

INTERIM JOINT COMMITTEE ON APPROPRIATIONS & REVENUE

Budget Review Subcommittee on Education

Minutes of the 6th Meeting of the 2021 Interim

November 16, 2021

Call to Order and Roll Call

The 6th meeting of the Budget Review Subcommittee on Education of the Interim Joint Committee on Appropriations & Revenue was held on Tuesday, November 16, 2021, at 11:00 AM, in Room 154 of the Capitol Annex. Senator Stephen West, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Stephen West, Co-Chair; Representatives James Tipton, Co-Chair, and Steve Riley, Co-Chair; Senators Alice Forgy Kerr, and Dennis Parrett; Representatives Kim Banta, Tina Bojanowski, Randy Bridges, Ken Fleming, Kelly Flood, Derrick Graham, Regina Huff, Bobby McCool, and Charles Miller.

Guests: Chelsey Couch, Executive Director, School Facilities Construction Commission; Kristi Russell, Financial Analyst, School Facilities construction Commission; Dr. Aaron Thompson, President, Council on Postsecondary Education; Travis Powell, Vice President and General Counsel, Council on Postsecondary Education; Clara Ross Stamps, Acting President, Kentucky State University; Greg Rush, Vice President for Finance and Administration, Kentucky State University.

LRC Staff: Jennifer Krieger, Savannah Wiley, Liz Columbia, and Amie Elam
The minutes from October 6, 2021, were approved in their entirety.

School Facilities Construction Commission

Chelsey Couch and Kristi Russell spoke to the committee about school district facility needs. The presentation included information about the state of emergency assistance fund that is being used to help school districts rebuild after FEMA money has been fully expended.

In response to a question from Representative Bojanowski, Ms. Couch said that for some districts the biggest monetary challenge is the local tax base. In Eastern Kentucky, as a result of a smaller tax base to collect on, the contribution to school districts is much less than other parts of the state. She said that the current cost of construction plays a role in

which maintenance projects can be completed. Ms. Couch agreed to provide information on Jefferson County's unmet needs.

In response to a question from Representative Tipton, Ms. Couch said that smaller districts reduced bonding capacity is taken into consideration when it comes to the local match they are required to collect. Ms. Couch said there is \$6 billion in unmet facility needs across the commonwealth.

Kentucky State University Update (KSU)

Dr. Aaron Thompson, Travis Powell, Clara Ross-Stamps, and Greg Rush provided the committee with an update on the financial status of Kentucky State University.

In response to a question from Chair West, Mr. Powell said that they were unable to replicate audited financial statements or working papers to verify the numbers being reported by KSU. Mr. Rush said that the internal auditor left in 2017. He said a request for proposal (RFP) was submitted but not completed to fill the position. Mr. Powell said that Council on Postsecondary Education (CPE) recommends the auditor function be outsourced. Mr. Rush said that outsourcing the audit function will allow KSU to gain a broader set of skills and experts.

In response to a question from Representative Fleming, Dr. Thompson said that CPE is not only looking at the financial health of KSU. He said CPE is looking at academic and student success structures. Mr. Rush added that excellent reporting and transparency with the board is imperative to ensuring KSU is never in this position again. He said the board and CPE must have faith in what is reported by the university.

In response to a question from Representative Tipton, Dr. Thompson said that CPE serves as a coordinating board that cannot look deeply into each university's finances. He added that the hope is that each university is transparent with reporting. Mr. Rush said that the financial change from 2018 to 2019 went unnoticed because only the net positions were being reviewed. He added that the financial information the board was receiving was both delayed and disorganized.

In response to a question from Chair West, Mr. Rush said that in March of 2019 KSU began to draw from a revenue anticipation note. Ms. Ross-Stamps said the board was not made aware of any financial troubles at this time. She said the borrowing was explained as part of construction project needs.

In response to a question from Representative Bridges, Mr. Rush said that there has not been any evidence of missing money or criminal activity. He added that there was evidence of mismanagement and overspending.

In response to a question from Representative Thomas, Dr. Thompson said that there is an independent audit conducted at KSU annually. Dr. Thompson said that CPE will recommend that KSU be required to present the independent audit findings and additional financial information to the General Assembly for the foreseeable future.

There being no further business to come before the subcommittee, the meeting was adjourned at 12:40 p.m.