

INTERIM JOINT COMMITTEE ON APPROPRIATIONS AND REVENUE

Minutes of the 5th Meeting of the 2019 Interim

October 1, 2019

Call to Order and Roll Call

The 5th meeting of the Interim Joint Committee on Appropriations and Revenue was held on Tuesday, October 1, 2019, at 1:00 PM, in Room 149 of the Capitol Annex. Representative Steven Rudy, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Christian McDaniel, Co-Chair; Representative Steven Rudy, Co-Chair; Senators David P. Givens, Morgan McGarvey, Stephen Meredith, Gerald A. Neal, Dennis Parrett, Dan "Malano" Seum, Robin L. Webb, Stephen West, and Phillip Wheeler; Representatives Lynn Bechler, Danny Bentley, Myron Dossett, Joseph M. Fischer, David Hale, Angie Hatton, Dennis Keene, Russ A. Meyer, Ruth Ann Palumbo, Brandon Reed, John Sims Jr, Jim Stewart III, Wilson Stone, James Tipton, and Susan Westrom.

Guests: Anthony Mires, Executive Director, Advance Kentucky; Afi Tagnedji, Former Iroquois High School student and current University of Louisville student; Philip West, Principal, Green County Middle School; Steve Henry, Webster County Judge/Executive; Jack Whitfield, Hopkins County Judge/Executive; Dan Mosley, Harlan County Judge/Executive; JC Young, Executive Director, Kentucky Coal and Mineral County Coalition; Dr. Aaron Thompson, President, Council on Postsecondary Education; Dr. Bill Payne, Vice President of Finance and Administration, Council on Postsecondary Education; Shaun McKiernan, Budget Director, Council on Postsecondary Education; Stephanie Devine, Executive Director, Teach for America Appalachia; Luke Glaser, Hazard City Commissioner and Teacher at Hazard High School; and Stacie Fugate, University of Kentucky Undergraduate

LRC Staff: Jennifer Hays, Morgan King, and Chase O'Dell

Approval of Minutes

A motion was made by Representative Reed, seconded by Representative Sims, to approve the minutes of the September 10, 2019, meeting. The minutes were approved by voice vote.

Representatives from the Kentucky Coal and Mineral County Coalition

Steve Henry, Webster County Judge/Executive; Jack Whitfield, Hopkins County Judge/Executive; Dan Mosley, Harlan County Judge/Executive; and JC Young, Executive Director, Kentucky Coal and Mineral County Coalition discussed coal and mineral severance.

Steve Henry thanked legislators for working with coal counties during the 2018 budget session.

Dan Mosley testified that Harlan County dedicates half of what it receives in project money to debt payments. Outside of debt payments, economic development and public safety have been the top priority. Harlan County is developing one of the state's 'Build-Ready' sites. Coal severance dollars are being committed to the project. Harlan County also focuses on rescue squads and fire departments. Senior citizen programs are also funded using coal severance dollars.

Jack Whitfield stated that in the last eight to nine years, Hopkins County has given about \$500,000 of coal severance money to volunteer fire departments. Over a million dollars have gone into water and sewer projects. Almost four million dollars have gone into the roads.

Mr. Henry said that Kentucky has been able to attract some businesses because the state has coal as a low-cost means of electricity. Coal counties need Local Government Economic Development Fund (LGEDF) dollars for infrastructure, to gain economic development, and to survive.

Mr. Henry testified that coal severance is a state assessed tax and is shared by the state with coal counties and cities. Cities also rely upon coal severance dollars. In Fiscal Year (FY) 2012, a high of \$298 million was paid by coal companies to the state. The projection for FY 2020 is roughly \$65 million. In many coal producing counties, the largest employer is the coal industry, followed by the school system. Counties were created by the state and have state mandated services to carry out, as well as expected but not mandated services. Counties have three primary tools to generate revenue to fund essential services; property tax, insurance premium tax, and occupational tax. There is a crisis in many coal counties in regards to funding essential services. Revenue options are limited for funding required services in rural Kentucky. Funds provided to coal counties from severance are more vital now than they have ever been.

Representative Hatton stated that coal counties have lost money in many ways. She continued to say that the coal counties have not economically rebounded like other areas in the state have.

Representative Dossett said that he is in a unique situation because he represents Christian County, which is heavily dependent upon agriculture and industry, and Hopkins County, which is dependent on coal severance funding. Representative Dossett also expressed his support. He also stated that industry has located in Kentucky because of a low price of energy, which is due to coal.

In response to a question from Senator Wheeler, Mr. Whitfield stated that coal producing counties receive 25 to 35 percent of the total coal severance dollars that go to the state, and that instead, all coal severance money collected should go back to the counties where it is collected. Mr. Henry added that there are mandated things that counties must take care of. Mr. Whitfield testified that it is imperative to stabilize the road funding that comes from the gas tax.

In response to a question from Senator McDaniel, Mr. Henry stated that he still wants impact counties to exist. Senator McDaniel stated that the coal county judge executives need to decide what they want amongst themselves.

Kentucky's Approach to Postsecondary Education Performance Funding

Dr. Aaron Thompson, President, Council on Postsecondary Education; Dr. Bill Payne, Vice President of Finance and Administration, Council on Postsecondary Education; and Shaun McKiernan, Budget Director, Council on Postsecondary Education, discussed Kentucky's Approach to Postsecondary Education Performance Funding.

Dr. Thompson testified that one purpose of the new approach to funding was to accelerate progress toward attainment goals. The attainment goal is for 60 percent of Kentucky citizens to have a postsecondary credential that matters by the year 2030. The purpose of the new approach is also to address shortcomings of the previous funding method, and to rectify funding disparities among institutions. Dr. Thompson stated that 45.5 percent of Kentucky adults currently have a postsecondary credential that matters.

Shaun McKiernan testified that the performance funding model was implemented to address the shortcomings of the previous method for distributing funds to the universities and community colleges. The old approach was a base plus or base minus approach to funding. This approach failed to recognize changes in enrollment, program mix, or student outcomes that develop over time. The previous funding method contained no financial incentives for achieving desired state goals for postsecondary education.

Mr. McKiernan stated that the performance funding model was developed in response to 2016 Regular Session House Bill (HB) 303. The model was developed to increase retention and progression of students, increase the number of degrees and credentials conferred, produce more degrees and credentials in STEM+H fields and high-demand fields, and close achievement gaps by graduating underrepresented minority, low income, and underprepared students.

Dr. Bill Payne testified that there are five major components of the Kentucky performance funding model. The two largest components are student success and course completion, each with allocation percentages of 35 percent and each with funding pools of \$181.9 million. The other three funding model components are maintenance and operations, institutional support, and academic support; each of these components comprise of 10 percent of the total allocation – totaling \$52 million each. The dollars allocated to public universities in Kentucky through the performance funding model totaled about \$520 million in FY 2018-2019.

Dr. Thompson discussed the results achieved by the performance funding model. State funding is now distributed based on outcomes produced. Six of the eight public four-year institutions have reached distribution equilibrium. Over the last four years, bachelor's degrees attained are up 12 percent. Underrepresented minority degrees are up 27 percent and STEM+H degrees are up 29 percent.

Dr. Payne testified that in 2018-2019, every public university received \$2,036 in bachelor's degree funding per weighted bachelor's degree produced. Two institutions received more funding per degree from hold-harmless allocation funding. Equilibrium among all institutions will be achieved when every institution receives the same amount of funding per degree produced.

Dr. Payne stated that for the past three years, the performance funding model has been implemented with no new funding. Unless action is taken by the General Assembly, Kentucky State University and Morehead State University will face fiscal cliffs in 2021-2022.

Dr. Payne said that Kentucky is on track to achieve the '60 by 30' attainment goal. Institutions are making progress in closing achievement gaps and producing STEM+H degrees. Equilibrium has almost been achieved at seven of the eight public universities. Institutions are also reacting strategically to the performance funding model. CPE believes the model is working as intended.

Dr. Thompson testified that CPE recommends new funding for the funding model. CPE also recommends maintaining the stop loss provision at two percent for 2021-2022. In addition, it is recommended to ensure that performance funds earned in 2019-2020 are recurring to the institutions in 2020-2021. Dr. Thompson stated that mandated programs in the budget bill need to be line-itemed. Lastly, CPE recommended that funding be provided to help offset Kentucky Employees Retirement System (KERS) cost increases.

In response to a question from Senator McDaniel, Dr. Thompson testified that universities have closed programs that no longer worked for them. He continued to say that this year, CPE did an extensive program review of every program at every institution. He

stated that it is more powerful to think of programs that will bring students in than to cut programs. He continued to say that performance funding has focused campuses on how to receive return on investment. Senator McDaniel stated that all of the budgetary surplus, and more, has been eaten by old debt. He continued to stress that institutions need to take control of their own destiny. Dr. Thompson responded that institutions are taking advantage of reducing their KERS staff.

Senator Givens commented that the goal of achieving 60 percent degree attainment by 2030 has ripple effects across the commonwealth economically, in terms of incarceration, and in terms of community engagement. In response to Senator Givens, Dr. Payne testified that recent projections indicate that assuming no change in performance, it would take \$44 million annually to place seven of the eight public institutions into equilibrium.

In response to Senator Webb, Dr. Payne testified that Morehead State University's performance in many of the degree metrics has been good. He continued to say that the institution is on a fiscal cliff due to funding disparities in the previous funding model. Senator Webb stated that all of the universities have had their own unique challenges. She continued to say that each regional university is unique in its mission. She expressed her hope that universities do not lose their identity in the attempt to comply with the funding mechanism. Dr. Thompson responded that universities are actually building on their uniqueness.

Advance Kentucky

Anthony Mires, Executive Director, Advance Kentucky; Afi Tagnedji, Former Iroquois High School student and current University of Louisville student; and Philip West, Principal, Green County Middle School, discussed Advance Kentucky.

Anthony Mires testified that Advance Kentucky's mission is to expand student access to, and success in, rigorous coursework, particularly among populations traditionally underrepresented in these courses, thereby enabling students to pursue advanced college and career opportunities. Advance Kentucky began in 2008 with the College Readiness program. To date, Advance Kentucky has worked with over 130 public high schools in the state. In 2014, the Access to Algebra program was created. Advance Kentucky is working with or within 100 schools this year, with a student enrollment of over 13,000. Mr. Mires stated that the College Readiness program has an open enrollment.

Mr. Mires reviewed statistics showing the effectiveness of the College Readiness, Access to Algebra, and Computer Science programs.

The current funding for Advance Kentucky stands at \$1.7 million. Advance Kentucky is requesting \$2.5 million in FY 2021 and FY 2022.

Afi Tagnedji testified that she was better able to prepare herself for college through the Advance AP program. Ms. Tagnedji continued to say that because of the program she was able to cut down on the number of classes she had to take, which saved her money.

Phillip West testified that his school has been involved in the Access to Algebra program. A big part of the program is the training for teachers. The program has also provided funding for materials. Advance Kentucky motivates students through incentives. Mr. West stated that there has been a change in the academic culture at his school over the past few years.

In response to a question from Senator Givens, Mr. West stated that success breeds success. He continued to say that the culture of success is about the focus on individual students and growth. Mr. Mires stated that leaders create leaders.

Teach for America

Stephanie Devine, Executive Director, Teach for America Appalachia; Luke Glaser, Hazard City Commissioner and Teacher at Hazard High School; and Stacie Fugate, University of Kentucky Undergraduate, discussed Teach for America.

Stephanie Devine testified that Teach for America (TFA) was founded in 1990 as a national 501(c)(3). TFA recruits the top leaders in the nation to serve at least two years in an underperforming school district and then commit the rest of their lives to fight against educational inequity. The organization has been in Appalachia since 2011.

Ms. Devine stated that in Eastern Kentucky, only 40 percent of students will complete a bachelor's degree. Only 12 percent of most adults in the communities have a bachelor's degree, which means most students who complete the bachelor's degree do not return home. Ms. Devine testified that there is a need for increasing the incoming force of high quality teachers. She continued to say that there must be collaboration across the state to increase college and career readiness. Ms. Devine also stated that incentives needed to be created for young professionals to move to and stay in Appalachian Kentucky.

Stacey Fugate testified that TFA has a more hands-on approach to teacher placement. Over 150 teachers have been brought in through the selective recruitment model. Over half of TFA's Appalachia corps come from Kentucky or other central Appalachian states. Each year, more than half of the organization's teachers remain past their two-year commitment.

Luke Glaser stated that TFA offers additional required professional development, such as one-on-one coaching. In the counties that TFA is in, there is a noticeable uptick in career and college readiness scores, compared to districts that do not have TFA's presence.

Ms. Devine testified that TFA Appalachia receives the smallest state allocation of all TFA regions that receive a state allocation. In Indiana, TFA receives a state allocation of \$2.5 million over the biennium. With state support, TFA is committing to expanding university partnerships to recruit more students from eastern Kentucky, providing more professional development to veteran teachers, starting cross-sector initiatives to get the best and brightest to remain in eastern Kentucky, and investing in alumni efforts. Even with increased state funding, TFA Appalachia would still remain one of the most fiscally conservative regions in the country.

Senator Webb stated that readiness has been a challenge in eastern Kentucky. She continued to say that the TFA program will help reach attainment goals.

Representative Bentley stated that eastern Kentucky is just as good as the rest of Kentucky.

Adjournment

With no further business before the committee, the meeting was adjourned at 3:09 p.m.