



**BUDGET REVIEW SUBCOMMITTEE
ON EDUCATION OF THE
INTERIM JOINT COMMITTEE ON
APPROPRIATIONS AND REVENUE**

September 8, 2021 | 11 a.m.

UNIVERSITY TRANSITION

- **In July, University staff alerted the Board of financial concerns, totaling \$15 million**
- **The Board informed CPE and the Governor's Office**
- **The Board's response resulted in leadership transition on July 20**
- **Campus student readiness**

UNIVERSITY TRANSITION (CONT.)

- **Faculty returning to campus for face-to-face instruction since COVID-19**
- **Fall Encampment focuses on rebuilding trust and courageous conversations around culture, change, and issues management**
- **Culture concerns**
- **Employee separations, resulting in \$700K payroll deduction**
- **University-wide suspension of purchasing, hiring freeze, and travel**



FINANCIAL REVIEW

IMMEDIATE ACTIONS TAKEN BY UNIVERSITY LEADERSHIP

- **Began a review of the overall financial situation July 20**
- **Worked with CPE and the State Budget Office to advance funding to meet immediate obligations**
- **Instituted hiring freeze – critical positions only**
- **Freeze on nonessential travel**
- **Freeze on procurement cards**
- **Began to realign personnel. Approximately \$800,000 in reductions to date**

PRIOR YEAR BUDGET ISSUES

Deficit construction accounts with State	- \$ 5.2 million
Prior year invoices paid in FY 2022	- \$ 4.3 million
Asset Preservation Fee Receipts Not Reserved (2019-21)	- \$ 1.2 million
July Repayment of prior year Revenue Anticipation Note	- \$ 5.0 million

2022 Shortfall due to prior year items - \$15.7 million

- **Aggressively managing the FY 2022 budget so current year operations do not add to this shortfall.**
- **Due to contract commitments (both faculty and vendors), it is unlikely that expenditures can be reduced enough in FY 2022 to materially reduce the prior year shortfall.**
- **There are other budget items (FICA deferral, land grant match issue) that the University will attempt to manage through the current year budget.**

UNIVERSITY ACTIONS TO COMPLY WITH EXECUTIVE ORDER 2021-504

- Working closely with Council on Postsecondary Education (CPE) staff to provide all financial records for verification.
- KSU leadership is engaged with CPE in discussions regarding structure, culture, leadership, and overall management of the university.
- Regular communication with President Thompson and CPE staff to develop a new management improvement plan.
- Commitment from KSU Leadership to be completely transparent and accountable.

TRANSPARENCY WITH BOARD AND STAKEHOLDERS

- Working with CPE on revised budget structure
- Current budget structure combines too many separate activities
- Recommend separate budgets for:
 - Education and General
 - Auxiliaries
 - Asset Preservation
 - Land Grant Match
- Board approval required to transfer funds between budgets.

TRANSPARENCY WITH BOARD AND STAKEHOLDERS (CONT.)

THE KSU BOARD WILL REGULARLY RECEIVE NEW REPORTS ON:

- **Cash position compared to prior year**
- **Aging schedule of payables**
- **Current accounts receivable**
- **Personnel actions**
- **Additional reports recommended by the Council on Postsecondary Education**

These reports will be verified by CPE staff and the KSU internal auditor.

UPDATE ON NEW RESIDENCE HALL

- **Approved by Capital Projects and Bond Oversight Committee at the April meeting**
- **Construction underway and on track for completion by January 2023**
- **Certificates of participation sold on July 27**
- **All in interest cost of 3.11%, less than April estimate of 3.39%**
- **Sale was not rated by Moody's**
- **Intercept memorandum in place with Finance and Administration Cabinet**
- **First lease payment due in March of 2024 – Annual Payment of \$3.775 million**
- **Projected semester rates approximately \$4,600 per bed, comparable to new residence halls at other Kentucky universities**