

3. Act on Distribution of FY 2023 Appropriations to State Universities

Summary

State appropriations to the Board of Regents for the postsecondary operating grant totaled \$37.5 million for FY 2023. The 2022 Legislature also appropriated \$20.0 million to be distributed to the state universities in FY 2023 for information technology infrastructure and cybersecurity. Staff recommends the Board approve the distributions as displayed below, contingent upon the Board’s assessment of each institution’s performance pursuant to the performance agreement process.

State Universities - Operating Grant

The \$37.5 million appropriated as an operating grant for FY 2023 is only the fourth instance when the state universities have seen an operating grant amount since FY 2009 (\$15.7 million was appropriated for FY 2019, \$11.9 million in FY 2021 was rescinded in a gubernatorial allotment, and \$15.0 million was provided in FY 2022). As a condition for a state university to receive an allocation from this year’s appropriation, the university must assess tuition at the same rate in FY 2023 as in FY 2022:

Provided, however, That notwithstanding the provisions of K.S.A. 76-719 and 76-817, and amendments thereto, or any other statute, during fiscal year 2023, in order to receive any money from the postsecondary education operating grant (including official hospitality) account, the above agency shall receive a signed written agreement from each state educational institution, as defined in K.S.A. 76-711, and amendments thereto, certifying that tuition assessed for fiscal year 2023 by such institution shall not increase above the amount of such tuition that was fixed and collected in fiscal year 2022: *Provided further,* That upon receipt of such agreement, the board of regents shall certify to the director of accounts and reports that such agreement meets the requirements of this proviso: *And provided further,* That at the same time as the board of regents transmits this certification to the director of accounts and reports, the board of regents shall transmit a copy of such certification to the director of the budget and the director of legislative research.

The Board’s request for the state universities was for \$45.7 million and was calculated as follows:

Restore FY 2021 Budget Reductions	\$ 4,700,000
Apply 1.9 % Inflationary Factor	26,100,000
Buy Down 2% Tuition Increase	<u>14,900,000</u>
Total	\$45,700,000

While Governor Kelly recommended the \$45.7 million in her budget, the Legislature ultimately appropriated only \$37.5 million. The full state funding request was key to the Board’s affordability efforts and was premised on buying down a tuition increase to hold tuition flat for students.

The Board’s focus on student affordability, as well as the need to recruit more students, is influencing the state universities to devote more resources toward marketing and recruitment, as well as to student advising. The universities are also impacted by inflation and expense pressures for their operating expenditures. The campuses had indicated they would use the additional state support to focus not only on strategic enrollment management, but also for mandatory operating expenditures such as fringe benefit increases for their employees, cybersecurity and property insurance premiums, and facility maintenance.

As the appropriation does not equal the request, it is recommended that the first part of the request, \$4.7 million, be apportioned to restore State General Fund budget cuts remaining in place from FY 2021 and that the balance of the appropriation be allocated according to the proportion of the original request, as displayed in the table below.

	Restore Budget Reductions	Allocation Based on Board’s Request	Total Allocation
University of Kansas	\$1,282,408	\$11,023,022	\$12,305,430
University of Kansas Medical Center	\$304,436	\$3,330,869	\$3,635,305
Kansas State University	\$1,043,388	\$8,043,611	\$9,086,999
KSU Extension & Ag Research Program	\$410,061	\$774,807	\$1,184,868
KSU Veterinary Medical Center	\$129,396	\$814,745	\$944,141
Wichita State University	\$942,580	\$3,977,873	\$4,920,453
Emporia State University	\$163,753	\$1,278,031	\$1,441,784
Pittsburg State University	\$154,258	\$1,573,576	\$1,727,834
Fort Hays State University	\$288,213	\$1,964,973	\$2,253,186
Total	\$4,718,493	\$32,781,507	\$35,700,000

State Universities - Information Technology Infrastructure and Cybersecurity

A second appropriation provided \$20.0 million to the Board of Regents to be distributed across the state universities, with some limitations on use of the money:

Provided, That any expenditures made by the board of regents or a state educational institution, as defined in K.S.A. 76-711, and amendments thereto, from such account during fiscal year 2023 shall be for nonrecurring commitments for the purpose of upgrading information technology infrastructure including hardware, software, network, cybersecurity and equipment to keep pace with demands for usage and to ensure the safety and security of sensitive employee and student data.

This appropriation was requested by the Board to bring attention to the infrastructure needs that the state universities have but which are not incorporated in the Board’s capital renewal initiative. The IT infrastructure, including the hardware, software, network, and cybersecurity are every bit as important as the campus buildings for the universities to operate at this point in time. The need to update, refresh and maintain that infrastructure is costly and cannot be deferred in order to keep pace with demands for usage and to ensure network security. To implement upgrades across the state universities, the Board requested \$20.0 million in FY 2023, which was appropriated to the Board for distribution to the state universities.

State universities have different environments but share the same types of “threat vectors” they must address. Cybersecurity is a constantly evolving challenge and the funding identified by the Board of Regents, and supported by the Governor and Legislature, will aid in the remediation of the following cyber threat elements:

Cyber Threat #1 – Modernize Legacy Technologies

- “Legacy” systems are the culprit of many of the most recent and public cybersecurity attacks of both critical enterprise software and hardware. Replacing and modernizing legacy systems requires significant upfront capital.
- Examples:
 - o Legacy Student Information Systems without support or modern security capabilities
 - o Data Center enhancements with additional security
 - o Outdated firewalls and networking equipment without support or modern security capabilities

Cyber Threat #2 – Improve Intelligence, Monitoring, Response

- Cyberattacks are here to stay. Monitoring and swift response are just as important as prevention. The ability to respond quickly and appropriately dramatically reduces our liability and risk when an inevitable event occurs.
- Examples:
 - o Next-Generation Firewalls
 - o Advanced Logging & Controls
 - o Security Operations Center – advanced monitoring, analysis, and response (threat hunting)

Cyber Threat #3 – Improve Business Continuity & Risk Mitigation

- Continuing administrative and academic activities during and after a security incident dramatically reduces liability and risk
- Examples:
 - o Immutable storage / backups (ransomware protection)
 - o Fiber network redundancy
 - o Systems with High Availability (able to run in multiple locations)
 - o Enhanced and continual training

It is recommended that the Board allocate one-half of the \$20.0 million at this time and request that the Chief Information Officers of the state universities research how best to apply the other half to a systemwide IT infrastructure need.

The approach initially presented recommends that each university receive a base \$500,000 allocation in recognition of fixed costs unrelated to a university’s scale of operation. To acknowledge the human factor that creates risk for an enterprise, the size of a university’s workforce and student population is used as a factor to allocate the \$6.5 million. The Board’s Fiscal Affairs and Audit Standing Committee will discuss other scenarios to determine if it prefers to recommend an alternative allocation to the Board of Regents that considers the universities’ share of the cybersecurity premiums for insurance coverage between March 1, 2022 through March 1, 2023 as another aspect of calculating the allocations.

State University	Base Allocation	Student Enrollment Headcount*	Employee Headcount*	Total Enrollment & Employee Headcount	Additional Allocation on Headcount	IT Infrastructure Allocation
University of Kansas	\$500,000	26,241	5,698	31,939	\$1,714,257	\$2,214,257
KU Medical Center	\$500,000	4,142	3,132	7,274	\$390,417	\$890,417
Kansas State University	\$500,000	23,270	4,607	27,877	\$1,496,239	\$1,996,239
Wichita State University	\$500,000	18,273	2,751	21,024	\$1,128,419	\$1,628,419
Emporia State University	\$500,000	7,245	678	7,923	\$425,250	\$925,250
Pittsburg State University	\$500,000	8,036	940	8,976	\$481,768	\$981,768
Fort Hays State University	\$500,000	14,725	1,366	16,091	\$863,650	\$1,363,650
Total State Universities	\$3,500,000	101,932	19,172	121,104	\$6,500,000	\$10,000,000

* Sources: University Data Book Section III, Table 3.1a with an adjustment for FHSU students attending in China, and IPEDS Human Resource Survey.