

**KENTUCKY COUNCIL ON POSTSECONDARY EDUCATION  
FINANCE COMMITTEE MEETING**



June 10, 2024 - 1:00 p.m., ET

Virtual Meeting via ZOOM - <https://us02web.zoom.us/j/89129396618>

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<b>I. Call to Order and Roll Call</b>	
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## MEETING MINUTES

*Draft for Approval by the Finance Committee, June 10, 2024*

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Who: Kentucky Council on Postsecondary Education  
Meeting Type: Finance Committee  
Date: March 25, 2024  
Time: 1:00 p.m. ET  
Location: Virtual Meeting via ZOOM Webinar

### CALL TO ORDER

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The Finance Committee met Monday, March 25, 2024, at 1:00 p.m., ET. The meeting occurred virtually via ZOOM webinar. Committee Chair Eric Farris presided.

### ATTENDANCE

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All committee members were in attendance: Jacob Brown, Jennifer Collins, Kellie Ellis, Eric Farris, Chloe Marsteller, Madison Silvert, and Elaine Walker.

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

### APPROVAL OF THE MINUTES

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The minutes of the January 16, 2024, Finance Committee meeting were approved as presented.

### TUITION SETTING PROCESS FOR ACADEMIC YEAR 2024-25

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Dr. Bill Payne, Vice President of Finance and Administration, provided an update on the 2024-25 tuition-setting process, including a listing of Council-approved maximum base-rate increases by institution for the upcoming year.

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).

## **CAMPUS TUITION AND FEE PROPOSAL FOR ACADEMIC YEAR 2024-25 – KENTUCKY STATE UNIVERSITY**

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Mr. Shaun McKiernan, Executive Director of Finance and Budget, presented Kentucky State University's tuition and mandatory fee proposal for academic year 2024-25. On March 12, 2024, KSU submitted its proposal to the Council, containing planned tuition and mandatory fee charges for academic year 2024-25. Between academic years 2023-24 and 2024-25, the university is proposing to increase its annual base-rate charge for resident undergraduate students by \$173.00, or 1.9 percent. This complied with the Council's approved ceiling for resident undergraduate tuition and mandatory fees, which stipulates that base rates cannot increase by more than 3.0 percent in any one year at public research and comprehensive universities. In addition, this complies with the approved ceiling which stipulates that tuition and mandatory fees cannot increase more than 5.0% over two years. The university's proposed tuition and fee charges for nonresident, graduate, and online students also adhere to Council parameters. The proposal was approved by the university's Board of Regents at their March 7, 2024, meeting.

MOTION: Ms. Walker moved the Finance Committee approve the Kentucky State University's tuition and mandatory fee proposal for academic year 2024-25 and recommend final approval by the Council at its March 28, 2024, meeting. Mr. Brown seconded the motion.

VOTE: The motion passed.

## **REVISIONS TO THE 2022-24 ENDOWMENT MATCH PROGRAM GUIDELINES**

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Mr. Ryan Kaffenberger, Associate Director of Finance and Budget, presented the proposed revisions to the 2022-24 Endowment Match Program Guidelines.

The Bucks for Brains program, also referred to as the Endowment Match Program, matches public dollars with private donations on at least a dollar-for-dollar basis to encourage research at the University of Kentucky and the University of Louisville and to strengthen key programs at Kentucky's comprehensive universities. All funds, both public and private, must

be endowed, with investment proceeds used to provide a perpetual source of funding for research-related activities.

The Council approved the guidelines at its June 2022 meeting; however, since that time, staff identified areas in the guidelines where language should be clarified to reduce confusion for the institutions. In addition, the current version of the guidelines prohibits all federal funds from being used as matching funds. This is in line with federal guidelines that permit up to 20% of Title III grant awards to be endowed provided they are matched dollar for dollar.

MOTION: Ms. Walker moved the Finance Committee approve the proposed revisions to the 2022-24 Endowment Match Program Guidelines and recommend final approval by the Council at its March 28, 2024, meeting. Mr. Silvert seconded the motion.

VOTE: The motion passed.

## **2024-26 BIENNIAL BUDGET DEVELOPMENT UPDATE**

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Dr. Payne and Mr. McKiernan provided an update on the 2024-2026 budget development process, including major components and funding amounts in the Council's budget recommendation, in the Executive Budget, in the House Budget (as amended), and in the Senate Budget. Three attachments were provided that show the comparisons across the various versions of the postsecondary education budgets. The Senate and House will meet in the Free Conference committee to agree on the budget components and funding amounts to reconcile differences.

## **UPDATE ON 2022-24 ASSET PRESERVATION FUNDING**

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Mr. McKiernan provided the annual update on the use of Asset Preservation Pool funds, per the guidelines approved in June 2022. In the 2022-2024 state budget (HB 1, 2022 RS), the General Assembly appropriated \$683.5 million in General Fund supported bond funds for asset preservation projects on postsecondary education campuses. When combined with a \$16.5 million stand-alone project for KCTCS, total funding for asset preservation for the biennium was \$700.0 million. As of February 29, 2024, Kentucky public postsecondary institutions have drawn down 20% of the \$683.5 million appropriated for asset preservation, or \$136.1 million.

## **ADJOURNMENT**

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The Finance Committee adjourned at 2:15 p.m., ET.

**TITLE:** Campus Tuition and Fee Proposals for Academic Year 2024-25

**DESCRIPTION:** Staff recommends that the Finance Committee endorse and recommend to the Council approval of tuition and mandatory fee proposals for academic year 2024-25 from EKV, MoSU, MuSU, WKU, and KCTCS.

**STAFF CONTACTS:** Bill Payne, Vice President for Finance and Administration, CPE  
Ryan Kaffenberger, Associate Director of Finance and Budget, CPE

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### **EXECUTIVE SUMMARY**

On March 31, 2023, the Council on Postsecondary Education approved tuition and mandatory fee ceilings for academic years 2023-24 and 2024-25. Included among the parameters adopted at that meeting is a requirement that base rate increases for resident undergraduate students cannot exceed 3.0% in any one year, nor 5.0% over two years, at the public universities, and cannot exceed \$4.00 per credit hour in any one year, nor \$7.00 per credit hour over two years, at KCTCS institutions.

Kentucky State University (KSU) officials elected to have the Finance Committee review and approve their tuition and fee rates for 2024-25 at the March 25 meeting. Three days later, the Council approved KSU's proposed rates at the March 28 meeting. Today, 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) are bringing their board-approved rates for Finance Committee review and approval.

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.

University of Louisville (UofL) officials informed Council staff that their Board of Trustees will not meet until June 27 to approve their institution's proposed 2024-25 tuition and fee rates. For this reason, staff is requesting that the Finance Committee approve and endorse to the full Council at their June 21 meeting a delegation of authority to the CPE President to approve UofL's

proposed 2024-25 tuition and fee rates provided they comply with Council parameters. A separate action item will be presented regarding this request.

Staff has reviewed the proposed 2024-25 tuition and mandatory fee charges for Eastern Kentucky University, Morehead State University, Murray State University, Western Kentucky University, and the Kentucky Community and Technical College System for every degree level, residency, and attendance status and determined that they comply with Council-approved ceilings.

Staff recommends that the Finance Committee approve and endorse for full Council approval tuition and mandatory fee charges for resident undergraduate and graduate students, nonresident undergraduate and graduate students, and online learners for academic year 2024-25, as proposed by Eastern Kentucky University, Morehead State University, Murray State University, Western Kentucky University, and the Kentucky Community and Technical College System and approved by their governing boards.

### **COUNCIL-APPROVED TUITION AND FEE CEILINGS**

On March 31, 2023, the Council adopted resident undergraduate tuition and mandatory fee ceilings that equate to:

- a maximum base-rate increase of no more than 5.0 percent over two years, and a maximum increase of no more than 3.0 percent in any one year, for public research and comprehensive universities; and
- a maximum base-rate increase of no more than \$7.00 per credit hour over two years, and a maximum increase of no more than \$4.00 per credit hour in any one year, for students attending KCTCS institutions.

At that same meeting, it was determined that the public institutions shall be allowed to submit for Council review and approval:

- Nonresident undergraduate tuition and fee rates that comply with the Council's *Tuition and Mandatory Fees Policy*, or otherwise adhere to provisions of an existing Memorandum of Understanding between the Council and an institution.
- Market competitive tuition and fee rates for graduate and online courses.

During the tuition-setting process, Council staff and campus officials identified and discussed several key issues that were relevant during the development of staff's tuition and fee recommendation, including: (a) the level of state support for campus operations; (b) a pending reduction in the state's pension subsidy; (c) relatively low tuition increases in recent years; (d) the impact of inflationary cost increases; (e) recent trends in college spending; (f) declining college-going rates of Kentucky high school graduates; and (g) persistent decreases in student enrollment at nearly every public postsecondary institution. Staff believes the adopted ceilings

achieve an appropriate balance between resource needs of the institutions and affordability for Kentucky students and families.

As a reminder, the resident undergraduate tuition and fee ceilings approved by the Council apply to each institution's base rate charge. Base rates are defined as total tuition and fee charges, minus any Special Use Fees and Asset Preservation Fees previously approved by the Council, and minus an agency bond fee at KCTCS (i.e., BuildSmart Investment for Kentucky Competitiveness Fee). Council staff deducts these fees from total tuition and fees before applying a percent-increase parameter, which keeps the fees at a fixed amount each year until they expire. The paragraphs below contain proposed base rates for academic year 2024-25, current-year base rates, and calculated dollar and percent changes between those rates for each institution.

## **CAMPUS TUITION AND FEE PROPOSALS**

Officials from EKU, MoSU, MuSU, WKU, and KCTCS have submitted to the Council undergraduate and graduate tuition and fee proposals for academic year 2024-25, along with tuition and fee revenue estimates for fiscal years 2023-24 and 2024-25. Staff has reviewed each institution's proposed 2024-25 tuition and fee charges for every degree level, residency, and attendance status and determined that they comply with Council approved ceilings.

### **Eastern Kentucky University**

On May 28, 2024, Eastern Kentucky University submitted a proposal to the Council containing board-approved tuition and mandatory fee charges for academic year 2024-25. As seen in Table 1, between academic years 2023-24 and 2024-25, the university is proposing to increase its annual base-rate charge for resident undergraduate students by \$190.<sup>00</sup>, or 1.9 percent. This increase complies with the Council's approved ceiling for resident undergraduate tuition and mandatory fees, which stipulates that base rates cannot increase by more than 3.0 percent in any one year, nor by more than 5.0 percent over two years, at public research and comprehensive universities. EKU's proposed tuition and fee charges for nonresident, graduate, and online students also adhere to Council parameters.

The tuition and fee charges included in EKU's proposal were approved by the university's Board of Regents at their May 15, 2024, meeting. Staff recommends that the Finance Committee approve and endorse for approval by the full Council tuition and fee rates as proposed by EKU.

Attachment A contains additional categories of tuition and fee charges, including proposed per-credit-hour rates for part-time resident and nonresident undergraduate students, per-credit-hour rates for graduate students, and online rates. Staff recommends approval of these additional rates as proposed by the university.

Eastern Kentucky University Proposed Tuition and Fee Base Rates Academic Year 2024-25				Table 1
Rate Category	Current 2023-24 Base Rates	Proposed 2024-25 Base Rates	Dollar Change	Percent Change
Undergraduate				
Resident	\$9,830	\$10,020	\$190	1.9%
Nonresident	\$20,520	\$20,930	\$410	2.0%
Graduate				
Resident	\$572.00 pch	\$583.00 pch	\$11	1.9%
Nonresident	\$780.00 pch	\$796.00 pch	\$16	2.1%
Base rates for EKU do not include a Special Use Fee of \$150.00 per semester, or \$300.00 per year, for full-time students. Base rates also do not include an Asset Preservation Fee of \$10.00 per credit hour, capped at 15 credit hours or \$150.00 per semester, or \$300.00 per year, for full-time students.				
pch = per credit hour				

**Estimated Tuition Revenue**

EKU officials estimate that proposed 2024-25 tuition and mandatory fee charges for all categories of students (i.e., every academic level, residency, and full-time or part-time status) will generate about \$158.5 million in gross tuition and fee revenue, which is \$3.0 million more than anticipated revenue for the current year (see Attachment B).

**Morehead State University**

On May 29, 2024, Morehead State University submitted a proposal to the Council containing planned tuition and mandatory fee charges for academic year 2024-25. As seen in Table 2, between academic years 2023-24 and 2024-25, the university is proposing to increase its annual base-rate charge for resident undergraduate students by \$186.00, or 1.9 percent. This increase for resident undergraduate students complies with the Council’s approved ceiling for resident undergraduate tuition and mandatory fees, which stipulates that base rates cannot increase by more than 3.0 percent in any one year, nor by more than 5.0 percent over two years, at public research and comprehensive universities. The university’s proposed tuition and fee charges for nonresident, graduate, and international students also adhere to Council parameters.



Morehead State University Proposed Tuition and Fee Base Rates Academic Year 2024-25				Table 2
<u>Rate Category</u>	<u>Current 2023-24 Base Rates</u>	<u>Proposed 2024-25 Base Rates</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Undergraduate				
Resident	\$9,586	\$9,772	\$186	1.9%
Nonresident	\$14,454	\$14,728	\$274	1.9%
Graduate				
Resident	\$574.00 pch	\$574.00 pch	\$0	0.0%
Nonresident	\$574.00 pch	\$574.00 pch	\$0	0.0%
Base rates for MoSU do not include a Special Use Fee of \$66.00 per semester, or \$132.00 per year, nor do they include an Asset Preservation fee of \$60.00 per semester, or \$120.00 per year, for full-time students.				
pch = per credit hour				

The tuition and fees included in MoSU's proposal were approved by the university's Board of Regents at their March 29, 2024, meeting. Staff recommends that the Finance Committee approve and endorse for approval by the full Council tuition and fee rates as proposed by Morehead State University and approved by the university's governing board.

Attachment C contains additional categories of tuition and fee charges, including proposed per-credit-hour rates for part-time resident and nonresident undergraduate students, per-credit-hour rates for graduate students, and international student rates. Staff recommends approval of these additional rates as proposed by the university.

### Estimated Tuition Revenue

MoSU officials estimate that proposed 2024-25 tuition and mandatory fee charges for all categories of students (i.e., every academic level, residency, and full-time or part-time status) will generate about \$53.0 million in gross tuition and fee revenue, which is \$1.6 million less than the anticipated gross tuition and fee revenue for the current year (see Attachment D).

### Murray State University

On May 25, 2024, Murray State University submitted a proposal to the Council containing planned tuition and mandatory fee charges for academic year 2024-25. As seen in Table 3, between academic years 2023-24 and 2024-25, the university is proposing to increase its annual base-rate charge for resident undergraduate students by \$192.<sup>00</sup>, or 2.0 percent. The undergraduate base rates in Table 3 apply to students who enrolled at MuSU during summer term 2020 or after. See Attachment E for proposed base rates assessed to those who enrolled between summer term 2016 and spring 2020.

Murray State University Proposed Tuition and Fee Base Rates Academic Year 2024-25				Table 3
Rate Category	Current 2023-24 Base Rates	Proposed 2024-25 Base Rates	Dollar Change	Percent Change
Undergraduate				
Resident	\$9,708	\$9,900	\$192	2.0%
Nonresident	\$19,452	\$19,836	\$384	2.0%
Graduate				
Resident	\$576.00 pch	\$593.50 pch	\$17.50	3.0%
Nonresident	\$576.00 pch	\$593.50 pch	\$17.50	3.0%
Base rates for MuSU do not include an Asset Preservation Fee of \$10.00 per credit hour, capped at \$150.00 per semester. Or \$300.00 per year, for full-time comparison (fall and spring semesters only).				
pch = per credit hour				

MuSU’s proposed base rate increase for resident undergraduate students complies with the Council’s approved ceiling for resident undergraduate tuition and mandatory fees, which stipulates that base rates cannot increase by more than 3.0 percent in any one year, nor by more than 5.0 percent over two years, at public research and comprehensive universities. The university’s proposed tuition and fee charges for nonresident, graduate, and online students also adhere to Council parameters.

The tuition and fees included in MuSU’s proposal were approved by the university’s Board of Regents at their June 7, 2024, meeting. Staff recommends that the Finance Committee approve and endorse for approval by the full Council tuition and fee rates as proposed by Murray State University and approved by the university’s governing board.

Attachment E contains additional categories of tuition and fee charges, including proposed per-credit-hour rates for part-time resident and nonresident undergraduate students, rates for part-time graduate students, and online rates. Staff recommends approval of these additional rates as proposed by the university.

#### Estimated Tuition Revenue

MuSU officials estimate that proposed 2024-25 tuition and mandatory fee charges for all categories of students (i.e., every academic level, residency, and full-time or part-time status) will generate about \$111.9 million in gross tuition and fee revenue, which is \$3.5 million more than anticipated revenue for the current year (see Attachment F).

**Western Kentucky University**

On May 28, 2024, Western Kentucky University submitted a proposal to the Council containing planned tuition and mandatory fee charges for academic year 2024-25. As seen in Table 4, between academic years 2023-24 and 2024-25, the university is proposing to increase its annual base-rate charge for resident undergraduate students by \$216.<sup>00</sup>, or 1.9 percent. This increase complies with the Council’s approved ceiling for resident undergraduate tuition and mandatory fees, which stipulates that base rates cannot increase by more than 3.0 percent in any one year, nor more than 5.0 percent over two years, at public research and comprehensive universities. WKU’s proposed tuition and fee charges for nonresident, graduate, and online students also adhere to Council parameters.

Western Kentucky University Proposed Tuition and Fee Base Rates Academic Year 2024-25				Table 4
<u>Rate Category</u>	<u>Current 2023-24 Base Rates</u>	<u>Proposed 2024-25 Base Rates</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Undergraduate				
Resident	\$11,236	\$11,452	\$216	1.9%
Nonresident	\$26,800	\$26,800	\$0	0.0%
Graduate				
Resident	\$597.00 pch	\$597.00 pch	\$0	0.0%
Nonresident	\$907.00 pch	\$907.00 pch	\$0	0.0%
Base rates for WKU do not include Special Use Fees of \$100.00 per semester, or \$200.00 per year for full-time students. Special Use Fees are also assessed at \$10.00 per credit hour for graduate and part-time students.				
pch = per credit hour				

The tuition and fees included in WKU’s proposal were approved by the university’s Board of Regents at their June 7, 2024, meeting. Staff recommends that the Finance Committee approve and endorse for approval by the full Council, tuition and fee rates as proposed by Western Kentucky University and approved by the university’s governing board.

Attachment G contains additional categories of tuition and fee charges, including proposed per-credit-hour rates for part-time resident and nonresident undergraduate students, rates for part-time graduate students, and online rates. Staff recommends approval of these additional rates as proposed by the university.

**Estimated Tuition Revenue**

WKU officials estimate that proposed 2024-25 tuition and mandatory fee charges for all categories of students (i.e., every academic level, residency, and full-time or part-time status)

will generate about \$179.7 million in gross tuition and fee revenue, which is \$1.9 million more than anticipated revenue for the current year (see Attachment H).

**Kentucky Community and Technical College System**

On May 29, 2024, the Kentucky Community and Technical College System submitted a proposal to the Council containing planned tuition and mandatory fee charges for academic year 2024-25. As can be seen in Table 5 below, between academic years 2023-24 and 2024-25, the system is proposing to increase its per-credit-hour base-rate charge for resident students by \$3.00, or 1.6 percent. This complies with the Council’s approved ceiling for resident tuition and mandatory fees, which stipulates that base rates cannot increase by more than \$4.00 per credit hour in any one year, nor by more than \$7.00 per credit hour over two years, at KCTCS. The system’s proposed tuition and fee charges for nonresident and online students also adhere to Council parameters.

Kentucky Community and Technical College System Proposed Tuition and Fee Base Rates Academic Year 2024-25				Table 5
Rate Category	Current 2023-24 Base Rates	Proposed 2024-25 Base Rates	Dollar Change	Percent Change
<b>Resident</b>				
Per Credit Hour	\$186 pch	\$189 pch	\$3.00	1.6%
30 Credit Hours	\$5,580	\$5,670	\$90	1.6%
<b>Nonresident</b>				
Per Credit Hour	\$250 pch	\$260 pch	\$10	4.0%
30 Credit Hours	\$7,500	\$7,800	\$300	4.0%
Base rates for KCTCS do not include an \$8.00 per credit hour BuildSmart Investment for Kentucky Competitiveness Fee.				
pch = per credit hour				

The tuition and fees included in KCTCS’s proposal were approved by the system’s Board of Regents at their March 14, 2024, meeting. Staff recommends that the Finance Committee approve and endorse for approval by the full Council tuition and fee rates as proposed by the Kentucky Community and Technical College System and approved by the system’s governing board.

Attachment I contains additional tuition and fees, including per-credit-hour rates for students from non-resident – contiguous counties, rates for other nonresident students, online rates, and rates for dual-credit students. Attachment I shows billable charges for students enrolled at various levels of credit hours taken (e.g., 3 hours, 6 hours, 9 hours, etc.). Staff recommends approval of these rates as proposed by KCTCS.

### Estimated Tuition Revenue

KCTCS officials estimate that proposed 2024-25 tuition and mandatory fee charges for all categories of students (i.e., dual-credit, residency, and full-time or part-time status) will generate about \$258.9 million in gross tuition and fee revenue, which is \$18.7 million more than anticipated revenue for the current year (see Attachment J).

### **STAFF RECOMMENDATION**

Council staff reviewed tuition and mandatory fee proposals for academic year 2024-25 submitted by ECU, MoSU, MuSU, WKU, and KCTCS and determined that they comply with resident undergraduate tuition and fee ceilings for comprehensive universities and KCTCS adopted by the Council at the March 31, 2023, meeting. In addition, staff determined that campus-proposed prices for nonresident undergraduate students adhere to provisions of the Council's *Tuition and Mandatory Fee Policy*, or a previously approved Memorandum of Understanding between the Council and an institution. Finally, the institutions adopted market competitive graduate and online rates in accordance with Council parameters.

Staff recommends that the Finance Committee approve and endorse for approval by the full Council all applicable tuition and mandatory fee charges for resident undergraduate and graduate students, nonresident undergraduate and graduate students, and online learners for academic year 2024-25, as proposed by ECU, MoSU, MuSU, WKU, and KCTCS.

**Proposed 2024-25 Tuition and Mandatory Fee Charges  
Eastern Kentucky University**

<i>Category</i>	Fall 2024	Spring 2025	Annual 2024-25	Summer 2025	Winter 2024
<i>Undergraduate</i>					
Resident					
Under 12 credit hours (per hour)	\$ 418	\$ 418		\$ 418	\$ 418
12 - 18 credit hours (flat rate)	\$ 5,010	\$ 5,010	\$ 10,020		
Above 18 credit hours (per hour)	\$ 418	\$ 418			
Nonresident					
Under 12 credit hours (per hour)	\$ 872	\$ 872		\$ 455	\$ 455
12 - 18 credit hours (flat rate)	\$ 10,465	\$ 10,465	\$ 20,930		
Above 18 credit hours (per hour)	\$ 872	\$ 872			
Online Programs					
RN to BSN	\$ 489	\$ 489		\$ 489	\$ 489
All other online programs	\$ 443	\$ 443		\$ 443	\$ 443
<i>Graduate - Master's (per hour)</i>					
Resident	\$ 583	\$ 583		\$ 583	\$ 583
Nonresident	\$ 796	\$ 796		\$ 796	\$ 796
FTF Programs					
Master of Business Administration	\$ 649	\$ 649		\$ 649	\$ 649
M.A. in Clinical Mental Health Counseling	\$ 541	\$ 541		\$ 541	\$ 541
M.A. in Communication Disorders	\$ 541	\$ 541		\$ 541	\$ 541
M.S. in Athletic Training	\$ 583	\$ 583		\$ 583	\$ 583
M.F.A. in Creative Writing	\$ 583	\$ 583		\$ 583	\$ 583
Online Programs					
Master of Business Administration	\$ 703	\$ 703		\$ 703	\$ 703
Education - all online programs	\$ 541	\$ 541		\$ 541	\$ 541
Master of Nursing	\$ 703	\$ 703		\$ 703	\$ 703
M.S. in General Psychology - ABA Concentration	\$ 703	\$ 703		\$ 703	\$ 703
All other online programs	\$ 649	\$ 649		\$ 649	\$ 649
<i>Graduate - Doctoral (per hour)</i>					
Doctorate in Psychology	\$ 716	\$ 716		\$ 716	\$ 716
Online Programs					
Doctorate in Education	\$ 610	\$ 610		\$ 610	\$ 610
Doctorate Nursing Practice	\$ 716	\$ 716		\$ 716	\$ 716
Doctorate in Occupational Therapy	\$ 716	\$ 716		\$ 716	\$ 716
<i>EKU Now! (High School)</i>					
Per hour - to be determined by KCTCS/CPE	TBD	TBD		TBD	TBD

**ATTACHMENT B**

**Estimated 2024-25 Gross Tuition and Mandatory Fee Revenue  
Eastern Kentucky University**

<i>Category</i>	Estimated 2023-24	Estimated 2024-25
<i>Undergraduate</i>		
Resident		
Fall	\$ 39,129,000	\$ 39,912,000
Spring	\$ 33,816,000	\$ 34,492,000
Summer	\$ 3,034,000	\$ 3,095,000
Nonresident		
Fall	\$ 8,996,000	\$ 9,176,000
Spring	\$ 7,844,000	\$ 8,001,000
Summer	\$ 486,000	\$ 496,000
Online Courses		
Winter	\$ 1,731,000	\$ 1,766,000
Online Programs		
Fall	\$ 12,171,000	\$ 12,414,000
Spring	\$ 12,542,000	\$ 12,793,000
Summer	\$ 4,229,000	\$ 4,314,000
<i>Graduate - Master's</i>		
Resident		
Fall	\$ 1,342,000	\$ 1,369,000
Spring	\$ 1,354,000	\$ 1,381,000
Summer	\$ 845,000	\$ 862,000
Nonresident		
Fall	\$ 573,000	\$ 584,000
Spring	\$ 612,000	\$ 624,000
Summer	\$ 169,000	\$ 172,000
Online Courses		
Winter	\$ 32,000	\$ 33,000
Online Programs		
Fall	\$ 5,823,000	\$ 5,939,000
Spring	\$ 5,805,000	\$ 5,921,000
Summer	\$ 4,322,000	\$ 4,408,000
<i>Graduate - Doctorate</i>		
Resident		
Fall	\$ 241,000	\$ 246,000
Spring	\$ 239,000	\$ 244,000
Summer	\$ 105,000	\$ 107,000
Non residency		
Fall	\$ 158,000	\$ 161,000
Spring	\$ 152,000	\$ 155,000
Summer	\$ 48,000	\$ 49,000
Online Programs		
Fall	\$ 968,000	\$ 987,000
Spring	\$ 952,000	\$ 971,000
Summer	\$ 262,000	\$ 267,000
<i>Special Use Fee</i>	\$ 4,033,000	\$ 4,033,000
<i>Asset Preservation Fee</i>	\$ 3,479,000	\$ 3,479,000
	<b>\$ 155,492,000</b>	<b>\$ 158,451,000</b>

## Proposed 2024-25 Tuition and Mandatory Fee Charges Kentucky Community and Technical College System

<i>Category</i>	Fall 2024	Spring 2025	Annual 2024-25	Summer 2025
<i>Resident</i>				
Per Credit Hour	\$189	\$189		\$189
Charge for Students Enrolled with 3 Credit Hours	567	567		567
Charge for Students Enrolled with 6 Credit Hours	1,134	1,134		1,134
Charge for Students Enrolled with 9 Credit Hours	1,701	1,701		1,701
Charge for Students Enrolled with 12 Credit Hours	2,268	2,268		2,268
Charge for Students Enrolled with 15 Credit Hours	2,835	2,835		2,835
<i>Nonresident - Contiguous Counties</i>				
Per Credit Hour	\$260	\$260		\$260
Charge for Students Enrolled with 3 Credit Hours	780	780		780
Charge for Students Enrolled with 6 Credit Hours	1,560	1,560		1,560
Charge for Students Enrolled with 9 Credit Hours	2,340	2,340		2,340
Charge for Students Enrolled with 12 Credit Hours	3,120	3,120		3,120
Charge for Students Enrolled with 15 Credit Hours	3,900	3,900		3,900
<i>Nonresident - Other</i>				
Per Credit Hour	\$260	\$260		\$260
Charge for Students Enrolled with 3 Credit Hours	780	780		780
Charge for Students Enrolled with 6 Credit Hours	1,560	1,560		1,560
Charge for Students Enrolled with 9 Credit Hours	2,340	2,340		2,340
Charge for Students Enrolled with 12 Credit Hours	3,120	3,120		3,120
Charge for Students Enrolled with 15 Credit Hours	3,900	3,900		3,900
<i>Online</i>				
Per Credit Hour	\$189	\$189		\$189
<i>Dual Credit</i>				
Per Credit Hour	\$95	\$95		\$95
Agency Bond Fee*				
Per Credit Hour	\$8	\$8		\$8

\*Not assessed to online or dual credit students.



**ATTACHMENT J**

**Estimated 2024-25 Gross Tuition and Mandatory Fee Revenue  
Kentucky Community and Technical College System**

<i>Category</i>	Estimated 2023-24	Estimated 2024-25
<i>Undergraduate</i>		
Resident	72,409,000	\$ 77,941,100
Nonresident	2,338,500	2,517,100
Online	109,766,900	118,153,100
Dual Credit	46,693,800	50,261,200
Agency Bond Fee	9,000,000	10,000,000
<b>Total</b>	<b>\$ 240,208,200</b>	<b>\$ 258,872,500</b>

**ATTACHMENT C**

**Proposed 2024-25 Tuition and Mandatory Fee Charges  
Morehead State University**

<i>Category</i>	Fall 2024	Spring 2025	Annual 2024-25	Winter & Summer 2025
<i>Undergraduate</i>				
Resident				
Full-time	4,886	4,886	9,772	-
Per Credit Hour	409	409	-	409
Nonresident				
Full-time	7,364	7,364	14,728	-
Per Credit Hour	615	615	-	615
International				
Full-time	12,324	12,324	24,648	-
Per Credit Hour	1,029	1,029	-	1,029
<i>Graduate</i>				
Resident				
Full-time	-	-	-	-
Per Credit Hour	574	574	-	574
Volgenau College of Education (600-level) Per Credit Hour	409	409	-	409
Nonresident				
Full-time	-	-	-	-
Per Credit Hour	574	574	-	574
International				
Full-time	-	-	-	-
Per Credit Hour	574	574	-	574
<hr/>				
Asset Preservation Fee				
Full-time	60	60	120	-
Per Credit Hour	5	5	-	-
Special Use Fee				
Full-time	66	66	132	-
Per Credit Hour	5	5	-	5

**ATTACHMENT D**

**Estimated 2024-25 Gross Tuition and Mandatory Fee Revenue  
Morehead State University**

<i>Category</i>	Estimated 2023-24	Estimated 2024-25
<i>Undergraduate</i>		
Resident	\$ 39,221,100	\$ 37,836,800
Nonresident	7,889,800	7,556,500
International	1,840,200	2,015,000
<i>Graduate</i>		
Resident	3,619,900	3,620,300
Nonresident	734,500	734,600
International	13,400	13,400
Asset Preservation Fee	603,700	500,000
Special Use Fee	673,300	685,800
<b>Total</b>	<b>\$ 54,595,900</b>	<b>\$ 52,962,400</b>

**Proposed 2024-25 Tuition and Mandatory Fee Charges  
Murray State University**

Category	Students admitted Summer 2016 to Spring 2020				Students admitted Summer 2020 and after			
	Fall 2024	Spring 2025	Annual 2024-25	Summer 2025	Fall 2024	Spring 2025	Annual 2024-25	Summer 2025
<i>Undergraduate</i>								
Resident								
Full-time (up to 15 hours)	4,950.00	4,950.00	9,900.00		4,950.00	4,950.00	9,900.00	
Per Credit Hour	412.50	412.50		412.50	412.50	412.50		412.50
(Online Courses Resident) Per Credit Hour	412.50	412.50		412.50	412.50	412.50		412.50
Nonresident*								
Full-time (up to 15 hours)	13,404.00	13,404.00	26,808.00					
Per Credit Hour	1,117.00	1,117.00		1,117.00				
(Online Courses Resident) Per Credit Hour	412.50	412.50		412.50				
Regional/Nonresident*								
Full-time (up to 15 hours)	9,918.00	9,918.00	19,836.00		9,918.00	9,918.00	19,836.00	
Per Credit Hour	826.50	826.50		826.50	826.50	826.50		826.50
(Online Courses Resident) Per Credit Hour	412.50	412.50		412.50	412.50	412.50		412.50
Programs that are 100% Online Per Credit Hour	412.50	412.50		412.50	412.50	412.50		412.50

\*All nonresident students admitted Summer 2020 and after are charged the regional/nonresident rate.

**Proposed 2024-25 Tuition and Mandatory Fee Charges  
Murray State University**

	All Graduate Students			
	Fall 2024	Spring 2025	Annual 2024-25	Summer 2025
<i>Graduate-All programs not defined below</i>				
PCH - Resident, Non-Resident, Regional, Online:	593.50	593.50		593.50
<i>Graduate-Education</i>				
Resident Per Credit Hour	409.00	409.00		409.00
Nonresident, Regional Per Credit Hour	593.50	593.50		593.50
Online Per Credit Hour, regardless of residency	593.50	593.50		593.50
<i>Graduate-below programs</i>				
Occupational Therapy				
Speech-Language Pathology				
Resident				
Per Credit Hour	655.00	655.00		655.00
Nonresident, Regional				
Per Credit Hour	655.00	655.00		655.00
Online Per Credit Hour, regardless of residency	593.50	593.50		593.50
<i>Graduate-below programs</i>				
Master of Business Administration				
Master of Science Cybersecurity Management				
Master of Science Mass communications with a Concentration in Public Relations				
Master of Science in Information Systems				
Oncampus and Online Per Credit Hour, regardless of residency	581.50	581.50		581.50
<i>Graduate-below programs</i>				
Master of Public Administration				
Oncampus and Online Per Credit Hour, regardless of residency	452.50	452.50		452.50
<i>Doctor of Education</i>				
Per Credit Hour, regardless of residency	644.00	644.00		644.00
Online Per Credit Hour, regardless of residency	593.50	593.50		593.50
<i>Doctor of English</i>				
Per Credit Hour, regardless of residency	644.00	644.00		644.00
Online Per Credit Hour, regardless of residency	593.50	593.50		593.50
<i>Doctor of Nursing Practice - Nursing</i>				
Per Credit Hour, regardless of residency	644.00	644.00		644.00
Online Per Credit Hour, regardless of residency	593.50	593.50		593.50
<i>Doctor of Nursing Practice - Family Nurse Practitioner</i>				
Per Credit Hour, regardless of residency	644.00	644.00		644.00
Online Per Credit Hour, regardless of residency	593.50	593.50		593.50
<i>Doctor of Nursing Practice - Nurse Anesthetist</i>				
Per Credit Hour, regardless of residency	764.50	764.50		764.50
Online Per Credit Hour, regardless of residency	593.50	593.50		593.50

## Notes:

- (a) Students enrolled in full online programs will not have their courses capped and will be billed for each credit hour enrolled.
- (b) All undergraduate rates are capped at fixed-flat full-time for 12-15 credit hours. Hours above 15 assessed at the appropriate resident, regional or non-resident rate.

**ATTACHMENT F**

**Estimated 2024-25 Gross Tuition and Mandatory Fee Revenue  
Murray State University**

<u>Category</u>	<u>Estimated 2023-24</u>	<u>Estimated 2024-25</u>
<i>Undergraduate</i>		
Resident	\$ 42,407,480	\$ 42,733,301
Nonresident	49,793,337	50,233,323
Online	(a) 1,433,124	2,089,330
<i>Graduate</i>		
Resident	2,541,501	2,101,913
Nonresident	4,703,909	4,788,495
Online	4,766,996	7,146,770
<i>Doctoral</i>		
Resident	488,149	422,287
Nonresident	512,541	648,983
Online	1,786,505	1,768,414
<b>Total</b>	<b><u>\$ 108,433,542</u></b>	<b><u>\$ 111,932,816</u></b>

(a) Revenues from online courses, unless the programs are fully online, are not tracked by MuSU since online courses are available as part of the full-time 15 hour cap. Online courses that are not specific to fully online programs are included in the Resident and Nonresident amounts.

**ATTACHMENT G**

**Proposed 2024-25 Tuition and Mandatory Fee Charges  
Western Kentucky University**

<i>Category</i>	Fall 2024	Spring 2025	Annual 2024-25	Winter & Summer 2025
<i>Undergraduate</i>				
Resident				
Full-time (12-18 credit hours)	5,826	5,826	11,652	485.50
Military at Resident Rate	5,826	5,826	11,652	485.50
Part-time (Per Credit Hour)	485.50	485.50		485.50
Dual Credit (Per Credit Hour)	TBD	TBD		
Nonresident				
Full-time (12-18 credit hours)	13,500	13,500	27,000	1,125
Full-time - Tuition Incentive Program (12-18 credit hours)	7,068	7,068	14,136	589
Part-time (Per Credit Hour)	1,125	1,125		1,125
Part-time - Tuition Incentive Program (Per Credit Hour)	589	589		589
Part-time - Distance Learning (Online Courses)	551	551		551
International				
Full-time (12-18 credit hours)	13,824	13,824	27,648	1,152
Part-time (Per Credit Hour)	1,152	1,152		1,152
<i>Graduate</i>				
Resident				
Per Credit Hour	607	607	607	607
Military at Resident Rate	607	607	607	607
Kentucky P-12 Educator	350	350	350	350
Nonresident				
Domestic Per Credit Hour	917	917	917	917
International Per Credit Hour	953	953	953	953
Distance Learning (Online Courses)	707	707	707	707
Doctorate, Nurse Practitioner				
Resident (Per Credit Hour)	663	663	663	663
Nonresident (Per Credit Hour)	858	858	858	858
Doctorate, Physical Therapy				
Resident (Per Credit Hour)	643	643	643	643
Nonresident (Per Credit Hour)	909	909	909	909
Active Military (Per Credit Hour)	250	250	250	250
<b>Included in the above:</b>				
Special Use Fee (FT)	100	100	200	-
Special Use Fee (PT) pro-rated by credit hour	10	10	10	10

## ATTACHMENT H

### Estimated 2024-25 Gross Tuition and Mandatory Fee Revenue Western Kentucky University

<u>Category</u>	<u>Estimated 2023-24</u>	<u>Estimated 2024-25</u>
<i>Undergraduate</i>		
Resident	\$ 93,100,000	\$ 94,500,000
Nonresident	41,500,000	42,000,000
Online	14,013,100	14,000,000
<i>Graduate (incl practice based doctoral)</i>		
Resident	\$ 15,012,000	\$ 15,000,000
Nonresident	3,102,000	3,100,000
Online	2,779,900	2,750,000
<i>Student Athletics Fee</i>	\$ 4,775,000	\$ 4,800,000
<i>Centers Fee (Auxiliary Enterprises)</i>	\$ 1,355,000	\$ 1,375,000
<i>Special Use Fees</i>	\$ 2,139,000	\$ 2,150,000
<b>Total</b>	<b><u>\$ 177,776,000</u></b>	<b><u>\$ 179,675,000</u></b>



**TITLE:** Request for Delegation of Authority

**DESCRIPTION:** Staff recommends 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.

**STAFF CONTACTS:** Ryan Kaffenberger, Associate Director of Finance and Budget, CPE  
Bill Payne, Vice President for Finance and Administration, CPE

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**SUPPORTING INFORMATION**

About six years ago, the Council adopted an approach that 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. More recently, the Council has employed a practice of requiring institutions to first have their rate proposals reviewed and endorsed by the Finance Committee before bringing them to the full Council for approval.

This year, 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 June 27, 2024. Since this date is after the Council’s June 21, 2024, business meeting, it is not possible for the Council to approve at their June 21 meeting UofL’s board-approved 2024-25 tuition and fee rates. Given the timing of UofL’s board meeting, staff recommends that the Finance Committee approve and endorse to the full Council a request to 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 (i.e., circa the March 31, 2023, Council meeting). If approved, this will allow UofL’s tuition and fee rates to be approved much earlier than the Council’s next regularly scheduled meeting in September.



# Tuition and Fee Rates (AY 2024-25)

# Campus Tuition and Fee Proposals

## *What parameters did the Council adopt?*

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 an institution and the Council
- Market competitive tuition and fee rates for graduate and online courses

# Campus Tuition and Fee Proposals

## *What are allowable base rate increases in 2024-25?*

- In 2023-24, every university increased its resident undergraduate base rate by 2.5 percent or more
- Due to the 5.0 percent two-year cap, percent residuals at every university will be below 2.5 percent in 2024-25
- KCTCS adopted a \$4.00 per credit hour increase in 2023-24, therefore their maximum increase next year is \$3.00
- At the maximum allowable base rates for 2024-25, the system average increase would be 2.0 percent

Kentucky Public Postsecondary Institution  
Allowable Base Rate Dollar and Percent Increase Residuals  
Academic Year 2024-25

<u>Institution</u>	<u>Maximum 2024-25 Base Rates</u>	<u>Adopted 2023-24 Base Rates</u>	<u>Allowable Dollar Residual</u> <sup>4</sup>	<u>Allowable Percent Residual</u>
UK	\$13,502	\$13,212	\$290	2.19%
UofL	12,940	12,632	308	2.44%
EKU	10,021	9,830	191	1.94%
KSU	9,087	8,914	173	1.94%
MoSU	9,773	9,586	187	1.95%
MuSU	9,904	9,708	196	2.02%
NKU	10,718	10,512	206	1.96%
WKU	\$11,458	\$11,236	\$222	1.98%
KCTCS (per credit hour)	\$189.00	\$186.00	\$3.00	1.61%
KCTCS (per credit hour x 30)	\$5,670	\$5,580	\$90	1.61%

<sup>4</sup> Allowable base rate residuals for academic year 2024-25 are calculated by subtracting adopted 2023-24 base rates from maximum 2024-25 base rates.

# Campus Tuition and Fee Proposals

## *EKU Proposed Rates*

- EKU's board approved tuition and fees for 2024-25 on May 15
- The university's maximum allowable base rate for 2024-25 is **\$10,021**
- EKU proposes to charge resident undergraduates **\$10,020** in 2024-25, an increase of \$190 or 1.9%
- EKU has nonresident MOU with CPE
- EKU's proposed rates for 2024-25 comply with Council parameters

Eastern Kentucky University Proposed Tuition and Fee Base Rates Academic Year 2024-25				Table 1
Rate Category	Current 2023-24 Base Rates	Proposed 2024-25 Base Rates	Dollar Change	Percent Change
Undergraduate				
Resident	\$9,830	\$10,020	\$190	1.9%
Nonresident	\$20,520	\$20,930	\$410	2.0%
Graduate				
Resident	\$572.00 pch	\$583.00 pch	\$11	1.9%
Nonresident	\$780.00 pch	\$796.00 pch	\$16	2.1%

Base rates for EKU do not include a Special Use Fee of \$150.00 per semester, or \$300.00 per year, for full-time students. Base rates also do not include an Asset Preservation Fee of \$10.00 per credit hour, capped at 15 credit hours or \$150.00 per semester, or \$300.00 per year, for full-time students.

pch = per credit hour

# Campus Tuition and Fee Proposals

## *MoSU Proposed Rates*

- MoSU's board approved tuition and fees for 2024-25 on March 29
- The university's maximum allowable base rate for 2024-25 is **\$9,773**
- MoSU proposes to charge resident undergraduates **\$9,772** in 2024-25, an increase of \$186 or 1.9%
- MoSU has nonresident MOU w/ CPE
- MoSU's proposed rates for 2024-25 comply with Council parameters

Morehead State University Proposed Tuition and Fee Base Rates Academic Year 2024-25					Table 2
Rate Category	Current 2023-24 Base Rates	Proposed 2024-25 Base Rates	Dollar Change	Percent Change	
Undergraduate					
Resident	\$9,586	\$9,772	\$186	1.9%	
Nonresident	\$14,454	\$14,728	\$274	1.9%	
Graduate					
Resident	\$574.00 pch	\$574.00 pch	\$0	0.0%	
Nonresident	\$574.00 pch	\$574.00 pch	\$0	0.0%	

Base rates for MoSU do not include a Special Use Fee of \$66.00 per semester, or \$132.00 per year, nor do they include an Asset Preservation fee of \$60.00 per semester, or \$120.00 per year, for full-time students.

pch = per credit hour

# Campus Tuition and Fee Proposals

## *MuSU Proposed Rates*

- MuSU's board approved tuition and fees for 2024-25 on June 7
- The university's maximum allowable base rate for 2024-25 is **\$9,904**
- MuSU proposes to charge resident undergraduates **\$9,900** in 2024-25, an increase of \$192 or 2.0%
- MuSU has nonresident MOU w/ CPE
- MuSU's proposed rates for 2024-25 comply with Council parameters

Murray State University Proposed Tuition and Fee Base Rates Academic Year 2024-25					Table 3
Rate Category	Current 2023-24 Base Rates	Proposed 2024-25 Base Rates	Dollar Change	Percent Change	
Undergraduate					
Resident	\$9,708	\$9,900	\$192	2.0%	
Nonresident	\$19,452	\$19,836	\$384	2.0%	
Graduate					
Resident	\$576.00 pch	\$593.50 pch	\$17.50	3.0%	
Nonresident	\$576.00 pch	\$593.50 pch	\$17.50	3.0%	
Base rates for MuSU do not include an Asset Preservation Fee of \$10.00 per credit hour, capped at \$150.00 per semester. Or \$300.00 per year, for full-time comparison (fall and spring semesters only).					
pch = per credit hour					

# Campus Tuition and Fee Proposals

## *WKU Proposed Rates*

- WKU's board approved tuition and fees for 2024-25 on June 7
- The university's maximum allowable base rate for 2024-25 is **\$11,458**
- WKU proposes to charge resident undergraduates **\$11,452** in 2024-25, an increase of \$216 or 1.9%
- WKU has nonresident MOU with CPE
- WKU's proposed rates for 2024-25 comply with Council parameters

Western Kentucky University Proposed Tuition and Fee Base Rates Academic Year 2024-25				Table 4
Rate Category	Current 2023-24 Base Rates	Proposed 2024-25 Base Rates	Dollar Change	Percent Change
Undergraduate				
Resident	\$11,236	\$11,452	\$216	1.9%
Nonresident	\$26,800	\$26,800	\$0	0.0%
Graduate				
Resident	\$597.00 pch	\$597.00 pch	\$0	0.0%
Nonresident	\$907.00 pch	\$907.00 pch	\$0	0.0%

Base rates for WKU do not include Special Use Fees of \$100.00 per semester, or \$200.00 per year for full-time students. Special Use Fees are also assessed at \$10.00 per credit hour for graduate and part-time students.

pch = per credit hour



# Campus Tuition and Fee Proposals

## *KCTCS Proposed Rates*

- KCTCS’s board approved tuition and fees for 2024-25 on March 14
- The system’s maximum allowable base rate for 2024-25 is **\$189.00** pch
- KCTCS proposes to charge resident students **\$189.00** pch in 2024-25, an increase of \$3.00 pch or 1.6%
- KCTCS’s proposed rates for 2024-25 comply with Council parameters

Kentucky Community and Technical College System Proposed Tuition and Fee Base Rates Academic Year 2024-25				Table 5
Rate Category	Current 2023-24 Base Rates	Proposed 2024-25 Base Rates	Dollar Change	Percent Change
<b>Resident</b>				
Per Credit Hour	\$186 pch	\$189 pch	\$3.00	1.6%
30 Credit Hours	\$5,580	\$5,670	\$90	1.6%
<b>Nonresident</b>				
Per Credit Hour	\$250 pch	\$260 pch	\$10	4.0%
30 Credit Hours	\$7,500	\$7,800	\$300	4.0%
Base rates for KCTCS do not include an \$8.00 per credit hour BuildSmart Investment for Kentucky Competitiveness Fee.				
pch = per credit hour				

# Campus Tuition and Fee Proposals

## *Staff Recommendation*

- Tuition and fee proposals submitted by ECU, MoSU, MuSU, WKU, and KCTCS comply with rate ceilings approved by the Council
  - As permitted under Council policy, the institutions submitted market competitive rates for graduate and online tuition
  - Campus governing boards have approved proposed rates for their respective institutions
- 
- *Staff recommends that the Finance Committee approve and endorse to the full Council proposed tuition and fee rates for academic year 2024-25 from ECU, MoSU, MuSU, WKU, and KCTCS*

# Request for Delegation of Authority

## *Background Information*

- Recently, the Council has employed a practice of requiring institutions to secure approval of tuition and fees from their respective governing boards, before bringing them to the Council
- This year, the University of Louisville's governing board will not meet to approve the university's 2024-25 tuition and fee rates until June 27, 2024
- Since this is after the Council's June 21 business meeting, it is not possible for the Council to approve UofL's tuition and fees at the June 21 meeting, which have been previously approved by the university's governing board

# Request for Delegation of Authority

## *Staff Recommendation*

- *Staff recommends that the Finance Committee approve and endorse to the full Council a delegation of authority to the CPE President to review and approve the University of Louisville's 2024-25 tuition and fee proposal, provided it complies with Council approved parameters*
- 
- If approved, this will allow the University of Louisville's tuition and fee rates to be approved much earlier than the Council's next regularly scheduled meeting in September

**TITLE:** Asset Preservation Guidelines

**DESCRIPTION:** Staff recommends that the Finance Committee review and endorse for full Council approval the attached *2024-2026 Asset Preservation Pool Guidelines*. If those guidelines are endorsed as proposed, staff recommends that the committee endorse for full Council approval the same changes and additions for the *2022-2024 Asset Preservation Pool Guidelines*. Finally, staff recommends that the committee and Council delegate to staff authority to approve capital projects funded from the pool.

**STAFF CONTACT:** Bill Payne, Vice President for Finance and Administration, CPE

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### **SUPPORTING INFORMATION**

As part of its 2024-2026 budget recommendation, the Council on Postsecondary Education requested a second installment<sup>1</sup> of \$700.0 million in state bond funds to address a system total need for renovation and renewal of Kentucky postsecondary education facilities estimated to exceed \$6.0 billion. The Governor and General Assembly supported that request and the enacted *2024-2026 Budget of the Commonwealth* (24 RS, HB 6) authorized \$563.0 million in General Fund supported bond funds for a Postsecondary Education Asset Preservation Pool to provide funding for individual asset preservation, renovation, and maintenance projects at Kentucky public postsecondary institutions.

The method used to allocate the Asset Preservation Pool among institutions entailed starting with a target \$600.0 million appropriation, applying a base amount of \$15.0 million to each university (i.e., a total of \$120.0 million for the eight universities) and a base amount of \$30.0 million to KCTCS, and allocating the remaining \$450 million (i.e., \$600.0 million minus the \$150.0 million base total) among institutions based on each institution's share of system total Category I and II square feet. Finally, lawmakers adjusted KSU's allocation up from a \$25.7 million calculated amount to \$60.0 million and reduced KCTCS's allocation from a \$142.3 million calculated amount to \$71.0 million, resulting in the \$563.0 million total pool amount authorized.

Each institution's total allocation was divided by two and apportioned equally each year of the biennium. In other words, each institution received an appropriation for half (50%) of its total allocation in 2024-25 and received an appropriation for the other half (50%) in 2025-26. A table

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<sup>1</sup> As a reminder, the Council requested, and the General Assembly appropriated, \$700.0 million for asset preservation projects in the 2022-2024 biennium.

showing the allocation of pool funds among institutions can be found on page 2 of the attached *2024-2026 Asset Preservation Pool Guidelines*.

Included in the enacted budget (24 RS, HB 6) is language, specifying campus matching requirements for accessing allocated Asset Preservation Pool funds:

- each project for research institutions shall be matched at 25 percent from funds provided by each research institution, and
- no match is required for asset preservation projects for the comprehensive institutions and the Kentucky Community and Technical College System.

The General Assembly operationalized the matching requirement by requiring research universities to spend twenty-five cents (\$0.25) for every state dollar (\$1.00) used to complete an individual asset preservation project.

The budget bill (24 RS, HB 6) identifies the amount of agency bond fund authority provided to each research university to meet state matching requirements. The General Assembly authorized agency bonds totaling \$15,431,000 at UK and \$8,638,000 at UofL in each year of the 2024-2026 biennium. Although UK and UofL are authorized to issue agency bonds to finance asset preservation projects, they can also use cash, private funds, grants, or other institutional funds to achieve the match.

Language included in the budget bill (24 RS, HB 6) indicates that Asset Preservation Pool funds are provided “for individual asset preservation, renovation, and maintenance projects at Kentucky’s public postsecondary institutions in Education, General, and state-owned and operated residential housing facilities” (p. 199). Using this language, CPE staff worked with campus officials to identify eligible uses of pool funds. Projects that preserve, renovate, or renew E&G facilities or state-owned and operated residential housing facilities will be eligible to receive funds from the Asset Preservation Pool.

Staff plans to use the same process to identify eligible projects, certify expenditures, and request reimbursement from the Office of State Budget Director (OSBD) for the 2024-2026 Asset Preservation Pool that it is currently using for the 2022-2024 pool. This process is described at length in the Project Identification, Expenditure Certification, and Reimbursement Process sections of the attached guidelines. These sections have been reviewed and are supported by CPE staff, campus officials, and OSBD staff.

#### *Changes From the 2022-2024 Guidelines*

For the most part, the recommended 2024-2026 guidelines are very similar to the Council approved 2022-2024 guidelines, but the latest edition necessarily includes minor changes to reflect differing dates, funding amounts, and campus allocations. For the sake of readability, such minor alterations are not highlighted in the attached guidelines. However, there are several

substantive changes or additions, which are shown using red font and strikethrough for wording proposed to be removed and green font for wording proposed to be added.

Language included in the 2024-2026 budget bill (24 RS, HB 6) mirrors language in the 2022-2024 budget bill (22 RS, HB 1), stipulating that Asset Preservation Pool funds are to be used “for individual asset preservation, renovation, and maintenance projects at Kentucky’s public postsecondary institutions in Education, General, and state-owned and operated residential housing facilities” (p. 199). Senate Bill 91 (24 RS) modifies the language in HB 6, adding that pool funds may also be used “for fixed asset pedestrian and student parking areas, and for the razing of university-owned buildings” (p. 17). Therefore, the attached *2024-2026 Asset Preservation Pool Guidelines* include this additional category of eligibility.

Following adoption of the *2024-2026 Budget of the Commonwealth*, several institutions contacted Council staff, requesting additional flexibility in the use of 2024-2026 asset preservation funds. They also requested that the *2022-2024 Asset Preservation Pool Guidelines* be amended to provide similar flexibility. Specifically, campus officials requested that one change and three additions be incorporated into the new *2024-2026 Asset Preservation Pool Guidelines* and into an amended version of the 2022-2024 guidelines, including:

- a) new language clarifying that if an individual project contains both asset preservation and expansion components, asset preservation pool funds may be used to pay for the renovation and renewal portion of the project

Rationale: Institutions asked staff to clarify in the guidelines that the “individual project” language in the budget bill does not preclude asset preservation funds from being used on a larger project that contains both asset preservation and expansion components. In some cases, cost savings and efficiencies can be achieved when renovation of existing space and an expansion project are undertaken together.

- b) an increase in the cost threshold allowing an institution the option to demolish and reconstruct a facility, rather than renovate (i.e., change the threshold from 100% or less of renovation costs, to 115% or less of renovation costs)

Rationale: Current guidelines allow an institution to use asset preservation funds to demolish and reconstruct a facility, provided those costs do not exceed the cost of renovation. Campus officials asked for additional flexibility, since the standard used by the Kentucky Department of Education (702 KAR 4 180) is to build new when the cost to renovate is 80% or more than the replacement cost (i.e., if the cost to replace a facility is 125% or less than the cost to renovate, then the facility should be razed and replaced).

- c) new language permitting asset preservation funds to be used for minor additions, provided the reason for the expansion meets certain eligibility criteria (e.g., the addition will enhance accessibility, functionality, or safety and security of a facility)

Rationale: a minor expansion of a facility's footprint is sometimes the best way to address building deficiencies, provide increased access, or enhance a building's safety and security. Campus officials asked that the guidelines allow asset preservation funds to be used for small additions under certain circumstances.

- d) new language 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

Rationale: This change will allow an institution's facilities officer flexibility to oversee small asset preservation projects or portions of larger asset preservation projects and utilize vendors that are already under contract with the institution, in order to achieve cost or time savings.

The recommended language to implement the requested change and additions is provided below.

- Proposed addition (a):
  - If an individual project contains both asset preservation and expansion of space components, asset preservation funds may be used for the renovation and renewal portion of the project.
- Proposed change (b) and addition (c):
  - **New** Generally, new construction and expansion projects are not eligible to receive funds from the Asset Preservation Pool. ~~However, if renovation costs exceed the total cost of demolition and replacement, asset preservation funds may be used for demolition and reconstruction.~~ However, under certain limited circumstances, as described below, use of asset preservation funds to finance new construction or expansion may be permissible.
  - If it would be more cost effective to raze and replace rather than renovate an existing facility, then asset preservation funds may be used for demolition and reconstruction. For such a project to be considered cost effective, the cost to raze and replace may not exceed 115% of the cost required to renovate a facility. The cost of each option must be certified in writing by an independent third-party industry professional.
  - If an asset preservation project includes a minor expansion component that supports or enhances the accessibility, functionality, or safety and security of a facility, then asset preservation funds may be used to finance the project.
- Proposed addition (d):
  - To qualify as an individual project, the project must be bid and awarded as a complete project and be overseen and administered by a single prime or general contractor or be completed pursuant to another delivery method as allowed by statute (KRS 45A), such as employing the construction management-at-risk (CMR) method.
  - If time and cost savings can be achieved, a project or portion of a project may be overseen by an institution's chief facilities officer.



Upon reviewing the proposed changes and additions requested by campus officials, the Chair of the Council's Finance Committee asked staff to add language in the guidelines, requiring requests to demolish and reconstruct rather than renovate an existing facility be brought to the Finance Committee and Council for review and approval. Verbiage accommodating this request is provided below.

- It is anticipated that requests to raze and replace rather than renovate an existing facility will be infrequent occurrences. For this reason, CPE staff will bring such requests along with certified cost estimates from independent third-party industry professionals to the Finance Committee and full Council for review and approval.

Campus Chief Budget Officers (CBOs), CPE Executive Leadership, and Office of State Budget Director (OSBD) staff support the proposed changes and additions listed above (i.e., items a, b, c, and d) and recommend that the *2024-2026 Asset Preservation Pool Guidelines* and *2022-2024 Asset Preservation Pool Guidelines* reflect these changes.

- *Staff recommends that the Finance Committee review and endorse for full Council approval the attached 2024-2026 Asset Preservation Pool Guidelines*
- *If the Finance Committee endorses the 2024-2026 guidelines as proposed, staff recommends that the committee also endorse to the full Council adoption of the same changes (i.e., a, b, c and d) to the 2022-2024 Asset Preservation Guidelines*

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. This means 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, it is recommended that the Council delegate authority for interim capital project approval to staff, for projects funded from the Asset Preservation Pool.

- *Staff recommends that the Finance Committee and the full Council delegate to staff the authority to approve capital projects funded from the pool.*

The budget bill (24 RS, HB 6) requires institutions to report capital projects funded from the pool (i.e., those that meet or exceed the \$1.0 million threshold for construction and the \$200,000 threshold for an item of equipment) to the Capital Projects and Bond Oversight Committee. Campus officials should report such projects as they become active and include the projects in quarterly reports to committee.

Staff will provide the Council with periodic updates regarding the status of Asset Preservation Pool distributions and campus matching funds by project and institution. Much of the information for these updates will come from project identification templates and certification letters

submitted by institutions as part of the reimbursement request process. Staff will work with campus officials to develop the format of reports provided to the Council.

## **Council on Postsecondary Education 2024-2026 Asset Preservation Pool Guidelines**

### **Introduction**

In 2005, the Council on Postsecondary Education (CPE) and Kentucky colleges and universities contracted with Vanderweil Facilities Advisors, Inc. (VFA), Paulien & Associates, and NCHEMS to conduct a comprehensive review and assessment of the state's public postsecondary facilities. Evaluators took more than a year and examined over 700 Education and General (E&G) facilities located on college and university campuses across the system and concluded in early 2007 that Kentucky's facilities inventory was in relatively poor condition compared to industry standards.

Most buildings at the time were over 30 years old and their condition and utility was consistent with their age. Heating, ventilation, and air conditioning (HVAC) systems, plumbing, and electrical wiring in many buildings had far exceeded their useful life expectancies and many buildings no longer adequately supported the academic programming for which they were originally intended. Overall, evaluators identified a cumulative amount of \$6.1 billion in asset preservation needs for the postsecondary system, projected to come due by 2018 (*Facility Condition Assessment & Space Study*, VFA, 2007).

During the six years following the VFA study, a combination of factors, including a growing inventory of aging facilities, infrastructure, and systems in need of renovation and renewal, increasing construction costs, and minimal state investment in asset preservation resulted in more than a \$1.0 billion increase in asset preservation need. In a 2013 update to the original VFA Study, researchers found that the cumulative cost of bringing the state's postsecondary education facilities up to industry standards was projected to reach to \$7.3 billion by 2021.

### **Program Funding**

Every biennium since 2008, the Council has included a relatively large request for asset preservation funds in its biennial budget recommendation. For more than a decade, ongoing budget constraints limited the state's investment in existing postsecondary facilities. For example, between 2008 and 2022, the state appropriated a total of \$282.0 million for campus renovation and renewal projects. Beginning in 2022, the cycle of persistent underinvestment was broken.

In 2022-2024, the Council requested \$700.0 million in state funds to address the estimated \$7.3 billion need for facilities renovation and renewal on state college and university campuses. The Governor and General Assembly supported this request and provided \$700.0 million in bonds funds to finance individual asset preservation projects at Kentucky public postsecondary institutions during the 2022-2024 biennium. That amount included \$683.5 million for an asset preservation pool and \$16.5 million for a line-itemed renewal project at KCTCS (22 RS, HB 1).

In 2024-2026, the General Assembly made another major investment in renovation and renewal of existing postsecondary education facilities. The enacted *2024-2026 Budget of the Commonwealth* (24 RS, HB 6) authorized \$563.0 million in General Fund supported bond funds for a Postsecondary Education Asset Preservation Pool to provide funding "for individual asset preservation, renovation, and maintenance projects at Kentucky's public postsecondary institutions in Education, General, and state-owned and operated residential housing facilities"

(HB 6, p. 199), and “for fixed asset pedestrian and student parking areas, and for the razing of university-owned buildings” (SB 91, p. 17).

**Allocation of Funds**

In 2022-2024, the General Assembly allocated asset preservation pool funds among institutions based on each institution’s share of system total Category I and Category II square feet. For the upcoming biennium (i.e., 2024-2026), the methodology used to allocate the asset preservation pool differed from the previous approach, in that it provided a fixed base level of funds for each institution, before the remainder was allocated based on square feet. Then legislators made individual adjustments to the amounts that had been allocated to KSU and KCTCS.

Specifically, the General Assembly started with a target total appropriation of \$600.0 million for the asset preservation pool. Each university received a \$15.0 million base allocation (i.e., a total of \$120.0 million for the eight universities), KCTCS received a \$30.0 million base allocation, and the remaining \$450.0 million (i.e., \$600.0 million minus \$150.0 million base total) was allocated among institutions based on share of system total Category I and II square feet. Finally, KSU’s allocation was increased from the calculated total of \$25.7 million to \$60.0 million and KCTCS’s allocation was reduced from \$142.3 million to \$71.0 million.

This method of allocating funds among institutions resulted in a total asset preservation pool appropriation of \$563,042,000 for the 2024-2026 biennium. Each institution’s biennial total was divided by two and apportioned equally each year of the biennium, resulting in the allocation of asset preservation funds shown in the table below.

Asset Preservation Pool Allocations

Institution	Fiscal Year 2024-25	Fiscal Year 2025-26	Biennial Total
University of Kentucky	\$61,725,000	\$61,725,000	\$123,450,000
University of Louisville	34,553,000	34,553,000	69,106,000
Eastern Kentucky University	25,910,000	25,910,000	51,820,000
Kentucky State University	30,000,000	30,000,000	60,000,000
Morehead State University	18,835,000	18,835,000	37,670,000
Murray State University	23,341,000	23,341,000	46,682,000
Northern Kentucky University	23,076,000	23,076,000	46,152,000
Western Kentucky University	28,581,000	28,581,000	57,162,000
KCTCS	35,500,000	35,500,000	71,000,000
Total Appropriation	\$281,521,000	\$281,521,000	\$563,042,000

**Matching Requirements**

Included in the 2024-2026 budget bill (24 RS, HB 6) is language, specifying institutional matching requirements for accessing allocated Asset Preservation Pool funds:

- each project for research institutions shall be matched at 25 percent from funds provided by each research institution (p. 199), and
- no match is required for comprehensive institutions or Kentucky Community and Technical College System institutions.

The enacted 2024-2026 state budget (24 RS, HB 6) authorizes the research universities to issue agency bonds to finance asset preservation projects and meet matching requirements, but they can also use cash, private funds, grants, or other institutional funds to achieve the match. The General Assembly provided agency bond authorization of \$15,431,000 at the University of Kentucky and \$8,638,000 at the University of Louisville each year of the upcoming biennium.

The General Assembly operationalized the Asset Preservation Pool matching requirement by requiring research universities to spend twenty-five cents (\$0.25) for every state dollar (\$1.00) used to complete an individual asset preservation project. This ratio, when applied using an expenditure and reimbursement approach for accessing pool funds results in a campus matching fund rate of 20.0% (i.e.,  $\$0.25/\$1.25 = .20$ ) at the research universities. Thus, the state reimbursement rate would be 80.0% (i.e.,  $1 - .20 = .80$ ), which is the reciprocal of the campus matching rate.

## Uses of Funds

Language included in the budget bill (24 RS, HB 6) stipulates that Asset Preservation Pool funds are to be used for “individual asset preservation, renovation, and maintenance projects at Kentucky’s public postsecondary institutions in Education, General, and state-owned and operated residential housing facilities” (p. 199). Senate Bill 91 (24 RS) modified the budget bill language, adding that asset preservation funds could be used for “fixed asset pedestrian and student parking areas, and for the razing of university-owned buildings” (p. 17).

## Eligibility Criteria

In order for an asset preservation project and related expenditures to be eligible for reimbursement, the following criteria must be met:

- Projects that preserve, renovate, or renew Education and General facilities are eligible to receive funds from the Asset Preservation Pool.
- Projects that preserve, renovate, or renew state-owned and operated residential housing facilities are eligible to receive funds from the Asset Preservation Pool. Housing facilities owned and operated by a university, or its affiliated corporations are state-owned.
- **Projects that preserve, renovate, or renew pedestrian and student parking areas, or raze university-owned buildings are eligible to receive funds from the Asset Preservation Pool.**
- For the purposes of these guidelines, “facilities” includes buildings, building systems, and campus infrastructure, such as roads, walkways, electrical grids, steam tunnels, and water chiller plants, that support current and ongoing use of eligible facilities.
- Projects that renovate or renew non-Education and General athletics facilities, hospitals, or auxiliary enterprise facilities are not eligible to receive funds from the pool.
- ~~Only project expenditures made after April 15, 2022 can be used to meet state matching requirements.~~
- **Only project expenditures made after July 1, 2024 are eligible to be reimbursed from the 2024-2026 asset preservation pool, provided they meet all other guideline requirements.**
- Sources of campus matching funds for a project must be cash, agency bonds, private funds, grants, or other institutional funds. General Fund appropriations cannot be used as a match.

- If an individual project contains both asset preservation and expansion of space components, asset preservation funds may be used for the renovation and renewal portion of the project.
- ~~New~~ Generally, new construction and expansion projects are not eligible to receive funds from the Asset Preservation Pool. ~~However, if renovation costs exceed the total cost of demolition and replacement, asset preservation funds may be used for demolition and reconstruction.~~ However, under certain limited circumstances, as described below, use of asset preservation funds to finance new construction or expansion may be permissible.
- If it would be more cost effective to raze and replace rather than renovate an existing facility, then asset preservation funds may be used for demolition and reconstruction. For such a project to be considered cost effective, the cost to raze and replace may not exceed 115% of the cost required to renovate a facility. The cost of each option must be certified in writing by an independent third-party industry professional.
- It is anticipated that requests to raze and replace rather than renovate an existing facility will be infrequent occurrences. For this reason, CPE staff will bring such requests along with certified cost estimates from independent third-party industry professionals to the Finance Committee and full Council for review and approval.
- If an asset preservation project includes a minor expansion component that supports or enhances the accessibility, functionality, or safety and security of a facility, then asset preservation funds may be used to finance the project.
- Routine maintenance and repair projects and ongoing building maintenance and operations (M&O) costs, typically funded through an institution's operating budget, are not eligible to receive funds from the Asset Preservation Pool.

## Project Approval

Generally, a number of boards, agencies, and committees are involved in the postsecondary institution capital project approval process in Kentucky, including campus governing boards, the Council on Postsecondary Education, Capital Projects and Bond Oversight Committee, the Office of State Budget Director (OSBD), and the Kentucky General Assembly. Identified below are actions that each of these entities either have taken or will undertake in the review, approval, and oversight of projects funded from the Asset Preservation Pool.

- Asset preservation, renovation, and maintenance projects that are listed in the *2024-2026 Budget of the Commonwealth* (24 RS, HB 6) are authorized by the General Assembly.
- If an asset preservation project is not specifically listed in the enacted budget, language included in the bill authorizes capital projects, as defined in KRS 45.750(1)(f), funded from the Asset Preservation Pool (24 RS, HB 6, p. 199).
- Capital projects funded from the pool that meet or exceed the \$1.0 million threshold for construction or the \$200,000 threshold for an item of equipment (defined in KRS 45.750) must be reported to the Capital Projects and Bond Oversight Committee.
- All asset preservation, renovation, and maintenance projects that were identified by an institution and included in the Council's 2024-2026 biennial budget submission already have CPE approval.

- Previously unidentified projects above the threshold (i.e., those that were not listed in the Council’s budget submission) require Council approval. Given that the General Assembly has authorized capital projects (i.e., those that exceed the threshold) from Asset Preservation Pool funds in HB 6, CPE staff will recommend that the Council delegate authority to staff to approve asset preservation and renovation capital projects.
- Asset preservation projects that fall below the threshold do not require Council approval, however, CPE staff will review all planned projects and certify that they meet eligibility criteria to receive Asset Preservation Pool funds.
- CPE staff will also review campus reimbursement requests and certify to OSBD that they comply with budget bill language (HB 6) and Council approved guidelines.
- **Once projects are certified by CPE, OSBD will transfer funds to institutions using the existing reimbursement process for capital projects.**
- Regardless of funding source, campus governing board approval is required for all projects funded from the Asset Preservation Pool that meet or exceed an anticipated scope of \$1.0 million for construction and \$200,000 for an item of equipment.

## Reimbursement Process

Asset Preservation Pool funds will be distributed to postsecondary institutions primarily using an expenditure and reimbursement approach. Specifically, an institution will be required to expend its own agency bond funds, cash, private funds, grants, or other institutional funds on eligible asset preservation projects before seeking reimbursement from the state. Under this approach, the state will reimburse 80.0% (i.e., 1.0 - 0.20) of eligible asset preservation project expenditures at the research universities (i.e., or \$0.80 for every \$1.00 spent), up to the total amount of Asset Preservation Pool funds allocated to each institution.

## Project Identification

Before seeking reimbursement for asset preservation project expenditures, each institution will submit to the Council a list of projects for which it intends to request funding from the Asset Preservation Pool. CPE staff will work with campus officials to develop a Project Identification Template for submitting project lists, which will include a unique identifier, title, and description for each individual project, building numbers and building names associated with each project, the anticipated scope, state funds, and campus matching funds for each project, sources of matching funds, and anticipated start and completion dates for each project. Listed below is additional information regarding the project identification process.

- Each institution will submit a single list to CPE, identifying planned asset preservation projects, with the total combined scope of the projects not to exceed its respective Asset Preservation Pool allocation.
- Project lists can be adjusted as needed. An additional project or projects can be added at a later time, or a project or projects can be removed from the list.
- The timing for submitting a project list to the Council is at the institution’s discretion, however it may be helpful for an institution to know whether projects are eligible early in the process. At a minimum, project identification must precede reimbursement requests.

- Projects do not need to reach a given cost threshold to be eligible for Asset Preservation Pool funding, but all planned projects and related buildings must be identified and submitted to the Council, and the required campus match must be maintained on each individual project.
- For the purposes of these guidelines, an individual project can either be one type of renovation or renewal activity undertaken in a single building or across several buildings, or multiple types of renovation and renewal activities within a single building. Roof replacement, HVAC and mechanical systems, plumbing, and electrical wiring are examples of renovation and renewal activity types.
- To qualify as an individual project, the project must be bid and awarded as a complete project and be overseen and administered by a single prime or general contractor or be completed pursuant to another delivery method as allowed by statute (KRS 45A), such as employing the construction management-at-risk (CMR) method.
- If time and cost savings can be achieved, a project or portion of a project may be overseen by an institution's chief facilities officer.
- As indicated in the Project Approval section of these guidelines, projects that meet or exceed the \$1.0 million threshold for construction and the \$200,000 threshold for an item of equipment must be approved by an institution's governing board.
- Before seeking reimbursement, each institution must submit documentation of board approval to the Council for each project that meets or exceeds the threshold.
- During the project identification phase, CPE staff will review project lists and certify to submitting institutions that the projects are eligible for reimbursement from the Asset Preservation Pool.

## Expenditure Certification

As institutions incur expenses on eligible asset preservation, renovation, and maintenance projects, they can submit requests for reimbursement to the Council on Postsecondary Education (CPE) and Office of State Budget Director (OSBD), which will include a certification letter with expenditures listed by project. CPE staff will review the requests, verify that the projects and related expenditures meet guideline requirements, and notify OSBD staff that project expenditures are eligible to be reimbursed.

Once campus spending has been certified, OSBD staff will transfer funds to a requesting institution's 2024-2026 Capital Projects Pool account and then institutions can request Statewide Accounting to wire them the funds. If an institution is using agency bond funds to finance a project (or projects), it will also need to request those funds in the reimbursement letter. This process is consistent with the existing reimbursement process for capital projects that use agency bond funds. Listed below is additional information regarding the expenditure certification process.

- Requests for reimbursement of asset preservation expenditures will be submitted to both CPE and OSBD staffs.
- Request submissions will include a certification letter with expenditures listed by project.



- In the certification letter, campus officials will indicate that project expenditures are eligible to be reimbursed in accordance with language included in the *2024-2026 Budget of the Commonwealth* (24 RS, HB 6) and the Council's Asset Preservation Pool Guidelines.
- The letter will identify the total amount of project expenditures made during the request period, state funds requested, and campus matching funds.
- Requests can be submitted on an ongoing basis, as asset preservation expenditures are made. The timing of submissions is flexible, although the Council encourages institutions to accumulate expenditures and submit no more than one request per month.
- CPE staff will review requests and certify to OSBD staff that project expenditures are eligible for reimbursement.
- As indicated in the Reimbursement Process section of these guidelines, the state will reimburse 80% of eligible asset preservation project expenditures at the research universities (i.e., the required match is \$0.25 cents for every \$1.00 of state funding, or  $\$0.25 \div \$1.25 = 20\%$ ) and 100% of eligible expenditures at comprehensive universities and KCTCS (i.e., there is no required match for these institutions).
- In terms of timing, distributions from the Asset Preservation Pool cannot begin until July 1, 2024.

The process described above will be different for Kentucky State University and KCTCS. Capital projects at these institutions are administered by the Finance Cabinet. Instead of submitting reimbursement requests to CPE and OSBD, KSU and KCTCS will deposit campus matching funds into project specific eMars accounts and the Finance Cabinet will expend state and campus matching funds for requested projects.

## Reporting

The *2024-2026 Budget of the Commonwealth* (24 RS, HB 6, p. 199) requires postsecondary institutions to report capital projects funded from the Asset Preservation Pool that meet or exceed the \$1.0 million threshold for construction and the \$200,000 threshold for an item of equipment (as defined in KRS 45.750) to the Capital Projects and Bond Oversight Committee (CPBOC). Campus officials should report such projects to CPBOC as they become active (i.e., after project bids are received or after projects are approved by campus governing boards) and begin including the projects in their quarterly reports to CPBOC.

Since capital projects at Kentucky State University and KCTCS are administered by the Finance Cabinet, the existing process will remain in place, whereby cabinet staff will report capital projects funded from the Asset Preservation Pool for these institutions to CPBOC upon request of the institution.

CPE staff will provide the Council on Postsecondary Education with periodic updates regarding the status of Asset Preservation Pool distributions and campus matching funds by project and institution. Much of the information for these updates will come from Project Identification Templates and certification letters previously submitted by institutions. Staff will work with campus officials to develop the format of asset preservation reports provided to the Council.



# Asset Preservation Guidelines

# Asset Preservation Guidelines

At today's meeting, CPE staff is asking members of the Council's Finance Committee to consider and take action on three asset preservation related items:

- 1) Approve and endorse to the full Council the attached *2024-2026 Asset Preservation Pool Guidelines*
- 2) Approve and endorse to the full Council proposed revisions to the *2022-2024 Asset Preservation Pool Guidelines*
- 3) Approve and endorse to the full Council a delegation of authority to staff to approve interim capital projects funded from the 2024-2026 Asset Preservation Pool

# Asset Preservation Guidelines

## *Background Information*

- 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 2024-2026 pool funds
- As a reminder, the 2022-2024 state budget appropriated \$700.0 million for asset preservation (\$683.5 million in an asset preservation pool)
- On June 17, 2022, the Council approved a set of guidelines that identifies eligibility criteria and outlines a process for asset preservation project expenditure and reimbursement from the 2022-2024 pool

# Asset Preservation Guidelines

## *Background Information (Cont'd)*

### ➤ *What do the guidelines do?*

- 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
- They establish a process for identifying eligible projects, documenting expenditures, and requesting reimbursement

### ➤ *What is CPE staff's role?*

- Review reimbursement requests, certify they meet eligibility criteria
- Approve previously unidentified interim projects funded from the asset preservation pool

# Asset Preservation Guidelines

## *Background Information (Cont'd)*

### ➤ *What changed between 2022-2024 and 2024-2026?*

- The total appropriation for asset preservation (\$700.0 M → \$563.0 M) and method for allocating pool funds (square feet → base, square feet)
- There was a change in matching requirements
  - From 30% to 25% at research universities
  - From 15% to 0% at comprehensive and KCTCS institutions
- There was a change in eligible uses of pool funds
  - Education, General, and state-owned and operated residential housing facilities (eligible under 22 RS, HB 1 and 24 RS, HB 6)
  - Funds can be used for fixed asset pedestrian and student parking areas, and for the razing of university-owned buildings (SB 91 modified HB 6)

# 2024-2026 Asset Preservation Pool Guidelines

- A copy of staff recommended *2024-2026 Asset Preservation Pool Guidelines* can be found in the materials for today's meeting
- For the most part, the proposed 2024-2026 guidelines are very similar to the 2022-2024 guidelines (approved on June 17, 2022)
- The latest edition necessarily includes minor changes to reflect differing dates, funding amounts, and campus allocations
- For the sake of readability, such minor alterations are not highlighted in the guidelines, which are included in the meeting materials
- There are several substantive changes, which are shown using red font and strikethrough (for wording proposed to be removed) and green font (for wording proposed to be added)

# 2024-2026 Asset Preservation Pool Guidelines

## *Background Information*

Following adoption of HB 6, campus officials proposed several changes in the guidelines, to clarify wording and provide increased flexibility in some areas:

- a) language clarifying 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

Rationale: There is concern that the “individual project” language in the budget bill could preclude asset preservation funds from being used on a larger project that contains both asset preservation and expansion components

- b) increase the threshold allowing an institution to demolish and reconstruct a facility rather than renovate (i.e., from 100% to 115% or less of renovation costs)

Rationale: the standard used by the Department of Education (702 KAR 4 180) is to build new when the cost to renovate is 80% or more than the replacement cost (i.e., the cost to raze and replace is 125% or less than the cost to renovate)



# 2024-2026 Asset Preservation Pool Guidelines

## *Background Information (Cont'd)*

Proposed changes (Cont'd):

- c) language permitting asset preservation funds to be used for minor additions, if it will enhance accessibility, functionality, or safety and security of a facility

Rationale: a minor expansion of a facility's footprint is sometimes the best way to address building deficiencies, provide increased access, or enhance a building's safety and security

- d) language 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

Rationale: This will allow facilities officers to oversee small asset preservation projects or portions of larger asset preservation projects and use vendors that are already under contract with the institution, to achieve cost or time savings

# 2024-2026 Asset Preservation Pool Guidelines

## *Proposed Changes From 2022-2024*

Specific language to bring about the proposed changes is listed below.

- Proposed addition (a):
  - If an individual project contains both asset preservation and expansion of space components, asset preservation funds may be used for the renovation and renewal portion of the project.
- Proposed change (b):
  - Generally, new ~~New~~ construction and expansion projects are not eligible to receive funds from the Asset Preservation Pool. ~~However, if renovation costs exceed the total cost of demolition and replacement, asset preservation funds may be used for demolition and reconstruction.~~ However, under certain limited circumstances, as described below, use of asset preservation funds to finance new construction or expansion may be permissible.
  - If it would be more cost effective to raze and replace rather than renovate an existing facility, then asset preservation funds may be used for demolition and reconstruction. For such a project to be considered cost effective, the cost to raze and replace may not exceed 115% of the cost required to renovate a facility. The cost of each option must be certified in writing by an independent third-party industry professional.

# 2024-2026 Asset Preservation Pool Guidelines

## *Proposed Changes From 2022-2024 (Cont'd)*

### Specific language (Cont'd)

- Proposed addition (Committee Chair):
  - It is anticipated that requests to raze and replace rather than renovate an existing facility will be infrequent occurrences. For this reason, CPE staff will bring such requests along with certified cost estimates from independent third-party industry professionals to the Finance Committee and full Council for review and approval.
- Proposed addition (c):
  - If an asset preservation project includes a minor expansion component that supports or enhances the accessibility, functionality, or safety and security of a facility, then asset preservation funds may be used to finance the project.
- Proposed addition (d):
  - If time and cost savings can be achieved, a project or portion of a project may be overseen by an institution's chief facilities officer.

# Request for Delegation of Authority

- The enacted state budget (24 RS, HB 6) contains language stating that capital projects, as defined in statute, which are funded from the Asset Preservation Pool, or a combination of pool and campus matching funds, are authorized
- This means **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 process, staff requests that the committee and Council delegate authority for interim capital project approval to staff, for projects funded from the Asset Preservation Pool
- Staff requested and the Council approved a similar delegation of authority for projects funded from the 2022-2024 Asset Preservation Pool

# Asset Preservation Guidelines

## *Staff Recommendations*

- *Staff recommends that the Finance Committee approve and endorse to the full Council the proposed **2024-2026 Asset Preservation Pool Guidelines***
- *If those guidelines are approved, staff recommends that the committee approve and endorse to the full Council like revisions to the **2022-2024 Asset Preservation Pool Guidelines***
- *Finally, staff recommends that the committee and Council delegate to staff authority to approve interim capital projects funded from the 2024-2026 Asset Preservation Pool*

**TITLE:** Performance Funding Update

**DESCRIPTION:** Staff will provide an update on university and KCTCS funding models, including 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.

**STAFF CONTACTS:** Bill Payne, Vice President for Finance and Administration, CPE  
Ryan Kaffenberger, Associate Director of Finance and Budget, CPE

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## **OVERVIEW**

Pursuant to KRS 164.092, Council staff convened a Postsecondary Education Working Group in calendar year 2023 to conduct a comprehensive review of Kentucky's public university and KCTCS funding models. That group, which was comprised of the Council president, the president of each public university, the KCTCS president, and state policymakers, is charged to come together every three years to determine if the funding models are functioning as expected, to identify any unintended consequences of the models, and to recommend adjustments to the models.

The first review of the funding models, conducted in 2020, established a funding floor for all institutions and eliminated stop-loss carve outs of campus base funds. This meant that, going forward, state appropriations rather than campus contributions would be the source of funding for the Performance Fund. In addition, distributed performance funds would no longer be recurring to institutions that earned the funds but would be recurring to the Performance Fund itself. These adjustments were not changes to the funding models, but rather changes in the way the models are applied.

## **REVIEW SUMMARY**

The working group met five times between January 25, 2023 and September 6, 2023 to conduct their review. During the course of those meetings, the group examined and discussed funding model components and metrics, trends in student outcomes data,

financial impact information, and campus and CPE staff responses to funding model surveys before developing their recommendations. They also reviewed proposed changes to the models and considered options for the Council's 2024-2026 biennial budget operating funds request.

The key takeaways from the working group's review include the following:

- Overall, campus officials indicated that the funding models are functioning as expected and the models' goals, components, and metrics are well aligned with campus priorities
- The models have contributed to progress toward the state's 60x30 college attainment goal, which the state is on track to meet
- The funding model has addressed shortcomings of the previous funding method by recognizing changes in enrollment, program mix, and performance
- Historical funding disparities among institutions are being rectified
- Kentucky is making great strides in most areas of degree production, including numbers of bachelor's degrees awarded in total (+8%), to students enrolled in STEM+H fields (+28%), and to underrepresented minority students (38%)
- One area where the level of degree production did not meet expectations was the number of bachelor's degrees awarded to low-income students (-1.4%)
- This could stem from the fact that the premium provided per low-income degree produced was the lowest of any degree type
- The funding models currently do not include metrics or incentives that encourage enrollment, progression, or completion of adult learners
- The state will not be able to achieve its 60x30 college attainment goal unless institutions expand efforts to target the adult learner population
- Increasing small school adjustments at KSU and MoSU by the amount of their respective 2023-24 hold harmless allocations would bring those institutions to funding parity with peers and allow them to compete more effectively in the model
- Over time, changes in formula share of resources have been gradual and incremental (i.e., drastic shifts in resources among institutions were avoided)
- In the KCTCS model, overlapping degree metrics (i.e., STEM+H, high-wage high-demand, targeted industries) created confusion since some degrees were counted several times

- Reallocating the equity adjustment in the KCTCS model using a Community Needs Index would allow community colleges located in economically challenged regions an increased opportunity to earn performance funds

## RECOMMENDATIONS

Work group members ultimately agreed to recommend a limited number of changes to both the university and KCTCS funding models. These changes are intended to build on successes of the current models and bring about incremental but constructive change going forward. On December 1, 2023, Council staff sent a letter to the Governor and legislative leaders reporting results of the review and working group recommendations regarding university and KCTCS funding models.

Specifically, the work group recommended five changes to the university funding model:

- 1) **Increase Low-Income Degree Premium.** The university model previously allocated 3% of available resources for bachelor's degrees awarded to low-income students. The work group recommended an increase in this metric (to 8%) and a concomitant decrease in earned-credit-hour component (i.e., from 35% to 30%).
- 2) **Add Adult Learner Metric.** The working group recommended that a new adult learner metric be added to the model by incorporating a new category of students (i.e., nontraditional, resident undergraduate students ages 25+) into the earned credit hour component and assigning a weighting of 1.0 for hours earned by those students (i.e., in addition to existing resident, nonresident, reciprocity categories).
- 3) **Eliminate Degree Efficiency Index Weighting.** The funding model previously used an efficiency index to weight the number of bachelor's degrees produced at each institution. The intent was to provide an incentive for efficient bachelor's degree production, but the index did not operate as intended due to declining enrollment at most institutions. The work group recommended eliminating the degree efficiency index in the university model.
- 4) **Increase Small School Adjustments at KSU and MoSU.** Since the model's first full year of implementation, KSU and MoSU have had negative hold harmless allocations and have not received a share of any performance distribution. Work group members agreed that adding current year hold harmless amounts to the small school adjustments at KSU and MoSU would help bring these institutions to funding parity with peers and allow them to compete more effectively in the model.



**5) Increase Nonresident Credit Hour Weighting.** The university model includes an earned credit hour component that assigns different weightings based on student residency status. Credit hours earned by resident and reciprocity students are assigned a weighting of 1.00 and (prior to 2024-25) hours earned by nonresident students were weighted at 0.50. The working group recommended increasing the weighting for nonresident students to 0.75, which will help institutions maintain or grow enrollment and is better aligned with CPE's tuition policy.

The work group recommended six changes to the KCTCS model. These changes were endorsed by all KCTCS college presidents:

**1) Add Adult Learner Metric.** KCTCS officials supported, and work group members recommended, that a new adult learner credential metric, comprising 4% of allocable resources, be added to the KCTCS funding model. In order for Kentucky to achieve its 60x30 college attainment goal, it is essential for KCTCS to increase the number of adult learners earning credentials.

**2) Reallocate Equity Adjustment Using Community Needs Index.** Previously, 10% of KCTCS's system total adjusted net General Fund was distributed equally among 16 community and technical colleges as an equity adjustment. As proposed by KCTCS, the work group recommended that a Community Needs Index, which considers a service region's level of poverty, unemployment, and labor participation rate, be used to allocate these funds.

**3) Increase Weightings for Targeted Student Populations.** KCTCS supported, and the work group recommended, increasing the weightings for credentials earned by URM, underprepared, and low-income students, and increasing the weighting for transfer students. Previously, each of these metrics was assigned a weighting of 2%. KCTCS and work group members recommended increasing the weightings to 4% for each metric.

**4) Reduce Weighting of Progression Metrics.** KCTCS proposed, and the working group recommended, reducing the weightings of progression metrics in the model from a total of 12% to 7%. This change will free resources and help accommodate recommended increases in weightings for special populations (see #3 above).

**5) Merge Overlapping Credential Metrics.** The KCTCS model previously included several categories of credentials that were assigned different allocation percentages (i.e., weighted credentials and STEM+H, high-wage high-demand, and targeted industry credentials). Some of the credentials were counted multiple

times in separate categories (i.e., they overlapped), which clouded incentives and caused confusion. KCTCS requested, and the working group recommended, that these overlapping metrics be merged into a single credential metric tied to the economy and that the total weighting be reduced from 15% to 8%. This change will also accommodate increases in weightings for special populations.

- 6) Use Three-Year Rolling Average Data.** The university model has used three-year rolling averages of metric data since the inception of performance funding. This practice smooths out year-to-year changes in the data and makes funding outcomes more predictable. To achieve increased predictability and stability in the two-year college model, KCTCS officials supported, and work group members recommended, that the KCTCS model be modified to allow use of three-year rolling averages of data for all metrics, except square feet.

## **POLICYMAKER ACTIONS**

As previously mentioned, on December 1, 2023, CPE staff sent a letter to the Governor and legislative leaders reporting the results of the review and recommendations of the working group regarding changes in university and KCTCS funding models. In the weeks that followed, staff assisted bill drafters to incorporate proposed changes in statute (KRS 164.092) and modified language in the administrative regulations to bring them into compliance with the revised statute.

On February 9, 2024, SB 191 was introduced in the Senate. It passed the Senate on 3<sup>rd</sup> reading 36-0 on February 22. It was received in the House on February 23. Two readings and several floor amendments later the bill had not come up for a vote. On April 12, 2024, House Floor Amendment 7 to SB 191 was filed. Floor Amendment 7 removed all references to "minority" in the bill and requires that any formulas not include race-based metrics or targets. It directs the Postsecondary Education Working Group to convene during the 2024 interim for the sole purpose of considering how to define "underrepresented students" in the funding models and report their recommendations to the Governor and the Legislative Research Commission by December 1, 2024. Finally, it required the Council to distribute allocable resources in 2024-25 based on first generation college students receiving bachelor's degrees and low-income students.

On April 15, SB 191 with FA (7) was received in the Senate, passed, and was signed by the President of the Senate and Speaker of the House. On April 17, SB 191 was signed by the Governor.

On April 25, 2024, during a special called meeting of the Council, modifications to Administrative Regulations 13 KAR 2:120 and 13 KAR 2:130 were approved, bringing them into compliance with the revised statute.

## **2024-25 PERFORMANCE DISTRIBUTION**

In the enacted *2024-2026 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.

Following actions by policymakers to codify changes to the funding models in statute and Council approval of adjustments to administrative regulations, CPE staff ran the newly modified university funding model, determined a preliminary distribution among institutions of \$105.0 million appropriated to the performance fund in 2024-25 (24 RS, HB 6), and sent copies of that distribution to campus chief budget officers (CBOs) for validation on April 25, 2024. Upon receiving information regarding their allocation, KCTCS ran their model and shared results with institutions in their system.

The CBOs were asked to certify accurate input of regular appropriation, debt service, and mandated program funding data, verify student success and operational support metric data (although these data had already been validated by campus IR staffs and CPE's data shop), and ensure that model calculations were functioning properly. Over the course of about five days, CPE staff and campus officials validated model inputs and certified that model calculations were correct. On May 1, 2024, staff sent a letter to the State Budget Director certifying the final 2024-25 performance fund distribution for the universities and KCTCS (see Attachment A for a copy of the transmittal letter).

2024-25 Performance Fund Distribution Public Universities and KCTCS:		Table 1
<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		<u>23,082,600</u>
Total Performance Fund		\$105,000,000

Table 1 above shows the distribution of funds among eight universities and KCTCS for the 2024-25 iteration of the funding model. As can be seen in the table, in aggregate, the university sector received \$81.9 million or 78.0 percent of the \$105.0 million total available in the Performance Fund and KCTCS received \$23.1 million or 22.0 percent of the fund. This allocation between the universities and KCTCS is defined in statute (KRS 164.092) and is based on each sector’s calculated share of system total adjusted net General Fund. Seven out of eight universities will receive a share of the performance distribution in 2024-25, which is up from six out of eight the year before. Despite a sizable increase in their small school adjustment, Kentucky State University is the only university that will not receive performance funds in 2024-25.

See Attachment A for a detailed breakdown of KCTCS’s \$23.1 million allocation among the community and technical colleges that comprise their system.

## **POST-DISTRIBUTION ANALYSES**

After running the university funding model, validating results of the KCTCS model, and certifying the distribution of funds among universities and KCTCS institutions to OSBD staff, CPE staff typically conducts a post-distribution review to determine if the models are continuing to operate as expected, identify any unintended consequences, and assess the financial impact of recent distributions on campus budgets. Specifically, staff compares metric data from one year to the next to determine which institutions achieved growth rates above the sector average, constructs a Performance Metric Scorecard to highlight above average growth by metric and institution, and examines the change in state funds for educating students, both in total and on a per student basis.

### *Metric Growth Rates Above the Sector Average*

To determine whether or not an institution achieved an above average growth rate for a given metric staff compares the number of outcomes produced in the current year to the number produced in the prior year and computes volume and percent changes for that metric by institution. Sector total volume and percent change figures are computed for each metric with the latter representing the sector average growth rate. Finally, each institution's growth rate for a given metric is compared to the sector average growth rate for that same metric to determine if an institution's growth was above or below average.

This method was used to identify institutions that recorded above average growth rates in outcomes produced for each metric between the 2023-24 and 2024-25 iterations of the university funding model. Specifically, as can be seen in Attachment B (i.e., Table 7), volume and percent change in outcomes from one iteration of the model to the next have been calculated for each metric by institution. Sector average growth rates for each metric (i.e., shown in blue highlight) are compared to each institution's growth rate for the same metric to determine if an institution's growth rate was above or below the sector average (i.e., those with above average growth rates are highlighted in yellow).

Finally, the impact of differences in growth rates on each institution's percent share of a given funding pool has been calculated and is shown for each metric in the two columns to the far right. For example, as can be seen in the table, UK, KSU, and MoSU all had growth rates that exceeded the sector average for the "Bachelor's Degrees" metric. Between 2023-24 and 2024-25, UK's share of the \$56.7 million bachelor's degree pool increased from 35.6% to 36.6%, KSU's share increased from 0.3% to 0.4%, and MoSU's share increased from 4.2% to 4.3%. As a reminder and as confirmed in Attachment B, institutions that achieve growth rates above the sector average for a given metric increase their percent share of funding for that metric.

### *Performance Metric Scorecard*

Every year since the adoption of performance funding, CPE staff has used the results from Table 7 (i.e., referenced above) to construct a *Performance Metric Scorecard*. Specifically, staff takes information calculated in Table 7, such as institutions highlighted in yellow for a given metric, and using check marks and green highlight, produces a summary table (i.e., Table 8) showing which institutions achieved growth rates above the sector average for each metric.

As can be seen in Attachment C (i.e., Table 8), between the 2023-24 and 2024-25 iterations of the university funding model, two universities, UK and MuSU, achieved higher than average growth rates on eight out of 10 metrics. Consequently, those same institutions experienced the largest increases in their respective formula shares of allocable resources. It is worth noting that KSU recorded above average growth rates on six out of 10 metrics. This represents the best level of performance achieved by KSU since the adoption of performance funding. Not counting funds assigned to new metrics, \$610.9 million in allocable resources was run through the university model in 2024-25.

### *State Funds for Educating Students*

The enacted *2024-2026 Budget of the Commonwealth* (RS 24, HB 6) included an across-the-board 4.0 percent increase in base operating funds for the postsecondary institutions to help offset some of the largest inflationary increases in expenses in two decades. In aggregate for the system, legislators appropriated \$35.8 million each year of the biennium in inflation adjustment funds. As previously mentioned, the General Assembly also increased the appropriation to the Performance Fund from \$97.3 million in 2023-24 to \$105.0 million in 2024-25, a \$7.7 million or 7.9 percent increase.

Obviously, these increases in state funding will positively impact campus operating budgets in the upcoming fiscal year. The primary metric that staff uses to assess that impact is to examine the change from one year to the next in state funds for educating students. This metric is useful because it allows staff to consider the combined effects of changes in base operating funds, changes in appropriations to the Performance Fund, and changes in how performance funds are distributed among institutions.

As a reminder, in any given year, state funds for educating students are calculated by adding each institution's adjusted net General Fund appropriation to any distribution it received from the Performance Fund. The adjusted net General Fund is calculated by subtracting debt service and mandated program funding from each institution's regular appropriation. State funds for educating students along with net tuition and fee revenue are the primary sources of funding public institutions use for educating students.

The decision by the General Assembly to provide institutions with increases in both base operating and performance funds in 2024-25 underscores the utility of the state funds for educating students metric. Attachment D (i.e., Table 9) shows how the change in state funds for educating students between 2023-24 and 2024-25 was calculated. For each year, the table sums the adjusted net General Fund and performance distribution for each institution to compute state funds for educating students (i.e., highlighted in

yellow each year). The two columns to the right show the dollar and percent change in state funds for each institution.

Table 2 below contains some of the same information included in Attachment D but presents it in less detail. As can be seen in Table 2, at the system level, state funds for educating students increased by \$43.5 million or 5.1 percent between 2023-24 and 2024-25. Of that amount, \$7.7 million was an increase in the performance funding pool (i.e., from \$97.3 million to \$105.0 million) and \$35.8 million was an increase in adjusted net General Fund (i.e., from \$749.7 million to \$785.6 million). As previously mentioned, the latter represents an across-the-board inflation adjustment provided each institution.

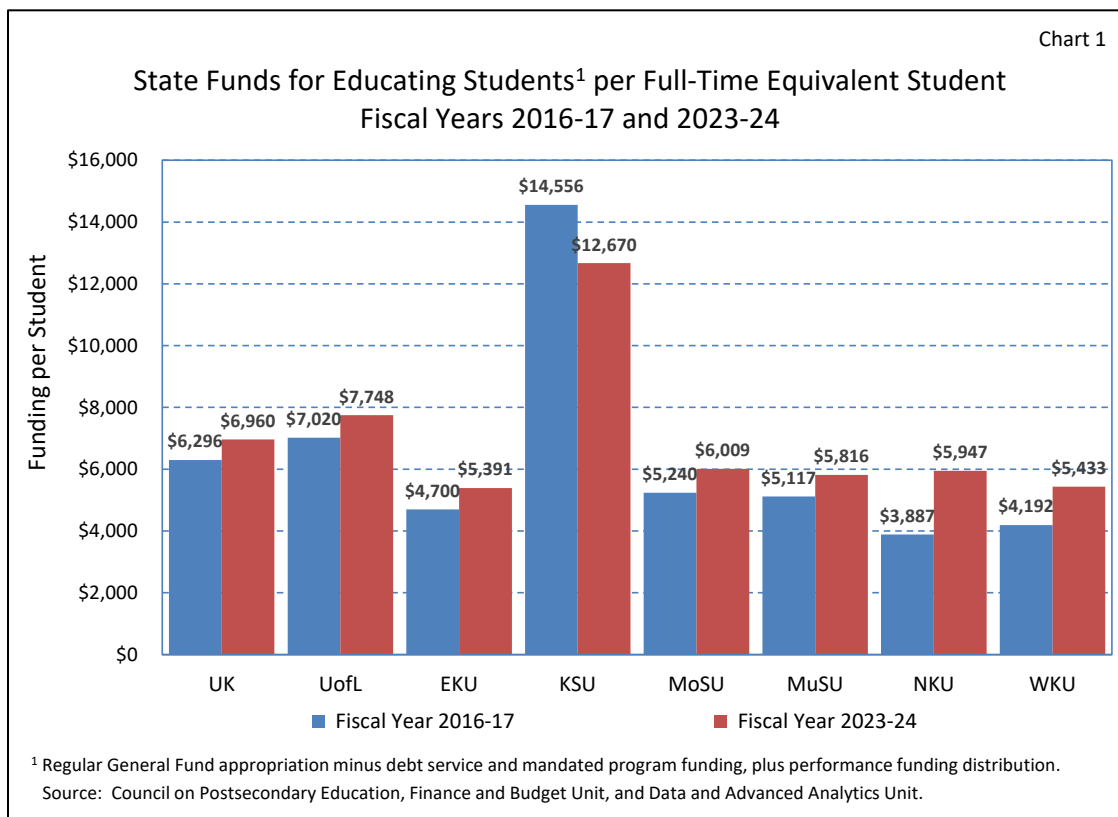
<u>Institution</u>	<u>State Funds FY 2023-24</u>	<u>State Funds FY 2024-25</u>	<u>Dollar Change</u>	<u>Percent Change</u>
UK	\$218,000,500	\$230,452,200	\$12,451,700	5.7%
UofL	143,806,200	150,062,100	6,255,900	4.4%
EKU	64,065,200	68,477,900	4,412,700	6.9%
KSU	18,235,500	19,343,900	1,108,400	6.1%
MoSU	34,931,500	36,879,800	1,948,300	5.6%
MuSU	43,648,800	47,188,300	3,539,500	8.1%
NKU	63,607,500	66,237,800	2,630,300	4.1%
WKU	73,477,400	76,154,200	2,676,800	3.6%
Sector Total	\$659,772,600	\$694,796,200	\$35,023,600	5.3%
KCTCS	187,275,400	195,779,300	8,503,900	4.5%
System Total	\$847,048,000	\$890,575,500	\$43,527,500	5.1%

Between 2023-24 and 2024-25, the percentage increase in state funds for educating students ranged from a low of 3.6 percent at WKU to a high of 8.1 percent at MuSU. Two institutions that received either very little or no share of the 2024-25 performance distribution (i.e., MoSU and KSU), received sufficient increases in base operating funds to register above average increases in state funds for educating students. Specifically, state funds for educating students increased by 5.6 percent at MoSU and by 6.1 percent at KSU, compared to university sector and system total increases of 5.3 percent and 5.1 percent, respectively (i.e., sector and system average increases are highlighted in blue). Four institutions, UofL (+4.4%), NKU (+4.1%), WKU (+3.6%), and KCTCS (+4.5%) had increases in state funds that were lower than MoSU and KSU.

## State Funds per Student

One final metric that CPE staff examines each year is state funds for educating students per full-time equivalent (FTE) student. This metric is useful when looking at trends over time by institution or when comparing change from one year to another across institutions. For example, Chart 1 below compares the level of state funds for educating students per FTE student at each university in fiscal year 2016-17 (i.e., the blue bars) to the level of state funding per student in 2023-24 (i.e., the red bars).

As a reminder, 2016-17 was the year before performance funding was implemented. One of the expected outcomes of adopting a new funding model at that time was to address funding disparities that had developed over time in the comprehensive sector. As can be seen in Chart 2, many funding disparities that previously existed within the comprehensive sector are being rectified. Excluding KSU (i.e., they are an outlier given their small enrollment), MoSU had the highest level of state funding per student within the comprehensive sector both in 2016-17 and 2023-24. During seven years since the adoption of performance funding, the gap in state funding per student between MoSU and NKU decreased from \$1,353 per student to \$62 per student and the difference between MoSU and WKU narrowed from \$1,048 per student to \$576 per student.







### Kentucky Council on Postsecondary Education

**Andy Beshear**  
Governor

100 Airport Road, 3<sup>rd</sup> Floor  
Frankfort, Kentucky 40601  
Phone: 502-573-1555  
<http://www.cpe.ky.gov>

**Aaron Thompson, Ph.D.**  
President

May 1, 2024

Mr. John Hicks  
Executive Cabinet Secretary and State Budget Director  
800 Mero Street, Fifth Floor  
Frankfort, KY 40622

RE: Distribution of 2024-25 Postsecondary Education Performance Fund

Dear Secretary Hicks:

As you know, the *2024-2026 Budget of the Commonwealth* (24 RS, HB 6) appropriated \$105.0 million to the Postsecondary Education Performance Fund in fiscal year 2024-25. These funds are to be distributed according to the provisions of KRS 164.092, which directs the Council on Postsecondary Education to run the funding models and submit to your office a distribution of funds for the public universities and KCTCS institutions. CPE staff ran the university funding model and KCTCS staff ran the two-year college model and resulting distributions from the Performance Fund for fiscal year 2024-25 are presented below.

Public Universities and KCTCS:

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	<u>23,082,600</u>
<b>Total</b>	<b>\$105,000,000</b>

(Continued on following page)

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May 1, 2024  
Page 2

KCTCS Institutions (Detail):

Ashland	\$1,212,400
Big Sandy	0
Bluegrass	4,058,900
Elizabethtown	2,281,900
Gateway	1,863,500
Hazard	0
Henderson	0
Hopkinsville	988,700
Jefferson	3,787,400
Madisonville	1,085,400
Maysville	1,617,100
Owensboro	1,827,200
Somerset	2,346,800
Southcentral	1,898,400
Southeast	0
West Kentucky	<u>114,900</u>
KCTCS Subtotal	\$23,082,600

Spreadsheets containing performance metric data and calculations used to determine the distribution of funds among universities and KCTCS institutions are attached. If you have questions or need additional information, please contact me at (502) 892-3001 or Bill Payne at (502) 892-3052.

Sincerely,

Aaron Thompson, President  
Kentucky Council on Postsecondary Education

C: Senator David Givens  
Senator Christian McDaniel  
Senator Stephen West  
Representative Bobby McCool  
Representative Jason Petrie  
Representative James Tipton  
Janice Tomes, OSBD  
Carla Wright, OSBD  
Postsecondary Institution Presidents

Table 7 - Change in Funding Model Metric Three-Year Rolling Averages (**Weighted Activity Volume**)  
 Between 2023-24 and 2024-25 Iterations

Student Success Components

Bachelor's Degrees (Normalized) Pool Size = <b>\$56.68 M</b> in 2024-25	2023-24 Iteration	2024-25 Iteration	Volume Change	Percent Change	Status	Institution	2023-24 Share	2024-25 Share
UK	8,604	8,625	21	0.2%	Above	UK	35.6%	36.6%
UofL	5,058	4,931	(127)	-2.5%	Below	UofL	20.9%	20.9%
EKU	2,578	2,412	(166)	-6.5%	Below	EKU	10.7%	10.2%
KSU	62	94	31	50.4%	Above	KSU	0.3%	0.4%
MoSU	1,014	1,025	11	1.0%	Above	MoSU	4.2%	4.3%
MuSU	1,652	1,597	(55)	-3.3%	Below	MuSU	6.8%	6.8%
NKU	2,268	2,177	(91)	-4.0%	Below	NKU	9.4%	9.2%
WKU	2,927	2,719	(208)	-7.1%	Below	WKU	12.1%	11.5%
Sector	24,164	23,579	(584)	-2.4%	Average		100.0%	100.0%
<b>STEM+H Bachelor's Degrees</b> Pool Size = <b>\$31.49 M</b> in 2024-25	<b>2023-24</b> Iteration	<b>2024-25</b> Iteration	<b>Volume</b> Change	<b>Percent</b> Change	<b>Status</b>	<b>Institution</b>	<b>2023-24</b> Share	<b>2024-25</b> Share
UK	3,017	3,071	53	1.8%	Above	UK	37.3%	38.2%
UofL	1,680	1,689	9	0.6%	Above	UofL	20.7%	21.0%
EKU	761	711	(49)	-6.5%	Below	EKU	9.4%	8.8%
KSU	24	30	6	25.4%	Above	KSU	0.3%	0.4%
MoSU	364	342	(22)	-6.0%	Below	MoSU	4.5%	4.3%
MuSU	611	627	16	2.6%	Above	MuSU	7.5%	7.8%
NKU	793	778	(15)	-1.9%	Below	NKU	9.8%	9.7%
WKU	848	793	(54)	-6.4%	Below	WKU	10.5%	9.9%
Sector	8,097	8,042	(56)	-0.7%	Average		100.0%	100.0%
<b>Low Income Bachelor's Degrees</b> Pool Size = <b>\$50.38 M</b> in 2024-25	<b>2023-24</b> Iteration	<b>2024-25</b> Iteration	<b>Volume</b> Change	<b>Percent</b> Change	<b>Status</b>	<b>Institution</b>	<b>2023-24</b> Share	<b>2024-25</b> Share
UK	3,494	3,448	(45)	-1.3%	Above	UK	30.9%	31.2%
UofL	2,863	2,871	8	0.3%	Above	UofL	25.3%	26.0%
EKU	1,276	1,213	(63)	-4.9%	Below	EKU	11.3%	11.0%
KSU	110	119	9	8.2%	Above	KSU	1.0%	1.1%
MoSU	641	624	(17)	-2.6%	Below	MoSU	5.7%	5.6%
MuSU	720	703	(17)	-2.3%	Above	MuSU	6.4%	6.4%
NKU	942	893	(49)	-5.2%	Below	NKU	8.3%	8.1%
WKU	1,273	1,185	(88)	-6.9%	Below	WKU	11.2%	

Table 7 - Change in Funding Model Metric Three-Year Rolling Averages (**Weighted Activity Volume**)  
Between 2023-24 and 2024-25 Iterations

Sector	11,319	11,056	(262)	-2.3% = Average			100.0%	100.0%
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Student Success Components (Cont'd)

Student Progression @ 30 Hours Pool Size = <b>\$18.89 M</b> in 2024-25	2023-24 Iteration	2024-25 Iteration	Volume Change	Percent Change	Status	Institution	2023-24 Share	2024-25 Share
UK	5,035	5,118	83	1.6%	Above	UK	35.6%	36.3%
UofL	2,646	2,624	(22)	-0.8%	Below	UofL	18.7%	18.6%
EKU	1,416	1,466	50	3.5%	Above	EKU	10.0%	10.4%
KSU	251	229	(23)	-9.0%	Below	KSU	1.8%	1.6%
MoSU	766	709	(57)	-7.5%	Below	MoSU	5.4%	5.0%
MuSU	956	959	2	0.2%	Above	MuSU	6.8%	6.8%
NKU	1,237	1,146	(90)	-7.3%	Below	NKU	8.7%	8.1%
WKU	1,827	1,829	2	0.1%	Above	WKU	12.9%	13.0%
Sector	14,135	14,080	(55)	-0.4% = Average			100.0%	100.0%

Student Progression @ 60 Hours Pool Size = <b>\$31.49 M</b> in 2024-25	2023-24 Iteration	2024-25 Iteration	Volume Change	Percent Change	Status	Institution	2023-24 Share	2024-25 Share
UK	5,871	5,621	(249)	-4.2%	Below	UK	36.2%	36.2%
UofL	3,146	2,969	(176)	-5.6%	Below	UofL	19.4%	19.1%
EKU	1,652	1,561	(91)	-5.5%	Below	EKU	10.2%	10.0%
KSU	207	204	(2)	-1.1%	Above	KSU	1.3%	1.3%
MoSU	862	773	(89)	-10.3%	Below	MoSU	5.3%	5.0%
MuSU	1,076	1,092	16	1.5%	Above	MuSU	6.6%	7.0%
NKU	1,427	1,349	(78)	-5.5%	Below	NKU	8.8%	8.7%
WKU	1,993	1,977	(16)	-0.8%	Above	WKU	12.3%	12.7%
Sector	16,234	15,548	(686)	-4.2% = Average			100.0%	100.0%

Student Progression @ 90 Hours Pool Size = <b>\$44.09 M</b> in 2024-25	2023-24 Iteration	2024-25 Iteration	Volume Change	Percent Change	Status	Institution	2023-24 Share	2024-25 Share
UK	7,457	7,470	14	0.2%	Above	UK	35.4%	36.1%
UofL	4,401	4,269	(132)	-3.0%	Below	UofL	20.9%	20.7%
EKU	2,206	2,105	(101)	-4.6%	Below	EKU	10.5%	10.2%
KSU	185	204	19	10.1%	Above	KSU	0.9%	1.0%
MoSU	1,072	1,013	(59)	-5.5%	Below	MoSU	5.1%	4.9%
MuSU	1,385	1,401	16	1.2%	Above	MuSU	6.6%	
NKU	1,820	1,717	(103)	-5.6%	Below	NKU	8.6%	76

Council on Postsecondary Education  
Performance Funding Model for the Public Universities

Table 7 - Change in Funding Model Metric Three-Year Rolling Averages (**Weighted Activity Volume**)  
Between 2023-24 and 2024-25 Iterations

WKU	2,552	2,494	(58)	-2.3%	Below	WKU	12.1%	12.1%
Sector	21,078	20,674	(404)	-1.9%	Average		100.0%	100.0%

Course Completion Component

Student Credit Hours Earned Pool Size = <b>\$188.94 M</b> in 2024-25	2023-24 Iteration	2024-25 Iteration	Volume Change	Percent Change	Status	Institution	2023-24 Share	2024-25 Share
UK	1,435,689	1,546,049	110,360	7.7%	Above	UK	32.4%	33.2%
UofL	1,032,840	1,083,943	51,103	4.9%	Below	UofL	23.3%	23.3%
EKU	450,914	467,716	16,802	3.7%	Below	EKU	10.2%	10.0%
KSU	33,908	36,507	2,600	7.7%	Above	KSU	0.8%	0.8%
MoSU	205,814	199,782	(6,032)	-2.9%	Below	MoSU	4.6%	4.3%
MuSU	267,935	284,236	16,301	6.1%	Above	MuSU	6.1%	6.1%
NKU	490,710	516,948	26,238	5.3%	Above	NKU	11.1%	11.1%
WKU	510,089	518,922	8,834	1.7%	Below	WKU	11.5%	11.1%
Sector	4,427,898	4,654,104	226,205	5.1%	Average		100.0%	100.0%

Operational Support Components

M&O (Square Feet Data) Pool Size = <b>\$62.98 M</b> in 2024-25	2023-24 Iteration	2024-25 Iteration	Volume Change	Percent Change	Status	Institution	2023-24 Share	2024-25 Share
UK	9,092,137	9,271,205	179,069	2.0%	Above	UK	36.5%	37.1%
UofL	4,654,178	4,645,325	(8,853)	-0.2%	Below	UofL	18.7%	18.6%
EKU	2,311,449	2,325,214	13,765	0.6%	Above	EKU	9.3%	9.3%
KSU	673,771	673,771	-	0.0%	Below	KSU	2.7%	2.7%
MoSU	1,448,491	1,434,584	(13,908)	-1.0%	Below	MoSU	5.8%	5.7%
MuSU	1,984,828	1,992,898	8,069	0.4%	Above	MuSU	8.0%	8.0%
NKU	1,962,551	1,964,396	1,845	0.1%	Below	NKU	7.9%	7.9%
WKU	2,785,694	2,686,756	(98,938)	-3.6%	Below	WKU	11.2%	10.7%
Sector	24,913,099	24,994,149	81,050	0.3%	Average		100.0%	100.0%

Institutional Support (Direct Costs) Pool Size = <b>\$62.98 M</b> in 2024-25	2023-24 Iteration	2024-25 Iteration	Volume Change	Percent Change	Status	Institution	2023-24 Share	2024-25 Share
UK	3,328	3,372	44	1.3%	Below	UK	30.7%	30.4%
UofL	2,621	2,659	38	1.5%	Below	UofL	24.1%	24.0%
EKU	1,006	1,061	55	5.5%	Above	EKU	9.3%	9.6%
KSU	177	177	-	0.0%	Below	KSU	1.6%	1.6%
MoSU	589	611	22	3.7%	Above	MoSU	5.4%	
MuSU	750	778	28	3.7%	Above	MuSU	6.9%	77

Council on Postsecondary Education  
Performance Funding Model for the Public Universities

Table 7 - Change in Funding Model Metric Three-Year Rolling Averages (**Weighted Activity Volume**)  
Between 2023-24 and 2024-25 Iterations

NKU	1,197	1,223	27	2.2%	Above	NKU	11.0%	11.0%
WKU	1,189	1,203	13	1.1%	Below	WKU	11.0%	10.9%
Sector	10,857	11,084	227	2.1%	Average		100.0%	100.0%

Operational Support Components (Cont'd)

Academic Support (FTE Students) Pool Size = <b>\$62.98 M</b> in 2024-25	2023-24 Iteration	2024-25 Iteration	Volume Change	Percent Change	Status	Institution	2023-24 Share	2024-25 Share
UK	38,462	39,124	662	1.7%	Above	UK	34.2%	34.9%
UofL	24,308	24,196	(112)	-0.5%	Above	UofL	21.6%	21.6%
EKU	11,286	11,143	(143)	-1.3%	Below	EKU	10.0%	9.9%
KSU	1,525	1,510	(15)	-1.0%	Below	KSU	1.4%	1.3%
MoSU	5,604	5,253	(351)	-6.3%	Below	MoSU	5.0%	4.7%
MuSU	7,145	7,084	(61)	-0.9%	Below	MuSU	6.3%	6.3%
NKU	11,160	10,895	(266)	-2.4%	Below	NKU	9.9%	9.7%
WKU	13,124	12,863	(261)	-2.0%	Below	WKU	11.7%	11.5%
Sector	112,616	112,069	(547)	-0.5%	Average		100.0%	100.0%

Funding Model Totals

Metrics = 10

Subtotal Allocable Resources = **\$610.86 M** in 2024-25

New metrics not included:

- Low Income Bachelor's Degrees (Pool Size = **\$9.47 M**)
- First Generation College Student Bachelor's Degrees (Pool Size = **\$9.47 M**)

Total Allocable Resources = **\$629.80 M** in 2024-25

Performance Funding Model for the Public Universities  
 Table 8 - Metrics Where Rates of Growth Exceeded Sector Average  
 Between Fiscal Years 2023-24 and 2024-25

Performance Metric	UK	UofL	EKU	KSU	MoSU	MuSU	NKU	WKU	Pool Size (In Millions)
<b>Student Success Outcomes</b>									
Bachelor's Degrees	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	\$56.68
STEM+H Bachelor's Degrees	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	31.49
Low Income Bachelor's Degrees	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	50.38
Student Progression @ 30 Hours	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	18.89
Student Progression @ 60 Hours	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	31.49
Student Progression @ 90 Hours	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	44.09
<b>Course Completion Component</b>									
Earned Credit Hours	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	188.94
<b>Operational Support Activity</b>									
Instructional Square Feet	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	62.98
Direct Cost of Instruction	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	62.98
FTE Students	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	62.98
Metrics Above Sector Average	8	3	3	6	2	8	2	2	
Total Allocable Resources:									\$610.90

Performance Funding Model for the Public Universities  
 Table 9 - Change in State Funds for Educating Students  
 Between Fiscal Years 2023-24 and 2024-25

Institution	Fiscal Year 2023-24			Fiscal Year 2024-25			Dollar Change G	Percent Change H
	A	B	(A + B) C	D	E	(D + E) F		
	Adjusted Net General Fund <sup>1</sup>	Performance Distribution	State Funds for Educating Students <sup>2</sup>	Adjusted Net General Fund <sup>1</sup>	Performance Distribution	State Funds for Educating Students <sup>2</sup>		
UK	\$184,662,000	\$33,338,500	\$218,000,500	\$195,715,200	\$34,737,000	\$230,452,200	\$12,451,700	5.7%
UofL	126,211,600	17,594,600	143,806,200	131,309,900	18,752,200	150,062,100	6,255,900	4.4%
EKU	60,842,300	3,222,900	64,065,200	63,708,500	4,769,400	68,477,900	4,412,700	6.9%
KSU	18,235,500	0	18,235,500	19,343,900	0	19,343,900	1,108,400	6.1%
MoSU	34,931,500	0	34,931,500	36,665,400	214,400	36,879,800	1,948,300	5.6%
MuSU	40,553,800	3,095,000	43,648,800	42,428,500	4,759,800	47,188,300	3,539,500	8.1%
NKU	50,923,600	12,683,900	63,607,500	53,013,500	13,224,300	66,237,800	2,630,300	4.1%
WKU	67,619,000	5,858,400	73,477,400	70,693,900	5,460,300	76,154,200	2,676,800	3.6%
Subtotal	\$583,979,300	\$75,793,300	\$659,772,600	\$612,878,800	\$81,917,400	\$694,796,200	\$35,023,600	5.3%
							<b>Sector Average</b> →	
KCTCS	165,761,600	21,513,800	187,275,400	172,696,700	23,082,600	195,779,300	8,503,900	4.5%
Total	\$749,740,900	\$97,307,100	\$847,048,000	\$785,575,500	\$105,000,000	\$890,575,500	\$43,527,500	5.1%
							<b>System Average</b> →	

<sup>1</sup> The adjusted net General Fund is calculated by subtracting debt service and mandated program funding from each institution's regular appropriation.

<sup>2</sup> State funds for educating students is calculated by summing each institution's adjusted net General Fund and its performance distribution. These funds along with net tuition and fee revenue are the primary sources of funding for educating students.





# Performance Funding Update

# Performance Funding Update

## *Overview*

- At today's Finance Committee meeting, staff will provide an update on performance funding, including:
  - 2023 Working Group
    - Overview
    - Process and Timeline
  - Work Group Recommendations
  - Policymaker Actions
  - 2024-25 Performance Distribution
  - Post-Distribution Analyses

# Performance Funding Update

## *2023 Working Group (Overview)*

- The working group met five times, between Jan 25 and Sept 6
- They reviewed and discussed model components and metrics, trends in student outcomes, financial impact information, and campus and CPE staff responses to performance surveys
- They also reviewed proposed changes to the models and options for the biennial budget operating funds request
- On September 6, the working group reached consensus on a set of recommended changes to the funding models
- CPE staff reported results to the General Assembly and assisted bill drafters to effect changes in statute (KRS 164.092)

# Performance Funding Update

## 2023 Working Group (Process and Timeline)

- In addition to work group meetings, CPE staff met with campus CBOs and presidents to discuss potential changes to the model
- Also reached consensus on biennial operating funds request



- |  |   |   |   |  |
|--|---|---|---|--|
| <ul style="list-style-type: none"> <li>• Reviewed goals and guiding principles</li> <li>• Reviewed model components and metrics, financial impact information</li> </ul> | <ul style="list-style-type: none"> <li>• CPE staff presented trends in student outcomes data</li> <li>• Reviewed responses to campus funding model surveys</li> </ul> | <ul style="list-style-type: none"> <li>• Reviewed responses to CPE staff funding model survey</li> <li>• Discussed proposed adjustments and scenario impacts</li> </ul> | <ul style="list-style-type: none"> <li>• CPE staff presented 2023-24 funding model distribution</li> <li>• Discussed biennial budget options and model scenarios</li> </ul> | <ul style="list-style-type: none"> <li>• Reviewed operating funds request</li> <li>• Discussed proposed model adjustments</li> <li>• Reached consensus on recommendations</li> </ul> |
|--|---|---|---|--|

Work group recommendations reported to Governor and legislative leaders

# Performance Funding Update

## *Work Group Recommendations*

- Work group members voted unanimously to recommend five changes to the university funding model:
  - 1) increase premium provided for bachelor's degrees awarded to low-income students (increase pool allocation from 3% to 8%)
  - 2) add a new adult learner metric to the model
  - 3) eliminate degree efficiency weighting (from bachelor's metric)
  - 4) increase small school adjustments for KSU and MoSU
  - 5) increase nonresident credit hour weighting (from 0.50 to 0.75)

# Performance Funding Update

## *Work Group Recommendations (Cont'd)*

- Work group members voted unanimously to recommend six changes to the KCTCS funding model:
  - 1) add a new adult learner metric to the model
  - 2) allocate equity adjustment using a Community Needs Index
  - 3) reduce weighting of progression metrics (from 12% to 7%)
  - 4) merge overlapping metrics into one credential metric tied to the economy (merge STEM+H, high-wage-demand, targeted)
  - 5) reduce credential metric weighting (from 15% to 8%); increase weighting for URM, underprepared, low income, and transfer
  - 6) use three-year average data for all metrics except square feet

# Performance Funding Update

## *Policymaker Actions*

- After submitting a report to the Governor and legislative leaders on Dec 1, staff assisted bill drafters to incorporate proposed changes in statute
- On February 9, SB 191 was introduced in the Senate; it passed on 3rd reading 36-0 on February 22
- On April 12, House Floor Amendment (7) to SB 191 was filed
- On April 15, SB 191 with HFA (7) was received in the Senate, it passed, and was signed by the President of the Senate and Speaker of the House
- On April 17, SB 191 was signed by the Governor
- Finally, on April 25, the Council approved modifications to Administrative Regulations 13 KAR 2:120 and 13 KAR 2:130, bringing them into compliance with the revised statute

# Performance Funding Update

## *Policymaker Actions (Cont'd)*

- As mentioned, House Floor Amendment (7) was filed on April 12
- It removed all references to "minority" in SB 191 and requires that any formulas not include race-based metrics or targets
- It directs the Postsecondary Education Working Group to convene during the 2024 interim for the sole purpose of considering how to define "underrepresented students" in the funding models and to report their recommendations to the Governor and Legislative Research Commission by December 1, 2024
- Finally, it required the Council to distribute allocable resources in 2024-25 based on bachelor's degrees awarded to first-generation college students and low-income students



# Performance Funding Update

## *2024-25 Performance Distribution*

- The enacted state budget appropriated \$105.0 M to the Performance Fund in 2024-25
- By May 1 each year, CPE staff is required to run the model and certify a distribution to OSBD
- This year, the models included recommended changes of the working group and HFA (7)
- Despite increases in small school adjustments MoSU and KSU received little or no funds

2024-25 Performance Fund Distribution  
Public Universities and KCTCS:

Table 1

<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	<u>23,082,600</u>
Total Performance Fund	\$105,000,000

# Post-Distribution Analyses

## Metric Growth Rates Above the Sector Average

- Institutions that achieve above average growth rates increase their share of funding for given metric
- Between 2024 and 2025, UK, KSU, and MoSU increased their share of Bachelor's Degree pool
- Four institutions, UK, UofL, KSU, and MuSU had above average growth rates for STEM+H degrees

Performance Funding Model for the Public Universities Attachment B

Table 7 - Change in Funding Model Metric Three-Year Rolling Averages (Weighted Activity Volume) Between 2023-24 and 2024-25 Iterations

Student Success Components

Bachelor's Degrees (Normalized) Pool Size = \$56.68 M in 2024-25	2023-24 Iteration	2024-25 Iteration	Volume Change	Percent Change	Status	Institution	2023-24 Share	2024-25 Share
UK	8,604	8,625	21	0.2%	Above	UK	35.6%	36.6%
UofL	5,058	4,931	(127)	-2.5%	Below	UofL	20.9%	20.9%
EKU	2,578	2,412	(166)	-6.5%	Below	EKU	10.7%	10.2%
KSU	62	94	31	50.4%	Above	KSU	0.3%	0.4%
MoSU	1,014	1,025	11	1.0%	Above	MoSU	4.2%	4.3%
MuSU	1,652	1,597	(55)	-3.3%	Below	MuSU	6.8%	6.8%
NKU	2,268	2,177	(91)	-4.0%	Below	NKU	9.4%	9.2%
WKU	2,927	2,719	(208)	-7.1%	Below	WKU	12.1%	11.5%
Sector	24,164	23,579	(584)	-2.4%	Average		100.0%	100.0%

STEM+H Bachelor's Degrees Pool Size = \$31.49 M in 2024-25	2023-24 Iteration	2024-25 Iteration	Volume Change	Percent Change	Status	Institution	2023-24 Share	2024-25 Share
UK	3,017	3,071	53	1.8%	Above	UK	37.3%	38.2%
UofL	1,680	1,689	9	0.6%	Above	UofL	20.7%	21.0%
EKU	761	711	(49)	-6.5%	Below	EKU	9.4%	8.8%
KSU	24	30	6	25.4%	Above	KSU	0.3%	0.4%
MoSU	364	342	(22)	-6.0%	Below	MoSU	4.5%	4.3%
MuSU	611	627	16	2.6%	Above	MuSU	7.5%	7.8%
NKU	793	778	(15)	-1.9%	Below	NKU	9.8%	9.7%
WKU	848	793	(54)	-6.4%	Below	WKU	10.5%	9.9%
Sector	8,097	8,042	(56)	-0.7%	Average		100.0%	100.0%

# Post-Distribution Analyses

## Performance Metric Scorecard

- Between 2024 and 2025, UK and MoSU had above average growth rates on 8 out of 10 metrics
- Those same institutions had largest increase in their formula shares for the period
- KSU had above average growth rates on 6 out of 10 metrics, their best performance to date

Performance Funding Model for the Public Universities  
 Table 8 - Metrics Where Rates of Growth Exceeded Sector Average  
 Between Fiscal Years 2023-24 and 2024-25

Attachment C

Performance Metric	UK	UofL	EKU	KSU	MoSU	MuSU	NKU	WKU	Pool Size (In Millions)
<b>Student Success Outcomes</b>									
Bachelor's Degrees	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	\$56.68
STEM+H Bachelor's Degrees	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	31.49
Low Income Bachelor's Degrees	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	50.38
Student Progression @ 30 Hours	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	18.89
Student Progression @ 60 Hours	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	31.49
Student Progression @ 90 Hours	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	44.09
<b>Course Completion Component</b>									
Earned Credit Hours	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	188.94
<b>Operational Support Activity</b>									
Instructional Square Feet	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	62.98
Direct Cost of Instruction	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	62.98
FTE Students	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	62.98
Metrics Above Sector Average	8	3	3	6	2	8	2	2	
Total Allocable Resources:									\$610.90

# Post-Distribution Analyses

## State Funds for Educating Students

- The enacted state budget included \$35.8 million for an inflation adjustment
- The General Assembly also increased the Performance Fund by \$7.7 million
- This underscores the utility of state funds for educating students metric
- Universities that received little to no performance distribution had above average increases overall

Performance Funding Model for the Public Universities  
Table 9 - Change in State Funds for Educating Students  
Between Fiscal Years 2023-24 and 2024-25

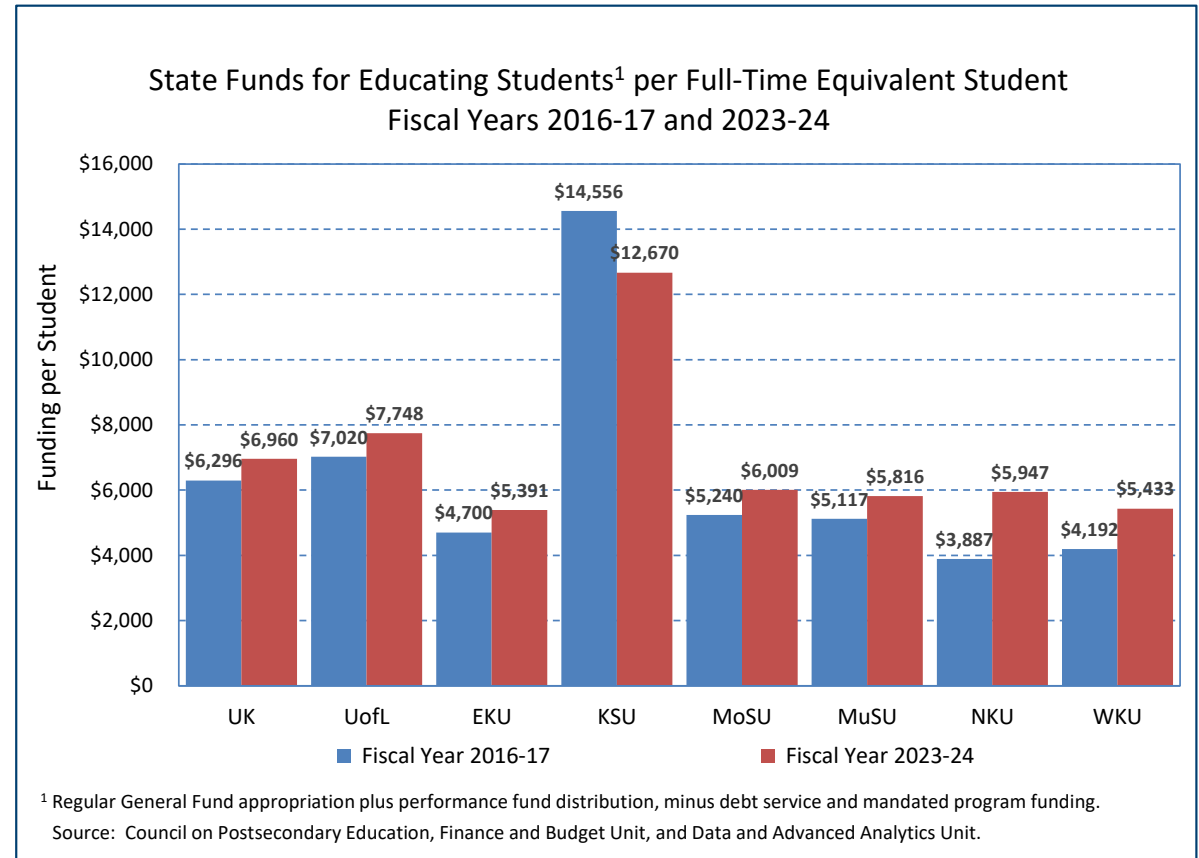
Attachment D

Institution	Fiscal Year 2023-24			Fiscal Year 2024-25			Dollar Change	Percent Change
	A	B	(A + B) C	D	E	(D + E) F		
	Adjusted Net General Fund <sup>1</sup>	Performance Distribution	State Funds for Educating Students <sup>2</sup>	Adjusted Net General Fund <sup>1</sup>	Performance Distribution	State Funds for Educating Students <sup>2</sup>		
UK	\$184,662,000	\$33,338,500	\$218,000,500	\$195,715,200	\$34,737,000	\$230,452,200	\$12,451,700	5.7%
UofL	126,211,600	17,594,600	143,806,200	131,309,900	18,752,200	150,062,100	6,255,900	4.4%
EKU	60,842,300	3,222,900	64,065,200	63,708,500	4,769,400	68,477,900	4,412,700	6.9%
KSU	18,235,500	0	18,235,500	19,343,900	0	19,343,900	1,108,400	6.1%
MoSU	34,931,500	0	34,931,500	36,665,400	214,400	36,879,800	1,948,300	5.6%
MuSU	40,553,800	3,095,000	43,648,800	42,428,500	4,759,800	47,188,300	3,539,500	8.1%
NKU	50,923,600	12,683,900	63,607,500	53,013,500	13,224,300	66,237,800	2,630,300	4.1%
WKU	67,619,000	5,858,400	73,477,400	70,693,900	5,460,300	76,154,200	2,676,800	3.6%
Subtotal	\$583,979,300	\$75,793,300	\$659,772,600	\$612,878,800	\$81,917,400	\$694,796,200	\$35,023,600	5.3%
							\$35,023,600	5.3%
								<b>Sector Average</b> ↗
KCTCS	165,761,600	21,513,800	187,275,400	172,696,700	23,082,600	195,779,300	8,503,900	4.5%
Total	\$749,740,900	\$97,307,100	\$847,048,000	\$785,575,500	\$105,000,000	\$890,575,500	\$43,527,500	5.1%
							\$43,527,500	5.1%
								<b>System Average</b> ↗

# Post-Distribution Analyses

## *State Funds per Student*

- As expected, most funding disparities that developed over time are being rectified
- Between 2017 and 2024, the gap in per student funding between MoSU and NKU narrowed from \$1,353 per student to \$62 per student
- In 2024-25, funding parity was achieved at 7 out of 8 public universities



**TITLE:** Components of the Total Cost of Attendance (*at Kentucky public universities*)

**DESCRIPTION:** Staff presents information showing trends over time in room and board costs, books and supplies, and other costs that comprise component elements of the total cost of attendance at Kentucky public universities. This item responds to a question posed by the Council Chair regarding whether institutions have responded to tuition and fee ceilings by raising room, board, or book prices.

**STAFF CONTACT:** Ryan Kaffenberger, Associate Director of Finance and Budget, CPE

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### **SUPPORTING INFORMATION**

Every year since 2009-10, the Council on Postsecondary Education has adopted rate ceilings for resident undergraduate tuition and fee charges, resulting in considerably lower levels of annual increase compared to the seven years prior. As seen in Attachment A, the system average increase in resident undergraduate tuition and fee charges grew at an average annual rate of 11.5% between academic years 2002-03 and 2008-09 and increased at an annual rate of 3.5% over the 15 years since.

At the March 24, 2024, meeting of the Finance Committee, Chair Madison Silvert asked staff to review and report on the change over time in component elements of the total cost of attendance, such as room, board, and book costs at Kentucky postsecondary institutions. Specifically, Chair Silvert wanted to know if pricing structures at the institutions changed in response to Council adopted tuition and fee ceilings. Change in room and board costs were identified as being of particular interest.

Attached is a presentation that shows trends over time in components of the total cost of attendance at each Kentucky public university from 2009-10 to 2022-23, using data from the National Center for Education Statistics (NCES), Integrated Postsecondary Education Data System (IPEDS). The analyses were limited to the state's public universities because KCTCS institutions do not charge room and board.

Key takeaways from staff's analysis of the components of total cost of attendance at the public universities include:

- In general, room and board costs have not drastically outpaced growth in tuition and fees since CPE began setting tuition and fee ceilings.

- Relatively large increases in room and board costs occur more sporadically than tuition and fees and are often aligned with the opening of new or improved residence halls and other auxiliary services.
- Universities located in rural areas have made significant efforts to maintain affordability as evidenced by: (1) rates of increase in room and board costs that are closely aligned with the Council’s historically low tuition and fee increases; (2) recent deceleration in magnitude of room and board price increases; and (3) reductions in the cost of books and supplies.
- Data reported to IPEDS by the institutions would benefit from using a standardized methodology for calculating each cost component, which would result in greater comparability across institutions over time, particularly room and board, other expenses, and books and supplies.
- Methodologies and the rationales for their use differ across universities when calculating the components of total price, which can have a differential impact on current and prospective students.

