

# **INTERIM JOINT COMMITTEE ON APPROPRIATIONS & REVENUE**

## **Budget Review Subcommittee on Education**

### **Minutes of the 1st Meeting of the 2022 Interim**

**July 6, 2022**

#### **Call to Order and Roll Call**

The 1st meeting of the Budget Review Subcommittee on Education of the Interim Joint Committee on Appropriations & Revenue was held on Wednesday, July 6, 2022, at 10:30 AM, in Room 154 of the Capitol Annex. Representative James Tipton, 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 Dennis Parrett, and Max Wise; Representatives Kim Banta, Tina Bojanowski, Derrick Graham, Bobby McCool, Charles Miller.

Guests: Diana Barber, Interim Executive Director/CEO and General Counsel, Kentucky Higher Education Assistance Authority (KHEAA), Kentucky Higher Education Student Loan Corporation (KHESLC); Erin Klarer, Vice President of Government Relations and Communications, KHEAA, KHESLC; Farrah Petter, Assistant Auditor of Public Accounts (APA); Sara Beth Gregory, Chief of Staff, APA; Tiffany Welch, Executive Director, Office of Special Examinations, APA; Dr. Ronald Johnson, Interim President, Kentucky State University (KSU); Dr. Gerald Shields, Vice President of Finance and Administration, KSU; Dr. Gerald Patton, Chair, KSU Board of Regents; Tammi Dukes, KSU Regent, Chair of Audit Committee; Dr. Aaron Thompson, President, Council on Postsecondary Education (CPE); Travis Powell, Vice President and General Counsel, CPE; Shaun McKiernan, Executive Director, Finance and Budget, CPE; Bill Payne, Vice President of Finance and Administration, CPE.

LRC Staff: Seth Dawson, Savannah Wiley, Liz Columbia, and Amie Elam.

#### **Kentucky Higher Education Assistance Authority (KHEAA)/ Kentucky Higher Education Student Loan Corporation (KHESLC)**

Erin Klarer and Diana Barber provided testimony regarding the recent and anticipated changes to student loan servicing at the federal level and the ongoing financial needs that KHEAA will face in the upcoming biennium.

In response to a question from Chair Tipton, Ms. Klarer said the \$6 million appropriated in 2022 Regular Session House Bill 1 would support costs associated with administering Kentucky's student aid programs and outreach services. She added, however, that there may be additional expenses and that the \$6 million allocation will likely need to continue.

In response to a question from Representative Bojanowski, Ms. Klarer said that she does not have income information for the Federal Family Education Loan Program (FFELP) population. She said that new loans administered through KHEAA are based on income and ability to repay, which would prevent some applicants from qualifying. She stated that the average student loan debt is \$30,000.

In response to a question from Senator West, Ms. Klarer stated that no state dollars are used to subsidize Advantage Education loans.

In response to a question from Senator Wise, Ms. Klarer answered that KHEAA is required by federal law to send each borrower a financial literacy outreach letter. Kentucky's financial literacy guide, "Thriving in College", is receiving national attention and is being used at freshman orientation at universities.

In response to a question from Representative McCool, Ms. Klarer said that lending in Kentucky is flat or declining. She added that lending is increasing outside of the state.

### **Kentucky State University (KSU) Special Examination**

Representatives from the Auditor of Public Accounts office gave an overview of the ongoing special examination at KSU.

In response to a question from Chair Tipton, Ms. Gregory said that the public can contact the auditor's office at [www.auditor.ky.gov](http://www.auditor.ky.gov) or at 1-800-KYALERT to share information.

In response to a question from Senator West, Ms. Gregory said that the goal of the auditor's office is to complete the examination at KSU by the end of 2023.

In response to a question from Representative Graham, Ms. Welch said that current employees, former employees, and any individuals that may have information pertaining to the time period in question will be contacted.

### **2022 Regular Session Update - House Bill 250**

Representatives from KSU, including the new interim president, Dr. Ronald Johnson, gave an update pursuant to 2022 Regular Session House Bill 250. The

presentation included information regarding progress made on the management improvement plan and the financial outlook for the 2022-2023 academic year.

In response to a question from Senator West, Dr. Shields testified that the audit for 2021 should be finished by the end of July 2022. The audit for 2022 should be completed by the first week of October 2022.

In response to a question from Representative Graham, Dr. Shields said that modest salaries, negative publicity, and a lack of available accountants in the area contribute to the struggle to find qualified personnel.

In response to a question from Senator West, Dr. Thompson said that replacing key personnel and updating technology on KSU's campus is essential to the success of the university and what information they will be able to provide to the General Assembly. Mr. Rush said the university has contracted with Robert Half to place accountants so that incomplete work can be finished and those on staff at KSU can focus on the day-to-day operations.

### **2022 Regular Session Update - Asset Preservation**

Representatives from the Council on Postsecondary Education gave a brief overview of the asset preservation projects for postsecondary institutions.

In response to a question from Senator West, Dr. Thompson said that comprehensive and Kentucky Community and Technical College institutions would be able to provide the required 15-cent match to every \$1 provided by the state to qualify for asset preservation funds.

In response to a question from Representative Graham, Mr. Payne said that infrastructure projects that serve residential housing facilities are eligible for asset preservation funds.

There being no further business before the subcommittee, the meeting adjourned at 12:05 p.m.