

Kentucky Community and Technical College System Board of Regents

Information Agenda Item: KCTCS Budget Scenarios Including Compression

Relevant Legal Authority: The 2025-26 Kentucky Community and Technical College System (KCTCS) annual budget directs the use of available financial resources to help achieve KCTCS’s mission and vision. The KCTCS Board of Regents discussion of the following factors is essential for providing guidance to the KCTCS President in the development of a proposed 2025-26 budget for consideration at the June 13, 2025, Board meeting.

Background:

REVENUE: State Appropriation

Current Year 2024-25

KCTCS base state appropriation for the current year (2024-25) is \$184,353,900. The funding supports KCTCS education and general (E&G) operations and state-mandated programs (Adult Agriculture, State Fire and Rescue Training, KCTCS TRAINS, Fire and Tornado Insurance Premiums). KCTCS colleges are also allocated \$23,082,600 in Performance Funds. The total KCTCS state appropriation for 2024-25 is \$207,436,500.

Budget Year 2025-26

KCTCS base state appropriation for the budget year (2025-26) is \$186,753,900. The funding supports KCTCS education and general (E&G) operations, state-mandated programs (Adult Agriculture, State Fire and Rescue Training, KCTCS TRAINS, Fire and Tornado Insurance Premiums), along with one-time allocations to support the KCTCS Forensic Audit (\$1,000,000) and the West Kentucky Aviation Program (\$1,400,000). KCTCS colleges Performance Fund allocation increases to \$25,281,000 in 2025-26. The total KCTCS state appropriation for 2025-26 is \$212,034,900

	Current Year <u>2024-25</u>	Budget Year <u>2025-26</u>
Base (E&G) Appropriation	\$165,761,600	\$165,761,600
Inflation Adjustment	<u>6,935,100</u>	<u>6,935,100</u>
	\$172,696,700	\$172,696,700
Mandated Programs		
Adult Agriculture	1,000,000	1,000,000
State Fire and Rescue	1,869,900	1,869,900
KCTCS TRAINS	4,149,800	4,149,800
Fire and Tornado Insurance	4,637,500	4,637,500
Forensic Audit (one-time)	-	1,000,000
West Kentucky Aviation (one-time)	<u>-</u>	<u>1,400,000</u>
	\$11,657,200	\$14,057,200
Performance Funding	\$23,082,600	\$25,281,000
Total State Appropriation	\$207,436,500	\$212,034,900

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REVENUE: Tuition

In addition to the state appropriation, the other primary source of revenue of the KCTCS operating budget is tuition revenue.

The current in-state tuition rate is \$189 per credit hour while the out-of-state tuition rate is \$260 per credit hour for academic year 2024-25.

Prior to 2023-24 year, the Council on Postsecondary Education (CPE) Board approved an in-state tuition rate increase of no more than \$7 per student credit hour over two years (i.e., a 3.85% total increase over two years) and an in-state tuition rate increase of no more than \$4 per student credit hour in any one year (i.e., a 2.20% increase in any one year). The KCTCS Board of Regents approved a \$4 per student credit hour increase for 2023-24 and a \$3 per semester credit hour increase for 2024-25.

Each \$1 increase in the KCTCS tuition per semester credit hour rate for Kentucky residents (with corresponding rate increases for students from out-of-state) projects to produce approximately \$1.2 million in net tuition revenue. A \$3 per credit hour increase to in-state tuition projects to produce approximately \$3.6 million in net tuition revenue.

EXPENSES: Fixed Cost – Employee Benefits, Insurance, and Utilities

The cost of employee benefits, property and casualty insurance, and utilities are expected to increase in Fiscal Year (FY) 2025-26.

Employee benefits include the potential increased cost of retirement contributions should a salary increase be provided, costs associated with KERS, employee health insurance coverage, workers' compensation, long-term disability, and unemployment insurance and any other additions to benefits if offered.

KCTCS continues its commitment to sustainability by pursuing energy efficiency initiatives including energy savings performance contracts. Even though KCTCS continues implementation of energy savings performance initiatives, increases in utilities could increase fixed cost expenditures. The estimated annual cost for a 3.5 percent increase in utilities expenses is approximately \$525,000.

Employee Compensation

The Board of Regents is responsible for determining compensation for KCTCS faculty and staff and has demonstrated significant interest in improving employee compensation and market competitiveness. Feedback from the Board of Regents showed a desired interest in providing regular recurring increases in compensation for faculty and staff. (Historic information on compensation increases from 2008-09 forward is listed below as reference.) Per direction from the Board of Regents, college and system leadership were instructed to annually budget for a 3 percent across-the-board award for all regular, full-time faculty and staff (including salaries, wages, and associated benefits).

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For consideration, the cost for every 1 percent across-the-board award for all regular, full-time faculty and staff is estimated to cost \$2.8 million (includes salaries, wages, and associated benefits). The cost for 3 percent across-the-board award for all regular, full-time faculty and staff is estimated to cost \$8.4 million (including salaries, wages, and associated benefits).

Additionally, faculty promotions across all colleges could total approximately \$730,000. This annual cost varies and is dependent on the number of eligible faculty being accepted and promoted to assistant professor, associate professor, and full professor positions.

Compression is being addressed as part of the overall compensation funding available within the budget, as part of the 3% across-the-board award to all employees, given the current revenue structures within which we must work. Those scenarios are being modeled and reviewed by KCTCS leadership, and proposals for addressing compensation will be provided to the Board of Regents at the June meeting. Final tuition parameters will help inform any further variation to which we will be able to address compression.

Asset Preservation Capital Funds

The State budget for 2024-26 includes \$71,000,000 in Asset Preservation funds for KCTCS. KCTCS received \$35,500,000 state bond funds for 2024-25 and will be receiving the same allocation for 2025-26.

The state budget also allocated \$90,000,000 in 2025-26 for three Capital Projects,

- A replacement advanced technical building at the Laurel North Campus of Somerset Community College
- The Phase II replacement of Hartford Hall at the downtown Jefferson campus
- Phase I construction of a new consolidated campus in Glasgow for Southcentral Community & Technical College

Historic Information – Compensation Increases

No salary increases in 2008-09

No salary increases in 2009-10

No salary increases in 2010-11

Salary increases of 3 percent in 2011-12

Salary increases of 2.5 percent in 2012-13

Salary increases of 2 percent or \$1,000 (whichever is greater) in 2013-14

Salary Increase of 1 percent in 2014-15

Salary increases of 1 percent or \$1,000 (whichever is greater) in 2015-16

No salary increases in 2016-17

Salary Increase of 3 percent in 2017-18

No salary increases in 2018-19

Nonrecurring Merit Bonus of \$1,000 in 2019-20

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No salary increases in 2019-20

No salary increases in 2020-21

Nonrecurring Merit Bonus of \$2,000 or 2 percent whichever is greater in 2021-22

Salary increases of 7 percent in 2022-23

Salary increases of \$2,000 in 2023-24

Salary increases of 3% in 2024-25