

DRAFT MINUTES
Council on Postsecondary Education

Type: Finance Committee Meeting
Date: October 28, 2021
Time: 10:00 a.m. ET
Location: Virtual Meeting by ZOOM Webinar; Public viewing hosted on CPE YouTube Page

CALL TO ORDER

The Finance Committee met Thursday, October 28, 2021, at 10:00 a.m., ET. The meeting occurred virtually via ZOOM teleconference. Members of the public were invited to view the livestream on the CPE YouTube page.

Vice Chair Eric Farris presided over the meeting on behalf of Committee Chair Lucas Mentzer, who could not attend.

ATTENDANCE

Committee members in attendance: Eric Farris, Richard Nelson, Madison Silvert and Elaine Walker.

Not in attendance: Colby Birkes and Lucas Mentzer.

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

APPROVAL OF THE MINUTES

The minutes of the September 2, 2021 Finance Committee meeting were approved as distributed.

2022-24 BIENNIAL BUDGET RECOMMENDATION

Dr. Bill Payne, CPE's Vice President of Finance and Administration, and Mr. Shaun McKiernan, Executive Director of Finance and Budget, presented the staff recommendation for the 2022-24 Biennial Budget Recommendation, which was

broken down into three parts: the postsecondary institutions request, the agency budget request, and a special appropriation request.

Postsecondary Institution Request

The primary way that Kentucky finances its public postsecondary system and supports the teaching, research, and public service missions of individual colleges and universities is by providing state General Fund appropriations for campus operations. These funds, along with tuition and fee revenue, support education and general (E&G) expenditures on campus, including faculty and staff salaries, fringe benefits, student financial aid, utilities, building maintenance, libraries, student support services, and numerous other operating expenses.

Staff Recommendation: Finance Committee approve, and endorse to the full Council, the Postsecondary Institution Request, including operating funds, capital investment, and trust fund components as proposed.

<u>Component</u>	<u>Fiscal 2022-23</u>	<u>Fiscal 2023-24</u>	<u>Biennial Total</u>
Operating Funds			
Performance Funding	\$67,500,000	\$90,000,000	\$157,500,000
Pension Relief Funds	2,209,900	4,419,800	6,629,700
KSU Land-Grant Program	671,500	671,500	1,343,000
Capital Investment			
New Construction	\$0	\$0	\$0
Asset Preservation	350,000,000	350,000,000	700,000,000
– Debt Service	25,217,000	50,434,000	75,651,000
Technology Infrastructure	0	0	0
Trust Funds			
Endowment Match Program	\$30,000,000	\$30,000,000	\$60,000,000
– Debt Service	2,418,000	4,836,000	7,254,000
Competitive Workforce Initiative	2,225,000	4,450,000	6,675,000

MOTION: Ms. Walker moved to approve the biennial budget request for 2022-24 Postsecondary Institution funds, and recommend adoption by the full Council at its November 5, 2021 meeting. Mr. Silvert seconded the motion.

VOTE: The motion passed.

CPE Agency Budget Request

The Council's General Fund agency budget request had four main categories: (1) Operating funds; (2) Technology Trust Fund; (3) Ovarian Cancer Screening; and (4) SREB Doctoral Scholars Program and Dues.

- 1) General Fund appropriations for agency operations support expenditures associated with the Council's higher education coordinating board role, including resources for policy leadership, strategic planning, regulation of the state's postsecondary education system, financial policy analysis and development (biennial budget recommendation, performance funding, and tuition setting), administrative services, communications, academic affairs and program review, and information, research, and data analysis.
- 2) Three program areas use Technology Trust Fund General Fund dollars: technology support, the Kentucky Virtual Library (KYVL), and the Kentucky Postsecondary Education Network (KPEN). About 31 percent of the CPE's total General Fund budget is allocated to the Technology Trust Fund.
- 3) In prior biennia, a portion of the Council's Tobacco Funds were directed by the General Assembly to support ovarian cancer screenings. Beginning in 2018-20, the General Assembly made General Fund appropriations of \$500,000 for each year, or about 5% of CPE's 2021-22 General Fund budget, for ovarian cancer research and screening.
- 4) CPE pays the Commonwealth's dues to be a part of the Southern Region Education Board. This organization provides the state with education research and professional development opportunities for staff and elected leaders. It also plays a key role in maintaining licensure reciprocity for postsecondary institutions and in administering the Academic Common Market, which allows students to pursue programs in other states at in-state rates.

Staff Recommendation: Finance Committee approve, and endorse to the full Council, the CPE Agency Budget Request, including expanded duties and responsibilities, Education Continuum, and Healthcare Initiative components as proposed. Staff further recommended that the Finance Committee, approve and endorse to the full Council, restricted funds, and tobacco fund appropriations at 2021-22 funding levels.

Operating Funds	Fiscal 2021-22	Fiscal 2022-23	Fiscal 2023-24
Defined Calculations	\$222,900	\$214,900	\$323,900
SREB Doctoral Scholars		50,000	100,000
Expanded Duties and Responsibilities		1,032,500	1,383,400
Education Continuum			
Transitions and Early Postsecondary Opportunities		1,280,500	3,280,500
Healthcare Initiative		\$20,000,000	\$20,000,000
Capital Investment		Fiscal 2022-23	Fiscal 2023-24
Student Portal		\$2,000,000	
Upgrade Regional Optical Network		\$1,000,000	

MOTION: Mr. Silvert moved to approve the 2022-24 biennial budget request for CPE Agency funds, and recommend adoption by the full Council at its November 5, 2021 meeting. Mr. Nelson seconded the motion.

VOTE: The motion passed.

Special Appropriation Request

On July 20, 2021, Governor Andy Beshear issued Executive Order 2021-504, which directed CPE to provide an assessment of the current financial status of Kentucky State University (KSU), and provide a report to the Governor detailing its assessment prior to providing recommendations concerning appropriations for the next biennial budget. The report was presented to the KSU board, and a summary was provided to Council members shortly thereafter. A full review of the report would be presented at the November 4, 2021 Council work session. As a result of that report and analysis, the following special appropriation request for KSU was recommended.

Staff Recommendation: Finance Committee approve, and endorse to the full Council, the Special Appropriation for KSU, including financial stabilization fund and strategic operating funds components as proposed. Staff further recommends that any authorized funding be placed in a newly created funding program, requiring Council approval for funds to be accessed and expended by KSU.

Funding Component	Fiscal Year 2021-22	Fiscal Year 2022-23	Fiscal Year 2023-24
Additional Budget Requests:			
Financial Stabilization Fund (NR)	\$23,000,000	\$0	\$0
Strategic Operating Funds	0	1,000,000	1,000,000
Total Additional Requests	\$23,000,000	\$1,000,000	\$1,000,000

NR = Nonrecurring funds

The Council discussed at length the reasons for the large deficit at the university, and Mr. Nelson stated he didn't believe the Council had received enough information yet in order to make an educated decision on the matter.

MOTION: Ms. Walker moved to approve the Special Appropriation Request, and recommend adoption by the full Council at its November 5, 2021 meeting. Mr. Silvert seconded the motion.

VOTE: The motion passed 3-1 with one nay vote from Mr. Nelson.

ADJOURNMENT

The Finance Committee adjourned at 12:05 p.m., ET.

MINUTES REVIEWED AND APPROVED BY THE COMMITTEE: _____
