KENTUCKY COUNCIL ON POSTSECONDARY EDUCATION
FINANCE COMMITTEE MEETING

January 27, 2025 - 1:00 p.m., ET
Virtual Meeting via ZOOM - https://us02web.zoom.us/j/89129396618

MEETING MINUTES

Draft for Approval by the Finance Committee, January 27, 2025

Who:	Kentucky Council on Postsecondary Education
Meeting Type:	Finance Committee
Date:	November 15, 2024
Time:	1:00 p.m. ET
Location:	Virtual Meeting via ZOOM Webinar

CALL TO ORDER

The Finance Committee met Friday, November 15, 2024, at 1:00 p.m., ET. The meeting occurred virtually via ZOOM webinar. Committee Chair Jacob Brown presided.

ROLL CALL

The following Committee members attended the meeting: Jacob Brown, Lindsey Case, Jennifer Collins, Kellie Ellis, and Elaine Walker. Committee member Madison Silvert did not attend. Newly appointed Council member Sean Garber also attended the meeting as a non-voting member.

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

APPROVAL OF THE MINUTES

The minutes of the September 9, 2024, Finance Committee meeting were approved as presented.

PROPOSED REVISIONS TO THE 2024-2026 ASSET PRESERVATION POOL GUIDELINES AND 2022-2024 ASSET PRESERVATION POOL GUIDELINES

Mr. Ryan Kaffenberger, Director of Finance Policy and Programs, presented the proposed revisions to the *2022-2024 Asset Preservation Pool Guidelines* and *2024-2026 Asset Preservation Pool Guidelines*. Both policies were last approved at the June 21, 2024, Council meeting, and as asset preservation pool projects have been planned, submitted, and reviewed for eligibility, it has become apparent to both CPE staff and campus Chief Budget Officers (CBOs) that the Guidelines could be improved by adding and removing language. Mr. Kaffenberger discussed each of the proposed revisions, including the rationale for each.

MOTION: Ms. Walker moved the Finance Committee endorse for Council approval the proposed revisions to the *2022-2024 Asset Preservation Pool Guidelines* and *2024-2026 Asset Preservation Pool Guidelines*. Dr. Ellis seconded the motion.

VOTE: The motion passed.

INTERIM CAPITAL PROJECT – MOREHEAD STATE UNIVERSITY, RAZE AND REPLACE NORMAL RESIDENCE HALL

Mr. Kaffenberger presented Morehead State University's request to approve to use $10,200,000 from the 2024-2026 Asset Preservation Pool to raze the existing Normal Hall and replace it with a new building at the main campus. Dr. Jay Morgan, president of Morehead State University, provided additional context and discussed the need for the project.

Based on an assessment conducted by Schmidt Associates, renovating Normal Hall was estimated to cost approximately $8,990,000. The estimated cost to raze and replace the Normal Residence Hall does not exceed 115% of the estimated cost to renovate the building (i.e., $10,338,500). Therefore, the raze and replace project complies with the Council's 2024-2026 Asset Preservation Pool Guidelines.

MOTION: Dr. Ellis moved that the Finance Committee endorse for Council approval the proposed raze and replace project at Morehead State University. Ms. Walker seconded the motion.

VOTE: The motion passed.

INTERIM CAPITAL PROJECT – MAYSVILLE COMMUNITY AND TECHNICAL COLLEGE, MONTGOMERY CAMPUS WELDING LAB RENOVATION

Mr. Kaffenberger presented KCTCS's request to approve a $1,220,000 federal and agency restricted fund interim capital project at the Maysville Community and Technical College Montgomery Campus that will renovate space for a new welding lab. The lab will include 14 welding booths. One of the booths will be designed to be ADA accessible. The project's total scope is $1,220,000 and will be funded with $976,000 in federal funds and $244,000 in agency restricted funds. The project will be submitted for approval by the KCTCS Board of Regents at their December 6, 2024, meeting. As such, CPE staff recommended the Finance Committee endorse the project for full Council approval contingent upon its approval by the KCTCS Board of Regents.

MOTION: Ms. Walker moved that the Finance Committee endorse for Council approval the proposed interim capital project at Maysville Community and Technical College, contingent upon its approval by the KCTCS Board of Regents at their December 6, 2024, meeting. Ms. Collins seconded the motion.

VOTE: The motion passed.

UPDATE ON PROPOSED RAZE AND REPLACE ASSET PRESERVATION POOL PROJECT: SOUTHEAST KY COMMUNITY AND TECHNICAL COLLEGE, WHITESBURG CAMPUS PEDESTRIAN BRIDGE

Mr. Kaffenberger provided updated cost estimates for a raze and replace project at Southeast Kentucky Community and Technical College's Whitesburg Campus that was previously approved for 2024-2026 Asset Preservation Pool funds contingent upon KCTCS officials bringing updated and policy-compliant cost estimates to the Council at its next available meeting.

On November 4, 2024, Brown and Kubican completed a structural condition survey and opinion of probable cost for the pedestrian bridge. In the report, the engineers note that renovating the pedestrian bridge is no longer a viable option and, thus, no renovation cost estimate is provided. Brown and Kubican estimate the probable demolition and construction cost at $1,550,000. Additionally, they estimate design and inspection costs for the replacement bridge at $215,000. Altogether, the engineers recommend KCTCS budget $1,850,000 to raze and replace the SEKY CTC Whitesburg Campus pedestrian bridge, which also includes contingency funds.

Because it is the opinion of the independent third-party industry professional (i.e., Brown and Kubican) that repairing the pedestrian bridge is no longer a viable option and, therefore, a cost estimate is not practical, it is CPE staff's opinion that the updated structural condition survey and opinion of probable cost comply with Council policy.

UPDATE ON PERFORMANCE FUNDING WORK GROUP

Dr. Bill Payne, Vice President of Finance Policy and Programs, provided an update on the discussions and recommendations of the 2024 Postsecondary Education Working Group on Performance Funding.

During the 2024 Regular Session, the Kentucky General Assembly adopted Senate Bill 191, which was the mechanism by which recommendations of the 2023 Postsecondary Education Working Group were operationalized, signed by the Governor, and eventually codified in KRS 164.092. Included in that bill was language specifying that the comprehensive funding model for the public postsecondary system implemented by the Council on Postsecondary Education "shall include a public university sector formula and a KCTCS sector formula and shall not include any race-based metrics or targets in the formulas". In this manner, underrepresented minority student degree and credential metrics were removed from public university and KCTCS funding models. The word "minority" in the phrase “underrepresented minority student” was struck through in several places in Senate Bill 91.

The working group met three times in September and October 2024, to address the charge as determined by the General Assembly to “convene during the 2024 Interim for the sole purpose of considering how to define ‘underrepresented students’ in the comprehensive funding model for the public postsecondary education system...” At its final meeting on October 28, a majority of work group members voted to define “underrepresented students” in the university funding model as first-generation college students and to assign 3.0% of available allocable resources to bachelor’s degrees earned by such students. In addition, a majority of members voted to apply a sector weighting to the first-generation bachelor’s degree metric, calculated at the midpoint between no weighting and full weighting. With respect to the two-year college model, the working group unanimously accepted the recommendations of KCTCS officials to adopt first-generation college student credentials as the “underrepresented students” metric and to align allocation percentages at 4.0% each for first-generation college student (i.e., underrepresented student), low-income student, underprepared student, and nontraditional age (25+) student credentials.

With these actions, the work and activities of the 2024 Postsecondary Education Working Group were thereby concluded. A transmittal letter conveying the recommendations of the work group was sent to the Governor and Legislative Research Commission for referral to the Interim Joint Committees on Education and Appropriations and Revenue. It is anticipated that the recommendations of the working group can be operationalized through changes in administrative regulation, instead of passing a bill or changing the statute.

COMPONENTS OF THE TOTAL COST OF ATTENDANCE

Mr. Kaffenberger presented to the Committee the trends over time in room and board costs, books and supplies, and other costs that comprise component elements of the total cost of attendance at Kentucky public universities. Key takeaways from the staff’s analysis of the components of total cost of attendance at the public universities include:

- In general, room and board prices have not drastically outpaced growth in tuition and fees since CPE began setting tuition and fee ceilings; however, room and board rates at some institutions have been accelerating in recent years.
- Room and board increases occur more sporadically than tuition and fees, often aligned with the opening of new/improved residence halls and other auxiliary services.
- Universities serving rural areas in particular have made efforts to maintain affordability as evidenced by (1) room and board increases closely tied to the Council’s historically low tuition and fee increases, (2) decelerating room and board increases, and (3) reductions in the cost of books and supplies.
- Data reported to IPEDS by the institutions would benefit from a standardized methodology for calculating each cost component, which would result in greater

comparability across institutions over time, particularly for room and board, other expenses, and books and supplies.

- Methodologies and the rationales for their use differ across universities when calculating the components of total price, which can have a differential impact on current and prospective students.

TUITION SETTING PROCESS FOR ACADEMIC YEAR 2025-26

Dr. Payne discussed the upcoming 2025-26 tuition setting cycle, including the preliminary timeline and the Council's current Tuition and Mandatory Fee Policy. A copy of a Preliminary 2025-26 Tuition Setting Timeline was provided, which showed the following key dates:

- Revisions to the Tuition and Mandatory Fee Policy - January 31, 2025
- Council action on tuition and fee ceilings - April 18, 2025
- Council action on campus tuition and fee proposals - June 13, 2025.

Staff will work with campus chief budget officers and presidents over the next five months to finalize the timeline as well as the Council's Tuition and Mandatory Fee Policy and recommended tuition and fee ceilings for academic year 2025-26. For the upcoming year, it is anticipated that revisions to the policy will be minimal.

ADJOURNMENT

The Finance Committee adjourned at 2:40 p.m., ET.

TITLE: Interim Capital Project – Kentucky State University Betty White Building Renovation

DESCRIPTION: Staff recommends that the Finance Committee endorse for Council approval a $2,467,500 federally funded interim capital project at Kentucky State University that will renovate the Betty White Building.

STAFF CONTACT: Ryan Kaffenberger, Director, Finance Policy and Programs

SUPPORTING INFORMATION

Kentucky State University (KSU) staff request authorization for an interim capital project to renovate the Betty White Building (see Attachment A). The proposed project would be federally funded with Facility Grant Funds from the U.S. Department of Agriculture (see Attachment B). The renovation will transform the existing space to create two labs and additional classrooms and offices to address a critical shortage of such spaces related to the KSU Land Grant Program's graduate studies. The renovation would also include replacing roofing, windows, and the HVAC system.

The KSU Board of Regents approved a total project scope of $2,467,500 for this project at its December 6, 2024, meeting. As such, CPE staff's recommendation reflects this amount. However, the U.S. Department of Agriculture has approved this project at $2,853,330.45 (see Attachment B). If this project is approved by the Council, KSU officials would take the project to their Board to approve a scope increase at their January 31, 2025, meeting allowing them to use the full $2,853,330.45. Upon receiving Board approval for the scope increase, KSU officials would present the project to the Finance and Administration Cabinet and Capital Projects and Bond Oversight Committee.

APPROVAL PROCESS

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

> (15) Notwithstanding KRS 45.760, the governing board may authorize a capital construction project or a major item of equipment even though it is not specifically listed in any branch budget bill, subject to the following conditions and procedures:
>
> (a) The full cost shall be funded solely by non-general fund appropriations;
>
> (b) Moneys specifically budgeted and appropriated by the General Assembly for another purpose shall not be allotted or re-allotted for expenditure on the project or major item of equipment. Moneys utilized shall not jeopardize any existing program and shall not require the use of any current general funds specifically dedicated to existing programs; and
>
> (c) The institution's president, or designee, shall submit the project or major item of equipment to the Capital Projects and Bond Oversight Committee for review as provided by KRS 45.800.

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

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

Because this project was not previously approved by the Council and it was not authorized in the enacted 2024-26 budget (HB 6), Council approval is now required to authorize this project. KSU will not be debt financing any portion of this project; therefore, provisions of KRS 45.763 do not apply.

NEXT STEPS

Following final action by the Council, CPE staff will notify the president of KSU, the Secretary of the Finance and Administration Cabinet, and the Capital Projects and Bond Oversight Committee concerning this interim capital project.

KENTUCKY STATE UNIVERSITY
400 EAST MAIN STREET
FRANKFORT, KENTUCKY 40601

January 22, 2025

Ryan Kaffenberger
Executive Director, Finance and Budget
Kentucky Council on Postsecondary Education

Dear Ryan,

Kentucky State University is requesting Council approval for a capital construction project exceeding one million dollars. This project was approved at the December 6, 2024 Kentucky State University Board of Regents meeting. While the Board approval for this project is $2,467,500, the USDA has approved this project for $2,853,330.45. The increase in the project will be presented to the Board at the January 31, 2025 meeting for their approval.

The project is the Renovation of the Betty White Building, which is being funded with USDA Facility Grant Funds. The KSU Land Grant Program has a critical shortage of laboratory and classroom space for graduate studies. This project will create two laboratories, as well as additional classrooms and offices, by redesigning and making better use of the space in the soon-to-be-vacant Betty White building. This project will include major infrastructure replacements such as the roof, windows and HVAC system.

Please contact me with any questions or if additional information is needed.

Jenifer Linton

Jennifer Linton
Director of Capital Planning and Facilities Management

United States Department of Agriculture
National Institute of Food and Agriculture
AWARD FACE SHEET

Attachment B

1. Award No.	**2. Amendment No.**	**3. Proposal Number**	**4. Period of Performance**	**5. Type of Instrument**
2019-45200-29220	29	2025-02421	03/01/2019 through 02/28/2026	Grant

6. Type of Action	**7. CFDA Number**	**8.FAIN**	**9. Method of Payment**	**10. CRIS Number**
Revision	10.500	20194520029220	ASAP 45200292204520025000	1018191

11.Authority:
7 U.S.C. 3222b, Section 1447 of 7 U.S.C. 3222b as reauthorized by Section 7112 of P.L. 113-79, 1890 Facilities

12. Agency (Name and Address)
Awards Management Division
National Institute of Food and Agriculture/USDA
805 Pennsylvania Ave Kansas City, MO 64105

13. Awardee Organization
KENTUCKY STATE UNIVERSITY
FRANKFORT, KY 40601-2355

14. Program Point of Contact:
Rizana Mahroof
Telephone: 803-465-3980
rizana.mahroof1@usda.gov

Administrative Point of Contact:
Michael Collier
Telephone: 251-298-2883
michael.collier2@usda.gov

15. Project Director/Performing Organization
Marcus Bernard
Kentucky State University
Frankfort, KY 40601

16. Funding:	**Federal**	**Non-Federal**
Previous Total	$5,681,677.19	$0.00
+ or -	$0.00	$0.00
Total	$5,681,677.19	$0.00
Grand Total	$5,681,677.19	

17. Funds Chargeable

FY-TAS- FDC	**Amount**	**FY-TAS-FDC**	**Amount**
22-12X0502-45200	$0.00		

18. Title of Proposal
Kentucky State University Facility Grant Plan 2018-2023

PROVISIONS

This Award incorporates the following:

1. The request(s) contained in the letter dated December 13th, 2024 have been reviewed by this office and the NIFA cognizant program official. NIFA approves the request as indicated below:
2. Create objective #13 Betty White Research Facility Renovation and allocate funds in the amount of $2,853,330.45 from the following objectives

#1 $26,876.41
#2 $731,339.00
#3 $635,626.96
#6 $159,493.08
#8 $1,300,000.00
Total $2,853,330.45

3. Delete objectives #3 New Franklin Co. Farm Multi-Purpose Building and #8 Hunter Hall 3rd and 4th Floors and moving the funds from these objectives to #5 and #13

4. Reduction of the funds in the following amounts from the following objectives.

Reduce Objective #1 by $26,846.41 and move to #13
Reduce Objective #2 by 819,339 moving funds to #7 $88,000 and #13 $731,339 and leaving $992,160 for this objective
Reduce Objective #4 by $250,000 moving funds to #7 and leaving $378,131.19 for this objective
Reduce Objective #6 by $159,493.08 moving to #13

5. Increase the funds in the following amounts for the following objectives.

Increase objective #5 by $114,373.04
Increase objective #7 by $338,000

6. The May 2024 Facilities Terms and Conditions and the USDA/NIFA Agency-Specific Terms and Conditions shall supersede and

FOR THE UNITED STATES DEPARTMENT OF AGRICULTURE
This award, subject to the provisions above, shall constitute an obligation of funds on behalf of the Government. Such obligation may be terminated without further cause unless the recipient commences the timely drawdown of funds; such drawdowns may not exceed one year from issuance date of the award.

Typed Name	**Signature**	**Date**
Mark Heap Authorized Departmental Officer	MARK.HEAP	12/31/2024

United States Department of Agriculture
National Institute of Food and Agriculture
AWARD FACE SHEET

1. Award No.	2.Amendment No.	3. Proposal Number	4. Period of Performance	5. Type of Instrument
2019-45200-29220	29	2025-02421	03/01/2019 through 02/28/2026	Grant

6. Type of Action	7. CFDA Number	8.FAIN	9. Method of Payment	10. CRIS Number
Revision	10.500	20194520029220	ASAP 45200292204520025000	1018191

11.Authority:
7 U.S.C. 3222b, Section 1447 of 7 U.S.C. 3222b as reauthorized by Section 7112 of P.L. 113-79, 1890 Facilities

12. Agency (Name and Address)
Awards Management Division
National Institute of Food and Agriculture/USDA
805 Pennsylvania Ave Kansas City, MO 64105

13. Awardee Organization
KENTUCKY STATE UNIVERSITY
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Rizana Mahroof
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rizana.mahroof1@usda.gov

Administrative Point of Contact:
Michael Collier
Telephone: 251-298-2883
michael.collier2@usda.gov

15. Project Director/Performing Organization
Marcus Bernard
Kentucky State University
Frankfort, KY 40601

16. Funding:

	Federal	Non-Federal
Previous Total	$5,681,677.19	$0.00
+ or -	$0.00	$0.00
Total	$5,681,677.19	$0.00
Grand Total	$5,681,677.19	

17. Funds Chargeable

FY-TAS- FDC	Amount	FY-TAS-FDC	Amount
22-12X0502-45200	$0.00		

18. Title of Proposal
Kentucky State University Facility Grant Plan 2018-2023

PROVISIONS

replace the prior terms and conditions between the grantee and NIFA effective upon issuance of this amendment.

7. Failure to submit complete, accurate, and timely reports may result in possible award delays or enforcement actions. Federal Financial SF-425 forms are to be sent to 1890@usda.gov. Project progress reports are to be completed in the REEport portal located at https://portal.nifa.usda.gov. Questions regarding access to REEport should be directed to electronic@usda.gov. Additional information regarding grant management and closeout can be found at: https://www.nifa.usda.gov/grants/lifecycle/post-award and https://www.nifa.usda.gov/grants/lifecycle/close-out .
8. Unless otherwise stated, all other Provisions on the initial Award Face Sheet and any amendments thereto remain in effect.
9. If you have any questions concerning this action, please contact the 1890s mailbox (1890@usda.gov) and cc' the Administrative Point of Contact listed above.

FOR THE UNITED STATES DEPARTMENT OF AGRICULTURE

This award, subject to the provisions above, shall constitute an obligation of funds on behalf of the Government. Such obligation may be terminated without further cause unless the recipient commences the timely drawdown of funds; such drawdowns may not exceed one year from issuance date of the award.

TITLE: 2025-26 Tuition Setting Process

DESCRIPTION: Staff will provide an update on the 2025-26 tuition-setting process and discuss the *2025-26 Tuition Setting Timeline* and the drafted *Tuition and Mandatory Fee Policy for Academic Year 2025-26*.

STAFF CONTACTS: Bill Payne, Vice President for Finance Policy and Programs
Ryan Kaffenberger, Director of Finance Policy and Programs

TUITION SETTING TIMELINE

A copy of the *2025-26 Tuition Setting Timeline* can be found in Attachment A to this agenda item. The Council plans to take action on staff's tuition ceiling recommendation at their April 18, 2025, meeting. The Council will take action on campus tuition and fee proposals on June 13, 2025. Between now and the April 17 meeting, staff will work with campus presidents and chief budget officers to finalize proposed changes to the Council's tuition policy and develop tuition and fee ceiling recommendations for academic year 2025-26.

TUITION AND MANDATORY FEE POLICY

A copy of the draft *Tuition and Mandatory Fee Policy for Academic Year 2025-26* is included in Attachment B . This version of the policy has been shared and discussed with campus chief budget officers, but to date has not been vetted with institution presidents. As can be seen in the draft policy, other than a few wordsmithing changes, the main proposed changes are the elimination of Special Use Fee and Asset Preservation Fee exception provisions in the current policy. Background information about these exceptions and a rationale for their removal is provided below.

Special Use Fee Exception Policy

On April 28, 2011, the Council adopted a Special Use Fee Exception Policy that allowed Kentucky public postsecondary institutions, under certain conditions, to charge student endorsed fees that would be excluded from consideration when assessing institutional compliance with Council-approved rate ceilings. The underlying rationale for the exception policy was that the Council and campus officials should accommodate the desires of students to assess a fee on themselves to construct new facilities or renovate existing facilities that support student activities and services, without sacrificing revenue necessary to sustain ongoing campus operations.

Fees that qualified for a Special Use Fee exemption were for a fixed, recurring amount that could not increase over time. For this reason, during the process of establishing tuition and fee ceilings, Council staff deducts these fees from total tuition and fees before applying a percent increase parameter. This keeps the fees at the same amount each year until they expire.

Between June 10, 2011, and June 12, 2015, the Council approved Special Use Fee exception requests for five institutions. Although several institutions have asked about Special Use Fee exceptions in recent years, the Council changed its stance on allowing exemptions from rate ceilings. Declining enrollment at most institutions, precipitated by decreasing numbers of high school graduates and falling college participation rates, brought about a renewed focus on affordability and increased transparency in college pricing.

For several years, it has been common practice for the Council to count all increases in mandatory fees toward tuition and fee rate ceilings and to not allow exceptions from the price caps, including exceptions for special use and asset preservation fees. For this reason, in the attached *Tuition and Mandatory Fee Policy for Academic Year 2025-26*, <u>staff is proposing that the Special Use Fee Exception Policy be terminated beginning in academic year 2025-26</u>. In the coming weeks, staff will share and discuss this proposed change with campus presidents and bring a final recommendation to the Council at their April 17, 2025, meeting.

Asset Preservation Fee Exception Policy

On February 2, 2018, the Council adopted an Asset Preservation Fee Exception Policy that allowed institutions the option of charging student fees for asset preservation that would not be considered when assessing compliance with Council-approved tuition ceilings. Under the new policy, an institution could request a new mandatory fee supporting the renovation or renewal of an existing instructional facility and, if approved, neither the percent nor the dollar increase associated with that fee would count toward a rate ceiling established by the Council.

The rationale for this exception stemmed from a desire on the part of postsecondary education stakeholders to address an overwhelming asset preservation and renovation need (estimated to be $7.3 billion in 2013) through sizable and sustained investment in existing postsecondary facilities. There was a realization among policymakers that addressing a need of this magnitude could best be accomplished through a cost-sharing arrangement involving the state, postsecondary institutions, and students and families.

Fees that qualified for an Asset Preservation Fee exemption were for a fixed, recurring amount that could not increase over time. For this reason, during the process of setting tuition ceilings, staff deducts these fees from total tuition and fees before applying a percent increase parameter. This keeps the fees at the same amount each year until they expire.

Between June 22, 2018, and April 26, 2019, the Council approved Asset Preservation Fee exception requests for four institutions. Although several institutions have recently inquired about the possibility of adopting a new Asset Preservation Fee and receiving an exemption, as previously mentioned, the Council changed its stance on allowing fees to be assessed outside the caps. Since 2019, there has been a renewed focus on affordability and transparency in college pricing.

For several years, it has been common practice for the Council to count all increases in mandatory fees toward tuition and fee rate ceilings and to not allow exceptions from the price caps, including exceptions for special use and asset preservation fees. For this reason, in the attached *Tuition and Mandatory Fee Policy for Academic Year 2025-26*, staff is proposing that the Asset Preservation Use Fee Exception Policy be terminated beginning in academic year 2025-26. In coming weeks, staff will share and discuss this proposed change with campus presidents and bring a final recommendation to the Council at its April 17, 2025, meeting.

Council on Postsecondary Education
2025-26 Tuition Setting Timeline

Nov 13, 2024	CBO Meeting – Council staff will share the current *Tuition and Mandatory Fee Policy* and a Preliminary 2025-26 Tuition Setting Timeline with campus chief budget officers. Possible changes to the policy and timeline will be discussed.
Nov 15, 2024	Finance Committee Meeting – Council staff will share the current *Tuition and Mandatory Fee Policy* and a Preliminary 2025-26 Tuition Setting Timeline with committee members and provide an overview of the tuition setting process.
Nov 22, 2024	CPE Meeting – The Chair of the Finance Committee will share the current *Tuition and Mandatory Fee Policy* and a Preliminary 2025-26 Tuition Setting Timeline with the full Council and describe the tuition-setting process.
Nov – Jan	Council staff will update policy relevant data in the areas of funding adequacy, shared benefits and responsibility, affordability and access, effective use of resources, and attracting and importing talent. Staff will work with campus CBOs to identify proposed changes to the *Tuition and Mandatory Fee Policy* and finalize the *2025-26 Tuition Setting Timeline*.
Dec 4, 2024	Presidents' Meeting – Staff will share a Preliminary 2025-26 Tuition Setting Timeline and the current *Tuition and Mandatory Fee Policy* with campus presidents. Potential changes to the timeline and policy will be discussed.
Dec 18, 2024	CBO Meeting – Council staff and CBOs will review and discuss the Preliminary 2025-26 Tuition Setting Timeline and proposed changes to the current *Tuition and Mandatory Fee Policy*. Using input from CBOs, staff will finalize timeline.
Jan 27, 2025	Finance Committee Meeting – Council staff will update committee members regarding the 2025-26 tuition setting process. Copies of the *2025-26 Tuition Setting Timeline* and a draft *Tuition and Mandatory Fee Policy for Academic Year 2025-26* will be shared for committee review and comment.
Jan 31, 2025	CPE Meeting – The Finance Committee Chair will provide an update on the status of the 2025-26 tuition setting process and share copies of the *2025-26 Tuition Setting Timeline* and a draft *Tuition and Mandatory Fee Policy for Academic Year 2025-26* for Council member review and discussion.
Jan – Feb	Council staff will finalize updates of policy relevant data in the areas of funding adequacy, shared benefits and responsibility, affordability and access, effective use of resources, and attracting and importing talent and work with institutions to identify key issues that could impact the 2025-26 tuition-setting cycle.
Jan – Feb	Campus officials will collect and submit data to CPE on fixed cost increases, tuition revenue estimates, potential impact of tuition increases, anticipated uses of tuition revenue, and budgeted student financial aid expenditures.

Feb 5, 2025	Presidents' Meeting – Staff will share the draft *Tuition and Mandatory Fee Policy for Academic Year 2025-26* with campus presidents and proposed changes to the policy will be discussed and finalized.
Feb 19, 2025	CBO Meeting — Council staff and campus CBOs will review and discuss key issues and other policy relevant data that could impact the upcoming tuition-setting cycle and will begin discussing proposed tuition and mandatory fee ceilings for academic year 2025-26.
Feb 28, 2025	***Deadline*** for campus submission of fixed cost and tuition revenue data.
Mar 5, 2025	Presidents' Meeting – Council staff and campus presidents will review key issues and other policy relevant data and engage in preliminary discussions regarding tuition and fee ceilings for academic year 2025-26.
Mar 19, 2025	CBO Meeting — Council staff and campus CBOs will continue discussing key issues and potential tuition and fee ceilings for academic year 2025-26.
Apr 2, 2025	Presidents' Meeting – Council staff and campus presidents will finalize a proposed tuition and fee ceiling recommendation for academic year 2025-26.
Apr 14, 2025	Finance Committee Meeting – Council staff will present the *Tuition and Mandatory Fee Policy for Academic Year 2025-26* and recommended 2025-26 tuition and mandatory fee ceilings for committee review and action.
Apr 18, 2025	CPE Meeting – The Chair of the Finance Committee will present the *Tuition and Mandatory Fee Policy for Academic Year 2025-26* and recommended 2025-26 tuition and mandatory fee ceilings for Council action.
Apr – May	Campus officials will submit to the Council proposed 2025-26 tuition and mandatory fee charges for all categories students, including rates by degree level (undergraduate and graduate), residency (in-state and out-of-state), and attendance status (full-time and part-time). The Council president will keep Council members updated regarding the status of campus rate proposals.
May 7, 2025	Presidents' Meeting – Council staff will remind the presidents of an approaching deadline for submitting campus tuition and fee rate proposals.
May 23, 2025	***Deadline*** for submitting campus tuition and fee rate proposals to the Council.
June 9, 2025	Finance Committee Meeting – Council staff will present campus 2025-26 tuition and mandatory fee rate proposals for committee review and action.
Jun 13, 2025	CPE Meeting – The Chair of the Finance Committee will present campus tuition and fee rate proposals for Council action.

Council Postsecondary Education
[Draft] Tuition and Mandatory Fee Policy

Academic Year~~s 2023-24 and 2024-25~~ 2025-26

The Council on Postsecondary Education is vested with authority under KRS 164.020 to determine tuition at public postsecondary ~~education~~ institutions in the Commonwealth of Kentucky. Kentucky's goals of increasing educational attainment, promoting research, assuring academic quality, and engaging in regional stewardship must be balanced with current needs, effective use of resources, and prevailing economic conditions. For the purposes of this policy, rate ceilings established by the Council include both tuition and mandatory fees~~ are included in the definition of tuition~~. During periods of relative austerity, the proper alignment of the state's limited financial resources requires increased attention to the goals of the *Kentucky Postsecondary Education Improvement Act of 1997* (HB 1) and the Council's *2022-30* Strategic Agenda for Kentucky Postsecondary ~~and Adult~~ Education.

Fundamental Objectives

- Funding Adequacy

HB 1 ~~states~~ requires that Kentucky ~~shall~~ have a seamless, integrated system of postsecondary education, strategically planned and adequately funded to enhance economic development and quality of life. In discharging its responsibility to determine tuition, the Council, in collaboration with the institutions, seeks to balance the affordability of postsecondary education for Kentucky's citizens with the institutional funding necessary to accomplish the goals of HB 1 and the Strategic Agenda.

- Shared Benefits and Responsibility

Postsecondary education attainment benefits the public at large in the form of a strong economy and an informed citizenry, and it benefits individuals through elevated quality of life, broadened career opportunities, and increased lifetime earnings. The Council and the institutions believe that funding postsecondary education is a shared responsibility of state and federal governments, students and families, and the postsecondary ~~education~~ institutions.

- Affordability and Access

~~Since broad~~ Broad educational attainment is essential to a vibrant state economy and to intellectual, cultural, and political vitality. For this reason, the Commonwealth of Kentucky seeks to ensure that postsecondary education is broadly accessible to its citizens. The Council and the institutions are committed to ensuring that college is affordable and accessible to all academically qualified Kentuckians with particular emphasis on dual credit students, underrepresented students, including first-generation college students and students from economically disadvantaged backgrounds, adult learners, and part-time students~~, minority students, and students from low- and moderate-income backgrounds~~.

The Council believes that no citizen of the Commonwealth who has the drive and ability to succeed should be denied access to postsecondary education in Kentucky because of inability to pay. Access should be provided through a reasonable combination of savings, student and family contributions, ~~work~~ employment, and financial aid, including grants and loans.

In developing a tuition and ~~mandatory fees~~ fee recommendation, the Council and the institutions shall work collaboratively and pay ~~careful~~ attention to balancing the cost of attendance—including tuition and mandatory fees, room and board, books, and other direct and indirect costs—with ~~students' ability to pay~~ the ability of students and families to pay. This will be accomplished by taking into account: (1) students' family and individual income; (2) federal, state, and institutional scholarships and grants; (3) students' and parents' reliance on loans; (4) access to all postsecondary education alternatives; and (5) the need to enroll and graduate more students.

- Effective Use of Resources

Kentucky's postsecondary education system is committed to using the financial resources invested in it as effectively and productively as possible to advance the goals of HB 1 and the Strategic Agenda, including undergraduate and graduate education, engagement and outreach, research, and ~~economic development~~ workforce initiatives. The colleges and universities seek to ensure that every dollar available to them is ~~invested in areas that~~ utilized to maximize ~~results and~~ return on investment and achieve outcomes most beneficial to the Commonwealth and its regions. ~~It is anticipated that enactment of~~ Senate Bill 153, the *Postsecondary Education Performance Funding Bill,* enacted during the 2017 ~~legislative~~ regular session ~~will provide~~ provides ongoing incentives for increased efficiency and productivity within Kentucky's public postsecondary system. The Council's Strategic Agenda and funding model metrics will be used to monitor progress toward attainment of both statewide and institutional HB 1 and Strategic Agenda goals and objectives.

- Attracting and Importing Talent to Kentucky

~~It is unlikely that~~ Kentucky ~~can~~ cannot reach its 2030 postsecondary education attainment goal by focusing on Kentucky residents alone. The Council and the institutions are committed to making Kentucky institutions financially attractive to nonresident students, while recognizing that nonresident undergraduate students should pay a ~~significantly larger proportion~~ larger share of the cost of their education than do resident students. Tuition reciprocity agreements, which provide low-cost access to out-of-state institutions for Kentucky students that live near the borders of other states, also serve to attract students from surrounding states to Kentucky's colleges and universities.

A copy of the Council's nonresident student tuition and ~~mandatory~~ fee policy is ~~contained in the paragraphs~~ provided below. ~~Going forward,~~ Council staff will periodically review and evaluate the policy to determine its impact on attracting and retaining nonresident students that enhance diversity and the state's competitiveness.

Nonresident Student Tuition and Fees

The Council and the institutions believe that nonresident students should pay a larger share of their educational costs than do resident students. As such, published tuition and fee ~~levels~~ rates adopted for nonresident students shall be higher than the prices charged for resident students enrolled in comparable programs of study.

In addition, every institution shall manage its tuition and fee rate structures, price discounting, and scholarship aid for out-of-state students, such that in any given year, the average net tuition and fee revenue generated per nonresident undergraduate student equals or exceeds130% of the annual full-time tuition and fee charge assessed to resident undergraduate students (i.e., the published in-state sticker price). As part of the tuition and fee setting process, staff shall monitor and report annually to the Council regarding compliance with this requirement.

The Council acknowledges that in some instances increasing nonresident student enrollment benefits both the Commonwealth and the institution. For this reason, exceptions to the 130% threshold may be requested through a Memorandum of Understanding (MOU) process and will be evaluated on a case-by-case basis by the Council. The main objective of the MOU process is to clearly delineate goals and strategies embedded in enrollment management plans that advance the unique missions of requesting institutions.

Special Use Fee Exception Policy

~~During the 2010-11 tuition setting process, campus officials requested that the Council consider excluding student-endorsed fees from its mandatory fee definition, thus omitting consideration of such fees when assessing institutional compliance with Council approved tuition and fee rate ceilings. Based on feedback received from institutional Chief Budget Officers (CBOs) at their December 2010 meeting, it was determined that there was general interest in treating student-endorsed fees differently from other mandatory fees.~~

~~In January and February 2011, Council staff collaborated with institutional presidents, CBOs, and their staffs in developing the following Special Use Fee Exception Policy:~~

- ~~To the extent that students attending a Kentucky public college or university have deliberated, voted on, and requested that their institution's governing board implement a special use fee for the purposes of constructing and operating and maintaining a new facility, or renovating an existing facility, that supports student activities and services.~~
- ~~And recognizing that absent any exemption, such student-endorsed fees, when implemented in the same year that the Council adopts tuition and fee rate ceilings, would reduce the amount of additional unrestricted tuition and fee revenue available for an institution to support its E&G operation.~~
- ~~The Council may elect to award an exemption to its tuition and fee rate ceiling equivalent to all or a portion of the percentage increase resulting from imposition of the student-endorsed fee, provided said fee meets certain eligibility requirements.~~

~~Definitions~~

~~A student-endorsed fee is a mandatory flat-rate fee that has been broadly discussed, voted on, and requested by students and adopted by an institution's governing board, the revenue from which may be used to pay debt service and operations and maintenance expenses on new facilities, or capital renewal and replacement costs on existing facilities and equipment that support student activities and services, such as student unions, fitness centers, recreation complexes, health clinics, and/or tutoring centers.~~

~~Maintenance and Operations (M&O) expenses are costs incurred for the administration, supervision, operation, maintenance, preservation, and protection of a facility. Examples of M&O expenses include janitorial services, utilities, care of grounds, security, environmental safety, routine repair, maintenance, replacement of furniture and equipment, and property and facility planning and management.~~

~~Eligibility Criteria~~

~~A student-endorsed fee will continue to be a mandatory fee within the context of the Council's current mandatory fee definition and may qualify for an exemption from Council approved tuition and fee rate ceilings. Campus officials and students requesting an exemption under this policy must be able to demonstrate that:~~

- ~~All enrolled students have been afforded ample opportunity to be informed, voice their opinions, and participate in the decision to endorse a proposed fee. Specifically, it must be shown that fee details have been widely disseminated, broadly discussed, voted on while school is in session, and requested by students.~~
- ~~For purposes of this policy, voted on means attaining:~~
  - ~~a) a simple majority vote via campus-wide referendum, with a minimum of one-quarter of currently enrolled students casting ballots;~~
  - ~~b) a three-quarters vote of elected student government representatives; or~~
  - ~~c) a simple majority vote via campus-wide referendum, conducted in conjunction and coinciding with the general election of a student government president or student representative to a campus board of regents or board of trustees.~~
- ~~The proposed fee and intended exemption request have been presented to, and adopted by, the requesting institution's governing board. It is anticipated that elected student government representatives will actively participate in board presentations.~~
- ~~Revenue from such fees will be used to pay debt service and M&O expenses on new facilities, or capital renewal and replacement costs on existing facilities and equipment that support student activities and services, such as student unions, fitness centers, recreation complexes, health clinics, and/or tutoring centers. The Council expects these uses to be fully explained to students prior to any votes endorsing a fee.~~
- ~~In any given year, the impact of a student-endorsed fee on the overall increase in tuition and mandatory fees for students and their families will be reasonable. It may be appropriate to phase in the exemption over multiple years to maintain affordability and access.~~
- ~~Requests for student-endorsed exemptions are infrequent events. The Council does not expect requests for exemptions under this policy to occur with undue frequency from any single institution and reserves the right to deny requests that by their sheer number are deemed excessive.~~
- ~~A plan is in place for the eventual reduction or elimination of the fee upon debt retirement, and details of that plan have been shared with students. The Council does not expect a~~

~~fee that qualifies for an exemption under this policy to be assessed at full rate in perpetuity. Such fees should either terminate upon completion of the debt or, in the case of new facilities, may continue at a reduced rate to defray ongoing M&O costs. In either case, to qualify for an exemption, students should be fully aware of the extent of their obligation prior to any votes endorsing a fee.~~

~~Exemption Process~~

~~Requests for an exemption under this policy will be evaluated on a case-by-case basis. To initiate the process:~~

- ~~The requesting institution will notify Council staff of any pending discussions, open forums, referendums, or student government actions pertaining to a proposed special use fee and discuss fee details with Council staff as needed.~~
- ~~After a fee has been endorsed by student referendum or through student government action and approved by the institution's governing board, campus officials and students will submit a written exemption request to the Council for its consideration.~~
- ~~Council staff will review the request, assess whether or not the proposed fee qualifies for an exemption, and make a recommendation to the Council.~~

~~To facilitate the exemption request process, requesting institutions and students are required to provide the Council with the following information:~~

- ~~Documents certifying that the specific project and proposed fee details have been widely disseminated, broadly discussed, voted on, and requested by students, as well as adopted by the institution's governing board.~~
- ~~Documents specifying the fee amount, revenue estimates, uses of revenue, impact on tuition and fees during the year imposed (i.e., percentage points above the ceiling), and number of years the fee will be in place.~~
- ~~Documents identifying the project's scope, time frame for completion, debt payment schedule, and plan for the eventual reduction or elimination of the fee upon debt retirement.~~

On April 28, 2011 the Council adopted a Special Use Fee Exception Policy that allowed Kentucky public postsecondary institutions, under certain conditions, to implement student endorsed fees that would be excluded from consideration when assessing institutional compliance with Council approved rate ceilings. In other words, in any given year, an institution could request, and the Council could approve, a new mandatory fee for the purposes of constructing a new facility or renovating an existing facility that would support student activities or services on campus but would not count toward a rate or dollar increase ceiling established by the Council.

Specifically, a Special Use Fee was defined in the policy as follows:

> A student endorsed fee is a mandatory flat-rate fee, that has been broadly discussed, voted on, and requested by students and adopted by an institution's governing board,

the revenue from which may be used to pay debt service and operations and maintenance expenses on new facilities, or capital renewal and replacement costs on existing facilities and equipment, that support student activities and services, such as student unions, fitness centers, recreation complexes, health clinics, and/or tutoring centers.

The underlying rationale for the exception policy was that the Council and campus officials wanted to accommodate the desires of students to assess a fee on themselves to improve facilities that sustain student activities and services, without sacrificing revenue necessary to support institutional operations. Under the Council's previous approach, such fees, when implemented in the same year that the Council adopted a tuition and fee rate ceiling, would reduce the amount of unrestricted tuition and fee revenue available for the institution to support its Education and General (E&G) operation.

Fees that qualified for a Special Use Fee exemption were for a fixed, recurring amount that could not increase over time. For this reason, during the process of establishing tuition and fee ceilings, Council staff deducts these fees from total tuition and fees before applying a percent increase parameter. This keeps the fees at the same amount each year until they expire. In other words, percent increase parameters adopted by the Council are applied to current-year base rates. Base rates are defined as total tuition and fee charges, minus any Special Use Fees or Asset Preservation Fees previously approved by the Council, and minus an existing agency bond fee at KCTCS (i.e., BuildSmart Investment for Kentucky Competitiveness Fee).

Council policy stipulates that Special Use Fees will not be assessed at full rate in perpetuity, but will either terminate upon completion of the debt, or in the case of new facilities, continue at a reduced rate to defray ongoing maintenance and operations (M&O) costs. In addition, institutions are required to have a plan for the eventual reduction or elimination of the fee upon debt retirement.

Between June 10, 2011 and June 12, 2015, the Council approved Special Use Fee exception requests for five institutions. Although several institutions have asked about Special Use Fee exceptions in recent years, the Council changed its stance on allowing exemptions from rate ceilings. Declining enrollment at most institutions, precipitated by decreasing numbers of high school graduates and falling college participation rates, brought about a renewed focus on affordability and increased transparency in college pricing.

For several years, it has been a common practice for the Council to count all increases in mandatory fees toward tuition and fee rate ceilings and to not allow exceptions from the price caps. For this reason, the Special Use Fee Exception Policy will be terminated beginning in academic year 2025-26.

Although institutions will no longer be able to request exemptions from tuition and fee rate ceilings, periodic reporting requirements for Special Use Fees will remain in effect. Specifically, upon request by the Council, institutions will provide documentation certifying the date a Special Use Fee was implemented, annual amounts of fee revenue generated to date, uses of fee revenue, the amount of fee revenue or agency bond funds used to finance facilities that support student activities and services, and the number of years the fee will remain in place.

Asset Preservation Fee Exception Policy

~~During the 2017-18 tuition setting process, campus officials asked if the Council would consider allowing institutions to assess a new student fee, dedicated to supporting expenditures for asset preservation and renovation projects, that would be treated as being outside the tuition and fee caps set annually by the Council. Staff responded that it was too late in the process to allow for a full vetting of a proposed change to the Council's Tuition and Mandatory Fee Policy prior to the Council adopting tuition ceilings at the March 31, 2017 meeting. In addition, staff wanted to explore the possibility of adopting a system-wide asset preservation fee that would benefit and address asset preservation needs at every public postsecondary institution.~~

~~In August 2017, staff determined that there was general interest among campus officials to pursue a change in tuition policy that would allow each institution the option to implement a student fee for asset preservation, if its administrators and governing board chose to do so, that would be exempted from Council approved tuition and fee ceilings. In September and October, Council staff worked with campus presidents, chief budget officers, and Budget Development Work Group members to develop the Asset Preservation Fee Exception Policy described below.~~

- ~~Given that in 2007, Council and postsecondary institution staffs contracted with Vanderweil Facilities Advisors, Inc. (VFA) and Paulien and Associates to conduct a comprehensive assessment of Kentucky's public postsecondary education facilities to determine both system and individual campus needs for new and expanded space, asset preservation and renovation, and fit-for-use capital projects.~~

- ~~Given that in 2013, VFA adjusted the data from its 2007 study to account for continuing aging of postsecondary facilities and rising construction costs and projected that the cumulative need for asset preservation and fit-for-use expenditure would grow to $7.3 billion within the 2017 to 2021 timeframe.~~

- ~~Given that over the past five biennia, 2008-10 through 2016-18, the Commonwealth of Kentucky has appropriated a total of $262.0 million for its public colleges and universities to address asset preservation and renovation and fit-for-use projects, representing about 3.6% of the total cumulative need identified by VFA.~~

- ~~Given that in late summer 2017, the Council and postsecondary institutions concluded that one reasonable course of action to begin to address the overwhelming asset preservation and renovation and fit-for-use needs was through sizable and sustained investment in existing postsecondary facilities, which could be accomplished through a cost sharing arrangement involving the state, postsecondary institutions, and students and families.~~

- ~~Given that the best way to ensure the ongoing commitment and participation of students and families in a cost-sharing partnership to address asset preservation and renovation needs is through the implementation of an optional dedicated student fee.~~

- ~~Given that such an asset preservation fee, when implemented in the same year that the Council adopts a tuition and fee rate ceiling, would reduce the amount of additional unrestricted tuition and fee revenue available for an institution to support its E&G operation.~~

- ~~The Council may elect to award an exemption to its tuition and fee rate ceiling of up to $10.00 per credit hour at the public universities, capped at 15 credit hours per semester for undergraduate students, for a dedicated student fee that supports asset preservation and renovation projects related to the instructional mission of the institution.~~

- ~~The Council may elect to award an exemption to its tuition and fee rate ceiling of up to $5.00 per credit hour at KCTCS institutions, capped at 15 credit hours per semester, for a dedicated student fee that supports asset preservation and renovation projects related to the instructional mission of the institution.~~

~~Definition~~

~~An asset preservation fee is a mandatory, flat-rate fee that has been approved by an institution's governing board, the revenue from which shall either be expended upon collection on asset preservation and renovation and fit-for-use capital projects or used to pay debt service on agency bonds issued to finance such projects, that support the instructional mission of the institution. Thus, by definition, fee revenue and bond proceeds derived from such fees shall be restricted funds for the purposes of financing asset preservation and renovation projects. As a mandatory fee, an asset preservation fee may be assessed to students regardless of degree level or program or full-time or part-time status.~~

~~Eligibility Criteria~~

~~An asset preservation fee may qualify for an exemption from Council approved tuition and fee rate ceilings, provided the following criteria are met:~~

- ~~The proposed asset preservation project(s) and related fee shall be approved by the requesting institution's governing board.~~

- ~~Revenue from the fee may either be expended upon collection on asset preservation and renovation or fit-for-use projects, accumulated to meet a specific project's scope, or used to pay debt service on agency bonds or other instruments used to finance such projects.~~

- ~~Both the direct expenditure of fee revenue and the expenditure of agency bond funds generated by the fee may be used to meet matching requirements on state bond funds issued for asset preservation projects. In previous biennia, state leaders have required a dollar-for-dollar institutional match on state-funded asset preservation pools.~~

- ~~In any given academic year, the impact of implementing an asset preservation fee, when combined with a tuition and fee increase supporting campus operations, will be reasonable for Kentucky students and families. For the purposes of this policy exemption, the Council shall determine whether a proposed asset preservation fee, in combination with a tuition and fee increase allowed under a Council-approved tuition ceiling, is reasonable. This assessment will be made within the context of state economic and budgetary conditions, institutional resource needs, and affordability concerns at the time.~~

- ~~Depending on the outcome of the aforementioned assessment, it may be appropriate to phase in a requested fee over multiple years to maintain~~

~~affordability and access.~~

- ~~The Council does not expect a fee that qualifies for an exemption under this policy to remain in effect in perpetuity. To be eligible for an exemption, the requesting institution must have a plan in place for the eventual elimination of a proposed asset preservation fee within 25 years of its initial implementation date.~~

~~Exemption Process~~

~~The Council will evaluate requests for a fee exemption under this policy on a case-by- case basis. To initiate the process:~~

- ~~An institution's governing board must approve the proposed asset preservation project(s) and related student fee.~~
- ~~Campus officials must submit to the Council a copy of that board approval, along with a written request to exempt the asset preservation fee from Council tuition and fee ceilings.~~
- ~~Council staff will review the request, assess whether or not the proposed project(s) and related fee qualify for an exemption, and make a recommendation to the Council.~~

~~To facilitate the exemption-request review process, a requesting institution shall provide the Council with the following information:~~

- ~~Documents certifying that the specific asset preservation project(s) financed and proposed fee details have been approved by the institution's governing board.~~
- ~~Documents specifying the fee amount, anticipated implementation date, revenue projections, uses of revenue, number of years the fee will be in place, and impact on tuition in year imposed (i.e., percentage points above ceiling).~~
- ~~Documents identifying the project's scope, its timeframe for completion, debt payment schedule, and plan for the eventual elimination of the fee upon debt retirement.~~

~~Periodic Reporting~~

- ~~Upon request by the Council, the postsecondary institutions will provide documentation certifying the date an asset preservation fee was implemented, annual amounts of fee revenue generated to date, uses of fee revenue, the amount of fee revenue or agency bond funds used to meet state matching requirements on asset preservation project appropriations, and the number of years the fee will remain in place.~~

During the 2017-18 tuition setting process, campus officials asked if the Council would consider allowing institutions to assess a new student fee, dedicated to supporting expenditures for asset preservation and renovation projects, that would be exempted from tuition and fee caps set annually by the Council. Toward the end of calendar year 2017, staff worked with campus presidents, chief budget officers, and Budget Development Work Group members to draft a proposed exception policy that could be presented to the Council for review and approval.

On February 2, 2018, the Council adopted an Asset Preservation Fee Exception Policy that allowed each institution the option to implement a student fee for asset preservation that would not be considered by staff when assessing compliance with Council approved rate ceilings. Under the new policy, an institution could request, and the Council could approve, a new mandatory fee supporting the renovation or renewal of existing instructional facilities and neither the percent, nor the dollar increase associated with that fee would count toward a rate ceiling established by the Council.

Specifically, an Asset Preservation Fee was defined in the policy as follows:

> An asset preservation fee is a mandatory, flat-rate fee that has been approved by an institution's governing board, the revenue from which shall either be expended upon collection on asset preservation and renovation and fit-for-use capital projects or used to pay debt service on agency bonds issued to finance such projects, that support the instructional mission of the institution. Thus, by definition, fee revenue and bond proceeds derived from such fees shall be restricted funds for the purposes of financing asset preservation and renovation projects.

The rationale for this exception stemmed from a desire on the part of stakeholders to address an overwhelming asset preservation and renovation need ($7.3 billion in 2013) through sizable and sustained investment in existing postsecondary facilities and the realization that this could best be accomplished through a cost-sharing arrangement involving the state, postsecondary institutions, and students and families. The implementation of an optional student fee with revenue dedicated to supporting asset preservation projects was seen as the best way to ensure the ongoing participation of students and families in the cost-sharing approach.

Fees that qualified for an Asset Preservation Fee exemption were for a fixed, recurring amount that could <u>not</u> increase over time. For this reason, during the process of establishing tuition and fee ceilings, Council staff deducts these fees from total tuition and fees before applying a percent increase parameter. This keeps the fees at the same amount each year until they expire. In other words, percent increase parameters adopted by the Council are applied to current-year base rates. Base rates are defined as total tuition and fee charges, minus any Special Use Fees or Asset Preservation Fees previously approved by the Council, and minus an existing agency bond fee at KCTCS (i.e., BuildSmart Investment for Kentucky Competitiveness Fee).

At the time when the exception policy was established, the Council did <u>not</u> expect Asset Preservation Fees that qualified for an exemption under the policy to remain in effect in perpetuity. To be eligible for an exemption, a requesting institution was required to have a plan in place for the eventual elimination of the proposed fee within 25 years of its initial implementation date.

Between June 22, 2018 and April 26, 2019, the Council approved Asset Preservation Fee exception requests for four institutions. Although several institutions have asked about an Asset Preservation Fee exception since 2019, the Council changed its stance on allowing exemptions from rate ceilings. Declining enrollment at most institutions, precipitated by decreasing numbers of high school graduates and falling college participation rates, brought about a renewed focus on affordability and increased transparency in college pricing.

For several years, it has been a common practice for the Council to count all increases in mandatory fees toward tuition and fee rate ceilings and to not allow exceptions from the price caps. For this reason, the Asset Preservation Fee Exception Policy will be terminated beginning in academic year 2025-26.

Although institutions will no longer be able to request exemptions from tuition and fee rate ceilings, periodic reporting requirements for Asset Preservation Fees will remain in effect. Upon request by the Council, institutions will provide documentation certifying the date an Asset Preservation Fee was implemented, annual amounts of fee revenue generated to date, uses of fee revenue, the amount of fee revenue or agency bond funds used to finance facilities that support the instructional mission, and the number of years the fee will remain in place.

Ongoing Usage

Once an Asset Preservation Fee is approved by the Council, revenue generated from the fee may be used for ongoing asset preservation, renovation and fit-for-use projects with institutional board approval.

Asset preservation, renovation and fit-for-use project(s) financed with asset preservation fee revenue shall comply with all statutory requirements pertaining to the approval of capital projects (KRS 45.750, KRS 45.763, KRS 164.020 (11) (a), KRS 164A.575).

TITLE: Update on 2022-24 and 2024-26 Asset Preservation Pool Funding

DESCRIPTION: Staff will provide an update on the status of the 2022-24 and 2024-26 Asset Preservation Pools including the amount of pool funding for which capital projects have been identified and the portion of state funds that have been reimbursed to institutions.

STAFF CONTACT: Ryan Kaffenberger, Director of Finance Policy and Programs

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SUPPORTING INFORMATION

In the 2022-24 state budget (HB 1, 2022 RS), the General Assembly appropriated $683.5 million in General Fund-supported bond funds for asset preservation projects on postsecondary education campuses. When combined with a $16.5 million stand-alone project for KCTCS, total funding for asset preservation for the biennium was $700.0 million.

Allocation of the funding among institutions was based on each institution's share of Education and General (Category 1 and 2) square footage. Research universities are required to match each dollar of state funding with 30 cents of institution resources, while the comprehensive universities and KCTCS are required to match each state dollar with 15 cents. Asset Preservation funds may be used to address renovation and renewal needs of Education and General facilities and state-owned and operated residential housing.

In the 2024-26 state budget (HB 6, 2024 RS), the General Assembly authorized $563.5 million in General Fund-supported bond funds for another Postsecondary Education Asset Preservation Pool. Like the 2022-24 Asset Preservation Pool, the 2024-26 funds can be used for "individual asset preservation, renovation, and maintenance projects at Kentucky's public postsecondary institutions in Education, General, and state-owned and operated residential housing facilities" (p. 199). Senate Bill 91 (24 RS) modified the budget bill language, adding that the asset preservation funds could also be used for "fixed asset pedestrian and student parking areas, and for the razing of university-owned buildings" (p. 17).

The $563.5 million appropriated to the 2024-26 Asset Preservation Pool was allocated among institutions based on each institution's share of system total Category I and II square feet, after applying base funds of $15.0 million to each university and $30.0 million to KCTCS. Finally, lawmakers adjusted KSU's funding up from the calculated total of $25.7 million total to $60.0 million. KCTCS's total was also reduced from $142.3 million to $71.0 million. Pool funds were allocated to institutions in both years of the biennium, with each institution receiving an appropriation for half (50%) of its allocation in 2022-23 and receiving an appropriation for the other half (50%) of its allocation in 2023-24.

Included in the enacted budget (HB 6, 2024 RS) is language, specifying campus matching requirements for accessing allocated 2024-26 Asset Preservation Pool funds. These funds differ from those required for the 2022-24 Asset Preservation Pool and require:

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

The General Assembly operationalized the matching requirement for the research institutions by requiring each to spend 25 cents for every state dollar used to complete an individual asset preservation project.

In each biennium, the General Assembly included language in the budget bill authorizing capital projects, as defined in KRS 45.750(1)(f), funded from the Asset Preservation Pools. Per KRS 164.020(11)(a), CPE is also required to "review and approve all capital construction projects covered by KRS 45.750(1)(f), including real property acquisitions, and regardless of the source of funding for projects or acquisitions." Furthermore, CPE, in collaboration with the Office of the State Budget Director, certifies that individual projects are eligible for Asset Preservation Pool funds. As such, on June 17, 2022, and June 21, 2024, the Council approved the *2022-24 Asset Preservation Pool Guidelines* and *2024-26 Asset Preservation Pool Guidelines*, respectively, which specify the criteria institutions' capital projects must meet in order to be eligible for funding from the Asset Preservation Pools. Each set of guidelines has been revised since initial approval. At each of the aforementioned meetings, the Council also delegated authority to CPE staff to review and approve capital projects submitted for Asset Preservation Pool funds to expedite the reimbursement process.

The 2022-24 and 2024-26 Guidelines require CPE staff to provide the Council with periodic updates regarding the status of Asset Preservation Pool distributions and campus matching funds by project and institution.

2022-24 ASSET PRESERVATION POOL UPDATE

In House Bill 1 of the 2022 Regular Session, the General Assembly appropriated $683.5 million in General Fund supported bond funds for the 2022-24 Asset Preservation Pool. As of quarter 2 of fiscal year 2024-25, projects have been identified and certified by CPE staff for 96.8% ($661.3 million) of the state funds. Furthermore, the public postsecondary institutions have received reimbursements for 48.7% ($333.0 million) of the state funds. See Attachments A, C, and D for more information on the 2022-24 Asset Preservation Pool.

2024-26 ASSET PRESERVATION POOL UPDATE

In House Bill 6 of the 2024 Regular Session, the General Assembly appropriated $563.0 million in General Fund supported bond funds for the 2024-26 Asset Preservation Pool. As of quarter 2 of fiscal year 2024-25, projects have been identified and certified by CPE staff for 37.4% ($210.6 million) of the state funds. Because the institutions have prioritized implementing and drawing down funds for their 2022-24 Asset Preservation Pool projects, they have largely not begun requesting state reimbursements for 2024-26 Asset Preservation Pool projects. See Attachment B and Attachment E for more information on the 2024-26 Asset Preservation Pool.

Asset Preservation Pool Update

Attachment A

Fiscal Year 2024-25, Quarter 2

2022-24 Asset Preservation Pool

By Institution

Institution	A State Funds Designated for Projects[1]	B State Funds Appropriated[2]	C = B - A Remaining State Funds (Undesignated)[3]	D = A / B % of State Funds Designated for Projects	E State Funds Reimbursed[4]	F = E / B % of State Funds Reimbursed	G Campus Match Designated for Projects[5]	H Campus Match Appropriation[6]	I = H - G Remaining Campus Match (Undesignated)[7]	J = G / H % of Campus Match Designated for Projects	K = A + G Total Funds Designated for Asset Preservation Projects	L = B + H Total Asset Preservation Authority (State Funds + Campus Match)
UK	$151,722,365	$154,196,000	$2,473,635	98.4%	$44,768,358	29.0%	$45,518,143	$46,260,000	$741,857	98.4%	$197,240,508	$200,456,000
UofL	$81,882,879	$81,886,000	$3,121	100.0%	$38,996,678	47.6%	$24,569,121	$24,566,000	$0	100.0%	$106,452,000	$106,452,000
EKU	$52,489,056	$54,806,000	$2,316,944	95.8%	$23,783,394	43.4%	$7,870,944	$8,222,000	$351,056	95.7%	$60,360,000	$63,028,000
KSU	$15,616,522	$16,078,000	$461,478	97.1%	$5,382,441	33.5%	$2,342,478	$2,412,000	$69,522	97.1%	$17,959,000	$18,490,000
MoSU	$35,222,000	$35,222,000	$0	100.0%	$25,859,776	73.4%	$5,284,000	$5,284,000	$0	100.0%	$40,506,000	$40,506,000
MuSU	$47,044,257	$47,176,000	$131,743	99.7%	$11,282,884	23.9%	$7,209,743	$7,078,000	$0	101.9%	$54,254,000	$54,254,000
NKU	$45,756,216	$46,794,000	$1,037,784	97.8%	$21,036,705	45.0%	$6,861,328	$7,020,000	$158,672	97.7%	$52,617,543	$53,814,000
WKU	$54,846,200	$68,080,000	$13,233,800	80.6%	$14,774,329	21.7%	$8,224,407	$10,212,000	$1,987,593	80.5%	$63,070,607	$78,292,000
KCTCS	$176,747,222	$179,262,000	$2,514,778	98.6%	$147,085,406	82.1%	$26,503,953	$26,890,000	$386,047	98.6%	$203,251,176	$206,152,000
Total	**$661,326,717**	**$683,500,000**	**$22,173,283**	**96.8%**	**$332,969,970**	**48.7%**	**$134,384,117**	**$137,944,000**	**$3,559,883**	**97.4%**	**$795,710,834**	**$821,444,000**

By Sector

Sector	State Funds Designated for Projects[1]	State Funds Appropriated[2]	Remaining State Funds (Undesignated)[3]	% of State Funds Designated for Projects	State Funds Reimbursed[4]	% of State Funds Reimbursed	Campus Match Designated for Projects[5]	Campus Match Appropriation[6]	Remaining Campus Match (Undesignated)[7]	% of Campus Match Designated for Projects	Total Funds Designated for Asset Preservation Projects	Total Asset Preservation Authority (State Funds + Campus Match)
Research	$233,605,244	$236,082,000	$2,476,756	99.0%	$83,765,036	35.5%	$70,087,264	$70,826,000	$738,736	99.0%	$303,692,508	$306,908,000
Comprehensive	$250,974,250	$268,156,000	$17,181,750	93.6%	$102,119,529	38.1%	$37,792,900	$40,228,000	$2,435,100	93.9%	$288,767,151	$308,384,000
Two-Year	$176,747,222	$179,262,000	$2,514,778	98.6%	$147,085,406	82.1%	$26,503,953	$26,890,000	$386,047	98.6%	$203,251,176	$206,152,000
Total	**$661,326,717**	**$683,500,000**	**$22,173,283**	**96.8%**	**$332,969,970**	**48.7%**	**$134,384,117**	**$137,944,000**	**$3,559,883**	**97.4%**	**$795,710,834**	**$821,444,000**

Notes:

[1]State funds assigned to certified Asset Preservation Pool projects as submitted in project identification templates.

[2]Value of state funds allocated by the General Assembly for the 2022-24 Postsecondary Education Asset Preservation Pool (HB1, 2022RS). Amounts reflect the total authority for the 2022-24 biennium although the appropriations are allocated with half (50%) available in each fiscal year. Excludes required campus matches of: (1) 30 cents per dollar for each research institution and (2) 15 cents per dollar for each comprehensive institution and KCTCS.

[3]State funds not assigned to or designated for a certified Asset Preservation Pool project as submitted in project identification templates.

[4]Total value of state funds reimbursed by OSBD for Asset Preservation Pool projects in the given biennium.

[5]Campus matching funds designated for certified Asset Preservation Pool projects as submitted in project identification templates.

[6]Value of campus matching funds authorized by the General Assembly for the 2022-24 Postsecondary Education Asset Preservation Pool (HB1, 2022RS). Amounts reflect the total authority for the 2022-24 biennium although the appropriations are allocated with half (50%) available in each fiscal year. Includes required campus matches of: (1) 30 cents per dollar for each research institution and (2) 15 cents per dollar for each comprehensive institution and KCTCS.

[7]Campus matching funds not assigned to or designated for a certified Asset Preservation Pool project as submitted in project identification templates.

2024-26 Asset Preservation Pool

By Institution

Institution	A State Funds Designated for Projects[1]	B State Funds Appropriated[2]	C = B - A Remaining State Funds (Undesignated)[3]	D = A / B % of State Funds Designated for Projects	E State Funds Reimbursed[4]	F = E / B % of State Funds Reimbursed	G Campus Match Designated for Projects[5]	H Campus Match Appropriation[6]	I = H - G Remaining Campus Match (Undesignated)[7]	J = G / H % of Campus Match Designated for Projects	K = A + G Total Funds Designated for Asset Preservation Projects	L = B + H Total Asset Preservation Authority (State Funds + Campus Match)
UK	$0	$123,450,000	$123,450,000	0.0%	N/A	N/A	$0	$30,862,000	$30,862,000	0.0%	$0	$154,312,000
UofL	$69,105,600	$69,106,000	$400	100.0%	N/A	N/A	$17,276,400	$17,276,000	$0	100.0%	$86,382,000	$86,382,000
EKU	$25,000,000	$51,820,000	$26,820,000	48.2%	N/A	N/A	$0	$0	$0	0.0%	$25,000,000	$51,820,000
KSU	$15,500,000	$60,000,000	$44,500,000	25.8%	N/A	N/A	$0	$0	$0	0.0%	$15,500,000	$60,000,000
MoSU	$22,000,000	$37,670,000	$15,670,000	58.4%	N/A	N/A	$0	$0	$0	0.0%	$22,000,000	$37,670,000
MuSU	$9,375,800	$46,682,000	$37,306,200	20.1%	N/A	N/A	$0	$0	$0	0.0%	$9,375,800	$46,682,000
NKU	$19,220,000	$46,152,000	$26,932,000	41.6%	N/A	N/A	$0	$0	$0	0.0%	$19,220,000	$46,152,000
WKU	$0	$57,162,000	$57,162,000	0.0%	N/A	N/A	$0	$0	$0	0.0%	$0	$57,162,000
KCTCS	$50,400,000	$71,000,000	$20,600,000	71.0%	N/A	N/A	$0	$0	$0	0.0%	$50,400,000	$71,000,000
Total	**$210,601,400**	**$563,042,000**	**$352,440,600**	**37.4%**	**N/A**	**N/A**	**$17,276,400**	**$48,138,000**	**$30,861,600**	**35.9%**	**$227,877,800**	**$611,180,000**

By Sector

Sector	State Funds Designated for Projects[1]	State Funds Appropriated[2]	Remaining State Funds (Undesignated)[3]	% of State Funds Designated for Projects	State Funds Reimbursed[4]	% of State Funds Reimbursed	Campus Match Designated for Projects[5]	Campus Match Appropriation[6]	Remaining Campus Match (Undesignated)[7]	% of Campus Match Designated for Projects	Total Funds Designated for Asset Preservation Projects	Total Asset Preservation Authority (State Funds + Campus Match)
Research	$69,105,600	$192,556,000	$123,450,400	35.9%	N/A	N/A	$17,276,400	$48,138,000	$30,861,600	35.9%	$86,382,000	$240,694,000
Comprehensive	$91,095,800	$299,486,000	$208,390,200	30.4%	N/A	N/A	$0	$0	$0	0.0%	$91,095,800	$299,486,000
Two-Year	$50,400,000	$71,000,000	$20,600,000	71.0%	N/A	N/A	$0	$0	$0	0.0%	$50,400,000	$71,000,000
Total	**$210,601,400**	**$563,042,000**	**$352,440,600**	**37.4%**	**$0**	**0.0%**	**$17,276,400**	**$48,138,000**	**$30,861,600**	**35.9%**	**$227,877,800**	**$611,180,000**

Notes:

[1]State funds assigned to certified Asset Preservation Pool projects as submitted in project identification templates.

[2]Value of state funds allocated by the General Assembly for the 2024-26 Postsecondary Education Asset Preservation Pool (HB6, 2024RS). Amounts reflect the total authority for the 2024-26 biennium although the appropriations are allocated with half (50%) available in each fiscal year. Excludes a required campus match of 25 cents per dollar for each research institution. No campus match is required for the comprehensive institutions and KCTCS.

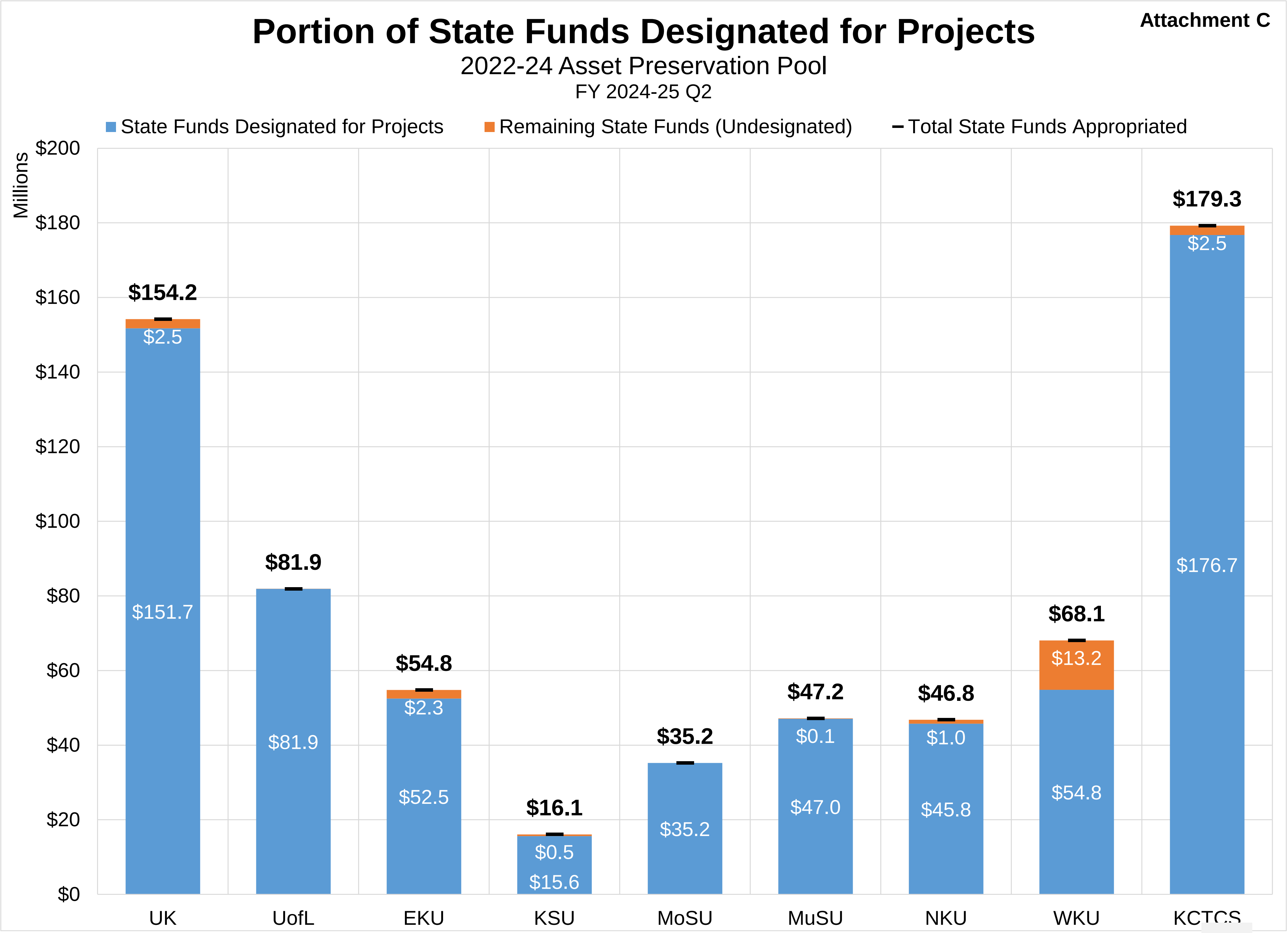
[3]State funds not assigned to or designated for a certified Asset Preservation Pool project as submitted in project identification templates.

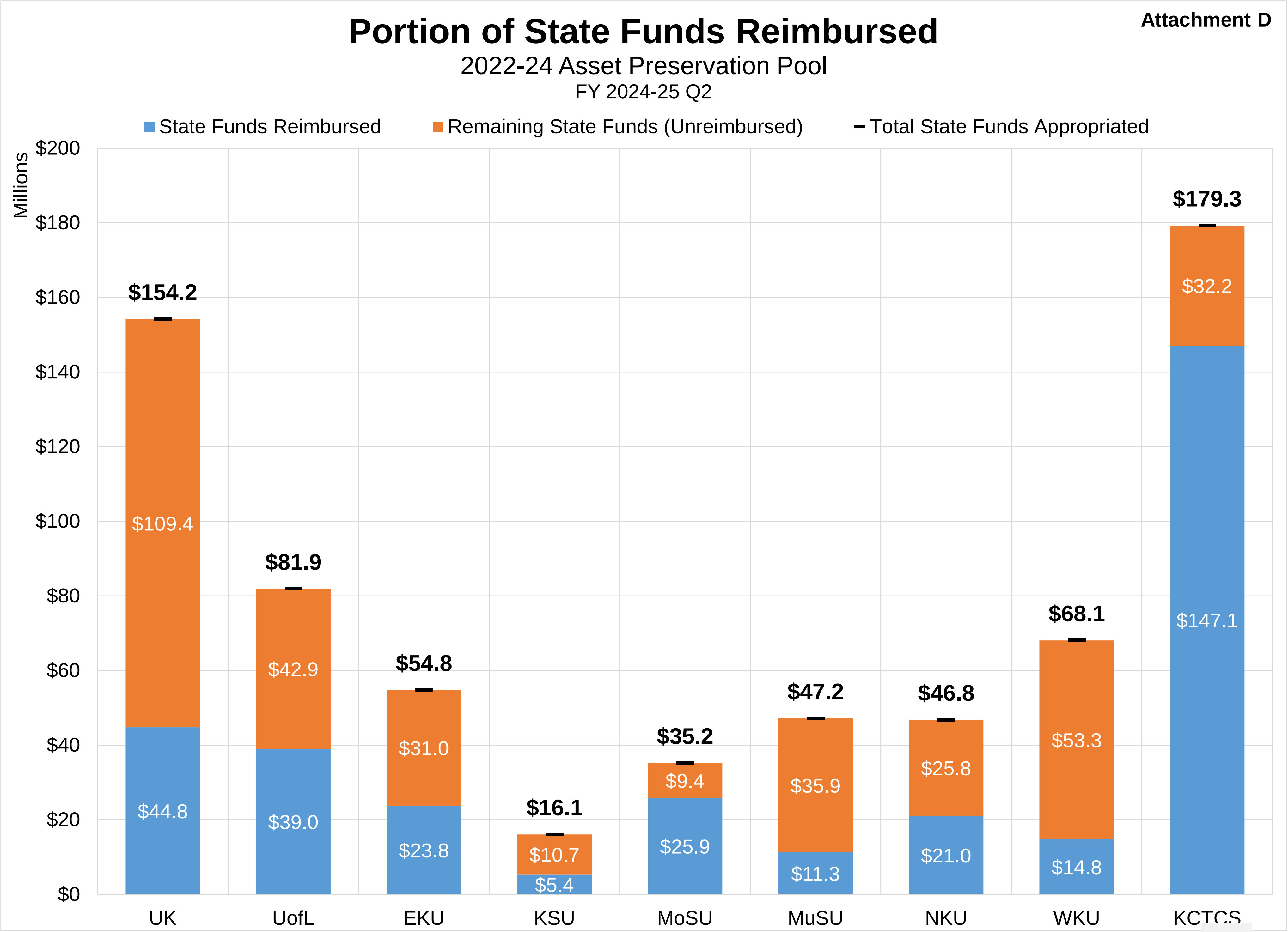
[4]Total value of state funds reimbursed by OSBD for Asset Preservation Pool projects in the given biennium.

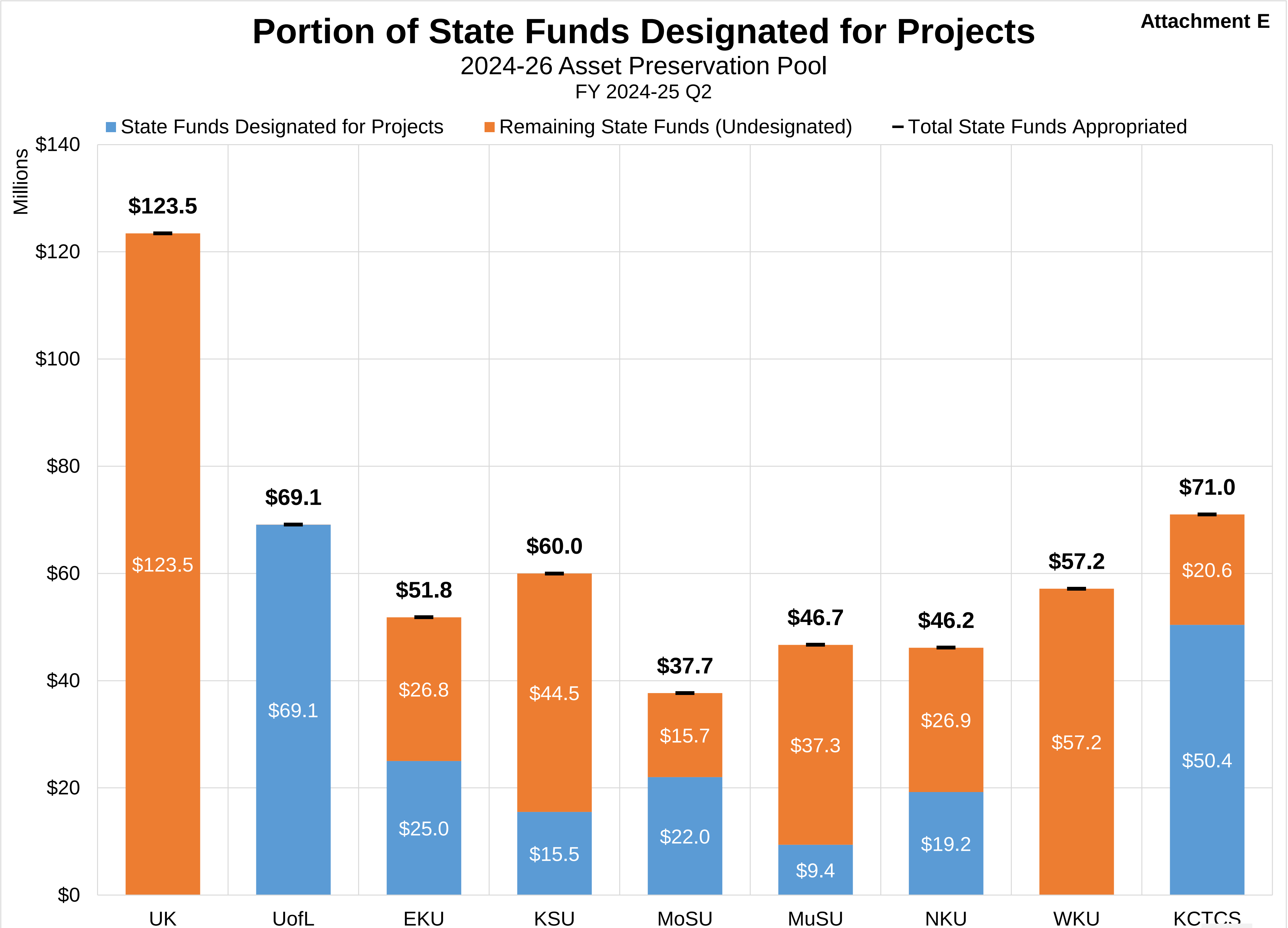
[5]Campus matching funds designated for certified Asset Preservation Pool projects as submitted in project identification templates.

[6]Value of campus matching funds authorized by the General Assembly for the 2024-26 Postsecondary Education Asset Preservation Pool (HB6, 2024RS). Amounts reflect the total authority for the 2024-26 biennium although the appropriations are allocated with half (50%) available in each fiscal year. Includes a required campus match of 25 cents per dollar for each research institution. No campus match is required for the comprehensive institutions and KCTCS.

[7]Campus matching funds not assigned to or designated for a certified Asset Preservation Pool project as submitted in project identification templates.


Portion of State Funds Designated for Projects
2022-24 Asset Preservation Pool
FY 2024-25 Q2
State Funds Designated for Projects
Remaining State Funds (Undesignated)
Total State Funds Appropriated
Millions
$200
$180
$160
$140
$120
$100
$80
$60
$40
$20
$0
$154.2
$2.5
$151.7
$81.9
$81.9
$54.8
$2.3
$52.5
$16.1
$0.5
$15.6
$35.2
$35.2
$47.2
$0.1
$47.0
$46.8
$1.0
$45.8
$68.1
$13.2
$54.8
$179.3
$2.5
$176.7
UK
UofL
EKU
KSU
MoSU
MuSU
NKU
WKU
KCTCS


Attachment D
Portion of State Funds Reimbursed
2022-24 Asset Preservation Pool
FY 2024-25 Q2
State Funds Reimbursed
Remaining State Funds (Unreimbursed)
Total State Funds Appropriated
Millions
$200
$180
$160
$140
$120
$100
$80
$60
$40
$20
$0
UK
UofL
EKU
KSU
MoSU
MuSU
NKU
WKU
KCTCS
$154.2
$109.4
$44.8
$81.9
$42.9
$39.0
$54.8
$31.0
$23.8
$16.1
$10.7
$5.4
$35.2
$9.4
$25.9
$47.2
$35.9
$11.3
$46.8
$25.8
$21.0
$68.1
$53.3
$14.8
$179.3
$32.2
$147.1


Portion of State Funds Designated for Projects
Attachment E
2024-26 Asset Preservation Pool
FY 2024-25 Q2
State Funds Designated for Projects
Remaining State Funds (Undesignated)
Total State Funds Appropriated
Millions
$140
$120
$100
$80
$60
$40
$20
$0
$123.5
$123.5
$69.1
$69.1
$51.8
$26.8
$25.0
$60.0
$44.5
$15.5
$37.7
$15.7
$22.0
$46.7
$37.3
$9.4
$46.2
$26.9
$19.2
$57.2
$57.2
$71.0
$20.6
$50.4
UK
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