

MEETING MINUTES

Draft for Approval by the Finance Committee, September 9, 2024

Who: Kentucky Council on Postsecondary Education
Meeting Type: Finance Committee
Date: June 10, 2024
Time: 1:00 p.m. ET
Location: Virtual Meeting via ZOOM Webinar

CALL TO ORDER

The Finance Committee met Monday, June 10, 2024, at 1:00 p.m., ET. The meeting occurred virtually via ZOOM webinar. Committee Chair Jacob Brown presided.

ROLL CALL

Attended: Jacob Brown, Kellie Ellis, Chloe Marsteller, and Elaine Walker.

Did not attend: Jennifer Collins and Madison Silvert

Heather Faesy, CPE's senior associate for board relations, served as recorder of the meeting minutes.

APPROVAL OF THE MINUTES

The minutes of the March 25, 2024, Finance Committee meeting were approved as presented.

CAMPUS TUITION AND FEE PROPOSALS FOR ACADEMIC YEAR 2024-25

Mr. Ryan Kaffenberger, Associate Director of Finance and Budget, presented the proposed tuition and mandatory fee proposals for academic year 2024-25 from Eastern Kentucky University (EKU), Morehead State University (MoSU), Murray State University (MuSU), Western Kentucky University (WKU), and the Kentucky Community and Technical College System (KCTCS).

On March 31, 2023, the Council approved resident undergraduate tuition and fee ceilings for 2023-24 and 2024-25 that equated to:

- Maximum base rate increases of no more than 5.0 percent over two years, and no more than 3.0 percent in any one year, for public universities.
- Maximum base rate increases of no more than \$7.00 per credit hour over two years, and no more than \$4.00 per credit hour in any one year, for KCTCS.

It also approved a recommendation that allows institutions to submit:

- Nonresident undergraduate tuition and fees that comply with the Council's Tuition and Mandatory Fees Policy, or an existing MOU between the Council and an institution.
- Market competitive tuition and fee rates for graduate and online courses

In 2023-24, campus-adopted base rates complied with Council-approved ceilings. Rate increases at every university were at or below the 3.0%, one-year cap. KCTCS increased its base rate by \$4.00 per credit hour in 2023-24, or at the cap. The system average increase was 2.8% for resident undergraduate students. This followed four years where system average increases were the lowest in more than 20 years (i.e., 1.4% per year).

The following proposed tuition and fee rates were submitted for Council review and approval. All proposals comply with the Council's approved ceiling for resident undergraduate tuition and mandatory fees. Additionally, all submitted proposed tuition and fee charges for nonresident and online students also adhere to Council parameters.

- Eastern Kentucky University – Increase its annual base-rate charge for resident undergraduate students by \$190.00, or 1.9 percent.
- Morehead State University - Increase its annual base-rate charge for resident undergraduate students by \$186.00, or 1.9 percent.
- Murray State University - Increase its annual base-rate charge for resident undergraduate students by \$192.00, or 2.0 percent.
- Western Kentucky University - Increase its annual base-rate charge for resident undergraduate students by \$216.00, or 1.9 percent.
- Kentucky Community and Technical College System - Increase its per-credit-hour base-rate charge for resident students by \$3.00, or 1.6 percent.

MOTION: Ms. Walker moved the Finance Committee endorse and recommend to the Council approval of tuition and mandatory fee proposals for academic year 2024-25 from EKU, MoSU, MuSU, WKU, and KCTCS. Dr. Ellis seconded the motion.

VOTE: The motion passed.

The governing boards of two universities, the University of Kentucky (UK) and Northern Kentucky University (NKU), are scheduled to take action on their respective institution's tuition and fee rates after the June 10 Finance Committee meeting and before the June 21 Council meeting (i.e., UK's Board of Trustees meets on June 14 and NKU's Board of Regents meets on June 12). Due to the timing of these board meetings, CPE staff will bring

tuition and fee rate proposals for UK and NKU, which have been approved by their respective boards, for Council review and approval at the June 21 meeting.

REQUEST FOR DELEGATION OF AUTHORITY

Mr. Kaffenberger presented the staff's recommendation that the Committee approve and endorse to the full Council a request to delegate authority to the CPE President to approve the University of Louisville's 2024-25 tuition and mandatory fee proposal, provided it complies with Council parameters.

The Council requires institutions to secure approval of proposed tuition and fee rates from their respective governing boards before bringing those proposals to the full Council for approval. In 2024, University of Louisville officials informed CPE staff that their Board of Trustees will not meet to approve the institution's tuition and fee proposal until six days after the Council meetings on June 21, 2024. Instead of requiring the University of Louisville to wait for approval until the Council's next meeting in September, staff recommended the Council delegate authority to the CPE President to review and approve the university's 2024-25 tuition and fee proposal, provided it complies with Council-approved parameters.

MOTION: Ms. Walker moved that the Finance Committee approve and endorse to the full Council a request to delegate authority to the CPE President to approve the University of Louisville's 2024-25 tuition and mandatory fee proposal, provided it complies with Council parameters. Ms. Marstiller seconded the motion.

VOTE: The motion passed.

ASSET PRESERVATION GUIDELINES

Dr. Bill Payne, Vice President of Finance, presented three actionable requests in relation to the Asset Preservation Pool Guidelines.

The enacted 2024-2026 Budget of the Commonwealth (24 RS, HB 6) appropriated \$563.0 million to support individual asset preservation, renovation, and maintenance projects at the postsecondary institutions. Following passage of HB 6, staff worked with campus officials to update the current version of asset preservation guidelines, including eligibility criteria and a process for accessing 2024-26 pool funds. The guidelines identify the total amount of funding in the Asset Preservation Pool and the allocation available for each institution. They identify matching requirements and eligible uses of pool funds and establish a process for identifying eligible projects, documenting expenditures, and requesting reimbursement.

A copy of staff recommended 2024-2026 Asset Preservation Pool Guidelines were provided in the materials and were for the most part very similar to the 2022-24 guidelines. There were some minor changes to reflect differing dates, funding amounts, and campus allocations, but also substantive changes that:

- Clarify that if an individual project contains both asset preservation and expansion components, asset preservation funds may be used to pay for the renovation portion of the project.
- Increase the threshold allowing an institution to demolish and reconstruct a facility rather than renovate.
- Permit asset preservation funds to be used for minor additions, if it will enhance accessibility, functionality, or safety and security of a facility.
- Allowing a project or portion of a project to be overseen by an institution's chief facilities officer if it would achieve time and cost savings.

MOTION: Ms. Walker moved the Finance Committee approve and endorse to the full Council the proposed 2024-26 Asset Preservation Pool Guidelines as proposed with the additional clarification language that all applicable laws and regulations will still be adhered to if a project or portion of a project qualifies as one that can be overseen by an institution's chief facilities officer. Ms. Marstiller seconded the motion.

VOTE: The motion passed.

MOTION: Following the previous approval, Ms. Walker moved that the Finance Committee approve and endorse to the full Council the same proposed revisions to the 2022-24 Asset Preservation Pool Guidelines. Dr. Ellis seconded the motion.

VOTE: The motion passed.

The enacted state budget (24 RS, HB 6) contains language stating that capital projects, as defined in KRS 45.750(1)(f), which are funded from the Asset Preservation Pool, or from a combination of pool and campus matching funds, are authorized. Capital projects funded from the pool that meet or exceed a \$1.0 million threshold for construction or a \$200,000 threshold for an item of equipment already have approval from the General Assembly. For this reason and to expedite the reimbursement request process, staff recommended that the Council delegate authority for interim capital project approval to staff, for projects funded from the Asset Preservation Pool.

MOTION: Ms. Walker moved that the Committee endorse for final Council approval the delegation of authority to staff to approve capital projects funding from Asset Preservation Funds. Dr. Ellis seconded the motion.

VOTE: The motion passed.

PERFORMANCE FUNDING UPDATE

Dr. Payne provided an update on university and KCTCS funding models, including the findings and recommendations of the 2023 Postsecondary Education Working Group,

changes to the funding models, actions by policymakers, and distribution of 2024-25 performance funds.

In the enacted 2024-26 Budget of the Commonwealth (RS 24, HB 6), the General Assembly appropriated \$105.0 million to the Postsecondary Education Performance Fund in fiscal year 2024-25, representing an increase of \$7.7 million, or 7.9 percent, from \$97.3 million appropriated the year before. Kentucky's Performance Funding Statute (KRS 164.092) calls on the Council on Postsecondary Education to run the funding model and certify to the Office of the State Budget Director by May 1 each year, the amount to be distributed from the fund to each public university and KCTCS.

| 2024-25 Performance Fund Distribution Public Universities and KCTCS: | |
|---|---------------------|
| <u>Institution</u> | <u>Distribution</u> |
| University of Kentucky | \$34,737,000 |
| University of Louisville | 18,752,200 |
| Eastern Kentucky University | 4,769,400 |
| Kentucky State University | 0 |
| Morehead State University | 214,400 |
| Murray State University | 4,759,800 |
| Northern Kentucky University | 13,224,300 |
| Western Kentucky University | 5,460,300 |
| KCTCS | 23,082,600 |
| Total Performance Fund | \$105,000,000 |

COMPONENTS OF TOTAL COST OF ATTENDANCE

This item was postponed to a future meeting.

ADJOURNMENT

The Finance Committee adjourned at 2:25 p.m., ET.