

December 20, 2013

The Honorable Steven L. Beshear  
Governor  
Commonwealth of Kentucky  
700 Capitol Avenue, Suite 100  
Frankfort, Kentucky 40601

Dear Governor Beshear:

By letter dated November 15, 2013, Mr. Robert King, president of the Council on Postsecondary Education (CPE), transmitted the CPE's budget request for the upcoming biennium. The budget request was the product of a process that included extensive consultation with all of the public institutions and the institutions' presidents, including me. As has become customary, Mr. King's letter included an endorsement from the presidents to demonstrate that the CPE's request has the support of all of the institutions. After careful consideration, I declined to sign the endorsement. I write to explain the reasons for my decision.

At the outset of the process last January, I urged Mr. King and my colleagues to develop a comprehensive, strategic funding model. The principal reason for my request is that there are significant unwarranted disparities in the level of base funding that each university has been receiving for many years. These substantial disparities are graphically illustrated in two charts that I have enclosed. While some variation among similar institutions might be expected, the magnitude of the disparities cannot be explained by any rational reason. Moreover, these charts demonstrate that, when compared to the other comprehensive universities in the Commonwealth, Northern Kentucky University receives the lowest level of funding, irrespective of whether that funding is measured by enrollment or degrees conferred.

The principal cause of these unwarranted disparities is that the relative funding levels among the universities have not been adjusted for many years. The CPE has acknowledged that the current funding base levels are historic relics. And the main impediment to a more strategic approach to allocating these vital funds is politics – not policy.

When you and I met in June, I shared with you a specific, written proposal to transition from the current, outdated methodology to a comprehensive, outcomes-based funding model. The central premise of this proposal is that state funding should be rationally related to each institution's production of the outcomes that you and the legislature set for public higher education. I also shared the details of this proposal with Mr. King and my colleagues. That same month, I presented my proposal to the CPE, and I gave the members of the CPE a copy of the documents that I had provided to you, Mr. King, and the other presidents.

Unfortunately, I was not able to persuade my colleagues and the members of the CPE to adopt a comprehensive funding model for the upcoming biennium. I was very gratified, though, that the members of the CPE unanimously passed a resolution that recognized the need to create such a model for the 2016-18 biennium. I have enclosed a copy of the CPE resolution, which demonstrates that the Council has acknowledged that the current funding approach is antiquated.

The CPE's request for the 2014-16 biennium, however, does not remedy the existing unwarranted disparities. In fact, the request perpetuates these deficiencies. Specifically, the CPE's proposal requests approximately \$51 million in additional funds for the institutions for 2014-15. As reflected in the additional chart that I have enclosed, these requested funds would be distributed to the institutions in precisely the same proportion as the existing base funds. And, once again, with these possible additional funds, Northern Kentucky University will receive the fewest dollars and the smallest dollar increase per enrollment and degrees produced among all of the public universities in the Commonwealth.

In short, the CPE request does not address the current flawed funding approach. To the contrary, the request preserves and extends the status quo into the future. For all of these reasons, I could not, in good conscience, endorse the CPE's budget proposal.

To be clear, my position is not based solely on my responsibility to represent the students who attend Northern Kentucky University. Rather, my position is compelled by my responsibility to advocate for public policies that advance the collective best interest of all of the citizens of the Commonwealth. The current system does not do so, because it does not provide support based on an institution's enrollment and productivity. Good public policy for all of the citizens of the Commonwealth demands that we begin to transition immediately to a rational, strategic funding model that will provide incentives for innovation and efficiency and for greater access, productivity, transparency, and accountability from all of the public higher education institutions in the Commonwealth.

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With your courageous leadership, and with the bipartisan support of leadership in both chambers of the legislature, I remain confident that we can implement a funding model that will accelerate the progress of the Commonwealth's system of postsecondary education.

Respectfully,

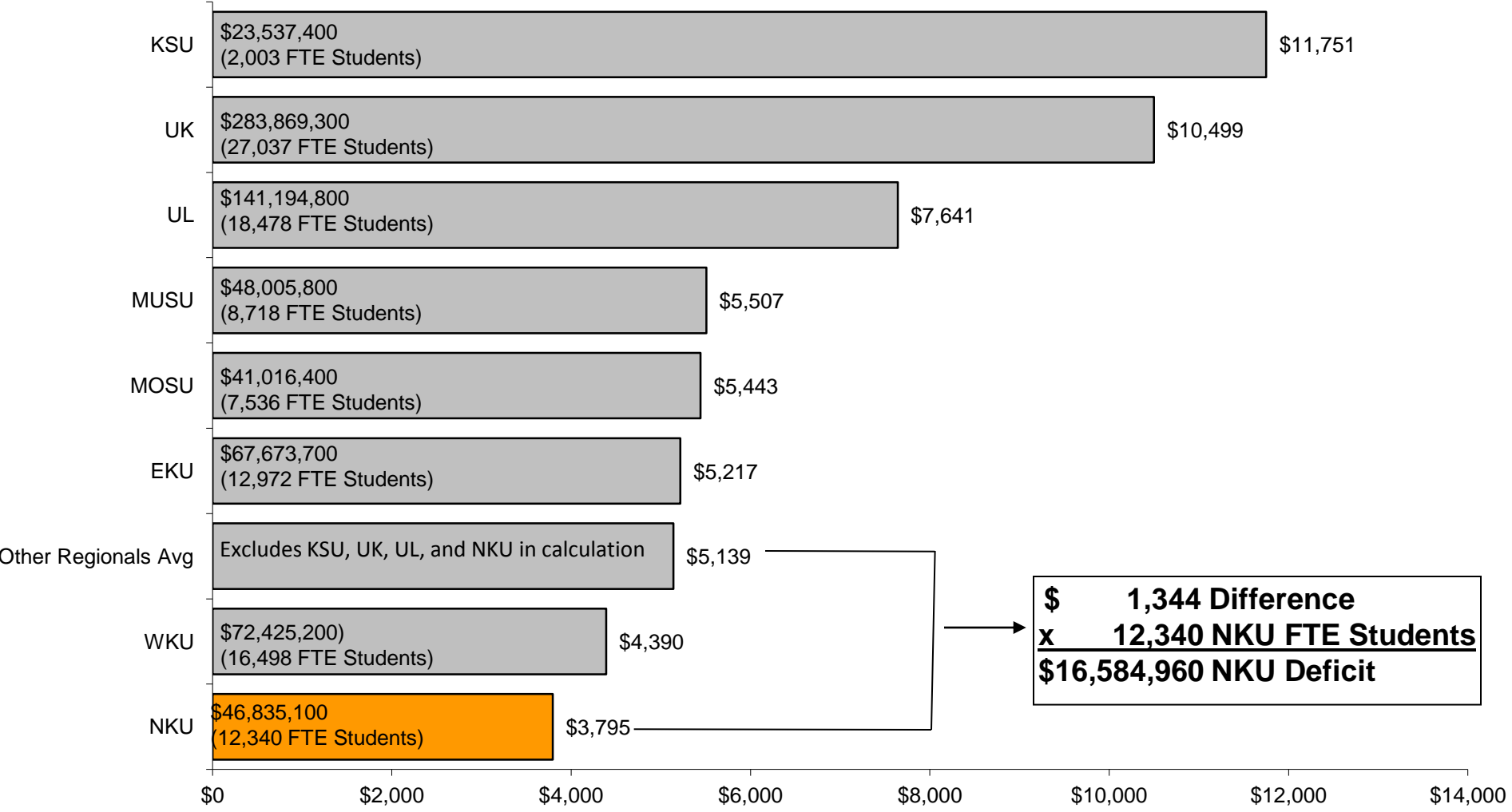


Geoffrey S. Mearns  
President

Enclosures

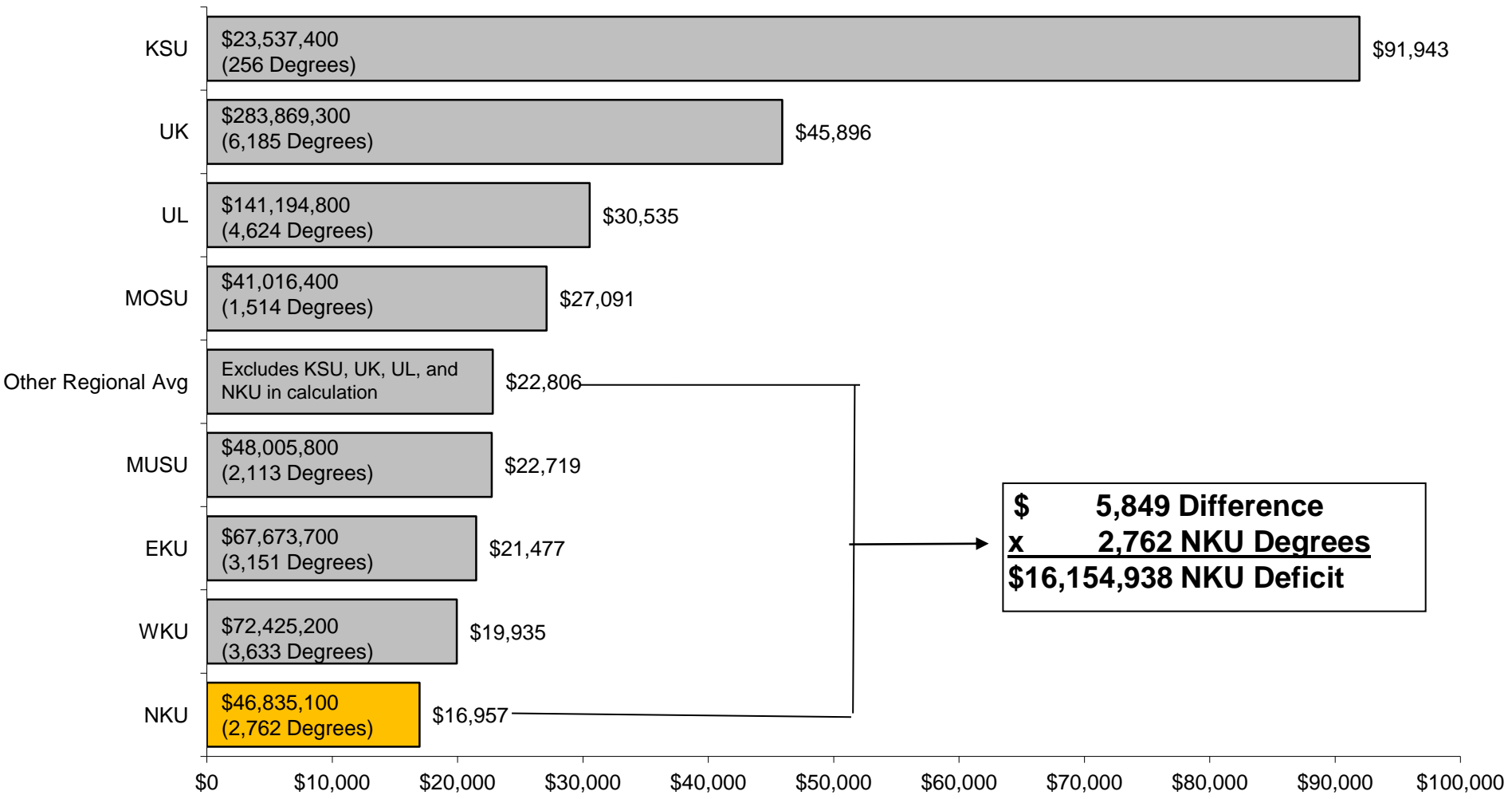
CC: Mr. Robert King  
Ms. Pamela Miller  
University Presidents  
Dr. Michael McCall

**Net State Appropriation\* FY 2012-13 Per Fall 2012 FTE Student \*\*  
Four Year Institutions**



\*Net State Appropriation = Actual Year End State Appropriation Less State Appropriated Debt Service and Less UofL Hospital Contract  
 \*\*FTE = Fall 2012 Semester Hours for Undergraduate divided by 15 and Graduate and Law Total Credit Hours Divided by 12

**Net State Appropriation\* FY 2012-13 Per Total Bachelor and Above \*\*  
Four Year Institutions**



\*Fiscal Year End Actual Net State Appropriation Less State Appropriated Debt Service and Less UofL Hospital Contract

\*\*Degrees = All Bachelor, Graduate, Doctoral, and Law (No Certificates) = Academic Year 2012-13

Resolution Passed At  
Council on Postsecondary Education Meeting  
November 7, 2013

The Council on Postsecondary Education expresses its unqualified support for the 2014-2016 Postsecondary Education Budget Recommendation and particularly the development of funding requests for strategic investments in addition to the traditional base funding.

The Council hereby resolves that as a result of budget deliberations over the past year, it is evident that there is a need for the development of a comprehensive funding model that aligns the Commonwealth's investment in postsecondary education with the Commonwealth's postsecondary education policy objectives. As such, the Council president is hereby directed to establish a working group that at minimum, includes leadership of each of the public universities and KCTCS, and members of this Council, for the purpose of developing a comprehensive model for the allocation of state General Fund appropriations for institutional operations that incorporates elements of campus performance, mission, and enrollment as well as any other components as determined through the process. The new model shall be developed for implementation in the 2016-2018 biennial budget recommendation.

**Council on Postsecondary Education  
2014-15 Postsecondary Education Budget Recommendation  
Institutional Operating Funds**

<b>Institution</b>	<b>2013-14 Enacted Net Appropriation</b>	<b>% of Total 2013-14</b>	<b>2014-15 Requested Net General Fund</b>	<b>% of Total 2014-15</b>	<b>Recommended Increase per FTE</b>	<b>Recommended Increase per Degree</b>
University of Kentucky	\$ 283,869,300	31.0%	\$ 298,757,900	30.9%	\$ 551	\$ 2,407
University of Louisville	141,194,800	15.4%	150,028,000	15.5%	478	1,910
Eastern Kentucky University	67,673,700	7.4%	71,029,700	7.3%	259	1,065
Kentucky State University	23,537,400	2.6%	24,512,000	2.5%	487	3,807
Morehead State University	41,016,400	4.5%	43,288,600	4.5%	302	1,501
Murray State University	48,005,800	5.2%	50,593,400	5.2%	297	1,225
<b>Northern Kentucky University</b>	<b>46,835,100</b>	<b>5.1%</b>	<b>49,531,600</b>	<b>5.1%</b>	<b>219</b>	<b>976</b>
Western Kentucky University	72,425,200	7.9%	76,653,600	7.9%	256	1,164
KCTCS	191,455,700	20.9%	202,186,400	20.9%	203	1,209
<b>System Totals</b>	<b>916,013,400</b>		<b>966,581,200</b>			

Notes:

1. Does not include \$2.4 million for the Kentucky Adult Learner Initiative, which is requested as part of CPE's agency budget in fiscal years 2014-15 and 2015-16, pending distribution to the institutions when campus participation levels are known.
2. 4-year institutions include Bachelor's Degrees and Above; KCTCS includes Associate Degrees