

2014-16 Postsecondary Education Budget Recommendation Institutional Operating Funds

The primary way that Kentucky finances its public postsecondary system and supports the teaching, research, and public service missions of individual colleges and universities is by appropriating state General Funds for institutional operations. These funds, along with tuition, support education and general (E&G) expenditures on campus, including faculty and staff salaries, fringe benefits, student financial aid, utilities, building maintenance, libraries, student support services, and numerous other operating expenses. When available, these funds also strengthen strategic initiatives consistent with the mandates of House Bill 1 (1997).

- The Council staff recommends that the Council request total General Fund appropriations of \$987,986,200 in 2014-15 and \$991,029,000 in 2015-16 to support public postsecondary institution operations.

A detailed breakdown of the request by institution is provided in Attachment A. As can be seen in the attachment, the recommended totals represent an increase of \$46,411,500 in 2014-15 and an increase of \$49,454,300 in 2015-16, over the 2013-14 total postsecondary General Fund appropriation.

Major components of the 2014-16 operating recommendation include base adjustments and strategic investments (Table 1). Each of these components are described in more detail below.

Table 1: Components of 2014-16 Institutional Operating Funds Request

Description	2014-15	2015-16
Beginning Base (2013-14 Total General Fund)	\$941,574,700	\$941,574,700
Changes & Additions:		
Base Adjustments	(4,156,300)	(2,495,400)
Strategic Investments	50,567,800	51,949,700
Total Operating Funds Request	\$987,986,200	\$991,029,000

Base Adjustments

Base adjustments are technical in nature and primarily relate to existing state obligations for postsecondary education, such as changes in state-supported debt service and changes in the

University of Louisville's hospital contract. Components of the base adjustments request are shown in Table 2 below, followed by a brief description of each component.

Table 2: Components of 2014-16 Base Adjustments Request

Description	2014-15	2015-16
Changes from 2013-14:		
Debt Service	(\$4,471,700)	(\$3,132,300)
UofL Hospital Contract	315,400	636,900
KERS Increases	0	0
403(b) Plan Increases	0	0
Total Base Adjustments Request	(\$4,156,300)	(\$2,495,400)

Even during budget cycles with anticipated cuts, or no new General Fund revenue, the Council has requested, and public institutions have received, technical adjustments to their base funding.

Debt Service. Prior to 1998, when bonds were issued to finance the construction of state-supported postsecondary facilities, the resulting liability was accounted for at the institutional level, and the General Assembly provided funding for debt service, which was included in institutional base budgets and line-itemed in appropriations bills. Over time, as new debt was issued and mature debt retired, changes in debt service obligations occurred making periodic adjustments to the base necessary to reflect these changes.

Following higher education reform, debt service for new, state-funded postsecondary projects has resided within the Finance and Administration Cabinet's budget. What remains in the General Fund base of some postsecondary institutions is funding for debt service obligations on more mature bonds (i.e., those issued prior to 1998), which has decreased over the last decade due to debt retirement. In 2013-14, the General Assembly appropriated \$4,471,700 for debt service obligations on bond indebtedness maintained at the institutional level.

- The Council staff recommends that the Council request appropriations of \$0 in 2014-15 and \$1,339,400 in 2015-16 for debt service requirements on institutional bond issues supported by state appropriations and paid by the institution.

These amounts represent reductions in debt service of \$4,471,700 in 2014-15 and \$3,132,300 in 2015-16 compared to the debt service level in 2013-14.

UofL Hospital Contract. In 1983, the University of Louisville and the University Medical Center entered into a contractual agreement with Metro Louisville and the Commonwealth of Kentucky to provide hospital care services to economically disadvantaged citizens of the Louisville/Jefferson County metropolitan area. The university receives annual, line-item appropriations for the Quality and Charity Care Trust (QCCT) to provide these services,

which are adjusted over time for inflation. UofL's enacted appropriation for the QCCT totaled \$21,089,600 in 2013-14.

- The Council staff recommends that the Council request appropriations of \$21,405,000 in 2014-15 and \$21,726,500 in 2015-16 to support QCCT agreement services provided by the University of Louisville Hospital.

These amounts represent increases of \$315,400 in 2014-15 and \$636,900 in 2015-16 compared to 2013-14 to reflect anticipated increases in contract costs.

KERS Increases. Senate Bill 2, which passed during the 2013 Regular Session of the General Assembly, requires employers to pay the full actuarially required employer contributions to the Kentucky Employee Retirement System (KERS) beginning in fiscal year 2015. KERS staff estimates that the employer contribution rates for non-hazardous positions will increase from 26.79 percent in fiscal year 2013-14 to 38.41 percent in fiscal year 2014-15 and to 38.80 percent in fiscal year 2015-16. These rate increases will dramatically increase employer paid retirement contributions of state agencies and public postsecondary institutions that have participating KERS employees.

The 2013 General Assembly also passed a revenue bill (HB 440) that is expected to generate about \$95 million in additional tax receipts in fiscal year 2014-15. While these funds have not been explicitly earmarked to cover the cost of retirement system increases, they could be used for that purpose. The Council on Postsecondary Education fully supports and endorses any funding that the Governor and General Assembly could provide to help the postsecondary institutions defray the cost of state mandated KERS cost increases.

403(b) Plan Increases. Public postsecondary institutions with defined retirement contribution programs, such as 403(b) plans, were required to adopt GASB 45 (Other Post Employment Benefits, OPEB) beginning July 1, 2007. Under GASB 45, employers could immediately fully fund a Trust with the accrued liability for its current retirees and current employees, or it could amortize that cost over a 30-year period. Most employers chose the latter option.

Many institutions, including the University of Kentucky, the University of Louisville, and KCTCS, went through an onerous, but thoughtful process, which reduced retiree health benefits, including the elimination of a subsidy for employees hired after a certain date. However, the actuarial accrued liability (AAL) that is amortized over 30 years (annual retirement contribution, or ARC) is substantially greater (almost double in some cases) than the pre-GASB 45 amount, resulting in increased costs and the elimination of the subsidy has had a negative impact on faculty and staff recruitment. As a result, the Council on Postsecondary Education supports recognition and funding of this increased cost with General Funds.

Strategic Investments

At its February 3, 2011, meeting, the Council approved the 2011-15 Strategic Agenda for Postsecondary and Adult Education. The agenda highlights four policy areas that demand sustained attention if Kentucky is to make substantive progress toward the vision and goals articulated in the *Postsecondary Education Improvement Act of 1997 (HB 1)*. These policy areas are (a) college readiness; (b) student success; (c) research, economic, and community development; and (d) efficiency and innovation.

The Council staff's 2014-16 budget recommendation for postsecondary institution operations is well aligned with HB 1 goals and with the objectives and strategies outlined in the Council's 2011-15 Strategic Agenda. As can be seen in Table 3, the recommended strategic investments request includes funding components for college and career readiness, research and economic development, performance funding, UK/KSU land grant mission funds, and a Kentucky Adult Learner Initiative. Each of these components is described briefly below.

Table 3: Components of 2014-16 Strategic Investments Request

Description	2014-15	2015-16
Additional Budget Requests For:		
College and Career Readiness	\$19,185,900	\$19,185,900
Research and Economic Development	12,000,000	12,000,000
Performance Funding (Degree Production)	18,000,000	18,000,000 ^(a)
UK/KSU Land Grant Mission Funds	1,381,900	2,763,800
Kentucky Adult Learner Initiative	0 ^(b)	0 ^(b)
Total Strategic Investments Request	\$50,567,800	\$51,949,700

^(a) Does not include an additional \$18.0 million for Performance Funding, which will be requested as part of CPE's agency budget in fiscal year 2015-16, pending distribution to the institutions when academic year 2013-14 degree numbers are known.

^(b) Does not include \$2.4 million for the Kentucky Adult Learner Initiative, which will be requested as part of CPE's agency budget in fiscal years 2014-15 and 2015-16, pending distribution to the institutions when campus participation levels are known.

College and Career Readiness. Students who are not academically prepared for college face greater obstacles to degree completion than those who enroll college ready. Developmental education lengthens a student's time-to-degree, increases costs, and consumes institutional resources. While Kentucky has made great strides in ensuring that a growing proportion of its students are ready for college, many still matriculate unprepared for the rigors of higher education.

With passage of Senate Bill 1 (2009), college readiness moved to the forefront of Kentucky's postsecondary education policy agenda. Strengthening K-12 educator programs and expanding the role of higher education institutions in the delivery of professional development

programs for teachers, school leaders, guidance counselors, adult education instructors, and faculty members are principal objectives of the Council's college readiness agenda.

- The Council staff recommends that the Council request appropriations of \$19,185,900 in fiscal year 2014-15 and \$19,185,900 in fiscal year 2015-16 to support college and career readiness and SB 1 initiatives at the public, four-year universities and KCTCS.

These funds will be distributed among the public four-year universities and KCTCS using a formula that allocates \$5.5 million of College and Career Pathway funds to institutions according to the number of middle and high schools in each institution's service region; \$6.0 million of teacher preparation funds among the public four-year universities according to each institution's share of total K-12 teachers produced; and \$7.7 million of developmental education funds among the public four-year universities and KCTCS according to each institution's share of total developmental education students served (Attachment B).

Research and Economic Development. Over the past decade, Kentucky's research universities have nearly doubled the market value of their endowment assets, attracted and retained world-renowned researchers, and more than doubled their federal research funding. While these achievements are noteworthy, the state's economy has been slow to transform and a number of challenges remain. Kentucky currently ranks in the bottom quintile among U.S. states on the New Economy Index on the proportion of STEM degrees produced by its universities and on generation of academic R&D expenditures per capita.

The Council's 2011-15 Strategic Agenda calls for Kentucky universities to increase basic, applied, and translational research to create new knowledge and economic growth. It highlights the critical roles that the University of Kentucky and the University of Louisville play in the creation of new knowledge, as well as the importance of additional funding and new funding approaches to maximize research, *Kentucky Innovation Act* investments, and multi-campus collaborations.

In keeping with the aims of the Strategic Agenda, staff recommends investment in research and economic development at the University of Kentucky and the University of Louisville to support targeted cluster hires in research focus areas that address important state needs. By hiring prominent researchers in areas of established campus expertise that strengthen ties to business and industry, promote collaboration among institutions, and confront pressing state problems, the research universities can create "Centers of Research Excellence" that will benefit Kentucky's citizens.

Creating a critical mass of scholars in high potential focus areas will bolster recruitment and retention of outstanding research faculty and staff in both targeted and related disciplines, increase federal and extramural research funding, accelerate translation of discoveries from technological development to commercial utility, and support economic development and improved quality of life in Kentucky.

- The Council staff recommends that the Council request appropriations of \$12,000,000 in fiscal year 2014-15 and \$12,000,000 in fiscal year 2015-16 to support targeted cluster hires that will create “Centers of Research Excellence” at the University of Kentucky and the University of Louisville.

The funds will be allocated one-third to the University of Louisville and two-thirds to the University of Kentucky, based on traditional statutory allocations of the Research Challenge Trust Fund. They will be used to recruit and retain renowned research faculty and staff in identified focus areas, bolster critical research infrastructure in those areas, and leverage or attract federally-sponsored centers, programs, and research grants to Kentucky.

Performance Funding (Degree Production). The Council’s 2011-15 Strategic Agenda calls for Kentucky’s postsecondary education system to increase high-quality degree production and completion rates at all levels and to close achievement gaps among low-income, underprepared, and minority students. Providing incentives to increase high-quality degree production and student completion rates, as well as securing adequate institutional funding to support faculty and staff, support services, and technology enhancements, are identified as important strategies for achieving the state’s student success goals.

- The Council staff recommends that the Council request \$18,000,000 in fiscal year 2014-15 and \$18,000,000 in fiscal year 2015-16 for a new performance funding initiative that will provide monetary incentives for institutions to make progress toward achieving Kentucky’s HB 1 degree attainment goals.

If approved by the Council and appropriated by the General Assembly, these funds will be distributed among the public postsecondary institutions based on each institution’s share of total average annual degrees produced for the system during academic years 2010-11, 2011-12, and 2012-13. For the purposes of this incentive funding program, “degrees” includes associate degrees only at KCTCS and baccalaureate level degrees and above at the public four-year universities.

The degrees are weighted by level (e.g., associate, baccalaureate, master’s/specialist, etc.), with premiums for STEM+H, underrepresented student, and low-income student degrees, then adjusted using average salary data by sector as a proxy for cost of instruction. The recommended distribution by institution for both years of the biennium can be seen in Attachment C.

In addition to the recurring \$18.0 million for performance funding that staff recommends the Council include in its institutional operating request as described in paragraphs above, staff also recommends that the Council request an additional \$18.0 million in fiscal year 2015-16 for degree production, which will be included as part of CPE’s agency budget, pending distribution to the institutions when academic year 2013-14 degree numbers are known.

If appropriated to CPE, the additional \$18.0 million will be distributed to the institutions in its entirety using the same distribution method described above, but substituting a new three-year

rolling average of degrees produced. A request for these funds can be found in the CPE Agency Budget section of this agenda book.

Land Grant Mission Funds. This is a new initiative that will help maintain service levels and programmatic activities of land grant programs at the University of Kentucky and Kentucky State University. Between fiscal years 2007-08 and 2012-13, the system's public colleges and universities sustained six budget cuts in five years, losing a total of \$168.0 million or 15.5 percent of their combined net General Fund appropriations. The land grant programs at UK and KSU were not immune to these cuts, in some cases receiving deeper cuts than the overall reductions to campus E&G budgets. Cost increases coupled with reductions in state support have strained land grant program budgets, making it difficult for these programs to maintain service levels and continue to achieve their designated missions.

- The Council staff recommends that the Council request appropriations of \$1,381,900 in fiscal year 2014-15 and \$2,763,800 in fiscal year 2015-16 to support land-grant program activities and initiatives at the University of Kentucky and Kentucky State University.

These funds will help sustain the effectiveness and impact of outreach, service, and applied research at Kentucky's public postsecondary institution land grant programs, and provide continuing support for science-based education in agriculture, natural resources, foods and nutrition, and community development.

Kentucky Adult Learner Initiative. The Kentucky Adult Learner Initiative is a new program that was developed by CPE staff, working in conjunction with campus chief academic officers (CAOs) and chief budget officers (CBOs). It is an outgrowth of the Adult Learner Degree Attainment Initiative (HB 265), which passed during the 2012 Regular Session of the General Assembly. That bill directs the Council to consult with KCTCS in selecting a lead public four-year institution or institutions for the initiative and to provide funding to support teaching activities, including hiring faculty, purchasing technology, program marketing and outreach efforts, and strategic partnerships with private and public entities that will help develop and improve educational opportunities for adult learners.

In addition to HB 265, the Council's 2011-15 Strategic Agenda calls for Kentucky's postsecondary education system to support new pathways for adult learners to enroll and complete postsecondary degrees and credentials and to build upon the success of Kentucky's Virtual Campus and Virtual Library to maximize the use of technology in implementing academic innovations.

In response to these directives, CPE staff and campus officials began discussions during fall 2012 for the purpose of developing a statewide postsecondary institution alliance, whose primary mission would be to meet the higher education needs of Kentucky's adult population. The work group concluded that the needs of adult learners could best be served by offering academic credentials in key fields, provided primarily online, which would be targeted at the adult learner population.

In the proposed alliance, students would take at least 25 percent of credit hours at their “home institution” and have the option of taking the remaining courses at other alliance institutions. Most courses would be offered on-line, and there would be an opportunity for adult learners to be awarded credit for prior learning.

The exact number of institutions participating in the alliance and their respective levels of participation were not known at the time this agenda book was mailed. However, a work group of campus CAOs and CBOs developed an initial implementation budget based on assumed involvement of three universities and KCTCS and a preliminary offering of four complete programs.

- The Council staff recommends that the Council request \$2,420,000 in 2014-15 and \$2,420,000 in 2015-16 to support the Kentucky Adult Learner Initiative.

These funds will be requested as part of the Council’s agency budget for 2014-16 (see the Agency Budget section of this agenda book), pending distribution to the institutions when campus participation levels are known.

Staff preparation by Bill Payne and Scott Boelscher

Council on Postsecondary Education
2014-16 Operating Budget Recommendation

Attachment A
November 7, 2013

Beginning Net Base:	UK	UofL	EKU	KSU	MoSU	MuSU	NKU	WKU	KCTCS	Total
2013-14 Enacted <u>Total</u> Appropriation	\$283,869,300	\$166,212,300	\$67,673,700	\$23,537,400	\$41,560,200	\$48,005,800	\$46,835,100	\$72,425,200	\$191,455,700	\$941,574,700
Minus:										
Debt Service	0	(3,927,900)	0	0	(543,800)	0	0	0	0	(4,471,700)
UofL Hospital Contract	0	(21,089,600)	0	0	0	0	0	0	0	(21,089,600)
2013-14 Enacted <u>Net</u> Appropriation	\$283,869,300	\$141,194,800	\$67,673,700	\$23,537,400	\$41,016,400	\$48,005,800	\$46,835,100	\$72,425,200	\$191,455,700	\$916,013,400
First-Year Operating Request:	UK	UofL	EKU	KSU	MoSU	MuSU	NKU	WKU	KCTCS	Total
2013-14 Enacted <u>Net</u> Appropriation	\$283,869,300	\$141,194,800	\$67,673,700	\$23,537,400	\$41,016,400	\$48,005,800	\$46,835,100	\$72,425,200	\$191,455,700	\$916,013,400
Plus:										
Base Adjustments										
Debt Service	0	0	0	0	0	0	0	0	0	0
UofL Hospital Contract	0	21,405,000	0	0	0	0	0	0	0	21,405,000
Strategic Investments										
College and Career Readiness	1,181,500	1,335,600	1,816,800	659,400	1,482,000	1,418,800	1,288,200	2,346,200	7,657,400	19,185,900
Research & Economic Development	8,000,000	4,000,000	0	0	0	0	0	0	0	12,000,000
Performance Funding (Degree Production)	4,477,900	3,497,600	1,539,200	162,500	790,200	1,168,800	1,408,300	1,882,200	3,073,300	18,000,000
UK/KSU Land Grant Mission Funds	1,229,200	0	0	152,700	0	0	0	0	0	1,381,900
2014-15 Requested <u>Total</u> General Fund	\$298,757,900	\$171,433,000	\$71,029,700	\$24,512,000	\$43,288,600	\$50,593,400	\$49,531,600	\$76,653,600	\$202,186,400	\$987,986,200
Dollar Change from 2013-14 Total Appropriation	\$14,888,600	\$5,220,700	\$3,356,000	\$974,600	\$1,728,400	\$2,587,600	\$2,696,500	\$4,228,400	\$10,730,700	\$46,411,500
Percent Change from 2013-14 Total Appropriation	5.2%	3.1%	5.0%	4.1%	4.2%	5.4%	5.8%	5.8%	5.6%	4.9%
Minus:										
Debt Service	0	0	0	0	0	0	0	0	0	0
UofL Hospital Contract	0	(21,405,000)	0	0	0	0	0	0	0	(21,405,000)
2014-15 Requested <u>Net</u> General Fund	\$298,757,900	\$150,028,000	\$71,029,700	\$24,512,000	\$43,288,600	\$50,593,400	\$49,531,600	\$76,653,600	\$202,186,400	\$966,581,200
Dollar Change from 2013-14 Net General Fund	\$14,888,600	\$8,833,200	\$3,356,000	\$974,600	\$2,272,200	\$2,587,600	\$2,696,500	\$4,228,400	\$10,730,700	\$50,567,800
Percent Change from 2013-14 Net General Fund	5.2%	6.3%	5.0%	4.1%	5.5%	5.4%	5.8%	5.8%	5.6%	5.5%
Second-Year Operating Request:	UK	UofL	EKU	KSU	MoSU	MuSU	NKU	WKU	KCTCS	Total
2013-14 Enacted <u>Net</u> Appropriation	\$283,869,300	\$141,194,800	\$67,673,700	\$23,537,400	\$41,016,400	\$48,005,800	\$46,835,100	\$72,425,200	\$191,455,700	\$916,013,400
Plus:										
Base Adjustments										
Debt Service	0	1,339,400	0	0	0	0	0	0	0	1,339,400
UofL Hospital Contract	0	21,726,500	0	0	0	0	0	0	0	21,726,500
Strategic Investments										
College and Career Readiness	1,181,500	1,335,600	1,816,800	659,400	1,482,000	1,418,800	1,288,200	2,346,200	7,657,400	19,185,900
Research & Economic Development	8,000,000	4,000,000	0	0	0	0	0	0	0	12,000,000
Performance Funding (Degree Production)	4,477,900	3,497,600	1,539,200	162,500	790,200	1,168,800	1,408,300	1,882,200	3,073,300	18,000,000
UK/KSU Land Grant Mission Funds	2,458,400	0	0	305,400	0	0	0	0	0	2,763,800
2015-16 Requested <u>Total</u> General Fund	\$299,987,100	\$173,093,900	\$71,029,700	\$24,664,700	\$43,288,600	\$50,593,400	\$49,531,600	\$76,653,600	\$202,186,400	\$991,029,000
Dollar Change from 2013-14 Total Appropriation	\$16,117,800	\$6,881,600	\$3,356,000	\$1,127,300	\$1,728,400	\$2,587,600	\$2,696,500	\$4,228,400	\$10,730,700	\$49,454,300
Percent Change from 2013-14 Total Appropriation	5.7%	4.1%	5.0%	4.8%	4.2%	5.4%	5.8%	5.8%	5.6%	5.3%
Minus:										
Debt Service	0	(1,339,400)	0	0	0	0	0	0	0	(1,339,400)
UofL Hospital Contract	0	(21,726,500)	0	0	0	0	0	0	0	(21,726,500)
2015-16 Requested <u>Net</u> General Fund	\$299,987,100	\$150,028,000	\$71,029,700	\$24,664,700	\$43,288,600	\$50,593,400	\$49,531,600	\$76,653,600	\$202,186,400	\$967,963,100
Dollar Change from 2013-14 Net General Fund	\$16,117,800	\$8,833,200	\$3,356,000	\$1,127,300	\$2,272,200	\$2,587,600	\$2,696,500	\$4,228,400	\$10,730,700	\$51,949,700
Percent Change from 2013-14 Net General Fund	5.7%	6.3%	5.0%	4.8%	5.5%	5.4%	5.8%	5.8%	5.6%	5.7%

*An additional \$18m will be requested for the degree production fund in 2015-16. CPE will retain the funds and distribute them once the Degree Production model can be updated with 2013-14 degree data.

Total GF Requests

Net GF Requests

Council on Postsecondary Education
2014-16 Budget Recommendation
College and Career Readiness Fund Distribution

Attachment B
November 7, 2013

	A			B					C				(A+B+C)	
	College and Career Pathways			K-12 Teacher Preparation					Developmental and Supplemental Education					
	Number of	Amount	Total College	Clinical Model	AY11-12	Amount	Per Teacher	Total Teacher		Fall 2011	Amount	Per Student	Total	
Institution	Schools ⁽¹⁾	Per School	Preparation	Design	Number of Teachers ⁽²⁾	Per Teacher	Allocation	Preparation	Program Redesign	Number of Students ⁽³⁾	Per Student	Allocation	Developmental Education	Total College Readiness
University of Kentucky	76	\$4,000	\$304,000	\$250,000	214	\$1,850	\$395,900	\$645,900	\$95,000	396	\$345	\$136,600	\$231,600	\$1,181,500
University of Louisville	90	\$4,000	360,000	250,000	253	\$1,850	468,100	718,100	95,000	471	\$345	162,500	257,500	1,335,600
Eastern Kentucky University	112	\$4,000	448,000	250,000	379	\$1,850	701,200	951,200	95,000	935	\$345	322,600	417,600	1,816,800
Kentucky State University	26	\$4,000	104,000	250,000	30	\$1,850	55,500	305,500	95,000	449	\$345	154,900	249,900	659,400
Morehead State University	110	\$4,000	440,000	250,000	260	\$1,850	481,000	731,000	95,000	626	\$345	216,000	311,000	1,482,000
Murray State University	77	\$4,000	308,000	250,000	311	\$1,850	575,400	825,400	95,000	552	\$345	190,400	285,400	1,418,800
Northern Kentucky University	60	\$4,000	240,000	250,000	238	\$1,850	440,300	690,300	95,000	762	\$345	262,900	357,900	1,288,200
Western Kentucky University	135	\$4,000	540,000	250,000	484	\$1,850	895,400	1,145,400	95,000	1,640	\$345	565,800	660,800	2,346,200
KCTCS	686	\$4,000	2,744,000	0	0	\$1,850	0	0	1,520,000	9,836	\$345	3,393,400	4,913,400	7,657,400
	1,372		\$5,488,000	\$2,000,000	2,169		\$4,012,800	\$6,012,800	\$2,280,000	15,667		\$5,405,100	\$7,685,100	\$19,185,900

⁽¹⁾ Aggregate number of middle and high schools in each public postsecondary institution's service region. The number for KCTCS represents the total number of middle and high schools for the entire state of Kentucky.

⁽²⁾ Number of students from each university who graduated during the 2011-12 academic year and were eligible for K-12 teacher certification upon graduation.

⁽³⁾ Number of students entering postsecondary education during fall semester 2011 who did not meet one or more of Kentucky's readiness benchmarks.

College Preparation

Amount per School \$4,000 Objective: To encourage partnerships between postsecondary institutions, school districts, and middle and high schools, which will result in a higher percentage of Kentucky students meeting college and career readiness benchmarks upon graduation.

Uses: To cover the cost of implementing transitional courses and related assessments, and providing professional development and training for K-12 teachers, .

Teacher Preparation

Clinical Model Design \$250,000 Objective: To produce better prepared K-12 teachers, which will result in a higher percentage of Kentucky students meeting college and career readiness benchmarks upon graduation.

Four-Year Institution \$0 Uses: To cover the cost of curriculum design associated with a Clinical Model of teacher preparation, of space reallocation, and of providing professional development and training for K-12 and postsecondary faculty who will work collaboratively to implement the approach.

Two-Year Institution \$0

Amount per Teacher \$1,850

Developmental Education

Program Redesign \$95,000 Objective: To redesign developmental education programs to build foundational skills and facilitate student success. The new approach calls for changing the developmental education delivery model, placing students in credit bearing courses, and increasing academic and advising support.

Amount per Student \$345 Uses: To support expenditures for program and curriculum redesign, and professional development and training for faculty.

Council on Postsecondary Education
2014-16 Budget Recommendation
Performance Funding (Degree Production)

Attachment C
November 7, 2013

Institution	Weighted Degrees ⁽¹⁾	Degree Share	FY 2014-15 Distribution ⁽²⁾	Funding Share
University of Kentucky	15,578	24.9%	\$ 4,477,900	24.9%
University of Louisville	12,168	19.4%	3,497,600	19.4%
Eastern Kentucky University	5,355	8.6%	1,539,200	8.6%
Kentucky State University	565	0.9%	162,500	0.9%
Morehead State University	2,749	4.4%	790,200	4.4%
Murray State University	4,066	6.5%	1,168,800	6.5%
Northern Kentucky University	4,899	7.8%	1,408,300	7.8%
Western Kentucky University	6,548	10.5%	1,882,200	10.5%
KCTCS	10,691	17.1%	3,073,300	17.1%
Total	62,620	100%	\$ 18,000,000	100%

(1) Three-year average of the most recent degree data (i.e., academic years 2010-11, 2011-12, and 2012-13). Includes associate degrees only at KCTCS and baccalaureate level degrees and above at the universities. Weights are applied by degree level, with premiums for STEM+H, underrepresented student, and low-income student degrees produced, then adjusted using average faculty salary data by sector as a proxy for cost of instruction. Low-Income degrees are an average of academic years 2010-11 and 2011-12 only, as 2012-13 low-income student data are not available at this time.

(2) The Council staff recommends that the Council request \$18.0 million each year of the biennium to be included in the institutions' operating request. These funds, if approved and authorized, will be appropriated to the institutions each year of the biennium based on the distribution calculated above. Staff has also recommended that the Council request an additional \$18.0 million in the second year as part of the Council's agency budget request. These funds will be distributed to the institutions using the same methodology shown above, but substituting a new three-year rolling average of degrees produced