

TITLE: 2024-25 CPE Agency Budget

DESCRIPTION: Staff recommends that the Executive Committee approve the 2024-25 agency budget.

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SUPPORTING INFORMATION

Each year, the Council reviews and approves the agency's revenue and expenditure budget for the upcoming fiscal year. Below is a description of CPE's budget as proposed for fiscal year 2024-25. The enacted state budget for 2024-2026 (primarily HB 6, but also HB 1, and SB 91), along with CPE's 2025-26 biennial budget request (submitted to the state budget office and Legislative Research Commission October 1, 2023) provide the framework for the proposed 2024-25 agency budget. Budgeted figures for the current year (i.e., 2023-24) are included for comparison.

CPE General Fund Budget

House Bill 6 provides a continuation budget for CPE. It does provide additional General Fund allocations for agency Operations, specifically for cost-of-living adjustments for staff (3% in 2024-25, and another 3% in 2025-26), though there is a reduction related to positions that were vacant in fiscal year 2023-24. The General Fund was also reduced in recognition that CPE's contributions to the state retirement system will drop from 66.17% of a participating employee's salary in 2023-24 to 48.75% next year (i.e., 2024-25).

The 2024-2026 budget provides \$2.0 million in funding for CPE to conduct a study on expansion opportunities for post-baccalaureate programs at the public universities. Funding is available in 2023-24 and can carry forward. SB 91 allows unspent funds to be used for administrative purposes.

General Fund appropriations for three programs in the Technology Trust Fund and the Doctoral Scholars Program remain the same for the upcoming biennium. General Funds in the Technology Trust Fund provide support for the Kentucky Virtual Library, Kentucky Postsecondary Education Network, and CPE's Technology Support. The Doctoral Scholars program, reinstated in 2021-22, provides scholarships and other programming to help two underrepresented minority doctoral candidates at the University of Kentucky and University of

Louisville graduate and pursue careers in academia after graduation. UK and UofL match these funds, so a total of four students benefit from this program every year.

Other General Fund appropriations are passed through to the institutions as follows:

- \$750,000 was provided for KSU oversight in the 2024-26 biennium. These funds will be used to pay for CPE staff dedicated to KSU and to continue the work of outside consultants. 2022-2024 oversight funding was \$1.5 million.
- \$7.0 million for the Healthcare Workforce Investment Fund for 2024-25, and \$3.0 million for 2025-26.
- \$1.0 million for ovarian cancer research and screening (same level as 2023-24)
- \$2.0 million for spinal cord and head injury research (same level as 2023-24)
- Finally, CPE pays the SREB dues for Kentucky, and \$10,000 was added for 2024-25 to cover cost increases.
- In special appropriations bills, CPE received \$300,000 to pass along to the National Stem Cell Foundation (NSCF) and \$8.0 million for Appalachian Regional Health (ARH).

The table below shows General Fund appropriations by expenditure category for CPE’s agency budget for 2023-24 and 2024-25. The table below does not show ARH or NSCF funding.

CPE Agency Budget Fiscal Years 2023-24 and 2024-25		
Expenditure Category	Fiscal 2023-24	Fiscal 2024-25
General Fund ¹		
Operating Funds ²	\$ 7,978,800	\$ 7,774,900
Healthcare Workforce Investment Fund	-	7,000,000
Debt Service for Bucks for Brains	3,224,000	-
Technology Trust Fund	3,653,200	3,653,200
Spinal Cord and Head Injury Research	2,000,000	2,000,000
Ovarian Cancer Screening	1,000,000	1,000,000
Doctoral Scholars	50,000	50,000
SREB Dues	214,800	224,800
Total	\$ 18,120,800	\$ 21,702,900
¹ Does not include funding for Postbaccalaureate Initiatives study (\$2.0 million in 2023-24, which carries forward) or KSU Oversight (\$1.5 million over 2022-2024 and \$750,000 over 2024-2026).		
² Includes funding for Operations and Strategic Initiatives.		

2024-25 Operating Budget

The CPE operating budget includes most of the agency’s funding for personnel and operations. Next year, CPE will use state General Fund appropriations, along with \$500,000 in Restricted

Funds received by the Council for administering federal grants (i.e., primarily the GEAR UP grant), to fund agency operations. Personnel expenses make up 86 percent of the Operating budget, which is typical for state government agencies. General Fund appropriations in 2024-25 will again support 47 employees (47 employees in 2022-23 and 2023-24), which is down from 97 staff in 2007-08.

CPE's 2023-24 budget is largely a continuation budget. Next year, CPE leaders will continue to focus on the successful transition of students from secondary to postsecondary education through leadership of the P-20 Education Continuum. CPE will continue collaboration with state workforce and economic development leaders in the state and policy and programming in this area.

The table below compares CPE's 2023-24 and 2024-25 operating budgets.

CPE Operating Budget Fiscal Years 2023-24 and 2024-25				
	Fiscal 2023-24	Proposed 2024-25	Percent Change	Notes
Sources of Funds				
General Fund	\$ 7,978,800	\$ 7,774,900	-2.6%	
Restricted Funds	600,000	500,000	-16.7%	Budgeted additional funds in FY24 for office upgrades
Total Sources of Funds	\$ 8,578,800	\$ 8,274,900	-3.5%	
Uses of Funds				
Salaries and Benefits ¹	6,799,200	6,512,300	-4.2%	Reduction of vacancies
Other Personnel Costs	525,800	575,800	9.5%	
Total Personnel	\$ 7,325,000	\$ 7,088,100	-3.2%	
Building, Rentals, Repairs	351,800	351,800	0.0%	
Computer & Miscellaneous Services	436,500	336,500	-22.9%	See note above
Supplies, Travel, Dues, Other	350,500	383,500	9.4%	
Total Operating	\$ 1,138,800	\$ 1,071,800	-5.9%	
Total Grants	\$ 115,000	\$ 115,000	0.0%	Graduate Profile
Total	\$ 8,578,800	\$ 8,274,900	-3.5%	

¹ Estimate for FY24 General Fund for salary increases and health insurance was \$947,000, final amount required a reduction of \$173,900 to salaries and benefits.

CPE Tobacco Fund, Federal Funds, and Restricted Funds Budgets

In addition to state General Fund appropriations, the Council's budget contains other sources of revenue, including tobacco settlement funds, cigarette tax revenue, federal grant funds, and agency receipts.

The following table provides a summary of the Council's 2023-24 authorized expenditure levels for these funds and proposed expenditures for 2024-25. The enacted budget specifies the

expenditure limits for each fund type.

CPE Tobacco, Federal, and Restricted Funds Fiscal Years 2023-24 and 2024-25		
Expenditure Category	Fiscal 2023-24	Fiscal 2024-25
Tobacco Fund		
Cancer Research and Screening	\$ 6,250,000	\$ 5,843,200
Federal Funds		
GEAR UP	\$ 4,288,900	\$ 4,915,000
Other Federal Funds		
ESSER*		TBD
Simmons*		TBD
Healthcare Workforce Collaborative	16,737,000	4,027,900
Total Federal Funds	\$ 21,025,900	\$ 8,942,900
Restricted Funds		
Operations (Federal Indirect)	\$ 600,000	\$ 500,000
Cancer Research Match		3,907,500
Licensure (Licensure Fees)	500,000	500,000
Total Restricted Funds	\$ 49,401,800	\$ 4,907,500

*ESSER and Simmons Funds will be requested once remaining funds are determined.

Tobacco Fund appropriations in CPE’s budget for 2024-25 support cancer research at UK and UofL. This appropriation is divided equally.

CPE will have access to federal GEAR UP grant funds in 2024-25. GEAR UP, which stands for Gaining Early Awareness and Readiness for Undergraduate Programs, is a federally funded program that helps students in underprivileged schools prepare for postsecondary education. GEAR UP is a seven-year, \$24.5 million grant program.

The state budget provides federal funds from the State Fiscal Recovery Fund of the American Rescue Plan to CPE in 2024-25 for the Healthcare Workforce Collaborative and for Simmons College. When the amount is determined for 2024-25, CPE will seek an appropriation increase. The Healthcare Workforce Collaborative brings together public higher education officials and industry leaders to “strengthen the education and training pipeline of healthcare professions within Kentucky’s public two and four-year colleges and universities.” Funding for the collaborative totals \$10.0 million and is separate from the General Fund appropriation for the Healthcare Workforce Investment Fund. The state budget provides a total of \$7,280,200 for Simmons College, a private HBCU in Louisville for facilities and to “expand academic offerings

to include the areas of psychology to produce more licensed mental health practitioners, quality control technicians, and logistics and supply chain management.” The Healthcare Workforce Collaborative and Simmons College will have until December 2026 to access these funds.

Restricted Funds in the CPE budget support several programs, including the Cancer Research Match program, Licensure, and Agency Operations. These funds come to CPE from a variety of sources, such as:

- Cigarette tax proceeds (i.e., one cent from each pack of cigarettes sold in Kentucky) fund the Cancer Research Match program, which is allocated to UK and UofL equally, provided the institutions are able to match the distributions with institutional funds expended on cancer research.
- Licensure fees fund the Licensure Unit. The Council licenses all Kentucky non-profit and for-profit baccalaureate degree granting and above institutions, and out-of-state public institutions operating or soliciting in the Commonwealth. The Licensure Unit also has duties related to the State Authorization Reciprocity Agreement (SARA), which allows Kentucky public and licensed institutions to do business in other SARA states. Licensure revenue of about \$400,000 per year supports the equivalent of three full-time staff members who ensure the Council’s licensure duties are performed. Staff plans to use some carryforward balance to fund a significant update to the Licensure computer system. Total expenditures of \$500,000 for the year are planned.
- Finally, the Council receives funds related to the administration of federal grants and is authorized to spend those funds to support agency operations.

Other Funds

The Council manages two funds that are technically considered “off-budget,” but these funds are well-known by the state budget office and the legislature. These funds are the Equine University Program Trust Fund and the Technology Trust Fund (i.e., KYVL receipts and smaller grants).

The Equine Program receives funds collected by the state related to pari-mutuel betting. The funding, traditionally about \$600,000 per year, is distributed equally to the five institutions with Equine programs (UK, UofL, MoSU, MuSU, and WKU) to help fund capital investments in their programs.

The Technology Trust Fund (TTF) receives state General Fund appropriations (mentioned above), but the fund also receives Kentucky Virtual Library (KYVL) member dues, interest earnings, private grant funds, and funds from institutions for collective purchases and state government agencies on occasion. These funds will be spent in 2024-25 as allowed by the terms of the funding.

In late May 2024, CPE received a new round of funding (\$3,250,000) from the James Graham Brown Foundation, which will be active through 2030, to fund the work of the Kentucky Student Success Collaborative at CPE. Also of note, CPE has received a \$1.5 million grant from the ECMC foundation to address student basic needs. This grant will be active through December 2026.