

**TITLE:** 2024-2026 Postsecondary Education Budget Recommendation  
CPE Agency Budget Request

**DESCRIPTION:** The Finance Committee recommends the Council approve the proposed 2024-2026 Agency Budget Request.

**PRESENTER:** Eric Farris, Chair of the Finance Committee

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**COMMITTEE REVIEW & APPROVAL**

The Finance Committee reviewed and approved the Agency Budget Request during its September 11, 2023, meeting.

**BUDGET OVERVIEW**

The Council's General Fund agency budget can be broken down into four main categories: (1) Operating; (2) Technology Trust Fund; (3) Ovarian Cancer Screening and Spinal Cord/Head Injury Research; and (4) SREB Doctoral Scholars Program and Dues. Each of these components is described briefly below and can be seen in Table 1.

General Fund appropriations for agency operations support expenditures associated with the Council's higher education coordinating board role, including resources for policy leadership, strategic planning, regulation of the state's postsecondary education system, financial policy analysis and development (biennial budget recommendation, performance funding, and tuition setting), administrative services, communications, academic affairs and program review, and information, research, and data analysis.

Table 1:

CPE General Fund		
<u>Expenditure Category</u>	<u>Fiscal 2023-24</u>	<u>Percent of Total</u>
Operating Funds (& KSU oversight)	7,955,700	53%
Technology Trust Fund	3,653,200	25%
Ovarian/Spinal Cord & Head Injury	3,000,000	20%
SREB Dues & Doctoral Scholars	264,800	2%
Total	14,873,700	100%

The Council's Operating Funds include agency operations and special initiatives, which in the past was often referred to as Senate Bill 1 funds. These funds support staff, operating funds,

and grants to the public postsecondary institutions to advance the Council's *2022-2030 Strategic Agenda for Kentucky Postsecondary Education*. This funding also includes support for the continued oversight of Kentucky State University.

Three program areas use Technology Trust Fund General Fund dollars: (a) technology support, (b) the Kentucky Virtual Library (KYVL), and (c) the Kentucky Postsecondary Education Network (KPEN). About 25 percent of CPE's total General Fund budget is allocated to the Technology Trust Fund.

In prior biennia, a portion of the Council's Tobacco Funds were directed by the General Assembly to support ovarian cancer screenings. Beginning in 2018-2020, the General Assembly made General Fund appropriations available for ovarian cancer research and screening. Starting in 2022-23, \$1,000,000 per year has been provided for ovarian cancer screening.

Starting in 2020-21, General Fund has been appropriated to CPE for Spinal Cord and Head Injury research. This funding goes to the Kentucky Spinal Cord and Head Injury Research Board and, ultimately, to UK and UofL. Funding for this research was \$2,000,000 each year of the current biennium.

CPE pays the Commonwealth's dues to be a part of the Southern Regional Education Board (SREB). This organization provides the state with education research and professional development opportunities for staff and elected leaders. It also plays a key role in maintaining licensure reciprocity for postsecondary institutions and in administering the Academic Common Market, which allows students to pursue programs in other states at in-state rates. During the 2020-2022 and 2022-2024 biennia, the General Assembly provided CPE with \$50,000 each year to sponsor two underrepresented minority (URM) doctoral candidates in SREB's Doctoral Scholars program. That level of funding provides scholarships and networking opportunities and professional development for two doctoral candidates (one at UK and one at UofL); however, UK and UofL match the funding, so the program provides sponsorship to a total of four candidates each year. In the current fiscal year, 2 percent of the agency's General Fund budget is allocated to SREB dues and the doctoral scholars program.

## **2024-2026 Agency Budget Request**

In addition to smaller requests for defined calculations, doctoral scholars, and SREB dues increases, CPE staff has identified several high priority agency budget needs for the upcoming 2024-2026 biennium.

### Defined Calculations

Every biennium, Office of State Budget Director staff instruct CPE staff to request cost increases associated with pension, healthcare, and other fixed and unavoidable cost increases. This figure also includes a 1% employee salary cost-of-living adjustment, in accordance with budget instructions. At this time, Council staff is still finalizing the components of the Defined Calculations request.

- *Council staff recommends increases in General Fund appropriation necessary to cover Defined Calculations, as required by the state budget office’s Biennial Budget Instructions. These figures will be provided when available.*

### SREB Doctoral Scholars Program

For 2024-2026, CPE is proposing additional funding to build upon the current SREB Doctoral Scholars Program, which provides support to underrepresented minority doctoral candidates. The funding identified by staff (\$50,000 in 2024-25 and \$100,000 in 2025-26) will allow the program to grow from the current number of four students to eight in 2024-25 and 12 in 2025-26. Since the SREB Doctoral Scholars program is a three-year program, this funding will provide funding for three “classes” of students (four each year). While the program cost is \$25,000 per student, UK and UofL have typically matched the state’s funding.

Kentucky’s participation in the SREB program began in 1994, the second year of SREB’s existence. Kentucky did not participate in the program in the 2018-20 biennium due to budgetary constraints. The program is intended to help underrepresented minority doctoral candidates complete a doctorate more quickly and encourage them to join the ranks of the professoriate. The program provides opportunities for professional development, as well as, encouragement and support for students to matriculate from their doctoral programs and achieve their scholarly goals.

- *CPE staff recommends additional appropriations of \$50,000 in fiscal 2024-25 to support two additional SREB doctoral scholar’s students at the University of Kentucky and two additional students at the University of Louisville in the first year of the upcoming biennium and recommends \$100,000 in fiscal year 2025-26 to support two additional doctoral scholar students at each institution in the second year of the biennium. In addition, staff recommends an additional \$10,000 each fiscal year to cover anticipated SREB dues increases.*

### Expansion Request

CPE is charged with a broad array of responsibilities in the coordination and oversight of the state’s public postsecondary system. Over the past 15 years, responsibilities and expectations for the agency have grown significantly, while state-supported staffing levels, programs, and services have declined. In 2008, CPE’s General Fund supported 97 staff. Today 47 CPE staff are supported with state General Fund. CPE has been fortunate to secure philanthropic and one-time federal funds to support some of this new work. However, these funds are time limited and do not provide the sustained commitment needed to fulfill the agency’s obligations.

- CPE requests expansion funding in two areas:
  1. Higher Education Coordination and Management \$ 3.0 M per year
  2. Incentive Grants - Workforce Preparation & Economic Growth \$20.0 M per year

Details of each expansion request are provided below.

1. **Higher Education Coordination and Management:** CPE requests \$3.0 million in fiscal 2024-25 and \$3.0 million in fiscal 2024-25 to support additional staff in the following areas:
  - **Workforce Development Initiatives: 1 associate vice president, 1 assistant director, 2 senior associates and 1 associate.** CPE launched a major statewide healthcare workforce development program with support from federal ARPA funds appropriated by the General Assembly in 2022. Most of the funding was distributed to colleges and universities with a small amount reserved at CPE to support a senior level position to manage the funding program. The funding sunsets at the end of the current biennium. The success of the healthcare program has led to increased interest in CPE providing state-level coordination and leadership in a variety of workforce areas, including behavioral health, K-12 teaching, advanced manufacturing, and information technology. CPE proposes to bring our current senior level staffer on to General Fund and establish a permanent unit of the agency dedicated to workforce initiatives.
  - **P-20 Policies and Programs: 3 senior fellows and 1 associate.** Over the past two years CPE has led a statewide effort to improve educational pathways between our K-12 and postsecondary education systems and expand early college opportunities. The Commonwealth Education Continuum was launched in 2021, the Kentucky Advising Academy in 2022, and dual credit policies and programs also in 2022. CPE requests funds to move four staff members who are currently funded with federal, one-time dollars on to state General Funds to ensure this important work can be sustained. Ensuring that more of our high school graduates progress into some postsecondary education or training pathway is an essential strategy in improving Kentucky's economy and raising our workforce participation rate.
  - **Board Member Education and Orientation: 1 senior associate.** Several years ago, CPE was given the responsibility to provide board orientation and ongoing professional development for all trustees and board members of public institutions in Kentucky. CPE has developed programming and provided orientation services but given the increased challenges and complexities facing higher education, the need for state level board professional development is growing. CPE proposes a dedicated staff member with experience in higher education board management to lead and strengthen this work.
  - **Postsecondary Financial Management and Oversight: 2 senior associates.** CPE is charged with coordinating the development of a unified budget request and setting tuition. In recent years, it has taken on the responsibility of developing and managing a statewide performance funding system. Increasingly state leaders are looking to CPE to evaluate, monitor and report on the financial health of our institutions of higher education for licensure decisions (private institutions) and for transparency and accountability (public institutions). CPE proposes two additional staff to fulfill the responsibilities and expectations in this area. This would take the total number of finance staff in the agency from three (3) to five (5).

- **Higher Education Performance and Accountability: 1 assistant director and 1 senior associate.** Data and information drive every decision made at CPE and at the colleges and universities. It is essential for our funding model and accountability system, and in assessing whether our system is meeting the goals and expectations set for it. Kentucky is blessed with a nationally recognized data infrastructure, largely due to the quantity and quality of the data coming from CPE and other partner agencies. Collecting, warehousing, protecting, cleaning, analyzing and presenting data in a usable format is not simple and staff require significant technical and analytic skills sets. CPE proposes two additional staff members to join our Data and Advanced Analytics unit to strengthen our capacity and performance in this area.
- **Adult-Focused Programs and Services: 1 senior associate and 1 senior fellow (part-time).** Kentucky must expand postsecondary access to undereducated, working-age adults to fill critical work shortages in healthcare, STEM fields, early childhood development and other high-demand areas. The requested staff would work with education providers to limit barriers to enrollment and completion for adult learners and other students balancing the competing demands of work, life, family and school. Specific strategies include streamlining pathways between Kentucky Basic Adult Education and higher education, providing targeted outreach and counseling services for adult learners, and improving course delivery options.
- **Academic Program Oversight and Coordination: 1 director and 1 associate director.** KRS 164.020(15) charges CPE to define and approve all academic programs at public postsecondary institutions, and KRS 164.020(16) requires CPE to review existing academic programs at public postsecondary institutions to ensure they meet the state's economic needs. The review and approval processes also are designed to promote collaboration and efficiencies in program delivery. Current staffing (CPE has only one dedicated staff member focused on this work) limits the state's ability not only to fulfill the statutory review and oversight responsibilities, but additional staff in this area will allow the agency to expand the academic program focus to competency-based learning, work-based learning, artificial intelligence, and other academic innovations. In addition, CPE can accelerate efforts with institutions to fully incorporate Kentucky's ten essential workforce skills throughout the college experience.
- **Financial Aid and Affordability: 1 assistant director.** CPE increasingly is called on to monitor higher education affordability, assess student aid programs and strategies, and research and analyze college cost and affordability data. Higher education affordability is one of the five pillars of the state strategic agenda for postsecondary education. CPE needs additional capacity and expertise in this policy area to help guide decision making around tuition setting, financial aid programs, and debt reduction strategies.
- **Transfer Services and Coordination: 1 senior associate.** KRS 164.2951 outlines several statutory requirements for CPE regarding transfer of credit among institutions. Because curricula constantly evolve to meet workforce needs, and institutional policies and procedures can change over time, the coordination of transfer is an ongoing and

time-intensive part of CPE's responsibilities. Currently the agency has only one staff member dedicated to transfer of credit among all public two- and four-year campuses. The proposed staff addition will allow CPE to respond more effectively to legislative mandates and focus on new strategies to streamline transfer, increase transfer rates and completion of bachelor's degrees for KCTCS students.

- **Student Progression and Support Services: 1 executive director, 1 associate director and 1 senior associate.** The Kentucky Student Success Collaborative (KYSCC), which is part of CPE, is leading efforts to improve retention and completion at postsecondary institutions by working with campuses to identify issues and create collaborative solutions, a key responsibility of CPE. KYSCC is currently working on strategies to address student basic needs, student mental/behavioral health issues, and completion of foundational courses in a student's first year (a key indicator of college success). The executive and associate directors of KYSCC currently are funded through a private foundation grant which will sunset at the end of the current fiscal year. In addition, CPE requests an another KYSCC staff member to assist with data collection, reporting, and coordination of services.
- **Management of Major Funding Programs (see below): 1 senior associate.** CPE will dedicate a current vice president's time to develop, guide and coordinate the proposed FHEED funding program outlined below. CPE requests funding for new senior associate level staff member to help the VP lead and support this work.

2. **Incentive Grants to Strengthen Workforce Preparation and Economic Growth:** The Council requests \$20.0 million in fiscal 2024-25 and \$20.0 million in fiscal 2025-26 to support the ***Fund for Higher Education and Economic Development (FHEED)***. Administered by CPE, this fund would provide incentive grants to campuses to increase educational attainment, strengthen the workforce alignment, foster collaboration, improve efficiencies and build a more streamlined pipeline along the P-20 educational continuum.

Examples may include (but are not limited to) funds that would:

- Strengthen and expand the behavioral health workforce pipeline and other high demand workforce priority areas in healthcare, education (K-12 teacher corps), technology, and manufacturing.
- Relaunch *Project Graduate*, a nationally recognized program to encourage adults with some college to come back to finish their degrees.
- Strengthen the P-12 to postsecondary pipeline through summer bridge programs and other college readiness initiatives.
- Strengthen and expand transfer and other credit-for-prior learning strategies and programs to ensure students earn credit that is due to them from prior academic or work experiences.
- Improve institutional financial transparency.
- Expand competency-based programming and other strategies to improve access to adult and other place-bound students.

- Incorporate Kentucky Graduate Profile elements such as civic education, financial literacy, and critical thinking in General Education programs.
- Improve the quality and accessibility of dual credit and other early college programming.
- Respond to the challenges and opportunities posed by advances in technology and artificial intelligence.
- Support and nurture local and regional entrepreneurship and small business development.
- Explore and develop multi-campus collaborations to expand access and create efficiencies in delivering high-cost programs.

CPE will create an advisory committee comprised of campus, workforce, and economic development leaders to provide guidance in the use and distribution of FHEED. A portion of the fund (up to 20%) may be retained by CPE to offer statewide programming and professional development for postsecondary faculty and staff, administrators, and board members in support of the goals of the funding program.

- *Council staff recommends an appropriation of \$3,000,000 in fiscal year 2024-25 and \$3,000,000 in 2025-26 to fund an expansion in CPE’s role in higher education coordination and management.*
- *Council staff recommends an appropriation of \$20,000,000 in fiscal year 2024-25 and \$20,000,000 in 2025-26 to fund incentive grants to Strengthen Workforce Preparation and Economic Growth. This funding would establish the Fund for Higher Education and Economic Development.*

Table 2 provides a summary of the CPE Agency Budget General Fund base and additional budget requests.

Table 2:

CPE Agency Budget Request General Fund Components		
Funding Component	Fiscal 2024-25	Fiscal 2025-26
Beginning Base	\$14,873,700	\$14,873,700
Defined Calculations (DC)	TBD	TBD
SREB Dues & Doctoral Scholars	60,000	110,000
Expansion Request:		
• Higher Education Coordination & Management	3,000,000	3,000,000
• Incentive Grants - Strengthen Workforce Preparation & Economic Growth	20,000,000	20,000,000
<b>Total (not including DC)</b>	<b>\$37,933,700</b>	<b>\$37,983,700</b>

## Other Fund Sources

Several programs administered by CPE receive funding from sources other than the state General Fund, including cancer research funded with tobacco settlement funds, the Cancer Research Match program and the licensure program funded with restricted funds, and the GEARUP program, which is made possible through federal grants. As part of the biennial budget process, the Council will request spending authority to use these funds. The level of restricted and federal fund expenditure authority needed has not been fully determined as of this date.

### Tobacco Settlement Funds

The 2000 General Assembly created the Lung Cancer Research Fund to support research at the University of Kentucky's Markey Cancer Center and the University of Louisville's Brown Cancer Center. Research conducted by these centers explore the causes, detection, and treatment of lung cancer. The program benefits Kentuckians through discovery of new cancer therapies, clinical trials, and an early detection program. In the *2018-20 Budget of the Commonwealth* and in subsequent biennia, the General Assembly specified that these funds should support cancer research more generally and be allocated 50:50 between the University of Kentucky and the University of Louisville.

- *Council staff recommends Tobacco Settlement Fund appropriations of \$6,250,000 in 2024-25 and \$6,250,000 in 2025-26 for cancer research at the University of Kentucky and the University of Louisville.*

### Restricted Funds

Every biennium, a request for Restricted Funds spending authority must be included in the Council's budget request. The Cancer Research Matching Fund is the largest program in CPE's agency budget that is financed with Restricted Funds. Funding for that program is obtained through a one-cent-per-pack cigarette tax, and the proceeds are allocated and disbursed to UK and UofL to conduct lung cancer research.

The Council also receives restricted funds from the federal government through indirect cost recovery on federal grants and from licensure of non-public bachelor's and above degree granting institutions doing business in Kentucky.

Council staff is still in the process of developing an estimate of Restricted Fund receipts and expenditure needs. At this point, several options for improving the Licensure unit's data collection and licensure process are under consideration. Restricted Fund spending is not allowed by the state's financial system if sufficient funds are not available.

- *Council staff recommends a Restricted Funds appropriations request that aligns with recent spending trends that is sufficient to cover necessary operating costs.*

## Federal Funds

Federal Funds spending authority will be requested for GEAR UP (Gaining Early Awareness and Readiness for Undergraduate Programs) at the level needed to use the entirety of remaining funds. Staff estimates that GEAR UP will require spending authority of \$5,000,000 in 2024-25 and \$1,000,000 in 2025-26. If a new grant is awarded for 2025-26, CPE will request additional spending authority for 2025-26, consistent with the award amount. Federal funds are received and disbursed in accordance with the terms and conditions of the federal grants.

In the upcoming biennium, CPE will be spending federal funds appropriated for Simmons College and the Healthcare Workforce Collaborative. It is unclear at this time if these expenditures need to be incorporated into the 2024-2026 budget request.

- *Council staff recommends an appropriation of \$5,000,000 in fiscal year 2024-25 and \$1,000,000 in 2025-26 to enable federal fund expenditures related to the GEAR UP program.*
- *Staff will submit a request for reauthorization of spending for Simmons College and the Healthcare Workforce Collaborative if needed.*