

MINUTES

Council on Postsecondary Education

Type: Finance Committee Meeting
Date: December 6, 2019
Time: 10:00 a.m. ET
Location: Council on Postsecondary Education, Conference Room A

CALL TO ORDER

The Finance Committee met Friday, December 6, 2019, at 10:00 a.m., ET, at the CPE offices in Frankfort, Kentucky. Committee Chair Ben Brandstetter presided.

ATTENDENCE

- Attendance in person: Ben Brandstetter and Robert Staat.
- Attendance by teleconference: Grant Minix, Carol Wright, and Sherrill Zimmerman.
- Did not attend: OJ Oleka and Brandon Wilson.
- Heather Faesy, CPE's senior associate for Board Relations, served as recorder of the meeting minutes.

APPROVAL OF THE MINUTES

The minutes of October 16, 2019 Finance Committee meeting were approved as distributed.

INTERIM CAPITAL PROJECT REQUEST: UNIVERSITY OF KENTUCKY

Presenter: Shaun McKiernan, CPE's Director of Finance and Budget

At its October 31, 2019, the Council delegated the final review and approval of the following interim capital project request from the University of Kentucky (UK) to the Finance Committee.

UK officials requested authorization for an interim capital project to expand dining space at the Gatton Student Center to meet increased demand. The expansion will increase Champions Kitchen to accommodate 350 additional seats and will also include a second and third floor which will be used as needed and funds allow in the future. The total project scope is estimated at \$25,000,000. Most of the funding (\$24,000,050) will come from UK's foodservice provider, and the remaining funds (\$999,950) will come from institutional resources. UK personnel will oversee the design and implementation of the project. This project was approved by UK's Board of Trustees on October 18, 2019.

MOTION: Dr. Staat moved the Committee approve the University of Kentucky's interim capital project as presented on behalf of the Council. Mr. Minix seconded the motion.

VOTE: The motion passed.

INTERIM CAPITAL PROJECT REQUEST: UNIVERSITY OF LOUISVILLE

Presenter: Shaun McKiernan, CPE's Director of Finance and Budget

At its October 31, 2019, the Council approved the 2020-22 biennial budget request. Included in that request was a capital project request from the University of Louisville to upgrade and expand Wi-Fi and cellular services at Cardinal Stadium. On November 25, campus officials formally requested CPE to approve the project as an interim project in order to have it complete before the first home game of the 2020-21 football season. Equipment will need to be ordered by February 1, 2020 to meet this timeline.

Cardinal Stadium seats 60,000 and was original built in 1998 with expansions in 2010 and 2019. The recent construction created an additional 25,000 square feet of space. Also included was a major upgrade to the Howard Schnellenberger Football Complex, which is attached to the stadium. A total project scope of \$6,000,000 is requested. According to campus officials, funding for the project will come from athletics and private donations. UofL personnel will oversee the design and implementation of the project.

Approval by the Finance Committee would be final since the project was already approved by the Council.

MOTION: Dr. Staat moved the Committee approve the University of Louisville's interim capital project as presented. Mr. Minix seconded the motion.

VOTE: The motion passed.

DISTRIBUTION OF REAL PROPERTY

Presenter: Travis Powell, CPE's Vice President and General Counsel

House Bill (HB) 268, adopted in the 2019 Regular Session, amended the 2018-2020 Executive Branch Budget Bill and directed the Council on Postsecondary Education to provide a recommendation to establish a process for the sale or disposal of all personal property, real property, or major items of equipment owned by postsecondary institutions to the Interim Joint Committee on Appropriations and Revenue by December 1, 2019.

CPE staff submitted a report prior to the deadline as required, with the understanding that the report would be adjusted if needed following review by the Finance Committee. The following was submitted:

- Current statutory directives (KRS 164.410 and KRS 164.575), along with the corresponding policies adopted by the postsecondary institution governing boards, provide a sufficient framework for managing the sale or disposal of all personal property, real property, or major items of equipment owned by the institution. If additional monitoring is desired, the General Assembly could direct institutions to report to the Council the sale or disposal of real property or major items equipment previously approved by the Council.
- With regard to the proceeds from these sales, the Council recommends that the language in HB 268 requiring that the proceeds from the sale of major items of equipment or real property shall be designed to the funding sources used for the acquisition of the property, on a proportionate basis be codified in KRS 45.777(2) as an exception to the rule that all proceeds be returned to the General Fund. Appropriate references should be made in KRS 164.410 in order to harmonize the statutes.

MOTION: Ms. Wright moved the Committee approve the report as submitted to the Interim Joint Committee on Appropriations and Revenue. Dr. Staat seconded the motion.

VOTE: The motion passed.

PRELIMINARY TUITION SETTING TIMELINE

Presenter: Bill Payne, CPE's Vice President for Finance and Administration

Dr. Payne presented a preliminary timeline that closely mirrored the timelines of prior tuition setting cycles. The committee discussed whether to accelerate the timeline and whether to review and recommend tuition ceilings for one or two academic years. At the next committee meeting, staff will bring an analysis of pros and cons regarding the one-year versus two-year tuition setting cycle. Additionally, staff will propose potential meeting dates from January through June 2020 to the committee members.

CURRENT TUITION AND MANDATORY FEE POLICY

Presenter: Bill Payne, CPE's Vice President for Finance and Administration

Dr. Payne presented the current iteration of the Tuition and Mandatory Fee Policy and stated language regarding online course fees are in development. He asked the Committee members to review the policy and provided comments or suggestions before the next Committee meeting.

DISTRIBUTION OF UNMATCHED 2020-22 ASSET PRESERVATION FUNDS

Presenter: Shaun McKiernan, CPE's Director of Finance and Budget

Mr. McKiernan presented a proposed budget bill language for unmatched 2020-22 Asset Preservation Fund, if approved by the General Assembly. Included in the higher education budget proposal that includes an asset preservation pool of \$400 million in state funds. It would require a \$0.50 per state dollar match from the institutions for individual projects to upgrade and replace building systems and infrastructure supporting Education and General facilities. The proposed language stated that if an institution cannot match its assigned allocation of state General Funds for asset preservation by January 1, 2022, the unmatched General Funds may be re-allocated by CPE, to another institution(s) to match and complete asset preservation projects. This was presented as a discussion item because guidelines do not need to be established or approved when/if the funds are included and approved in the final 2020-22 biennial state budget.

KSU MANAGEMENT AND IMPROVEMENT PLAN UPDATE

Presenter: M. Christopher Brown, President of Kentucky State University

Committee members were briefed on KSU's third annual submission of progress toward their Management and Improvement Plan, which was developed in collaboration with Council staff and approved by the Council in November of 2016. During the briefing, President Brown answered several questions regarding the optimal enrollment levels and the goals for the current academic year.

ADJOURNMENT

The Finance Committee adjourned at 11:25 a.m., ET.

MINUTES REVIEWED AND APPROVED BY THE FINANCE COMMITTEE: February 19, 2020
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