2022 REGULAR SESSION

House Standing Committee on Appropriations and Revenue

Budget Review Subcommittee on Postsecondary Education

1st Meeting

January 13, 2022

The Budget Review Subcommittee on Postsecondary Education of the House Standing Committee on Appropriations and Revenue held its first meeting of the 2022 Regular Session on January 13, 2022, at 10:00 AM, in Room 171 of the Capitol Annex. The Chair called the meeting to order, and the secretary called the roll.

Members Present: Representative James Tipton, Chair; Representatives Tina Bojanowski, Ken Fleming, Kelly Flood, Bobby McCool, and Brandon Reed.

Guests: Clara Ross Stamps, Acting President, Kentucky State University; Greg Rush, Chief Financial Officer, Kentucky State University; Elaine Farris, Chair, Kentucky State University Board of Regents; and Paul Harnice, Kentucky State University Board of Regents; Aaron Thompson, President, Council on Postsecondary Education.

LRC Staff:  Savannah Wiley and Amie Elam.

**Kentucky State University**

       In response to a question from Chair Tipton, President Stamps said that for Kentucky State University (KSU) to make meaningful change, there needs to be a relearning process for staff and administration. She said that it is important for everyone involved to understand the mission and to be held accountable for actions, inactions, and failures to act. President Stamps said that KSU sent out an institutional survey to better understand the changes that need to be made across the university. She said that work has already started to correct many of the existing problems; however, many important changes would hinge on the new president’s mission for the university. She said that it is vital to choose a president with a broad knowledge of budgeting. Ms. Farris added that consistent implementation of policies and procedures is key. She said that everyone must be aware of expectations and be held accountable. She added that KSU will need to make changes both internally and externally to operate successfully from this point forward. Mr. Harnice answered that choosing a strong and present leader is vital to the success of KSU. He said that KSU must choose a president who is willing to listen and work to make the necessary changes.

       In response to a question from Chair Tipton, Mr. Rush said that he would be leaving KSU to return to his role at the Council on Postsecondary Education. He said that Dr. Gerald Shields would take over as Chief Financial Officer at KSU. Mr. Rush said that he would still be present on campus and involved in getting KSU back on track.

       In response to a question from Representative McCool, President Stamps said that KSU has not been sanctioned or received a warning from The Southern Association of Colleges and Schools Commission on Colleges (SACSCOC). She added that KSU is in contact with SACSCOC and that they are aware of the current financial situation. Mr. Rush said that the Internal Auditor position was vacant for two to three years. He added that the Council on Postsecondary Education (CPE) has recommended that KSU consider hiring an external auditing firm. He said this would give the University a wide range of expertise for auditing purposes. Mr. Harnice said that his seat on the board expires in June of 2022. Ms. Farris said that her seat will expire in 2026. Mr. Rush said that the university only met the external audit deadline one time over the past ten years. He said the board having access to current and relevant financial information is key to the success of the university. Mr. Rush said that if 2022 Regular Session House Bill 250 does not pass, KSU would not be able to operate. He added that even if KSU receives the entire proposed amount, the university will be left with a zero balance. Mr. Rush said that going forward, the university must dramatically revise its budget to ensure KSU is operating within a balanced budget. Ms. Farris added that KSU can no longer operate as usual. She said the university would have to make some tough decisions in order to move forward.

       In response to a question from Representative Fleming regarding the timeframe of when the board became aware of financial problems, Dr. Farris said the board has reviewed documentation and video from meetings and determined that they had been given inadequate or false information, and financial decisions were made based on this information. That is when the decision was made to go in a different direction with leadership. At the time the former president’s contract was renewed, an evaluation had been performed which made several financial recommendations for him. He subsequently resigned about a month later. Mr. Harnice said that the SACSCOC review was a good one, with only one deficiency. The terms of the contract remained the same.

       Representative Graham commented that the leadership of the board, the Commonwealth, the Governor, and the General Assembly is needed in order to work together to get through this.

       In response to a question from Chair Tipton regarding the resignation of the former president, Dr. Farris said she did not know that he would submit a letter of resignation at that time. She was advised by the KSU legal department to discontinue conversations with the former president. President Stamps said there had been no criminal activity to her knowledge. Mr. Harnice said litigation had been brought before the Franklin County District Court against KSU by the former president on January 12, and a counterclaim was filed by KSU against the former president, also on January 12. Mr. Rush said there are fewer claims against KSU than in the past, and he will provide the exact number at a later date.

       Dr. Farris said when she came on board, there was no presidential performance review in place. Due to policy requirements, the performance review process began. The board did not participate in the crafting of the former president’s contract, even though that is what the review was based on. Three different consultants were hired to conduct the evaluations.

       In response to a question from Representative McCool regarding foundation funding, Mr. Rush said there is a separate entity, the KSU Foundation, that is established to support the educational mission of the university, and most of their funds are tied up in donor agreements related to scholarships. They will continue working with the Foundation to determine what resources are available that can be used to help with the budget over the next couple of years.

       In response to a question from Representative McCool regarding CPE being involved in the presidential search, Dr. Farris replied in the affirmative. She added that Travis Powell, Vice President and General Counsel of CPE, is the chair of the KSU presidential search. Aaron Thompson, President, CPE, said that CPE will be heavily involved in searching for the new KSU president. He added that CPE has data and a statewide perspective that he believes will be helpful to the university in its search for new leadership.

       In response to a question from Chair Tipton regarding how the board committee structure works, Dr. Farris said the bylaws designate the number of committees. She added that in her eight-year tenure on the board, she had seen the committee structure evolve and change. At the beginning of her time there, the committees met on Thursdays and the board met on Fridays. She observed that attendance at the meetings was not what it should have been, due to some of the board members having full-time jobs. They revised the structure to allow the committees to meet on the morning of the day the board meets in the afternoon. The committee meetings were not always productive, and this is currently under review. There are still concerns regarding the attendance of board members and their engagement in the work at hand. Chair Tipton encouraged KSU to work with CPE to alleviate these issues.

       There being no further business before the subcommittee, the meeting was adjourned at 11:16 AM.