

MEETING MINUTES

Approved by the Finance Committee, October 23, 2023

Who: Kentucky Council on Postsecondary Education
Meeting Type: Finance Committee
Date: September 11, 2023
Time: 1:00 p.m. ET
Location: Virtual Meeting via ZOOM Webinar

CALL TO ORDER

The Finance Committee met Monday, September 11, 2023, 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, Kellie Ellis, Eric Farris, and Elaine Walker.

Committee member not in attendance: 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 June 6, 2023, and June 28, 2023, Finance Committee meetings were approved as presented.

2024-26 BIENNIAL BUDGET RECOMMENDATION – POSTSECONDARY INSTITUTION REQUEST

Dr. Bill Payne, Vice President of Finance and Administration, presented the staff's 2024-2026 biennial budget recommendation for the postsecondary institutions. It was presented in two parts: (1) operating funds and (2) capital investments.

The operating funds recommendation contained the following components:

- General Fund appropriations of \$1,109,285,500 in fiscal year 2024-25 and \$1,134,385,900 in fiscal year 2025-26 to support public postsecondary institution operations.
- Appropriations of \$81,925,100 in 2024-25 and \$109,233,300 in 2025-26 to help offset increases in higher education inflation. In addition, staff recommended that

inflation adjustment funds be excluded from funding models going forward, so full benefit will accrue to recipients of the funds without reducing opportunity for performance funds.

- Appropriations of \$22,692,900 in 2024-25 and \$22,692,900 in 2025-26 for performance funding to provide incentives for institutions to increase student success and course completion outcomes and continue making progress toward the state's 60X30 attainment goal.
- Appropriations of \$1,499,100 in fiscal year 2024-25 and \$1,499,100 in 2025-26 to meet the federal matching requirement for Kentucky State University's land-grant program.
- Appropriation of \$2,107,500 in fiscal year 2023-24 (i.e., a current-year appropriation) to complete the state's matching obligation for Kentucky State University's land-grant program for fiscal years 2022-23 and 2023-24.

MOTION: Ms. Walker moved the Finance Committee approve the proposed operating funds recommendation request and recommend final approval by the Council at its September 19, 2023, meeting. Mr. Brown seconded the motion.

VOTE: The motion passed.

The capital investment recommendation contained the following components:

- Appropriations of \$6,532,000 in 2024-25 and \$13,064,000 in 2025-26, recurring at the latter amount in subsequent years, to pay annual debt service on \$162,370,000 in state bonds requested in 2024-25, to help offset construction cost increases on individual new and expanded space projects authorized for postsecondary institutions during the 2022-2024 biennium.
- Appropriation to each institution equal to 20% of the bond funds it received in the 2022-2024 biennium for line itemed capital projects, which will allow Kentucky colleges and universities to complete new capital construction projects.
- Budget bill language be included to allow institutions flexibility to apply any unused construction cost increase funds to pressing asset preservation needs.
- Appropriation of \$14,078,000 in 2024-25 and \$42,233,000 in 2025-26, recurring at \$56,312,000 in subsequent years, to pay annual debt service on \$700 million in state bonds (i.e., \$350 million each year) to finance asset preservation and renovation projects at public postsecondary institutions during the upcoming biennium.
- No institutional match of state funds be required of any postsecondary institution to allow projects to proceed as quickly as possible and to reduce any further strain on campus operating budgets.
- Budget bill language, similar to the language in HB 1 (2022 RS), that would allow asset preservation pool funds to be used to preserve and maintain state owned and operated residence facilities.

MOTION: Ms. Walker moved the Finance Committee approve the proposed capital investment recommendation request and recommend final approval by the Council at its September 19, 2023, meeting. Dr. Ellis seconded the motion.

VOTE: The motion passed.

2024-26 BIENNIAL BUDGET RECOMMENDATION – CPE AGENCY BUDGET REQUEST

Mr. Shaun McKiernan, Executive Director of Finance and Budget, presented the staff's 2024-2026 biennial budget recommendation for the CPE agency budget request. The recommendation contained the following components:

- General fund base appropriations of \$14,873,700 to support the agency's role as the state's higher education coordinating board, including 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.
- Increases in General Fund appropriation necessary to cover Defined Calculations, as required by the state budget office's Biennial Budget Instructions.
- Additional appropriations of \$50,000 in fiscal 2024-25 to support two additional SREB doctoral scholar's students at the University of Kentucky and two additional students at the University of Louisville in the first year of the upcoming biennium and \$100,000 in fiscal year 2025-26 to support two additional doctoral scholar students at each institution in the second year of the biennium.
- Additional \$10,000 each fiscal year to cover anticipated SREB dues increases.
- Expansion funding request of \$3 million in fiscal 2024-25 and \$3.0 million in fiscal 2024-25 to support additional staff in expanded areas of work:
 - Workforce development initiatives (5 positions)
 - P-20 policies and programs (4 positions)
 - Board member education (1 position)
 - Postsecondary financial management and oversight (2 positions)
 - Higher education performance and accountability (2 positions)
 - Adult-focused programs and services (2 positions)
 - Academic program oversight and coordination (2 positions)
 - Financial aid and affordability (1 position)
 - Transfer services and coordination (1 position)
 - Student progression and support services (3 positions)
 - Management of major funding programs (1 position)
- Expansion funding request of \$20.0 million in fiscal 2024-25 and \$20.0 million in fiscal 2025-26 to support the Fund for Higher Education and Economic Development (FHEED), which would provide incentive grants to campuses to increase educational attainment, strengthen the workforce alignment, foster collaboration, improve

efficiencies and build a more streamlined pipeline along the P-20 educational continuum.

- Tobacco Settlement Fund appropriations of \$6,250,000 in 2024-25 and \$6,250,000 in 2025-26 for cancer research at the University of Kentucky and the University of Louisville.
- Restricted Funds appropriations request that aligns with recent spending trends sufficient to cover necessary operating costs.
- Appropriation of \$5,000,000 in fiscal year 2024-25 and \$1,000,000 in 2025-26 to enable federal fund expenditures related to the GEAR UP program.

MOTION: Mr. Brown moved the Finance Committee approve the proposed agency budget recommendation request and recommend final approval by the Council at its September 19, 2023, meeting. Dr. Ellis seconded the motion.

VOTE: The motion passed.

INTERIM CAPITAL PROJECT REQUEST – KSU FIBER INFRASTRUCTURE PROJECT

Mr. McKiernan presented an interim capital project request from Kentucky State University (KSU) to upgrade the university's fiber infrastructure, using federal Higher Education Emergency Relief Funds. The upgrade to fiber infrastructure will include installation of single-mode fiber on campus with redundant connection hubs. Implementing a single-mode fiber infrastructure would enhance KSU's network connection, ensuring greater reliability, security, and speed. The KSU Board of Regents approved the project on August 8, 2023. KSU officials anticipate construction to start in December 2023 and it to be completed by September 2024.

MOTION: Mr. Brown moved the Finance Committee approve the proposed interim capital project request from Kentucky State University and recommend final approval by the Council at its September 19, 2023, meeting. Ms. Walker seconded the motion.

VOTE: The motion passed.

WORKFORCE DEVELOPMENT TRUST FUND

Mr. McKiernan briefly reviewed the report documenting how Workforce Development Trust Fund (WDTF) appropriations were expended during the 2022-23 fiscal year and how KCTCS used those funds to address workforce supply gaps in targeted industry sectors, as required in the engaged budget (HB 1, 22 RS).

A copy of the report was provided, and it included a summary of WDTF awards, program expenditures, credential targets, and credentials produced by program and college, as well as other information provided by KCTCS on uses of WDTF awards and program results. The results of the Competitive Workforce Initiative were generally positive. Council staff

stated they were confident that the increased program capacity supported by this program will serve Kentucky well for many years, especially given the modest investment.

OTHER BUSINESS

Dr. Payne notified the committee members that the 2023 Postsecondary Education Working Group on Performance Funding concluded its work at its September 6 meeting. Its recommendations will be submitted to the Governor and General Assembly by the December 1, 2023, deadline.

ADJOURNMENT

The Finance Committee adjourned at 2:30 p.m., ET.