

# Kentucky Community and Technical College System

## Overview of

### GOVERNOR BEVIN'S PROPOSED STATE BUDGET, 2016-18

#### THE STATE BUDGET BILL – HB303

The Governor's budget proposal as outlined during his State of the Commonwealth and Budget address to the Kentucky General Assembly on Tuesday, January 26, 2016 is contained in HB303, which was introduced by Rep. Rick Rand, Chairman of the House Appropriations & Revenue Committee. Click on the link below to read HB303: <http://www.lrc.ky.gov/record/16RS/HB303/bill.pdf>

#### PROPOSED 2016-18 STATE BUDGET FOR KCTCS

**Operating Budget Request:** The Kentucky Council on Postsecondary Education budget request for all postsecondary education institutions was to restore one-half of the state appropriation cuts since 2008. The Governor's proposal further reduces postsecondary education funding by 9% over the current year base appropriation. Here's what the proposed budget reductions mean for KCTCS:

Current KCTCS State Appropriation in FY16	\$190,162,300	<b>9% Reduction from FY16 Base Appropriation = \$17,114,600</b>
<b>4.5% Budget Reduction ordered by Governor IN FY16</b>	<b><u>\$8,557,300</u></b>	
Revised KCTCS State Appropriation in FY16	\$181,605,000	
<b>Proposed 4.5% Budget Reduction in HB303 for FY 17</b>	<b><u>\$8,557,300</u></b>	
Revised KCTCS State Appropriation in FY17	\$173,047,700	
<b>PROPOSED PERFORMANCE FUNDING</b>		<b>Will be earned based on Performance Metrics TBD</b>
<b>Proposed 1/3 Reallocation of KCTCS FY17 Base Appropriation</b>	<b><u>\$57,624,900</u></b>	
Revised KCTCS State Appropriation in FY18	\$115,422,800	

**NOTE:** Looking ahead to the next biennia, Governor Bevin proposes a 2/3 reallocation of the KCTCS base state appropriation to a new Postsecondary Education Performance Fund in FY19 and 100% of KCTCS base state appropriation in FY20. This formula will be the same for all public postsecondary education institutions.

**Capital Budget Request:** There are no state funded capital projects proposed by Governor Bevin for KCTCS or any of the other eight postsecondary education institutions. Instead, the Governor's budget proposes a **bond pool of \$100 million dollars for the Education and Workforce Development Cabinet** in order to co-invest with those local communities that are experiencing growth demand for high-skill jobs, including advanced manufacturing and information technology jobs. Below is the exact language in HB303:

*The Workforce Development Construction Pool is a \$100 million resource to finance, in whole or in part, capital investments in workforce development education and training facilities. The Education and Workforce Development Cabinet will administer this Construction Pool and will provide a neutral, objective process whereby appropriate project applications will be received, reviewed, and awarded. This Construction pool addresses employers' needs to recruit a workforce that will align with changing demands and work environment, and the Commonwealth's needs for a highly skilled workforce and to carry out a strategic goal of achieving excellence in manufacturing and related industries.*

**NOTES:**

- 1) Contrary to what was reported in the media, this fund **DOES NOT** offset the proposed reduction in the KCTCS operating budget. Also, it appears that this funding pool will be available to the universities to seek approval for capital projects that meet these criteria; making it uncertain how many KCTCS projects could possibly be funded from this pool.
- 2) The Governor's proposed budget authorizes KCTCS to use its own restricted funds for renovation and/or construction projects that do not exceed \$5 million each. UK and UL were granted similar authority for projects up to \$15 million each.

**Trust Fund Request:** The Governor's proposed budget does not contain any of the trust funds requested by CPE, which included the \$5 million Workforce Development Trust Fund for KCTCS to attract and match private-sector endowment gifts.

## **POTENTIAL IMPACT OF 2016-2018 PROPOSED STATE BUDGET ON KCTCS**

The proposed budget reductions hamper the achievement of the following statutory mission and mandates to KCTCS, required by the Postsecondary Education Improvement Act of 1997 (HB1):

**KCTCS MISSION:**

To improve the quality of life and employability of the citizens of the Commonwealth by serving as the primary provider of:

- College and Workforce Readiness
- Transfer Education
- Workforce Education and Training

**KCTCS MANDATES:**

The Kentucky Community and Technical College System shall be responsive to the needs of students and employers in all regions of the Commonwealth with accessible education and training to support the lifelong learning needs of Kentucky citizens in order to:

- Increase the technical skills and professional expertise of Kentucky workers
- Develop a pool of educated citizens
- Enhance the flexibility and adaptability of Kentucky workers
- Increase access to pre-baccalaureate associate degree for ease of transfer to four (4) year institutions;
- Facilitate transfers of credit between certificate, diploma, technical, and associate degree programs.
- Increase the basic academic and literacy skills of adults
- Enhance the relationship of credentials between secondary and postsecondary programs

## History of Public Funds (State Appropriation + Tuition Revenue) for KCTCS Since 2008



	2007-2008	2008-2009	2009-2010	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16*	2016-17**
STATE APPROPRIATION	\$228,704,900	\$219,317,600	\$224,429,700	\$195,194,200	\$204,706,700	\$191,455,700	\$191,455,700	\$190,162,300	\$181,605,000	\$173,047,700
TUITION REVENUE	\$168,470,000	\$183,479,000	\$223,576,000	\$245,761,000	\$234,185,138	\$229,851,057	\$228,131,645	\$219,360,264	\$204,805,520	\$198,011,008
TOTAL PUBLIC FUNDS	\$397,174,900	\$402,796,600	\$448,005,700	\$440,955,200	\$438,891,838	\$421,306,757	\$419,587,345	\$409,522,564	\$386,410,520	\$371,058,708
Tuition as % of Total Public Funds	42%	46%	50%	56%	53%	54%	54%	54%	53%	53%

\* ASSUMES PROPOSED CURRENT YEAR REDUCTION OF 4.5% \*\* ASSUMES ADDITIONAL 4.5% REDUCTION AND TUITION REVENUE REMAINS THE SAME

## CONSIDERATIONS FOR ADDRESSING KCTCS BUDGET REDUCTIONS

**Operating Expenses:** KCTCS will consider further reductions/reallocations to address budget shortfalls in the following areas:

- programs and services
- faculty and staff
- maintenance of buildings and grounds
- technology and equipment
- travel and meetings
- professional development

**Tuition Revenue:** Because the only sources of recurring revenue for KCTCS are state appropriation and tuition, there may be no choice but to raise tuition in FY2017 and beyond to offset required budget reductions. The current in-state tuition rate is \$147 per semester credit hour. To offset the \$17,114,600 budget reduction for KCTCS as proposed by the Governor, our tuition rate would need to be raised to \$160 per semester credit hour in FY17, an increase of 8.8%.

## KCTCS POSITION ON GOVERNOR'S PROPOSED STATE BUDGET

### OUTCOMES-BASED FUNDING

**KCTCS has always been and will continue to be an outcomes-based institution.** As such, KCTCS supports the Governor's call for outcomes-based funding for postsecondary education and will work hard to earn every state dollar appropriated by the Kentucky General Assembly. However, meeting expectations for better outcomes will be especially difficult for

KCTCS to achieve with reduced state funding since we educate and train the bulk of Kentucky students who require remediation to successfully complete college-level courses. Instead of more reductions in state funding, KCTCS needs more funding to meet the needs of today's employers.

### **EFFICIENCY AND PRODUCTIVITY**

KCTCS is Kentucky's most efficient and productive postsecondary education institution. According to the National Center for Higher Education Management Systems (NCHEMS), most of the state's gain in postsecondary educational attainment has been due to the increased enrollment and credentials generated by KCTCS. With declining enrollment that results in lost tuition revenue, and seven state budget reductions since 2008, KCTCS has instituted multiple cost-savings measures, including eliminating 262 positions in 2015.

### **INVESTING IN KCTCS**

Kentucky is one of only a handful of states that has not begun to reinvest in higher education since the end of the recession. The Governor's proposed budget reductions will put Kentucky further behind and significantly impact our ability to produce the highly skilled workforce necessary to compete for new business and industry and the expansion of existing companies. If the Governor's proposed cuts are instituted on top of the \$39 million KCTCS has been cut since 2008, this will create a total cut of \$56 million. Due to the limited sources of recurring revenue for KCTCS compared to the four-year public universities, state budget reductions are more difficult to absorb and impact us more deeply and more quickly. It is our hope that, at a minimum, our state budget remains whole without further proposed budget reductions.

### **TUITION**

KCTCS is Kentucky's most affordable postsecondary institution. The annual cost of full-time enrollment for one academic year (30 semester credit hours) at KCTCS is \$4,530 compared to an average of \$8,031 at the six comprehensive universities; \$10,616 at UK; and, \$10,432 at UofL. KCTCS is committed to keeping education affordable. In fact, KCTCS was the only public postsecondary institution in the state to freeze tuition for 2015-16. However, with reduced state funding it will be very difficult to avoid raising tuition to a level that may be unaffordable for many Kentuckians. Increased tuition also means increased student loan debt for many KCTCS students who already believe they cannot afford college. This is essentially a tax that creates an additional barrier for students, which means fewer will complete the programs needed to supply workers to business and industry.

### **UNIQUE MISSION**

KCTCS is different from four-year universities because of its mission to address the workforce needs in Kentucky – the need that the Governor intends to resolve. KCTCS is a lean, efficient and effective organization with a unique mission to provide business and industry with workforce training not offered by other postsecondary institutions. We need the General Assembly to reinvest in KCTCS so we can continue to meet our mission of improving the quality of life and employability of the citizens of the Commonwealth.

For more information on KCTCS and our legislative agenda, please visit

[www.fueltheforceky.com](http://www.fueltheforceky.com) and follow the ***Fuel The Force Campaign*** on Facebook and Twitter.