

MINUTES

Fiscal Affairs and Audit Standing Committee February 12, 2025

The February 12, 2025, meeting of the Fiscal Affairs and Audit Committee was called to order by Chair Benson at 10:15 a.m. The meeting was held via Zoom conference. *Proper notice was given according to law.*

MEMBERS PRESENT:	Regent Blake Benson, Chair Regent Jon Rolph Regent John Dicus Regent Wint Winter
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Approve minutes of January 15, 2025 committee meeting

Regent Rolph moved to approve the minutes of the January 15, 2025 meeting. Following a second by Regent Dicus, the motion was unanimously approved.

FAA 25-04 Review State Universities' Annual Financial Reports, including Composite Financial Index (CFI) and Current Year Budget Status Relative to Plan

Troy Bruun, Associate Vice President of Financial Reporting at Wichita State University, shared that CFI is a benchmarking tool which provides an indication of financial health. It is used by both public and private institutions in higher education. The CFI is calculated using primary reserve, viability reserve, return on net assets, and net operating revenue.

Doug Ball, Pittsburg State University Vice President for Administration & Finance, shared that enrollment trends have been stable, although international enrollment has dropped and that the FY 2025 General Use Budget is on track with their plan for tuition revenues. He highlighted that operating costs for academic support and student services have had larger increases than other areas, consistent with implementation of the National Institute of Student Success playbook. Tuition & fees at PSU have remained lower than most of their peer institutions. The CFI index has increased 1.6 points during FY 2024 and refinancings in 2020 and 2022 have substantially reduced debt service levels.

Regent Winter asked if there was a way to identify how many more students are on campus as a result of the new automatic associate's degree initiative. Doug responded that it was early to tell, but the number of students granted an associate's degree could be a leading indicator. Regent Winter then asked which of the forward looking observations he thought was the most important. Doug responded that the student success initiative will be the most impactful for the short term and the Gorilla Rising project will be most impactful in the long term.

Jeff DeWitt, University of Kansas Executive Vice Chancellor for Finance, shared that KU is experiencing the largest enrollment in the school's history. Non-resident enrollment has seen the most growth. The General Use Budgets for the Lawrence and Medical Center campuses are on track for the current fiscal year. The debt burden has decreased significantly, and the CFI is currently at 8.072. Fiscal challenges include addressing market pay gaps for employees, state and federal funding, student housing needs, and the national court case related to athletics (House vs. NCAA.).

Chair Benson asked to what Jeff would attribute the 20% increase in non-resident enrollment. Jeff responded that they worked with an outside firm to determine what kind of scholarships non-resident students would need to choose KU over its competitors.

Regent Winter asked what considerations have been made for possible drops in enrollment. Jeff responded that the university has engaged with a consultant to assist with a strategic plan for housing. The plan for an additional 1,000 units would give the university a better ability to rotate housing in the event of an enrollment drop.

Ethan Erickson, Kansas State University's Vice President for Administration & Finance, announced the completion of their next-gen strategic plan, with colleges and major units aligning their plans accordingly. The campus master plan will be presented to the Board in September, and the university is standardizing operations through an Operational Excellence initiative. Enrollment remains stable, with an increase in non-resident students. The General Use budget is on track, and principal debt has decreased. The University Debt Burden is below the KBOR threshold, though deferred maintenance costs for mission-critical buildings are high due to inflation and aging systems. Plans for the Campus Restoration Act include demolishing Shellenberger, renovating Anderson Hall, and other projects, resulting in a 7% increase in space utilization. Fiscal challenges include cybersecurity, recruitment and retention, aging infrastructure, and federal funding uncertainty.

Regent Dicus inquired whether the growth in expenditures is sustainable or if it would eventually level off. Ethan explained that the rise in expenditures is due to an increase in line items, which also reflects the growth in research and auxiliary enterprises. He emphasized that the General Use budget is always approached conservatively during internal planning.

Regent Winter asked Ethan to what he would attribute the growth in enrollment. Ethan responded that a tiered pricing structure was implemented for non-resident students, offering discounted tuition up to the in-state rate.

Review Board Agenda Items under Fiscal Affairs

Chair Benson noted that there were no discussion items on the full Board Agenda. Regent Rolph moved to approve the Consent Agenda for the full Board meeting. Following a second by Regent Winter, the motion was unanimously approved.

FAA 25-09 Monitor Progress on State University Capital Renewal Initiative and Campus Restoration Act

Director of Facilities, Chad Bristow, shared that the universities are developing their campus restoration plans to be submitted to the Board in September and highlighted the efforts to advocate for the Legislature to not rescind any funding for campus facilities.

Adjournment

Chair Benson reminded attendees that the next Agenda Planning conference call will be on February 25th at 12:15 p.m. He adjourned the meeting at 11:50 a.m.