



2020-22 Biennial Budget Request for Postsecondary Education

House Budget Review Subcommittee on Education
January 23, 2020

Overview

1. Biennial Budget Request
 - a. Postsecondary Institutions
 - b. CPE Agency Budget
2. Dual Credit Scholarship
3. Performance Funding Update





Biennial Budget Request

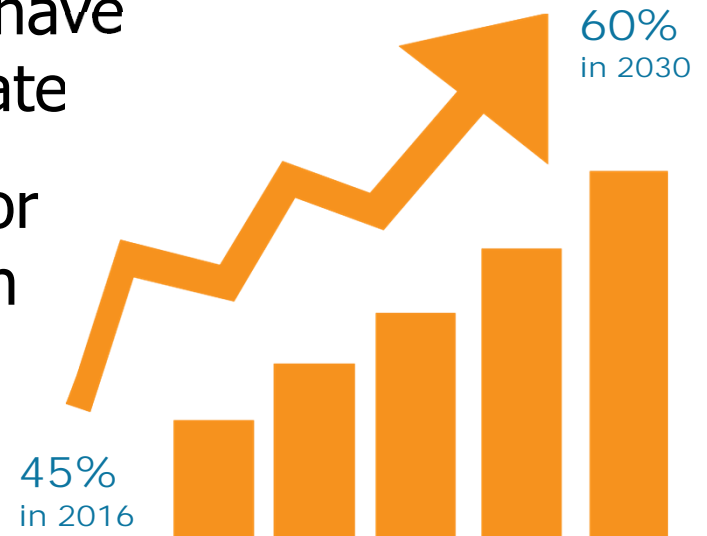
Postsecondary Institutions

- Top Priorities for 2020-22:
 - Performance Funding
 - Asset Preservation



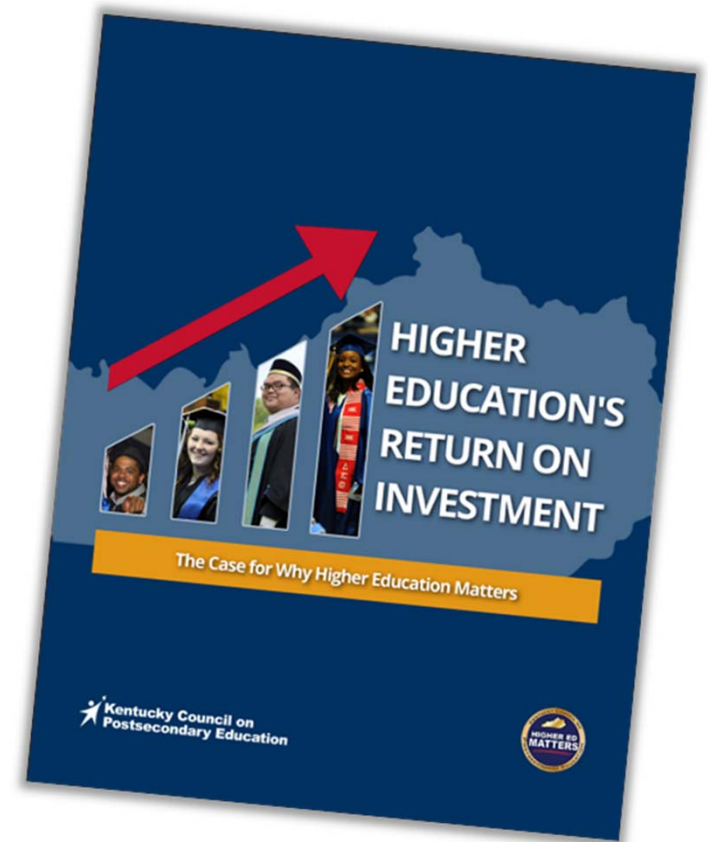
Kentucky's Big Goal

- Increase educational attainment of working age adults to 60% by 2030
- Currently 45% of Kentucky adults have a postsecondary degree or certificate
- Responds to workforce demands for highly trained, educated population
- Benefits of increased attainment:
 - higher income (lower poverty)
 - accelerated job growth
 - better life choices and health
 - engaged citizens



Kentucky Higher Education's Return on Investment

- KY public higher education 'net costs' is a reasonable investment of \$15,000 for a certificate, \$31,000 associates degree, \$55,000 bachelor's degree
- KY bachelor's graduates earn \$12,000 more yearly (at entry level) than a high school completer and \$1.2 million more over a lifetime



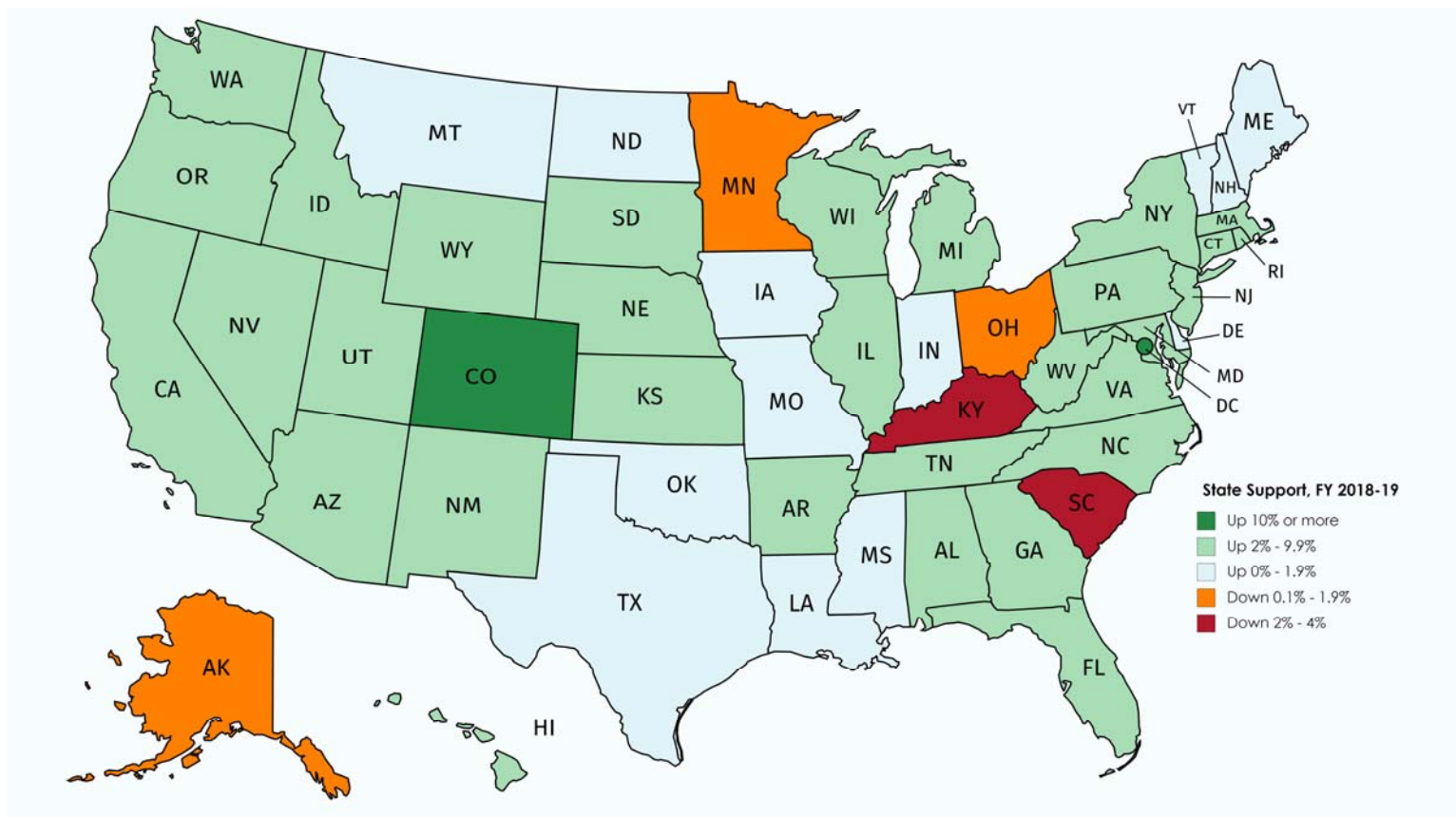
Kentucky Higher Education's Return on Investment

- Per student state funding is \$5,941, a decrease of 18% over the past eight years and state financial aid programs have not significantly increased
- For every \$41,000 the state invests in a bachelor's degree graduate, \$1.7 million is estimated to return to the economy



Other States are Reinvesting

Change in State Support for Public Higher Education
Between Fiscal Years 2017-18 and 2018-19



Source: State support for higher ed rises 3.7 percent, improves over 2017, *Inside Higher Education*, January 21, 2019 (created using Grapevine survey data, fiscal year 2018-19).

Institution Operating Funds

Table 1 – Operating Funds Request
(Dollars in Millions)

Category	2020-21	2021-22
Beginning Base (FY20 General Fund)	\$862.9	\$862.9
Base Adjustments (Debt Service)	(2.5)	(2.5)
Additional Budget Requests:		
Performance Funding	52.5	75.0
KSU Land Grant Match	.5	.5
Total Operating Funds Request	\$913.3	\$935.8
Percent Change (From FY20 Net Base)	6.2%	8.8%



Performance Funding

→ Request Features

- Additional appropriations of \$52.5 M in 2020-21 and \$75.0 M in 2021-22 to accelerate progress toward the state's 60 X 30 college attainment goal
- Anticipates that performance funds earned in 2019-20 will become recurring to campus base budgets
- Requests that the Governor and General Assembly take action to maintain 2% stop loss in 2021-22
- Recommends that mandated programs and funding amounts be line-itemed in budget bill language



Performance Funding (Cont'd)

→ Rationale for Request

- Relieve pressure on institutional budgets and lessen magnitude of tuition increases
- Help Council and campuses maintain affordability and access for Kentucky citizens
- Provide resources necessary to continue making progress toward state student success goals
- Reduce potential reallocation of General Fund base when hold harmless and stop loss provisions sunset



Institution Capital Investment

Table 2 – Capital Investment Request
(Dollars in Millions)

Category	2020-21	2021-22
Asset Preservation (Bond Funds)	\$200.0	\$200.0
→ Debt Service	8.2	24.7
New and Expanded Space	0.0	0.0
Information Technology	0.0	0.0
Total Capital Request	\$200.0	\$200.0
→ Debt Service	\$8.2	\$24.7



Institution Capital Investment (Cont'd)

→ Request Features

- \$400 M of state bond funds matched with \$200 M of campus funds to address 10% of estimated need

→ Rationale for Request

- Campuses have estimated \$7.3 billion need for asset preservation that has not been sufficiently addressed
- Since 2008, the state has appropriated \$262 million for asset preservation projects or 3.6% of need
- Modern facilities and systems reduce operating costs and better serve students



Need versus State Investment

Projected Asset Preservation Need versus State Investment
Fiscal Years 2007 through 2021

VFA Study Projections:

<u>Time Period</u>	<u>Projected Asset Preservation Need ¹</u>
2007 - 2011	\$5.1 billion
2012 - 2016	6.3 billion
2017 - 2021	\$7.3 billion

¹ Cumulative need

State Investment:

<u>Biennium</u>	<u>Appropriations for Asset Preservation</u>
2008-10	\$22.0 million
2010-12	0.0
2012-14	0.0
2014-16	240.0 million
2016-18	0.0
2018-20	0.0
	<hr/>
	\$262.0 million

- During the past six biennia, the state has funded about 3.6% of an estimated total \$7.3 billion asset preservation need





Biennial Budget Request

CPE Agency Budget

- Top Priorities for 2020-22:
 - Contract Spaces
 - SREB Doctoral Scholars
 - College to Career Pathways Portal



CPE Operating Funds

Table 3 – Operating Funds Request

Category	2020-21	2021-22
Beginning Base (FY20 General Fund)	\$17,296,300	17,296,300
Defined Calculations	187,300	279,600
Additional Budget Requests:		
Contract Spaces	273,200	289,200
SREB Doctoral Scholars	100,000	200,000
Total Operating Funds Request	\$17,856,800	\$18,065,100
Percent Change (From FY20 Base)	3.2%	4.4%



CPE Operating Funds (Cont'd)

→ Request Features

- Defined calculations are provided by the state budget office and, if authorized, would support a 1% salary increment and retirement system cost increases
- Requested contract spaces funding will allow CPE to maintain 164 veterinary seats and 44 optometry seats
- The SREB Doctoral Scholar's program will support two doctoral candidates at UK and two at UofL in 2020-21 and four candidates at each institution in 2021-22



CPE Capital Investment

Table 4 – Capital Investment Request

Category	2020-21	2021-22
College to Career Pathways Portal	\$2,000,000	\$0
Upgrade Regional Optical Network	1,000,000	0
Total Capital Request	\$3,000,000	\$0
→ Debt Service	\$443,000	\$443,000



CPE Capital Investment (Cont'd)

→ College to Career Pathways Portal **\$2,000,000**

- Online portal that helps students understand career options and college costs and pathways
- Will facilitate course and program comparisons, seamless transfer, and credit for prior learning

→ Upgrade KyRON Infrastructure **\$1,000,000**

- Funding for technology and equipment to connect public universities and KCTCS to Kentucky Wired
- Will support firewall and router upgrades for the universities and KCTCS





Dual Credit Scholarship

- Current scholarship does not cover the cost of providing dual credit courses
 - Request to raise scholarship award to $\frac{1}{2}$ the KCTCS per-credit-hour tuition rate



Impact of Dual Enrollment on Student Success

- Results from a **forthcoming CPE study**:
 - Dual credit experiences have contributed to higher college GPAs and first-to-second year retention for all students, regardless of race, gender or income.
 - Dual credit experiences were particularly positive for students who historically have had lower GPA's or dropped out their first year:
 - under-represented minority students
 - low income students
 - students who enter academically underprepared



Dual Credit Scholarship Effect: 49% Increase in Four Years

An increase of 49.16 percent over four years

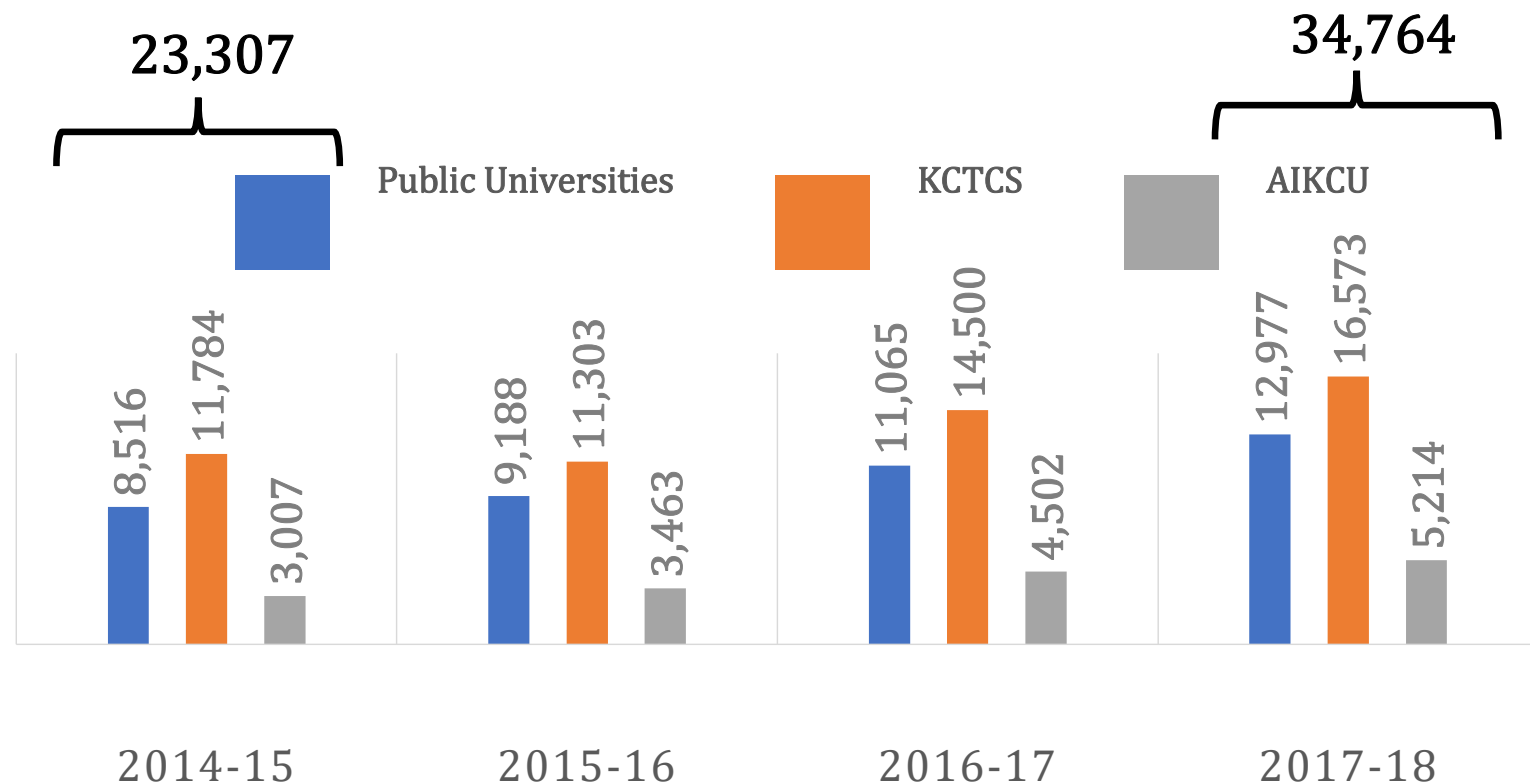


Figure 2. Dual enrollment participation across institutions and by cohort.



Program Challenges and Sustainability

- Currently the scholarship amount is capped at 1/3 the per credit hour rate of KCTCS – **an amount that does not cover the cost of providing dual credit courses**
- Campuses are precluded from charging students an amount above the scholarship resulting in a loss of **\$5.7 M** at KCTCS and **\$400K per year** at comprehensive universities
- **Proposal:** Raise the maximum scholarship award to 1/2 the per credit hour rate at KCTCS
- **Cost:** Estimated **\$5.0** million annually





Performance Funding Update

- The models are operating as intended:
 - Seeing growth in degrees and credentials
 - On track to achieve 60 x 30 goal
- Going forward:
 - Need new funding to sustain progress
 - Request to maintain 2% stop loss in FY22



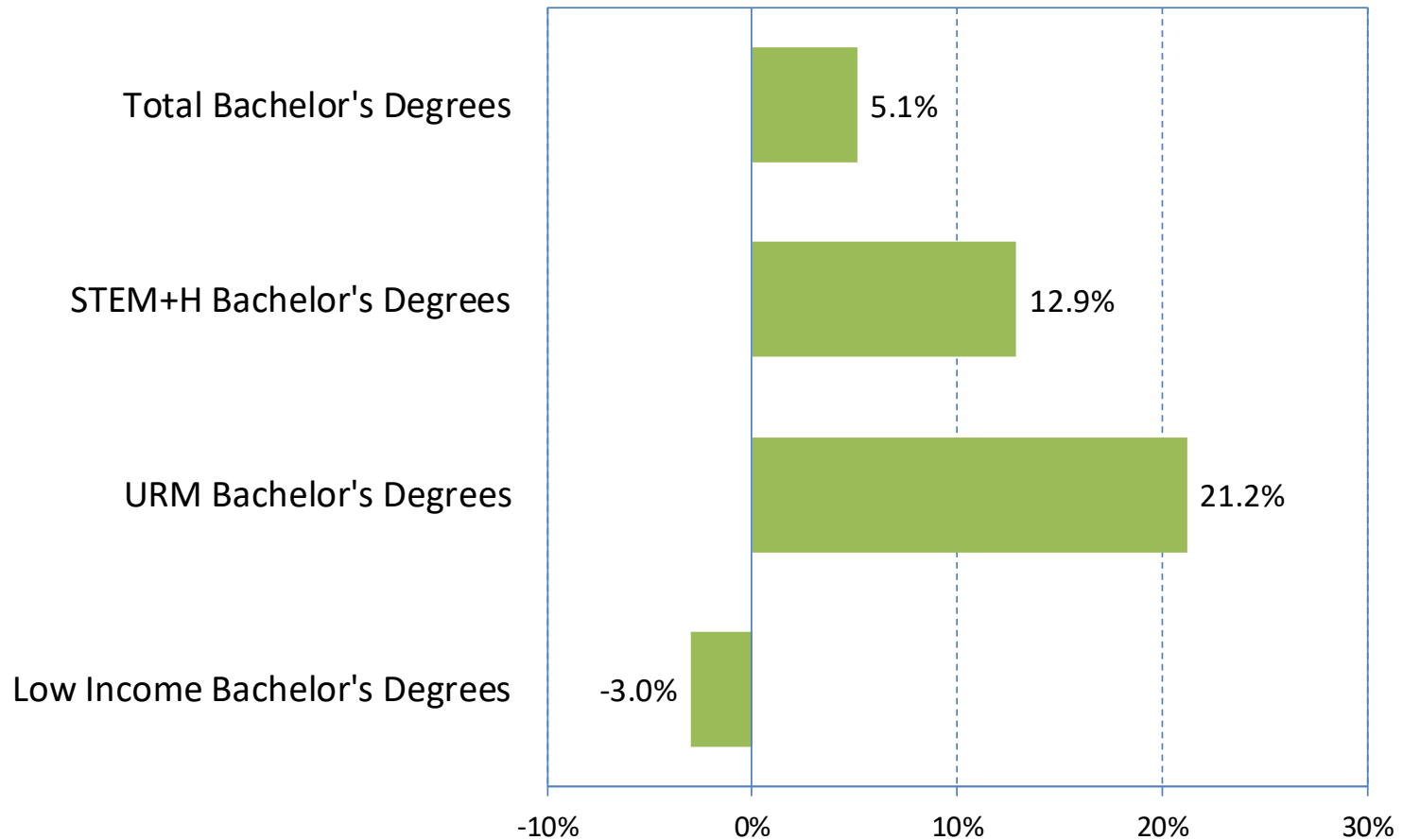
Funding Model Impact

- State funding is no longer being distributed based on historical share, but on outcomes produced
- Model is providing incentives for student progression and timely completion
- Institutions are reacting to the model strategically
- Historical funding disparities are being rectified
- Since 2016, bachelor's degree production is up 5% and KCTCS credentials are up 21%
- There is sizable growth in STEM+H and URM awards



University Bachelor's Degrees

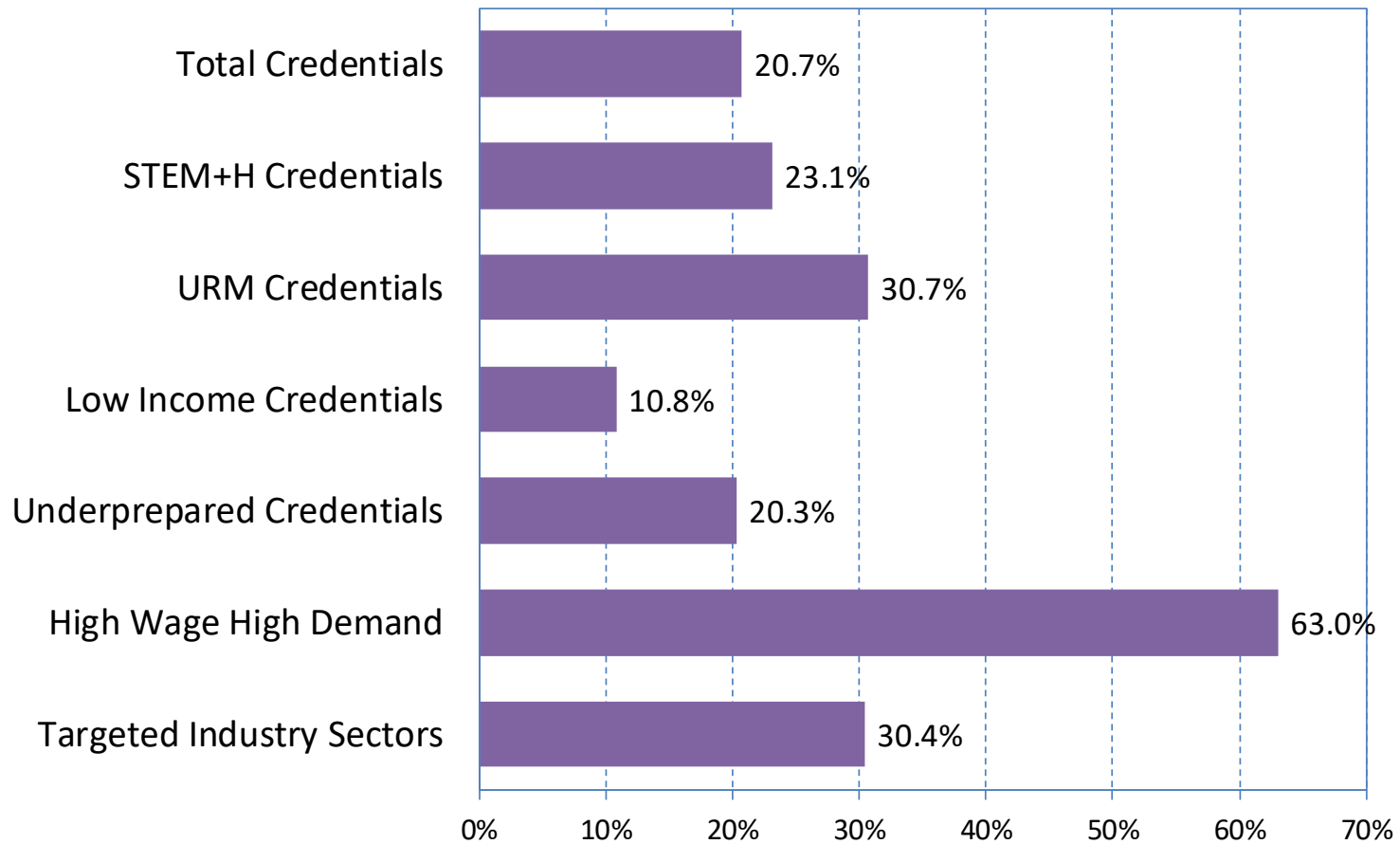
Performance Funding Model for the Public Universities
Percent Change in Bachelor's Degrees Produced by Targeted Metric
Between Academic Years 2015-16 and 2018-19



Source: Council on Postsecondary Education, Data and Advanced Analytics Comprehensive Database.

KCTCS Credentials

Performance Funding Model for KCTCS Institutions
Percent Change in Credentials Produced by Targeted Metric
Between Academic Years 2015-16 and 2018-19



Source: Kentucky Community and Technical College System, Office of Research and Policy Analysis.

Timeline and Funding Sources

Funding Models for the Public Universities and KCTCS Institutions
 Implementation Schedule and Funding Sources
 (Dollars in Millions)

<u>Timeline</u>	<u>Fiscal Year</u>	<u>Campus Carve Out</u>	<u>New Funding</u>	<u>Total Funding</u> ¹
Year 1	2017-18	\$42.9	\$0.0	\$42.9
Year 2	2018-19	31.0	0.0	31.0
Year 3	2019-20	38.7	0.0	38.7
Year 4	2020-21	\$14.9	TBD	TBD
Year 5	2021-22	TBD	TBD	TBD

¹ Represents total appropriations to the Postsecondary Education Performance Fund, which were distributed among institutions based on outcomes produced.



Request to Maintain 2% Stop Loss

Funding Models for the Public Universities and KCTCS Institutions Estimated Impact of Discontinuing the 2% Stop Loss on Selected Campus Budgets

Institution	Fiscal 2019-20 Formula Base ¹	Hold Harmless Allocation ²	Budgetary Impact
Kentucky State University	\$18,607,700	(\$6,867,800)	-37%
Morehead State University	35,644,400	(2,814,900)	-8%
Murray State University	41,381,400	(118,500)	0%
Ashland Community and Technical College	8,774,700	(593,400)	-7%
Big Sandy Community and Technical College	9,934,600	(1,094,100)	-11%
Hazard Community and Technical College	11,275,000	(3,750,600)	-33%
Henderson Community College	4,317,800	(285,600)	-7%
Madisonville Community College	8,059,700	(848,000)	-11%
Southeast Community and Technical College	\$9,437,300	(\$2,066,500)	-22%

¹ The formula base (i.e., also referred to as the adjusted net General Fund) is calculated by subtracting debt service and mandated program funding from each institution's total direct appropriation.

² Estimated reduction in each institution's formula base that could occur if stop loss and hold harmless provisions sunset. These numbers represent the calculated hold harmless allocations in fiscal 2019-20.





Questions?

