

TITLE: 2023-24 CPE Agency Budget

RECOMMENDATION: Staff recommends that the Executive Committee approve the 2023-24 CPE agency budget and recommend final approval by the Council at its June 9, 2023 meeting.

PRESENTER: Shaun McKiernan, Executive Director of Finance and Budget

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 2023-24. The enacted state budget for 2022-24 (HB 1), along with CPE's 2022-24 biennial budget request, submitted to the state budget office and Legislative Research Commission November 15, 2021, provide the framework for the proposed 2023-24 agency budget. Budgeted figures for the current year (i.e., 2022-23) are included for comparison.

CPE General Fund Budget

House Bill 1 provides a continuation budget for CPE. It does provide additional General Fund for agency Operations, specifically for cost-of-living adjustments for staff (8% in 2022-23, and 6% in 2023-24, specified in HB 444, passed in the 2023 Regular Session). Other General Fund appropriations relate to pass through funding for the institutions. As a reminder, CPE's budget in HB 1 includes debt service to support \$40 million in Bond Funds for Bucks for Brains for the research institutions (\$30 million) and the comprehensive institutions (\$10 million). General Fund of \$2,225,000 is included for the Workforce Development Trust Fund, which was distributed to KCTCS institutions in 2022-23. The General Assembly chose to fund Spinal Cord and Head Injury Research as part of CPE's budget, with \$2,000,000 in General Fund in 2022-23, which was previously funded with Tobacco Funds (\$650,000 in 2021-22). The budget also provides additional General Fund for Ovarian Cancer Research and Screening, increasing the appropriation from \$500,000 to \$1,000,000 for each year of the biennium. General Fund appropriations for Technology Trust Fund, Doctoral Scholars, and SREB Dues remain essentially the same in fiscal 2021-22, 2022-23, and 2023-24.

The Technology Trust Fund provides support for the Kentucky Virtual Library, Kentucky Postsecondary Education Network, and Technology Support. The Doctoral Scholars program, which was 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 succeed and encourage them to pursue careers in academia after graduation. UK and UofL match these funds, so a total of four students benefit from this program every year.

The table below shows General Fund appropriations by expenditure category for CPE's agency budget for 2022-23 and 2023-24.

CPE Agency Budget Fiscal Years 2022-23 and 2023-24		
Expenditure Category	Fiscal 2022-23	Fiscal 2023-24
General Fund		
Operating Funds ¹	\$7,205,700	\$7,205,700
Defined Calculations and COLA	500,700	524,100
Cost of Living Adjustment (6%) ²		422,900
Debt Service for Bucks for Brains	1,612,000	3,224,000
Workforce Development Trust Fund	2,225,000	0
Technology Trust Fund	3,628,300	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	214,800
Total	\$18,436,500	\$18,294,700
¹ Includes funding for Operations and Strategic Initiatives		
² Allocation of State Salary and Compensation Fund - HB 444 (2023 RS)		

2023-24 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 \$600,000 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 2023-24 will support 47 employees (47 employees in 2022-23), 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.

See the table below for a comparison of CPE's 2022-23 and 2023-24 operating budgets, which includes both Operations and Strategic Initiatives.

CPE Operating Budget Fiscal Years 2022-23 and 2023-24				
	Fiscal 2022-23	Proposed 2023-24	Percent Change	Notes on Differences
Sources of Funds				
General Fund	\$7,205,700	\$7,205,700		
General Fund (COLA)	500,700	947,000		6% COLA
Restricted Funds	500,000	600,000	20%	Conference room technology upgrades
Total Sources of Funds	<u>\$8,206,400</u>	<u>\$8,752,700</u>	7%	
Uses of Funds				
Salaries and Benefits	\$6,526,800	\$6,973,100	7%	6% COLA
Other Personnel Costs	<u>525,800</u>	<u>525,800</u>	0%	
Total Personnel	\$7,052,600	\$7,498,900	6%	
Building, Rentals, Repairs	351,800	351,800	0%	
Computer & Misc. Services	336,500	436,500	30%	Computer charges, office renovations
Supplies, Travel, Dues, Other	<u>350,500</u>	<u>350,500</u>	0%	
Total Operating	1,038,800	1,138,800	10%	
Total Grants	<u>115,000</u>	<u>115,000</u>	0%	Graduate Profile
Total Uses of Funds	<u>\$8,206,400</u>	<u>\$8,752,700</u>	7%	

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 2022-23 authorized expenditure levels for these funds and proposed expenditures for 2023-24. The enacted budget specifies the expenditure limits for each fund type.

CPE Tobacco, Federal, and Restricted Funds Fiscal Years 2022-23 and 2023-24		
<u>Expenditure Category</u>	<u>Fiscal 2022-23</u>	<u>Fiscal 2023-24</u>
Tobacco Fund		
Cancer Research and Screening	\$6,250,000	\$6,250,000
Federal Funds		
GEAR UP	\$4,164,300	\$4,164,300
GEER and ARP funds	5,876,400 ¹	1,456,800
Simmons College	6,000,000 ¹	
Healthcare Workforce Collaborative	10,000,000 ¹	
Total Federal Funds	<u>\$26,040,700</u>	<u>\$5,621,100</u>
Restricted Funds		
Operations (Federal Indirect)	\$500,000	\$600,000
Cancer Research Match	4,100,000	3,923,000
Licensure (Licensure Fees)	<u>420,000</u>	<u>500,000</u>
Total Restricted Funds	<u>\$5,020,000</u>	<u>\$5,023,000</u>
¹ Unspent federal funds are available for use in 2023-24. Staff estimates that \$8.0 million in Healthcare Workforce funds, \$1.0 million in ARP funds, and all funds for Simmons College will be available for use in fiscal 2023-24.		

Tobacco Fund appropriations in CPE's budget for 2023-24 support cancer research at UK and UofL. This appropriation is divided equally.

CPE started receiving federal funds to distribute to postsecondary institutions through the Governor's Emergency Education Relief (GEER) Fund in 2020-21. Funding provided by the Governor through GEER for postsecondary education response to the

pandemic totals \$17.7 M. The expenditure authority in the 2022-24 budget allows CPE to spend the balance of these federal funds. In addition, funds were made available to CPE through the American Rescue Plan to support projects focused on improving college preparation and retention during a time with reduced college and career counseling and to address gaps in instruction due to the COVID-19 pandemic. Staff anticipates \$2.5 million in expenditures in ARP funds next fiscal year. CPE's ARP grant totals \$5.3 million.

CPE will have access to federal GEAR UP grant funds in 2023-24. 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 Budget of the Commonwealth provides federal funds from the State Fiscal Recovery Fund of the American Rescue Plan to CPE in 2022-23 for the Healthcare Workforce Collaborative and for Simmons College. Any unspent portion of these funds is available for expenditure in 2023-24. 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 \$10,000,000 in 2022-23. The state budget provides \$6,000,000 for Simmons College, a private HBCU in Louisville for a \$4.2 million Teacher Education Initiative and \$1.8 million 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.

- 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 several other state funds, including the Equine University Program Trust Fund and funds housed in 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 and Kentucky Virtual Library (KYVL) and KPEN receipts. The fund also receives interest earnings, smaller private grant funds, and funds from state government agencies on occasion. These funds will be spent in 2023-24 as allowed by terms of the funding.

Two years ago, the Office of State Budget Director authorized the use of the TTF to house a \$2.1 million, three-year grant from the James Graham Brown Foundation to establish the Kentucky Student Success Collaborative at CPE. This upcoming year will be the final year of the grant, which facilitates CPE's work with KCTCS and the universities in the realm of student success, particularly with regard to information sharing, professional development, and research and analysis.

TTF resources of about \$600,000, largely from Technology Support savings accumulated over several years are being used to develop a Student Portal and to fund research and provide strategic guidance on how CPE and the postsecondary institutions can better address the needs of adult learners and achieve an even more positive impact on economic development in the Commonwealth of Kentucky. TTF resources will also be used to fund consultants working on Senate Joint Resolution 98.

Finally, House Bill 250 (2022 Regular Session) included a \$1.5 million General Fund appropriation to support CPE's oversight of Kentucky State University. HB 444 (2023 RS) allows unspent funds from the 2022-23 appropriation to be used in 2023-24. CPE estimates that \$800,000 will be available for 2023-24 and will use those funds to pay

salaries and benefits for CPE staff dedicated to KSU and to continue the work of outside consultants.