

**Postsecondary Education
Council on Postsecondary Education**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	170,871,700	100,659,500	153,432,400	58,698,200	99,129,700
Salary Compensation Fund	178,700				
Base Deduction	-100,000				
Reorganization Adjustments	-69,525,000				
Other	-50,000,000				
Total General Fund	51,425,400	100,659,500	153,432,400	58,698,200	99,129,700
Tobacco Settlement-Phase I					
Tobacco Settlement - I	5,421,300	5,421,300	5,421,300	4,431,200	4,691,200
Budget Reduction	-368,600				
Total Tobacco Settlement-Phase I	5,052,700	5,421,300	5,421,300	4,431,200	4,691,200
Restricted Funds					
Balance Forward	1,270,000			282,800	100,000
Current Receipts	6,013,200	6,013,200	6,013,200	6,034,000	6,034,000
Non-Revenue Receipts	10,100			393,900	393,900
Fund Transfers	-300,000				
Total Restricted Funds	6,993,300	6,013,200	6,013,200	6,710,700	6,527,900
Federal Funds					
Current Receipts	19,099,400	19,099,400	19,099,400	19,099,400	19,099,400
Total Federal Funds	19,099,400	19,099,400	19,099,400	19,099,400	19,099,400
TOTAL SOURCE OF FUNDS	82,570,800	131,193,400	183,966,300	88,939,500	129,448,200
EXPENDITURES BY CLASS					
Personnel Cost	15,572,700	17,871,300	18,393,100	15,607,000	15,923,900
Operating Expenses	6,087,000	7,207,900	7,177,000	7,119,900	7,425,600
Grants, Loans or Benefits	60,200,200	105,977,200	102,661,300	66,000,600	81,734,700
Debt Service			55,597,900		24,252,000
Capital Outlay	158,100	137,000	137,000	112,000	112,000
Construction	270,000				
TOTAL EXPENDITURES	82,288,000	131,193,400	183,966,300	88,839,500	129,448,200
EXPENDITURES BY FUND SOURCE					
General Fund	51,425,400	100,659,500	153,432,400	58,698,200	99,129,700
Tobacco Settlement-Phase I	5,052,700	5,421,300	5,421,300	4,431,200	4,691,200
Restricted Funds	6,710,500	6,013,200	6,013,200	6,610,700	6,527,900
Federal Funds	19,099,400	19,099,400	19,099,400	19,099,400	19,099,400
TOTAL EXPENDITURES	82,288,000	131,193,400	183,966,300	88,839,500	129,448,200
EXPENDITURES BY UNIT					
Agency Operations	12,105,900	14,947,700	15,437,200	13,060,500	13,371,700
Pass Through Programs	11,695,600	11,889,000	12,224,500	11,711,500	12,047,000
Federal Programs	5,599,400	5,799,400	5,799,400	5,599,400	5,599,400
Strategic Investment & Incentive Funding Program	52,887,100	98,557,300	150,505,200	58,468,100	98,430,100
TOTAL EXPENDITURES	82,288,000	131,193,400	183,966,300	88,839,500	129,448,200

The Council on Postsecondary Education serves as the representative agency in matters of postsecondary education and in this role brings a statewide perspective to postsecondary education issues and planning. The council has the responsibility both for guiding the system and serving as an advocate for postsecondary education as a part of the total education enterprise. The primary focus of the council is the coordination of an effective system of postsecondary education meeting the current and future educational needs of the Commonwealth. The Council also has responsibility to operate Kentucky's adult education system, bringing all of Kentucky's public postsecondary and adult education providers under a single authority.

The six goals for the postsecondary education system, codified in KRS 164.003(2), are summarized below:

- 1 A seamless, integrated system of postsecondary education strategically planned and adequately funded to enhance economic development and quality of life.
- 2 A major comprehensive research institution ranked nationally in the top 20 public universities at the University of Kentucky.
- 3 A premier, nationally-recognized metropolitan research university at the University of Louisville.
- 4 Regional universities, with at least one nationally-recognized program of distinction or one nationally-recognized applied research program, working cooperatively with other postsecondary institutions to assure statewide access to baccalaureate and master's degrees of a quality at or above the national average.
- 5 A comprehensive community and technical college system with a mission that assures, in conjunction with other postsecondary institutions, access throughout the Commonwealth to a two year course of general studies designed for transfer to a baccalaureate program, the training necessary to develop a workforce with the skills to meet the needs of new and existing industries, and remedial and continuing education to improve the employability of citizens.
- 6 An efficient, responsive, and coordinated system of providers that delivers educational services to all adult citizens in quantities and of a quality that is comparable to the national average or above and significantly elevates the level of education of the adults of the Commonwealth.

The Council is the liaison between postsecondary education and other segments of the education community. This role is particularly important in relation to other state agencies relating to elementary and secondary education and those directly impacting postsecondary education. The creation of the P-16 council, a joint effort of the council and the Kentucky Board of Education, is a concerted effort to identify common issues between the two systems and to further identify solutions.

The statutory responsibilities set forth in KRS Chapter 164 primarily involve: determining the needs of postsecondary education in the Commonwealth; developing and implementing a strategic agenda and strategic implementation plan (the Action Agenda) designed to achieve the legislatively mandated goals for postsecondary education; setting tuition rates or overseeing the setting of tuition rates by the public postsecondary education institutions; provide the Governor and the General Assembly reports on the performance of the postsecondary education system and the individual institutions in achieving the goals of postsecondary education reform; operating the Kentucky Virtual University and the Kentucky Virtual Library; supporting P-16 reform initiatives; administering a comprehensive program for adult students; establishing technology standards for distance education; deregulating, where possible, the policies and procedures of the Council; establishing minimum standards for admissions; reviewing, modifying, approving and eliminating academic programs; reviewing and recommending funding for the public institutions; administering the strategic investment and incentive funding program; approving and recommending capital projects; maintaining a statewide system of accountability; and, licensing private degree-granting and proprietary baccalaureate degree-granting institutions. The Council also is the representative agency of the Commonwealth in postsecondary education matters not specifically delegated by statute to any of the public institutions and for interstate compacts and agreements.

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- 4 Regional universities, with at least one nationally-recognized program of distinction or one nationally-recognized applied research program, working cooperatively with other postsecondary institutions to assure statewide access to baccalaureate and master's degrees of a quality at or above the national average.
- 5 A comprehensive community and technical college system with a mission that assures, in conjunction with other postsecondary institutions, access throughout the Commonwealth to a two year course of general studies designed for transfer to a baccalaureate program, the training necessary to develop a workforce with the skills to meet the needs of new and existing industries, and remedial and continuing education to improve the employability of citizens.
- 6 An efficient, responsive, and coordinated system of providers that delivers educational services to all adult citizens in quantities and of a quality that is comparable to the national average or above and significantly elevates the level of education of the adults of the Commonwealth.

The Council is the liaison between postsecondary education and other segments of the education community. This role is particularly important in relation to other state agencies relating to elementary and secondary education and those directly impacting postsecondary education. The creation of the P-16 council, a joint effort of the council and the Kentucky Board of Education, is a concerted effort to identify common issues between the two systems and to further identify solutions.

The statutory responsibilities set forth in KRS Chapter 164 primarily involve: determining the needs of postsecondary education in the Commonwealth; developing and implementing a strategic agenda and strategic implementation plan (the Action Agenda) designed to achieve the legislatively mandated goals for postsecondary education; setting tuition rates or overseeing the setting of tuition rates by the public postsecondary education institutions; provide the Governor and the General Assembly reports on the performance of the postsecondary education system and the individual institutions in achieving the goals of postsecondary education reform; operating the Kentucky Virtual University and the Kentucky Virtual Library; supporting P-16 reform initiatives; administering a comprehensive program for adult students; establishing technology standards for distance education; deregulating, where possible, the policies and procedures of the Council; establishing minimum standards for admissions; reviewing, modifying, approving and eliminating academic programs; reviewing and recommending funding for the public institutions; administering the strategic investment and incentive funding program; approving and recommending capital projects; maintaining a statewide system of accountability; and, licensing private degree-granting and proprietary baccalaureate degree-granting institutions. The Council also is the representative agency of the Commonwealth in postsecondary education matters not specifically delegated by statute to any of the public institutions and for interstate compacts and agreements.

**Postsecondary Education
Council on Postsecondary Education
Agency Operations**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	10,766,000	13,686,500	14,176,000	11,595,700	11,989,700
Salary Compensation Fund	178,700				
Base Deduction	-100,000				
Total General Fund	10,844,700	13,686,500	14,176,000	11,595,700	11,989,700
Restricted Funds					
Balance Forward	1,033,600			282,800	100,000
Current Receipts	1,261,200	1,261,200	1,261,200	1,282,000	1,282,000
Non-Revenue Receipts	-450,800				
Fund Transfers	-300,000				
Total Restricted Funds	1,544,000	1,261,200	1,261,200	1,564,800	1,382,000
TOTAL SOURCE OF FUNDS	12,388,700	14,947,700	15,437,200	13,160,500	13,371,700
EXPENDITURES BY CLASS					
Personnel Cost	7,540,300	9,162,000	9,655,400	7,887,800	7,916,300
Operating Expenses	4,119,500	5,360,700	5,356,800	4,772,700	5,105,400
Grants, Loans or Benefits	350,000	350,000	350,000	350,000	300,000
Capital Outlay	96,100	75,000	75,000	50,000	50,000
TOTAL EXPENDITURES	12,105,900	14,947,700	15,437,200	13,060,500	13,371,700
EXPENDITURES BY FUND SOURCE					
General Fund	10,844,700	13,686,500	14,176,000	11,595,700	11,989,700
Restricted Funds	1,261,200	1,261,200	1,261,200	1,464,800	1,382,000
TOTAL EXPENDITURES	12,105,900	14,947,700	15,437,200	13,060,500	13,371,700

The Agency Operations program is the support unit of the Council. The Agency Operations budget includes funding for operating activities in support of development and implementation of the strategic agenda and action plan, academic program review, capital and operating finances, and implementation of the Strategic Investment and Incentive Funding Program.

Authority for the council is found in KRS 164.013, 164.0203, and 164.020. The agency operations program is the support unit of the council. As such, employees included in the agency operations program provided limited direct services to students and faculty at public and private postsecondary education institutions, legislators, members of the governor's staff, and other state agencies. The council does license private postsecondary education institutions, a regulatory function.

Agency operations include staff and operating expenses necessary to manage the agency and programs of the council with the exception of those employees involved in the direct delivery of services for adult education and the Kentucky Virtual University/Virtual Library. The staff is organized into seven primary units with agency operations providing support services to all units:

- The Executive unit consists of the CPE president, executive vice president, general counsel, and support staff. The executive unit provides leadership and direction to the other units, coordinates the postsecondary education equal opportunity efforts, directs strategic planning, accountability, and assessment efforts, and, provides legal services to the agency.
- The Public Affairs, Communications, and Human Resources unit, headed by the agency's Chief of Staff, includes support staff providing governmental and legislative services, media relations, and communications planning for the entire agency as well as human resources services.

- Academic Affairs includes activities related to approval, modification, disapproval, or discontinuance of academic programs, extended campus activities, academic course inventory, admissions standards, accountability, statewide strategic planning, early childhood literacy, baccalaureate degree transfer, academic common market, and licensure of independent colleges and universities. Testing and Local P-16 Council initiatives are funded through the council's pass-through programs. New economy responsibilities of this unit include oversight of the Science and Technology funding program and coordination of the state's economic development initiatives in conjunction with the Economic Development Cabinet.
- Adult Education was transferred to the council in 2003. The agency operations unit provides governmental relations, communications, information, technology, and business office support to the direct program activities of the adult education program unit.
- The Kentucky Virtual University/Virtual Library operates a comprehensive set of university programs that include over 16,000 learners. The virtual library is a consortium of public and private postsecondary education libraries, the Kentucky Department for Libraries and Archives, the Kentucky Department of Education, the county and city public libraries, and special libraries. The agency operations unit provides governmental relations, communications, information, technology, and business office support to the program activities of the Kentucky Virtual University/Virtual Library program unit.
- The Finance unit is responsible for developing funding approaches for the institutions, the analysis of postsecondary education financial information, the review and recommendation of capital construction projects, tuition setting, reciprocity agreements, and the administration of the strategic investment and incentive trust funds. In addition to these institutionally focused activities, the Finance unit also is responsible for the administrative and business operations of the agency; budgeting, accounting, purchasing, printing/copying, telecommunications services, and inventory control.
- Information Technology includes those activities related to the collection and analysis of student data collected through the agency's comprehensive data base, support and maintenance of the agency's computing needs including the local area network and coordination of statewide technology efforts. The information technology unit provides services to all of the program units of the council. The agency's general counsel also serves as Associate Vice President for Information Technology.

Policy

Kentucky Virtual University/Library-Electronic Library database - The Governor's budget recommendation includes \$350,000 in fiscal year 2008 from the General Fund for the purchase of additional database support for the virtual University/Library. The virtual university simplifies access to quality college credit, professional development, and supplemental studies by providing a single access point for statewide learning support. This support includes the virtual library system, which needs the funding to enhance quality library and information resources to Kentuckians.

Kentucky Virtual University/Library-Courier Services - The Governor's budget recommendation includes an additional \$85,000 each fiscal year from the General Fund to enhance the current system of servicing libraries throughout the Commonwealth with inter-library loan materials. These funds are needed to keep up with increasing costs of transporting library materials to locations in Kentucky without sufficient access.

**Postsecondary Education
Council on Postsecondary Education
Pass Through Programs**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	56,498,300	7,389,000	7,724,500	6,817,600	7,153,100
Other	-50,000,000				
Total General Fund	6,498,300	7,389,000	7,724,500	6,817,600	7,153,100
Restricted Funds					
Balance Forward	21,000				
Current Receipts	4,500,000	4,500,000	4,500,000	4,500,000	4,500,000
Non-Revenue Receipts	676,300			393,900	393,900
Total Restricted Funds	5,197,300	4,500,000	4,500,000	4,893,900	4,893,900
TOTAL SOURCE OF FUNDS	11,695,600	11,889,000	12,224,500	11,711,500	12,047,000
EXPENDITURES BY CLASS					
Grants, Loans or Benefits	11,425,600	11,889,000	12,224,500	11,721,500	12,057,000
Construction	270,000				
TOTAL EXPENDITURES	11,695,600	11,889,000	12,224,500	11,721,500	12,057,000
EXPENDITURES BY FUND SOURCE					
General Fund	6,498,300	7,389,000	7,724,500	6,817,600	7,153,100
Restricted Funds	5,197,300	4,500,000	4,500,000	4,893,900	4,893,900
TOTAL EXPENDITURES	11,695,600	11,889,000	12,224,500	11,711,500	12,047,000
EXPENDITURES BY UNIT					
Contract Spaces	3,416,200	3,720,600	4,056,100	3,720,600	4,056,100
Metroversity	58,800	58,800	58,800	58,800	58,800
Professional Education Preparation Program	416,700	416,700	416,700	416,700	416,700
Telecommunications Consortia	182,700	182,700	182,700	182,700	182,700
Minority Student College Prep Program	330,200	465,200	465,200	397,700	397,700
State Autism Training Center	217,800	217,800	217,800	217,800	217,800
Kentucky Rural Development Center	698,200	698,200	698,200	698,200	698,200
SREB Doctoral Scholars Program	256,600	301,400	301,400	301,400	301,400
Pass Through - Other	1,618,400	1,327,600	1,327,600	1,217,600	1,217,600
Cancer Research Insts Mtchg Fd	4,500,000	4,500,000	4,500,000	4,500,000	4,500,000
TOTAL EXPENDITURES	11,695,600	11,889,000	12,224,500	11,711,500	12,047,000

The Council on Postsecondary Education has been designated as the receiving agency for several programs. Funds are appropriated to the Council and subsequently "passed-through" to other agencies or entities. The Council monitors the implementation of the programs but is not responsible for actual day-to-day operations. For purposes of display, these programs have been grouped together under the heading of Pass Through Programs. A brief description of each program is provided below.

The **Contract Spaces Program** provides 188 Kentucky students with access to veterinary medicine and optometry programs through contracts administered by the Southern Regional Education Board (SREB) and Indiana University. In veterinary medicine, Kentucky contracts for 144 spaces at Auburn University (136) and Tuskegee Institute (8). In optometry, Kentucky contracts for 44 spaces at the Southern College of Optometry (24), the University of Alabama (8), and Indiana University (12). Contract fees guarantee a fixed number of spaces in these academic programs for qualified Kentucky residents. Enrolled students are required to pay only the equivalent of the in-state tuition at the host institution. Students are supported for four years. To reserve these spaces and to help defray cost, the Commonwealth pays a contract fee per space to each participating institution. These

contracts are the primary sources of enrollment opportunities for Kentucky students and for trained individuals to meet workforce needs in these professional areas.

The 2004-2006 Appropriations Bill, House Bill 267, codified at KRS 164.043, created the **Cancer Research Institutions Matching Fund** to be administered by the Council on Postsecondary Education. The University of Louisville Research Foundation and the University of Kentucky Research Foundations will each be eligible for state funds under this program. In the first year of the program, fiscal year 2005-2006, the state authorized \$4.5 million. The program is funded by a one-percent increase in the cigarette excise tax. To receive the funding from this program, the two research institutions must provide a dollar for dollar match from external sources. The purpose of these funds is to support cancer-related research that will ultimately reduce the morbidity and mortality from these diseases. The program supports collaborative business and academic ventures in support of the cancer research programs at their respective university cancer centers (Brown and Markey).

Since the late 1970s, the Council has supported cooperative activities among and services to postsecondary education institutions in the Greater Louisville area through the interstate **Metroversity Consortium**. On behalf of the participating institutions, Metroversity operates the Educational Opportunity Center, a cross-registration program, student and faculty competitions and activities, and interlibrary courier service. The Consortia also maintains a cable TV channel for institutional use. State funds represent less than 10 percent of Metroversity's total budget.

The **Professional Education Preparation Program (PEPP)** was established in 1980 pursuant to KRS 164.028 through 164.0282. The program assists students and prospective students from rural and inner-city areas experiencing medical and dental workforce shortages to gain admission to and graduate from medical and dental school. All funds appropriated to the Council for the PEPP program are allocated to the University of Kentucky, the University of Louisville, and the Pikeville College, School of Osteopathic Medicine to conduct: pre-freshman workshops, undergraduate workshops; student assessment conferences, and MCAT/DAT test assistance with tutors, tutoring, and summer job placement.

The **Telecommunications Consortium** was established in 1978 with funding provided through the budget of the Council. Programming and any needed staff services are provided by Kentucky Educational Television (KET) through a Memorandum of Agreement with the Council. The Consortium provides college credit course via KET's open broadcast television capability. In fiscal year 2005-2006, 33 undergraduate courses are scheduled for delivery. Students may enroll by mail and view courses at home.

The **Governor's Minority Student College Preparation Program** was established in 1986 to: provide academic enrichment activities for middle and junior high school students; encourage them to stay in school and to enter college; make young African-American students aware of the benefits and value of college and make them more likely to consider college as an achievable option; and to prepare these students to be successful in college-level work. The program places emphasis on early intervention in an attempt to overcome problems at the high school level that tend to reduce the pool of minorities interested in attending and prepared to do well in college. Approximately 1,100 middle and high-school students will be enrolled in this program each year.

The **Kentucky State Autism Training Center** contracts with the University of Louisville to provide coordinated services for training individuals involved in delivering services to those diagnosed with autism or autistic related disorders.

The **Kentucky Rural Development Center** operates in Somerset, Kentucky. The Center provides technical assistance to business and governmental entities in networking and video conferencing.

The **Southern Regional Education Board (SREB) Doctoral Scholars Program** is a cooperative interstate venture that seeks to support and encourage minority students to pursue doctoral degrees. The program seeks to increase the number of minority faculty members employed as college faculty and executives by increasing the available pool of minority candidates. Students are provided scholarships and other financial support to attend institutions throughout the southern region and in some Midwest states.

According to the SREB, as of July 2003, the program has served 580 individuals, with 279 currently matriculating scholars enrolled throughout the south; 233 scholars had completed their Ph.D. and 12 had withdrawn. The retention rate for the program is 92 percent over the last six years of operation. Kentucky has 27 students currently enrolled with the state providing continuing funding for 15 graduates pursuing higher degrees.

The budget provides \$9,600 each year of the biennium from the General Fund for a **Martin Luther King Scholarship** program at Kentucky State University.

The budget provides \$120,000 each year from the General Fund for a **Washington, D.C. Internship and Academic Seminars** program.

The budget provides \$1,000,000 in each fiscal year of the 2006-2008 biennium to continue an operating subsidy for a **Biotechnology Marine Shrimp Production** program. The Council, through an agreement with Western Kentucky University, provides these funds to operate a new marine shrimp production facility by a private corporation located on the Western Kentucky University farm. The 2004-2006 biennial budget provided funds to construct a marine shrimp production facility.

The **Early Math Testing** program is a statewide on-line diagnostic test to help high school students identify academic deficiencies that they should correct before entering college to avoid the need for postsecondary education remediation.

Policy

An additional \$586,800 from the General Fund is provided in fiscal year 2007 and \$922,300 in fiscal year 2008 to the **Contract Spaces** program to ensure that the existing veterinary and optometry professional school slots are maintained for Kentucky students at the participating out-of-state professional schools. This brings total funding up to \$3,720,600 in fiscal year 2007 and \$4,056,100 in fiscal year 2008.

Principal Leadership - The Governor's budget recommendation provides new funding of \$1,000,000 in fiscal year 2008 from the General Fund for a Principal Leadership program. The funds will be used to support a collaborative enterprise among Kentucky universities that have education leadership programs to improve K-12 student learning by providing specialized training to the next generation of public school principals. Funds will be used for program planning and design, salaries and benefits for institute personnel, and participant costs.

Minority Student College Prep-Expansion - The Governor's budget recommendation provides an additional \$67,500 from the General Fund in each year of the 2006-2008 biennium. The funds will be used to enhance the current program designed to emphasize early intervention at the high school level for minority students to increase the pool of minorities interested in attending and prepared to exceed in college.

SREB Doctoral Scholars Program Expansion - The Governor's budget recommendation provides an additional \$45,000 from the General Fund each fiscal year for this program. The funds will be used to support minority students to complete a doctoral degree in Kentucky or in other surrounding states. The program goal is to increase the number of minority individuals employed as college faculty and administrators by increasing the available pool of minority-candidate, doctoral degree completers.

Notwithstanding KRS 164.7911, interest income in the amount of \$393,900 in each fiscal year is authorized to be used for the Governor's Minority Student College Preparation, SREB Doctoral Scholars, P-16 Council, and Early Math Testing programs to maintain these programs at current levels of funding.

**Postsecondary Education
Council on Postsecondary Education
Federal Programs**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation		200,000	200,000		
Total General Fund		200,000	200,000		
Federal Funds					
Current Receipts	5,599,400	5,599,400	5,599,400	5,599,400	5,599,400
Total Federal Funds	5,599,400	5,599,400	5,599,400	5,599,400	5,599,400
TOTAL SOURCE OF FUNDS	5,599,400	5,799,400	5,799,400	5,599,400	5,599,400
EXPENDITURES BY CLASS					
Personnel Cost	959,300	1,267,600	1,296,000	1,267,600	1,296,000
Operating Expenses	286,100	165,800	138,800	165,800	138,800
Grants, Loans or Benefits	4,354,000	4,366,000	4,364,600	4,166,000	4,164,600
TOTAL EXPENDITURES	5,599,400	5,799,400	5,799,400	5,599,400	5,599,400
EXPENDITURES BY FUND SOURCE					
General Fund		200,000	200,000		
Federal Funds	5,599,400	5,599,400	5,599,400	5,599,400	5,599,400
TOTAL EXPENDITURES	5,599,400	5,799,400	5,799,400	5,599,400	5,599,400

The Council on Postsecondary Education administers three federal programs (exclusive of the Adult Education related grants): Improving Educator Quality State Grant Program, Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP) Kentucky and (GEAR UP) Kentucky TWO, and the Fund for the Improvement of Postsecondary Education (FIPSE).

The Improving Educator Quality State Grant Program focuses on preparing, training, and recruiting high-quality teachers. The Council on Postsecondary Education provides competitive grants to partnerships comprised of schools of education and arts and sciences, along with one or more high-need local school districts.

GEAR UP is a federal initiative that encourages young people to stay in school, study hard and take the right courses to go to college. The program provides a range of services to low-income students by supporting new or expanded activities that strengthen schools. GEAR UP grants are awarded to states as well as partnerships comprising schools, postsecondary institutions and non-school partners. GEAR UP state grants stress early intervention and provide scholarships. Effective September 1, 2005, the Council received a six-year award of \$21 million (\$3.5 million a year), in partnership with the Kentucky Higher Education Assistance Authority, that will be serving an additional cohort of students. This award is referred to as GEAR UP Kentucky TWO. Each grant dollar must be matched through a combination of state, local, and private funds.

The Council received its first FIPSE grant in 2002 to develop a statewide advising outreach network for high school students and adult learners who want to go on to college and for students who wish to transfer from two-year to four-year institutions. The grant funds the system referred to as U-CAN, the university coordinated advising network. Key partners include the Kentucky Community and Technical College System, the Kentucky Department of Education, the Kentucky Higher Education Assistance Authority, and a number of postsecondary institutions, school districts, and adult education learning centers. Through matching funds, improvements are being made to and activities expanded in the KYVU call center.

**Postsecondary Education
Council on Postsecondary Education
Strategic Investment & Incentive Funding Program**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	103,607,400	79,384,000	131,331,900	40,284,900	79,986,900
Reorganization Adjustments	-69,525,000				
Total General Fund	34,082,400	79,384,000	131,331,900	40,284,900	79,986,900
Tobacco Settlement-Phase I					
Tobacco Settlement - I	5,421,300	5,421,300	5,421,300	4,431,200	4,691,200
Budget Reduction	-368,600				
Total Tobacco Settlement-Phase I	5,052,700	5,421,300	5,421,300	4,431,200	4,691,200
Restricted Funds					
Balance Forward	215,400				
Current Receipts	252,000	252,000	252,000	252,000	252,000
Non-Revenue Receipts	-215,400				
Total Restricted Funds	252,000	252,000	252,000	252,000	252,000
Federal Funds					
Current Receipts	13,500,000	13,500,000	13,500,000	13,500,000	13,500,000
Total Federal Funds	13,500,000	13,500,000	13,500,000	13,500,000	13,500,000
TOTAL SOURCE OF FUNDS	52,887,100	98,557,300	150,505,200	58,468,100	98,430,100
EXPENDITURES BY CLASS					
Personnel Cost	7,073,100	7,441,700	7,441,700	6,451,600	6,711,600
Operating Expenses	1,681,400	1,681,400	1,681,400	2,181,400	2,181,400
Grants, Loans or Benefits	44,070,600	89,372,200	85,722,200	49,773,100	65,223,100
Debt Service			55,597,900		24,252,000
Capital Outlay	62,000	62,000	62,000	62,000	62,000
TOTAL EXPENDITURES	52,887,100	98,557,300	150,505,200	58,468,100	98,430,100
EXPENDITURES BY FUND SOURCE					
General Fund	34,082,400	79,384,000	131,331,900	40,284,900	79,986,900
Tobacco Settlement-Phase I	5,052,700	5,421,300	5,421,300	4,431,200	4,691,200
Restricted Funds	252,000	252,000	252,000	252,000	252,000
Federal Funds	13,500,000	13,500,000	13,500,000	13,500,000	13,500,000
TOTAL EXPENDITURES	52,887,100	98,557,300	150,505,200	58,468,100	98,430,100
EXPENDITURES BY UNIT					
Research Challenge Trust Fund	5,052,700	17,421,300	5,421,300	4,431,200	4,691,200
Technology Initiative Trust Fund	2,050,500	4,752,100	10,887,100	3,403,000	4,053,000
Physical Facilities Trust Fund			50,562,900		24,252,000
Postsecondary Workforce Development Trust Fund		500,000	3,500,000	300,000	1,200,000
Adult Education and Literacy Funding Program	35,778,000	39,778,000	41,778,000	36,778,000	38,778,000
Science and Technology Funding Program	10,005,900	10,605,900	10,855,900	10,355,900	10,355,900
Regional Stewardship Funding Program		3,000,000	18,000,000	1,200,000	3,600,000
Research Support Funding Program		22,000,000	4,000,000	1,500,000	9,000,000
Special Initiatives Funding Program		500,000	5,500,000	500,000	2,500,000
TOTAL EXPENDITURES	52,887,100	98,557,300	150,505,200	58,468,100	98,430,100

The **Strategic Investment and Incentive Funding Program** was created in the Kentucky Postsecondary Education Improvement Act of 1997, codified as KRS 164.7911. This program consists of appropriations for six Strategic Investment and Incentive Trust Funds (a Research Challenge Trust Fund; a Regional University Excellence Trust Fund; a Technology Initiative Trust Fund; a Physical Facilities Trust Fund; a Postsecondary Workforce Development Trust Fund; and a Student Financial Aid and Advancement Trust Fund) and appropriations for two Strategic Investment and Incentive Funding Programs (the Adult Education and Literacy Funding Program; the Science and Technology Funding Program. These appropriations are made to the Council, which is responsible for establishing criteria and distributing these funds to postsecondary institutions in a manner that will allow the Commonwealth to reach the six goals established in KRS 164.003(2). The Governor's Executive Budget adds three additional funding programs to further the progress of the Commonwealth's postsecondary education improvement.

	<u>FY 2005</u>	<u>FY 2006</u>
Research Challenge Trust Fund		
Lung Cancer Research – Phase I Tobacco Settlement Funding	4,431,200	4,691,200
Physical Facilities Trust Fund		
Debt Service for \$260,276,000 in Bond Funded Capital Projects		24,252,000
Technology Initiative Trust Fund	3,403,000	4,053,000
Postsecondary Workforce Development Trust Fund	300,000	1,200,000
Adult Education and Literacy Funding Program	36,778,000	38,778,000
Science and Technology Funding Program	10,355,900	10,355,900
Regional Stewardship Funding Program	1,200,000	3,600,000
Research Support Funding Program	1,500,000	9,000,000
Special Initiatives Funding Program	500,000	2,500,000
TOTAL FUNDING PROGRAM APPROPRIATIONS	<u>58,468,100</u>	<u>98,430,100</u>

Research Challenge Trust Fund

This Trust Fund includes funding from the Phase I Tobacco Settlement devoted to the Lung Cancer Research Trust Fund established by KRS 164.476.

Technology Initiatives Trust Fund

Funding in the amount of \$2,050,000 in each year of the biennium is provided for the following subsidiary programs of the Technology Initiatives Trust Fund:

1. Kentucky Postsecondary Education Network (KPEN) is an internet Protocol-optimized network specifically designed for postsecondary education requirements and applications. It accommodates high-demand, high-access internet users and provides an easy mechanism for expansion of network services. Expanded KPEN services extend to all postsecondary education institutions through the Master Agreement developed between the University of Kentucky and the vendor, ALLTEL, Inc. The Council on Postsecondary Education, working through the University of Kentucky, financially supports a baseline network for the state-supported postsecondary education institutions. Institutions may purchase additional services and bandwidth directly from the Master Agreement with the vendor.
2. Faculty Development in collaboration with one or more institutions, to sponsor statewide initiatives. These initiatives serve an agenda setting function, drawing attention to important dimensions of faculty development linked to system goals.

Adult Education and Literacy Funding Program

A total of \$23,026,000 in fiscal year 2007 and \$25,026,000 in fiscal year 2008 from the General Fund is provided for the Adult Education and Literacy Funding Program. This includes an additional \$1,000,000 in fiscal year 2007 and \$3,000,000 in fiscal year 2008 to increase the base funding of the adult education and literacy programs. Over \$13 million per year in federal funds combine with the state General Funds to finance adult education and literacy programs. Notwithstanding the provisions of KRS 45.229, any unexpended balance of funds appropriated for the Adult Education and Literacy Funding Program shall not lapse and shall be carried forward into the next fiscal year.

The Adult Education Reform Act of 2000 stated, "Adult illiteracy is a fundamental barrier to every major challenge facing Kentucky, including early childhood education, education reform, economic development and improving the health and well being of Kentucky's families and communities."

One in four Kentuckians age 25 or older do not have a high school diploma or GED, compared to 19.6 percent nationally. Of 2.4 million working-age Kentuckians, 40 percent (nearly one million) function at the two lowest levels of literacy.

The Adult Education Reform Act provided the foundation for improving the educational status of adult Kentuckians who do not have a high school diploma, who function at low levels of literacy or who want to learn the English language. Kentucky Adult Education increased enrollment in adult education and literacy programs 115 percent from 51,177 in 1999-2000 to a record high enrollment of 109,880 in 2002-03. This enrollment exceeded the fiscal year 2003 goal of 90,000 and even the fiscal year 2004 goal of 100,000. Of the fiscal year 2003 enrollment, 43,050 adults participated in workplace programs, and 5,459 were enrolled in English as a Second Language.

The Act also created a partnership between the Council on Postsecondary Education and the Department for Adult Education and Literacy. The partnership was strengthened in July 2003 by the organizational transition of the newly renamed "Kentucky Adult Education" from the Cabinet for Workforce Development to the Council on Postsecondary Education. This reorganization positions Kentucky Adult Education at the forefront of education in the Commonwealth and facilitates the program's momentum toward the next level of achievement by creating new avenues for reaching adult learners and helping them transition to postsecondary education and employment.

Base funding is distributed to local organizations through grants for adult basic education and literacy services, the cornerstone of Kentucky Adult Education. The Kentucky Adult Education Reform Act requires services to be targeted to communities with the greatest need, so funds are allocated using a formula based on the number of adults in each county functioning at low literacy levels.

Through this funding, every Kentucky county is served by a comprehensive adult education provider that offers all levels of adult education instruction, family literacy and employability and life skills instruction. Many providers also offer English as a Second Language classes and workplace education. Every provider operates one or more sites throughout the county to meet the unique learning needs of its target population. Kentucky Adult Education contracts with local boards of education, community and technical colleges, community-based organizations, education consortia, public and private non-profit organizations and correctional institutions to provide adult education and literacy services in a variety of settings and locations.

Science and Technology Funding Program

The funding for the Science and Technology Funding Program supports the programs established by the Kentucky Innovation Act, enacted by the 2000 General Assembly, and amended in subsequent sessions, and codified as KRS 164.6011 through 164.6043. Funding is provided each year of the biennium for the suite of Science and Technology programs which include: the **Research and Development Voucher** program that provides vouchers to small and medium-size Kentucky-based companies that undertake research and development work in partnership with universities in the Commonwealth, the **Commercialization Fund** that provides development funds for promising technologies developed through the research and development work undertaken at the universities in the Commonwealth, the **Rural Innovation** program provides funding to Kentucky-based companies with less than 150 employees. Recipient companies contract with an accredited postsecondary institution, the **Experimental Program to Stimulate Competitive Research (EPSCoR)** program, a highly collaborative and successful federal research and development program initiated by the National Science Foundation in 1978 that leverages state matching funds to bring additional federal research dollars to Kentucky. EPSCoR has been responsible for bringing over \$36 million in federal research dollars to Kentucky since 1985. The return on the state's investment in this program equals \$2.50 of federal funding for every dollar of state funds invested in EPSCoR. The Science and Technology Funding Program also provides funding for the **Science and Engineering Foundation**. The Science and Engineering Foundation, expanding on the existing EPSCoR program and funding, is modeled in part after the National Science Foundation and makes investments in peer-reviewed science and engineering research, to accelerate the rate of research and development funds and work to increase the amount of federal and private sector funds for this work in Kentucky. The Science and Technology Funding Program provides \$1,000,000 in funding each year is provided for the **Knowledge-Based Economy Academic Programs** in engineering and information technology. The Council on Postsecondary Education directed the public universities and colleges to work together to design a statewide strategy to educate more engineers, to integrate engineering education more closely into the technology-driven New

Economy, and to recruit more women and minorities into engineering. Students at Western Kentucky University, Murray State University, the University of Louisville, and the University of Kentucky are enrolled in joint engineering classes.

Policy

Performance Funding – The Executive Budget includes \$1,000,000 from the General Fund in fiscal year 2008 to reward the postsecondary education institutions for relative performance. Fifty percent of performance funds will be awarded based on a comparison to benchmark institutions using two measures: (1) degree productivity; and (2) efficiency. The remaining half will be awarded based on selected Key Indicators of Progress using three measures: (1) Increased degree production; (2) Increased minority degree production; and (3) Institutions' choice indicator.

Adult Education-Expansion of Services – The Executive Budget includes an additional \$1,000,000 from the General Fund in fiscal year 2007 and \$3,000,000 in fiscal year 2008 to enhance the county programs in adult literacy in order to meet the goals of the Adult Education Act. The grant programs will target communities with the greatest need related to basic literacy skills to offer adult education instruction, family literacy programs, and assistance with employability and life skills instruction.

Regional Stewardship – The Executive Budget includes \$1,200,000 from the General Fund in fiscal year 2007 and \$3,000,000 in fiscal year 2008 to be allocated to the comprehensive universities to promote regional or statewide economic development, livable communities, social inclusion, creative governance, and civic participation through public engagement activities initiated by university faculty and staff. Programs are to be designed to align institutional priorities, resources and infrastructure to support their communities and create partnerships to address regional and state needs.

Workforce Development Trust Fund – The Executive Budget includes \$300,000 from the General Fund in fiscal year 2007 and \$1,200,000 in fiscal year 2008 to be used by KCTCS to support workforce development initiatives and to support the transfer of associate degree completers to Kentucky's public and private universities to advance toward a baccalaureate degree.

Research Support – The Executive Budget includes \$1,500,000 in fiscal year 2007 and \$3,000,000 in fiscal year 2008 from the General Fund to be used to establish a research capacity pool designed to support university efforts to build research capacity in targeted priority areas. Two-thirds of the funds are for the University of Kentucky and one-third is for the University of Louisville. Allocated funds will be distributed upon submission and approval of a plan that identifies target areas of impact at the University along with a proposed budget for faculty, salaries, benefits, and operating expenses in those years. To qualify for funds, each institution will submit a one-time, research capacity plan to the Council by close of business June 1, 2006. These funds will be used to recruit and retain prominent research faculty in areas of strategic benefit to the Commonwealth. Appropriate uses for these funds include start-up costs, salaries, benefits, travel, and other professional expenses as permitted by University policy for new faculty positions in the CPE priority areas, including five economic development clusters: (1) Human Health and Development; (2) Biosciences; (3) Materials Science and Advanced Manufacturing; (4) Information Technologies and Communications; and (5) Environmental and Energy Technologies.

The Executive Budget includes \$6,000,000 in fiscal year 2008 from the General Fund to support laboratory renovations and equipment purchases in CPE-designated priority areas and will support research initiatives – disciplinary and interdisciplinary research activities that address regional or state needs, contribute to the generation of federal and extramural R&D expenditures, foster increased innovation and opportunities for commercialization, and stimulate business development. The University of Kentucky will receive \$4,000,000 and the University of Louisville will receive \$2,000,000 from these nonrecurring funds.

Physical Facilities Trust Fund – Debt service in the amount of \$24,252,000 is provided in fiscal year 2008 for 12 bond funded capital projects (\$260,276,000) at the various public postsecondary institutions, and an earmarked amount for the Ovarian Cancer Screening Outreach program.

Kentucky Postsecondary Network (KPEN) – The Executive Budget includes an additional \$700,000 each fiscal year from the General Fund to maintain the existing level of network services to all of the postsecondary education institutions. These funds are necessary to provide a basic level of support for KPEN and to enable postsecondary education to fully participate in the "Education Network" that intends to connect colleges, universities, and local schools to enhance student learning at all educational levels.

K-12 Professional Development – The Governor's budget recommendation includes an additional \$500,000 each fiscal year from the General Fund to support enhanced professional development for local school district certified staff. Funds will be allocated to postsecondary education institutions for the purpose of conducting research or providing support in the redesign of K-12 teacher and leader professional development relevant to local school district enhanced professional compensation plans.

College Access Initiative – The Executive Budget includes \$450,000 from the General Fund in fiscal year 2007 and \$717,000 in fiscal year 2008 to fund phase 2 of a public communications campaign to market the benefits of pursuing higher education in Kentucky. The “Go Higher” campaign utilized in 2000 was enormously successful and these funds would build on that success.

P-16 Engineering Pipeline – The Executive Budget includes \$350,000 from the General Fund in fiscal year 2007 and \$350,000 in fiscal year 2008 to put into place pre-engineering curricula in select middle and high schools and a strategic KCTCS transfer framework to ensure that an adequate number of Kentucky high school graduates and transfer student can aspire and are prepared to enroll in engineering programs in Kentucky.

College-level Learning Assessment – The Executive Budget includes \$150,000 from the General Fund in fiscal year 2008 to support Kentucky’s participation in the National Center for Public Policy in Higher Education’s Measuring Up 2008 Learning Grade. Participation requires statewide student level testing and national standardized test score data collection and follow-up analyses.

Academic Innovation and Collaborative Grants – The Executive Budget includes \$80,000 from the General Fund in fiscal year 2007 and \$250,000 in fiscal year 2008 to advance proposals designed to stimulate partnerships among institutions and public and private sector organizations to develop academic programs addressing current and projected workforce needs, especially in high demand programs.

Faculty Development Expansion – The Executive Budget includes \$35,000 from the General Fund in fiscal year 2007 and \$35,000 in fiscal year 2008 to provide a means to bring faculty together to promote innovative ways to improve quality of instruction, including the promotion of distance learning. Funds will focus on general education curriculum redesign and collaborative public health initiatives

Public Health Initiative – The Executive Budget includes \$87,000 from the General Fund in fiscal year 2007 and \$150,000 in fiscal year 2008 to support a collaborative effort among the Public Health Advisory Committee, the Commissioner for Public Health, and the Council to implement the Strategic Plan for Public Health Education and Research, which was approved by the Council in July 2004. These funds will support curricula development tailored to the needs of the current public health workforce and expand online access to public health courses and degrees.