

KENTUCKY COUNCIL ON POSTSECONDARY EDUCATION FINANCE COMMITTEE MEETING



March 25, 2024 - 1:00 p.m., ET

Virtual Meeting via ZOOM - <https://us02web.zoom.us/j/89129396618>

Agenda revised 3/21/24 @ 3pm ET

**Indicates action item*

- I. **Call to Order and Roll Call**
- II. **Approval of Minutes** (*from January 16, 2024*)*
- III. **Tuition Setting Process for Academic Year 2024-25**
- IV. **Campus Tuition and Fee Proposal for Academic Year 2024-25 - Kentucky State University***
- V. **Revisions to 2022-24 Endowment Match Program Guidelines***
- VI. **2024-2026 Budget Development Update**
 - A. Executive Budget (*HB 114*)
 - B. House Budget (*HB 6, as amended*)
 - C. Senate Budget (*HB 6, SCS 1*)
- VII. **Update on 2022-2024 Asset Preservation Funding**
- VIII. **Other Business**
- IX. **Adjournment**
Next Finance Committee Meeting: June 10, 2024 @ 1:00 p.m. ET

MEETING MINUTES

Draft for Approval by the Finance Committee, March 25, 2024

Who: Kentucky Council on Postsecondary Education
Meeting Type: Finance Committee
Date: January 16, 2024
Time: 1:00 p.m. ET
Location: Virtual Meeting via ZOOM Webinar

CALL TO ORDER

The Finance Committee met Tuesday, January 16, 2024, at 1:00 p.m., ET. The meeting occurred virtually via ZOOM webinar. Committee Chair Eric Farris presided.

ATTENDANCE

Committee members in attendance: Jacob Brown, Jennifer Collins, Eric Farris, and Elaine Walker.

Committee members not in attendance: Kellie Ellis, Chloe Marsteller, Madison Silvert.

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

APPROVAL OF THE MINUTES

The minutes of the October 23, 2023, Finance Committee meeting were approved as presented.

INTERIM CAPITAL PROJECT REQUEST – ECTC

Mr. Shaun McKiernan, Executive Director of Finance and Budget, presented a \$3,500,000 interim capital project at Elizabethtown Community and Technical College. The project will expand the existing science building on the main campus by 7,000 square feet and will be funded with institutional resources (i.e., agency restricted funds). KCTCS representative, Andy Casebier, answered questions of clarification from the Council on the project.

MOTION: Ms. Walker moved the Finance Committee approve the proposed interim capital project request from Elizabethtown Community and Technical College and recommend final approval by the Council at its January 19, 2024, meeting. Mr. Brown seconded the motion.

VOTE: The motion passed.

INTERIM CAPITAL PROJECT REQUEST – KENTUCKY STATE UNIVERSITY

Mr. McKiernan presented two interim capital projects at Kentucky State University. The first is a \$1.7 million project to replace windows, repair exterior deterioration, replace flooring, and update finishes at Blazer Library. The second is a \$2.7 million project at Carver Hall to replace outdated building systems and renovate all spaces to meet the needs of its engineering program. KSU representative, Jennifer Linton, answered questions of clarification from the Council on the project.

MOTION: Mr. Brown moved the Finance Committee approve the two proposed interim capital project requests from Kentucky State University and recommend final approval by the Council at its January 19, 2024, meeting. Ms. Collins seconded the motion.

VOTE: The motion passed.

2024-26 BIENNIAL BUDGET UPDATE

Mr. McKiernan provided an update on the legislature's development of the 2024-26 biennial budget. He discussed the components of the Governor's budget proposal and how they compared to the request approved by the Council and submitted in the fall of 2023.

HIGHER EDUCATION INSTITUTION FINANCE REPORTING AND OVERSIGHT

Mr. Ryan Kaffenberger, CPE Senior Associate of Finance and Workforce Development, briefed the committee members on the SHEEO report on assessing financial health and risk and stated how the Council is taking those recommendations to develop tools to assess institutional financial health and risk from market pressures. Additional funds from the Governor and General Assembly have been requested in the 2024-26 biennial budget request to build capacity for this work. In the coming months, the Finance Unit will be conducting a review of financial oversight policies in a sample of other states.

Representatives from the Ohio Department of Education joined the meeting to discuss the impact Ohio has experienced through its agency's financial monitoring and oversight policies and procedures. (David Cummins, Associate Vice Chancellor of Financial Planning and Oversight, and Fred Church, Vice Chancellor and Finance and Chief Data Officer.)

ADJOURNMENT

The Finance Committee adjourned at 3:00 p.m., ET.

- TITLE:** Tuition-Setting Process for Academic Year 2024-25
- DESCRIPTION:** Staff will provide an update on the 2024-25 tuition-setting process, including a listing of Council approved maximum base-rate increases by institution for the upcoming year. A copy of the Council's *Tuition and Mandatory Fee Policy* is provided for information.
- PRESENTERS:** Bill Payne, Vice President for Finance and Administration, CPE
Shaun McKiernan, Executive Director of Finance and Budget, CPE
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BACKGROUND

On March 31, 2023, the Council on Postsecondary Education approved tuition and mandatory fee ceilings for academic years 2023-24 and 2024-25. Included among parameters adopted at that meeting was a requirement that base-rate increases for resident undergraduate students not exceed 5.0% over two years, or 3.0% in any one year, at the public universities, nor exceed \$7.00 per credit hour over two years, or \$4.00 per credit hour in any one year, at KCTCS institutions.

In the weeks following that action, the postsecondary institutions submitted tuition and fee proposals for academic year 2023-24 to the Council that had been approved by their respective governing boards. Staff reviewed each institution's proposed 2023-24 tuition and fee charges by degree level, residency, and attendance status and determined that they complied with Council-approved ceilings.

On June 9, 2023, the Finance Committee recommended, and the Council approved, tuition and fee rates for academic year 2023-24 for Eastern Kentucky University (EKU), Murray State University (MuSU), and Western Kentucky University (WKU), as approved by their respective governing boards and proposed to the Council. All three institutions had proposed base rate increases for resident undergraduate students at or below the 3.0 percent cap. At that same meeting, staff requested, and the Council approved, a delegation of authority to the Finance Committee to approve tuition and fee proposals from the remaining institutions.

On June 28, 2023, staff recommended, and the Finance Committee approved on behalf of the full Council, tuition and fee rates for academic year 2023-24 from the remaining institutions, which included the University of Kentucky (UK), the University of Louisville (UofL), Kentucky State University (KSU), Morehead State University (MoSU), Northern Kentucky University (NKU), and the Kentucky Community and Technical College System (KCTCS).

All of the universities proposed resident undergraduate base rate increases at or below the 3.0 percent cap, and KCTCS proposed a base rate increase for residents of \$4.00 per credit hour, which complied with the Council's ceiling. Overall, in academic year 2023-24, the system average increase in postsecondary institution resident undergraduate base rates was 2.8 percent.

MAXIMUM 2023-24 and 2024-25 BASE RATE INCREASES

On March 31, 2023, the Finance Committee recommended, and the Council approved, resident undergraduate tuition and mandatory fee ceilings for academic years 2023-24 and 2024-25 that equated to:

- A maximum base rate increase of no more than 5.0 percent over two years, and a maximum increase of no more than 3.0 percent in any one year, for public research and comprehensive universities; and
- A maximum base rate increase of no more than \$7.⁰⁰ per credit hour over two years, and a maximum increase of no more than \$4.⁰⁰ per credit hour in any one year, for students attending KCTCS institutions.

The Council also approved a recommendation that allows public institutions to submit for Council review and approval:

- Nonresident undergraduate tuition and fee rates that comply with the Council's *Tuition and Mandatory Fee Policy*, or otherwise adhere to provisions of an existing Memorandum of Understanding between the Council and an institution; and
- Market competitive tuition and fee rates for graduate and online courses.

In adopting these parameters, the Council considered a number of key issues for the 2023-24 tuition-setting cycle, including: a) anticipated flat state funding and planned pension subsidy reductions; b) historically low tuition increases that have been adopted over the previous four years; c) the budgetary impact of unprecedented increases in higher education inflation; d) recent real decline in campus spending for educating students; e) decreasing college-going rates among Kentucky residents; and f) overall enrollment trends.

Based on feedback from multiple stakeholders, there was a general sentiment that increases in tuition for the 2023-24 cycle should be moderate to help support a necessary balance between the ability of students and families to pay for college and resources required for institutions to address cost increases, maintain quality academic programs, and continue progress toward the 60x30 attainment goal.

The proposal to set tuition ceilings for two years, including academic years 2023-24 and 2024-25, was supported by CPE staff and campus officials. It was an approach that had been proposed by staff and approved by the Council three times over the previous nine years. The advantages of adopting two-year ceilings are that it facilitates strategic planning and budgeting

for the postsecondary institutions, and it makes college costs more predictable for Kentucky students and families.

In addition to establishing the broad parameters for tuition increases over academic years 2023-24 and 2024-25, the Council identified and approved maximum base rate increases for each university and KCTCS. Listed below, in Tables 1 and 2, are 2022-23 base rates, maximum allowable base rates for 2023-24 and 2024-25, and dollar and percent change figures relative to the 2022-23 beginning year for each institution.

Table 1 shows the academic year 2022-23 base rate, maximum allowable base rate for academic year 2023-24, and one-year dollar and percent changes compared to the 2022-23 base rate for each public university, using the recommended “no more than 3.0 percent in any one year” maximum increase parameter.

Kentucky Public Postsecondary Institution Maximum Base Rate Increases for Resident Undergraduates Academic Year 2023-24				Table 1
Institution	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 (per credit hour)	\$182.00	\$186.00	\$4.00	2.20%
KCTCS (per credit hour 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.

Table 1 also shows the 2022-23 base rate, maximum allowable base rate for academic year 2023-24, and one-year dollar and percent changes compared to the 2022-23 base rate for KCTCS institutions, using the recommended “no more than \$4.00 per credit hour in any one year” maximum increase parameter.

Table 2 shows the academic year 2022-23 base rate, maximum allowable base rate for academic year 2024-25, and two-year dollar and percent changes compared to the 2022-23 base rate for each public university, using the recommended “no more than 5.0 percent over two years” maximum increase parameter.

Lastly, Table 2 shows the 2022-23 base rate, the maximum allowable base rate for academic year 2024-25, and two-year dollar and percent changes compared to the 2022-23 base rate for KCTCS institutions, using the recommended “no more than \$7.00 per credit hour over two years” maximum increase parameter.

As a reminder, resident undergraduate tuition ceilings approved by the Council apply to each institution’s base rate charge. Base rates are defined as total tuition and fee charges, minus any Special Use Fees or Asset Preservation Fees previously approved by the Council, and minus an existing agency bond fee at KCTCS (i.e., BuildSmart Investment for Kentucky Competitiveness Fee). Council staff deduct these fees from total tuition and fees before applying a percent increase parameter, which keeps the fees at a fixed amount each year until they expire.

Kentucky Public Postsecondary Institution Maximum Base Rate Increases for Resident Undergraduates Academic Year 2024-25				Table 2
Institution	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 (per credit hour)	\$182.00	\$189.00	\$7.00	3.85%
KCTCS (per credit hour 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.

In addition to approving the two-year rate ceilings, the Council approved provisions allowing institutions to submit for review and approval, nonresident undergraduate tuition and fee rates that comply with the Council’s *Tuition and Mandatory Fee Policy*, or otherwise adhere to provisions of an existing Memorandum of Understanding between the Council and an institution. Lastly, the institutions were allowed to charge market rates for graduate and online courses, as approved by their governing boards.

CAMPUS 2023-24 TUITION AND FEE PROPOSALS

Following the Council’s adoption of the tuition parameters, staff worked with campus officials to obtain tuition and fee rate proposals for academic year 2023-24 from each institution, as well as estimates of fixed cost increases and tuition and fee revenue projections for fiscal year 2023-24.

Three institutions, EKU, MuSU, and WKU, sought approval for proposed tuition and fee increases from their respective governing boards and submitted those proposals to Council staff by late May. Those proposals complied with Council tuition and fee ceilings and were approved by the Council at its June 9 meeting.

On June 28, 2023, the Finance Committee, using a grant of authority provided by the full Council, approved tuition and fee rate proposals for academic year 2023-24 that had been submitted by the remaining six postsecondary institutions. As can be seen in Table 3, the proposals submitted by the remaining universities and KCTCS complied with Council-approved ceilings.

Kentucky Public Postsecondary Institution					Table 3
Adopted Base Rate Increases for Resident Undergraduates					
Academic Year 2023-24					
Institution	2022-23 Base Rates ¹	Adopted 2023-24 Base Rates ²	Dollar Change	Percent Change	
UK	\$12,859	\$13,212	\$353	2.75%	
UofL	12,324	12,632	308	2.50%	
EKU	9,544	9,830	286	3.00%	
KSU	8,654	8,914	260	3.00%	
MoSU	9,308	9,586	278	2.99%	
MuSU	9,432	9,708	276	2.93%	
NKU	10,208	10,512	304	2.98%	
WKU	\$10,912	\$11,236	\$324	2.97%	
KCTCS (per credit hour)	\$182.00	\$186.00	\$4.00	2.20%	
KCTCS (per credit hour x 30)	\$5,460	\$5,580	\$120	2.20%	

¹ 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.

² Campus tuition and fee proposals for academic year 2023-24 were approved by the Council on June 9, 2023 or by the Finance Committee on June 28, 2023.

ALLOWABLE 2024-25 BASE RATE RESIDUALS

Allowable dollar and percent residuals represent the maximum dollar increase and maximum percent increase that an institution may adopt for the upcoming academic year (i.e., 2024-25),

given the size of its previous year (i.e., 2023-24) base rate increase. These residuals are only calculated—indeed they are only relevant—in the second year following Council adoption of a two-year tuition ceiling.

For academic year 2024-25, the allowable dollar residual is calculated by subtracting each institution’s adopted 2023-24 base rate from its respective maximum 2024-25 base rate. The percent residual is calculated by dividing each institution’s maximum rate by its adopted rate, subtracting 1.0 and multiplying by 100.

In this tuition cycle, the “no more than 5.0 percent over two years” cap was the relevant parameter for determining the dollar and percent residuals for each university. This is because every university increased its resident undergraduate base rate by 2.5 percent or more in 2023-24 (up to and including two institutions that adopted rates that reached the 3.0 percent cap), ensuring that increases in 2024-25 would fall below the “no more than 3.0 percent in any one year” cap. As can be seen in Table 4, the allowable percent residual is below 2.5 percent for every university, and it is below 2.0 percent for five out of eight universities.

Kentucky Public Postsecondary Institution				Table 4
Allowable Base Rate Dollar and Percent Increase Residuals				
Academic Year 2024-25				
<u>Institution</u>	<u>Maximum 2024-25 Base Rates</u> ¹	<u>Adopted 2023-24 Base Rates</u> ²	<u>Allowable Dollar Residual</u>	<u>Allowable Percent Residual</u>
UK	\$13,502	\$13,212	\$290	2.19%
UofL	12,940	12,632	308	2.44%
EKU	10,021	9,830	191	1.94%
KSU	9,087	8,914	173	1.94%
MoSU	9,773	9,586	187	1.95%
MuSU	9,904	9,708	196	2.02%
NKU	10,718	10,512	206	1.96%
WKU	\$11,458	\$11,236	\$222	1.98%
KCTCS (per credit hour)	\$189.00	\$186.00	\$3.00	1.61%
KCTCS (per credit hour x 30)	\$5,670	\$5,580	\$90	1.61%

¹ Maximum resident undergraduate base rates for academic years 2023-24 and 2024-25 were approved by the Council at their March 31, 2023 meeting.

² Campus tuition and fee proposals for academic year 2023-24 were approved by the Council on June 9, 2023 or by the Finance Committee on June 28, 2023.

The maximum dollar and percent residuals for KCTCS were determined using the “no more than \$7.00 per credit hour over two years” parameter, minus the \$4.00 per credit hour base rate increase it adopted in 2023-24 (see Table 3).

TUITION AND MANDATORY FEE POLICY

Included as Attachment A to this agenda item is a copy of the Council's *Tuition and Mandatory Fee Policy*, which was approved by the Council at their March 31, 2023 meeting. Typically, once the tuition policy is approved by the Council it helps guide the development of tuition and mandatory fee ceiling recommendations for the upcoming academic year and facilitates submission and evaluation of campus tuition and fee proposals.

Given that the Council adopted tuition ceilings for both academic years 2023-24 and 2024-25 at the March 31 meeting, staff is not recommending changes to the tuition policy for the upcoming year. Since ceilings have been established for the upcoming academic year, the policy will be used to facilitate the development, submission, and review of campus tuition and fee proposals for academic year 2024-25.

TIME FRAME FOR CAMPUS PROPOSAL SUBMISSION

CPE staff has already received one tuition and fee proposal for academic year 2024-25 from Kentucky State University. Information regarding the university's proposed resident undergraduate base rate, proposed rates for every other degree level, residency, and attendance status (i.e., full time, part time), fixed cost increase estimates, and projected net tuition and fee revenue generated by the proposed rates is included as a separate action item for this meeting.

It is anticipated that Council staff will work with campus chief budget officers in coming weeks to obtain tuition and fee proposals from the remaining institutions in time to bring them for Council action at the June 21, 2024, meeting.

Council Postsecondary Education Tuition and Mandatory Fee Policy

Academic Years 2023-24 and 2024-25

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 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.
- Revenue from the fee may either be expended upon collection on asset preservation and renovation or fit-for-use projects, accumulated to meet a specific project's scope, or used to pay debt service on agency bonds or other instruments used to finance such projects.
- Both the direct expenditure of fee revenue and the expenditure of agency bond funds generated by the fee may be used to meet matching requirements on state bond funds issued for asset preservation projects. In previous biennia, state leaders have required a dollar-for-dollar institutional match on state-funded asset preservation pools.
- In any given academic year, the impact of implementing an asset preservation fee, when combined with a tuition and fee increase supporting campus operations, will be reasonable for Kentucky students and families. For the purposes of this policy exemption, the Council shall determine whether a proposed asset preservation fee, in combination with a tuition and fee increase allowed under a Council-approved tuition ceiling, is reasonable. This assessment will be made within the context of state economic and budgetary conditions, institutional resource needs, and affordability concerns at the time.
- Depending on the outcome of the aforementioned assessment, it may be appropriate to phase in a requested fee over multiple years to maintain affordability and access.
- The Council does not expect a fee that qualifies for an exemption under this policy to remain in effect in perpetuity. To be eligible for an exemption, the requesting institution must have a plan in place for the eventual elimination of a proposed asset preservation fee within 25 years of its initial implementation date.

Exemption Process

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

- An institution's governing board must approve the proposed asset preservation project(s) and related student fee.

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

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

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

Periodic Reporting

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

Ongoing Usage

- Once an Asset Preservation Fee is approved by the Council, revenue generated from the fee may be used for ongoing asset preservation, renovation and fit-for-use projects with institutional board approval.
- Asset preservation, renovation and fit-for-use project(s) financed with asset preservation fee revenue shall comply with all statutory requirements pertaining to the approval of capital projects (KRS 45.750, KRS 45.763, KRS 164.020 (11) (a), KRS 164A.575).

TITLE:	Campus Tuition and Fee Proposal for Academic Year 2024-25; Kentucky State University
RECOMMENDATION:	Staff recommends that the Finance Committee approve and endorse for approval by the full Council at their March 28, 2024, meeting, Kentucky State University's tuition and mandatory fee proposal for academic year 2024-25.
PRESENTERS:	Shaun McKiernan, Executive Director of Finance and Budget, CPE Ryan Kaffenberger, Assistant Director of Finance and Administration, CPE

EXECUTIVE SUMMARY

On March 31, 2023, the Council on Postsecondary Education approved tuition and mandatory fee ceilings for academic years 2023-24 and 2024-25. Included among the parameters adopted at that meeting is a requirement that base rate increases for resident undergraduate students not exceed 3.0% in any one year at the public universities, nor exceed \$4.00 per credit hour in any one year at KCTCS institutions.

Kentucky State University (KSU) has elected to have the CPE Finance Committee and Council review and approve tuition and fee rates for 2024-25 at the March 25 and 28 meetings. All other institutions will bring their board-approved rates to the Council for approval in June. Staff has reviewed KSU's proposed 2024-25 tuition and fee charges for every degree level, residency, and attendance status and determined that they comply with Council approved ceilings.

Staff recommends that the Finance Committee approve and endorse for full Council approval, tuition and mandatory fee charges for resident undergraduate and graduate students, nonresident undergraduate and graduate students, and online learners for academic year 2024-25 as proposed by KSU and approved by its Board of Regents.

COUNCIL APPROVED TUITION AND FEE CEILINGS

On March 31, 2023, the Council adopted resident undergraduate tuition and mandatory fee ceilings that equate to:

- a maximum base rate increase of no more than 5.0 percent over two years, and a maximum increase of no more than 3.0 percent in any one year, for public research and comprehensive universities; and

- a maximum base rate increase of no more than \$7.00 per credit hour over two years, and a maximum increase of no more than \$4.00 per credit hour in any one year, for students attending KCTCS institutions.

At that same meeting, it was determined that the public institutions shall be allowed to submit for Council review and approval:

- Nonresident undergraduate tuition and fee rates that comply with the Council's *Tuition and Mandatory Fees Policy*, or otherwise 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.

During the tuition-setting process, Council staff and campus officials identified and discussed several key issues that were relevant during the development of staff's tuition and fee recommendation, including: (a) the level of state support for campus operations; (b) a pending reduction in the state's pension subsidy; (c) relatively low tuition increases in recent years; (d) the impact of inflationary cost increases; (e) recent trends in college spending; (f) declining college-going rates of Kentucky high school graduates; and (g) persistent decreases in student enrollment at nearly every public postsecondary institution. Staff believes the adopted ceilings achieved an appropriate balance between resource needs of the institutions and affordability for Kentucky students and families.

As a reminder, the resident undergraduate tuition and fee ceilings approved by the Council apply to each institution's base rate charge. Base rates are defined as total tuition and fee charges, minus any Special Use Fees and Asset Preservation Fees previously approved by the Council, and minus an agency bond fee at KCTCS (i.e., BuildSmart Investment for Kentucky Competitiveness Fee). Council staff deduct these fees from total tuition and fees before applying a percent increase parameter, which keeps the fees at a fixed amount each year until they expire. The paragraphs below contain proposed base rates for academic year 2024-25, current-year base rates, and calculated dollar and percent changes between those rates for KSU.

CAMPUS TUITION AND FEE PROPOSALS

Officials from KSU have submitted to the Council undergraduate and graduate tuition and fee proposals for academic year 2024-25, along with tuition and fee revenue estimates for fiscal years 2023-24 and 2024-25.

Staff has reviewed the proposed 2024-25 tuition and fee charges for every degree level, residency, and attendance status and has determined that they comply with Council approved ceilings.

On March 12, 2024, KSU submitted a proposal to the Council, containing planned tuition and mandatory fee charges for academic year 2024-25. As can be seen in Table 1, between

academic years 2023-24 and 2024-25, the university is proposing to increase its annual base-rate charge for resident undergraduate students by \$173.⁰⁰, or 1.9 percent. This complies with the Council’s approved ceiling for resident undergraduate tuition and mandatory fees, which stipulates that base rates cannot increase by more than 3.0 percent in any one year at public research and comprehensive universities. In addition, this complies with the approved ceiling which stipulates that tuition and mandatory fees cannot increase more than 5.00% over two years. For KSU, the maximum increase over two years was \$433.⁰⁰, or 5%, and the proposed two-year increase is \$433.⁰⁰. The university’s proposed tuition and fee charges for nonresident, graduate, and on-line students also adhere to Council parameters.

The tuition and fee charges included in KSU’s proposal were approved by the university’s Board of Regents at their March 7, 2024, meeting. Staff recommends that the Finance Committee approve, and endorse to the full Council, tuition and fee rates as proposed by KSU.

Kentucky State University Proposed Tuition and Fee Base Rates Academic Year 2024-25				Table 1
<u>Rate Category</u>	<u>Current 2023-24 Base Rates</u>	<u>Proposed 2024-25 Base Rates</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Undergraduate				
Resident	\$8,914	\$9,087	\$173	1.9%
Nonresident	\$12,960	\$13,358	\$398	3.1%
Graduate				
Resident	\$583 pch	\$605 pch	\$22	3.8%
Nonresident	\$583 pch	\$605 pch	\$22	3.8%
Base rates for KSU do not include Special Use Fees of \$150.00 per semester, or \$300.00 per year for full-time students.				
pch = per credit hour				

Attachment A contains additional categories of tuition and fee charges, including proposed per-credit-hour rates for part-time resident and nonresident undergraduate students, rates for part-time graduate students, and online rates. Staff recommends approval of these additional rates as proposed by the university. Please note that KSU displays mandatory fees separately in Attachment C; however, Council staff includes these fees (e.g., Activities Fee; Technology Fee; Safety and Security Fee, Homecoming Fee) in the base rate, which is displayed in Table 1. KSU officials estimate that proposed 2024-25 tuition and mandatory fee charges for all categories of students (i.e., every academic level, residency, and full-time or part-time status) will generate significantly more tuition and fee revenue for the university, since they will be launching a new online program. The preliminary estimate for gross tuition and fee revenue in 2024-25 is \$24.7 million, which is \$7.7 million more than anticipated gross revenue for the current year (see Attachment B).

STAFF RECOMMENDATION

Council staff has reviewed the tuition and mandatory fee proposal for academic year 2024-25 received from KSU and has determined that the proposal complies with the resident undergraduate tuition and fee ceilings for research and comprehensive universities adopted by the Council at the March 31, 2023, meeting. Staff has determined that proposed prices for nonresident undergraduate students adhere to provisions of the Council's *Tuition and Mandatory Fee Policy*, or a previously approved Memorandum of Understanding between the Council and an institution. Finally, proposed tuition and fee charges for graduate and online students adhere to Council parameters.

Staff recommends that the Finance Committee approve and send on to the full Council for approval the tuition and mandatory fee charges for resident undergraduate and graduate students, nonresident undergraduate and graduate students, and online learners for academic year 2024-25, as proposed by KSU.

**Proposed 2024-25 Tuition and Mandatory Fee Charges
Kentucky State University**

<i>Category</i>	Fall 2024	Spring 2025	Annual 2024-25	Summer 2025		
<i>Undergraduate</i>						
Resident						
Full-time (12 credit hours)*	4,130.50	4,130.50	8,261	344		
Per Credit Hour**	344	344		344		
Nonresident						
Full-time (12 credit hours)*	6,266	6,266	12,532	522		
Per Credit Hour**	522	522		522		
Virtual Courses						
Per Credit Hour**	420	420		420		
KYSU Online						
Per Credit Hour**	350	350		350		
Military Rate						
Per Credit Hour**	250	250		250		
<i>Graduate</i>						
Resident/Non-Resident						
Full-time*	5,449	5,449	10,898	605		
Per Credit Hour**	605	605		605		
Virtual Courses						
Per Credit Hour**	583	583		583		
KYSU Online						
Per Credit Hour**	475	475		475		
Military Rate						
Per Credit Hour**	275	275		275		
* Full-time undergraduate and graduate tuition rates do not include the following:					Fee that is part of base rate:	Fee that is NOT base rate:
\$175 per semester mandatory Activities Fee.					350	
\$156 per semester mandatory Technology Fee.					312	
\$52 per semester mandatory Safety & Security Fee.					104	
\$150 per semester mandatory Asset Preservation Fee.						300
\$60 mandatory Fall semester homecoming fee					60	
					<u>826</u>	<u>300</u>
** Per Credit Hour undergraduate and graduate tuition rates do not include the following:						
\$30 per credit hour mandatory Technology Fee.						
\$10 per credit hour mandatory Safety & Security Fee.						
\$10 per credit hour mandatory Asset Preservation Fee.						
*** Virtual Courses are designed for traditional students and can be taken on a part-time basis. KYSU Online is the university's fully-online distance education program, accessible to students worldwide.						

ATTACHMENT B

Estimated Gross Tuition and Mandatory Fee Revenue Kentucky State University

<i>Category</i>	Estimated 2023-24	Estimated 2024-25
<i>Undergraduate</i>		
Resident	\$ 4,283,704	\$ 5,590,932
Nonresident	8,478,212	11,999,664
Online	1,545,000	5,146,320
<i>Graduate</i>		
Resident	430,826	325,008
Nonresident	477,288	81,252
Online	890,885	1,286,580
<i>Summer</i>	889,985	273,150
Total	\$ 16,995,899	\$ 24,702,906

TITLE: Revisions to 2022-24 Endowment Match Program Guidelines

DESCRIPTION: Staff recommends the Finance Committee endorse for full Council approval at its March 28, 2024, meeting, the revisions to the *2022-24 Endowment Match Program Guidelines* as shown in the attachment.

PRESENTERS: Ryan Kaffenberger, Associate Director of Finance and Budget, CPE
Shaun McKiernan, Executive Director of Finance and Budget, CPE

SUPPORTING INFORMATION

The Bucks for Brains program, also referred to as the Endowment Match Program (EMP), matches public dollars with private donations on at least a dollar-for-dollar basis to encourage research at the University of Kentucky (UK) and the University of Louisville (UofL) and to strengthen key programs at Kentucky's comprehensive universities. All funds, both public and private, must be endowed, with investment proceeds used to provide a perpetual source of funding for research-related activities.

In the 2022-24 Budget of the Commonwealth (22 RS, HB 1), the General Assembly authorized \$40.0 million in state bond funds for Bucks for Brains, with \$30.0 million of that amount appropriated to the Research Challenge Trust Fund (RCTF) to support UK and UofL and \$10.0 million allocated to the Comprehensive University Excellence Trust Fund (CUETF) to support the comprehensive universities.

The Council on Postsecondary Education (CPE) has statutory authority to determine the criteria and process by which public universities apply to access appropriations to the RCTF (KRS 164.7917) and CUETF (KRS 164.7919). At its June 14, 2022, meeting, the Finance Committee approved the *2022-24 Endowment Match Program Guidelines*.

Over the past several months, as institutions have submitted match requests, CPE staff has identified areas in the guidelines where language should be clarified to reduce confusion for the institutions. In addition, the current version of the guidelines prohibits all federal funds from being used as matching funds. For this reason, CPE staff is proposing revisions to the Guidelines to allow Kentucky State University to use federal funds awarded under Title III of the Higher Education Act (HEA) as matching funds. Federal guidelines permit up to 20% of Title III grant awards to be endowed provided they are matched dollar-for-dollar. The attachment shows all proposed revisions with additions in green font and eliminations in red strikethrough.

Council on Postsecondary Education 2022-24 Endowment Match Program Guidelines

Introduction

Kentucky recognizes the importance of research to the economic well-being of its citizens. The Endowment Match Program encourages private investment in public higher education research activities to stimulate business development, generate increases in externally sponsored research, create better jobs and a higher standard of living, and facilitate Kentucky's transition to a knowledge-based economy. The program matches public money with private gifts to fund chairs, professorships, research scholars, staffs and infrastructure, fellowships and scholarships, and mission support at the public universities. This collaborative approach is critical to advancing Kentucky's research presence into national prominence.

Program Funding

State funding for the Endowment Match Program is appropriated to the Research Challenge Trust Fund (RCTF) for the research universities and to the Comprehensive University Excellence Trust Fund (CUETF) for the comprehensive institutions. Both trust funds were created with passage of the *Postsecondary Education Improvement Act of 1997* (HB 1).

Prior to 2022, there were four rounds of funding for the Endowment Match Program. In fiscal year 1998-99, the program received surplus General Fund appropriations of \$110 million (i.e., \$100 million for the research universities and \$10 million for comprehensive institutions). In 2000-01, the General Assembly authorized \$120 million for the program (i.e., \$100 million for the RCTF and \$20 million for the CUETF). The legislature debt financed another \$120 million for the program in 2003-04 (i.e., \$100 million for the RCTF and \$20 million for the CUETF). Finally, the General Assembly authorized \$60 million in state supported bond funds for the program in 2008-09, with \$50 million appropriated to the research universities and \$10 million appropriated to the comprehensive universities.

For the upcoming 2022-2024 biennium, the General Assembly authorized \$40 million in bond funds for the Bucks for Brains program, with \$30 million appropriated to the Research Challenge Trust Fund and \$10 million appropriated to the Comprehensive University Excellence Trust Fund (22 RS, HB 1).

Program Administration

The Council on Postsecondary Education oversees and administers the Endowment Match Program. The Council establishes areas of concentration within which program funds are used, develops guidelines for the distribution of program funds, and reviews reports from the institutions on uses of program funds and results achieved.

The boards of trustees and boards of regents of the Commonwealth's public universities are responsible for the Endowment Match Program on their respective campuses. The governing boards are required by Council guidelines to review and approve all donations, gifts, and pledges that will be matched with state funds and used to establish new endowments or expand existing endowments under the Bucks for Brains program. Furthermore, the boards are charged with ensuring that the purposes of each endowment and sources of matching funds comply with Council guidelines and serve the public good.

Documentation of board approval must be submitted with each endowment request. In addition, the governing boards are required to review and approve Endowment Match Program reports that are submitted annually to the Council.

Allocation of Program Funds

In the 2022-2024 Budget of the Commonwealth (22 RS, HB 1), the General Assembly authorized \$30 million in General Fund supported bond funds in fiscal year 2022-23 for the Research Challenge Trust Fund (RCTF) to support efforts to grow endowments for initiatives in fields of science, technology, engineering, mathematics, and health (i.e., STEM+H fields) at Kentucky public research universities. In accordance with KRS 164.7917, funding appropriated to the RCTF will be allocated two-thirds (2/3) to the University of Kentucky and one-third (1/3) to the University of Louisville, as shown in the table below. These funds will remain in the trust fund until matched and distributed.

University of Kentucky	\$20,000,000
University of Louisville	<u>10,000,000</u>
Total RCTF	\$30,000,000

In that same budget, the General Assembly also authorized \$10 million in state-supported bond funds in 2022-23 for the Comprehensive University Excellence Trust Fund (CUETF) to support endowment growth in STEM+H fields at Kentucky comprehensive universities. In keeping with KRS 164.7919, these funds will be apportioned among the comprehensive universities based on each institution’s share of sector total General Fund appropriations, excluding debt service and specialized, noninstructional appropriations (i.e., mandated programs). The resulting allocations are shown below. These funds will remain in the trust fund until matched and distributed.

Eastern Kentucky University	\$2,227,800
Kentucky State University	667,800
Morehead State University	1,279,000
Murray State University	1,484,900
Northern Kentucky University	1,864,600
Western Kentucky University	<u>2,475,900</u>
Total CUETF	\$10,000,000

Matching Requirements

The Endowment Match Program was conceived as a way to bring new money from external sources into the Commonwealth’s system of postsecondary education. In order to receive state funds, the universities must provide dollar-for-dollar matching funds that satisfy the following requirements:

- Gifts and pledges must be newly generated to be eligible for state match. Newly generated contributions are those received by the university after November 15, 2021 (i.e., the date of the Council’s 2022-2024 biennial budget submission).
- Gifts and pledges must be from external sources to be eligible for state match. External source contributions are those that originate outside the university and its affiliated corporations. Eligible sources of funding include, but are not limited to, businesses, non-governmental foundations, hospitals, corporations, and alumni or other individuals. Funds received from federal, state, and local government sources are not eligible for state

match. Federal funds awarded to Kentucky State University under Title III of the Higher Education Act (HEA) are an exception to this rule and are eligible for state match. Federal guidelines under the Strengthening HBCUs Program allow up to 20% of Title III grant awards to be endowed provided they are matched dollar-for-dollar.

- General Fund appropriations and student-derived revenues (e.g., tuition and fees revenue) are not eligible for state match.
- The minimum institutional request amount is \$50,000. A university may combine smaller donations from businesses, nongovernmental foundations, hospitals, corporations, and alumni or other individuals to meet the \$50,000 minimum.
- All funds, both state and private, must be endowed. “Endowed” means that state and donated funds will be held in perpetuity and invested to create income for the institution, with endowment proceeds eligible for expenditure, in accordance with donor restrictions, ~~and~~ university endowment spending policies, and Uniform Prudent Management of Institutional Funds Act (UPMIFA) requirements.
- Requests for state funds must identify the matching funds that are cash and the matching funds that are pledges.
- Pledges, or promises of future payment, are eligible for state match provided they are based on a written contract or agreement and include a payment schedule, which does not exceed five years from the initial pledge date. Pledge payment schedules showing receipts to date and scheduled future payments are to be included in the audited financial statements of either the institution or the foundation.
- If pledged funds are not received within five years of the initial pledge date, the university must replace the portion of private funds not received with another eligible cash gift or the unmatched portion of the state funds plus an allowance for accrued interest will revert to the trust fund for reallocation. In such cases, a time frame for the replacement or return of state funds will be negotiated between Council staff and institutional representatives.
- University officials must notify the Council staff of unpaid pledges six months before the end of the five-year deadline, or immediately when a gift has been revoked.

Uses of Program Funds

Proceeds from the endowments can be used to support various activities including endowed chairs and professorships, research scholars, research staff, graduate fellowships, undergraduate scholarships, research infrastructure, and mission support as described below.

Category 1 Uses of Program Funds

Chairs: New faculty positions, salary supplements to existing faculty positions, and associated expenses for those positions, including start-up costs, salaries, benefits, travel, and other professional expenses as permitted by university policy.

Professorships: New faculty positions, salary supplements to existing faculty positions, and associated expenses for those positions, including start-up costs, salaries, benefits, travel, and other professional expenses as permitted by university policy.

Research Scholars: Salaries, benefits, and other personnel related expenses associated with non-tenured, medical school faculty who exhibit the potential to assume a chair or

