

KY COUNCIL ON POSTSECONDARY EDUCATION BUSINESS MEETING



May 13, 2021 – 3:00 PM ET

ZOOM teleconferencing for Committee members

Livestream: <https://www.youtube.com/c/KentuckyCouncilOnPostsecondaryEducationFrankfort>

**Indicates action item*

- I. **Call to Order and Roll Call**
- II. **Amendment of November 2021 Meeting Dates*2**
- III. **Finance Committee – Report and Action Item**
 - A. 2021-22 Tuition and Mandatory Fee Recommendation*3
- IV. **Nominating Committee – Report and Action Item**
 - A. Election of CPE Chair and Vice Chair, May 2021-January 2022*26
- V. **Adjournment**

Next Council meeting: June 25, 2021

TITLE: Amendment of November 2021 Meeting Dates

RECOMMENDATION: Council to adopt the revised meeting dates for November 2021.

PRESENTER: Aaron Thompson, CPE President

The Council approved the 2021-22 meeting dates at its last Council meeting. The November 2021 meeting dates in the agenda time were listed incorrectly.

Staff recommend the Council formally approve the revised meeting dates of November 4-5, 2021.

Incorrect dates approved on April 25 → November 8-9, 2021 ❌

Correct dates for approval → November 4-5, 2021 ✅

All other already approved meeting dates will remain the same.

- Sept 14-15, 2021 (Tu-W)
- Jan 27-28, 2022 (Th-F)
- Apr 14-15, 2022 (Th-F)
- Jun 16-17, 2022 (Th-F)

TITLE: Tuition and Mandatory Fee Recommendation

RECOMMENDATION: The Finance Committee recommends the Council approve the proposed resident undergraduate tuition and mandatory fee ceilings for academic years 2021-22 and 2022-23.

PRESENTERS: Bill Payne, CPE's Vice President of Finance and Administration
Aaron Thompson, CPE President

FORMAL RECOMMENDATION FOR APPROVAL

The Finance Committee reviewed and approved the following motion at its May 11, 2021 meeting, and recommend final approval by the full Council:

Resident undergraduate tuition and mandatory fee ceilings for academic years 2021-22 and 2022-23 that equate to:

- A maximum base rate increase of no more than 3.0 percent over two years, and a maximum increase of no more than 2.0 percent in any one year, for public research and comprehensive universities.
- A maximum base rate increase of no more than \$5.⁰⁰ per credit hour over two years, and a maximum increase of no more than \$3.⁰⁰ per credit hour in any one year, for students attending KCTCS institutions.

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.

BACKGROUND INFORMATION

Council staff used a collaborative process to develop its tuition and mandatory fee recommendation for academic years 2021-22 and 2022-23, which included sharing information and engaging in discussions with campus presidents and chief budget officers, Council members, and the Governor's office. Based on feedback from multiple stakeholders and recognizing that many Kentucky students and families are continuing

to struggle financially due to disruptions caused by the COVID-19 pandemic, there is a general sentiment that increases in resident undergraduate tuition and fees should be low in academic years 2021-22 and 2022-23 to support a necessary balance between the ability of students and families to pay for college and resources required for the postsecondary institutions to maintain quality academic programs, address fixed and unavoidable cost increases, and support ongoing progress toward the state's 60x30 college attainment goal and objectives of the Council's *Strategic Agenda*.

For the current tuition-setting cycle, there is interest among CPE staff, campus officials, and Council members in establishing tuition and fee ceilings for the next two academic years (i.e., 2021-22 and 2022-23). There is historical precedent for this approach. The Council adopted two-year ceilings for academic years 2014-15 and 2015-16, and again for academic years 2018-19 and 2019-20. Using a two-year approach will facilitate strategic planning and budgeting processes at the postsecondary institutions and make college costs more predictable for students and families.

The recommendations below are consistent with the primary objectives of the Council's *2021-22 Tuition and Mandatory Fees Policy*, including funding adequacy, shared benefits and responsibility, affordability and access, attracting and importing talent, and effective use of resources.

STAFF RECOMMENDATION

For the current tuition-setting cycle, staff recommends that the Council adopt two-year ceilings that will limit increases in resident undergraduate tuition and mandatory fees at Kentucky colleges and universities to predetermined amounts over the next two years. Specifically, staff recommends that the Finance Committee approve, and endorse to the full Council, resident undergraduate tuition and fee ceilings for academic years 2021-22 and 2022-23, that equate to a maximum base rate increase of no more than 3.0 percent over two years, and a maximum increase of no more than 2.0 percent in any one year, at each public research and comprehensive university.

It is further recommended that, over the same two-year period, the Finance Committee approve and endorse tuition and fee ceilings for resident students attending KCTCS institutions, that equate to a maximum base rate increase of no more than \$5.00 per credit hour over two years, and a maximum increase of no more than \$3.00 per credit hour in any one year.

As a reminder, base rates are defined as total tuition and fee charges, minus any Special Use Fees or Asset Preservation Fees previously approved by the Council, and minus an existing agency bond fee at KCTCS (i.e., BuildSmart Investment for Kentucky Competitiveness Fee). Council staff deduct 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.

Table 1 shows the current year base rate, maximum allowable base rate for academic year 2021-22, and one-year dollar and percent changes compared to the current year base rate for each public university, using the recommended “no more than 2.0 percent in any one year” maximum increase parameter.

See Attachment A for detail regarding the maximum allowable tuition and fee charge in academic year 2021-22 for resident undergraduate students at each public university.

Kentucky Public Research and Comprehensive Universities				
				Table 1
Maximum Base Rate Increase for Resident Undergraduate Students				
Academic Year 2021-22				
<u>Institution</u>	<u>Current 2020-21 Base Rates</u>	<u>Maximum 2021-22 Base Rates</u>	<u>One-Year Dollar Change</u>	<u>One-Year Percent Change</u>
UK	\$12,484	\$12,734	\$250	2.00%
UofL	11,966	12,205	239	2.00%
EKU	9,266	9,451	185	2.00%
KSU	8,500	8,670	170	2.00%
MoSU	9,038	9,219	181	2.00%
MuSU (Pre Summer 2016)	8,676	8,850	174	2.01%
MuSU (Summer 2016 or After)	9,168	9,351	183	2.00%
NKU	9,912	10,110	198	2.00%
WKU	10,602	10,814	212	2.00%

Note: Base rates do not include Special Use Fees or Asset Preservation Fees previously approved by the Council, or a BuildSmart agency bond fee at KCTCS.

Table 2 shows the current year base rate, maximum allowable base rate for academic year 2022-23, and two-year dollar and percent changes compared to the current year base rate for each public university, using the recommended “no more than 3.0 percent over two years” maximum increase parameter.

Kentucky Public Research and Comprehensive Universities Table 2
 Maximum Base Rate Increase for Resident Undergraduate Students
 Academic Year 2022-23

<u>Institution</u>	<u>Current 2020-21 Base Rates</u>	<u>Maximum 2022-23 Base Rates</u>	<u>Two-Year Dollar Change</u>	<u>Two-Year Percent Change</u>
UK	\$12,484	\$12,859	\$375	3.00%
UofL	11,966	12,325	359	3.00%
EKU	9,266	9,544	278	3.00%
KSU	8,500	8,755	255	3.00%
MoSU	9,038	9,309	271	3.00%
MuSU (Pre Summer 2016)	8,676	8,936	260	3.00%
MuSU (Summer 2016 or After)	9,168	9,443	275	3.00%
NKU	9,912	10,209	297	3.00%
WKU	10,602	10,920	318	3.00%

Note: Base rates do not include Special Use Fees or Asset Preservation Fees previously approved by the Council, or a BuildSmart agency bond fee at KCTCS.

See Attachment A for detail regarding the maximum allowable tuition and fee charge in academic year 2022-23 for resident undergraduate students at each public university. Table 3 shows the current year base rate, maximum allowable base rate for academic year 2021-22, and one-year dollar and percent changes compared to the current year base rate for KCTCS institutions, using the recommended “no more than \$3.00 per credit hour in any one year” maximum increase parameter.

Kentucky Community and Technical College System Table 3
 Maximum Base Rate Increase for Resident Students
 Academic Year 2021-22

<u>Institution</u>	<u>Current 2020-21 Base Rates</u>	<u>Maximum 2021-22 Base Rates</u>	<u>One-Year Dollar Change</u>	<u>One-Year Percent Change</u>
KCTCS <small>(per credit hour)</small>	\$179.00	\$182.00	\$3.00	1.68%
KCTCS <small>(per credit hour x 30)</small>	\$5,370	\$5,460	\$90	1.68%

Note: Base rates do not include Special Use Fees or Asset Preservation Fees previously approved by the Council, or a BuildSmart agency bond fee at KCTCS.

Table 4 shows the current year base rate, maximum allowable base rate for academic year 2022-23, and two-year dollar and percent changes compared to the current year base rate for KCTCS institutions, using the recommended “no more than \$5.00 per credit hour over two years” maximum increase parameter.

Kentucky Community and Technical College System Maximum Base Rate Increase for Resident Students Academic Year 2022-23				Table 4
<u>Institution</u>	<u>Current 2020-21 Base Rates</u>	<u>Maximum 2022-23 Base Rates</u>	<u>Two-Year Dollar Change</u>	<u>Two-Year Percent Change</u>
KCTCS (per credit hour)	\$179.00	\$184.00	\$5.00	2.79%
KCTCS (per credit hour x 30)	\$5,370	\$5,520	\$150	2.79%

Note: Base rates do not include Special Use Fees or Asset Preservation Fees previously approved by the Council, or a BuildSmart agency bond fee at KCTCS.

See Attachment A for detail regarding the maximum allowable tuition and fee charges in academic years 2021-22 and 2022-23 for resident students attending KCTCS.

In addition to proposing resident undergraduate rate ceilings for the next two years, staff recommends that the public institutions be allowed to submit for Council review and approval, nonresident undergraduate tuition and fee rates that comply with the Council’s *2021-22 Tuition and Mandatory Fees Policy*, or otherwise adhere to provisions of an existing Memorandum of Understanding between the Council and an institution. Finally, it is recommended that the public postsecondary institutions be allowed to submit for Council review and approval, market competitive tuition and fee rates for graduate and online courses, as approved by their respective governing boards.

KEY ISSUES

Over the past six months, Council staff and campus officials identified a number of key issues that were relevant during discussions and development of staff’s tuition and mandatory fee recommendation, including: (a) the level of institutional operating funds provided in the enacted state budget (HB 192); (b) anticipated increases in fixed and unavoidable costs for the upcoming year; (c) rising pension costs, and the extent to which state appropriations will be provided to offset those costs; (d) COVID-19 related costs and forgone revenue, and the extent to which federal relief funds are available to help offset those costs; (e) declining enrollment at nearly every institution, and the

impact of that trend on the ability of the postsecondary system to achieve the state's 60 percent college attainment goal by the year 2030; and (f) the magnitude of prior-year tuition and fee increases. Each of these considerations is described in detail below.

State Funding

On March 30, 2021, the Kentucky General Assembly passed a budget (21 RS, HB 192) for fiscal year 2021-22 that provides the first significant increase in state support for the postsecondary institutions in more than a decade. After adjusting for changes in debt service and discounting additional appropriations for mandated public service and research programs and pension costs, the postsecondary institutions, in the aggregate, will have 2% more funding next year, than they had this year, or about \$17.3 million.

The 2020-2022 Budget of the Commonwealth (21 RS, HB 192) revised the originally enacted (20 RS, HB 352) General Fund for the public postsecondary institutions from \$865.7 million to \$846.7 million in fiscal year 2020-21, reflecting a \$20.0 million reduction related to a federal fund swap and a \$1,061,600 current-year appropriation for KSU's land-grant program. In that same bill (HB 192), the General Assembly provided a system total \$907.2 million for the public universities, KCTCS, and the Performance Fund in 2021-22. While on the surface, this appears to be a \$60.5 million increase for Kentucky higher education, there are several caveats to keep in mind when considering this increase for tuition-setting purposes (see Attachment B).

First, \$20.0 million of the \$60.5 million increase between this year and next, is the result of a restoration in General Fund, back to the level of funding before the federal fund swap. These are replacement funds for those reduced in 2020-21 and back-filled with one-time federal Coronavirus Relief Funds and, therefore, should not be considered new funding in tuition discussions. Second, \$15.0 million, that was appropriated to the Performance Fund in 2020-21 and distributed based on funding model calculations that same year, was added in 2021-22 to the base budgets of institutions that earned those funds, resulting in a net budgetary impact of zero at the system level. Again, these were not new funds for Kentucky higher education. Third, the enacted budget provides additional appropriations totaling \$22.1 million to five comprehensive universities (excludes NKU) and KCTCS in 2021-22 to facilitate transition of these institutions to a level-dollar method for determining employer-paid pension contributions. These are new funds, but will be offset by an expected equivalent increase in pension costs.

What remains is an appropriation of \$17.3 million to the Performance Fund in 2021-22, which does represent new funding for higher education and is relevant to tuition-setting decisions. In fact, these funds, roughly a 2.0 percent increase on the originally enacted (HB 352) current-year base, plus performance distributions, are the first significant investment in postsecondary institution operating funds that the state has made since

2008. One important disclaimer to keep in mind with respect to these funds is that not every institution will receive a distribution from the Performance Fund in 2021-22.

Fixed and Unavoidable Costs

Every tuition cycle, CPE staff works with campus chief budget officers (CBOs) to identify anticipated increases in fixed and unavoidable costs for the upcoming fiscal year. These costs typically include growth in expenditures, such as maintenance and operation (M&O) of campus facilities, retirement and health insurance contributions, contractual obligations, worker's compensation, and student financial aid.

For the upcoming fiscal year, the CBOs estimate that fixed and unavoidable costs will increase by a system total \$116.7 million, or about 3.2 percent. This estimate is higher than the average annual growth rate in the Higher Education Price Index (HEPI) over the past five years (i.e., 2.4 percent), but both the current year and next year should be viewed as anomalies, given disruptions caused by the Coronavirus pandemic.

In addition to providing inflationary cost increase estimates, the CBOs also project the amount of net tuition and fee revenue that would be generated in the upcoming year, should CPE staff's recommended tuition and fee parameters be approved. Since staff is proposing no more than a 2.0 percent increase in any one year for the public universities and no more than \$3.⁰⁰ per credit hour in any one year at KCTCS, the projections for 2021-22 are based on these maximum increase parameters.

In the aggregate, the projected increase in net tuition and fee revenue generated by a 2.0 percent base rate increase for the public universities and a \$3.⁰⁰ per credit hour increase at KCTCS is \$26.8 million. In other words, the net tuition and fee revenue raised using the proposed parameters is estimated to cover about 23 percent of the budgetary need resulting from inflationary cost increases that do not include COVID-19 related costs and forgone revenue. Of course, a portion of the identified fixed and unavoidable cost increases will be offset by the \$17.3 million appropriation to the Performance Fund in 2021-22, among institutions that receive a distribution based on funding model calculations.

Pension Costs (State Funds)

Beginning with the 2012-13 tuition-setting cycle, and in every cycle since, CPE staff has explicitly considered the impact of required increases in retirement system contributions on postsecondary institution operating budgets. This approach was necessitated by large and frequently unfunded increases in Kentucky Employees Retirement System (KERS) employer-paid retirement contributions that were required by the state.

For example, in the aggregate, KERS pension contributions at Kentucky comprehensive universities and KCTCS institutions increased by 26.6 percent in fiscal year 2012-13, by

12.1 percent in 2013-14, by 40.2 percent in 2014-15, and by 13.2 percent in 2016-17. These pension costs were in addition to other fixed and unavoidable cost increases that the institutions faced each year and placed extreme pressure on campus budgets.

Providing a bit of a reprieve, between fiscal years 2018-19 and 2020-21, the General Assembly set and maintained the employer contribution rate at 49.47 percent for KERS employees in nonhazardous duty positions. That rate applied to participating employees in quasi-state agencies, including those employed by state colleges and universities. In fiscal year 2021-22, the General Assembly appropriated \$22.1 million in new funding to support the transition of comprehensive universities (except for NKU) and KCTCS to a level-dollar allocation method for determining KERS pension contributions. These funds are expected to cover 100 percent of the marginal cost increase in employer-paid pension contributions between this year and next year, using projections off of an actual 2019-20 employer contribution base.

Given that state policymakers believe they have provided sufficient funding to offset the expected costs of transitioning to a new approach for determining pension contributions, CPE staff infers that the budgetary impact of rising pension costs at the comprehensive universities (except for NKU) and KCTCS for the coming fiscal year will be minimal.

COVID-19 Related Costs (Federal Relief Funds)

The negative impacts of the Coronavirus pandemic on the postsecondary education community were sudden and severe. As widely publicized in print media and online news reports, public, private, and proprietary institutions across the nation transitioned to 100 percent online education midway through the spring 2020 semester, cancelled spring sports and other events, offered refunds or credits for auxiliary services, such as housing and dining, and experienced all manner of disruption to campus operations.

The federal government stepped in and provided, and is continuing to provide, billions of dollars in Coronavirus relief funds to college students and postsecondary institutions to help those in the higher education community cope with the pandemic. The funding is coming from four major sources: (a) the Coronavirus Aid, Relief, and Economic Security (CARES) Act; (b) the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA); (c) Coronavirus Relief Funds provided to state governors; and (d) the American Rescue Plan (ARP) Act. In total, once ARP funds are officially allocated by the Department of Education, it is projected that Kentucky's public postsecondary institutions will have access to about \$460.7 million in federal relief funds to help them recover eligible COVID-19 related costs and forgone revenue. An important caveat to keep in mind with respect to these funds, is that the institutions must first incur costs and forgo revenue that are eligible under federal guidelines, before they can submit applications for and receive reimbursement.

While the amount of federal allocations for postsecondary institutions is sizable and certainly welcomed given the environment, the scale of COVID-19 related costs and forgone revenue those funds are intended to offset is unprecedented. To help identify, classify, quantify, and document COVID-19 costs and forgone revenue at Kentucky's public postsecondary institutions, CPE staff worked with campus officials over several months to develop a reporting template that mirrors the federal application forms that institutions submit to seek reimbursement.

As a result of this effort, CPE staff and campus chief budget officers have identified a total of \$440.8 million in costs and forgone revenue that have already been reimbursed, are in the process of being reimbursed, or are eligible to be reimbursed, but exceed available funds. Furthermore, the institutions have identified an additional \$39.3 million in costs and forgone revenue that are COVID-19 related, but are currently ineligible under federal guidelines. Several important disclaimers to keep in mind with respect to these data are: (a) the cost and lost revenue reported to date represent a snapshot in time (i.e., as of May 5, 2021) and are subject to change; (b) COVID-19 costs and forgone revenue are continuing to accumulate (most campus CBOs expect additional, sizable costs and lost revenue to be reported in fiscal year 2021-22); and (c) federal coronavirus relief funds are nonrecurring (i.e., they are one-time funds) and can only be used for proscribed purposes.

While the impact of the Coronavirus pandemic on colleges and universities has been substantial, the effect on students has been no less severe. Many students and families are coping with their own financial issues, whether related to the purchase of Internet access, course materials, or technology to facilitate distance learning, related to the purchase of food, housing, healthcare, or child care, or related to the loss of employment income. In addition to relief funds provided to colleges and universities, the aforementioned federal programs also allocated \$291.4 million to Kentucky institutions for distribution to students in the form of emergency financial aid grants.

Given that the federal government has provided hundreds of millions of dollars in relief funds to Kentucky institutions, and given that students that attend those institutions are facing their own financial challenges, from both a philosophical and policy perspective, CPE senior staff do not believe that students and families should be required to shoulder the burden of COVID-19 related costs and forgone revenue incurred by the institutions, by passing those costs along in the form of moderate to high tuition and fee increases. For this reason, the proposed tuition and fee increase parameters over the next two years err on the side of maintaining affordability for students and families.

Enrollment Trends (Council Resolution)

Since 2013, Kentucky's comprehensive universities and KCTCS institutions, in the aggregate (i.e., based on sector totals), have experienced steady enrollment declines.

Between fall semesters 2013 and 2020, full-time equivalent (FTE) student enrollment decreased by 6,413 FTE students, or 11 percent, at the comprehensive universities and fell by 11,287 FTE students, or 22 percent, in the two-year college sector. For the most part, FTE enrollment at the research universities remained relatively flat, although the sector did record a 2.2 percent overall increase during this period.

On March 3, 2021, the Council's Executive Committee, operating under delegation of authority from the full Council, adopted a resolution, expressing concern about the potential effects of further enrollment decline on the ability of the postsecondary system to meet the state's goal of achieving 60 percent college attainment among Kentucky's working age adults by the year 2030. The resolution charged CPE and campus leaders to implement bold actions and strategies to mitigate the near-term enrollment effects of COVID-19 and stem the ebbing tide of enrollment. One strategy for encouraging enrollment in the near term is maintaining affordability for students and families.

Prior-Year Tuition Increase

One final issue that CPE staff and campus leaders discussed during development of the 2021-22 and 2022-23 tuition and fee recommendation was the level of tuition increase adopted for the current year (i.e., 2020-21). Research has shown that an institution's prior-year tuition and fee increase is frequently listed among factors considered by campus administrators and governing boards, when establishing rates for an upcoming academic year. As many Council members already know, the system average increase in resident undergraduate tuition and fees for the current academic year was the lowest percent increase in over 20 years.

In total, between academic years 2019-20 and 2020-21, five universities did not raise their tuition and fees (i.e., they adopted a zero percent increase parameter), one university increased its rate by 1.0 percent, two universities increased their tuition and fees by more than 1.0 percent, but less than 2.0 percent, and KCTCS increased tuition and fees by 2.75 percent. This resulted in a system average increase of 0.7 percent in academic year 2020-21. By comparison, over the previous 10 years, Council adopted tuition and fee ceilings resulted in an average annual increase of about 4.0 percent per year, which means the increase in 2020-21 was 3.3 percentage points below the recent historical average.

If CPE staff's recommended parameters for academic years 2021-22 and 2022-23 are endorsed by the Finance Committee and approved by the full Council, the maximum average annual increase in resident undergraduate base rates over the next two years will be 1.50 percent per year at Kentucky public research and comprehensive universities and 1.40 percent per year at KCTCS institutions. Because Special Use Fees, Asset Preservation Fees, and a KCTCS BuildSmart Fee are backed out of base rates before applying the percent increase parameters, the average effective rates of

increase in total tuition and fees will be lower (i.e., a maximum of 1.46 percent per year at public universities; and a maximum of 1.34 percent per year at KCTCS institutions).

INSTITUTION RATE PROPOSALS

It is anticipated that the postsecondary institutions will submit their proposed 2021-22 tuition and fee rates for review and approval at the June 8 meeting of the Council's Finance Committee. CPE staff will recommend approval of resident undergraduate tuition and fees that comply with Council approved ceilings, nonresident undergraduate rates that comply with the Council's *2021-22 Tuition and Mandatory Fees Policy* or otherwise adhere to a previously approved Memorandum of Understanding, and market competitive rates for graduate and online courses.

Kentucky Public Postsecondary Institution
Recommended Maximum Allowable Resident Undergraduate Tuition and Fees
Academic Year 2021-22

Institution	Current 2020-21 Tuition & Fees	Maximum 2021-22 Tuition & Fees	One-Year Dollar Change	One-Year Percent Change
UK	\$12,484	\$12,734	\$250	2.00%
UofL	12,162	12,401	239	1.97%
EKU	9,866	10,051	185	1.88%
KSU	8,800	8,970	170	1.93%
MoSU	9,290	9,471	181	1.95%
MuSU (Pre Summer 2016)	8,976	9,150	174	1.94%
MuSU (Summer 2016 or After)	9,468	9,651	183	1.93%
NKU	10,296	10,494	198	1.92%
WKU	10,802	11,014	212	1.96%
KCTCS (per credit hour x 30)	\$5,610	\$5,700	\$90	1.60%
KCTCS (per credit hour)	\$187.00	\$190.00	\$3.00	1.60%

Academic Year 2022-23

Institution	Current 2020-21 Tuition & Fees	Maximum 2022-23 Tuition & Fees	Two-Year Dollar Change	Two-Year Percent Change
UK	\$12,484	\$12,859	\$375	3.00%
UofL	12,162	12,521	359	2.95%
EKU	9,866	10,144	278	2.82%
KSU	8,800	9,055	255	2.90%
MoSU	9,290	9,561	271	2.92%
MuSU (Pre Summer 2016)	8,976	9,236	260	2.90%
MuSU (Summer 2016 or After)	9,468	9,743	275	2.90%
NKU	10,296	10,593	297	2.88%
WKU	10,802	11,120	318	2.94%
KCTCS (per credit hour x 30)	\$5,610	\$5,760	\$150	2.67%
KCTCS (per credit hour)	\$187.00	\$192.00	\$5.00	2.67%

Note: Charges shown are annual full-time comparison rates (except for per credit hour rates), assuming a student takes 15 credit hours per semester (i.e., fall and spring) for a total of 30 credit hours taken in an academic year.

Definitions:

- Tuition and fees include Special Use Fees at UofL, EKU, MoSU, NKU, and WKU, Asset Preservation Fees at EKU, KSU, MoSU, and MuSU, and BuildSmart agency bond fees at KCTCS.

Commonwealth of Kentucky
 2020-2022 Budget of the Commonwealth (21 RS, HB 192)
 General Fund Appropriations for Postsecondary Institution Operations

Fiscal Year 2020-21

(A - B + C)

Institution	A	B	C	D	2020-21 Fund Distributions	
	2020-21 General Fund (HB 352) ¹	Fund Swap Reduction ²	KSU Land-Grant Match Funds ³	2020-21 General Fund (HB 192)	Performance Distribution ⁴	Coronavirus Relief Funds ⁵
University of Kentucky	\$258,609,200	(\$6,130,000)	\$0	\$252,479,200	\$6,621,600	\$6,130,000
University of Louisville	124,117,900	(2,936,500)	0	121,181,400	2,938,900	2,936,500
Eastern Kentucky University	65,337,000	(1,511,900)	0	63,825,100	394,200	1,511,900
Kentucky State University	25,384,300	(586,700)	1,061,600	25,859,200	0	586,700
Morehead State University	38,332,900	(885,900)	0	37,447,000	0	885,900
Murray State University	43,753,800	(1,011,200)	0	42,742,600	0	1,011,200
Northern Kentucky University	51,280,500	(1,207,500)	0	50,073,000	967,000	1,207,500
Western Kentucky University	72,596,200	(1,695,400)	0	70,900,800	757,900	1,695,400
KCTCS	171,265,800	(4,034,900)	0	167,230,900	3,315,200	4,034,900
Performance Fund	14,994,800	0	0	14,994,800	(14,994,800)	0
Total	\$865,672,400	(\$20,000,000)	\$1,061,600	\$846,734,000	\$0	\$20,000,000

Fiscal Year 2021-22

= (Col. D)

Σ(E thru J)

Institution	E	F	G	H	I	J	K
	2020-21 General Fund (HB 192)	Fund Swap Restoration ²	Performance Distribution ⁴	Pension Funding ⁶	Performance Fund Allocation ⁷	Other Base Adjustments ⁸	2021-22 General Fund (HB 192)
University of Kentucky	\$252,479,200	\$6,130,000	\$6,621,600	\$0	\$0	\$1,013,000	\$266,243,800
University of Louisville	121,181,400	2,936,500	2,938,900	0	0	100,000	127,156,800
Eastern Kentucky University	63,825,100	1,511,900	394,200	8,909,700	0	(317,000)	74,323,900
Kentucky State University	25,859,200	586,700	0	558,200	0	182,000	27,186,100
Morehead State University	37,447,000	885,900	0	4,913,000	0	79,000	43,324,900
Murray State University	42,742,600	1,011,200	0	3,270,900	0	0	47,024,700
Northern Kentucky University	50,073,000	1,207,500	967,000	0	0	0	52,247,500
Western Kentucky University	70,900,800	1,695,400	757,900	3,592,500	0	0	76,946,600
KCTCS	167,230,900	4,034,900	3,315,200	854,900	0	0	175,435,900
Performance Fund	14,994,800	0	(14,994,800)	0	17,307,100	0	17,307,100
Total	\$846,734,000	\$20,000,000	\$0	\$22,099,200	\$17,307,100	\$1,057,000	\$907,197,300

¹ Figures obtained from the enacted 2020-21 Budget of the Commonwealth (20 RS, HB 352).

² System total \$20 million reduction in General Fund in 2020-21 and system total \$20 million General Fund restoration in 2021-22, resulting from a \$20 million federal fund swap. Figures obtained from a CPE letter sent to campus presidents, dated November 12, 2020.

³ Recurring \$1,061,600 increase in state General Fund appropriations in both years of the biennium to meet a federal matching requirement for KSU's land-grant program. With these increases, the total amount of state matching funds supporting KSU's land-grant program each year will be \$8,210,400.

Commonwealth of Kentucky
2020-2022 Budget of the Commonwealth (21 RS, HB 192)
General Fund Appropriations for Postsecondary Institution Operations

- ⁴ Distribution of \$14,994,800 appropriated to the Performance Fund in 2020-21 (20 RS, HB 352), as communicated in a letter from CPE to the State Budget Director, dated May 28, 2020. The distributed funds are not reflected in each individual institution's 2020-21 revised General Fund appropriation in the enacted 2020-2022 budget (21 RS, HB 192), but are added to campus base budgets in 2021-22.
- ⁵ Federal Coronavirus Relief Funds distributed by the Office of the State Budget Director to postsecondary institutions as part of a \$20 million federal fund swap in 2020-21.
- ⁶ Funding to offset pension costs as comprehensive universities (except for NKU) and KCTCS transition to a fixed allocation non-hazardous retirement plan's employer contribution. The appropriated amounts are intended to cover 100 percent of estimated cost increases at each institution in fiscal year 2021-22.
- ⁷ Appropriation of \$17.3 million to the Performance Fund in 2021-22, which will be distributed among institutions using university and KCTCS funding models defined in statute (KRS 164.092).
- ⁸ In fiscal 2021-22, the enacted budget (21 RS, HB 192) provides additional appropriations for four institutions, including: (a) \$1,013,000 in debt service for a capital project at UK; (b) \$100,000 to support a new mandated program at UofL's School of Dentistry; (c) \$182,000 in debt service for a capital project at KSU; and (d) \$329,000 to support an increase in funding for MoSU's Craft Academy. That same year, the enacted budget (21 RS, HB 192) reduces funding at two institutions, including: (a) a \$317,000 decrease related to the transfer of debt service from ECU to the Finance Cabinet; and (b) a \$250,000 reduction at MoSU related to the sunset of funding for a Jet Propulsion Lab antenna.



**PowerPoint Slides
referenced during the Finance
Committee meeting**

May 11, 2021

Key Issues

State Funding

Frequent reductions in state support over the past decade have been a major cause of rising college prices in the U.S.

The enacted budget shows an increase of \$60.5 million from this year to next, but most of the increase is **not relevant** for tuition setting:

- Fund Swap Restoration – restores \$20.0 million in General Fund that was part of a federal fund swap reduction in 2020-21 (**not new \$**)
- Performance Distribution – adds \$14.9 million to base budgets in 2021-22 of institutions that earned funds in 2020-21 (**net effect \$0**)
- Pension Funding – provides \$22.1 million in new funding, which is offset by an expected increase in pension costs (**new \$, for pensions**)
- Performance Fund – appropriates \$17.3 million for performance, pending distribution using funding models (these are new \$)

Key Issues

Fixed and Unavoidable Costs

Projected Net Tuition Revenue Increase @
Maximum One-Year Parameters = \$26.8 M

Kentucky Public Postsecondary Institution
Estimated Increase in Fixed and Unavoidable Costs
Fiscal Year 2021-22

Draft - For Discussion Purposes
March 20, 2021

Campus	A Fiscal 2020-21 E&G Expenses ¹	Fixed and Unavoidable Cost Components ²					B Total Cost Increases	(B ÷ A) % of E&G Expenses
		Salaries and Personnel	FICA and Retirement	Maintenance & Operations	Financial Aid/ Scholarships	Other Costs		
UK	\$1,477,026,128	\$5,145,839	\$51,740,030	\$1,607,740	\$1,840,378	\$0	\$60,333,987	4.1%
UofL	516,599,903	3,469,752	188,284	2,193,053	1,644,284	0	7,495,373	1.5%
EKU	222,261,300	(5,306,800)	1,544,800	400,000	7,450,000	0	4,088,000	1.8%
KSU	40,623,086	1,780,895	224,103	1,899,347	265,000	0	4,169,345	10.3%
MoSU	101,485,737	598,991	0	244,572	93,278	321,654	1,258,495	1.2%
MuSU	157,691,002	1,854,057	519,882	1,035,984	435,750	150,000	3,995,673	2.5%
NKU	206,622,305	3,254,741	(14,686,251)	0	3,000,000	20,768,000	12,336,490	6.0%
WKU	266,928,996	300,000	0	1,576,870	2,104,453	0	3,981,323	1.5%
KCTCS	644,227,400	5,787,100	1,226,100	3,613,900	8,422,300	0	19,049,400	3.0%
Total	\$3,633,465,857	\$16,884,575	\$40,756,948	\$12,571,466	\$25,255,443	\$21,239,654	\$116,708,086	3.2%

¹ Budgeted Education and General (E&G) expenses for fiscal year 2020-21.

² Estimated increases in fixed and unavoidable cost components between fiscal years 2020-21 and 2021-22.

Source: Kentucky Public Postsecondary Institution, Chief Budget Officers.

5-Year Average Annual Growth in HEPI = 2.4%

Key Issues

Pension Costs (State Funds)

- Comprehensive universities (except for NKU) and KCTCS are moving to a fixed allocation method for determining KERS retirement plan contributions
- The enacted budget includes appropriations for five universities and KCTCS totaling \$22.1 million
- The funds are intended to cover 100% of projected pension cost increases in 2021-22
- The monetary impact of rising pension costs on participating institutions should be negligible
- Since appropriated funds are designated mandated programs, they are excluded from funding models

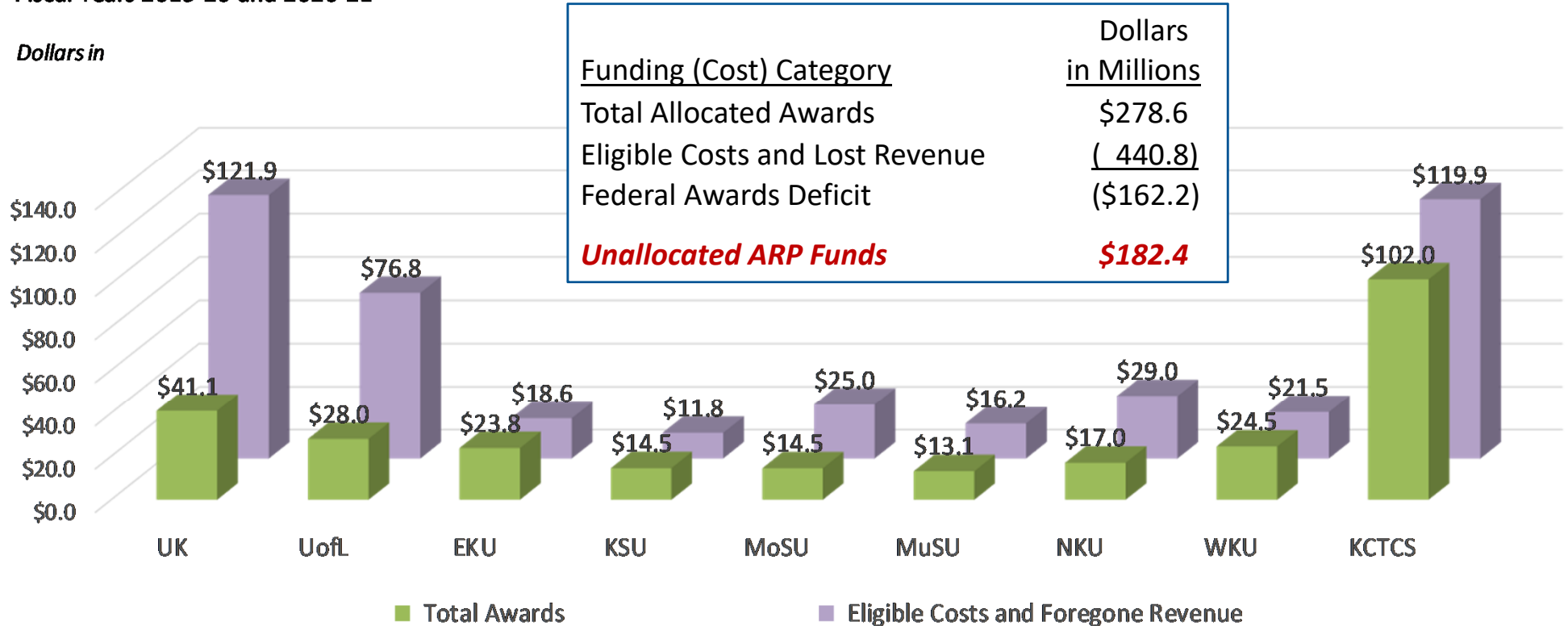
<u>Campus</u>	<u>Enacted Budget Pension Funds</u>
UK	\$0
UofL	0
EKU	8,909,700
KSU	558,200
MoSU	4,913,000
MuSU	3,270,900
NKU	0
WKU	3,592,500
KCTCS	854,900
Total	<u>\$22,099,200</u>

Key Issues

COVID-19 Related Costs (Federal Relief Funds)

Kentucky Public Postsecondary Institution
 Comparison of Federal Coronavirus Relief Funds and COVID-19 Related Costs and Foregone Revenue
 Fiscal Years 2019-20 and 2020-21

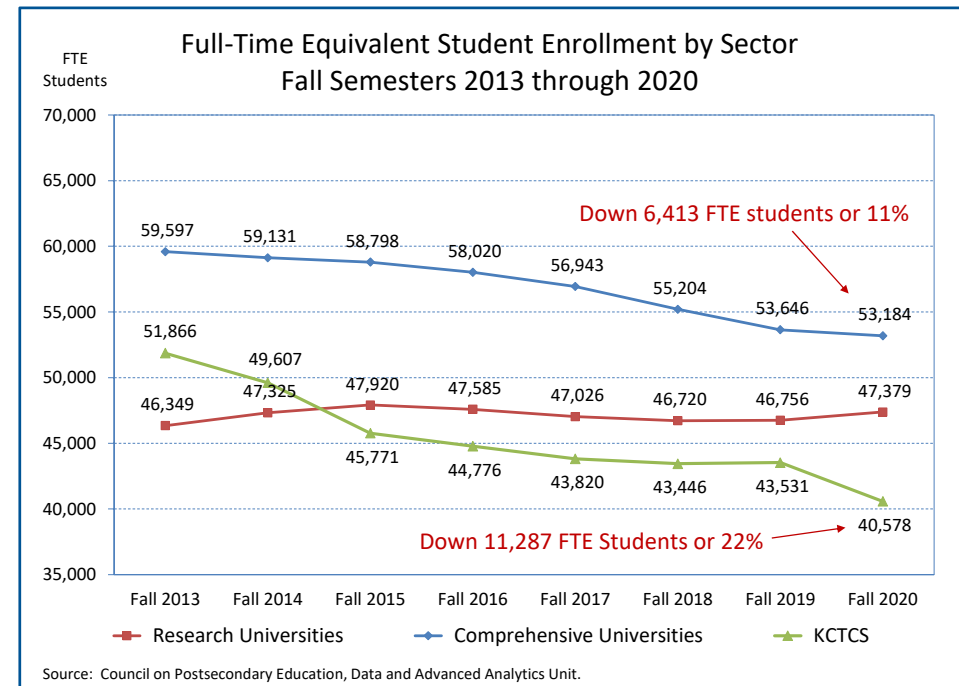
→ as of May 5, 2021



Key Issues

Enrollment Trends (Council Resolution)

- Kentucky comprehensive and KCTCS sectors have experienced steady enrollment declines
- Caused by declining numbers of high school graduates and falling college going rates, and exacerbated by the COVID-19 pandemic
- On March 3, the Council adopted a resolution:
 - expressing concern about the effect of further enrollment decline on the ability to meet 2030 Strategic Agenda goals
 - calling on CPE and campus leaders to implement bold actions and strategies to mitigate near term enrollment effects of COVID-19
- Maintaining affordability for Kentucky students and families represents one possible strategy for encouraging enrollment in the near term



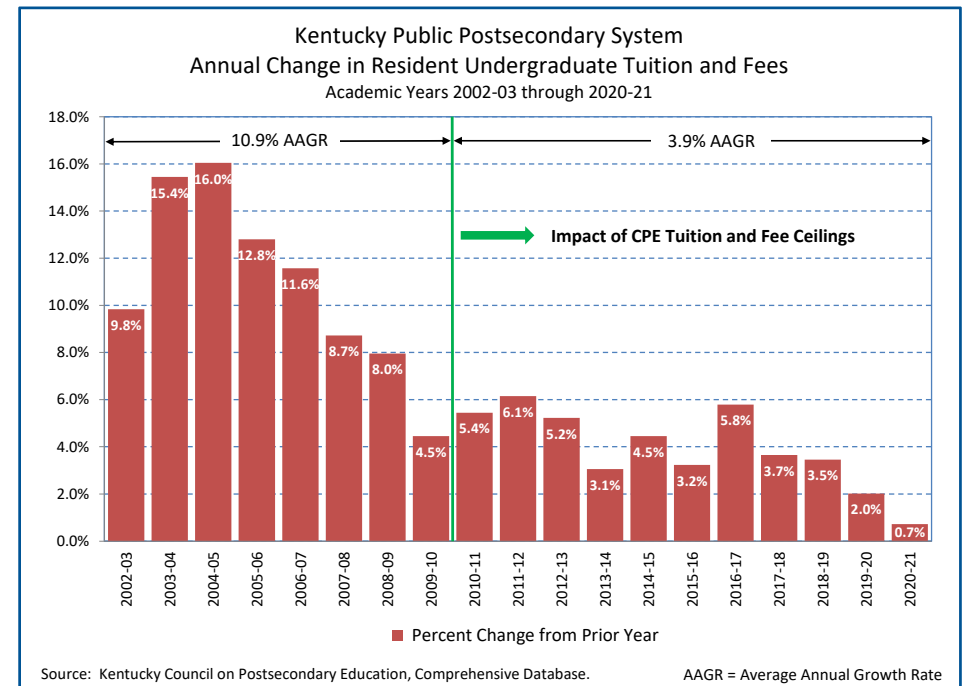
- Since 2013, FTE student enrollment has declined by an average annual rate of -1.6% at comprehensives and -3.4% at KCTCS
- The only institution to record an increase in FTE enrollment during this period was the University of Kentucky +4.0%

Key Issues

Prior-Year Tuition Increase

Prior-year increases are often considered when setting tuition for the coming year

- This year, Kentucky's system average increase in resident undergraduate tuition and fees was the lowest in over 20 years (i.e., +0.7%)
- Over the previous 10 years, average annual increase has been about 4.0% per year
- If parameters are approved by the Council, average annual increases over the next two years at universities will be 1.5%, or less
- Average annual increases in resident rates at KCTCS will be 1.4%, or less
- The parameters will result in average annual increases that are at least 2.5 percentage points below the recent historical average



- In 2020-21, five universities did not increase tuition and fees and three others had increases between 1.0% and 2.0%
- As a result, the system average increase was 0.7%, which represents the lowest increase in more than two decades

Tuition and Fee Recommendation

Proposed Two-Year Parameters

Staff recommends that the Finance Committee approve resident undergraduate tuition and fee ceilings for 2021-22 and 2022-23 that equate to:

- Maximum base rate increases of no more than 3.0 percent over two years, and no more than 2.0 percent in any one year, for public universities
- Maximum base rate increases of no more than \$5.⁰⁰ per credit hour over two years, and no more than \$3.⁰⁰ per credit hour in any one year, for KCTCS

It is further recommended that institutions be allowed to submit:

- Nonresident undergraduate tuition and fees that comply with the Council's *2021-22 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

Tuition and Fee Recommendation

Additional Relevant Information

- Proposed parameters strike an appropriate balance between resource needs of the institutions and affordability for Kentucky students and families
- Small increases are necessary to help institutions maintain quality academic programs, address inflationary cost increases, and meet state goals (60x30)
- Two-year ceilings facilitate strategic planning and budgeting at the institutions and make college costs more predictable for students and families
- If authorized, proposed parameters will result in average increases over the next two years well below recent historical average (less than 1.5% per year)
- A top priority for CPE staff and campus leaders was keeping increases to a minimum to help students struggling financially due to COVID-19
- Staff believes proposed parameters are responsive to the Council resolution, calling for bold actions and strategies to mitigate declining enrollment

TITLE: Election of CPE Chair and Vice Chair, May 2021-January 2022

RECOMMENDATION: The Committee Chair will present the Nominating Committee's slate of officers for consideration by the Council.

PRESENTER: Richard Nelson, CPE's Nominating Committee Chair

SUPPORTING INFORMATION

The Nominating Committee met on May 5, 2021 to discuss and recommend members to serve as chair and vice chair of the CPE for the remainder of the current term that ends January 2022.

The chair shall serve as the convener of all Council meetings and as the central voice of the Council. In the absence of the chair, or in the event the chair is unable to perform, the vice chair shall perform the duties of the chair. In the event the chair resigns and the vice chair assumes the duties of the chair, the council may select a vice chair to complete the unexpired term of the vice chair. The chair and vice chair are limited to three consecutive one-year terms.

After the election of the chair and vice chair, the new officers will begin their duties immediately.