

KY COUNCIL ON POSTSECONDARY EDUCATION FINANCE COMMITTEE

January 9, 2020 - 10:30 AM
CPE Offices, 2nd floor training room



- I. **Welcome & Roll Call**
- II. **Approval of the Minutes**
- III. **Comments from CPE President, Aaron Thompson**
- IV. **Tuition Setting Timeline & Tuition and Mandatory Fee Policy** (*Action item*)
- V. **Nonresident Student Tuition MOU** (*Action item*)
 - A. Morehead State University
- VI. **Review of Expiring Administrative Regulation**
 - A. 13 KAR 2:050 – Tuition at public institutions of higher education in Kentucky
- VII. **Other Business**
- VIII. **Adjournment**

Next meeting: February 2020 (TBD)

TITLE: Endorsement of 2020-21 Tuition Setting Timeline and Tuition and Mandatory Fee Policy

RECOMMENDATION: Staff recommends that the Finance Committee approve the attached 2020-21 Tuition Setting Timeline and the Tuition and Mandatory Fee Policy, which will provide a framework for establishing public postsecondary tuition and fees for academic year 2020-21, and recommend approval of both to the Council at its January 24, 2020 meeting.

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

SUPPORTING INFORMATION


Every year, staff works with campus presidents, chief budget officers, and Council members to facilitate a review of the Council's Tuition and Mandatory Fee Policy and to make changes in the policy as needed. Staff also works with the aforementioned stakeholders to develop a timeline for the upcoming academic year, which identifies target dates and activities related to the tuition setting process. Both of these documents provide a framework for establishing tuition and mandatory fees at the public postsecondary institutions in any given academic year.

Over the past several years, there have been some notable changes to the Tuition and mandatory Fee Policy. For example, at the February 2, 2018 meeting, the Council approved an Asset Preservation Fee Exception Policy, which allows institutions to seek Council approval of fees that would be treated as being outside of previously approved tuition caps, provided the revenue from such fees would be used exclusively to support asset preservation projects. On October 31, 2019, the Council approved an amended nonresident student tuition policy, which requires institutions to enter into a Memorandum of Understanding with the Council, if the average tuition and fee revenue generated from nonresident students falls below 130 percent of the published price of resident student tuition and fees.

At the April 26, 2019 meeting, the Council approved a committee structure that established the Finance Committee. Since that time, committee members have met with staff, reviewed the current Tuition and Mandatory Fee Policy for potential changes, and participated in development of a draft tuition setting timeline for academic year 2020-21. After consulting with Finance Committee members, campus presidents, and chief budget officers, CPE staff is not recommending any changes to the current Tuition and Mandatory Fee Policy at this time.

Staff recommends that members of Finance Committee endorse the attached 2020-21 Tuition Setting Timeline (Attachment A) and Tuition and Mandatory Fee Policy (Attachment B), so that these documents can be brought before the full Council for approval at the January 24, 2020 meeting. Once approved by the full Council, these documents will guide the formation of a tuition and fee ceiling recommendation and facilitate submission and assessment of campus proposed tuition and fee schedules for academic year 2020-21.

Council on Postsecondary Education Proposed 2020-21 Tuition Setting Timeline

- Oct 31, 2019 **CPE Meeting** – Council approves Finance Committee endorsed 2020-22 biennial budget recommendation for postsecondary education, featuring two main components: performance funding and asset preservation.
- Nov 6, 2019 Presidents' Meeting – Council staff shares preliminary Tuition Setting Timeline and current Tuition and Mandatory Fee Policy with postsecondary institution presidents for review and discussion.
- Nov – Dec Council staff works with campus chief budget officers (CBOs) to develop any proposed changes to the preliminary Tuition Setting Timeline and current Tuition and Mandatory Fee Policy and to identify key issues that might impact the 2020-21 tuition setting cycle.
- Dec 4, 2019 Presidents' Meeting – Council staff updates the presidents regarding any potential changes to the preliminary Tuition Setting Timeline and current Tuition and Mandatory Fee Policy. Key issues for 2020-21 are discussed.
-  Dec 6, 2019 Finance Committee Meeting – Council staff shares the preliminary Tuition Setting Timeline and current Tuition and Mandatory Fee Policy with Finance Committee members for review and discussion. Key issues for 2020-21 are discussed.
- Dec – Jan Council staff continues to work with campus CBOs to finalize proposed Tuition Setting Timeline and Tuition and Mandatory Fee Policy documents and begins collecting and updating policy relevant data in the areas of funding adequacy, shared benefits and responsibility, affordability and access, attracting and importing talent, and productivity.
- Postsecondary institutions begin collecting data related to fixed cost increases, tuition and fee revenue estimates, potential impact of tuition increases, anticipated uses of additional tuition and fee revenue, and budgeted student financial aid expenditures.
- Jan 8, 2020 Presidents' Meeting – Council staff shares proposed Tuition Setting Timeline and Tuition and Mandatory Fee Policy documents with postsecondary institution presidents for review and discussion. Key issues that might impact the 2020-21 tuition setting cycle are discussed.

ATTACHMENT A

January 9, 2020

Jan – Feb	Council and institutional staffs continue respective data collection efforts.
➔ (Date TBD)	Finance Committee Meeting – Revised Tuition Setting Timeline, proposed Tuition and Mandatory Fee Policy, and updated policy relevant data are presented for review, discussion, and endorsement.
Jan 24, 2020	CPE Meeting – Finance Committee presents final Tuition Setting Timeline for Council information and proposed Tuition and Mandatory Fee Policy for Council action and provides update on 2020-21 tuition setting process.
Feb 5, 2020	<u>Presidents’ Meeting</u> – Council staff shares updated policy relevant data for review and discussion. Components of the Governor’s proposed budget ¹ and implications for the upcoming tuition cycle are discussed.
Feb – Mar	Council and institutional staffs exchange information from respective data collection efforts and begin finalizing for distribution to Council members.
Mar 4, 2020	<u>Presidents’ Meeting</u> – Council staff shares updated policy relevant data and initiates discussion of tuition and mandatory fee ceilings.
➔ (Date TBD)	Finance Committee Meeting – Staff presents finalized policy relevant data and updates committee members regarding discussions to date.
Apr 1, 2020	<u>Presidents’ Meeting</u> – Council staff shares draft tuition and fee ceilings with campus presidents for review and discussion.
(Date TBD)	Conference call with campus presidents and chief budget officers to discuss components of the enacted 2020-22 budget ² and implications for the 2020-21 tuition and fee recommendation.
➔ (Date TBD)	Finance Committee Meeting – Staff presents proposed tuition and mandatory fee ceilings for review, discussion, and endorsement.
Apr 24, 2020	CPE Meeting – Finance Committee presents proposed tuition and fee ceilings for Council action.

¹ The deadline for introduction of the 2020-22 Executive Budget is January 28, 2020.

² Assumes Budget of the Commonwealth is enacted during the 2020 regular session, by the 60th legislative day (i.e., April 15, 2020).

ATTACHMENT A

January 9, 2020

- May – Jun Postsecondary institutions submit proposed tuition and mandatory fee rates to Council staff. The Council president updates Council members regarding rate proposals.
- Jun 19, 2020 **CPE Meeting** – The Council takes action on each institution’s proposed tuition and mandatory fee rates.

¹ The deadline for introduction of the 2020-22 Executive Budget is January 28, 2020.

² Assumes Budget of the Commonwealth is enacted during the 2020 regular session, by the 60th legislative day (i.e., April 15, 2020).

Council on Postsecondary Education

Tuition & Mandatory Fee Policy

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, 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 Strategic Agenda for Kentucky Postsecondary and Adult Education.

Fundamental Objectives

- Funding Adequacy

HB 1 states 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 postsecondary education institutions.

- Affordability and Access

Since broad educational attainment is essential to a vibrant state economy and to intellectual, cultural, and political vitality, 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 adult learners, 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, family contributions, work, and financial aid, including grants and loans.

In developing a tuition and mandatory fees 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 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 initiatives. The colleges and universities seek to ensure that every dollar available to them is invested in areas that maximize results and outcomes most beneficial to the Commonwealth and its regions. It is anticipated that enactment of Senate Bill 153, the *Postsecondary Education Performance Funding Bill*, during the 2017 legislative session will provide 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.

- **Attracting and Importing Talent to Kentucky**

It is unlikely that Kentucky can 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 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 below. Going forward, Council staff will periodically review and evaluate the policy to determine its impact on attracting and retaining 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 adopted for nonresident students shall be higher than the prices 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 exceeds 130% 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.

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.
- The cost of a given asset preservation and renovation or fit-for-use project shall equal or exceed \$1.0 million; however, several smaller asset preservation projects may be bundled to meet the threshold requirement.
- Revenue from the fee may either be expended upon collection on asset preservation and renovation or fit-for-use projects, or used to pay debt service on agency bonds issued 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 and fees in the year imposed (i.e., percentage points above the 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.
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APPROVED BY CPE FINANCE COMMITTEE: _____

ADOPTED BY THE COUNCIL: _____

TITLE: Memorandum of Understanding – Nonresident Tuition at Morehead State University

RECOMMENDATION: Staff recommends that the Finance Committee accept the proposed Memorandum of Understanding between the Council and Morehead State University regarding nonresident student tuition, and recommend approval to the Council at its January 24, 2020 meeting.

PRESENTERS: Bill Payne, Vice President for Finance and Administration, CPE
Shaun McKiernan, Director of Finance and Budget, CPE
Greg Rush, Senior Fellow, CPE

SUPPORTING INFORMATION

At its October 31, 2019 meeting, the Council approved the amended Nonresident Student Tuition Policy which modified the existing policy by indexing the average net tuition and fee revenue generated from nonresident students to the published price of resident student tuition and fees, rather than to the direct costs of instruction and student services per student as previously required.

On January 2, 2020, Morehead State University submitted the attached Memorandum of Understanding (MOU). Council staff has reviewed the proposed MOU and finds that the goals and structure of the agreement are consistent with Council policy.

MOU Components

The Memorandum of Understanding targets West Virginia, Virginia and Tennessee with the option of adding Georgia, South Carolina, North Carolina and Pennsylvania.

- Students must meet academic requirements for admission.
- Students from these states may receive a tuition scholarship lowering their net cost below 1.3 times the resident rate.
- No academically qualified Kentucky resident will be displaced as a result of the MOU.
- The University will report annually the results of the agreement.

MEMORANDUM OF UNDERSTANDING
between
MOREHEAD STATE UNIVERSITY
and
THE KENTUCKY COUNCIL ON POSTSECONDARY EDUCATION

This Memorandum of Understanding is made between Morehead State University, located in Morehead, Kentucky, and the Kentucky Council on Postsecondary Education, a governmental agency of the Commonwealth, with its address at 1024 Capital Center Drive, Suite 320, Frankfort, Kentucky 40601.

WITNESSETH:

WHEREAS, the Kentucky Council on Postsecondary Education (Council or CPE) is responsible for determining tuition at public postsecondary institutions in the Commonwealth of Kentucky;

WHEREAS, the Council annually adopts a Tuition and Mandatory Fee Policy (Policy) based on the following fundamental objectives:

- Funding Adequacy;
- Shared Benefits and Responsibility;
- Affordability and Access;
- Effective Use of Resources; and
- Attracting and Importing Talent to Kentucky

WHEREAS, the Policy acknowledges that in order to meet the last objective, the Council and the institutions are committed to making Kentucky institutions financially attractive to nonresident students;

WHEREAS, the standard for non-resident tuition articulated in the Policy requires that in any given year, the average net tuition and fee revenue generated per nonresident undergraduate student equals or exceeds 130% of the annual full-time tuition and fee charge assessed to resident undergraduate students (i.e., the published in-state sticker price);

WHEREAS, the Policy allows institutions to request exceptions to the 130% threshold through a Memorandum of Understanding (MOU) process that delineates goals and strategies embedded in enrollment management plans that advance the unique missions of requesting institutions;

WHEREAS, Morehead State University has one of the highest percentage of Pell eligible students of any public comprehensive university in the Commonwealth;

WHEREAS, Morehead State University has identified that the cost of education is the primary factor affecting retention, persistence, and graduation rates at the University, particularly given the economic environment of the service region;

WHEREAS, a strategic goal of both the Council and Morehead State University is to implement policies that make an undergraduate education affordable and accessible to all students;

WHEREAS, Morehead State University has a close geographical proximity to West Virginia, Virginia, and Tennessee, as well as a comprehensive listing of academic programs;

WHEREAS, Morehead State University strives to increase its non-resident student population to offset a loss of population within the service region;

NOW, THEREFORE, the Council and Morehead State University do enter into this Agreement for the purpose and period specified below.

SECTION ONE: TERMS OF THE AGREEMENT

1. The Council acknowledges that Morehead State University currently has an acceptable undergraduate tuition rate schedule for non-resident students.
2. Morehead State University agrees that students from the states of West Virginia, Virginia and Tennessee, plus the possible future states of Georgia, South Carolina, North Carolina, and Pennsylvania, that meet academic requirements for admission established by the University, may receive a tuition scholarship aligned with the University's scholarship grid for those non-resident students.
3. Morehead State University will ensure that academically qualified Kentucky residents will not be displaced as a result of this agreement.
4. The Council agrees that while the non-resident tuition structure will not result in the average net tuition and fee revenue generated per nonresident undergraduate student equaling or exceeding 130% of the annual full-time tuition and fee charge assessed to resident undergraduate students, the increased nonresident student enrollment will benefit both the Commonwealth and Morehead State University.
5. The Council agrees that due to the benefits of the proposed program to the Commonwealth and Morehead State University, an exception to the nonresident tuition and fee policy is granted.
6. Morehead State University agrees to report to the council annually the results of this agreement. This report will include a summary of the entire program with breakouts of each geographic area in which a tuition and fee discount is applied. Both the summary and the breakouts shall include the following:
 - a. Total applications received and total accepted;
 - b. Total enrollment;
 - c. Enrollment demographics (e.g., underrepresented minorities, low-income, first generation);
 - d. Retention, graduation, and degrees conferred for the total area and broken down by each demographic group (as they become available); and
 - e. Total fee revenue generated by semester.


SECTION TWO: LENGTH OF THE AGREEMENT

Upon approval by the Council, this agreement is effective beginning February 1, 2020, and shall renew annually upon mutual consent of the parties.

APPROVED:

Aaron Thompson
President
Kentucky Council on Postsecondary Education

Date



Joseph (Jan) Morgan
President
Morehead State University

1-2-20'
Date

Travis Powell
General Counsel
Kentucky Council on Postsecondary Education

Date



Teresa Lindgren
Chief Financial Officer
Morehead State University

1-2-20
Date

TITLE: Review of Expiring Administrative Regulation
13 KAR 2:050 – *Tuition at public institutions of higher education*

DESCRIPTION: Staff will discuss the regulation and its recommendation for action. After discussion by the Committee, it will be presented for action at the January 24, 2020 Council meeting.

PRESENTER: Travis Powell, Vice President and General Counsel

Reason for Review

House Bill (HB) 50, signed into law in the 2017 Regular Session, amends the statutes governing administrative regulations, KRS Chapter 13A, and requires that action be taken on an administrative regulation at least every seven (7) years or the regulation will be repealed. Action can be in the form of certification that the agency either intends to keep the regulation in effect “as is,” or amend the regulation within 18 months. Agencies can also choose not to take action and allow regulations to be repealed after the expiration date.

The first date of expiration outlined in HB 50 was July 1, 2019 for regulations last adopted or amended on or before July 1, 2012, but due to the passage of HB 4 in the 2019 Regular Session, the first date of expiration was extended to March 1, 2020. The issue of regulation expiration was generally discussed with the full Council at the February 22, 2019 and April 25, 2019 meetings.

Regulation to be Reviewed

[13 KAR 2:050](#) – *Tuition at public institutions of higher education in Kentucky* is a regulation adopted by the Council. The regulation was last amended in July 1996 and will expire on March 1, 2020 without Council action.

Related statute: KRS 164.020(8)(a) requires that the Council determine tuition at state postsecondary institutions.

Recommended Action

Council staff recommends that the Council allow 13 KAR 2:050 to expire and be repealed.

The regulation was adopted before higher education reform in 1997 and the Council currently determines tuition in accordance with policies adopted at least biannually. There is no specific statutory requirement for the Council to adopt a regulation governing tuition determinations and new factors are always considered when setting tuition. The policy adoption process is much more flexible than the process to promulgate a regulation. Factors affecting the tuition marketplace are constantly changing and flexibility and responsiveness are key. As such, Council staff recommends that the Council allow this regulation to be repealed and continue utilizing the current tuition policy approval framework to comply with the statutory mandate to determine tuition.