

**KY COUNCIL ON POSTSECONDARY EDUCATION
EXECUTIVE COMMITTEE**



January 7, 2021 – 9:00 AM
ZOOM teleconferencing for Committee members
Livestream video for public: https://youtu.be/xEY_205trBw

I.	Call to Order and Roll Call	
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III.	Review Results of FY20 Audit	4
	<i>Presenter: Allen Norvell, Blue & Co. PSC</i>	
IV.	Monthly Committee Discussion Topic – Out-of-State Students <i>Upcoming topics – Innovation (February) & Adult Students (March)</i>	
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VIII.	Adjournment <i>Next Committee Meeting: February 4, 2021 @ 9:00 AM ET</i>	

DRAFT MINUTES
Council on Postsecondary Education

Type: Executive Committee
Date: December 3, 2020
Time: 9:00 a.m. ET
Location: Virtual Meeting - Committee members by ZOOM, Public viewing hosted on CPE YouTube Page.

CALL TO ORDER

The Executive Committee met Thursday, December 3, 2020, at 9:00 a.m., ET. Pursuant to Executive Order 2020-243 and a memorandum issued by the Finance and Administration Cabinet dated March 16, 2020, and in an effort to prevent the spread of Novel Coronavirus (COVID-19), the Committee met utilizing a video teleconference. Members of the public were invited to view the meeting virtually on the CPE YouTube page. Chair Ben Brandstetter presided.

ATTENDANCE

Members in attendance: Ben Brandstetter, Ron Beal, Kristi Nelson, and Robert Staat.

Member not in attendance: Kim Halbauer

CPE President Aaron Thompson attended the meeting and served as Secretary of the board, per the CPE Bylaws. Heather Faesy, CPE's senior associate for Board Relations, served as recorder of the meeting minutes.

APPROVAL OF THE MINUTES

The committee approved the minutes of the November 5, 2020 Executive Committee meeting.

ANNUAL EVALUATION OF THE PRESIDENT

For the 2020 annual evaluation, the Committee opted forgo the extensive review involving legislators, presidents, and policymakers that usually undertaken. Instead, the 2020 evaluation was conducted by the Executive Committee only with an end-of-year

evaluation submitted from President Thompson to help guide the discussion. Executive Committee members were sent an evaluation form to complete prior to the meeting.

MOTION: Dr. Staat moved the Committee go into Executive Session, per KRS 61.810(1)(f), to discuss the results of President Thompson's performance evaluation. Ms. Nelson seconded the motion.

VOTE: The motion passed.

The committee remained in closed session for one hour.

MOTION: Mr. Beal moved the Committee go back into open session. Dr. Staat seconded the motion.

Chair Brandstetter confirmed that no action took place during executive session and that only the matters identified in the motion were discussed.

VOTE: The motion passed.

ADJOURNMENT

The Executive Committee adjourned at 10:10 a.m., ET.

MINUTES REVIEWED AND APPROVED BY THE COMMITTEE: _____

TITLE: Results of FY20 Annual Audit

DESCRIPTION: The lead auditor from Blue & Co., PSC will present the results of the annual audit for fiscal year 2019-20.

PRESENTERS: Allen Norvell, CPA and Director, Blue & Co., PSC
Leslie Brown, CPE's Director of Administrative Services

SUPPORTING INFORMATION:

The Council on Postsecondary Education was established by the passage of House Bill 1 during the first 1997 extraordinary session of the Kentucky General Assembly. As a component unit of the Commonwealth of Kentucky, the Council provides direction and oversight to Kentucky's postsecondary education system and thus is required to have its financial statements audited annually.

In 2020, CPE staff issued a request for proposals (RFP) to solicit bids from certified public accounting firms to perform a complete financial audit of the CPE, inclusive of all expenditures and all sources of funds appropriated and expended. Blue and Company was the top ranked vendor and was selected to conduct the annual audit. Staff will be required to issue another RFP for audit services in 2025.

The Executive Committee will receive the FY20 CPE financial audit results at its January 7, 2021 meeting. For fiscal year 20, the auditors issued an unmodified opinion, stating that the Council's financial statements present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Council as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, the expenditures of federal awards and supplementary information are fairly stated in all material respects in relation to the basic financial statements as a whole. The firm also noted that it did not identify any deficiencies in internal control that they consider to be material weaknesses.

A copy of the FY20 CPE financial audit results has been included for your review.



**KENTUCKY COUNCIL ON
POSTSECONDARY EDUCATION**

MATTERS TO BE COMMUNICATED TO

THE COUNCIL MEMBERS

JUNE 30, 2020



Blue & Co., LLC / 250 West Main Street, Suite 2900 / Lexington KY 40507 main
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December 3, 2020

To the Council Members
Council on Postsecondary Education
Frankfort, Kentucky

We have audited the financial statements of the Council on Postsecondary Education (the Council) for the year ended June 30, 2020, and have issued our report thereon dated as of the date of this letter. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards* and *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America, Government Auditing Standards and the Uniform Guidance

As stated in our engagement letter dated July 1, 2020, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the Council's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements and not to provide assurance on the internal control over financial reporting. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures

for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.

As part of obtaining reasonable assurance about whether the Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions is not an objective of our audit. Also in accordance with the Uniform Guidance, we will examine, on a test basis, evidence about the Council's compliance with the types of compliance requirements described in the Uniform Guidance applicable to each of its major federal programs for the purpose of expressing an opinion on the Council's compliance with those requirements. While our audit will provide a reasonable basis for our opinion, it does not provide a legal determination on the Council's compliance with those requirements.

SIGNIFICANT AUDIT FINDINGS

QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Council are described in Note 1 to the financial statements. We noted no transactions entered into by the Council during the year for which there was a lack of authoritative guidance or consensus. We noted no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based upon management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of compensated leave is accrued when incurred in the government-wide financial statements. Only the accumulated annual and compensatory leave that is estimated to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. We evaluated the key factors and assumptions used to develop the estimate pertaining to compensatory leave in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net pension liability, net OPEB (Other Post-employment Benefits) liability and related deferred outflows/inflows of resources determined by the actuary. We evaluated key factors and assumptions used to develop these liabilities in determining that they are reasonable in relation to the financial statements taken as a whole.

We believe the disclosures in the financial statements are neutral, consistent and clear.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

We encountered no significant difficulties in dealing with management in performing and completing our audit.

CORRECTED AND UNCORRECTED MISSTATEMENTS

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

DISAGREEMENTS WITH MANAGEMENT

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of the audit.

MANAGEMENT REPRESENTATIONS

We have requested certain representations from management that are included in the management representation letter dated as of the date of this letter.

MANAGEMENT CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Council's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations.

OTHER AUDIT FINDINGS OR ISSUES

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Council's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

OTHER INFORMATION IN DOCUMENTS CONTAINING AUDITED FINANCIAL STATEMENTS

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America. The method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

REQUIRED SUPPLEMENTARY INFORMATION

With respect to the required supplementary information accompanying the financial statements, we have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Council Members
Council on Postsecondary Education
Page 5

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This communication is intended solely for the use of management, the Council Members, others within the Council, and the Auditor of Public Accounts of the Commonwealth of Kentucky, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate this opportunity to be of service and extend our thanks to everyone at the Council for their cooperation and assistance. We would be pleased to discuss any of the above matters with you at your convenience.

Blue & Co., LLC



**KENTUCKY COUNCIL ON
POSTSECONDARY EDUCATION**

FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

JUNE 30, 2020

COUNCIL ON POSTSECONDARY EDUCATION

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REPORT OF INDEPENDENT AUDITORS

To the Council Members
Council on Postsecondary Education

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Council on Postsecondary Education (the Council), a component unit of the Commonwealth of Kentucky, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with auditing principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Council's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Council Members
Council on Postsecondary Education

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Council as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 11, the schedules of proportionate share of the net pension liability and schedules of pension contributions on pages 58 through 61, the schedules of proportionate share of the net Other Postemployment Benefits (OPEB) liability and the schedules of OPEB contributions on pages 62 through 65, and the budgetary comparison information on pages 66 through 69, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Council's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulation (CFR) Part 200, Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented on pages 75 and 76 for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information included in the accompanying schedules on pages 70 through 74 is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

To the Council Members
Council on Postsecondary Education

The accompanying schedule of expenditures of federal awards and supplementary information are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying schedule of expenditures of federal awards and supplementary information are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2020 on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.

Blue & Co., LLC

Lexington, Kentucky
December 3, 2020

COUNCIL ON POSTSECONDARY EDUCATION

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

The Council on Postsecondary Education (the Council) was established by the passage of House Bill 1 during the first 1997 extraordinary session of the Kentucky General Assembly. As a component unit of the Commonwealth of Kentucky, the Council provides direction and oversight to Kentucky's postsecondary education system.

The Council's management offers this narrative overview and analysis of the financial performance of the Council for the fiscal year (FY) ended June 30, 2020. Readers are encouraged to read this management discussion and analysis in conjunction with the Council's financial statements and the accompanying notes.

FINANCIAL HIGHLIGHTS

- The liabilities of the Council exceeded its assets at the close of FY 2020 by \$20,284,316.
- Net position increased \$1,326,074 between FY 2019 and FY 2020
- As of the close of FY 2020, the Council's governmental funds reported an ending fund balance of \$6,563,735, which includes balances in the strategic investment and incentive funding programs appropriated to the Council on behalf of the public postsecondary education institutions and agency operations.
- Total fund revenues for FY 2020 were \$18,390,070, representing a 15% decrease from FY 2019. Most of the decrease is due to the executive order made in December 2018 to move Kentucky Adult Education programs to Workforce Development with a decrease of state appropriations of approximately \$4,300,000.
- Total fund expenditures for FY 2020 were \$18,263,980, representing a 18% decrease from FY 2019.

OVERVIEW OF THE FINANCIAL STATEMENTS

The audit report consists of four parts: management's discussion and analysis (this section), the government-wide financial statements, the fund financial statements, and the accompanying notes to the financial statements.

The Council has established separate accounts to track appropriations from the Commonwealth of Kentucky to ensure they are used solely for the purposes for which they were appropriated. Activities of the Council are accounted for as governmental and fiduciary funds.

COUNCIL ON POSTSECONDARY EDUCATION

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

Government-wide Financial Statements:

The Council's financial statements are designed to provide readers with a broad overview of the Council's finances, with an emphasis on the major funds within the governmental category.

The statement of net position presents information on all of the Council's assets and liabilities, with the difference between the two reported as net position.

The statement of activities presents information showing how the Council's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 12 and 13 of this report.

Governmental Fund Financial Statements:

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The Council, like other state and local governments, uses fund accounting to segregate appropriations designated for specific purposes. The Council reports on two fund types, governmental and fiduciary.

Under the governmental fund type, the Council's finances are displayed by discrete program or activity that also may be described as a fund group. The grouping of programs and discrete activities provides useful information by using a grouping that is more easily recognized by the reader.

Because the focus of the governmental fund financial statements is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the governmental fund financial statements with similar information presented in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Council's near-term financial decisions. Both the fund balance sheet and statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison. These two reconciliations can be found on pages 15 and 17 of this report.

COUNCIL ON POSTSECONDARY EDUCATION

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

Notes to the Financial Statements:

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found beginning on page 19.

FINANCIAL ANALYSIS OF THE COUNCIL

Government-wide Financial Analysis:

Condensed Financial Information Statement of Net Position

	June 30, 2020	June 30, 2019
Assets:		
Current	\$ 5,351,994	\$ 5,074,801
Noncurrent	3,057,484	3,472,948
Total assets	<u>8,409,478</u>	<u>8,547,749</u>
Deferred outflows of resources	3,383,157	4,122,712
Total assets and deferrals	<u>\$ 11,792,635</u>	<u>\$ 12,670,461</u>
Liabilities:		
Current	\$ 1,228,670	\$ 1,726,928
Noncurrent	27,465,124	29,565,056
Total liabilities	<u>28,693,794</u>	<u>31,291,984</u>
Deferred inflows of resources	3,904,115	3,509,825
Total liabilities and deferrals	<u>\$ 32,597,909</u>	<u>\$ 34,801,809</u>
Net position (deficit):		
Net investment in capital assets	\$ 3,429	\$ 10,824
Restricted	1,430,240	2,450,460
Unrestricted deficit	<u>(22,238,943)</u>	<u>(24,592,632)</u>
Total net position (deficit)	<u>\$ (20,805,274)</u>	<u>\$ (22,131,348)</u>

Current assets consist primarily of program cash and cash equivalents, intergovernmental receivables, amounts due from the Federal government under the Council's Federal programs, and prepaid expenses. Noncurrent assets consist primarily of investments.

COUNCIL ON POSTSECONDARY EDUCATION

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

Current liabilities consist primarily of operating accounts payable, intergovernmental payables, accrued payroll, and accrued compensated absences. As of June 30, 2020, current liabilities also include amounts due to the state investment pool (amounts temporarily advanced by the state pending reimbursement from Federal grantor agencies). The portion of accrued compensated absences not expected to be liquidated with expendable financial resources has been estimated and included as a noncurrent liability.

Net position is divided into three components: *net investment in capital assets*, which represents the Council's capital assets, net of accumulated depreciation; *restricted* net position, which primarily consists of cash and cash equivalents and investments related to the Council's strategic trust funds and other funding programs, net of outstanding liabilities; and *unrestricted net position*, which consists primarily of cash and cash equivalents and investments related to the Council's Operations and Technology Initiative Trust Funds, net of outstanding liabilities.

As of the close of the fiscal year, net position represents the difference between assets and liabilities mentioned above. Liabilities exceeded assets by approximately \$20.3 million. Total assets and deferrals decreased by approximately \$878,000, primarily in the investments and intergovernmental receivables. Total liabilities decreased by approximately \$2.6 million primarily related to a decrease in accounts and other payables and decreases to the Net Pension and Net OPEB liabilities. Therefore, net position increased \$1.3 million between FY 2019 and FY 2020.

COUNCIL ON POSTSECONDARY EDUCATION

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

Condensed Financial Information Statements of Activities For the Fiscal Years Ended

	June 30, 2020	June 30, 2019
Revenues:		
Program revenues:		
Charges for services	\$ 3,114,757	\$ 2,854,081
Operating grants and contributions	4,141,627	3,715,187
Capital grants and contributions	522,054	647,068
General revenues:		
State appropriations	10,611,632	14,515,223
Loss on disposal of capital assets	(4,534)	-0-
Total revenues	18,385,536	21,731,559
Expenses:		
Strategic investment and incentive funding programs	8,135,718	11,087,104
Agency, Kentucky Adult Education, and KYVC/KYVL Operations	4,956,267	8,043,106
Federal Programs	3,484,616	3,212,768
Postsecondary Education Equine Trust Fund	480,000	600,000
Other	2,861	9,507
Total expenses	17,059,462	22,952,485
Change in net position	1,326,074	(1,220,926)
Net position (deficit), beginning of year	(22,131,348)	(20,910,422)
Net position (deficit), end of year	\$ (20,805,274)	\$ (22,131,348)

General Fund appropriations from the Commonwealth of Kentucky are the primary funding source for the activities of the Council. The Kentucky General Assembly, through the appropriations bill and other statutory provisions, directs the use of those appropriations to specific activities. The most significant changes in this year's funding was a decrease in state appropriation of \$3.9 million, a decrease of \$3.0 million in strategic investment and incentive funding programs, and a \$3.1 million decrease in Agency, Kentucky Adult Education, and KYVC/KYVL Operations expense, primarily due to the transfer of Kentucky to the Workforce Development during fiscal year 2019. The decrease in appropriations is related to the transfer of Adult Education from the Council to Workforce Development of \$4.3 million.

COUNCIL ON POSTSECONDARY EDUCATION

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

Appropriations to the Council give the agency varying discretion in implementing the significant reforms adopted in 1997 and 2000. In particular, the Strategic Investment and Incentive Funding Programs are directed toward specific reform activities and implementation of the Council's strategic agenda for postsecondary education. Expenses for these programs comprise 48% of the Council's total expenses. The Strategic Investment and Incentive Funding Programs are the primary vehicles for implementation of the postsecondary education reform. Recipients include the postsecondary institutions, adult education service providers and other recipients of adult education services, and providers and businesses participating in the new economy initiatives.

Governmental Fund Financial Analysis:

As noted earlier, the Council uses fund accounting to ensure and to demonstrate compliance with finance-related and legal requirements. The focus of the Council's fund financial statements is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Council's financing requirements. In particular, fund balances may serve as a useful measure of an agency's net resources available for program purposes at the end of the fiscal year.

Condensed Financial Information Balance Sheets

	June 30, 2020	June 30, 2019
Total assets	\$ 7,999,743	\$ 8,444,324
Total liabilities	1,436,008	2,006,679
Fund balances	6,563,735	6,437,645
Total liabilities and fund balances	\$ 7,999,743	\$ 8,444,324

The fund balance primarily represents the cash balances, investment balances, amounts due from the Federal government, and intergovernmental receivables. The fund balances of the Council increased approximately \$126,000 between fiscal years.

COUNCIL ON POSTSECONDARY EDUCATION

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

Condensed Financial Information Statements of Revenues, Expenditures, and Changes in Fund Balances For the Fiscal Years Ended

	June 30, 2020	June 30, 2019
Revenues:		
State appropriations	\$ 10,611,632	\$ 14,515,223
Charges for services	3,114,757	2,854,081
Intergovernmental revenues	522,054	647,068
Federal programs	3,742,390	3,304,314
Other	350,000	300,000
Income from investments	49,237	110,873
Total revenues	<u>18,390,070</u>	<u>21,731,559</u>
Expenditures:		
Personnel services	12,130,734	12,009,632
Grants and subsidies	1,332,443	5,020,688
Intergovernmental expenditures	-0-	109,818
Other	4,800,803	5,130,885
Total expenditures	<u>18,263,980</u>	<u>22,271,023</u>
Net change in fund balances	126,090	(539,464)
Fund balances, beginning of year	<u>6,437,645</u>	<u>6,977,109</u>
Fund balances, end of year	<u>\$ 6,563,735</u>	<u>\$ 6,437,645</u>

The most significant change in this year's revenue is with a decrease in state appropriations of \$3.9 million.

Grants and subsidies primarily consist of payments to institutions, state agencies, and other service providers for costs related to discrete authorized activities. In FY 2020, grants and subsidies decreased \$3.7 million. The other expenditures are consistent between FY 2020 and FY 2019.

Other expenditures represent all other operating expenses of the Council such as postage and related services, rentals and equipment leases, supplies, travel, and dues and subscriptions, as well as contractual obligations for the Kentucky Virtual Campus/Library databases and courier services.

COUNCIL ON POSTSECONDARY EDUCATION

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

BUDGETARY HIGHLIGHTS

Final budgeted revenues and expenditures remained consistent from original budgeted with minor modifications noted.

In response to economic shortfalls resulting from the COVID-19 pandemic, The Office of State Budget Director requested that all executive branch agencies develop a plan to refrain from spending a minimum of one percent of their fiscal year 2020 General Fund Appropriation. The Council achieved this one percent target through savings in the Agency Operations personnel allotment, savings in the Contract Spaces allotment due to unused spaces, and an operating allotment savings due to a reduction in rent. The plan was approved by the State Budget Director.

CONTACTING THE COUNCIL'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Council's finances. If you have any questions concerning the information provided in this report or need additional financial information, contact Mr. Bill Payne, Vice President for Finance and Administration or Leslie Brown, Director, Administrative Services, Council on Postsecondary Education, 1024 Capital Center Drive, Suite 320, Frankfort, Kentucky, 40601. Both individuals can be contacted by phone at (502) 573-1555.

COUNCIL ON POSTSECONDARY EDUCATION

STATEMENT OF NET POSITION JUNE 30, 2020

	Governmental Activities
<u>ASSETS AND DEFERRALS</u>	
Current assets:	
Cash and cash equivalents	\$ 2,853,610
Cash and cash equivalents - restricted	1,212,317
Accounts receivable	271,442
Intergovernmental receivables	62,312
Due from the Federal government	338,669
Prepaid expenses	613,644
Total current assets	5,351,994
Noncurrent assets:	
Investments	2,839,851
Investments - restricted	214,204
Capital assets - net	3,429
Total noncurrent assets	3,057,484
Total assets	8,409,478
Deferred outflows of resources	
Deferred outflows - pension	2,563,428
Deferred outflows - OPEB	819,729
Total deferred outflows of resources	3,383,157
Total assets and deferrals	\$ 11,792,635
<u>LIABILITIES AND DEFERRALS</u>	
Current liabilities:	
Accounts and other payables	\$ 169,924
Accrued expenses	674,069
Accrued compensated absences - current portion	384,677
Total current liabilities	1,228,670
Noncurrent liabilities:	
Accrued compensated absences - noncurrent portion	292,400
Net pension	23,367,036
Net OPEB	3,805,688
Total noncurrent liabilities	27,465,124
Total liabilities	28,693,794
Deferred inflows of resources	
Deferred inflows - pension	2,770,810
Deferred inflows - OPEB	1,133,305
Total deferred inflows of resources	3,904,115
Total liabilities and deferrals	\$ 32,597,909
<u>NET POSITION (DEFICIT)</u>	
Net investment in capital assets	\$ 3,429
Restricted	1,430,240
Unrestricted deficit	(22,238,943)
Total net position (deficit)	\$ (20,805,274)

COUNCIL ON POSTSECONDARY EDUCATION

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2020

FUNCTIONS/PROGRAMS:	Program Revenues				Net (Expenses) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Operations	\$ 4,956,267	\$ 284,000	\$ 268,573	\$	\$ (4,403,694)
Federal Programs	3,484,616		3,473,817		(10,799)
Postsecondary Education Equine Trust Fund	480,000			522,054	42,054
Research Challenge Trust Fund	8,277		108		(8,169)
Technology Initiative Trust Fund	6,819,495	2,830,757	399,129		(3,589,609)
Assessment and Professional Development	1,307,946				(1,307,946)
Unallocated depreciation expense	2,861				(2,861)
Total governmental activities	\$ 17,059,462	\$ 3,114,757	\$ 4,141,627	\$ 522,054	(9,281,024)
 General revenues:					
State appropriations					10,611,632
Loss on disposal of capital assets					(4,534)
Total general revenues					10,607,098
Change in net position					1,326,074
Net position (deficit), beginning of year					(22,131,348)
Net position (deficit), end of year					\$ (20,805,274)

COUNCIL ON POSTSECONDARY EDUCATION

BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2020

	Operations	Federal Programs	Technology Initiative Trust Fund	Other (Non-major) Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 755,945	\$	\$ 2,097,665	\$	\$ 2,853,610
Cash and cash equivalents - restricted			1,155,299	57,018	1,212,317
Investments	2,839,851				2,839,851
Investments - restricted				214,204	214,204
Accounts receivable	1,946		269,496		271,442
Intergovernmental receivables	4,974	57,338			62,312
Due from the Federal government		338,669			338,669
Interfund receivable	150,000		57,338		207,338
Total assets	\$ 3,752,716	\$ 396,007	\$ 3,579,798	\$ 271,222	\$ 7,999,743
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts and other payables	\$ 1,946	\$ 130,826	\$ 37,152	\$	\$ 169,924
Accrued expenses	467,311	159,857	18,605	28,296	674,069
Accrued compensated absences	330,615	47,986	3,864	2,212	384,677
Interfund payable		57,338	150,000		207,338
Total liabilities	799,872	396,007	209,621	30,508	1,436,008
Fund balances:					
Restricted:					
for Technology Initiative			798,687		798,687
for Lumina Strategy Labs Tech Assistance			37,847		37,847
for Automated residency application system			318,765		318,765
for University Equine programs				271,222	271,222
Assigned:					
for agency operations	2,952,844				2,952,844
for Technology Trust Fund			2,214,878		2,214,878
Unassigned					
Total fund balances	2,952,844		3,370,177	(30,508)	(30,508)
Total liabilities and fund balances	\$ 3,752,716	\$ 396,007	\$ 3,579,798	\$ 271,222	\$ 7,999,743

COUNCIL ON POSTSECONDARY EDUCATION

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2020

Fund balances - total governmental funds	\$	6,563,735
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>The deferred outflows of resources are not current financial resources, and therefore, are not reported in the governmental funds.</p>		3,383,157
<p>Prepaid expenses are accounted for in the governmental funds as expenditures in the period of acquisition and, therefore, are not financial resources and are not reported in the governmental funds.</p>		
Prepaid expenses		613,644
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</p>		
Governmental capital assets	5,070	
Less accumulated depreciation	(1,641)	3,429
<p>The noncurrent portion of accrued compensated absences is not due and payable in the current year and, therefore, is not reported in the governmental funds.</p>		
Accrued compensated absences - noncurrent portion		(292,400)
<p>The deferred inflows of resources is not due and payable in the current year and, therefore, is not reported in the governmental funds.</p>		(3,904,115)
<p>The net pension liability and net OPEB liability is not due and payable in the current year and, therefore, is not reported in the governmental funds.</p>		(27,172,724)
Net position of governmental activities	\$	(20,805,274)

COUNCIL ON POSTSECONDARY EDUCATION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2020

	Operations	Federal Programs	Technology Initiative Trust Fund	Other (Non-major) Governmental Funds	Total Governmental Funds
REVENUES:					
State appropriations	\$ 5,630,106	\$ -0-	\$ 3,628,300	\$ 1,353,226	\$ 10,611,632
Charges for services	284,000		2,830,757		3,114,757
Intergovernmental revenues				522,054	522,054
Federal programs	268,573	3,473,817			3,742,390
Other revenues			350,000		350,000
Income from investments			49,129	108	49,237
Total revenues	6,182,679	3,473,817	6,858,186	1,875,388	18,390,070
EXPENDITURES:					
Personnel services	4,982,640	2,556,139	3,929,334	662,621	12,130,734
Utilities, rental, and other services	673,679	407,317	379,262	2,745	1,463,003
Commodities and supplies	298,458	265,357	2,433,931	120,982	3,118,728
Grants and subsidies		140,664	129,314	1,062,465	1,332,443
Travel	87,116	104,340	11,480	1,136	204,072
Judgement	15,000				15,000
Total expenditures	6,056,893	3,473,817	6,883,321	1,849,949	18,263,980
Net change in fund balances	125,786	-0-	(25,135)	25,439	126,090
Fund balances, beginning of year	2,827,058	-0-	3,395,312	215,275	6,437,645
Fund balances, end of year	\$ 2,952,844	\$ -0-	\$ 3,370,177	\$ 240,714	\$ 6,563,735

COUNCIL ON POSTSECONDARY EDUCATION

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2020

Net change in fund balances - total governmental funds	\$	126,090
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report as expenditures certain payments that benefit future periods. In the statement of activities, this future benefit is deferred until the service has been received.

Change in prepaid expenses		241,292
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Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of these assets is depreciated over their estimated useful lives.

Current year depreciation expense	<u>(2,861)</u>	(2,861)
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Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.

Current year loss on disposal of capital assets		(4,534)
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Pension and OPEB expenses not payable from current year resources are not reported as expenditures of the current year. In the statement of activities these costs represent expenses of the current year.

		981,187
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Accrued compensated absences not payable from current year resources are not reported as expenditures of the current year. In the statement of activities these costs represent expenses of the current year.

Change in the noncurrent portion of accrued compensated absences		<u>(15,100)</u>
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Change in net position of governmental activities	\$	<u>1,326,074</u>
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COUNCIL ON POSTSECONDARY EDUCATION

STATEMENT OF FIDUCIARY NET POSITION JUNE 30, 2020

	<u>Agency Fund</u>
<u>ASSETS</u>	
Cash and cash equivalents - restricted	\$ 796
Investments - restricted	2,994
Prepaid expenses	-0-
	<hr/>
Total assets	\$ 3,790
	<hr/> <hr/>
<u>LIABILITIES</u>	
Accounts payable	\$ 3,790
	<hr/> <hr/>

COUNCIL ON POSTSECONDARY EDUCATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

This summary of significant accounting policies of the Council on Postsecondary Education (the Council) is presented to assist in understanding the Council's financial statements. The financial statements and notes are representations of the Council's management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America (GAAP) and have been consistently applied in the preparation of the financial statements.

The accompanying financial statements of the Council are included in the general purpose financial statements of the Commonwealth of Kentucky (the Commonwealth) as a discretely presented component unit (within component units - universities and colleges).

Council on Postsecondary Education:

The Council was created by the passage of House Bill 1 during the 1997 Extraordinary Session of the Kentucky General Assembly to provide direction and oversight to all of Kentucky's postsecondary education institutions. The Council was established as an agency, instrumentality, and political subdivision of the Commonwealth. The Council is composed of the Commissioner of Education (nonvoting ex officio member), a faculty member, a student member, and thirteen citizen members. Citizen Council members are selected from a list of nominees provided to the Governor under the nominating process set forth in the Kentucky Postsecondary Education Improvement Act of 1997. Kentucky Revised Statute Chapter 164 provides that the Council has the responsibility to develop a strategic plan for postsecondary education with advice from the Strategic Committee on Postsecondary Education; to develop an accountability system to evaluate the performance and effectiveness of the Commonwealth's postsecondary education system and its compliance with the strategic plan; to revise and approve the missions of the Commonwealth's universities and the Kentucky Community and Technical College System; and to determine the compliance of the postsecondary institutions with their academic, service, and research missions. The Council shall determine tuition and approve the minimum qualifications for admission to the postsecondary educational system. The Council shall review and approve all capital construction projects including real property acquisitions. The Council shall define and approve the offering of all postsecondary education technical, associate, baccalaureate, graduate, and professional degree, certificate, or diploma programs in the public postsecondary education institutions. Additional responsibilities include, but are not limited to, promoting employee and faculty development statewide; ensuring coordination, transferability, and connectivity of technology among the Commonwealth's postsecondary educational institutions; and identifying standardized degree programs and eliminating or making changes in existing academic programs at the Commonwealth's postsecondary educational institutions.

COUNCIL ON POSTSECONDARY EDUCATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020

Kentucky Virtual Campus:

In accordance with Kentucky Revised Statute (KRS) 164.800, the Council has established the Commonwealth Virtual Campus to make academic programs available to the citizens of the Commonwealth through the use of modern methods of communications and information dissemination as determined by the Council after consideration of the recommendations of the Distance Learning Advisory Committee and the needs expressed by regional advisory groups. The Council has established a Distance Learning Advisory Committee to advise the Council on matters relating to the Kentucky Virtual Campus. The members of the advisory committee include the Presidents of each of the nine State postsecondary education institutions, the Executive Director of the Kentucky Educational Television Network, a representative of the Association on Independent Kentucky Colleges and Universities, and other representatives as the Council deems appropriate. Regional universities shall be the primary developers and deliverers of baccalaureate and master's degree programs to be delivered by the Kentucky Virtual Campus. The Council shall determine the allocation of tuition, course offerings, source of courses, technology to be used, and other matters relating to the use of distance learning to promote education through the Kentucky Virtual Campus. The accounts of the Kentucky Virtual Campus (KYVC) include the Kentucky Virtual Library (KYVL) and are included in the accompanying financial statements.

Basis of Presentation

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, "*Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*," the financial statements include a Management's Discussion and Analysis (MD&A) section providing an analysis of the Council's overall financial position and results of operations. The Council also presents two sets of financial statements: government-wide financial statements and governmental fund financial statements.

Government-Wide Financial Statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Council. For the most part, the effect of interfund activity has been removed from these statements. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. *General revenues* include appropriations and other items not included in program revenues.

COUNCIL ON POSTSECONDARY EDUCATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund balance, revenues, and expenditures. Funds reported by the Council are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the Council or total assets, liabilities, revenues, or expenditures of the individual governmental fund are at least ten percent of the total for all governmental funds combined. In addition, any other fund that management feels has importance to the financial statement users may be reported.

Governmental funds are those through which most of the Council's functions are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Council's major governmental funds:

Operations - Includes general agency operations for the whole agency, including those associated with KYVC/KYVL. This fund represents the general operations of the Council and accounts for all financial resources except those required to be accounted for in another fund. The Operations fund balance is available to the Council for any purpose provided it is expended or transferred according to the general laws of the Commonwealth of Kentucky.

Federal Programs - This fund represents all programs financed by a federal agency, including both grants directly awarded to the Council and grants passed through to the Council from another entity (i.e. pass-through). The Council is the recipient of the Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP) and pass-through funds from the Kentucky Department of Education for Statewide Longitudinal Data Systems.

Technology Initiative Trust Fund - This fund is intended to support investments in electronic technology to improve student learning throughout the Commonwealth of Kentucky. The fund also is designed to promote other programs consistent with purposes of the postsecondary education reform. The Council may establish subsidiary programs to be funded from this fund.

Other governmental funds of the Council account for appropriations, grants, and other resources whose use may be restricted for a particular purpose and include all governmental funds not meeting the criteria of a major fund. These include the Research Challenge Trust Fund, Postsecondary Education Equine Trust and Revolving Fund, and the Assessment and Professional Development Fund.

COUNCIL ON POSTSECONDARY EDUCATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020

Fiduciary funds (not included in the government-wide financial statements) include:

Agency Funds - Agency funds account for monies held by the Council for custodial purposes only. Pass-through programs currently accounted for through agency funds include:

- Cancer Research Institutions Matching Fund
- Contract Spaces Program
- Ovarian Cancer Screenings
- Cancer Research and Screenings

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus:

The government-wide financial statements of the Council (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Council. The government-wide financial statements are reported using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of changes in net position and financial position. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

In the governmental fund financial statements, the "current financial resources" measurement focus is used. Only current financial assets and liabilities are generally included on the balance sheet. The operating statement presents sources and uses of available spendable financial resources during a given period. These funds use fund balance as the measure of available spendable financial resources at the end of the period.

Fiduciary funds consist of Agency Funds which are custodial in nature and do not involve the measurement of results of operations. Accordingly, they present only a statement of fiduciary net position and do not present a statement of changes in fiduciary net position.

Basis of Accounting:

The government-wide financial statements and the fiduciary fund financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

COUNCIL ON POSTSECONDARY EDUCATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are susceptible to accrual and are recognized in the financial statements when they are measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. The Council defines "available" as revenues to be collected within 30 days, except for intergovernmental revenues, which are available if expected receipt is within one year. Revenues from federal, state, and other grants designated for payment of Council expenditures are recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as deferred revenues until earned. Material revenues susceptible to accrual primarily include Federal grants. Expenditures and liabilities are recognized when obligations are incurred, except noncurrent accrued compensated absences which are accounted for in the governmental funds balance sheet and recorded as expenditures of the period when used.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Restricted Cash

Restricted cash and cash equivalents principally consist of funds relative to the Council's Federal and strategic investment and incentive funding programs, as well as its pass-through (fiduciary) programs.

Investments

Investments are reported at fair value as determined by quoted market prices. The equity position of the Council in the long-term portion of the Commonwealth's investment pool is reported as investments of the Council. Unrealized gains and losses are included in the government-wide statement of activities (primarily program revenues) and the governmental funds statement of revenues, expenditures, and changes in fund balances (income/loss from investments). Restricted investments principally consist of funds relative to the Council's Federal and strategic investment and incentive funding programs, as well as its pass-through (fiduciary) programs.

Intergovernmental Transactions

During the course of operations, numerous transactions occur with other state governmental entities that may result in amounts due to/from and revenues from/expenditures to other governmental entities. See Note 10 for details of such transactions.

COUNCIL ON POSTSECONDARY EDUCATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020

Due from the Federal Government

Amounts due from the Federal government represent the amounts due to the Council under its Federal awards programs. At June 30, 2020, the balance consists of amounts due under the Council's GEAR-UP program.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements. Prepaid expenses are accounted for in the governmental funds as expenditures in the period of acquisition and, therefore, are not financial resources and are not reported in the governmental funds.

Capital Assets

General capital assets are not capitalized in the funds used to acquire or construct them. Instead, capital outlay is reflected as an expenditure of the respective governmental fund, and the related assets are reported in the statement of net position. Capital assets are defined by the Council as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. All capital assets are valued at cost, less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, ranging from five to thirty years, and is recorded in the statement of activities. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are reported as expenditures of the respective governmental fund.

Interfund Transactions

During the course of operations, transactions may occur between funds within Council activities that may result in amounts owed between funds. Interfund receivables and payables are eliminated in the statement of net position.

Unearned Revenue

The Council reports unearned revenue to the extent that resources have been received before the applicable revenue recognition criteria have been satisfied. Grants received before the eligibility requirements are met are recorded as unearned revenue in the governmental funds. When the eligibility requirements are met, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Compensated Absences

All annual and compensatory leave is accrued when incurred in the government-wide financial statements. Only the accumulated annual and compensatory leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund

COUNCIL ON POSTSECONDARY EDUCATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020

liability of the governmental fund that will pay it. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

Equity Classifications

Government-Wide Financial Statements:

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted - All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

When both restricted and unrestricted resources are available for use, it is the Council's policy to use restricted resources first, and then unrestricted resources as they are needed.

As of June 30, 2020, Postsecondary Education Equine Trust Fund net position totaling \$271,222 is restricted by enabling legislation.

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the Council. Assigned fund balances are a limitation imposed by a designee of the Council members. Unassigned fund balances in the General Fund are the net resources in excess of what can be properly classified in one of the above four categories. Negative unassigned fund balance in other governmental funds represents excess expenditures incurred over the amounts restricted, committed, or assigned to those purposes.

The Council generally segregates restricted, committed, and assigned resources by account. When resources meeting more than one of these spendable classifications are commingled in an account in the Commonwealth's accounting system, the assumed order of spending is restricted

COUNCIL ON POSTSECONDARY EDUCATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020

first, committed second, and finally assigned. Once restricted resources have been exhausted, unrestricted resources will then be spent on the specific purpose.

Program Revenues

The primary sources of the Council's program revenues are revenues received from the United States Department of Education under the Council's two Federal programs and the intergovernmental revenues primarily associated with the funding of the Postsecondary Equine Trust and Revolving Fund (see Note 10).

State Appropriations

The primary funding source for the activities of the Council is legislative General Fund appropriations from the Commonwealth of Kentucky. Except for those prescribed by statute or other legislation, unexpended allotments lapse to the General Fund. The Council may, subject to appropriations from the General Fund of the Commonwealth or from funds made available to it from any other public source, provide program support restricted to the extent of its remaining unexpended funds. The Council's unexpended allotments are maintained by the Commonwealth's Finance and Administration Cabinet.

Expenses/Expenditures

Expenses are classified by function/program in the government-wide financial statements. Expenditures are classified by object category (personnel services, travel, etc.) in the governmental fund financial statements. Indirect expenses are not allocated to functions in the statement of activities.

Pension

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of Kentucky Employees Retirement System (KERS) and Teachers' Retirement Systems (TRS) and addition to/deduction from KERS and TRS fiduciary net position have been determined on the same basis as they are reported by the respective retirement systems.

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

COUNCIL ON POSTSECONDARY EDUCATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the KERS and TRS and additions to/deductions from the KERS's and TRS's fiduciary net position have been determined on the same basis as they are reported by the respective retirement systems.

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investment are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The KERS Non-hazardous Insurance Funds and TRS Insurance Funds are reported as OPEB trust funds and are accounted for on the accrual basis of accounting.

Total Columns on the Governmental Fund Financial Statements

The total columns on the governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances are presented only to facilitate financial analysis. Data in these columns does not present financial position in conformity with GAAP, nor is such data comparable to a consolidation.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

For purposes of budgeting, the Commonwealth's budgetary structure and accounting principles differ from those utilized to present financial statements in conformity with GAAP.

The budget for the biennium is prepared with two-year projections being made in light of long-range program requirements and revenue estimates. The biennial budget request is prepared by the Council and presented to the Governor for submission to the Kentucky General Assembly.

The Kentucky General Assembly is required to enact a balanced budget. Budgetary control is exercised by the Finance and Administration Cabinet on the basis of appropriation to the various cabinets. For purposes of managing budgeted appropriations, the Council controls expenditures on a functional basis. Except for those prescribed by statute or other legislation, unexpended allotments lapse to the Commonwealth's General Fund.

The Council's budgeting is dependent upon undesignated fund balances and estimated revenues in determining available funds for statutory programs and operating requirements. The budget is developed from the analysis of the above factors, prior-year performance, and new data modifying or expanding the postsecondary education program for the fiscal period in question.

COUNCIL ON POSTSECONDARY EDUCATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020

Deficit Fund Balances

The Assessment and Professional Development Fund had a negative fund balance on June 30, 2020 in the amount of \$30,508. The negative fund balances above are due to revenue recognition of the Council under the modified accrual basis of accounting. Additional revenues received in fiscal year 2021 are expected to eliminate the deficits.

3. DEPOSITS AND INVESTMENTS

All Council receipts are deposited directly in the Commonwealth's general depository or depositories designated by the State Treasurer, which has statutory responsibility and authority to safeguard the funds. At June 30, 2020, the Council's share of deposits in the Commonwealth's general depository (State investment pool) totals \$7,119,982. Agency funds held by the Council in the Commonwealth's general depository total \$3,790 at June 30, 2020.

The Commonwealth's Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2020 should be referred to for disclosures required by GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements" and GASB Statement No. 40, "Deposit and Investment Risk Disclosures" (an amendment of GASB Statement No. 3).

4. CAPITAL ASSETS

Capital asset activity during the year ended June 30, 2020 is as follows:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
Capital assets:				
Office equipment	\$ 32,063	\$ -0-	\$ 26,993	\$ 5,070
Data processing equipment	57,763	-0-	57,763	-0-
Capital assets at cost	<u>89,826</u>	<u>-0-</u>	<u>84,756</u>	<u>5,070</u>
Less accumulated depreciation:				
Office equipment	21,239	2,861	22,459	1,641
Data processing equipment	57,763	-0-	57,763	-0-
Total accumulated depreciation:	<u>79,002</u>	<u>2,861</u>	<u>80,222</u>	<u>1,641</u>
 Capital assets - net	 <u>\$ 10,824</u>	 <u>\$ (2,861)</u>	 <u>\$ 4,534</u>	 <u>\$ 3,429</u>

Depreciation expense for 2020 totals \$2,861.

COUNCIL ON POSTSECONDARY EDUCATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020

5. ACCRUED COMPENSATED ABSENCES

It is the Council's policy to permit employees to accumulate earned but unused annual leave, compensatory leave, and sick pay benefits. The policy of the Commonwealth of Kentucky is to only record the cost of annual and compensatory leave.

Annual and Compensatory Leave:

Annual leave is accumulated at amounts ranging from 7.50 to 15.00 hours per month, determined by length of service, with maximum accumulations ranging from 30 to 60 days. The calendar year is the period used for determining accumulated leave. Compensatory leave is granted to authorized employees.

Activity in the liability for accrued compensated absences during the year ended June 30, 2020 is summarized as follows:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
Accrued compensated absences	\$ 705,989	\$ 355,088	\$ 384,000	\$ 677,077

As of June 30, 2020, the amount estimated to be due within one year totals approximately \$385,000.

Sick Leave:

It is the policy of the Council to record the cost of sick leave when paid. Generally, sick leave (earned one day per month with unlimited accumulation) is paid only when an employee is absent due to illness, injury, or related family death. There is no liability recorded for sick leave at June 30, 2020. The estimated accumulated amount of unused sick leave at June 30, 2020, totals approximately \$1,078,000.

COUNCIL ON POSTSECONDARY EDUCATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020

6. FIDUCIARY FUND

The changes in assets and liabilities of the fiduciary fund during the year ended June 30, 2020 are as follows:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
Assets:				
Cash and cash equivalents - restricted	\$ 5,710	\$ 9,915,480	\$ 9,920,394	\$ 796
Investments - restricted	44,275	2,994	44,275	2,994
Prepaid expenses	120,886	-0-	120,886	-0-
	\$ 170,871	\$ 9,918,474	\$ 10,085,555	\$ 3,790
Liabilities:				
Accounts payable	\$ 170,871	\$ 13,151,227	\$ 13,318,308	\$ 3,790

7. LEASE COMMITMENTS

The Council leased office space under a lease agreement through January 2020. The Council exercised its right to terminate the lease on January 31, 2020. The Council did not pay a cancellation fee due to the termination of the lease. Rentals paid under this operating lease through the cancellation date totaled approximately \$125,000.

Effective February 1, 2020, the Council leased space from the Kentucky Department for Facilities and Support Services, a related party. The lease does not have a defined term and is expected to continue in perpetuity. The Council does not hold decision making ability over the lease. Rentals paid under this lease totaled approximately \$42,000.

Future lease payments are as follows:

<u>Year ending June 30</u>	
2021	\$ 195,776
2022	195,776
2023	195,776
2024	195,776
2025	195,776
	\$ 978,880

COUNCIL ON POSTSECONDARY EDUCATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020

The Council additionally leased fleet vehicles and copiers for approximately \$43,000 for the fiscal year ending June 30, 2020. Total rentals paid under all operating leases (fleet vehicles, copiers, and office space lease) during 2020 totaled approximately \$210,000.

8. RETIREMENT PLANS

Teachers' Insurance and Annuity Association-College Retirement Equities Fund:

In accordance with KRS 61.520(2)(a) and Executive Order 74-762, professional staff may elect upon joining the staff of the Council to participate in the Teachers' Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF) or elect to participate in the Kentucky Employees Retirement System (see below).

In order to provide the opportunity to continue participation in the TIAA-CREF, the Council has established a tax-deferred annuity plan, which requires electing participants to enter into a written salary reduction agreement with the Council in order to participate. All eligible employees may begin participation in the plan on a voluntary basis on the first day after beginning employment at the Council. Electing participants are required by the plan to contribute 5.00% of their salaries to the plan.

Currently, the Council is required to contribute 8.03% of the covered employees' salaries. The contribution requirement for the year ended June 30, 2020 totals approximately \$272,000, consisting of approximately \$168,000 from the Council and \$104,000 from employees. The contribution requirement for the year ended June 30, 2019 totaled approximately \$187,000, consisting of approximately \$115,000 from the Council and \$72,000 from employees. The contribution requirement for the year ended June 30, 2018 totaled approximately \$187,000, consisting of approximately \$115,000 from the Council and \$72,000 from employees.

Participants may also elect to make contributions on an after-tax basis. Total contributions to the plan will not exceed limits imposed by section 415 and section 403(b) of the Internal Revenue Code. These limits may be adjusted from time to time. In addition, salary reduction contributions to the plan will be further limited by Code section 402(g).

Kentucky Employees Retirement System

All employees who work more than one hundred hours per month participate in a defined benefit plan administered by the Kentucky Employees Retirement System (KERS), a cost-sharing multi-employer public employee retirement system per Kentucky Revised Statute 61.565(3).

COUNCIL ON POSTSECONDARY EDUCATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020

	Tier 1	Tier 2	Tier 3
	Participation Prior to 9/1/2008	Participation 9/1/2008 through 12/31/2013	Participation on or after 1/1/2014
Covered Employees:	Substantially all regular full-time members employed in non-hazardous and hazardous duty positions of any state department, board, or any agency directed by Executive Order to participate in KERS.		
Benefit Formula:	Final Compensation X Benefit Factor X Years of Service		Cash Balance Plan
Final Compensation	Average of the highest 5 fiscal years (must contain at least 48 months). Includes lump sum compensation payments (before and at retirement).	5 complete fiscal years immediately preceding retirement; each year must contain 12 months. Lump sum compensation payments (before and at retirement) are not to be included in creditable compensation.	No final compensation.
Benefit Factor:	1.97% - If do not have 13 months of credit for 1/1/1998 - 1/1/1999. 2.00% - If have 13 months of credit for 1/1/1998 - 1/1/1999.	10 years or less = 1.10%. Greater than 10 years, but no more than 20 years = 1.30%. Greater than 20 years, but no more than 26 years = 1.50%. Greater than 26 years, but no more than 30 years = 1.75%. Additional years above 30 = 2.00% (2.00% benefit factor only applies to service earned in excess of 30 years).	No benefit factor. A life annuity can be calculated in accordance with actuarial assumptions and a method adopted by the board based on member's accumulated account balance.

COUNCIL ON POSTSECONDARY EDUCATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020

	Tier 1	Tier 2	Tier 3
	Participation Prior to 9/1/2008	Participation 9/1/2008 through 12/31/2013	Participation on or after 1/1/2014
Cost of Living Adjustment (COLA):	No COLA unless authorized by the Legislature with specific criteria. This impacts all retirees regardless of Tier.		
Unreduced Retirement Benefit:	Any age with 27 years of service. Age 65 with 48 months of service. Money Purchase for age 65 with less than 48 months based on contributions and interest.	Rule of 87: Member must be at least age 57 and age plus earned service must equal 87 years at retirement to retire under this provision. Age 65 with 5 years of earned service. No Money Purchase calculations.	
Reduced Retirement Benefit:	Any age with 25 years of service. Age 55 with 5 years of service.	Age 60 with 10 years of service. Excludes purchased service (exception: refunds, omitted, free military).	No reduced retirement benefit.

Benefits and contribution rates are established by state statute. Per Kentucky Revised Statute 61.565, contribution requirements of the active employees and the participating organizations are established and may be amended by the Kentucky Retirement System's Board. For the fiscal years ended June 30 2020, plan employees were required to contribute 5 percent of their annual covered salary for retirement benefits. The Council was contractually required to contribute 71.03 percent of covered payroll to the nonhazardous KERS pension and insurance plans, respectively. Actuarially determined as an amount that, when combined with employees during the year, with an additional amount to finance any unfunded accrued liability. The Council's total required contributions to KERS nonhazardous pension plans for the years ended June 30, 2020 was \$1,623,900.

At June 30, 2020, the Council reported a liability of \$22,806,813 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2018, rolled forward to 2019 using generally accepted actuarial principles. The Council's proportion of the net pension liability was based on projection of the Council's long-term share of contributions to the pension plan relative to the projected

COUNCIL ON POSTSECONDARY EDUCATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020

contributions of all participating entities. At June 30, 2020, the Council's proportion was 0.161487 percent.

Actuarial Assumptions

Actuarial Valuation Date	June 30, 2018
Actuarial Cost Method	Entry age normal
Amortization Method	Level percent of pay
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of the assets is recognized.
Remaining Amortization Period	24 years, closed
Actuarial Assumptions:	
Investment Rate of Return	5.25%
Inflation Rate	2.30%
Projected Salary Increases	3.30% to 15.30%, varies by service
Mortality Tables:	
Active Member	Pub-2010 General Mortality tables projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
Healthy Retired Members	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
Disable Members	PUB-2010 Disable Mortality Table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
Date of Experience Study	The period July 1, 2014 – June 30, 2018
Update Procedures Applied	The actuarial valuation date of June 30, 2018, was rolled forward from the valuation date to the plan's fiscal year end of June 30, 2019 using standard roll forward procedures.

COUNCIL ON POSTSECONDARY EDUCATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020

For the year ended June 30, 2020, the Council recognized pension expenses of \$1,515,273 and deferred outflows and deferred inflows related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 134,890	\$ -0-
Net difference between projected and actual earnings	59,101	105,573
Changes of assumption	694,418	-0-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-0-	1,370,081
Contributions subsequent to the measurement date	1,623,900	-0-
Total	\$ 2,512,309	\$ 1,475,654

The \$1,623,900 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability during the year ended June 30, 2021. Other amounts reported as deferred inflows and deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Deferred Amounts to be Recognized in Fiscal Years Following the Reporting Date	
Fiscal Years	Amount
2021	\$ (382,835)
2022	(188,193)
2023	(14,903)
2024	(1,314)
Total	\$ (587,245)

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for KERS. The most recent analysis, performed for the period covering fiscal years 2014 through 2018, is outlined in a report dated April 12, 2019. Several factors are considered in evaluating the long-term rate of return. Assumption including long-term historical data, estimates inherent in current market data, and a log – normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return,

COUNCIL ON POSTSECONDARY EDUCATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020

net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the following table:

Kentucky Retirement Systems		
Asset Class	Target Allocation	Long-Term Nominal Rate of Return
Growth:		
US Equity	15.75%	4.30%
Non-US Equity	15.75%	4.80%
Private Equity	7.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
Liquidity:		
Core Bonds	20.50%	1.35%
Cash	3.00%	0.20%
Diversifying Strategies:		
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
Total	100.00%	

The projection of cash flows used to determine the discount rate of 5.25% assumes that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period.

June 30, 2019 is the actuarial valuation date upon which the total pension liability is based. The discount rate is defined as the single rate of return that when applied to all projected payments results in an actuarial value of projected benefits payments. A municipal bond rate was not used.

COUNCIL ON POSTSECONDARY EDUCATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020

The following presents the net pension liability of the Council, calculated using the discount rate of 5.25%, as well as what the Council's net position liability would be if it were calculated using a discount rate that is one percentage point lower (4.25%) or one percentage point higher (6.25%):

	1% Decrease (4.25%)	Discount (5.25%)	1% Increase (6.25%)
The Council's proportionate share	\$ 26,144,984	\$ 22,806,813	\$ 20,048,117

Detailed information about the KERS's fiduciary net position is available in the separately issued Kentucky Employees' Retirement System's Annual Financial Report (which is a matter of public record). The Commonwealth of Kentucky's Comprehensive Annual Financial Report should be referred to for additional disclosures related to KERS. The KERS also issues a publicly available financial report that includes financial statements and required supplementary information for the KERS. The report may be obtained on-line at www.kyret.ky.gov.

Kentucky Teachers' Retirement System:

Plan description – Certain Council professional staff had participated in the Teachers' Retirement System (TRS), a cost-sharing multi-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies, prior to joining the staff of the Council. These certified employees, all employees occupying a full-time position requiring certification by the State Department of Education or graduation from a four-year college or university as a condition of employment, are required to participate in the multiple-employer cost sharing defined benefit retirement plan sponsored by the TRS. The TRS is governed by Chapter 161, Sections 220 through Chapter 161 Section 990, of the KRS.

Covered employees under TRS are employees of local school districts, Department of Education Agencies, universities, the Kentucky Community and Technical College System, and other educational organizations, who are a regular or a special teacher, or professional occupying a position requiring certification or graduation from a four year college or university.

For Members Before July 1, 2008:

Members become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

1. Attain age fifty-five (55) and complete five (5) years of Kentucky service, or
2. Complete 27 years of Kentucky service.

Participants that retire before age 60 with less than 27 years of service received reduced retirement benefits. Non-university members receive monthly payments equal to 2% (service prior to July 1, 1983) and 2.5% (service after July 1, 1983) of their final average salaries for each

COUNCIL ON POSTSECONDARY EDUCATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020

year of credited service. Non-university members who became members on or after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service is less than 10 years. New members after July 1, 2002 who retire with 10 or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first 10 years. In addition, non-university members who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for members hired on or after that date.

The final average salary is computed using the member's 5 highest annual salaries for those with less than 27 years of service. Members at least age 55 with 27 or more years of service may use their 3 highest annual salaries to compute the final average salary. For all members, the annual allowance is reduced by 5% per year from the earlier of age 60 or the date the member would have completed 27 years of service. The minimum annual service allowance is for all members is \$440 multiplied by credited service.

Cost of living increases are one and one-half (1.5) percent annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

For Members On or After July 1, 2008:

Members become vested when they complete 5 years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

1. Attain age 60 and complete 5 years of Kentucky service, or
2. Complete 27 years of Kentucky service, or
3. Attain age 55 and complete 10 years of Kentucky service.

The annual retirement allowance for non-university members is equal to: (a) 1.7% of final average salary for each year of credited service if their service is 10 years or less; (b) 2% of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) 2.3% of final average salary for each year of credited service if their service is greater than 20 years but no more than 26 years; (d) 2.5% of final average salary for each year of credited service if their service is greater than 26 years but no more than 30 years; (e) 3% of final average salary for each year of credited service if their service is greater than 30 years.

The annual retirement allowance for university members is equal to: (a) 1.5% of final average salary for each year of credited service if their service is 10 years or less; (b) 1.7% of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) 1.85% of final average salary for each year of credited service if their service is greater than 20 years but less than 27 years; (d) 2% of final average salary for each year of credited service if their service is greater than or equal to 27 years.

COUNCIL ON POSTSECONDARY EDUCATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020

The final average salary is computed using the member's 5 highest annual salaries except members at least age 55 with 27 or more years of service may use their 3 highest annual salaries. For all members, the annual allowance is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 27 years of service.

At June 30, 2020, the Council reported a liability of \$560,223 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as June 30, 2018. The Council's proportion of the net pension liability was based on a projection of the Council's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities. At June 30, 2020, the Council's proportion was 0.0102 percent. The Council did not have any required contributions to the TRS pension plan for the year ended June 30, 2020.

Actuarial Assumptions

Actuarial Valuation Date	June 30, 2018
Actuarial Cost Method	Entry age
Actuarial assumptions: Investment rate of return	7.5%
Inflation Rate	3.00%
Projected salary increases	3.50% – 7.30%
Long-term investment rate of return	7.50%
Municipal Bond Index Rate	3.50%
Single equivalent interest rate	7.50%
Post-retirement benefit increases	1.5% annually
Mortality Tables	RP-2000 combined mortality table for males or females, as appropriate, with adjustments for mortality improvements based on a projection of scale BB to 2025 with a set forward of two years for males and one year for females.
Date of Experience Study	The period July 1, 2010 - June 30 2015.

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NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020

For the year ended June 30, 2020, the Council recognized pension expenses of \$(723,632) and deferred outflows and deferred inflows related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on experience	\$ 5,347	\$ 4,439
Net difference between projected and actual investments earnings on pension plan investments	-0-	8,717
Change of assumptions	45,772	331,881
Changes in proportion and differences between contributions and proportionate share of contributions	-0-	950,119
Contributions subsequent to the measurement date	-0-	-0-
Total	\$ 51,119	\$ 1,295,156

In fiscal year 2019, all Council employees that were contributing to the TRS plan were moved to the Kentucky Education and Workforce Development Cabinet. As such, there were no contributions made subsequent to the measurement date in fiscal year 2020 to the TRS pension plan. Therefore, there are no reported deferred outflows that will be recognized as a reduction of the net pension liability during the year ended June 30, 2021. For the year ended June 30, 2020, employers were required to contribute 12.305 percent. Other amounts reported as deferred inflows and deferred outflows of resources related to pensions will be recognized in pension expense as follows:

COUNCIL ON POSTSECONDARY EDUCATION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

Deferred Amounts to be Recognized in Fiscal Years Following the
Reporting Date

Fiscal Years	Amount
2021	\$ (724,452)
2022	(378,329)
2023	(123,373)
2024	(17,883)
2025	-0-
Total	\$ (1,244,037)

The long-term expected return on plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the following table:

Kentucky Teachers' Retirement Systems

Asset Class	Target Allocation	Long-Term Nominal Rate of Return
U.S. Equity	40%	4.2%
International Equity	22%	5.2%
Fixed Income	15%	1.2%
Additional Categories	8%	3.3%
Real Estate	6%	3.8%
Private Equity	7%	6.3%
Cash	2%	0.9%
Total	100%	

June 30, 2018 is the actuarial valuation date upon which the total pension liability is based. An expected total pension liability is determined as of June 30, 2019 using standard roll forward techniques. The discount rate used to measure the total pension liability was 7.50 percent. The projected cash flows used to determine the discount rate assumed that plan member contributions will be made at current contributions rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current

COUNCIL ON POSTSECONDARY EDUCATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020

plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payment streams was used to determine total pension liability.

The following presents the net pension liability of the Council, calculated using the discount rate of 7.50%, as well as what the Council's net position liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%):

	1% Decrease (6.50%)	Discount (7.50%)	1% Increase (8.50%)
The Council's proportionate share	\$ 715,341	\$ 560,223	\$ 429,711

Detailed information about the TRS's fiduciary net position is available in the separately issued Teachers' Retirement System's Annual Financial Report (which is a matter of public record). The Commonwealth of Kentucky Comprehensive Annual Financial Report should be referred to for additional disclosures related to TRS. The TRS also issues a publicly available financial report that includes financial statements and required supplementary information for the TRS. The report may be obtained on-line at www.trs.ky.gov.

Deferred Compensation Retirement Plans:

In addition to the above plans, employees are also eligible to participate in two deferred compensation plans sponsored by the Commonwealth of Kentucky. These plans are organized as a Section 457 plan and as a Section 401(k) plan under the Internal Revenue Code. During the past year, employees contributed approximately \$76,000 to these plans. Both plans permit employees to defer a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, death, or financial hardship. The Kentucky Public Employees Deferred Compensation Authority (KPEDCA) issues a publicly available financial report that includes financial statements and required supplementary information for the KPEDCA. The report may be obtained by writing to the Kentucky Public Employees Deferred Compensation Authority, 101 Sea Hero Road, Suite 110, Frankfort, Kentucky 40601-8862.

COUNCIL ON POSTSECONDARY EDUCATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020

9. EMPLOYMENT HEALTH CARE BENEFITS

Kentucky Employers Retirement System

All regular full-time employees who work in non-hazardous duty positions of any state department, board, agency, county, city, school board, and any eligible local agencies participate in an Other Post-employment Benefit (OPEB) plan administered by the Kentucky Employees Retirement System (KERS), a cost-sharing multi-employer public employee retirement system. The plan provides health insurance benefits to plan members and also to certain beneficiaries of plan members under prescribed circumstances.

Covered Employees: Contribution rates for employers and employees are established by Kentucky Statute KRS 21.427. The Traditional plan members do not contribute to the OPEB plan directly. Instead assets have been allocated between pension and retiree medical liabilities on the basis of accrued liability as of July 1, 2019. This amount has been bought forward from that date based on actual cash flows and prorated allocation of investment returns. The Hybrid plan member contribute 1% of their official salary. Employer contributions are determined by the budget bill.

Benefit Factor:

Participation prior to July 2003		Participation between July 2003 and August 2008		Participation on or after September 2008	
Months of Service	Percent of premium	Months of Service	Percent of premium paid	Months of Service	Percent of premium paid
<48	0%	Greater than or equal to 120	\$10 per month for each year of service without regard to a maximum dollar adjusted by 1.5% annually.	Greater than or equal to 180	\$10 per month for each year of service without regard to a maximum dollar adjusted 1.5% annually.
48 to 119 inclusive	25%				
120 to 179 inclusive	50%				
180 to 239 inclusive	75%				
240 or more	100%				

Cost of Living Adjustment (COLA): Members participating after 2008 receive 1.5% increase annually

Benefits and contribution rates are established by state statute. Per Kentucky Revised Statute 61.565, contribution requirements of the active employees and the participating organizations are established and may be amended by the Kentucky Retirement System’s Board. Employees with a participation date after 9/1/2008 were required to contribute an additional 1 percent of their salary for retiree healthcare benefits. The plan was contractually required to contribute 12.40 percent of covered payroll to the nonhazardous KERS insurance plans, Actuarially determined as an amount that, when combined with employees during the year, with an additional amount to finance any unfunded accrued liability. The plan’s total required contributions to KERS nonhazardous insurance plan for the years ended June 30, 2020 was \$283,491.

At June 30, 2020, the Council reported a liability of \$3,589,688 for its proportionate share of collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net collective OPEB liability was determined by an actuarial valuation performed as of June 30, 2018, rolled forward to 2019 using generally accepted actuarial principles. The Council’s proportion of the collective net OPEB liability was based on projection of the Council’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2020, the plan’s proportion was 0.161487 percent.

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NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020

For the year ended June 30, 2020, the Council recognized OPEB expenses of \$187,955 and deferred outflows and deferred inflows related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 15,203	\$ 572,579
Net difference between projected and actual earnings	-0-	38,746
Changes of assumption	470,763	10,797
Changes in proportion and differences between employer contributions and proportionate share of contributions	-0-	404,183
Contributions subsequent to the measurement date	326,763	-0-
Total	\$ 812,729	\$ 1,026,305

Of the total amount reported as deferred outflows of resources related to OPEB, \$283,491 resulting from Council statutorily required contributions and \$43,272 resulting from the implicit subsidy subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the Council's OPEB expense as follows:

Deferred Amounts to be Recognized in Fiscal Years Following the Reporting Date

Fiscal Years	Amount
2021	\$ (113,930)
2022	(113,930)
2023	(217,306)
2024	(95,173)
2025	-0-
Total	\$ (540,339)

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NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020

Actuarial assumptions. The total pension liability, net pension liability, and sensitivity information shown in this report are based on an actuarial valuation performed as of collective net OPEB liability was measured based on an actuarial valuation performed as of June 30, 2018, using act actuarial assumptions shown in the table below, The total OPEB liability used to calculate the net collective OPEB liability was rolled forward from the valuation date to the plan’s fiscal year end, June 30, 2019, using generally accepted actuarial principles.

Actuarial Assumptions	
Actuarial Valuation Date	June 30, 2018
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry age normal, Level percentage of pay
Asset Valuation Method	5 years smoothing
Remaining amortization period	24 year, closed
Actuarial assumptions:	
Investment rate of return	6.25%
Inflation rate	2.3%
Payroll Growth Rate	0%
Salary Growth	3.30% to 15.30%, varies by service
Mortality Tables:	PUB-2010 General Mortality table projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
Healthcare Trend Rates Pre-65	Initial trend starting at 7.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Healthcare Trend Rates Post-65	Initial trend starting at 5.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.

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NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020

Updated procedures applied

The actuarial valuation date of June 30, 2018 was rolled-forward from the valuation date to the plan’s fiscal year ending June 30, 2019 using standard roll forward procedures

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each asset class. The ranges are combined by weighting the expected future real rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the below table.

Kentucky Retirement Systems

Asset Class	Target Allocation	Long-Term Nominal Rate of Return
Growth:		
US Equity	18.75%	4.30%
Non-US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
Liquidity:		
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Diversifying Strategies:		
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
Total	100.00%	

The projection of cash flows used to determine the discount rate of 5.73% for KERS Nonhazardous, assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.13%, as reported in Fidelity Index’s “20 –Year Municipal GO AA Index” as of June 28, 2019. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the plan’s fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the System’s actuarially determined contributions, and it is our understanding that any cost associated with the implicit subsidy will not be paid out of the System’s trust. Therefore, the municipal bond rate was applied to

COUNCIL ON POSTSECONDARY EDUCATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020

future expected benefit payments associated with the implicit subsidy. The projection of cash flows used to determine the single discount rate assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the Commonwealth's CAFR.

Sensitivity of the Council's proportionate share of the collective net OPEB liability to changes in the discount rate. The following presents the Council's proportionate share of the collective net OPEB liability, as well as what the Council's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.73 percent) or 1-percentage-point higher (6.73 percent) than the current discount rate:

	1% Decrease (4.73%)	Discount (5.73%)	1% Increase (6.73%)
The Council's proportionate share	\$ 4,274,276	\$ 3,589,688	\$ 3,026,130

Sensitivity of the Council's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates. The following presents the Council's proportionate share of the collective net OPEB liability, as well as what the Council's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1 percentage-point higher than the current healthcare cost trend rates (Pre-65 - Initial trend starting at 7.25 percent at January 1, 2019, and gradually decreasing to 4.05 percent over a period of 13 years and Post-65 - Initial trend starting at 5.10 percent at January 1, 2019, and gradually decreasing to 4.05 percent over a period of 11 years):

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
The Council's proportionate share	\$ 3,049,682	\$ 3,589,688	\$ 4,242,912

Detailed information about the KERS's fiduciary net position is available in the separately issued Kentucky Employees' Retirement System's Annual Financial Report (which is a matter of public record). The Commonwealth of Kentucky's Comprehensive Annual Financial Report should be referred to for additional disclosures related to KERS.

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NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020

Teachers' Retirement System

Plan description

Plan description – Teaching-certified employees of the Kentucky School District are provided OPEBs through the Teachers' Retirement System of the State of Kentucky (TRS)—a cost-sharing multiple-employer defined benefit OPEB plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the state. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at <https://trs.ky.gov/financial-reports-information>.

The Council reports a liability, deferred outflows of resources and deferred inflows of resources, and expense as a result of its statutory requirement to contribute to the TRS Medical Insurance Plan. The following information is about the TRS Medical Insurance Plan:

Medical Insurance Plan

Plan description – In addition to the OPEB benefits described above, Kentucky Revised Statute 161.675 requires TRS to provide post-employment healthcare benefits to eligible members and dependents. The TRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the medical plan may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

Benefits provided – To be eligible for medical benefits, the member must have retired either for service or disability. The TRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. TRS retired members are given a supplement to be used for payment of their health insurance premium. The amount of the member's supplement is based on a contribution supplement table approved by the TRS Board of Trustees. The retired member pays premiums in excess of the monthly supplement. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

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NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020

Contributions – In order to fund the post-retirement healthcare benefit, seven and one-half percent (7.50%) of the gross annual payroll of members is contributed. Three percent (3.75%) is paid by member contributions and three quarters percent (.75%) from state appropriation and three percent (3.00%) from the employer. The state contributes the net cost of health insurance premiums for members who retired on or after July 1, 2010 who are in the non-Medicare eligible group. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At June 30, 2020, the Council reported a liability of \$216,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the Council. The collective net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the Council's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2020, the Council's proportion was 0.007372% percent,

The amount recognized by the Council as its proportionate share of the OPEB liability, the related state support, and the total portion of the net OPEB liability that was associated with the Council were as follows:

Council's proportionate share of the net OPEB liability	\$	216,000
Commonwealth's proportionate share of the net OPEB liability associated with the Council		96,000
Total	\$	<u>312,000</u>

For the year ended June 30, 2020, the Council recognized OPEB expense of \$8,000 and expensed amounts from change in proportion and difference between employer contributions and proportionate share of contributions of \$11,000. At June 30, 2020, the Council reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

COUNCIL ON POSTSECONDARY EDUCATION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investments earnings on OPEB plan investments	\$ 1,000	\$ -0-
Net difference between projected and actual earnings on experience	-0-	52,000
Change of assumptions	6,000	-0-
Changes in proportion and differences between contributions and proportionate share of contributions	-0-	55,000
Contributions subsequent to the measurement date	-0-	-0-
Total	\$ 7,000	\$ 107,000

In fiscal year 2019, all Council employees that were contributing to the TRS plan were moved to the Kentucky Education and Workforce Development Cabinet. As such, there were no contributions made subsequent to the measurement date in fiscal year 2020 to the TRS OPEB plan. Therefore, there are no reported deferred outflows that will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the Council's OPEB expense as follows:

Deferred Amounts to be Recognized in Fiscal Years Following the Reporting Date	
Fiscal Years	Amount
2021	\$ (19,000)
2022	(19,000)
2023	(19,000)
2024	(19,000)
2025	(15,000)
Thereafter	(9,000)
Total	\$ (100,000)

Actuarial assumptions – The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

COUNCIL ON POSTSECONDARY EDUCATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020

Investment rate of return	8.00%, net of OPEB plan investment expense, including inflation
Projected salary increases	3.50 – 7.20%, including inflation
Inflation rate	3.00%
Real Wage Growth	0.50%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% - 7.20%
Healthcare cost trend rates	
Under 65	7.50% for FY 2019 decreasing to an ultimate rate of 5.00% by FY 2024
Ages 65 and Older	5.50% for FY 2019 decreasing to an ultimate rate of 5.00% by FY 2021
Medicare Part B Premiums	2.63% for FY 2019 with an ultimate rate of 5.00% by 2031
Municipal bond index rate	3.50%
Discount rate	8.00%
Single equivalent interest rate	8.00%, net of OPEB plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2015 valuation.

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, are summarized in the following table:

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NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020

Kentucky Teachers' Retirement Systems

Asset Class	Target Allocation	Long-Term Nominal Rate of Return
Global Equity	58.0%	5.1%
Fixed Income	9.0%	1.2%
Real Estate	6.5%	3.8%
Private Equity	8.5%	6.3%
Other Additional Categories	17.0%	3.2%
Cash (LIBOR)	1.0%	0.9%
Total	100.0%	

Discount rate - The discount rate used to measure the total OPEB liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Council's proportionate share of the collective net OPEB liability to changes in the discount rate - The following table presents the Council's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 8.00%, as well as what the Council's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rates.

	1% Decrease (7.00%)	Discount (8.00%)	1% Increase (9.00%)
The Council's proportionate share	\$ 256,000	\$ 216,000	\$ 182,000

Sensitivity of the Council's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates - The following presents the Council's proportionate share of the collective net OPEB liability, as well as what the Council's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates.

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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
The Council's proportionate share	\$ 176,000	\$ 216,000	\$ 265,000

10. INTERGOVERNMENTAL TRANSACTIONS

At June 30, 2020, intergovernmental receivables and intergovernmental revenue consist of the following:

Due from the General Fund of the Commonwealth of Kentucky:

Appropriations for Agency Operations	\$ 4,974
Total due from the other state agencies of the Commonwealth of Kentucky	<u>57,338</u>
Total intergovernmental receivables	<u><u>\$ 62,312</u></u>

Funding for the Postsecondary Education Equine Trust and Revolving Fund from a Special Revenue Fund of the Commonwealth of Kentucky

	<u>\$ 522,054</u>
Total intergovernmental revenues	<u><u>\$ 522,054</u></u>

11. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables consist of a \$150,000 advance from the Operating Fund to the Technology Initiative Trust Fund for the purchase of broadband infrastructure plus various balances related to the expenditures of federal funds to be reimbursed between funds upon receipt of the federal funds into the Federal Program Fund.

12. RELATED PARTY TRANSACTIONS

The Council had the following transactions with the Commonwealth and its component units:

The Commonwealth Office for Technology (COT) provides technical support for State government agencies in the application of information technology including major information resource functions such as data center operations, data and voice communications (i.e. the Kentucky Information Highway), data administration, hardware selection and installation, and related end-user and customer support services. During 2020, the Council paid approximately \$395,000 to COT for services provided during the year.

COUNCIL ON POSTSECONDARY EDUCATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020

The Council received the benefit of accounting and administrative services from the Personnel Cabinet and Finance and Administration Cabinet for 2020. During 2020, the Council paid approximately \$5,000 to the Personnel Cabinet and approximately \$26,000 to the Finance and Administration Cabinet for services provided during the year.

The Council uses vehicles from the Transportation Cabinet's fleet. During 2020, the Council paid approximately \$17,000 to the Transportation Cabinet for use of their vehicles.

The Council leases office space from the Department for Facilities and Support Services. During 2020, the Council paid approximately \$62,000 to the Department for Facilities and Support Services for the leased office space and utilities. Additionally, the Council uses the Department for Facilities and Support Services for printing services and postage. During 2020, the Council paid approximately \$17,000 to the Department for Facilities and Support Services for printing and postage.

13. COMMITMENTS AND CONTINGENCIES

As of June 30, 2020, the Council is committed under certain agreements and contracts in the amount of approximately \$596,000. These commitments are largely comprised of contractual obligations for future program expenditures under the Council's strategic investment and incentive funding programs, as well as its pass-through (fiduciary) programs. These program disbursements will largely be to the Commonwealth's postsecondary education institutions, as well as the other typical recipients of the Council's program funding. As such, these commitments will be funded primarily during the subsequent fiscal year by legislative General Fund appropriations and federal program revenues.

Federal program revenue consists principally of reimbursable grants from the United States Department of Education. Grants are generally conditioned upon compliance with terms and conditions of the grant agreement and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability of the Council. As of June 30, 2020, the Council estimates that no material liabilities will result from such audits.

On March 11, 2020, the World Health Organization declared Coronavirus (COVID-19) a pandemic. The continued spread of COVID-19, or any similar outbreaks in the future, may adversely impact the local, regional, national and global economies. The extent to which COVID-19 impacts the Council's operating results is dependent on the breadth and duration of the pandemic and could be affected by other factors management is not currently able to predict. Potential impacts include, but are not limited to, additional costs for responding to COVID-19, shortages of personnel, delays, loss of, or reduction to, revenue and state appropriations, and funding. Management believes the Council is taking appropriate actions to respond to the pandemic, however, the full impact is unknown and cannot be reasonably estimated at the date the financial statements were available to be issued.

COUNCIL ON POSTSECONDARY EDUCATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020

14. RISK MANAGEMENT

Torts and Errors and Omissions:

The Council manages its risks of loss related to torts and errors and omissions internally.

Injuries to Employees:

The Council is a member of the Statewide Workers' Compensation Insurance Program, a self-insurance program for the benefit of the Commonwealth's employees. The Commonwealth of Kentucky's Comprehensive Annual Financial Report should be referred to for additional disclosures related to the Workers' Compensation Insurance Program.

Theft of, Damage to, and Destruction of Assets:

The Council utilizes the Commonwealth of Kentucky's Risk Management Fund to cover the exposure to losses arising from theft of, damage to, or destruction of the Council's personal property. The Commonwealth of Kentucky's Comprehensive Annual Financial Report should be referred to for additional disclosures related to the Risk Management Fund.

15. FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Council has the ability to access
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimized the used of unobservable inputs.

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NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020

The following table sets forth by level, within the hierarchy, the Council's assets and liabilities measured at fair value on a recurring basis as of June 30, 2020 are as follows:

	Assets at Fair Value as of June 30, 2020			
	Level 1	Level 2	Level 3	Total
Commonwealth's investment pool	\$ -0-	\$ 3,054,055	\$ -0-	\$ 3,054,055
Total assets at fair value	\$ -0-	\$ 3,054,055	\$ -0-	\$ 3,054,055

The Council's policy is to recognize transfers between levels as of the actual date of the event or changes in circumstances. There were no transfers between levels during the year ended June 30, 2020.

The Council holds investments which are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying financial statements.

16. RECENT GASB PRONOUNCEMENTS

Management has not currently determined what, if any, effects of implementation of the following statements may have on the financial statements:

In January 2017, the GASB issued GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of governmental entities. The focus of the criteria generally is on (1) whether a government entity is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. As a result, pension and other postemployment benefit plans (both defined contribution plans and defined benefit plans) should now be reported within the statement of fiduciary net position and statement of changes in fiduciary net position of the governmental entity. In May 2020, the GASB issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postponed the effective date of GASB Statement No. 84, *Fiduciary Activities*, by one year. GASB Statement No. 84 will be effective for periods beginning after December 15, 2019.

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NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020

In June 2017, the GASB issued GASB Statement No. 87, *Leases*, which requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. In May 2020, the GASB issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postponed the effective date of GASB Statement No. 87, *Leases*, by 18 months. GASB Statement No. 87 will be effective for periods beginning after June 15, 2021.

In May 2020, the GASB issued GASB Statement No 96, *Subscription-Based Information Technology Arrangements (SBITA)*, which requires the recognition of certain SBITA assets and liabilities for SBITA that previously were classified as an operating leases and recognized as inflows or resources or outflows of resources based on the payment provisions of the contract. The standards for SBITAs are based on the standards established in Statement No. 87, *Leases*. GASB Statement No 96 will be effective for the periods beginning after June 15, 2022.

REQUIRED SUPPLEMENTARY INFORMATION

COUNCIL ON POSTSECONDARY EDUCATION

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY KENTUCKY EMPLOYEES RETIREMENT SYSTEM

	2020	2019	2018	2017	2016	2015
Proportion of the net pension liability (asset)	0.161487%	0.176962%	0.184184%	0.191420%	0.183165%	0.169904%
Proportionate share of the net pension liability	\$ 22,806,813	\$ 24,073,513	\$ 24,659,174	\$ 21,821,203	\$ 18,374,905	\$ 15,243,442
Covered payroll	\$ 2,362,042	\$ 2,708,898	\$ 2,907,191	\$ 3,005,194	\$ 2,988,947	\$ 2,915,237
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	965.55%	888.68%	848.21%	726.12%	614.76%	522.89%
Plan fiduciary net position as a percentage of the total pension liability	13.66%	12.84%	13.32%	14.80%	18.83%	22.32%

*Note: This schedule is intended to present 10 years of the proportionate share of the net pension liability. Currently, only those years with information available are presented. The amounts presented above for the fiscal year were determined as of June 30 for the year prior (measurement date).

COUNCIL ON POSTSECONDARY EDUCATION

SCHEDULE OF PENSION CONTRIBUTIONS KENTUCKY EMPLOYEES' RETIREMENT SYSTEM

	2020	2019	2018	2017	2016	2015	2014
Statutorily required contribution	\$ 1,623,900	\$ 1,677,759	\$ 1,112,284	\$ 1,169,854	\$ 926,802	\$ 921,837	\$ 504,336
Contribution in relation to the statutorily required contribution	1,623,900	1,677,759	1,112,284	1,169,854	926,802	921,837	504,336
Contribution deficiency (excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Covered payroll	\$ 2,286,217	\$ 2,362,042	\$ 2,708,898	\$ 2,907,191	\$ 3,005,194	\$ 2,988,947	\$ 2,915,237
Contribution as a percentage of covered payroll	71.03%	71.03%	41.06%	40.24%	30.84%	30.84%	17.30%

Notes to Schedule

Valuation date	June 30, 2017	June 30, 2016	June 30, 2016	June 30, 2015	June 30, 2015	June 30, 2014	Not available
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Methods and assumptions used to determine contributions:

Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Not available
Experience study	July 1, 2008 - June 30, 2013	July 1, 2008 - June 30, 2013	July 1, 2008 - June 30, 2013	July 1, 2008 - June 30, 2013	July 1, 2008 - June 30, 2013	July 1, 2008 - June 30, 2013	Not available
Amortization method	Level percent of pay	Level percent of pay	Level percent of pay	Level percent of pay	Level percent of pay	Level percent of pay	Not available
Asset valuation method	20% of the difference between market value of assets and the expected actuarial value of assets is recognized	20% of the difference between market value of assets and the expected actuarial value of assets is recognized	20% of the difference between market value of assets and the expected actuarial value of assets is recognized	20% of the difference between market value of assets and the expected actuarial value of assets is recognized	Five-year smoothed market	Five-year smoothed market	Not available
Investment return	5.25%	6.75%	6.75%	6.75%	7.50%	7.75%	Not available
Inflation	2.30%	3.25%	3.25%	3.25%	3.25%	3.50%	Not available
Projected salary increase	3.55% to 15.55%, varies by service	4.0%, average	4.0%, average	4.0%, average, including inflation	4.0%, average, including inflation	4.50% per annum	Not available

Mortality

The rate of mortality for active members is based on the RP-2000 Combined Mortality Table projected to with scale BB to 2013 (multiplied by 50% for males and 30% for females). For health retired members and beneficiaries, the mortality table is the RP-2000 Combined Mortality Table projected with scale BB to 2013 (set back 1 year for females) For disabled members, the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

Note: This is a 10 year schedule. Years will be added to this schedule in future fiscal years until 10 years of information is available.

COUNCIL ON POSTSECONDARY EDUCATION

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY KENTUCKY TEACHERS' RETIREMENT SYSTEM

	2020	2019	2018	2017	2016	2015
Proportion of the net pension liability (asset)	0.010250%	0.012500%	0.013000%	0.015200%	0.015200%	0.016100%
Proportionate share of the net pension liability	\$ 560,223	\$ 708,655	\$ 1,468,941	\$ 3,873,364	\$ 3,530,337	\$ 3,322,159
Covered payroll	\$ 156,808	\$ 396,637	\$ 423,461	\$ 497,443	\$ 592,673	\$ 625,000
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	357.27%	178.67%	346.89%	778.65%	595.66%	531.55%
Plan fiduciary net position as a percentage of the total pension liability	58.80%	59.30%	39.83%	35.22%	42.49%	45.59%

*Note: This schedule is intended to present 10 years of the proportionate share of the net pension liability. Currently, only those years with information available are presented. The amounts presented above for the fiscal year were determined as of June 30 for the year prior (measurement date).

COUNCIL ON POSTSECONDARY EDUCATION

SCHEDULE OF PENSION CONTRIBUTIONS KENTUCKY TEACHERS' RETIREMENT SYSTEM

	2020	2019	2018	2017	2016	2015	2014
Statutorily required contribution	\$ -0-	\$ 19,311	\$ 48,886	\$ 52,192	\$ 61,310	\$ 73,047	\$ 74,057
Contribution in relation to the statutorily required contribution	-0-	19,311	48,886	52,192	61,310	73,047	74,057
Contribution deficiency (excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Covered payroll	\$ -0-	\$ 156,808	\$ 396,637	\$ 423,461	\$ 497,443	\$ 592,673	\$ 625,000
Contribution as a percentage of covered payroll	0.00%	12.32%	12.33%	12.33%	12.33%	12.33%	11.85%

Notes to Schedule

Valuation date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2016	June 30, 2014	June 30, 2014	Not available
Methods and assumptions used to determine contributions:							
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Not available
Amortization method	Level percent of pay	Level percent of pay	Level percent of pay	Level percent of pay	Level percent of pay	Level percent of pay	Not available
Asset valuation method	Five-year smoothed market	Five-year smoothed market	Five-year smoothed market	Five-year smoothed market	Five-year smoothed market	Five-year smoothed market	Not available
Investment return	7.5% net of pension plan investment expense, including inflation	7.5% net of pension plan investment expense, including inflation	7.5% net of pension plan investment expense, including inflation	7.5% net of pension plan investment expense, including inflation	7.5% net of pension plan investment expense, including inflation	7.5% net of pension plan investment expense, including inflation	Not available
Inflation	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	Not available
Projected salary increase	3.50% - 7.30%	3.50% - 7.30%	3.50% - 7.30%	3.50% - 7.30%	4.0% - 8.20%	4.0% - 8.20%	Not available

Mortality

The rate of mortality is based on the RP-2000 Combined Mortality Table projected to 2020 using scale AA (set back one year for females) for death after service retirement and beneficiaries. The RP-2000 Disabled Mortality table (set back seven years for males and set forward five years for females) is used for death after disability retirement.

Note: This is a 10 year schedule. Years will be added to this schedule in future fiscal years until 10 years of information is available.

COUNCIL ON POSTSECONDARY EDUCATION

SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY
KENTUCKY EMPLOYEES RETIREMENT SYSTEM

	2020	2019	2018	2017
Proportion of the net OPEB liability (asset)	0.161487%	0.177214%	0.184184%	0.191420%
Proportionate share of the net OPEB liability	\$ 3,589,688	\$ 4,201,588	\$ 4,670,837	\$ 3,953,169
Covered payroll	\$ 2,362,042	\$ 2,708,898	\$ 2,907,191	\$ 3,005,194
Proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	151.97%	155.10%	160.66%	131.54%
Plan fiduciary net position as a percentage of the total OPEB liability	30.92%	27.32%	24.37%	24.48%

*Note: This schedule is intended to present 10 years of the proportionate share of the net OPEB liability. Currently, only those years with information available are presented. The amounts presented above for the fiscal year were determined as of June 30 for the year prior (measurement date).

COUNCIL ON POSTSECONDARY EDUCATION

SCHEDULE OF OPEB CONTRIBUTIONS KENTUCKY EMPLOYEES RETIREMENT SYSTEM

	2020	2019	2018	2017	2016
Statutorily required contribution	\$ 283,491	\$ 292,893	\$ 227,818	\$ 242,750	\$ 238,312
Contribution in relation to the statutorily required contribution	283,491	292,893	227,818	242,750	238,312
Contribution deficiency (excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Covered payroll	\$ 2,286,217	\$ 2,362,042	\$ 2,708,898	\$ 2,907,191	\$ 3,005,194
Contribution as a percentage of covered payroll	12.40%	12.40%	8.41%	8.35%	7.93%

Notes to Schedule

Valuation date	June 30, 2017	June 30, 2016	June 30, 2016	June 30, 2015	Not available
Experience Study	July 1, 2008 - June 30, 2013	July 1, 2008 - June 30, 2013	July 1, 2008 - June 30, 2013	July 1, 2008 - June 30, 2013	
Methods and assumptions used to determine contributions:					
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Not available
Amortization method	Level percent of pay	Level percent of pay	Level percent of pay	Level percent of pay	Not available
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized	Not available
Amortization period	26 Years, Closed	27 Years, Closed	27 Years, Closed	28 Years, Closed	Not available
Investment return	6.25%	7.50%	7.50%	7.50%	Not available
Inflation	2.30%	3.25%	3.25%	3.25%	Not available
Payroll growth rate	0.00%	4.00%	4.00%	4.00%	Not available
Projected salary increase	3.55 to 15.55, varies by service	4.00% average	4.00% average	4.00% average	Not available
Healthcare Trend Rates (Pre-65)	Initial trend starting at 7.25% at 1/1/2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years.	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years.	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years.	Not available
Healthcare Trend Rates (Post-65)	Initial trend starting at 5.10% at 1/1/2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years.	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years.	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years.	Not available

Mortality

RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)

Note: This is a 10 year schedule. Years will be added to this schedule in future fiscal years until 10 years of information is available.

COUNCIL ON POSTSECONDARY EDUCATION

SCHEDULE OF PROPORIONATE SHARE OF NET OPEB LIABILITY
KENTUCKY TEACHERS' RETIREMENT SYSTEM

	2020	2019	2018
Proportion of the net OPEB liability (asset)	0.007372%	0.008770%	0.009269%
Proportionate share of the net OPEB liability	\$ 216,000	\$ 304,000	\$ 331,000
Covered payroll	\$ 156,808	\$ 396,637	\$ 423,461
Proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	137.75%	76.64%	78.17%
Plan fiduciary net position as a percentage of the total OPEB liability	32.58%	25.50%	21.18%

*Note: This schedule is intended to present 10 years of the proportionate share of the net OPEB liability. Currently, only those years with information available are presented. The amounts presented above for the fiscal year were determined as of June 30 for the year prior (measurement date).

COUNCIL ON POSTSECONDARY EDUCATION

SCHEDULE OF OPEB CONTRIBUTIONS KENTUCKY TEACHERS' RETIREMENT SYSTEM

	2020	2019	2018	2017	2016
Statutorily required contribution	\$ -0-	\$ 5,880	\$ 14,874	\$ 15,880	\$ 18,654
Contribution in relation to the statutorily required contribution	-0-	5,880	14,874	15,880	18,654
Contribution deficiency (excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Covered payroll	\$ -0-	\$ 156,808	\$ 396,637	\$ 423,461	\$ 497,443
Contribution as a percentage of covered payroll	0.00%	3.75%	3.75%	3.75%	3.75%

Notes to Schedule

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2016	
Valuation date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2016	Not available
Methods and assumptions used to determine contributions:					
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Not available
Amortization method	Level percentage of payroll	Level percentage of payroll	Level percentage of payroll	Level percentage of payroll	Not available
Amortization period	22 years, closed	23 years, closed	30 years, open	30 years, open	Not available
Asset valuation method	Five-year smoothed Market Value	Five-year smoothed Market Value	Five-year smoothed Market Value	Five-year smoothed Market Value	Not available
Inflation	3.00%	3.00%	3.00%	3.00%	Not available
Real wage growth	0.50%	0.50%	0.50%	0.50%	Not available
Wage inflation	3.50%	3.50%	3.50%	3.50%	Not available
Projected salary increase	3.50% - 7.20%	3.50% - 7.20%	3.50% - 7.20%	3.50% - 7.20%	Not available
Discount rate	8.00%	8.00%	8.00%	8.00%	Not available
Medical Insurance Fund (MIF) Health Care Cost Trends:					
Under Age 65	7.50% for FYE 2018 decreasing to an ultimate rate of 5.00% by FYE 2024	7.75% for FYE 2017 decreasing to an ultimate rate of 5.00% by FYE 2024	7.75% for FYE 2017 decreasing to an ultimate rate of 5.00% by FYE 2023	7.75% for FYE 2017 decreasing to an ultimate rate of 5.00% by FYE 2023	Not available
Age 65 and Older	5.50% for FYE 2018 decreasing to an ultimate rate of 5.00% by FYE 2021	5.75% for FYE 2017 decreasing to an ultimate rate of 5.00% by FYE 2024	5.75% for FYE 2017 decreasing to an ultimate rate of 5.00% by FYE 2020	5.75% for FYE 2017 decreasing to an ultimate rate of 5.00% by FYE 2020	Not available
Medicare Part B Premiums	0.00% for FYE 2018 with an ultimate rate of 5.00% by 2030.	1.02% for FYE 2017 with an ultimate rate of 5.00% by 2030.	1.02% for FYE 2017 with an ultimate rate of 5.00% by 2029.	1.02% for FYE 2017 with an ultimate rate of 5.00% by 2029.	Not available

Note: This is a 10 year schedule. Years will be added to this schedule in future fiscal years until 10 years of information is available.

COUNCIL ON POSTSECONDARY EDUCATION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (BUDGETARY BASIS) – UNAUDITED YEAR ENDED JUNE 30, 2020

	Operations			Over (Under) Budget
	Original Budget	Final Budget	Actual	
Budgetary fund balance, July 1	\$ 1,573,980	\$ 602,843	\$ 3,618,367	\$ 3,015,524
REVENUES:				
State appropriations	5,830,700	5,830,700	5,630,106	(200,594)
Charges for services	300,000	300,000	284,000	(16,000)
Intergovernmental revenues				
Federal programs	400,000	400,000	268,573	(131,427)
Other revenues				
Income from investments				
Total revenues	<u>6,530,700</u>	<u>6,530,700</u>	<u>6,182,679</u>	<u>(348,021)</u>
Amount available for expenditures	8,104,680	7,133,543	9,801,046	2,667,503
EXPENDITURES:				
Personnel services	5,271,000	5,271,000	4,976,023	(294,977)
Utilities, rentals, and other services	790,800	814,400	673,679	(140,721)
Commodities and supplies	61,900	43,300	298,458	255,158
Grants and subsidies				
Travel	69,000	64,000	87,116	23,116
Judgements			15,000	15,000
Intergovernmental expenditures				
Total expenditures	<u>6,192,700</u>	<u>6,192,700</u>	<u>6,050,276</u>	<u>(142,424)</u>
Budgetary fund balance, June 30	<u>\$ 1,911,980</u>	<u>\$ 940,843</u>	<u>\$ 3,750,770</u>	<u>\$ 2,809,927</u>

COUNCIL ON POSTSECONDARY EDUCATION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (BUDGETARY BASIS) – UNAUDITED YEAR ENDED JUNE 30, 2020

	Federal Programs			
	Original Budget	Final Budget	Actual	Over (Under) Budget
Budgetary fund balance, July 1	\$ -0-	\$ -0-	\$ 194,124	\$ 194,124
REVENUES:				
State appropriations				
Charges for services				
Intergovernmental revenues				
Federal programs	4,000,000	4,000,000	3,473,817	(526,183)
Other revenues				
Income from investments				
Total revenues	<u>4,000,000</u>	<u>4,000,000</u>	<u>3,473,817</u>	<u>(526,183)</u>
Amount available for expenditures	4,000,000	4,000,000	3,667,941	(332,059)
EXPENDITURES:				
Personnel services	1,745,000	1,745,000	2,542,420	797,420
Utilities, rentals, and other services	989,500	989,500	407,317	(582,183)
Commodities and supplies	379,000	379,000	265,357	(113,643)
Grants and subsidies			140,664	140,664
Travel	240,000	240,000	104,340	(135,660)
Judgements				
Intergovernmental expenditures				
Total expenditures	<u>3,353,500</u>	<u>3,353,500</u>	<u>3,460,098</u>	<u>106,598</u>
Budgetary fund balance, June 30	<u>\$ 646,500</u>	<u>\$ 646,500</u>	<u>\$ 207,843</u>	<u>\$ (438,657)</u>

COUNCIL ON POSTSECONDARY EDUCATION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (BUDGETARY BASIS) – UNAUDITED YEAR ENDED JUNE 30, 2020

	Technology Initiative Trust Fund			
	Original Budget	Final Budget	Actual	Over (Under) Budget
Budgetary fund balance, July 1	\$ 5,458,256	\$ 6,519,283	\$ 3,429,564	\$ (3,089,719)
REVENUES:				
State appropriations	3,628,300	3,628,300	3,628,300	-0-
Charges for services	2,000,000	2,000,000	2,830,757	830,757
Intergovernmental revenues				
Federal programs				
Other revenues			350,000	350,000
Income from investments		96,668	49,129	(47,539)
Total revenues	<u>5,628,300</u>	<u>5,724,968</u>	<u>6,858,186</u>	<u>1,133,218</u>
Amount available for expenditures	11,086,556	12,244,251	10,287,750	(1,956,501)
EXPENDITURES:				
Personnel services	620,000	620,000	3,941,119	3,321,119
Utilities, rentals, and other services			379,262	379,262
Commodities and supplies			2,433,931	2,433,931
Grants and subsidies	5,425,000	5,425,000	129,314	(5,295,686)
Travel			11,478	11,478
Judgements				
Intergovernmental expenditures				
Total expenditures	<u>6,045,000</u>	<u>6,045,000</u>	<u>6,895,104</u>	<u>850,104</u>
Budgetary fund balance, June 30	<u>\$ 5,041,556</u>	<u>\$ 6,199,251</u>	<u>\$ 3,392,646</u>	<u>\$ (2,806,605)</u>

COUNCIL ON POSTSECONDARY EDUCATION

NOTE TO THE SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (BUDGETARY BASIS) – UNAUDITED
YEAR ENDED JUNE 30, 2020

Budgetary Basis Versus GAAP

The accompanying schedules of revenues, expenditures, and changes in fund balances, budget and actual (budgetary basis) - unaudited, presents comparisons of the legally adopted budget with actual data on the budgetary basis. Accounting principles applied for purposes of developing data on the budgetary basis differ from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with GAAP follows:

	<u>Operations</u>	<u>Federal Programs</u>	<u>Technology Initiative Trust Fund</u>
Total revenues per the budgetary comparison schedule	\$ 6,182,679	\$ 3,473,817	\$ 6,858,186
Total revenues per the statement of revenues, expenditures, and changes in fund balance	<u>\$ 6,182,679</u>	<u>\$ 3,473,817</u>	<u>\$ 6,858,186</u>
Total expenditures per the budgetary comparison schedule	\$ 6,050,276	\$ 3,460,098	\$ 6,895,104
Change in accrued expenditures	43,736	6,952	(8,063)
Change in short-term compensated absences	<u>(37,119)</u>	<u>6,767</u>	<u>(3,720)</u>
Total expenditures per the statement of revenues, expenditures, and changes in fund balance	<u>\$ 6,056,893</u>	<u>\$ 3,473,817</u>	<u>\$ 6,883,321</u>

ADDITIONAL SUPPLEMENTARY INFORMATION

COUNCIL ON POSTSECONDARY EDUCATION

SUPPLEMENTARY SCHEDULE OF ASSETS, LIABILITIES, AND FUND
BALANCES – OPERATIONS
JUNE 30, 2020

	Agency Operations	KYVC/ KYVL Operations	Total Operations
<u>ASSETS</u>			
Cash and cash equivalents	\$ 492,853	\$ 263,092	\$ 755,945
Investments	1,851,496	988,355	2,839,851
Accounts receivable	1,946		1,946
Intergovernmental receivables	4,974		4,974
Interfund receivable	-0-	150,000	150,000
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 2,351,269</u>	<u>\$ 1,401,447</u>	<u>\$ 3,752,716</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts and other payables	\$ 1,946	\$ -0-	\$ 1,946
Accrued expenses	467,311		467,311
Accrued compensated absences	330,615		330,615
Total liabilities	<u>799,872</u>	<u>-0-</u>	<u>799,872</u>
Fund balances:			
Assigned:			
for agency operations	<u>1,551,397</u>	<u>1,401,447</u>	<u>2,952,844</u>
Total liabilities and fund balances	<u>\$ 2,351,269</u>	<u>\$ 1,401,447</u>	<u>\$ 3,752,716</u>

COUNCIL ON POSTSECONDARY EDUCATION

SUPPLEMENTARY SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – OPERATIONS YEAR ENDED JUNE 30, 2020

	Agency Operations	KYVC/ KYVL Operations	Total Operations
REVENUES:			
State appropriations	\$ 5,630,106	\$ -0-	\$ 5,630,106
Charges for services	284,000		284,000
Federal programs	268,573		268,573
Total revenues	<u>6,182,679</u>	<u>-0-</u>	<u>6,182,679</u>
EXPENDITURES:			
Personnel services	4,982,640		4,982,640
Utilities, rentals, and other services	673,679		673,679
Commodities and supplies	298,458		298,458
Travel	87,116		87,116
Judgement	15,000		15,000
Intergovernmental expenditures			-0-
Total expenditures	<u>6,056,893</u>	<u>-0-</u>	<u>6,056,893</u>
Net change in fund balances	125,786	-0-	125,786
Fund balances, beginning of year	<u>1,425,611</u>	<u>1,401,447</u>	<u>2,827,058</u>
Fund balances, end of year	<u><u>\$ 1,551,397</u></u>	<u><u>\$ 1,401,447</u></u>	<u><u>\$ 2,952,844</u></u>

COUNCIL ON POSTSECONDARY EDUCATION

SUPPLEMENTARY SCHEDULE OF ASSETS, LIABILITIES, AND FUND BALANCES – NON-MAJOR FUNDS

JUNE 30, 2020

	Postsecondary Education Equine Trust Fund	Assessment and Professional Development Fund	Other (Non- major) Governmental Funds
ASSETS			
Cash and cash equivalents - restricted	\$ 57,018	\$ -0-	\$ 57,018
Investments - restricted	214,204		214,204
Total assets	\$ 271,222	\$ -0-	\$ 271,222
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accrued expenses	\$ -0-	\$ 28,296	\$ 28,296
Accrued compensated absences		2,212	2,212
Total liabilities	-0-	30,508	30,508
 Fund balances			
Restricted:			
for University Equine programs	271,222		271,222
Unassigned		(30,508)	(30,508)
Total fund balances	271,222	(30,508)	240,714
Total liabilities and fund balances	\$ 271,222	\$ -0-	\$ 271,222

COUNCIL ON POSTSECONDARY EDUCATION

SUPPLEMENTARY SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES – NON-MAJOR FUNDS YEAR ENDED JUNE 30, 2020

	Postsecondary Education Equine Trust	Research Challenge Trust Fund	Assessment and Professional Development	Other (Non- major) Governmental
REVENUES:				
State appropriations	\$ -0-	\$ -0-	\$ 1,353,226	\$ 1,353,226
Intergovernmental revenues	522,054			522,054
Income from investments		108		108
Total revenues	<u>522,054</u>	<u>108</u>	<u>1,353,226</u>	<u>1,875,388</u>
EXPENDITURES:				
Personnel services		2,877	659,744	662,621
Utilities, rentals and other services			2,745	2,745
Commodities and supplies			120,982	120,982
Grants and subsidies	480,000	5,401	577,064	1,062,465
Travel			1,136	1,136
Total expenditures	<u>480,000</u>	<u>8,278</u>	<u>1,361,671</u>	<u>1,849,949</u>
Net change in fund balances	42,054	(8,170)	(8,445)	25,439
Fund balances, beginning of year	<u>229,168</u>	<u>8,170</u>	<u>(22,063)</u>	<u>215,275</u>
Fund balances, end of year	<u><u>\$ 271,222</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ (30,508)</u></u>	<u><u>\$ 240,714</u></u>

COUNCIL ON POSTSECONDARY EDUCATION

**SUPPLEMENTARY SCHEDULE OF GRANTS AND SUBSIDIES
YEAR ENDED JUNE 30, 2020**

	<u>Governmental Funds</u>	<u>Fiduciary Funds</u>
Gaining Early Awareness and Readiness for Undergraduate Programs	\$ 140,664	\$ -0-
Postsecondary Education Equine Trust Fund	480,000	
Research Challenge Trust Fund:		
Lung Cancer Research Program	5,401	
Technology Initiative Trust Fund	129,314	
Assessment and Professional Development	577,064	
Cancer Research Institutions Matching Fund		3,624,655
Contract Spaces Program		5,793,821
Cancer Research Screenings		6,268,173
Ovarian Cancer Screenings		500,000
	<u> </u>	<u> </u>
Total grants and subsidies	<u>\$ 1,332,443</u>	<u>\$ 16,186,649</u>

COUNCIL ON POSTSECONDARY EDUCATION

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020**

	<u>Federal CFDA Number</u>	<u>Grant ID Number</u>	<u>Total Federal Expenditures</u>	<u>Passed Through to Subrecipient</u>
<u>Major Programs:</u>				
United States Department of Education:				
Gaining Early Awareness and Readiness for Undergraduate Programs				
	84.334	P334S180011	\$ 1,465,025	\$ -0-
	84.334	P334S180011 - 19	2,220,027	-0-
			<u>3,685,052</u>	<u>-0-</u>
<u>Non-Major Programs:</u>				
Pass-through from Kentucky Department of Education:				
Statewide Longitudinal Data Systems				
	84.372	R372A150039	<u>57,338</u>	<u>-0-</u>
			<u>\$ 3,742,390</u>	<u>\$ -0-</u>

COUNCIL ON POSTSECONDARY EDUCATION

NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS JUNE 30, 2020

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Council on Postsecondary Education (the Council). The information in this Schedule is presented in accordance with requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Some amounts presented in this Schedule may therefore differ from amounts presented in, or used in the preparation of, the basic financial statements. The Council did not elect to use the 10% de minimis indirect cost rate.

The Schedule is presented using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are susceptible to accrual and recognized in the financial statements when they are measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year.

The award revenues received and expended are subject to audit and adjustment. If any expenditures are disallowed by the grantor as a result of such an audit, any claim for reimbursement to the grantor would become a liability of the Council. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal laws and regulations.



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**REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Council Members
Council on Postsecondary Education

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Council on Postsecondary Education (the Council), a component unit of the Commonwealth of Kentucky, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated December 3, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Council's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Council Members
Council on Postsecondary Education

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matter that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blue & Co., LLC

Lexington, Kentucky
December 3, 2020



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**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE WITH
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Council Members
Council on Postsecondary Education

We have audited the Council on Postsecondary Education's (the Council) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Council's major federal programs for the year ended June 30, 2020. The Council's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Council's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Council's compliance.

To the Council Members
Council on Postsecondary Education

Opinion on Each Major Federal Program

In our opinion, the Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the Council is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Council's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Blue & Co., LLC

Lexington, Kentucky
December 3, 2020

COUNCIL ON POSTSECONDARY EDUCATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS JUNE 30, 2020

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

Material weakness(es)
identified? yes no

Significant deficiency(ies)
identified that are not
considered to be
material weaknesses? yes none reported

Noncompliance material to financial
statements noted? yes no

Federal Awards

Internal control over major programs:

Material weakness(es)
identified? yes no

Significant deficiency(ies)
identified that are not
considered to be
material weaknesses? yes none reported

Type of auditor's report issued on compliance for major programs: unmodified

Any audit findings disclosed that are
required to be reported in accordance
with Uniform Guidance? yes no

COUNCIL ON POSTSECONDARY EDUCATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2020

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee: yes no

Section II - Findings - Financial Statement Audit

None

Section III - Findings and Questioned Costs - Major Federal Awards Program Audit

None

COUNCIL ON POSTSECONDARY EDUCATION

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2020

There were no findings reported for the year ended June 30, 2019.

TITLE: Proposed Regulation Amendments
13 KAR 1:020 Private College Licensure
13 KAR 4:010 State Authorization Reciprocity Agreement

RECOMMENDATION: Staff recommends that the Executive Committee approve the proposed amendments to 13 KAR 1:020 and 13 KAR 4:010, and recommend approval by the full Council at its January 29, 2021 meeting.

PRESENTERS: Travis Powell, Vice President and General Counsel, CPE
Sarah Levy, Executive Director of Postsecondary Licensing, CPE

RECOMMENDATION DETAILS

The process of revising an administrative regulation, established by the Legislative Research Commission, will be initiated with Council approval of these revised regulations. The proposed revised administrative regulations will go through a public hearing and review by the Administrative Regulation Review Subcommittee and the Interim Joint Committee on Education.

Approval of this action would authorize staff to file the proposed administrative regulation, and authorize Vice President and General Counsel, pursuant to KRS 13A.290(4) and KRS 13A.320(1)(b), to make such changes on behalf of the Council as necessary to comply with KRS Chapter 13A and obtain adoption by the Administrative Regulation Review Subcommittee and the Interim Joint Committee on Education.

SUPPORTING INFORMATION

The Council on Postsecondary Education is charged with protecting institutions and citizens of the Commonwealth against those private colleges which resort to fraudulent practices, unfair competition, or substandard educational programs per KRS 164.947. KRS 164.947(3) vests the authority to license with the president of the Council. This licensure authority covers all private, for-profit and non-profit colleges offering a bachelor's degree or above and out-of-state public colleges offering courses for college credit in Kentucky. 13 KAR 1:020 sets forth the standards for private college licensure.

KRS 164.540(3) authorizes the Council, on behalf of the Commonwealth, to enter into the State Authorization Reciprocity Agreement (SARA), which establishes uniform national standards for interstate offerings of postsecondary distance education at the Associate’s level and above. SARA authorizes postsecondary educational institutions meeting those standards located in member states or territories to provide distance education to residents of other member states without being individually licensed in member states. 13 KAR 4:010 is Kentucky’s administrative regulation adopted by the Council that establishes the standards and procedures for Kentucky institutions to participate in SARA.

PROPOSED AMENDMENT LANGUAGE

13 KAR 1:020 – Private college licensure

This amendment would increase initial licensure fees for new in-state colleges from \$1,000 to \$10,000 and new out-of-state colleges from \$5,000 to \$15,000. The amendment also increases annual licensure fees by 50% of the current rate starting in 2022, 75% in 2023, and 100%, or double the current rate, beginning in 2024 and then forward, as follows:

For a college with a license from CPE for five (5) years or more, the fee would be:

<u>Enrollment</u>	<u>Current</u>	<u>April 1, 2022</u>	<u>April 1, 2023</u>	<u>April 1, 2024+</u>
1,000 or less	\$500.00	\$750.00	\$875.00	\$1,000.00
1,001-2,000	\$1,000.00	\$1,500.00	\$1,750.00	\$2,000.00
2,001-3,000	\$2,000.00	\$3,000.00	\$3,500.00	\$4,000.00
3,001-4,000	\$3,000.00	\$4,500.00	\$5,250.00	\$6,000.00
4,001-5,000	\$4,000.00	\$6,000.00	\$7,000.00	\$8,000.00
5,001-6,000	\$5,000.00	\$7,500.00	\$8,750.00	\$10,000.00
6,001-7,000	\$6,000.00	\$9,000.00	\$10,500.00	\$12,000.00
7,001-8,000	\$7,000.00	\$10,500.00	\$12,250.00	\$14,000.00
8,001-9,000	\$8,000.00	\$12,000.00	\$14,000.00	\$16,000.00
9,001-10,000	\$9,000.00	\$13,500.00	\$15,750.00	\$18,000.00
10,001 or more	\$10,000.00	\$15,000.00	\$17,500.00	\$20,000.00

For a college that has had a license from CPE for less than five (5) years, the fee would be:

<u>Enrollment</u>	<u>Current</u>	<u>April 1, 2022</u>	<u>April 1, 2023</u>	<u>April 1, 2024+</u>
100 or less	\$1,000.00	\$1,500.00	\$1,750.00	\$2,000.00
101-500	\$2,000.00	\$3,000.00	\$3,500.00	\$4,000.00
501-1,000	\$3,000.00	\$4,500.00	\$5,250.00	\$6,000.00
1,001-2,000	\$4,500.00	\$6,750.00	\$7,875.00	\$9,000.00
2,001-3,000	\$6,000.00	\$9,000.00	\$10,500.00	\$12,000.00
3,001-4,000	\$8,000.00	\$12,000.00	\$14,000.00	\$16,000.00
4,001-5,000	\$10,000.00	\$15,000.00	\$17,500.00	\$20,000.00
5,001 or more	\$12,000.00	\$18,000.00	\$21,000.00	\$24,000.00

Other technical changes related to certificate and diploma programs reporting are also being made in the necessary application forms.

13 KAR 4:010 – State authorization reciprocity agreement

This amendment would increase fees for SARA participation by half the current rate for each total FTE student range tier, as follows:

Initial and Annual Fees to CPE

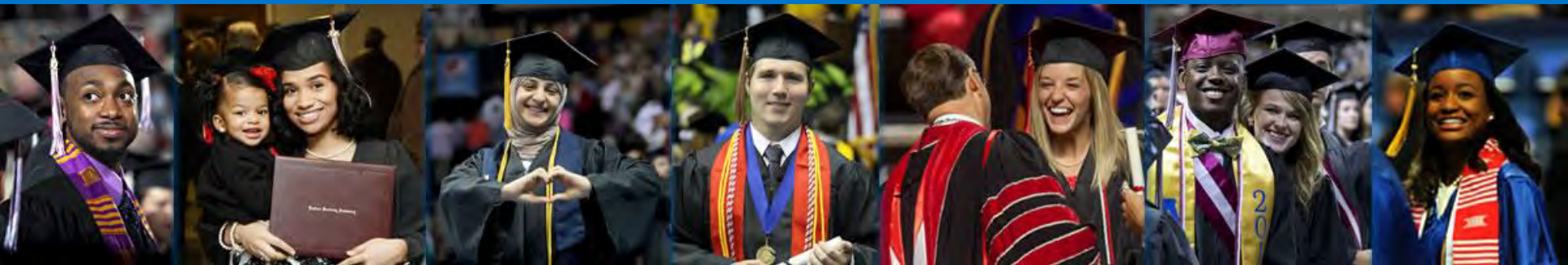
- Under 2,500 (FTE students) – From \$3,000 to \$4,500
- 2,500-9,999 – From \$5,000 to \$7,500
- 10,000 or more – From 7,000 to \$10,500

NECESSITY OF PROPOSED REVISIONS TO REGULATIONS

With regard to proposed private college licensure fee modifications, fees have remained constant for over 10 years ago and since then, the cost of administration has increased due to the greater federal focus on state authorization as a requirement for access to federal Title IV student financial aid. Also during that time, substantive changes have been made to the regulation that have increased consumer protection and quality assurance, such as the adoption of heightened faculty standards and other requirements that better protect student records and unearned tuition. These modifications require more oversight and interaction with licensees. In addition, the cost of staff has increased in the last 10 years with the rising employer contribution rates in the Kentucky Employees Retirement System. And finally, in accordance with the 2020-2021 Executive Branch Budget, all reserve licensure funds were directed to be used for general Council operations.

While still not covering the entire cost of operations, these fee increases will assist in providing annual support for three (3) total full time positions dedicated to private college licensure.

For SARA, the capacity required to keep pace with institutional approvals and the constant modification of the participation requirements by NC-SARA has increased since the state's initial participation in 2016. In addition, KERS contribution rates have increased since that time, requiring additional annual receipts to cover a large portion of related staff expenses.



Council on Postsecondary Education

Private Institution Licensure and SARA Fee Increase Proposals

Travis Powell

Vice President and General Counsel



CPE Licensing Background

- CPE's has been licensing private colleges for 49 years.
 - Purpose is to protect the citizens of the Commonwealth against colleges that engage in fraudulent practices, unfair competition, or substandard educational programs.
- CPE's licensure authority:
 - All private, for-profit and non-profit colleges offering bachelor's degree or above and out of state public colleges which operate in KY.
 - KY Commission on Proprietary Education licenses private for-profit and non-profit colleges offering only below the bachelor's degree level.
- Approval by CPE allows
 - Colleges to operate in the state;
 - 1 of the 3 prongs required to access federal student aid; and
 - Access to various state financial aid programs.



CPE Licensing Standards

To be approved for licensure, institution must apply with CPE annually and satisfy CPE's standards (13 KAR 1:020) for:

- Financial requirements
 - Coverage for unearned tuition for Kentucky students
 - Audited statements of financial condition
- Faculty qualifications
- Curriculum
- College policies
- Student affairs and resources
- Truth in advertising

CPE Licensure: “Operating or Soliciting”



"Operating or soliciting" means having a physical presence within Kentucky and includes:

- a) An instructional or administrative site within Kentucky whether owned, leased, rented, or provided without charge;
- b) Instruction whether theory or clinical, originating from or delivered within Kentucky utilizing teachers, trainers, counselors, advisors, sponsors, or mentors;
- c) An agent, recruiter, in-state liaison personnel, institution, or business located in Kentucky that advises, promotes, or solicits for enrollment, credit, or award of an educational or occupational credential;
- d) An articulation agreement with a Kentucky licensed college or state-supported institution; or
- e) Advertising, promotional material, or public solicitation in any form that targets Kentucky residents through distribution or advertising in the state.



Changes Requiring CPE Approval

- Change of name of institution
- Change of location
- Change of ownership or governance
- New program or concentration
- New site
- Administrative Site, Recruitment Office, or Advising Center
- Change in Accreditation or Licensure Status



Institutional Reporting to CPE

- Licensed institutions submit to CPE:
 - Fall enrollment data by March 1 each year
 - Transfer and Degrees Conferred Data by October 1 each year
 - Annual Licensure Renewal Application by April 1 each year
- Institution members of the Association of Independent Kentucky Colleges and Universities (AIKCU) report additional student level data to CPE.

Current Private College Licensees (December 2020)



- Annual Licensure Renewals - 84
- New Licenses - 2
 - Out-of-state - 2
- Total Licensees - 86
 - AIKCU - 18
 - Other KY Independent - 13
 - Out-of-state - 55
- Total Non-Profit - 64
 - In-state - 29
 - Out-of-state - 35
- Total For-Profit - 15
 - In-state - 2
 - Out-of-state - 13
- Total Out-of-state Public - 7

State Authorization Reciprocity Agreement (SARA)



- SARA is an agreement among member states, districts and territories that establishes similar national standards for the interstate offering of postsecondary distance education courses and programs and is overseen by a National Council (NC-SARA).
- Once joined, states allow all participating institutions to operate in other member states without state-specific approval.
- KRS 164.540(3), adopted in 2016 Regular Session, gave CPE the option to join SARA on behalf of the state and serve as portal agency.
- CPE's application to join SARA was accepted in October 2016.
 - CPE must reapply annually and certify acceptance of SARA participation requirements.
- CPE began accepting applications from Kentucky institutions on December 1, 2016 (13 KAR 4:010).

State Authorization Reciprocity Agreement (SARA)



Institution must:

- Be authorized to offer postsecondary education in its respective home state.
 - 3 groups of institutions in Kentucky: public institutions, institutions licensed by CPE, and institutions licensed by the Commission on Proprietary Education (for-profit and non-profit offering only below bachelor's).
- Be accredited by a USDoE approved accreditor.
- Maintain a process for addressing catastrophic events.
- Agree to follow the “Interregional Guidelines for the Evaluation of Distance Education [Online Learning]” adopted by the Council of Regional Accrediting Commissions (C-RAC).
- Maintain a federal financial responsibility rating of 1.5 or higher or 1.0 with justification (private institutions).
- Apply annually to their home state portal entity.
- Respond to student complaints filed through state portal entities.

Current SARA Participants (December 2020)



- Total SARA KY Institution Members - 45
 - Public 4-year Institutions - 8
 - Public 2-year Institutions - 16
 - CPE Licensed Institutions - 21
 - For-Profit - 3
 - Non-Profit -18
 - KCPE Licensed Institutions - 0

Licensure and SARA Annual Reports



- Licensure
 - http://cpe.ky.gov/campuses/annualreport_lic_2020_121820.pdf
- SARA
 - http://www.cpe.ky.gov/campuses/annualreport_sara_2020_121820.pdf

Current Licensure Fee Schedule (2010) – New College



- New College Application Fee
 - New in-state college \$1,000.00
 - New out-of-state college (each site licensed separately) \$5,000.00
 - PLUS Offering Fee (per program, or per course if not offering entire program)
 - Course if not offering entire program - \$200.00
 - Certificate, Diploma, or Associate's program - \$200.00
 - Bachelor's program - \$500.00
 - Master's or Specialist program - \$1,500.00
 - Doctoral program - \$2,000.00

Current Licensure Fee Schedule (2010) – Annual Fee



- For a college with a license from CPE for five (5) years or more, the fee shall be:

– Enrollment 1,000 or less	\$ 500.00
– 1,001-2,000	\$ 1,000.00
– 2,001-3,000	\$ 2,000.00
– 3,001-4,000	\$ 3,000.00
– 4,001-5,000	\$ 4,000.00
– 5,001-6,000	\$ 5,000.00
– 6,001-7,000	\$ 6,000.00
– 7,001-8,000	\$ 7,000.00
– 8,001-9,000	\$ 8,000.00
– 9,001-10,000	\$ 9,000.00
– 10,001 and above	\$10,000.00

Current Licensure Fee Schedule (2010) – Annual Fee



- For a college that has had a license from CPE for less than five (5) years, the fee shall be:

– Enrollment 100 or less	\$ 1,000.00
– 101-500	\$ 2,000.00
– 501-1,000	\$ 3,000.00
– 1,001-2,000	\$ 4,500.00
– 2,001-3,000	\$ 6,000.00
– 3,001-4,000	\$ 8,000.00
– 4,001-5,000	\$10,000.00
– 5,001 and above	\$12,000.00

Proposed Licensure Fee Revisions



- New College Application Fee
 - New in-state college \$10,000.00
 - New out-of-state college (each site licensed separately) \$15,000.00
 - PLUS Offering Fee (per program, or per course if not offering entire program)
 - Course if not offering entire program - \$200.00
 - Certificate, Diploma, or Associate's program - \$200.00
 - Bachelor's program - \$500.00
 - Master's or Specialist program - \$1,500.00
 - Doctoral program - \$2,000.00



Proposed Licensure Fee Revisions

- For a college with a license from CPE for five (5) years or more, the fee shall be:

<u>Enrollment</u>	<u>April 1, 2022</u>	<u>April 1, 2023</u>	<u>April 1, 2024+</u>
1,000 or less	\$750.00	\$875.00	\$1,000.00
1,001-2,000	\$1,500.00	\$1,750.00	\$2,000.00
2,001-3,000	\$3,000.00	\$3,500.00	\$4,000.00
3,001-4,000	\$4,500.00	\$5,250.00	\$6,000.00
4,001-5,000	\$6,000.00	\$7,000.00	\$8,000.00
5,001-6,000	\$7,500.00	\$8,750.00	\$10,000.00
6,001-7,000	\$9,000.00	\$10,500.00	\$12,000.00
7,001-8,000	\$10,500.00	\$12,250.00	\$14,000.00
8,001-9,000	\$12,000.00	\$14,000.00	\$16,000.00
9,001-10,000	\$13,500.00	\$15,750.00	\$18,000.00
10,001 or more	\$15,000.00	\$17,500.00	\$20,000.00



Proposed Licensure Fee Revisions

- For a college that has had a license from CPE for less than five (5) years, the fee shall be:

<u>Enrollment</u>	<u>April 1, 2022</u>	<u>April 1, 2023</u>	<u>April 1, 2024+</u>
100 or less	\$1,500.00	\$1,750.00	\$2,000.00
101-500	\$3,000.00	\$3,500.00	\$4,000.00
501-1,000	\$4,500.00	\$5,250.00	\$6,000.00
1,001-2,000	\$6,750.00	\$7,875.00	\$9,000.00
2,001-3,000	\$9,000.00	\$10,500.00	\$12,000.00
3,001-4,000	\$12,000.00	\$14,000.00	\$16,000.00
4,001-5,000	\$15,000.00	\$17,500.00	\$20,000.00
5,001 or more	\$18,000.00	\$21,000.00	\$24,000.00



Tennessee Fee Schedule

- 10 full-time and 2 part-time staff
- Fully funded by fees
- Annual fees
 - 0-300 students - \$500
 - 301-600 - \$1,500
 - 601 or more - \$3,500
 - Extension - \$500
 - Late Fee - \$500
- Supplemental Fees
 - New Programs - \$500
 - Unaccredited programs to offer degrees - \$1,000
 - Credit level offering elevation - \$2,000
 - Agent Permit
 - Initial - \$500
 - Renewal - \$250
 - Change of Name - \$500
 - Change of Location - \$500



Georgia Fee Schedule

- 12.5 full-time employees
- Funded with both state general fund appropriations and fee revenues.
- Annual Fees
 - 1/10 of one percent of tuition and fees minus refunds.
 - Minimum - \$1,000
 - Maximum - \$25,000
- Supplemental Fees
 - New Program Fee - \$800
 - Degree Elevation - \$1,000
 - Change of Name - \$100
 - Change of Location - \$100
 - Site Fee - \$100
 - Change of Ownership - \$500



Pennsylvania Fee Schedule

- 8 full-time employees (funded solely through fees)
- Biennial Fees – based on gross tuition fee revenue
 - \$0—4,999 - \$1,000
 - \$5,000—9,999 - \$2,000
 - \$10,000—49,999 - \$2,500
 - \$50,000—99,999 - \$2,700
 - \$100,000—149,999 - \$2,800
 - \$150,000—199,999 - \$3,000
 - \$200,000—249,999 - \$3,500
 - \$250,000—299,999 - \$4,000
 - \$300,000—399,999 - \$4,500
 - \$400,000—499,999 - \$5,000
 - \$500,000—749,999 - \$5,500
 - \$750,000—999,999 - \$6,000
 - \$1,000,000 and over \$6,500 plus \$500 for each additional \$500,000 in revenue with \$35,000 cap
- Supplemental Fees
 - New Program - \$1,400
 - Change in ownership - \$5,000
 - New school orientation seminars - \$300

Current SARA Fee Schedule (2016)



- Initial and Annual Fees to CPE
 - Under 2,500 FTE - \$3,000
 - 2,500-9,999 FTE - \$5,000
 - 10,000 or more FTE - \$7,000
- Initial and Annual Fees to NC-SARA
 - Under 2,500 FTE - \$2,000
 - 2,500-9,999 FTE - \$4,000
 - 10,000 or more FTE - \$6,000



Proposed SARA Fee Schedule

- Initial and Annual Fees to CPE
 - Under 2,500 (FTE students) - \$4,500
 - 2,500-9,999 - \$7,500
 - 10,000 or more - \$10,500
- NC-SARA fees remain the same
 - Under 2,500 FTE - \$2,000
 - 2,500-9,999 FTE - \$4,000
 - 10,000 or more FTE - \$6,000

Licensure and SARA Fee Revenue



	Licensure Initial Fees	Licensure Renewal Fees	SARA Initial Fees	SARA Renewal Fees	Annual Total
2010	\$10,000.00				\$ 10,000.00
2011	\$402,772.61				\$ 402,772.61
2012	\$236,250.00				\$ 236,250.00
2013	\$467,700.00				\$ 467,700.00
2014	\$398,300.00				\$ 398,300.00
2015	\$330,600.00	\$155,000.00			\$ 485,600.00
2016	\$278,000.00	\$173,000.00			\$ 451,000.00
2017	\$84,000.00	\$100,500.00	\$170,000.00		\$ 354,500.00
2018	\$48,500.00	\$92,150.00	\$9,000.00	\$170,000.00	\$ 319,650.00
2019	\$24,600.00	\$99,650.00	\$3,000.00	\$175,500.00	\$ 302,750.00
2020	\$14,200.00	\$89,800.00	\$6,000.00	\$174,000.00	\$ 284,000.00

Current Licensure and SARA Annual Expenses



- Current Dedicated Licensure and SARA Staff Annual Expenses
 - \$425,665.47
 - Includes salary and benefits for an Executive Director, a Senior Associate, and 50% each of two Senior Associates.
 - Does not include costs absorbed by the agency, including but not limited to, executive oversight, legal, administrative services and support, and office space.

Projected Annual Fee Revenue with Proposed Changes



- Current Licensure and SARA
 - \$263,500.00
- 2022 - 1.5x licensure and 1.5x SARA
 - \$395,250.00
- 2023 - 1.75x licensure and 1.5x SARA
 - \$417,625.00
- 2024 forward - 2.0x licensure and 1.5x SARA
 - \$440,000.00

Regulation Amendment Process



- 13 KAR 1:020 (Private college licensing) and 13 KAR 4:010 (state authorization reciprocity agreement) must be amended for fees to be modified.
- Regulation amendment process includes a 2 1/2 month public comment period and testimony before legislative committees.

Questions?



Twitter: CPENews and CPEPres



Website: <http://cpe.ky.gov>



Facebook: KYCPE

1 COUNCIL ON POSTSECONDARY EDUCATION

2 (Amendment)

3 13 KAR 1:020. Private college licensing.

4 RELATES TO: KRS 13B.005-13B.170, 164.020(23), 164.945, 164.946, 164.947,
5 164.992, 165A.320, 20 U.S.C. 1001 et. seq. STATUTORY AUTHORITY: KRS 164.020(38),
6 164.947(1), (2)

7 NECESSITY, FUNCTION, AND CONFORMITY: KRS 164.947(1) requires the
8 Council on Postsecondary Education to promulgate an administrative regulation to estab-
9 lish the procedures for the licensing of colleges as defined in KRS 164.945. KRS 164.947
10 provides that religious instruction or training shall not be restricted. This administrative
11 regulation establishes the private college licensing requirements and the requirements for
12 religious in-state colleges to apply for an exemption to those licensing requirements.

13 Section 1. Definitions. (1) "Accredited" means the approval of an accrediting agen-
14 cy.

15 (2) "Accrediting agency" means a national or regional agency which evaluates col-
16 leges and is recognized by the United States Department of Education, the Council on
17 Higher Education Accreditation, or the Council on Postsecondary Education.

18 (3) "Agent" means any person employed by a college to act as a solicitor, broker, or
19 independent contractor to procure students for the college by solicitation in any form made
20 at any place other than the main campus of the college.

21 (4) "College" is defined by KRS 164.945(1).

1 (5) "Degree" is defined by KRS 164.945(2).

2 (6) "Diploma" is defined by KRS 164.946(3).

3 (7) "In-state college" means a college that is chartered by, organized within, and has
4 its principal location in Kentucky.

5 (8) "Net tuition and fees" means the total of tuition and mandatory fee revenue less
6 institutional scholarships and fellowships.

7 (9) "Operating or soliciting" means having a physical presence within Kentucky and
8 includes:

9 (a) An instructional or administrative site within Kentucky whether owned, leased,
10 rented, or provided without charge;

11 (b) Instruction, whether theory or clinical, originating from or delivered within Ken-
12 tucky utilizing teachers, trainers, counselors, advisors, sponsors, or mentors;

13 (c) An agent, recruiter, in-state liaison personnel, institution, or business located in
14 Kentucky that advises, promotes, or solicits for enrollment, credit, or award of an educa-
15 tional or occupational credential;

16 (d) An articulation agreement with a Kentucky licensed college or state-supported
17 institution; or

18 (e) Advertising, promotional material, or public solicitation in any form that targets
19 Kentucky residents through distribution or advertising in the state.

20 (10) "Out-of-state college" means a college that is chartered, organized, or has its
21 principal location outside of Kentucky.

22 (11) "President" means the president of the Council on Postsecondary Education.

23 (12) "Unearned tuition" means the excess of cumulative collections of tuition and

1 other instructional charges over the cumulative amount of earned tuition and other institu-
2 tional charges prior to the first date of refund in accordance with the college's refund poli-
3 cy.

4 (13) "Unrestricted cash" means any cash or cash equivalents held by a college
5 which are available to cover payments to students for any unearned tuition.

6 Section 2. General Requirements. (1)(a) Except as provided in paragraph (b) of this
7 subsection or subsection (7) of this section, an in-state or out-of-state college that is oper-
8 ating or soliciting in Kentucky shall be licensed.

9 (b) If a college is operating or soliciting in Kentucky solely for on-ground instruction
10 at a location outside of Kentucky in which students leave Kentucky to attend, licensure
11 shall not be required.

12 (2)(a) An out-of-state college shall be licensed separately for each instructional site
13 in Kentucky.

14 (b) Except as provided in paragraph (c) of this subsection, an out-of-state college
15 that is operating or soliciting using on-line instruction to Kentucky residents shall be con-
16 sidered to have an online campus which shall be licensed separately as an instructional
17 site.

18 (c) Licensure shall not be required for an out-of-state college if the college:

19 1. Is only operating and soliciting under Section 1(9)(b) of this administrative regula-
20 tion solely due to a faculty member residing in Kentucky and providing online instruction to
21 Kentucky students; and

22 2. Has less than one (1) percent of its faculty members residing in Kentucky.

23 (3) A college awarding a certificate, diploma, associate degree, baccalaureate de-

1 gree, master's degree, doctoral degree, or other degree, whether the degree is earned or
2 honorary, shall be licensed. If a college's program is also required to be licensed or ap-
3 proved by another state agency as well as the Council on Postsecondary Education, the
4 president shall attempt to coordinate the licensing function with that agency.

5 (4) A college shall offer only those programs, courses, and degrees, including hon-
6 orary degrees, specifically authorized in the license.

7 (5) If a college ceases offering a licensed program, course, or degree, the college
8 shall notify the president in writing and request that the program, course, or degree be re-
9 moved from the college's license.

10 (6) Providing false or misleading information shall be grounds for denial of a li-
11 cense, or suspension or revocation of an existing license.

12 (7) A religious in-state college may operate or solicit in Kentucky if the college sub-
13 mits to the council an Application for Religious In-State College Letter of Exemption per
14 KRS 164.947(2). The institution shall submit an application each year by the anniversary
15 of its initial submission date. As part of the application, the institution shall verify compli-
16 ance with the requirements established in this subsection.

17 (a) The institution shall be nonprofit, owned, maintained, and controlled by a church
18 or religious organization which is exempt from property taxation under the laws of Ken-
19 tucky.

20 (b) The name of the institution shall include a religious modifier or the name of a re-
21 ligious patriarch, saint, person, or symbol of the church.

22 (c) The institution shall offer only educational programs that prepare students for re-
23 ligious vocations as ministers or laypersons in the categories of ministry, counseling, the-

1 ology, religious education, administration, religious music, religious fine arts, media com-
2 munications, or social work.

3 (d) The titles of degrees issued by the institution shall be distinguished from secular
4 degree titles by including a religious modifier that:

5 1. Immediately precedes, or is included within, any degree title, including an Asso-
6 ciate of Arts, Associate of Science, Bachelor of Arts, Bachelor of Science, Master of Arts,
7 Master of Science, Advanced Practice Doctorate, Doctor of Philosophy, or Doctor of Edu-
8 cation degree; and

9 2. Is placed on the title line of the degree, on the transcript, and wherever the title of
10 the degree appears in official school documents or publications.

11 (e) The duration of all degree programs offered by the institution shall be consistent
12 with Section 8(8)(b) of this administrative regulation.

13 (f) The institution shall comply with the truth in advertising requirements established
14 in Section 8(11) of this administrative regulation.

15 (g)1. The institution shall disclose to each prospective student:

16 a. A statement of the purpose of the institution, its educational programs, and cur-
17 ricula;

18 b. A description of its physical facilities;

19 c. Its status regarding licensure;

20 d. Its fee schedule and policies regarding retaining student fees if a student with-
21 draws;

22 e. Its refund policy on tuition and other instructional charges; and

23 f. A statement regarding the transferability of credits to and from other institutions.

1 2. The institution shall make the disclosures required by subparagraph 1. of this
2 paragraph in writing at least one (1) week prior to enrollment or collection of any tuition
3 from the prospective student. The required disclosures may be made in the institution's
4 current catalog.

5 (h) The institution shall not seek to be eligible for state or federal financial aid. Sec-
6 tion

7 3. Licensure Application Procedures. (1) An application for a license shall be sub-
8 mitted on the form entitled:

9 (a) Application for Licensure as an In-State, Non-Public Institution to Operate in the
10 Commonwealth of Kentucky Pursuant to 13 KAR 1:020, if the applicant is an in-state col-
11 lege; or

12 (b) Application for Licensure as an Out-of-State Institution to Operate in the Com-
13 monwealth of Kentucky Pursuant to 13 KAR 1:020, if the applicant is an out-of-state col-
14 lege.

15 (2) An application shall be accompanied by a copy of the following:

16 (a) College charter;

17 (b) College catalog;

18 (c) College constitution and bylaws;

19 (d) Student enrollment application;

20 (e) Student contract or agreement;

21 (f)1. Documentation of accreditation, licensure, or approval by appropriate state,
22 federal, and accrediting agencies; and

23 2. Disclosure of any prior loss or denial of:

- 1 a. Accreditation with the dates and reason for the loss or denial; or
- 2 b. Licensure or approval by an agency in this state or another state with the dates
- 3 and reason for the loss or denial;
- 4 (g) Disclosure of any former names of the college with the dates each former name
- 5 was used.

6 Section 4. Site Visits. (1) Within ninety (90) working days of the receipt of a full and
7 complete application for a license, a supplementary application, or Application for Annual
8 Maintenance of License or for Renewal of License Pursuant to 13 KAR 1:020, the presi-
9 dent may conduct, or may have conducted, a site visit. Personnel conducting the site visit
10 shall possess the expertise appropriate to the type of college to be visited. The purpose of
11 a site visit shall be to make an assessment of a college using the standards for licensure
12 as set forth in Section 8 of this administrative regulation.

13 (2) The president may conduct, or may have conducted, an announced or unan-
14 nounced site visit of a licensed college during reasonable business hours to inspect the
15 files, facilities, and equipment as well as conduct interviews to determine the college's
16 compliance with this administrative regulation and KRS 164.945, 164.946, and 164.947.

17 (3) Failure to provide full access to the college's files, facilities, and equipment or
18 prevention of interviews shall be grounds for denial of a license, or suspension or revoca-
19 tion of an existing license.

20 (4) Cost of site visits. (a) Costs connected with a site visit and subsequent visits as
21 may be necessary, such as travel, meals, lodging, and consultant honoraria, shall be paid
22 by the college.

23 (b) The estimated cost of the site visit shall be paid by the college prior to the site

1 visit.

2 (c) The final settlement regarding actual expenses incurred shall be paid by the col-
3 lege no later than thirty (30) days after receipt of the invoice.

4 (d) Failure to pay these costs shall be grounds for denial of a license, or suspension
5 or revocation of an existing license.

6 Section 5. Action on Licensure Application. (1) Within ninety (90) working days of
7 the completion of the site visit, or within sixty (60) working days of the submission of a
8 complete licensure application if a site visit is not conducted, the president shall do one (1)
9 of the following:

10 (a) Issue a license for a period of no less than one (1) year, nor more than two (2)
11 years;

12 (b) Deny the application for a license;

13 (c) Notify the applicant college of deficiencies which shall be corrected before a li-
14 cense is issued; or

15 (d) Issue a conditional license in accordance with subsection (3) of this section if the
16 college has:

17 1. Not met all of the standards for licensure when the application is filed; and

18 2. Provided a written business plan to the president demonstrating it will meet the
19 standards for licensure within a period not to exceed two (2) years.

20 (2) If an institution fails to respond in writing to an official notification of deficiency
21 within sixty (60) working days, it shall submit a new application and fee, as required by
22 Section 15 of this administrative regulation, to apply for licensure.

23 (3) A conditional license shall not exceed a period of two (2) years and shall include

1 the conditions the college shall meet in order for the college to progress toward and even-
2 tually meet the standards for licensure, including when the college shall report progress to
3 the president and when the college shall be required to have satisfied all the conditions.

4 (a) The college's failure to satisfy the conditions within the specified timeframe shall:

5 1. Result in automatic revocation of the conditional license; or

6 2. Result in an extension of the conditional license based on a determination by the
7 president that the college is making progress in satisfying the conditions in response to the
8 college's written request for an extension with supporting justification.

9 (b) If the college satisfies all the conditions with the timeframe specified, the presi-
10 dent shall issue a license in accordance with subsection (1)(a) of this section.

11 Section 6. Supplementary Application Procedures. (1)(a) A Supplementary Applica-
12 tion for Change of Name of Institution Pursuant to 13 KAR 1:020 shall be submitted to the
13 council at least ninety (90) days prior to the effective date of a change in the name of a col-
14 lege.

15 (b) A Supplementary Application for Change of Location of Principal Location of a
16 College or Location of a Licensed Instructional Site in Kentucky Pursuant to 13 KAR 1:020
17 shall be submitted to the council at least ninety (90) days prior to the effective date of a
18 change in the principal location of a college or the location of a licensed instructional site
19 in Kentucky.

20 (c) A Supplementary Application for Change of Ownership or Governance Pursuant
21 to 13 KAR 1:020 shall be submitted to the council at least ninety (90) days prior to the ef-
22 fective date of a change in ownership or governance of a college.

23 (d) An out-of-state college shall submit a Supplementary Application to Operate as

1 an Out-ofState Institution in the Commonwealth of Kentucky Pursuant to 13 KAR 1:020 at
2 least ninety (90) days prior to implementation of a change to offer an additional certificate,
3 diploma, or degree program, major, or other concentration or specialty at an instructional
4 site.

5 (e) A Supplementary Application to Operate as an In-State Nonpublic Institution in
6 the Commonwealth of Kentucky Pursuant to 13 KAR 1:020 shall be submitted by an in-
7 state college at least ninety (90) days prior to the effective date of:

8 1. A change to offer an additional certificate, diploma, or degree program, major, or
9 other concentration or specialty at the main campus; or

10 2. The establishment of an instructional site away from the main campus of an in-
11 state college for the purpose of offering courses for college credit which comprise at least
12 fifty (50) percent of the course requirements for a degree program.

13 (f) A college shall submit a Supplementary Application for Administrative Site, Re-
14 cruitment Office, or Advising Center Pursuant to 13 KAR 1:020 at least ninety (90) days
15 prior to the establishment of an administrative site, recruitment office, or advising center in
16 Kentucky, or the change of location of a licensed administrative site, recruitment office, or
17 advising center in Kentucky, if the site, office, or center is not part of a licensed instruc-
18 tional site or proposed instructional site for which the college is seeking licensure.

19 (g) A college shall submit a Supplementary Application for Notification of Change in
20 Accreditation or Licensure Status Pursuant to 13 KAR 1:020 within thirty (30) days follow-
21 ing action by an accrediting agency or another state licensing agency which results in:

22 1. A college being placed in a probationary status;

23 2. A college losing accreditation or licensure; or

1 3. A college being denied accreditation or licensure.

2 (2) A site visit may be conducted as part of the supplementary application process
3 in accordance with Section 4 of this administrative regulation.

4 (3) Failure to submit a complete and accurate supplementary application, if re-
5 quired, shall be sufficient cause for denial of a license, or suspension or revocation of an
6 existing license. The president shall notify the college by registered mail, return receipt, of
7 the denial, suspension, or revocation of the college's license.

8 Section 7. Action on Supplementary Applications. (1) Within sixty (60) working days
9 of the submission of a complete supplementary application if a site visit is not conducted,
10 or within ninety (90) working days of the completion of a site visit, the president shall do
11 one (1) of the following:

12 (a) Approve the supplementary application and amend the current license without
13 changing the renewal date;

14 (b) Deny the supplementary application without amendment to the college's license;

15 (c) Suspend or revoke the college's license;

16 (d) Notify the applicant college of deficiencies which shall be corrected before the
17 supplementary application is approved and the license is amended; or

18 (e) Issue a conditional license in accordance with subsection (3) of this section if the
19 college has:

20 1. Not met all of the standards for licensure when the application is filed; and

21 2. Provided a written business plan to the president demonstrating it will meet the
22 standards for licensure within a period not to exceed two (2) years.

23 (2) If an institution fails to respond in writing to an official notification of deficiency

1 within sixty (60) working days, it shall submit a new application to apply for licensure.

2 (3) A conditional license shall not exceed a period of two (2) years and shall include
3 the conditions the college shall meet in order for the college to progress toward and even-
4 tually meet the standards for licensure, including when the college shall report progress to
5 the president and when the college shall be required to have satisfied all the conditions.

6 (a) The college's failure to satisfy the conditions within the specified timeframe shall:

7 1. Result in automatic revocation of the conditional license; or

8 2. Result in an extension of the conditional license based on a determination by the
9 president that the college is making progress in satisfying the conditions in response to the
10 college's written request for an extension with supporting justification.

11 (b) If the college satisfies all the conditions with the timeframe specified, the presi-
12 dent shall amend the current license in accordance with subsection (1)(a) of this section.

13 Section 8. Standards for Licensure. A college shall meet the requirements and
14 standards established in this section in order to be licensed. (1) Financial requirements.
15 The college shall adhere to generally accepted accounting practices and present evidence
16 of financial stability, including the following:

17 (a) Financial statements including:

18 1. A statement of financial position of unrestricted net assets and liabilities, includ-
19 ing foundation and trust agreements;

20 2. An audit report prepared by an independent certified public accountant for each
21 corporation of the college; and

22 3. If available, audit reports for the past three (3) years;

23 (b) The name of a bank or other financial institution used by the college as a refer-

1 ence;

2 (c) A statement from the Kentucky Higher Education Assistance Authority related to
3 programs administered by that agency and from the U.S. Department of Education related
4 to programs administered by that department that the college is in good standing; and

5 (d) An annual operating budget for the college.

6 (2) Agents. A college shall be responsible for the actions of its agents if acting on
7 behalf of the college.

8 (3) Guarantee of refund of unearned tuition. A college shall guarantee the refund of
9 any unearned tuition held by the college as established in this subsection.

10 (a) Except as provided in paragraph (d) of this subsection, an in-state college shall:

11 1. Secure and maintain a surety bond equal to or in excess of the largest amount of
12 unearned tuition held by the college at any time during the most recently completed fiscal
13 year, executed by a surety company qualified and authorized to do business in Kentucky,
14 and made payable to the Council on Postsecondary Education;

15 2. Maintain an unrestricted cash reserve equal to or in excess of the largest amount
16 of unearned tuition held by the college at any time during the most recently completed fis-
17 cal year; or

18 3. Provide a letter of credit equal to or in excess of the largest amount of unearned
19 tuition held by the college at any time during the most recently completed fiscal year.

20 (b) An out-of-state college shall secure and maintain a surety bond:

21 1. That is:

22 a. Equal to or in excess of the largest amount of unearned tuition held by the col-
23 lege at any time during the most recently completed fiscal year; and

1 b. At least \$10,000; 2. Executed by a surety company qualified and authorized to do
2 business in Kentucky; and

3 3. Made payable to the Council on Postsecondary Education.

4 (c) A college applying for a license for the first time shall estimate the amount of un-
5 earned tuition based on projected enrollment and tuition and other instructional charges.

6 (d) An in-state college licensed continuously by the council for:

7 1. Five (5) to ten (10) years shall maintain coverage by surety bond, letter of credit,
8 or unrestricted cash reserve for ten (10) percent of its annual total net tuition and fees col-
9 lected by the college in its most recently completed fiscal year; or

10 2. Ten (10) years or more shall maintain coverage by surety bond, letter of credit, or
11 unrestricted cash reserve for five (5) percent of its annual total net tuition and fees collect-
12 ed by the college in its most recently completed fiscal year.

13 (e) A college shall provide a letter from an independent certified public accountant
14 confirming that the college is in compliance with this subsection.

15 (4) Notice required.

16 (a) If a surety bond is terminated, a college shall notify the president and the license
17 shall automatically expire with the bond unless a replacement bond is provided without a
18 lapse in bonding.

19 (b) An in-state college using an unrestricted cash reserve or letter of credit to satisfy
20 the provisions of subsection (3) of this section shall notify the president if the unrestricted
21 cash reserve or letter of credit falls below the required amount, and the college shall obtain
22 a surety bond for the required amount.

23 (c) A college shall notify the president within ten (10) days of the college receiving

1 written notice from the U.S. Department of Education of placement on heightened cash
2 monitoring status or calculation of college's financial responsibility composite score at be-
3 low 1.0. If an in-state college is using unrestricted cash reserve to satisfy subsection (3) of
4 this section, it shall within thirty (30) days of either event:

5 1. Obtain a surety bond or letter of credit in the required amount until the college is
6 satisfactorily removed from heightened cash monitoring status by the U.S. Department of
7 Education or the college's financial responsibility composite score is 1.0 or higher; or 2.
8 Transfer the unrestricted cash reserve to the Council in the required amount to be held on
9 behalf of the college, which the Council shall return once the college is satisfactorily re-
10 moved from heightened cash monitoring status by the U.S. Department of Education, the
11 college's financial responsibility composite score is 1.0 or higher, or once all unearned tui-
12 tion claims have been paid.

13 (d) Upon notice to the college, the Council may call in a letter of credit upon any val-
14 id claim of unearned tuition in the amount of the claim, or for the full amount of the letter if
15 necessary to protect access to those funds. If the full amount of the letter is called, the
16 Council shall return any funds remaining after claims have been paid, either to the bank or
17 the college, as appropriate, after one (1) year from the date of closure of the college.

18 (e) A college shall notify the president within ten (10) days of the college receiving
19 notice from an accrediting agency or any state or federal agency that the college is the
20 subject of any investigative action or disciplinary matter with the accrediting agency or
21 state or federal agency.

22 (5) Personnel requirements.

23 (a) The college shall furnish information regarding the administrative officers, the di-

1 rectors, the owners, and the faculty, as required by the application form.

2 (b) The chief administrator shall hold at least an earned baccalaureate degree from
3 an accredited or licensed college and shall have sufficient experience to qualify for the po-
4 sition.

5 (c) Faculty members.

6 1. For a course or program licensed by the council prior to January 1, 2014:

7 a. Effective until December 31, 2015, faculty members shall possess academic,
8 scholarly, and teaching qualifications similar to those required for faculty in accredited col-
9 leges that offer degrees at comparable levels.

10 b. Effective beginning on January 1, 2016, faculty members shall meet the require-
11 ments established in paragraph (d) of this subsection.

12 2. For a course or program not licensed by the council prior to January 1, 2014, fac-
13 ulty members shall meet the requirements established in paragraph (d) of this subsection
14 when the course or program is licensed.

15 (d) Faculty member qualifications.

16 1. Each degree possessed by a faculty member shall be from an institution accred-
17 ited by an accrediting agency recognized by the U.S. Department of Education or the
18 Council for Higher Education Accreditation.

19 2. To teach a certificate or diploma course, a faculty member shall have:

20 a. A bachelor's degree; or

21 b. A high school diploma or GED along with one (1) or more of the following:

22 (i) Completed a training or degree program in the applicable occupational area;

23 (ii) Demonstrated outstanding professional experience;

1 (iii) Demonstrated outstanding professional contributions to the discipline being
2 taught; or

3 (iv) Professional licensure or certification in the field.

4 3. To teach an associate degree course not designed for transfer to a baccalaureate
5 degree, a faculty member shall hold:

6 a. A bachelor's degree in the discipline being taught; or

7 b. An associate's degree in the discipline being taught along with one (1) or more of
8 the following: (i) Demonstrated outstanding professional experience; (ii) Demonstrated
9 outstanding professional contributions to the discipline being taught; or (iii) Professional
10 licensure or certification in the field.

11 4. To teach a general education course, a faculty member shall hold:

12 a. A master's degree in the discipline being taught; or

13 b. A master's degree with a minimum of eighteen (18) graduate semester hours in
14 the discipline being taught.

15 5. To teach a baccalaureate course or an associate course designed for transfer to
16 a baccalaureate degree, a faculty member shall hold:

17 a. A master's degree in the discipline being taught;

18 b. A master's degree with a minimum of eighteen (18) graduate semester hours in
19 the discipline being taught; or

20 c. A baccalaureate degree in the discipline being taught along with one (1) or more
21 of the following:

22 (i) Demonstrated outstanding professional experience;

23 (ii) Demonstrated outstanding professional contributions to the discipline being

1 taught; or

2 (iii) Professional licensure or certification in the field.

3 6. To teach a graduate course, a faculty member shall hold:

4 a. An earned doctorate or terminal degree in the discipline being taught or in a re-
5 lated discipline; or

6 b. A master's degree in the discipline being taught along with one (1) or more of the
7 following:

8 (i) Demonstrated outstanding professional experience;

9 (ii) Demonstrated outstanding professional contributions to the discipline being

10 taught; or

11 (iii) Professional licensure or certification in the field.

12 (e) There shall be a sufficient number of full-time faculty to ensure continuity and
13 stability of the educational program.

14 (f) Teaching loads of faculty members shall be consistent with recognized educa-
15 tional practices, and shall be appropriate to the field, the variety of courses assigned, class
16 size, and other related factors.

17 (6) Facilities and equipment.

18 (a) An instructional program shall be conducted in a facility in accordance with the
19 requirements specified on the application form.

20 (b) Enrollment shall not exceed the design characteristics of the facilities.

21 (c) A college shall have facilities and equipment that are:

22 1. Maintained and operated in compliance with the safety and health requirements
23 set forth in local, city, and county ordinances, and federal and state law; and

1 2. Adequate and appropriate for instruction in classrooms and laboratories con-
2 sistent with accrediting and licensing requirements.

3 (7) Library resources. The library shall to support the programs offered by the col-
4 lege in accordance with this subsection.

5 (a) A college, through ownership or formal agreements, shall provide and support
6 student and faculty access to adequate library collections, and to other learning and infor-
7 mation resources where courses and programs are offered. Library resources shall be ap-
8 propriate to the degree level offered by the college, and shall be sufficient to support all
9 educational, research, and public service programs.

10 (b) A college that does not provide its own library facilities, but instead relies on an-
11 other institution, shall demonstrate that it has permission to utilize the resources of the
12 other institution, by providing a copy of the written agreement to the president with the li-
13 cense application, and prior to the offering of any courses.

14 (c) A college that is dependent on another college or library for library resources
15 shall make the extent of the dependence and the details of the agreements clear both to
16 the president and to students and faculty.

17 (d) Library expenditures, expressed as a percentage of the total educational and
18 general budget, shall be consistent with the percentage of library expenditures commonly
19 observed in accredited colleges of similar types.

20 (e) Library staff shall be qualified as required for accredited colleges of similar
21 types.

22 (f) Sufficient seating and work space for a reasonable proportion of the faculty and
23 students to be accommodated at one (1) time shall be provided as observed in accredited

1 colleges of similar types.

2 (g) The library shall provide a safe and secure physical and virtual environment
3 conducive to study and research.

4 (8) Curriculum. Earned degrees awarded by a college shall be bona fide academic
5 degrees and the courses offered in degree programs shall be of collegiate quality as de-
6 termined by the president using the criteria established in this section.

7 (a)1. Except as provided in subparagraph 2. of this paragraph, a course offered in a
8 degree program shall be consistent with a course that is generally transferable for credit
9 among accredited colleges where the program is at a corresponding degree level, or for
10 credit toward the baccalaureate degree if a program is at the associate degree level. 2. A
11 course may be offered that is not transferable based on the uniqueness of a program.

12 (b) A college shall require a minimum of:

13 1. Sixty (60) student credit hours for an associate degree;

14 2. 120 student credit hours for a baccalaureate degree; or

15 3. Thirty (30) student credit hours for a post-baccalaureate, graduate, or first pro-
16 fessional degree.

17 (c) A minimum of twenty-five (25) percent of the student credit hours required for a
18 degree shall be earned through instruction offered by:

19 1. The college awarding the degree; or

20 2. A college that is: a. A party to a joint, cooperative, or consortia agreement; and b.

21 Either:

22 (i) Licensed by the Council on Postsecondary Education; or

23 (ii) A Kentucky state-supported postsecondary education institution.

1 (d) A majority of the student credit hours required for a graduate degree may be met
2 through a joint, cooperative, or consortia agreement in which the instruction is offered by a
3 college that is:

4 1. A party to the agreement; and

5 2. Either:

6 a. Licensed by the Council on Postsecondary Education; or

7 b. A Kentucky state-supported postsecondary education institution.

8 (e) A college shall have a systematic program of curriculum revision in order to
9 maintain the general standards of accredited colleges with similar programs.

10 (f) A college shall have a program of evaluation that includes a periodic assessment
11 of the changes in student achievement.

12 (9) General education.

13 (a) A minimum of fifteen (15) student credit hours for associate degree programs
14 and thirty (30) student credit hours for baccalaureate degree programs shall be earned in
15 general education, including science, mathematics, social and behavioral sciences, and
16 humanities. A college which offers an interdisciplinary general education program, a block-
17 type program, or other unique general education program shall be considered to be in
18 compliance with the general education requirement if the president determines that the
19 program content and distribution are related to the degree and institutional purposes.

20 (b) A new college, or any existing college which initiates a new associate degree or
21 baccalaureate degree program or major, or other concentration or specialty, after March 5,
22 2010, shall comply fully from the outset with the general education requirements.

23 (10) Program supervision and instructional support. Regardless of location, type of

1 program, method of instruction, or other characteristics, an instructional program for which
2 degree credit is awarded shall include:

3 (a) Adequate supervision by the college; and

4 (b) Instructional support necessary to maintain the program.

5 (11) Truth in advertising. A college shall meet the requirements established in this
6 subsection regarding advertising.

7 (a) Advertisements, announcements, or promotional material of any kind which are
8 distributed in Kentucky shall not contain any statements that are untrue, deceptive, or mis-
9 leading with respect to the college, its personnel, its services, or the content, accreditation
10 status, or transferability of its courses or degree programs.

11 (b) Advertisements, announcements, or other materials produced by or on behalf of
12 the college shall not indicate that the college is "supervised", "recommended", "endorsed",
13 or "accredited" by the Commonwealth of Kentucky, by the Council on Postsecondary Edu-
14 cation, or by any other state agency. A statement using the name of the Council on Post-
15 secondary Education, if any, shall be in exactly the following form, based on which state-
16 ment is applicable to the college:

17 1. "(Name of College) is licensed by the Kentucky Council on Postsecondary Educa-
18 tion."; or

19 2. "(Name of College) has a religious exemption from the Kentucky Council on Post-
20 secondary Education to operate or solicit in Kentucky."

21 (12) Recruitment and enrollment procedures. A college shall furnish the following to
22 each student prior to enrollment:

23 (a) The college's policies on grades, attendance, and conduct;

- 1 (b) A description of the instructional program;
- 2 (c) A detailed schedule of all charges, rentals, and deposits;
- 3 (d) The schedule of refunds of all charges, rentals, and deposits; and
- 4 (e) The student enrollment application, contract, or agreement.

5 (13) Student affairs.

6 (a) Students admitted to the college shall have completed a state-approved sec-
7 ondary school program or its equivalent unless dually enrolled in high school.

8 (b) The college shall provide academic counseling by faculty or staff to each student
9 when admitted and throughout the program.

10 (c) The college shall make assistance and counseling available to each student who
11 completes a technical or vocational program for the purpose of assisting the student with
12 an appropriate job placement or with transfer.

13 (d) The college shall maintain sufficient records for each student to provide an un-
14 derstanding of his or her background, to record progress through the instructional pro-
15 gram, and for reference purposes. By January 1, 2022, the college shall maintain all stu-
16 dent records in an electronic format that is searchable and readily transferable consistent
17 with industry standards. For a college not licensed by the Council prior to January 1, 2020,
18 the college shall meet this requirement when the college is licensed.

19 (e) Administrative officers of the college shall be knowledgeable of the federal and
20 state laws and administrative regulations concerning the disclosure of student information
21 and shall comply with those laws and administrative regulations.

22 (f) A college shall make provision for the maintenance of student records if the col-
23 lege ceases operations in accordance with KRS 164.020(23). The location of student rec-

1 ords shall be approved in advance by the president.

2 (14) College policies. (a) The college shall maintain records in an orderly manner
3 and make them available for inspection by the president or his or her designated repre-
4 sentative.

5 (b) A catalog shall be published and distributed at least every two (2) years and
6 shall include general information, administrative policies, and academic policies of the col-
7 lege including:

8 1. General information:

9 a. Official name and address of the college, name of the chief administrative offic-
10 ers, members of the governing body, and names of principal owners;

11 b. The college's calendar for the period covered by the catalog including beginning
12 and ending dates of each term or semester, registration and examination dates, legal holi-
13 days, and other important dates;

14 c. Names of faculty, including relevant education and experience; and

15 d. Full disclosure of the philosophy and purpose of the college;

16 2. Administrative policies:

17 a. Admissions policies and procedures, applicable to the various programs, includ-
18 ing policies regarding granting of credit for previous education;

19 b. Policies and procedures regarding student conduct and behavior and the process
20 for dealing with cases which culminate in probation or dismissal;

21 c. Schedules for all tuition and instructional charges, and refund schedules for the
22 tuition and instructional charges;

23 d. Statement of financial aid available to students; and

1 e. Procedures for obtaining transcripts in a timely fashion and at reasonable cost;

2 and

3 3. Academic policies, including:

4 a. Policy on class attendance;

5 b. Description of grading system;

6 c. Description of the degree, diploma, certificate, or other programs, including the
7 course requirements and the time normally required to complete each degree, diploma,
8 certificate, or other program; and

9 d. Full description of the nature and objectives of all degrees offered.

10 (c) Refund policy on tuition and other instructional charges. The refund policy shall
11 meet the minimum requirements established in this paragraph.

12 1. If tuition and other instructional charges are collected in advance of enrollment
13 and the student fails to enroll, the college shall retain not more than \$100, or not more than
14 ten (10) percent of the tuition and other instructional charges for a term or semester,
15 whichever is less.

16 2.a. Except as provided in clause b. of this subparagraph, tuition and other instruc-
17 tional charges shall be charged by the enrollment period, and the student shall not be obli-
18 gated for tuition or other instructional charges relating to an enrollment period that had not
19 begun when the student withdrew.

20 b. The president may approve program tuition for a specific program at a college if a
21 student may only enroll at the beginning of the program sequence and shall remain in
22 phase. If program tuition is approved, the college shall refund tuition and other instruction-
23 al charges in accordance with its published refund policy that considers both the course-

1 work completed prior to withdrawal and the coursework that remains.

2 3. If a student withdraws from the college, or if a student fails to attend classes for a
3 period of thirty (30) days during which classes are in session, the college shall officially
4 withdraw the student from the college and shall refund an amount reasonably related to the
5 period for which the student is not enrolled and shall refund 100 percent of all other tuition
6 and other fees collected by the college for subsequent enrollment or registration periods
7 unless the student is enrolled in a program for which program tuition is charged as speci-
8 fied in subparagraph 2. of this paragraph.

9 a. After completion of fifty (50) percent of the enrollment period, the college shall not
10 be required to make refunds of tuition or other fees for that period.

11 b. In all other cases, including illness or accident, the college shall make a refund
12 settlement.

13 c. Refunds shall be made within thirty (30) days after notification of withdrawal has
14 been received by the college.

15 4. If a college is accredited by an accrediting agency which has a specific refund
16 policy which is more favorable to the student, that policy shall be followed.

17 5. An out-of-state college shall refund in accordance with this section unless its pol-
18 icy is more favorable to the student, in which case the latter shall be followed.

19 Section 9. Failure to Apply for a License. (1) If a college which is subject to this ad-
20 ministrative regulation fails to apply for a license, the president shall notify the college by
21 registered mail of the requirement to obtain a license.

22 (2) If a license application is not then received within sixty (60) days of notification
23 by the president, the president shall require the chief administrative officer to appear for a

1 hearing as provided in Section 14 of this administrative regulation.

2 (3) If the chief administrative officer does not appear for the hearing, the president
3 shall refer the case to the appropriate county attorney for enforcement.

4 Section 10. Annual Maintenance of a College's License and Renewal of a College's
5 License. (1) A college shall submit an Application for Annual Maintenance of License or for
6 Renewal of License Pursuant to 13 KAR 1:020 to the president by April 1 of each year.

7 (a) In an odd numbered year, the application shall contain the following information:

8 1. Financial Information:

9 a. A statement from the Kentucky Higher Education Assistance Authority related to
10 programs administered by that agency and from the United States Department of Educa-
11 tion related to programs administered by that department that the college is in good stand-
12 ing;

13 b. A letter prepared by an independent certified public accountant confirming that
14 the college is in compliance with Section 8(3) of this administrative regulation;

15 c. Financial statement including assets and liabilities and an audit report prepared
16 by an independent certified public accountant within the last year.

17 2. Institutional information: a. Name and address of college;

18 b. Chief executive officer's name, title, address, phone number, fax number, and
19 email address;

20 c. Institutional liaison's name, title, address, phone number, fax number, and email
21 address;

22 d. A current list of the college's agents;

23 e. Copies of articles of incorporation, charter, constitution, and by-laws if there have

1 been any changes to the documents within the last two (2) years; and

2 f. A copy of each articulation agreement the college has with a Kentucky licensed
3 college or state-supported institution entered into or changed within the last two (2) years;

4 3. Accreditation status:

5 a. If the college is accredited by an accrediting agency, verification of the college's
6 accreditation status and documentation of any notice of disciplinary action, warning, or
7 probation from any state, federal, or accrediting agency within the past two (2) years; or

8 b. If an in-state college is not accredited by an accrediting agency, a statement indi-
9 cating its intention to receive accreditation and its timeline for attainment.

10 4. Tuition for the current enrollment period per credit hour, specifying semester
11 hour, quarter hour, or other basis, and per full-time student;

12 5. A copy of the college's current catalog;

13 6. For an in-state college, a list of all licensed instructional sites away from the main
14 campus of the in-state college for the purpose of offering courses for college credit which
15 comprise at least fifty (50) percent of the course requirements for a degree program, in-
16 cluding the name and title of the primary contact of the off-campus site, address, phone
17 number, and program or programs by CIP code offered at the site, or course or courses if
18 not offering an entire degree program at the site;

19 7. Program information:

20 a. Changes, if any, in program requirements for each program within the last two (2)
21 years including admission requirements, courses required, and the number of credit hours
22 required for the program or major;

23 b. Results of the most recent program evaluation;

- 1 c. Methods used to assess student achievement;
- 2 d. Results of the most recent assessment of student achievement; and
- 3 e. A list of programs withdrawn within the last two (2) years in which there are no
- 4 longer students enrolled including program title, degree level, CIP code, and address
- 5 where the program is no longer being offered;
- 6 8. Faculty information: Faculty credentials for each program faculty member em-
- 7 ployed within the last two (2) years;
- 8 9. Facilities information: Verification of compliance with all applicable local, state,
- 9 and federal safety and fire codes; and
- 10 10. Library information regarding the library collection and budget, and lease, con-
- 11 tract, or letter of agreement authorizing use of another library collection, if any.

12 (b) In an even numbered year, the application shall only contain the information re-

13 quired by paragraphs (a)1.b. and d., and (a)2.a., b., and c., of this subsection. An institu-

14 tion shall provide any other information listed in paragraph (a) of this subsection upon re-

15 quest of the council.

16 (2) The president may conduct, or may have conducted, a site visit as part of the

17 annual maintenance of a license or renewal of a license process in accordance with Sec-

18 tion 4 of this administrative regulation.

19 (3) Within ninety (90) working days of the submission of a complete and accurate

20 Application for Annual Maintenance of License or for Renewal of License Pursuant to 13

21 KAR 1:020 if a site visit is not conducted, or within ninety (90) working days of the comple-

22 tion of a site visit, the president shall:

23 (a) Notify the college of any deficiencies which shall be corrected before the col-

1 lege's license is maintained or renewed;

2 (b) Deny maintenance or renewal of the college's license;

3 (c) Maintain the college's license without changing the college's license renewal
4 date;

5 (d) Renew the college's license to June 30 of the next year; or

6 (e) Issue a conditional license in accordance with subsection (4) of this section if the
7 college has:

8 1. Not met all of the standards for licensure when the application is filed; and

9 2. Provided a written business plan to the president demonstrating it will meet the
10 standards for licensure within a period not to exceed one (1) year.

11 (4) A conditional license shall not exceed a period of one (1) year and shall include
12 the conditions the college shall meet in order for the college to progress toward and even-
13 tually meet the standards for licensure, including when the college shall report progress to
14 the president and when the college shall be required to have satisfied all the conditions.

15 (a) The college's failure to satisfy the conditions within the specified timeframe shall:

16 1. Result in automatic revocation of the conditional license; or

17 2. Result in an extension of the conditional license based on a determination by the
18 president that the college is making progress in satisfying the conditions in response to the
19 college's written request for an extension with supporting justification.

20 (b) If the college satisfies all the conditions with the timeframe specified, the presi-
21 dent shall renew the license in accordance with subsection (3)(d) of this section.

22 (5) A college's failure to submit a complete and accurate Application for Annual
23 Maintenance of License or for Renewal of License Pursuant to 13 KAR 1:020 shall be

1 grounds for denial of a license, or suspension or revocation of an existing license, and the
2 president shall notify the college by registered mail, return receipt, of the denial, suspen-
3 sion, or revocation of the college's license.

4 Section 11. Required Data Submission. (1) A licensed college shall submit student
5 attendance and performance data in an electronic format. The required data fields, the
6 format and method of submission, and the dates for submission shall be in accordance
7 with the Licensure Compliance Reporting Manual.

8 (2) The president may conduct, or may have conducted, a site visit as part of the
9 data submission process in accordance with Section 4 of this administrative regulation.

10 (3) A college's failure to submit complete, timely, and accurate data shall be suffi-
11 cient grounds for denial of a license, or suspension or revocation of an existing license,
12 and the president shall notify the college by registered mail, return receipt, of the denial,
13 suspension, or revocation of the college's license.

14 Section 12. License Expiration. (1) A license shall automatically expire if the college
15 ceases operating or soliciting.

16 (2) A college that ceases operating or soliciting shall comply with Section 8(13)(f) of
17 this administrative regulation and KRS 164.020(23).

18 Section 13. Consumer Complaint Procedure. A person with a complaint or griev-
19 ance involving misrepresentation against a college licensed under this administrative regu-
20 lation shall make a reasonable effort to resolve the complaint or grievance directly with the
21 college. If a mutually satisfactory solution cannot be reached, the procedures established
22 in this section shall be followed. (1) A person shall submit a written complaint to the presi-
23 dent which contains evidence relevant to the complaint and documentation that a reasona-

1 ble effort was made to resolve the complaint directly with the college.

2 (2) The president shall require an institution to file a written response setting forth
3 the relevant facts concerning the consumer complaint, including a statement on the current
4 status of the complaint, and any resolution of the complaint.

5 (3) The president shall review the facts as presented and may intervene to bring the
6 matter to a satisfactory conclusion through facilitation, but the facilitation shall not include
7 legal action on behalf of any party.

8 Section 14. Hearings and Appeals. (1) The president shall, for cause, require the
9 chief administrative officer, or other officers, of a college to appear for a hearing within thir-
10 ty (30) working days of notice in order to determine the facts if the president has deter-
11 mined that:

12 (a) There is sufficient cause for a suspension, a revocation of a license, or place-
13 ment of a college's license in a probationary status, based upon the college's failure to
14 comply with this administrative regulation; or

15 (b) A college which is subject to this administrative regulation fails to apply for a li-
16 cense.

17 (2) The officer, or other officers, of the college may be accompanied at the hearing
18 by counsel of their own choosing and at their expense.

19 (3) Within thirty (30) working days after a hearing is held or if the college fails to ap-
20 pear for the hearing, the president shall reach a determination and shall issue findings, in
21 writing, to the council and to the chief executive officer of the college.

22 (4) If it is determined that the public interest requires that sanctions be imposed, the
23 president shall:

1 (a) Impose one (1) of the following sanctions:

2 1. Place the college's license in a probationary status for a designated period not to
3 exceed one (1) year while deficiencies are being corrected;

4 2. Suspend the college's license for a period not to exceed one (1) year; or

5 3. Revoke the college's license; or

6 (b) Refer the case to other officials for appropriate legal action.

7 (5) A college which is sanctioned, whether the sanction is probation, suspension of
8 license, or revocation of license, shall comply with the terms of the sanction.

9 (6) A college may appeal the actions of the president regarding the denial of issu-
10 ance of a license or license renewal or the imposition of sanctions according to the proce-
11 dures established in this subsection.

12 (a) A college shall notify the president of the intent to appeal an action within four-
13 teen (14) days of the receipt of the letter notifying the college of the action taken.

14 (b) The president shall request that the Office of Administrative Hearings appoint a
15 hearing officer who shall conduct an administrative hearing consistent with the provisions
16 of KRS 13B.005- 13B.170.

17 (c) The appeal shall be presented in writing no later than sixty (60) days following
18 the receipt of notification of intent to appeal. The appeal shall be considered on the written
19 record alone.

20 (d) The appeals officer shall review findings of fact, consider testimony, draw con-
21 clusions, and formulate a recommendation consistent with the facts and this administrative
22 regulation.

23 (e) Upon completion, the report of the appeals officer shall be forwarded to the col-

1 lege and to the president of the Council on Postsecondary Education.

2 (f) Within thirty (30) working days of receiving the report of the appeals officer, the
3 president shall take one (1) of the following actions:

4 1. Issue a license;

5 2. Renew the license;

6 3. Impose one (1) of the sanctions authorized in this section; or 4. Refer the case to
7 other officials for appropriate action.

8 License Fees. (1) The president shall assess a fee in accordance with the Kentucky
9 Licensure Fee Schedule.

10 (2) Failure to pay a fee shall be sufficient grounds for denial of a license, or suspen-
11 sion or revocation of an existing license.

12 Section 16. Incorporation by Reference. (1) The following material is incorporated
13 by reference:

14 (a) "Application for Licensure as an In-State, Non-Public Institution to Operate in the
15 Commonwealth of Kentucky Pursuant to 13 KAR 1:020", February 2021 [~~June 2013~~];

16 (b) "Application for Licensure as an Out-of-State Institution to Operate in the Com-
17 monwealth of Kentucky Pursuant to 13 KAR 1:020", February 2021 [~~June 2013~~];

18 (c) "Supplementary Application for Change of Name of Institution Pursuant to 13
19 KAR 1:020", February 2021 [~~June 2013~~];

20 (d) "Supplementary Application for Change of Location of Principal Location of a
21 College or Location of a Licensed Instructional Site in Kentucky Pursuant to 13 KAR
22 1:020", February 2021 [~~June 2013~~];

23 (e) "Supplementary Application for Change of Ownership or Governance Pursuant

1 to 13 KAR 1:020", February 2021 [~~June 2013~~];

2 (f) "Supplementary Application to Operate as an Out-of-State Institution in the
3 Commonwealth of Kentucky Pursuant to 13 KAR 1:020", February 2021 [~~June 2013~~];

4 (g) "Supplementary Application to Operate as an In-State Nonpublic Institution in
5 the Commonwealth of Kentucky Pursuant to 13 KAR 1:020", February 2021 [~~July 2019~~];

6 (h) "Supplementary Application for Administrative Site, Recruitment Office, or Advis-
7 ing Center Pursuant to 13 KAR 1:020", February 2021 [~~June 2013~~];

8 (i) "Supplementary Application for Notification of Change in Accreditation or Licen-
9 sure Status Pursuant to 13 KAR 1:020", February 2021 [~~June 2013~~];

10 (j) "Application for Annual Maintenance of License or for Renewal of License Pursu-
11 ant to 13 KAR 1:020", [~~June 2013~~];

12 (k) "Licensure Compliance Reporting Manual", September 8, 2009;

13 (l) "Kentucky Licensure Fee Schedule", February 2021 [~~June 2013~~]; and

14 (m) "Application for Religious In-State College Letter of Exemption per KRS
15 164.947(2)", February 2021 [September 2012].

16 (2) This material may be inspected, copied, or obtained, subject to applicable copy-
17 right law, at the Kentucky Council on Postsecondary Education, 100 Airport Road, 2nd
18 Floor, [~~1024 Capital Center Drive, Suite 320,~~] Frankfort, Kentucky 40601, Monday through
19 Friday, 8 a.m. to 4:30 p.m.

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2

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Date

Ben Brandstetter, Chair
Council on Postsecondary Education

APPROVED AS TO FORM:

Date

Travis Powell, VP & General Counsel
Council on Postsecondary Education

PUBLIC HEARING AND PUBLIC COMMENT PERIOD: A public hearing on this administrative regulation shall be held on April 22, 2021 at 10:00 a.m. at the Council on Postsecondary Education, 100 Airport Road, 2nd Floor, Frankfort, Kentucky, 40601 in Conference Room A. Individuals interested in being heard at this hearing shall notify this agency in writing five workdays prior to the hearing of their intent to attend. If no notification to attend the hearing is received by that date, the hearing may be cancelled.

This hearing is open to the public. Any person who wishes to be heard will be given an opportunity to comment on the proposed administrative regulation. A transcript of the public hearing will not be made unless a written request for a transcript is made.

If you do not wish to be heard at the public hearing, you may submit written comments on the proposed administrative regulation. Written comments shall be accepted until April 30, 2021.

Send written notification of intent to be heard at the public hearing or written comments on the proposed administrative regulation to the contact person.

CONTACT PERSON:

Sarah Levy
Executive Director of Postsecondary Licensing
Council on Postsecondary Education
100 Airport Road, 2nd Floor
Frankfort, Kentucky 40601
Phone: 502.892.3034
Fax: 502.573.1535
Email: sarah.levy@ky.gov

REGULATORY IMPACT ANALYSIS
AND TIERING STATEMENT

Administrative Regulation 13 KAR 1:020. *Private College Licensing*

Contact person: Sarah Levy
Executive Director of Postsecondary Licensing
Council on Postsecondary Education
100 Airport Road, 2nd Floor
Frankfort, KY 40601
502.892.3034
sarah.levy@ky.gov
FAX: 502.573.1535

- (1) Provide a brief summary of:
 - (a) What this administrative regulation does: This administrative regulation sets the standards and rules related to the licensing of private postsecondary education institutions, both for profit and nonprofit, offering a bachelor's degree and above.
 - (b) The necessity of this administrative regulation: KRS 164.945 through 164.947 requires the Council on Postsecondary Education to license these institutions as a protection for Kentucky citizens and to protect bona fide institutions from those who engage in fraudulent practices, unfair competition, or substandard educational programs.
 - (c) How this administrative regulation conforms to the content of the authorizing statutes: KRS 164.947 states that the Council on Postsecondary Education, by regulation, shall adopt standards and procedures for the licensing of colleges.
 - (d) How this administrative regulation currently assists or will assist in the effective administration of the statutes: The administrative regulation sets out the standards institutions must meet in order to be licensed to operate in Kentucky. It also defines the process for new license applications, for amendments to licenses, and for license renewals.
- (2) If this is an amendment to an existing administrative regulation, provide a brief summary of:
 - (a) How the amendment will change this existing administrative regulation: This

amendment increases initial licensure fees for new in-state colleges from \$1,000 to \$10,000 and new out-of-state colleges from \$5,000 to \$15,000. The amendment also increases annual licensure fees by 50% of the current rate starting in 2022, 75% in 2023, and 100%, or double the current rate, beginning in 2024 and then forward. Other technical changes related to certificate and diploma programs reporting are also being made in the necessary application form.

- (b) The necessity of the amendment to this administrative regulation: Fees have remained constant for over 10 years ago and since then, the cost of administration has increased due to the greater federal focus on state authorization as a requirement for access to federal Title IV student financial aid. Also during that time, substantive changes have been made to the regulation that have increased consumer protection and quality assurance, such as the adoption of heightened faculty standards and other requirements that better protect student records and unearned tuition. These modifications require more oversight and interaction with licensees. In addition, the cost of staff has increased in the last 10 years with the rising employer contribution rates in the Kentucky Employees Retirement System. And finally, in accordance with the 2020-2021 Executive Branch Budget, all reserve licensure funds were directed to be used for general Council operations.

Annual fee revenue has never covered the cost of administering the private college licensure program. And even after these changes, the total cost of administration will not be covered by fee revenue when considering all supports provided to the licensure program by Council staff. However, these fee increases will assist in providing annual support for 3 total full time positions dedicated to private college licensure.

Data reporting technical changes are being made to conform to federal IPEDS reporting requirements.

- (c) How the amendment conforms to the content of the authorizing statutes: The amendment conforms with the requirements of KRS 164.947 by helping to ensure the Council can adequately staff the oversight of licensed institutions in

Kentucky for the benefit of Kentucky students and the state at large.

(d) How the amendment will assist in the effective administration of the statutes:

The amendment helps to ensure that the Council can adequately staff the oversight of licensed institutions in Kentucky for the benefit of Kentucky students and the state at large.

(3) List the type and number of individuals, businesses, organizations, or state and local governments affected by this administrative regulation: The Council currently licenses 86 institutions with multiple licensed instructional sites and we have received inquiries from potential applicants in 2021.

(4) Provide an assessment of how the above group or groups will be impacted by either the implementation of this administrative regulation, if new, or by the change if it is an amendment, including:

(a) List the actions that each of the regulated entities identified in question (3) will have to take to comply with this administrative regulation or amendment: Each college will be required to pay the new fee in order to being or continue licensure in Kentucky.

(b) In complying with this administrative regulation or amendment, how much will it cost each of the entities identified in question (3): Base initial licensure fees for new in-state colleges will be \$10,000 and new out-of-state colleges must pay \$15,000. Annual licensure fees will be increased in the following manner:

- For a college with a license from CPE for five (5) years or more, the fee shall be as follows:

<u>Enrollment</u>	<u>April 1, 2022</u>	<u>April 1, 2023</u>	<u>April 1, 2024+</u>
1,000 or less	\$750.00	\$875.00	\$1,000.00
1,001-2,000	\$1,500.00	\$1,750.00	\$2,000.00
2,001-3,000	\$3,000.00	\$3,500.00	\$4,000.00
3,001-4,000	\$4,500.00	\$5,250.00	\$6,000.00
4,001-5,000	\$6,000.00	\$7,000.00	\$8,000.00
5,001-6,000	\$7,500.00	\$8,750.00	\$10,000.00
6,001-7,000	\$9,000.00	\$10,500.00	\$12,000.00
7,001-8,000	\$10,500.00	\$12,250.00	\$14,000.00
8,001-9,000	\$12,000.00	\$14,000.00	\$16,000.00
9,001-10,000	\$13,500.00	\$15,750.00	\$18,000.00
10,001 or more	\$15,000.00	\$17,500.00	\$20,000.00

- For a college that has had a license from CPE for less than five (5) years, the fee shall be:

<u>Enrollment</u>	<u>April 1, 2022</u>	<u>April 1, 2023</u>	<u>April 1, 2024+</u>
100 or less	\$1,500.00	\$1,750.00	\$2,000.00
101-500	\$3,000.00	\$3,500.00	\$4,000.00
501-1,000	\$4,500.00	\$5,250.00	\$6,000.00
1,001-2,000	\$6,750.00	\$7,875.00	\$9,000.00
2,001-3,000	\$9,000.00	\$10,500.00	\$12,000.00
3,001-4,000	\$12,000.00	\$14,000.00	\$16,000.00
4,001-5,000	\$15,000.00	\$17,500.00	\$20,000.00
5,001 or more	\$18,000.00	\$21,000.00	\$24,000.00

(c) As a result of compliance, what benefits will accrue to the entities identified in question (3): Assuming the requirements for licensure are met, compliance will result in new or continued licensure.

(5) Provide an estimate of how much it will cost to implement this administrative regulation:

(a) Initially: We estimate that there will be no additional cost in implementing the proposed changes to the regulation.

(b) On a continuing basis: We estimate that there will be no additional costs on a

continuing basis to implement the proposed changes to the regulation.

- (6) What is the source of the funding to be used for the implementation and enforcement of this administrative regulation: License fees and General Fund appropriations.
- (7) Provide an assessment of whether an increase in fees or funding will be necessary to implement this administrative regulation, if new, or by the change if it is an amendment: No. The changes are in increase in fees, but the changes in this amendment will not result in the need for increased funding.
- (8) State whether or not this administrative regulation establishes any fees or directly or indirectly increases any fees: Yes. This regulation assesses fees and those fees are proposed to be increased as a result of this amendment.
- (9) TIERING: Is tiering applied? Yes, the annual fee structure is tiered based on the number of total enrolled students and how long an institution has been licensed by the Council. Initial fees are tiered by in-state versus out-of-state institutions.

FISCAL NOTE ON STATE OR LOCAL GOVERNMENT

Regulation No. 13 KAR 10:020. Private College Licensing.

Contact Person: Sarah Levy

1. What units, parts or divisions of state or local government (including cities, counties, fire departments, or school districts) will be impacted by this administrative regulation? CPE is responsible for implementation, but this regulation only applies to private colleges and universities.

2. Identify each state or federal statute or federal regulation that requires or authorizes the action taken by the administrative regulation. KRS 164.947 and 164.020(37)

3. Estimate the effect of this administrative regulation on the expenditures and revenues of a state or local government agency (including cities, counties, fire departments, or school districts) for the first full year the administrative regulation is to be in effect.

(a) How much revenue will this administrative regulation generate for the state or local government (including cities, counties, fire departments, or school districts) for the first year? With the proposed increase, we estimate revenue from licensee renewals at \$135,000 in the first year.

(b) How much revenue will this administrative regulation generate for the state or local government (including cities, counties, fire departments, or school districts) for subsequent years? In the second year of the new graduated fee schedule, we estimate revenues from renewals to be \$156,625. In the third year and in subsequent years, we estimate \$179,000 in revenues.

(c) How much will it cost to administer this program for the first year? Approximately \$425,000 budgeted for 3 FTE staff dedicated to licensure and state authorization for postsecondary education functions. This amount does not include the cost of oversight and leadership at the vice presidential and presidential levels, data and IT administration and development costs, and traditional agency administrative costs (procurement, HR, etc.).

(d) How much will it cost to administer this program for subsequent years? Same as 3.(c).

Note: If specific dollar estimates cannot be determined, provide a brief narrative to explain the fiscal impact of the administrative regulation.

Revenues (+/-):

Expenditures (+/-):
Other Explanation: N/A

Summary of Changes to Material Incorporated by Reference

1. The “Application for Licensure as an In-State, Non-Public Institution to Operate in the Commonwealth of Kentucky pursuant to 13 KAR 1:020”, February 2021, is revised to update the Council’s physical address and outline new IPEDS data reporting categories related to certificates and diplomas.
2. The “Application for Licensure as an Out-of-State Institution to Operate in the Commonwealth of Kentucky pursuant to 13 KAR 1:020”, February 2021, is revised to update the Council’s physical address and outline new IPEDS data reporting categories related to certificates and diplomas.
3. The “Supplementary Application for Change of Name of Institution pursuant to 13 KAR 1:020”, February 2021, is revised to update the Council’s physical address.
4. The “Supplementary Application for Change of Location of Principal Location of a College or Location of a Licensed Instructional Site in Kentucky pursuant to 13 KAR 1:020”, February 2021, is revised to update the Council’s physical address.
5. The “Supplementary Application for Change of Ownership or Governance pursuant to 13 KAR 1:020”, February 2021, is revised to update the Council’s physical address.
6. The “Supplementary Application to Operate as an Out-of-State Institution in the Commonwealth of Kentucky Pursuant to 13 KAR 1:020”, February 2021, is revised to update the Council’s physical address and outline new IPEDS data reporting categories related to certificates and diplomas.
7. The “Supplementary Application to Operate as an In-State Institution in the Commonwealth of Kentucky Pursuant to 13 KAR 1:020”, February 2021, is revised

to update the Council's physical address and outline new IPEDS data reporting categories related to certificates and diplomas.

8. The "Supplementary Application for Administrative Site, Recruitment Office, or Advising Center pursuant to 13 KAR 1:020", February 2021, is revised to update the Council's physical address.

9. The "Supplementary Application for Notification of Change in Accreditation or Licensure Status pursuant to 13 KAR 1:020", February 2021, is revised to update the Council's physical address.

10. The "Application for Annual Maintenance of License or for Renewal of License Pursuant to 13 KAR 1:020", February 2021, is revised to update the Council's physical address.

11. The "Kentucky Licensure Fee Schedule", February 2021, is revised to increase initial licensure fees for new in-state colleges from \$1,000 to \$10,000 and new out-of-state colleges from \$5,000 to \$15,000. The amendment also increases annual licensure fees by half the current rate (ex. a college licensed for 5 years or more with 1000 students or less will have its annual fee increased from \$500 to \$750).

Commonwealth of Kentucky Council on Postsecondary Education

APPLICATION FOR LICENSURE AS AN IN-STATE, NON-PUBLIC INSTITUTION TO OPERATE IN THE COMMONWEALTH OF KENTUCKY PURSUANT TO 13 KAR 1:020 Edition [June 2013]

Applicant institutions shall submit the information below in electronic format to:

Council on Postsecondary Education
Attention: Executive Director of Postsecondary Licensing
100 Airport Road, 2nd Floor [~~1024 Capital Center Drive, Suite 320~~]
Frankfort, KY 40601

Section I: Institutional Information

1. Name and address of institution. Include URL (Web page) address.
2. Chief executive officer: Name, title, address, telephone number, and e-mail address
3. Institutional liaison with Council on Postsecondary Education: Name, title, address, telephone number, fax number, and e-mail address
4. Vitae for directors, owners, trustees, and central administrators (i.e., president, chief academic officer, chief financial officer) -- (*Forms A(1) and A(2) attached*)
5. Accreditation/licensure status

If accredited/licensed by another agency, provide verification.

If not accredited/licensed by another agency, indicate if, when, and from whom such accreditation/licensure will be sought.

6. Mission statement (i.e., purpose of institution)

Section II: Financial Information

1. Bank or financial institution reference.
2. Institution's estimated expenditures and revenue (*Forms B and C attached*).
3. Guaranty of tuition refunds
A statement from an independent certified public accountant that a surety bond (*form attached*), a letter of credit, or the unrestricted endowment is equal to or in excess of the projected unearned tuition. Note: Projected unearned tuition is based on expected enrollment and tuition.

Section III: Academic Program Information (*Complete for each program, or each course if not offering an entire program*)

1. Degree awarded
2. Admission requirements
3. Total hours for completion of major/minor and degree, and time limitation for completion of program
4. Program curriculum delineating general, required, and elective courses for the degree, and a syllabus for each **required** course.
5. Sub-specialties offered within the program, if any.
6. Delivery mode:
 - a. 100% face-to-face (F2F);
 - b. 100% DL (online); and/ or
 - c. F2F and DL hybrid
7. If applicable, please identify appropriate Certificate Code:
CA - Undergraduate Certificate < 9 semester credit hours
CB - Undergraduate Certificate 9 to 29 semester credit hours
~~[C - Undergraduate Certificate, 1 Year]~~
E - Undergraduate Certificate 1 - 2 Years
G - Undergraduate Certificate 2 - 4 Years
T - Post-Baccalaureate Certificate
V - Post-Master's Certificate
8. If applicable, please identify appropriate Diploma Code:
IA - Diploma < 9 semester credit hours
IB - Diploma 9 to 29 semester credit hours
~~[I - Diploma, 1 year]~~
J - Diploma 1 - 2 Years
K - Diploma 2 - 4 Years
9. Impact or and/or affiliation with related programs, institutions, and agencies in the service area.
10. Description of student clientele, including projected number of majors and program graduates for the first 5 years.
11. Program enrollment (Form D attached)
12. Method(s) by which program and students will be evaluated

Section IV: Faculty Information

1. Vitae (*Form E attached*) or traditional CV format containing at least the info required on Form E
2. Faculty spreadsheet (*Form F attached*)

Section V: Tuition and Fee Information

1. Student tuition and fee schedule, including application fees, full-time and part-time tuition, and student activity or other required fees
2. Student tuition and fee refund policy

Section VI: Facilities and Equipment Information

1. Facility survey (*Form G attached*)
2. Verification of compliance with all applicable local, state, or federal safety and fire codes
3. Instructional equipment to be acquired and utilized during program's first five years

Section VII: Library Information

1. Collection (*Form H attached*)

2. Budget (*Form I attached*)

3. Lease, contract, or letter of agreement authorizing use of other library collection, if any

Section VIII: Supporting Documents to Accompany Application

1. College charter (Articles of Incorporation)

2. College constitution and by-laws

3. College catalogue

4. Student recruitment, enrollment, contract, and/or agreement forms

5. Accreditation/licensure reports from other agencies

Attachments: Forms A-I

COMMONWEALTH OF KENTUCKY
COUNCIL ON POSTSECONDARY EDUCATION
FRANKFORT, KENTUCKY

KNOW ALL MEN BY THESE PRESENTS: That we, _____

_____ of _____, as principal and _____

_____ of _____

_____ as surety, are held and firmly bound unto the Council on Postsecondary Education,

Commonwealth of Kentucky, 100 Airport Road, 2nd Floor, [1024 Capitol Center Drive, Suite 320] Frankfort, KY 40601, in the penal sum of _____ Dollars (\$ _____) lawful money of the United States, for the payment of which, well and truly to be made, we hereby bind ourselves, our heirs, executors, administrators, successors, and assigns, jointly and severally, firmly by these presents under the terms and conditions as required by KRS 164 and 13 KAR 1:020.

WHEREAS, the above bonded principal has made application for a License as a higher education institution for the term beginning July 1, 20 _____ and ending June 30, 20 _____ pursuant to the provisions of KRS 164.

NOW THEREFORE, the conditions of the herein described obligation are as follows:

- A. Pursuant to KRS 164 and 13 KAR 1:020, the principal shall indemnify any student, enrollee, or student’s parent(s) or guardian(s) suffering a loss or damage as a result of:
 - 1. Any fraud or misrepresentation used in procuring his enrollment; or
 - 2. Any fraud or misrepresentation as represented by the application for Licensure; or
 - 3. A student being unable to complete the course or courses because said Institution (the hereinabove named principal) ceased operation.
- B. Such indemnification by the principal shall in no case exceed the advanced tuition paid, or to be paid, by said student or students or any such parent or guardian; and regardless of the number of years that said Institution’s bond is enforced, the aggregate liability of the surety bond shall in no event exceed the above stated penal sum of the bond.
- C. Surety on said bond may be released therefrom after said surety shall have made written notice thereof directed to the Council at 100 Airport Road, 2nd Floor, Frankfort, KY 40601, at least thirty (30) days prior to said release, but shall remain liable for any verified complaints made by students within said thirty (30) day period or prior thereto.
- D. The herein described bond may be continuous, and may be so continued from year to year upon the issuance of a Continuation Certificate by the surety, and delivery to the Council; provided however, regardless of the number of years this bond remains in force, the aggregate liability of the surety for any and all claims shall in no event exceed the penal sum of the bond as shown above.
- E. This bond’s obligations shall be construed under the purview of the laws of the Commonwealth of Kentucky and the rules and regulations of the Council on Postsecondary Education, said Statutes, Rules and Regulations being incorporated by reference as if fully stated herein.

IN WITNESS THEREOF, the Principal and Surety have signed and sealed this instrument this _____ day of _____, 20 _____.

Principal

Surety

By _____
Title

By _____
Attorney-in-Fact Title

FORM A (1)

**MEMBERS OF THE GOVERNING BOARD, DIRECTORS,
OWNERS, CENTRAL ADMINISTRATORS, and TRUSTEES OF THE INSTITUTION**

Name	Address	Employer	Occupation	Date Appointed to Board

FORM A (2)
ADMINISTRATOR'S VITAE

NAME: _____

TITLE: _____

Academic Preparation	Institution	Degree	Major	Dates
Current Responsibilities				
Past Administrative Experience				
Past Administrative Experience	Institution/Organization	Position		Dates
College Teaching Experience	Institution	Academic Rank	Teaching Fields	Dates
Other	Institution/Organization	Position		Dates

FORM B
ESTIMATED EXPENDITURES

	(20____) 1 st year	(20____) 2 nd year	(20____) 3 rd year	(20____) 4 th year	(20____) 5 th year
EDUCATIONAL AND GENERAL (E&G)					
Instruction					
Research					
Public Service					
Libraries					
Academic Support					
Student Services					
Institutional Support					
Operation and Maintenance of Plant					
Scholarships & Fellowships					
SUBTOTAL E&G					
Mandatory Transfers					
Nonmandatory Transfers					
TOTAL EDUCATIONAL AND GENERAL					
AUXILIARY ENTERPRISES					
Auxiliary Enterprise Operations					
Mandatory Transfers					
Nonmandatory Transfers					
TOTAL AUXILIARY ENTERPRISES					
TOTAL EXPENDITURES					
BY OBJECT					
Personnel Costs					

FORM B - ESTIMATED EXPENDITURES (continued)

Operating Expenses					
Grants, Loans, or Benefits					
Debt Service					
Capital Outlay					
TOTAL EXPENDITURES BY OBJECT					

**FORM C
ESTIMATED REVENUE**

REVENUES	(20____) 1 st year _____	(20____) 2 nd year _____	(20____) 3 rd year _____	(20____) 4 th year _____	(20____) 5 th year _____
EDUCATIONAL AND GENERAL (E&G)					
Tuition and Fees					
Degree Credit – Fall					
Degree Credit – Spring					
Degree Credit – Summer					
SUBTOTAL TUITION					
Noncredit					
Mandatory Student Fees					
Other Fees					
SUBTOTAL TUITION AND FEES					
Governmental Appropriations (Federal)					
Governmental Appropriations (State)					
Governmental Appropriations-Local					
Governmental Grants and Contracts-Federal					
Pell Grants					
Supplemental Educational Opportunity Grants					
College Workstudy					
Other Grants and Contracts					
SUBTOTAL GOVERNMENTAL GRANTS AND CONTRACTS–FEDERAL					
Governmental Grants and Contracts – State					

FORM C - ESTIMATED REVENUE (continued)

Governmental Grants and Contracts – Local					
Private Gifts, Grants and Contracts					
Investment Income					
Endowment Income					
Sales and Services of Educational Activities					
Other					
TOTAL EDUCATIONAL AND GENERAL					
SALES AND SERVICES OF AUXILIARY ENTERPRISES					
Residence Halls					
Food Service					
College Unions/Stores					
Other					
Intercollegiate Activities					
Mandatory Student Fees					
TOTAL AUXILIARY ENTERPRISES					
TOTAL CURRENT FUNDS REVENUE					

FORM D

PROGRAM INFORMATION*

NAME OF PROGRAM _____

CIP CODE (Six-Digit) _____

Course #	Course Title	Level	Type**	Credit Hrs.		Projected Headcount Enrollment					
				Sem.	Qtr.	Year 1	Year 2	Year 3	Year 4	Year 5	

*Complete this form for each degree, diploma, or certificate program offered, or for each course if not offering an entire program.

**To include general education, required, and elective courses.

FORM E
FACULTY VITAE

NAME: _____

Date appointed to Undergraduate Faculty: _____ **Graduate Faculty:** _____ **Rank:** _____

Current Teaching Assignment: _____

Academic Preparation (for each college or university attended provide the following information):

Institution: _____ **Location (City & State)** _____

Degree: _____ **Major** _____ **Dates:** _____

Institution: _____ **Location (City & State)** _____

Degree: _____ **Major** _____ **Dates:** _____

Institution: _____ **Location (City & State)** _____

Degree: _____ **Major** _____ **Dates:** _____

College Teaching Experience (for each institution for which you have taught, provide the following information):

Institution: _____ **Academic Rank** _____ **Teaching Fields** _____ **Dates:** _____

Institution: _____ **Academic Rank** _____ **Teaching Fields** _____ **Dates:** _____

Institution: _____ **Academic Rank** _____ **Teaching Fields** _____ **Dates:** _____

Use additional pages to provide the information requested below.

Other Employment Related to Your Teaching Field (Include dates, position titles, position descriptions)

Publications, presentations, etc.

FORM F

Faculty Credentials
Institution Name _____

							Qualifications for Teaching Assigned Course							
Last Name	First Name	Program Name	Course Prefix and No.	Course Name	Degree Level of Course	Link to Course Description	Highest Degree Earned	Degree Granting Institution	Degree Concentration	Minor or Related Degree (If Applicable)	Degree Granting Institution	College Coursework or Documented Competency	Professional and/or Academic Certification(s)	Work Experience
Smith	John	Government	POL 440	Voting Behavior	Bachelor	http://www.undergradstudies.eku.edu/catalog/2010-2011/course_descriptions.pdf	PhD		Political Science	Public Policy				

**FORM G
FACILITIES**

FACILITY STREET ADDRESS: _____
Facilities presently available that are used for this institution (if other buildings are involved, please use additional sheets.)

	Building 1	Building 2	Total
1) Owned by			
2) Present Use			
3) Intended Use			
4) Year Constructed			
5) Year Rehabilitated			
6) Type of Construction			
7) Number of Floors			
8) Number of Rooms			
9) Original Cost of Building			
10) Estimated Value of Building			
11) Gross Area (Sq. Ft.)			
12) Classroom Space (Sq. Ft.) (Net)			
13) Laboratory Space (Sq. Ft.) (Net)			
14) Library Space (Sq. Ft.) (Net)			
15) Administrative & Office Space (Sq. Ft.) (Net)			
16) Does the building/space comply with requirements of ADA?			

FORM H

LIBRARY COLLECTION

Please indicate for the most recent 5-year period, the inventory and annual growth of the library collection.

LIBRARY COLLECTION	(20____) 1 st year	(20____) 2 nd year	(20____) 3 rd year	(20____) 4 th year	(20____) 5 th year
Number of volumes					
Number added during year					
Annual Total					
Number of reels of microfilm					
Number added during year					
Annual Total					
Number of slides					
Number added during year					
Annual Total					
Number of recordings					
Number added during year					
Annual Total					
Number of maps					
Number added during year					
Annual Total					
Number of periodicals					
Number added during year					
Annual Total					
Number of other nonperiodical titles					
Number added during year					
Annual Total					

FORM I
LIBRARY BUDGET

Prepare a 5-year budget for library expenditures.

LIBRARY BUDGET (5-YEAR)	(20____) 1 st year	(20____) 2 nd year	(20____) 3 rd year	(20____) 4 th year	(20____) 5 th year
Library staff salaries & wages (before deductions)					
New acquisitions					
Library Operations					
TOTAL					

Commonwealth of Kentucky Council on Postsecondary Education

APPLICATION FOR LICENSURE
AS AN OUT-OF-STATE INSTITUTION
TO OPERATE IN THE COMMONWEALTH OF KENTUCKY
PURSUANT TO 13 KAR 1:020
Edition [June 2013]

Applicant institutions shall submit the information below in electronic format to:

Council on Postsecondary Education
Attention: Executive Director of Postsecondary Licensing
100 Airport Road, 2nd Floor [~~1024 Capital Center Drive, Suite 320~~]
Frankfort, KY 40601

Section I: Institutional Information

1. Name and address of institution. Includes URL (Web page) address.
2. Chief executive officer: Name, title, address, phone number, and e-mail address.
3. Institutional liaison with Council on Postsecondary Education: Name, title, address, phone number, fax number, and e-mail address.
4. Vitae for directors, owners, trustees, and central administrators (i.e., president, chief academic officer, chief financial officer) -- (*Forms A(1) and A(2) attached*)
5. Accreditation/licensure status

If accredited/licensed by another agency, provide verification.
If not accredited/licensed by another agency, indicate if, when, and from whom such accreditation/licensure will be sought.
6. Mission statement (i.e., purpose of institution)
7. Name and address of facility in Kentucky
8. Principal Administrator in Kentucky: Name, title, address, phone number, email address, and vitae

Section II: Financial Information

1. Bank or financial institution reference
2. Institution's estimated expenditures and revenue (*Forms B and C attached*)
3. Guaranty of tuition refunds

A statement from an independent certified public accountant that a surety bond (*form attached*) is equal to or in excess of the projected unearned tuition. Note: Projected unearned tuition is based on expected enrollment and tuition.

Section III: Academic Program Information (*Complete for each program, or each course if not offering an entire program*)

1. Degree awarded
2. Admission requirements
3. Total hours for completion of major/minor and degree, and time limitation for completion of program
4. Program curriculum delineating general education, required, and elective courses for the degree, and a syllabus for each **required** course
5. Sub-specialties offered within the program, if any
6. If applicable, please identify appropriate Certificate Code:

CA - Undergraduate Certificate < 9 semester credit hours
CB - Undergraduate Certificate 9 to 29 semester credit hours
~~[C - Undergraduate Certificate < 1 Year]~~
E - Undergraduate Certificate 1 - 2 Years
G - Undergraduate Certificate 2 - 4 Years
T - Post-Baccalaureate Certificate
V - Post-Master's Certificate

7. If applicable, please identify appropriate Diploma Code:

IA - Diploma < 9 semester credit hours
IB - Diploma 9 to 29 semester credit hours
~~[I - Diploma < 1 Year]~~
J - Diploma 1 - 2 Years
K - Diploma 2 - 4 Years

8. Impact on and/or affiliation with related programs, institutions, agencies in the service area
9. Description of student clientele, including projected number of majors and program graduates for first five years
10. Program enrollment (*Form D attached*)
11. Method(s) by which program and students will be evaluated

Section IV: Faculty Information

1. Vitae (*Form E attached*)
2. Faculty spreadsheet (*Form F attached*)

Section V: Tuition and Fee Information

1. Student tuition and fee schedule, including application fees, full-time and part-time tuition, and student activity or other required fees
2. Student tuition and fee refund policy

Section VI: Facilities and Equipment Information

1. Facility survey (*Form G attached*)
2. Verification of compliance with all applicable local, state, or federal safety and fire codes
3. Instructional equipment to be acquired and utilized during program's first five years

Section VII: Library Information

1. Collection (*Form H attached*)
2. Budget (*Form I attached*)
3. Lease, contract, or letter of agreement authorizing use of other library collection, if any

Section VIII: Supporting Documents to Accompany Application

1. College charter (Articles of Incorporation)
2. College constitution and by-laws
3. College catalogue
4. Student recruitment, enrollment, contract, and/or agreement forms
5. Accreditation/licensure reports from other agencies
6. Copy of "Application for Certificate of Authority" to transact business in Kentucky (original to be mailed directly to Kentucky Secretary of State pursuant to instructions on the form)

Attachments: Forms A-I

Commonwealth of Kentucky
COUNCIL ON POSTSECONDARY EDUCATION
Frankfort, Kentucky

KNOW ALL MEN BY THESE PRESENTS: That we, _____
_____ of _____, as principal and _____
_____ of _____
_____ as surety, are held and firmly bound unto the Council on Postsecondary Education,
Commonwealth of Kentucky, 100 Airport Road, 2nd Floor [~~1024 Capital Center Drive, Suite 320~~], Frankfort, KY 40601, in the penal
sum of _____ Dollars (\$ _____) lawful money of the United States, for the payment of which, well
and truly to be made, we hereby bind ourselves, our heirs, executors, administrators, successors, and assigns, jointly and severally,
firmly by these presents under the terms and conditions as required by KRS 164 and 13 KAR 1:020.

WHEREAS, the above bonded principal has made application for a License as a higher education institution for the term
beginning July 1, 20 _____ and ending June 30, 20 _____ pursuant to the provisions of KRS 164.

NOW THEREFORE, the conditions of the herein described obligation are as follows:

- A. Pursuant to KRS 164 and 13 KAR 1:020, the principal shall indemnify any student, enrollee, or student's parent(s) or guardian(s) suffering a loss or damage as a result of:
 - 1. Any fraud or misrepresentation used in procuring his enrollment; or
 - 2. Any fraud or misrepresentation as represented by the application for Licensure; or
 - 3. A student being unable to complete the course or courses because said Institution (the hereinabove named principal) ceased operation.
- B. Such indemnification by the principal shall in no case exceed the advanced tuition paid, or to be paid, by said student or students or any such parent or guardian; and regardless of the number of years that said Institution's bond is enforced, the aggregate liability of the surety bond shall in no event exceed the above stated penal sum of the bond.
- C. Surety on said bond may be released therefrom after said surety shall have made written notice thereof directed to the Council at 100 Airport Road, 2nd Floor, Frankfort, KY 40601, at least thirty (30) days prior to said release, but shall remain liable for any verified complaints made by students within said thirty (30) day period or prior thereto.
- D. The herein described bond may be continuous, and may be so continued from year to year upon the issuance of a Continuation Certificate by the surety, and delivery to the Council; provided however, regardless of the number of years this bond remains in force, the aggregate liability of the surety for any and all claims shall in no event exceed the penal sum of the bond as shown above.
- E. This bond's obligations shall be construed under the purview of the laws of the Commonwealth of Kentucky and the rules and regulations of the Council on Postsecondary Education, said Statutes, Rules and Regulations being incorporated by reference as if fully stated herein.

IN WITNESS THEREOF, the Principal and Surety have signed and sealed this instrument this _____ day of _____, 20 _____.

Principal
By _____
Title

Surety
By _____
Attorney-in-Fact Title

FORM A (1)

MEMBERS OF THE GOVERNING BOARD, DIRECTORS,
OWNERS, CENTRAL ADMINISTRATORS, and TRUSTEES OF THE INSTITUTION

Name	Address	Employer	Occupation	Date Appointed to Board

FORM A (2)
ADMINISTRATOR'S VITAE

NAME: _____

TITLE: _____

Academic Preparation	Institution	Degree	Major	Dates
Current Responsibilities				
Past Administrative Experience	Institution/Organization	Position		Dates
College Teaching Experience	Institution	Academic Rank	Teaching Fields	Dates
Other	Institution/Organization	Position		Dates

FORM B
ESTIMATED EXPENDITURES

	(20____) 1 st year	(20____) 2 nd year	(20____) 3 rd year	(20____) 4 th year	(20____) 5 th year
EDUCATIONAL AND GENERAL (E&G)					
Instruction					
Research					
Public Service					
Libraries					
Academic Support					
Student Services					
Institutional Support					
Operation and Maintenance of Plant					
Scholarships & Fellowships					
SUBTOTAL E&G					
Mandatory Transfers					
Nonmandatory Transfers					
TOTAL EDUCATIONAL AND GENERAL					
AUXILIARY ENTERPRISES					
Auxiliary Enterprise Operations					
Mandatory Transfers					
Nonmandatory Transfers					
TOTAL AUXILIARY ENTERPRISES					
TOTAL EXPENDITURES					
BY OBJECT					
Personnel Costs					
Operating Expenses					
Grants, Loans, or Benefits					

FORM B - ESTIMATED EXPENDITURES (continued)

Debt Service					
Capital Outlay					
TOTAL EXPENDITURES BY OBJECT					

**FORM C
ESTIMATED REVENUE**

REVENUES	(20____) 1 st year_____	(20____) 2 nd year_____	(20____) 3 rd year_____	(20____) 4 th year_____	(20____) 5 th year_____
EDUCATIONAL AND GENERAL (E&G)					
Tuition and Fees					
Degree Credit – Fall					
Degree Credit – Spring					
Degree Credit – Summer					
SUBTOTAL TUITION					
Noncredit					
Mandatory Student Fees					
Other Fees					
SUBTOTAL TUITION AND FEES					
Governmental Appropriations (Federal)					
Governmental Appropriations (State)					
Governmental Appropriations-Local					
Governmental Grants and Contracts-Federal					
Pell Grants					
Supplemental Educational Opportunity Grants					
College Workstudy					
Other Grants and Contracts					
SUBTOTAL GOVERNMENTAL GRANTS AND CONTRACTS—FEDERAL					
Governmental Grants and Contracts – State					
Governmental Grants and Contracts – Local					
Private Gifts, Grants and Contracts					
Investment Income					

Endowment Income					
FORM C - ESTIMATED REVENUE (continued)					
Sales and Services of Educational Activities					
Other					
TOTAL EDUCATIONAL AND GENERAL					
SALES AND SERVICES OF AUXILIARY ENTERPRISES					
Residence Halls					
Food Service					
College Unions/Stores					
Other					
Intercollegiate Activities					
Mandatory Student Fees					
TOTAL AUXILIARY ENTERPRISES					
TOTAL CURRENT FUNDS REVENUE					

FORM D
PROGRAM INFORMATION*

NAME OF PROGRAM _____

CIP CODE (SIX-DIGIT) _____

Course #	Course Title	Level	Type**	Credit Hrs.		Projected Headcount Enrollment					
				Sem.	Qtr.	Year 1	Year 2	Year 3	Year 4	Year 5	

*Complete this form for each degree, diploma, or certificate program offered, or for each course if not offering an entire program.

**To include general education, required, and elective courses.

FORM E
FACULTY VITAE

NAME: _____

Date appointed to Undergraduate Faculty: _____ **Graduate Faculty:** _____ **Rank:** _____

Current Teaching Assignment: _____

Academic Preparation (for each college or university attended provide the following information):

Institution: _____ **Location (City & State)** _____

Degree: _____ **Major** _____ **Dates:** _____

Institution: _____ **Location (City & State)** _____

Degree: _____ **Major** _____ **Dates:** _____

Institution: _____ **Location (City & State)** _____

Degree: _____ **Major** _____ **Dates:** _____

Institution: _____ **Location (City & State)** _____

Degree: _____ **Major** _____ **Dates:** _____

College Teaching Experience (for each institution for which you have taught, provide the following information):

Institution: _____ **Academic Rank** _____ **Teaching Fields** _____ **Dates:** _____

Institution: _____ **Academic Rank** _____ **Teaching Fields** _____ **Dates:** _____

Institution: _____ **Academic Rank** _____ **Teaching Fields** _____ **Dates:** _____

Use additional pages to provide the information requested below.

Other Employment Related to Your Teaching Field (Include dates, position titles, position descriptions)

Publications, presentations, etc.

FORM F

Faculty Credentials

Institution Name _____

							Qualifications for Teaching Assigned Course							
Last Name	First Name	Program Name	Course Prefix and No.	Course Name	Degree Level of Course	Link to Course Description	Highest Degree Earned	Degree Granting Institution	Degree Concentration	Minor or Related Degree (If Applicable)	Degree Granting Institution	College Coursework or Documented Competency	Professional and/or Academic Certification(s)	Work Experience
Smith	John	Government	POL 440	Voting Behavior	Bachelor	http://www.undergradstudies.eku.edu/catalog/2010-2011/course_descriptions.pdf	PhD		Political Science	Public Policy				

FORM G
FACILITIES

FACILITY STREET ADDRESS: _____
Facilities presently available that are used for this institution (if other buildings are involved, please use additional sheets.)

	Building 1	Building 2	Total
1) Owned by			
2) Present Use			
3) Intended Use			
4) Year Constructed			
5) Year Rehabilitated			
6) Type of Construction			
7) Number of Floors			
8) Number of Rooms			
9) Original Cost of Building			
10) Estimated Value of Building			
11) Gross Area (Sq. Ft.)			
12) Classroom Space (Sq. Ft.) (Net)			
13) Laboratory Space (Sq. Ft.) (Net)			
14) Library Space (Sq. Ft.) (Net)			
15) Administrative & Office Space (Sq. Ft.) (Net)			
16) Does the building/space comply with requirements of ADA?			

FORM H

LIBRARY COLLECTION

Please indicate for the most recent 5-year period, the inventory and annual growth of the library collection.

LIBRARY COLLECTION	(20____) 1st year	(20____) 2nd year	(20____) 3rd year	(20____) 4th year	(20____) 5th year
Number of volumes					
Number added during year					
Annual Total					
Number of reels of microfilm					
Number added during year					
Annual Total					
Number of slides					
Number added during year					
Annual Total					
Number of recordings					
Number added during year					
Annual Total					
Number of maps					
Number added during year					
Annual Total					
Number of periodicals					
Number added during year					
Annual Total					
Number of other nonperiodical titles					
Number added during year					
Annual Total					

FORM I

LIBRARY BUDGET

Prepare a 5-year budget for library expenditures.

LIBRARY BUDGET (5-YEAR)	(20____) 1st year	(20____) 2nd year	(20____) 3rd year	(20____) 4th year	(20____) 5th year
Library staff salaries & wages (before deductions)					
New acquisitions					
Library Operations					
TOTAL					

Commonwealth of Kentucky
Council on Postsecondary Education

**SUPPLEMENTARY APPLICATION
FOR CHANGE OF NAME OF INSTITUTION**

PURSUANT TO 13 KAR 1:020

Edition **DATE [~~June 2013~~]**

If an institution proposes a name change, then the institution shall submit the information below in electronic format to:

**Council on Postsecondary Education
Attention: Executive Director of Postsecondary Licensing
100 Airport Road, 2nd Floor [~~1024 Capital Center Drive, Suite 320~~]
Frankfort, KY 40601**

1. Name (current and proposed) and address of institution.
2. Chief executive officer: Name, title, address, phone number, fax number, and email address.
3. Institutional liaison with Council on Postsecondary Education: Name, title, address, phone number, fax number, and email address.
4. The effective date of the name change.
5. Certification that the corporation, ownership, and governance shall remain the same, and that the institution under the new name shall acquire and assume all of the institution's assets, liabilities, outstanding debts, and refunds due under the previous name, and that the institution under the new name shall honor all student contracts that were signed or approved by the institution's authorities before the effective date of the change of name.
6. Certification that the institution remains the same as to all other aspects of licensure and operation including administrators, faculty, student body, courses, facilities, equipment, and library collection.
7. Updated documents reflecting new name:
 - a. accreditation verification,
 - b. surety bond covering unearned tuition, and independent CPA statement confirming amount of coverage,
 - c. college charter (Articles of Incorporation),
 - d. college constitution and by-laws,
 - e. college catalogue,
 - f. student recruitment, enrollment, contract and/ or agreement forms, and
 - g. copy of any print or online advertisement indicating that the institution is licensed by the Council on Postsecondary Education.
8. Copy of any notice institution is providing to students and public.

Commonwealth of Kentucky
Council on Postsecondary Education

**SUPPLEMENTARY APPLICATION FOR
CHANGE OF OWNERSHIP OR GOVERNANCE**

PURSUANT TO 13 KAR 1:020

Edition **DATE** [~~June 2013~~]

To request that an institution's license be continued under new ownership or governance, the institution shall submit the information below in electronic format to:

Council on Postsecondary Education
Attention: Executive Director of Postsecondary Licensing
100 Airport Road, 2nd Floor [1024 Capital Center Drive, Suite 320]
Frankfort, KY 40601

A college's failure to provide the information below may be cause for the president to withdraw the college's license, and to require the college to apply for licensure as a new institution by submitting an "Application for Licensure as an In-State, Non-Public Institution to Operate in the Commonwealth of Kentucky Pursuant to 13 KAR 1:020" if an in-state college, or "Application for Licensure as an Out-of-State Institution to Operate in the Commonwealth of Kentucky Pursuant to 13 KAR 1:020" if an out-of-state college.

-
1. Name and address of institution.
 2. Chief executive officer: Name, title, address, phone number, fax number, and email address.
 3. Institutional liaison with Council on Postsecondary Education: Name, title, address, phone number, fax number, and email address.
 4. The effective date of the change of ownership or governance.
 5. Address of licensed location in Kentucky affected by the change of ownership or governance.
 6. The prior owner(s) of the school (corporate name, address, and officers, etc.)
 7. The new owner(s) of the school (corporate name, address, and officers, etc.). Complete Forms A(1) and A(2) attached.
 8. Certification that the institution remains the same as to all other aspects of licensure and operation including facilities, administrators, faculty, student body, and courses.
 9. Certification that the new owner(s):
 - a. Has acquired all of the institution's assets, which are directly related to the institution's educational activities;
 - b. Assumes liability on the date the institution was sold for all of the outstanding debts incurred as a direct result of the institution's educational activities under previous ownership;
 - c. Shall make all refunds which on the date the institution was sold were due; and
 - d. Agrees to honor all student contracts that were signed or approved by the institution's authorities before the effective date of the change of ownership.

FORM A (1)

MEMBERS OF THE GOVERNING BOARD, DIRECTORS,
OWNERS, CENTRAL ADMINISTRATORS, and TRUSTEES OF THE INSTITUTION

Name	Address	Employer	Occupation	Date Appointed to Board

FORM A (2)
ADMINISTRATOR'S VITAE

NAME: _____

TITLE: _____

Academic Preparation	Institution	Degree	Major	Dates
Current Responsibilities				
Past Administrative Experience				
Past Administrative Experience	Institution/Organization	Position		Dates
College Teaching Experience	Institution	Academic Rank	Teaching Fields	Dates
Other	Institution/Organization	Position		Dates

Commonwealth of Kentucky Council on Postsecondary Education

SUPPLEMENTARY APPLICATION TO OPERATE AS AN OUT-OF-STATE INSTITUTION IN THE COMMONWEALTH OF KENTUCKY PURSUANT TO 13 KAR 1:020

Edition **DATE** [June 2013]

This supplementary application shall be submitted when an already licensed out-of-state institution proposes to offer:

1. an additional certificate, diploma, degree program, major, or other concentration or specialty; or
2. an additional course, as opposed to an entire program.

If an out-of-state institution proposes to offer a program at a new *site*, then the "Application for Licensure as an Out-of-State Institution to Operate in Kentucky pursuant to 13 KAR 1:020" is required.

Supplementary applications shall be submitted at least 90 days prior to implementation and in electronic format to:

Council on Postsecondary Education
Attention: Executive Director of Postsecondary Licensing
100 Airport Road, 2nd Floor [1024 Capital Center Drive, Suite 320]
Frankfort, KY 40601

SECTION I: INSTITUTIONAL INFORMATION

1. Name and Address of Institution
2. Chief Executive Officer: Name/Title/Address/Telephone/E-mail Address
3. Institutional Liaison with the Council on Postsecondary Education: Name/Title/Address/Telephone/E-mail Address

SECTION II: ACADEMIC PROGRAM INFORMATION

1. Name and CIP code of program and degree awarded (or course if not offering an entire program). State if the new program is at a new degree level or is a significant departure from previously licensed programs for the college.
2. Kentucky site where program is to be offered
3. Anticipated beginning date of proposed program
4. Date of approval from the main campus to offer the program in Kentucky
5. Verification of accrediting/other licensing agency approval if required to implement the new program
6. Curriculum outline and course descriptions, if not in catalog
7. Sub-specialties offered within the program, if any
8. If applicable, please identify Certificate Code:

CA - Undergraduate Certificate < 9 semester credit hours

CB - Undergraduate Certificate 9 to 29 semester credit hours

~~[C - Undergraduate Certificate < 1 Year]~~

E - Undergraduate Certificate 1 - 2 Years

G - Undergraduate Certificate 2 - 4 Years

T - Post-Baccalaureate Certificate
V - Post-Master's Certificate

9. If applicable, please identify, Diploma Code:

IA - Diploma < 9 semester credit hours

IB - Diploma 9 to 29 semester credit hours

~~[I - Diploma < 1 Year]~~

J - Diploma 1 - 2 Years

K - Diploma 2 - 4 Years

10. Rationale for offering the proposed program

11. Anticipated enrollment in each of the first three years of program implementation

12. New program faculty vitae and faculty spreadsheet (*Form E attached* or traditional CV format containing at least the info required on Form E and *Form F*)

13. Additional facilities or equipment required to implement the program

14. Proposed additions to the library collections to support the program

Attachments: Forms E and F

FORM E
FACULTY VITAE

NAME: _____

Date appointed to Undergraduate Faculty: _____ **Graduate Faculty:** _____ **Rank:** _____

Current Teaching Assignment: _____

Academic Preparation (for each college or university attended provide the following information):

Institution: _____ **Location (City & State)** _____

Degree: _____ **Major** _____ **Dates:** _____

Institution: _____ **Location (City & State)** _____

Degree: _____ **Major** _____ **Dates:** _____

Institution: _____ **Location (City & State)** _____

Degree: _____ **Major** _____ **Dates:** _____

Institution: _____ **Location (City & State)** _____

Degree: _____ **Major** _____ **Dates:** _____

College Teaching Experience (for each institution for which you have taught, provide the following information):

Institution: _____ **Academic Rank** _____ **Teaching Fields** _____ **Dates:** _____

Institution: _____ **Academic Rank** _____ **Teaching Fields** _____ **Dates:** _____

Institution: _____ **Academic Rank** _____ **Teaching Fields** _____ **Dates:** _____

Use additional pages to provide the information requested below.

Other Employment Related to Your Teaching Field (Include dates, position titles, position descriptions)

Publications, presentations, etc.

FORM F

Faculty Credentials

Institution Name _____

							Qualifications for Teaching Assigned Course							
Last Name	First Name	Program Name	Course Prefix and No.	Course Name	Degree Level of Course	Link to Course Description	Highest Degree Earned	Degree Granting Institution	Degree Concentration	Minor or Related Degree (If Applicable)	Degree Granting Institution	College Coursework or Documented Competency	Professional and/or Academic Certification(s)	Work Experience
Smith	John	Government	POL 440	Voting Behavior	Bachelor	http://www.undergradstudies.eku.edu/catalog/2010-2011/course_descriptions.pdf	PhD		Political Science	Public Policy				

Commonwealth of Kentucky Council on Postsecondary Education

SUPPLEMENTARY APPLICATION TO OPERATE AS AN IN-STATE NONPUBLIC INSTITUTION IN THE COMMONWEALTH OF KENTUCKY PURSUANT TO 13 KAR 1:020 Edition **DATE** [July 2019]

This supplementary application shall be submitted when an already licensed in-state institution proposes:

- To offer an additional certificate, diploma, or degree program or major or other concentration or specialty at the main campus; or
- To establish an instructional site away from the main campus for the purpose of offering courses for college credit which comprise at least fifty (50) percent of the course requirements for a degree program.

Supplementary applications shall be submitted for each proposal at least 90 days prior to implementation and in electronic format to:

Council on Postsecondary Education
Attention: Executive Director of Postsecondary Licensing
100 Airport Road, 2nd Floor [1024 Capital Center Drive, Suite 320]
Frankfort, KY 40601-8204

SECTION I: INSTITUTIONAL INFORMATION

1. Name and Address of Institution
2. Chief Executive Officer: Name/Title/Address/Telephone/E-mail Address
3. Institutional Liaison with the Council on Postsecondary Education: Name/ Title/ Address/ Telephone/ E-mail Address

SECTION II: PROGRAM TO BE OFFERED ON THE MAIN CAMPUS

1. Name and CIP code of program and degree awarded (or specific course(s) if not offering entire program). State if the new program is at a new degree level or is a significant departure from previously licensed programs for the college.
2. Anticipated beginning date of proposed program
3. If accrediting/other licensing agency approval is required to implement the new program, provide verification of notification
4. Curriculum outline and course descriptions, if not in catalog
5. Sub-specialties offered within the program, if any
6. Delivery Mode:
 - a. 100% face-to-face (F2F);
 - b. 100% DL (online); and/ or
 - c. F2F and DL hybrid
7. If applicable, please identify appropriate Certificate Code:

CA - Undergraduate Certificate < 9 semester credit hours
CB - Undergraduate Certificate 9 to 29 semester credit hours
~~[C - Undergraduate Certificate < 1 Year]~~
E - Undergraduate Certificate 1 - 2 Years
G - Undergraduate Certificate 2 - 4 Years
T - Post-Baccalaureate Certificate
V - Post-Master's Certificate

8. If applicable, please identify appropriate Diploma Code:

IA - Diploma < 9 semester credit hours
IB - Diploma 9 to 29 semester credit hours
~~[I - Diploma < 1 Year]~~
J - Diploma 1 - 2 Years
K - Diploma 2 - 4 Years

9. Rationale for offering the proposed program

10. New program faculty vitae and faculty spreadsheet (*Form E attached* or traditional CV format containing at least the info required on Form E and Form F)

11. Additional facilities or equipment required to implement the program

12. Proposed additions to the library collection to support the program

SECTION III: PROGRAM TO BE OFFERED AT OFF-CAMPUS LOCATION

(Complete items 1-8 in Section II plus the following)

1. Date of approval by the main campus to offer the program, or course(s) if not offering entire program, at an off-campus location
2. Site where program is to be offered, including address and principal contact person (name, title, phone number, and e-mail address)
3. If accrediting/other licensing agency approval is required to implement the new program, provide verification of notification
4. Certification of the location and maintenance of any school records for the off-campus location
5. Verification that the facility complies with all local, state, or federal safety and fire codes
6. Availability of library services to support the program at the off-campus location

Attachments: Forms E and F

FORM E
FACULTY VITAE

NAME: _____

Date appointed to Undergraduate Faculty: _____ **Graduate Faculty:** _____ **Rank:** _____

Current Teaching Assignment: _____

Academic Preparation (for each college or university attended provide the following information):

Institution: _____ **Location (City & State)** _____

Degree: _____ **Major** _____ **Dates:** _____

Institution: _____ **Location (City & State)** _____

Degree: _____ **Major** _____ **Dates:** _____

Institution: _____ **Location (City & State)** _____

Degree: _____ **Major** _____ **Dates:** _____

Institution: _____ **Location (City & State)** _____

Degree: _____ **Major** _____ **Dates:** _____

College Teaching Experience (for each institution for which you have taught, provide the following information):

Institution: _____ **Academic Rank** _____ **Teaching Fields** _____ **Dates:** _____

Institution: _____ **Academic Rank** _____ **Teaching Fields** _____ **Dates:** _____

Institution: _____ **Academic Rank** _____ **Teaching Fields** _____ **Dates:** _____

Use additional pages to provide the information requested below.

Other Employment Related to Your Teaching Field (Include dates, position titles, position descriptions)

Publications, presentations, etc.

FORM F

Faculty Credentials
Institution Name _____

							Qualifications for Teaching Assigned Course							
Last Name	First Name	Program Name	Course Prefix and No.	Course Name	Degree Level of Course	Link to Course Description	Highest Degree Earned	Degree Granting Institution	Degree Concentration	Minor or Related Degree (If Applicable)	Degree Granting Institution	College Coursework or Documented Competency	Professional and/or Academic Certification(s)	Work Experience
Smith	John	Government	POL 440	Voting Behavior	Bachelor	http://www.undergradstudies.eku.edu/catalog/2010-2011/course_descriptions.pdf	PhD		Political Science	Public Policy				

Commonwealth of Kentucky
Council on Postsecondary Education

SUPPLEMENTARY APPLICATION

FOR

**ADMINISTRATIVE SITE, RECRUITMENT OFFICE, OR ADVISING CENTER
PURSUANT TO 13 KAR 1:020**

Edition **DATE** [June 2013]

If an already licensed institution proposes to establish an administrative site, recruitment office, or advising center in Kentucky, or to change the location of an already licensed administrative site, recruitment office, or advising center in Kentucky, where the site is not part of a licensed instructional site or proposed instructional site for which the institution is seeking licensure, then the institution shall submit the information in electronic format below to:

**Council on Postsecondary Education
Attention: Executive Director of Postsecondary Licensing
100 Airport Road, 2nd Floor [~~1024 Capital Center Drive, Suite 320~~]
Frankfort, KY 40601**

-
1. Name and address of institution.
 2. Chief executive officer: Name, title, address, phone number, fax number, and email address.
 3. Institutional liaison with Council on Postsecondary Education: Name, title, address, phone number, fax number, and email address.
 4. Activities to be performed at the location (administrative, recruitment, or advising)
 5. Principal contact person and any other agents to be employed at the location: Name, title, address, phone number, fax number, and email address.
 6. Proposed new location or change of address (from ____ to ____).
 7. The effective date of the new location or change of location.
 8. Certification that the institution remains the same as to all other aspects of licensure and operation.
 9. Contact person responsible for the maintenance of any school records at this location: Name, title, address, phone number, fax number, and email address.
 10. A copy of any lease or contract regarding the new location or relocation.
 11. Verification of compliance with all applicable local, state, or federal safety and fire codes
 12. Completion of Form G (attached).
 13. Accreditation verification of the new site or relocation, if any.

14. Copy of any notice institution is providing to students and public regarding the new site or relocation.

FORM G

FACILITIES

FACILITY STREET ADDRESS: _____
Facilities presently available that are used for this institution (if other buildings are involved, please use additional sheets.)

	Building 1	Building 2	Total
1) Owned by			
2) Present Use			
3) Intended Use			
4) Year Constructed			
5) Year Rehabilitated			
6) Type of Construction			
7) Number of Floors			
8) Number of Rooms			
9) Original Cost of Building			
10) Estimated Value of Building			
11) Gross Area (Sq. Ft.)			
12) Classroom Space (Sq. Ft.) (Net)			
13) Laboratory Space (Sq. Ft.) (Net)			
14) Library Space (Sq. Ft.) (Net)			
15) Administrative & Office Space (Sq. Ft.) (Net)			
16) <i>Does the building/space comply with requirements of ADA?</i>			

Commonwealth of Kentucky
Council on Postsecondary Education

**SUPPLEMENTARY APPLICATION
FOR
NOTIFICATION OF CHANGE IN ACCREDITATION OR
LICENSURE STATUS
PURSUANT TO 13 KAR 1:020
Edition **DATE** [June 2013]**

An institution shall submit a supplementary license application within thirty (30) days following action by an accrediting agency or other state licensing agency that results in:

- 1. a college being placed in a probationary status;**
- 2. a college losing accreditation or licensure; or**
- 3. a college being denied accreditation or licensure.**

The institution shall submit the information below in electronic format to:

**Council on Postsecondary Education
Attention: Executive Director of Postsecondary Licensing
100 Airport Road, 2nd Floor [1024 Capital Center Drive, Suite 320]
Frankfort, KY 40601**

-
1. Name and address of institution.
 2. Chief executive officer: Name, title, address, phone number, fax number, and email address.
 3. Institutional liaison with Council on Postsecondary Education: Name, title, address, phone number, fax number, and email address.
 4. The effective date of the accrediting agency's action(s).
 5. A copy of documentation from the accrediting agency regarding the accrediting agency's action(s), and any documentation submitted by the institution to the accrediting agency related to the action.
 6. Documentation from the institution regarding its response to the accrediting agency's action(s), and the institution's plan going forward.
 7. Copy of any notice the institution is providing to students and public.

**Commonwealth of Kentucky
Council on Postsecondary Education**

**APPLICATION FOR ANNUAL
MAINTENANCE OF LICENSE OR
RENEWAL OF LICENSE
PURSUANT TO 13 KAR 1:020
Edition **DATE** [June 2013]**

A licensed in-state or out-of-state college shall submit the information below to:

**Council on Postsecondary Education
100 Airport Road, 2nd Floor [~~1024 Capital Center Drive, Suite 320~~]
Frankfort, KY 40601**

An out-of-state institution shall submit an application for each licensed instructional site in Kentucky, as each instructional site is licensed separately.

SECTION I: INSTITUTIONAL INFORMATION

1. Name and address of Institution.
2. Chief Executive Officer: Name, title, address, phone number, fax number, and email address.
3. Institutional Liaison with Council on Postsecondary Education: Name, title, address, phone number, fax number, and email address.
4. A current list of the college's agents.
5. Submit copies of the following documents if they have changed in the last year: articles of incorporation, charter, constitution and by-laws.
6. Accreditation Status

If accredited, provide verification of the current status including the Kentucky site.
If not accredited, indicate if, when, and from whom such accreditation will be sought.
7. Tuition for current enrollment period per credit hour, specifying semester hour, quarter hour, or other basis, and per full-time student.
8. A copy of the college's current catalog.
9. A copy of any articulation agreement the college has with a Kentucky licensed college or state-supported institution entered into or changed in the last year.
10. Copies of any print or online advertisement the institution intends to use indicating that the institution is licensed by the Kentucky Council on Postsecondary Education.

11. For an in-state college, a list of all licensed instructional sites away from the main campus including the name and title of the primary contact of the off-campus site, address, phone number, and program or programs by CIP code offered at the site, or course or courses if not offering an entire degree program at the site.

SECTION II: FINANCIAL INFORMATION

1. A statement from the Kentucky Higher Education Assistance Authority related to programs administered by that agency and from the United States Department of Education related to programs administered by that department that the college is in good standing.
2. A letter prepared by an independent certified public accountant confirming that the college is in compliance with 13 KAR 1:020 Section 8(3).
3. Financial statement including assets and liabilities and the audit report of an independent certified public accountant.

SECTION III: PROGRAM INFORMATION

1. Changes, if any, in program requirements for each program in the last year to include at least the following: admission requirements, courses required for the major, the number of credit hours required for the major, the total number of credit hours required for the degree.
2. Results of the most recent program evaluation.
3. Method(s) used to assess student achievement.
4. Results of the most recent assessment of student achievement.
5. A list of programs withdrawn in that last year in which there are no longer students enrolled including program title, degree level, CIP code, and address where the program is no longer being offered.

SECTION IV: FACULTY INFORMATION

1. Vitae (Form E attached) or traditional CV format containing at least the info required on Form E.
2. Faculty spreadsheet [Course assignments] (Form F attached).

SECTION V: FACILITIES INFORMATION

1. Verification of compliance with all applicable local, state or federal safety and fire codes.

SECTION VI: LIBRARY INFORMATION

1. Complete Form H - Library Collection (attached)
2. Complete Form I - Library Budget (attached)
3. Lease, contract, or letter of agreement authorizing use of other library collection, if any.

Attachments: 4 (Forms E, F, H, I)

FORM E
FACULTY VITAE

NAME:

Date appointed to Undergraduate Faculty: _____ **Graduate Faculty:** _____ **Rank:** _____

Current Teaching Assignment: _____

Academic Preparation (for each college or university attended provide the following information):

Institution: _____ **Location (City & State)** _____

Degree: _____ **Major** _____ **Dates:** _____

Institution: _____ **Location (City & State)** _____

Degree: _____ **Major** _____ **Dates:** _____

Institution: _____ **Location (City & State)** _____

Degree: _____ **Major** _____ **Dates:** _____

College Teaching Experience (for each institution for which you have taught, provide the following information):

Institution: _____ **Academic Rank** _____ **Teaching Fields** _____ **Dates:** _____

Institution: _____ **Academic Rank** _____ **Teaching Fields** _____ **Dates:** _____

Institution: _____ **Academic Rank** _____ **Teaching Fields** _____ **Dates:** _____

Use additional pages to provide the information requested below.

Other Employment Related to Your Teaching Field (Include dates, position titles, position descriptions)
Publications, presentations, etc.

FORM E - Faculty Vitae

Faculty Credentials							Qualifications for Teaching Assigned Course					
Institution Name												
Last Name	FirstName	Program Name	Course Prefix and No.	Course Name	Degree Level of Course	Link to Course Description	Highest Degree Earned	Degree Concentration	Minor (If Applicable)	College Coursework or Documented Competency	Professional and/or Academic Certification(s)	Work Experience

FORM H

LIBRARY COLLECTION

Please indicate for the most recent 5-year period, the inventory and annual growth of the library collection.

LIBRARY COLLECTION	(20____) 1st year	(20____) 2nd year	(20____) 3rd year	(20____) 4th year	(20____) 5th year
Number of volumes					
Number added during year					
Annual Total					
Number of reels of microfilm					
Number added during year					
Annual Total					
Number of slides					
Number added during year					
Annual Total					
Number of recordings					
Number added during year					
Annual Total					
Number of maps					
Number added during year					
Annual Total					
Number of periodicals					
Number added during year					
Annual Total					
Number of other nonperiodcial titles					
Number added during year					
Annual Total					

FORM I

LIBRARY BUDGET

Prepare a 5-year budget for library expenditures.

LIBRARY BUDGET (5-YEAR)	(20____) 1st year	(20____) 2nd year	(20____) 3rd year	(20____) 4th year	(20____) 5th year
Library staff salaries & wages (before deductions)					
New acquisitions					
Library Operations					
TOTAL					

Commonwealth of Kentucky Council on Postsecondary Education

KENTUCKY LICENSURE FEE SCHEDULE

Edition February 2021 [~~June 2013~~]

In addition to any costs connected with a site visit per 13 KAR 1:020 or 13 KAR 1:050, colleges shall pay the following fees for licensure:

I. FOR COLLEGES NOT CURRENTLY LICENSED BY THE COUNCIL ON POSTSECONDARY EDUCATION:

When a new college seeking licensure by the Council on Postsecondary Education submits an “Application for Licensure as an In-State, Non-Public Institution to Operate in the Commonwealth of Kentucky Pursuant to 13 KAR 1:020” if an in-state college, or an “Application for Licensure as an Out-of-State Institution to Operate in the Commonwealth of Kentucky Pursuant to 13 KAR 1:020” if an out-of-state college, then the college shall pay at the time of submission of the application the following fees:

New College Application Fee

- New in-state college \$10,000.00 [~~\$1,000.00~~]
- New out-of-state college (each site licensed separately) \$15,000.00 [~~\$5,000.00~~]

PLUS

Offering Fee

(per program, or per course if not offering entire program)

- Course if not offering entire program \$200.00
- Certificate, Diploma, or Associate’s program \$200.00
- Bachelor’s program \$500.00
- Master’s or Specialist program \$1,500.00
- Doctoral program \$2,000.00

II. FOR COLLEGES ALREADY LICENSED BY THE COUNCIL ON POSTSECONDARY EDUCATION:

Annual Fee for Maintenance of License or Renewal of License (annual)

Beginning April 1, 2014, all licensed college shall pay this fee at the time of submission of an “Application for Annual Maintenance of License or for Renewal of License Pursuant to 13 KAR 1:020.”

An out-of-state college shall be charged this fee for each licensed instructional site in Kentucky, and enrollment shall be calculated per site, as each instructional site is licensed separately. Licensed online offerings for an out-of-state college shall be considered an online campus and an instructional site for purposes of this fee.

Enrollment shall be calculated using fall enrollment data from the prior academic year. For example, a fee due April 1, 2014 will be based upon enrollment data from the fall of 2012.

Where a newly licensed college is unable to submit actual fall enrollment data, the annual fee shall be calculated using the college’s projected enrollment per the initial license application. Thereafter, enrollment shall be calculated using fall enrollment data from the prior academic year.

~~[If an out-of-state college has more than one licensed instructional site, then the year of licensure of the first site where that site continues to be licensed shall be used for calculating the number of years of licensure for all the sites for purposes of the annual fee.]~~

- For a college with a license from CPE for five (5) years or more, the fee shall be:

<u>Enrollment</u>	<u>April 1, 2022</u>	<u>April 1, 2023</u>	<u>April 1, 2024+</u>
<u>1,000 or less</u>	<u>\$750.00</u>	<u>\$875.00</u>	<u>\$1,000.00</u>
<u>1,001-2,000</u>	<u>\$1,500.00</u>	<u>\$1,750.00</u>	<u>\$2,000.00</u>
<u>2,001-3,000</u>	<u>\$3,000.00</u>	<u>\$3,500.00</u>	<u>\$4,000.00</u>
<u>3,001-4,000</u>	<u>\$4,500.00</u>	<u>\$5,250.00</u>	<u>\$6,000.00</u>
<u>4,001-5,000</u>	<u>\$6,000.00</u>	<u>\$7,000.00</u>	<u>\$8,000.00</u>
<u>5,001-6,000</u>	<u>\$7,500.00</u>	<u>\$8,750.00</u>	<u>\$10,000.00</u>
<u>6,001-7,000</u>	<u>\$9,000.00</u>	<u>\$10,500.00</u>	<u>\$12,000.00</u>
<u>7,001-8,000</u>	<u>\$10,500.00</u>	<u>\$12,250.00</u>	<u>\$14,000.00</u>
<u>8,001-9,000</u>	<u>\$12,000.00</u>	<u>\$14,000.00</u>	<u>\$16,000.00</u>
<u>9,001-10,000</u>	<u>\$13,500.00</u>	<u>\$15,750.00</u>	<u>\$18,000.00</u>
<u>10,001 or more</u>	<u>\$15,000.00</u>	<u>\$17,500.00</u>	<u>\$20,000.00</u>

[Enrollment

1,000 or less	\$ 500.00
1,001-2,000	\$1,000.00
2,001-3,000	\$ 2,000.00
3,001-4,000	\$ 3,000.00
4,001-5,000	\$ 4,000.00
5,001-6,000	\$ 5,000.00
6,001-7,000	\$ 6,000.00
7,001-8,000	\$ 7,000.00
8,001-9,000	\$ 8,000.00
9,001-10,000	\$ 9,000.00
10,001 and above	\$10,000.00]

- For a college that has had a license from CPE for less than five (5) years, the fee shall be:

<u>Enrollment</u>	<u>April 1, 2022</u>	<u>April 1, 2023</u>	<u>April 1, 2024+</u>
<u>100 or less</u>	<u>\$1,500.00</u>	<u>\$1,750.00</u>	<u>\$2,000.00</u>
<u>101-500</u>	<u>\$3,000.00</u>	<u>\$3,500.00</u>	<u>\$4,000.00</u>
<u>501-1,000</u>	<u>\$4,500.00</u>	<u>\$5,250.00</u>	<u>\$6,000.00</u>
<u>1,001-2,000</u>	<u>\$6,750.00</u>	<u>\$7,875.00</u>	<u>\$9,000.00</u>
<u>2,001-3,000</u>	<u>\$9,000.00</u>	<u>\$10,500.00</u>	<u>\$12,000.00</u>
<u>3,001-4,000</u>	<u>\$12,000.00</u>	<u>\$14,000.00</u>	<u>\$16,000.00</u>
<u>4,001-5,000</u>	<u>\$15,000.00</u>	<u>\$17,500.00</u>	<u>\$20,000.00</u>
<u>5,001 or more</u>	<u>\$18,000.00</u>	<u>\$21,000.00</u>	<u>\$24,000.00</u>

[Enrollment

100 or less	\$1,000.00
101-500	\$2,000.00
501-1,000	\$3,000.00
1,001-2,000	\$4,500.00
2,001-3,000	\$6,000.00
3,001-4,000	\$8,000.00
4,001-5,000	\$10,000.00
5,001 and above	\$12,000.00]

Note that in each fee schedule the April 1, 2024 fee will become the standard annual fee in subsequent years.

III. LATE FEES

A college submitting an application more than five (5) working days after the due date shall be assessed a late fee of 10% of the required fee for each five (5) working days the application is past due.

If a college submits an application by the due date but the application is incomplete, then CPE will notify the college and establish a specific date by which the college shall submit the remainder of the application. If the remainder of the application is not submitted by the established date, then CPE may assess a late fee of 10% of the required fee.

The president may waive or reduce a late fee in the case of mitigating circumstances as determined by the president.

IV. ALL FEES SHALL BE:

- Due at the time of application
- Paid before any review of the college's application will begin
- Nonrefundable
- In the form of a check or money order
- Made payable to the "Kentucky Council on Postsecondary Education"
- [~~Applied to the cost of administering KRS 164.945 to 164.947, KRS 164.922, KRS 164.785, 13 KAR 1:020, and 13 KAR 1:050~~]

CPE reserves the right to amend 13 KAR 1:020 in accordance with KRS Chapter 13A to adjust fees based on the consumer prices index or other appropriate indicator.

1 COUNCIL ON POSTSECONDARY EDUCATION

2 (Amendment)

3 13 KAR 4:010. State Authorization Reciprocity Agreement.

4 RELATES TO: KRS 164.020(23), 164.945, 164.946, 164.947, 164.992, 165A.320-
5 165A.450

6 STATUTORY AUTHORITY: KRS 164.540(3)(c)

7 NECESSITY, FUNCTION, AND CONFORMITY: KRS 164.540(3) authorizes the
8 Council on Postsecondary Education to promulgate an administrative regulation to enter
9 into the State Authorization Reciprocity Agreement, which establishes uniform national
10 standards for interstate offerings of postsecondary distance education and authorizes
11 postsecondary educational institutions meeting those standards located in member states
12 or territories to provide distance education to residents of other member states. KRS
13 164.540(3) also authorizes the council to serve as the lead or portal agency on behalf of
14 the Commonwealth's public and private postsecondary institutions seeking to offer dis-
15 tance education in member states. This administrative regulation establishes the mecha-
16 nism by which Kentucky institutions may join the State Authorization Reciprocity Agree-
17 ment and sets forth the process by which non-resident students can file complaints against
18 Kentucky member institutions.

19 Section 1. Definitions. (1) "Commission" means the Kentucky Commission on Pro-
20 prietary Education.

21 (2) "Council" means the Kentucky Council on Postsecondary Education.

1 (3) "Degree" means an award conferred at the associate level or higher by an insti-
2 tution as official recognition for the successful completion of a program of studies.

3 (4) "Institution" means a Kentucky degree-granting postsecondary entity.

4 (5) "NC-SARA" means the National Council for State Authorization Reciprocity
5 Agreements.

6 (6) "President" means the President of the Kentucky Council on Postsecondary Ed-
7 ucation.

8 (7) "State Authorization Reciprocity Agreement," or "SARA," means the agreement
9 among member states, districts, and U.S. territories that establishes comparable national
10 standards for interstate offering of degrees through distance education and authorizes in-
11 stitutions meeting those standards located in member states or territories to provide dis-
12 tance education to residents of other member states.

13 Section 2. Initial Application Procedures. (1) In order to participate in SARA, an in-
14 stitution shall submit the following items to the president for review and action:

15 (a) The current NC-SARA Application and Approval Form for Institutional Participa-
16 tion in SARA, in electronic format; and

17 (b) The fees due to the Council, in accordance with Section 6 of this administrative
18 regulation.

19 (2) The application referenced in subsection (1)(a) of this section may be found
20 online at www.nc-sara.org.

21 Section 3. Renewal Application Procedures. (1) In order to continue participating in
22 SARA, an institution shall submit the following items to the president for review and action
23 at least sixty (60) days before the anniversary date of the institution's initial approval:

1 (a) The current NC-SARA Application for Institutional Renewal to Participate in
2 SARA, in electronic format; and

3 (b) The fees due to the council, in accordance with Section 6 of this administrative
4 regulation.

5 (2) The application referenced in subsection (1)(a) of this section may be found
6 online at www.nc-sara.org.

7 Section 4. Standards for Approval. In order to participate in SARA, an institution
8 shall comply with the following: (1) Maintain authorization to operate in Kentucky through
9 one (1) of the following:

10 (a) Creation by Kentucky Revised Statutes;

11 (b) Licensure by the council; or

12 (c) Licensure by the commission; and

13 (2) Meet the current minimum requirements to participate in SARA.

14 Section 5. Consumer Complaints. (1) After first exhausting the institution's internal
15 procedure for complaint resolution, a non-resident student may file a complaint against the
16 institution for failure to comply with any SARA standard within two (2) years of the incident
17 about which the complaint is made.

18 (2) In order to be considered, a complaint shall be submitted by the student in writ-
19 ing and include the following information:

20 (a) Name, address, email address, and phone number of student;

21 (b) Name of institution;

22 (c) Location of institution;

23 (d) Dates of attendance;

1 (e) An explanation of the steps taken to exhaust the institution's grievance process;

2 (f) A full description of the issue and any relevant documentation supporting the

3 complaint; and

4 (g) The desired resolution of the complaint.

5 (3) Complaints regarding student grades or student conduct violations shall not be
6 considered.

7 (4) The president shall forward the complaint by email to the institution and require
8 a written response no later than thirty (30) days from the date of transmittal.

9 (5) After review of information and materials provided by the student and the institu-
10 tion, the president may request additional information from either party.

11 (6) After review of all relevant information and materials, the president shall facilitate
12 a resolution of the complaint. The relief provided the student, if any, shall be commensu-
13 rate with the circumstances.

14 (7) Resolution of a complaint by the president shall be final, except in instances
15 where the subject matter of the complaint may violate any other applicable laws.

16 (8) The president shall provide to the executive director of the commission, for ref-
17 erence purposes, a copy of:

18 (a) Any complaint initiated against an institution licensed by the commission;

19 (b) The resolution; and

20 (c) Any related materials.

21 Section 6. Fees. The council shall charge an initial and annual renewal fee to insti-
22 tutions based on all enrolled full-time equivalent students, which shall be due at time of
23 application. Applications shall not be reviewed without receipt of fee payment. Failure to

1 pay a fee on or before the date of application shall be sufficient grounds for denial of an
2 application. Fees shall be in addition to any fees charged by NC-SARA and shall be in ac-
3 cordance with the following schedule:

- 4 (1) Under 2,500 full-time equivalent students – \$4,500 [~~\$3,000~~];
- 5 (2) 2,500 full-time equivalent students – 9,999 – \$7,500 [~~\$5,000~~]; or
- 6 (3) 10,000 or more full-time equivalent students – \$10,500 [~~\$7,000~~].

7 Section 7. Appeals. (1) An institution denied approval for an initial or renewal appli-
8 cation may request an appeal of that decision in accordance with the terms of this subsec-
9 tion.

10 (a) The institution shall notify the president of the intent to appeal the decision with-
11 in seven (7) days of the receipt of the notice of denial.

12 (b) The president shall request that the Office of Administrative Hearings appoint a
13 hearing officer who shall conduct an administrative hearing consistent with the provisions
14 of KRS 13B.005- 13B.170.

15 (c) The appeal shall be presented in writing no later than thirty (30) days following
16 the receipt of notification of intent to appeal.

17 (d) The appeals officer shall review findings of fact, consider testimony, draw con-
18 clusions, and formulate a recommendation consistent with the facts and this administrative
19 regulation.

20 (e) Upon completion, the report of the appeals officer shall be forwarded to the insti-
21 tution and to the president.

22 (f) Within thirty (30) working days of receiving the report of the appeals officer, the
23 president shall either uphold the decision or approve the application.

Date

Ben Brandstetter, Chair
Council on Postsecondary Education

APPROVED AS TO FORM:

Date

Travis Powell, Vice President and
General Counsel
Council on Postsecondary Education

PUBLIC HEARING AND PUBLIC COMMENT PERIOD: A public hearing on this administrative regulation shall be held on April 22, 2021 at 10:00 a.m. EST at the Council on Postsecondary Education, 100 Airport Road, Second Floor, Frankfort, Kentucky, 40601 in Conference Room A. Individuals interested in being heard at this hearing shall notify this agency in writing five workdays prior to the hearing of their intent to attend. If no notification to attend the hearing is received by that date, the hearing may be cancelled.

This hearing is open to the public. Any person who wishes to be heard will be given an opportunity to comment on the proposed administrative regulation. A transcript of the public hearing will not be made unless a written request for a transcript is made.

If you do not wish to be heard at the public hearing, you may submit written comments on the proposed administrative regulation. Written comments shall be accepted until April 30, 2021.

Send written notification of intent to be heard at the public hearing or written comments on the proposed administrative regulation to the contact person.

CONTACT PERSON:

Sarah Levy
Executive Director of Postsecondary Licensing
Council on Postsecondary Education
100 Airport Road
2nd Floor
Frankfort, Kentucky 40601
Phone: 502.892-3034
Email: sarah.levy@ky.gov

REGULATORY IMPACT ANALYSIS
AND TIERING STATEMENT

Administrative Regulation 13 KAR 4:010. *State Authorization Reciprocity Agreement*

Contact person: Sarah Levy
Executive Director of Postsecondary Licensing
Council on Postsecondary Education
100 Airport Road, 2nd Floor
Frankfort, KY 40601
502.892.3034
sarah.levy@ky.gov

- (1) Provide a brief summary of:
 - (a) What this administrative regulation does: This administrative regulation establishes the procedures for participation by Kentucky postsecondary institutions in the State Authorization Reciprocity Agreement (SARA), which establishes uniform national standards for interstate offerings of postsecondary distance education and authorizes postsecondary educational institutions meeting those standards located in member states or territories to provide distance education to residents of other member states.
 - (b) The necessity of this administrative regulation: KRS 164.540(3) provides the Council with the authority to enter into SARA on behalf of the Commonwealth and promulgate regulations to establish procedures for Kentucky postsecondary institutions to participate.
 - (c) How this administrative regulation conforms to the content of the authorizing statutes: The administrative regulation sets out the procedures for Kentucky postsecondary institutions to participate in SARA as required by KRS 164.540(3)(c).
 - (d) How this administrative regulation currently assists or will assist in the effective administration of the statutes: The procedures set forth in this regulation are in conformance with SARA requirements which must be met in order for Kentucky to be a member as authorized by KRS 164.540(3).
- (2) If this is an amendment to an existing administrative regulation, provide a brief summary of:

- (a) How the amendment will change this existing administrative regulation: This amendment increase fees for SARA participation by half the current rate for each tier.
 - (b) The necessity of the amendment to this administrative regulation: The capacity required to keep pace with institutional approvals and the constant modification of the participation requirements by NC-SARA has increased since the state's initial participation in 2016. In addition, KERS contribution rates have increased since that time, requiring additional annual receipts to cover a large portion of related staff expenses.
 - (c) How the amendment conforms to the content of the authorizing statutes: The authorizing statutes give the Council the authority to adopt provisions via regulation to meet the SARA participation requirements.
 - (d) How the amendment will assist in the effective administration of the statutes: This amendment will allow the Council to better cover its expenses to effectively administered Kentucky's participation in SARA.
- (3) List the type and number of individuals, businesses, organizations, or state and local governments affected by this administrative regulation: All public and private colleges and universities offering Associate's degrees or higher. Currently there are 45 Kentucky institutions approved for SARA participation.
- (4) Provide an assessment of how the above group or groups will be impacted by either the implementation of this administrative regulation, if new, or by the change if it is an amendment, including:
- (a) List the actions that each of the regulated entities identified in question (3) will have to take to comply with this administrative regulation or amendment: Each regulated entity must pay the increased fee in order to continue participation in SARA.
 - (b) In complying with this administrative regulation or amendment, how much will it cost each of the entities identified in question (3): The additional cost is outlined in the changes to the fees. There will be no other additional costs and compliance will otherwise remain the same.
 - (c) As a result of compliance, what benefits will accrue to the entities identified in

question (3): Institutions will be able to continue participation in SARA.

- (5) Provide an estimate of how much it will cost to implement this administrative regulation:
- (a) Initially: The amendment will not result in any additional cost of implementation initially.
 - (b) On a continuing basis: The amendment will not result in any additional cost of implementation on a continual basis.
- (6) What is the source of the funding to be used for the implementation and enforcement of this administrative regulation: SARA fees and General Fund appropriations.
- (7) Provide an assessment of whether an increase in fees or funding will be necessary to implement this administrative regulation, if new, or by the change if it is an amendment: No. The amendment is an increase in fees that will assist in providing more non-General Fund financial support for administering the program as it currently exists.
- (8) State whether or not this administrative regulation establishes any fees or directly or indirectly increases any fees: Yes. This regulation assesses fees.
- (9) TIERING: Is tiering applied? Yes, tiering is applied based on the number of full time students served by the institution.

FISCAL NOTE ON STATE OR LOCAL GOVERNMENT

Administrative Regulation 13 KAR 4:010. State Authorization Reciprocity Agreement

Contact person: Sarah Levy
Executive Director of Postsecondary Licensing
Council on Postsecondary Education
100 Airport Road, 2nd Floor
Frankfort, KY 40601
502.892.3034
sarah.levy@ky.gov

1. What units, parts or divisions of state or local government (including cities, counties, fire departments, or school districts) will be impacted by this administrative regulation? The Council is responsible for implementation, and this regulation applies to Kentucky public institutions and private colleges and universities that seek to become members of SARA.

2. Identify each state or federal statute or federal regulation that requires or authorizes the action taken by the administrative regulation. KRS 164.540(3)(c).

3. Estimate the effect of this administrative regulation on the expenditures and revenues of a state or local government agency (including cities, counties, fire departments, or school districts) for the first full year the administrative regulation is to be in effect.

(a) How much revenue will this administrative regulation generate for the state or local government (including cities, counties, fire departments, or school districts) for the first year? If the proposed amendment is adopted, revenue from SARA fees will be approximately \$261,000 annually.

(b) How much revenue will this administrative regulation generate for the state or local government (including cities, counties, fire departments, or school districts) for subsequent years? See 3(a).

(c) How much will it cost to administer this program for the first year? Approximately \$376,000 budgeted for 3 FTE staff dedicated to licensure and state authorization for postsecondary education functions. This amount does not include the cost of oversight and leadership at the vice presidential and presidential levels, data and IT

administration and development costs, and traditional agency administrative costs (procurement, HR, etc.).

(d) How much will it cost to administer this program for subsequent years? Same as 3.(c).

Note: If specific dollar estimates cannot be determined, provide a brief narrative to explain the fiscal impact of the administrative regulation.

Revenues (+/-):

Expenditures (+/-):

Other Explanation: N/A

2021 REGULAR SESSION CALENDAR

JANUARY – PART I

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
					1 New Years' Day	2
3	4	5 Part I Convenes (1)	6 (2)	7 (3)	8 (4)	9
10	11	12	13	14	15	16
17	18 Martin Luther King, Jr. Day	19	20	21	22	23
24	25	26	27	28	29	30
31						

FEBRUARY – PART II

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
	1	2 Part II Convenes (5)	3 (6)	4 (7)	5 Last Day for Bill Requests (8)	6
7	8 (9)	9 (10)	10 (11)	11 (12)	12 Last day for new Senate bills (13)	13
14	15 Presidents' Day HOLIDAY	16 Last day for new House Bills (14)	17 (15)	18 (16)	19 (17)	20
21	22	23 (18)	24 (19)	25 (20)	26 (21)	27
28						

Denotes break between Parts I and II. Bill drafts may be requested during this period for introduction when Part II convenes.

MARCH

() Denotes Legislative Day

2021 REGULAR SESSION CALENDAR

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
	1	2	3	4	5	6
		(22)	(23)	(24)		
7	8	9	10	11	12	13
	(25)	(26)	(27)			
14	15	16	17	18	19	20
	Concurrence (28)	Concurrence (29)	VETO	VETO	VETO	VETO
21	22	23	24	25	26	27
	VETO	VETO	VETO	VETO	VETO	VETO
28	29	30	31			
		SINE DIE (30)				

TITLE: Federal Stimulus Bill

DESCRIPTION: Staff will brief the Council on the parameters of the Consolidated Appropriations Act 2021.

PRESENTERS: Lee Nimocks, CPE's Chief of Staff and Vice President
Bill Payne, CPE's Vice President of Finance and Administration

SUPPORTING INFORMATION

On December 21, 2020, Congress passed the Consolidated Appropriations Act, 2021, which was signed into law on December 27. While the amount of relief funding going to higher education was lower than some in the postsecondary community had hoped and advocated for, it will provide essential help in responding to the financial challenges facing higher education and students due to the pandemic. The Southern Regional Education Board (SREB) recently released the following detailed analysis of the funding distribution by sector and state.

Importantly, the new law includes significant policy reforms including a requirement to simplify the application process for federal student aid (FAFSA form), forgives more than \$1 billion in federal loans to HBCUs, and expands the Pell Grant program to people who are incarcerated.

Staff will be available to provide a high level overview and respond to questions from the Committee.

Education-Related Funding in the December 2020 Federal COVID Relief Bill

On December 21, 2020, Congress passed the 2,100-page Consolidated Appropriations Act of 2021, which includes a stimulus and pandemic relief package of almost \$900 billion.

The stimulus package includes \$81.88 billion for the Education Stabilization Fund, dollars available through September 30, 2022. A set-aside of 1% evenly split between the outlying areas and the Bureau of Indian Education is reserved off the top.

The remaining \$81,061,200,000 is split between three funds:

- GEER (the Governors Emergency Education Relief fund) receives 5% of the funding, or \$4,053,060,000.
- HEER (the Higher Education Emergency Relief fund) receives 28% of the funding, or \$22,697,136,000.
- ESSER (the Elementary and Secondary Emergency Relief fund) receives 67% of the funding, or \$54,311,004,000.

In general, the allocation of funds and their acceptable uses are very similar to the CARES Act passed in March. There is a maintenance of effort requirement for the GEER and ESSER funds. To receive funding, a state must provide assurances that it will maintain support for elementary and secondary education and for higher education for fiscal 2022 at a level of spending for elementary and secondary education and higher education at least proportional to overall state spending averaged over fiscal years 2017, 2018 and 2019. (The U.S. Secretary of Education may waive this requirement.)

Provisions specific to each of the funding streams are below.

	CARES Act	CAA 2020
GEER	\$2,953,230,000	\$1,303,060,000
GEER non-public schools		\$2,750,000,000
ESSER	\$13,229,265,000	\$54,311,004,000
HEER	\$13,952,505,000	\$22,697,136,000

ESSER and GEER

CARES Act Allocations and Projected Consolidated Appropriations Act Allocations

	CARES ESSER <i>Actual</i>	CAA ESSER <i>Projected</i>	CARES GEER <i>Actual</i>	CAA GEER* <i>Projected</i>
<i>Total</i>	13,229,265,000	54,311,004,000	2,953,230,000	1,303,060,000
Alabama	216,947,540	890,649,534	48,851,495	21,554,849
Arkansas	128,758,638	528,601,619	30,663,725	13,529,821
Delaware	43,492,753	178,553,765	7,916,821	3,493,155
Florida	770,247,851	3,162,151,042	173,585,880	76,591,669
Georgia	457,169,852	1,876,850,577	105,720,728	46,647,383
Kentucky	193,186,874	793,103,251	43,799,187	19,325,609
Louisiana	286,980,175	1,178,159,287	50,276,799	22,183,739
Maryland	207,834,058	853,235,335	45,657,990	20,145,772
Mississippi	169,883,002	697,432,276	34,662,872	15,294,373
North Carolina	396,311,607	1,627,005,073	95,638,869	42,198,943
Oklahoma	160,950,476	660,760,967	39,919,354	17,613,702
South Carolina	216,311,158	888,036,951	48,467,924	21,385,605
Tennessee	259,891,154	1,066,948,882	63,582,031	28,054,435
Texas	1,285,886,064	5,279,035,771	307,026,008	135,469,743
Virginia	238,599,192	979,537,538	66,775,322	29,463,418
West Virginia	86,640,471	355,691,035	16,353,314	7,215,607

* Not including Emergency Assistance to Non-Public Schools funding

Note: The projections above are preliminary based on the actual distribution of CARES Act allocations.

GEER funds

Each state with an approved application under the CARES Act passed in March receives funding, to be awarded within 30 days of the passage of the new act. The GEER funding in the Appropriations Act is divided into two streams.

1. \$1,303,060,000 is allocated to states based 60% on a state's proportion of population age 5 to 24 to the total population of that group nationally, and 40% on the relative number of children counted for Title I. Funds are to provide emergency grants to:

- Local education agencies the state education agency deems most significantly impacted by the coronavirus pandemic
- Institutions of higher education the governor determines have been most significantly impacted by the pandemic
- Any other institution of higher education, local education agency, or education-related entity the governor deems essential for carrying out emergency educational services to students for activities authorized under federal education programs; providing child

care and early childhood education, social and emotional support services; and protecting education jobs.

2. \$2,750,000,000 is included for emergency assistance for non-public schools. The governor in each state administers this funding, which is based on the number of children ages 5 to 17 at 185% or less of the federal poverty level enrolled in non-public schools in the state in relation to the number of all such children in all states. Funds must be allocated to the non-public schools within six months.

Allowable uses of the funds for non-public schools include personal protection equipment, cleaning supplies, ventilation improvements, physical barriers to facilitate social distancing, expanded capacity to administer coronavirus testing and perform contact tracing, educational technology to assist students, educators, and staff with remote or hybrid learning, and education and support services for remote or hybrid learning or addressing learning loss.

Non-public schools apply to state education agencies for this funding, and the control of funds remains with a public agency. Funds cannot be used to support private K-12 education vouchers, tuition tax credit programs, education savings accounts, scholarships or tuition assistance, or to assist organizations that provide K-12 private education scholarships or aid. However, a state that had previously used GEER funds for financial assistance to private school students may continue the program for the 2020-21 school year.

ESSER funds

This funding is allocated according to the state's proportion of Title I Part A funding, and states allot it to districts on that basis. As in the CARES Act, the state education agency may reserve a maximum of 10% of a state's funding (up to 0.5% of a state's total allocation, taken from the state agency reserve, may be used for administration). At least 90% of the funding goes to local education agencies.

Funds may be used for activities authorized by the major federal education programs and other specific purposes including:

- Maintaining local education agencies' continuity of services and operations, and continued employment of staff
- Coordinating preparedness and response efforts with the other state, local, tribal or territorial entities
- Addressing the unique needs of disadvantaged populations
- Purchasing education technology (hardware, software, and connectivity)
- Providing mental health services and support
- Addressing student learning loss, including improving distance learning engagement
- Repairing and improving school facilities to reduce the risk of virus transmission and exposure to environmental health hazards

The last two uses are new provisions under this round of ESSER funding.

HEER funds

This funding is allotted directly to institutions of higher education, and institutions are required to provide at least 50% as emergency aid to students, as was required by the CARES Act. Institutions with approved applications from the CARES distribution are not required to submit a new or revised application.

Under the CARES Act, 90% of HEER funds (\$12,557,254,500) were allocated to institutions based on the proportion of two student populations compared with those student population totals nationwide before the onset of the pandemic, weighted as follows:

- 75% for full-time-equivalent Pell students not in distance education only
- 25% for full-time-equivalent non-Pell students not in distance education only

HEER

CARES Act Allocations and Projected Consolidated Appropriations Act Allocations

	CARES HEER <i>Actual</i>	CAA HEER <i>Projected</i>
<i>Total</i>	12,507,254,503	20,200,451,040
Alabama	199,118,611	321,596,218
Arkansas	120,857,885	195,197,418
Delaware	34,026,660	54,956,415
Florida	740,208,266	1,195,509,440
Georgia	406,119,208	655,922,622
Kentucky	156,808,414	253,261,072
Louisiana	189,864,271	306,649,545
Maryland	188,939,061	305,155,240
Mississippi	149,058,183	240,743,684
North Carolina	378,297,277	610,987,456
Oklahoma	159,882,462	258,225,963
South Carolina	180,497,659	291,521,542
Tennessee	237,170,230	383,053,340
Texas	1,165,403,277	1,882,241,369
Virginia	294,391,162	475,470,796
West Virginia	66,559,082	107,499,489

Note: State projections above are based on the actual allocation of CARES Act funds, using a different allocation methodology (see below). These numbers should be considered very rough estimates.

Of the total HEER amount, 89% (\$20,200,451,040) is allocated to institutions by their proportions of specified student populations compared with those population totals nationwide before the onset of the pandemic. Calculation of a specific allocation to an institution is weighted as follows:

- 37.5% for full-time Pell recipients
- 37.5% for non-Pell students
- 11.5% for non-Pell students in distance education only
- 11.5% for non-Pell students in a mix of distance education and traditional instruction
- 1% for Pell in distance education only
- 1% for Pell in mixed distance education and traditional instruction

The remaining 11% of HEER funding (\$2,496,684,960) is divided as follows:

- 7.5% for additional funds to institutions participating in various Higher Education Act programs, such as Strengthening Institutions, Strengthening HBCUs (historically Black colleges and universities), Innovative Programs, Developing Hispanic-Serving Institutions, and Master's Degree Programs at HBCUs & PBIs (predominantly Black institutions)
- 3% to proprietary institutions that provide occupational training
- 0.5% for institutions participating in the Fund for the Improvement of Postsecondary Education program that have the greatest unmet coronavirus recovery needs

The Consolidated Appropriations Act requires the U.S. Secretary of Education to allocate the main portion of funding and the 3% for proprietary institutions within 30 days of enactment, the 7.5% for program-participating institutions within 60 days, and the remaining 0.5% for Fund for the Improvement of Postsecondary Education institutions within 120 days.

Institutions of higher education may use the funds to defray expenses associated with the coronavirus pandemic (including lost revenues and expenses already incurred), technology costs associated with distance learning, faculty and staff training, and payroll. Institutions may also use funding to carry out student support activities or provide financial aid grants to assist with any component of a student's cost of attendance or emergency costs arising from the pandemic, such as tuition, food, housing, health care, mental health care or child care.

As with the CARES Act, HEER funds may not be used for marketing, student recruitment, endowments, or for capital outlays for athletics, sectarian instruction or religious worship. The act prohibits use of HEER funds for compensation, bonuses or cash benefits for executive staff.

Broadband Access

The Consolidated Appropriations Act provides \$4.8 billion for programs to expand Americans' access to broadband internet services at home.

Congress allocated \$3.2 billion for the Emergency Broadband Benefit Program, which will reimburse internet service providers for providing discounted broadband service to households that meet one or more of the following criteria:

- Defined as low income under the FCC's Lifeline program
- Participates in the free and reduced-price lunch program
- Suffered a substantial loss of income after February 2020 due to the pandemic
- Has a current Pell recipient
- Eligible for the service provider's low-income or COVID-19 discount program

Reimbursement to a service provider will be for the amount of the discount provided to a household for broadband service, up to \$50. In addition, a provider may receive up to \$100 reimbursement for one connectivity device per household if the charge to the consumer is at least \$10 and no more than \$50.

The \$300 million Broadband Infrastructure Program will provide competitive grants designed to expand broadband access to underserved and unserved areas, with priority given to projects that provide service to the greatest number of households and to projects in rural areas.

The \$285 million Connecting Minority Communities Pilot Program will provide grants to HBCUs, Minority-Serving Institutions and Tribal Colleges and Universities to purchase broadband internet service and equipment and to hire and train technology personnel. Additionally, the Consolidated Appropriations Act allocates \$1 billion for Tribal broadband connectivity grants.

Prepared by SREB State Services staff

TITLE: Kentucky Student Information Portal

DESCRIPTION: Staff will provide an update on the development of the student information portal website, including the scope and funding requirements.

PRESENTERS: Amanda Ellis, CPE's Associate Vice President for P-20 Policies and Programs

BACKGROUND INFORMATION

At the 2019 CPE retreat, board members identified the need for state-level tools to facilitate pathways between K-12 and postsecondary education as one of their top priorities. Members were particularly interested in the development of a multifunctional on-line portal to help Kentucky students navigate the often complicated transition between secondary and postsecondary education, as well as to support non-traditional students seeking to finish programs, reskill, or shift careers.

Kentucky's new online postsecondary portal will provide students and families with resources and information to guide them through college and career planning, and prepare for and pay for college. The portal will be designed to be a one-stop-shop for:

- Middle and early high school students who are starting their college and career explorations.
- Juniors and seniors who are beginning the application process and are narrowing their focus.
- Students who need guidance about transferring credit from one campus to another.
- Working adults looking for additional education to advance in their careers.
- Veterans seeking college credit for military service.

The interactive site also will support high school counselors, college admissions officers, and academic advisors as they assist students in navigating from one level of education to another.

PROJECTED FUNDING NEEDS

Staff estimates that the new portal will require at least \$500,000 in non-recurring funds to support platform and mobile application development, security, database development,

accessibility, integration with other resources, and content development. Additional recurring funds are needed to support site maintenance, regular content upgrades, and additional development. For the past two state budget cycles, CPE has requested funds from the General Assembly to support the development of the state portal but we have not been successful. The General Assembly will consider a similar CPE request during the current legislative session. CPE staff will bring alternative funding strategies to the Executive Committee at a future meeting if legislative efforts are not successful.

PROJECT SCOPE AND DELIVERABLES

Phase 1:

- Secure web domain and social media accounts, and begin building a basic site with searchable info based on demographics of user that links to existing websites.
- Create a communications calendar with weekly and monthly promotions (FASFA and college application deadlines).
- Launch 1.0 of the website, and build brand recognition and search engine optimization (SEO) capital through a small-scale marketing campaign.

Phase 2:

- Build 2.0 of the website that has a database mainframe to include logic technology (a K-12 student would see different education and grant/scholarship options than an adult learner due to dual credit and KEES options).
- Work with high schools, colleges, KYStats, and KHEAA to populate backend data.
- Gather success stories of Kentucky graduates, especially first generation and underserved students. Use success stories in advertising and social media campaigns.

Phase 3:

- Launch 2.0 of the website with a large-scale marketing campaign and direct outreach to schools, adult learning centers, veterans' affairs offices, parent groups, etc.
- Plan branded college/career events at schools and community centers.
- Continuous improvement of website, adding new career/college info, scholarships, success stories, etc.