

Kentucky

William E. Thro and Angela S. Martin

FUNDING PRIORITIES FOR P-12 AND/OR HIGHER EDUCATION

In March 2020, the Kentucky General Assembly was expected to pass a two-year budget for Fiscal years 2021 (July 1, 2020 to June 30, 2021) and Fiscal Year 2022 (July 1, 2021 to June 30, 2022). Instead, forced by the immense health and economic uncertainties of the global pandemic, it passed a budget that kept existing spending levels for the 2020-21 Fiscal Year (FY) and had zero sums for the 2021-22 Fiscal Year. The General Assembly hoped that economic conditions would improve by the 2021 Session and, thus, it would be able to increase spending where necessary. In early 2021, Kentucky Governor Andy Beshear (Democrat) unveiled his one-year budget proposal for FY 2022.

P-12

Despite the ongoing impacts of the COVID-19 pandemic, the Governor's budget plan for P-12 recommitted to his education priorities of (1) an increase in teacher salaries; (2) an increase in higher education funding; (3) increased per pupil funding; and (4) further pension reform.

Higher Education

For higher education, the Governor's proposal gave an added \$17.3 million to Kentucky colleges and universities, a two percent increase over FY 2021 spending levels. The Governor designated one percent of the new funds to each institution's base budget and the rest to the Postsecondary Education Performance Fund. The General Assembly ultimately endorsed the funding increase but placed all new funds in the performance funding pool, with \$13.5 million distributed to the Commonwealth's eight public universities.

Pension funding relief for regional universities and the Kentucky Community and Technical College System (KCTCS) is still a priority. The Fiscal Year 2022 budget added \$22.1 million in state appropriations to help the participating comprehensive universities and KCTCS with their actuarially accrued liabilities. This added funding is expected to cover 100% of the increased cost.

William Thro, General Counsel of the University of Kentucky, former Solicitor General of Virginia, and President-Elect of the National Education Finance Academy; Angela Martin, Vice President for Financial Planning and Chief Budget Officer of the University of Kentucky.

CHANGES TO FUNDING FORMULA FOR P-12 AND/OR HIGHER EDUCATION

P-12

There were no changes to the P-12 funding formula.

Higher Education

Fiscal Year 2022 marks the fifth year the Kentucky General Assembly used the performance funding model to distribute state appropriations to the public universities and KCTCS. However, Fiscal Year 2022 marked the first time the state invested new funds into the model. From Fiscal Year 2018 to Fiscal Year 2021, the public universities put at risk (i.e., required contributions) approximately eleven percent of their base state appropriations, or \$103.4 million, into the state performance funding pool. The performance funding model is based on eleven metrics primarily focused on student success including bachelor's degrees produced, earned student credit hours, and undergraduate student retention and progression. The competitive-based model rewards universities with rates of growth that exceed the sector averages. The General Assembly also adopted revisions to the funding model including a general fund appropriation floor which ensures no redistribution of base funding among postsecondary institutions. In addition, the institutions no longer contribute from existing appropriations to the Postsecondary Education Performance Fund.

PRESSING STATE ISSUES AFFECTING P-12 AND/OR HIGHER EDUCATION FUNDING

P-12

The State's budget situation continues to be precarious. For several years, the shortfall in the funding of Kentucky's public employee pension programs, including the teacher's retirement system, created added budgetary pressures.

Higher Education

Current challenges associated with COVID-19 obscure a decade of decline across the nation in college enrollment. Even before the health pandemic, lower birth rates over the past twenty years resulted in fewer high school graduates. Additionally, Kentucky's in-state college-going rate continues to decline. According to the most recent data from the Kentucky Council on Postsecondary Education, the in-state college-going rate has fallen from 54.0% in 2015 to 50.5% in 2019. These trends will affect future enrollment efforts for both resident and non-resident undergraduate students.

ALTERNATIVES TO TRADITIONAL PUBLIC SCHOOL

Although Kentucky has a charter school statute, there is no formal funding mechanism and, thus, there are no charter schools.

In 2021, the General Assembly overrode the Governor's veto and enacted legislation to supply \$25 million in tax credits for students to attend private schools in the State's three largest counties (Jefferson, Fayette, and Kenton) or to attend a public school in another district. There is a constitutional challenge to the legislation.

STATE PER PUPIL EXPENDITURE

According to the Kentucky Department of Education, the total amount of per pupil expenditure is \$14,063.¹

ALLOCATION OF STATE DOLLARS AND PERCENT OF THE STATE BUDGET FOR P-12 AND HIGHER EDUCATION

P-12

According to the Kentucky Department of Education, the total amount of spending on P-12 education is \$5,088,677,500.² Of this total, \$2,950,117,448 or fifty-eight percent comes from local sources.³ Another \$969,040,300 or nineteen percent comes from federal sources.⁴ Thus, the State's share is \$1,169,519,752 or twenty-three percent.

Higher Education

According to the Kentucky Office of State Budget Director, state appropriations for postsecondary education represented \$2.3 billion or 9.8% of all general fund appropriations for Fiscal Years 2021 and 2022. General fund appropriations for postsecondary education totaled \$1,153,052,400 in Fiscal Year 2021 and \$1,210,498,500 in Fiscal Year 2022.

1. Kentucky Department of Education, EDUCATION FACTS (available at <https://education.ky.gov/comm/edfacts/Pages/default.aspx>)

2. *Id.*

3. *See Id.*

4. *Id.*