

**KENTUCKY STATE UNIVERSITY BOARD OF REGENTS
FINANCE & ADMINISTRATION COMMITTEE
SPECIAL CALLED MEETING**

***** Meeting Was Conducted in Person and by Teleconference ***
Thursday, June 23, 2022
10:00 a.m. EDT**

**Board of Regents Room
Julian M. Carroll Academic Services Building, 2nd Floor
400 East Main Street
Frankfort, Kentucky 40601
(Primary Physical Location)**

MINUTES

I. Call To Order

The Committee's Chair, Regent Ed Hatchett, called the meeting to order at 10:00 a.m.

II. Roll Call

The Board's Secretary, Elise Borne, called the roll:

Regent Tammi Dukes	Not Present
Regent Ed Hatchett, Esq.	Present
Regent Charles Moyer, PhD	Present
Regent Robert Ramsey, Sr.	Present
Dr. James Tidwell	Not Present
Ms. Christina Jones	Present

Four Committee Members were in attendance; a quorum was therefore established. Dr. Tidwell was not present during the roll call but joined the meeting shortly thereafter. Regent Fields, who is a Board member but not a Committee member, was present as well.

Chair Hatchett gave his opening remarks, welcomed the administrative agents appointed to the committee by Acting President Stamps, and asked Dr. Tidwell and Ms. Jones to speak about their work at KSU.

Chair Hatchett also reminded everyone to complete the CPE Board Orientation.

III. Approval of the Agenda

MOTION by Regent Ramsey:

Move the Committee to approve the agenda of the June 23, 2022, Special Called Meeting of the Finance and Administration Committee.

Seconded by Regent Moyer and passed without dissent.

Regent Moyer asked if introductions had been completed, as he saw several faces he did not recognize. Chair Hatchett asked if everyone recognized Regent Fields. Ms. Shuo Han, Deputy General Counsel, introduced herself to Regent Moyer.

IV. Review of the November 2021 CPE Financial Assessment of KSU's Finances

Travis Powell, VP and General Counsel for the Council on Postsecondary Education, began his presentation on the 2021 Financial Assessment of KSU's Finances. Mr. Powell introduced Mr. Greg Rush, who was available to answer questions. Regent Moyer asked Mr. Powell if he could characterize the \$35 million in operating debt that occurred during the period from 2016 to 2020. Specifically, he asked if it was due to missed enrollment targets, expenses substantially exceeding the budget, an expense control issue, and/or an enrollment issue. He further asked what the major drivers were for running up that kind of deficit in that period of time. Mr. Powell responded that he would get to that later in the presentation, but explained that, simply stated, the debt was due to the University spending more than what was allotted in the budget and a failure of budgetary controls. Mr. Rush concurred with Mr. Powell.

Chair Hatchett asked about CARES Act Debt Forgiveness. He understood it to be a grant, and asked for clarification regarding Mr. Powell's characterization that it was debt forgiveness. Chair Hatchett inquired about the Revenue Anticipation Loans that KSU is apparently accustomed to receiving, as there was some indication in the CPE report that the Revenue Anticipation Loan was settled in 2021, yet it appears again on the financial cash position reports in the May report. Mr. Rush explained how the Revenue Anticipation Note had been used in the past, and stated that nothing is currently owed on it.

Regent Fields asked Mr. Powell about a chart included at the beginning of the presentation which showed the years in which the overspending began. He inquired as to how the University was able to continue to overspend and how the overspending was allowed to continue through 2020. Mr. Powell and Mr. Rush discussed several factors which contributed to the financial situation.

Chair Hatchett directed Regent Fields to pages 8 and 9 of the CPE report, and commented that the Committee was particularly focused on how KSU got into the situation and the inappropriate techniques that were used to generate or maintain enough cash to satisfy payroll obligations each month.

Chair Hatchett asked Mr. Powell about the recommendation of presidential reporting of expenses on a quarterly basis, commenting that he had not yet seen the recommendation and that it reminded him that it is something the Committee would need to look into further. Regent Moyer asked if net pricing included only formal scholarship assistance, or if it included unpaid tuition from students as well. Regarding slide 19 of the presentation, Regent Fields asked how the data for staff levels were defined. He noted that there are not many KSU employees in the area described as Computer, Engineering and Science.

Regent Moyer asked Mr. Powell if he had collected any data on full-time faculty teaching loads from the comparison group schools. Dr. Tidwell asked a question pertaining to first and second-year retention rates.

Regent Fields inquired about the finding that the Banner system and Argos tools are inadequate, and he wondered if that was due to staff training and high turnover in the finance area over the years more than the actual inadequacy of those tools. Mr. Powell replied that it was a bit of both, and Mr. Rush elaborated on this point.

Mr. Powell concluded his presentation with a list of key takeaways and recommendations to the Finance and Administration Committee. Dr. Tidwell asked that the report be sent out to Committee members, as he did not believe that he had received it. Dr. Tidwell also asked if CPE had an opportunity to look at the Foundation, and queried if it were possible that the finances of the institution were being propped up by monies from the Foundation.

Regent Fields asked Mr. Powell if, moving forward, he would be working with Board members on what had been taking place. Mr. Powell replied that HB 250 created a partnership between KSU and CPE and that CPE was committed to KSU's success.

V. Budget for Fiscal Year 2023

Chair Hatchett asked Dr. Gerald Shields, VP for Finance & Administration and CFO, to present an update on the budget for Fiscal Year 2023. Dr. Shields noted that the report he was presenting would also be submitted to the full Board before its meeting on June 27, 2022.

Regent Moyer asked a question regarding student receivables. Chair Hatchett inquired as to what KSU is currently doing differently that will improve the picture on accounts receivable. Chair Hatchett also asked a question regarding KERS and the number of employees KSU is paying for in the state retirement system.

For the benefit of new Committee members, Chair Hatchett asked Dr. Shields to provide some information regarding the Asset Preservation Fund. Chair Hatchett asked Dr. Shields how many credit cards KSU has. Chair Hatchett inquired how many interest-bearing accounts were feeding into interest income as a source of revenue. Regent Ramsey asked Dr. Shields how and where he was going to make up for a \$3 million shortfall. Dr. Shield explained that it was not actually a shortfall.

Chair Hatchett asked Dr. Shields what he attributed to an overage in expenditures by Athletics. Regent Moyer asked where Career Services would appear in the Expenditures by Unit chart and how many people were employed in Career Services. Dr. Shields replied that he did not know but that he would get that information. Regent Moyer asked Dr. Shields to also get additional background/history on that information, too. Regent Moyer asked Dr. Shields what he believed the probability was that KSU would actually achieve \$41 million as total sources of revenue in the proposed FY 2022/23 Budget, and what he thought the probability was that the actual total sources of revenue number will be less than \$41 million. Regent Moyer inquired as to the status of next year's admissions, including new admissions and expected returning admissions.

Chair Hatchett asked Dr. Shields about specific information (regarding a \$7 million contraction) presented during a previous Board meeting and where such contraction appeared within the current presentation. Chair Hatchett wondered how KSU was accounting for the \$23 million non-interest-bearing loan from the people of Kentucky, inquiring how KSU was accounting for that liability in its system and where it appears. He noted that this information is important so that the Committee can keep an eye on the loan and ensure that it is paid back in a timely manner.

Regent Moyer noted that, in comparing the 2022-23 budget Dr. Shields presented during the instant meeting and the budget which he provided two weeks earlier, there appeared to be a discrepancy in the Tuition and Fees number and asked for clarification. Regent Moyer also had questions regarding the projection of tuition in general, and queried if higher education is facing a demographic cliff regarding the size of the pool of people who are coming of age for college and if projecting forward based on current enrollment numbers is appropriate. Regent Fields asked if there was a plan for ensuring that Asset Preservation is not used for Operations. Regent Fields also asked if there was a plan or funding in addition to Asset Preservation to improve the housing situation.

VI. Report on Student Accounts Receivable

This agenda item was incorporated into Mr. Rush's Budget Workshop presentation (See Agenda Item IX).

VII. University Structure Overview

This agenda item was incorporated into Mr. Rush's Budget Workshop presentation (See Agenda Item IX).

VIII. Tuition and Fee Proposal

This agenda item was incorporated into Mr. Rush’s Budget Workshop presentation (See Agenda Item IX).

IX. Budget Workshop

An Operating Budget Work Session was presented by Mr. Rush.

X. Adjournment

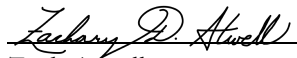
MOTION was inadvertently made by Regent Fields, who is not a Committee Member:

Move the Board to adjourn.

Seconded by Dr. Tidwell and passed without dissent.

The meeting was adjourned at 12:48 p.m.

Submitted by:



Zach Atwell
Secretary, Board of Regents
Kentucky State University



Regent Edward Hatchett, Esq.
Chair, Finance & Administration Committee
Board of Regents
Kentucky State University

Approved with no corrections

Approved with corrections