

DRAFT MINUTES
Council on Postsecondary Education

Type: Finance Committee Meeting
Date: June 14, 2019
Time: 2:00 p.m.
Location: Council on Postsecondary Education, Conference Room A

CALL TO ORDER

The Finance Committee met Friday, June 14, 2019, at 2:00 p.m., ET, at the CPE offices in Frankfort, Kentucky. Committee Chair Ben Brandstetter presided.

ATTENDANCE

Attendance in person: OJ Oleka and Robert Staat

Attendance by teleconference: Ben Brandstetter, Brandon Wilson, Carol Wright (audio only, non-voting), and Sherrill Zimmerman.

Did not attend: Kim Halbauer

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

FINANCE COMMITTEE AREAS OF OVERSIGHT

The Committee established the areas of oversight of the committee, which are the following:

- Review and recommend a biennial budget recommendation for the agency and public institutions;
- Review and recommend the annual tuition and fee setting policy and processes;
- Review and monitor the status and distributions in regards to performance funding;
- Oversee and make recommendations to the implementation of the agency budget; and

- Work with staff in regards to ongoing research and comparative analyses in areas such as higher education financing strategies, tuition and price comparisons, college affordability, and outcomes-based funding.

Committee approval and recommendation process: Unless delegated by the full Council, actions taken by the Committee shall serve as recommendations. The following process will be used:

- Action items ready for review shall go before the Committee, and campus representatives will attend to answer questions (as needed).
- The Committee will take action on the item. If passed, the motion will state the Committee recommends approval by full Council. If not approved, the Committee will ask that the staff consider removing the item for consideration, or it be presented to the full Council for discussion and vote.
- All items approved by the Committee will be presented to the full Council by the Committee chair. The Committee chair may make the motion for approval, or ask the Chair to make a motion. Either a consent motion or separate motions may also be made.

Items that were not reviewed by the Committee (due to late or emergency submission) will be formally proposed at the full Council meeting, and presented by the Council Chair and Council staff. As needed, campus representatives will attend the meeting to answer questions. There will be no formal recommendation by the Committee.

AGENCY 2019-20 ANNUAL OPERATING BUDGET

Presenter: Shaun McKiernan, Director of Finance and Budget

CPE staff presented the 2019-20 agency annual operating budget, including the major changes from the previous fiscal year. The details of the budget are included in the agenda materials, however the major components include:

Postsecondary Coordination	\$ 3.9 M	22%
Data Collection/Analysis	1.1 M	6%
Contract Administration	1.0 M	6%
Contract Spaces	6.0 M	34%
Ovarian Cancer Screenings	0.5 M	3%
Special Initiatives	1.3M	8%
<u>Technology Trust Fund</u>	<u>3.6 M</u>	<u>21%</u>
Total	\$17.4 M	100%

By request of the board members, staff provided additional clarification on how the cancer research and contract spaces funds are determined and distributed.

MOTION: Ms. Zimmerman moved the Committee recommend approval of the 2019-20 agency operating budget to the full Council at its June 28, 2019 meeting. Dr. Staat seconded the motion.

VOTE: The motion passed.

INTERIM CAPITAL PROJECT REQUEST - KCTCS

Presenters: Shaun McKiernan, Director of Finance and Budget

Staff presented the Kentucky Community and Technical College System's request for interim authorization of a capital project to renovate Southcentral Kentucky Community and Technical College's Building A, which will provide for HVAC upgrades, additional faculty offices, and expansion of the bookstore. The project will require \$3,000,000 in institutional resources (agency-restricted funds). Finance and Administration Cabinet personnel will oversee the design and implementation of the project. KCTCS's Board of Regents approved the project on June 15, 2018.

MOTION: Dr. Staat moved the Committee recommend approval of the project to the full Council at its June 28, 2019 meeting. Ms. Zimmerman seconded the motion.

VOTE: The motion passed.

CAMPUS 2019-20 TUITION AND FEE PROPOSALS

Presenters: Bill Payne, Vice President for Finance and Administration

Tuition and Mandatory Fee recommendations for the 2018-20 academic years for the public four-year universities and KCTCS were adopted by the Council at its April 27, 2018 meeting. Those rates were:

For Universities

- Maximum base rate increase for resident undergraduate students of no more than 6.0% over two years, and no more than 4.0% in any one year.
- Market competitive rates for graduate and online courses.

For KCTCS

- Maximum increase for resident students of no more than \$12.00 per credit hour over two years, and no more than \$8.00 per credit hour in any one year.

The below 2019-20 tuition and mandatory fee base rates for the University of Kentucky, the University of Louisville, Eastern Kentucky University, and Morehead State University were proposed. The full listing of all categories for each university were included in the agenda materials.

	Rate Category	2018-19 Base Rate Charges	Proposed 2019-20 Base Rate Charges	Percent Change
UK	Undergraduate			
	Lower Division			
	– Resident	\$12,070	\$12,360	2.4%
	– Nonresident	\$28,902	\$30,680	6.2%
	Upper Division			
	– Resident	\$12,420	\$12,360	-0.5%
	– Nonresident	\$29,296	\$30,680	4.7%
EKU	Graduate			
	– Resident	\$13,052	\$13,404	2.7%
	– Nonresident	\$31,364	\$32,564	3.8%
EKU	Undergraduate			
	– Resident	\$8,996	\$9,266	3.0%
	– Nonresident	\$18,774	\$19,338	3.0%
	Graduate			
	– Resident	\$550 pch	\$550 pch	0.0%
– Nonresident	\$800 pch	\$775 pch	-3.1%	
MoSU	Undergraduate			
	– Resident	\$8,818	\$9,038	2.5%
	– Nonresident	\$13,294	\$13,624	2.5%
	Graduate			
	– Resident	\$574 pch	\$574 pch	0.0%
– Nonresident	\$574 pch	\$574 pch	0.0%	
UofL	Undergraduate			
	– Resident	\$11,460	\$11,732	2.4%
	– Nonresident	\$27,082	\$27,758	2.5%
	Graduate			
	– Resident	\$12,684	\$13,000	2.5%
– Nonresident	\$26,454	\$27,114	2.5%	

Council staff discussed the reasons for the tuition increases over the last ten years due to the decrease in state appropriations. Staff also provided information on the history of the special use fee and asset preservation fees.

MOTION: Dr. Staat moved the Committee recommend approval of the proposed tuition and mandatory fee rates for the University of Kentucky, the University of Louisville, Eastern Kentucky University, and Morehead State University to the full Council at its June 28, 2019 meeting. Mr. Wilson seconded the motion.

VOTE: The motion passed.

KENTUCKY-OHIO RECIPROCITY AGREEMENTS

Presenters: Shaun McKiernan, Director of Finance and Budget

Staff presented the tuition reciprocity agreements between Kentucky and Ohio for the 2019-21 fiscal years. The Ohio agreements have two-year terms (pursuant to Ohio law), and the proposed renewals have only minimal changes from the agreements currently in place. The changes were highlighted in the agenda materials.

MOTION: Dr. Staat moved the Committee recommend approval of all three Kentucky-Ohio Reciprocity Agreements to the full Council at its June 28, 2019 meeting. Ms. Zimmerman seconded the motion.

VOTE: The motion passed.

NONRESIDENT STUDENT TUITION POLICY

Presenters: Bill Payne, Vice President for Finance and Administration

Staff presented preliminary suggested changes to the nonresident student tuition policy for discussion. The current policy requires:

- Average undergraduate nonresident student tuition and fee revenue to meet or exceed average direct cost of instruction and student services
- A difficult calculation that compares average revenue generated by nonresident undergraduate students to average instructional and student services expenditures related to all students.

The suggested changes would require average undergraduate nonresident student tuition and fee revenue to equal or exceed 130% of the in-state tuition and fee

sticker price. Institutions could request an exception to this policy through a memorandum of agreement process with the Council to address strategic institutional or state needs.

The potential policy changes require further review by the campus presidents and chief budget officers before any Committee or Council action is needed.

Mr. Oleka inquired whether average tuition and fee revenue amounts were available by campus for different groups of students (e.g., underrepresented minority students); Dr. Payne stated that the data is not currently available but that he would look into it.

DISCUSSION ON TUITION AND FEE SETTING SCHEDULE FOR 2020-21 ACADEMIC YEAR

Mr. Brandstetter asked that the Council consider approving the 2020-21 tuition and mandatory fee ceilings at the October 31, 2019 meeting. Dr. Payne stated he would initiate the discussion with the institutional presidents and budget officers as well as CPE staff and provide an update on those discussions at the next Committee meeting.

INCOME SHARE MODEL DISCUSSION & STAFF REQUEST

Mr. Brandstetter requested Council staff conduct a study on the income share agreement concept and potential funding scenarios. The resulting report should be no more than five pages and sent to the Finance Committee by July 15. The subject would then be placed on the next Finance Committee meeting in August 2019 for further exploration and discussion.

2020-22 BIENNIAL BUDGET RECOMMENDATION

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

Staff presented the work conducted thus far on developing a 2020-22 Biennial Budget Recommendation for the agency and public institutions. The agenda materials provided included the timeline and meeting schedule, a summary of the 2018-20 budget request, the preliminary priorities identified for 2020-22, the beginning base/mandated programs, and the funding component discussions. The Committee plans to meet again in August, September and October of 2019 for further discussions.

PERFORMANCE FUNDING

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

Staff provided a copy of the letter and spreadsheet distributed to Budget Director John Chilton for the performance distribution for fiscal year 2019-20. Additionally, the Committee was updated on the discussions of the stop loss provision and the recent proposals presented from campuses on potential changes to the framework. Mr. Brandstetter stated he would like additional data on the potential distributions for the next two years assuming the performance of each campus is consistent with the most recent year and no changes are made to the framework.

ADJOURNMENT

The Finance Committee adjourned the meeting at 4:15 p.m., ET.

**MINUTES REVIEWED AND APPROVED BY THE
FINANCE COMMITTEE: _____**