

WKU Senate Budget and Finance Committee Report

Meeting: Jan 28th, 3:45PM

During this meeting we were joined by Jennifer Breiwa Smith, Special Assistant to the President for Government & Community Relations. We appreciate her taking the time to speak with us. The following is a typewritten summary of our conversation.

Guy Jordan: What is your role at the University? Can you walk us through the budgeting process?

Jennifer Breiwa Smith: When the legislature is in session I am in Frankfort. I try to be there two or three days a week. We want to be there during committee hearings and occasionally we are asked to testify. In normal even-numbered years the legislature budgets biennially, but last year of course changed all that. Last year they only passed a single-year budget. Normally they need 70 votes in the house to pass a budget during an odd-numbered year, but this year because of the one-year budgeting it is different. We try to as much as we can over Zoom and via text message to be safe. I have one-on-one meetings with our local delegations before Christmas along with the President. That happened this fall. Normally during a budget year the President testifies in front of the Budget Review Subcommittee on Post-Secondary Education. During that process and through that testimony, the President makes our case.

The process goes as follows: The governor introduces his budget, usually (but not always) as a public address, and then it is filed on the floor of the House. It starts there and then goes to Senate. Once a budget is introduced, it almost always get changed during subcommittee consultations. Those negotiations take place each February. Then the House puts forward its version of the budget. It gets three readings. The third reading is the actual vote. Then it goes to the Senate and it happens again. They amend what the House sends and then they form a conference committee to reconcile the Senate and House versions of the budget. The conferencing/reconciliation between the House and Senate usually takes about a week and happens in late March. They rarely add things into the budget that are not already there. Then they come up with a compromise, present it to both chambers, and they vote on it. The President goes up to Frankfort (when visits were allowed in non-COVID times) about once a week during the time when the budget process is in full swing. We are engaged with leadership in the both the House and the Senate and we get in front of them and let them know what our needs are. The President has great relationships there. We usually have decent success, and last year was looking really good---we might have gotten new money, but instead due to fiscal concerns arising from the pandemic, it stayed flat.

Jim Lindsey: Are group meetings less effective than individual meetings?

Smith: One-on-one meetings are more effective because they are more casual and it is easier to get information across and have a discussion than it is in a group. Some of the representatives live locally and we have great relationships with them. It is hard to know how all of this is going to happen this year. When the governor gave his address, legislative leadership said they would conference during a three week break and vote on budget after that break, but it looks like it might take a bit longer than

normal. The actual conference committee meetings started the week of January 28th. I think they want to do it quickly so they can override any vetoes. The last 15 days of session includes a 10-day veto period and then there are about 3 days when the legislature can override the veto. We currently anticipate that this year's budget will be a continuation budget from last year. The governor put in new money for higher ed, but our legislative leadership does not want that. I do not think there will be any cuts, but funding will remain flat.

Lester Archer: Does the President take a number to decision makers? Anything specific?

Smith: We don't really go up there with a specific number. The typical process starts with the previous year's allocation. Funding is across the board, not specific to each university. We usually go up there and give a presentation that shows the decrease in support from the state since 2008. We usually show that and illustrate the decrease alongside the concomitant increase in our fixed costs. I think we're only supported at about 18% by the state now. We are a public university, but we aren't as publicly funded as we should be. Pension systems have large fixed-costs and that's a problem, but we usually just give them a general presentation about the importance of funding higher ed. But we are a relatively poor state, and it is hard to get back to the levels we ought to be at re: state funding.

Archer: But would it be better to ask for a specific number? Would that strengthen our negotiating position?

Smith: We do that in a sense with pension costs. KERS is our biggest issue with pensions because we have to pay 49%, but that might at some point go up to 83%. We have made it clear to the legislature that we simply cannot afford that level of cost increase. We prefer that they keep us frozen at a rate we can cover. That is the place and the sort of a situation where we get specific; but in general, we are careful to avoid specifics because then you can put yourself in a box.

Anthony Paganelli: Does the President testify alone or with other university presidents?

Smith: He testifies alone. The CPE goes first and then each President testifies on their own. It takes about 10 minutes and then there are 5 minutes or so for questions. He likes to keep things short, simple, and clear. "Here is what we're dealing with and here is the help we need." He is honest about the situation.

Paganelli: Does he consult with other Presidents before he goes in?

Smith: No, they all go in on their own. On other things they might talk, but each university focuses on their own needs. We like to stand out and we like to focus on our needs and not just the general needs of public higher ed since each institution has different issues. I try to think about those things and keep

that in mind if there is ever the possibility of conflict with another university. For instance, we brought a physical therapist up to Frankfort one year to testify about an ask that was successful.

Kevin Schmatz: So you think this year's appropriation will match last year's appropriation?

Smith: I think so. That is what we anticipate. There was no decrease between two years ago and Governor (Andy) Beshear's first year, so we are planning on it staying flat.

Schmatz: What about pension obligations? Will that go up to 83% at some point?

Smith: There are several pension bills floating around right now. The one I'm most concerned about is HB-8. It hasn't been discussed yet, so that is good news because it is hard to pass something like that in short session. They only have 22 working days and those things take time. If that bill were to pass, our rate would go to 75% and we would be frozen there and that would be it, because that bill would pay off our unfunded liability over the next 30 years and then in year 31 our rate would go to 10%

Schmatz: What is 75% in actual university dollars?

Smith: Don't mark my words, but I think that is approximately 4 million dollars in addition to what we are already paying. To put that perspective, HB-8 takes ECU's cost to 267%. The bill bases the new calculations what an institution's unfunded liability happens to be. I know just enough to be dangerous here re: why the unfunded liabilities are what they are, so take this with a grain a salt. HB-8 sounds bad, but even in that case we are a "winner" relative to most of the other comprehensives if that bill were to pass.

Schmatz: When will we know what is going to happen?

Smith: I have a calendar about that which was released this week. Feb 2nd is when they will return for their 9th legislative day, so Thursday March 4th will be their 26th day, then they have 3/5 through 3/12 set aside for a conference committee, and then the veto period starts on Wednesday March 17th. They can still move days around, but that is the plan. They have to be done with all this by midnight on March 31st.

Jordan: Are any pension rate changes included as a part of the budget bill(s)?

Smith: They put that rate in the budget. I don't know if they froze just higher ed or the quasi-governmental agencies as well, but I just pay attention on what it does to us, but I would hope that they keep us at the current rate. We cannot afford to go higher and we hope that the rate goes a little lower. We are working with the legislature on more of a fix instead of constantly raising those rates.

Jordan: What does a fix entail?

Smith: Right now, I'm not sure. We thought about buying out of the system, but I do not remember all the details of that. That was 2017 or 2018. We were trying to keep the people in the system who are in the system. We don't want fully vested people to lose anything. But we were looking at the bottom tier who have a cash-hybrid plan and whether we might move them into a 401K or a 403B or into a system like that and then put new employees into an ORP (Optional Retirement Plan). But it got muddy and it didn't pass. The last day of that I was literally running down the hall trying to save that idea but it didn't happen.

Margaret Crowder: I am in KTRS and my mom is in KERS. As I understand it, the state was borrowing against the KTRS pool for a long time. Are there any long term plans for the state to pay back the KTRS system so it isn't in a hole?

Smith: I wish I knew the answer to that one. I don't know what their plans are. Our rate with KTRS is in statute, not in the budget. So they would have to amend the statute to change that rate.

Jordan: Is it common to change a statute?

Smith: Do you all remember the "waste-water pension bill?" Well, in that case they amended a waste-water bill, stripped it, put the pension bill on it, changed the title, and that overhauled all of KTRS. At that point we were concerned about that because it would have raised our KTRS rate from 15% to 30%. Luckily, the Supreme Court struck that down on technical grounds. We are always worried about what happens to bills when things get added on and layered. Every tuition waiver that they pass, we have to come up with the money to cover that student/lost revenue.

Jordan: How do we get more leverage when we advocate for funding?

Smith: I think we're pretty effective as is. I don't know that there's a whole lot that we could do differently. Budgets are just so different from traditional pieces of legislation, where lobbying efforts are more effective. Budgets are just large, lumbering things. There probably not a whole lot more we can do. They want to hear from the President, what is going on, and what they can do to help us. They are sympathetic sometimes, but money just isn't always there. One good thing they did for us is to offer statutory relief that allows the Board of Regents to meet over Zoom, they made adjustments to insurance policy that led to minor cost savings, so there's a lot of things we get done that don't necessarily make the news that do help us out re: the legislature.

On that note, you can see what is on our radar by clicking on the link: wku.edu/govrelations

Click on the tab and you can see the bills that we are tracking currently that relate to us. There is a lot in legislation re: business practices and other policies that affect us, not just budgets. Tony Glisson also has to keep aware of lots and lots of bills because more legislation than you realize has an effect on WKU.

Lindsay: What can faculty do? Should we call legislators? Can we lobby?

Smith: At times, yes. If I ever feel we need that help, I'll reach out and tell you all to "get on the phones."