

KENTUCKY COUNCIL ON POSTSECONDARY EDUCATION FINANCE COMMITTEE



June 6, 2023 - 1:00 p.m. EDT

Virtual Meeting - <https://cpe-ky-gov.zoom.us/j/89129396618>

- I. **Call to Order and Roll Call**
- II. **Approval of Minutes** (*from March 21, 2023*)
- III. **Campus Tuition and Fee Proposals for Academic Year 2023-24**
 - A. Eastern Kentucky University
 - B. Kentucky State University
 - C. Murray State University
 - D. Western Kentucky University
- IV. **Delegation of Authority to Approve Tuition Proposals**
- V. **Interim Capital Project Request**
 - A. University of Louisville – Ekstrom Library Expansion
- VI. **Delegation of Authority to Approve Insurance Claim Projects**
- VII. **Interstate Tuition Reciprocity Agreements**
 - A. Kentucky/Ohio Agreements (2023-2025)
 - B. Kentucky/West Virginia Agreement (2023-2025)
- VIII. **Performance Funding Model Review Update**
- IX. **Biennial Budget Development Update**
- X. **Other Business**
- XI. **Adjournment**

Next Finance Committee Meeting: September 11, 2023 @ 1:00 PM EDT

TUITION RECIPROcity AGREEMENT

ASHLAND COMMUNITY AND TECHNICAL COLLEGE
BIG SANDY COMMUNITY AND TECHNICAL COLLEGE
AND
SOUTHERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE AND
MOUNTWEST COMMUNITY AND TECHNICAL COLLEGE
~~2021-2023- 2023-2025~~

I. Parties

Under the provisions of Section 18-B-4-3 of the West Virginia Code, Section 164.020 (11) of the Kentucky Revised Statutes, and in compliance with rules and procedures of the West Virginia Council for Community and Technical College Education, the Kentucky Council on Postsecondary Education, the Kentucky Community and Technical College System, Ashland Community and Technical College, Big Sandy Community and Technical College, Mountwest Community and Technical College, and Southern West Virginia Community and Technical College, the following agreement is entered into between the Kentucky Council on Postsecondary Education and the West Virginia Council for Community and Technical College Education, and between Ashland Community and Technical College and Big Sandy Community and Technical College of the Kentucky Community and Technical College System and Mountwest Community and Technical College and Southern West Virginia Community and Technical College.

II. Purpose

The purposes of this tuition reciprocity agreement are to (1) improve the lower division post high school educational advantages to residents of Boyd, Lawrence, Martin, and Pike Counties in Kentucky and Cabell, McDowell, Mingo, and Wayne Counties in West Virginia; (2) minimize the cost of such improvements for the taxpayers and legislative bodies of both states by cooperative planning and joint education efforts; and (3) promote the maximum use of existing educational facilities and address the problems of enrollment fluctuations and fiscal constraints at both institutions.

III. Period Covered By Agreement

~~July 1, 2021—June 30, 2023~~ July 1, 2023 - June 30, 2025

IV. Terms

The provisions of this agreement shall be effective beginning ~~July 1, 2021~~ **July 1, 2023**, and expire on ~~June 30, 2023~~ **June 30, 2025**, and will commence with any registration after the effective date. Students who are enrolled under the provisions of the agreement may continue to attend the selected colleges at the reciprocity rates for a period of two years subsequent to termination of the agreement. The agreement shall be subject to review and revision on an annual basis.

V. Eligible Students

Ashland Community and Technical College and Big Sandy Community and Technical College agree to accept at the resident rate any resident of Cabell, McDowell, Mingo, or Wayne Counties of West Virginia wishing to enroll for whom space is available and who satisfies all regular in-state admission requirements of Ashland Community and Technical College and Big Sandy Community and Technical College.

Mountwest Community and Technical College and Southern West Virginia Community and Technical College agree to accept at the resident rate any resident of Boyd, Lawrence, Martin, or Pike Counties of Kentucky wishing to enroll for whom space is available and who satisfies all regular in-state admissions requirements of Mountwest Community and Technical College and Southern West Virginia Community and Technical College.

Eligible students for whom space is available may enroll in fully online classes at eligible KCTCS institutions at the resident rate. This agreement does not preclude KCTCS from charging fully online West Virginia resident students attending any KCTCS institution the Kentucky resident rate.

VI. Termination or Renewal of Agreement

This agreement shall be reviewed annually and may be considered for termination or modification for cause at the request of either participating institution, the West Virginia Council for Community and Technical College Education, or the Kentucky Council on Postsecondary Education.

Ashland Community and Technical College, Big Sandy Community and Technical College, Mountwest Community and Technical College, and Southern West Virginia Community and Technical College agree to provide on an annual basis to the Kentucky Council on Postsecondary Education and the West Virginia Council for Community and Technical College Education reports on the enrollment and program implications of the agreement on forms prescribed for the purpose by these state agencies.

VII. Signatures

Dr. Aaron Thompson
President, Kentucky Council on
Postsecondary Education

Date

Dr. Sarah Armstrong Tucker
Chancellor, West Virginia Community
& Technical System

Date

~~Dr. Paul Czarapata~~-Dr. Larry
Ferguson
Acting President, Kentucky
Community & Technical College
System

Date

Dr. Joshua Baker
President, Mountwest Community &
Technical College

Date

Dr. Larry Ferguson
President, Ashland Community & Technical
College

Date

Dr. Pamela Alderman
President, Southern West Virginia
Community & Technical College

Date

~~Dr. Sherry Zylka~~
Dr. Telly Sellars
Interim President, Big Sandy Community &
Technical College

Date

TITLE: Performance Funding Model Review Update

DESCRIPTION: Staff will provide an update on the 2023 Performance Funding Model Review process.

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

FUNDING MODEL REVIEW

On April 19, 2023, the Postsecondary Education Working Group held its third meeting of the year to continue comprehensive reviews of Kentucky's public university and KCTCS performance funding models (KRS 164.092). The meeting was conducted in three parts so that CPE staff and KCTCS officials could share information and facilitate discussion relevant to the university and two-year models, respectively. A copy of the agenda for the meeting can be found in Attachment A.

CPE Survey Responses

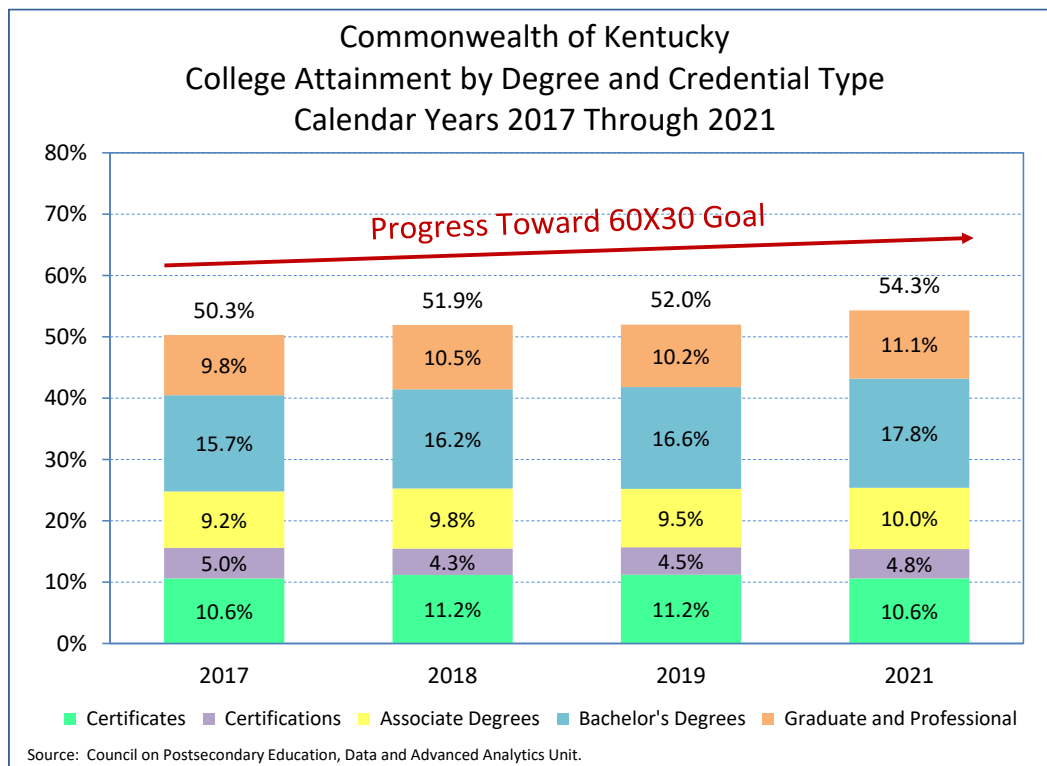
During the first part of the meeting, CPE staff shared its responses to the Performance Funding Survey with work group members. This was the same survey that was given to campus officials, the results of which were presented at the March 1, 2023 meeting. Survey questions included:

- What outcomes did policymakers expect to achieve from adopting the funding model?
- In what ways has the model functioned as expected? Were there any unexpected outcomes?
- Have there been any unintended consequences of the model?
- What adjustments to the model are recommended?

Expected Outcomes. In response to question one, staff determined that the funding model was expected to address shortcomings of the previous funding method, rectify funding disparities that had developed over time, and accelerate progress toward attainment of state goals. See Attachment B, slides 5 through 9 for more detail regarding specific outcomes the model was intended to achieve.

Functioned as Expected. An examination of outcomes achieved over six years of operation revealed that the university model has functioned as expected. Specifically,

the model has addressed shortcomings of the previous base plus, base minus funding approach. Most funding disparities among institutions have been rectified. As expected, Kentucky is making great strides in degree production. For example, since 2014, bachelor's degrees awarded have grown by 8% in total, 28% in STEM+H fields, and 38% among URM students. Kentucky is closing achievement gaps by expanding opportunity and access and growing degrees earned by URM students. Finally, the state is on track to achieve its 60X30 attainment goal. As can be seen in the chart below, between 2017 and 2021, college attainment in Kentucky grew by 4.0 percentage points, primarily the result of growth in bachelor's degrees, graduate and professional degrees, and associate degrees.



For more information about ways the funding model is functioning as expected, see Attachment B, slides 10 through 14.

Unexpected Outcomes. There were two areas where the university funding model did not operate as intended. First, the number of students that reached or surpassed 30-credit-hour and 60-credit-hour progression thresholds did not increase. Between 2014 and 2021, the number of students that earned 30 credit hours decreased by 2,376 or 17 percent and the number that reached the 60-credit-hour mark fell by 1,249 or 9 percent. Second, the number of bachelor's degrees awarded to low-income students did not increase as expected. Between 2014 and 2021, bachelor's degrees awarded to low-income students decreased by 106 or 1 percent. See Attachment B, slides 15 through 17 for more information about ways the model did not operate as expected.

Unintended Consequences. CPE staff identified two instances where operation of the funding model resulted in unintended outcomes, mainly due to external circumstances. First, lack of funding during the early years of implementation resulted in redistribution of base funds among institutions and slowed progress toward funding parity. Between 2018 and 2021, the model was applied with no new funding from the state. In 2022 and 2023, the General Assembly appropriated \$17.3 million and \$97.3 million in new dollars to the performance fund, respectively. Second, using a degree efficiency index (i.e., bachelor's degrees per 100 FTE indexed to the sector average) to weight the number of bachelor's degrees produced did not operate as intended due to declining enrollment at most institutions. In fact, the index rewarded institutions that had decreasing enrollment and penalized those with increasing enrollment, which runs counter to growth-oriented goals of the model. For more information about unintended consequences of the funding model, see Attachment B, slides 18 through 20.

Recommended Adjustments. Staff recommended a number of changes to the model, including increasing the premium for low-income bachelor's degrees, adding a new adult learner metric, eliminating the efficiency weighting in the bachelor's degree metric, and providing a larger small school adjustment for KSU and MoSU. In addition to proposing changes to the model itself, staff also recommended a change in how the model is applied. Specifically, staff proposed that funds earned by an institution as part of the 2023-24 performance distribution be made recurring to the base in the upcoming biennium. This action would not only reward institutions that grew enrollment, student progression, and degree production at rates above the sector average over the past few years, it would also move institutions toward funding parity, which would result in more institutions receiving a distribution when the model is run for fiscal year 2024-25. A list of staff's proposed adjustments to the model can be found in Attachment B, slide 21.

University Model Recommended Adjustments

During the second part of the meeting, staff shared a comprehensive list of proposed changes to the university model that had been submitted by both campus officials and CPE staff. That list and the institution or agency that recommended a given adjustment can be found in Attachment B, slides 23 through 28. In addition to presenting the list of proposed changes, staff shared five funding model scenarios and facilitated discussion among work group members regarding three questions:

- 1) Is there consensus among working group members to recommend that earned performance funds be made recurring to institutions?
- 2) Do work group members support the idea of using a portion of performance funds to provide base allocations outside the model?
- 3) Do work group members support the proposal to use formula share percentages to distribute a portion of or all performance funds?

The discussion items and funding scenarios can be found in Attachment B, slides 29 through 39.

KCTCS Recommended Adjustments

Toward the end of the meeting, KCTCS officials presented several slides containing proposed changes to the two-year funding model. The recommended changes included:

- Using a three-year rolling average of data for all metrics (except square footage)
- Allowing earned funds to become recurring
- Accounting for regional differences among colleges
- Reducing the weighting of progression metrics (from 12% to 7%)
- Merging STEM+H, High-Wage High Demand, and Targeted Industry credentials
- Reducing the weighting of the credential metric (from 15% to 8%)
- Adding an adult learner metric

A copy of the information provided by KCTCS officials can be found in Attachment B, slides 41 through 43.

Next Steps

In terms of next steps, CPE staff indicated that they would run the 2023-24 iteration of the university funding model, complete the validation process, and notify institutions and the Office of the State Budget Director of the resulting distribution. In addition, staff said they would analyze the results and share them with the working group at their next meeting. Finally, staff will run additional scenarios as needed and continue to facilitate discussion of the university model, so the working group can reach consensus on proposed changes.

In similar fashion, KCTCS staff will run scenarios and facilitate discussion pertaining to the two-year college model. The next meeting of the Postsecondary Education Working Group is scheduled to take place on July 26, 2023.

**POSTSECONDARY EDUCATION WORKING GROUP
PERFORMANCE FUNDING MODEL REVIEW**



April 19, 2023 - 1:00 PM – 3:00 PM, EST
Virtual Meeting via Zoom

Slide No.

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- A. Expected Outcomes
- B. Functioning as Expected
- C. Not Operating as Expected
- D. Unintended Consequences
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VII. Other Business and Adjournment



Postsecondary Education Working Group Performance Funding Model Review

Dr. Aaron Thompson, President
Kentucky Council on Postsecondary Education
April 19, 2023



Overview

- CPE Survey Responses
 - Expected Outcomes
 - Functioning as Expected
 - Unintended Consequences
 - Recommended Adjustments
- University Model
 - Recommended Adjustments
 - Discussion Items
- KCTCS Model
 - Recommended Adjustments



CPE Survey Responses

CPE Survey Responses

- Like the survey completed by the institutions, Council staff developed responses to the following questions:
 - What outcomes did policymakers expect to achieve from adopting the funding model?
 - In what ways has the model functioned as expected? Were there any unexpected outcomes?
 - Have there been any unintended consequences?
 - What adjustments to the model are recommended?

CPE Survey Responses

Expected Outcomes

- From a review of historical Council and working group documents it is clear there were several outcomes the performance funding model was expected to achieve:
 - Address shortcomings of the previous funding method
 - Rectify funding disparities that had developed over time
 - Accelerate progress toward attainment of state goals
 - model specific goals
 - Kentucky's 60X30 goal

Expected Outcomes

Address Shortcomings

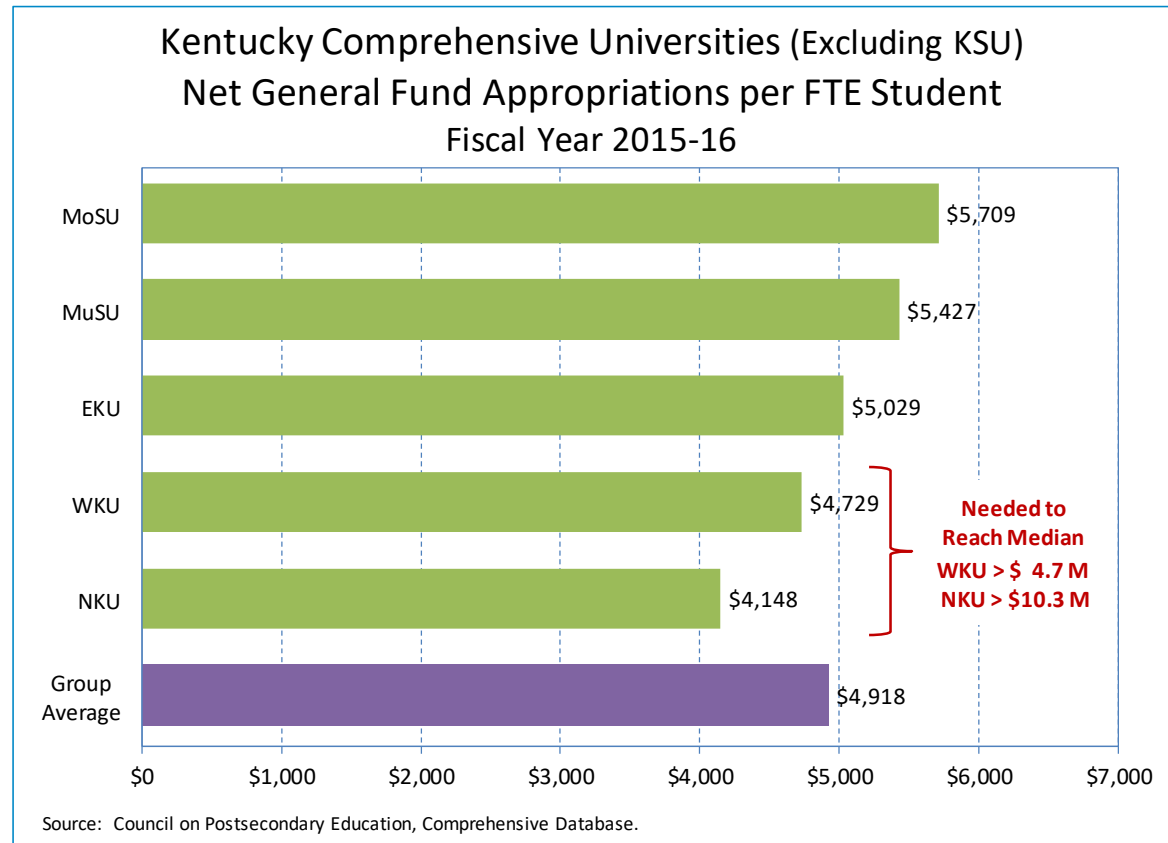
- It was anticipated that the new model would overcome shortcomings of the previous method:
 - For more than a decade, appropriations were distributed based on share of funding received the prior year
 - This approach failed to recognize changes in:
 - Enrollment
 - Program mix
 - Student outcomes (progression, degree completion)
 - There were no financial incentives for achieving desired state goals for postsecondary education

Expected Outcomes

Rectify Funding Disparities

The model was also expected to reduce funding disparities in the comprehensive sector

- In 2016, the per student funding gap between NKU and MoSU was \$1,561
- Projections showed that NKU would need \$10.3 M to reach the sector median (EKU)
- WKU would need \$4.7 M to reach the median



Expected Outcomes

Accelerate Progress

Specific goals for Kentucky's public universities listed in *Report of the Postsecondary Education Working Group* (December 1, 2016)

➤ *Model Specific Goals*

- Increase retention and progression of students toward timely bachelor's degree completion
- Increase the number of bachelor's degrees earned by all types of students
- Grow the number of bachelor's degrees produced in fields that garner higher wages upon graduation (i.e., STEM+H fields)
- Close achievement gaps by growing the number of bachelor's degrees earned by low income and minority students

Expected Outcomes

Accelerate Progress (Cont'd)

➤ *Kentucky's 60X30 Goal*

- Raise the percentage of working-age adults (ages 25 to 64) with a high-quality postsecondary degree or certificate to 60 percent by the year 2030
- Achieving this goal is critical to accelerate job creation, grow the economy, and expand the state's tax base through the contributions of a more skilled, productive workforce

CPE Survey Responses

Functioning as Expected

- Overall, the funding model has operated as expected
 - The model has addressed shortcomings of the previous base plus, base minus funding approach
 - Most funding disparities among institutions have been rectified
 - Since 2014, bachelor's degrees awarded have grown by 8% in total, 28% in STEM+H fields, and 38% among URM students
 - Kentucky is closing achievement gaps by expanding opportunity and access and growing degrees earned by URM students
 - The state is on track to achieve its 60X30 attainment goal

Functioning as Expected

Address Shortcomings

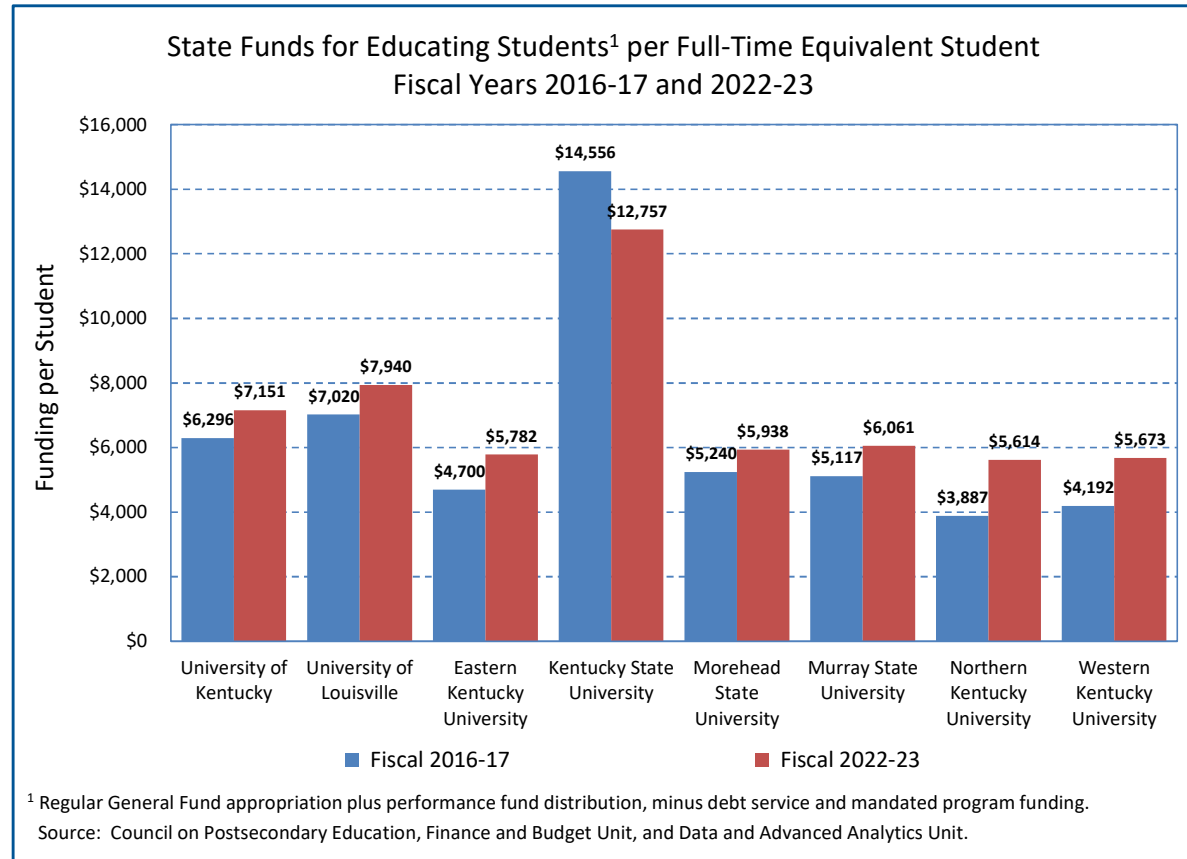
- New model has addressed limitations of the previous method
 - State funding is no longer distributed based on historical share, but on outcomes produced
 - The new approach reflects changes in enrollment, program mix, and degrees awarded
 - The model provides incentives for student progression and completion, and premiums for STEM+H, URM, and LI degrees
 - Institutions are reacting to the model strategically
 - There is increased alignment between campus and state goals
 - Many adopted budget allocation models to reward performance

Functioning as Expected

Rectify Funding Disparities

Between 2017 and 2023, state funding per student increased at every university except KSU

- As expected, most funding disparities that developed over time have been rectified
- Between 2017 and 2023, the gap in per student funding between MoSU and NKU narrowed from \$1,353 to \$324 per student
- In 2023, funding parity was achieved at 6 of 8 universities (a 7th was very close)



Functioning as Expected

Accelerate Progress

➤ *Model Specific Goals*

- As expected, Kentucky is making great strides in degree production
- Since 2014, bachelor's degrees awarded have grown by 8% overall, 28% in STEM+H fields, and 38% among URM students

Change in Bachelor's Degrees Produced by Degree Type
Between Academic Years 2013-14 and 2020-21

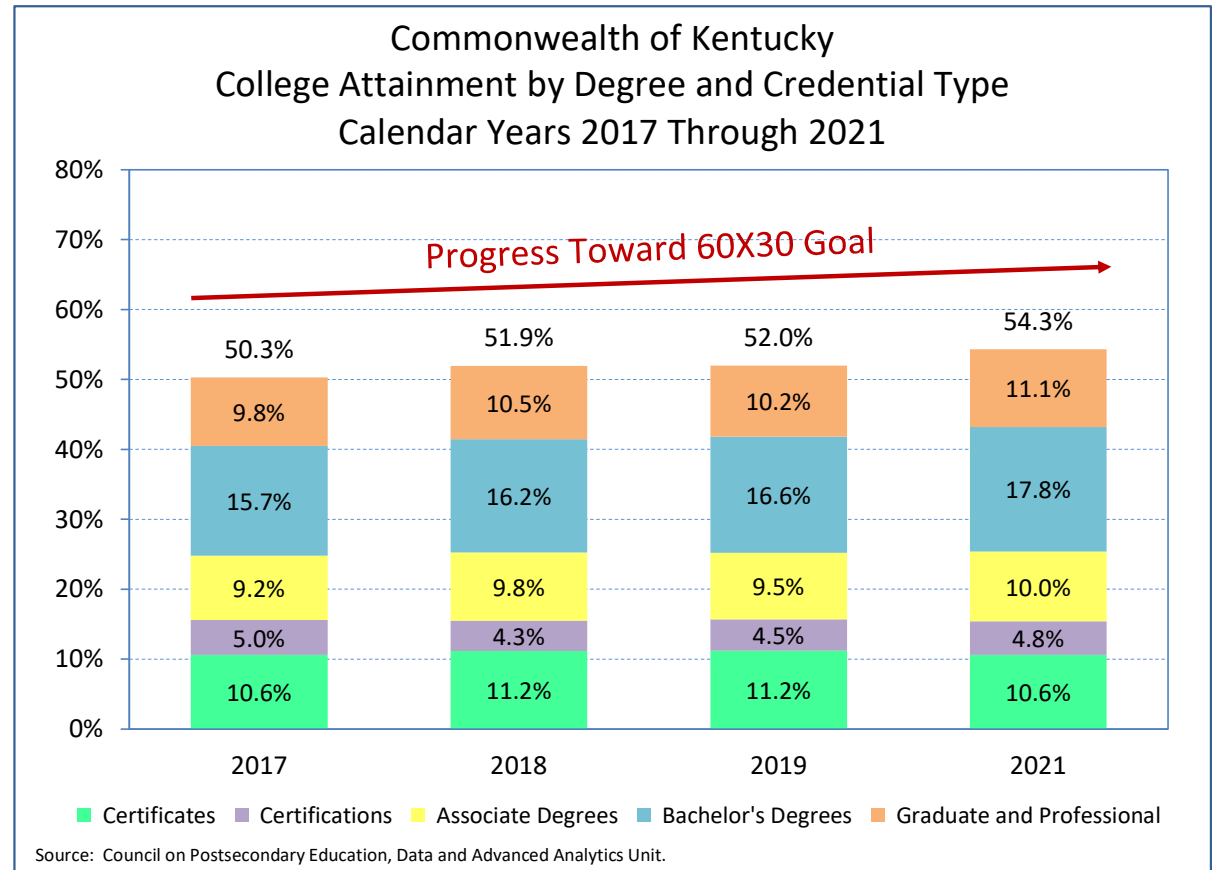
<u>Outcome Category</u>	<u>2013-14</u>	<u>2020-21</u>	<u>Number Change</u>	<u>Percent Change</u>	<u>CAGR</u>
Total Bachelor's Degrees	17,096	18,395	1,299	8%	1.1%
STEM+H Bachelor's Degrees	5,093	6,497	1,404	28%	3.5%
URM Bachelor's Degrees	1,933	2,672	739	38%	4.7%

Functioning as Expected

Accelerate Progress (Cont'd)

➤ Kentucky's 60X30 Goal

- Kentucky is also making good progress toward its 60X30 attainment goal
- Between 2017 and 2021, college attainment grew by 4.0 percentage points
- Mainly due to bachelor's & graduate degree growth
- The state is on track to reach its attainment goal



CPE Survey Responses

Not Operating as Expected

- There are two areas where the university funding model has not worked as intended:
 - The number of students reaching 30 credit hour and 60 credit hour progression thresholds has not increased
 - The number of bachelor's degrees awarded to low income students did not increase as expected

Not Operating as Expected

Student Progression

➤ *Model Specific Goals*

- One unexpected outcome is a downward trend in student progression
- Since 2014, the number of students reaching 30 credit hours earned and 60 credit hours earned decreased by -17% and -9%, respectively

Change in Student Progression at 30, 60, and 90 Credit Hours Earned
Between Academic Years 2013-14 and 2020-21

<u>Outcome Category</u>	<u>2013-14</u>	<u>2020-21</u>	<u>Number Change</u>	<u>Percent Change</u>	<u>CAGR</u>
Students @30 Credit Hours	13,708	11,332	(2,376)	-17%	-2.7%
Students @60 Credit Hours	14,406	13,157	(1,249)	-9%	-1.3%
Students @90 Credit Hours	16,763	17,237	474	3%	0.4%

Not Operating as Expected

Low-Income Degrees

➤ *Model Specific Goals*

- Another area where Kentucky failed to make progress was low income degree attainment
- Between 2014 and 2021, degrees awarded to low-income students decreased by 106 or 1%
- Despite premium added for low income degrees

Kentucky Performance Funding Model					
Premiums for Low Income, STEM+H, and Minority Student Degree Production					
Fiscal Year 2022-23					
Component Category	Allocation Percent	Size of Pool	Weighted Degrees	State Funding per Degree	Funding Multiple
A Bachelor's Degrees	9.0%	\$53,713,900	24,507	\$2,192	1.0
Bachelor's Degrees				\$2,192	
B Low Income Bachelor's	3.0%	\$17,904,600	11,433	1,566 ←	Low Income Premium
Low Income Total				\$3,758	1.7
Bachelor's Degrees				\$2,192	
C STEM+H Bachelor's	5.0%	\$29,841,000	11,433	2,610 ←	STEM+H Premium
STEM+H Total				\$4,802	2.2
Bachelor's Degrees				\$2,192	
D Minority Bachelor's	3.0%	\$17,904,600	2,959	6,052 ←	Minority Premium
Minority Total				\$8,244	3.8
Total Allocable Resources:		<u>\$596,820,700</u>			

STEM+H = Science, Technology, Engineering, Math, and Health.

CPE Survey Responses

Unintended Consequences

- CPE staff identified two cases where operation of the funding model resulted in unintended consequences, mainly due to external circumstances
 - Lack of funding during the early years of implementation resulted in redistribution of base funds among institutions and slowed progress toward funding parity
 - Using a degree efficiency index to weight the number of bachelor's degrees produced did not operate as intended due to declining enrollment at most institutions

Unintended Consequences

Lack of Funding

- In 2016, work group members did not anticipate the longevity of state budget constraints
- During the first four years of implementation, the model was applied with *no new funding*
- Lack of state support resulted in redistribution of the General Fund base among institutions
- In 2022, Kentucky began reinvesting in higher education through the Performance Fund

Funding Models for the Universities and KCTCS Institutions
Implementation Schedule and Funding Sources
(Dollars in Millions)

<u>Timeline</u>	<u>Fiscal Year</u>	<u>Institution Contribution</u>	<u>State Funding</u>	<u>Total Funding</u> ¹
Year 0	2017-18	\$42.9	\$0.0	\$42.9
Year 1	2018-19	31.0	0.0	31.0
Year 2	2019-20	38.7	0.0	38.7
Year 3	2020-21	14.9	0.0	14.9
Year 4	2021-22	0.0	17.3	17.3
Year 5	2022-23	\$0.0	\$97.3	\$97.3

¹ Represents state appropriations, stop-loss contributions, and other campus carve outs added to the Performance Fund, which were then distributed among institutions based on outcomes produced.

Unintended Consequences

Degree Efficiency Index

- In 2016, the working group agreed to weight bachelor's degrees produced using an index of each institution's degrees per 100 FTE students divided by the sector average
- The intent was to provide an incentive for institutions to produce bachelor's degrees efficiently, but there was a perverse outcome
- The index rewards institutions that are experiencing declining enrollment and penalizes those with growing enrollment
- As such, using the efficiency index to weight bachelor's degrees runs counter to growth-oriented goals included in the model

CPE Survey Responses

Recommended Adjustments

- CPE staff recommended changes to the model:
 - Increase premium for low income bachelor's degrees
 - Add a new adult learner metric
 - Add a new workforce success metric
 - Eliminate efficiency weighting in bachelor's degree metric
 - Provide larger small school adjustment for KSU and MoSU
- CPE staff recommended changes in model application:
 - Make earned funds recurring



University Model

University Model

Recommended Adjustments

➤ *Recurring Funds*

- Make distributions from the Performance Fund recurring to allow institutions to plan for long-term use of the funds (*UK*)
- Make earned funds recurring (*CPE*)

➤ *Funding Outside Model*

- Provide additional base funding outside the model (*UofL*)
- Distribute 1/3 of new money on a proportionate basis (*MoSU*)
- Distribute a portion of available funds to the base of each institution and the remainder using formula share (*MuSU*)

University Model

Recommended Adjustments (Cont'd)

➤ *Formula Share Approach*

- Distribute 100% of available funds using formula share (*MuSU*)

➤ *Three Separate Models*

- Adopt three separate models (*EKU*)
- Recognize that a three-model approach will have the same impact on smaller institutions as the current model (*MuSU*)
- Consider adopting three models to allow for customization of metrics and weights and account for mission differences (*NKU*)
- A separate model is needed for research institutions (*WKU*)

University Model

Recommended Adjustments (Cont'd)

➤ *Sector Weighting*

- Eliminate sector weighting of FTE students, because FTE should be a “normalizing” component in the model (*EKU*)
- Remove sector weighting for all degree metrics (*MoSU*)

➤ *Small School Adjustment*

- Eliminate small school adjustment for research sector (*EKU*)
- Consider removing small school adjustment from model (*NKU*)
- Increase small school adjustment for selected institutions (*CPE*)

University Model

Recommended Adjustments (Cont'd)

➤ *Mandated Programs*

- Include inflationary adjustments for mandated programs in CPE budget requests (*UK*)
- Stop excluding mandated program funds from the allocable resources run through the model (*UofL*)
- Consider removing mandated programs from model (*NKU*)

➤ *Low-Income Degree Weighting*

- Increase the weighting for low-income students (*UofL*)
- Increase premium for low income bachelor's degrees (*CPE*)

University Model

Recommended Adjustments (Cont'd)

➤ *Nonresident Weighting*

- Increase the weighting of nonresident credit hours earned from 0.50 to 1.00, the same as resident students (*MuSU*)
- Weight credit hours earned by nonresident students the same as those earned by resident students (*WKU*)

➤ *Expand Degree Metrics*

- Expand degree metrics to include all degrees and credentials, which is better aligned with Kentucky's 60x30 goal (*NKU*)
- Include all degrees and credentials in the model (*WKU*)

University Model

Recommended Adjustments (Cont'd)

➤ *Efficiency Weighting*

- Eliminate productivity adjustment in bachelor's degree metric, it negatively impacts institutions with growing enrollment (*UK*)
- Eliminate efficiency weighting in bachelor's degree metric (*CPE*)

➤ *New Metrics*

- Students with disabilities should be counted in the model (*EKU*)
- Add a new adult learner metric (*CPE*)
- Add a new workforce success metric (*CPE*)

University Model

Discussion Items

- Is there consensus among working group members to recommend that earned performance funds be made recurring to institutions?
- Do work group members support the idea of using a portion of performance funds to provide base allocations outside the model?
Options:
 - Distribute one-third of new money on a proportionate basis
 - Distribute a portion of available funds to the base of each institution and the remainder using formula share
- Do work group members support the proposal to use formula share percentages to distribute a portion or all performance funds?

Discussion Item

Earned Funds Recurring

➤ *What is being proposed?*

- Make distributions from the Performance Fund recurring to institutions that earned the funds (every other year)
- Request that the General Assembly refill the fund

➤ *What is the impact?*

- This would allow institutions to use earned funds for recurring expenses and plan for long-term use
- The model would operate as intended, reflecting changes in outcomes and addressing funding disparities over time

Discussion Item

Earned Funds Recurring

Hypothetical 2023-24 Performance Fund Distribution
Scenario 5: Earned Funds Become Recurring to the Base

Additional Assumption:

- Earned funds in 2022-23 are added to the formula base and the Performance Fund is refilled with \$97.3 M

Earned Funds Are Added to the Formula Base

Institution	Baseline Fiscal 2022-23 Distribution	2022-23 Adjusted Net General Fund	Fiscal 2022-23 Distribution	Hypothetical 2023-24 Adjusted Net General Fund	Hypothetical Fiscal 2023-24 Distribution	Dollar Difference
UK	\$30,904,300	\$184,662,000	\$30,904,300	\$215,566,300	\$25,619,100	(\$5,285,200)
UofL	17,523,600	126,211,600	17,523,600	143,735,200	16,946,400	(577,200)
EKU	4,927,900	60,842,300	4,927,900	65,770,200	7,911,500	2,983,600
KSU	0	18,235,500	0	18,235,500	0	0
MoSU	0	34,931,500	0	34,931,500	3,618,000	3,618,000
MuSU	3,296,800	40,553,800	3,296,800	43,850,600	5,083,400	1,786,600
NKU	11,363,500	50,923,600	11,363,500	62,287,100	7,461,700	(3,901,800)
WKU	7,777,200	67,619,000	7,777,200	75,396,200	9,153,200	1,376,000
Sector	\$75,793,300	\$583,979,300	\$75,793,300	\$659,772,600	\$75,793,300	\$0

Discussion Item

Funding Outside the Model (5% Base Allocation)

➤ *What is being proposed?*

- Provide every university a 5.0% across-the-board base increase using funds appropriated to the Performance Fund
- Distribute remaining performance funds using **existing model**

➤ *What is the impact?*

- It would allow each institution to receive 5.0% of its adjusted net General Fund to address inflationary cost increases
- Changes in outcomes and funding disparities that developed over time would be addressed through residual distribution

Discussion Item

Funding Outside the Model (5% Base Allocation)

Hypothetical 2023-24 Performance Fund Distribution
 Scenario 6: Base Increase (@ 5.0%) and Existing Model (Remainder)

Additional Assumption:

- Provide a 5.0% ATB base increase and distribute remaining available funds using the existing model

Institution	Baseline Fiscal 2022-23 Distribution	Distribute 5.0% ATB Base Increase			Distribute Remainder w/ Existing Model	Hypothetical Fiscal 2023-24 Distribution	Dollar Difference
		2023-24 Adjusted Net General Fund	5.0% Inflation Adjustment	Across-the-Board Inflation Allocation			
UK	\$30,904,300	\$184,662,000	5.0%	\$9,233,100	\$20,539,800	\$29,772,900	(\$1,131,400)
UofL	17,523,600	126,211,600	5.0%	6,310,600	10,668,000	16,978,600	(545,000)
EKU	4,927,900	60,842,300	5.0%	3,042,100	1,727,300	4,769,400	(158,500)
KSU	0	18,235,500	5.0%	911,800	0	911,800	911,800
MoSU	0	34,931,500	5.0%	1,746,600	0	1,746,600	1,746,600
MuSU	3,296,800	40,553,800	5.0%	2,027,700	1,240,300	3,268,000	(28,800)
NKU	11,363,500	50,923,600	5.0%	2,546,200	8,344,700	10,890,900	(472,600)
WKU	7,777,200	67,619,000	5.0%	3,381,000	4,074,100	7,455,100	(322,100)
Sector	\$75,793,300	\$583,979,300		\$29,199,100	\$46,594,200	\$75,793,300	\$0

Discussion Item

Funding Outside the Model (\$3.0 M Base Allocation)

➤ *What is being proposed?*

- Provide every university a \$3.0 million base increase using funds appropriated to the Performance Fund
- Distribute remaining performance funds using **formula share**

➤ *What is the impact?*

- It would allow each institution to receive \$3.0 million to address inflationary cost increases
- Although changes in outcomes would be reflected in formula share percentages, funding disparities could grow over time

Discussion Item

Funding Outside the Model (\$3.0 M Base Allocation)

Funding Model for the Public Universities
 Hypothetical 2023-24 Performance Fund Distribution
 Scenario 7: Base Allocation (@\$3.0 M) and Formula Share (Residual)

Additional Assumption:

- Provide each university \$3.0 million base allocation and distribute residual funds using formula share

Institution	A	Fixed Base Allocation	Distribute Funds Using Formula Share			B	(B - A)
	Baseline Fiscal 2022-23 Distribution		Fiscal 2023-24 Formula Totals	Formula Share %	Hypothetical Formula Share Distribution	Hypothetical Fiscal 2023-24 Distribution	Dollar Difference
UK	\$30,904,300	\$3,000,000	\$175,630,300	33.3%	\$17,231,900	\$20,231,900	(\$10,672,400)
UofL	17,523,600	3,000,000	116,172,100	22.0%	11,398,300	14,398,300	(3,125,300)
EKU	4,927,900	3,000,000	54,236,000	10.3%	5,321,400	8,321,400	3,393,500
KSU	0	3,000,000	6,376,400	1.2%	625,600	3,625,600	3,625,600
MoSU	0	3,000,000	26,713,000	5.1%	2,621,000	5,621,000	5,621,000
MuSU	3,296,800	3,000,000	34,848,300	6.6%	3,419,200	6,419,200	3,122,400
NKU	11,363,500	3,000,000	51,155,200	9.7%	5,019,100	8,019,100	(3,344,400)
WKU	7,777,200	3,000,000	62,750,100	11.9%	6,156,800	9,156,800	1,379,600
Sector	\$75,793,300	\$24,000,000	\$527,881,400	100.0%	\$51,793,300	\$75,793,300	\$0

Discussion Item

Formula Share Approach (@ 100%)

➤ *What is being proposed?*

- Run model to determine formula totals (Column D, Table 3)
- Calculate each institution's percent of total of that distribution
- Distribute 100% of available funds based on that formula share

➤ *What is the impact?*

- It would allow every institution to receive a share of funds regardless of changes in outcomes or hold harmless allocations
- Changes in outcomes would be reflected in formula share percentages, but disparities in funding could grow over time

Discussion Item

Formula Share Approach (@ 100%)

Hypothetical 2023-24 Performance Fund Distribution
Scenario 2: Formula Share Approach (@ 100%)

Additional Assumption:

- Distribute 100% of available university funds using formula share percentages

Institution	Baseline	Distribute Funds Using Formula Share			Dollar Difference
	Fiscal 2022-23 Distribution	Fiscal 2023-24 Formula Totals	Formula Share %	Hypothetical Fiscal 2023-24 Distribution	
UK	\$30,904,300	\$175,630,300	33.3%	\$25,217,000	(\$5,687,300)
UofL	17,523,600	116,172,100	22.0%	16,680,000	(843,600)
EKU	4,927,900	54,236,000	10.3%	7,787,200	2,859,300
KSU	0	6,376,400	1.2%	915,500	915,500
MoSU	0	26,713,000	5.1%	3,835,500	3,835,500
MuSU	3,296,800	34,848,300	6.6%	5,003,500	1,706,700
NKU	11,363,500	51,155,200	9.7%	7,344,900	(4,018,600)
WKU	7,777,200	62,750,100	11.9%	9,009,700	1,232,500
Sector	\$75,793,300	\$527,881,400	100.0%	\$75,793,300	\$0

Discussion Item

Formula Share Approach (@ 33.3%)

➤ *What is being proposed?*

- Run model to determine formula totals (Column D, Table 3)
- Calculate each institution's percent of total of that distribution
- Distribute 33% of available funds based on formula share and 67% based on **existing model**

➤ *What is the impact?*

- It would allow every institution to receive a share of funds regardless of changes in outcomes or hold harmless allocations
- Changes in outcomes and funding disparities that developed over time would be addressed through residual distribution

Discussion Item

Formula Share Approach (@ 33.3%)

Hypothetical 2023-24 Performance Fund Distribution
Scenario 3: Formula Share (33.3%) and Existing Model (66.7%)

Additional Assumption:

- Distribute one-third of available university funds using formula share and two-thirds using the existing model

Distribute Funds Using Formula Share

Institution	Baseline	Distribute Funds Using Formula Share			Distribute Funds Using Existing Model	Hypothetical Fiscal 2023-24 Distribution	Dollar Difference
	Fiscal 2022-23 Distribution	Fiscal 2023-24 Formula Totals	Formula Share %	Hypothetical Formula Share Distribution			
UK	\$30,904,300	\$175,630,300	33.3%	\$8,405,700	\$21,936,400	\$30,342,100	(\$562,200)
UofL	17,523,600	116,172,100	22.0%	5,560,000	11,591,800	17,151,800	(371,800)
EKU	4,927,900	54,236,000	10.3%	2,595,700	2,158,600	4,754,300	(173,600)
KSU	0	6,376,400	1.2%	305,200	0	305,200	305,200
MoSU	0	26,713,000	5.1%	1,278,500	0	1,278,500	1,278,500
MuSU	3,296,800	34,848,300	6.6%	1,667,800	1,517,400	3,185,200	(111,600)
NKU	11,363,500	51,155,200	9.7%	2,448,300	8,751,500	11,199,800	(163,700)
WKU	7,777,200	62,750,100	11.9%	3,003,200	4,573,200	7,576,400	(200,800)
Sector	\$75,793,300	\$527,881,400	100.0%	\$25,264,400	\$50,528,900	\$75,793,300	\$0



KCTCS Model

Funding Model Review

KCTCS Recommended Adjustments

- Use a three-year average on all metrics except square footage to smooth economic and population change impacts
- Allow earned funds to become part of an institution's base
- Promote equity by accounting for regional differences
 - Modify the equity adjustment based on Community Needs Index that considers local unemployment, labor force participation, and poverty rates

Funding Model Review

KCTCS Recommended Adjustments (Cont'd)

- Reduce the weighting of the progression metrics (from 12% to 7%) to reflect the shorter time retention of a KCTCS student as they complete a short-term credential
- Merge STEM+H, High-Wage High-Demand, and Targeted Industry credentials within the overall credential calculation
- Reduce the weighting of the credential metric (from 15% to 8%) to allow increased focus on URM, under-prepared, low income, and transfer students

Funding Model Review

KCTCS Recommended Adjustments (Cont'd)

- Add a metric for adult learners
- Possibly add an additional metric that compares a college's current year performance to its previous year performance
 - To incentivize and allow all colleges to potentially receive a performance distribution



Next Steps

Next Steps

- Fiscal 2023-24 Performance Distribution
 - Run model and complete validation process
 - Analyze results and share with working group
- University Model
 - Run additional scenarios as needed
 - Continue discussion and reach consensus on proposed changes
- KCTCS Model
 - Run scenarios as needed
 - Continue discussion and reach consensus on proposed changes

Questions?



Twitter: CPENews and CPEPres



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



Facebook: KYCPE



TITLE: Biennial Budget Development Update

DESCRIPTION: Staff will provide an update on the 2024-2026 biennial budget development process.

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

SUPPORTING INFORMATION

The Council on Postsecondary Education is directed in statute to make a biennial budget request for postsecondary education (HB 1, 97 RS). Major components of the request typically include: (1) operating funds; (2) capital investment; (3) trust funds; and (4) agency operations. Developing a unified budget request is a collaborative process, involving Council members, campus presidents, chief budget officers, and CPE staff. It normally takes nine months to complete the process and ends with Council approval of the request and its submission to the Governor and General Assembly.

For the upcoming 2024-2026 biennium, the deadline for submitting the postsecondary education budget request to the Office of State Budget Director has been moved up from November 15, 2023 to on or before October 1, 2023 (HB 360, 23 RS). This has accelerated the timeline for discussion of budget components and request amounts and necessitates reaching consensus six weeks earlier than in past biennia. To date, CPE staff has engaged in discussions with campus presidents and chief budget officers over several meetings to identify high priority resource needs.

It is important for Council members to know that the information contained in this update is preliminary and subject to change. CPE staff does not yet have full consensus among campus leaders regarding these funding components and request amounts, nor have Council members provided their input. At this point, please treat this information as draft for discussion purposes only.

POSTSECONDARY INSTITUTION REQUEST

The Council's biennial budget recommendation for the public postsecondary institutions typically contains three categories of funding: (1) operating funds; (2) capital investment;

and (3) trust funds. Within the context of stakeholder discussions to date, preliminary funding components and request amounts for each category are described below.

Operating Funds

At this stage in the process, operating funds components most frequently discussed among staff and campus leaders include: (1) an across-the-board inflation adjustment request; (2) an earned performance funds component; and (3) an additional appropriation for the Postsecondary Education Performance Fund. Again, please keep in mind that the budget components and request amounts included in this update are still being negotiated and are not final.

Inflation Adjustment. Stakeholders are contemplating a request for additional operating funds of \$54.7 million each year of the 2024-2026 biennium, recurring in subsequent years, at the discretion of state policymakers. This amount represents the combined total of a 6.0% across-the-board increase applied to each institution's fiscal 2023-24 net General Fund base, and the funds would be allocated among institutions on that basis.

If recommended by the Council and authorized by the General Assembly, these funds would help institutions offset some of the largest increases in higher education inflation in decades. For example, in 2021-22, the Higher Education Price Index grew by 5.2%, representing the largest one-year increase in that index since 2001. In addition, the funds would help the Council and campus officials maintain affordability and access for Kentucky citizens and provide resources necessary for institutions to continue making progress toward the state's student success goals. This request would be an increase of 5.4% on the 2023-24 system total net General Fund base (includes Performance Fund).

Earned Performance Funds. CPE staff and campus officials are considering a request for additional appropriations of \$48.7 million each year of the biennium, recurring in subsequent years, at the discretion of the state policymakers. This amount is half of \$97.3 million appropriated to the Postsecondary Education Performance Fund in fiscal year 2023-24 and distributed among institutions using university and KCTCS funding models prescribed in statute (KRS 164.092). As currently conceived, the Council would recommend to state policymakers an appropriation equal to half (50%) of the funds earned by each institution that received a performance distribution in 2023-24.

If requested by the Council and authorized by the General Assembly, these funds would help defray operating costs at institutions that grew enrollment, student progression, degree production, and earned credit hours at rates above the sector average (i.e., at institutions that received performance funds) and move all institutions toward funding

parity as determined by the funding models. This request would be an increase of 4.8% on the 2023-24 system total net General Fund base.

Performance Fund. Stakeholders have discussed the possibility of including a request for additional appropriations of \$22.7 million each year of the biennium that would be added to \$97.3 million already in the Postsecondary Education Performance Fund, bringing the total in that fund to \$120.0 million. If recommended and authorized, these funds would provide resources necessary for institutions to continue making progress toward the state's student success goals and would help Council and campus officials maintain affordability and access for Kentucky citizens.

Capital Investment

Prior to 2020, the Council's capital investment request typically included three budget components: (1) new construction; (2) asset preservation; and at times (2) information technology and equipment. In recent biennia, stakeholders have elected to focus on asset preservation in the Council's budget recommendation, forgoing requests for new construction and technology and equipment funding.

For the upcoming biennium, discussions to date have centered around requests for asset preservation and a new component that would address cost overruns on new construction projects (i.e., scope adjustments) authorized in the 2022-2024 biennium.

New Construction. At this time, CPE staff and campus leaders are not contemplating including a request to support new construction projects in the Council's 2024-2026 budget recommendation. However, institutions are free to propose funding for new projects directly to the Governor and General Assembly and advocate for their own requests for new and expanded space.

Scope Adjustments. The enacted 2022-2024 Budget of the Commonwealth authorized \$811.9 million in state bond funds to finance 11 new capital construction projects at the public postsecondary institutions (HB 1, 22 RS), but a lot has changed in the time since institutions estimated costs, determined the scope of proposed projects, and submitted funding requests to the General Assembly. As previously mentioned, inflation reached a high in 2021-22 not seen in two decades. Construction costs were particularly hard hit, not only due to inflation, but also due to supply chain disruptions and worker shortages.

In a recent poll conducted by CPE staff, campus officials indicated that construction costs had increased between 18 percent and 25 percent over the past 18 months. For this reason, stakeholders have discussed the possibility of including a request in the

Council's 2024-2026 budget submission for \$162.4 million, or a 20 percent increase in the amount of bond funds authorized for individual new construction projects in the 2022-2024 biennium. Obviously, the purpose of such a request would be to help offset increases in construction costs and allow institutions to maintain the same quality of materials and quantity of square footage envisioned in their original capital plans.

Asset Preservation. Prior to the 2022-2024 biennium, the need to address facilities renovation and renewal at Kentucky public postsecondary institutions had not been addressed in any substantive way for more than a decade. Despite analyses showing that the cumulative cost of bringing the state's public postsecondary facilities up to industry standards would grow to \$7.3 billion by 2021 (VFA Study, 2013 update), state appropriations for asset preservation totaled \$282.0 million between 2008 and 2022.

For the upcoming 2024-2026 biennium, CPE staff and campus officials are considering recommending to the Council a request for \$700 million in state bond funds (or some portion of that amount could be cash funded) to finance renovation and renewal projects at the public postsecondary institutions. If the requested funds were authorized, it would be the second installment of \$700 million provided in as many biennia to address the identified \$7.3 billion system total asset preservation need.

Other ideas regarding this request surfaced during recent discussions between staff and campus chief budget officers. Namely, that stakeholders should consider requesting \$350 million each year of the biennium (instead of a \$700 million request in one year), allocated based on each institution's share of total Category I and Category II square feet (i.e., the method employed by the General Assembly in the current biennium), and that the funds be requested without any required institutional match.

Information Technology and Equipment. At this point in the process, stakeholders have not advocated to include a request for information technology and equipment in the Council's 2024-2026 budget recommendation. CPE staff and campus officials perceive other capital investment components to be higher priorities than information technology and equipment projects.

Trust Funds

The Kentucky Postsecondary Education Improvement Act of 1997 (HB 1) created six Strategic Investment and Incentive Trust Funds to bring about change and improvement in Kentucky colleges and universities by providing strategic financial incentives for institutions to pursue desired state goals for postsecondary education. These trust funds are listed below.

- 1) Research Challenge Trust Fund (UK and UofL)
- 2) Comprehensive University Excellence Trust Fund (comprehensive universities)
- 3) Technology Initiative Trust Fund
- 4) Physical Facilities Trust Fund
- 5) Postsecondary Education Workforce Development Trust Fund (KCTCS)
- 6) Student Financial Aid and Advancement Trust Fund

When the General Assembly authorizes appropriations for trust fund programs, they are typically maintained and administered by the Council on Postsecondary Education but represent resources that are passed through to postsecondary institutions based on compliance with Council approved guidelines and procedures.

Every two years, CPE staff works collaboratively with campus presidents, chief budget officers, and Council members to identify programs and recommend funding that will provide incentives for Kentucky colleges and universities to pursue and achieve state goals for postsecondary education. At this time, stakeholders are not requesting additional appropriations for any trust fund program for the 2024-2026 biennium.

CPE AGENCY BUDGET REQUEST

Agency Operations

The fourth and final component of the unified budget request for postsecondary education is the Council's agency operations request. The agency's budget request typically includes base funding (current funding and staffing levels), additional resources needed to support current operations, and funding for new strategic initiatives.

The agency budget also includes a number of pass-through programs and funding that benefits institutions directly, such as the Kentucky Postsecondary Education Network (KPEN), Virtual Library, SREB Doctoral Scholars program, equine program, and cancer research programs. In recent years, private and federal funds in the agency budget have allowed CPE to expand its work improving the P-20 pipeline, promoting student success, and responding to the state's healthcare workforce needs.

Staff recently began meeting with leadership team members to identify the agency's most pressing resource needs, as well as high priority needs of the postsecondary system that can best be addressed with additional resources housed at CPE.

It is anticipated that following the end of the fiscal year (i.e., June 30, 2023), staff will have additional information relevant to the budget development process, including instructions from the Office of State Budget Director. In the meantime, staff will continue to identify and prioritize agency and postsecondary system resource needs for the 2024-2026 budget request.



Council on Postsecondary Education Finance Committee Meeting

CPE Finance and Administration Unit
June 6, 2023



Overview



Items on the meeting agenda:

- Campus Tuition and Fee Proposals
- Delegation of Authority to Approve Tuition
- Interim Capital Project Request
- Delegation to Approve Insurance Claim Projects
- Interstate Tuition Reciprocity Agreements
- Performance Funding Review Update
- Biennial Budget Development Update



Campus Tuition and Fee Proposals

Campus Tuition and Fee Proposals (2023-24)

What parameters did the Council approve?

On March 31, 2023, the Council approved:

- Maximum base rate increase of no more than 5.0 percent over two years, and no more than 3.0 percent in any one year, for public universities
- Maximum base rate increase of no more than \$7.00 per credit hour over two years, and no more than \$4.00 per credit hour in any one year, for KCTCS
- Nonresident undergraduate rates that comply with the Council's *2023-24 Tuition and Mandatory Fee Policy*, or adhere to provisions of an existing Memorandum of Understanding between the Council and an institution
- Market competitive tuition and fee rates for graduate and online courses

Campus Tuition and Fee Proposals (2023-24)

What maximum base rates were approved?

Kentucky Public Postsecondary Institution Maximum One-Year Base Rate Increases for Resident Undergraduates Academic Year 2023-24

Institution	Current Year 2022-23 Base Rates	Maximum 2023-24 Base Rates	One-Year Dollar Change	One-Year Percent Change
UK	\$12,859	\$13,245	\$386	3.00%
UofL	12,324	12,694	370	3.00%
EKU	\$9,544	\$9,830	\$286	3.00%
KSU	8,654	8,914	260	3.00%
MoSU	9,308	9,587	279	3.00%
MuSU	9,432	9,715	283	3.00%
NKU	10,208	10,514	306	3.00%
WKU	10,912	11,239	327	3.00%
KCTCS (pch)	\$182.00 (pch)	\$186.00 (pch)	\$4.00 (pch)	2.20%
KCTCS (pch x 30)	\$5,460	\$5,580	\$120	2.20%

Note: Base rates do not include Special Use Fees or Asset Preservation Fees previously approved by the Council, or a BuildSmart agency bond fee at KCTCS.

Kentucky Public Postsecondary Institution Maximum Two-Year Base Rate Increases for Resident Undergraduates Academic Year 2024-25

Institution	Current Year 2022-23 Base Rates	Maximum 2024-25 Base Rates	Two-Year Dollar Change	Two-Year Percent Change
UK	\$12,859	\$13,502	\$643	5.00%
UofL	12,324	12,940	616	5.00%
EKU	\$9,544	\$10,021	\$477	5.00%
KSU	8,654	9,087	433	5.00%
MoSU	9,308	9,773	465	5.00%
MuSU	9,432	9,904	472	5.00%
NKU	10,208	10,718	510	5.00%
WKU	10,912	11,458	546	5.00%
KCTCS (pch)	\$182.00 (pch)	\$189.00 (pch)	\$7.00 (pch)	3.85%
KCTCS (pch x 30)	\$5,460	\$5,670	\$210	3.85%

Note: Base rates do not include Special Use Fees or Asset Preservation Fees previously approved by the Council, or a BuildSmart agency bond fee at KCTCS.

Campus Tuition and Fee Proposals (2023-24)

What rates are being proposed by EKV?

Eastern Kentucky University
Proposed Tuition and Fee Base Rates
Academic Year 2023-24

Table 1

<u>Rate Category</u>	<u>Current 2022-23 Base Rates</u>	<u>Proposed 2023-24 Base Rates</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Undergraduate				
Resident	\$9,544	\$9,830	\$286	3.0%
Nonresident	\$19,922	\$20,520	\$598	3.0%
Graduate				
Resident	\$556.00 pch	\$572.00 pch	\$16.00	2.9%
Nonresident	\$758.00 pch	\$780.00 pch	\$22.00	2.9%

Base rates for EKV do not include a Special Use Fee of \$150.00 per semester, or \$300.00 per year, for full time students, nor do they include an Asset Preservation Fee of \$10.00 per credit hour, capped at 15 credit hours or \$150 per semester, or \$300.00 per year, for full-time students.

pch = per credit hour

- EKV's proposed 3.0% increase in resident undergraduate tuition complies with the Council ceiling
- The university is proposing a 3.0% increase in nonresident undergraduate rates for 2023-24
- EKV is planning to increase rates by 2.9% for both resident and nonresident graduate students

Campus Tuition and Fee Proposals (2023-24)

What rates are being proposed by MuSU?

Murray State University
Proposed Tuition and Fee Base Rates
Academic Year 2023-24

Table 3

<u>Rate Category</u>	<u>Current 2022-23 Base Rates</u>	<u>Proposed 2023-24 Base Rates</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Undergraduate				
Resident	\$9,432	\$9,708	\$276	2.9%
Nonresident	\$18,888	\$19,452	\$564	3.0%
Graduate				
Resident	\$559.50 pch	\$576.00 pch	\$16.50	2.9%
Nonresident	\$559.50 pch	\$576.00 pch	\$16.50	2.9%

Base rates for MuSU do not include Special Use Fees of \$10.00 per credit hour, capped at \$15.00 per semester. Or \$300.00 per year, for full-time comparison (fall and spring semesters only).

pch = per credit hour

- MuSU's proposed 2.9% increase in resident undergraduate tuition complies with the Council ceiling
- The university is proposing a 3.0% increase in nonresident undergraduate rates for 2023-24
- MuSU is planning to increase rates by 2.9% for resident and nonresident graduate students

Campus Tuition and Fee Proposals (2023-24)

What rates are being proposed by WKU?

Western Kentucky University
Proposed Tuition and Fee Base Rates
Academic Year 2023-24

Table 4

<u>Rate Category</u>	<u>Current 2022-23 Base Rates</u>	<u>Proposed 2023-24 Base Rates</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Undergraduate				
Resident	\$10,912	\$11,236	\$324	3.0%
Nonresident	\$26,800	\$26,800	\$0	0.0%
Graduate				
Resident	\$597.00 pch	\$597.00 pch	\$0	0.0%
Nonresident	\$907.00 pch	\$907.00 pch	\$0	0.0%

Base rates for WKU do not include Special Use Fees of \$100.00 per semester, or \$200.00 per year for full-time students. Special Use fees are also assessed at \$10.00 per credit hour for graduate and part-time students.

pch = per credit hour

- WKU's proposed 3.0% increase in resident undergraduate tuition complies with the Council ceiling
- The university is not proposing an increase in nonresident undergraduate rates for 2023-24
- WKU is not planning to increase rates for graduate resident and nonresident students

Campus Tuition and Fee Proposals (2023-24)

What is staff's recommendation?

- Tuition and fee proposals submitted by EKU, MuSU, and WKU comply with resident undergraduate ceilings approved by the Council
- The institutions submitted market competitive rates for graduate and online tuition
- Campus governing boards have approved proposed rates for their respective institutions
- *Staff recommends that the Finance Committee approve, and endorse to the full Council, proposed tuition and fee rates for academic year 2023-24 from EKU, MuSU and WKU*



Delegation of Authority to Approve Tuition

Delegation of Authority to Approve Tuition

- UK, UofL, MoSU, NKU, and KCTCS boards will approve tuition and fees at meetings between June 14 and June 22
- Campus officials do not want to wait until September for the Council to approve rates and requested an accommodation
- *Staff recommends that the Finance Committee request authority from the full Council at its June 9, 2023, meeting to review and approve tuition and fee proposals of the following institutions due to the timing of their board meetings: UK, UofL, MoSU, NKU, and KCTCS*



Interim Capital Project Request

Interim Capital Project Request

UofL Ekstrom Library Expansion

- UofL requests interim approval for an \$8.0 million expansion of Ekstrom Library, funded through donations
- Project will add 1,800 square feet to three floors and will be used for study and collaboration space, office space, and university archives
- Project was approved by UofL's board on April 20
- *Staff recommends that the Finance Committee approve this project and endorse it for full Council approval*



Delegation to Approve Insurance Claim Projects

Delegation to Approve Insurance Claim Projects

- Recently, several campus capital projects have been initiated due to storm damage, resulting in insurance claims
- These projects are typically financed 100% with insurance proceeds and often need to be completed quickly
- A project at NKU is underway, though it is unclear if the final cost will exceed the \$1,000,000 capital project threshold
- *Staff recommends that the Finance Committee: (1) approve a new policy that will allow the Council president to approve insurance claim projects on their behalf; and (2) recommend final approval of the policy to the full Council at the June 9 meeting*



Interstate Tuition Reciprocity Agreements

Interstate Tuition Reciprocity Agreements

Kentucky and Ohio

- The Kentucky/Ohio reciprocity agreements will expire on June 30, 2023
- Renewal will extend three agreements with Ohio for two years (2023-2025)
- All parties (state and campus officials) agreed to renew without changes

Ohio and Kentucky 2021-22 Reciprocity Students	KY Residents at OH Institutions	OH Residents at KY Institutions
Student Headcount	1,532	1,090
Full-time Equivalent Students	958	552
Credit Hours	28,737	16,562

- *Staff recommends that the Finance Committee approve, and endorse to the full Council, tuition reciprocity agreements with Ohio for dates July 1, 2023, through June 30, 2025*

Interstate Tuition Reciprocity Agreements

Kentucky and West Virginia

- The Kentucky/West Virginia reciprocity agreement expires June 30, 2023
- Renewal will extend the agreement for two years (2023-2025)
- All parties (state and campus officials) agreed to renew without changes

West Virginia and Kentucky 2021-22 Reciprocity Students	KY Residents at WV Institutions	WV Residents at KY Institutions
Student Headcount	196	169
Full-time Equivalent Students	77	64
Credit Hours	2,290	1,926

- *Staff recommends that the Finance Committee approve, and endorse to the full Council, the tuition reciprocity agreement with West Virginia for dates July 1, 2023, through June 30, 2025*



Performance Funding Update

Performance Funding Update

On April 19, the Performance Funding Work Group held its third meeting of the year to continue comprehensive reviews of Kentucky university and KCTCS funding models (KRS 164.092)

The meeting was conducted in three parts:

- 1) CPE staff responses to Performance Funding Survey
 - 2) Comprehensive list of proposed changes to the university model
 - 3) KCTCS proposed changes to the two-year funding model
- The next few slides contain CPE responses to the Performance Funding Survey

CPE Survey Responses

Survey Questions

- Like the survey completed by institutions, Council staff developed responses to the following questions:
 - What outcomes did policymakers expect to achieve from adopting the funding model?
 - In what ways has the model functioned as expected? Were there any unexpected outcomes?
 - Have there been any unintended consequences?
 - What adjustments to the model are recommended?

CPE Survey Responses

Expected Outcomes

- A recent review of Council and work group meeting materials revealed several outcomes the funding model was expected to achieve:
 - Address shortcomings of the previous funding method (it did not consider Δ 's in enrollment, program mix, performance)
 - Rectify funding disparities that had developed over time
 - Accelerate progress toward attainment of state goals
 - Model specific goals
 - Kentucky's 60X30 goal

CPE Survey Responses

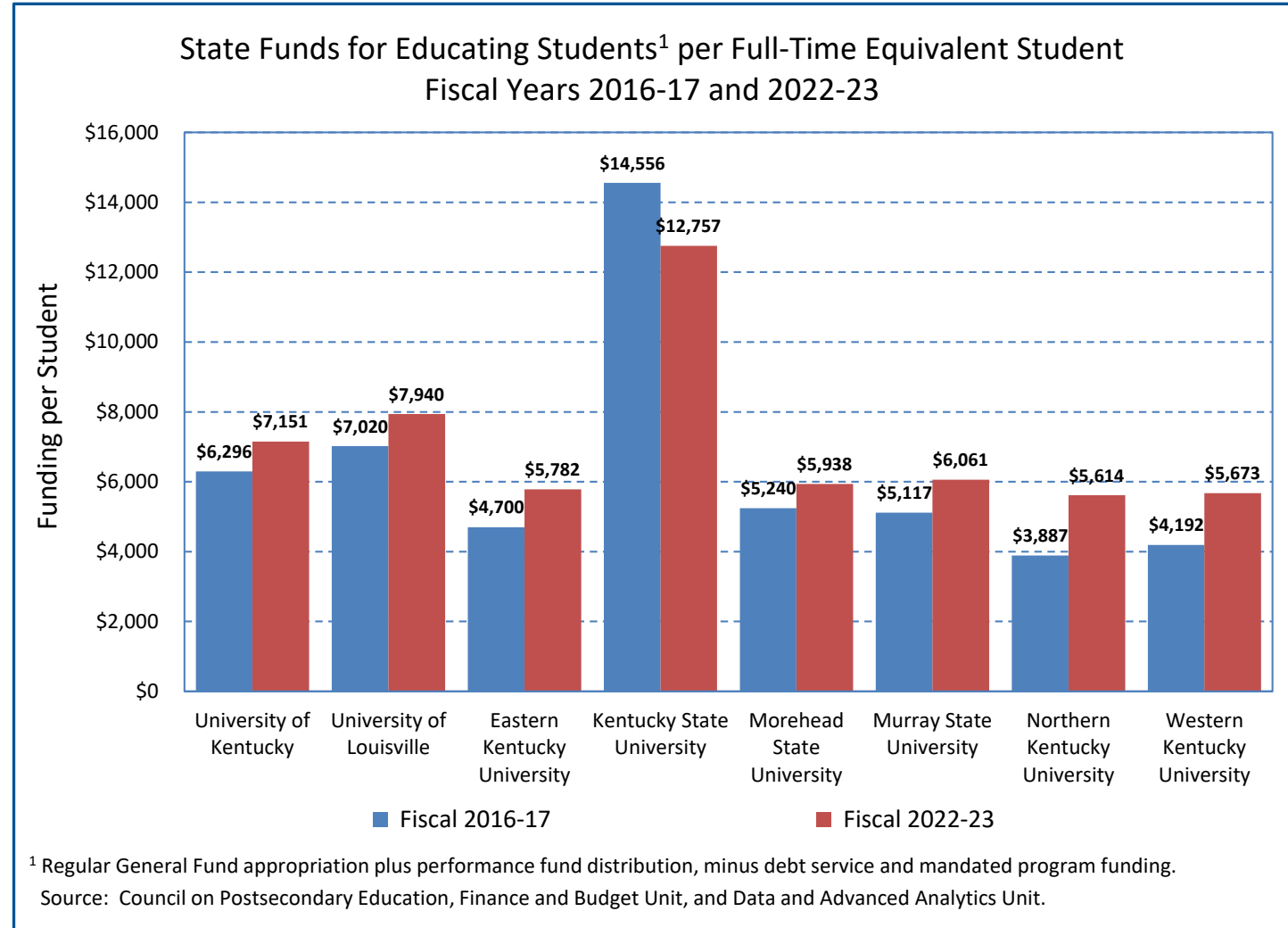
Functioned as Expected

- Overall, the funding model has operated as expected
 - Shortcomings of previous approach have been addressed
 - Funding disparities among institutions are being rectified
 - Kentucky is making great strides in degree production
 - Bachelor's degrees are up 8% in total, up 28% in STEM+H fields, and up 38% among URM students since 2014
 - Kentucky is closing achievement gaps by expanding opportunity and access and growing URM degrees
 - The state is on track to achieve its 60X30 attainment goal

Functioned as Expected

Rectify Funding Disparities

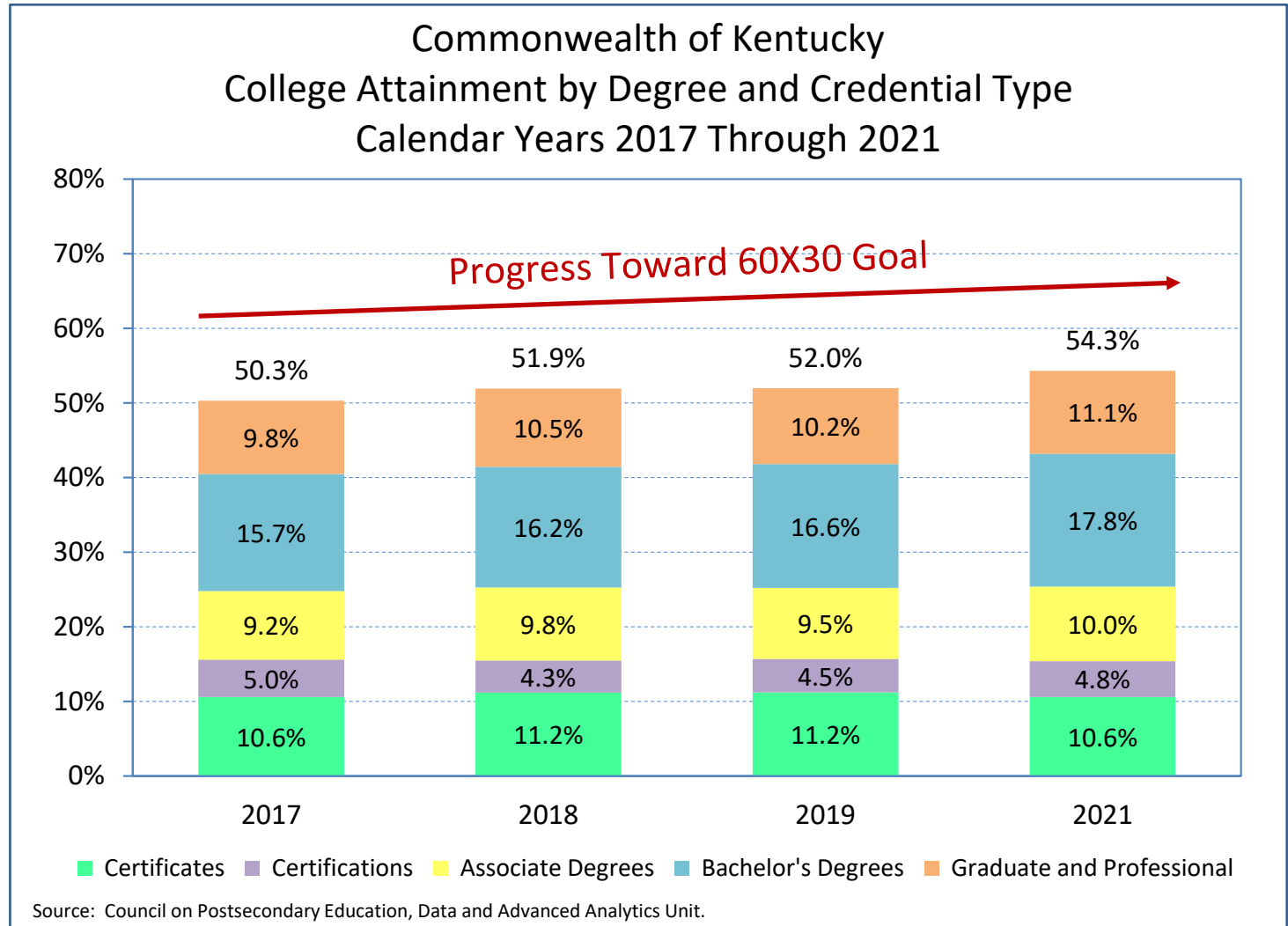
- As expected, most funding disparities that developed over time have been rectified
- Between 2017 and 2023, the gap in per student funding between MoSU and NKU narrowed from \$1,353 per student to \$324 per student
- In 2023, funding parity was achieved at 6 of 8 universities (a 7th institution was close)



Functioned as Expected

Accelerate Progress

- Kentucky is making good progress toward its 60X30 college attainment goal
- Between 2017 and 2021, college attainment grew by 4.0 percentage points
- Mainly due to bachelor's, graduate/professional, and associate degree growth
- The state is on track to reach its attainment goal



CPE Survey Responses

Unexpected Outcomes

➤ There are two areas where the university funding model did not work as intended:

- The number of students reaching 30-credit-hour and 60-credit-hour progression thresholds did not increase

Progression Category	2013-14	2020-21	Number Change	Percent Change	CAGR
Students @30 Credit Hours	13,708	11,332	(2,376)	-17%	-2.7%
Students @60 Credit Hours	14,406	13,157	(1,249)	-9%	-1.3%
Students @90 Credit Hours	16,763	17,237	474	3%	0.4%

- The number of bachelor's degrees awarded to low-income students did not increase as expected (down -1.4% since 2014)

CPE Survey Responses

Unintended Consequences

- Two instances where operation of the funding model resulted in unintended consequences, mainly due to external circumstances:
 - Lack of funding during the early years of implementation resulted in redistribution of base funds among institutions and slowed progress toward funding parity
 - Using a degree efficiency index to weight the number of bachelor's degrees produced did not operate as intended due to declining enrollment at most institutions

Unintended Consequences

Lack of Funding

- In 2016, work group members did not anticipate the longevity of state budget constraints
- During the first four years of implementation, the model was applied with *no new funding*
- Lack of state support resulted in redistribution of the General Fund base among institutions
- In 2022, Kentucky began reinvesting in higher education through the Performance Fund

Funding Models for the Universities and KCTCS Institutions
Implementation Schedule and Funding Sources
(Dollars in Millions)

<u>Timeline</u>	<u>Fiscal Year</u>	<u>Institution Contribution</u>	<u>State Funding</u>	<u>Total Funding</u> ¹
Year 0	2017-18	\$42.9	\$0.0	\$42.9
Year 1	2018-19	31.0	0.0	31.0
Year 2	2019-20	38.7	0.0	38.7
Year 3	2020-21	14.9	0.0	14.9
Year 4	2021-22	0.0	17.3	17.3
Year 5	2022-23	\$0.0	\$97.3	\$97.3

¹ Represents state appropriations, stop-loss contributions, and other campus carve outs added to the Performance Fund, which were then distributed among institutions based on outcomes produced.

CPE Survey Responses

Recommended Adjustments

- CPE staff recommended several changes to the model:
 - Increase premium for low-income bachelor's degrees
 - Add a new adult learner metric
 - Add a new workforce success metric
 - Eliminate efficiency weighting in bachelor's degree metric
 - Provide larger small school adjustment for KSU and MoSU

- Recommended changes in application of the model:
 - Make earned funds recurring (or a portion)



Biennial Budget Development Update

Budget Development Update (2024-2026)

The Council on Postsecondary Education is directed in statute to make a biennial budget request for postsecondary education (HB 1, 97 RS)

Major components of the request typically include:

- 1) Operating Funds
- 2) Capital Investment
- 3) Trust Funds
- 4) Agency Operations

Operating Funds

For the 2024-2026 biennium, CPE staff and campus officials have discussed the following **operating funds** components:

- Beginning Base
- Inflation Adjustment
- Earned Performance Funds
- Performance Fund

Operating Funds

Beginning Base

Kentucky Public Postsecondary Institution
 Table 1 - Calculated Beginning Base for the 2024-2026 Biennium
 Fiscal Year 2023-24

Draft - For Discussion Purposes
 June 6, 2023

Institution	A	B	(A + B) C	D	E	(C + D + E) F
	2023-24 Regular Appropriation ¹	Performance Distribution ²	2023-24 Total General Fund	Debt Service Adjustments ³	Performance Adjustment ⁴	2023-24 Net General Fund
University of Kentucky	\$303,669,300	\$33,338,500	\$337,007,800	(\$17,338,500)	(\$33,338,500)	\$286,330,800
University of Louisville	134,223,800	17,594,600	151,818,400	(6,767,000)	(17,594,600)	127,456,800
Eastern Kentucky University	81,901,300	3,222,900	85,124,200	(8,464,000)	(3,222,900)	73,437,300
Kentucky State University	28,690,800	0	28,690,800	(870,000)	0	27,820,800
Morehead State University	49,762,400	0	49,762,400	(5,434,000)	0	44,328,400
Murray State University	51,707,100	3,095,000	54,802,100	(4,189,500)	(3,095,000)	47,517,600
Northern Kentucky University	57,655,000	12,683,900	70,338,900	(5,407,500)	(12,683,900)	52,247,500
Western Kentucky University	83,951,300	5,858,400	89,809,700	(6,360,000)	(5,858,400)	77,591,300
KCTCS	187,833,700	21,513,800	209,347,500	(12,487,500)	(21,513,800)	175,346,200
Performance Fund	97,307,100	(97,307,100)	0	0	97,307,100	97,307,100
Total	\$1,076,701,800	\$0	\$1,076,701,800	(\$67,318,000)	\$0	\$1,009,383,800

Operating Funds

Inflation Adjustment

- Additional operating funds of **\$54.7 million** each year of the biennium, representing an across-the-board **6%** increase at each postsecondary institution
- If authorized, these funds will help institutions offset some of the largest increases in higher education inflation in two decades
- The funds will also help Council and campus officials maintain affordability and access for Kentucky
- This request represents an increase of **5.4%** above the fiscal year 2023-24 net General Fund base

Operating Funds

Earned Performance Funds

- Additional appropriations of **\$48.7 million** each year of the biennium, or the combined sum of half (**50%**) of each institution's earned 2023-24 performance distribution
- These funds will help cover operating costs at institutions that produced student outcomes at rates above the sector average
- The funds will also move institutions toward funding parity as determined by the funding models
- This request represents an increase of **4.8%** above the fiscal year 2023-24 net General Fund base

Operating Funds

Performance Fund

- Appropriations of **\$22.7 million** each year of the biennium that will be added to \$97.3 million in the Performance Fund, bringing the total in the fund to \$120.0 million
- If authorized, these funds will provide resources necessary for institutions to continue making progress toward the state's student success goals
- The funds will also help Council and campus officials maintain affordability and access for Kentucky citizens
- This request represents an increase of **23.3%** on the fiscal year 2023-24 Performance Fund base

Budget Development Update (2024-2026)

Operating Funds Summary

Funding Category	Fiscal 2023-24	Fiscal 2024-25	Fiscal 2025-26
2023-24 Net General Fund ¹	\$1,009,383,800	\$1,009,383,800	\$1,009,383,800
Base Adjustments:			
KERS Subsidy Reductions		(4,400,900)	(6,610,900)
Adjusted Net General Fund	\$1,009,383,800	\$1,004,982,900	\$1,002,772,900
Additional Budget Requests:			
Inflation Adjustment (@6.0% ATB)		\$54,724,600	\$54,724,600
Earned Performance Funds (@ 50.0%)		48,653,700	48,653,700
Performance Fund		22,692,900	22,692,900
KSU Land-Grant Program	TBD	TBD	TBD
Total Operating Request	\$1,009,383,800	\$1,131,054,100	\$1,128,844,100
Dollar Change	\$0	\$121,670,300	\$119,460,300
Percent Change	0.0%	12.1%	11.8%

¹ Each institution's regular General Fund appropriation minus debt service. Includes \$97,307,100 in the Postsecondary Education Performance Fund.

Capital Investment



To date, CPE staff and campus officials have discussed four possible **capital investment** components:

- New Construction
- Scope Adjustments
- Asset Preservation
- Information Technology and Equipment

Capital Investment

New Construction

- At this time, CPE staff and campus leaders are not contemplating including a request for new capital construction projects in the Council's 2024-2026 budget recommendation
- However, institutions are free to propose and advocate funding for new and expanded space projects directly with state policymakers

Capital Investment

Scope Adjustments

- Stakeholders have discussed the possibility of including a request for **\$162.4 million** in the Council's 2024-2026 budget submission to help offset increases in construction costs for individual projects authorized in the 2022-2024 biennium
- This amount represents **20%** of \$811.9 million in state bond funds that were authorized for new construction projects in the 2022-2024 biennium
- If authorized, these funds would allow institutions to maintain the same quality of materials and quantity of square footage envisioned in their original capital plans

Capital Investment

Asset Preservation

- For the upcoming biennium, stakeholders are considering a request for **\$700 million** in state bond funds to finance renovation and renewal projects at the public postsecondary institutions
- If authorized, requested funds would be the second installment of \$700 million provided to address a \$7.3 billion system total need
- Other ideas being discussed:
 - request \$350 million each year of the biennium (total \$700 million)
 - allocate funding based on each institution's share of total Category I and Category II square feet (method used in 2022-2024)
 - recommend funding without any required institutional match

Capital Investment

Information Technology and Equipment

- To date, campus officials have not advocated for staff to include a request for information technology and equipment in the Council's 2024-2026 budget recommendation
- Other capital investment components are perceived to be higher priority than information technology and equipment projects

Budget Development Update (2024-2026)

Capital Investment Summary

Funding Category	Fiscal 2024-25	Fiscal 2025-26	Biennial Total
New Construction	\$0	\$0	\$0
Scope Adjustments (2022-24 Projects)	\$162,370,000	\$0	\$162,370,000
– Debt Service	TBD	TBD	TBD
Asset Preservation	\$350,000,000	\$350,000,000	\$700,000,000
– Debt Service	TBD	TBD	TBD
Information Technology and Equipment	\$0	\$0	\$0

Budget Development Update (2024-2026)

Trust Funds

- HB 1 (97 RS) created six trust funds to provide financial incentives for Kentucky colleges and universities to pursue state goals for postsecondary education
- Every two years, CPE staff works collaboratively with campus presidents, chief budget officers, and Council members to identify priority programs and recommend funding
- At this time, stakeholders are not considering including a trust fund request in the Council's 2024-2026 budget submission

Budget Development Update (2024-2026)

Agency Operations

- The agency's budget request typically includes base funding, additional resources needed to support current operations, and funding for strategic initiatives
- The agency budget also includes a number of pass-through programs and funding that benefit institutions directly
- Private and federal funds have allowed CPE to expand its work improving the P-20 pipeline, promoting student success, and responding to the state's healthcare workforce needs
- Staff is in the process of identifying the agency's most pressing resource needs and needs of the postsecondary system that can best be addressed with additional resources housed at CPE

Questions?



Twitter: CPENews and CPEPres



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Facebook: KYCPE