

**Minutes of the Budget and Finance Committee
Northern Kentucky University Board of Regents
Friday, May 30, 2025, 9:30 a.m.
Student Union 105**

The Northern Kentucky University Board of Regents Budget & Finance Committee convened on Friday, May 30, at the Votruba Student Union, 105.

Chair Brad Zapp called the meeting to order at 9:31 AM and asked Tammy Knochelmann, Secretary to the Board, to call roll.

Roll Call: The following members of the B&F Committee were present: Shea Conley (via Zoom), Cori Henderson, Ken Perry, Sandra Spataro and Brad Zapp. A quorum of the Committee was confirmed.

NKU Senior Staff in Attendance: Cady Short-Thompson, President; Chris Calvert, Vice President for Administration & Finance/CFO; Diana McGill, Executive Vice President for Academic Affairs & Provost; Grant Garber, Vice President for Legal Affairs & General Counsel; Tammy Knochelmann, Secretary to the Board of Regents; Christina Roybal, Vice President and Athletic Director; Karen Mefford, Associate Vice President, Financial Services; Jamie Younger

Approval of Minutes: Regent Perry seconded Regent Spataro's motion to approve the minutes of the February 20 Budget and Finance Committee meeting. The minutes were approved without corrections.

CFO Report:

Vice President/CFO Calvert reviewed the following topics:

FY 2025 UPDATE

Cash Investments Overview

- **Monthly Performance:** The fiscal year commenced with a cash flow deficit. However, from August through December, the institution maintained cash flow break-even, with slight fluctuations. Notably, the last four months have shown significant positive cash flow, indicating a strong upward trend.
- **Forecast:** Projections suggest continued positive cash flow as the fiscal year concludes.

Unrestricted Auxiliary Net Surplus

- **Year-over-Year Comparison:** As of April 30, 2025, there is a \$13.3 million increase in unrestricted auxiliary net surplus compared to the same period in the previous fiscal year (May 2023 – April 2024)
- **Contributing Factors:** The surplus is primarily driven by increased net tuition revenue and effective expenditure containment strategies.

Net Tuition Revenue Analysis

- **Drivers of Increase:**

- Tuition rate increases.
- Reduction in non-recurring scholarships and discounts.
- Mitigated impact from AOL scholarships and discounting.

- **Trend Analysis:** Enrollment and net tuition revenue bottomed out in 2023, remained flat in 2024, and have shown an upward trajectory in 2025, indicating positive momentum heading into fiscal year 2026.

Budget vs. Actual Performance

- **Current Standing:** Through the first ten months of fiscal year 2025, the institution is \$4.1 million ahead of budget.
- **Year-End Projection:** Despite a budgeted year-end deficit of \$4.8 million, current trends suggest the possibility of achieving an actual net surplus, excluding the impact of KY DOR policy change.

Impact of Kentucky Department of Revenue (DOR) Policy Change

- **Policy Update:** The Kentucky DOR has ceased collections on behalf of the institution, as announced in April as a surprise.
- **Financial Implications:**
 - A one-time, non-cash adjustment of \$6.8 million in FY25 is required due to the change in collection rates from 54% to 12% for Kentucky residents. We will seek Board approval for a \$6.8 million write-off at the June meeting.
 - An anticipated annual revenue and cash flow reduction of approximately \$1 million moving forward.
- **Adjusted Forecast:** The \$6.8 million adjustment alters the financial outlook, offsetting the impact of this positive year-end fiscal performance compared to the \$4.8 million budgeted deficit.

FY26 Budget

FY 2026 through 2030 Budget Projections and Planning

FY26 Budget Priorities were outlined, including:

- Balanced Budget/Positive Cash Flow
- 3% Salary Increase (July 1)
- Supporting Student Services
- Building the University Surplus

FY26 Budget Considerations and Updates:

- Contingency built in the budget for ongoing Federal Volatility
- Decrease in Performance Funding
- Impact of the cessation of collections by the KY Department of Revenue
- 3.9% increase in Tuition Rates
- New Undergraduate Fees
- FY26 – FY30 5-Year Planning

Net Tuition Revenue Trends

- Fiscal Years 2023-2025: A slight increase from FY23 to FY24, followed by a significant increase from FY24 to FY25.
- Fiscal Year 2026 Budget: A modest increase is projected, deemed achievable and realistic, with potential for upside.

Revenue Projections

- Net Tuition Revenue: An increase is projected.
- State Appropriations: A slight decrease is anticipated due to performance funding adjustments.
- Other Revenues: Sales, services, and auxiliary revenues are projected to remain relatively flat compared to FY25 actuals.

Expense Projections

- Fiscal Year 2025 Actual Expenses: Totaled \$216 million.
- Fiscal Year 2026 Budget: An increase of approximately \$5.5 million year-over-year.
- Exclusions: AOL revenue share and institutional scholarships/discounts are excluded, as they are accounted for in net tuition revenue.
- Inclusions: A 3% salary and wage increase, along with corresponding increases in retirement and health benefits.

Board Recommendations: VP Calvert requested the Committee's support for Board approval of the following recommendations at the June Board meeting:

Accounts Receivable Write-off (DOR)

- Chair Zapp's motion that the committee recommend Board of Regents approval of the Accounts Receivable Write-off (DOR) was seconded by Regent Spataro.
- **Regent Spataro requested, and the committee agreed, that the Board Recommendation be renamed.**
- **Motion carried by unanimous consent.**

Vote:

Regent Conley – Yes

Regent Henderson – Yes

Regent Perry – Yes

Regent Spataro – Yes

Regent Zapp - Yes

FY26 Schedule of Tuition and Mandatory Fees

- Motion: Chair Zapp's motion that the committee recommend Board of Regents approval of FY26 Schedule of Tuition and Mandatory Fees was seconded by Regent Spataro.
- **Motion carried by unanimous consent.**

Vote:

Regent Conley – Yes

Regent Henderson – Yes

Regent Perry – Yes

Regent Spataro – Yes

Regent Zapp – Yes

FY26 Schedule of Tuition and Mandatory Fees

- Chair Zapp's motion that the committee recommend Board of Regents approval of FY26 Schedule of Tuition and Mandatory Fees was seconded by Regent Perry
- One committee member expressed that they had not reviewed the fee schedules and would abstain.
- **Motion carried with four in favor and one abstention.**

Vote:

Regent Conley – Yes

Regent Henderson – Yes

Regent Perry – Yes

Regent Spataro – Abstain

Regent Zapp - Yes

FY26 Budget

- Chair Zapp's motion that the committee recommend Board of Regents approval of the FY26 Budget was seconded by Regent Spataro.
- After the motion and second, discussion followed.

One committee member expressed appreciation for the balanced budget, acknowledging the challenging financial situation and the significant efforts by the administration to address it. They recognized the "terrible" state of the budget initially handed to the CFO team and praised their progress under difficult circumstances.

The member stated they would not vote against the budget but could not fully support it either, explaining their intention to abstain or vote "present." They noted concerns including ongoing losses projected in Fiscal Years 2027 and 2028 and uncertainties about enrollment growth.

Specific challenges highlighted included:

- Write-offs and collection difficulties
- A performance fund that is currently upside down
- Unbudgeted expenses such as ERP implementation costs that required reallocation of funds.

The member underscored the complexity of the situation and their respect for the administration's efforts.

- The discussion concluded with a call for the vote.
- **Motion carried with four in favor and one abstention.**

Vote:

Regent Conley – Yes

Regent Henderson – Yes

Regent Perry – Abstain

Regent Spataro – Yes

Regent Zapp - Yes

Outcome:

All recommendations carried. The Chair thanked members and adjourned the meeting at 11:02 a.m.

Respectfully submitted,

Signature On File

Tammy Knochelmann

Secretary to the Board of Regents

Approved by the Budget and Finance Committee on September 15, 2025. /TKK