



Kentucky Higher Education Assistance Authority

# Reports

April 13, 2005

## Actions of the 2005 Kentucky General Assembly Related to Postsecondary Education

The 2005 Kentucky General Assembly considered several bills related to higher education. This report provides a brief overview of those which were passed and are to become law on June 20, 2005, unless otherwise noted.

### A Budget—The Legislature’s Primary Accomplishment

Since the General Assembly did not adopt a budget as scheduled in the 2004 session, it became necessary for legislators to attempt to adopt a budget in the short (30-day) session of 2005. They succeeded in this endeavor due to an atmosphere of increased cooperation across party lines.

The 2004-2006 biennial budget bill increases base operating funds for public postsecondary institutions by nearly \$82 million over the biennium. It restores all recurring funding reduced in 2004, provides funding for operations and maintenance of new facilities, and increases funding across the board by

1.8 percent. The budget also increases benchmark funding; increases funding for enrollment growth; and funds specific programs at KCTCS, Kentucky State University, Murray State University, University of Kentucky, and University of Louisville. Funding for student financial aid programs is adequate to meet projections for the current biennium. Much of the spending increase was made possible by capturing revenue from special reserve funds and other one-time sources within state government.

### Postsecondary Institutions

General Funds appropriated for postsecondary institutions increased 10.2 percent in FY 2006 when compared to FY 2004. Even with the increase, General Fund appropriations for the biennium fell short of Kentucky Council on Postsecondary Education (CPE) recommendations by \$184,170,600. *Table 1* shows the FY 2004 recurring net base funding for each public institution, dollar amount of increase, and percent increase over FY 2004 recurring net base funding.

**Table 1**  
**General Fund Increases**  
**for Institutional Base Operating**  
**in 2004-2006 Biennium**

Institution	FY 2004 Recurring Net Base	Total Biennium Dollar Increase	% Increase Over FY 2004
Eastern Kentucky University	\$ 67,736,000	\$ 5,886,921	8.7%
KCTCS	182,314,900	18,039,318	9.9%
Kentucky State University	20,034,600	4,340,570	21.7%
Morehead State University	40,146,700	3,281,708	8.2%
Murray State University	48,294,600	4,750,105	9.8%
Northern Kentucky University	40,094,000	6,507,945	16.2%
University of Kentucky	287,680,800	18,661,449	6.5%
University of Louisville	143,427,500	11,007,608	7.7%
Western Kentucky University	65,697,000	9,139,774	13.9%
<b>Total</b>	<b>\$ 895,426,100</b>	<b>\$ 81,615,398</b>	<b>9.1%</b>

Source: Budget Update, March 21, 2005, CPE meeting

Funding for capital projects at the state's postsecondary education institutions also exceeded expectations. The budget authorized all but three projects recommended by CPE and funded 11 projects that were not recommended. The three projects recommended by CPE but not funded were:

- Northern Kentucky University science building renovation.
- Kentucky Community and Technical College System (KCTCS) renovation of district facilities at Prestonsburg/Mayo.
- CPE Capital Renewal and Maintenance Pool.

Table 2 lists some of the 498 capital projects authorized in the budget for public institutions. Funding could come from state bonds or the General Fund, agency bonds, or institutional or federal funds. Table 2 also shows project scope and total amount authorized.

### Student Financial Aid

Appropriations for Kentucky's three primary student financial aid programs exceeded CPE recommendations during the biennium by \$5,136,800 for the need-based College Access Program (CAP) and Kentucky Tuition Grant (KTG) and by \$12,915,000 for the merit-based Kentucky Educational Excellence Scholarship (KEES) program. All three programs

**Table 2**  
**Major Projects**  
**Authorized at Public Institutions**  
**in the 2004-06 Biennial Budget**  
**(Not all projects are listed)**

Institution	Project Scope	Amount Authorized
University of Kentucky:		
Biological/Pharmaceutical Complex	\$ 119,892,000	\$ 40,000,000
Patient Care Facility – Hospital		200,000,000
Student Health Facility		24,000,000
University of Louisville:		
Health Science Facility Phase 3	\$ 98,000,000	\$ 65,200,000
KCTCS:		
Ashland Technical College Educational Center	\$ 28,690,000	\$ 18,030,000
Owensboro Community College Technical Center	24,088,000	15,088,000
Madisonville Community College Technical Center	12,500,000	16,000,000
Franklin/Simpson Technical Center	11,984,000	14,000,000
Henderson Community College Technical Center	13,066,000	15,066,000
Lexington Community College Classroom Building	28,855,000	31,741,000
Eastern Kentucky University:		
Business/Technical Center Phase 2	\$ 32,850,000	\$ 32,850,000
Manchester Educational Center Phase 1	10,000,000	9,000,000
Residence Hall Renovation	7,500,000	7,500,000
Morehead State University:		
MSU-NASA Space Center	\$ 12,200,000	\$ 17,200,000
Residence Hall Renovations	5,000,000	5,000,000
Murray State University:		
Blackburn Science Phase 2	\$ 22,250,000	\$ 15,000,000
New Residential Facility	10,154,000	13,077,000
Kentucky State University:		
Hathaway Hall Renovation	\$ 11,200,000	\$ 7,400,000
Young Hall Renovation	9,407,000	10,282,000
Northern Kentucky University:		
Regional Special Events Center	\$ 60,000,000	\$ 60,000,000
New Student Union	32,800,000	35,800,000
Western Kentucky University:		
Thompson Science Complex Renovation	\$ 33,000,000	\$ 33,000,000
Math/Science Academy Renovation	12,250,000	12,250,000
Academic/Athletic #2 Renovation/Expansion	35,000,000	35,000,000
South Campus Parking/Dining	7,000,000	7,000,000

are funded by net lottery proceeds; however, the budget bill suspends the percentage requirements of lottery proceeds as called for in Kentucky Revised Statutes. KRS 154A.130 (4) calls for 45 percent of lottery proceeds (less \$3 million set aside for literacy development) to go to KEES for 2004-05 and beyond. The same statute also calls for 45 percent of the proceeds to go to CAP and KTG in 2004-05 and 55 percent in 2005-06 and beyond. If lottery proceeds exceed appropriations, excess funds go to the General Fund.

It appears the budgeted amount for KEEES will be adequate to cover projected awards. The budgeted amounts for CAP and KTG will allow KHEAA to increase the individual award amounts slightly. The individual CAP award for the 2005-06 academic year is scheduled to increase from \$1,400 to \$1,700 per year. The individual KTG award will increase from \$2,600 per year to \$2,800 per year. Appropriations for KHEAA's student aid programs are listed in *Table 3*.

<b>Table 3</b> <b>Student Aid Appropriations</b> <b>In the 2004-2006 Biennial Budget</b>		
	<b>FY 2005</b>	<b>FY 2006</b>
KEEES	\$ 80,533,200	\$ 82,612,900
CAP	49,494,300	56,851,400
KTG	23,856,300	30,270,000
KHEAA Teacher Scholarship	2,290,700	2,290,700
Kentucky National Guard Tuition Award	3,558,100	4,358,100
Osteopathic Medicine Scholarship	1,255,300	1,318,500
KHEAA Work-Study	900,000	900,000
Early Childhood Development Scholarship	907,000	928,400
Robert C. Byrd Honors Scholarship	556,900	568,000
<b>Total</b>	<b>\$163,351,800</b>	<b>\$180,098,000</b>
<p>The enacted 2004-2006 budget provides appropriation for general administration and support in the amounts of \$14,555,400 for FY 2005 and \$15,515,400 for FY 2006. KHEAA agency receipts generated by administration of the Federal Family Education Loan Program pay \$14,476,800 of the amount for FY 2005 and \$15,435,100 for FY 2006.</p>		

### Fund Transfers to General Fund

KHESLC was one of approximately 90 agencies of state government that provided substantial funding to make spending increases possible. Due to the financial strength of KHESLC resulting from careful management of its assets, the state will transfer \$7.8 million from KHESLC's operating revenue in FY 2005 and \$10 million in FY 2006. An additional \$49 million will be transferred in FY 2006 from a KHESLC fund created as a reserve for a bond issue. The bonds have matured, and the funds are now available without any further restrictions. The budget also shifts the responsibility for funding the Kentucky National Guard Tuition Award Program (KNGTAP) to KHESLC at a cost of \$7,916,200 over the biennium. Despite these substantial transfers, KHESLC continues to operate from a strong financial base.

KHESLC transfer amounts listed in *Table 4* were included in the final version of the budget bill passed by the 2005 Kentucky General Assembly.

The budget bill (HB 267) also requires \$13.7 million be returned to the General Fund from the Kentucky's Affordable Prepaid Tuition (KAPT) fund. In December 2004, this amount was transferred from the Unclaimed Property Fund to KAPT to eliminate the actuarial deficit. HB 267 stipulates no additional funds may be transferred from the Unclaimed Property Fund but does not restrict KAPT enrollment in future years. Any new enrollment will be charged a premium to ensure the actuarial soundness of the program.

<b>Table 4</b> <b>KHESLC Funding Transfers</b>	
<b>FY2005</b>	
\$ 7,800,000	Transfer to General Fund
\$ 5,000,000	Transfer to KHEAA for CAP and KTG (already budgeted by KHEAA)
<u>\$ 3,548,100</u>	Transfer to KHEAA for National Guard Tuition Awards
<b>\$16,348,100</b>	<b>Total</b>
<b>FY2006</b>	
\$59,000,000	Transfer to General Fund (\$49 million fund equity, \$10 million net income)
\$ 3,100,000	Transfer to KHEAA for CAP and KTG
<u>\$ 4,348,100</u>	Transfer to KHEAA for National Guard Tuition Awards
\$66,448,100	Total
<b>\$82,796,200</b>	<b>Total KHESLC Funds to Support Biennial Budget</b>

## Other Legislation

<b>Table 5</b> <b>Legislation Passed by the General Assembly</b>			
<b>Topics</b>	<b>Bill Numbers</b>	<b>Provisions</b>	<b>Sponsors</b>
UK Board	SB 124	Permits one member of the University of Kentucky Board of Trustees to reside outside Kentucky.	Sen. Brett Guthrie
Lexington Community College and KCTCS Location	HB 239	(1) Transfers governance of Lexington Community College from the University of Kentucky to KCTCS. (2) Requires KCTCS headquarters to be located in Woodford County, Kentucky.	Rep. Carolyn Belcher Rep. Joe Barrows Rep. Adrian K. Arnold Rep. Jesse Crenshaw Rep. Robert R. Damron Rep. Bill Farmer Rep. Derrick W. Graham Rep. Charlie Hoffman Rep. Thomas M. McKee Rep. Ruth Ann Palumbo Rep. Don Pasley Rep. Kathy W. Stein Rep. Susan Westrom
Retirement Benefits	HB 299	Allows the purchase of time in the Kentucky Retirement System for employment at a state university if the employee did not participate in a defined benefit retirement program while at the university.	Rep. Charlie Miller Rep. Charles L. Siler Rep. Denver Butler Rep. Larry Clark Rep. Perry B. Clark Rep. Dennis Horlander Rep. Joni L. Jenkins
Open Meetings/ Records	HB 77	Requires dissemination of public information concerning open meetings laws and open records laws to new board members of universities and other boards of public entities.	Rep. Derrick W. Graham
Student Loan Financing	HB 161	Increases KHESLC's debt limit from \$1.95 billion to \$5 billion to ensure continued availability of student loans for Kentucky students and families.	Rep. Tanya Pullin Rep. Tim Feeley
KAPT	HB 184	Transfers governance of KAPT from the current KAPT Board to the KHEAA Board of Directors. KHEAA already had administrative responsibilities for the program.	Rep. Tim Feeley Rep. Tanya Pullin
KEES	HB 460	(1) Transfers governance of KEES from CPE to KHEAA. (2) Directs eligible high schools to report grade point averages directly to KHEAA instead of the Kentucky Department of Education. (3) Specifies students who are in default to any loan under Title IV of the federal act, liable for any amounts that exceed annual or aggregate limits on any federal loan, or liable for overpayment of any grant or loan under Title IV are no longer eligible for KEES awards. Effective date of this bill is July 1, 2005.	Rep. Tanya Pullin

## More Information

To see the bills listed in their entirety, go to [www.lrc.ky.gov](http://www.lrc.ky.gov), or you may obtain an official copy of signed legislation by contacting the Public Bill Room at 502-564-8100. For more information about the postsecondary institutions, visit [www.GoHigherKY.org](http://www.GoHigherKY.org). For information about the student financial programs in this report, go to [www.kheaa.com](http://www.kheaa.com). The Kentucky Higher Education Student Loan Corporation, also known as the Student Loan People, explains its programs and services at [www.studentloanpeople.com](http://www.studentloanpeople.com).