

MINUTES

Council on Postsecondary Education

Type: Finance Committee Meeting
Date: October 16, 2019
Time: 9:00 a.m.
Location: Council on Postsecondary Education, Conference Room A

CALL TO ORDER

The Finance Committee met Wednesday, October 16, 2019, at 9:00 a.m., ET, at the CPE offices in Frankfort, Kentucky. Committee Chair Ben Brandstetter presided.

ATTENDANCE

- Attendance in person: Ben Brandstetter, OJ Oleka, and Robert Staat.
- Attendance by teleconference: Kim Halbauer (joined at 9:30 a.m.), Grant Minix, Carol Wright, and Sherrill Zimmerman.
- Did not attend: Brandon Wilson.
- Council members attended as guest: Richard Nelson.
- Heather Faesy, CPE's senior associate for Board Relations, served as recorder of the meeting minutes.

APPROVAL OF THE MINUTES

The minutes of the following minutes were approved as distributed: June 14, 2019, August 12, 2019, and September 10, 2019.

The minutes of the October 2, 2019 meeting were approved with the following amendment:

- Add “after listening to the audio recording” to the end of the statement, “Heather Faesy, CPE's senior associate for Board Relations, served as recorder of the meeting minutes.”

2020-22 BUDGET RECOMMENDATION

Staff presented four potential components of the 2020-22 Biennial Budget Recommendation:

- 1) Institutional Operating Funds
- 2) Capital Investment

- 3) Trust Funds
- 4) CPE Agency Budget

Each component was discussed and voted upon separately.

1) INSTITUTIONAL OPERATING FUNDS

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 appropriating state General Fund for institutional 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. When available, these funds also finance strategic initiatives that support attainment of the state’s student success goals and objectives of the Council’s 2016-2021 Strategic Agenda for Postsecondary Education.

The request was detailed in the agenda materials and included the following funding request:

Funding Category	Fiscal Year 2020-21	Fiscal Year 2021-22
Beginning Base ¹ (2019-20 total General Fund)	\$862,900,800	\$862,900,800
Base Adjustments:		
Debt Service (UK only)	(\$2,545,500)	(\$2,545,500)
Campus Stop Loss Contributions	(14,997,800)	(14,997,800)
Performance Fund Transfers	14,997,800	14,997,800
Revised Net Base (net of debt service)	\$860,355,300	\$860,355,300
Additional Budget Requests:		
Performance Funding	\$52,492,400	\$74,989,100
KSU Land Grant Match	497,400	497,400
Total Additional Requests	\$52,989,800	\$75,486,500
Total Operating Funds Request	\$913,345,100	\$935,841,800

¹ Includes regular appropriation and Postsecondary Education Performance Fund distribution.

The request also includes the following recommendations and endorsements:

- Recommendation that the Governor and General Assembly line-item mandated program funding amounts in the 2020-2022 Budget of the Commonwealth to ensure proper functioning of the performance funding models.
- Recommendation that the Governor and General Assembly take action to maintain a stop loss provision in fiscal 2021-22, limiting the reduction in funding to any institution to two percent (2%) of that institution's formula base amount.
- Endorsement of the state student financial aid funding recommendation outlined in the budget request from the Kentucky Higher Education Assistance Authority (KHEAA). Special consideration should be given to ensuring financial aid supporting Kentucky's lower and moderate income students is the state's highest priority.

Committee members discussed the resolution from the Board of Student Body Presidents, which stated they support the Council's proposal to focus on funding performance-funding and stop-loss provision.

MOTION: Mr. Oleka moved the Committee recommend approval of the 2020-22 request for institutional operating funds as presented to the full Council at its October 31, 2019 meeting. Mr. Minix seconded the motion.

VOTE: The motion passed.

2) CAPITAL INVESTMENT

The capital investment request addresses asset preservation, new construction, and information technology needs of Kentucky's public postsecondary institutions for the 2020-22 biennium. It identifies the most pressing campus needs for asset preservation and renovation of existing facilities (to be funded through a combination of state General Fund supported bonds and institutional resources) and new and expanded space and information technology and equipment (to be funded with institutional resources).

The request was detailed in the agenda materials and included the following funding request:

Funding Component	Fiscal 2020-21	Fiscal 2021-22	Biennial Total
Additional Budget Requests for:			
Capital Construction			
Asset Preservation Bond			
Funds	\$200,000,000	\$200,000,000	\$400,000,000
-- Debt Service	8,239,000	24,717,000	32,956,000
New Construction	\$0	\$0	\$0
Information Technology and Equipment	\$0	\$0	\$0

The request includes the following recommendations and authorizations:

- Recommendation that any General Fund debt supported bond funds appropriated for postsecondary institution asset preservation projects in the 2020-22 biennium be matched fifty cents on the dollar with institutional funds
- Recommendation of authorizing the following intuitionally-funded capital projects:
 - New and expanded space: \$699,810,000 in agency, federal, private, and other fund source authority
 - Information Technology - \$296,114,000 in agency, federal, private, and other fund source authority
 - Agency Bonds - \$1,129,979,500 in agency bonds to finance capital projects
 - Life safety, major maintenance, equipment acquisitions, infrastructure repair and upgrades, and new construction - \$6,263,007,845 in agency, federal, private, and other fund source authority.
 - Energy Efficiency - Authorization for nine projects (one at each institution) to improve energy efficiency in campus buildings, including energy equipment acquisitions, infrastructure repair, and upgrades. These projects would be funded using third-party financing available through the Finance and Administration Cabinet, private contractors, or other non-state funds.

The request also includes the following endorsements:

- Inasmuch as the identification of specific projects in a variety of areas of postsecondary institution operations cannot be ascertained with absolute certainty at this time, amounts are appropriated and authorized for specific projects which are not individually identified in this act in the following areas:

EKU, KCTCS, KSU, MoSU, MuSU, NKU, UK, UofL, and WKU asset preservation, renovation, major maintenance, infrastructure, and HVAC and roofing systems.

- Any specific project exceeding \$1,000,000 or any major item of equipment exceeding \$200,000 that is initiated shall be reported by the institution to the Council on Postsecondary Education, the Secretary of the Finance and Administration Cabinet, and the Capital Projects and Bond Oversight Committee no later than 30 days after the specific project or equipment item is initiated and funded. The report shall identify the need for, and provide a brief description of, each project or equipment item pursuant to KRS Chapter 45.

Dr. Payne stated that a statement was erroneously omitted regarding the procedure of the unmatched asset preservation funds and would be included when presented to the Council for approval at the October 31, 2019.

MOTION: Ms. Zimmerman moved the Committee recommend approval of the 2020-22 request for capital investment as presented to the full Council at its October 31, 2019 meeting. Ms. Wright seconded the motion.

VOTE: The motion passed.

3) TRUST FUNDS

Council staff did not present a recommendation for trust funds for the 2020-22 Biennial Budget Recommendation.

Committee members discussed a funding request for the endowment match program, Bucks 4 Brains. While some are supportive of submitting a request for funds, several members were more in favor of postponing that request for the next biennium and letting the universities sustain the programs without additional funding at this time. Proponents of the program stated the program accelerates the growth of the programs and allows for better and faster results and provides for a national presence as a state that supports research excellence. Mr. Minix reminded the Committee that the BSBP resolution did not endorse the request for Bucks 4 Brains.

MOTION: Ms. Halbauer moved the Committee not include a funding request for the endowment match program, Bucks 4 Brains. Ms. Wright seconded the motion.

VOTE: The motion passed 5-2 in a roll call vote. Those who voted in favor: Mr. Brandstetter, Ms. Halbauer, Mr. Minix, Mr. Oleka, and Ms. Wright. Those who voted against: Dr. Staat and Ms. Zimmerman.

Council members also discussed a funding request for KCTCS Nursing Program Expansion. While there was no doubt that an expansion of the nursing program is needed, several members of the Committee felt they did not have enough information to make a recommendation at this time. Additionally, there were concerns that the program wouldn't be sustainable without further investment. Proponents of the request stated that nursing programs at the universities are already at capacity and an expansion of the KCTCS program would address many workforce issues in high demand areas. Ms. Halbauer stated she would like to see the program as a statewide initiative that includes all public institutions and not just the two-year colleges.

MOTION: Dr. Staat moved the Committee include a funding request for the KCTCS Nursing Program Expansion. Ms. Zimmerman seconded the motion.

VOTE: The motion did not pass 2-5 in a roll call vote. Those who voted in favor: Dr. Staat and Ms. Zimmerman. Those who voted against: Mr. Brandstetter, Ms. Halbauer, Mr. Minix, Mr. Oleka, and Ms. Wright.

4) CPE AGENCY BUDGET

The 2020-22 General Fund agency budget request was detailed in the agenda materials and included the following funding request components:

- Increases in General Fund appropriations of \$148,900 in 2020-21 and \$241,200 in 2021-22 to fund the Council's defined calculations.
- Increases in General Fund appropriations of \$273,200 in 2020-21 and \$289,200 in 2021-22 to fund Contract Spaces cost increases, maintain 164 veterinary spaces and 44 optometry spaces, and to fund increases in Kentucky's SREB membership dues.
- Additional appropriations of \$100,000 in fiscal 2020-21 to support two SREB doctoral scholar's students at the University of Kentucky and two at the University of Louisville in the first year of the upcoming biennium, and recommends \$200,000 in fiscal year 2021-22 to support two additional doctoral scholar's students at each institution in the second year of the biennium.
- Tobacco Settlement Fund appropriations of \$6,686,500 in 2020-21 and \$6,686,500 in 2021-22 for cancer research at the University of Kentucky and the University of Louisville.
- Restricted funds appropriations of \$4,973,300 in fiscal year 2020-21 and \$4,973,300 in fiscal year 2021-22.

- Annual, total appropriations of \$4,000,000 in fiscal year 2020-21 and \$4,000,000 in fiscal year 2021-22 to enable federal fund expenditures related to the GEAR UP program.

MOTION: Mr. Minix moved the Committee recommend approval of the 2020-22 agency budget request as presented to the full Council at its October 31, 2019 meeting. Mr. Oleka seconded the motion.

VOTE: The motion passed.

KENTUCKY-WEST VIRGINIA RECIPROCITY AGREEMENT

Staff presented the tuition reciprocity agreement between Kentucky and West Virginia for the 2019-21 fiscal years. The West Virginia agreement has two-year term, and the proposed 2019-21 renewal has no substantive changes.

MOTION: Dr. Staat moved the Committee recommend approval of the 2019-21 Kentucky-West Virginia Reciprocity Agreement as presented to the full Council at its October 31, 2019 meeting. Ms. Wright seconded the motion.

VOTE: The motion passed.

OTHER BUSINESS

Committee Chair Brandstetter asked staff to poll the members for the next meeting and for it to occur in November or early December.

ADJOURNMENT

The Finance Committee adjourned at 10:55 a.m., ET.

MINUTES REVIEWED AND APPROVED BY THE FINANCE COMMITTEE: December 6, 2019