

**INFORMATION: 2009-10 KCTCS BUDGET  
DEVELOPMENT SCENARIOS**

**Agenda Item K-4  
March 13, 2009**

The 2009-10 budget will direct the use of financial resources available to the Kentucky Community and Technical College System to help achieve the mission and vision of KCTCS. It is likely that all KCTCS needs cannot be fully met due to the level of financial resources, especially state appropriation, that will be available to KCTCS during the next year.

The KCTCS Board of Regents discussion of the following factors is necessary at the March 13, 2009, meeting to provide guidance to the KCTCS President and his staff in the development of a proposed budget for consideration at the June 12, 2009, Board meeting.

***2009-10 State Appropriation***

The 2008-10 biennial budget was enacted by the 2008 General Assembly. Included in the 2008-10 biennial budget for KCTCS were the following state appropriation amounts:

2008-09	\$219,317,600
2009-10	\$224,429,700

In November 2008, Governor Steve Beshear requested that the Consensus Forecast Group, the independent team of economists that makes official revenue forecasts, make a revised revenue estimate for 2008-09. The Consensus Forecast Group's revised General Fund revenue estimate for 2008-09 reflected a projected revenue shortfall of \$456 million, 5.1 percent below the budgeted General Fund revenue for 2008-09.

On December 12, 2008, Governor Beshear released a plan to address the estimated 2008-09 revenue shortfall of \$456 million. That plan included a 2 percent state appropriation reduction for postsecondary education institutions, including KCTCS. A 2 percent reduction in 2008-09 amounts to \$4.4 million for KCTCS. The 2009 General Assembly enacted House Bill 143 authorizing Governor Beshear to reduce the 2008-09 Executive Budget (including institutions of postsecondary education) based on November 2008 revised revenue estimates. The revised 2008-09 state appropriation for KCTCS is \$214,931,200.

Thus far, there is no revised revenue estimate for 2009-10; the 2009-10 state appropriation included in the enacted 2008-10 biennial budget is still the official appropriation for KCTCS. However, it would be prudent to anticipate a budget reduction in 2009-10 if the national and state economies do not recover quickly.

***Fixed Cost Increases in Employee Benefits and Utilities***

The cost of certain employee benefits and utilities and property insurance will increase in 2009-10. Employee benefits include the increased cost of health insurance coverage for continued participation in the state and University of Kentucky health insurance plans, workers' compensation, long-term disability, and unemployment insurance. Current estimates indicate that these employee benefit costs will increase by \$3.9 million in 2009-10, an 11 percent increase. Current estimates indicate that utilities and property insurance costs will increase by approximately \$0.9 million in 2009-10, a 6 percent increase. Thus, fixed costs in employee benefits and utilities and property insurance will increase by \$4.8 million in 2009-10.

### ***Employee Compensation Increases***

Except for 2008-09, the KCTCS Board of Regents has funded increases in compensation for KCTCS faculty and staff each year since 1998-99. As in the past, the Board must determine compensation increases (salary, benefits, and performance bonuses) for KCTCS faculty and staff. Systemwide, each 1.0 percent salary increase for full-time faculty and staff will cost \$2.4 million.

Each year since 1998-99 the Board of Regents has funded the cost of faculty promotion in rank. In 2009-10 the cost of faculty promotions will be approximately ~~\$0.9~~ 0.8 million.

The Board of Regents may consider also providing funds for nonrecurring merit bonuses for high performing faculty and staff in all personnel systems, as it has done in the past several KCTCS budgets. Funding for nonrecurring merit bonuses is included in the recurring budget; therefore, there is no additional cost to maintain the current merit bonus program.

### ***Tuition Rate Increases***

Following state appropriation for KCTCS provided through the biennial budget, the second primary source of funds to support the KCTCS operating budget is tuition revenue. The Council on Postsecondary Education (CPE) will establish tuition rates for 2009-10.

Each \$1 increase in the KCTCS tuition per credit hour rate for Kentucky residents (with corresponding rate increases for students from out-of-state) will produce approximately ~~\$1.2~~ 1.4 million in new tuition revenue.

This information will be discussed at the March 12, 2009, KCTCS Board of Regents Finance, Technology, and Human Resources Committee meeting and at the March 13, 2009, Board meeting.