SREB the agreed upon sum within thirty (30) days following notification from SREB of the names and numbers of the students admitted and enrolled under this agreement.
4. To annually support the operational costs of SREB as referenced in Section 3 of this agreement.

SECTION THREE:

Terms of Agreement

1. SREB agrees to contract with institutions for the delivery of optometry and veterinary medicine as stated in Section 1.1 through 1.3 of this agreement.
2. The Council agrees to pay the required fees to SREB from funds appropriated by the Kentucky General Assembly for tuition savings for optometry and veterinary medicine academic programs of Kentucky students.
3. For FY2018-19: The Council agrees to remit to SREB an amount of \$19,200 for each student enrolled in the optometry program at Southern College of Optometry for both academic years. Not to exceed \$460,800 for a total of 24 students in FY2018-19. Not to exceed \$345,600 for a total of 18 students in FY2019-20.

Disbursement may be made in one or more installments based upon receipt of acceptable invoices from SREB. Invoices shall include student name and email address.

4. For FY2019-20 and for FY2019-20: The Council agrees to remit to SREB an amount of \$31,000 for each student enrolled in the veterinary medicine program at Tuskegee University for both academic years for an amount not to exceed \$5,084,000 for a total of 164 students per year.

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Disbursement may be made in one or more installments based upon receipt of acceptable invoices from SREB.

5. For fiscal year 2018-19 the Council shall pay SREB the sum of \$205,500 for operational costs in support of this agreement and in support of educational improvement efforts throughout the states covered by SREB. Disbursements shall be made based upon receipt of an invoice from SREB. For FY2019-20 the Council shall pay SREB \$208,600 for operational cost in support of this agreement and in support of educational improvement efforts throughout the states covered by SREB. Disbursements shall be made based upon receipt of an invoice from SREB.

6. The parties acknowledge that all allocations are subject to the approval of the legislature subject to an annual or biennial budget authorization. In the event that the legislature or the executive branch shall fail to make funds available, both SREB and the Council are relieved from the requirements of this agreement.

7. It has been necessary in the past fiscal years for Kentucky state government to impose budget reductions to address revenue shortfalls. In the event a budget reduction is mandated at any time during the biennium, the amount of the total allocations stated above is subject to change. The Council will notify SREB as soon as is practicable if a state budget reduction is announced. SREB will notify participating institutions, and will undertake necessary actions, including adjusting enrollments to stay within the total allocation.

8. The Council may, if unexpended funds are available, transfer said funds to SREB for the purposes of offsetting additional expenses of accepted students, for extending enrollment of a student beyond four (4) years, for administrative fees, or for offsetting a budget reduction.

SECTION FOUR:

Length of Agreement

1. Each party reserves the right to terminate this agreement at any time for cause or may cancel without cause by giving the other party at least a one-year written notice of the intention to terminate.

2. This agreement shall be effective for the class of students admitted for the 2017-18 academic year and shall continue through June 30, 2020. The parties stipulate that it is their collective intention to continue the agreement beyond that date.

4. Agreements on the tuition amount to be credited to students and the amount to be paid to SREB and to the participating institutions shall be determined annually and shall be communicated by letter to all parties.

SECTION FIVE:

Other Terms and Conditions

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Memorandum of Agreement Standard Terms and Conditions

1.00 Cancellation clause:

The state agency shall have the right to terminate and cancel this contract at any time not to exceed thirty (30) days' written notice served on the Contractor by registered or certified mail.

2.00 Funding Out Provision:

The state agency may terminate this agreement if funds are not appropriated to the contracting agency or are not otherwise available for the purpose of making payments without incurring any obligation for payment after the date of termination, regardless of the terms of the agreement. The state agency shall provide the Contractor thirty (30) calendar days written notice of termination of the agreement due to lack of available funding.

3.00 Reduction in Contract Worker Hours:

The Kentucky General Assembly may allow for a reduction in contract worker hours in conjunction with a budget balancing measure for some professional and non-professional service contracts. If under such authority the agency is required by Executive Order or otherwise to reduce contract hours, the agreement will be reduced by the amount specified in that document. If the contract funding is reduced, then the scope of work related to the contract may also be reduced commensurate with the reduction in funding. This reduction of the scope shall be agreeable to both parties and shall not be considered a breach of contract.

4.00 Access to Records:

The state agency certifies that it is in compliance with the provisions of KRS 45A.695, "Access to contractor's books, documents, papers, records, or other evidence directly pertinent to the contract." The Contractor, as defined in KRS 45A.030, agrees that the contracting agency, the Finance and Administration Cabinet, the Auditor of Public Accounts, and the Legislative Research Commission, or their duly authorized representatives, shall have access to any books, documents, papers, records, or other evidence, which are directly pertinent to this agreement for the purpose of financial audit or program review. The Contractor also recognizes that any books, documents, papers, records, or other evidence, received during a financial audit or program review shall be subject to the Kentucky Open Records Act, KRS 61.870 to 61.884. Records and other prequalification information confidentially disclosed as part of the bid process shall not be

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deemed as directly pertinent to the agreement and shall be exempt from disclosure as provided in KRS 61.878(1)(c).

5.00 Effective Date:

All Memorandum of Agreements are not effective until the Secretary of the Finance and Administration Cabinet or his authorized designee has approved the agreement and until the agreement has been submitted to the government contract review committee. However, in accordance with KRS 45A.700, memoranda of agreement in aggregate amounts of \$50,000 or less are exempt from review by the committee and need only be filed with the committee within 30 days of their effective date for informational purposes.

KRS 45A.695(7) provides that payments on personal service contracts and memoranda of agreement shall not be authorized for services rendered after government contract review committee disapproval, unless the decision of the committee is overridden by the Secretary of the Finance and Administration Cabinet or agency head, if the agency has been granted delegation authority by the Secretary.

6.00 Violation of tax and employment laws:

KRS 45A.485 requires the Contractor and all subcontractors performing work under the agreement to reveal to the Commonwealth, prior to the award of a contract, any final determination of a violation by the Contractor within the previous five (5) year period of the provisions of KRS chapters 136, 139, 141, 337, 338, 341, and 342. These statutes relate to corporate and utility tax, sales and use tax, income tax, wages and hours laws, occupational safety and health laws, unemployment insurance laws, and workers compensation insurance laws, respectively.

To comply with the provisions of KRS 45A.485, the Contractor and all subcontractors performing work under the agreement shall report any such final determination(s) of violation(s) to the Commonwealth by providing the following information regarding the final determination(s): the KRS violated, the date of the final determination, and the state agency which issued the final determination.

KRS 45A.485 also provides that, for the duration of any contract, the Contractor and all subcontractors performing work under the agreement shall be in continuous compliance with the provisions of those statutes, which apply to their operations, and that their failure to reveal a final determination as described above, or failure to comply with the above statutes for the duration of the agreement shall be grounds for the Commonwealth's cancellation of the agreement and their disqualification from eligibility for future state contracts for a period of two (2) years.

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[Check box section below need only be included for Contractors that are quasi-governmental entities or 501(c)3 non-profit entities.]

Contractor must check one:

The Contractor has not violated any of the provisions of the above statutes within the previous five (5) year period.

The Contractor has violated the provisions of one or more of the above statutes within the previous five (5) year period and has revealed such final determination(s) of violation(s). Attached is a list of such determination(s) , which includes the KRS violated, the date of the final determination, and the state agency which issued the final determination.

7.00 Discrimination:

This section applies only to agreements disbursing federal funds, in whole or part, when the terms for receiving those funds mandate its inclusion. Discrimination (because of race, religion, color, national origin, sex, sexual orientation, gender identity, age, or disability) is prohibited. During the performance of this agreement, the Contractor agrees as follows:

The Contractor will not discriminate against any employee or applicant for employment because of race, religion, color, national origin, sex, sexual orientation, gender identity or age. The Contractor further agrees to comply with the provisions of the Americans with Disabilities Act (ADA), Public Law 101-336, and applicable federal regulations relating thereto prohibiting discrimination against otherwise qualified disabled individuals under any program or activity. The Contractor agrees to provide, upon request, needed reasonable accommodations. The Contractor will take affirmative action to ensure that applicants are employed and that employees are treated during employment without regard to their race, religion, color, national origin, sex, sexual orientation, gender identity, age or disability. Such action shall include, but not be limited to the following; employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensations; and selection for training, including apprenticeship. The Contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices setting forth the provisions of this non-discrimination clause.

In all solicitations or advertisements for employees placed by or on behalf of the Contractor, the Contractor will, state that all qualified applicants will receive consideration

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for employment without regard to race, religion, color, national origin, sex, sexual orientation, gender identity, age or disability.

The Contractor will send to each labor union or representative of workers with which he/she has a collective bargaining agreement or other contract or understanding, a notice advising the said labor union or workers' representative of the Contractor's commitments under this section, and shall post copies of the notice in conspicuous places available to employees and applicants for employment. The Contractor will take such action with respect to any subcontract or purchase order as the administering agency may direct as a means of enforcing such provisions, including sanctions for noncompliance.

The Contractor will comply with all provisions of Executive Order No. 11246 of September 24, 1965 as amended, and of the rules, regulations and relevant orders of the Secretary of Labor.

The Contractor will furnish all information and reports required by Executive Order No. 11246 of September 24, 1965, as amended, and by the rules, regulations and orders of the Secretary of Labor, or pursuant thereto, and will permit access to his books, records and accounts by the administering agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations and orders.

In the event of the Contractor's noncompliance with the nondiscrimination clauses of this agreement or with any of the said rules, regulations or orders, this agreement may be cancelled, terminated or suspended in whole or in part and the Contractor may be declared ineligible for further government contracts or federally-assisted construction contracts in accordance with procedures authorized in Executive Order No. 11246 of September 24, 1965, as amended, and such other sanctions may be imposed and remedies invoked as provided in or as otherwise provided by law.

The Contractor will include the provisions of paragraphs (1) through (7) of section 202 of Executive Order 11246 in every subcontract or purchase order unless exempted by rules, regulations or orders of the Secretary of Labor, issued pursuant to section 204 of Executive Order No. 11246 of September 24, 1965, as amended, so that such provisions will be binding upon each subcontractor or vendor. The Contractor will take such action with respect to any subcontract or purchase order as the administering agency may direct as a means of enforcing such provisions including sanctions for noncompliance; provided, however, that in the event a Contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the agency,

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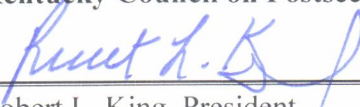
the contractor may request the United States to enter into such litigation to protect the interests of the United States.

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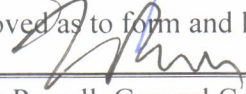
Authorizing Signatures

This agreement is subject to the terms and conditions stated herein. By affixing signatures below, the parties verify that they are authorized to enter into this agreement and that they accept and consent to be bound by the terms and conditions stated herein. In addition, the parties agree that (i) electronic approvals may serve as electronic signatures, and (ii) this agreement may be executed in any number of counterparts, each of which when executed and delivered shall constitute a duplicate original, but all counterparts together shall constitute a single agreement.

Kentucky Council on Postsecondary Education (1st party)



 Robert L. King, President Date _____

Approved as to form and legality


 Travis Powell, General Counsel

SOUTHERN REGIONAL EDUCATION BOARD (2nd party)

 Signature Date _____

Printed Name: _____
 Title: _____

Approved as to form and legality (optional)

 Legal or General Counsel

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Authorizing Signatures

This agreement is subject to the terms and conditions stated herein. By affixing signatures below, the parties verify that they are authorized to enter into this agreement and that they accept and consent to be bound by the terms and conditions stated herein. In addition, the parties agree that (i) electronic approvals may serve as electronic signatures, and (ii) this agreement may be executed in any number of counterparts, each of which when executed and delivered shall constitute a duplicate original, but all counterparts together shall constitute a single agreement.

Kentucky Council on Postsecondary Education (1st party)

Robert L. King, President Date

Approved as to form and legality

Travis Powell, General Counsel

SOUTHERN REGIONAL EDUCATION BOARD (2nd party)

Joan M Lord
Signature Date

June 26, 2018

Printed Name: Joan M Lord

Title: VP for Education Data, Policy Analysis, and Programs

Approved as to form and legality (optional)

Legal or General Counsel

ANNUAL AFFIDAVIT FOR BIDDERS, OFFERORS AND CONTRACTORS

Affidavit Effective Date: _____
Affidavit Expiration Date: _____
Maximum Length One-Year

REQUIRED AFFIDAVIT FOR BIDDERS, OFFERORS AND CONTRACTORS

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FOR BIDS AND CONTRACTS IN GENERAL:

- I. Each bidder or offeror swears and affirms under penalty of perjury, that:
 - a. In accordance with [KRS 45A.110](#) and [KRS 45A.115](#), neither the bidder or offeror as defined in [KRS 45A.070\(6\)](#), nor the entity which he/she represents, has knowingly violated any provisions of the campaign finance laws of the Commonwealth of Kentucky; and the award of a contract to the bidder or offeror or the entity which he/she represents will not violate any provisions of the campaign finance laws of the Commonwealth.
 - b. The bidder or offeror swears and affirms under penalty of perjury that, to the extent required by Kentucky law, the entity bidding, and all subcontractors therein, are aware of the requirements and penalties outlined in [KRS 45A.485](#); have properly disclosed all information required by this statute; and will continue to comply with such requirements for the duration of any contract awarded.
 - c. The bidder or offeror swears and affirms under penalty of perjury that, to the extent required by Kentucky law, the entity bidding, and its affiliates, are duly registered with the Kentucky Department of Revenue to collect and remit the sales and use tax imposed by [KRS Chapter 139](#), and will remain registered for the duration of any contract awarded.
 - d. The bidder or offeror swears and affirms under penalty of perjury that the entity bidding is not delinquent on any state taxes or fees owed to the Commonwealth of Kentucky and will remain in good standing for the duration of any contract awarded.

FOR "NON-BID" CONTRACTS (I.E. SOLE-SOURCE; NOT-PRACTICAL OR FEASIBLE TO BID; OR EMERGENCY CONTRACTS, ETC):

- II. Each contractor further swears and affirms under penalty of perjury, that:
 - a. In accordance with [KRS 121.056](#), and if this is a non-bid contract, neither the contractor, nor any member of his/her immediate family having an interest of 10% or more in any business entity involved in the performance of any contract awarded, have contributed more than the amount specified in [KRS 121.150](#) to the campaign of the gubernatorial slate elected in the election last preceding the date of contract award.
 - b. In accordance with [KRS 121.330\(1\) and \(2\)](#), and if this is a non-bid contract, neither the contractor, nor officers or employees of the contractor or any entity affiliated with the contractor, nor the spouses of officers or employees of the contractor or any entity affiliated with the contractor, have knowingly contributed more than \$5,000 in aggregate to the campaign of a candidate elected in the election last preceding the date of contract award that has jurisdiction over this contract award.

ANNUAL AFFIDAVIT FOR BIDDERS, OFFERORS AND CONTRACTORS

REQUIRED AFFIDAVIT FOR BIDDERS, OFFERORS AND CONTRACTORS

PAGE 2 OF 2

- c. In accordance with KRS 121.330(3) and (4), and if this is a non-bid contract, to the best of his/her knowledge, neither the contractor, nor any member of his/her immediate family, his/her employer, or his/her employees, or any entity affiliated with any of these entities or individuals, have directly solicited contributions in excess of \$30,000 in the aggregate for the campaign of a candidate elected in the election last preceding the date of contract award that has jurisdiction over this contract.

As a duly authorized representative for the bidder, offeror, or contractor, I have fully informed myself regarding the accuracy of all statements made in this affidavit, and acknowledge that the Commonwealth is reasonably relying upon these statements, in making a decision for contract award and any failure to accurately disclose such information may result in contract termination, repayment of funds and other available remedies under law. If the bidder, offeror, or contractor becomes non-compliant with any statements during the affidavit effective period, I will notify the Finance and Administration Cabinet, Office of Procurement Services immediately. I understand that the Commonwealth retains the right to request an updated affidavit at any time.

Barbara Channell
Signature

Barbara Channell
Printed Name

Director Finance
Title

6-22-18
Date

Company Name

Southern Regional Education Board

Address

592 TENTH STREET NW
ATLANTA GA 30318

Subscribed and sworn to before me by

Barbara Channell Director Finance
(Affiant) (Title)

of Southern Regional Education
(Company Name) Board

this 22 day of June, 2018.

Lauren A. Baus
Notary Public

[seal of notary]

My commission expires:

01/25/2020



APPENDIX B

Council on Postsecondary Education
 Veterinary Spaces - Current Biennium and Future Years - Several Potential Scenarios

Appendix B

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	31,000	31,000	31,800	32,600	33,400	34,200	35,100	36,000	36,900	37,800
Seats	164	164	164	164	164	164	164	164	164	164
Total Cost	5,084,000	5,084,000	5,215,200	5,346,400	5,477,600	5,608,800	5,756,400	5,904,000	6,051,600	6,199,200

Flat Funding Scenarios

Shift Cost to Students

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Cost Per Seat	31,000	31,000	31,800	32,600	33,400	34,200	35,100	36,000	36,900	37,800
Paid by Kentucky	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000
Add'l Cost to Student	-	-	800	1,600	2,400	3,200	4,100	5,000	5,900	6,800

Reduce Spaces

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Cost Per Seat	31,000	31,000	31,800	32,600	33,400	34,200	35,100	36,000	36,900	37,800
Year 4 Students	41	41	41	41	41	36	38	37	37	32
Year 3 Students	41	41	41	41	36	38	37	37	32	35
Year 2 Students	41	41	41	36	38	37	37	32	35	34
Year 1 Students	41	41	36	38	37	37	32	35	34	33
	164	164	159	156	152	148	144	141	138	134
Total Cost	5,084,000	5,084,000	5,056,200	5,085,600	5,076,800	5,061,600	5,054,400	5,076,000	5,092,200	5,065,200

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	31,000	31,000	31,800	32,600	33,400	34,200	35,100	36,000	36,900	37,800
Paid by Kentucky	31,000	31,000	29,100	28,500	27,900	27,300	26,800	26,300	25,800	25,300
Add'l Cost to Student	-	-	2,700	4,100	5,500	6,900	8,300	9,700	11,100	12,500

Reduce Spaces

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Cost Per Seat	31,000	31,000	31,800	32,600	33,400	34,200	35,100	36,000	36,900	37,800
Year 4 Students	41	41	41	41	41	30	34	35	35	24
Year 3 Students	41	41	41	41	30	34	35	35	24	28
Year 2 Students	41	41	41	30	34	35	35	24	28	30
Year 1 Students	41	41	30	34	35	35	24	28	30	30
	164	164	153	146	140	134	128	122	117	112
Total Cost	5,084,000	5,084,000	4,865,400	4,759,600	4,676,000	4,582,800	4,492,800	4,392,000	4,317,300	4,233,600