

KY COUNCIL ON POSTSECONDARY EDUCATION FINANCE COMMITTEE



March 18, 2020 - 2:00 PM
CPE Offices, 100 Airport Road, 2nd Floor, Frankfort, KY 40601
Livestream video for public: <https://youtu.be/xs44R8if1lo>

- I. Welcome & Roll Call**
- II. Approval of the Minutes**
 - February 19, 2020
- III. Update from the President**
- IV. Nonresident Student Tuition MOUs (Action Items)**
 - A. Eastern Kentucky University
 - B. Western Kentucky University
- V. Interim Capital Project Approval (Action Item)**
 - A. WKU – Reconfigure Health Science Classrooms
- VI. 2020-22 House Budget Review (HB 352)**
- VII. Performance Funding**
 - A. House Budget Distribution Scenarios
 - B. Fiscal 2020-21 Funding Model Update
- VIII. Resurgence Fund Guidelines (Draft)**
- IX. Tuition and Mandatory Fee Setting Update**
- X. Online Tuition Charge Update**
- XI. Other Business and Adjournment**

Next Meeting: April 20, 2020 @ 1:00 PM

DRAFT MINUTES
Council on Postsecondary Education

Type: Finance Committee Meeting
Date: February 19, 2020
Time: 9:00 a.m. ET
Location: CPE Offices, 100 Airport Road, Frankfort

CALL TO ORDER

The Finance Committee met Wednesday, February 19, 2020, at 9:00 a.m., ET, at the CPE offices in Frankfort, Kentucky. Committee Chair Ben Brandstetter presided.

Chair Brandstetter formally appointed Council Member Richard Nelson to the Finance Committee, effective February 15, 2020. He will announce the appointment to the full Council at the April 24, 2020 meeting.

ATTENDENCE

- Attendance in person: Richard Nelson and Robert Staat
- Attendance by teleconference: Ben Brandstetter, Kim Halbauer (joined at 9:20 a.m.), Brandon Wilson, Carol Wright, and Sherrill Zimmerman.
- Did not attend: Grant Minix.
- Heather Faesy, CPE's senior associate for Board Relations, served as recorder of the meeting minutes.

APPROVAL OF THE MINUTES

The minutes of the December 6, 2019 and January 9, 2020 Finance Committee meetings were approved as presented.

NONRESIDENT STUDENT TUITION MOUs

Presenter: Bill Payne, CPE's Vice President for Finance and Administration

Dr. Payne presented three Memorandum of Understandings (MOUs) between the Council and following universities regarding nonresident student tuition: Northern Kentucky University (NKU), University of Louisville (UL), and Murray State University (MuSU). Staff reported that the goals and structures of each agreement were

consistent with the Nonresident Student Tuition Policy approved at the October 31, 2019 meeting.

NKU's MOU targets 12 states and 12 countries. It specifies that students must have a 2.5 unweighted grade point average and students from the targeted states and countries may receive a tuition scholarship lowering their net cost to the resident tuition rate plus \$500. Mike Hales, NKU's Chief Financial Officer, provided additional context.

UL's MOU specifies the following: (1) Active military students, most of whom are nonresident, are charged \$250 per credit hour, (2) Students taking online courses, regardless of residency, are charged the same rate, (3) Prior to transfer to the university, students from Panama taking classes in their home country pay nothing to the university, but are counted as non-resident students, and (4) The university offers focused, institutional financial aid to nonresident students with academic qualifications that exceed specified levels and indicate a strong likelihood of success. Rick Graycarek, UL's AVP of Budget and Financial Planning, provided additional context and answered questions regarding the online tuition component.

MuSU's MOU currently targets 6 surrounding states in an effort to ensure a geographically diverse student body and access, particularly for first-generation and underrepresented minorities. Jackie Dudley, MuSU's Vice President for Finance and Administration, provided additional comments and thanked the Council for their work on the matter.

MOTION: Dr. Staat moved that the Committee accept the three individual MOUs between the Council and Northern Kentucky University, the University of Louisville and Murray State University regarding nonresident student tuition, and recommend approval of each to the Council at its April 24, 2020 meeting. Ms. Wright seconded the motion.

VOTE: The motion passed.

INTERIM CAPITAL PROJECT REQUEST - KCTCS

Presenters: Shaun McKiernan, CPE's Director of Finance and Budget

Mr. McKiernan presented the interim capital project requested by the Kentucky Community and Technical College System (KCTCS) for the Fire Commission's National Responder Preparedness Center Parking Lot. The original scope of the project was \$2,000,000, but after beginning the project, it was discovered that soil conditions on the site required extensive remediation, and KCTCS requested a scope

increase of \$1,000,000 in agency funds. Historically, scope increases have not required Council approval; however, since the magnitude of the increase exceeds 15% and the source of funds is agency restricted funds, the Council must review the request. At its January 24, 2020 meeting, the Council delegated the final review of, and accompanying action on, this request to the Finance Committee.

MOTION: Ms. Wright moved the Committee approve the \$1,000,000 agency fund scope increase for the Fire Commission's National Responder Preparedness Center Parking Lot on behalf of the Council. Ms. Zimmerman seconded the motion.

VOTE: The motion passed.

2020-22 EXECUTIVE BUDGET REVIEW

Presenter: Bill Payne, CPE's Vice President for Finance and Administration

Dr. Payne presented a comprehensive review of the Governor's proposed executive budget as it pertains to the Council on Postsecondary Education and Kentucky's college institutions. He answered several questions from the Council concerning the Governor's proposals on performance funding and asset preservation and next steps in the legislative process. It is expected that the House will present their budget in early March 2020 and the Committee will receive another update at its March 18, 2020 meeting.

TUITION AND MANDATORY FEE SETTING UPDATE

Presenter: Bill Payne, CPE's Vice President for Finance and Administration

Dr. Payne presented key issues for the 2020-22 tuition setting cycle and policy relevant data the Committee will need to consider during the setting process. Dr. Payne will present additional data at the next meeting in anticipation of the Committee's final recommendation at its April 20, 2020 meeting. The Committee also discussed HB 171, the act related to retirement costs for KERS employers.

ONLINE TUITION DISCUSSION

Presenter: Bill Payne, CPE's Vice President for Finance and Administration

Dr. Payne referred to the agenda materials regarding the questions on online tuition posed by Committee Chair Brandstetter. Council member questions that were posed included online course development costs and whether it's more expensive to provide

an online course instead of an in-person course. Dr. Payne stated the institutions would also like to provide additional information to the Committee regarding the process used to determine the implemented online fees. Chair Brandstetter asked that the Committee members review this information as well as the additional data being compiled in the next month and be prepared to discuss it at the next meeting.

ADJOURNMENT

The Finance Committee adjourned at 10:45 a.m., ET.

MINUTES REVIEWED AND APPROVED BY THE FINANCE COMMITTEE: _____

DRAFT

TITLE: Nonresident Student Tuition MOUs

RECOMMENDATION: Staff recommends that the Finance Committee accept the proposed Memorandum of Understandings between the Council and following universities regarding nonresident student tuition, and recommend approval to the Council at its April 24, 2020 meeting:

- Eastern Kentucky University
- Western Kentucky University

PRESENTERS: Bill Payne, Vice President for Finance and Administration, CPE
Greg Rush, Senior Fellow, CPE

SUPPORTING INFORMATION

At its October 31, 2019 meeting, the Council approved the amended Nonresident Student Tuition Policy which modified the existing policy by indexing the average net tuition and fee revenue generated from nonresident students to the published price of resident student tuition and fees, rather than to the direct costs of instruction and student services per student as previously required. The amended policy reads that every institution shall manage its tuition and fee rate structures, price discounting, and scholarship aid for out-of-state students, such that in any given year, the average net tuition and fee revenue generated per nonresident undergraduate student equals or exceeds 130% of the annual full-time tuition and fee charge assessed to resident undergraduate students. Exceptions to the 130% threshold may be requested through a Memorandum of Understanding (MOU) process and shall be evaluated on a case by case basis by the Council.

Eastern Kentucky University

Eastern Kentucky University submitted a proposed MOU in mid-February of 2020. Council staff has reviewed the MOU and finds that the goals and structure of the agreement are consistent with Council policy. It targets students from 17 states (Alabama, Florida, Georgia, Illinois, Indiana, Missouri, Mississippi, Michigan, Maryland,

North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, Virginia, West Virginia, and Wisconsin) and Washington, D.C., and may be expanded to other states. The MOU specifies that:

- Students from these states and the District of Columbia may receive a tuition scholarship.
- No academically qualified Kentucky resident will be displaced as a result of the MOU.
- The University will report annually the results of the agreement.

Western Kentucky University

Western Kentucky University submitted a proposed MOU in early March, 2020. Council staff has reviewed the MOU and finds that the goals and structure of the agreement are consistent with Council policy. The MOU specifies that:

- WKU shall have flexibility to set tuition for out-of-state students so long as rates exceed the resident rate.
- Students from other states will be eligible to compete for need- and merit-based scholarships offered by the university and affiliated foundations.
- No academically qualified Kentucky resident will be displaced as a result of the MOU.
- The University will report annually the results of the agreement.

NEXT STEPS

Following the Council's approval, the institutions may begin implementing the policy immediately. CPE staff will monitor the results of the agreement and report them to the Finance Committee and Council on an annual basis.

MEMORANDUM OF UNDERSTANDING
between
EASTERN KENTUCKY UNIVERSITY
and
THE KENTUCKY COUNCIL ON POSTSECONDARY EDUCATION

This Memorandum of Understanding is made between Eastern Kentucky University, located in Richmond, Kentucky, with its address of 521 Lancaster Avenue, Richmond, KY 40475; and the Kentucky Council on Postsecondary Education, a governmental agency of the Commonwealth, with its address at 100 Airport Road, 2nd Floor, Frankfort, Kentucky 40601.

WITNESSETH:

WHEREAS, the Kentucky Council on Postsecondary Education (Council or CPE) is responsible for determining tuition at public postsecondary institutions in the Commonwealth of Kentucky;

WHEREAS, the Council annually adopts a Tuition and Mandatory Fee Policy (Policy) based on the following fundamental objectives:

- Funding Adequacy;
- Shared Benefits and Responsibility;
- Affordability and Access;
- Effective Use of Resources; and
- Attracting and Importing Talent to Kentucky

WHEREAS, the Policy acknowledges that in order to meet the last objective, the Council and the institutions are committed to making Kentucky institutions financially attractive to nonresident students;

WHEREAS, the standard for non-resident tuition articulated in the Policy requires that in any given year, the average net tuition and fee revenue generated per nonresident undergraduate student equals or exceeds 130% of the annual full-time tuition and fee charge assessed to resident undergraduate students (i.e., the published in-state sticker price);

WHEREAS, the Policy allows institutions to request exceptions to the 130% threshold through a Memorandum of Understanding (MOU) process that delineates goals and strategies embedded in enrollment management plans that advance the unique missions of requesting institutions;

WHEREAS, Eastern Kentucky University desires to align financial aid around its strategic framework to improve access for students, particularly first generation, underrepresented and international, and create a geographically diverse student population;

WHEREAS, Eastern Kentucky University requests an exception to the 130% threshold in order to assist in obtaining those goals;

WHEREAS, Eastern Kentucky University has identified that the cost of undergraduate education is the primary factor affecting retention, persistence, and graduation rates at the University;

WHEREAS, Eastern Kentucky University is located along the cross-section of Interstate 64 and Interstate 75, making it easily accessible to residents of surrounding states including Ohio, Indiana, Illinois, Missouri, Tennessee, and West Virginia and Eastern Kentucky University strives to increase its non-resident student population to offset a loss of population within the service region.

NOW, THEREFORE, the Council and Eastern Kentucky University do enter into this Agreement for the purpose and period specified below.

SECTION ONE: TERMS OF THE AGREEMENT

1. The Council acknowledges that Eastern Kentucky University may have the flexibility to set non-resident tuition rates per academic year as long as the rates exceed the resident rate, excluding any scholarship or grant funding;
2. The Council acknowledges that Eastern Kentucky University has one of the highest percentage of Pell eligible students of any public comprehensive university in the Commonwealth, and that the cost of education is the primary factor affecting retention, persistence, and graduation rates at the University, particularly given the economic environment of the service region;
3. Eastern Kentucky University ensures that academically qualified Kentucky residents will not be displaced as a result of this agreement.
4. Eastern Kentucky University and the Council agree that students from the states of Alabama, Florida, Georgia, Illinois, Indiana, Missouri, Mississippi, Michigan, Maryland, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, Virginia, Washington, D.C., West Virginia, Wisconsin, and other states and regions identified by the University, may receive a tuition scholarship aligned with the University's rate setting for non-resident students from those states.
5. The Council agrees that while the proposed program will not result in the average net tuition and fee revenue generated per nonresident undergraduate student equaling or exceeding 130% of the annual full-time tuition and fee charge assessed to resident undergraduate students, the increased nonresident student enrollment will benefit both the Commonwealth and Eastern Kentucky University.
6. The Council agrees that due to the benefits of this program to the Commonwealth and Eastern Kentucky University, an exception to the nonresident tuition and fee policy is granted.
7. Eastern Kentucky University agrees to report to the council annually the results of this agreement. This report will include a summary of the entire program where a discount is applied. The summary shall include the following:
 - a. Total applications received and total accepted;
 - b. Total enrollment;
 - c. Enrollment demographics (e.g., underrepresented minorities, low-income, first generation);
 - d. Retention, graduation, and degrees conferred for the total area and broken down by each demographic group (as they become available); and
 - e. Total fee revenue generated by semester.

SECTION TWO: LENGTH OF THE AGREEMENT

Upon approval by the Council, this agreement is effective beginning April 24, 2020, and shall renew annually upon mutual consent of the parties.

APPROVED:

Aaron Thompson
President
Kentucky Council on Postsecondary Education

Date

David McFaddin
Interim President
Eastern Kentucky University

Date

Travis Powell
General Counsel
Council on Postsecondary Education

Date

MEMORANDUM OF UNDERSTANDING
between
WESTERN KENTUCKY UNIVERSITY
and
THE KENTUCKY COUNCIL ON POSTSECONDARY EDUCATION

This Memorandum of Understanding is made between Western Kentucky University, located in Bowling Green, Kentucky, and the Kentucky Council on Postsecondary Education, a governmental agency of the Commonwealth, with its address at 100 Airport Road, 2nd Floor, Frankfort, Kentucky 40601.

WITNESSETH:

WHEREAS, the Kentucky Council on Postsecondary Education (Council or CPE) is responsible for determining tuition at public postsecondary institutions in the Commonwealth of Kentucky;

WHEREAS, the Council annually adopts a Tuition and Mandatory Fee Policy (Policy) based on the following fundamental objectives:

- Funding Adequacy;
- Shared Benefits and Responsibility;
- Affordability and Access;
- Effective Use of Resources; and
- Attracting and Importing Talent to Kentucky

WHEREAS, the Policy acknowledges that in order to meet the last objective, the Council and the institutions are committed to making Kentucky institutions financially attractive to nonresident students;

WHEREAS, the standard for non-resident tuition articulated in the Policy requires that in any given year, the average net tuition and fee revenue generated per nonresident undergraduate student equals or exceeds 130% of the annual full-time tuition and fee charge assessed to resident undergraduate students (i.e., the published in-state sticker price);

WHEREAS, the Policy allows institutions to request exceptions to the 130% threshold through a Memorandum of Understanding (MOU) process that delineates goals and strategies embedded in enrollment management plans that advance the unique missions of requesting institutions;

WHEREAS, Western Kentucky University desires to align financial aid around its strategic framework to improve access for students, particularly first generation, underrepresented and international, and create a geographically diverse student population;

WHEREAS, Western Kentucky University requests an exception to the 130% threshold in order to assist in obtaining those goals;

WHEREAS, Western Kentucky University has identified that the cost of undergraduate education is the primary factor affecting retention, persistence, and graduation rates at the University;

WHEREAS, Western Kentucky University's primary focus is its Kentucky 27-county service region and other counties in Kentucky; however, to continue to provide local, regional, and state economic support and services it is critical that Western Kentucky University remain competitive to non-resident students, particularly those from regionally defined states and international countries.

WHEREAS, Western Kentucky University has historically recruited and continues to recruit heavily in several regional and bordering states, and internationally, outside of Kentucky.

WHEREAS, Western Kentucky University is an economic driver in South Central Kentucky and the presence of nonresident students enhances the local, regional and state economic support the University provides. A larger student population is primarily accomplished by recruiting non-resident students.

NOW, THEREFORE, the Council and Western Kentucky University do enter into this Agreement for the purpose and period specified below.

SECTION ONE: TERMS OF THE AGREEMENT

1. The Council acknowledges that Western Kentucky University may have the flexibility to set nonresident tuition rates per academic year as long as the rates exceed the resident rate, excluding any scholarship or grant funding.
2. Western Kentucky University agrees that students from all other states that meet academic requirements for admission established by the University may receive border county and regional grants, merit/need-based scholarships, and be eligible for competitive scholarships offered by the University and unaffiliated foundations.
3. Western Kentucky University ensures that academically qualified Kentucky residents will not be displaced as a result of this agreement. Western Kentucky University also ensures that no domestic student will be displaced by the enrollment of international students.
4. Western Kentucky University has the current capacity to enroll additional students to ensure a sustainable financial plan and can attract non-resident students to assist with supporting the costs of operating the institution.

5. The Council agrees that while the proposed program will not result in the average net tuition and fee revenue generated per nonresident undergraduate student equaling or exceeding 130% of the annual full-time tuition and fee charge assessed to resident undergraduate students, the increased nonresident student enrollment will benefit both the Commonwealth and Western Kentucky University.

6. The Council agrees that due to the benefits of this program to the Commonwealth and Western Kentucky University, an exception to the nonresident tuition and fee policy is granted.

7. Western Kentucky University agrees to report to the council annually the results of this agreement. This report will include a summary of the entire program where a discount is applied. The summary shall include the following:
 - a. Total applications received and total accepted;
 - b. Total enrollment;
 - c. Enrollment demographics (e.g., underrepresented minorities, low-income, first generation);
 - d. Retention, graduation, and degrees conferred for the total area and broken down by each demographic group (as they become available); and
 - e. Total fee revenue generated by semester.

SECTION TWO: LENGTH OF THE AGREEMENT

Upon approval by the Council, this agreement is effective beginning April 24, 2020, and shall renew annually upon mutual consent of the parties.

APPROVED:

 Aaron Thompson
 President
 Kentucky Council on Postsecondary Education

 Date

 Timothy Caboni
 President
 Western Kentucky University

 Date

Travis Powell
General Counsel
Kentucky Council on Postsecondary Education

Date

Attorney (optional)
Western Kentucky University

Date

TITLE: Interim Capital Project – WKU Reconfigure Health Science Classrooms

RECOMMENDATION: Staff recommends that the Finance Committee recommend for full Council approval a \$1,500,000 agency fund interim capital project at Western Kentucky University to reconfigure classrooms in their Health Sciences Complex.

PRESENTERS: Bill Payne, Vice President for Finance and Administration, CPE
Shaun McKiernan, Director of Finance and Budget, CPE

SUPPORTING INFORMATION

Western Kentucky University (WKU) officials request authorization for an interim capital project to reconfigure three classrooms in the Medical Center/Health Sciences Complex to create two larger classrooms with a minimum of 140 seats. WKU's nursing program continues to expand; however, it has created an unwanted and ineffective learning environment. Current classroom spaces have students participating by watching the lectures/classroom instruction via electronic media in an adjoining room. This has created a situation requiring additional staffing to meet accreditation requirements. The project was approved by WKU's Board of Regents on March 6, 2020.

House Bill 592 (2018) created a new provision in KRS 164A.575, that allows public postsecondary institutions to authorize capital projects not specifically listed in the state budget as long as the projects are funded with non-general fund appropriations, do not jeopardize funding for existing programs, and are reported by the institution to the Capital Projects and Bond Oversight Committee. The pertinent section of KRS 164A.575 is provided below:

- (15) Notwithstanding KRS 45.760, the governing board may authorize a capital construction project or a major item of equipment even though it is not specifically listed in any branch budget bill, subject to the following conditions and procedures:
 - (a) The full cost shall be funded solely by non-general fund appropriations;
 - (b) Moneys specifically budgeted and appropriated by the General Assembly for another purpose shall not be allotted or re-allotted for

expenditure on the project or major item of equipment. Moneys utilized shall not jeopardize any existing program and shall not require the use of any current general funds specifically dedicated to existing programs; and

- (c) The institution's president, or designee, shall submit the project or major item of equipment to the Capital Projects and Bond Oversight Committee for review as provided by KRS 45.800.

The approval process for a capital project that exceeds \$1,000,000 is as follows:

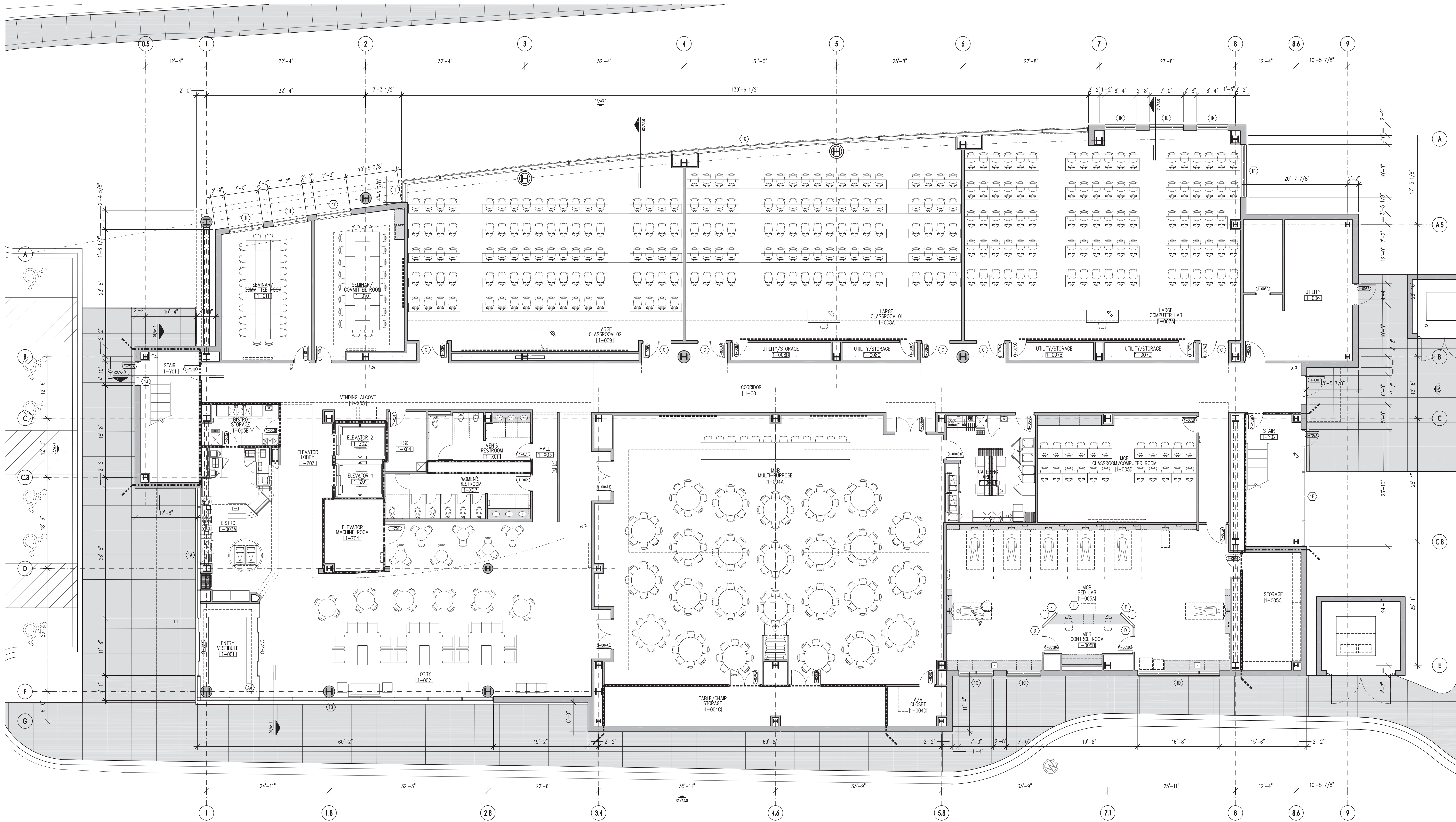
- The project must be approved by an institution's board of trustees or regents;
- The project must be submitted to the Council on Postsecondary Education for review and action;
- If approved by the Council, projects at KCTCS and KSU are submitted to the Secretary of the Finance and Administration Cabinet for review and action, and subsequently submitted by the Secretary to the Capital Projects and Bond Oversight Committee for review;
- If approved by the Council, projects at ECU, MoSU, MuSU, NKU, UNK, UofL, and WKU are submitted by the requesting institution to the Capital Projects and Bond Oversight Committee for review, and a copy is provided to the Finance and Administration Cabinet as information; and
- Following review and action by the appropriate agencies, the project may be initiated by the requesting institution.

Because this project was not previously approved by the Council and it was not authorized in the enacted 2018-20 budget (HB 200), Council approval is now required to authorize this project. WKU will not be debt financing any portion of this project; therefore, provisions of KRS 45.763 do not apply.

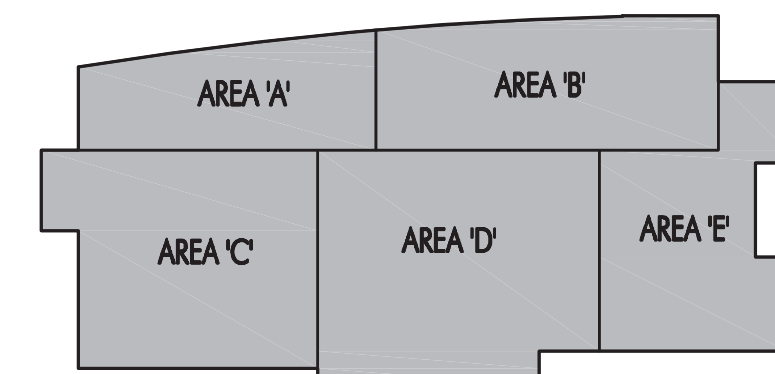
NEXT STEPS

Following Council action, staff will notify the president of WKU, the Secretary of the Finance and Administration Cabinet, and the Capital Projects and Bond Oversight Committee of the Council's recommendation concerning this project.

REFERENCE ENLARGED FIRST FLOOR PLAN SHEETS FOR COMPLETE LISTING OF GENERAL NOTES AND PLAN LEGEND.



KEYPLAN
NOT TO SCALE

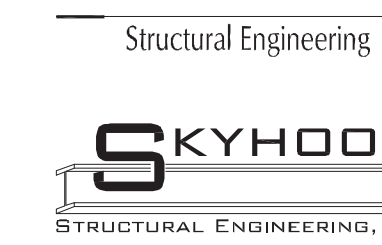


01 COMPOSITE FIRST FLOOR PLAN
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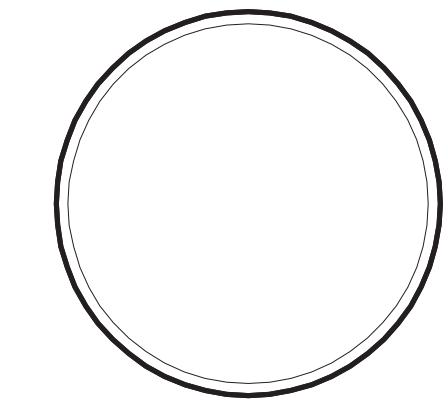


STENGEN-HILL ARCHITECTURE

613 WEST MAIN STREET
LOUISVILLE, KENTUCKY 40202
502.893.1875
502.893.1876 fax



THE MEDICAL CENTER AT BOWLING GREEN



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DESIGN DEVELOPMENT

Analysis of 2020-22 House Budget (HB 352/PHS 1)
Summary of Postsecondary Institution Operating Funds and Capital Investment
March 18, 2020

Operating Funds

- \$20.9 million in new funding each year of the biennium for the comprehensive universities and KCTCS institutions to assist with employer cost increases in the actuarially determined pension contributions (each year EKU gets \$7.6 million; KSU gets \$885K; MoSU gets \$4.9 million; MuSU gets \$2.9 million; NKU gets a \$450K reduction; WKU gets \$3.9 million; and KCTCS gets \$1.2 million)
- \$4.2 million in the first year and \$4.5 million in the second year in additional appropriations for mandated programs (each year UK gets \$586K for University Press; UofL gets \$250K for Ordered Liberty Program; EKU gets \$2.5 million for Model School; KSU gets \$497K for Land Grant Match; and MoSU gets \$329K in 2020-21 and \$659K in 2021-22 for Craft Academy)
- The House proposed budget includes \$23.6 million in fiscal 2020-21 and \$40.9 million in fiscal 2021-22 for performance funding, although roughly \$15.0 million of those amounts in each year represent 2.0% stop loss contributions (i.e., carve outs of postsecondary institution base funds)
- There is language in the bill notwithstanding the Performance Funding Statute (KRS 164.092) and maintaining the 2.0% stop loss and hold harmless provisions in fiscal 2021-22 (page 98)
- There is also language notwithstanding the statute and redefining the term “formula base amount” so that the appropriations to assist with the employer cost increase in the actuarially determined pension contributions are backed out of the formula (i.e., like mandated programs)
- Each institution’s direct appropriation has been reduced each year of the biennium by amounts equivalent to the 2.0% stop loss contributions, so it is clear that the 2.0% stop loss provision has been maintained into the second year of the biennium, which aligns with language to that effect on page 98
- UK’s debt service number for fiscal 2019-20 (i.e., \$2,545,500) was deducted in the first year of the new biennium as expected (i.e., the existing debt service was transferred to the Finance Cabinet), but in the second year, that reduction is netted against \$2,307,000 in new debt service to support a \$28.0 million bond issue to improve the Sanders-Brown Center

Capital Investment

- Not much changed here relative to the Governor’s proposed budget
- The House Budget proposes \$200 million in bond funds to support a Postsecondary Education Resurgence Fund, \$100 million each year of the biennium
- The required match is \$.50 in institutional funds (agency bonds or restricted funds) for every State \$1.00 in bond funds

Analysis of 2020-22 House Budget (HB 352/PHS 1)
Summary of Postsecondary Institution Operating Funds and Capital Investment
March 18, 2020

Capital Investment (Cont'd)

- There is language on page 118 of the bill, specifying the matching requirements and identifying the Council as the authority to approve individual projects from the fund
- The bill contains specific language directing the Council not to approve individual projects that do not include an institutional match component, clarifying the General Assembly's intent for the project authorization to continue into subsequent fiscal years with a given institution, and specifying that the authorized funds not be reallocated by the Council
- The debt service supporting the bond issues is housed in the Council's Agency Budget
- On page 140 in the bill, there is an appropriation of \$28.0 million in State bond funds to improve the Sanders-Brown Center at the University of Kentucky
- On page 95, \$2,307,000 in new debt service is included in UK's direct appropriation to support new bonds to improve the Sanders-Brown Center

Table 1 - Proposed Postsecondary Institution Funding Components

March 18, 2020

Comparison of CPE Recommended and House Proposed

CPE Recommended Funding Components

Funding Component	Fiscal 2020-21	Fiscal 2021-22	Biennial Total
Operating Funds			
• Performance Funding ¹	\$52,492,400	\$74,989,100	\$127,481,500
Mandated Programs			
• KSU Land Grant Match ²	\$497,400	\$497,400	\$994,800
Capital Investment			
• Asset Preservation ³	\$200,000,000	\$200,000,000	\$400,000,000
→ Debt Service	8,239,000	24,717,000	32,956,000

House Proposed Funding Components

Funding Component	Fiscal 2020-21	Fiscal 2021-22	Biennial Total
Operating Funds			
• Assist with Cost Increase in Pension Contribution ⁴	\$20,943,300	\$20,943,300	\$41,886,600
• Performance Funding ⁵	8,629,000	25,887,000	34,516,000
Total	\$29,572,300	\$46,830,300	\$76,402,600
Mandated Programs ⁶			
• UK University Press of Kentucky	\$586,300	\$586,300	\$1,172,600
• UofL Ordered Liberty Program	250,000	250,000	500,000
• EKU Model Laboratory School	2,500,000	2,500,000	5,000,000
• KSU Land Grant Match	497,400	497,400	994,800
• MoSU Craft Academy for Excellence in Science and Math	329,000	658,600	987,600
Total	\$4,162,700	\$4,492,300	\$8,655,000
Capital Investment			
• Postsecondary Education Resurgence Fund ⁷	\$100,000,000	\$100,000,000	\$200,000,000
→ Debt Service	4,119,500	12,358,500	16,478,000
• Improve Sanders-Brown Center on Aging/Neuroscience ⁸	\$28,000,000	\$0	\$28,000,000
→ Debt Service	0	2,307,000	2,307,000

Component Footnotes

¹ Additional operating funds that will provide incentives for institutions to increase student success and course completion outcomes. If authorized, these funds will help Council and campus officials maintain affordability and access for Kentucky citizens and provide resources necessary for institutions to continue making progress toward the state's student success goals. The request represents increases of **6.2%** and **8.8%**, respectively, above the current year net General Fund base.

² Additional operating funds to meet federal matching requirements for KSU's land-grant program. If authorized by the General Assembly, these funds would be added to \$6,651,400 already contained in KSU's fiscal 2019-20 operating appropriation and the resulting \$7,148,800 mandated program total would be excluded from the performance funding model. These funds will help sustain the effectiveness and impact of outreach, service, and applied research of KSU's land-grant program.

³ Debt service for a \$400 million bond issue to finance asset preservation and renovation projects at the postsecondary institutions during the upcoming biennium. If requested bond funds are authorized, CPE staff recommends that they be **matched fifty cents on the dollar** by receiving institutions. It is estimated that the **combined \$600 million total**, state bonds and campus matching funds, would address about **10%** of the total asset preservation need.

Component Footnotes (Cont'd)

- ⁴ The House Budget (HB 352/PHS 1) includes additional appropriations of \$20,943,300 each year to assist the comprehensive universities and KCTCS institutions with the employer cost increase in the actuarially determined pension contribution. The bill includes language redefining "formula base amount" that will result in these funds being deducted from each institution's total General Fund appropriation when running university and KCTCS sector funding models.
- ⁵ Additional operating funds appropriated to the Postsecondary Education Performance Fund that will be distributed among universities and KCTCS institutions using the statutorily defined funding model for each sector. The amounts shown represent new funding for the institutions and do not include an additional \$14,985,800 in 2.0% stop loss contributions appropriated to the fund each year of the biennium that were carved out of institution base budgets. If the proposed new funding for performance is authorized, it will represent increases of **1.0%** and **3.0%**, respectively, above the current year net General Fund base.
- ⁶ The House Budget includes additional appropriations for mandated public service or research programs at five universities. These funds, along with previously appropriated mandated program funds, will be deducted from each institution's total General Fund to determine the "formula base amount" (defined on page 98 in HB 352/PHS 1) to be run through university and KCTCS performance funding models.
- ⁷ The House Budget includes debt service for a \$200 million bond issue for a Postsecondary Education Resurgence Fund to finance asset preservation projects during the upcoming biennium. If authorized as proposed, it would require a **fifty cents on the dollar match** by the postsecondary institutions. It is estimated that the **combined \$300 million total**, state bonds and campus matching funds, would address about **5%** of the total asset preservation need.
- ⁸ The House Budget includes \$2,307,000 in debt service in fiscal year 2021-22 to support a \$28,000,000 capital project to improve the Sanders-Brown Center on Aging/Neuroscience at the University of Kentucky.

Analysis of 2020-22 House Budget

Draft - For Discussion Purposes

Table 2 - Proposed Performance Fund Contributions by Sector and Institution

March 18, 2020

Fiscal Year 2020-21

Institution	Proposed 2020-21 Additions and Subtractions				(A + B + C - D)	Funding Model Exclusions		(E - F - G)	(H x -.02)
	A	B	C	D	E	F	G	H	I
	2019-20 Total Appropriation ¹	Quasi Pension Adjustment ²	New Mandated Program Funds ³	2019-20 Debt Service ⁴	Appropriation Before Stop Loss ⁵	Total Mandated Program Funds ⁶	Quasi Pension Adjustment ⁷	Fiscal 2020-21 Formula Base ⁸	Calculated Stop Loss @ 2.0% ⁹
University of Kentucky	\$263,601,900	\$0	\$586,300	(\$2,545,500) ⁴	\$261,642,700	(\$79,968,800)	\$0	\$181,673,900	(\$3,633,500)
University of Louisville	126,633,700	0	250,000	0	126,883,700	(1,095,200)	0	125,788,500	(2,515,800)
Eastern Kentucky University	63,753,600	7,597,700	2,500,000	0	73,851,300	(4,571,900)	(7,597,700)	61,681,700	(1,233,600)
Kentucky State University	25,259,100	885,100	497,400	0	26,641,600	(7,148,800)	(885,100)	18,607,700	(372,200)
Morehead State University	38,466,800	4,888,600	329,000	0	43,684,400	(3,151,400)	(4,888,600)	35,644,400	(712,900)
Murray State University	44,581,400	2,852,500	0	0	47,433,900	(3,200,000)	(2,852,500)	41,381,400	(827,600)
Northern Kentucky University	52,300,000	(450,000)	0	0	51,850,000	(1,323,900)	0	50,526,100	(1,010,500)
Western Kentucky University	73,723,300	3,928,100	0	0	77,651,400	(5,497,700)	(3,928,100)	68,225,600	(1,364,500)
Subtotal	\$688,319,800	\$19,702,000	\$4,162,700	(\$2,545,500)	\$709,639,000	(\$105,957,700)	(\$20,152,000)	\$583,529,300	(\$11,670,600)
KCTCS	174,581,000	1,241,300	0	0	175,822,300	(8,819,400)	(1,241,300)	165,761,600	(3,315,200)
Total	\$862,900,800	\$20,943,300	\$4,162,700	(\$2,545,500)	\$885,461,300	(\$114,777,100)	(\$21,393,300)	\$749,290,900	(\$14,985,800)

Total 2020-21 Performance Fund Contribution: \$14,985,800

¹ Sum of fiscal year 2019-20 General Fund appropriation for each institution as enacted (i.e., regular appropriation) and each institution's distribution from \$38.7 million appropriated to the Postsecondary Education Performance Fund in fiscal 2019-20.

² Additional appropriations included each fiscal year of the biennium to assist with employer cost increases in the actuarially determined pension contributions.

³ House proposed (HB 352/PHS 1) increases in mandated program appropriations, over and above funding amounts used in the 2019-20 iteration of the performance funding model.

⁴ Debt service included in the University of Kentucky's fiscal 2019-20 regular appropriation to support \$40.0 million in state bond funds for a HealthCare Disparities Initiative capital project. This debt service will be transferred to the Finance Cabinet, and is therefore deducted from UK's direct appropriation, in fiscal 2020-21.

⁵ Each institution's House Budget proposed total fiscal year 2020-21 appropriation before the statutorily required 2.0% stop loss contribution (i.e., carve out) is applied.

⁶ Mandated program appropriations totaled by institution, as specified (i.e., line-itemed) in the House Budget (HB 352/PHS 1).

⁷ Language is included in the House bill (HB 352/PHS 1) notwithstanding the Performance Funding Statute (KRS 164.092) and redefining the term "formula base amount" (see page 98 in the bill), so that the appropriations to assist with the employer cost increase in the actuarially determined pension contributions are backed out of the funding formula (e.g., like mandated programs).

⁸ Calculated "formula base amount" for each institution, in accordance with the new definition for that term described in footnote 7 above.

⁹ Represents 2.0% of each institution's formula base amount, rounded to the nearest \$100.⁰⁰ and multiplied by -1.0.

Analysis of 2020-22 House Budget

Draft - For Discussion Purposes

Table 3 - Proposed Postsecondary Institution General Fund Appropriations

March 18, 2020

Crosswalk from Fiscal 2019-20 Base Year

Fiscal Year 2020-21		House Proposed New Funding		Base Adjustments		
Institution	2019-20 Total Appropriation ¹	Funding to Assist w/ KERS Increases ²	Added Mandated Program Funds ⁴	2% Stop Loss Contribution ⁶	Debt Service	2020-21 Total Appropriation
University of Kentucky	\$263,601,900	\$0	\$586,300	(\$3,633,500)	(\$2,545,500) ⁷	\$258,009,200
University of Louisville	126,633,700	0	250,000 ⁵	(2,515,800)	0	124,367,900
Eastern Kentucky University	63,753,600	7,597,700	2,500,000	(1,233,600)	0	72,617,700
Kentucky State University	25,259,100	885,100	497,400	(372,200)	0	26,269,400
Morehead State University	38,466,800	4,888,600	329,000	(712,900)	0	42,971,500
Murray State University	44,581,400	2,852,500	0	(827,600)	0	46,606,300
Northern Kentucky University	52,300,000	(450,000) ³	0	(1,010,500)	0	50,839,500
Western Kentucky University	73,723,300	3,928,100	0	(1,364,500)	0	76,286,900
KCTCS	174,581,000	1,241,300	0	(3,315,200)	0	172,507,100
Total	\$862,900,800	\$20,943,300	\$4,162,700	(\$14,985,800)	(\$2,545,500)	\$870,475,500

Fiscal Year 2021-22		House Proposed New Funding		Base Adjustments		
Institution	2019-20 Total Appropriation ¹	Funding to Assist w/ KERS Increases ²	Added Mandated Program Funds ⁴	2% Stop Loss Contribution ⁶	Debt Service	2021-22 Total Appropriation
University of Kentucky	\$263,601,900	\$0	\$586,300	(\$3,633,500)	(\$238,500) ⁹	\$260,316,200
University of Louisville	126,633,700	0	250,000 ⁵	(2,515,800)	0	124,367,900
Eastern Kentucky University	63,753,600	7,597,700	2,500,000	(1,233,600)	0	72,617,700
Kentucky State University	25,259,100	885,100	497,400	(372,200)	0	26,269,400
Morehead State University	38,466,800	4,888,600	658,600 ⁸	(712,900)	0	43,301,100
Murray State University	44,581,400	2,852,500	0	(827,600)	0	46,606,300
Northern Kentucky University	52,300,000	(450,000) ³	0	(1,010,500)	0	50,839,500
Western Kentucky University	73,723,300	3,928,100	0	(1,364,500)	0	76,286,900
KCTCS	174,581,000	1,241,300	0	(3,315,200)	0	172,507,100
Total	\$862,900,800	\$20,943,300	\$4,492,300	(\$14,985,800)	(\$238,500)	\$873,112,100

¹ Sum of each institution's regular appropriation and its distribution from the Postsecondary Education Performance Fund (PEPF) in fiscal year 2019-20.

² Additional General Fund appropriations provided each fiscal year to assist with the employer cost increase in the actuarially determined pension contribution.

³ While the House Budget (HB 352/PHS 1) provides additional appropriations to every other comprehensive university and KCTCS to assist with pension cost increases, NKU received a \$450,000 reduction that was pension related.

Crosswalk from Fiscal 2019-20 Base Year

- ⁴ Additional appropriations for mandated public service and research programs, over and above program funding amounts in postsecondary institution direct appropriations in fiscal year 2019-20 (i.e., amounts used in the 2019-20 iterations of the performance funding models).
- ⁵ Represents new funding for UofL's Ordered Liberty Program. Funding for other university mandated programs was already in the fiscal 2019-20 base.
- ⁶ Postsecondary institution stop loss contributions in each year of the biennium, representing 2.0% of each institution's adjusted net General Fund. Figures shown in this column are the same as those calculated by CPE staff and included in the Council's biennial budget recommendation, with the exception of those at UofL and NKU, which reflect a revised adjusted net General Fund (i.e., beginning formula base amount) for those institutions.
- ⁷ Debt service for a University of Kentucky HealthCare Disparities Initiative capital project in fiscal year 2019-20, transferred to the Finance Cabinet in 2020-21.
- ⁸ Additional appropriations for mandated programs are the same each year of the biennium for four out of five universities. The only program receiving an increase in fiscal 2021-22 is Morehead State University's Craft Academy for Excellence in Science and Mathematics (i.e., a \$329,600 increase).
- ⁹ Base adjustment calculated by subtracting \$2,545,500 in older University of Kentucky debt service which was transferred to the Finance Cabinet and adding \$2,307,000 in new debt service to the university's direct appropriation to support \$28.0 million in bond funds to improve the Sanders-Brown Center.

Table 4 - Proposed Postsecondary Institution Mandated Program Appropriations

March 18, 2020

Dollar Difference from Fiscal 2019-20 Base Year

Institution	House Proposed Funding				
	Fiscal Year 2019-20 ¹	Fiscal Year 2020-21 ³	Dollar Difference	Fiscal Year 2021-22 ³	Dollar Difference
University of Kentucky	\$79,382,500	\$79,968,800	\$586,300	\$79,968,800	\$586,300
University of Louisville	845,200 ²	1,095,200	250,000	1,095,200	250,000
Eastern Kentucky University	2,071,900	4,571,900	2,500,000	4,571,900	2,500,000
Kentucky State University	6,651,400	7,148,800	497,400	7,148,800	497,400
Morehead State University	2,822,400	3,151,400	329,000	3,481,000	658,600
Murray State University	3,200,000	3,200,000	0	3,200,000	0
Northern Kentucky University	1,323,900	1,323,900	0	1,323,900	0
Western Kentucky University	5,497,700	5,497,700	0	5,497,700	0
Subtotal	\$101,795,000	\$105,957,700	\$4,162,700	\$106,287,300	\$4,492,300
KCTCS	8,819,400	8,819,400	0	8,819,400	0
Total	\$110,614,400	\$114,777,100	\$4,162,700	\$115,106,700	\$4,492,300

¹ For every institution other than the University of Louisville, figures shown represent mandated program appropriations totaled by institution that were used in the 2019-20 iteration of the performance funding model (see footnote 2 below).

² This figure is the sum of \$695,200 for the Rural Health Education Program and \$150,000 for the Kentucky Autism Training Center. Funding for the Autism Training Center was included in the University of Louisville's regular appropriation each year of the 2018-20 biennium, but did not meet the Council's \$450,000 per program threshold to be counted as a mandated program. For this reason, Autism Training Center funding was not deducted from either the 2018-19 or 2019-20 iterations of the university performance funding model. The 2020-22 House Budget includes funding for two programs that would otherwise fall below the Council's mandated program threshold: (a) \$250,000 each fiscal year for a new Ordered Liberty Program; and (b) \$150,000 each year for the Kentucky Autism Training Center. Language in the bill specifically identifies these programs as mandated programs; therefore, if the House Budget is authorized as proposed, funding for both programs will be deducted from the university's General Fund appropriation to calculate its formula base amount and run the funding model each year of the upcoming biennium.

³ Total mandated program funding amounts proposed and line-itemed in each institution's direct appropriation in the 2020-22 House Budget.

Analysis of 2020-22 House Budget
 Table 5 - Proposed Postsecondary Education Resurgence Fund
 State Bond Fund and Institutional Match Components

Draft - For Discussion Purposes
 March 18, 2020

Authorized Bond Funds ¹

<u>Institution</u>	<u>Fiscal 2020-21</u>	<u>Fiscal 2021-22</u>	<u>Biennial Total</u>
University of Kentucky	\$34,157,000	\$34,157,000	\$68,314,000
University of Louisville	16,261,000	16,261,000	32,522,000
Eastern Kentucky University	7,490,500	7,490,500	14,981,000
Kentucky State University	2,682,400	2,682,400	5,364,800
Morehead State University	5,754,900	5,754,900	11,509,800
Murray State University	6,139,200	6,139,200	12,278,400
Northern Kentucky University	5,347,500	5,347,500	10,695,000
Western Kentucky University	8,951,000	8,951,000	17,902,000
KCTCS	13,216,500	13,216,500	26,433,000
Total	\$100,000,000	\$100,000,000	\$200,000,000

Required Institutional Match ²

<u>Institution</u>	<u>Fiscal 2020-21</u>	<u>Fiscal 2021-22</u>	<u>Biennial Total</u>	<u>Fund Source</u>
University of Kentucky	\$34,157,000	\$0	\$34,157,000	Agency Bonds
University of Louisville	16,261,000	0	16,261,000	Agency Bonds
Eastern Kentucky University	7,490,500	0	7,490,500	Restricted Funds
Kentucky State University	2,682,400	0	2,682,400	Restricted Funds
Morehead State University	5,754,900	0	5,754,900	Restricted Funds
Murray State University	6,139,200	0	6,139,200	Agency Bonds
Northern Kentucky University	5,347,500	0	5,347,500	Restricted Funds
Western Kentucky University	8,951,000	0	8,951,000	Agency Bonds
KCTCS	13,216,500	0	13,216,500	Restricted Funds
Total	\$100,000,000	\$0	\$100,000,000	

¹ The House Budget (HB 352/PHS 1) includes authorization for \$200 million in state bond funds, \$100 million each year of the biennium, for a Postsecondary Education Resurgence Fund to provide funding for individual asset preservation, renovation, and maintenance projects at Kentucky's public postsecondary institutions in education and general facilities. In Part II, Capital Projects Budget, of the bill, authorized bond funds are allocated among individual institutions in amounts and in fiscal years shown above. These allocations mirror ones in the Executive Budget, which used a Council recommended approach for allocating state bond funds.

² Language in the bill stipulates that each institution shall match every \$1 of Bond Funds with \$.50 from institutional funds, and the Council on Postsecondary Education shall not approve individual projects that do not include an institutional match component.

Council on Postsecondary Education
 Performance Funding Model for the Public Universities
 Table 6.A. - Subsequent Distribution of Allocable Resources by Institution
 Fiscal Year 2020-21 (House Budget)

Hypothetical 2020-21
 (New Money = 1% of Current Year Base)
 Assumes No Change in Performance

Draft - For Discussion Purposes
 March 18, 2020

Institution	(A + B)		C	D	E	F	Outcomes Based Components (@ 70%)				Operational Support Components (@ 30%)					G	H	
	A	B					Success Share ²	Student Success	Credit Hour Share ³	Course Completion	Square Feet Share ⁴	Maintenance & Operations	Direct Cost Share ⁵	Institutional Support	FTE Student Share ⁶			Academic Support
UK	\$178,040,400	\$6,132,800	\$184,173,200	(\$16,999,300)	\$0	\$167,173,900	32.8%	\$60,365,900	30.6%	\$56,272,700	35.3%	\$18,594,300	28.2%	\$14,812,300	32.6%	\$17,128,600	\$167,173,800	(\$100)
UofL	123,272,700	4,389,200	127,661,900	(12,391,500)	0	115,270,400	20.9%	38,485,000	23.1%	42,447,900	18.9%	9,952,500	25.4%	13,381,800	20.9%	11,003,200	115,270,400	0
EKU	60,448,100	2,102,000	62,550,100	(4,451,200)	0	58,098,900	10.9%	20,022,700	11.7%	21,457,600	10.5%	5,529,500	10.1%	5,339,100	10.9%	5,750,100	58,099,000	100
KSU	18,235,500	0	18,235,500	(4,451,200)	(6,385,000)	7,399,300	1.6%	2,864,900	0.9%	1,672,600	3.0%	1,563,600	1.4%	715,400	1.1%	582,900	7,399,400	100
MoSU	34,931,500	0	34,931,500	(4,451,200)	(1,671,600)	28,808,700	5.3%	9,807,300	5.5%	10,071,000	5.8%	3,045,600	5.6%	2,956,900	5.6%	2,927,800	28,808,600	(100)
MuSU	40,553,800	1,268,000	41,821,800	(4,451,200)	0	37,370,600	7.2%	13,290,800	6.6%	12,064,800	8.6%	4,539,300	7.4%	3,873,200	6.8%	3,602,500	37,370,600	0
NKU	49,515,600	2,166,400	51,682,000	(4,451,200)	0	47,230,800	9.1%	16,825,200	9.0%	16,538,700	7.8%	4,108,400	9.1%	4,778,600	9.5%	4,980,000	47,230,900	100
WKU	66,861,100	2,332,200	69,193,300	(4,451,200)	0	64,742,100	12.2%	22,471,400	12.8%	23,607,800	10.0%	5,276,300	12.8%	6,752,200	12.6%	6,634,500	64,742,200	100
Sector	\$571,858,700	\$18,390,600	\$590,249,300	(\$56,098,000)	(\$8,056,600)	\$526,094,700	100.0%	\$184,133,200	100.0%	\$184,133,100	100.0%	\$52,609,500	100.0%	\$52,609,500	100.0%	\$52,609,600	\$526,094,900	\$200
						Allocated Dollars:		\$184,133,100		\$184,133,100		\$52,609,500		\$52,609,500		\$52,609,500	\$526,094,700	} Math Check
						Percent of Total:		35.0%		35.0%		10.0%		10.0%		10.0%	100.0%	

¹ Small School Adjustment defined as fixed base amount that remains constant when sector total appropriation increases or stays the same, but may be reduced if there is a budget cut.

² Student Success component distributed based on each institution's share of weighted student success outcomes produced (i.e., bachelor's degrees; STEM+H, URM, and low-income bachelor's degrees; and student progression at 30, 60, and 90 credit hour thresholds).

³ Course Completion distributed based on each institution's share of weighted student credit hours earned. Weights reflect differences in costs by course level and discipline, as well as, differences in cost structures and mission between sectors. Credit hours earned by out-of-state students are counted at 50% of similar credit hours earned by in-state students.

⁴ Funding for maintenance and operation (M&O) of facilities distributed based on each institution's share of Category I and Category II square feet, net of research, non-class laboratory, and open laboratory space.

⁵ Institutional Support component distributed based on each institution's share of total instruction and student services spending (i.e., share of direct instructional costs).

⁶ Academic Support distributed based on each institution's share of total FTE student enrollment, weighted for differences in cost structures and mission between sectors.

Hypothetical 2021-22
 (New Money = 3% of Current Year Base)
 Assumes No Change in Performance

Institution	(A + B)		C	D	E	F	(G - F)				(G - F)						G	H
	A	B					Outcomes Based Components (@ 70%)	Operational Support Components (@ 30%)		Operational Support Components (@ 30%)		Operational Support Components (@ 30%)		Operational Support Components (@ 30%)		Operational Support Components (@ 30%)		
	Proposed 2021-22 Formula Base	Performance Distribution	2021-22 Revised Formula Base	Small School Adjustment ¹	Hold Harmless Allocation	Allocable Resources	Success Share ²	Student Success	Credit Hour Share ³	Course Completion	Square Feet Share ⁴	Maintenance & Operations	Direct Cost Share ⁵	Institutional Support	FTE Student Share ⁶	Academic Support	Formula Totals	Dollar Difference
UK	\$178,040,400	\$10,719,300	\$188,759,700	(\$16,999,300)	\$0	\$171,760,400	32.8%	\$62,022,000	30.6%	\$57,816,600	35.3%	\$19,104,500	28.2%	\$15,218,700	32.6%	\$17,598,500	\$171,760,300	(\$100)
UofL	123,272,700	7,551,600	130,824,300	(12,391,500)	0	118,432,800	20.9%	39,540,800	23.1%	43,612,500	18.9%	10,225,600	25.4%	13,748,900	20.9%	11,305,100	118,432,900	100
EKU	60,448,100	3,696,000	64,144,100	(4,451,200)	0	59,692,900	10.9%	20,572,000	11.7%	22,046,300	10.5%	5,681,100	10.1%	5,485,600	10.9%	5,907,900	59,692,900	0
KSU	18,235,500	0	18,235,500	(4,451,200)	(6,182,000)	7,602,300	1.6%	2,943,500	0.9%	1,718,500	3.0%	1,606,500	1.4%	735,000	1.1%	598,800	7,602,300	0
MoSU	34,931,500	0	34,931,500	(4,451,200)	(881,200)	29,599,100	5.3%	10,076,400	5.5%	10,347,400	5.8%	3,129,200	5.6%	3,038,000	5.6%	3,008,100	29,599,100	0
MuSU	40,553,800	2,293,200	42,847,000	(4,451,200)	0	38,395,800	7.2%	13,655,400	6.6%	12,395,800	8.6%	4,663,900	7.4%	3,979,500	6.8%	3,701,300	38,395,900	100
NKU	49,515,600	3,462,100	52,977,700	(4,451,200)	0	48,526,500	9.1%	17,286,800	9.0%	16,992,400	7.8%	4,221,100	9.1%	4,909,700	9.5%	5,116,600	48,526,600	100
WKU	66,861,100	4,108,500	70,969,600	(4,451,200)	0	66,518,400	12.2%	23,087,900	12.8%	24,255,500	10.0%	5,421,000	12.8%	6,937,500	12.6%	6,816,500	66,518,400	0
Sector	\$571,858,700	\$31,830,700	\$603,689,400	(\$56,098,000)	(\$7,063,200)	\$540,528,200	100.0%	\$189,184,800	100.0%	\$189,185,000	100.0%	\$54,052,900	100.0%	\$54,052,900	100.0%	\$54,052,800	\$540,528,400	\$200
						Allocated Dollars:		\$189,184,900		\$189,184,900		\$54,052,800		\$54,052,800		\$54,052,800	\$540,528,200	} Math Check
						Percent of Total:		35.0%		35.0%		10.0%		10.0%		10.0%	100.0%	

¹ Small School Adjustment defined as fixed base amount that remains constant when sector total appropriation increases or stays the same, but may be reduced if there is a budget cut.

² Student Success component distributed based on each institution's share of weighted student success outcomes produced (i.e., bachelor's degrees; STEM+H, URM, and low-income bachelor's degrees; and student progression at 30, 60, and 90 credit hour thresholds).

³ Course Completion distributed based on each institution's share of weighted student credit hours earned. Weights reflect differences in costs by course level and discipline, as well as, differences in cost structures and mission between sectors. Credit hours earned by out-of-state students are counted at 50% of similar credit hours earned by in-state students.

⁴ Funding for maintenance and operation (M&O) of facilities distributed based on each institution's share of Category I and Category II square feet, net of research, non-class laboratory, and open laboratory space.

⁵ Institutional Support component distributed based on each institution's share of total instruction and student services spending (i.e., share of direct instructional costs).

⁶ Academic Support distributed based on each institution's share of total FTE student enrollment, weighted for differences in cost structures and mission between sectors.

Institution	(A + B)		C	D	E	F	Outcomes Based Components (@ 70%)				Operational Support Components (@ 30%)					G	H	
	A	B					Success Share ²	Student Success	Credit Hour Share ³	Course Completion	Square Feet Share ⁴	Maintenance & Operations	Direct Cost Share ⁵	Institutional Support	FTE Student Share ⁶			Academic Support
UK	\$178,040,400	\$15,305,700	\$193,346,100	(\$16,999,300)	\$0	\$176,346,800	32.8%	\$63,678,200	30.6%	\$59,360,400	35.3%	\$19,614,600	28.2%	\$15,625,100	32.6%	\$18,068,500	\$176,346,800	\$0
UofL	123,272,700	10,714,100	133,986,800	(12,391,500)	0	121,595,300	20.9%	40,596,600	23.1%	44,777,000	18.9%	10,498,600	25.4%	14,116,000	20.9%	11,607,000	121,595,200	(100)
EKU	60,448,100	5,289,900	65,738,000	(4,451,200)	0	61,286,800	10.9%	21,121,400	11.7%	22,635,000	10.5%	5,832,900	10.1%	5,632,100	10.9%	6,065,600	61,287,000	200
KSU	18,235,500	0	18,235,500	(4,451,200)	(5,978,900)	7,805,400	1.6%	3,022,100	0.9%	1,764,300	3.0%	1,649,400	1.4%	754,700	1.1%	614,800	7,805,300	(100)
MoSU	34,931,500	0	34,931,500	(4,451,200)	(90,900)	30,389,400	5.3%	10,345,500	5.5%	10,623,700	5.8%	3,212,700	5.6%	3,119,200	5.6%	3,088,400	30,389,500	100
MuSU	40,553,800	3,318,500	43,872,300	(4,451,200)	0	39,421,100	7.2%	14,020,000	6.6%	12,726,800	8.6%	4,788,400	7.4%	4,085,700	6.8%	3,800,100	39,421,000	(100)
NKU	49,515,600	4,757,900	54,273,500	(4,451,200)	0	49,822,300	9.1%	17,748,400	9.0%	17,446,200	7.8%	4,333,800	9.1%	5,040,800	9.5%	5,253,200	49,822,400	100
WKU	66,861,100	5,884,700	72,745,800	(4,451,200)	0	68,294,600	12.2%	23,704,400	12.8%	24,903,200	10.0%	5,565,800	12.8%	7,122,700	12.6%	6,998,500	68,294,600	0
Sector	\$571,858,700	\$45,270,800	\$617,129,500	(\$56,098,000)	(\$6,069,800)	\$554,961,700	100.0%	\$194,236,600	100.0%	\$194,236,600	100.0%	\$55,496,200	100.0%	\$55,496,300	100.0%	\$55,496,100	\$554,961,800	\$100
						Allocated Dollars:		\$194,236,600		\$194,236,600		\$55,496,200		\$55,496,200		\$55,496,200	\$554,961,800	} Math Check
						Percent of Total:		35.0%		35.0%		10.0%		10.0%		10.0%	100.0%	

¹ Small School Adjustment defined as fixed base amount that remains constant when sector total appropriation increases or stays the same, but may be reduced if there is a budget cut.

² Student Success component distributed based on each institution's share of weighted student success outcomes produced (i.e., bachelor's degrees; STEM+H, URM, and low-income bachelor's degrees; and student progression at 30, 60, and 90 credit hour thresholds).

³ Course Completion distributed based on each institution's share of weighted student credit hours earned. Weights reflect differences in costs by course level and discipline, as well as, differences in cost structures and mission between sectors. Credit hours earned by out-of-state students are counted at 50% of similar credit hours earned by in-state students.

⁴ Funding for maintenance and operation (M&O) of facilities distributed based on each institution's share of Category I and Category II square feet, net of research, non-class laboratory, and open laboratory space.

⁵ Institutional Support component distributed based on each institution's share of total instruction and student services spending (i.e., share of direct instructional costs).

⁶ Academic Support distributed based on each institution's share of total FTE student enrollment, weighted for differences in cost structures and mission between sectors.

Council on Postsecondary Education
 Table 7 - Hypothetical Performance Fund Distributions
 Net of 2.0% Stop Loss Contributions

Draft - For Discussion Purposes
 March 18, 2020

→ Assumes House Budget Enacted as Proposed and No Change in Performance

Fiscal Year 2020-21 (New Money = 1% of Current Year Base)

Institution	Performance Distribution ¹	Stop Loss Contribution ²	Net Gain (or Loss)	Hold Harmless Allocation
University of Kentucky	\$6,132,800	(\$3,633,500)	\$2,499,300	\$0
University of Louisville	4,389,200	(2,515,800)	1,873,400	0
Eastern Kentucky University	2,102,000	(1,233,600)	868,400	0
Kentucky State University	0	(372,200)	(372,200)	(6,385,000)
Morehead State University	0	(712,900)	(712,900)	(1,671,600)
Murray State University	1,268,000	(827,600)	440,400	0
Northern Kentucky University	2,166,400	(1,010,500)	1,155,900	0
Western Kentucky University	2,332,200	(1,364,500)	967,700	0
KCTCS	5,224,200	(3,315,200)	1,909,000	NA
Total	\$23,614,800	(\$14,985,800)	\$8,629,000	(\$8,056,600)

Fiscal Year 2021-22 (New Money = 3% of Current Year Base)

Institution	Performance Distribution ¹	Stop Loss Contribution ²	Net Gain (or Loss)	Hold Harmless Allocation
University of Kentucky	\$10,719,300	(\$3,633,500)	\$7,085,800	\$0
University of Louisville	7,551,600	(2,515,800)	5,035,800	0
Eastern Kentucky University	3,696,000	(1,233,600)	2,462,400	0
Kentucky State University	0	(372,200)	(372,200)	(6,182,000)
Morehead State University	0	(712,900)	(712,900)	(881,200)
Murray State University	2,293,200	(827,600)	1,465,600	0
Northern Kentucky University	3,462,100	(1,010,500)	2,451,600	0
Western Kentucky University	4,108,500	(1,364,500)	2,744,000	0
KCTCS	9,042,100	(3,315,200)	5,726,900	NA
Total	\$40,872,800	(\$14,985,800)	\$25,887,000	(\$7,063,200)

¹ Hypothetical distributions of \$23.6 million in fiscal year 2020-21 and \$40.9 million in fiscal 2021-22 appropriated to the Postsecondary Education Performance Fund (PEPF) in the House Budget (HB 352/PHS 1). This analysis assumes that the House Budget is enacted as proposed and there is no change in performance from the fiscal 2019-20 iteration of the funding model in either year of the biennium.

² These figures represent 2% of each institution's formula base amount as defined in the House Budget (HB 352/PHS 1, page 98).

Council on Postsecondary Education
 Table 7 - Hypothetical Performance Fund Distributions
 Net of 2.0% Stop Loss Contributions

Draft - For Discussion Purposes
 March 18, 2020

→ Assumes House Budget + Additional \$17,258,000 and No Change in Performance

Fiscal Year 2021-22 (New Money = 5% of Current Year Base)

Institution	Performance Distribution ³	Stop Loss Contribution ⁴	Net Gain (or Loss)	Hold Harmless Allocation
University of Kentucky	\$15,305,700	(\$3,633,500)	\$11,672,200	\$0
University of Louisville	10,714,100	(2,515,800)	8,198,300	0
Eastern Kentucky University	5,289,900	(1,233,600)	4,056,300	0
Kentucky State University	0	(372,200)	(372,200)	(5,978,900)
Morehead State University	0	(712,900)	(712,900)	(90,900)
Murray State University	3,318,500	(827,600)	2,490,900	0
Northern Kentucky University	4,757,900	(1,010,500)	3,747,400	0
Western Kentucky University	5,884,700	(1,364,500)	4,520,200	0
KCTCS	12,860,000	(3,315,200)	9,544,800	NA
Total	\$58,130,800	(\$14,985,800)	\$43,145,000	(\$6,069,800)

³ Hypothetical distribution of \$58.1 million in fiscal 2021-22, representing a \$17.3 million increase over and above the \$40.9 million appropriated to the Postsecondary Education Performance Fund in the House Budget (HB 352/PHS 1). This analysis assumes that there is no change in performance from the fiscal 2019-20 iteration of the funding model.

⁴ These figures remain unchanged from the previous page and represent 2% of each institution's formula base amount as defined in the House Budget (HB 352/PHS 1, page 98).

Postsecondary Education Resurgence Fund Project Identification and Match Guidelines

Budget Bill Language (HB 352/PHS 1):

Provides funding for individual asset preservation, renovation, and maintenance projects at Kentucky’s public postsecondary institutions in education and general facilities. The Council on Postsecondary Education shall approve individual projects financed from the fund. Each institution shall match every \$1 of Bond Funds with \$0.50 from institutional funds and the Council on Postsecondary Education shall not approve individual projects that do not include an institutional fund match component. Capital projects as defined in KRS 45.750 are hereby authorized from this combination of funds and shall be reported to the Capital Projects and Bond Oversight Committee. It is the intent of the 2020 General Assembly that, if an institution cannot provide the required match in the 2020-2022 fiscal biennium, the project authorization shall continue into subsequent fiscal years with its respective institution and may not be reallocated by the Council on Postsecondary Education.

Proposed Implementation Guidelines:

1. The Postsecondary Education Resurgence Fund (i.e., funding for asset preservation/deferred maintenance capital projects) provides \$200 million in state bond funds, which require a \$0.50 per state dollar match from the institutions for individual capital projects to address the significant backlog of system replacement, upgrades and modifications required for existing infrastructure and Education and General facilities.
2. The specific projects to be completed and institutional match are to be identified by each institution, certified by the Council on Postsecondary Education and reported by the CPE to the Capital Projects and Bond Oversight Committee.
3. Debt service to issue state bonds is appropriated to the CPE Physical Facility Trust Fund.
 - State General Fund-supported Bond Funds are authorized in the capital section of the budget bill for each institution.
 - Bond funds typically are available the last quarter of the first year of the biennium. However, if the Finance and Administration Cabinet identifies funds to allow earlier issuance of the debt, the Council would encourage that action and possibly institutions can have access to bond funds sooner.
4. If the resurgence fund is authorized, the following types of funds can be used for match:
 - Any non-General Fund source may be used, for example:
 - Agency Bonds
 - Asset Preservation Fee revenue
 - Institutional Funds
 - Private/Other Funds
 - Fund Balance (non-General Fund)
 - Federal Funds
 - A non-General Fund asset preservation project initiated after July 1, 2020 may qualify as a match (if allowed by the budget bill)

5. Match resources identified by institutions, as of 03/05/2020:
 - EKU – Restricted Funds (\$7,490,500)
 - KSU – Restricted Funds (\$2,682,400)
 - MoSU – Restricted Funds (\$5,754,900)
 - MuSU – Agency Bonds (\$6,139,200)
 - NKU – Restricted Funds (\$5,347,500)
 - WKU – Agency Bonds (\$8,951,000)
 - UK – Agency Bonds (\$34,157,000)
 - UofL – Agency Bonds (\$16,261,000)
 - KCTCS – Restricted Funds (\$13,216,500)

6. Projects eligible for funding would address the significant backlog of system replacement, upgrades, and modifications (building components, infrastructure, utility distribution systems, security systems, and other components in danger of failure) required to support an Education and General facility.
 - CPE and the Office of State Budget Director will confirm the project match. The availability of match funds must be certified by the institution to the CPE prior to release of resurgence funds to an institution (cash, sale and deposit of agency bonds, etc.)

Notes:

- Allows an institution flexibility to identify a project that has risen to the position of critical since passage of the appropriation bill.
- A capital project must be a complete project (i.e., can be used in a stand-alone fashion when complete). A study does not constitute a capital project for the Postsecondary Education Resurgence Fund.
- The Council will determine whether or not the asset preservation funds can be used in combination with other allocations to implement a project and, if so, how the required match applies to the funds.
- The Finance and Administration Cabinet's Office of Financial Management (OFM) submits proposed debt issues, including debt issued by postsecondary institutions to the Capital Projects & Bond Oversight Committee for review and action.

Kentucky Public Postsecondary Institutions
 Table 8 - House Proposed Change in General Fund Appropriations
 Between Fiscal Years 2019-20 and 2020-21

Draft - For Discussion Purposes
 March 18, 2020

In Nominal Dollars

Institution	2019-20 General Fund Appropriations ¹	Proposed 2020-21 General Fund Appropriations ⁴	Dollar Change	Percent Change
University of Kentucky	\$261,056,400 ²	\$258,009,200	(\$3,047,200)	-1.2%
University of Louisville	126,633,700	124,367,900	(2,265,800)	-1.8%
Eastern Kentucky University	63,753,600	72,617,700	8,864,100	13.9%
Kentucky State University	25,259,100	26,269,400	1,010,300	4.0%
Morehead State University	38,466,800	42,971,500	4,504,700	11.7%
Murray State University	44,581,400	46,606,300	2,024,900	4.5%
Northern Kentucky University	52,300,000	50,839,500	(1,460,500)	-2.8%
Western Kentucky University	73,723,300	76,286,900	2,563,600	3.5%
KCTCS	174,581,000	172,507,100	(2,073,900)	-1.2%
Subtotal	\$860,355,300	\$870,475,500	\$10,120,200	1.2%
Performance Fund	0 ³	8,629,000	8,629,000	
	\$860,355,300	\$879,104,500	\$18,749,200	2.2%

¹ Sum of regular General Fund appropriations as enacted (HB 200) and distribution of \$38.7 million from the Postsecondary Education Performance Fund based on funding model calculations.

² Does not include \$2,545,500 in debt service at the University of Kentucky for a HealthCare Disparities Initiative capital project.

³ In fiscal year 2019-20, \$38,665,800 appropriated to the Postsecondary Education Performance Fund was distributed among the universities and KCTCS institutions using the statutorily proscribed funding model for each sector. These funds are now included in each institution's 2019-20 base appropriation shown above.

⁴ Total fiscal 2020-21 General Fund appropriation for each postsecondary institution included in the House Budget (HB 352/PHS 1).

Table 9 - Postsecondary Institution Estimated Fixed Cost Increases

March 18, 2020

Fiscal Year 2020-21

Institution	2019-20 E&G Expenditures	Fiscal 2020-21 Cost Increase Estimates					Total Increases	Percent Change
		Retirement System Costs	Other Costs Personnel	Maintenance & Operations	Student Financial Aid	Other ¹		
UK	\$1,487,005,501	\$0	\$6,378,218	\$1,743,235	\$8,791,788	\$0	\$16,913,240	1.1%
UofL	515,325,331	136,180	2,710,484	8,069,197	601,377	0	11,517,238	2.2%
EKU	230,600,000	5,950,000	3,200,000	0	550,000	750,000	10,450,000	4.5%
KSU	32,370,969	(33,985)	(224,180)	283,138	50,000	0	74,973	0.2%
MoSU	104,630,622	1,847,247	154,844	487,256	1,153,702	235,784	3,878,833	3.7%
MuSU	164,328,001	4,674,037	(944,901)	1,980,808	450,000	433,000	6,592,944	4.0%
NKU	189,153,180	330,000	5,359,654	191,170	1,313,001	6,894,676	14,088,501	7.4%
WKU	289,750,092	1,380,404	400,000	1,599,020	487,993	0	3,867,417	1.3%
KCTCS	633,998,400	9,662,600	8,703,000	2,522,100	8,782,600		29,670,300	4.7%
	\$3,647,162,095	\$23,946,483	\$25,737,119	\$16,875,924	\$22,180,461	\$8,313,460	\$97,053,447	2.7%

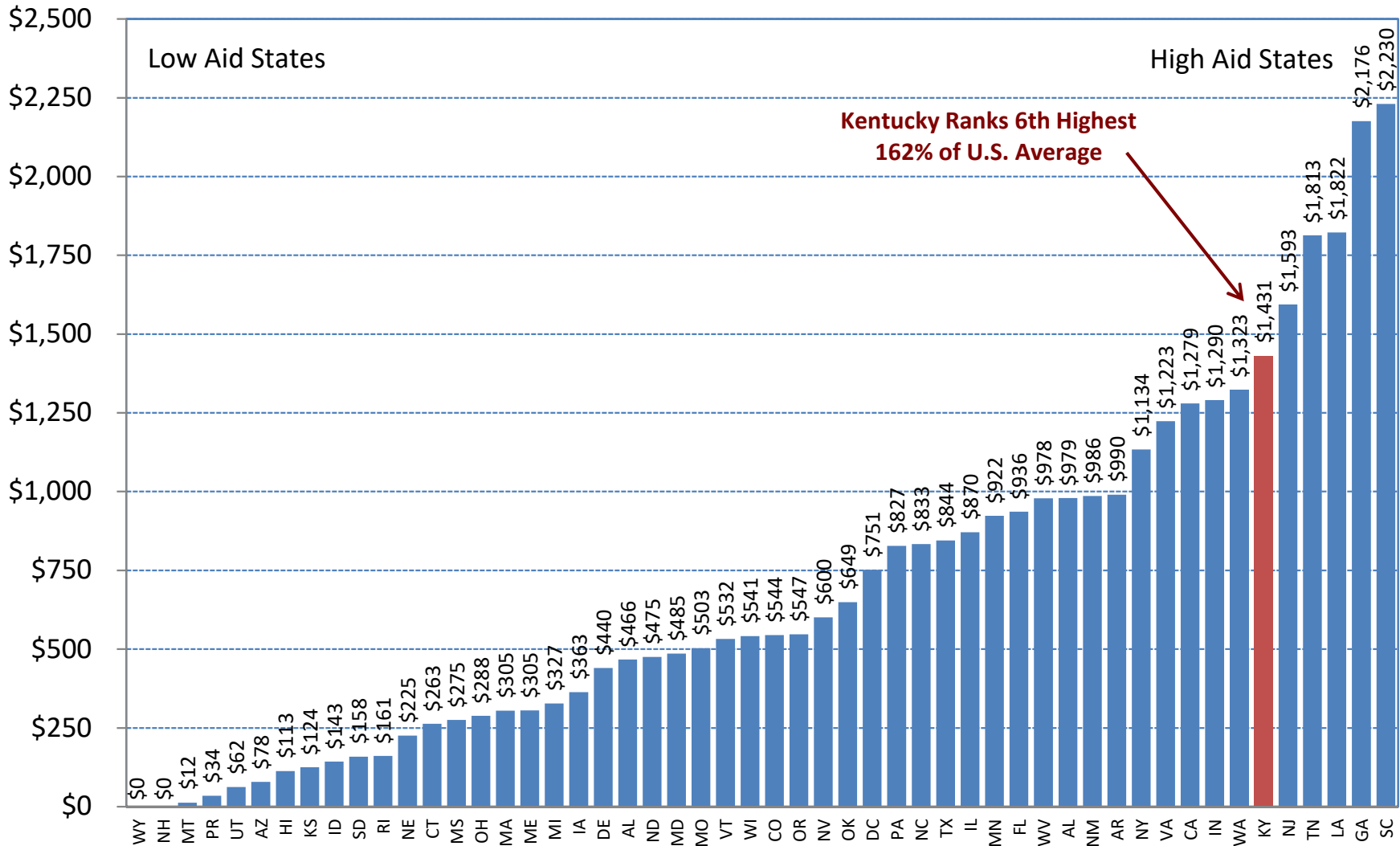
¹ Includes maintenance vehicles, service contracts, leases, and equipment at EKU; IT contractual obligations, leases, insurance, memberships, service contracts, merchant fees, library books, professional services, and debt service at MoSU; property and liability insurance, and faculty rank promotions at MuSU; and accelerated online revenue share payments and debt service at NKU.

State Funded Student Financial Aid Programs in the United States

Total Undergraduate Grant Dollars per Undergraduate Student Enrollment Academic Year 2017-18

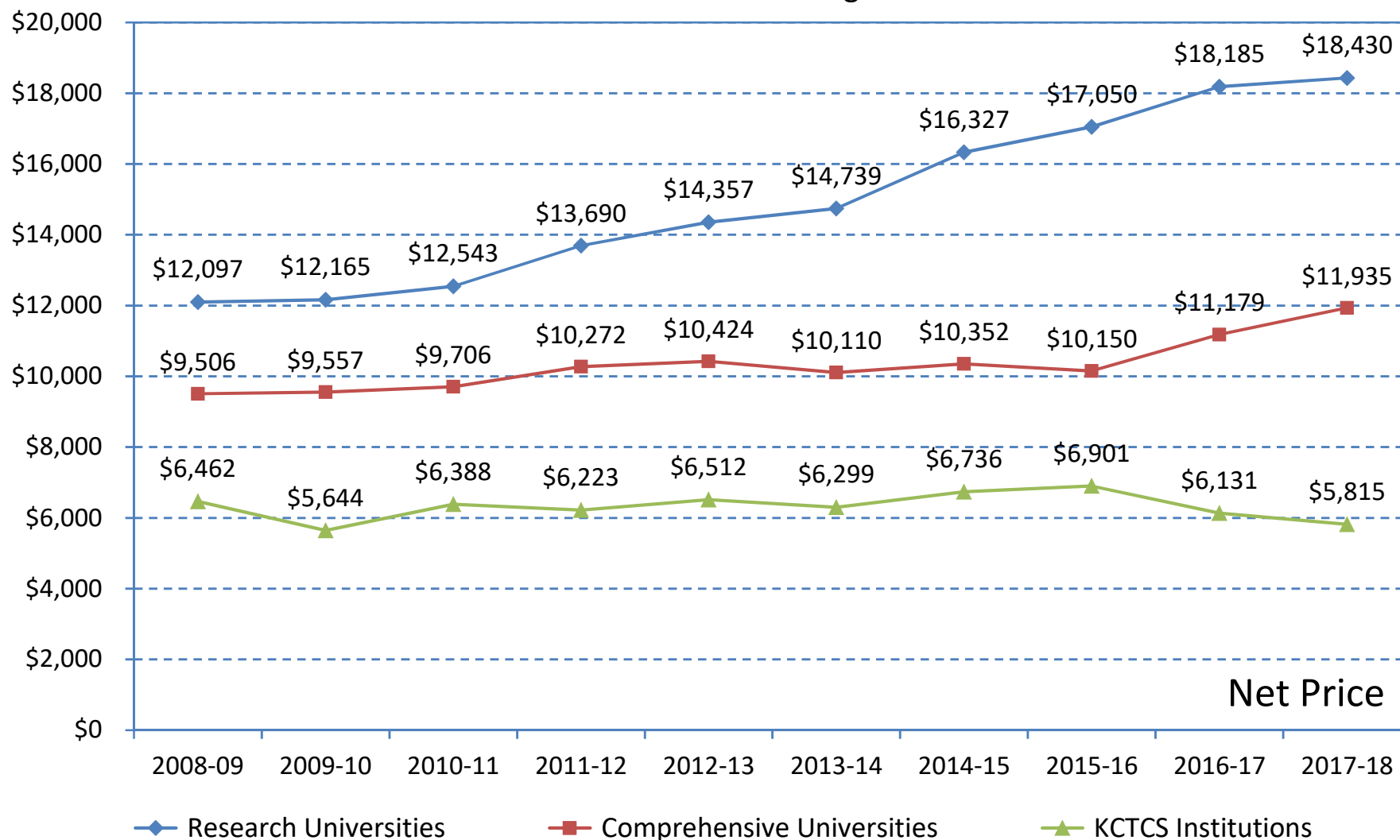
Chart 1

Dollars
(per Student)



Source: National Association of State Student Grant and Aid Programs (NASSGAP), 49th Annual Survey Report on State-Sponsored Student Financial Aid.

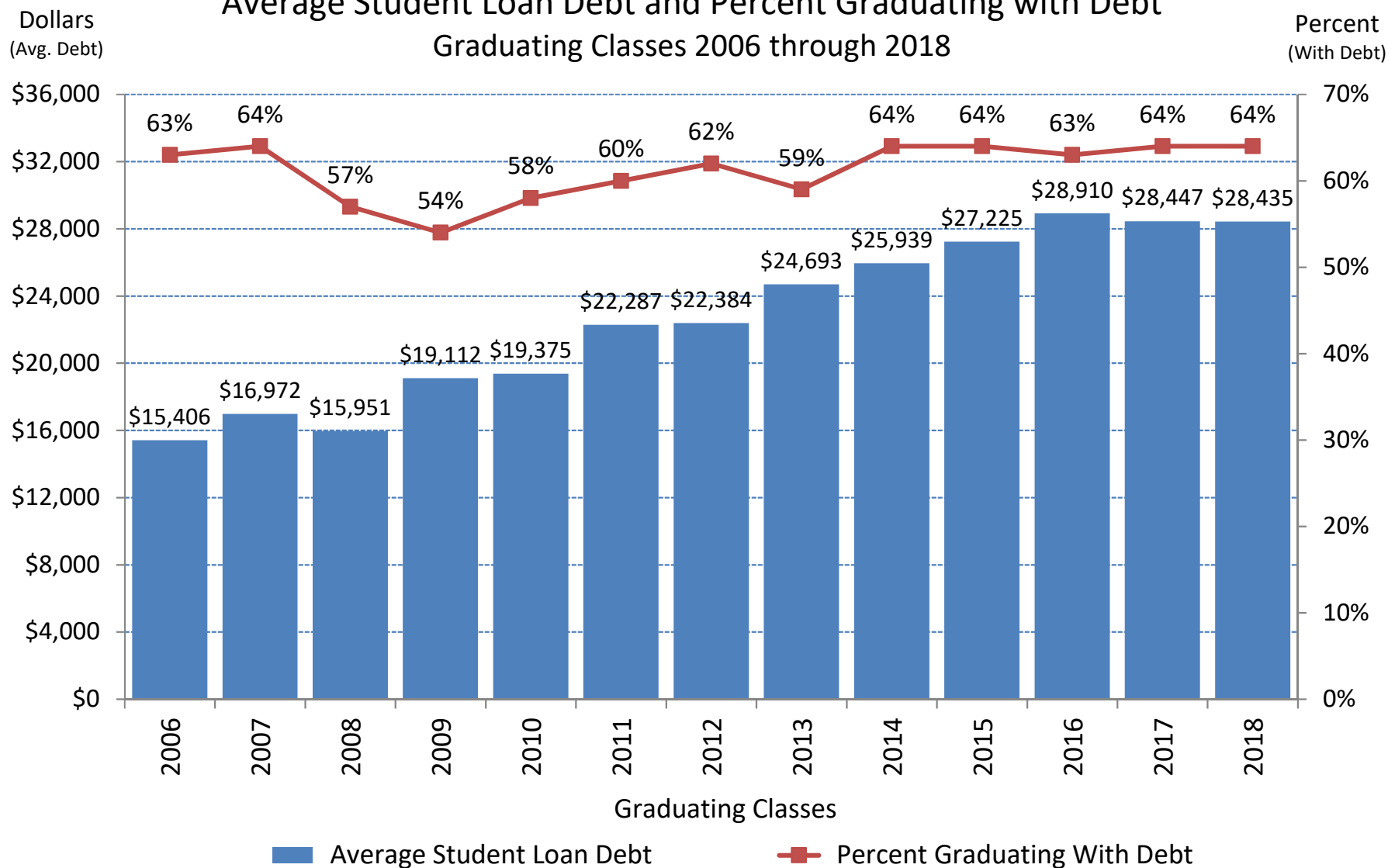
Kentucky Public Postsecondary Sectors Average Net Price of First-Time Full-Time Resident Undergraduate Students Academic Years 2008-09 through 2017-18



Source: Integrated Postsecondary Education Data System (IPEDS).

Chart 3

Kentucky Public and Private Four-Year Universities Average Student Loan Debt and Percent Graduating with Debt Graduating Classes 2006 through 2018



Source: The Institute for College Access & Success, Student Debt and the Class of 2018, September 2019.