

AGENDA

Council on Postsecondary Education
November 7, 2008

10 a.m. (ET)
Crager Room, Adron Doran University Center
Morehead State University, Morehead, KY

8:30-10 a.m. – Council Member Work Session

The agenda for this session is open-ended and will be determined by the Council members, discussion will be informal, and no formal action will be taken. The session is open to the public.

Roll Call

Approval of Minutes

- September 28, 2008 CPE Meeting (123K PDF)
- October 29, 2008 Executive Committee Meeting (56K PDF)

Welcome from President Wayne Andrews and Morehead State University

CPE President's Report

Cross-Cutting Issues

1. Governor's Higher Education Work Group (992K PDF)
2. Kentucky Science and Technology Corporation Annual Report (7130K PDF)
3. STEM Initiative Task Force Report3_STEM_report (41K PDF)
4. 2007-08 Accountability Report Update (207K PDF)
5. Trustee Leadership/Professional Development Proposals (33K PDF)

Question 1 – Are more Kentuckians ready for postsecondary education?

6. Action: Improving Educator Quality State Grant Program (69K PDF)
7. Commissioner of Education Report (32K PDF)

Question 2 – Is Kentucky postsecondary education affordable for its citizens?

8. Action: Tuition and Mandatory Fee Policy and 2009-10 Tuition Setting Process (125K PDF)
9. Setting 2009-10 Tuition Rates (36K PDF)

- a. Fiscal Impact of Budget Cutbacks – Institutional Reports (943K PDF)
- b. Data on Affordability (1957K PDF)

Question 3 – Do more Kentuckians have certificates and degrees?

10. Transfer: Next Steps (49K PDF)

Question 4 – Are college graduates prepared for life and work in Kentucky?

11. Committee on Equal Opportunities Report (34K PDF)

Question 5 – Are Kentucky’s people, communities, and economy benefiting?

12. Action: KSU Capital Project – Center for Families and Children (45K PDF)

13. Action: WKU Capital Project – Chapel and Columbarium (45K PDF)

14. Equine Revolving Trust Fund (91K PDF)

15. Status Report (SB 189) Preserving and Protecting the Investment of Public Funds in State-Owned Facilities (35K PDF)

The Council Business

16. Action: Fiscal Year 2007-08 Agency Audit (39K PDF)

17. Program Audit Subcommittee Report (39K PDF)

18. Nominating Committee Appointments (30K PDF)

19. Presidential Search Committee Update

Reports from the Institutions (1640K PDF)

Other Business

Next Meeting – January 15-16, 2009

Adjournment

**Council on Postsecondary Education
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Governor's Higher Education Work Group

On October 21, Governor Beshear announced the formation of a 25-member work group to review issues of affordability and access to postsecondary education.

The Governor's Higher Education Work Group will be co-chaired by Mira Ball of Lexington and Pete Mahurin of Bowling Green. Other members include business leaders, government officials, and members of the General Assembly. University presidents and students from across the state will advise the work group.

The group will produce two reports with recommendations for Governor Beshear. The first is due in January 2009. The second report, due by September 2009, will address long-term issues including how to best create stable state funding for public postsecondary education.

President Crofts will provide a more detailed overview of the work group and the role of the Council in this process at the November 7 meeting. The executive order creating the work group and memberships of the work group and the student and president advisory committees are attached.



STEVEN L. BESHEAR
GOVERNOR

EXECUTIVE ORDER

2008-1109
October 21, 2008

Secretary of State
Frankfort
Kentucky

RELATING TO ESTABLISHMENT OF THE
HIGHER EDUCATION WORK GROUP

WHEREAS, this Administration believes that no citizen of the Commonwealth, who has the drive and ability to succeed, should be denied access to the benefits of a college education simply because of his or her inability to pay for it; and

WHEREAS, the attainment of a college degree has been demonstrated as a leading indicator of a higher quality of life, better employment opportunities and higher income levels; and

WHEREAS, a college-educated populace can attract the high-tech jobs of the future to the Commonwealth; and

WHEREAS, the Kentucky Postsecondary Education Improvement Act of 1997 ("House Bill 1"), as codified at KRS 164.003(2)(a), called for "a seamless, integrated system of postsecondary education strategically planned and adequately funded to enhance economic development and quality of life," and

WHEREAS, it is the desire of this Administration to conceive and implement an immediate plan of action that ensures college affordability and access for more of our citizens; and

WHEREAS, it is the desire of this Administration to ensure that the ambitious goals for postsecondary reform outlined in House Bill 1 are fully realized by 2020; and

WHEREAS, it will require the thoughts, ideas, and interaction of all facets of state government, the educational community, and the private sector to come up with this plan that capitalizes on promising ideas already promulgated, and blends them in with new and emerging ideas, to result in a feasible and implementable plan:

NOW, THEREFORE, I, Steven L. Beshear, Governor of the Commonwealth of Kentucky, pursuant to the authority vested in me by Section 12.029 of the Kentucky Revised Statutes, do hereby ORDER and DIRECT the following:

1. There is hereby created and established the "Higher Education Work Group" ("Work Group"). The Work Group shall be administratively attached to the Finance and Administration Cabinet. The Finance and Administration Cabinet shall provide administrative support to the Work Group. Policy and research staffing, and other support, shall be provided primarily by the Council on Post-Secondary Education.
2. The mission of the Work Group shall be as follows:
 - a) By January 15, 2009, the Work Group shall deliver to me a plan of action, including any recommended executive measures and legislative proposals that would, within current budget constraints, promote coherency and efficiency in the delivery of financial aid; and potentially secure cost



STEVEN L. BESHEAR
GOVERNOR

EXECUTIVE ORDER

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savings that could be shifted to provide more financial aid for low to middle-income students. Any aspects of the plan needing legislative authority will then be immediately disseminated to the General Assembly with the intention of enacting its provisions in the 2009 Regular Session of the General Assembly.

- b) By September 1, 2009, the Work Group shall deliver to me a plan of action, including any executive measures and legislative proposals that would:
 - i) Move the state closer toward the goal of ensuring access to higher education to all Kentucky students, of all income levels; and
 - ii) Develop a clear roadmap for reaching the level of state funding needed between now and 2020 for the institutions to achieve the goals of House Bill 1 from 1997. This roadmap should ensure transparency and fairness in determining state support, and the institutions would continue to increase productivity and scale back from the high rate of tuition increases adopted in the last decade.

Any aspects of the plan needing legislative authority will then be disseminated to the General Assembly with the intention of enacting its provisions in the 2010 Regular Session of the General Assembly.

- 3. The membership of the Work Group shall consist of the following who are hereby appointed to serve by this Order:
 - a) Joan Coleman, President, AT & T Kentucky, Louisville;
 - b) Gary Cox, President of the Association on Independent Colleges and Universities of Kentucky;
 - c) Richard Crofts, Interim President, Council on Postsecondary Education;
 - d) Edward Cunningham, CEO, Kentucky Higher Education Assistance Authority;
 - e) David Grissom, Chairman, Mayfair Capital, Louisville
 - f) Jean Hale, Chairman & CEO & President, Community Trust Bank Corp., Pikeville;
 - g) Larry Hayes, Secretary of the Governor's Executive Cabinet and Acting Secretary, Cabinet for Economic Development;
 - h) Ed Holmes, President, EHI Consultants, Lexington;
 - i) Alice Houston, President & CEO, Houston-Johnson, Inc., Louisville;
 - j) Ronnie James, President & CEO, James Marine, Paducah;
 - k) Robert Lekites, President of UPS Airlines, Louisville;
 - l) Jonathan Miller, Secretary, Finance and Administration Cabinet;
 - m) Helen Mountjoy, Secretary, Education and Workforce Cabinet;
 - n) Jim O'Brien, Chairman & CEO, Ashland Oil, Covington;
 - o) The Honorable Paul Patton, former Governor, Pikeville;
 - p) Ben Richmond, President, Louisville Urban League;
 - q) Steve St. Angelo, President, Toyota Kentucky, Georgetown; and
 - r) Vic Staffieri, CEO, Chairman & President of EON, Louisville.



STEVEN L. BESHEAR
GOVERNOR

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Kentucky

4. The Co-Chairs of the Work Group shall be Mira Ball, Chief Financial Officer, Ball Homes, Lexington; and Pete Mahurin, Senior Vice President, Hilliard Lyons, Bowling Green. The Work Group shall meet upon the call of the co-chairs. Members of the Work Group shall serve without compensation, but shall be reimbursed their out-of-pocket expenses.
5. The Work Group shall request the participation of four (4) Members of the Kentucky General Assembly, asking each of the following legislative leaders to designate one (1) member from their respective chambers to serve on the Work Group: the President of the Senate, the Speaker of the House, the Minority Leader of the Senate, and the Minority Leader of the House. The Work Group shall request the participation of the Honorable Crit Luallen, the Auditor of Public Accounts.
6. There shall be two (2) subcommittees formed within the Work Group: an Affordability Subcommittee, which will focus on efforts to make postsecondary education more affordable for Kentucky citizens and a Strategic Planning Subcommittee, which will focus on developing a clear roadmap on reaching the reform goals by 2020, as outlined in House Bill 1. These subcommittees shall report to the full Work Group in a fashion that will allow sufficient time for the full Work Group to meet its reporting deadlines as set out in Section 2 above.
7. The Affordability Subcommittee shall be chaired by the Secretary of Finance and Administration, and the Strategic Planning Subcommittee shall be chaired by the Secretary of the Governor's Executive Cabinet. The Subcommittees shall meet upon the call of the Subcommittee Chairs.
8. Members of the full Work Group are invited to participate in the meetings of either or both of the two subcommittees.
9. Upon request by the co-chairs and subcommittee chairs, all state agencies are directed to assist the Work Group with accomplishing the directives previously set forth, including the Cabinet for Economic Development, the Education and Workforce Development Cabinet, the Kentucky Higher Education Assistance Authority, and the Office of the State Budget Director.

Please issue Commissions to the persons herein appointed to serve as members of the Work Group.

STEVEN L. BESHEAR, GOVERNOR
Commonwealth of Kentucky

Trey Grayson
Secretary of State

Presidents' Advisory Committee

Richard Crofts, Council on Postsecondary Education (Chair)

Doug Whitlock, Eastern Kentucky University

Mike McCall, Kentucky Community and Technical College System

Wayne Andrews, Morehead State University

Randy Dunn, Murray State University

Jim Votruba, Northern Kentucky University

Lee Todd, University of Kentucky

Jim Ramsey, University of Louisville

Gary Ransdell, Western Kentucky University

Larry Shinn, Berea College

Michael Carter, Campbellsville University

Cheryl King, Kentucky Wesleyan College

Gary Cox, Association of Independent Kentucky Colleges and Universities

Wednesday, October 29, 2008

Students give inside first-hand perspective

FRANKFORT, Ky. (Oct. 29, 2008) – Gov. Steve Beshear today announced the creation of a Student Advisory Committee to work closely with the members of the Higher Education Task Force on ways to make college more affordable and financial aid more accessible.

“In a global economy where the attainment of a higher education is the passport to a vibrant future, Kentucky must address the affordability question,” Gov. Beshear said. “There’s no better place to begin than with the young men and women who are directly confronting these issues. They know first hand the stumbling blocks they have to overcome. Some of them have even studied the problem and can use their findings to help lead us to solutions.”

The Student Advisory Committee will be made up of traditional and nontraditional students who attend both public and private institutions across the state. The group will hold its first meeting on Wednesday, Nov. 12, 2008.

Members of the committee include:

- Chris Crumrine, chair, student member of the Council on Post Secondary Education
- Randall Barnes, student, Kentucky Community and Technical College System (KCTCS), Paducah campus
- Johnathon Boles, student government president, Western Kentucky University
- Alex Combs, student government president, Eastern Kentucky University
- Gabe Cronon, student, Northern Kentucky University
- Kodi Faine, student, Alice Lloyd College
- Jacob Fowles, student, University of Kentucky
- Brad Fran, student, Eastern Kentucky University
- Michael Harmon, student government president, Morehead State University
- Jeremy Lane, student government president, Kentucky State University
- Kara Mantooth, student government president, Murray State University
- Rachel Meyer, student, Murray State University
- Tyler Montell, student government president, University of Kentucky
- Sharon Murphy, student, University of Kentucky
- Jacob Raderer, student government president, Centre College
- Matthew Ruark, student government president, Kentucky Wesleyan College
- Kevin Smiley, student, Western Kentucky University
- Rudy Spencer, student government president, University of Louisville
- Luke Taylor, student, KCTCS, Bluegrass Community and Technical College campus

This group will give insight into what students are facing financially and disseminate information among the work groups and the schools they represent. Additional students may be joining the advisory group between now and the Nov. 12 meeting.

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**Kentucky Science and Technology Corporation
Annual Report**

The knowledge-based economic (KBE) investment activities are conducted by statute to accelerate knowledge transfer and technological innovation, improve economic competitiveness, and spur economic growth in Kentucky-based companies. The Kentucky Science and Technology Corporation implements the Council's knowledge-based economic investments to attract highly competitive follow-on venture funding for companies and federal funding for researchers, generate a direct Return on Investment (ROI) to the KBE efforts through private placements, create new companies and new knowledge-driven jobs, be supported by work-class peer review and due diligence infrastructures, and generate new intellectual property.

Cumulative program performance July 1, 2001, through June 30, 2008, includes strong and growing progress related to the KBE programs.

- Overall growth of the KBE portfolio to \$50.4 million invested in 952 awards.
- Fifty-eight active private placements in the KBE portfolio with over \$2.7 million in ROI from exits and conversions by 15 companies.
- Growth in follow-on funding generated by awardees to \$653.8 million from venture, federal, and other private sources.
- Creation of 448 new companies and 4,100 new jobs among the Kentucky Enterprise Fund, the Kentucky Science and Engineering Foundation, and the Kentucky Experimental Program to Stimulate Competitive Research (EPSCoR).
- Intellectual property actions numbering 977 that include 519 patents, 34 provisional patents, 107 invention disclosures, 114 patent applications, one utility patent, 21 trade secrets, 49 copyrights, and 63 trademarks.

KBE programs continue to focus on building the capacity of Kentucky's investment research and development activities that have clear potential to lead to commercially successful products, processes, or services and to stimulate growth-oriented enterprises within the Commonwealth.

Recent initiatives include:

- A \$17.5 million award from the National Science Foundation for the EPSCoR program for Kentucky's postsecondary educational institutions' research and an additional \$2.1 million to the Kentucky Department of Education to expand the

number of schools served by AdvanceKentucky, an advanced placement teacher training and incentive program administered by KSTC.

- The Kentucky Space Enterprise (KSE), an ambitious nonprofit enterprise involving a consortium of universities and public and private organizations that designs and leads innovative space missions. KySAT, the first major space effort of KSE, was tasked with creating cost-efficient small satellites. KSE has launched an ambitious program that includes an array of flight opportunities including near space, suborbital, orbital, and deep space missions and partnerships with organizations worldwide, space agencies, and commercial organizations.

Kris Kimel, president of the Kentucky Science and Technology Corporation, will discuss the 2008 KSTC annual report on investments at the November 7 Council meeting (the executive summary of that report follows). The Council staff will submit the next KBE report to the Legislative Research Commission in January 2009. Past reports are available online at <http://cpe.ky.gov/policies/economic/>.

2008 Annual Report on Investments



**Submitted to:
Council on Postsecondary Education**



**Submitted by:
Kentucky Science & Technology Corporation**



KENTUCKY SCIENCE & TECHNOLOGY
C O R P O R A T I O N

Kentucky Enterprise Fund (KEF):

R&D Voucher Fund
Rural Innovation Fund
Early Concept Pool
Gap Fund

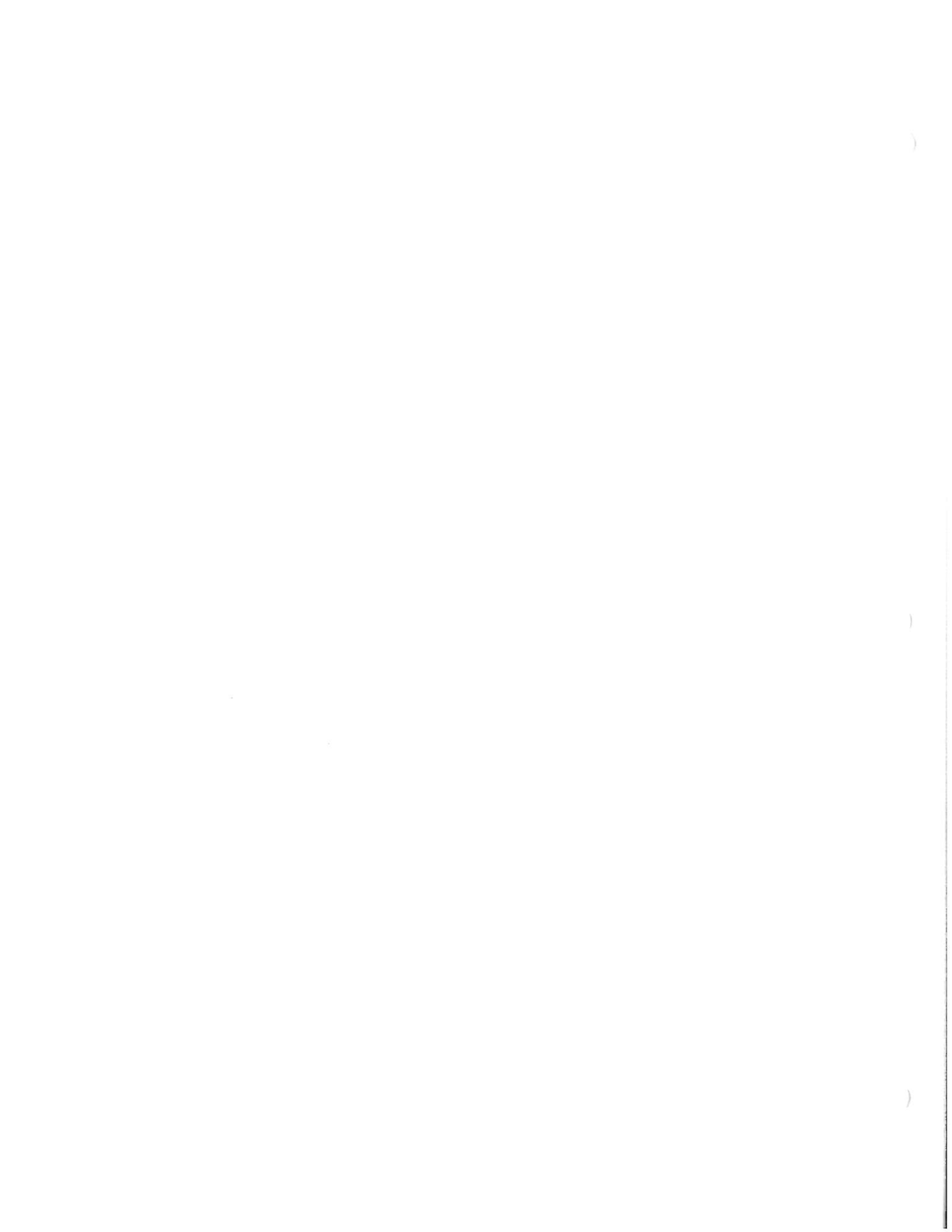
Kentucky Commercialization Fund (KCF)

Kentucky Science and Engineering Foundation (KSEF)

R&D Excellence
SBIR/STTR Phase 0/00

Kentucky Experimental Program to Stimulate Competitive Research
(KY EPSCoR)

September 2008



ANNUAL REPORT TO CPE: EXECUTIVE SUMMARY

A. CUMULATIVE PERFORMANCE HIGHLIGHTS: FY02 – FY08

July 1, 2001 - June 30, 2008

952 Investments* ✓

(in 448 Companies and 14 Postsecondary Institutions across 62 Counties)

\$50.4 Million State CPE/KBE Funds Invested* ✓

\$653.8 Million Follow-On Investments; ** ✓

**58 Currently Active Contracts with Negotiated Payback Terms;
\$2.7 Million Value of ROI from Exits and Conversions
by 15 Companies** ✓

4,100 Jobs Created and 448 Companies Formed**** ✓

977 Intellectual Property Actions:

519 Patents, 34 Provisional Patents, 107 Invention Disclosures,
114 Patent Applications, 1 Utility Patents, 21 Trade Secrets,
49 Copyrights, 63 Trademarks

* These investments were made under nationally competitive due diligence and professional expert reviews of 1,928 applications, which requested over \$111.2 Million. This does *not* include the 17 projects awarded \$1,474,379 by KSEF in July 2008. This will be reported in the 2009 Annual Report to CPE.

** Because of the close interrelationship between the Kentucky Enterprise Fund and the Innovation and Commercialization Centers, these numbers include *unduplicated* numbers from both programs, as well as KSEF and EPSCoR.

Investment Goals

During this reporting period, KSTC's implementation of Knowledge-Based Economy (KBE) programs has continued to focus on building the capacity for these KBE investments to:

- Attract highly competitive follow-on venture funding for companies and federal funding for researchers;
- Generate a direct Return on Investment (ROI) back to the KBE efforts through private placements;
- Create new companies and new knowledge-driven jobs;
- Be supported by world-class peer review and due diligence infrastructures;
- Generate new intellectual property.

Program Performance

Since inception of the KBE programs, KSTC has made strong progress on a number of fronts related to these programs:

- Overall growth of the KBE portfolio to \$50.4 million invested in 952 awards;
- 58 active private placements in the KBE portfolio with 9 exits valued at just over \$1.7 million in Return on Investment (ROI) and an estimated value of conversions at \$990,000;
- Growth in follow-on funding generated by awardees to \$653.8 million from venture, federal and other private sources;
- In conjunction with the KEF and ICC Network, the creation of 448 new companies, and 4,100 new jobs among KEF, KSEF and EPSCoR;
- Ongoing refinements of due diligence protocols have strengthened critical processes.

Program Operations

- Continued implementation of the model for assessing the "potential for exponential growth" (PEG Factor) for appropriate projects under consideration for funding. The purpose of the "tool" is to help determine which projects, companies, etc. possess a high potential for fast "breakout" growth and wealth creation.
- Kentucky Space has emerged as a player in the global small satellite industry, offering exceptional learning opportunities for Kentucky students. See KSEF chapter for highlights of activities and www.kentuckyspace.com.

Capacity Building

Investments under the Kentucky Enterprise Fund have:

- Leveraged \$119 M follow-on investments in 384 KBE companies;
- 55 active private placements where contracts with companies included negotiated payback by KBE companies;
- Formed 448 new companies (including KEF, KSEF and ICC companies);
- Created 2,724 new jobs;
- Resulted in 489 patents and 166 other IP activities (applications, disclosures, etc);
- Generated 589 customized financial plans, valuations and go-to-market plans

Investments under the Kentucky Science & Engineering Foundation have:

- Leveraged \$121.6 M from federal grants, industrial and private sources;
- Produced Private Placements with three small companies; with one Exit valued at \$67,900;
- Produced 17 patents issued, 65 invention disclosures, 53 patent applications, and 21 provisional patent applications; plus 4 patents, 8 patent applications, 5 provisional patent, and 8 invention disclosures from KCF investments;
- With \$293,781 total funding, generated 89 SBIR/STTR Phase 0/00 proposals to develop and submit Phase I and Phase II applications to at least seven federal agencies;
- Generated an ever-growing database of 9,480 international expert peer reviewers for external due diligence process;
- Resulted in 976 manuscripts published to date from among 2,355 submitted for publication;
- Produced 2,355 conference presentations on sponsored research;
- Involved 773 faculty and students in KSEF research grants.

Investments under the Kentucky EPSCoR Program have:

- Leveraged \$412.8 M from 851 federal grants in follow-on funding;
- Produced 9 patents issued; 29 patent applications; 34 invention disclosures;
- Resulted in 1,256 manuscripts published to date;
- Produced 2,743 conference presentations on sponsored research;
- Generated 603 new full-time and part-time research positions among faculty and students.

B. PROGRAM SUMMARY

KSTC has entered into annual contracts since 2001 with the Commonwealth of Kentucky through the Council on Postsecondary Education (CPE) to create, manage and develop various Knowledge-Based Economy (KBE) programs. These have included:

- Kentucky Enterprise Fund (KEF):
R&D Voucher Fund, Rural Innovation Fund ICC Concept Pool, and Gap Fund
- Kentucky Commercialization Fund (KCF)
- Kentucky Science and Engineering Foundation (KSEF)
- Kentucky Experimental Program to Stimulate Competitive Research (EPSCoR).

Kentucky Science and Technology Corporation (KSTC) is an independent nonprofit enterprise and was incorporated in 1987. Its longstanding mission is "to enhance the capacity of people companies and organizations to develop and apply science and technology and compete responsibly in the global marketplace." The Board of Directors is self-appointing with representatives from the private sector, education including the public and private universities, and other organizations relevant to the KSTC mission (see Attachment 1 for the current list of KSTC Board members).

Investment Approach

The implementation of these KBE programs represents an approach to investing Kentucky funds in Kentucky's future. The newest KBE programs, KEF and KSEF, have been designed by KSTC as investments with contractual expectations for returns on investment (ROI) upon financial triggers when a new technology begins to generate substantial revenues. The ROI payback arrangements, primarily for KEF investments, are the first of their kind in Kentucky, whereby any negotiated financial returns are to be reinvested in KBE programs. In 2005 and 2006, KSTC received the first payments and stock conversions under these contracts. The chapter in this annual report on the Kentucky Enterprise Fund offers a report on the status of the KEF private placements.

Program Descriptions

Rural Innovation Fund. This program, designed to meet the unique needs of rural science and technology entrepreneurial companies (which are distinguished from small businesses by several characteristics including knowledge-driven profile and growth potential), provides seed and early stage funding to emerging enterprises.

R&D Voucher Fund. This Fund provides early-stage funding to science and technology-driven companies growing out of or working in collaboration with a Kentucky college or university.

A determination of science and technology merit is an essential element of this program. This initiative operates closely with colleges and universities in large part to assist them expand their technological and entrepreneurial capabilities

The *ICC Concept Pool* is an important carve-out of the R&D Voucher allocation to further meet the evolving capital needs of companies. These one-time investments which strategically fulfill a particular funding niche must be made in enterprises already known through prior due diligence and investments largely through the R&D Voucher Fund and ICC network.

The Gap Fund (including the Executive-in-Residence program) is the carve-out of the portfolio of "investment" tools that provides critical Round 2 funding to exceptionally promising companies to support essential business development functions. The program targets companies that have already established themselves formally with the KSTC staff and KBE portfolio.

Executive-in-Residence (EIR) recruits and deploys experienced business talent to start-up and growing portfolio companies. This operates within the Gap Fund.

Private Placements. KSTC has designed and executes an infrastructure and process for the "payback" or cash return-on-investment (ROI) for appropriate projects. This system of KSTC investments enables Kentucky (for the first time in projects of this nature) to actively participate as a "shareholder" in companies and thus also a player in entrepreneurial investment markets. This allows the State and CPE to be in a position to generate cash returns in addition to the primary economic development outcomes of these investments.

Innovation and Commercialization Centers (ICCs). KSTC, through a partnership with the Department for Commercialization and Innovation (DCI), manages a network of business accelerators that provide direct assistance to new and emerging companies in an effort to help them start, grow and ultimately achieve "investment grade" status. The ICCs are a fully integrated part of the overall KBE initiative and help provide deal flow, company building services and marketing, especially for the Kentucky Enterprise Fund.

Kentucky Commercialization Fund. This Fund supports technology commercialization projects within universities prior to the formation of a company. These are projects that are beyond the fundamental R&D stage and are moving downstream on the entrepreneurial food chain. A high level evaluation of science and technology merit is a major aspect of this Fund.

Kentucky Science & Engineering Foundation. KSEF has been created as a means to increase Kentucky's capacity to become a leader state in competitive research by making its own investments in peer-reviewed science and engineering research and by attracting more research funding from all sources to the Commonwealth. KSEF conducts "peer-reviewed science and engineering research, working to increase federal and private-sector funding for Research & Development in Kentucky".

Kentucky EPSCoR Program. Since 1985 this program has served to enhance the research and intellectual capacity of colleges and universities in Kentucky. KSTC has managed the Kentucky EPSCoR program since 1993. This Kentucky program works with and has received funding from a range of Federal science and technology agencies including NSF, NASA, DOD, NIH, DOE, and EPA.

Overview of Kentucky Knowledge-Based Economy (KBE) Funds Currently Managed by KSTC

	KBE Fund	KSTC Initiative	Maximum Investment	Eligible Applicants	Selection Process	Return on Investment (ROI) as of 6/30/08	Impact as of 6/30/08 (FY08) (initial KBE awards made by KSTC in FY02)
CAPITAL	Rural Innovation Fund (proof of concept and early-stage prototype development)	Kentucky Enterprise Fund	up to \$50,000 per year for up to two years	Small, rural companies	External 3rd Party Due Diligence	Payback of 2X the Award if over \$25,000; 7 awards to date with negotiated ROI (Convertible Notes)	\$4,922,090 invested in 199 rural company projects each working with value-added third-party business development resources
	R&D Vouchers (technology-based product development)	Kentucky Enterprise Fund	up to \$100,000 per year for up to two years	Small and medium companies	External 3rd Party Due Diligence	Payback of 2X the Award if over \$25,000; 30 awards to date with negotiated ROI (Convertible Notes)	\$6,699,732 invested in 42 company projects each working in collaboration with a Kentucky university
	ICC Concept Pool (business development tools)	Kentucky Enterprise Fund	up to \$25,000 for one year	ICC companies in good standing	External 3rd Party Due Diligence	Does not impact payback negotiation triggers	\$2,400,000 invested in 96 company projects; <i>Open Year-Round</i>
	Gap Fund/Executive In Residence (2 nd round funding)	Kentucky Enterprise Fund	Up to \$400,000	KEF Portfolio Companies in good standing	External 3rd Party Due Diligence	2 nd Round investment with negotiated payback; 1 award with negotiated ROI	\$4,000,000 invested in 11 KEF portfolio company 2 nd Round financing
TALENT / CAPITAL	SBIR/STTR ¹ Phase Zero and Double Zero Programs (competitive federal business-building tools)	KY Science & Engineering Foundation: Technology Capacity Building	up to \$4,000 per SBIR/STTR proposal submitted	Small companies	Internal and External Reviews	Businesses must submit a federal SBIR/STTR proposal based on the Phase 0 proposal	\$293,781 invested in 89 small business SBIR/STTR Phase One applications; <i>Open Year-Round</i>
	Emerging Technologies (research leading to innovation and technology development)	KY Science & Engineering Foundation: R&D Excellence	up to \$50,000 per year for up to two years	Small companies and university faculty	External Peer Reviews	Payback of 2x the Award if over \$25,000 required for companies; 3 awards with negotiated ROI (Convertible Notes)	\$11,683,980 invested in 314 projects
	Emerging Ideas (research leading to excellence in R&D capacity, peer recognition, competitive federal grants)	KY Science & Engineering Foundation: R&D Excellence	up to \$50,000 per year for up to two years	University faculty	External Peer Reviews	These seed investments in faculty research return considerable follow-on funding for these faculty from federal and industry sources.	
	Commercialization Fund (university-based technology commercialization)	Kentucky Science & Engineering Foundation	up to \$75,000 per year for up to three years	University faculty	Ext. Peer Reviews and 3rd Party Due Diligence	There may be a payback stipulation negotiated on select awards via a royalty agreement through the postsecondary institution	\$4,446,502 invested in 52 university projects (including some multi-year renewals counted as 'new' awards in original approval/data tracking processes)
TALENT	Kentucky EPSCoR (building research infrastructure)	Kentucky EPSCoR Program	varies among seven federal agencies	University faculty	Peer Reviews and Federal Reviews	These investments leverage considerable matching from federal sources - \$73.7 million since FY2002	\$16,007,324 invested in 396 university projects; federal matching occurs throughout each year.
	Comprehensive business accelerators focused on helping Kentucky entrepreneurs, scientists, and engineers perfect their business strategies and build successful technology companies. Network managed by KSTC and funded by Cabinet for Economic Development, Department of Commercialization and Innovation (DCI).			Six regional ICC offices, located in Bowling Green, Covington, Lexington, Louisville, Murray and Richmond, are staffed by professional training to assist businesses and entrepreneur with their unique growth challenges and supported by the statewide headquarters at KSTC.			448 client companies engaged in the ICC Commercialization Process; client companies have received \$250M in investments.

¹ The Cabinet for Economic Development - DCI also contracts with KSTC for management of the new SBIR/STTR State Matching Fund Program that matches federal awards to successful SBIR/STTR awardees.

C. INVESTMENT IMPACT ANALYSES

The data analyses of KEF, KCF and KSEF programmatic activities include all investments since 2002, the first year such awards were made by KSTC after the start-up period to create the programs. Please be advised that discrepancies can occur because of the dynamic nature of these programs, which involve contract negotiation that do not automatically result in a signed agreement, or others may be canceled, for example, if a faculty leaves the state. Therefore, number of awards, as approved by KSTC and reported in this Executive Summary, may not equal number of active projects reported by the individual programs. Moreover, companies eligible for multi-year awards originally were made only on an annual basis and counted each time a new-year award amount was formally approved. During FY04, the approval protocol was streamlined for efficiencies whereby such approvals may include multi-year amounts but the annual contractual amounts paid are negotiated based on applicant performance, ongoing technical reviews and due diligence.

The EPSCoR Program began the transition to reporting formats that are conducive to analysis by State's priority research focus areas. EPSCoR data contained in this annual report is generated by the KERS database, for data beginning with FY03 data. The EPSCoR Program is funded by seven different federal agencies, which operate on fiscal years different from the State and, in many cases, each other. Reasonable caution is advised in making direct comparisons of federal funds with State funds that operate exclusively on the State fiscal year.

The data analyses begin with FY02, after the start-up phase for the KBE programs. This was the first fiscal year in which KSTC approved awards under the new KBE programs. Please note, however, that the financial analyses cover the full period from FY01 when CPE entered into its first contract with KSTC to manage these programs.

Priority Focus Areas

Consistent with the priority focus areas established by the State, KSTC has invested funds under the Kentucky Enterprise Fund (KEF) and the Kentucky Science and Engineering Foundation (KSEF) exclusively in the areas of Biosciences, Environmental and Energy Technologies, Human Health and Development, Information Technologies and Communications, and Materials Science and Advanced Manufacturing. The Kentucky Experimental Program to Stimulate Competitive Research (EPSCoR) has made these a priority where feasible in complying with guidelines with the federal agencies that sponsor EPSCoR funding and with other priorities set by the Statewide EPSCoR Committee.

A searchable database of all awards is available on-line at www.kstc.com for viewing activity in each of these focus areas, by university, by region and by KBE funding program.

KSTC Board Actions

Minutes of FY08 meetings in which KSTC acted to formally approve new awards are summarized in Attachment 2. (Minutes of meetings in which actions were taken in all prior years under contract with CPE are summarized in prior Annual KSTC Reports to CPE.)

See Attachment 3 for the historical details of number and funding amounts of awards by program by year since inception.

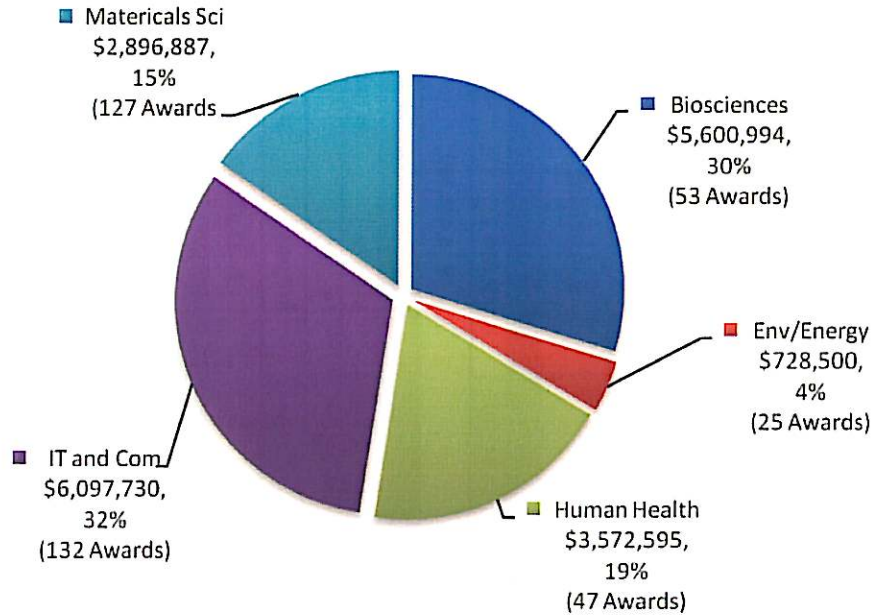
OVERVIEW OF KSTC APPROVALS FOR INVESTMENTS OF CPE/KBE FUNDS: FY02-FY08

CPE/KBE FUND	Actual / Approved Investments (#)				Actual / Approved Investments of State CPE/KBE Funds (\$)				Cumulative Grand Totals Including Withdrawals FY02-FY08
	FY02-FY07		Withdrawals*		FY08 (\$)		Withdrawals*		
	FY02-FY07	FY08 (#)	FY02-FY07	FY08	FY02-FY07	FY08	FY02-FY07	FY08	
Kentucky Enterprise Fund (KEF)									
Rural Innovation - 1	161	16	30		3,357,294	400,000	349,300		4,106,594
Rural Innovation - 2	20	2	11	1	989,796	175,000	803,750	100,000	2,068,546
R&D Voucher	40	2	8	1	6,299,732	400,000	1,200,000	200,000	8,099,732
Early Concept Pool	64	32	3	2	1,600,000	800,000	125,000	50,000	2,575,000
GAP Fund	6	5	0		2,325,000	675,000	0		4,000,000
KEF Annual Subtotals	246	57	52	4	4,571,822	3,450,000	2,478,050	350,000	20,849,872
KEF Subtotal (Excluding Withdrawals)				303		\$ 18,021,822.00			
Kentucky Commercialization Fund (KCF)									
Commercialization Fund	44	8	0	1	3,444,192	1,002,310	0	142,280	4,588,782
Com Fund Subtotal (Excluding Withdrawals)				52		\$ 4,446,502			
Kentucky Science & Engineering Foundation (KSEF)									
R&D Excellence	194	31	3	0	11,070,308	613,672	31,500	0	11,715,480
Phase 0/Phase 00	70	19		0	230,161	63,620	-	0	293,781
KSEF Annual Subtotals	264	50	3	0	11,300,469	677,292	31,500	0	12,009,261
KSEF Subtotal ** (Excluding Withdrawals)				314		\$ 11,977,761			
Kentucky EPSCoR									
EPSCoR	334	62	0	0	13,910,150	2,097,174	0	0	16,007,324
EPSCoR Subtotal ***				396		\$ 16,007,324			
CUMULATIVE GRAND TOTALS									
Annual Grand Totals	775	177	55	4	\$43,226,633	\$7,226,776	\$ 2,509,550	\$ 492,280	\$53,455,239
GRAND TOTAL *** (Excluding Withdrawals)				952					\$ 50,453,409

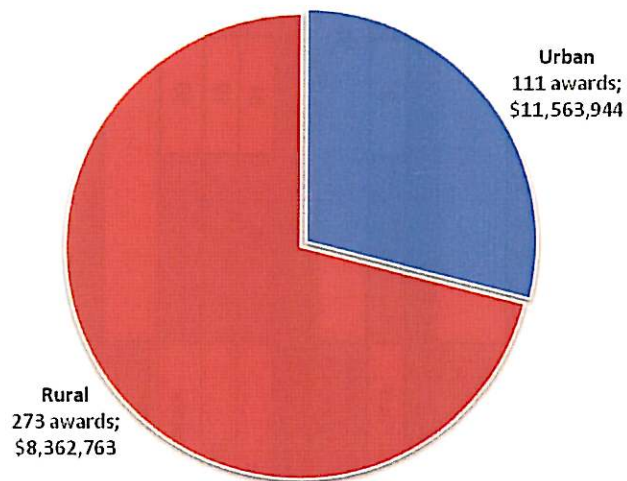
* These awards were approved by KSTC but later withdrawn by the applicant and are presented here for overall context on the volume of approved awards managed by KSTC. Moreover, all KBE awards were selected through reviews of 1,928 applications requesting \$111.2 Million.
 ** This amount exceeds the contract amount for awards due to a limited amount supported partially from CPE-approved use of carry-forward funds for highly qualified proposals.
 *** For consistency, these EPSCoR figures do not include an estimated 16 awards under EPSCoR in the amount of \$2,429,600 for FY01; all other KBE awards began in FY02.

*KSTC's KBE Investments under the Kentucky Enterprise Fund
by State Focus Areas and Urban-Rural Areas (FY02 - FY08)*
(Source: KEF Chapter)

**Kentucky Enterprise Fund
KSTC Portfolio of KBE Investments by Focus Area: FY02 - FY08**

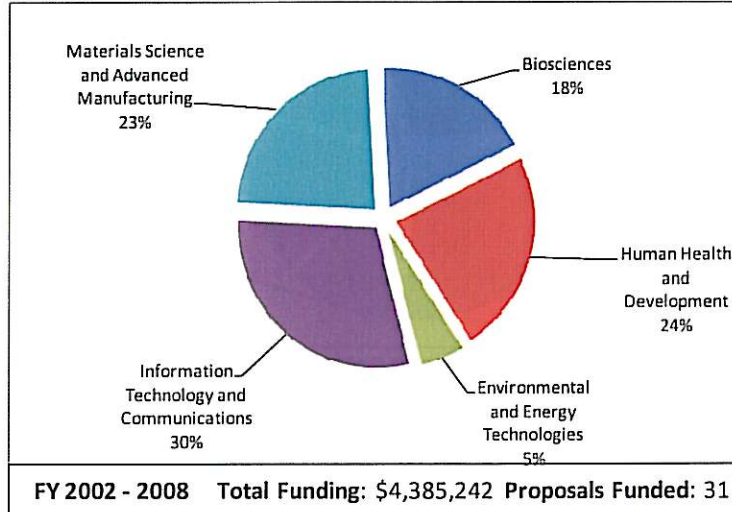


**Kentucky Enterprise Fund
KSTC Portfolio of KBE Investments by Urban/Rural: FY02 - FY08**

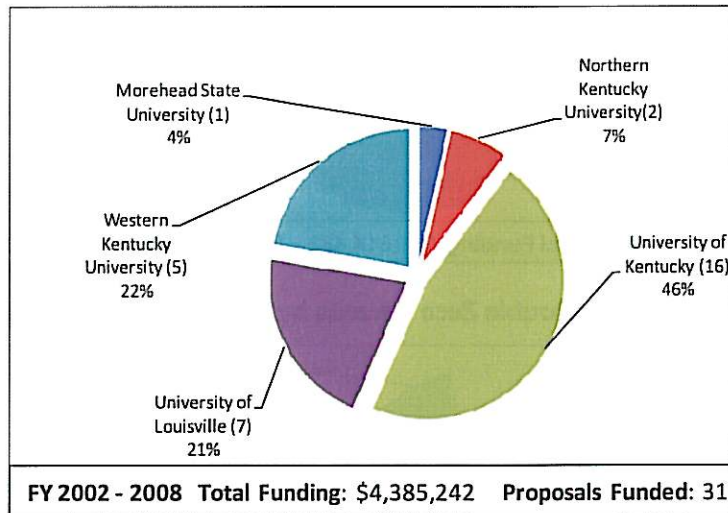


*KSTC's KBE Investments under the Kentucky Commercialization Fund
By State Focus Areas and Universities (FY02 – FY08)*
(Source: KCF Chapter)

Distribution of KCF Funds by Focus Area: FY02-FY08

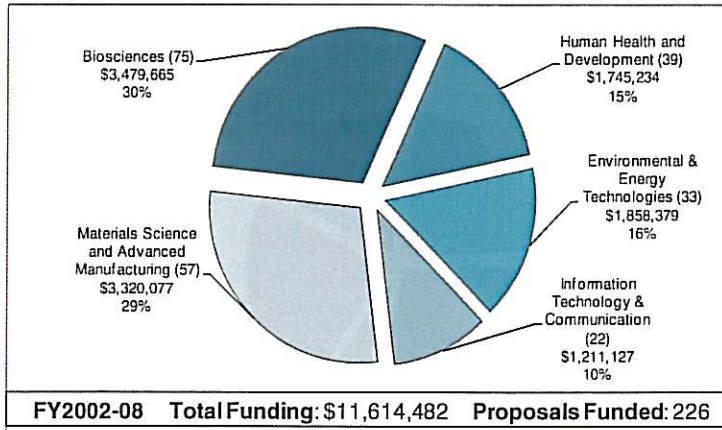


Distribution of KCF Funds by Focus Organization: FY02-FY08

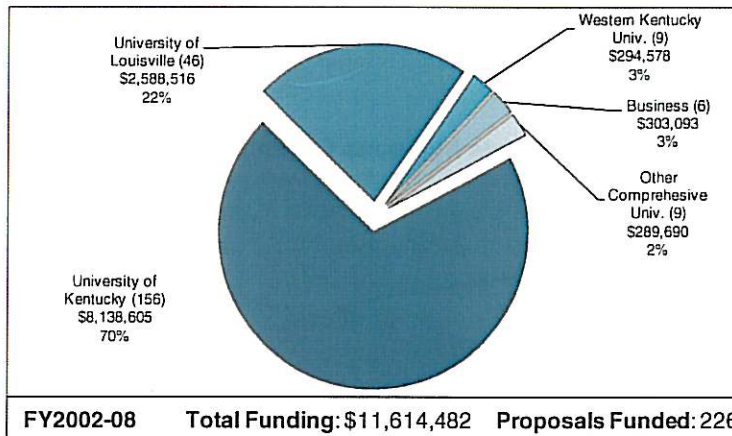


KSTC's KBE Investments under Kentucky Science & Engineering Foundation (FY02-FY08)
 (Source: KSEF Chapter)

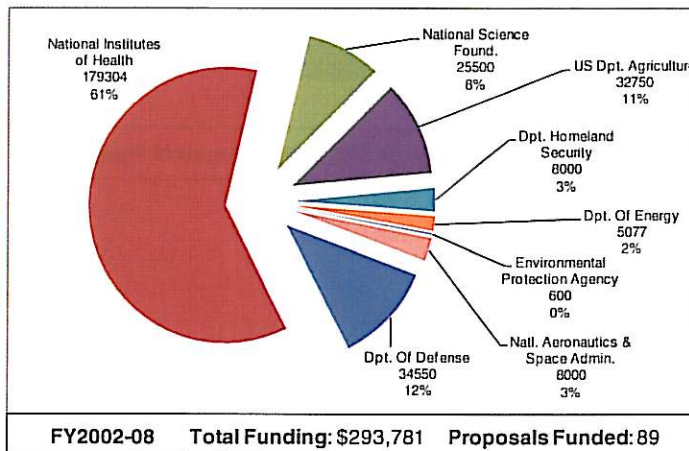
R&D Excellence Program by Focus Area: FY02-FY08



R&D Excellence Program by Organization: FY02-FY08

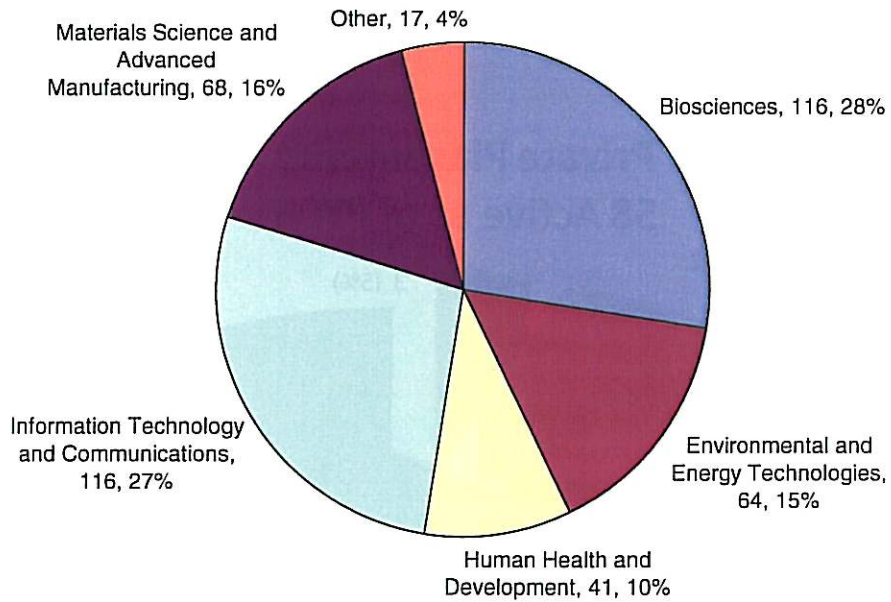


KY SBIR/STTR Phase Zero & Phase Double Zero Awards by Targeted Federal Agencies: FY02-FY08

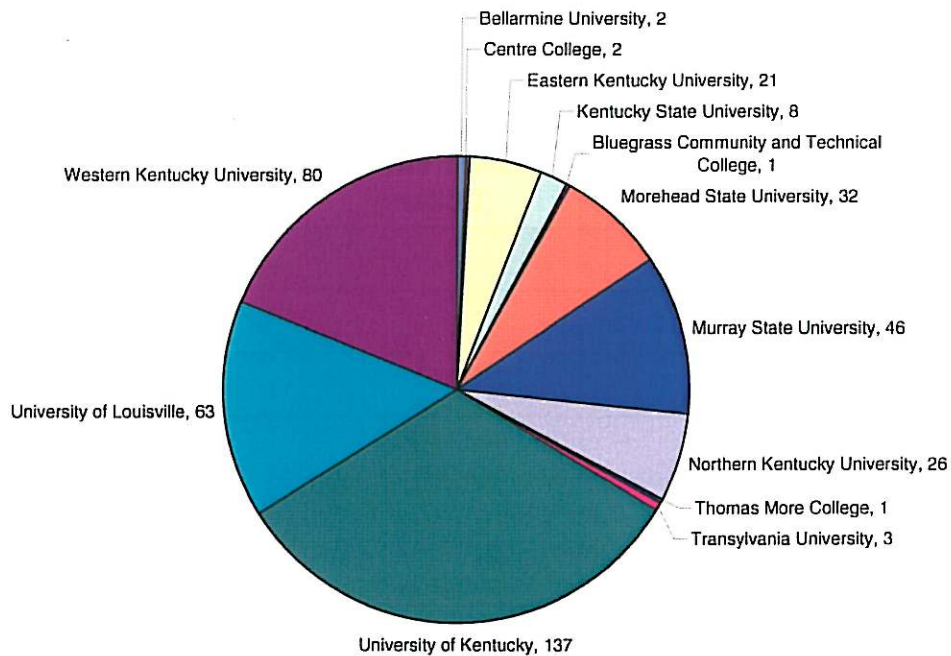


KSTC's KBE Investments under the Kentucky EPSCoR Program by State Focus Areas & by Kentucky Universities (FY02-FY08)
 (Source: EPSCoR Chapter)

EPSCoR Awards by Research Focus Area: FY02-FY08

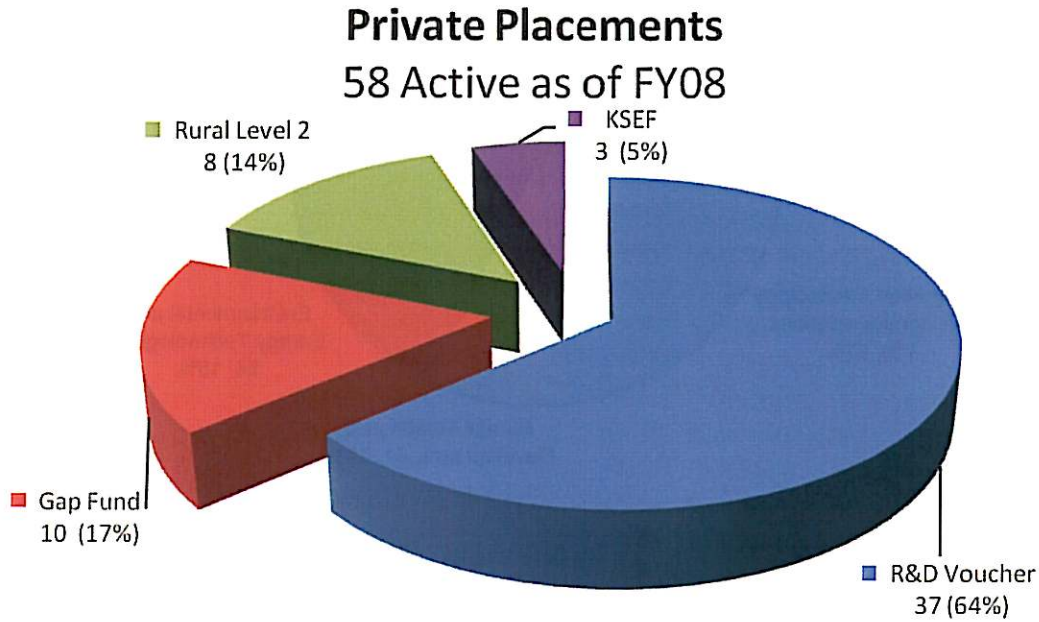


EPSCoR Awards by University: FY02-FY08

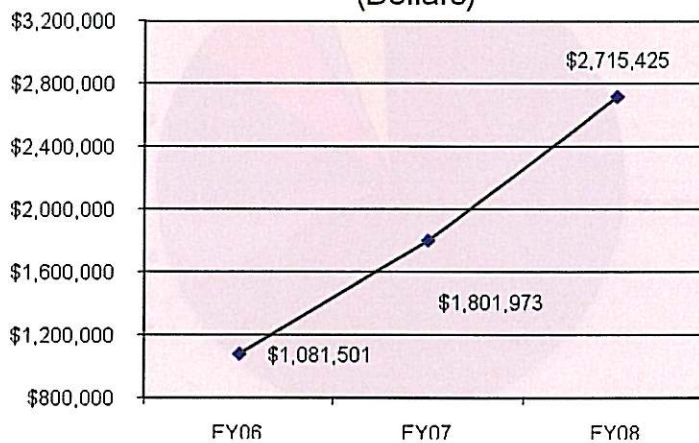


PRIVATE PLACEMENTS

Through its KBE investments, during FY07, KSTC is currently managing 58 active private placements with Kentucky knowledge-based companies. Thirty-seven are through the R&D Voucher Fund, five are through the Rural Innovation Fund, eight are through the Gap Fund, and three are through the Kentucky Science and Engineering Foundation. The companies are in the biotech, life sciences, IT and advanced manufacturing sectors. KSTC has developed a close, ongoing working relationship with each of the companies and holds various governance responsibilities.



Cumulative ROI from Exits and Estimated Value of Investment Conversions (Dollars)



KBE Private Placements

Investment Vehicle Used in Contractual Agreements. These investments include the holding of preferred or common stock offered through a private placement memorandum, royalty arrangements, warrants and convertible notes. The companies undergo rigorous due diligence and regular diagnostics and monitoring to determine the viability of these investments in delivering the negotiated returns.

Return on Investment (ROI). Over the relatively short lifespan of KSTC's KBE programs, the returns on these investments have been better than expected. The current value of Exits and Conversions is \$2,715,426 through a combination of cash receipts, note receivables and stock. It is extremely important that these and all KBE investments are closely monitored so that the returns can be realized to the maximum benefit of the Commonwealth.

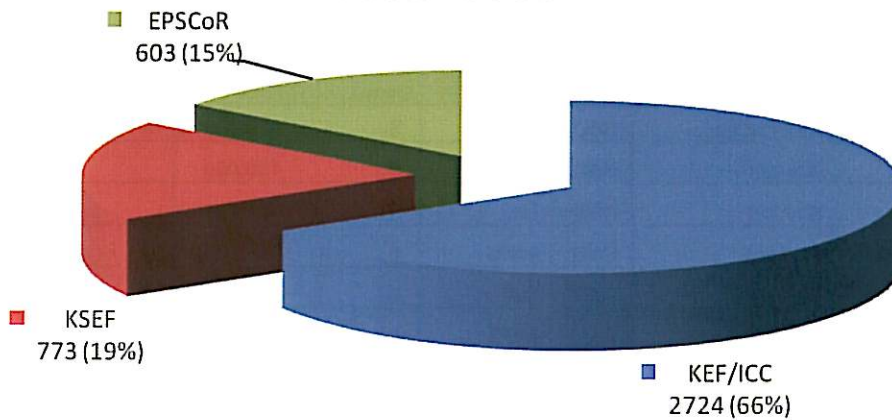
KEF Investment Exits					
Company	Investment Instrument	KBE Fund	University Affiliation	Amount Invested	ROI Value
Aptamera, Inc.	Syndication	R&D	UL	\$ 100,000	\$ 274,089
Athenic Systems, Inc.	Warrant	R&D	UK	\$ 190,000	
ChipRx Inc.	Warrant	R&D	UK	\$ 100,000	
High Tide Technologies, LLC	Warrant	R&D	WKU	\$ 75,210	\$ 82,728
LevTech, Inc.	Warrant	R&D	UK	\$ 51,095	\$ 102,190
Murty Pharmaceuticals, Inc.	Royalty	R&D	MSU	\$ 141,048	
PeopleStrategy, LLC	Convertible Note	R&D	NKU	\$ 200,000	\$ 400,000
Regenerex	Convertible Note	R&D	UL	\$ 199,481	\$ 398,962
SureGene	Convertible Note	R&D	UL	\$ 199,649	\$ 399,299
Subtotals				\$ 1,256,483	\$ 1,657,268
KEF Investment Conversions					
Company	Investment Instrument	KBE Fund	University Affiliation	Amount Invested	Current Estimated Value
Allylix	Convertible Note	R&D	UK	\$ 43,205	\$ 86,410
Agrigrow	Convertible Note	R&D	UK	\$ 97,620	\$ 278,581
Neuronetrix	Convertible Note	R&D	UL	\$ 100,000	\$ 133,333
TapLogic	Convertible Note	R&D	MSU	\$ 85,685	\$ 236,493
Yaupon	Convertible Note	R&D	UK	\$ 103,084	\$ 255,441
Subtotals				\$ 429,594	\$ 990,258
KSEF Investment Exits					
ECM Bioscience	Convertible Note	RDE		\$33,950	\$67,900
KSEF Subtotals				\$33,950	\$67,900
GRAND TOTALS				\$1,526,277	\$2,715,426

COMPANY FORMATIONS

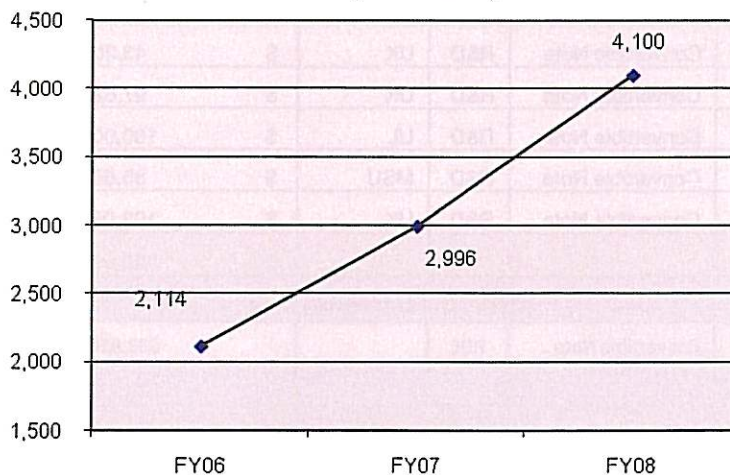
While the immediate impact of company formations from KEF and KSEF is 87 new company creations, 448 new companies were formed under the Kentucky Enterprise Fund investments in conjunction with work of the Innovation and Commercialization Centers.

JOBS IMPACT BY KBE INVESTMENTS

4,100 Jobs Generated by KBE Investments FY02 - FY08

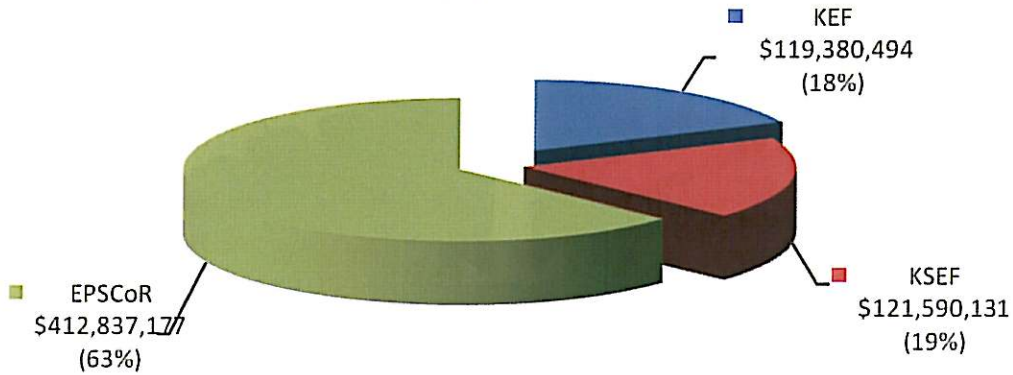


Cumulative Job Creation (Numbers)

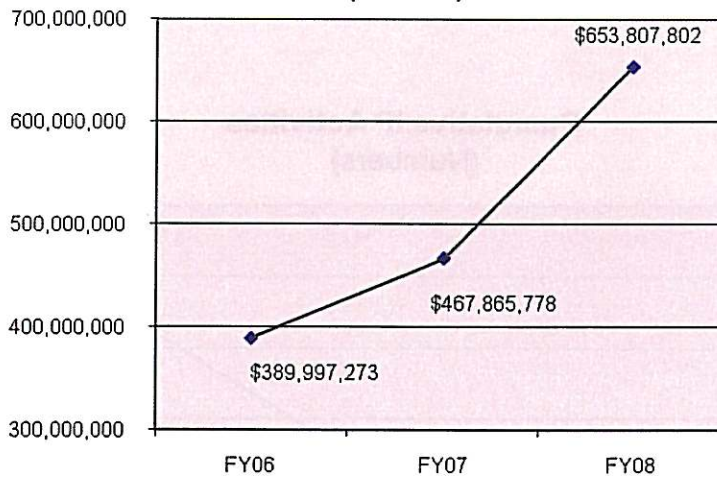


FOLLOW-ON LEVERAGING GENERATED BY KBE INVESTMENTS

Follow-On Funding: \$653,807,802 (Private and Federal Sources) FY02-FY08

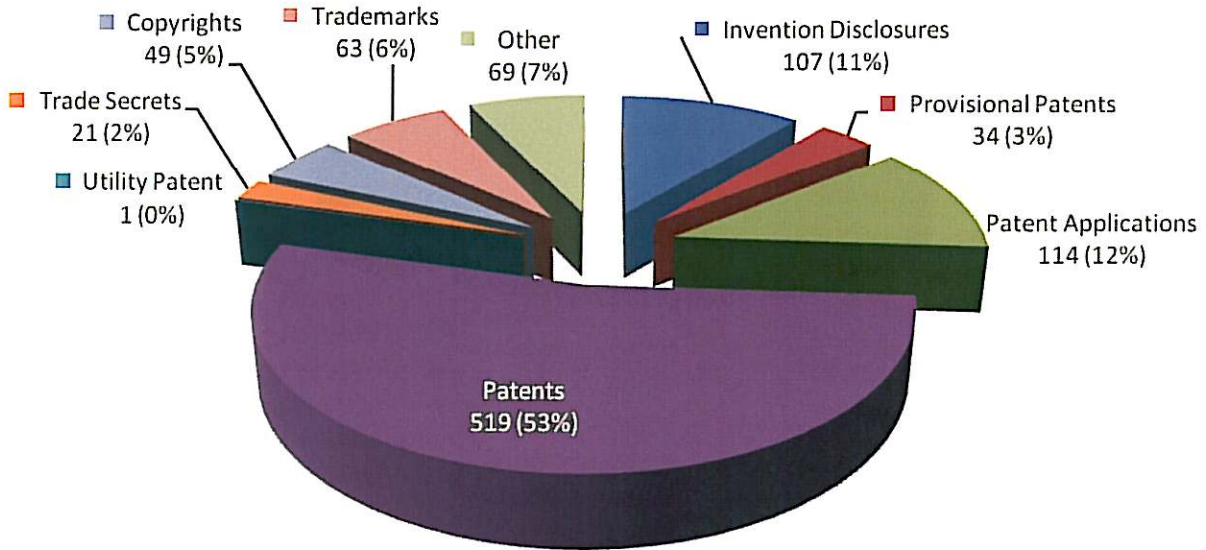


Cumulative Follow-On Funding (Dollars)

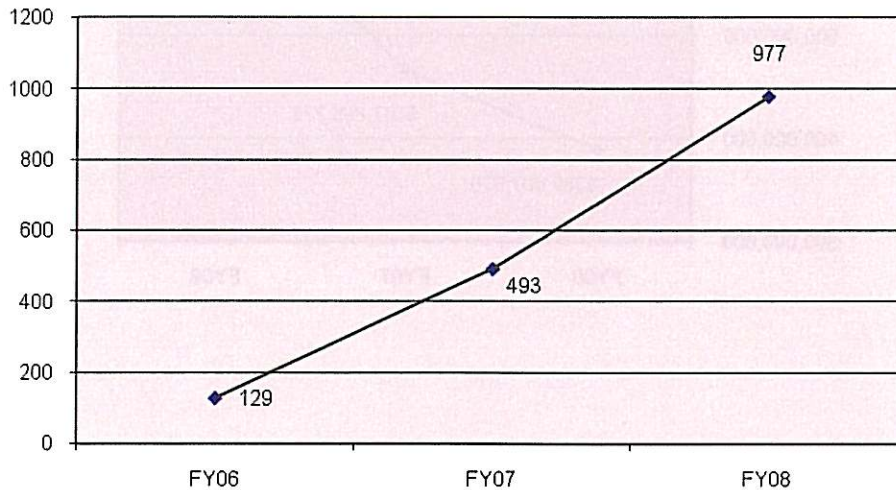


INTELLECTUAL PROPERTY GENERATED BY KBE INVESTMENTS

977 IP Activities Generated by KBE Investments FY02-FY08



Cumulative IP Activities (Numbers)



D. DUE DILIGENCE PROCESS

KSTC created and continues to implement and refine a rigorous due diligence process for making KBE investments in both companies and faculty that apply for KBE funding. In previous annual reports, this process has been summarized including the internal and external stages of this application-review process used by the Kentucky Enterprise Fund, Kentucky Commercialization Fund and the Kentucky Science and Engineering Foundation. In addition to this due diligence process, the Kentucky EPSCoR Program institutes in-depth review protocols in compliance with standards set by seven federal agencies.

E. PUBLIC AWARENESS

The "Portfolio of KBE Investments" is updated routinely as new investments are approved by the KSTC Board of Directors and contract negotiations completed with the applicant. An on-line version searchable in real-time is always available at www.kstc.com.

Program brochures on various funds have been prepared and are disseminated at every opportunity. Websites for each program are a main source of up-to-date information on requests for proposals, funding guidelines and award announcements. The Kentucky Enterprise Fund is www.startupkentucky.com KSEF (and KCF) program information is available at <http://ksef.kstc.com> EPSCoR is www.kyepscor.org; Kentucky Space is www.kentuckyspace.com. In addition, the KSTC website offers one-stop access to all of these sites at www.kstc.com.

F. INTERNAL OPERATING PROTOCOLS

KBE Records Retention Protocols. Refinements to KSTC's records retention policies approved by the KSTC Executive Committee in 2006 remain in effect to address specific needs of its KBE programs and investments. The volume of materials grows considerably each year such that specific timetables have been established distinguishing between funded and unfunded applications, and review materials. While KSTC makes extensive use of electronic files, this policy addresses length of time for retaining hard copy files after completion of funded projects, and electronic back-up protocols. FY07 began the execution of these retention protocols, including authorization forms as each set of appropriate paper files are destroyed.

Confidentiality of Proprietary and Protected Information. KSTC institutes various protocols to maintain the confidentiality of materials submitted by applicants to KEF, KCF and KSEF programs. This includes application forms that request the applicant to clearly indicate if there is proprietary or other confidential information contained in the proposal. External reviewers for these programs first sign non-disclosure statements prior to serving as a reviewer. Finally, the original application documents are stored in locked file cabinets with only two people who have access to the keys. Electronic, on-line firewalls and security codes are continuously in place for electronically stored information. Records destruction involves shredding documents to preserve confidentiality throughout the life of these files.

Data Security Protocols. KSTC maintains web services/server security protocols involving Server/ Security Software, Operating System Security, Firewall and Router Security, and Physical Security including but not limited to regularly scheduled backups kept in a highly secure offsite location. The firewall is at the "edge" of our network, and antivirus software is deployed at the desktop level.

KSTC contracts with a single professional service provider to develop and closely monitor KBE databases, which also feed related websites. This not only allows for efficient coordination of databases for consolidated reporting and analyses across all KBE programs, this minimizes exposure and maximizes security of KBE databases.

Technology Upgrades and Back-up Redundancy. During 2008, KSTC completed a system upgrade and off-site back-up protocols for electronic program files. With the exponential growth of these files, including retention of active files, these system upgrades and regular reviews and refinements of back-up protocols are expected to continue through FY09 and beyond.

G. ACCOUNTABILITY INFRASTRUCTURE

KSTC has made a significant investment in its KBE infrastructure – people (employees, outside advisors, service providers, and mentors to clients, Investment Committees, etc.), equipment and information technology. This section summarizes automated systems that support application and awards management, financial tracking, reporting and accountability.

DATABASE TRACKING

Common Core of Data Elements. All KBE programs managed by KSTC have adopted a common core of data elements to assist statewide analyses and reporting across all relevant programs.

Kentucky Enterprise Fund Database. KSTC records all information related to KEF applicants in a robust, centralized database. This database was built using the latest web based technology state-of-the-art secure systems. Access is controlled by user identification and password over a secure connection. The database tracks at least 70 relevant data fields and is expandable as the need arises. This flexibility allows KSTC to adapt its portfolio of awardees as investments mature and changes.

Designed specifically for tracking the entire application and award lifecycle (i.e., from application to contract), the database stores all relevant client information and documents, including funding applications, business concept synopses, external due diligence, contracts and their modifications, and records of all financial transactions. At any point, KSTC can pull up the most up to date information on an awardee and provide answers to help expedite invoicing, deliverable management or application progress.

An intuitive and powerful querying tool allows for easy report generation, which can be tailored to specific industries, geographies, or funds. These features permit users of The Fund database to meet the needs of their clients and customers in an efficient and expedient manner.

Kentucky Science and Engineering Foundation Database. Likewise the KSEF and KCF databases are comprised of both a growing directory of expert reviewers and a rich source for program management of all applications and awards made. Currently the database tracks more than 100 data fields and is expandable to meet ongoing development needs. This experience has compounded the value of the databases for gaining efficiencies and searching for the wealth of data on the research areas, faculty affiliation, project abstract, deliverables, reviewers, awards amount and tracking status and follow-on activities and impacts.

Kentucky EPSCoR Reporting System (KERS). The web-based KER System supports a three-fold purpose. The first is to track information on the proposals submitted to and funding awards made by the seven KY EPSCoR Federal Agencies (NSF, NASA, DOD, DOE, EPA, NIH, and USDA) as well as the KY Statewide EPSCoR Infrastructure Program.

The second is to collect up to nine different types of information on the awards that describe their impact on Kentucky and its research community. These 'impact reports' are collected annually for most ongoing awards, and for 3 to 5 years following the award completion date.

The third purpose of KERS is to compile the collected impact information from each of the individual awards for use by the Kentucky EPSCoR agency subcommittees in compiling their annual reports to their respective Federal agency and to the KY Statewide EPSCoR Program office.

H. FINANCIAL REPORTS

Fund balances and related financial information contained in this summary are presented for both program and administrative activities. This covers all relevant years to date for which KSTC has entered into contracts with CPE for creating and administering these programs, i.e., FY01, FY02, FY03, FY04, FY05, FY06, FY07 and FY08. As always, other backup details for these financial figures are available on request.

The tables on the following pages contain financial data reports that address:

- State appropriations and disbursements (all years);
- KSTC receipts, expenditures and fund balances (all years); and
- FY08 FTE Staff Salary/Time Distributions across these KBE funds.

Kentucky Commercialization Fund. The functional operations of KCF have been successfully transferred from KEF to KSEF staff as planned. For historical consistency of financial reporting, we have determined that it will be more efficient for KCF financial reporting to remain under KEF. As a reminder, each KBE Fund is allocated under separate KSTC Fund Numbers.

EPSCoR Program Funds Transferred from CPE to Universities. The Summary of Receipts, Expenditures and Fund Balances does not reflect 'matching' funds transferred directly from CPE to various Kentucky postsecondary institutions to leverage federal EPSCoR and EPSCoR-type grants. These transfers are coordinated by KSTC pursuant to a Personal Service Contract with CPE and corresponding Memoranda of Understanding with KSTC.

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**Council on Postsecondary Education
November 7, 2008**

**Science, Technology, Engineering, and Mathematics (STEM)
Initiative Task Force Report**

The Science, Technology, Engineering, and Mathematics Task Force was assembled in 2006 to develop a statewide P-20 strategic action plan to accelerate Kentucky's performance within the STEM disciplines.

The task force, chaired by University of Kentucky President Lee Todd, consisted of 110 members representing government, business, and education sector stakeholders. For approximately four months the task force reviewed data, heard testimony, and conducted research to identify the scope and seriousness of the STEM crisis in America and in Kentucky. Conclusions and recommendations were published in the 2007 report, *Kentucky's STEM Imperative: Competing in the Global Economy*.

Senate Bill 2, passed during the 2008 General Assembly, established the STEM Task Force in statute and called for the development of a STEM Implementation and Business Plan. Agreeing to continue leadership of the STEM2 Task Force, President Todd has been joined by co-chair Commissioner Deborah Clayton (of the Department of Commercialization and Innovation) to review previous recommendations and develop implementation strategies. Work groups comprised of over 50 participants from stakeholders across the state will help develop implementation plans focusing on issues related to public awareness, professional development, partnership engagement, and funding capacity.

The STEM Business Plan will be presented to Governor Steve Beshear and the Interim Joint Committees on Appropriations and Revenue and Education in December 2008, with one-, three-, and five-year goals established.

President Todd will report on the work of the STEM2 Task Force at the November 7 Council meeting.

Council on Postsecondary Education
November 7, 2008

2007-08 Accountability Report Update

The Council staff is working on the *2007-08 Accountability Report*, as directed by KRS 164.020. The report, scheduled for completion in January 2009, will be submitted to the Governor, the Legislative Research Commission, and the Strategic Committee on Postsecondary Education, and distributed to postsecondary institutions, the General Assembly, and other key partners. The purpose of the report is to annually review progress made toward the achievement of key indicator performance goals and to discuss initiatives that will be undertaken next year to promote improvement.

The report is organized around the five questions of the Public Agenda:

1. Are more Kentuckians ready for postsecondary education?
2. Is Kentucky postsecondary education affordable for its citizens?
3. Do more Kentuckians have certificates and degrees?
4. Are college graduates prepared for life and work in Kentucky?
5. Are Kentucky's people, communities, and economy benefiting?

The key indicators under each question are assigned an arrow: up arrows indicate improvement, down arrows indicate a decline, and horizontal arrows indicate little or no change over the previous year's performance. A summary of last year's results is attached and the results have been newly incorporated into the agenda book tabs to provide greater visibility of these results. The full *2006-07 Accountability Report* is available on the Council's Web site at <http://cpe.ky.gov/planning/statusreports>.

The *2007-08 Accountability Report* will follow the same format as last year's with an expanded section on initiatives that will be implemented to improve performance. To this end, the Council and the institutions are submitting information on their five most significant achievements in 2007-08, as well as major initiatives that will be implemented in 2008-09 to accelerate progress toward statewide goals and objectives. Some of this information will appear in the printed report and some will be available on the Council's Web site as an online supplement.

Brief Overview of Kentucky's Postsecondary Education Accountability System

In addition to requiring an annual accountability report, KRS 164.020 also outlines other mandatory components of Kentucky's accountability system for postsecondary education:

A strategic or public agenda for postsecondary education that identifies short-term objectives in furtherance of the long-term goals set forth in the *Kentucky Postsecondary Education Improvement Act of 1997* (HB1). The Public Agenda for 2005-2010 is *Five Questions – One Mission: Better Lives for Kentucky's People*. It is organized around the five questions and articulates the key indicators and strategies used to answer each

question. Over the last decade, the Council has worked to streamline the number of indicators to focus attention on the issues most critical to reform. Currently, the Council tracks 26 key indicators – half measure progress at the statewide level and the other half at the institution level. Four indicators are still under development (related to institutional affordability, college-level learning, and community engagement), and one indicator has been temporarily suspended by the Education Professional Standards Board (teacher quality index). The Council will develop a new Public Agenda for 2011-2015, which will present an opportunity to review the accountability system and revise the five questions, key indicators, or any other component at that time.
















A strategic implementation plan, which serves as a guide for institutional plans and missions. In 2005, in addition to the Public Agenda, each institution developed a campus action plan to fulfill this component. Institutions are heavily guided by their institutional strategic plans, which are reviewed and assessed for alignment with CPE's Public Agenda.












Mission statements, goals, principles, strategies and objectives, benchmarks, and incentives must be part of the framework of strategic implementation plans to achieve the desired results.

- **Mission statements:** The Council systematically reviewed institutional mission statements for HB1 compliance in 2005, and missions will be reviewed again in 2010. The Council's current mission statement is "One mission: better lives."
- **Goals:** Key indicator performance goals are negotiated with institutions every other year. Attainment of 2007-08 goals will be reported in this year's accountability report, and the Council staff is working with institutions to establish new goals for 2009-10. These are scheduled to be reviewed by the Council in March 2009.
- **Strategies and objectives:** Also called "current initiatives," strategies and objectives are described in the annual accountability report and in various institutional annual reports and Web sites. The Council is expanding this part of the accountability report to make it easier for readers to determine specific actions being implemented to improve performance.
- **Principles:** The Public Agenda includes three "guiding principles": work together, be good stewards, and close the gaps.
- **Benchmarks:** The Council references national and SREB comparative data in accountability reports and uses comparative data from different regions of the state where available, as required by statute.
- **Incentives:** Since the beginning of reform, the Council has used various funding mechanisms, including trust funds and special funding programs (e.g., Research Support, Workforce Development, Regional Stewardship, and the Performance Funding Pilot), to provide incentives for increased strategic activity. The \$20 million Double the Numbers degree fund, requested as part the Council's 2008-10 budget recommendation but not funded, was another example of a performance incentive.

Staff preparation by Melissa McGinley and John Hayek

Key indicator results

Key Indicator	Status	One-Year Change	Trend
Question 1: Are more Kentuckians ready for postsecondary education?			
Average ACT Score		Making progress: Kentucky's average ACT score was 20.7, up from 20.6 last year.	Up 0.5 percentage point from 1998
Advanced Placement		Making progress: The number of passing scores on AP subject tests per 1,000 juniors and seniors was 96 in 2006, up from 82 in 2004.	Up 92% from 50 in 2000
Developmental education		Making progress: In 2004, 35% of incoming freshmen required developmental education in math, 29% in English, and 22% in reading. In 2002, those percentages were 35%, 32%, and 25%, respectively.	Only two years of comparable data available
GED attainment		Making progress: In 2007, 9,282 GEDs were awarded, up from 9,007 in 2006.	Down 17% from 11,128 in 1998
Teacher quality index	NA	Under revision: This indicator, developed by the Education Professional Standards Board, is under revision.	NA
Question 2: Is Kentucky postsecondary education affordable for its citizens?			
Affordability of college for all families		Losing ground: In 2006, Kentucky families needed 26% of their incomes to cover one year at KCTCS, 30% at a four-year public university, and 61% at an independent institution, up from 21%, 22%, and 52% in 2004.	Up 9 percentage points at KCTCS, 9 percentage points at four-year publics, and 17 percentage points at independents from 2000
Affordability of college for low-income families		Losing ground: In 2006, Kentucky's poorest families needed 24% of their incomes to pay for one year of tuition at KCTCS, up from 20% in 2004.	Up 10 percentage points from 2000
State investment in need-based financial aid		Making progress: In 2006, state investment in need-based financial aid was 42% of federal Pell grant funding, up from 40% in 2004.	Up 9 percentage points from 2000
Average student loan debt		Losing ground: In 2006, the average student borrowed \$3,210 for college, compared to \$3,018 in 2004.	Down from \$3,327 in 2000
Institutional affordability	NA	To be determined: This indicator will be finalized upon completion of the statewide affordability study in 2008.	NA
Question 3: Do more Kentuckians have certificates and degrees?			
Ninth-graders' chance for college by age 19		Holding steady: In 2006, the chance of a ninth-grader entering college by age 19 was 38%, the same as in 2004.	Up 2 percentage points from 2000
College-going rate of GED graduates		Losing ground: The college-going rate of GED graduates fell from 21% in 2006 to 19% in 2007.	Unchanged from 2003-04, the earliest year available
Undergraduate enrollment		Making progress: In fall 2006, undergraduate enrollment reached 205,153, up from 202,197 in 2005.	Up 40% from 1997
Graduate and professional enrollment		Making progress: In fall 2006, graduate and professional enrollment was 27,182, up from 27,008 in 2005.	Up 20% from 1997
Degrees awarded statewide		Making progress: 49,698 degrees/credentials were awarded statewide in 2006-07, up from 48,013 in 2005-06.	Up 94% from 1997-98
Degrees awarded by institution		Making progress: Seven of eight public universities increased degrees awarded from 2005-06, as did AIKCU and KCTCS.	Seven of eight universities increased degrees awarded from 1997-98, as did AIKCU and KCTCS
Minority degrees statewide		Making progress: 4,427 degrees/credentials were awarded to minorities in 2006-07, up from 4,254 in 2005-06.	Up 141% from 1997-98

Key Indicator	Status	One-Year Change	Trend
Question 3: Do more Kentuckians have certificates and degrees?			
Minority degrees by institution		Making progress: Six of eight public universities increased degrees awarded to minorities from 2005-06, as did AIKCU and KCTCS.	Every institution increased degrees awarded to minorities from 1997-98.
Transfers from KCTCS to four-year institutions		Making progress: 4,486 KCTCS students transferred to Kentucky four-year institutions in 2006-07, a 1% increase over last year.	Transfers systemwide have increased 11% from 1997-98.
Six-year graduation rate and KCTCS three-year persistence rate		Holding steady: Graduation rates increased at four public universities and decreased at four public universities and AIKCU from 2005-06. KCTCS's three-year persistence rate declined slightly from 2004-05.	Eight of nine institutions increased graduation or persistence rates from 1997-98.
Question 4: Are college graduates prepared for life and work in Kentucky?			
Licensure examination pass rates		Making progress: Kentucky's pass rate on every licensure exam tracked by the Council exceeds the national pass rate. Six pass rates rose, four fell, and one was unchanged from the previous year.	Six pass rates rose, one fell, and four remained unchanged from 1998-99.
Student engagement in undergraduate learning		Holding steady: 2007 survey results did not fluctuate widely from 2005. Four of eight institutions met at least half of their 2007 goals.	All but one institution increased at least half of their student engagement scores since 2001.
Civic participation of undergraduate students		Holding steady: 2007 survey results did not fluctuate widely from 2005. Four of eight institutions met at least half of their 2007 goals.	All but two institutions increased at least half of their civic engagement indicators since 2001.
College-level assessments	NA	To be determined: The Council is currently selecting assessment tools for this measure. KCTCS likely will use WorkKeys.	NA
Question 5: Are Kentucky's people, communities, and economy benefiting?			
Extramural research and development expenditures		Making progress: Six of eight public institutions increased R&D expenditures from last year; R&D expenditures per capita increased 8% from the previous year.	Institutional R&D expenditures up 109% from 2000; R&D per capita up 111% from 1998
College graduates remaining in Kentucky		Making progress: 86% of 2001 graduates were in KY five years later, compared to 73% of 1996 graduates.	Only two years of comparable data available
STEM degrees & credentials		Making progress: STEM credentials and STEM bachelor's degrees were up 4% and 2% from last year, respectively.	From 1997-98, total STEM credentials up 89%; STEM bachelor's degrees up 11%
Workforce training		Making progress: KCTCS increased workforce training to 200,208 in 2005, up from 189,939 in 2004.	Up 20% from 2001
Business start-ups		Holding steady: Performance on this indicator has remained relatively flat since 2000.	Since 2000, UK is down two start-ups; UofL is up two.
Faculty/staff engagement	NA	Under review: The Council collected data in 2007, which is under further analysis and review.	NA
Formal stewardship agreements	NA	To be determined: This indicator will be finalized when Regional Stewardship measures are adopted.	NA

**Council on Postsecondary Education
November 7, 2008**

Trustee Leadership/Professional Development Proposals

Since the passage of postsecondary reform in 1997, the CPE has sponsored several initiatives to provide professional development opportunities for members of institutional boards including leadership retreats hosted by the CPE board chairman, the Institute for Effective Governance, a program jointly sponsored by CPE and the Prichard Committee, and the annual Governor's Conference on Postsecondary Education Trusteeship. The activities have helped meet the Council's statutory requirement to provide professional development and orientation programs for board members and have provided a valuable service in bringing together trustees to share issues of interest and common concern.

State-level board professional development currently is limited to the trusteeship conference, an event that has gained a strong reputation over the past several years. Attendance has been strong, and feedback about the quality of programs has been overwhelmingly positive. The participants have welcomed the opportunity to get more hands-on knowledge about their responsibilities as board members and learn about state and federal policy issues and how those impact their institutions. The trustees also value the opportunity to interact with board members from other institutions and with members of the Council.

The following proposals would be developed and implemented in partnership with the institutional presidents and other campus representatives and would be designed to build on the state-level professional development opportunities offered by the trusteeship conference.

Proposal #1 – Creation of the Kentucky Trustee Leadership Roundtable

The Trustee Leadership Roundtable would be a group comprised of the board chairs and vice chairs of Kentucky's public universities, the KCTCS system, and the Council on Postsecondary Education. Board chairs representing Kentucky's independent colleges might also be invited to join. The goal of the group would be to provide a venue and forum for the lay leadership of the institutions of postsecondary education in the state to meet with their peers from the Council to discuss key issues related to the implementation of HB 1, current policy issues at the state or institutional level, and determine broader state-level professional development opportunities for other members of their boards.

The group would meet two to three times a year (one meeting at the annual trusteeship conference) and would be staffed by CPE in collaboration with institutional presidents and administrators. Speakers/facilitators might be brought in for these events to address topics of interest and facilitate discussion. Should there be a desire to move forward, it is recommended that the CPE board chair convene a meeting of the group in the next few

months to determine the feasibility and value of the Trustee Leadership Roundtable and determine next steps.

Proposal #2 – Creation of the Trustee Professional Development Series

The Trustee Professional Development Series would provide educational and training opportunities to public college and university board and CPE members emphasizing both the effectiveness of boards as units and individual member training. Administered by the Council on Postsecondary Education under the direction of the Kentucky Trustee Leadership Roundtable and in collaboration with institutional presidents, the series also would seek to improve communication and strengthen relationships among the various institutional boards and with the members of the CPE. The series would focus both on delivering content (best practices, nuts and bolts information) and on effective board behavior (leadership skills, team building).

The professional development opportunities offered through the series will be determined by the Leadership Roundtable. Ideally, the professional development opportunities will be offered three to four times throughout the year for those trustees with an interest in the specific topics. They might be focused in a specific region, offered in a Webinar format, or in a state-level seminar/workshop format. To the extent possible, the series would make use of the expertise within Kentucky's colleges and universities, the Association of Governing Boards, and other leadership organizations to lead sessions, workshops, seminars, etc.

Proposal #3 – Use Technology to Improve Communications

Another strategy to improve communication among the institutional boards would be the creation of a quarterly or semi-annual electronic newsletter, Web site, or electronic forum to facilitate communication among the institutional lay leadership. It will be developed and administered by the Council on Postsecondary Education under the direction of the Kentucky Trustee Leadership Roundtable and in collaboration with institutional presidents or their representatives. The newsletter/e-forum would provide information about state-level events and activities of interest to college and university trustees, highlight the work of the Trustee Leadership Roundtable, report on events sponsored by the Trustee Professional Development Series, and provide an online space to share information, post comments, and ask questions.

**Council on Postsecondary Education
November 7, 2008**

Improving Educator Quality State Grant Program

ACTION: The staff recommends that the Council on Postsecondary Education award federal *No Child Left Behind*, Title II, Part A, funds in the amount of \$1,115,000 for January 1, 2009, to June 30, 2010, to support eight projects.

- *The Math and Science Partnership: Increasing Science Instruction and Achievement in Middle School Classrooms* (Morehead State University): \$140,000
- *West Kentucky Mathematics Partnership II* (Murray State University): \$140,000
- *E²: Enlivening and Energizing EPAS Professional Development* (Northern Kentucky University): \$140,000
- *Embedded Teacher Learning Through Online Modules: Leveraging Professional Development Resources in Kentucky* (University of Kentucky): \$135,000
- *Mathematics and Special Education* (University of Kentucky): \$140,000
- *Putting All Students on Track: A Partnership to Ensure Success in College Level Mathematics* (University of Kentucky): \$140,000
- *Science Literacy Project for Middle School Teachers* (University of Kentucky): \$140,000
- *Learning Capacity Advancement in Middle School Science and Mathematics* (Western Kentucky University): \$140,000

The Improving Educator Quality State Grant Program awards grants to partnerships that deliver research-based professional development programs to P-12 teachers. To be eligible, a partnership must include a postsecondary institution's school of arts and sciences and its teacher preparation program, as well as at least one high-need local school district. The program enables states to fund training for teachers and administrators in any core academic subject.

In 2006 the Kentucky General Assembly passed Senate Bill 130 requiring the P-12 assessment program to include a high school readiness examination in the 8th grade, a college readiness examination in the 10th grade, and requiring all students in the 11th grade to take the ACT. This has resulted in the implementation of ACT's Educational Planning and Assessment System (EPAS) in Kentucky.

EPAS, which includes the EXPLORE assessment in the 8th grade, the PLAN assessment in the 10th grade, and culminates with the ACT assessment in the 11th grade, provides a longitudinal, systematic approach to educational and career planning, assessment, instructional support, and evaluation. EPAS places emphasis on the integrated, higher-order thinking skills which students develop in grades P-12 that are important for success both

during and after high school. The system focuses on a number of key transition points that young people face, particularly 8th graders preparing to enter high school, 10th graders planning and preparing for college and the workplace, and 11th and 12th graders being ready for life after high school.

Senate Bill 130 also requires the Council on Postsecondary Education and public postsecondary institutions to offer support and technical assistance to schools and school districts in the development of accelerated learning for students who demonstrate a need for intervention due to low scores on the high school or college readiness exams. To that end, the Council is focusing Year 7, as it did with Year 6, of the Improving Educator Quality State Grant Program on projects which integrate EPAS professional development that assists teachers in providing intervention in Core Content areas for students in need of accelerated learning.

External reviewers and content-area specialists reviewed 13 grant proposals and made recommendations to the Council staff. Eight proposals were selected. Brief descriptions of these projects follow.

Morehead State University: \$140,000

The Math and Science Partnership: Increasing Science Instruction and Achievement in Middle School Classrooms

Cathy Gunn, principal investigator

Morehead State University, in collaboration with Pikeville College, proposes to increase mathematics and science achievement of middle school students in several eastern Kentucky school districts through the integration of scientifically researched instructional strategies that have been effective in math and science achievement. The project will foster the development of active, engaged, independent scientific and mathematical thinkers in middle school classrooms. In addition, it will foster the development of knowledge, skills, and attitudes that support learning strategies used by science and mathematics teachers that result in active, engaged, and independent middle school scientific and mathematical thinkers.

Murray State University: \$140,000

West Kentucky Mathematics Partnership II

W.A. Franklin, principal investigator

Murray State University, in collaboration with the University of Kentucky/Paducah Engineering School, proposes to build upon the work of their previous West Kentucky Mathematics Partnership grant to continue to improve teacher content knowledge and student achievement in mathematics in the districts served by the project. The project will focus on using student assessments to improve and guide instruction. Participating districts are particularly focused on using EPAS data more effectively to improve instruction and move their students toward college readiness.

Northern Kentucky University: \$140,000*E²: Enlivening and Energizing EPAS Professional Development*

Lenore Kinne, principal investigator

In the second year of this project, Northern Kentucky University, in collaboration with Thomas More College, the Kentucky Center for Mathematics, and local GEAR-UP schools, proposes to develop a “train-the-trainer” model for teachers to use EPAS results to develop and implement students’ Individual Learning Plans, particularly encouraging enrollment in higher-level mathematics and science courses to promote postsecondary, career, and life goals. The project also will apply research-based strategies to build intrinsic motivation to learn in middle and secondary students, to promote effective scientific and mathematical reasoning in middle and secondary students through reading comprehension strategies, and to accelerate and enrich mathematical and scientific knowledge and reading in middle and secondary students, integrating these skills into EPAS-identified areas of need.

University of Kentucky: \$135,000*Embedded Teacher Learning Through Online Modules: Leveraging Professional Development Resources in Kentucky*

Lars Bjork, principal investigator

In the second year of this project, the University of Kentucky proposes to launch four online professional development short courses, or modules, specifically targeting activities designed to promote student success and readiness for high school, college, and career. Those modules were created in the first year of the project. In the second year of the project, additional modules will be completed and launched. Most modules will involve conversion of existing professional development materials into an online format, which will leverage resources already invested for much broader consumption. Modules created by this project will target important teacher learning needs in Kentucky, such as understanding and utilizing EPAS and providing intervention strategies in core content areas.

University of Kentucky: \$140,000*Mathematics and Special Education*

Kim Zeidler, principal investigator

The University of Kentucky, in collaboration with Eastern Kentucky University and Somerset Community College, proposes a project that will help all students develop the aspirations and skills to be successful in postsecondary settings. This project will provide the content and strategies to increase student performance in the algebra and geometry components of EPAS. In addition, science skills will be reinforced through a focus on number properties and operations. The project will enhance secondary teachers’ conceptual understanding and pedagogical content knowledge as well as their ability to implement effective mathematics instruction using research-based strategies to prepare all students for success on the EPAS assessments.

University of Kentucky: \$140,000

Putting All Students on Track: A Partnership to Ensure Success in College Level Mathematics
Kim Zeidler, principal investigator

In the second year of this project, the University of Kentucky, in collaboration with Somerset Community College, proposes to develop and field test strategies to help all students achieve success in high school mathematics as measured by EPAS. In addition, the project will develop and field test a course for college-bound high school seniors that will require them to solve complex problems utilizing skills and concepts learned in their high school course work. The project will increase counselor, teacher, and administrator awareness of college readiness standards and Work Keys information. It also will provide teachers with strategies to align ACT college readiness standards to the Kentucky Program of Studies. Information will be provided that will empower teachers with specific strategies to raise student performance on summative assessments such as EPAS.

University of Kentucky: \$140,000

Science Literacy Project for Middle School Teachers
Carol Hanley, principal investigator

The University of Kentucky, in collaboration with the University of Louisville, proposes to present teachers with an opportunity to learn content related to current issues in life, earth, and environmental sciences along with 21st century literacy skills for learning and teaching that content. The project will provide professional development for teachers to learn Internet-based strategies that will be contextualized in current science issues using a “train-the-trainer” model.

Western Kentucky University: \$140,000

Learning Capacity Advancement in Middle School Science and Mathematics
Roger Pankratz, principal investigator

Western Kentucky University, in collaboration with Elizabethtown Community and Technical College, proposes to provide professional development to middle school teachers for the purpose of improving students’ performance on the EXPLORE portion of ACT/EPAS. Teachers will be given intensive summer training that will be followed with mentoring and embedded professional development. The project will use formative assessments to help teachers make data-based instructional decisions and track student progress. It will also establish a teaching and learning support network among teachers and with outside resources through structured and informal interactions using teleconferencing and face-to-face contacts.

**REPORT FROM COMMISSIONER JON E. DRAUD
FOR
COUNCIL ON POSTSECONDARY EDUCATION MEETING
NOVEMBER 6-7, 2008**

Highlights of the Kentucky Board of Education October 6-7, 2008, meeting are as follows:

BOARD GIVES FINAL APPROVAL TO 703 KAR 5:140, REQUIREMENTS FOR SCHOOL AND DISTRICT REPORT CARDS

The regulation that stipulates the requirements for school and district report cards, 703 KAR 5:140, was amended and given final approval by the Kentucky Board of Education at its October meeting. The major change recommended by Kentucky Department of Education staff was to place the school and district report cards on the department's Web site thus eliminating the costs of printing and mailing the school report cards, the expense of staff time in compiling and producing the report cards and the delays in the publication of the cards caused by the process of printing and mailing them. Also, the expanded report cards would be replaced by KDE data reports linked to the school and district report cards as these become available. The School Curriculum, Assessment and Accountability Council and the Local Superintendents Advisory Council were in support of the amendments.

The regulation will now proceed through the public hearing process that will occur on November 24 and through legislative committee review. For information on the public hearing, contact Tina Drury at 502-564-4474 or via email at Tina.Drury@education.ky.gov . For more information on the changes to 703 KAR 5:140, contact Ken Draut at 502-564-2256 or via email at Ken.Draut@education.ky.gov .

BOARD REVIEWS POSSIBLE ITEMS FOR ITS LEGISLATIVE AGENDA

Kentucky Board of Education members discussed several items for potential inclusion in their 2009 legislative agenda. No final decision will be made until the December 10-11 meeting when the legislative agenda will come forward for approval.

Some of the items that were discussed included:

- School facilities items
 - Amend KRS 157.440 to increase the five-cent equivalent tax rate for facilities to ten cents. All districts should be required to levy ten cents. Those districts already levying ten cents or more are authorized to levy an additional five cents, but are not required to do this. All facility funding (except the growth levy) should become part of the FSPK program.
 - Allow Capital Outlay to be used for maintenance without forfeiting the districts' participation in SFCC upon approval of the commissioner. Maintenance does not include property insurance.

- Modify KRS 157.420 to allow land for new schools or modifications to existing schools to be purchased with restricted cash for projects noted on the District Facilities Plan for use in the next eight years. Land would not be counted in the calculation of need.
- Dropout prevention grants
 - Amend KRS 158.146(4) to remove priority in the awarding of dropout prevention grants to districts with chronically high dropout rates, remove the requirement to direct 75% of available funds to elementary and middle school students and 25% to high school students, and focus the grant program on supporting promising and proven practices that are systemic, scalable, replicable and aligned with the principles of secondary reform.
- Blue Ribbon Panel on Interventions in Low-Performing Schools recommendations
 - Add chronic low student academic performance as a cause for removal of a superintendent or school board member to KRS 156.132.
- Funding
 - Fund the Student Information System in the second year of the biennium (\$6,832,100). The 2008-2010 budget funded the completion of the implementation of the Student Information System (SIS) in the first year of the biennium but not the operation of the system in the second year. The system is critical in providing data for funding, student populations, longitudinal reports, individual student growth interventions and their effects, attendance, timely transfer of student records between schools and districts and the demands of the Military Compact of SB68.
 - Fund Read to Achieve and Math Achievement grants for the full biennium (\$11,918,500). Much of the dollars in these two funds that were needed to complete contractual obligations to the school districts were redirected for other General Fund uses in the 2008-2010 budget. This has necessitated a use of FY'09 funds to complete the FY'08 obligations and will require FY'10 funds to complete the FY'09 obligations, leaving the FY'10 Read to Achieve and Math Achievement Fund programs exhausted by December 31, 2009.
- Assessment and Accountability Task Force recommendations
 - It is anticipated that the Assessment and Accountability Task Force will come forward with legislative recommendations for the Kentucky Board of Education to consider at its December meeting.
- Expansion of preschool learning opportunities
 - The Kentucky Board of Education continues to encourage the General Assembly to build on the traditions established in the 1990 Reform Act and later early childhood innovations to assure that all of Kentucky's youngest citizens have access to quality preschool opportunities in their communities.

For more information on the board's legislative agenda, contact Frank Rasche at 502-564-4474 or via email at Frank.Rasche@education.ky.gov .

LAURA MCGRAIL AWARDED THE DR. SAMUEL ROBINSON AWARD

At the October meeting, Henderson County School Psychologist Laura McGrail was awarded the board's Dr. Samuel Robinson Award. The award was established in June 2004 to be conferred annually on an individual or groups in Kentucky for outstanding leadership, commitment and service in promoting equity and opportunity to learn at high levels for all Kentucky students. These traits – leadership, commitment and service – are the hallmarks of Dr. Robinson's remarkable career as an advocate for all children. Upon his retirement from the board, it was the intention of his colleagues to honor him, to call attention to others in our state who share his passion for equity and opportunity in education and to pledge continuing support for their efforts.

Over the past 22 years, Laura McGrail has made many contributions to her district, community, state and profession. In the words of Bonnie Kitchens, Henderson County Director of Special Education, who nominated her, "Laura has proven herself to be an outstanding leader with a desire and passion for equity and opportunity in education." Additionally, Joan Hoffman of the local chamber of commerce says, "She is a wonderful asset to our school system and to the community." Laura's principal, Rob Carroll, shared, "I have worked with Laura for 16 years and I have found her to put students first in every decision that she has been a part of over that time period."

For more information on the Dr. Samuel Robinson Award, contact Mary Ann Miller at 502-564-3141 or via email at MaryAnn.Miller@education.ky.gov.

BOARD ENDORSES SUPERINTENDENT EVALUATION INSTRUMENT DEVELOPED BY KSBA

David Baird and Mike Oder of the Kentucky School Boards Association (KSBA) appeared at the October Kentucky Board of Education meeting and presented the latest draft of KSBA's *Performance Planning and Review -- For Superintendent Evaluation*. It was conveyed to the board that the document is in a workbook format and is designed to help local school boards make the evaluation of the superintendent a fair, interactive process rather than an annual event. The evaluation workbook was characterized as a tool that focuses on enhancing student achievement. Baird and Oder indicated that the tool will be made available for all local boards to use and said that KSBA will be encouraging them to do so.

At the end of the presentation, the Kentucky Board of Education endorsed the tool and its use.

For more information on *Performance Planning and Review -- For Superintendents Evaluation*, contact David Baird at 502-695-4630 or via email at david.baird@ksba.org.

NEXT MEETING: December 10-11, 2008, Frankfort, KY

**Council on Postsecondary Education
November 7, 2008**

**Tuition and Mandatory Fee Policy and
2009-10 Tuition Setting Process**

ACTION: The staff recommends that the Council approve the attached Tuition and Mandatory Fee Policy and 2009-10 Tuition Setting Process.

At the Council's September 28 meeting, the staff presented for Council review and discussion draft Tuition and Mandatory Fee Policy and 2009-10 Tuition Setting Process documents. Since that meeting, CPE staff worked collaboratively with institutional presidents, chief budget officers, and Council members to refine these documents, which are presented for Council action.

Council on Postsecondary Education Tuition and Mandatory Fee Policy

The Council on Postsecondary Education is vested with authority under KRS 164.020 to determine tuition at public postsecondary education institutions in the Commonwealth of Kentucky. Kentucky's goals of increasing educational attainment, promoting research, assuring academic quality, and engaging in regional stewardship must be balanced in the context of current needs, effective use of resources, and economic conditions. For the purpose of this policy, mandatory fees are included in the definition of tuition. During periods of relative austerity, the proper alignment of the state's limited financial resources requires increased attention to the goals of the *Kentucky Postsecondary Education Improvement Act of 1997* (HB 1) and the Public Agenda for Postsecondary and Adult Education.

Fundamental Objectives

- Funding Adequacy

HB 1 states that Kentucky shall have a seamless, integrated system of postsecondary education strategically planned and adequately funded to enhance economic development and quality of life. In discharging its responsibility to determine tuition, the Council, in collaboration with the institutions, seeks to balance the affordability of postsecondary education for Kentucky's citizens with the institutional funding necessary to accomplish the goals of HB 1 and the Public Agenda.

- Shared Benefits and Responsibility

Postsecondary educational attainment benefits the public at large in the form of a strong economy and an informed citizenry, and it benefits individuals through elevated quality of life, broadened career opportunities, and increased lifetime earnings. The Council and the institutions believe that funding postsecondary education is a shared responsibility of the state and federal government, students and families, and postsecondary education institutions.

- Affordability and Access

Since broad educational attainment is essential to a vibrant state economy and to intellectual, cultural, and political vitality, the Commonwealth of Kentucky seeks to ensure that postsecondary education is broadly accessible to its citizens. The Council and the institutions are committed to ensuring that college is affordable and accessible to all academically qualified Kentuckians with particular emphasis on adult learners, part-time students, minority students, and students from low and moderate income backgrounds. The Council believes that no citizen of the Commonwealth who has the drive and ability to succeed should be denied access to postsecondary education in Kentucky because of the inability to pay. Access should be provided through a reasonable combination of savings, family contributions, work, and financial aid including grants and loans.

In the development of a tuition and mandatory fees recommendation, the Council and the institutions shall work collaboratively and pay careful attention to balancing the cost of attendance, including tuition and mandatory fees, room and board, books, and other direct and indirect costs, with students' ability to pay by taking into account (1) students' family and individual income; (2) federal, state, and institutional scholarships and grants; (3) students and parents' reliance on loans; (4) access to all postsecondary education alternatives; and (5) the need to enroll and graduate more students.

- Attracting and Importing Talent to Kentucky

The Double the Numbers Plan recognizes that Kentucky cannot reach its 2020 educational attainment goals by focusing on Kentucky residents alone. Tuition reciprocity agreements, which provide low-cost access to Kentucky students that live near the borders of other states, also serve to attract students from border states to Kentucky's colleges and universities. Likewise, the Double the Numbers Plan includes nonresident students in institutional degree production targets for 2020 as well as targets for importing individuals with degrees from other states to live and work in Kentucky.

The Council and the institutions are committed to making Kentucky's institutions financially attractive to nonresident students while recognizing that nonresident undergraduate students should pay a significantly larger proportion of the full educational cost in order to keep the cost for Kentuckians as moderate as possible. Any proposed policy on nonresident tuition and mandatory fees should also be evaluated based on its potential impact on attracting and retaining students which directly enhance diversity and Kentucky's ability to compete in a global economy.

- Effective Use of Resources

Kentucky's postsecondary education system is committed to using the financial resources invested in it as effectively and productively as possible to advance the goals of HB 1, including undergraduate and graduate education, engagement and outreach, research, and economic development initiatives. The colleges and universities seek to ensure that every dollar available to them is invested in areas that maximize results and outcomes most beneficial to the Commonwealth and its regions. The Council's key indicators of progress shall be used to monitor both statewide and institutional performance toward HB 1 goals.

The institutions also recognize their responsibility to demonstrate that they are good stewards of limited public resources by providing annual reports to their governing boards and the Council on their efforts to contain costs, improve efficiencies and productivity, and reallocate existing resources to high priority activities.

Council on Postsecondary Education 2009-10 Tuition Setting Process

Determining tuition and mandatory fee rates for academic year 2009-10 will be a collaborative and iterative process in which all stakeholders will participate. The process commenced with Council staff engaging institutional staff and the Council president engaging Council members and other key stakeholders in discussions starting in July 2008. The Council reviewed a draft at its September 28, 2008, meeting. It is anticipated that the Council will approve the revised policy and process in November 2008 and end with Council action on tuition and mandatory fees in March 2009.

- Council staff and institutional representatives will collectively review and discuss information relevant to the tuition setting process during the fall and winter.
- The Council president will report to the Council on the status of these discussions throughout the process.
- The Council may, by direct action or by consensus, convey general direction to the institutions throughout the process.
- Council staff and institutional representatives will work collaboratively during January and February 2009 toward the goal of developing consensus on the recommended tuition and mandatory fees.
- Council staff will update the Council on progress made toward a draft recommendation in February 2009.
- The Council expects that nonresident undergraduate tuition and mandatory fee charges shall be not less than two times higher than Council approved resident rates for the 2009-10 academic year. Any institution desiring to assess a nonresident rate that is less than two times the resident rate should request an exception to this policy.
- Council staff will recommend tuition and mandatory fees to the Budget and Finance Policy Group and the Council for approval in March 2009.

The Council and the institutions are committed to engaging in a process that is rational, transparent, fair, and evidence-based.

- A rational approach is one that is well aligned with state goals for public postsecondary education in Kentucky.
- A transparent approach is one that clearly articulates the rationale for its selection, is explicit about any underlying assumptions related to its function, and provides ample opportunity for stakeholder comment during its development.

- A fair approach is one that is impartial and recognizes that tuition rates and rate increases need not be the same for all institutions.
- An evidence-based approach is one that considers both relevant historical information as well as prospective institutional strategies for addressing the fundamental tuition objectives set forth in this policy.

Relevant information to be reviewed and discussed throughout the tuition setting process may include, but is not limited to, the following:

- Historical funding patterns.
- Effective use of institutional resources.
- College affordability, financial aid, student debt, and ability to pay.
- Student access, enrollment patterns, impact on academic quality, and other market factors.
- Fixed costs and priority strategic investments.
- Funding adequacy and tuition revenue estimates.

Council on Postsecondary Education Recommendations for Future Tuition Decisions

Tuition Setting Process for Academic Year 2010-11 and 2011-12

The Council staff recommends that the Council move to a process of setting tuition rates on a multi-year basis starting with tuition rates for academic year 2010-11 and academic year 2011-12. Similar to the anticipated exchange of information for academic year 2009-10, Council members, Council staff, and institutional representatives will discuss data and information pertinent to the fundamental objectives set forth in the Council's tuition policy over an extended period of time.

The process of setting tuition rates on a multi-year basis will begin in May 2009 and could end either with Council action on tuition rates in November 2009 along with its 2010-12 budget recommendation or after the General Assembly enacts a budget in April 2010.

The exact timing of when the Council will take action on the academic year 2010-11 and 2011-12 tuition rates is still to be determined based upon additional discussions with the institutions and the Council.

Long-Term Funding Strategy for Postsecondary Education in Kentucky

The Council staff also recommends that the Council, along with institutional representatives and executive and legislative leadership, engage in a discussion over the next year to develop a long-term funding strategy for postsecondary education in Kentucky, which includes strengthening the link between tuition, financial aid, and state appropriations. This long-term strategy will provide useful guidance to the Council in fulfilling its statutory responsibility of submitting a budget recommendation on behalf of postsecondary education.

This long-term view and a stronger alignment between tuition, financial aid, and state appropriations will provide greater predictability to the general public in terms of anticipated increases in college costs. It also will create a more stable and predictable revenue stream for improved state and institutional strategic planning and increase the likelihood of achieving Kentucky's postsecondary education reform goals by 2020.

**Council on Postsecondary Education
November 7, 2008**

Setting 2009-10 Tuition Rates

Fiscal Impact of Budget Cutbacks

To help initiate the review of information related to setting 2009-10 tuition rates, Interim President Crofts requested that each institution's president submit a brief written report to describe the impact of budget cuts over the past year on institutional operations.

The request asked for information in four categories:

- 1) **Changes in Personnel, Programs, and Services** – a list of significant changes over the past year resulting from the current budget environment.
- 2) **Cost Containment Strategies** – a list of strategies used on campus to contain costs over the past year.
- 3) **Resource Reallocation Strategies** – a list of how or where institutional resources have been reallocated to focus on strategic goals over the past year.
- 4) **Productivity** – a list of productivity activities during the past year despite the current budget environment.

Attachment A provides each institution's report. At the November 7 Council meeting, time will be devoted for Council members to discuss the submitted reports, ask questions, and consider the impact on future operations, planning, and the need for future increases in tuition rates and mandatory fees.

Data on Affordability

On July 7, 2008, the Council staff provided an overview of college affordability in Kentucky to the Interim Joint Committee on Education, Subcommittee on Postsecondary Education. A revised version of that presentation is attached (Attachment B) to provide context for initiating discussions regarding the 2009-10 tuition setting process. The presentation highlights one of the fundamental policy issues associated with establishing tuition rates, that of striking an appropriate balance between keeping college affordable for students and their families and adequately funding Kentucky's public postsecondary system to meet the goals of House Bill 1 and the Double the Numbers Plan.

Eastern Kentucky University Impact of Budget Cuts on Institutional Operations

Eastern Kentucky University has absorbed a 5.9 percent reduction in state appropriations (approximately \$4.7 Million). The initial reduction of 3% occurred at the mid-point of the 2007-08 academic year, with the remainder effective at the beginning of the 2008-09 academic year.

EKU Educational & General Budget (in millions)

	2007-08 Budget	Mid-Year Reduction	Revised 2007-08	Reduction for 2008-09	2008-09 Budget
Tuition	\$ 95.2		\$ 95.2		\$ 103.6
Appropriations	82.8	2.4	80.4	2.3	77.2**
Other	13.0		13.1		13.4
Total	\$ 191.0	\$ 2.4	\$ 188.7	\$ 2.3	\$ 194.2

**Also includes a reduction for debt service.

The following is a brief summary of the institutional impact of these cuts.

Changes in personnel, programs, and services

Eastern Kentucky University met its base reduction with the following adjustments and reductions in personnel, programs, and services:

- An overall reduction, through attrition, of approximately 50 faculty and staff positions (of approximately 1,650 full-time faculty and staff)
- A reduction of \$1,000,000 in base budget funding for deferred maintenance
- A reduction of the Institution's contingency fund by \$500,000
- A reduction of the President's New Initiative Fund by \$250,000
- A reduction of approximately \$3 Million in personnel and operating budgets

The current budget environment has resulted in the following significant changes for ECU:

Long-term Impact

- Lost stellar, mid-career faculty
- Lowered morale among University faculty and staff.
- Increased reliance on temporary one-year and part-time faculty, which impacts the quality of the faculty and ultimately student retention and graduation
- Increased the existing challenges for recruiting highly qualified faculty to the University and the Commonwealth
- Redirected the University's energy and attention toward managing a budget reduction rather than leading and improving the institution
- Modified faculty workloads, providing fewer opportunities for research and scholarship
- Reduced number of academic programs and course offerings, limiting students' schedule options and choices in fields of study and career preparation

Immediate Impact

- Hired 14 one-year faculty members whose employment will end May 2009
- Diminished the University's capacity and opportunities for providing services and academic programming at the regional campuses and extended sites
- Increased the difficulty for sponsored programs to ensure compliance with federally funded grant programs due to reduced administrative staff

Cost containment strategies

EKU implemented cost avoidance and reallocation initiatives to offset its budget reduction and subsequent tuition increase.

- The primary cost containment strategy at ECU is a continued personnel hiring freeze. Much of the institution's budget reduction, approximately \$2.5 million, has been absorbed through the regular attrition of faculty and staff. Strategic discussions are required by academic and administrative leadership, which restrict all hiring to positions considered critical to the Institution's primary mission.

- Reduction of faculty opportunities for research/scholarship and service due to the additional need for classroom instruction resulting from the hiring freeze
- Limited travel to professional meetings and conferences
- The deferred maintenance budget was reduced by \$1,000,000, from \$5,000,000 to \$4,000,000. The reduction extended into future budgets and capital replacement schedules have approximately 20% less funding than prior to the cuts. This translates into fewer roofs, air handler replacements, classroom upgrades, and renovations on a permanent basis. This funding situation exacerbates the deficiencies identified in the VFA Report commissioned by the CPE and delays the recovery of our facilities to national norms indefinitely.
- The decision to incorporate a performance contract into a deferred maintenance and capital replacement plan is affirmed by the budget cutbacks, and is one of the ways ECU is addressing efficiencies. This contract will allow ECU to pay for \$27 million in infrastructure improvements through the savings in utility costs derived from efficiencies gained through the equipment installed through the performance contract process. Our efficiency and operations will be improved without cost to our students and without diverting the support of the Commonwealth; the entire project will be paid through the reduction in utility expenses.
- New initiatives to reduce printing and mailing costs have been implemented. These initiatives include moving toward e-bills, rather than paper bills. When fully implemented this initiative will save a minimum of \$35,000 annually. The production of student refund checks have been outsourced to Higher One, eliminating the printing and postage of more than 12,000 student refund checks just this fall semester. Cost savings to date are approximately \$15,000.

Resource reallocation strategies

Eastern Kentucky University remains committed to the promotion of student success. ECU leadership recognizes the negative impact on the Commonwealth of potential enrollment reductions, diminished scholarship opportunities, and weakened financial aid, causing students to endure the harshest burdens of budget reductions. Internal reallocation strategies have allowed for an increase of \$1.5 Million in scholarship and financial aid availability for ECU students. This increase represents more than half of the total increase of the institution's operations for Fiscal Year 2009-2010.

Additionally, ECU has reallocated institutional resources in the following ways to focus on the institution's strategic goals:

- Provided a compensation adjustment to help employees cope with a rapidly increasing cost of living and to avoid morale problems
- Implemented strategic hiring practices to reallocate resources across Academic Affairs.
- Provided \$1 million in non-recurring funding for hiring temporary faculty
- Modified university policy on distribution of approximately \$3 million in indirect cost rates resulting from external contracts and grants to provide more direct support for administering programs

Productivity

Despite the current budget environment, ECU is engaged in the following initiatives designed to increase the number of students earning degrees:

- Initiated implementation of the University's plan for assigning Education Extension Agents for our 22-county service region
- Partnering with Lincoln, Madison, and Knox Counties to provide dual-credit courses for qualified high school seniors and juniors. ECU is hosting a Dual Credit Summit on October 31 with superintendents, principals, and counselors from the Service Region to explore further opportunities and interests in dual credit
- ECU academic leadership is moving to create a more "transfer-friendly" environment, having already met with academic leadership from Somerset Community College and Bluegrass Community and Technical College concerning transfer and articulation agreements.
- Implemented a strong accountability program, Digital Measures, in one academic college in 2008 with a plan to have all academic colleges on line by June 2009
- Initiated a significant restructuring of the Office of Enrollment Management to enhance student success at ECU
- Implemented a centralized copier lease program to provide similar technology and functionality to all departments and to leverage the University's spending for copying needs as well as improve efficiencies
- Implemented a summer pilot program for flexible work scheduling for University employees. A survey was conducted to assess the program's success. More than 1,500 employees responded. In addition to the overwhelming recommendation to continue the program, employees reported increased productivity and an enhanced sense of loyalty to ECU.

KCTCS Impact of Budget Cuts on Institutional Operations

KCTCS has absorbed two consecutive 3 percent budget reductions – the first in January 2008 and the second in July 2008 – in state appropriations. These reductions amounted to \$13.5 million. Following is a summary of the impact of these budget reductions on KCTCS.

Changes in personnel, programs, and services

- 240 fewer full-time and part-time faculty and staff positions since July 1, 2007 (the 2007-08 total full-time and part-time faculty and staff was 8,462)
- Limited colleges' ability to offer programs, courses, sections of courses, and services to students and businesses
- Elimination of full academic programs on one or more campuses of 10 colleges
- Enrollment capped in one or more programs at 12 colleges
- Fewer courses or fewer course sections offered by 14 colleges
- Reduction in services to students and businesses at 15 colleges

Cost containment strategies

- Gateway CTC ended operations on one of its campuses (Highland Heights) and is leasing that campus to Northern Kentucky University
- Jefferson CTC capped enrollment on its Downtown Campus and assisted (to the extent possible) students in enrolling in courses on the college's other campuses
- Somerset CC discontinued class offerings at Wayne County High School when that school board indicated that it needed to begin charging for use of that space
- Owensboro CTC is no longer operating its libraries on weekends

Resource reallocation strategies

- KCTCS Board of Regents has approved an aggressive plan, the *Plan for a Competitive Commonwealth*, to address HB 1 2020 mandates for KCTCS
- 2008-09 funding levels severely limit KCTCS' ability to address *Plan* expectations.
- The 2008-09 budget approved by the KCTCS Board of Regents allows KCTCS to move forward on *Plan* commitments, although not as fast as originally intended

Productivity

- Minimum number of students required for a class to be offered has increased at 15 colleges; this means that some class sections that have been offered in the past are not being offered in 2008-09
- Cap on the number of students enrolled in classes has increased at 9 colleges to mitigate impact of loss of faculty

Kentucky State University

Impact of Budget Cuts on Institutional Operations

As a result of budget reductions, Kentucky State University (KSU) has absorbed a \$2.2 million reduction in state FY2008 enacted appropriation. In addition to the \$1.48 million reduction in the enacted general fund appropriations in FY2009 over FY2008, KSU's FY2008 appropriation was reduced \$823,200 by Executive Order in January 2008 during FY2008. Strategies implemented during the last six months of FY2008 included restrictions and delays placed on hiring, travel, technology upgrades, enrollment management activities, and funds available to supplement student's financial needs. Austere measures were taken while trying to emphasize and protect mission-critical programs in instruction and student support services.

Over the last two years, the university has doubled the number of adjunct faculty because of increased enrollments, budget reductions, vacancies, and retirements. The impact of quality of faculty may affect student retention and graduation when heavy reliance is placed on contingent faculty. The university has also increased the number of visiting professors to fill the void created by the increasing difficulties in being competitive in the market for quality professors. Thirteen full-time faculty positions are currently needed in STEM programs, such as Math and Science as well as in Nursing, Education and Business at a total cost of \$825,000 and an additional twelve full-time faculty are needed in other programs at a total cost of \$638,000. Delayed recruitment and placement of full-time faculty in 2008 plus recent retirements of senior faculty has created an urgent need to hire quality faculty. Recruiting highly qualified faculty has been adversely impacted due to the uncertainty regarding budget reductions. Faculty salaries must remain competitive and attractive to improve faculty recruitment.

KSU is scheduled for accreditation reaffirmation in 2009. The Quality Enhancement Plan (QEP) addresses the urgent and pervasive need for a developmental initiative. The projected total cost for the 5-year plan is \$1,938,991. It is critical that funds be provided for the QEP. The university has partly addressed funding needs by reallocating available federal dollars to assist in the implementation of the QEP.

Because of its Land Grant status, KSU's appropriation is allocated first to the federal mandate that requires 100% state match for federal appropriations. As federal appropriations increase, KSU's general fund appropriations are adjusted downward to offset any increase in federal appropriations. As a result, fewer state appropriated dollars are available to conduct the university's primary mission of educating Kentucky students. The following table summarizes the appropriations to KSU and its federal match mandate since 2005.

	Actual General Fund Appropriations	Federal Required Match included in Appropriation	Appropriation Available for University Mission	Change
FY2009-2010	\$26,271,200	\$5,635,400	\$20,635,800	\$198,200
FY2008-2009	\$26,017,200	\$5,579,600	\$20,437,600	(\$1,479,700)
FY2007-2008 (enacted \$27,441,700 was reduced by \$823,300 per Executive Order)	\$27,441,700	\$5,524,400	\$21,917,300	\$757,900
FY2006-2007	\$26,608,500	\$5,449,100	\$21,159,400	\$1,348,700
FY2005-2006	\$24,374,800	\$4,564,100	\$19,810,700	\$663,127
FY2004-2005	\$23,136,000	\$3,988,427	\$19,147,573	

Note: General Fund Appropriation excludes debt

Note: Federal match required 70%, 80% and 100% match with USDA appropriations in FY2005, FY2006, and FY2007 respectively.

Note: Estimated federal match includes 1% inflation adjustment for FY09 and FY10

Since 2006, revenue generated from student tuition and fees, federal and auxiliary sources have contributed an increasingly greater percentage to total university revenues compared to the percentage change in state appropriations.

	Actual Revenue by Source (000)			
	2004-2005	2005-2006	2006-2007	2007-2008
State Appropriation	\$ 25,677	\$ 25,248	\$ 27,500	\$ 27,525
Tuition and Fees	\$ 7,651	\$ 9,781	\$ 11,264	\$ 12,531
Federal	\$ 9,015	\$ 9,141	\$ 8,872	\$ 10,322
Other	\$ 4,510	\$ 4,071	\$ 5,171	\$ 4,507
Auxiliary	\$ 4,128	\$ 4,040	\$ 5,307	\$ 5,588
Total Revenue	\$ 50,981	\$ 52,281	\$ 58,114	\$ 60,473

	% Change in Revenue by Source Increase (Decrease)		
	FY06 vs. FY05	FY07 vs. FY06	FY08 vs. FY07
State Appropriation	-1.67%	8.92%	0.09%
Tuition and Fees	27.84%	15.16%	11.25%
Federal	1.40%	-2.94%	16.34%
Other	-9.73%	27.02%	-12.84%
Auxiliary	-2.13%	31.36%	5.29%
Total % Change	2.55%	11.16%	4.06%

KSU must implement a new Enterprise Resource Program due to the imminent termination of support for the current system. The current budget reductions have delayed the university's ability to take necessary actions to convert to a new system. The impact of these budget reductions over the last two years has also shifted work loads to fewer staff. KSU has experienced unplanned retirements among faculty and staff thus increased dependency on temporary staffing arrangements and inexperienced

staff for instruction and support services. The university will be challenged as it seeks qualified faculty and support staff to replace those lost through attrition.

Changes in personnel, programs, and services

Please provide a bulleted list of significant changes over the past year resulting from the current budget environment.

In FY2009, KSU's base funding was reduced by \$1.48 million. This reduction was distributed to administrative groups who made reductions in personnel, programs and services as described below:

1. Personnel costs (including benefits) were reduced in:
 - a. Instruction and Academic Support—14 FTE were eliminated and/or not filled through attrition - \$644,700
 - b. Student Services—4 FTE were eliminated and/or not filled through attrition - \$218,100
 - c. Finance and Business—7.5 FTE were eliminated and/or not filled through attrition - \$238,400
 - d. Administrative Services—7 FTE were eliminated and/or not filled through attrition - \$320,800
 - e. President's Office—3 FTE were eliminated and/or not filled through attrition - \$126,800
2. Services have been impacted significantly in each executive area as a result of budget reductions.
 - a. Instruction and Academic Support--\$148,700 was eliminated from non personnel areas. The supply budgets were reduced by \$68,200, travel by nearly \$15,000, \$47,000 in capital, and \$18,500 in other current expenses. These reductions were taken throughout the Academic Affairs areas but particularly in the College of Mathematics, Sciences, Technology and Health in order to preserve faculty positions in that area.
 - b. Student Services--\$93,300 was eliminated the majority of which was in Career Planning and Placement and Enrollment Management.
 - i. Recruiting schedules were reviewed and revised according to travel schedules and to areas considered most likely to generate enrollment success.
 - ii. Marketing objectives were revised consistent with budget availability.
 - iii. Of the amount reduced, funds made available for student workers were reduced also and travel and operating costs for Enrollment Management and Student Life accounted for \$25,000.
 - c. Finance and Business—\$30,000 was eliminated from non-personnel areas. Service delivery to students, faculty and staff has been re-engineered to capitalize on web-based technologies that permit service process redesigns to simultaneously improve cost structures and service quality. Conducting business operations will not be as efficient and timely as KSU seeks to refine

and perfect administrative processes due to reduced staffing. Critical supply and equipment acquisitions have been restricted and are expected to be curtailed in the future.

- d. Administrative Services--\$315,000 was eliminated which would otherwise have been available to make needed repairs. IT maintenance agreements were renegotiated and/or cancelled. ERP upgrades have been put on hold as the university seeks to identify funding support from federal and other sources. Building and grounds maintenance units have been restructured to accommodate the reduction in staffing. The timing and frequency of maintenance schedules have also been adjusted as a result of budget reductions.
- e. President's Office--\$71,300 was reduced which impacted athletic travel and operations and general administrative budgets.
- f. Cross-cutting Impact—planned salary increases have been funded by staff reductions/attrition and have been established at minimal amounts to be implemented as funding remains available.
- g. University contingency—reduced funds available in contingency funds

Cost containment strategies

Please provide a bulleted list of strategies used on campus to contain costs over the past year.

The following strategies have been used to contain costs as a result of state budget reductions:

- Continuing personnel hiring freeze—positions currently seeking applicants and need to be recruited and hired include 25 faculty positions, 7 campus police positions and 14 staff positions for a total of \$2.3 million, including benefits.
- Stricter enforcement of the policy regarding cancellation of low enrollment classes.
- Combination of multiple sections of the same course with low enrollment
- Analysis and changes of faculty loads and distribution of effort to make sure teaching loads are met.
- Continuing restriction on travel to meetings and conferences except mission-critical travel.
- Eliminated five (5 FTE) filled positions as a result of technology applications and outsource solutions.
- Student health insurance premium was reduced due to efficiencies and negotiations with the new vendor.
- Implemented purchase cards for small purchases—eliminated 1FTE staff.
- Implemented electronic payment processes to vendors and for employee reimbursements.

- Implemented outsource solution for printing and copy services. This solution reduced the university's reliance on external vendors for marketing materials to students, fundraising and instructional publications.
- Implemented outsource solution for student refunds to eliminate check printing, check mailing and check reconciliation.
- Implemented outsource solution for payroll processing to incorporate employee self-service, time and labor management and external technology host—saved 2 FTE during last two years.
- Delayed technology equipment upgrades for faculty and staff.
- Eliminated internal postal delivery department and implemented outsource solution—transferred to outsource contract.
- Implemented energy efficiencies and guaranteed savings contract.
- Implemented cash management process improvements with new banking relationship—restructured business processes and eliminated 2 FTE during last two years.
- Locked coal and gas contracts over longer periods of time.
- Outsourced grounds maintenance and reconfigured grounds maintenance schedule.
- Eliminated university cell-phone program and replaced with a cell-phone allowance policy for select administrative positions—saving \$25,000 per year.
- Implemented VOIP protocol for telephone services and terminated services in residential halls.

Resource reallocation strategies

Please provide a bulleted list of how or where institutional resources have been reallocated to focus on strategic goals over the past year.

State budget reductions have resulted in reallocated resources and refocused goals for FY 2009. KSU has reallocated resources to achieve goals set by its Strategic Plan and its QEP objectives as described below:

- Developmental Education for Quality Enhancement Plan--\$250,000 reallocation in FY09 from state and federal sources.
- Combined the duties of the Assistant Provost for Outreach and Continuing Education with those of the Director of Distance Education for a savings of \$125,736.
- Temporarily de-funded vacant positions in Professional Studies to provide support to stimulate growth in the MBA program and assist in the Business Program re-accreditation.
- Provided additional support for Office of Graduate Programs to stimulate growth in other graduate programs.
- Provided support for performances in the Music program.
- Funded Health insurance contracts increases of \$30,000.

- Provided additional funds to Summer Academic Bridge program in 2009 of \$133,000. The program has been restructured requiring students to bear 25% of the costs.
- Funded administrative operations from Title IV cost allowance.
- Increased resources to faculty development--\$50,000 reallocated from state sources.
- Reduced various administrative services operating budgets in FY09 by \$1.2 million.
- University certified police were reclassified to hazardous duty resulting in increased retirement contribution for \$70,000.
- Increased the allocation to student scholarships and need-based aid by 7% in proportion to increased tuition.
- Solicited funds from alumni and donors to support student payment of tuition, fees and books.
- Prorated half the cost of a 2% wage increase the distribution of which depends on budget availability.

Productivity

Please provide a bulleted list of productivity activities during the past year despite the current budget environment.

The following list describes achievement activities at KSU in the current budget environment:

- Revised, updated and issued major employee-related manuals including major review of the Faculty Handbook and particularly the Tenure and Promotion section.
- Re-instituted the new faculty orientation program to improve faculty performance and retention.
- Implemented a pilot program to evaluate the cost vs. benefit of a flexible work schedule.
- Completed major policy studies and issued plan guidance for risk assessment and business continuity.
- Articulation agreements were established for the on-line Public Administration bachelor's degree with the University Center for the Mountains and Defense Acquisition University.
- Employed Quality Matters criteria in Distance Education offerings.
- Reorganized enrollment management/financial services areas into a one-stop model.
- Degrees conferred increased by 8.6% over 2007.
- First-time freshmen increased by 2.1%.
- Established recruiting presence at Blue Grass Community and Technical College from reassignment of staff from the Registrar's Office. This staff position will not be refilled.

- Program credit hours for degree completion will be evaluated.
- Increased enrollment applications by 15%.
- Academic Summer Bridge was successfully conducted even though some students could not be accepted in the program.
- Updated university web-site.
- Successfully completed and timely submitted the SACS Compliance Certification Report.
- Expanded the number of courses offered in developmental education.

Morehead State University Impact of Budget Cuts on Institutional Operations

Summary of the direct fiscal impact that the budget cuts had on Morehead State University's operating resources is provided below with a breakdown in changes to total public funds in 2007-08 and 2008-09.

	2007-08 Opening Budget	2007-08 Revised Mid- year Budget	Percentage Change from 07-08 Opening	2008-09 Opening Budget	Percentage Change from 07-08 Opening
Tuition & Fees	\$47,860,450	\$47,860,450	0%	\$51,474,627*	7.5%
State Appropriations – Operating	\$48,802,100	\$46,756,000	-4.2%	\$45,541,500	-6.7%
Total Public Funds	\$96,662,550	\$94,675,950	-2.1%	\$97,016,127	0.3%

*Tuition and Fee Revenue is net of increases allocated to student financial aid for 2008-09

Primary impact of the 2007-08 and 2008-09 budget cuts on the operations at Morehead State University has been the need to reduce the employee workforce that serve our students and faculty by 3 percent. Fewer faculty and staff resources directly impact the institution's ability to provide demanded access to academic programs and provide services to our students and faculty which facilitate maintaining a quality teaching and learning environment. An indirect impact of the budget cut involves the creation of an economic climate that makes it more difficult for the University to recruit talented new faculty and retain junior faculty essential to building 21st century programs.

Critical capital renewal and maintenance projects have been delayed in an effort to pool funds to offset the current reduction in operating resources. While this strategy is effective as a short-term approach, elimination of core programs and services will be necessary for a permanent reduction strategy if the state is unable to stabilize support for its postsecondary education system.

MSU continues to aggressively investigate and implement strategies that can improve efficiency and effectiveness throughout campus operations. However, the reality is that we are finding much of those opportunities have already been put into operation to offset operating reductions from prior fiscal year cuts.

All cuts were made strategically with a focus on protecting the mission of the University and in areas which were projected to have the least adverse impact on student success. Official key indicator data for 2007-08 and preliminary data for 2008-09 indicate that MSU continues to make modest but consistent improvements in key performance areas including headcount, retention and degrees conferred.

Changes in personnel, programs, and services

- Eliminated 9.5 faculty positions, 19.75 staff positions and 3 administrative positions for a total workforce reduction of 32.25 FTE or 3 percent.
- Restructured administrative units to gain efficiencies and accommodate reduction of positions in multiple units including:
 - Merger of the Division of University Relations and Division of Development into the Division of University Advancement eliminating a vice president position
 - Student Housing
 - Information Technology and Distance Learning
 - Elimination of in-house tour bus service
- Eliminated graduate tuition waiver benefit for employee dependents and spouses.
- Limited the number of free tuition courses provided to high school students

Cost containment strategies

- Delayed multiple technology equipment upgrades including the scheduled replacement of over 700 desktop and laptop computers assigned to faculty, staff and used in classrooms and labs
- Delayed various capital renewal and maintenance projects on campus facilities and grounds
- Froze 4 faculty positions and 2 staff/administrative positions for the 2008-09 fiscal year for a total workforce reduction of 6 FTE
- Reduced the total number of service vehicles and replaced multiple gas-powered vehicles with hybrid or electric vehicles for on-campus travel
- Implemented a new per-credit-hour tuition model designed to reduce the number of dropped courses each semester
- Renovated the campus pollution control system to prevent need to use natural gas for heating
- Restructured bond debt to decrease long-term interest expense

Resource reallocation strategies

- Reallocated resources from the College of Education to support Regional Engagement initiatives
- Reallocated resources to support increases in student financial aid to offset tuition and fee increases for the current year
- Reallocated resources to support a \$1,000 increase in stipend paid to graduate assistants
- Maximized use of private dollars raised to help address student financial aid needs

Productivity

- Conducted a comprehensive academic curriculum audit to identify program strengths, weaknesses, and ensure the MSU graduates are receiving the necessary skills, knowledge, and dispositions to be successful in the 21st century.
- Completed a scheduled renovation of classroom facilities, furnishing and equipment in Rader Hall
- Continued implementation of the campus ERP system
- Implemented the 21st Education Enterprise program to provide K-12 schools throughout the service region with teacher professional development opportunities
- Expanded partnerships with service region high schools providing dual credit for advanced placement courses and also providing college algebra during the senior year in an effort to reduce remediation needs of incoming freshmen
- Expanded the number courses offered online and at the regional campus centers
- Continued development of the undergraduate research fellowship program
- Expanded efforts to support economic development through expanded support of the Small Business Development Centers and addition of an Area Innovation Center in Paintsville

Key Performance Indicator Progress

- Headcount enrollment is projected for Fall 2008 at 9,107 which is a slight increase (<1%) over Fall 2007
- The average ACT composite score of the Fall 2008 first-time freshman cohort increased to 21.6 which represents a 9.6% increase since Fall 2004
- Bachelor's degrees conferred increased by 2% to 1,072 in the prior year 2006-07
- Retention rate of degree-seeking first-time freshman increased to 64.8% in Fall 2007 representing a 6.2 percent increase in Fall 2004

MURRAY STATE UNIVERSITY

Impact of Budget Cuts on Institutional Operations

The major impact of the budget cuts on Murray State has been the closure of some programs and the elimination of a number of positions. In addition, the use of carryforwards to cover the 2007-08 midyear rescission of \$1.7 million and the need to continue to sequester remaining carryforwards to cover the possibility of future cuts, has significantly reduced operational flexibility. The university has employed a strategic approach in attempting to deal effectively with the full impact of the \$3,125,500 in general revenue recurring cuts. This was partially offset by an increase in net tuition of \$2,581,700. Murray State increased its tuition waivers by \$1,068,200 to increase student access. Together with other sources of revenue, the total increase in Murray State's E&G Budget was \$148,400 or .13% to cover all operations including fixed costs and strategic initiatives. The state share of total public funds (general revenue plus gross tuition and mandatory fees) decreased from 43.2% to 40.4%. To be able to manage this stringent budget without sacrificing the quality of mission critical operations, no recurring raises were given to faculty and staff. The overall emphasis was on protecting the mission critical core of instruction, regional service and sponsored research, and the essential support infrastructure for these activities. In Addition, the decreased availability of operational funds will limit opportunities for travel to professional meetings and conferences and delay some capital and equipment purchases. The key strategies for coping with the recurring cuts are detailed below.

Changes in personnel, programs, and services

- Eliminated administrative support staff position in President's Office (1 position), \$16,500.
- Reduced legislative research, and liaison budgets, (1 position), \$35,000.
- Eliminated Women's Rowing program (3 positions), \$177,500.
- Reduced Commonwealth Honors Academy enrollment by 25 students, \$26,000
- Ended E&G support for International Center for Economic Development and Cultural Studies (1 position), \$46,400.
- Eliminated farm management personnel for farm projects (1 position), \$55,000.
- Reduced Scholarship programs, \$154,000.
- Reorganized Facilities Management area for personnel savings (3 positions), \$161,600.
- Reduced services in Governmental Relations (1 position), \$48,800.
- Dropped Roads Scholar Outreach Program (one-half Position), \$47,800
- Consolidated Positions at Breathitt Veterinary Center (1 position), \$40,700

Total positions cut = 12.5 or 1% of the total budgeted

Total Cost Reductions = \$809,300

Cost containment and revenue enhancement strategies

- Began assessing mandatory fees for Kentucky Institute for International Studies (KIIS) participants and assessing an administrative fee for KIIS participants as revenue offset to program costs, \$175,000
- Reduced academic support budgets \$26,000.
- Downgraded 3 existing faculty positions to lower rank (presently vacant), \$56,500.
- Closed extra Fitness Center and eliminated Men's Rowing as club sport, \$56,200.
- Closed University Post Office and maintained reduced mail services, \$62,000.
- Reduced various Administrative Services operating budgets, \$220,300.
- Reduced Breathitt Veterinary Center, Action Agenda, Regional Stewardship, and Faculty Development accounts by proportional share of appropriations cut, \$269,900.

Total Cost Savings = \$865,900

Resource reallocation strategies

- Reallocated athletic scholarships for savings of \$52,900.
- Obtained external funding for Commonwealth Honors Academy operations with savings to E&G budget, \$50,000.
- Cut E&G support for Library holdings and moved some acquisition costs to MSU Foundation library accounts, \$125,000.
- Reduced E&G subsidy to West Kentucky Expo Center to 50% of total funding with difference to come from external revenues, \$28,000.

Total Reallocations = \$255,900

Productivity

The major campus productivity initiative is the continuing implementation of our Enterprise Resource Planning system which will replace the university's legacy administrative systems with an integrated information technology solution to improve business and service practices. This transformation will provide the opportunity to implement best practices where possible to provide streamlined operations and secure self-service access to information and services, while maintaining the accuracy of information.

The University has also undertaken a major reorganization of its Enrollment Management area. In effect, activities have been decentralized with concomitant reallocation of resources in an effort to better deploy staff expertise in strengthening our enrollment and retention efforts. As the fall enrollment campaign nears its close, we are starting to see improved results in our enrollment figures.

The University is in the process of reorganizing the functions between Human Resources and the Office of Equal Opportunity to streamline the faculty and professional staff search process. New HR and EO Directors have just come on Board within the past month.

The university is studying possible changes to its tuition pricing model as a tool to increase enrollment, improve retention and optimize revenue generation. A Board of Regents Tuition Task Force has been created and the University is preparing an RFP for a consultant to assist on pricing analysis for the five-state area.

Northern Kentucky University

Impact of Budget Cuts on Institutional Operations

The overall decrease in net state general appropriations for operating expenses totals \$2.8 million. In total, the university cut \$7.3 million, or 6.3%, from divisional base budgets and reallocated \$4.5 million to high priority goals and previously committed obligations (see page 2 under resource reallocation strategies for details). These cuts included the elimination of 25 staff positions, roughly 3% of our staff position base. Total public funds for FY08-09 are \$13.2M short of our Business Plan funding requirements, an 8% shortfall in funds.

Changes in personnel, programs, and services

- Unable to fund over the biennium 45 faculty and 71 staff positions in the NKU Business Plan required to increase enrollments/degree production and improve student achievement and success in order to meet Vision 2015 goals and address creation of 50,000 new Kentucky jobs by 2015
- Eliminated \$1.4 million by closing the following units:
 - Office of Economic Initiatives
 - Office of University-School Partnerships
 - Office of Associate Provost for Student Success
 - Professional and Organizational Development Center
 - Information Technology Learning Systems Unit, resulting in fewer technology training opportunities and decreased faculty support.
- Eliminated over 25 staff positions in total.
- Over \$900,000 reduction in administration, operations and maintenance expenses resulting in reduced service levels, increased stress on staff and faculty, and reduced time available for work that would advance state and regional goals.
- Reduced programs that promote the expansion of Adult Centered Education and for Online Course development
- Reductions in university outreach and community services (in addition to those listed above) including funding for academic youth summer camps, regional technology and management training and development (METS), theatre productions, and university / community partnership grants.
- Reductions in experiential learning opportunities and reduced funding for many student services and athletic programs.

Cost containment strategies

- Established the President's Advisory Committee for Efficiencies and Savings. This Committee coordinates the formation, implementation, and documentation of initiatives to enhance the University's efforts to be good stewards of limited resources. The first project this Committee is working on is the development of a comprehensive report of the extensive cost savings and efficiency practices already occurring on campus. In addition, the Committee is in the process of evaluating over 100 ideas submitted by faculty, staff and students to maximize service delivery at less cost, and continues to receive new ideas on a regular basis.
- The university continues to realize significant savings through effective energy management such as:
 - Reducing energy consumption as part of the university's participation in the American College and University Presidents Climate Commitment

- Increasing the temperature of chillers providing cooling to campus and reducing the temperature of hot water heat supplied to campus
- Publicizing simple energy reduction actions to faculty, staff, and students such as turning off the lights and turning off computers.
- Continue to invest in energy savings such as lighting retrofit projects, improvements in HVAC, etc. Overall, since 2005, the university has invested \$3.5 million in energy saving projects realizing an annual energy savings of \$600,000 a year.
- Scheduled the closing of the university's Covington campus and negotiated a lease for classroom space for the Adult Learning PACE program from Gateway Community and Technology College. This measure is expected to avoid significant maintenance expenses.
- Partnered with the Transit Authority of Northern Kentucky to provide faculty, staff, and students free bus service on TANK buses reducing the escalation of costly parking space on campus, while providing more affordable transportation options to our students.
- Participate in numerous purchasing consortia to reduce purchasing costs.
- To reduce benefit costs, continue to build the university's Wellness Program as well as selected a new healthcare insurance provider saving over \$500,000.
- Northern Kentucky University continues to find ways to create a beautiful campus environment for its students using innovative cost saving practices for maintaining buildings and grounds. This year the campus is participating in Tree Campus US and will be planting 100 trees at no cost to the university and is one of only 8 institutions in the nation participating in the event.
- Reorganized several international education service programs under one, more efficient and effective office.

Resource reallocation strategies

- Cut \$7.3 million, or 6.3%, from divisional base budgets and reallocated \$2.95 million to high priority goals that match the needs of the state and region, including:
 - Tenure-track faculty and academic advisors in high demand areas
 - Additional staff allocation to high schools, guiding families through the financial aid application process
 - Restructuring of student development and retention efforts
 - Increasing program offerings that prepare students to compete in the international marketplace and the new global community
 - Programs to exponentially increase private fund-raising efforts
- Due to traditional state funding not being provided during the 2008 session for maintenance and operations (\$2.08 million), we were required to reallocate additional funds to open two new university buildings, the Bank of Kentucky Center and the new Student Union. In addition, we invested nearly \$1 million to renovate and reprogram the old University Center to address a critical campus space shortage concern.
- Critical cost drivers to fulfill previously committed obligations:
 - \$1.2 million additional funds for scholarships and financial aid
 - \$1 million for a new emergency communications system along with security requirements across campus.
 - \$2.4 million in new fixed costs, debt service for the student requested and student funded, student union at \$2.3 million, and expenses related to the SACS accreditation process of \$350,000.
 - \$2.3 million to complete construction materials cost escalation for the Bank of Kentucky Special Events Center.

- \$450,000 critical capital renewal facility improvements this is matched by the Commonwealth
- \$5.4 million for the university's integrated business data systems designed for greater efficiency and productivity.
- Invested in employee retention to contain the high cost of turnover and in compensation programs for low cost adjunct faculty for which we are heavily reliant on and whose services are in high demand in our region. The number of institutions of higher education in our region requires us to invest in our specialized labor force or they will change institutions (without having to move their families) and we will realize the high cost of turnover.

Productivity

- Increased enrollments for fall 2008 by nearly 3% over Fall 2007 (preliminary numbers) by increasing the number of students at the junior, senior level (focus on transfer students, students who had previously "stopped out" and retaining students currently enrolled) and strategically recruiting first time students, providing intensive assistance with the financial aid process.
- Increased the number of bachelor's degrees conferred by 5% over last year (culmination of many efforts designed to insure required classes are offered on a predictable rotation basis at times needed by our student population, enhanced advising, participation in project graduate, retention efforts, availability of on-line courses, etc.)
- The university has developed a management dashboard for senior management and the Board of Regents to increase accountability and provide visibility for our performance.
- The university continues to invest in the PRISM project (Process Re-engineering and Information Systems Migration) including the implementation of SAP to increase efficiencies and contain future administrative costs associated with growth. This project has already converted many financial and human resources processes from paper based to electronic and will soon begin accepting applications electronically for Fall 2009.
- The university has made significant progress towards reducing the credit hours required for most degrees to 120 credit hours resulting in lower cost four year degrees for our students.
- The university has hired SMG to manage promotions and events for the Bank of Kentucky Center generating significant revenues for the institution which help to cover the costs of the new facility.
- The university continues to collaborate with Gateway Community and Technology College to share resources and provide a lower cost avenue towards achieving a four-year degree.

University of Kentucky Impact of Budget Cuts on Institutional Operations

In 2007-2008, state appropriations to the University of Kentucky were reduced \$10.1 million (three percent). In 2008-2009, state appropriations were reduced an additional \$8.2 million. Attached is a graph that shows changes in state appropriations to UK since 2001. In that time, UK has received a mid-year appropriations reduction five times. The result is that UK's total state appropriation in 2008-2009 is only \$13.8 million (4.6 percent) higher than it was seven years ago. It also is worth noting that revenue from tuition now accounts for more of UK's budget than state appropriations (excluding mandated programs that do not have an impact on undergraduate education).

Changes in personnel, programs, and services

- Eliminated 188 positions supported with General Funds (71 vacant faculty lines¹ and 117 staff positions) and moved 32 additional positions to funding sources other than General Funds, including:
 - 10 faculty lines and 29 staff lines in Health Sciences colleges
 - 58 faculty lines and 46 staff lines in other academic colleges
 - 4 faculty lines and 21 staff lines in academic support unit
 - 2 police officer positions
- No salary increases for faculty and staff
- Discontinued Salary Equity Pool, which had been used to address pay equity issues across campus
- Delayed implementation of Employee Assistance Program (for employees facing personal, professional, or economic challenges) and a second child care center.
- Delayed undergraduate programs in Information/Media Studies, Africana Studies, and Human Biology
- Delayed masters programs in Environmental Studies and Clinical and Translational Sciences
- Reduced hours of operation of several student and faculty support units including student computer labs, exercise facilities, and the Student Center
- Reduced individual student sessions in the Counseling and Testing Center
- Reduced the Libraries' materials budget
- Reduced faculty and student support services provided by Teaching and Academic Support Center
- Reduced student, faculty, and staff travel budgets
- Reduced administrative support for grants and contracts
- Reduced IT support for researchers
- Reduced academic assessment efforts
- Delayed replacement of computers and other equipment
- Eliminated English as a Second Language classes for employees

¹ UK has 1,998 faculty members and 11,219 staff.

Cost containment strategies

- The University slowed the increasing cost of health insurance with a combination of administrative and health literacy initiatives. Over the last seven years, the cost of the University's health benefits increased an average of 6.8 percent per year compared to the national average of 11.6 percent. Without these efforts, UK would have spent an additional \$25.7 million in health care costs over the past seven years. Included in these savings is over \$4.6 million annually on prescription drugs by educating our employees on the availability and appropriateness of generic medications.
- The University expense for retiree medical benefits was projected to grow to \$30.5 million by fiscal year 2007-08. Through a series of cost-containment measures including changes in eligibility requirements and more aggressive pharmaceutical cost-controls, the University's expense was reduced to \$13.6 million.
- The University recently changed its faculty and staff vacation accrual policies which will generate one-time savings of over \$18 million.
- The University changed the employee and employer payroll deductions for health coverage from one month in advance to current month payment. This resulted in one-time savings of \$6.2 million
- The University offered employees the opportunity to work reduced hours during the summer months.
- Eliminated phones in the residence halls, saving \$840,000
- Renegotiated information system licensing contract, saving \$500,000
- Eliminated several publications

Resource reallocation strategies

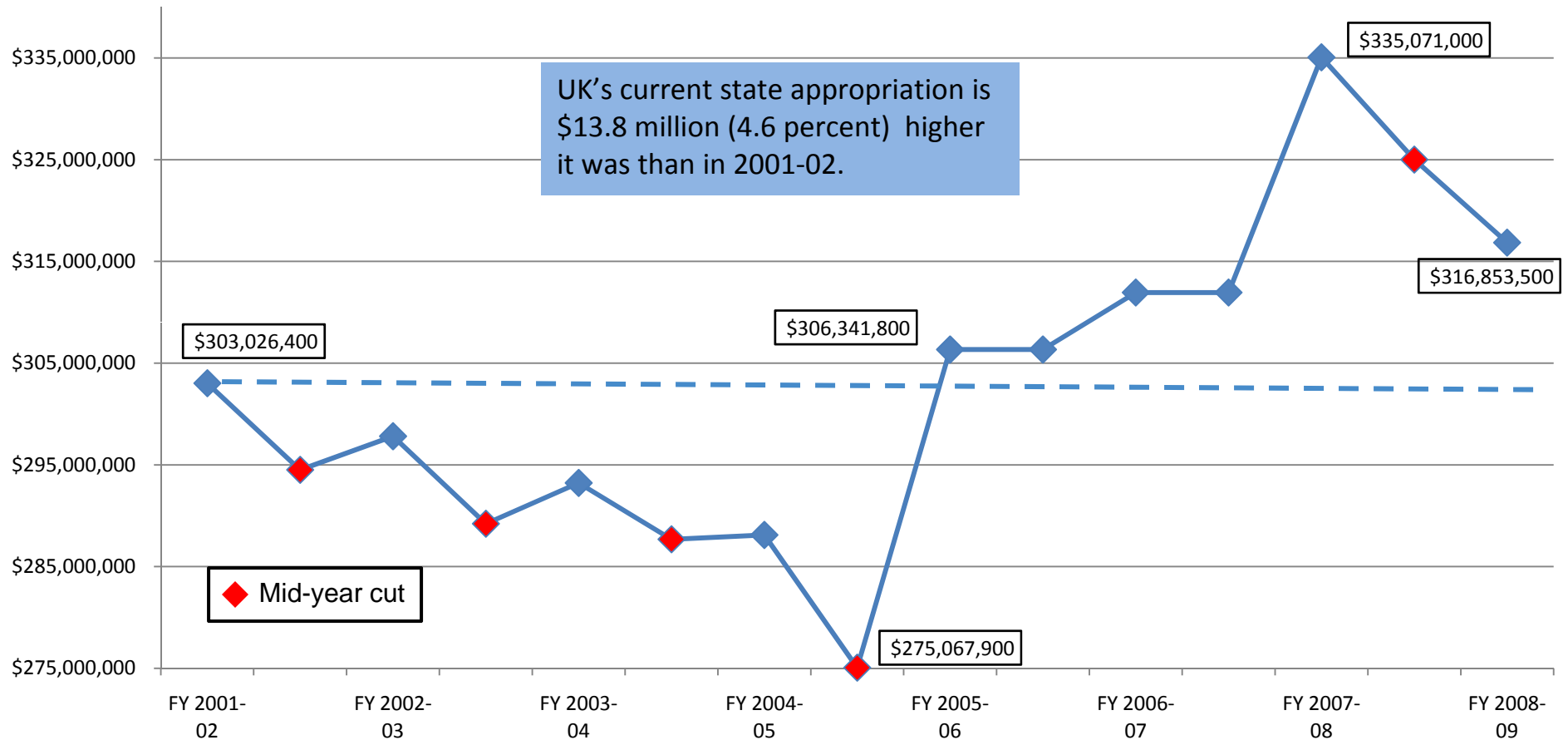
- Reallocated approximately \$2.8 million to support 22 FTE faculty lines and associated academic advisers in targeted areas where:
 - enrollment pressures exist and/or there is a focus on recruitment and retention of students; e.g., Arts and Sciences; Communications and Information Sciences; Business and Economics; Fine Arts; and Engineering; or
 - the University has unique opportunities for growth and service to the Commonwealth; e.g., Agriculture; Natural Resources and Environmental Sciences; Sustainability; Equine Sciences; Biotechnology; the Martin School of Public Policy and Administration; Health Sciences; College of Medicine expansion into rural areas; College of Nursing undergraduate expansion; and University Libraries.
- Reallocated other funds to efforts specifically targeted at improving UK's retention and graduation rates including:
 - Outreach initiatives to high school seniors admitted to UK but who have deficient ACT scores
 - Increased financial aid
 - Increased first-year student orientation activities
 - Implemented Academic Alert System
 - Created Office of Retention and Student Success
 - Created Center for Community Outreach
 - Created Advising Resource Centers in several colleges
- Created a pool of \$700,000 for later strategic investments in other areas.
- Reallocated \$8 million over two years for start-up packages for new faculty

- Reallocated approximately \$850,000 to Science, Technology, Engineering, and Math (STEM) areas.
- Reallocated funds to support fire extinguisher replacement, the UK Alert System, and other student safety programs.

Productivity

- Record six-year graduation rate of 61.4% for fall 2001 cohort -- up 2 percentage points.
- Preliminary Fall 2008:
 - Record number of undergraduate applications - 11,120, up 4.7%.
 - Record number of African-American freshmen - 341, up 32%.
 - Record number of Governor's Scholars/Governor's School for the Art Scholars freshmen - 389, up 12%.
 - Transfer enrollment increased by nearly 100 students - to 940.
 - Record retention rate of 81.0% - up 4.6 percentage points.

UK State Appropriations



University of Louisville
Impact of FY 2008-09 State Mandated Budget Reductions

HB1 mandated that the University of Louisville become the premier metropolitan research university in Kentucky. To accomplish this aggressive objective, the University's Board of Trustees adopted the Challenge for Excellence for the years 1998-2008, a strategic plan that included goals, tactics, and metrics which served as our road map. As a result, we have reinvented ourselves by recruiting world-class researchers and staff, investing in cutting-edge research facilities, and rethinking our priorities. The investments in talent and support have paid off for the University and for the Commonwealth.

While the goal to compete with "best-in-class" research universities across the country challenges us daily, we have accelerated the University's performance over the last decade and have an unrelenting commitment to meeting the education goals mandated by the state for 2020.

Since 2002, the University has had its state funding reduced seven out of the last nine budget years, extending through the 2010 budget. In FY 2008-09, the University's budget was reduced by \$10 million with a cumulative decrease of \$78.1 million since 2002 (Attachment A). We recognize that the state is confronted with difficult budget choices and are grateful for the efforts of the legislators who have tried to blunt the magnitude of the reductions we have faced.

However, the fact remains that during this time period we have experienced a significant drop in state support. Our budget today is very close to where it was in 1997 when reform began.

Our strategies for moving *full speed ahead* at a time of continuing budget cuts include:

- Continuing reengineering of processes and expense management
- Aggressively improving balance sheet management, with an emphasis on converting underperforming assets
- Increasing clinical income to support education and research
- Creating private sector partnerships for critical dollars
- Enhancing fundraising
- Being creative in expanding the research mission through innovative financing tools (i.e., TIF)

While we are reducing expense, we are committed to:

- Protecting students
- Maintaining a quality education
- Prioritizing critical research areas
- Continuing community engagement
- Funding diversity initiatives

As we enter the next biennium, we are facing the prospect of failing to implement the business plans submitted to the Council on Postsecondary Education. We believe we have nearly exhausted our ability to keep moving forward without additional investment. Reserves are dangerously low and we are increasingly dependent on sources of one-time money for long-term needs. Operating expenses are too often based on increased tuition and deferred maintenance of aging buildings. Faculty/teacher ratios continue to rise to numbers well above benchmark schools, threatening the future quality of programs; the ability to attract and retain talented faculty; and slow our efforts to be recognized by the National Institutes of Health and Phi Beta Kappa.

Additionally, we lose research capacity which threatens the University's ability to meet the economic development goals of funded grant programs. Failure to fund our plans will also hamper our ability to discover new knowledge through scholarship and jeopardize our ability to achieve the improvements in quality of life and economic well-being for Kentuckians.

Yet, our excitement about the future has not dimmed. We remain committed to the goals the state has set for us and we have embraced them and made them our own, as evidenced by the enclosed summary of our efforts.

I. Changes in Personnel, Programs and Services:

Overall, academic and support unit-based budget reductions totaled approximately \$6.2 million – although not administered across-the-board, this averages to a 2.2% reduction for unit general fund budgets.

- Educational Programs:
 - How?
 - Reduction of lecturer lump sums / part-time faculty
 - Reduction of Vacant Faculty Positions
 - Reduction of already extremely tight operating expense budgets
 - Faculty and Staff Hiring Freeze
 - Increased enrollments in selected disciplines
 - Increased / Better use of Technology
 - Because of the economic instability hired more “Term” Faculty rather than “Tenure Track” Faculty
 - Increased freshman class enrollment as classroom space and capacity allowed
 - Impact?
 - Fewer general education course offerings
 - Increased faculty workloads
 - Increase in student / faculty ratios
 - With instructional space already extremely limited at the University, reductions of this magnitude continue to increase pressure on space
 - Potential threat to graduation rates
 - Potential threat to Phi Beta Kappa Designation
 - A “real” threat to delivering a quality education

- Research Enterprise:
 - How?
 - Did not authorize hiring promised new Research Faculty positions
 - Research Faculty Hiring Freeze
 - Reduction in departmental research budgets
 - Reduction of expenditures for scholarly journals
 - Reduction in research travel budgets
 - Impact?
 - The inability to attract new faculty researchers will severely impact the growth of the research mission at the University, which means:
 - Less Economic Development
 - Fewer Business Start-ups
 - Lessens the likelihood of reaching 2020 goals of \$400 million in sponsored research activity
 - Slows progress towards key achievements such as National Cancer Institute (NCI) designation
 - Limited attendance at important professional research meetings and conference.

- Student Population:
 - How?
 - Increased tuition and other student fees
 - Reduced overall student services
 - Reduced funding support to recognized student organizations
 - Delayed renovation and/or construction of student housing
 - Reduced Travel Budgets
 - Limited or reduced both need and merit based aid
 - Impact?
 - Slows the growth of an involved, engaged campus community – potentially threatening increased graduation and retention rates
 - Limits ability to move forward with on campus student health initiative

 - Perpetuates chronic underfunding for Recruitment and Admissions Office, which threatens our ability to attract the quality new and transfer students needed for us to meet UofL’s commitment to the state’s “Double the Numbers” initiative
 - Limits Recruiting efforts outside of the Louisville Metro Area
 - Restricts ability to recruit and retain some of the State’s neediest students

II. Cost Containment Strategies:

- The University saved approximately \$1 million by only escalating central undergraduate financial aid budgets to offset the tuition rate increase. The Deans of the academic units were asked to augment their unit based financial aid budgets with unused accumulated endowment earnings to offset the tuition rate increase and therefore provide full scholarship awards. As those one-time funds are depleted, we worry about our ability to continue the support our students need.
- Many Library journal subscriptions were canceled and other journals were moved to online only E-journals in collaboration with all academic units.
- In an effort to reduce costs, academic units have reexamined the general education course offerings. Where possible, units reduced the number of sections of general education courses.
- The University restructured some of the faculty and staff benefits which produced savings of approximately \$1.4 million. Specifically, the six credit hour tuition remission for spouses of employees was eliminated.
- Lapsed fringe benefits on vacant positions across the University were also captured and eliminated.
- Legislatively state mandated programs were reduced 3%. This generated general fund savings of approximately \$300K.
- “Social” events (such as tailgating, receptions) typically used for University Advancement and other Fund-raising initiatives were significantly scaled back.

III. Resource Reallocation Strategies:

- Endowment and gift funds were used to replace state general funds for equipment maintenance and replacement and planned renovations of academic space.
- To compensate for the loss of permanent general funds, units supplemented many mission critical core functions with one-time funds and were forced to reduce funding to less strategically important areas and initiatives.
- Beginning FY 2008-09, an administrative overhead charge of 2% was applied to the expenditures of all auxiliaries, service centers, and program budgets. This overhead charge is expected to generate \$700K.
- Beginning FY 2008-09 the cost of the retiree health insurance was charged to the respective UofL Corporations for their pro-rated portion of the expense. This change provided general fund savings of approximately \$480K.
- The cost of tuition remission for faculty, staff, and dependents was incorporated into the fringe benefit calculation and charged to the appropriate University departments and UofL Corporations. This change is projected to produce general fund savings of approximately \$1.4 million.

IV. Productivity

The attached documents show both the extent of the budget cuts taken over the past several years, and the productivity moves we have made to counterbalance these cuts and continue our forward momentum.

- Attachment A, *State Mandated Budget Reductions*, summarizes the University of Louisville's recurring and non-recurring budget cuts during FY 2002 through FY 2009.
- Attachment B, *Stewardship, Cost Reductions and Efficiency Efforts*, outlines many of the initiatives the University has taken to cut costs and utilize resources as effectively and efficiently as possible.
- Attachment C, *Solid Results – A Decade of Progress*, lists several of the key indicators the University uses to measure progress.



State Mandated Budget Reductions
FY 2002-03 through FY 2008-09

	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>Total</u>
Recurring FY 2002	(\$3.0)	(\$3.0)	(\$3.0)	(\$3.0)	(\$3.0)	(\$3.0)	(\$3.0)	(\$3.0)	(\$24.0)
Recurring FY 2003		(\$3.0)	(\$3.0)	(\$3.0)	(\$3.0)	(\$3.0)	(\$3.0)	(\$3.0)	(\$21.0)
Recurring FY 2004			(\$3.1)	(\$3.1)	- *	-	-	-	(\$6.2)
Recurring FY 2009								(\$10.0)	(\$10.0)
Nonrecurring FY 2002	(\$3.9)								(\$3.9)
Nonrecurring FY 2004			(\$7.9)						(\$7.9)
Nonrecurring FY 2008							(\$5.1)		(\$5.1)
	<u>(\$6.9)</u>	<u>(\$6.0)</u>	<u>(\$17.0)</u>	<u>(\$9.1)</u>	<u>(\$6.0)</u>	<u>(\$6.0)</u>	<u>(\$11.1)</u>	<u>(\$16.0)</u>	<u>(\$78.1)</u>

* Recurring Reduction Restored in FY 2005-06



University of Louisville
Stewardship, Cost Reductions and Efficiency Efforts
(dollars recurring unless noted)

Initiative	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09
General University Initiative								
Eliminated Summer session commencement ceremonies. Also streamlined Fall and Spring commencement ceremonies and related convocations to produce a better program at a reduced cost. ¹			\$ 80,000					
Eliminated numerous administrative positions within the Office of the President as part of the University's administrative reorganization.			\$ 140,000					
Reorganized the President's Office, eliminating one vice president position, an executive assistant and some support staff.			\$ 300,000					
Closed the University's Career Center and eliminated selected staff positions. Completely revamped and refocused the program to provide more effective and efficient career counseling services to students. ¹				\$ 400,000				
Expanded campus-wide Distance Education programs.				\$ 850,000				
Converted the Reynolds Building into upscale loft condominiums. ²						\$ 1,250,000		
Adopted a consumer-oriented program for controlling pharmacy benefits (thereby reducing employee direct costs) and to assist the University administration in identifying ways to reduce pharmacy costs.						\$ 113,000		

Initiative	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09
Reorganized the Graduate School to promote greater operational efficiencies in the area of admissions, records and graduate student academic policy development.						\$ 300,000		
Restructured staff of the Office of Community Engagement to serve more effectively its broader mission of coordinating community engagement across the University.								\$ 20,000
Affiliated with a developer to renovate Stoddard Johnston Building into an apartment environment for married and family student housing. ¹								\$ 300,000
Eliminated cost of annual maintenance and generated receipt of affiliation fee through the renovation and development of the Stoddard Johnston Building.								\$ 49,000
Partnered with Edwards Communities to build apartment units adding 859 beds contiguous to campus.								\$ 38,000,000
Negotiated new food service contract which will provide \$11 million for renovated and new dining facilities.								\$ 11,000,000
Information & Communications Technology Improvements								
Contracted with an alternate service provider for data center equipment and maintenance.						\$ 180,000		
Provided Microsoft campus agreement for departments which allows personal computer users across campus to receive current operating system and office suite products for only \$74 per year.						\$ 400,000		
Negotiated a site license with Symantec to provide antivirus software for all computers.							\$ 65,000	
Implemented upgraded data network to bring all electronic switching components to state-of-the-art.							\$ 500,000	

Initiative	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09
Closed the North Campus Computer Center in the College of Business and consolidated all satellite computer centers in the central library.					\$ 100,000			
Implemented Voice over IP phone service for all university departments including broadcast of emergency messages university-wide.						\$ 1,200,000		
Relocated a Physics Department supercomputer to the Miller IT Data Center saving upgrade costs of locating the system in a research building. ¹						\$ 300,000		
Initiated participation as a member of Internet2. ¹						\$ 500,000		
Reorganized digital printing and imaging services (including reduction in staff and closing off-site printing facility) resulting in cost savings.						\$ 300,000		
Business Process Redesign								
Moved from a print-based Student Handbook to a web-based Student Handbook.	\$ 7,500							
Discontinued printed publication of the staff and faculty directory.			\$ 10,000					
Worked with a marketing firm to improve services for Intramural Sports and Recreations.				\$ 5,000				
Instituted UPS WorldShip and CampusShip. Allowing departments to enter data directly to UPS, reducing Postal Services time and improving customer service.				\$ 80,000				
Implemented a program to decrease accounts receivable on grants and contracts. ¹				\$ 11,000,000				
Initiated master maintenance agreement program for scientific and laboratory equipment. Combines multiple contracts with multiple vendors under one contract with one vendor.					\$ 60,000			

<u>Initiative</u>	<u>FY 2001-02</u>	<u>FY 2002-03</u>	<u>FY 2003-04</u>	<u>FY 2004-05</u>	<u>FY 2005-06</u>	<u>FY 2006-07</u>	<u>FY 2007-08</u>	<u>FY 2008-09</u>
Purchased cash register programming software for postal services. Allowing Postal Services to make changes in register keys rather than paying service fees.					\$ 1,000			
Implemented Robotic Retrieval System with projected operational and staff cost savings of \$3,933,333 over a 10-year period.					\$ 393,333	\$ 393,333	\$ 393,333	\$ 393,333
Implemented an automated process to disburse student residual funds.					\$ 30,000			
Implemented electronic employment verification, paperless paychecks and electronic W2 forms and improved Human Resources services.					\$ 27,500			
Closed four graduate nursing majors with insufficient enrollment.							\$ 52,500	
Eliminated the vacant Assistant Director of Student Life position.							\$ 40,000	
Moved Career Center to web-based Career Development and Placement Software Application.							\$ 5,000	
Eliminated two Unit Business Manager positions with the Student Affairs Division.							\$ 94,000	
Eliminated 2.5 staff from within the Vice President for Student Affairs staff.							\$ 94,000	
Implemented Marchive Bibliographic Maintenance and Control Project providing cost savings of 2 faculty and 2 staff salaries and FB.							\$ 178,750	
Outsourced some off-campus housing services thereby reducing cost and expanding services.								\$ 30,000
Eliminated commuter student area and moved responsibilities in Student Activities Office to improve services to students.								\$ 108,000

Initiative	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09
Implemented benefits administration system making university HRIS the system of record for dependent and beneficiary information, streamlined open enrollment process so that employees have one site for making all their enrollment selections.								\$ 250,000
Implemented an eProcurement system to increase cost savings on negotiated contracts, improve purchasing efficiencies and improve compliance.								\$ 2,000,000

Financial and Budgetary Initiatives

Refinanced long-term debt where financially viable. During this time period U of L refinanced CEFRB Series M, Housing Series E and Housing Series F for reduction in overall cost.		\$ 1,058,000						
Hired a Tuition Repayment Specialist for collection of outstanding student accounts. ¹				\$ 350,000				
Implemented a self-funded strategy for employee and retiree health insurance.				\$ 950,000	\$ 950,000			
Applied selected employee salaries to Foundation and Research Foundation Fund program codes.					\$ 328,000			
Phased-in a program to charge all Auxiliaries, Service Centers and other Programmed Budgeted Programs, such as Continuing Education, an applicable overhead charge to cover their applicable proration of general University administrative and facility costs.					\$ 250,000			
Increased efforts to recover unclaimed and escheat property. ¹					\$ 2,500,000			
Implemented policy to re-bid the contract for audit services every five years, thereby allowing qualified auditing firms to compete for UofL's business.					\$ 40,000			

Initiative	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09
Implemented a "Convenience Fee" for credit card payment of student accounts.				\$ 168,000	\$ 151,000			
Changed the short-term investment policy of the University and its affiliated corporation's to allow greater flexibility in investing short-term cash.				\$ 50,000	\$ 140,000			
Eliminated the General Fund Support for Development, Outreach and Alumni operations. These programs are now funded exclusively from private donations or allocation from the U of L Foundation, Inc.						\$ 3,100,000		
Implemented electronic payments (ACH) for most large vendors of goods and services.					\$ 13,750			
Secured a new Travel Services contract thereby reducing cost to University travelers and providing better customer service.					\$ 75,000			
Transferred selected staff salaries in the Environmental Health and Safety Office from general funds to research infrastructure funds, capturing the savings centrally.					\$ 133,200	\$ 139,800		
Negotiated new indirect cost rates (F&A) for federally-sponsored research with the National Institutes of Health (NIH).						\$ 300,000		
Reduced general fund support of the Labor Management Center by emphasizing revenue enhancements.							\$ 93,430	
Funded Director of Civil Engagement, Leadership and Service from auxiliary department.								\$ 80,000

Physical Facilities

Implemented a two-year cycle for window cleaning campus-wide.			\$ 30,000					
Replaced several domestic boilers with more efficient ones.				\$ 10,000				
Replaced fluorescent lamps with more efficient and environmentally friendly lamps.				\$ 20,000				



Solid Results. A Decade of Progress.

	1998	2002	2008 *
Average ACT score for all entering freshmen	21.4	23.2	24.4
Freshmen retention rate¹	71.2 %	77.1 %	77.7 %
6-year graduation rate	30.1 %	33.0 %	45.7 %
Undergraduate degrees awarded	1,734	1,849	2,298
Doctoral degrees awarded	76	90	151
Number of students living on campus²	1,725	2,363	3,135
Endowed chairs and professorships	35	87	131
Endowment³	\$317.0 M	\$478.9 M	\$719.4 M
Startup companies (cumulative)⁴	1	6	22
Patents (cumulative)⁵			
Applications filed	9	89	432
Formal patents issued	15	29	63
License option agreements (cumulative)⁶	17	30	73
Research expenditures⁷	\$39.1 M	\$80.9 M	\$148.9 M

* Student enrollment data for 2008 are preliminary.

¹ Denotes the 1st to 2nd-year retention rate of first-time, full-time baccalaureate degree seeking students. Source: IRP

² Source: Housing and Residence Life

³ Current as of August 31, 2008. Source: Office of the Vice President of Finance

^{4,5 & 6} Source: Office of the Executive Vice President of Research

⁷ 2008 data is preliminary. National Science Foundation



UNIVERSITY OF
LOUISVILLE[®]
It's Happening Here.

Initiative	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09
Installed more efficient HVAC systems in several buildings.				\$ 20,000				
Implemented campus-wide energy management initiatives including installation of new chillers in central plant, more efficient air handlers in several buildings, and replacement of insulation.				\$ 150,000				
Secured donations for ceiling fans in all classrooms in COB. ¹							\$ 5,815	
Renovated the academic advising area and the Career Center within the COB by securing private funds and eliminating the need for general funds. ¹							\$ 984,199	
Equipped campus vending machines with power misers to save electricity.							\$ 2,000	
Initiated an energy performance contracting program to reduce green house gas emission which could reduce the University's energy use by 30%.								\$ 3,000,000
Worked with Metropolitan Sewer District to recycle and reduce the University's storm water.								\$ 150,000
Total	\$ 7,500	\$ 1,058,000	\$ 2,040,000	\$ 17,221,000	\$ 6,152,783	\$ 3,433,133	\$ 1,943,027	\$ 55,380,333

¹ One-time cost savings

² One-time lease payment

Prepared by R. Jason Tomlinson
Office of Vice President for Finance
10/17/2008

G:\Information Systems\Projects\Funding Issues and Financial Data\Submission for 2007-08\[Efficiency Efforts 2001-02 thru 2007-08.xlsx]catsort

Western Kentucky University

Impact of Budget Cuts on Institutional Operations

Financial snapshot: FY 2008 state budget reduction, \$2,553,500 (3%); FY 2009 state funding reduced by \$5,047,100 (5.9% of original FY 2008 State General Fund). FY 2009 Budget includes an increase in tuition revenue of \$8.4 million for base operating support. None of the projected increase in tuition revenue is allocated to replace the lost state funding.

Budget cuts during the most recent statewide economic shortfall have served to reduce access to the academic programs and services expected by students and communities Western Kentucky University serves directly. The heart of a university is its faculty. Talented faculty and staff are concerned about us having the necessary resources to achieve the goals set forth in our Strategic Plan. With a continuing trend of senior faculty retirements, WKU's ability to compete for new faculty and retain junior faculty has been adversely impacted. Junior faculty are mobile and will seek out universities that offer competitive salaries and opportunities for professional development and advancement.

WKU continues an upward trend in enrollment growth; much of this growth is being funded by larger class sizes and increased faculty workloads. Faculty now have less time to devote to research and scholarly activity, work with community partners in support of regional priorities, and fulfillment of the university's role in support of P-12 schools. Reductions in state support have resulted in decreased capacity to: (1) recruit students, (2) launch programs that respond to identified workforce needs, and (3) support development of critical initiatives to enhance student success leading to graduation. The state mandate to develop new programming to meet the developmental education needs of entering students was left without any resources to support it.

Reduced course offerings will likely result in increased student dissatisfaction and a likely increase in time to degree completion. Furthermore, there are high demand programs which must have selected admissions and enrollment caps due to our inability to expand the faculty and operating support to meet the student demand. WKU takes seriously its role in delivering programs at our extended campuses. Communities like Owensboro look to us for the educational offerings that will lead to economic growth. At this point, WKU is slow to respond to their requests for programs because of the lack of financial resources.

Lastly, while the support staff continue to implement efficiencies, which most commonly result from new technology, they struggle to meet the work demand due to enrollment growth, growth in grants and contracts and outreach programs, and added governmental compliance and reporting requirements.

No reductions were made in the deferred maintenance budget.

Changes in personnel, programs, and services

*Consolidated departments of Computer Science and Mathematics and eliminated one department head. Reduction: \$98,662

*Eliminated Vice President for Student Affairs and Campus Services and Facilities position and the support staff position for the office. Reduction: \$163,475

*Postponed implementation of ASL Program (Sign Language).

*Eliminated 23 faculty positions (3.13% of FY08 budgeted faculty positions).
Reduction: \$1,534,041

*Eliminated seven staff positions and reduced one position to part-time. Reduction: \$277,957

*Reduced salaries in 10 faculty position lines. Reduction: \$201,380

*Reduced funding for part-time and visiting faculty appointments. Reduction: \$73,974

*Reduced salaries for three administrative appointments. Reduction: \$67,653

*Reduced funding for student employment, professional development, travel, operating support, computers and equipment, and classroom renovations. Reduction: \$331,197

*Eliminated Men's Soccer Program. Reduction: \$147,257

*Bowling alley will be closed at the end of the fall semester. Reduction: \$50,000

*Reduced emergency contingency for Environment, Health and Safety Department. Reduction: \$27,700

*Reduced staff hardware and software replacements, moved from 3-year to 4-year computer replacement for faculty and student labs, and reduced funds held for network upgrades.

Reduction: \$190,510

*Eliminated Associate Vice President for University Relations position. Reduction: \$86,409

*Reduced central contingency fund for emergencies. Reduction: \$319,400

*Full-time employees received annual salary increase of \$500 per employee; Strategic Plan called for a 4% merit increase.

Total \$3,569,615

Cost containment strategies

*Created the Committee on Sustainability with a broad directive including energy efficiency. (TBD)

*Reduced utilities budget based on projected energy efficiencies including performance contracting. Reduction: \$402,021 (Note this decision was made prior to TVA announcing a 20% increase in rates effective October 1, 2008.)

*E-billing for student bills will be implemented December 2008 with savings in postage and printing costs. Reduction: \$11,120 (in first year)

*Pursuing contract which will eliminate most student residual checks by issuing a card. (TBD)

*Implementing second performance contract for guaranteed energy savings. (TBD)

*Addressing deferred maintenance and capital renewal needs in several academic buildings this fiscal year through agency bonds rather than deferring projects until state funds are available.

Total \$413,141

Resource reallocation strategies

- *Eliminated central budget for advertising of positions. Reduction: \$10,236
 - *Eliminated central budget for background checks on new employees. Reduction: \$40,000
 - *Budgeted increased revenue to balance the budget that previously was accrued for facilities improvements. Reduction: \$550,000
 - *Moved the Workers Compensation Manager position to direct expense of the workers compensation program. Reduction: \$53,000
 - *Reallocated funds generated by facilities and administrative cost recovery on grants and contracts from the Research Incentive Fund to balancing the budget. Reduction: \$45,000
 - *Reallocated funds generated by the Division of Extended Learning and Outreach to balancing the budget. Reduction: \$100,000
 - *Funded one-half of the funds needed to meet the projected costs of the minimum wage increase with no reduction in number of students employed. Reduction: \$143,000
 - *Funded grants administration position from F&A cost recovery funds rather than regular University funding. Reduction: \$35,799
- Total \$977,035**

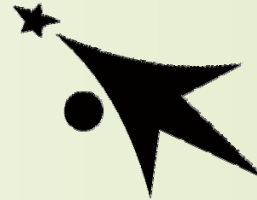
Productivity

WKU posted a 6% increase in applications and a 6.3% increase in first-time, first year students in fall 2008. Total enrollment is up 2.6%. WKU offered the Doctorate in Educational Leadership and the Executive MBA for the first time.

- *Moved the distance learning component of the Division of Extending Learning and Outreach to self-supporting status. Reduction: \$173,187
 - *Reduced budgeted funds for health insurance by 3% with no change in employee premiums or benefits. (Neither increase in premiums in four years nor planned increase for FY 2010.) Reduction: \$255,000
 - *Reduced budgeted funds for workers compensation with no change in benefits. Reduction: \$200,000
 - *WKU implemented the Voluntary System of Accountability (VSA) that communicates information on the undergraduate student experience through a common web reporting template, the College Portrait. The College Portrait provides consistent, comparable and transparent information on the characteristics of institutions and students, cost of attendance, student engagement with the learning process, and core educational outcomes. The information is intended for students, families, policy-makers, campus faculty and staff, the general public, and other higher education stakeholders.
 - *Increased use of procurement card, with its rebate program, has allowed the University to create a minimal permanent vehicle replacement budget.
 - *Increased annual private giving to \$17.7 million reflecting a 1% increase during a difficult time to raise giving.
- Total \$628,187**

TOTAL REDUCTIONS AND REALLOCATIONS TO BALANCE FY 2009 BUDGET \$5,587,978

**OVERVIEW:
COLLEGE AFFORDABILITY
IN KENTUCKY**



**KENTUCKY COUNCIL ON
POSTSECONDARY EDUCATION**

CPE MEETING

NOVEMBER 7, 2008

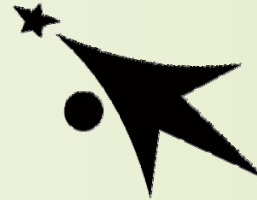
Overview

- ❖ The Context: Kentucky's 2020 Vision
- ❖ Connecting College Affordability to the Flow of Funds in Postsecondary Education
- ❖ How Affordable Are We?: Statewide College Affordability Indicators
- ❖ Trends in College Costs
- ❖ Trends in Student Financial Aid
- ❖ Keeping the Promise: Policy Options for Maintaining College Affordability

Additional information to be shared in months ahead.

**OVERVIEW:
COLLEGE AFFORDABILITY
IN KENTUCKY**

NOVEMBER 7, 2008



**KENTUCKY COUNCIL ON
POSTSECONDARY EDUCATION**

**The Context:
Kentucky's 2020 Vision**

Kentucky's 2020 Vision

Increase educational attainment and promote economic development to raise the standard of living and quality of life in the Commonwealth that meets or exceeds the national average by 2020.

Work on college affordability and access grounded in reform legislation.

Achieving goals will create the most dramatic economic transformation in Kentucky's history.

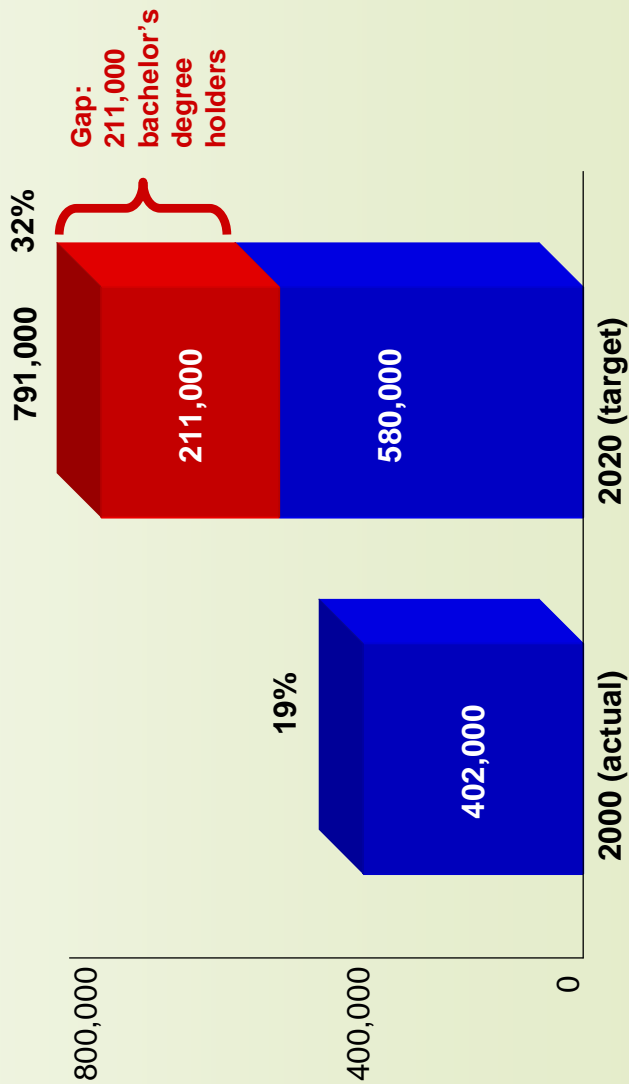
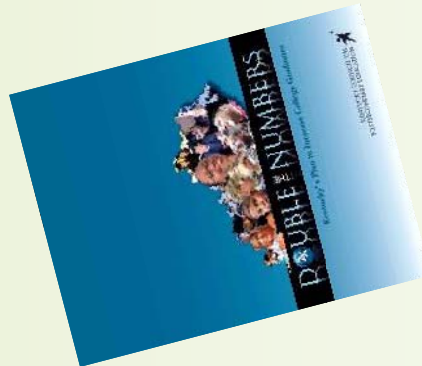
Six Goals of House Bill 1

- ✓ Seamless, adequately funded system to enhance economic prosperity.
- ✓ UK: top 20 public research university.
- ✓ UofL: premier metropolitan research university.
- ✓ Regional universities: access to quality degrees and nationally recognized programs of distinction.
- ✓ Community/technical colleges: access, transfer, and workforce development.
- ✓ Educational services in quality and quantity comparable to the national average.



Double the Numbers (DTN)

To achieve postsecondary education reform goals, Kentucky must **double the number*** of people with at least a bachelor's degree by 2020.

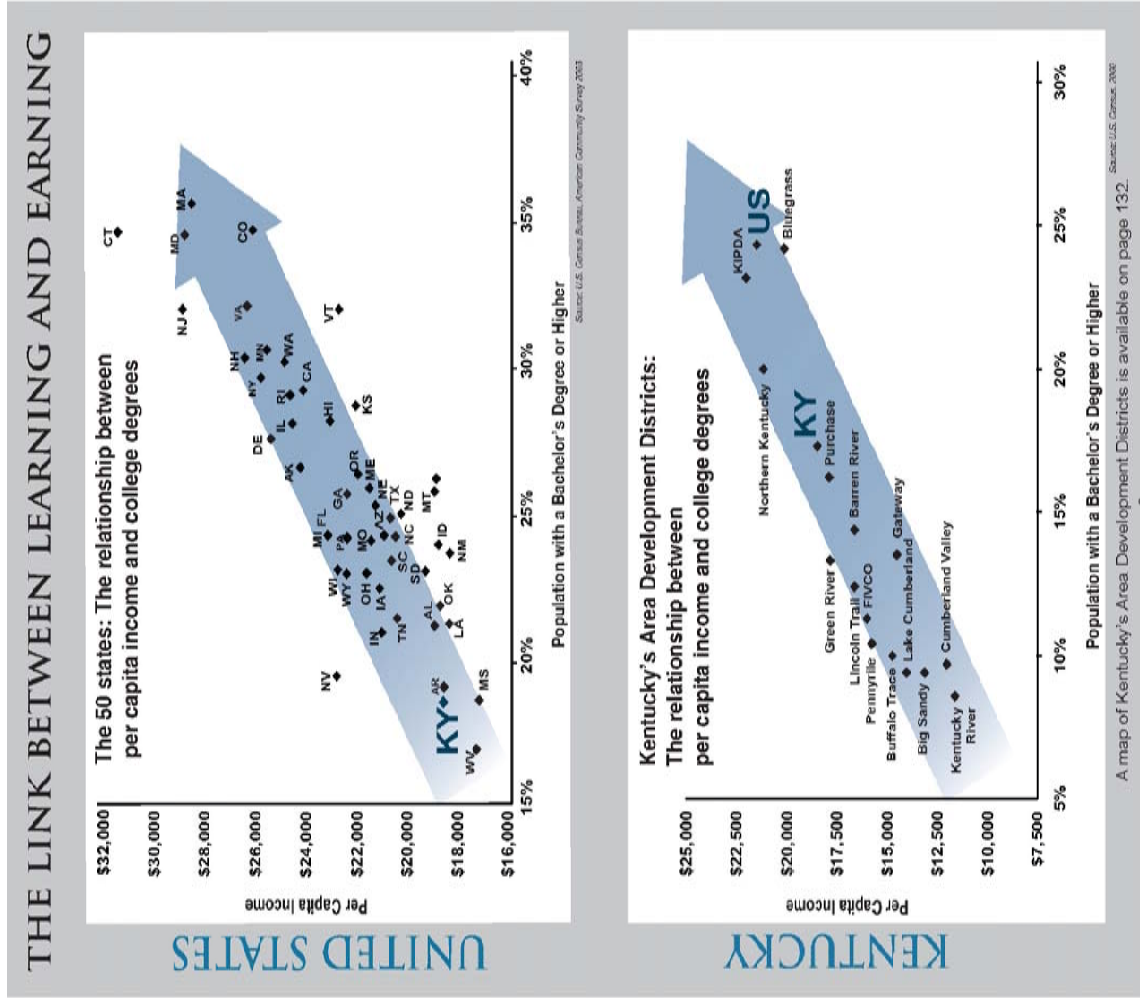


* For DTN analysis, this is based upon working age population (25-64) in Kentucky.

Essential to Income Growth

“The single factor with the greatest power to explain differences in per capita income between states is the percentage of college graduates.”

Milken Institute, 2002



Graduation day

Education

Career

Investment

Return on investment

Costs

Benefits

Private costs

- Direct costs (tuition, books, supplies, etc.)
- Indirect costs (room, board, transportation, etc.)

Public costs

- Operating subsidy
- Financial aid
- Capital projects

Private benefits

- Increased earning potential
- Healthier lives
- Increased value of education

Public benefits

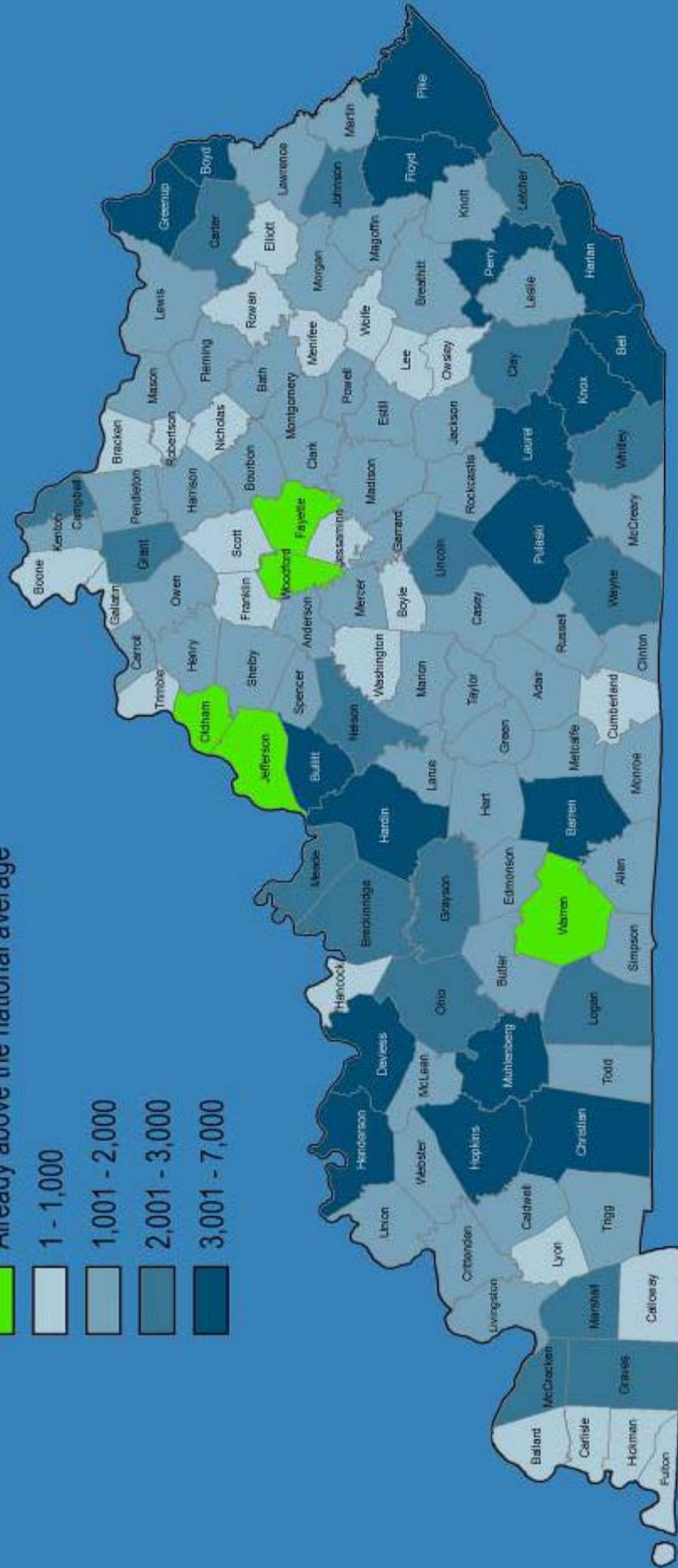
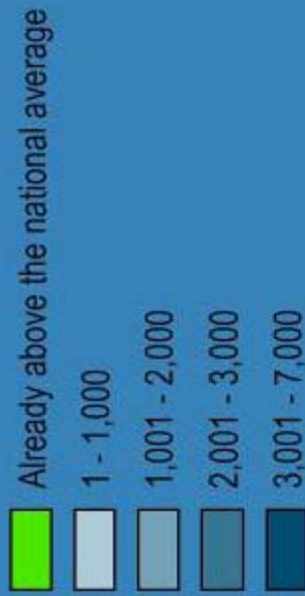
- Vibrant economy
- Engaged citizens
- Reduced crime/dependency
- Reduced health care costs

DOUBLE THE NUMBERS

ADDITIONAL BACHELOR'S DEGREE HOLDERS NEEDED TO MATCH THE NATIONAL AVERAGE

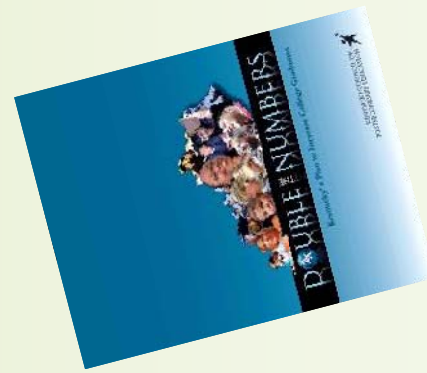
24.4% of all Americans aged 25 and over hold a bachelor's degree or higher (2000).
 17.1% of all Kentuckians aged 25 and over hold a bachelor's degree or higher (2000).

SOURCE: US Census 2000



Visit the Kentucky Postsecondary Education Data Portal, <http://cpe.ky.gov/info>

DTN Statewide Strategies



Strategy	Link to College Affordability
#1) Raise high school graduation rates.	Increasing aid, awareness, and access to greater number of low-income students.
#2) Increase the number of GED graduates and transition more to college.	Increasing aid, awareness, and access to greater number of low-income adults.
#3) Enroll more first-time students at KCTCS and transfer them to 4-year programs.	Low cost provider, financial aid for low-income and part-time students, transfer scholarships, time to degree.
#4) Increase number of Kentuckians attending and completing college.	Net cost, time to degree, remediation, student debt levels.
#5) Attract college-educated workers to Kentucky and create new jobs.	Access to various levels of high-quality, educational services, cost of education benefits.

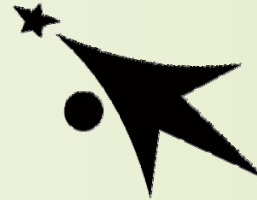
College Affordability in Kentucky

**Complex issue
with no simple
solutions.**

Challenges	Policy Options
Balancing adequacy of funding to achieve reform goals with affordability and access.	Sustained General Fund support combined with reasonable increases in tuition and financial aid.
Increasing number of low-income college students.	Increased need-based aid (e.g., early commitment programs).
Encouraging student success and completions.	Supporting efforts to fix leaks in educational pipeline, decrease time to degree, assess quality, contain costs, and manage student debt.
Promoting benefits of postsecondary education.	Aggressive college access campaign, employer education benefits, and attracting good jobs to Kentucky.

**OVERVIEW:
COLLEGE AFFORDABILITY
IN KENTUCKY**

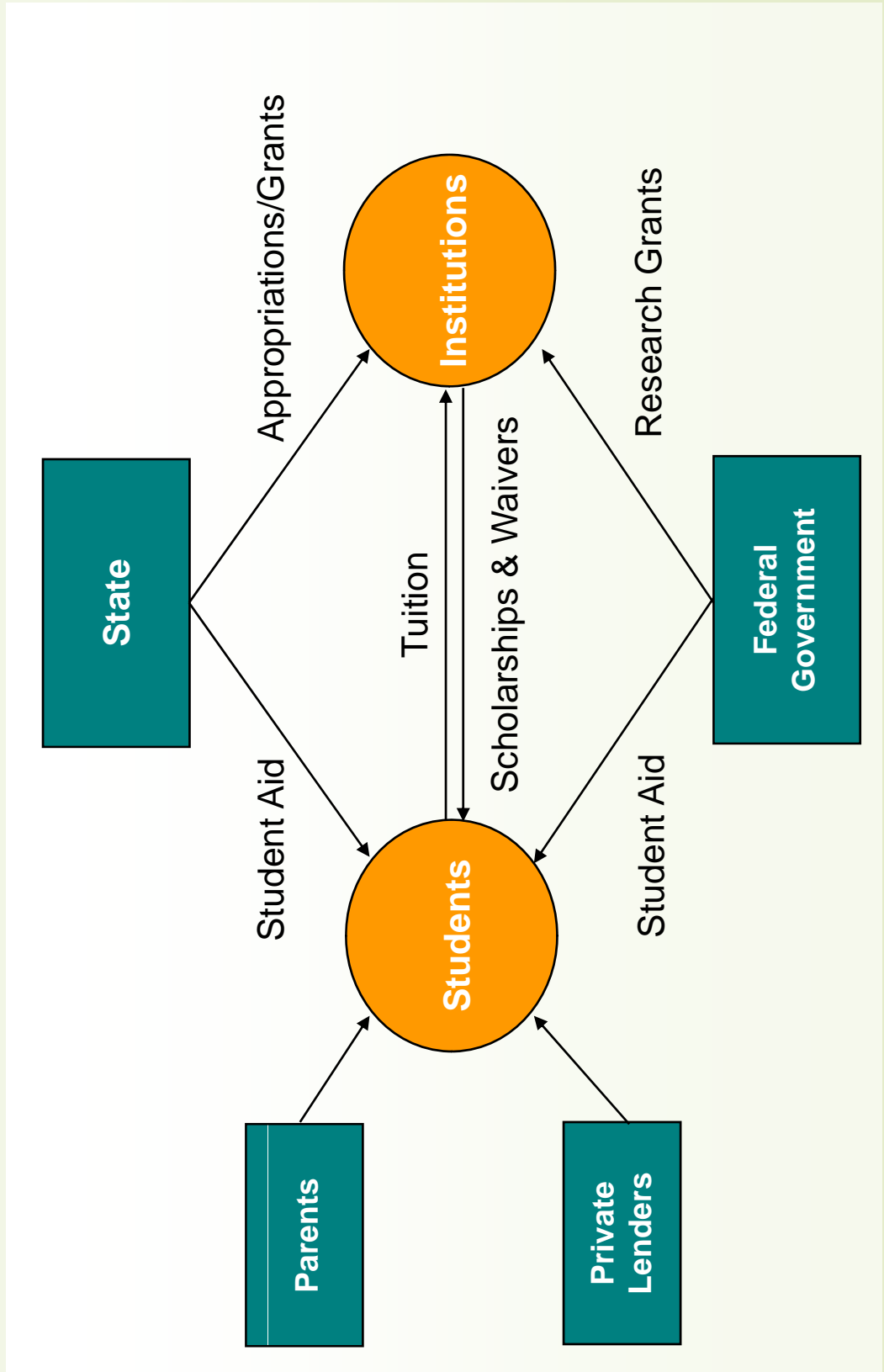
NOVEMBER 7, 2008



**KENTUCKY COUNCIL ON
POSTSECONDARY EDUCATION**

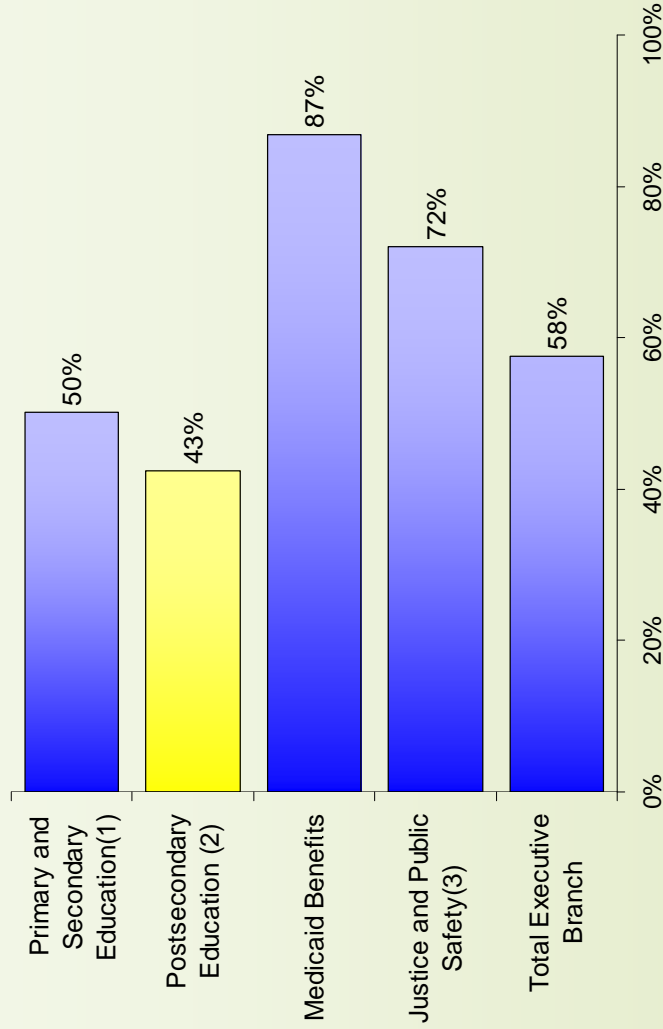
**Connecting College
Affordability to the Flow
of Funds in
Postsecondary
Education**

Flow of Funds in Postsecondary Education



Change in General Fund Appropriation

**Percent Change in General Fund Appropriations
FY99 to FY08 in Current Dollars**

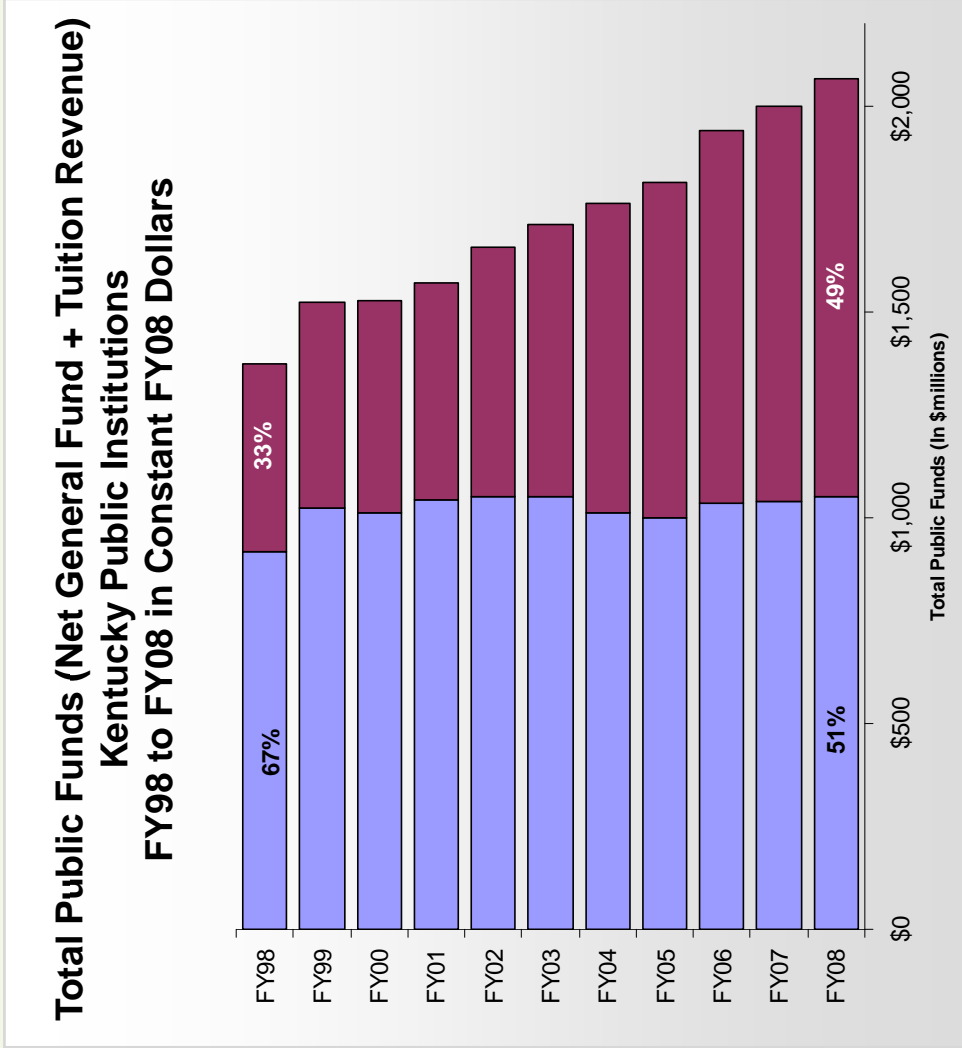


Postsecondary education's percent change in state appropriation less than other priority areas.

(1) Primary and Secondary Education includes funding for the Department of Education, the Kentucky Teachers' Retirement System, and the School Facilities Construction Commission.
 (2) Figures include student financial aid and CPE.
 (3) Figures for 2005 and 2006 include appropriations to the Department of Public Advocacy which was added to the Justice Cabinet through reorganization.

Change in State Versus Student Share

Kentucky trend similar to national trend in this regard.

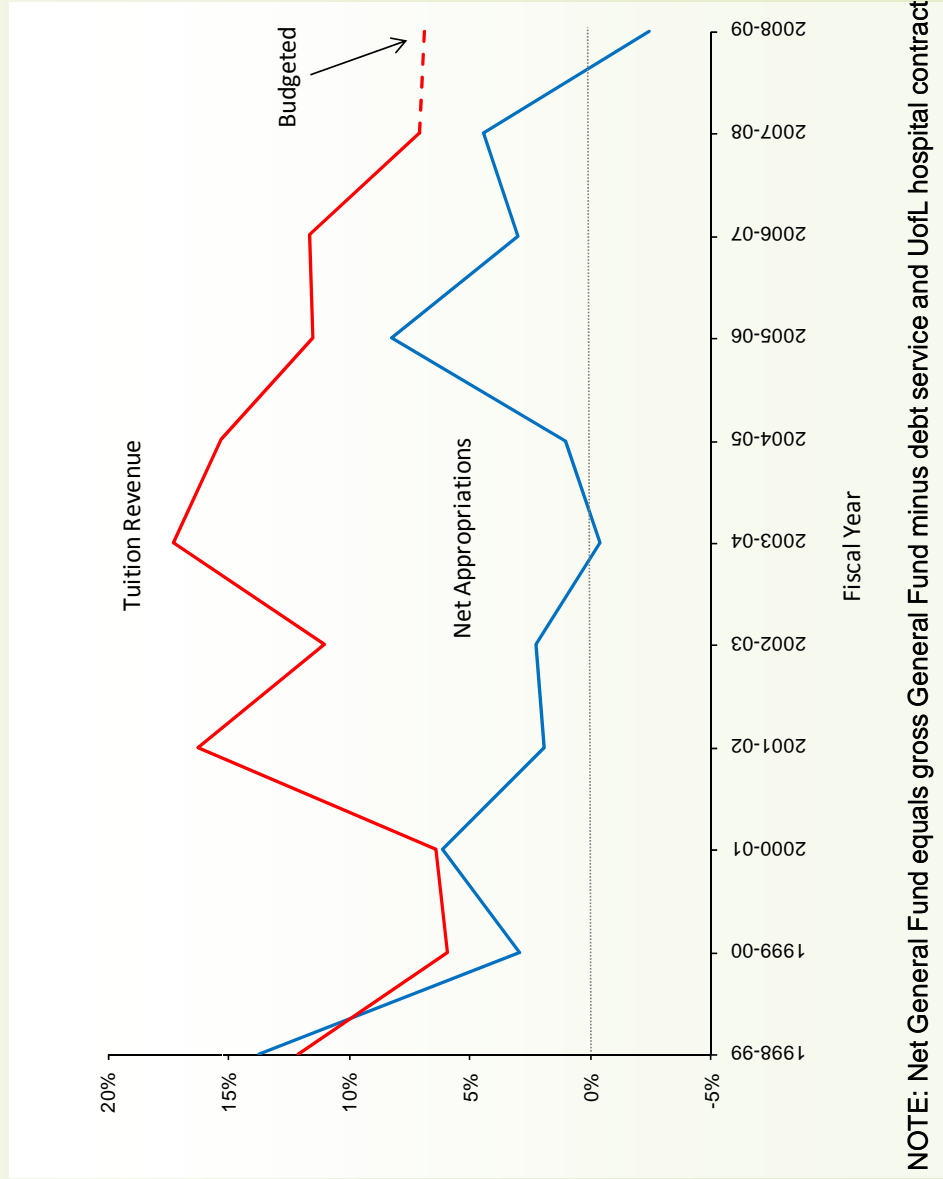


NOTE: Net General Fund equals gross General Fund minus debt service and UofL hospital contract.

- State versus student share of support for postsecondary education has decreased from 2/3 state support in FY98 to approximately 1/2 in FY08.

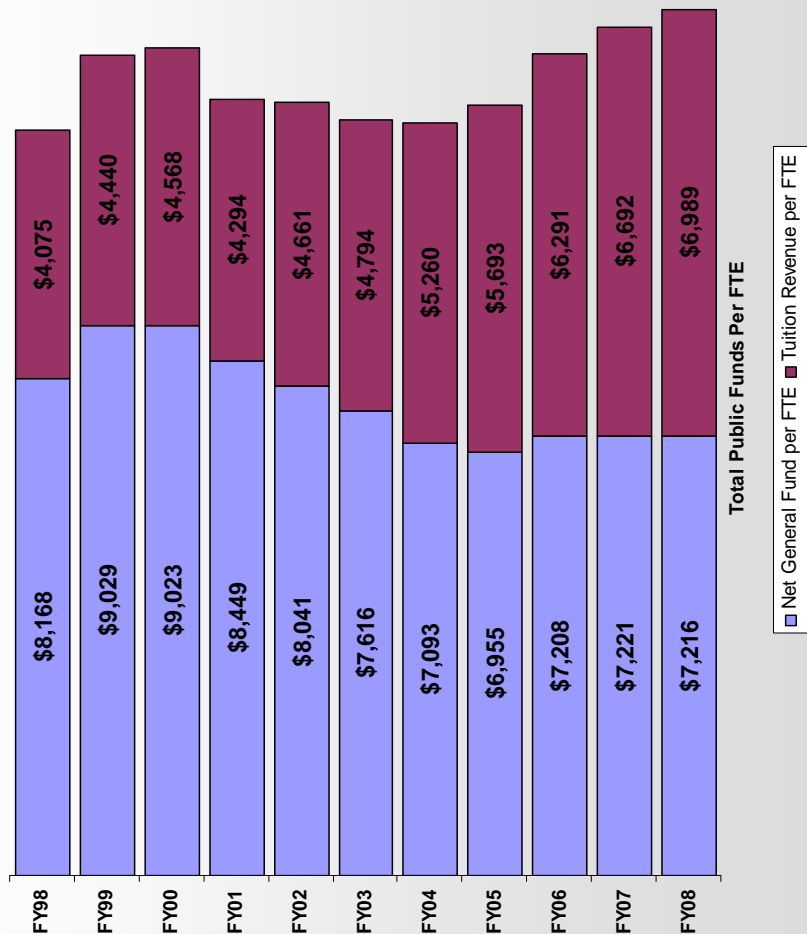
Annual Percent Change in Kentucky Public Postsecondary Net General Fund Appropriations and Gross Tuition and Fee Revenue

While state support for Kentucky's public postsecondary system grew at an average annual rate of 2.6% between FY99 and FY09, that growth has been sporadic.



Change in Funding Per FTE

**Total Public Funds (Net General Fund + Tuition Revenue)
Kentucky Public Institutions Per Student FTE
FY98 to FY08 in Constant FY08 Dollars**



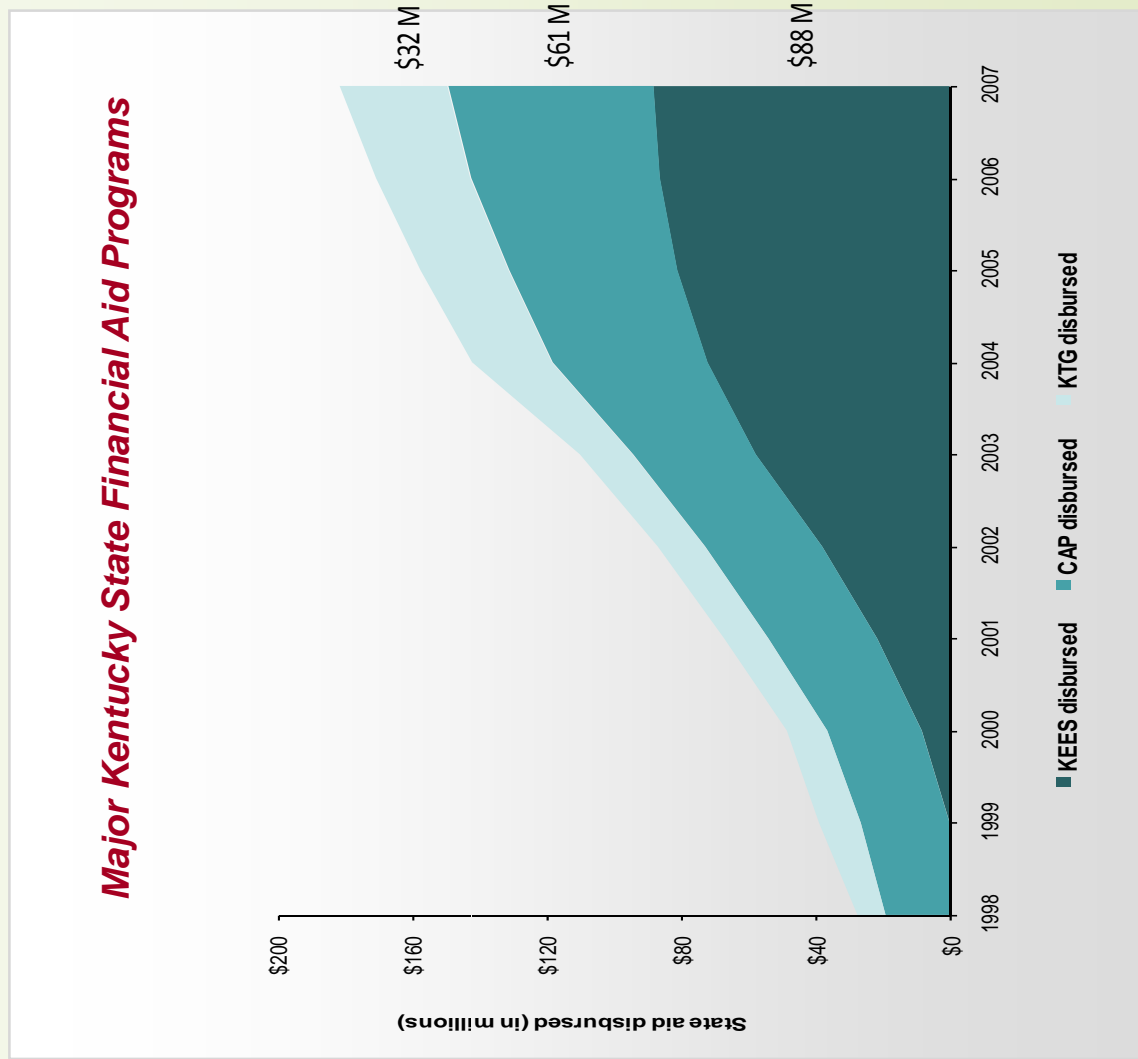
NOTE: Net General Fund equals gross General Fund minus debt service and UofL hospital contract.

Kentucky trend similar to national trend in this regard.

Growth of State Financial Aid

Lottery funding expanded student financial aid more than five-fold in the past 10 years but increases are flattening.

KHEAA Annual Reports



Funding Postsecondary Education in Kentucky

State appropriations

- FY08 cut of 3% or \$32.5 million.
- FY09 additional 3% cut or \$55.7 million less than original enacted FY08 state appropriation.
- Since FY98, state vs. student share decreased from 2/3 state and 1/3 student to about 50/50.

Tuition

- Kentucky is no longer a low-tuition state.
- Over last 10 years, resident undergraduate tuition increased on average 10% per year and 12% per year over last five years.

Level of state support impacts tuition rates and student financial aid.

Financial aid

- State aid experienced aggressive growth early in reform but slowed considerably.
- Federal aid remained relatively flat.

Select Outcomes of Postsecondary Education Reform

Enrollment

- Undergraduate enrollment in Kentucky's public postsecondary system increased by 51,587 students, or 38% between fall 1998 and 2007.

Degrees

- Kentucky's public universities granted 3,002 more baccalaureate degrees in AY2006-07 than in AY1997-98, a 26 % increase.
- The number of associate degrees granted at KCTCS institutions increased from 3,322 in AY2000-01 to 6,481 in AY2006-07, up 95 %.

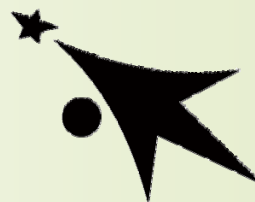
Kentucky's postsecondary system has posted gains in enrollment, degrees granted, and research expenditures.

Research Expenditures

- Combined extramural R&D expenditures at UK and UofL grew from \$105.2 million in FY1997 to \$327.4 million in FY2006, a 211 percent increase.

**OVERVIEW:
COLLEGE AFFORDABILITY
IN KENTUCKY**

NOVEMBER 7, 2008

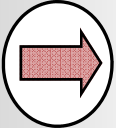
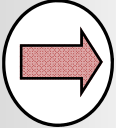

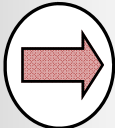


**KENTUCKY COUNCIL ON
POSTSECONDARY EDUCATION**

**How Affordable Are We?:
Statewide College
Affordability Indicators**

Statewide College Affordability Indicators

**Reviewed on an
annual basis in
Council's
accountability
report and tuition
setting process.**

Key Indicator	Trend	Progress
College affordability for all families		Since 2000, percent of income needed for college minus grant aid increased 9 percentage points.
Affordability for low-income families		Lowest-income families need to devote 24% of income to cover tuition at KCTCS in 2006, up from 14% in 1994.
Need-based financial aid		State need-based aid as a percent of federal Pell Grants at 42% vs. 24% in SREB.
Student loan debt		KY college students on average borrow less than other students, annual loan amount of \$3,210 is up 20% over past 10 years.

Measuring Up – State Report Card

MU Affordability Indicator	Brief Definition	Ranking (out of 50)				Trend
		2000	2002	2004	2006	
Family Ability to Pay – Community Colleges	Percent of Income (average of all income groups) needed to pay for college expenses (tuition, fees, room, and board) minus all federal, state, and institution financial aid (net cost of attendance).	2	8	14	33	↘
Family Ability to Pay – Public 4 Year Colleges		6	6	3	25	↘
Family Ability to Pay – Private 4 Year Colleges		8	7	18	26	↘
Low priced colleges	At lowest priced colleges (KCTCS), the share of income that the poorest families (lowest income quintile) need to pay for tuition and fees for fulltime residents.	25	26	36	38	↘
Need-based financial aid	State investment in need-based financial aid as compared to the federal investment (Pell Grant aid).	19	20	14	15	↗
Student borrowing	Average loan amount that undergraduate students borrow each year.	10	6	8	8	↔
40% of population with lowest income – Community Colleges	Average net price per average family income of 40% of the population with the lowest income.	7	7	18	33	↘
40% of population with lowest income – Public 4 Year Colleges		7	7	4	24	↘
40% of population with lowest income – Private 4 Year Colleges		8	8	17	25	↘

In general, Kentucky's state rankings on affordability weakened considerably from 2000 to 2006 and, given increases in tuition and slow income growth, will likely be worse when 2008 data are released.

Enrollment Patterns

Enrollment growth very high in the first years of reform, but has slowed more recently.

Enrollment growth slowed most among full-time students.

CPE Comprehensive Database

Percent Change in Undergraduate Enrollment, Early Reform and More Recent

	Early Reform (2000-2003)	More Recent (2004-2007)
Total public enrollment	20%	7%
Public universities	10%	2%
KCTCS	36%	13%
Full-time, in-state	14%	-1%
Full-time, out-of-state	25%	5%
Part-time, in-state	31%	19%
Part-time, out-of-state	16%	25%

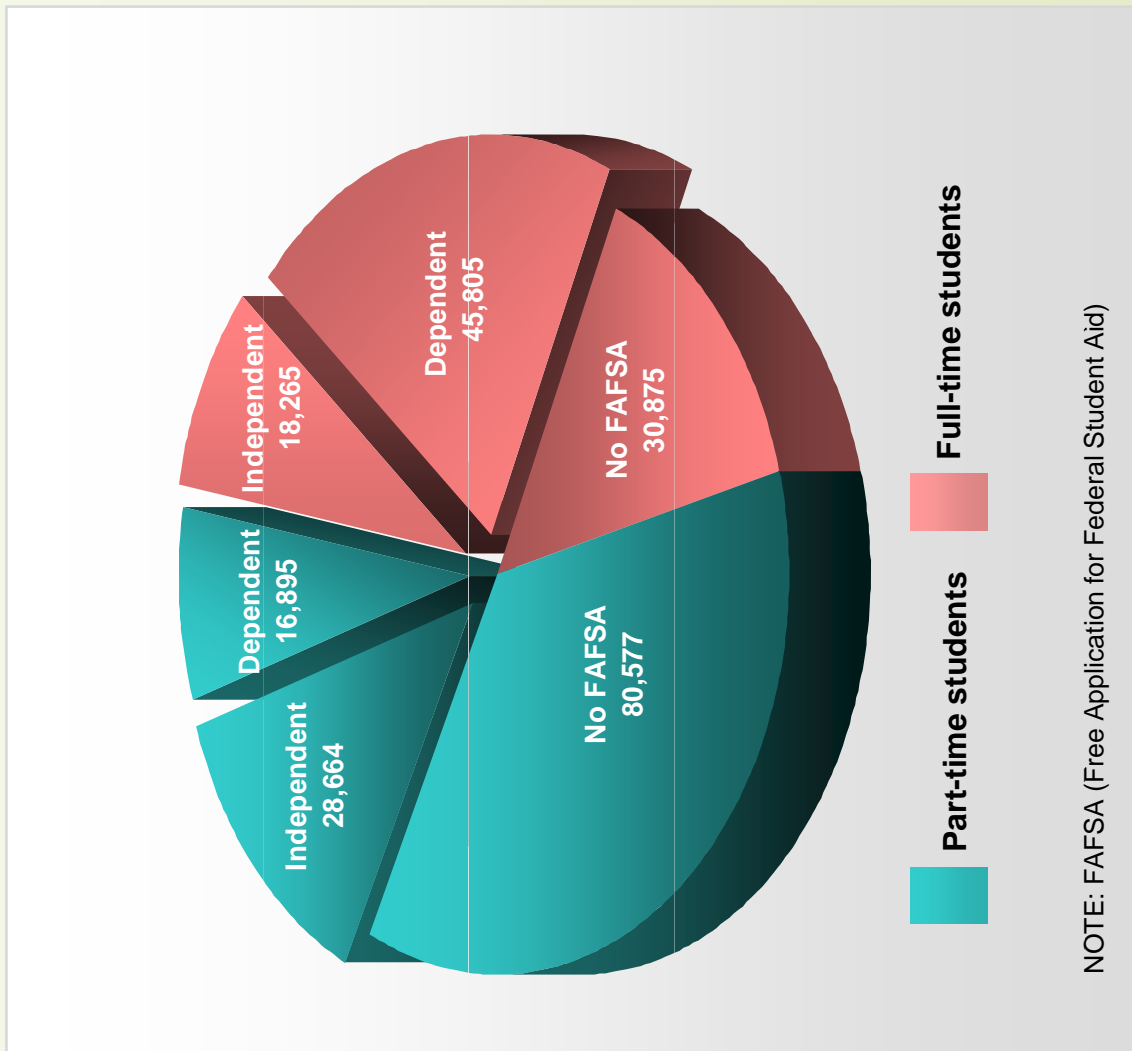
Kentucky Undergraduates

No FAFSA filed for over half of Kentucky students.

More part-time than full-time students.

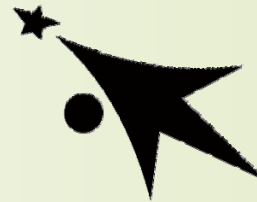
Full-time students are more likely to be dependents.

Data include four- and two-year public and independent institutions, AY06



**OVERVIEW:
COLLEGE AFFORDABILITY
IN KENTUCKY**

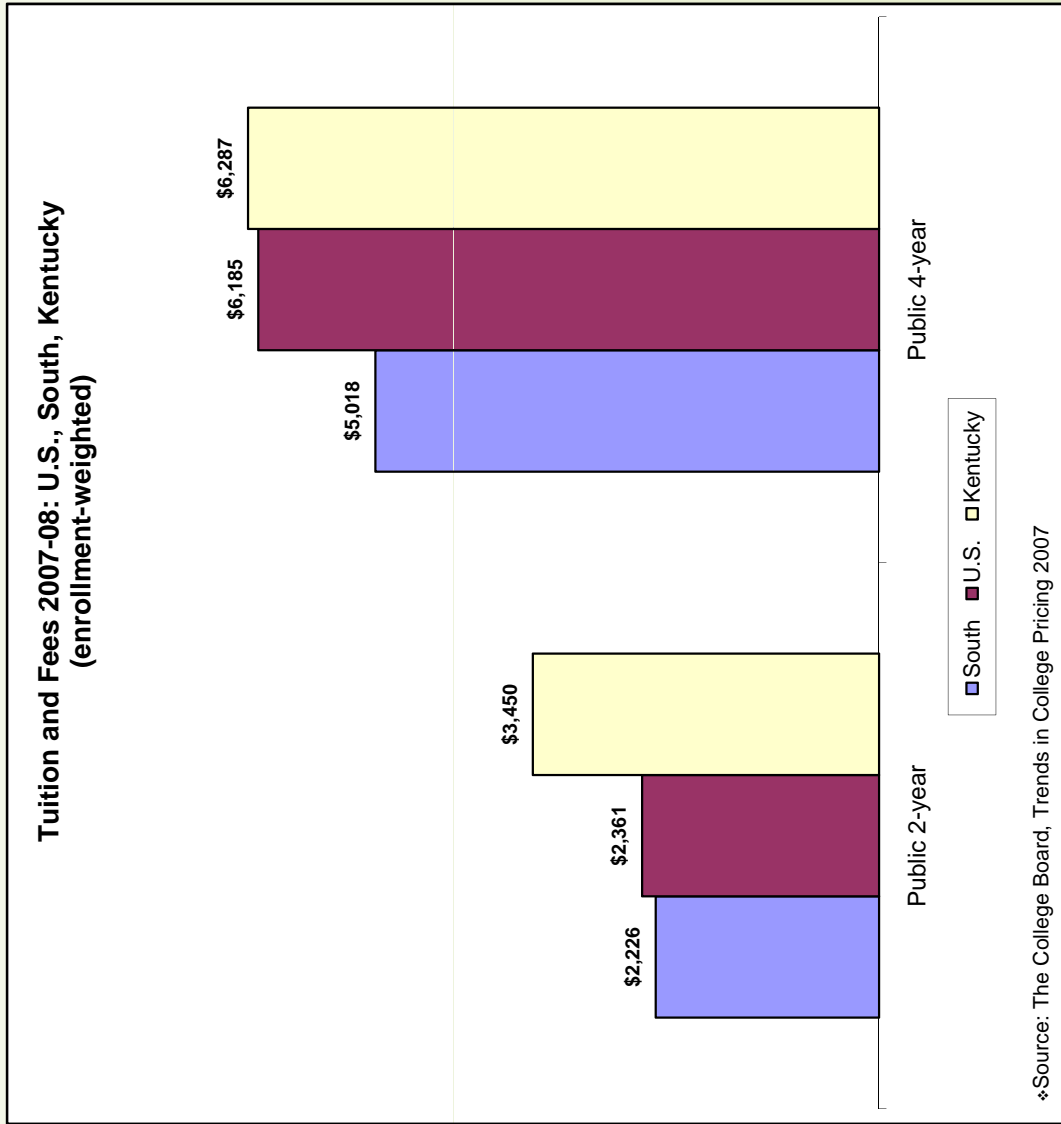
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**KENTUCKY COUNCIL ON
POSTSECONDARY EDUCATION**

Trends in College Costs

Comparative Tuition and Fees, 2007-08



Kentucky is no longer a low-tuition state and is now above regional and national averages.

Comparative Rates of Tuition Increase

Sector	3-Year Average Increase		5-Year Average Increase		10-Year Average Increase	
	KY	South	KY	South	KY	South
Public Two-Year	7%	4%	9%	6%	12%	7%
Public Four-Year	10%	7%	12%	7%	10%	7%

Source: CPE Comprehensive Database, College Board

- ***Rates of tuition increase in Kentucky have exceeded rates of increase in the region, as well as average increases in inflation and income.***
 - Over the past 10 years, undergraduate tuition and fees at Kentucky's public 4-year universities grew by about 10% per year, while tuition at the public 2-year colleges increased by 12% per year.
 - Since AY1998-99, student charges have grown at about three times the rate of inflation (3.4%).
 - Over the past 5 years, the average annual increase in KY median family income was 3.3%, the same rate of growth as inflation for the period.

Historical Rates of Tuition Increase

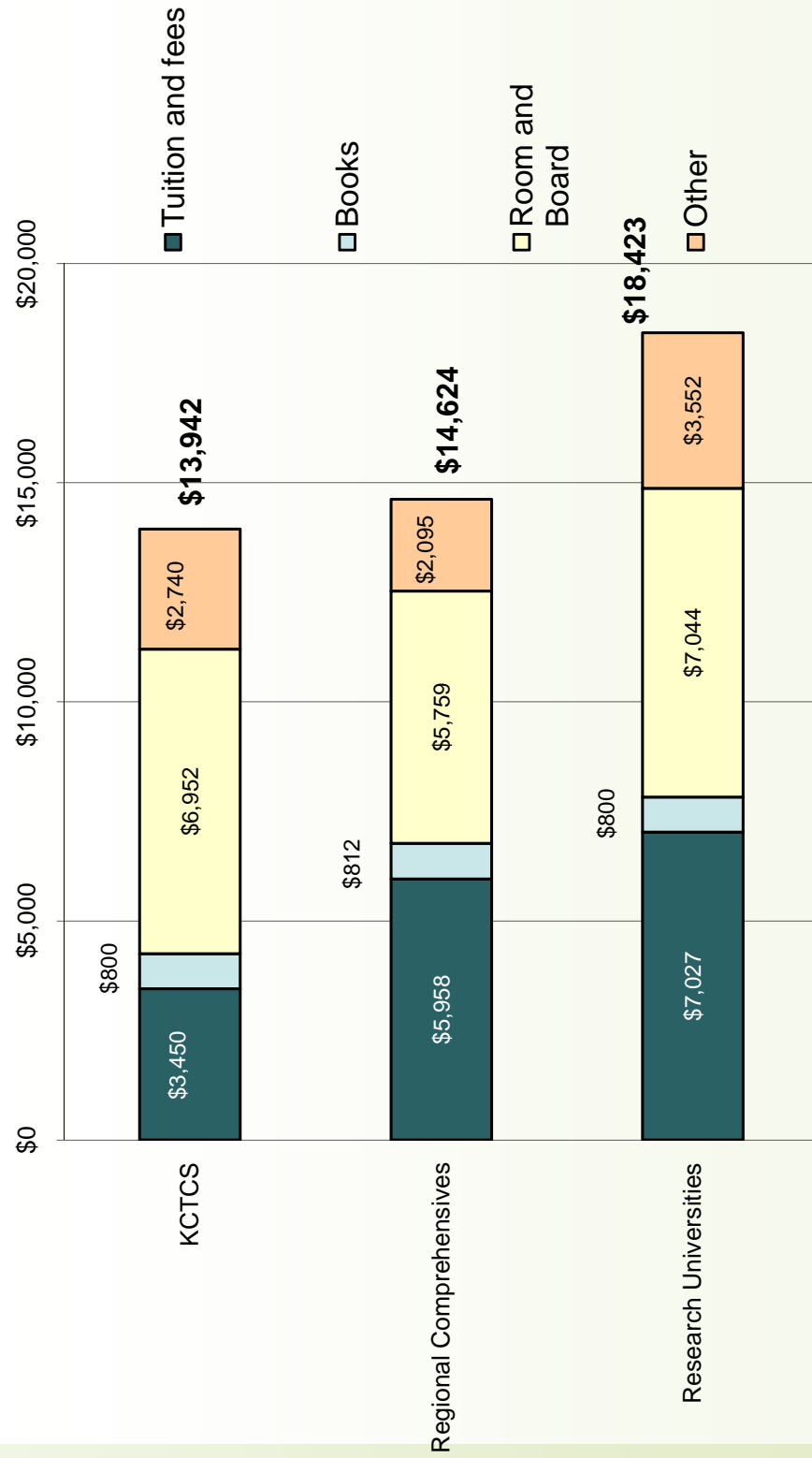
Institution	1998-99 Tuition & Fees	2008-09 Tuition & Fees	10 Year AAGR	5 Year AAGR	3 Year AAGR
EKU	2,190	6,080	10.8%	12.6%	9.3%
KSU	2,170	5,692	10.1%	11.1%	8.4%
MoSU	2,270	5,670	9.6%	11.0%	9.5%
MuSU	2,300	5,748	9.6%	10.8%	9.1%
NKU	2,264	6,528	11.2%	11.8%	9.5%
WKU	2,260	6,930	11.9%	12.5%	9.2%
UK	3,016	7,848	10.0%	11.5%	10.0%
UofL	2,920	7,564	10.0%	11.2%	11.0%
KCTCS	1,140	3,630	12.3%	8.9%	7.3%

NOTE: AAGR (Average Annual Growth Rate)

- Rates of tuition increase have been high for all public postsecondary education institutions.**
- Nominal tuition rates at all public postsecondary institutions increased at least 250% from 1998-99 to 2008-09.
 - The 3-year average growth rate is below both the 5-year and the 10-year growth rates.

What College Costs in Kentucky

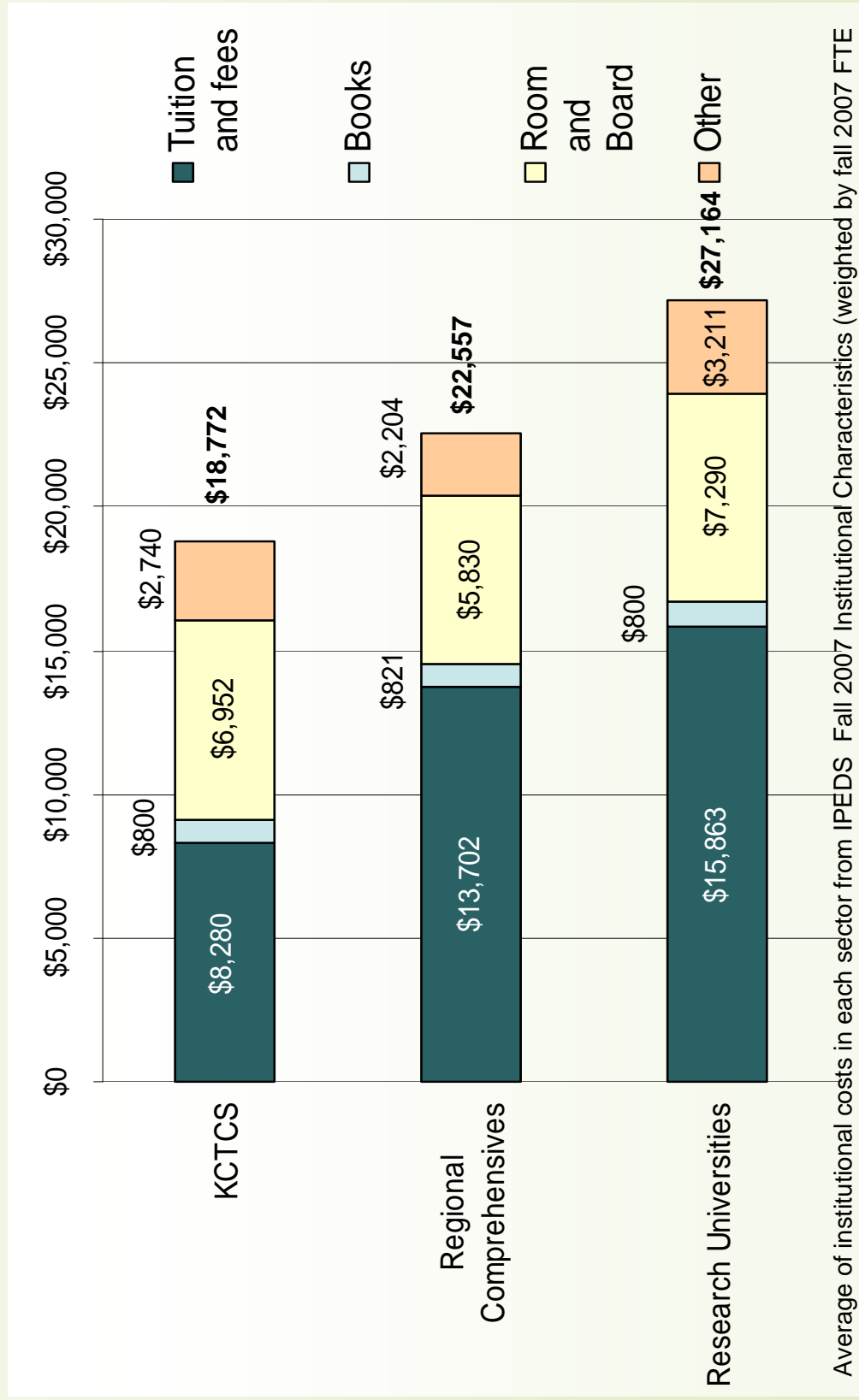
Average Public, Undergraduate, In-State, Full-time
Cost of Attendance by Sector, 2007-08



Average of institutional costs in each sector from IPEDS Fall 2007 Institutional Characteristics (weighted by fall 2007 FTE enrollment)

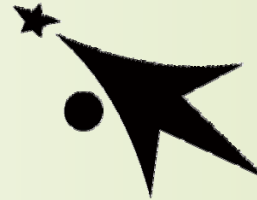
What College Costs in Kentucky

Average Public, Undergraduate, Out-of-State, Full-time Cost of Attendance by Sector, 2007-08



**OVERVIEW:
COLLEGE AFFORDABILITY
IN KENTUCKY**

NOVEMBER 7, 2008



**KENTUCKY COUNCIL ON
POSTSECONDARY EDUCATION**

Trends in Financial Aid

Trends in Financial Aid

Grants and subsidies

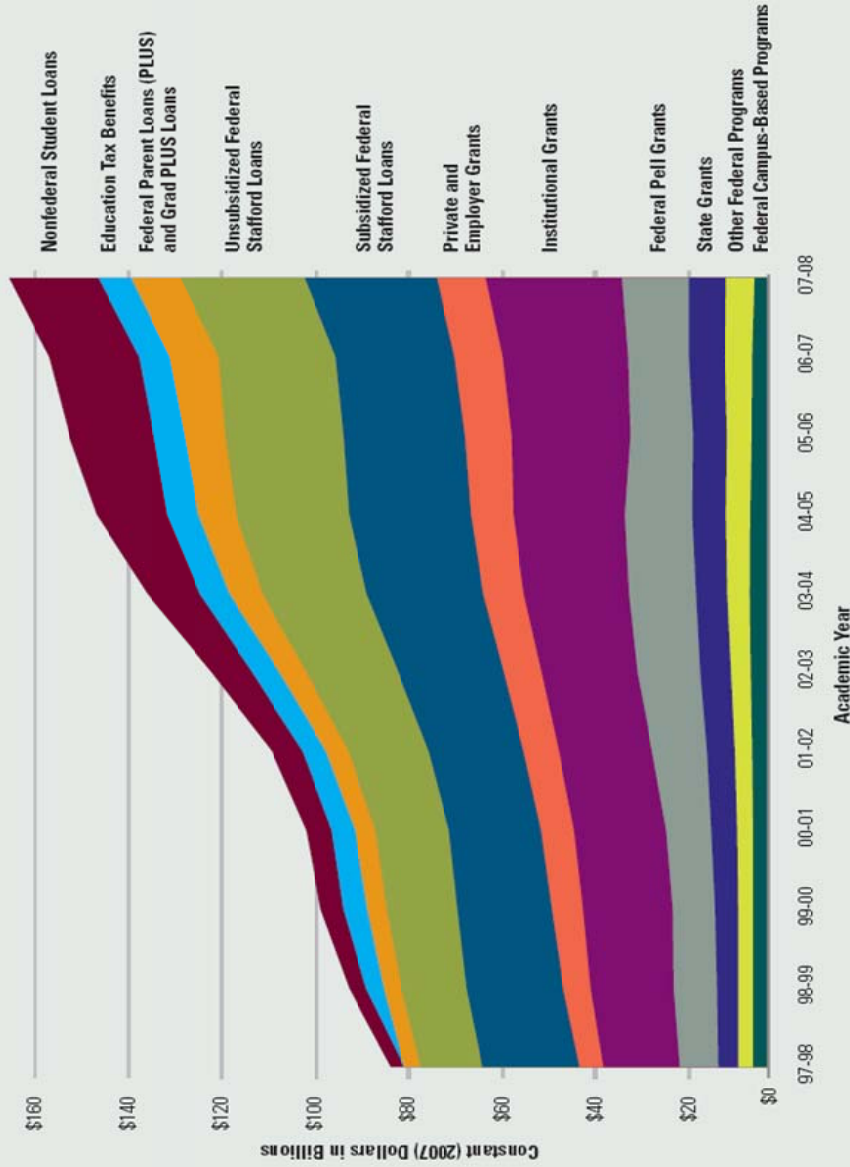
- Many sources and forms
- Need-based vs. non-need-based
- Student subsidies through General Fund appropriation

Self help

- Past income
- Current income
- Future income
- In-kind help

Funds Used to Pay for College

Ten-Year Trend in Funds Used to Finance Postsecondary Education Expenses
in Constant (2007) Dollars (in billions), 1997-98 to 2007-08

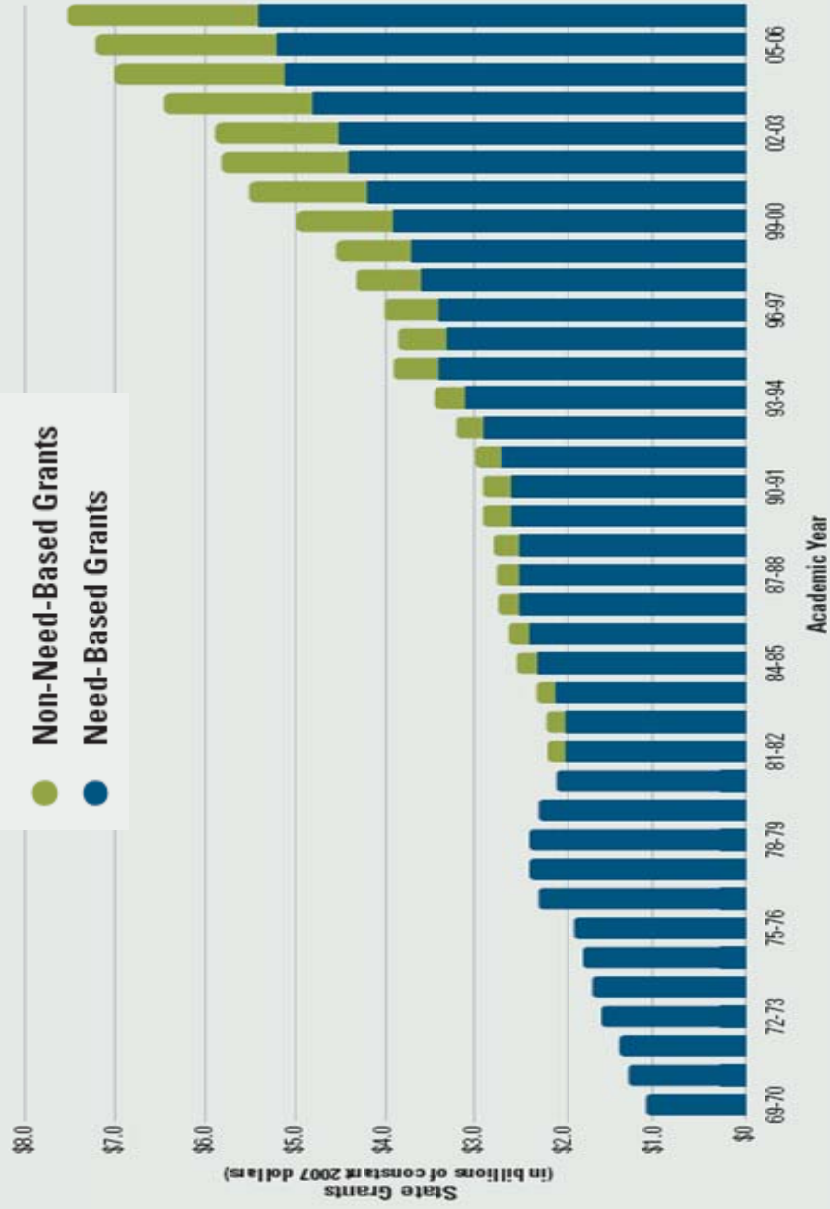


Source: The College Board, *Trends in Student Aid 2008*.

Significant growth in nonfederal student loans, unsubsidized Stafford loans, education tax benefits, and institutional grants over past 10 years.

Growth in Need & Non-need-Based State Grants

Total Need-Based and Non-Need-Based State Grants
in Constant (2007) Dollars (in billions), 1969-70 to 2006-07



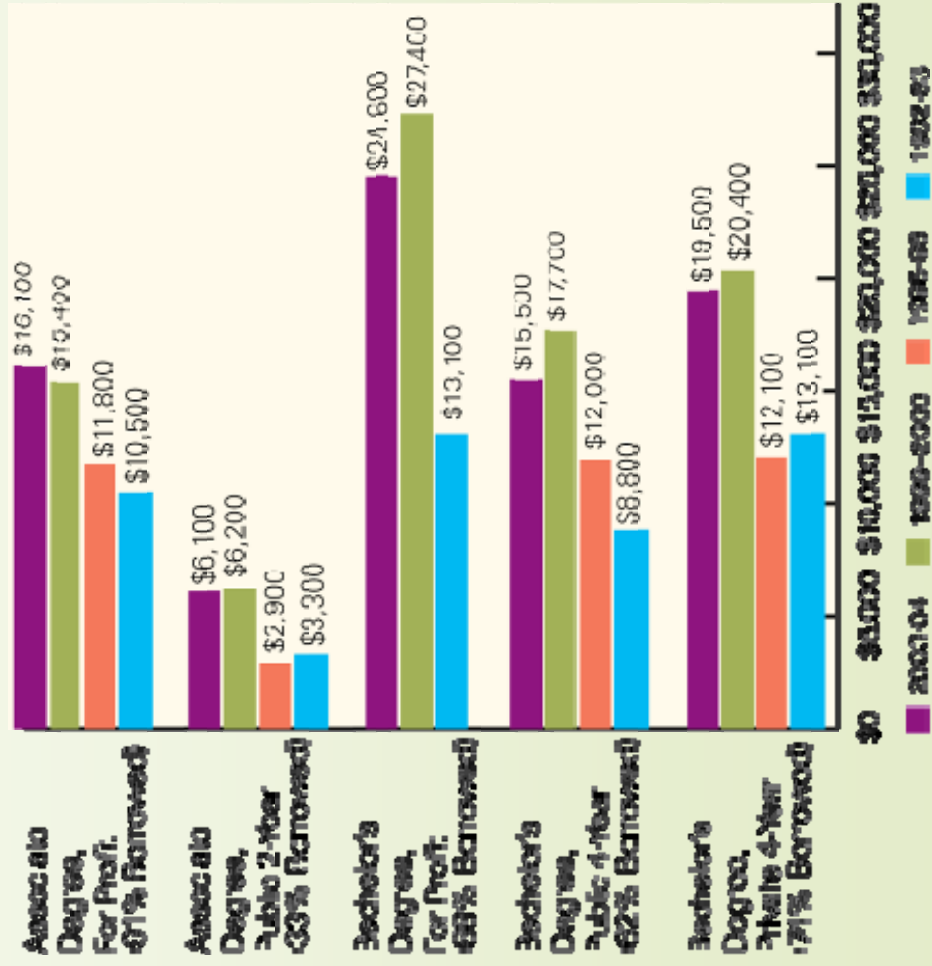
Significant growth in non-need-based grants as proportion of all state grants over past 10 years.

Source: National Association of State Student Grant and Aid Programs (NASSGAP); The College Board, *Trends in Student Aid 2008*.

Student Borrowing

Average debt of Kentucky graduate approximately \$15,000 according to a report from the Project on College Debt.

Median U.S. Debt Levels of Undergraduate Degree Recipients Who Borrowed by Degree and Institution Type in Constant (2003) Dollars, 1992-93 to 2003-04



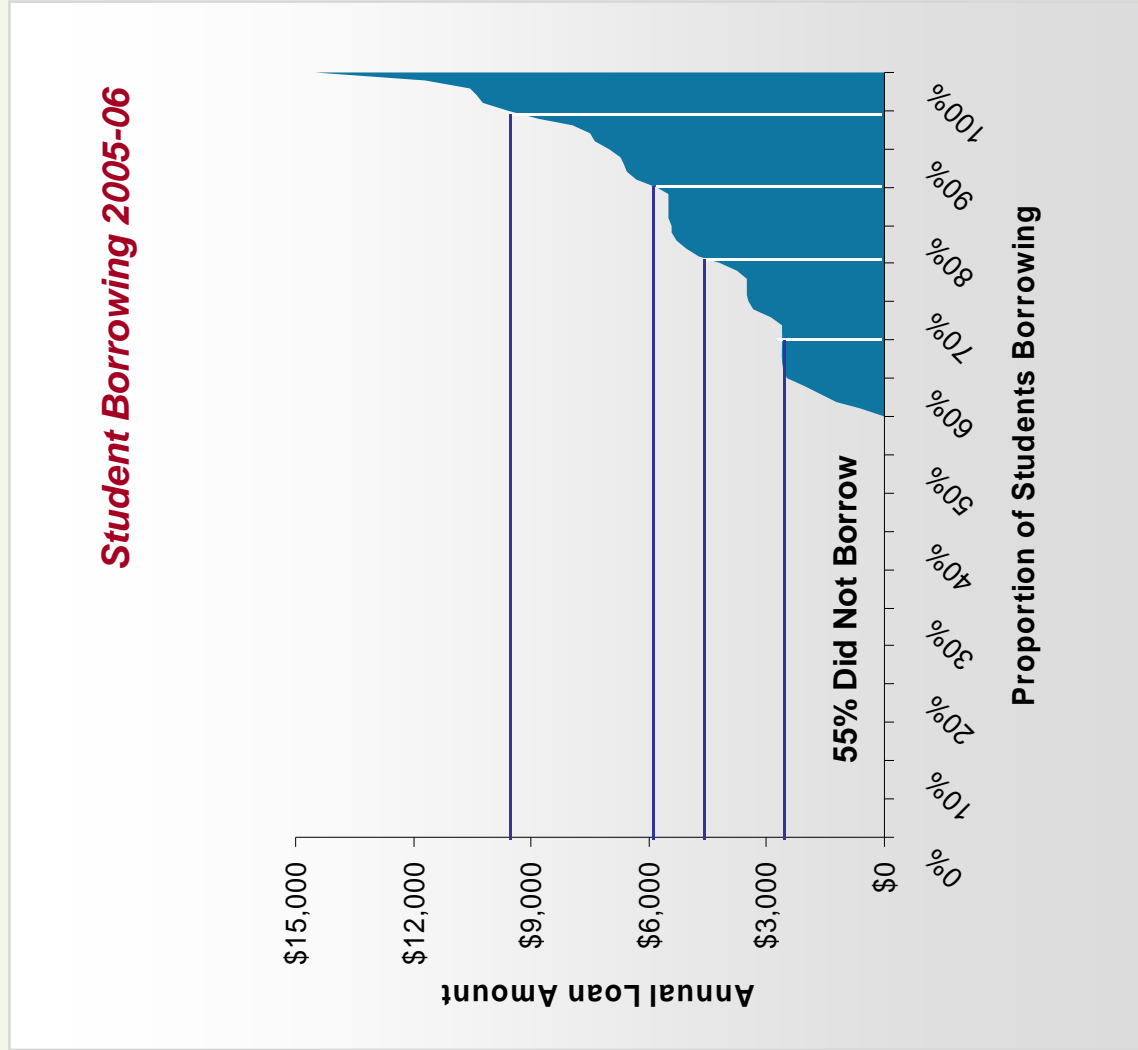
Source: NPSAS, 1993, 1996, 2000, and 2004

Student Borrowing in Kentucky

45 percent of full-time undergraduates borrowed in 2005-06.

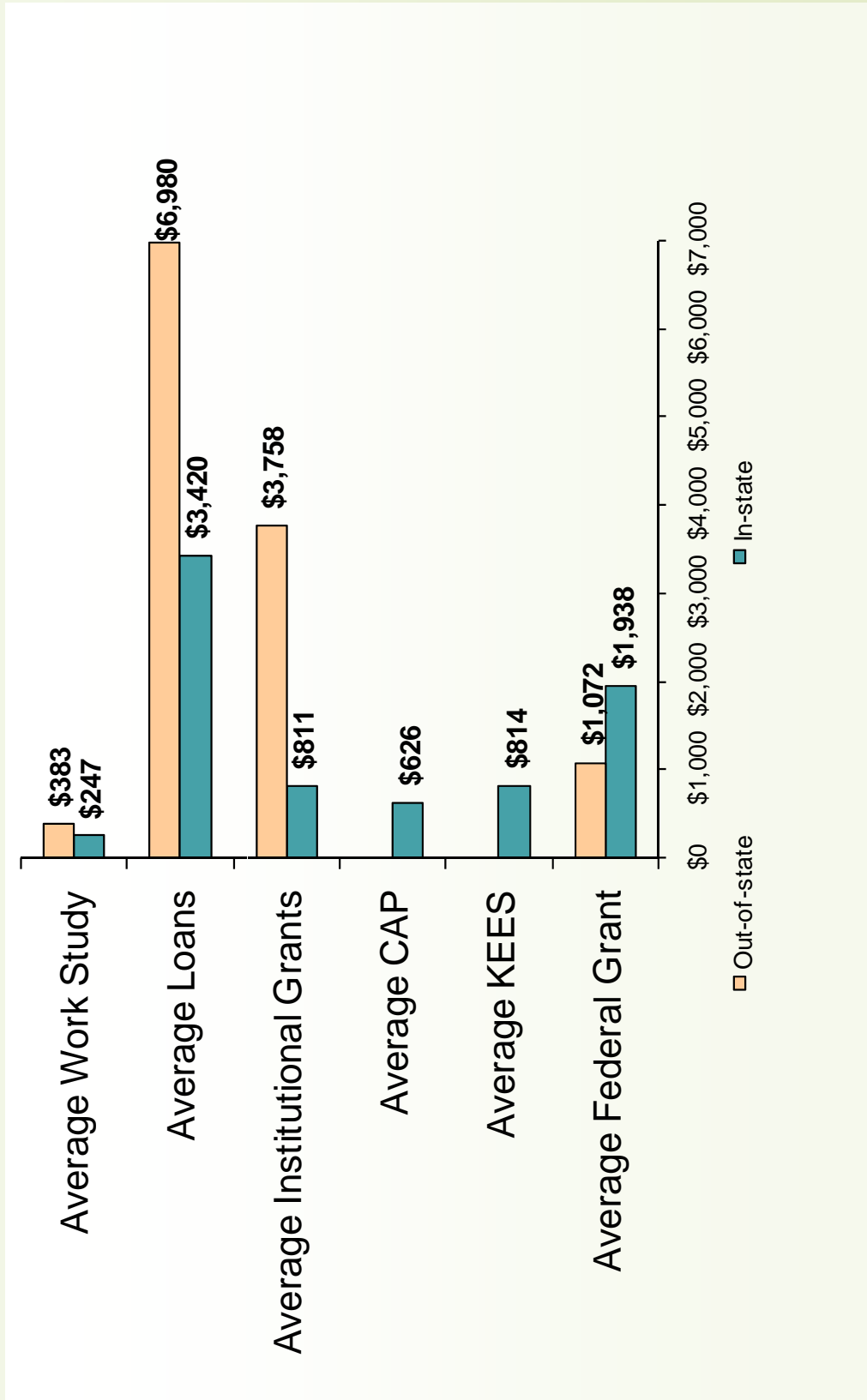
4,200 students borrowed more than \$10,000 in one year.

Full-time, in-state undergraduates in 2005-06



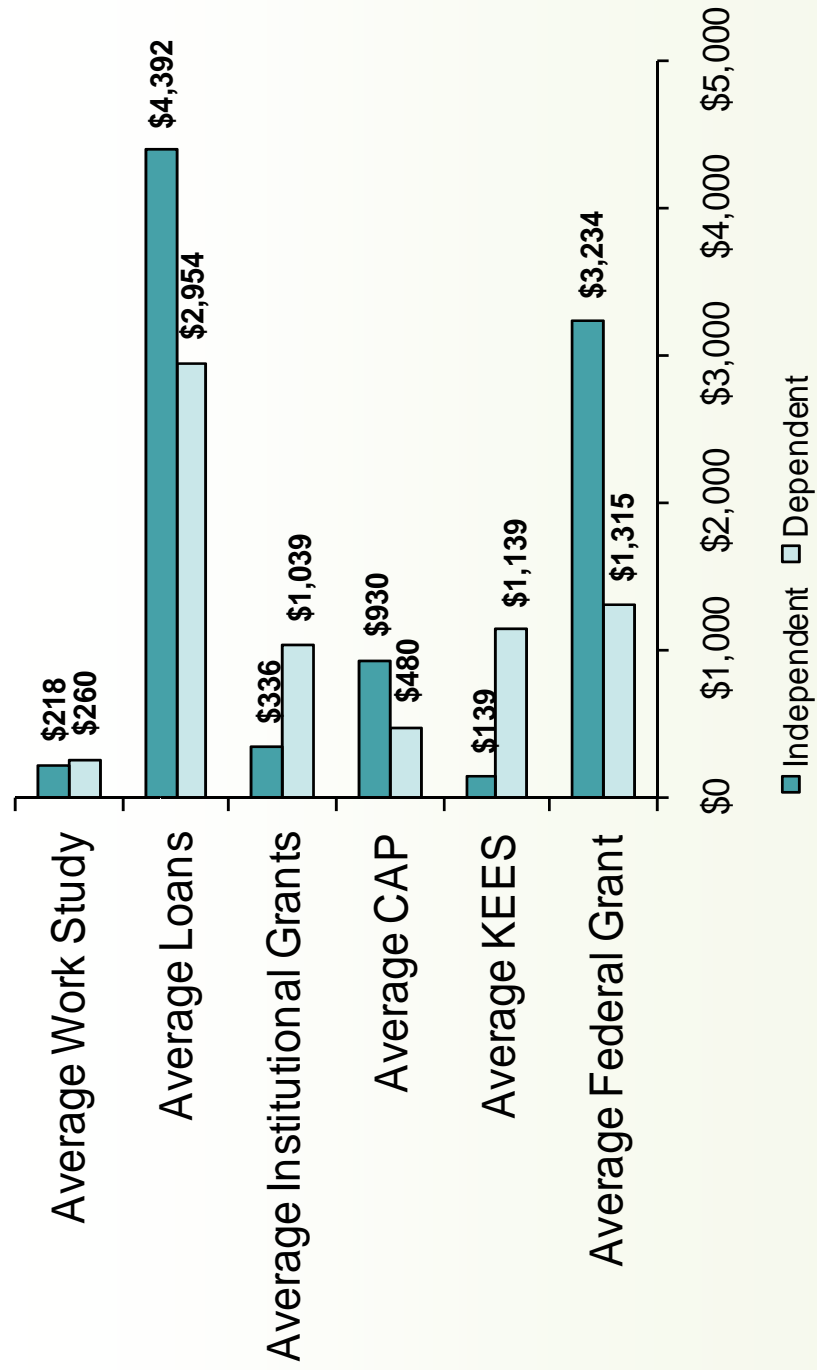
Financial Aid by Residency

Full-time FAFSA Filers at Public Institutions, AY 2005-06



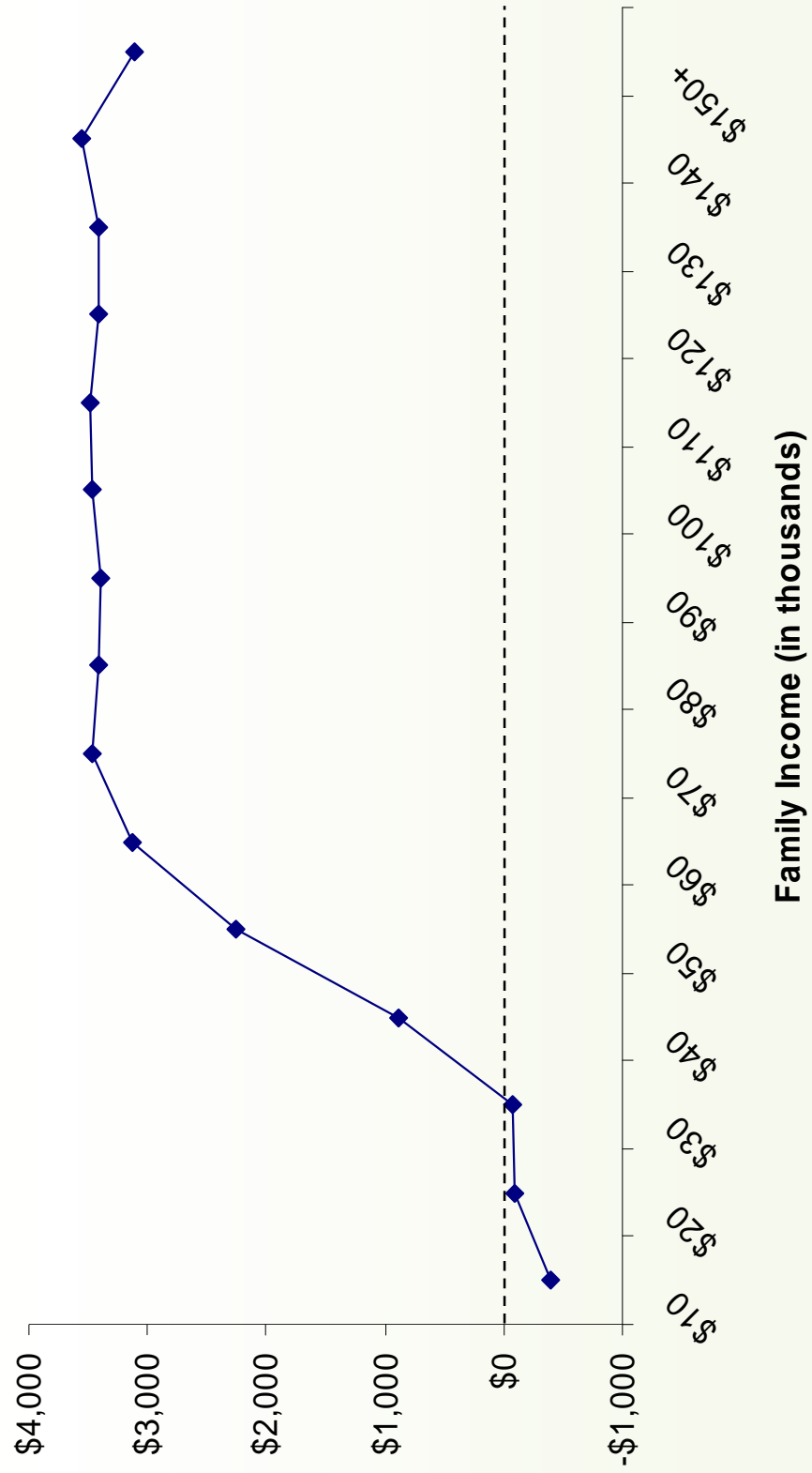
Aid Comparison of Independent and Dependent Students

In-state, full-time, undergraduate students in AY 2005-06



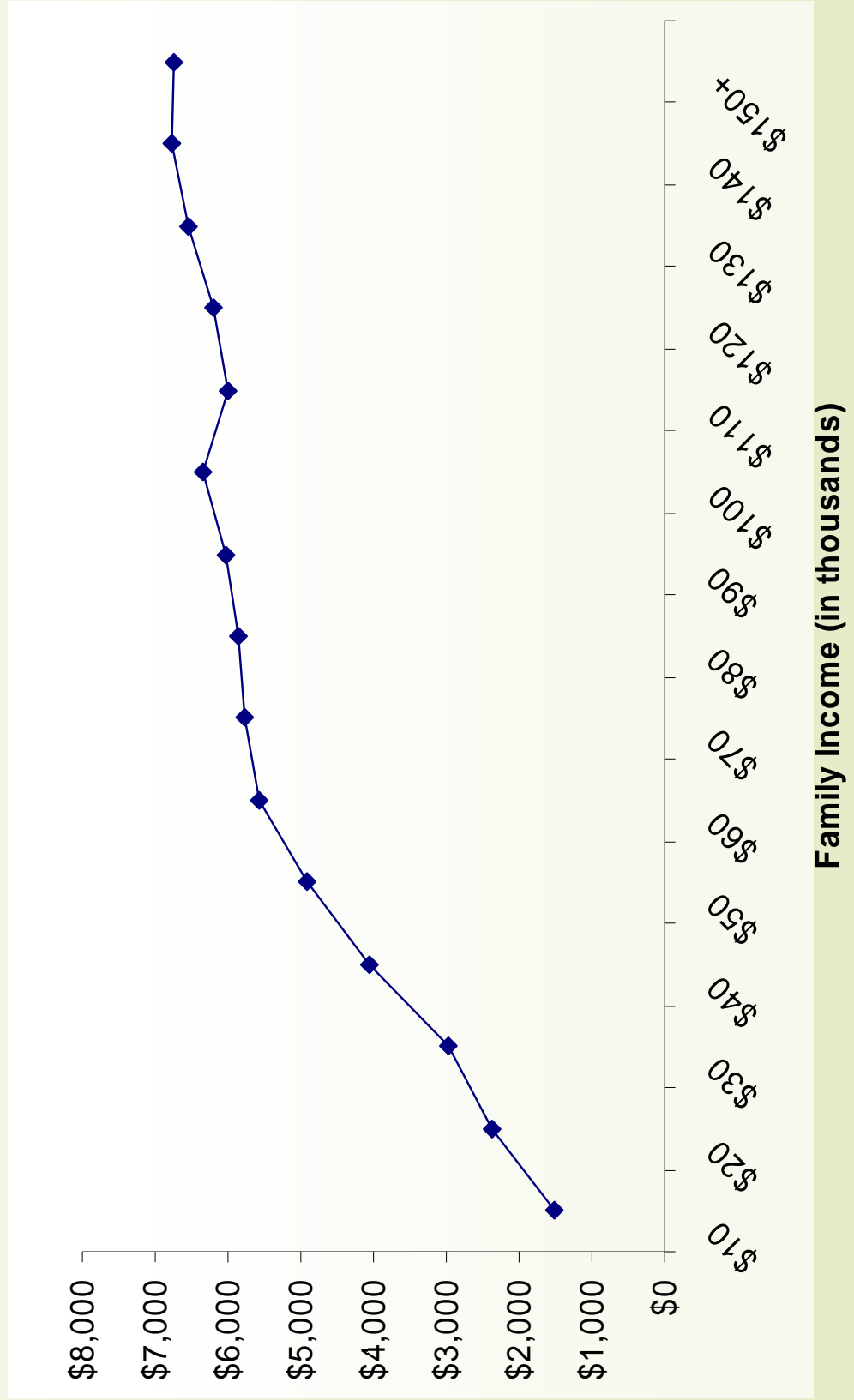
Tuition, Mandatory Fees and Books Net of Grants

Full-time, in-state students in the comprehensive sector, AY 2005-06



“Out-of-Pocket Costs” - Total Cost of Attendance Net of All Aid (Grants, Loans, and Work Study)

Full-time, in-state students in the comprehensive sector, AY 2005-06



How Other Types of Students Pay for College

Independent students

- Lower incomes on average
- Higher federal grant aid
- Higher loan volume

Part-time students

- Federal grants, loans primary sources of aid

FAFSA non-filers

- Limited data (no income data)
- Aid from KEES and institutional grants
- Substantial out-of-pocket costs

College Affordability in Kentucky

Net price, not sticker price, determines financial burden.

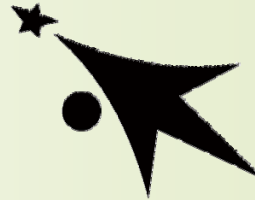
Paying for college involves prioritizing and making sacrifices.

Hard to determine who is not coming because of cost .

- ❖ College affordability not a simple yes or no question.
- ❖ Less affordable now versus 10 years ago.
- ❖ Non-tuition cost of attendance is where affordability concerns arise, especially for low-income students.
- ❖ A large portion of state and institutional grants are not targeted at low-income students.
- ❖ If grant aid decreases or remains flat, it has a similar effect on cost to students as an increase in tuition.
- ❖ There is a considerable reliance on loans at public universities that results in substantial student debt.
- ❖ Many students do not apply for aid.
- ❖ Growing number of students are taking online courses.

**OVERVIEW:
COLLEGE AFFORDABILITY
IN KENTUCKY**

NOVEMBER 7, 2008



**KENTUCKY COUNCIL ON
POSTSECONDARY EDUCATION**

**Keeping the Promise:
Policy Options for
Maintaining College
Affordability**

Policy Options

- ❖ Provide adequate state appropriations with reasonable increases in tuition and financial aid.
- ❖ Increase financial aid for low- to moderate-income students.
- ❖ Commit early to fund gaps in college affordability for low-income students.
- ❖ Protect against unmanageable student debt.
- ❖ Align state and institutional funding with policy goals.
- ❖ Simplify process and communicate real costs (current and future) and benefits of attending and graduating from college.

College affordability not a simple yes or no question .

Public policy needs to be informed by data and careful analysis.

OVERVIEW:
COLLEGE AFFORDABILITY
IN KENTUCKY



KENTUCKY COUNCIL ON
POSTSECONDARY EDUCATION



CPE MEETING

NOVEMBER 7, 2008

Overview

***Additional
information to
be shared in
months ahead.***

- ❖ The Context: Kentucky's 2020 Vision
- ❖ Connecting College Affordability to the Flow of Funds in Postsecondary Education
- ❖ How Affordable Are We?: Statewide College Affordability Indicators
- ❖ Trends in College Costs
- ❖ Trends in Student Financial Aid
- ❖ Keeping the Promise: Policy Options for Maintaining College Affordability

OVERVIEW:
COLLEGE AFFORDABILITY
IN KENTUCKY

NOVEMBER 7, 2008



KENTUCKY COUNCIL ON
POSTSECONDARY EDUCATION



**The Context:
Kentucky's 2020 Vision**

Kentucky's 2020 Vision

Work on college affordability and access grounded in reform legislation.

Achieving goals will create the most dramatic economic transformation in Kentucky's history.

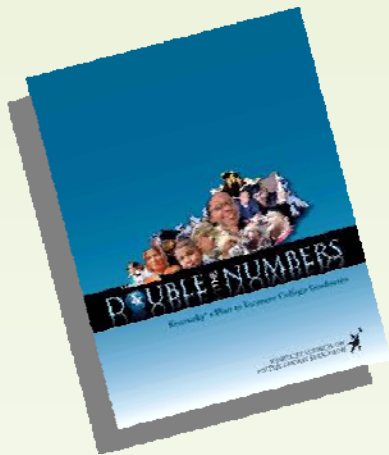
Increase educational attainment and promote economic development to raise the standard of living and quality of life in the Commonwealth that meets or exceeds the national average by 2020.

Six Goals of House Bill 1

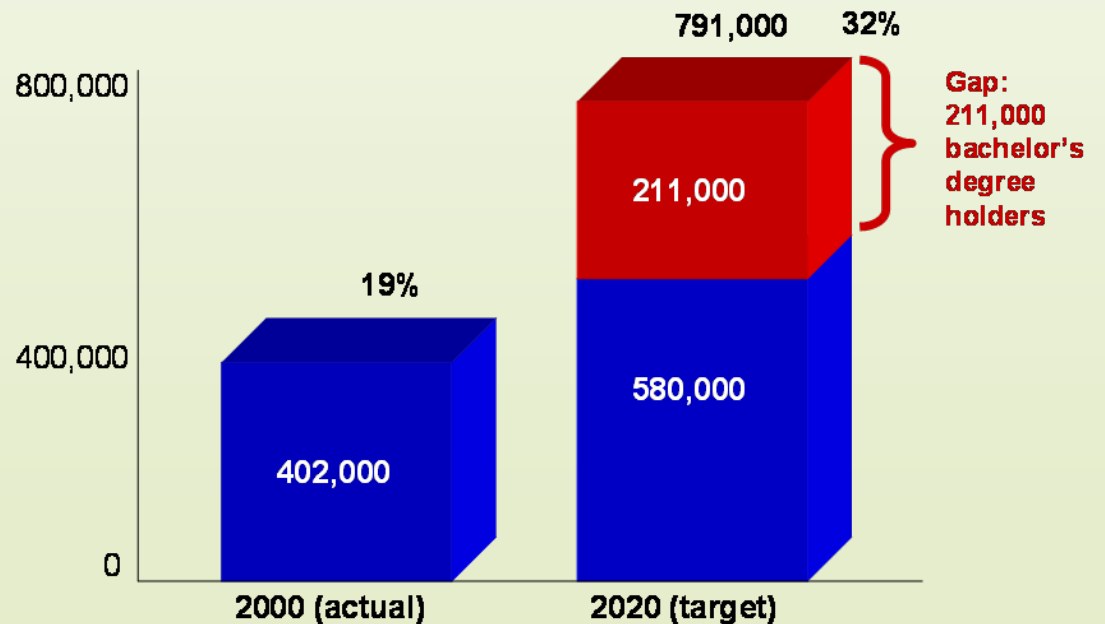
- ✓ Seamless, adequately funded system to enhance economic prosperity.
- ✓ UK: top 20 public research university.
- ✓ UofL: premier metropolitan research university.
- ✓ Regional universities: access to quality degrees and nationally recognized programs of distinction.
- ✓ Community/technical colleges: access, transfer, and workforce development.
- ✓ Educational services in quality and quantity comparable to the national average.



Double the Numbers (DTN)



To achieve postsecondary education reform goals, Kentucky must **double the number*** of people with at least a bachelor's degree by 2020.



* For DTN analysis, this is based upon working age population (25-64) in Kentucky.

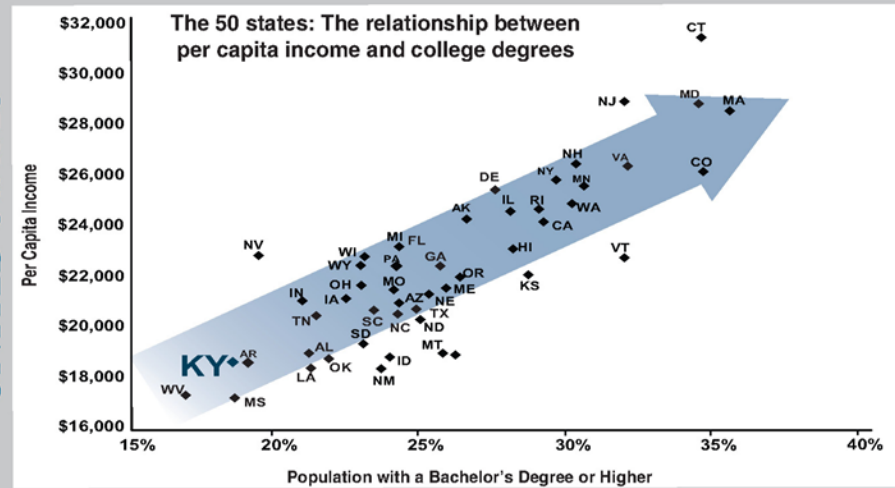
Essential to Income Growth

“The single factor with the greatest power to explain differences in per capita income between states is the percentage of college graduates.”

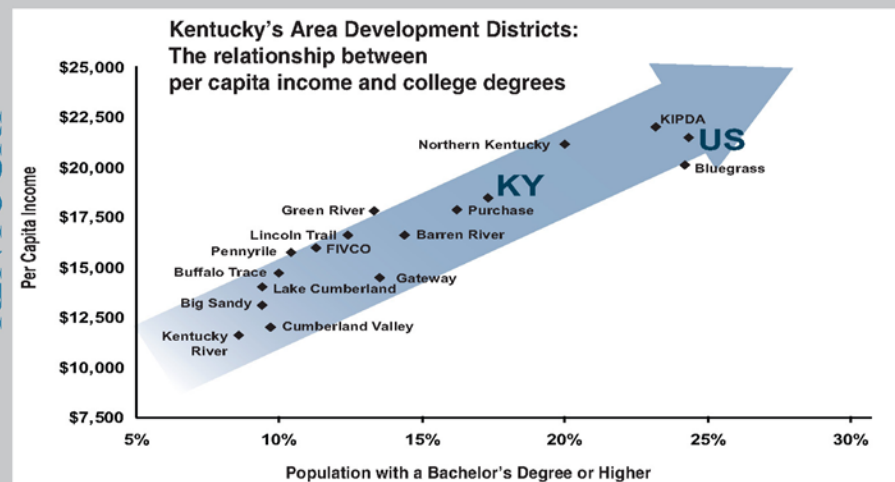
Milken Institute, 2002

THE LINK BETWEEN LEARNING AND EARNING

UNITED STATES



KENTUCKY



A map of Kentucky's Area Development Districts is available on page 132.

Graduation day

Education

Career

Investment

Return on investment

Costs

Benefits

Private costs

- Direct costs (tuition, books, supplies, etc.)
- Indirect costs (room, board, transportation, etc.)

Public costs

- Operating subsidy
- Financial aid
- Capital projects

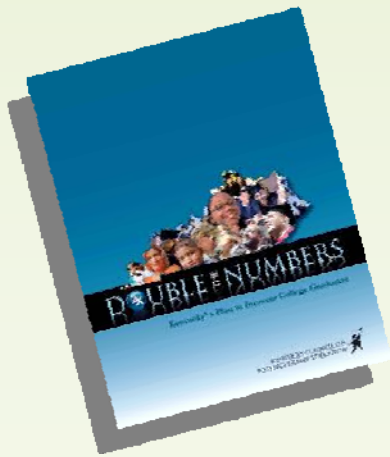
Private benefits

- Increased earning potential
- Healthier lives
- Increased value of education

Public benefits

- Vibrant economy
- Engaged citizens
- Reduced crime/dependency
- Reduced health care costs

DTN Statewide Strategies



Strategy	Link to College Affordability
#1) Raise high school graduation rates.	Increasing aid, awareness, and access to greater number of low-income students.
#2) Increase the number of GED graduates and transition more to college.	Increasing aid, awareness, and access to greater number of low-income adults.
#3) Enroll more first-time students at KCTCS and transfer them to 4-year programs.	Low cost provider, financial aid for low-income and part-time students, transfer scholarships, time to degree.
#4) Increase number of Kentuckians attending and completing college.	Net cost, time to degree, remediation, student debt levels.
#5) Attract college-educated workers to Kentucky and create new jobs.	Access to various levels of high-quality, educational services, cost of education benefits.

College Affordability in Kentucky

***Complex issue
with no simple
solutions.***

Challenges	Policy Options
Balancing adequacy of funding to achieve reform goals with affordability and access.	Sustained General Fund support combined with reasonable increases in tuition and financial aid.
Increasing number of low-income college students.	Increased need-based aid (e.g., early commitment programs).
Encouraging student success and completions.	Supporting efforts to fix leaks in educational pipeline, decrease time to degree, assess quality, contain costs, and manage student debt.
Promoting benefits of postsecondary education.	Aggressive college access campaign, employer education benefits, and attracting good jobs to Kentucky.

OVERVIEW:
COLLEGE AFFORDABILITY
IN KENTUCKY

NOVEMBER 7, 2008

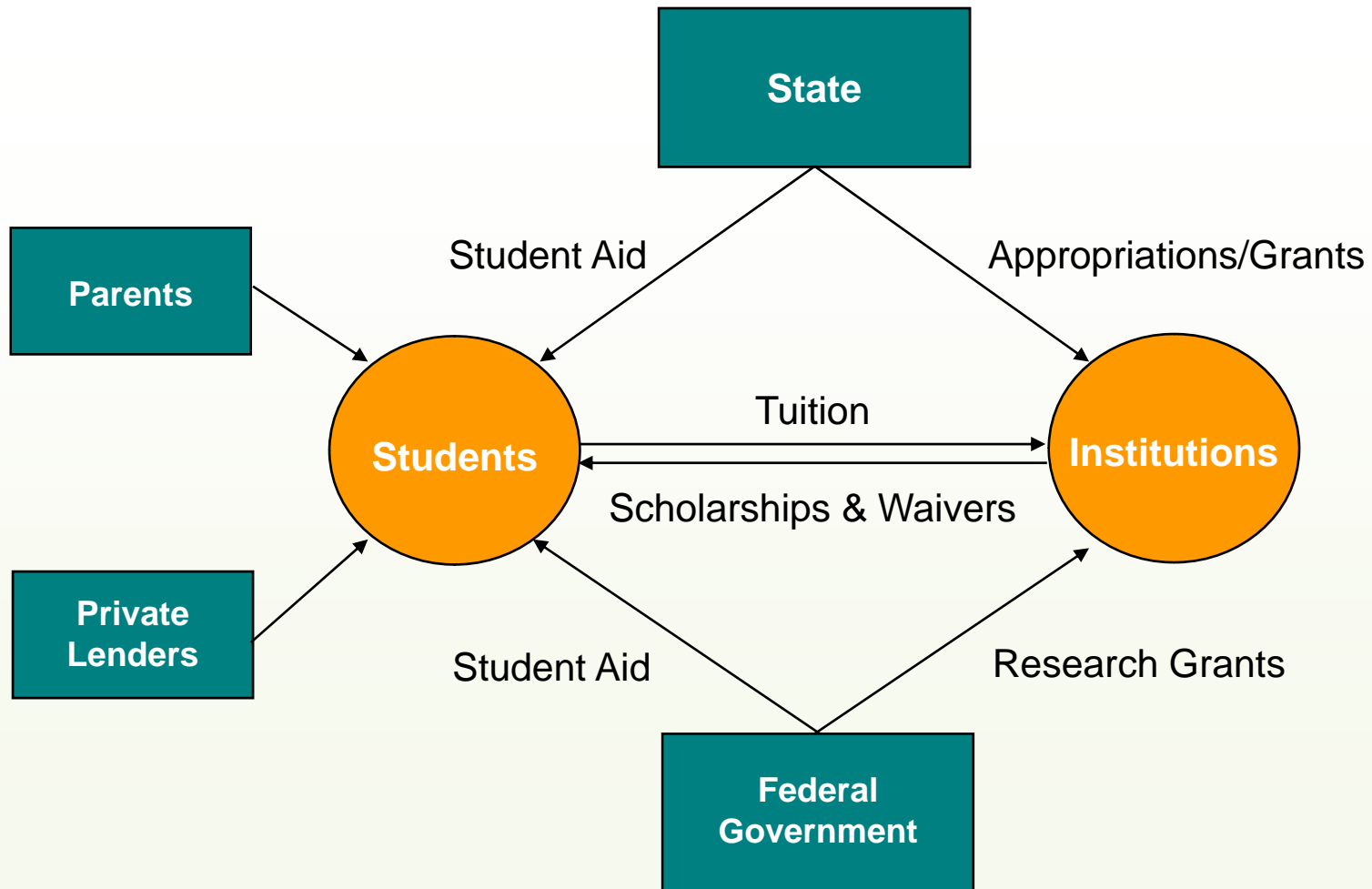


KENTUCKY COUNCIL ON
POSTSECONDARY EDUCATION



**Connecting College
Affordability to the Flow
of Funds in
Postsecondary
Education**

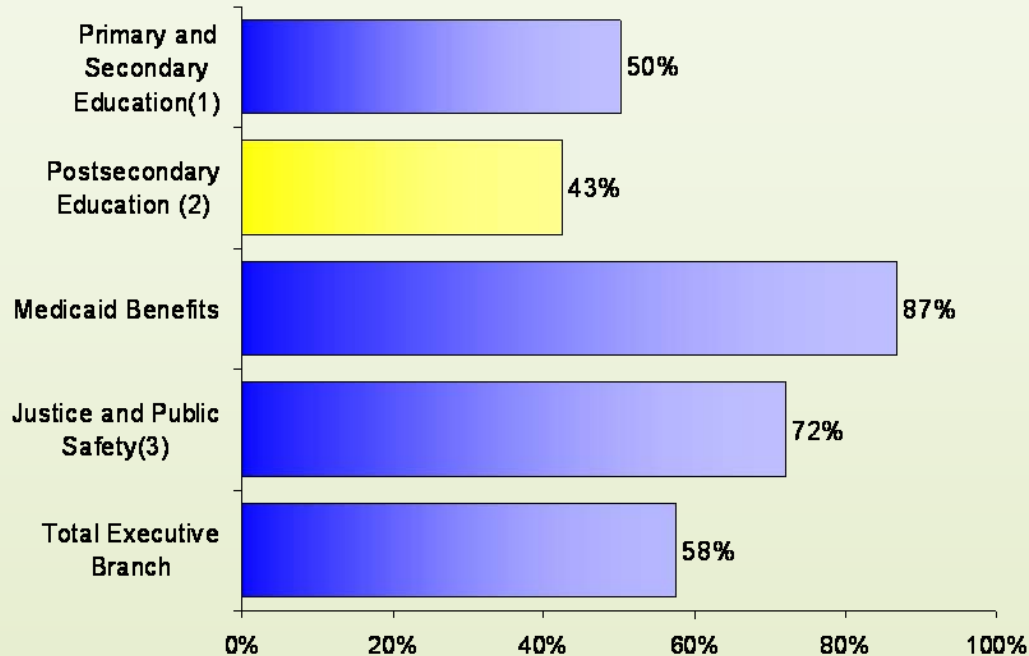
Flow of Funds in Postsecondary Education



Change in General Fund Appropriation

Postsecondary education's percent change in state appropriation less than other priority areas.

Percent Change in General Fund Appropriations FY99 to FY08 in Current Dollars



(1) Primary and Secondary Education includes funding for the Department of Education, the Kentucky Teachers' Retirement System, and the School Facilities Construction Commission.

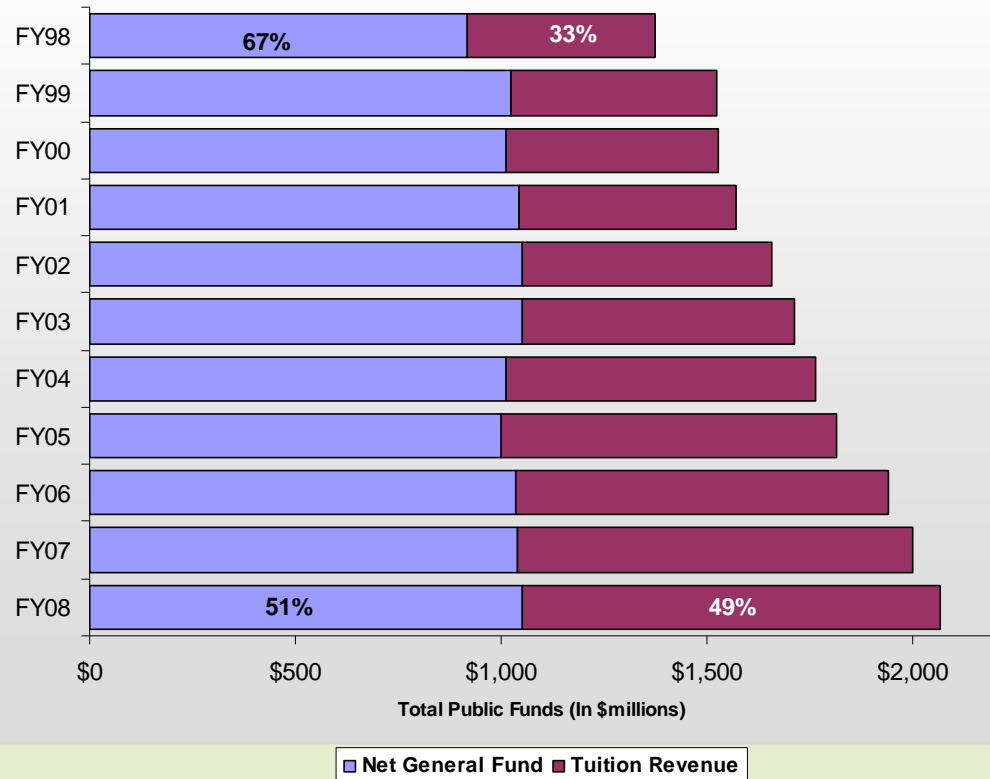
(2) Figures include student financial aid and CPE.

(3) Figures for 2005 and 2006 include appropriations to the Department of Public Advocacy which was added to the Justice Cabinet through reorganization.

Change in State Versus Student Share

Kentucky trend similar to national trend in this regard.

**Total Public Funds (Net General Fund + Tuition Revenue)
Kentucky Public Institutions
FY98 to FY08 in Constant FY08 Dollars**

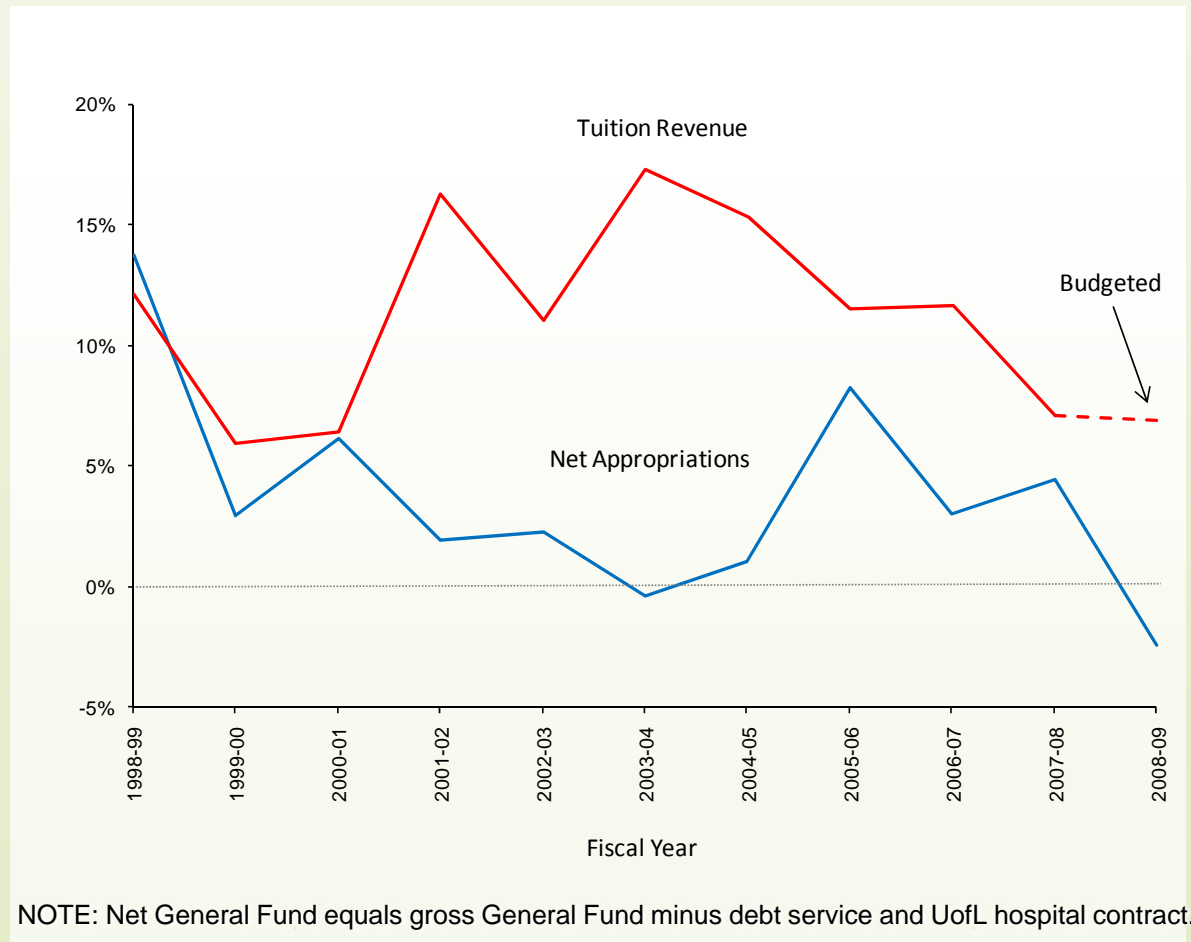


NOTE: Net General Fund equals gross General Fund minus debt service and UofL hospital contract.

- State versus student share of support for postsecondary education has decreased from 2/3 state support in FY98 to approximately 1/2 in FY08.

Annual Percent Change in Kentucky Public Postsecondary Net General Fund Appropriations and Gross Tuition and Fee Revenue

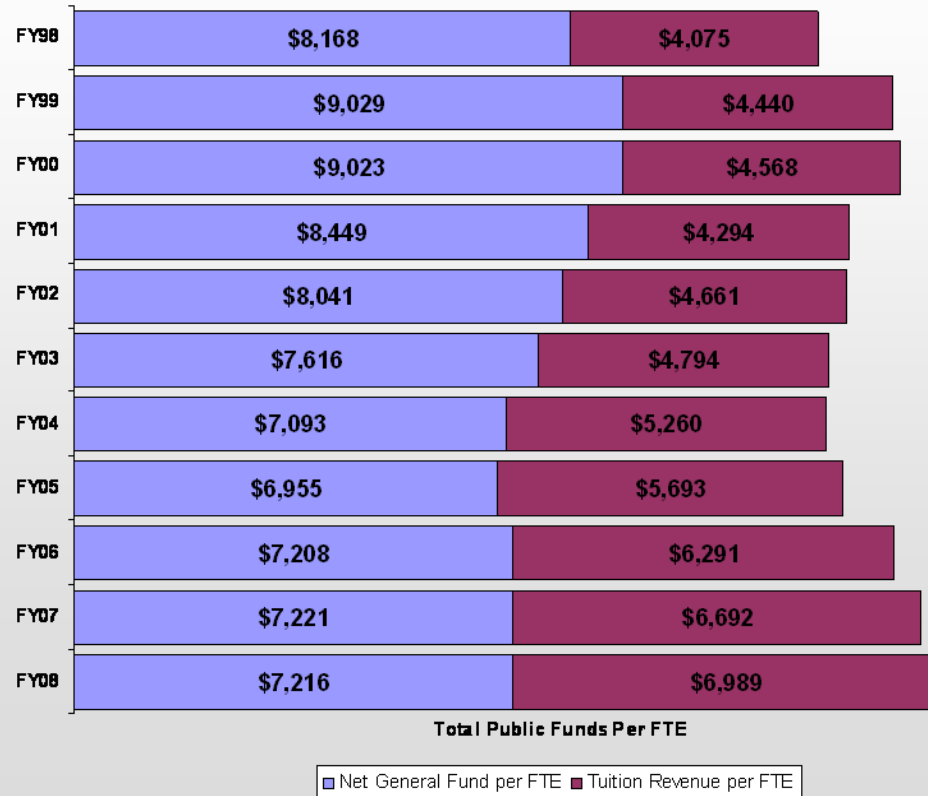
While state support for Kentucky's public postsecondary system grew at an average annual rate of 2.6% between FY99 and FY09, that growth has been sporadic.



Change in Funding Per FTE

*Kentucky trend
similar to
national trend in
this regard.*

Total Public Funds (Net General Fund + Tuition Revenue) Kentucky Public Institutions Per Student FTE FY98 to FY08 in Constant FY08 Dollars



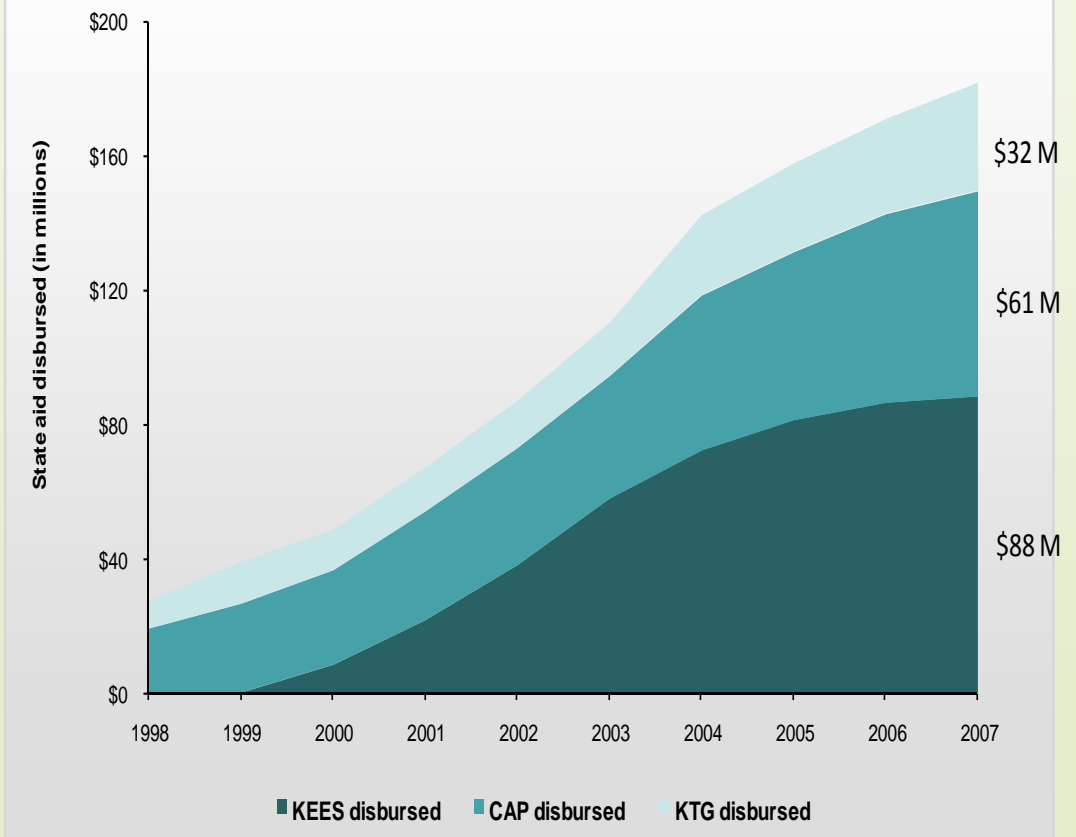
NOTE: Net General Fund equals gross General Fund minus debt service and UofL hospital contract.

Growth of State Financial Aid

Lottery funding expanded student financial aid more than five-fold in the past 10 years but increases are flattening.

KHEAA Annual Reports

Major Kentucky State Financial Aid Programs



Funding Postsecondary Education in Kentucky

Level of state support impacts tuition rates and student financial aid.

State appropriations

- FY08 cut of 3% or \$32.5 million.
- FY09 additional 3% cut or \$55.7 million less than original enacted FY08 state appropriation.
- Since FY98, state vs. student share decreased from 2/3 state and 1/3 student to about 50/50.

Tuition

- Kentucky is no longer a low-tuition state.
- Over last 10 years, resident undergraduate tuition increased on average 10% per year and 12% per year over last five years.

Financial aid

- State aid experienced aggressive growth early in reform but slowed considerably.
- Federal aid remained relatively flat.

Select Outcomes of Postsecondary Education Reform

*Kentucky's
postsecondary
system has
posted gains in
enrollment,
degrees granted,
and research
expenditures.*

Enrollment

- Undergraduate enrollment in Kentucky's public postsecondary system increased by 51,587 students, or 38% between fall 1998 and 2007.

Degrees

- Kentucky's public universities granted 3,002 more baccalaureate degrees in AY2006-07 than in AY1997-98, a 26 % increase.
- The number of associate degrees granted at KCTCS institutions increased from 3,322 in AY2000-01 to 6,481 in AY2006-07, up 95 %.

Research Expenditures

- Combined extramural R&D expenditures at UK and UofL grew from \$105.2 million in FY1997 to \$327.4 million in FY2006, a 211 percent increase.

OVERVIEW: COLLEGE AFFORDABILITY IN KENTUCKY

NOVEMBER 7, 2008

KENTUCKY COUNCIL ON
POSTSECONDARY EDUCATION

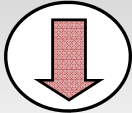
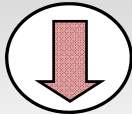

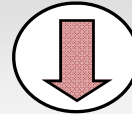


How Affordable Are We?:

**Statewide College
Affordability Indicators**

Statewide College Affordability Indicators

Reviewed on an annual basis in Council's accountability report and tuition setting process.

Key Indicator	Trend	Progress
College affordability for all families		Since 2000, percent of income needed for college minus grant aid increased 9 percentage points.
Affordability for low-income families		Lowest-income families need to devote 24% of income to cover tuition at KCTCS in 2006, up from 14% in 1994.
Need-based financial aid		State need-based aid as a percent of federal Pell Grants at 42% vs. 24% in SREB.
Student loan debt		KY college students on average borrow less than other students, annual loan amount of \$3,210 is up 20% over past 10 years.

Measuring Up – State Report Card

MU Affordability Indicator	Brief Definition	Ranking (out of 50)				Trend
		2000	2002	2004	2006	
Family Ability to Pay – Community Colleges	Percent of Income (average of all income groups) needed to pay for college expenses (tuition, fees, room, and board) minus all federal, state, and institution financial aid (net cost of attendance).	2	8	14	33	↓
Family Ability to Pay – Public 4 Year Colleges		6	6	3	25	↓
Family Ability to Pay – Private 4 Year Colleges		8	7	18	26	↓
Low priced colleges	At lowest priced colleges (KCTCS), the share of income that the poorest families (lowest income quintile) need to pay for tuition and fees for fulltime residents.	25	26	36	38	↓
Need-based financial aid	State investment in need-based financial aid as compared to the federal investment (Pell Grant aid).	19	20	14	15	↑
Student borrowing	Average loan amount that undergraduate students borrow each year.	10	6	8	8	↔
40% of population with lowest income – Community Colleges	Average net price per average family income of 40% of the population with the lowest income.	7	7	18	33	↓
40% of population with lowest income – Public 4 Year Colleges		7	7	4	24	↓
40% of population with lowest income – Private 4 Year Colleges		8	8	17	25	↓

In general, Kentucky's state rankings on affordability weakened considerably from 2000 to 2006 and, given increases in tuition and slow income growth, will likely be worse when 2008 data are released.

Enrollment Patterns

Enrollment growth very high in the first years of reform, but has slowed more recently.

Enrollment growth slowed most among full-time students.

CPE Comprehensive Database

Percent Change in Undergraduate Enrollment, Early Reform and More Recent

	Early Reform (2000-2003)	More Recent (2004-2007)
Total public enrollment	20%	7%
Public universities	10%	2%
KCTCS	36%	13%
Full-time, in-state	14%	-1%
Full-time, out-of-state	25%	5%
Part-time, in-state	31%	19%
Part-time, out-of-state	16%	25%

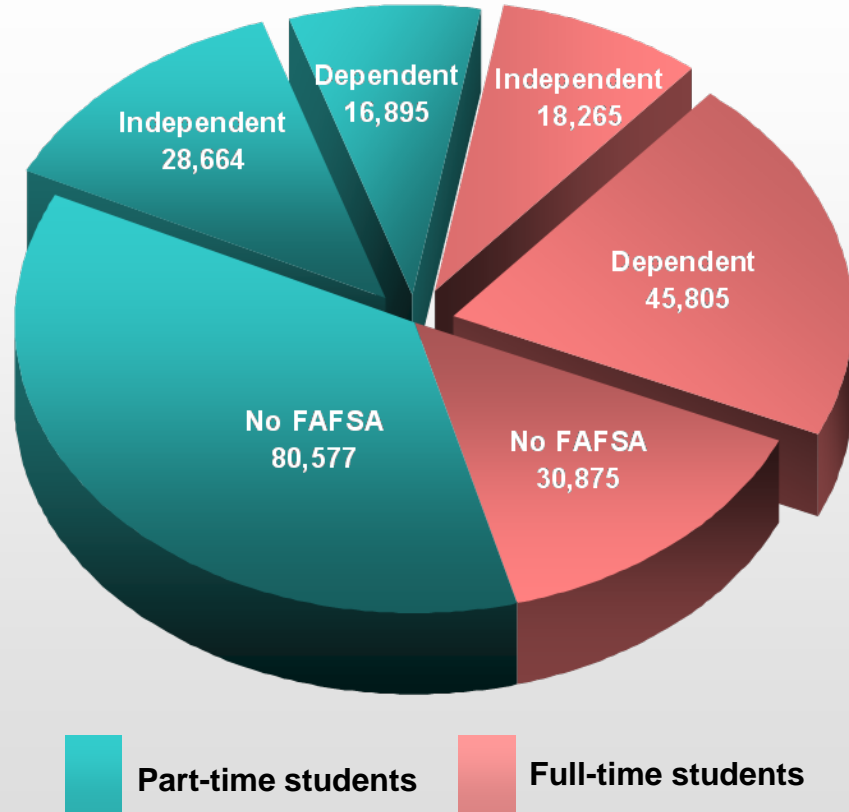
Kentucky Undergraduates

No FAFSA filed for over half of Kentucky students.

More part-time than full-time students.

Full-time students are more likely to be dependents.

Data include four- and two-year public and independent institutions, AY06



NOTE: FAFSA (Free Application for Federal Student Aid)

OVERVIEW: COLLEGE AFFORDABILITY IN KENTUCKY

NOVEMBER 7, 2008

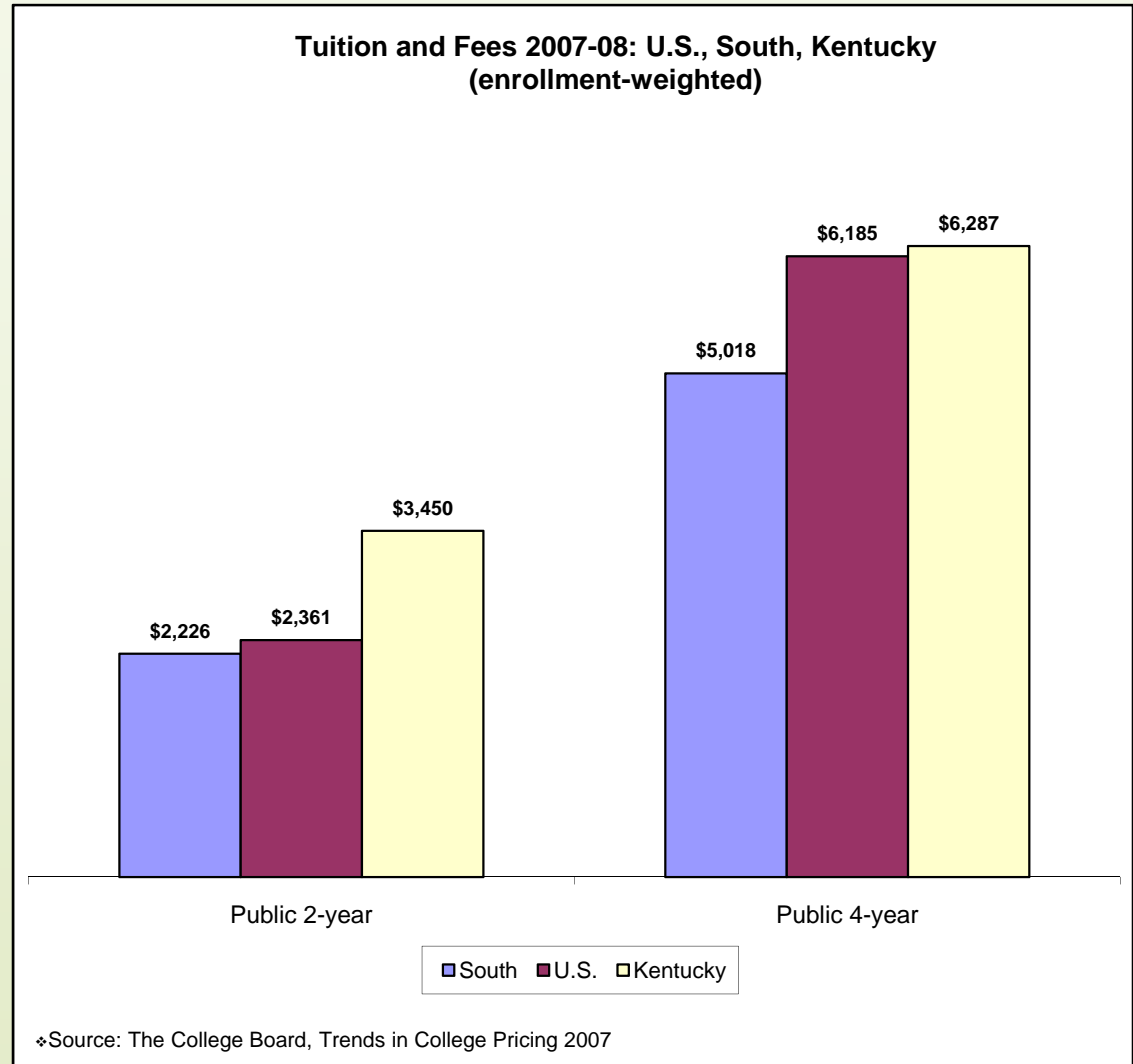
KENTUCKY COUNCIL ON
POSTSECONDARY EDUCATION



Trends in College Costs

Comparative Tuition and Fees, 2007-08

Kentucky is no longer a low-tuition state and is now above regional and national averages.



Comparative Rates of Tuition Increase

Sector	3-Year Average Increase		5-Year Average Increase		10-Year Average Increase	
	KY	South	KY	South	KY	South
Public Two-Year	7%	4%	9%	6%	12%	7%
Public Four-Year	10%	7%	12%	7%	10%	7%

Source: CPE Comprehensive Database, College Board

Rates of tuition increase in Kentucky have exceeded rates of increase in the region, as well as average increases in inflation and income.

- Over the past 10 years, undergraduate tuition and fees at Kentucky's public 4-year universities grew by about 10% per year, while tuition at the public 2-year colleges increased by 12% per year.
- Since AY1998-99, student charges have grown at about three times the rate of inflation (3.4%).
- Over the past 5 years, the average annual increase in KY median family income was 3.3%, the same rate of growth as inflation for the period.

Historical Rates of Tuition Increase

Institution	1998-99 Tuition & Fees	2008-09 Tuition & Fees	10 Year AAGR	5 Year AAGR	3 Year AAGR
EKU	2,190	6,080	10.8%	12.6%	9.3%
KSU	2,170	5,692	10.1%	11.1%	8.4%
MoSU	2,270	5,670	9.6%	11.0%	9.5%
MuSU	2,300	5,748	9.6%	10.8%	9.1%
NKU	2,264	6,528	11.2%	11.8%	9.5%
WKU	2,260	6,930	11.9%	12.5%	9.2%
UK	3,016	7,848	10.0%	11.5%	10.0%
UofL	2,920	7,564	10.0%	11.2%	11.0%
KCTCS	1,140	3,630	12.3%	8.9%	7.3%

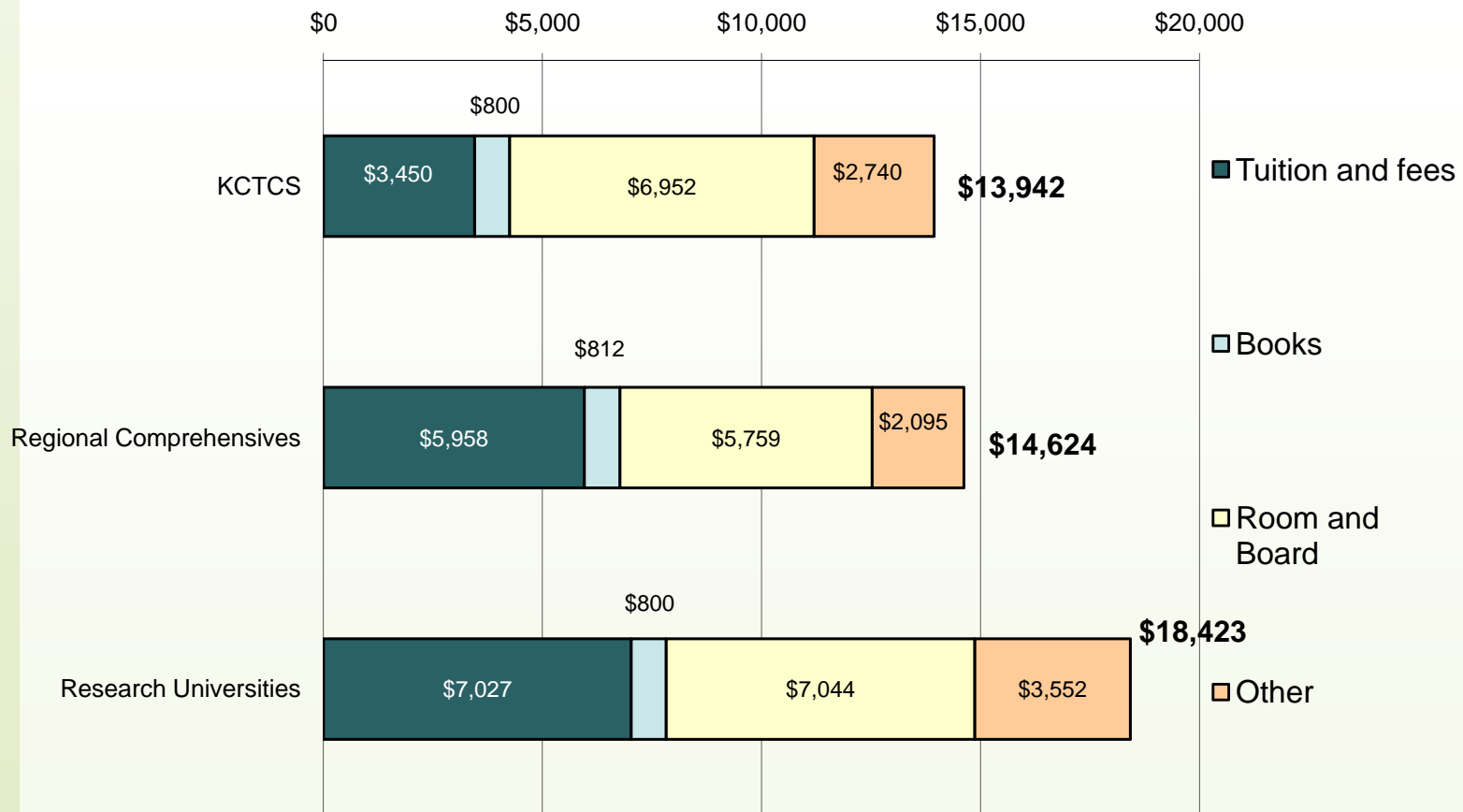
Rates of tuition increase have been high for all public postsecondary education institutions.

NOTE: AAGR (Average Annual Growth Rate)

- Nominal tuition rates at all public postsecondary institutions increased at least 250% from 1998-99 to 2008-09.
- The 3-year average growth rate is below both the 5-year and the 10-year growth rates.

What College Costs in Kentucky

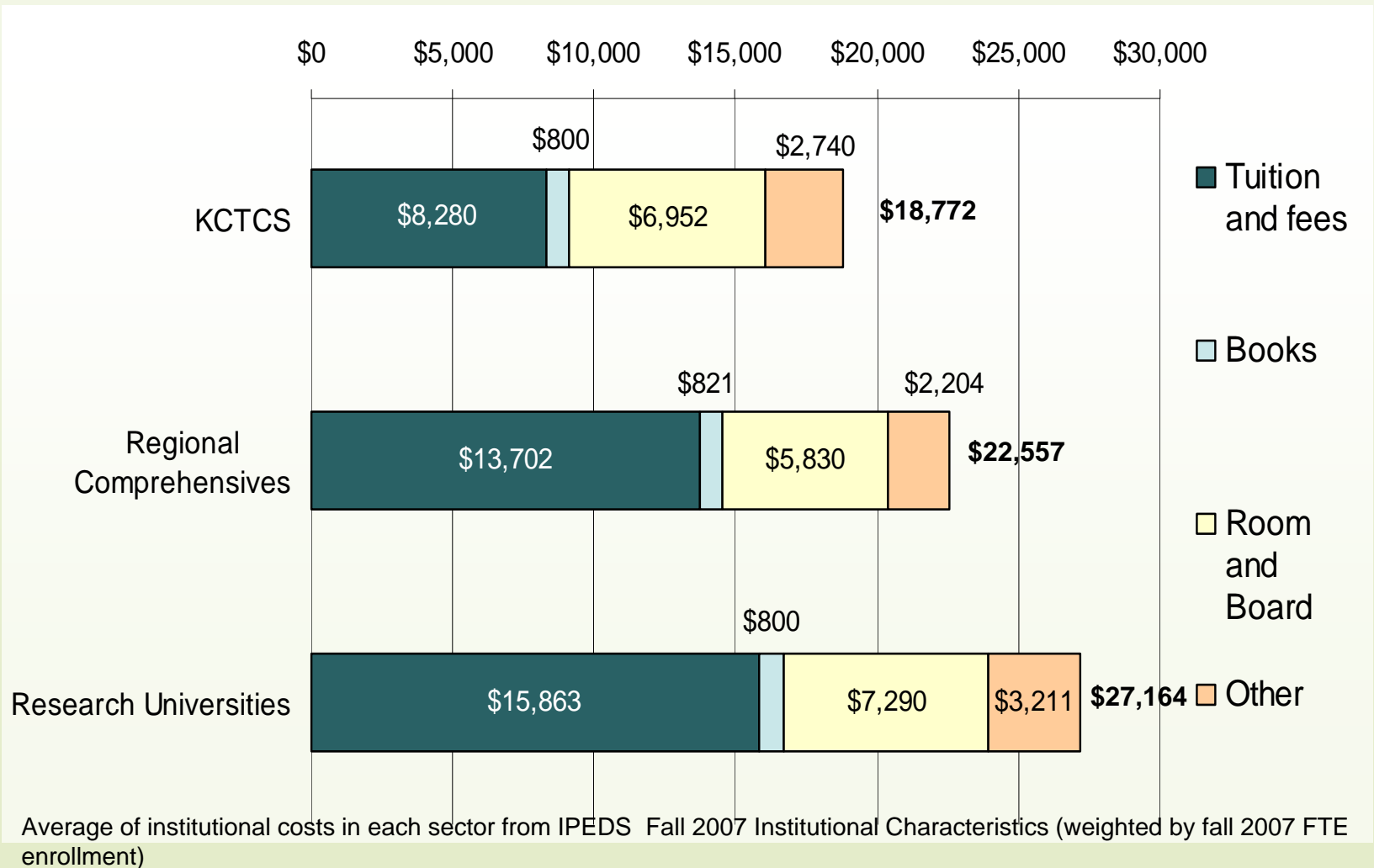
Average Public, Undergraduate, **In-State, Full-time**
Cost of Attendance by Sector, 2007-08



Average of institutional costs in each sector from IPEDS Fall 2007 Institutional Characteristics (weighted by fall 2007 FTE enrollment)

What College Costs in Kentucky

Average Public, Undergraduate, **Out-of-State, Full-time**
Cost of Attendance by Sector, 2007-08



OVERVIEW: COLLEGE AFFORDABILITY IN KENTUCKY

NOVEMBER 7, 2008

KENTUCKY COUNCIL ON
POSTSECONDARY EDUCATION



Trends in Financial Aid

Trends in Financial Aid

Grants and subsidies

- Many sources and forms
- Need-based vs. non-need-based
- Student subsidies through General Fund appropriation

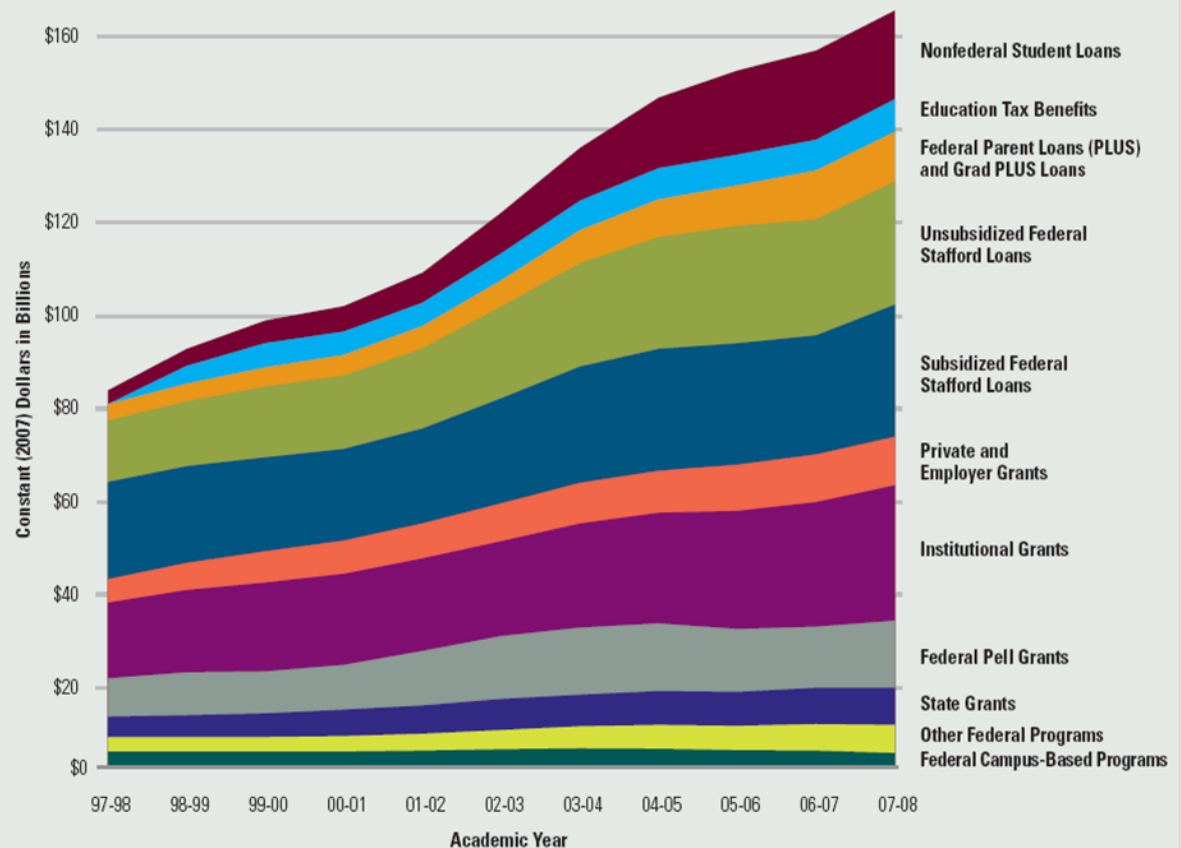
Self help

- Past income
- Current income
- Future income
- In-kind help

Funds Used to Pay for College

Significant growth in nonfederal student loans, unsubsidized Stafford loans, education tax credits, and institutional grants over past 10 years.

Ten-Year Trend in Funds Used to Finance Postsecondary Education Expenses
in Constant (2007) Dollars (in billions), 1997-98 to 2007-08

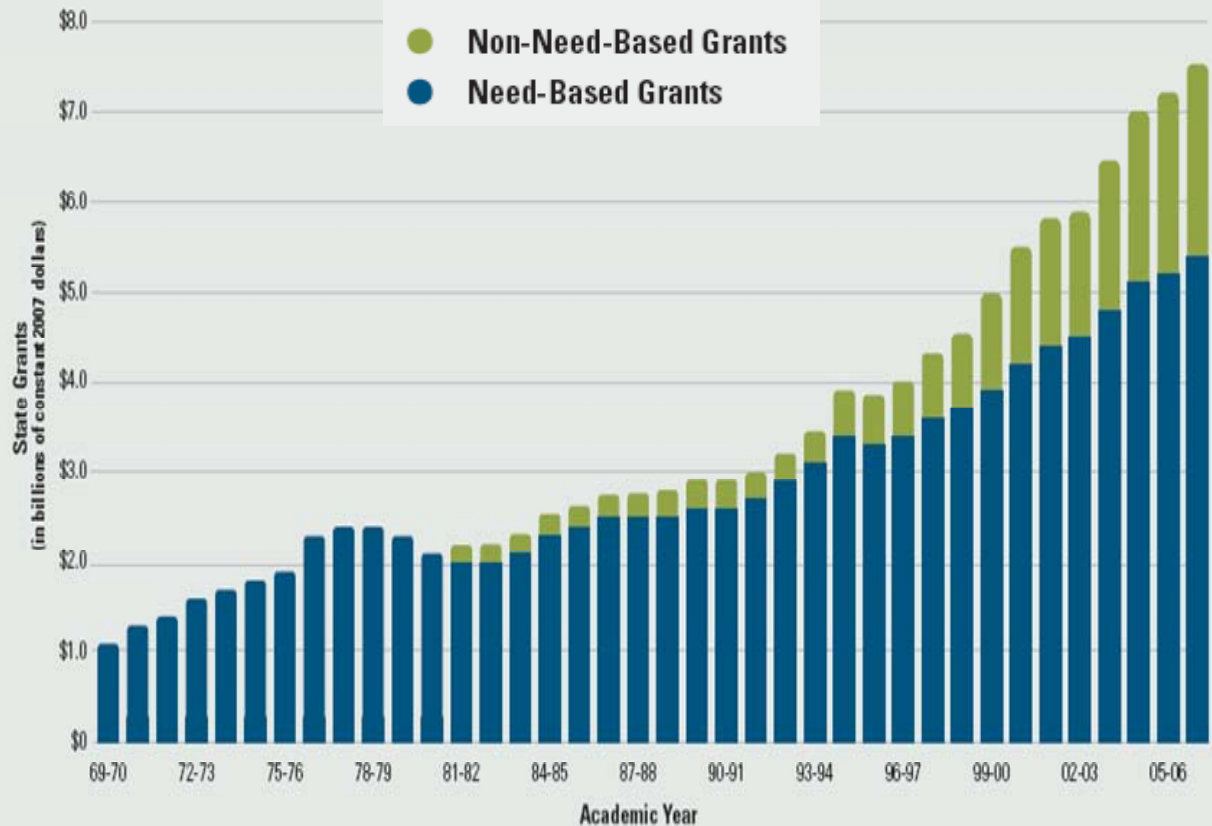


Source: The College Board, *Trends in Student Aid 2008*.

Growth in Need & Non-need- Based State Grants

Significant
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Total Need-Based and Non-Need-Based State Grants
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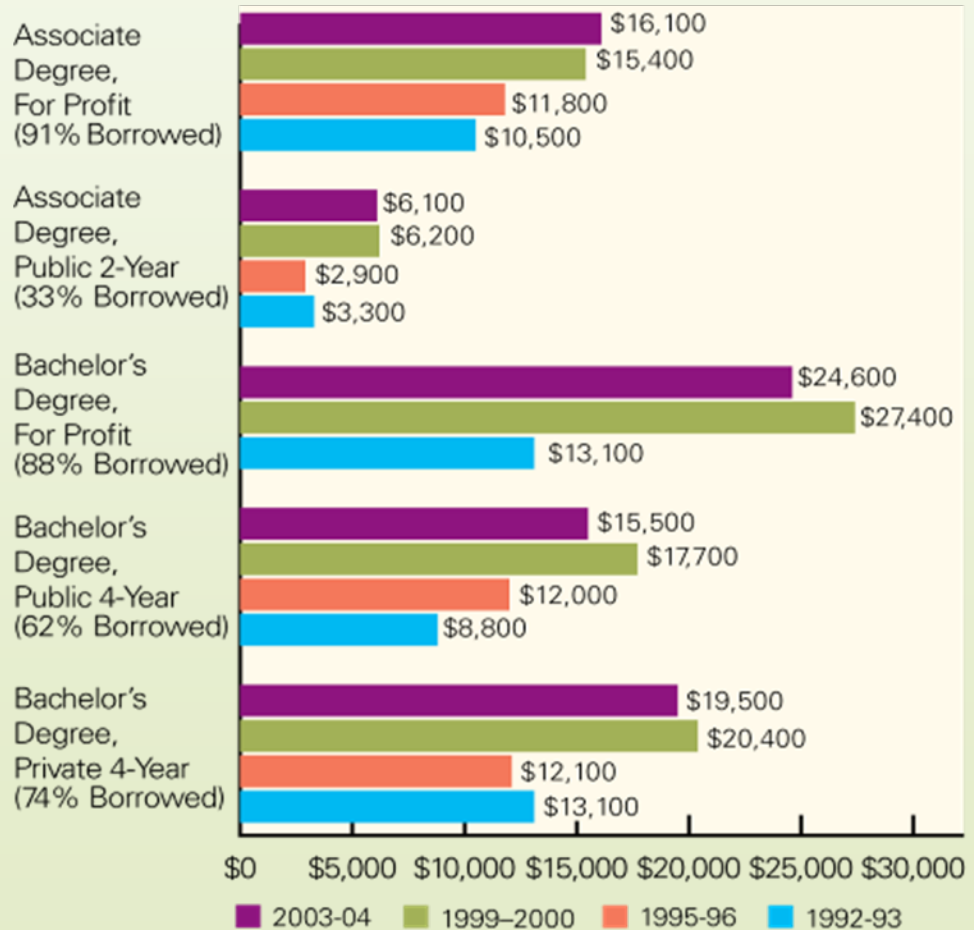
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Student Borrowing

Average debt of Kentucky graduate approximately \$15,000 according to a report from the Project on College Debt.

Median U.S. Debt Levels of Undergraduate Degree Recipients Who Borrowed

by Degree and Institution Type in Constant (2003) Dollars, 1992-93 to 2003-04



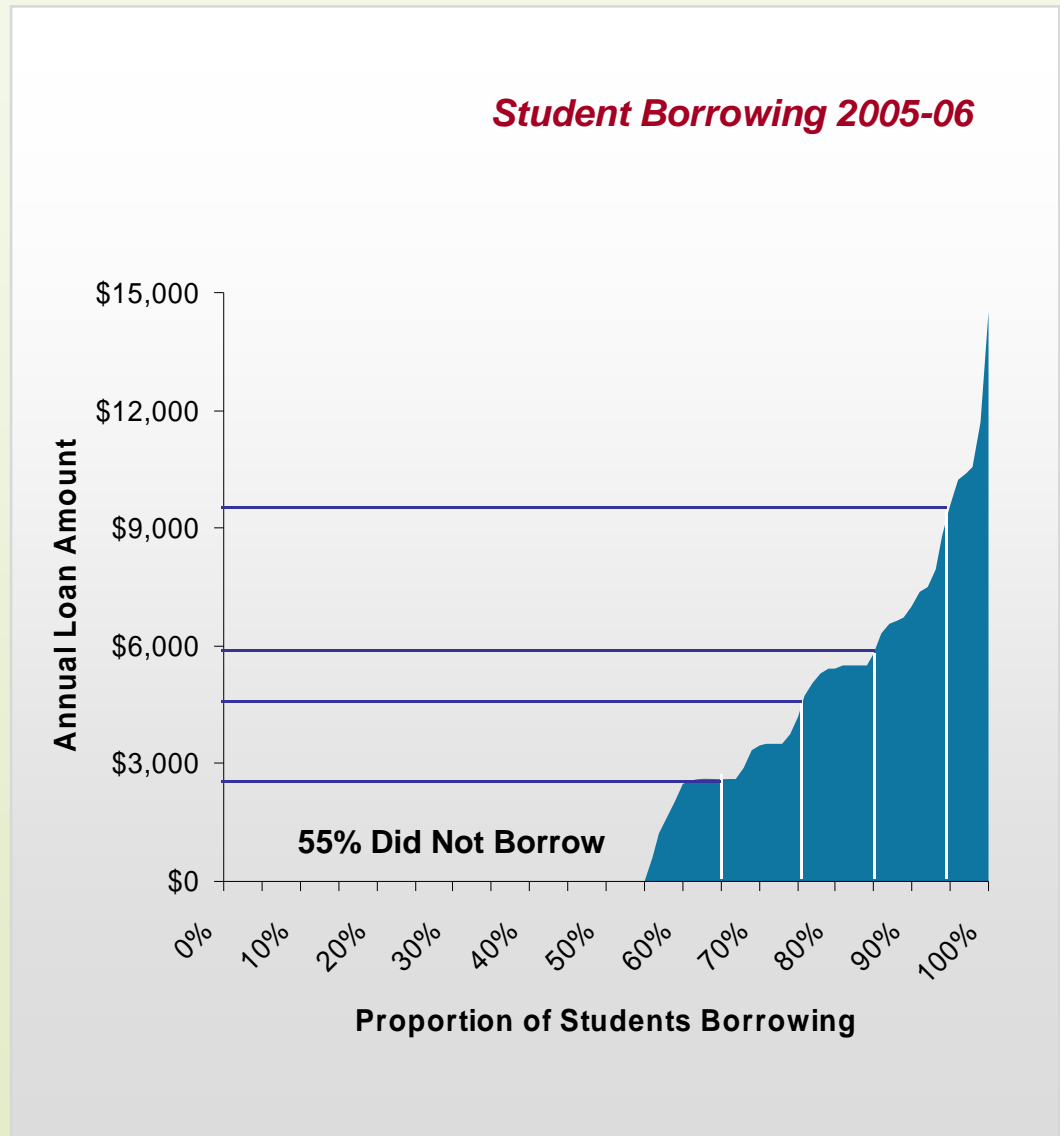
Source: NPSAS, 1993, 1996, 2000, and 2004

Student Borrowing in Kentucky

45 percent of full-time undergraduates borrowed in 2005-06.

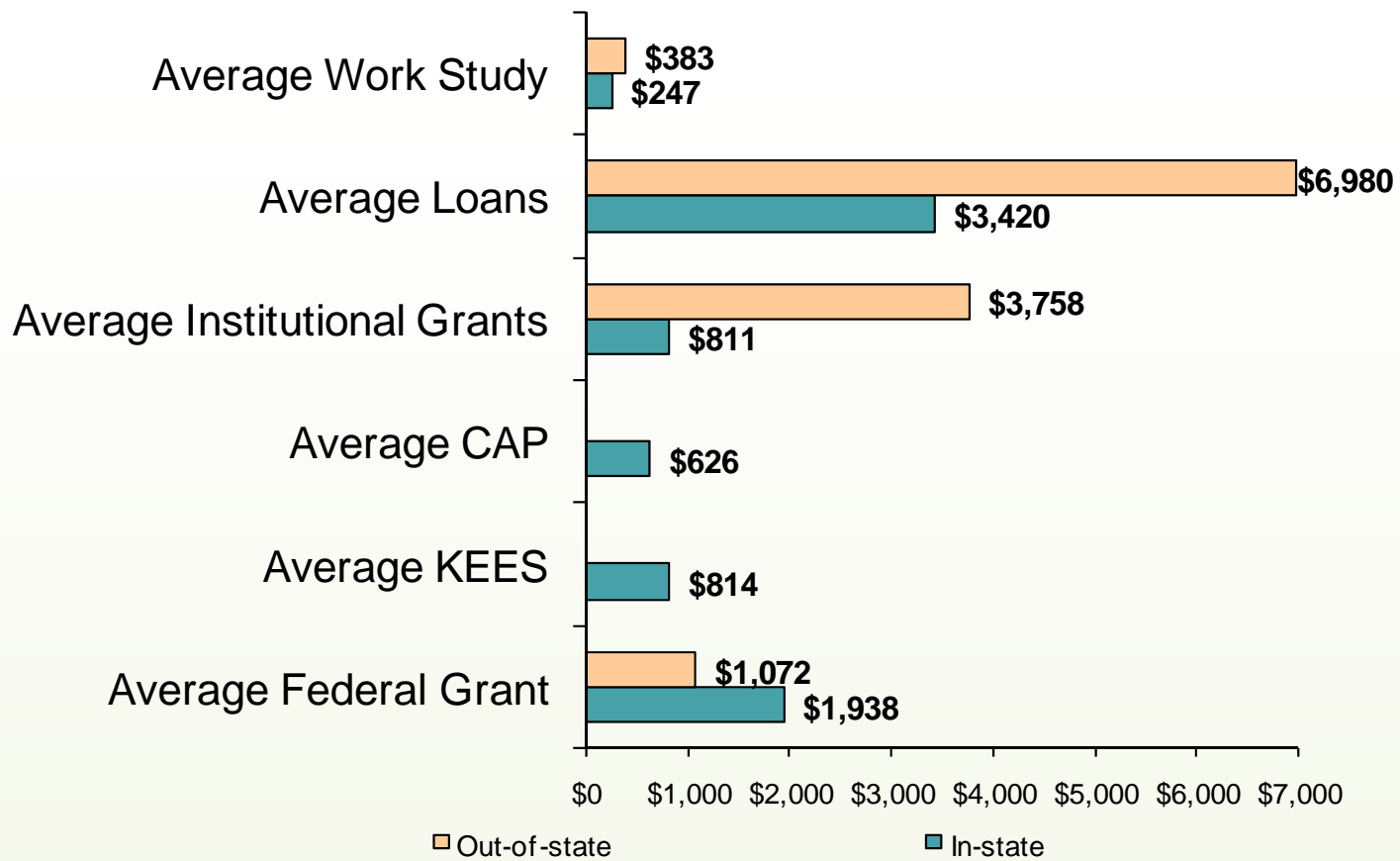
4,200 students borrowed more than \$10,000 in one year.

Full-time, in-state undergraduates in 2005-06



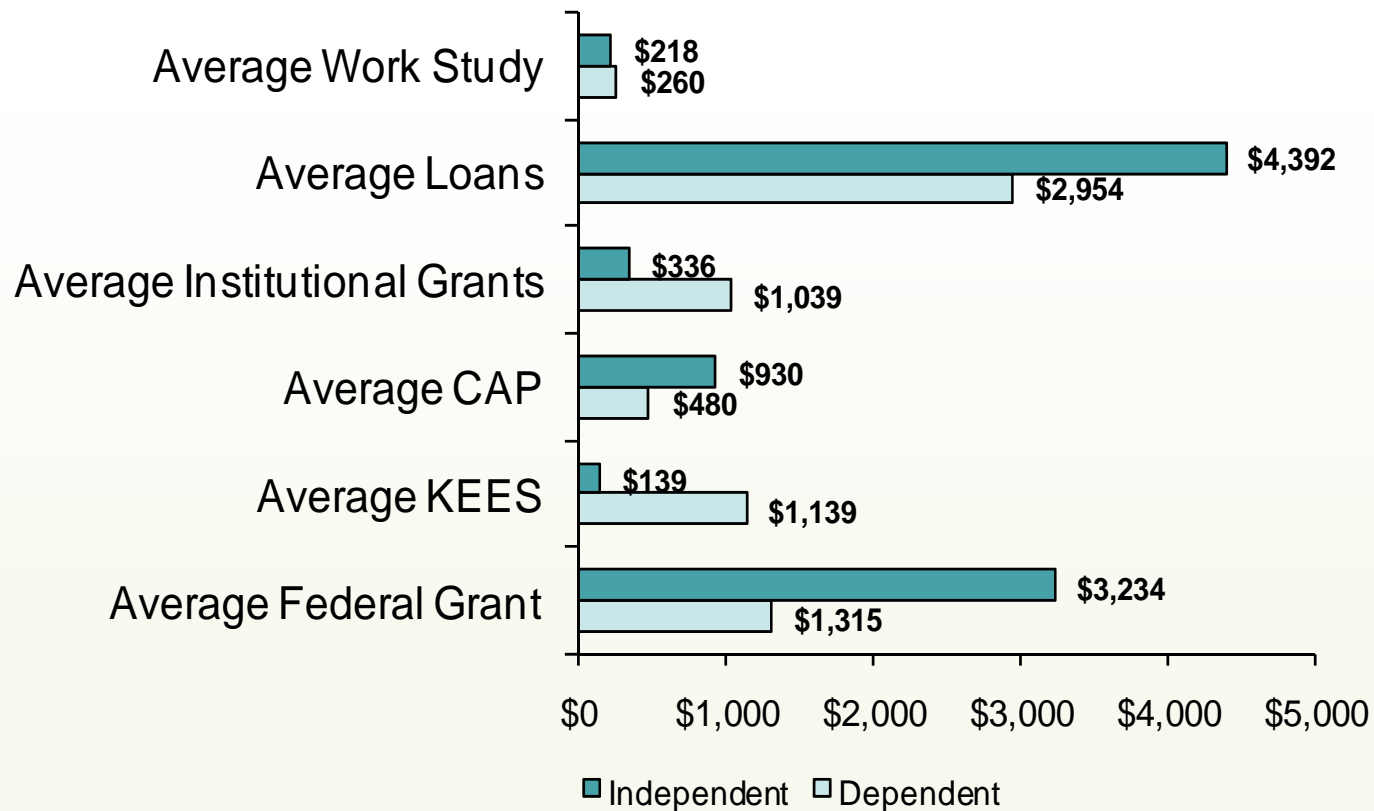
Financial Aid by Residency

Full-time FAFSA Filers at Public Institutions, AY 2005-06



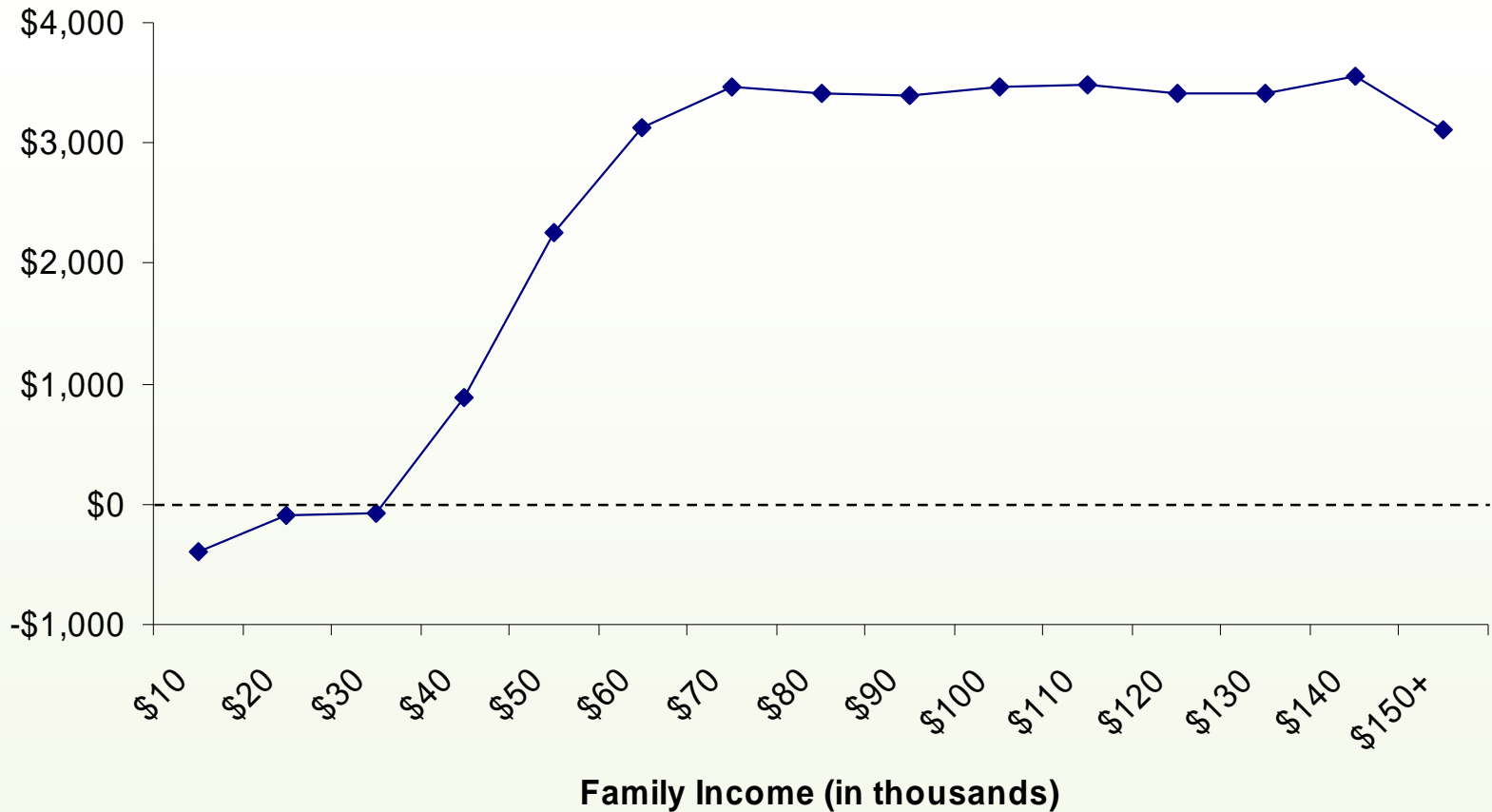
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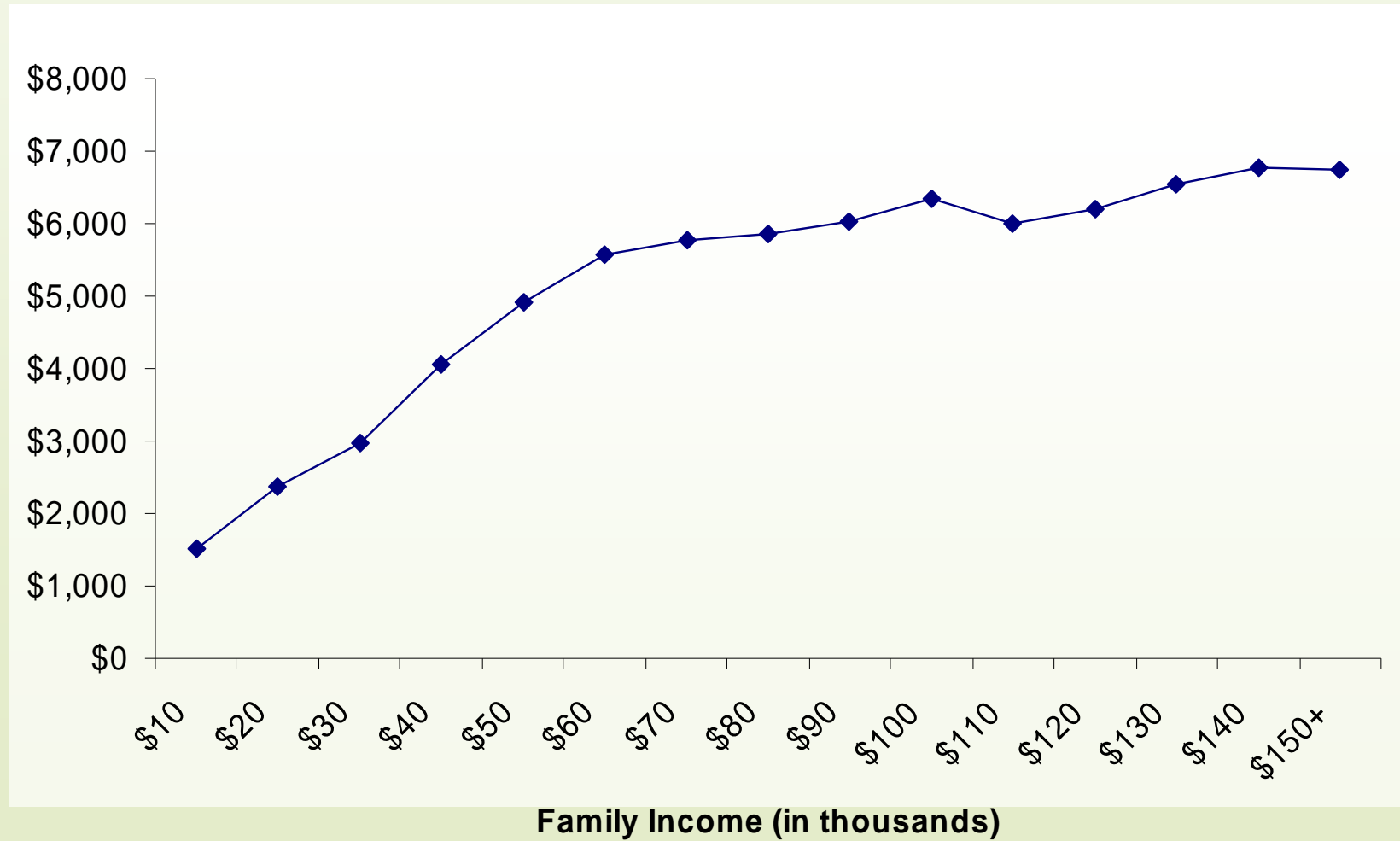
Tuition, Mandatory Fees and Books Net of Grants

Full-time, in-state students in the comprehensive sector, AY 2005-06



“Out-of-Pocket Costs” - Total Cost of Attendance Net of All Aid (Grants, Loans, and Work Study)

Full-time, in-state students in the comprehensive sector, AY 2005-06



How Other Types of Students Pay for College

Independent students

- Lower incomes on average
- Higher federal grant aid
- Higher loan volume

Part-time students

- Federal grants, loans primary sources of aid

FAFSA non-filers

- Limited data (no income data)
- Aid from KEES and institutional grants
- Substantial out-of-pocket costs

College Affordability in Kentucky

Net price, not sticker price, determines financial burden.

Paying for college involves prioritizing and making sacrifices.

Hard to determine who is not coming because of cost .

- ❖ College affordability not a simple yes or no question.
- ❖ Less affordable now versus 10 years ago.
- ❖ Non-tuition cost of attendance is where affordability concerns arise, especially for low-income students.
- ❖ A large portion of state and institutional grants are not targeted at low-income students.
- ❖ If grant aid decreases or remains flat, it has a similar effect on cost to students as an increase in tuition.
- ❖ There is a considerable reliance on loans at public universities that results in substantial student debt.
- ❖ Many students do not apply for aid.
- ❖ Growing number of students are taking online courses.

OVERVIEW: COLLEGE AFFORDABILITY IN KENTUCKY

NOVEMBER 7, 2008

KENTUCKY COUNCIL ON
POSTSECONDARY EDUCATION



Keeping the Promise:

**Policy Options for
Maintaining College
Affordability**

Policy Options

College affordability not a simple yes or no question .

Public policy needs to be informed by data and careful analysis.

- ❖ Provide adequate state appropriations with reasonable increases in tuition and financial aid.
- ❖ Increase financial aid for low- to moderate-income students.
- ❖ Commit early to fund gaps in college affordability for low-income students.
- ❖ Protect against unmanageable student debt.
- ❖ Align state and institutional funding with policy goals.
- ❖ Simplify process and communicate real costs (current and future) and benefits of attending and graduating from college.

Council on Postsecondary Education
November 7, 2008

Transfer: Next Steps

In October 2007, the Council on Postsecondary Education published *Double the Numbers: Kentucky's Plan to Increase College Graduates*. The plan projects Kentucky will need 800,000 adults with at least a bachelor's degree in the year 2020 to reach the national average in educational attainment, as mandated by the *Kentucky Postsecondary Education Improvement Act of 1997* (HB 1). The plan establishes five essential strategies for ramping up degree production, which include enrolling more first-time students in the Kentucky Community and Technical College System and transferring them to a four-year program. In September 2008, the Council on Postsecondary Education reviewed a policy brief, *The Transfer Pipeline* (<http://cpe.ky.gov/NR/rdonlyres/D0F435CB-EB3B-41BE-BA08-11E10C5782EF/0/TransferPolicyBriefFINAL93008.pdf>), focusing on two- to four-year transfer. The purpose of the policy brief is to provide a snapshot of current statewide transfer initiatives, transfer data analysis, barriers to transfer, and strategies that will produce the dramatic increases in transfer required to meet the Double the Numbers goal of 11,300 transfers in 2020.

Current transfer initiatives include a statewide outreach campaign, transfer scholarships, improved advising services, alternative learning formats, and transfer pathways for students to obtain a bachelor's degree. KnowHow2GOKy (www.knowhow2goky.org/transfer/) includes a new transfer student handbook in print and online formats to inform KCTCS students of the long-term financial and personal benefits of attaining a bachelor's degree. All public universities and KCTCS have transfer scholarships although the requirements and amounts vary. Advising initiatives include the newly created Kentucky Academic Advising Association (www.kacada.org), an online transfer course equivalency system (www.redlanternu.com/), joint admission/joint enrollment programs, and electronic transcript exchange. The Kentucky Virtual Campus offers a comprehensive list of associate degrees (www.kyvc.org/earning/transfer.asp) that transfer completely to online bachelor's degree programs. Transfer pathways between technical and applied four-year programs are being expanded.

The Council staff will discuss these next steps as well as other strategies with the Statewide Transfer Committee and Chief Academic Officers to improve two-year to four-year transfer across Kentucky.

- Establish a Transfer Rights and Responsibilities Policy.
- Conduct annual workshops for key institutional transfer personnel to ensure consistent application of the General Education Transfer Policy at all public institutions.

- Work with universities to determine the extent to which transfer issues are barriers to the attainment of Double the Number goals in comparison to broader issues of affordability, access, and managing family and work responsibilities.
- Partner with the Chief Academic Officers to identify the means to measure the success or failure of transfer policies.
- Revise the General Education Transfer Policy to address the basis for the evaluation, acceptance, and review of credit.
- Review and revise the statewide definition of transfer to account for students who transfer to out-of-state and proprietary institutions while continuing to live or work in Kentucky.
- Conduct a follow-up survey of students who transferred from KCTCS but have not yet completed a bachelor's degree at a Kentucky public four-year institution to identify actual barriers students encountered during transfer.
- Work toward new approaches to transfer in addition to the current course-based system.
- Conduct research on time and credits to degree for targeted student populations, institutions, academic disciplines, etc.

Council on Postsecondary Education
November 7, 2008

Committee on Equal Opportunities Report

The Committee on Equal Opportunities met Wednesday, October 29, 2008. Following is the status of initiatives, recurring activities, and discussions related to the implementation of the Kentucky Plan for Equal Opportunities, the Partnership with the U.S. Department of Education Office for Civil Rights, and the Committee on Equal Opportunities.

- The CEO adopted a meeting schedule for calendar year 2009. The meeting dates are February 16, April 21, June 16, August (retreat), and October 13.
- The CEO heard status reports of institutional implementation of recommendations from campus visit reports for Somerset Community College, Murray State University, and West Kentucky Community and Technical College. The committee commended the institutions for the level of progress experienced to date.
- Council staff informed the committee that OCR plans to inform the Commonwealth of its status within seven to fourteen days. In addition, the CEO provided direction to staff to work with institutional representatives, general counsels, a subgroup of the conference of presidents, and other education partners to create an action plan to develop the statewide diversity plan for Kentucky. The action plan will be included on the Council's January meeting agenda.
- The committee received a special report by Howard Bailey, WKU Vice President for Student Affairs, regarding the October 22 campus incident. To the extent possible, Mr. Bailey provided the committee with information regarding the impact of the incident and aftermath on African American students and others in the student body.
- The CEO received a special report by Terry Allen with the University of Kentucky regarding an incident on the UK campus October 29 and the quick and clear response by President Lee Todd regarding the inappropriate nature of the act. The incident is under investigation by appropriate law enforcement agencies. The committee adopted a resolution supporting the president and condemning the action of the perpetrator and asked the chair to write a letter to the university on the committee's behalf.
- The CEO will decide at its February meeting whether to postpone campus visits while developing the diversity plan.

**Council on Postsecondary Education
November 7, 2008**

**Kentucky State University Capital Project
Center for Families and Children**

The following interim project recommendation will authorize Kentucky State University to use federal funds to construct a facility to house a program for families and children. The project was first authorized by the 2006 General Assembly, but the authorization expired June 30, 2008, before the university could implement the project.

ACTION: The staff recommends that the Council approve the request of Kentucky State University to use federal funds to construct a Center for Families and Children on the university's main campus. The estimated project cost is \$2,022,000.

Kentucky State University proposes to use federal money (\$2,022,000) to construct a Center for Families and Children. The project requires interim authorization because the project could not be initiated in time to be covered under the 2006 Appropriation Act (HB 308, line 4, item #004, page 178 of 666). The federal funds are available and a new authorization will now allow the work to be completed. The project will result in an improvement to state-owned property with ownership of the improvements accruing to the university upon completion of the project. The Kentucky State University board of regents approved the project as a part of its 2006-08 capital projects recommendation. No further action is required of the board.

The Council has the statutory responsibility to review and approve postsecondary education capital projects costing \$600,000 or more, regardless of fund source, that have been approved by an institution's governing board. During the interim, capital projects are evaluated under the requirements established by KRS 45.760(14) and KRS 45.763. Since the estimated cost of this project exceeds the \$600,000 threshold, the Council and the Capital Projects and Bond Oversight Committee must approve the project before it is initiated. During the interim, capital projects are evaluated under the requirements established by KRS 45.760(14) and KRS 45.763.

This project will construct 8,524 square feet of classroom, laboratory, office, meeting, and food preparation space to accommodate 25 faculty and staff. The project is scheduled to be completed by May 2010.

The project meets the requirement of KRS 45.760(14) that the source of funds is at least 50 percent federal or private. Kentucky State University staff and the Finance and Administration

Cabinet's Division of Engineering will implement the project. KSU may request operations and maintenance funds in the upcoming biennial budget recommendation process.

Following Council approval, the staff will forward the Council's recommendation to the secretary of the Finance and Administration Cabinet and to the Capital Projects and Bond Oversight Committee.

**Council on Postsecondary Education
November 7, 2008**

**Western Kentucky University Capital Project
Chapel and Columbarium**

The following interim project recommendation will authorize Western Kentucky University to spend private money to construct a chapel and columbarium.

ACTION: The staff recommends that the Council approve the request of Western Kentucky University to use private funds to construct a chapel and columbarium next to the Alumni Building and across the street from and facing the Kentucky Building on the main campus. The estimated project cost is \$1,700,000 and is funded through the WKU Foundation with private gifts.

Western Kentucky University proposes to use private funds raised by the WKU Foundation to construct a chapel and columbarium on the university campus (\$1,700,000). The project requires interim authorization because the private donors have all come forward after the 2008-10 budgetary process was completed. Authorization during the interim will allow the university time to identify the best materials, properly design the facility, go through the project bid process, award a contract, and complete the work in a timely manner. The project will result in an improvement to state-owned property with ownership of the improvements to accrue to the university upon completion.

The Council has the statutory responsibility to approve postsecondary education capital projects costing \$600,000 or more, regardless of fund source, that have been approved by an institution's governing board. During the interim, capital projects are evaluated under the requirements established by KRS 45.760(14) and KRS 45.763. Since the estimated cost of this project exceeds the \$600,000 threshold, the Council and the Capital Projects and Bond Oversight Committee must approve the project before it is initiated. During the interim, capital projects are evaluated under the requirements established by KRS 45.760(14) and KRS 45.763.

This project will erect a chapel totaling 2,145 square feet with a total seating capacity of 72 for students, faculty, staff, and alumni of all faiths as a place of peace, reflection, and meditation. It may be used by campus organizations for special ceremonies and other activities. The chapel is anticipated to occupy approximately one-third of an acre of property. The project is supported by a group of alumni who want to enhance the campus environment and who have spearheaded an effort to raise the necessary funds. A key element of the

chapel will be a WKU columbarium. The columbarium will allow WKU alumni and friends to secure a permanent place on the WKU campus. Up to 300 cremation niches will be built on the grounds adjacent to the chapel and will be sold and reserved for each owner.

The project meets the requirement of KRS 45.760(14) that the source of funds is at least 50 percent federal or private. The university does not anticipate debt financing any portion of this project. The WKU Capital Project Management Division will implement the project, and the university will pay the operations and maintenance from a privately funded endowment created for that specific purpose.

Following Council approval, the staff will forward the Council's recommendation to the secretary of the Finance and Administration Cabinet and to the Capital Projects and Bond Oversight Committee.

**Council on Postsecondary Education
November 7, 2008**

Equine Revolving Trust Fund

The Council is responsible for administering the equine revolving trust fund established from a tax on parimutuel receipts. The new administrative regulation creates an advisory committee and establishes procedures for the distribution of funds.

ACTION: The staff recommends that the Council approve the attached administrative regulation 13 KAR 2:110. Equine Revolving Trust Fund, file the administrative regulation, and report changes that occur during the review process to the Council.

The Kentucky General Assembly established a tax on parimutuel betting and reserved one-tenth of one percent (.1%) of the tax for use by the universities with equine programs. Each year the revenue is placed in the Equine Trust and Revolving Trust Fund. The Council is to establish an Equine Trust Advisory Council (ETAC), develop criteria for the distribution of the funds, and generally administer the program. Currently, the ETAC is composed of directors of the equine programs at the five universities who currently have equine programs. The Kentucky Community and Technical College System has an associate degree equine program, but does not participate in the trust fund distribution because the statute limits the program to universities.

The ETAC meets at least annually to collaborate on student recruitment and retention to degree attainment and to recommend a distribution of funds. Traditionally, all participating institutions receive \$40,000 per year. An additional amount is provided for a capital project at one institution. Funds are limited to capital projects and equipment purchases.

The Council staff has reviewed this program in consultation with the Program Audit Subcommittee to establish goals and objectives and to ensure that an accountability system is in place. The staff also has worked closely with the existing ETAC about the need to tighten the procedures for the distribution of funds, expand the ETAC, and develop goals for the use of the funds. Clearly defining the membership and role of the advisory committee will assist in ensuring the best use of limited resources for Kentucky's equine programs.

The first step is development of an administrative regulation. The public hearing of the proposed administrative regulation is December 22.

1 COUNCIL ON POSTSECONDARY EDUCATION

2 (New)

3 **13 KAR 2:110. Equine Revolving Trust Fund.**

4 RELATES TO: KRS 138.500

5 STATUTORY AUTHORITY: KRS 138.510(6)

6 NECESSITY, FUNCTION, AND CONFORMITY: The Council on Postsecondary
7 Education is directed by KRS 138.510 to administer an Equine Revolving Trust Fund program
8 for those Kentucky universities with equine programs, to create an advisory committee, and to
9 establish criteria for the evaluation and awarding of grants from the appropriations to the
10 revolving trust fund.

11 Section 1. Equine Programs. An eligible equine program for the purpose of this
12 administrative regulation shall be a baccalaureate degree or above academic program approved
13 by the Council on Postsecondary Education.

14 Section 2. Equine Advisory Committee Membership. The president of the Council on
15 Postsecondary Education shall establish an equine advisory committee with the following
16 membership:

17 (1) one representative each from Morehead State University, Murray State University, the
18 University of Kentucky, the University of Louisville, and Western Kentucky University who
19 shall be the head of the equine program at that university;

1 (2) one representative from the Kentucky Community and Technical College System
2 who shall represent the equine programs for the Kentucky Community and Technical College
3 System; and

4 (3) no more than two representatives from the horse race industry selected by the
5 president of the Council for three (3) year terms.

6 Section 3. Operation of the Equine Advisory Committee. The equine advisory committee
7 shall: (1) select a chair from the members selected pursuant to Sub-section (1) of Section 2 who
8 shall serve as chair for a two (2) year period;

9 (2) meet no less than two (2) times each year; and

10 (3) (a) advise the Council on guidelines for the distribution of funds,

11 (b) assist in the development of criteria for evaluation of proposed activities to be funded
12 through the equine revolving trust fund program; and

13 (c) make recommendations for the distribution of funds.

14 Section 4. Program Guidelines. (1) The Council shall develop guidelines for the
15 distribution of funds for the equine revolving trust fund program for all eligible institutions,
16 Morehead State University, Murray State University, the University of Kentucky, the University
17 of Louisville, and Western Kentucky University, after considering recommendations of the
18 equine advisory committee and other interested parties.

19 (2) The guidelines shall set forth the purpose, the goals and objectives, and the
20 accountability measures that are to govern the award of a grant or distribution of any funds.

21 (3) The guidelines shall provide for a:

22 (a) general distribution of a portion of the available funds to all participating universities;
23 and

1 (b) competitive proposal process that is independently reviewed and evaluated.

2 (4) The guidelines shall explicitly state the prohibitions contained in KRS 138.510(6) and
3 the permissible use for a grant award.

4 (5) The Council shall review the existing guidelines periodically to ensure that they are
5 in accord with the established goals and objectives.

6 Section 5. Distribution of Funds. (1) No funds shall be distributed unless a contract or
7 Memorandum of Agreement has been fully executed between the university who is to receive the
8 funds and the Council.

9 (2) The executed agreement between the parties shall include an estimated timeframe for
10 the expenditure of the grant, and a requirement for a financial and written annual report.

John S. Turner, Chair
Council on Postsecondary Education

Date

APPROVED AS TO FORM:

Dennis L. Taulbee, General Counsel
Council on Postsecondary Education

Date

PUBLIC HEARING: A public hearing on 13 KAR 2:110. Equine Revolving Trust Fund shall be held on December 22, 2008, at 10:00 a.m. at the Council on Postsecondary Education, Conference Room A. Individuals interested in being heard at this hearing shall notify this agency in writing by December 15, 2008, five working days prior to the hearing, of their intent to attend. If no notification to attend the hearing is received by that date, the hearing may be cancelled.

This hearing is open to the public. Any person who wishes to be heard will be given an opportunity to comment on the proposed administrative regulation. A transcript of the public hearing will not be made unless a written request for a transcript is made.

If you do not wish to be heard at the public hearing, you may submit written comments on the proposed administrative regulation.

Send written notification of intent to be heard at the public hearing or written comments on the proposed administrative regulation to the contact person.

CONTACT PERSON:

Linda Linville, Assistant Vice President, Economic Initiatives
Council on Postsecondary Education
1024 Capital Center Drive, Suite 320
Frankfort, Kentucky 40601
Phone: 502-573-1555, ext. 253
Fax: 502-573-1535
Email: linda.linville@ky.gov

REGULATORY IMPACT ANALYSIS AND TIERING STATEMENT
13 KAR 2:110. Equine Revolving Trust Fund

Administrative Regulation 13 KAR 2:110. Equine Revolving Trust Fund

Contact person:

Linda Linville, Assistant Vice President, Economic Initiatives

Council on Postsecondary Education

1024 Capital Center Drive, Suite 320

Frankfort, Kentucky 40601

Phone: 502-573-1555, ext. 253

Fax: 502-573-1535

Email: linda.linville@ky.gov

(1) Provide a brief summary of:

(a) What this administrative regulation does: This administrative regulation establishes the criteria for the distribution of funds in the equine revolving trust.

(b) The necessity of this administrative regulation: KRS 138.500 establishes the equine revolving trust using funds generated by parimutuel betting in Kentucky.

(c) How this administrative regulation conforms to the content of the authorizing statutes: The administrative regulation conforms explicitly to the authorizing statutes.

(d) How this administrative regulation currently assists or will assist in the effective administration of the statutes: The administrative regulation provides clear guidelines to the

Council on how to gather input from interested parties on how the funds should be used, and clear guidelines on what the Council will consider in any distribution.

(2) If this is an amendment to an existing administrative regulation, provide a brief summary of:

(a) How the amendment will change this existing administrative regulation: Not applicable.

(b) The necessity of the amendment to this administrative regulation: Not applicable.

(c) How the amendment conforms to the content of the authorizing statutes: Not applicable.

(d) How the amendment will assist in the effective administration of the statutes: Not applicable.

(3) List the type and number of individuals, businesses, organizations, or state and local governments affected by this administrative regulation: There are five universities who are affected directly by this administrative regulation. The Kentucky Community and Technical College System and the equine industry in Kentucky are indirectly affected.

(4) Provide an assessment of how the above group or groups will be impacted by either the implementation of this administrative regulation, if new, or by the change if it is an amendment: The distribution of funds has been based on informal agreement of the participating institutions. The adoption of this administrative regulation brings better focus to the proposed uses of the funds and sets out clear criteria on how decisions will be made.

(5) Provide an estimate of how much it will cost to implement this administrative regulation:

(a) Initially: No additional cost is anticipated.

(b) On a continuing basis: No additional cost is contemplated.

(6) What is the source of the funding to be used for the implementation and enforcement of this administrative regulation: General operating funds are currently available to the Council and the institutions.

(7) Provide an assessment of whether an increase in fees or funding will be necessary to implement this administrative regulation, if new, or by the change if it is an amendment: No.

(8) TIERING: Is tiering applied? Tiering is not appropriate under these circumstances.

**Council on Postsecondary Education
November 7, 2008**

**Status Report (SB 189)
Preserving and Protecting the Investment of Public Funds in
State-Owned Facilities**

The General Assembly directed the Council on Postsecondary Education and the Office of the State Budget Director to produce and present to the Legislative Research Commission on or before December 1, 2008, a report with recommendations addressing the establishment and implementation of a process for funding deferred and future major capital renewal, maintenance, and renovation needs costing \$600,000 or more each for facilities owned by the Commonwealth and operated by the postsecondary institutions.

Status:

This is the second status report to the Council as the report is being developed. A proposed draft report has been shared with the Office of the State Budget Director and the institutions. The draft report will be available for Council review by the November 7 Council Meeting. The report will include an executive summary, an overview of capital asset funding, the objectives of asset preservation and investment, selected models used by other states, and ultimately a set of recommendations for preserving and protecting the investment of public funds in state-owned facilities.

Following receipt of additional feedback on the draft, the Council staff and the Office of the State Budget Director will develop a final draft that also will be shared with the institutions for comment. Upon receipt of additional feedback, a joint final report will be developed and submitted to the Legislative Research Commission by December 1, 2008.

The process for completing the report includes:

July-December 2008	Meeting with Institutional Chief Budget Officers and Facilities Coordinators (ongoing)
August-December 2008	Meeting with Office of State Budget Director Staff (ongoing)
September 23, 2008	Status Report to the Capital Planning Advisory Board (complete)
Sept.-November 2008	Status Report to the Council on Postsecondary Education
December 1, 2008	Final Report to the Legislative Research Commission
Dec. 2008-Nov. 2009	Develop and Implement Strategy for 2010-12 Capital Request

**Council on Postsecondary Education
November 7, 2008**

Fiscal Year 2007-08 Agency Audit

<p>ACTION: The Executive Committee recommends that the Council accept the 2007-08 agency audit as submitted by the firm of Potter & Company, LLP.</p>

The Council contracted with the firm of Potter & Company, LLP, to perform a financial and management audit of the Council's activities during fiscal year 2007-08.

The audit was conducted in accordance with U. S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

The Council's Executive Committee received a draft of the Financial Statements and Independent Auditor's Report, the Memorandum of Comments and Suggestions, and the Matters to be Communicated to the Executive Committee. The Executive Committee reviewed these documents October 29, 2008, with Potter & Company, LLP, representatives and Council staff.

The Council received an unqualified opinion. The audit report contains no reportable conditions or material weakness related to internal control over financial reporting or major federal programs. The audit report contains no reportable findings of material noncompliance related to financial statements.

The Council staff has acted upon suggestions by Potter & Company, LLP, involving the timing and amounts of payments, and receipt of sub-recipient reports.

The final audit report will be sent to the Council members for review prior to the November 7 Council meeting.

**Council on Postsecondary Education
November 7, 2008**

Program Audit Subcommittee Report

The Program Audit Subcommittee was created in 2006 by then Chair Ron Greenberg to:

- Review the accountability and assessment measures for existing Council pass-through programs.
- Evaluate the efficacy of those measures.
- Make recommendations for improving the accountability and assessment system for all Council programs.

Membership on the committee at the time it was created was Alois Moore, Dan Flanagan, Jim Skaggs, Mark Wattier, and Peggy Bertelsman as chair.

The subcommittee originally set out to review the 16 pass-through programs administered by the Council. A pass-through program is a direct allotment to the Council for a program or activity, where the funding usually is directed to an entity outside of state government or to an institution or other state agency. That entity then delivers the services while the Council often is the financial steward for the program. During the review, seven of the original 16 programs were eliminated due to budget reductions.

Additionally, the subcommittee discussed the cancer research programs, lung cancer research, and the cancer research institutions' matching fund, although the Lung Cancer Research Program and its companion program for ovarian cancer screening are not pass-through programs. The review of the Lung Cancer Research Program has been hampered by a lack of appointments to the Governance Board of the Lung Cancer Research Project and by turnover among senior staff at the University of Kentucky and the University of Louisville.

The work of the Program Audit Subcommittee focused on developing assessment and evaluation activities for each program. The subcommittee currently is reviewing a draft report with a series of recommendations on how the assessment of these activities can be improved. The report will be distributed at the November 7 Council meeting. The Council will be asked to consider the report's recommendations at a future meeting.

**Council on Postsecondary Education
November 7, 2008**

Nominating Committee Appointments

Mr. Turner will appoint a nominating committee at the November 7 meeting. The committee will present nominations for Council chair and vice chair at the January CPE meeting. The chair and vice chair will serve from February 1, 2009, to January 31, 2010.



Eastern Kentucky University Highlights & Achievements

www.eku.edu

- Dr. Jerry Cook, the long-time Eastern Kentucky University Foundation professor of physics received the 2008 Acorn Award. With the presentation of the 2008 award to Cook, EKU now boasts more Acorn Award recipients than any other college or university in Kentucky.
- Eastern Kentucky University and the University of Yamanashi in Japan have renewed their exchange agreement.
- Eastern Kentucky University and the University of Kentucky are joining efforts to host annual environmental research camps 2009-11 that will enable undergraduate students from around the nation and Appalachian middle and high school math and science teachers to examine carbon cycling at the watershed scale and its relationship to coal mining in southeastern Kentucky. The three summer-long camps, funded by a \$537,400 grant from the National Science Foundation's Research Experience for Undergraduates, are expected to attract 8-10 students from across the U.S. and two to four teachers each year. The participants' time will include classroom time at EKU, laboratory time at UK and two weeks of field camp in and around Perry and Letcher counties in eastern Kentucky.
- Because of the number of Eastern Kentucky University graduates who call foreign countries home, the EKU Alumni Board recently approved a name change: from the EKU National Alumni Association to the EKU International Alumni Association. Approximately 250 of Eastern's 120,000-plus alumni reside in a country other than the U.S. The leading known addresses are in Canada, 47; Japan, 34; and Thailand 25. In all, EKU alumni reside in 50 countries.
- The newly established Department of American Sign Language and Interpreter Education (ASLIE) at Eastern advances the University as a national leader in a growing field. Housed in EKU's College of Education, the Department is unique in the Commonwealth, combining an Interpreter Education Program (a major in interpreting and a minor in American Sign Language), a Center on Deafness and Hearing Loss, and an active outreach in-service training program. In fact, in all the states surrounding Kentucky, only four public institutions have a baccalaureate interpreter education program. Currently, only 34 public and private baccalaureate degree programs are scattered around the U.S.
- An Eastern Kentucky University junior has been named the state's top health education student. Justin Gilliam, a health education/school health major from Carlisle, received the 2008 Outstanding College/University Health Student Award from the Kentucky Association for Health, Physical Education, Recreation & Dance (KAHPERD).
- An Eastern Kentucky University social work educator is visiting South Africa as part of a citizen ambassador program established by President Dwight D. Eisenhower in 1956. Dr. Norma Threadgill-Goldsen, assistant professor of social work at EKU, is one of two from Kentucky traveling with more than 100 delegates to visit social service and health agencies and educational institutions in Johannesburg and Capetown Oct. 13-23. She has also been invited to give a presentation to the delegation and the South African host agencies, "Child Protection and Family Care in South Africa and the United States."
- Eastern Kentucky University will host a two-day program for doctoral students of color from across the United States. The fourth College of Education Doctoral Symposium and Dissertation Workshop for Students of Color will be held on campus Nov. 14-15. The program will examine concerns relating to retention, persistence and quality-of-life issues teach survival skills for succeeding in a doctoral program and promote networking with other doctoral candidates.
- Dr. John Wade has been named dean of Eastern Kentucky University's College of Arts & Sciences. Wade, with 31 years experience in higher education, had served as interim dean of the College since July 2007.
- The National Science Foundation has awarded a grant of \$378,616 to Eastern Kentucky University to examine the potential impact of climate change on fires and the ecology of forests in northwestern Asia and compare that to recent research suggesting climate change has altered fire regimes in the western U.S. The study is directed by Dr. Neil Pederson, assistant professor in EKU's Department of Biological Sciences.

Former Governor Paul Patton receives special recognition at the KCTCS President's Gala and 10th Anniversary Celebration

The Kentucky Community and Technical College System celebrated its 10th anniversary at the annual President's Gala Benefactors Awards Dinner November 1 in Lexington with a special recognition of former Kentucky Governor Paul E. Patton, who is credited with the creation of the two-year college system.

Gov. Patton was the mastermind who in 1997 engineered the Kentucky Postsecondary Education Improvement Act, House Bill 1, which called for 13 two-year community colleges and 15 technical schools to be governed by one board of regents. "We will have a system of higher education which is more responsive, more efficient, and more relevant to today's realities and tomorrow's needs. We can afford to do no less," Gov. Patton said.

In recognition of the success of this 10-year metamorphosis of Kentucky higher education, KCTCS founding President Michael B. McCall presented Governor Patton with the First President's Medallion for Distinguished Service.

Highlights of the evening included the unveiling of a special 10-year anniversary book, "Metamorphosis: Kentucky Community and Technical College System

10th Anniversary, 1998-2008." The 120-page hard-cover book chronicles the development of KCTCS System during its first 10 years and features the history and growth of each of the 16 colleges.

In recognizing the 10-year history of the System, KCTCS President McCall also recognized those benefactors who continue to support the colleges. The 2008 KCTCS benefactors honored included NewCities Institute and Kentucky League of Cities (KLC), Lexington; and Siemens, Germany.

KLC and the NewCities Institute are partnering with KCTCS to raise the civic capacity of Kentucky by engaging students in community activities and training seminars. Siemens, a major provider of complete electrical, engineering, and automation solutions, has partnered with KCTCS to assist in the area of workforce development.

In addition, a total of 30 individuals, corporations, and organizations were honored for their contributions, partnerships, and support. More than 700 KCTCS faculty, staff and benefactors attended the event sponsored by Cisco, four underwriters, and 30 corporate sponsors.



A Metamorphosis of Higher Education



Good News from Kentucky State University

Publications and Offerings

- With the endorsement of the Kentucky Lincoln Bicentennial Commission, Dr. Richard Taylor of the Division of Literature, Languages and Philosophy, has published a Lincoln Memorial issue of *Back Home in Kentucky*, recounting the life of Abraham Lincoln. Taylor's writing focuses on Lincoln's lifelong Kentucky connections, the role Lincoln played in enacting the Emancipation Proclamation that eventually led to freeing over four million Americans held in bondage, and his struggle to preserve the Union. The writing has been adopted by several school systems, including Shelby County
- Dr. George Shields, presented his paper entitled, "MWI Quantum Theory: Some Logical and Philosophical Issues" at the inaugural meeting of the Center for Philosophy and the Natural Sciences at California State University-Sacramento. Also, on the basis of his recent lecture at the University of Chicago, Dr. Shields has been invited by the editor of the University of Chicago Martin Marty Center's *Religion and Culture Forum* to submit an extension of his previous presentation entitled, "Postmodern Process Thought: Personal Reflections on Its Contemporary Relevance."
- Dr. Todd Davis has been contracted for publication by McFarland and Company for his article, "The Eternal Vigil: Captain Jack Harkness as Byronic Hero." This article will begin the second section, "Characterization and Torchwood," in the book *Reading the Rift*. Dr. Davis also attended the XXXIV Annual International Byron Society Conference in St. Andrews, Scotland in July where he presented a research paper to approximately 200 Byron scholars from around the world.
- Mr. Victor Gomia, Instructor of English, is contributing a chapter in a forthcoming publication entitled *The Africa We Know: Reading and Writing Across Disciplines in African and Liberal Studies Programs*, scheduled for publication next spring by the Shaw University Department of Humanities.
- Dr. Helen Higbee, Assistant Professor of English, has authored a chapter in the book *Early Modern Academic Drama*, which discusses a Latin play concerning London's Royal Exchange which was written for and likely performed by students at Cambridge University in the 1630's.
- Dr. Karah Stokes, Professor of English, presented a paper on humor at the plenary session at this year's Kentucky Philological Association conference. Her paper was recently accepted for publication in the 2008 *Kentucky Philological Review*.
- Dr. Cynthia Lynne Shelton, Assistant Professor and coordinator of African American Studies in the Whitney Young School of Honors and Liberal Studies, recently authored a chapter in the book, *Black Greek-Letter Organizations in the 21st Century: Our Fight Has Just Begun*. The book is the second volume in the *African American Studies/Cultural Studies Series* published by The University Press of Kentucky. Dr. Shelton's chapter, "Strategic Essentialism and Black Greek Identity in the Post-Modern Era", examines the historical and contemporary process and production of identity formation among members of such organizations.

The Big Read

- The Big Read of Frankfort program will run from October 15 to November 15 and will be led by Dr. Thomas McPartland of the Whitney Young School and Dr. George Shields, Professor of Philosophy, with assistance from Diane Dehoney of the Paul Sawyer Library and Irma Johnson of KSU's Community Outreach Program. This year's Big Read of Frankfort program will encourage the community to read Ernest J. Gaines' National Book Critics Circle Award winning *A Lesson Before Dying*, a book about a young African-American man in Louisiana in the 1940's who was wrongly accused of murder but will surely be sent to the electric chair for the crime. Kentucky State University is hosting a second Big Read because, for a second year in a row it won a second National Endowment for the Arts "Big Read" grant award. The program will feature group study in KSU classrooms as directed by some of KSU's own Whitney Young Honors Core students, group study at local service area high schools and libraries, movie showings, panel symposia, and a special lecture by Marcia Gaudet, a colleague and scholar of Gaines' work at the University of Louisiana, at 11 a.m. Oct. 23 in Bradford Hall Auditorium.

Fine Arts

- The Music Department hosted the Kentucky Music Educators Association District-7 Middle School Honor Choir Festival in September with over 300 middle school choristers from twelve area middle schools participating in a day of rehearsals and an evening concert.
- Dr. Carl Smith, Director of the KSU Concert Choir, along with four students, Amir Hall, Allyson Hankins, Brandon Lockhart, and Arlicia Shorter attended the First Annual HBCU Choral Conference held in Washington, D.C. in September. The conference featured a day long Conductors Summit, chaired by Dr. Smith. The summit was attended by 60 college conductors and guests. The Conference Chorus was comprised of 105 students who presented a magnificent concert at the Kennedy Center for the Arts Concert Hall before a packed auditorium. Dr. Smith received the Legacy Award for tenure and accomplishment. The conference was also attended by Dr. Barbra Buck, Chairperson of the Division of Fine Arts, President Mary E. Sias, Mr. Hinfred McDuffie and Mr. Steve Mason. There were several KSU graduates in attendance as well.

Academic Support

- The Academic Center for Excellence (ACE) served 682 students during the spring semester with 84% of the regular clientele passing their tutored courses with a grade of “C” or better. ACE, through its continued training and outreach to students, received a three-year (June 2008 – May 2011) recertification as a Learning Service Center from the College Reading and Learning Association (CRLA). In addition, CRLA has authorized ACE for that same period of time to certify individual tutors who qualify based on CRLA criteria.
- The FRIENDS (Finding Resources In Education for NontraDitional Students) program is actively serving KSU’s nontraditional and commuter student population, having served 223 students during the 2007-2008 academic year, and 98 students since the start of the fall 2008 semester.
- The annual FRIENDS Open House was held in September. Recent collaboration with the Office of Continuing and Distance Education has resulted in the application for a campus chapter of Alpha Sigma Lambda, a national honor society for nontraditional students.

Land Grant Programs

- Dr. Changzheng Wang, principal investigator, and Dr. Lingyu Huang, co-investigator in human nutrition, conducted body composition analysis for over 60 participants at the 15th annual Youth Festival in Frankfort in September. They also provided information on nutritional strategies to lower the risk of obesity and osteoporosis. The event included many booths related to health and activities for young people in the area. Representatives of the Community Research Service of the Land Grant Program at Kentucky State University have been invited to the event for the past 10 years.
- The Kentucky State University Land Grant Program, the Ohio Pawpaw Growers Association and the PawPaw Foundation held a Pawpaw Workshop in September at the Kentucky State University Research and Demonstration Farm. Eighty-seven people attended the workshop to share information about the production and uses of pawpaw. There were poster and oral presentations concerning progress in pawpaw variety trials, management of orchards, storing and handling fruit, the nutritional value of the fruit, marketing pawpaw, tours of the KSU orchards, and a tasting event.
- Dr. Kirk W. Pomper, principal investigator of horticulture in the KSU Community Research Service, presented a “Pawpaw 101” seminar and held a pawpaw tasting at the 10th Annual Ohio Pawpaw Festival in September in Albany, Ohio. Over 3,000 people attended the festival and learned about and tasted the pawpaw fruit. An article titled, “Picking Up on Pawpaws,” in the September issue of *Country Roads Magazine*, mentions the Kentucky State University pawpaw program. An article in the fall issue of *Taste Magazine* titled, “Pawpaw: the Forgotten Fruit,” also discusses the KSU pawpaw program.
- Dr. George Antonious of Community Research Service recently published a new book chapter in *Tomatoes and Tomato Products: Nutritional, Medicinal and Therapeutic Properties*, published by Science Publishers. The book chapter, titled “Presence of Zingiberene and Curcumine in Wild Tomato Leaves,” indicates that volatile metabolites of *Lycopersicon* species such as zingiberene and curcumene have a role in tomato flavor, human health-related properties and host plant defense against arthropod herbivores. The research study was carried out at KSU Research Farm and Greenhouses and supported by the U.S. Department of Agriculture CSREES grant.

“Good News” Report from Morehead State University

- President Wayne D. Andrews was named to the Presidents’ Advisory Committee of Gov. Steve Beshear’s Higher Education Work Group.
- Dr. Michael Seelig, senior assistant to the provost and interim affirmative action officer, was appointed interim vice president for academic affairs at the Council on Postsecondary Education.
- Several faculty members were awarded a planning grant from the National Science Foundation. MSU faculty involved include: Dr. Douglas Dennis, chair of the Department of Biological and Environmental Sciences; Dr. Carol Wymer, associate professor of biology; Jen O’Keefe and Elizabeth Roland, assistant professors of science; and Dr. Lesia Lennex, associate professor of education. “Enhancement of Science Education in Northeastern Kentucky” is a two-year grant in the amount of \$210,250. Its purpose is to work with regional school districts to develop a partnership and instructional strategies that enhance science education at the elementary and middle school level, specifically for students in grades 5-8.
- Morehead State University’s May 2008 graduates of the Baccalaureate Nursing Program have achieved a 96 percent pass rate on the National Council Licensure Examination for Registered Nurses.
- Past and present members celebrated the 40th anniversary of the Black Gospel Ensemble during MSU’s Homecoming in October.
- Dr. Gary B. LaFleur, associate professor of speech, recently attended the joint meeting of the Kentucky Communication Association and the Tennessee Communication Association in Burns, Tenn., where he was honored with the “Presidential Award for Distinguished Service.”
- Brent Jones, director of information technology, was awarded a grant from the United States Department of Agriculture. MSU’s successful proposal for this grant, a project to fund the implementation of online distance learning pods, was one of 143 eligible applications in the 2008 fiscal year.
- Morehead State University, its partners, along with sixth grade students at Inez and Warfield middle schools, kicked off “Martin County on the Move” at the Roy F. Collier Center in Inez. The primary goals of the Martin County Initiative are to reduce the number of overweight individuals or those at risk for becoming overweight, with the focus on increasing physical activity and improving family involvement in changing physical activity and eating patterns. Another goal will be to improve opportunities for community-based wellness programs. MSU was awarded two federal grants (approximately \$785,000) with the goal of increasing physical activity and improving nutrition in children, their families and members of the community in Martin County.
- Morehead State University at Mt. Sterling hosted a Celebration of Student Achievement to celebrate the campus’ first five years of student success. Mt. Sterling is the largest of five MSU regional campus centers. Degrees offered include nursing, social work and general business. Interdisciplinary associate and bachelor’s degrees also are offered.

MURRAY STATE UNIVERSITY

Fostering excellence
Creating community
Building partnerships



National leadership

In addition to her university duties, Dr. Maeve McCarthy, MSU mathematics professor, is the executive director of the Association for Women in Mathematics (AWM). Her appointment represents the first time a tenured, full professor has served in that capacity. The AWM has programs in place that provide encouragement to girls and women, including teacher partnerships, a large mentoring program and a number of opportunities that allow for the enthusiastic exchange of ideas. Its membership is primarily academic women and is dedicated to advancing the role of women in the field of mathematics.



Fit-friendly



Murray State University was recognized by the American Heart Association as a Start! Fit-Friendly company in Forbes magazine for its employee wellness programs. MSU received one of 90 Gold Awards given throughout the country for offering outstanding fitness opportunities for its employees. MSU has a state-of-the-art fitness center in its Bauernfeind Wellness Center, which is available to students, faculty and staff, and has recently implemented charted walking trails on campus and a Noon Walking Club.



Campaign '08

Murray State and KFVS TV partnered during the month of October on a study of young voters and the upcoming presidential election. Each Tuesday in the month a segment has aired on KFVS that features MSU students and faculty experts with their take on the election process.

Fighting childhood hunger

Students at Murray State University have chosen to fight childhood hunger by participating in the nationwide Backpack Program as their service project in Murray. Recognizing a great need in the community, MSU students set a goal of providing 6,000 backpack meals to pre-school through fifth-grade children throughout this school year. By adopting the Backpack Program as their community service project, students recognize that proper nutrition is vital to the growth and development of children. The program was designed to continue where school food programs leave off — meals are sent home with qualifying children for the weekend or periods when school is not in session.



Music biz

MSU music business students and their instructor, Chris Palmer, attended the recent International Entertainment Buyers Association (IEBA) conference, where talent buyers, promoters, venues, booking agents, managers and artists come together to discuss the live performance world and share ideas on how to grow the business. The students got a firsthand view of the world of live performance and concert booking and the issues within the industry. They heard performances from artists including Josh Gracin, Lee Greenwood and the Oak Ridge Boys, and also attended panel presentations on a wide variety of topics such as the effect of the current economic crisis, how to market shows and approaches to use with major corporations to secure sponsorships.





NKU Degree Production Grows 24% in Five Years

Northern Kentucky University awarded 1,706 baccalaureate degrees in 2007-08, an increase of five percent over the previous year and an increase of 24 percent from 2002-03.

To build on its student retention and graduation rate, the university is conducting a comprehensive review of its general education program, developing an active learning pilot program, strengthening advising at all levels of the undergraduate curriculum and identifying a student learning outcomes assessment instrument.

Several other initiatives have also been implemented to retain students and focus them on graduation, including a One-Stop Center that integrates student communications for the offices of admissions, bursar, financial assistance and the registrar.

The center assists students in finding answers to questions effectively and efficiently. In addition, all 2,000 of NKU's first-year students were called and surveyed to inquire about their experience at the university, with support and help offered to each student contacted.

NKU Helps Maximize Nonprofit Service to KY Citizens

The NKU Institute for Nonprofit Capacity (INC) has marshaled the intellectual capacity of the university to help non-profits become stronger both as individual organizations and in collaboration with one another during this time of significant economic downturn.

INC recently unveiled a new website, <http://inc.nku.edu>, that provides a detailed catalogue of university resources available to local nonprofits. Many of the services are free.

"Some of the services we are able to offer might surprise people," Vissman said. "We have everything from a Virtual CIO program – which sends students out into local organizations to assess their IT capacity, report on where the organizations stand and recommend solutions to possible problem areas – to services to help with marketing, branding and fundraising."

Prof. Receives One of NSF's Most Prestigious Awards

NKU Ashland Endowed Professor of Integrated Science Dr. Hazel Barton has received a \$710,691 National Science Foundation Faculty Early Career Development (CAREER) grant for her worldwide cave research on microbial communities.

Career awardees are considered by NSF to be the "most likely to become the leaders of academic research and education in the 21st century. Barton is the first recipient of this award at NKU, and is among a very few number of faculty in the nation to receive the award.

Dr. Barton carries out her research primarily in undergraduate research labs, integrating her work directly into the curricula and involving large numbers of undergraduate students. Her findings could result in unprecedented isolation of microbial species that could, in turn, lead to breakthrough developments in the biotechnology and pharmaceutical industries.

NKU and Gateway have teamed up for effective facility utilization. NKU has closed its Covington campus (saving \$4 million in immediate repairs) and is working to lease a Gateway facility for the NKU PACE Program.

NKU Helps Students Address High Cost of Gas

NKU has partnered with the Transit Authority of Northern Kentucky (TANK) on an eco-friendly initiative that is saving students money in the face of high gas prices and a sluggish economy. The U-PASS program allows all NKU students, faculty and staff to ride TANK busses free. Students don't even have to sign up - they just show the driver their NKU ID card and their trip is free. And based on new TANK data, results from the program are already being seen.

Nearly 100,000 trips were made under the U-PASS program from August 2007 through May 2008. Those trips helped to cut traffic and parking congestion at the university while also saving students hundreds of dollars in gas and parking costs. And, what's more, those nearly 100,000 U-PASS trips reduced CO2 emissions by more than 47,000 pounds.

"This is a program that not only saves our students money, but also emphasizes our commitment to serving

as a community leader in environmental stewardship," said NKU President James Votruba.

The program has dramatically increased TANK ridership among students. Over half of those surveyed said they did not ride TANK prior to the free U-PASS program. And to make the ride more time efficient and enjoyable, students in the NKU College of Informatics have developed technology to equip TANK Express busses with free wireless Internet.



Campus Success

- Karen Gill, an alumna of the UK College of Education, has been named the 2009 Kentucky Teacher of the Year by the Kentucky Department of Education and Ashland, Inc. She was also named Kentucky High School Teacher of the Year. Gill teaches science at Henry Clay High School in Fayette County.
- The College of Agriculture's undergraduate landscape architecture program was ranked as the 15th best program in the nation by DesignIntelligence, a publication promoting quality design education, in its annual survey of architecture and design schools.
- UK launched a new partnership that aims to improve the overall health of Fayette County Public Schools. The Physical Activity and Wellness Schools (PAWS) Program will utilize resources and faculty from the College of Education's Department of Kinesiology and Health Promotion to help make students and staff at Clays Mill Elementary and Tates Creek High Schools healthier. Activities range from blood pressure and cholesterol screenings for staff, to nutrition education for students, to planning wellness activities for family nights in an effort to get the whole family engaged in a healthier lifestyle.

Student Success

- On September 25, the UK Symphony Orchestra released a new CD, "Epoch: An American Dance Symphony." It is their first recording with Naxos, the largest classical recording label in the world. UK is the only university in the nation that has a recording contract with Naxos. The CD was the #1 most downloaded classical recording in the world by ClassicsOnline for the last week in September and the third most downloaded recording of the month.
- A 1954 UK graduate established a scholarship program for Muhlenberg County students who want to attend the Gatton College of Business and Economics. Felix E. Martin's estate established a \$2.8 million endowment in his name that will provide scholarships to Muhlenberg students. Martin was a native of Greenville, Kentucky.
- National recognition continues to pour in for UK senior punter and kickoff specialist Tim Masthay. One day after being named a finalist for the Senior CLASS Award as an outstanding student-athlete, Masthay became one of only 11 Division 1-A football players named to the national Good Works Team recognizing community service.

Research and Outreach Success

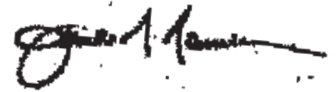
UK researchers have been awarded a \$10.5 million, five-year National Institutes of Health grant to establish a center of excellence to study the links between obesity, diabetes, and heart disease. Lisa A. Cassis, professor and chair of the Graduate Center for Nutritional Sciences, will be principal investigator of the project. She will lead a team of five junior investigators, comprising a mix of physicians, basic scientists, and senior researchers who will serve as mentors, advising and overseeing research projects. Cassis' laboratory focuses on identifying the biological mechanisms that cause obese people to develop cardiovascular disease.

This research is especially important in Kentucky, where rates for obesity, diabetes, and heart disease are well above the national average. Kentucky has the fourth-highest rate of death from heart disease among the 50 states, according to the Centers for Disease Control. The state comes in at No. 7 for the prevalence of both obesity and diabetes, and it ranks high in other primary risk factors for cardiovascular disease, such as hypertension and inactivity, according to the most recent statistics from the Robert Wood Johnson Foundation. Statewide, 28.4 percent of the adult population is obese, 67 percent are overweight, 9.6 percent have diabetes, 30.7 percent are physically inactive, and 30 percent have high blood pressure.

OCTOBER 2008

A REVIEW OF MAJOR NEWS FROM UOFL

Great things have occurred at the University of Louisville over the past few weeks. They include the grand opening on Oct. 7 of the Louisville Scholar House Gladys and Lewis "Sonny" Bass Campus. This half-block residential complex just northwest of our Belknap Campus offers affordable housing, education and child care for unemployed single-parent families. The \$15.7 million project is a joint effort of Family Scholar House (formerly Project Women), UofL and the Kentucky Housing Corp. All 56 apartments at Louisville Scholar House are occupied. The complex also is home to the Early Learning Center, operated by UofL's College of Education and Human Development, which offers professional child care and early-learning instruction for 130 children, including Scholar House residents as well as children of UofL faculty and staff. There are many other exciting stories from across the campus—stories that demonstrate UofL is making progress toward its goal of becoming one of the nation's premier metropolitan research universities. I hope you will take a moment to review these highlights.



Research Dollars Soaring

The current financial climate hasn't stopped UofL from forging ahead in becoming a nationally known metropolitan research institution. The major research funders are recognizing this, as demonstrated in the grant monies we have secured since July 1, 2008, alone—all of which is being used for studies that will advance our state and improve the lives of every Kentuckian. These research initiatives include:

- \$10.1 million NIH Cancer Research grant
- \$10.3 million NIH Birth Defects Research grant
- \$3.1 million NSF Education Research grant to assess geometry teachers in schools
- \$13.1 million NIH National Children's Study grant
- \$11.6 million NIH Diabetes and Obesity Research grant

Family Practice Building Offers One-Stop Care The Oct. 29 dedication of the new UofL Health Care Outpatient Center marks the region's latest advancement in patient care. Located on the downtown Health Sciences Campus adjacent to University Hospital, the state-of-the-art facility houses the latest diagnostic imaging equipment, outpatient surgical center, outpatient rehabilitation center, dialysis center, pharmacy and laboratory. This "one-stop" medical care strategy draws on the skills of UofL School of Medicine faculty and staff and is designed for ease of use by the patient. The new facility is expected to generate additional clinical income, one of the university's strategic goals to diversify and increase external revenue.

The Green Team UofL's first Campus Sustainability Day on Oct. 22 drew hundreds of enthusiastic students and faculty. In addition to pledging to reduce their personal energy use, they brought along 1,500 floppy disks for recycling. The university also hosted 300 Jefferson County Public School students for the Environmental Youth Summit in which UofL professors and the students created service projects to improve the environment using Belknap Campus as a laboratory. The university's Green Report Card focuses on student engagement as an important measurement of sustainability implementation.

Cardinal Covenant Doing Its Job In 2007 we announced the creation of Cardinal Covenant. Now 225 students who might not otherwise have been able to afford college are attending UofL. Cardinal Covenant targets the 22.6 percent of Kentucky families at or below 150 percent of the federal poverty level. Eligible students can graduate debt-free as long as they meet program requirements. About half the students are from Jefferson County, with the others representing all areas of the commonwealth.

Cancer Vaccines Offer Hope Researchers at UofL's James Graham Brown Cancer Center are among the first in the nation to conduct clinical trials of new "therapeutic vaccines" for melanoma and pancreatic cancer. Therapeutic vaccines are used after a person is diagnosed and help the body fight cancer by boosting the immune system. Early results are promising: In one study, a drug for patients with melanoma triggered several natural immune response mechanisms to attack tumors.

Investing in Quality A \$3 million gift from Corbin, Ky., entrepreneurs and UofL alumni Terry and Marion Forcht will create the Forcht Center for Entrepreneurship at the College of Business. UofL's entrepreneurship program was recently named one of the top 25 U.S. graduate programs for entrepreneurs by *Entrepreneur Magazine* and *The Princeton Review*.



A LEADING AMERICAN UNIVERSITY WITH INTERNATIONAL REACH

GOV. STEVE BESHEAR PRESENTS \$26,257 CHECK FOR WKU RESEARCH

Gov. Steve Beshear presented WKU with funding for research into a product that could be used to protect horses and livestock from serious disease. Gov. Beshear presented a ceremonial check for \$26,257 in Kentucky Agricultural Development Funds. The funds will support research on the effects of using a surplus dairy product called Re-borne to protect horses and other livestock from diseases that negatively impact mortality rates. The product is being developed by Simpsonville-based Re-borne, Inc.

WKU FACULTY MEMBER PARTICIPATES IN FULBRIGHT CELEBRATION

Dr. Judy Davison of WKU's College of Education and Behavioral Sciences, participated in the Fulbright Commission's 60th anniversary celebration in London, England. Dr. Davison was one of 10 Fulbright alumni from more than 27,000 in the U.S. selected for the Sept. 10 event. She attended a reception at 10 Downing St. hosted by Prime Minister Gordon Brown and participated in other festivities. Dr. Davison was a 2004 Fulbright Scholar at the University of Greenwich in London, an invited panelist and presenter at the 2006 Annual Fulbright Alumni Conference in Morocco and selected for a 2007 Fulbright Senior Specialists project at the National College of Ireland (NCI).

WKU'S DELO DEAN RECEIVES AWARD FOR CONTINUING EDUCATION

The University Continuing Education Association (UCEA), South Region, has awarded the Outstanding Service to Continuing Education Award to Dr. Donald W. Swoboda, dean of the Division of Extended Learning & Outreach (DELO) at WKU. The Outstanding Service Award is given to an individual who has contributed substantially to the development and maintenance of his or her institution and who has demonstrated service valued by UCEA South.

WKU ATHLETICS SHINE IN LATEST NCAA GRADUATION REPORT

WKU graduated 68% of its student-athletes from the 2001-02 freshman class, and seven sports posted a graduation success rate of 100% in the NCAA's 2008 Graduation Success Rate Report. The graduation rate is the percent of students who entered school during the 2001-02 school year and graduated within six years (by August, 2007). The 68% graduation rate by WKU student-athletes was the second-highest in the Sun Belt Conference and marked a 13% increase from the 55% rate of the previous year's class (2000-01). Both years were higher than the 49% graduation rate posted by all WKU students in each of these two respective years.

WKU FACULTY MEMBER'S POEM READ BY GARRISON KEILLOR

"The Dental Hygienist," a poem by WKU English faculty member Tom C. Hunley, was featured on the Oct. 25 segment of "The Writer's Almanac" with Garrison Keillor.

Association of Independent Kentucky Colleges and Universities

While we don't yet have enrollment numbers for all 20 AIKCU institutions, we are seeing strong enrollment growth throughout the sector among institutions serving traditional students and those serving larger numbers of transfer and adult students. Asbury College, Campbellsville University, Centre College, Lindsey Wilson College, St. Catharine College, and Transylvania University all reported record total enrollments this fall. Other institutions are reporting strong growth, including Brescia University (23% increase in freshmen enrollment and 8.6% overall), Bellarmine University (second straight record entering class), and Mid-Continent University.

AIKCU recently partnered with the Gheens foundation to award eight \$5,000 Gheens STEM Teacher Preparation Scholarships to students representing eight different AIKCU campuses. The competitive scholarships were open to students at any of Kentucky's 20 independent colleges and universities studying to become K-12 teachers in a STEM discipline. Priority was given to minority, female, low-income, and first generation applicants, as well as to those planning to teach in high need school districts. The competitive selection process was developed and overseen by an independent third party (Kentucky Science and Technology Corporation staff). Recipients included three students studying to become high school science teachers, two planning to teach high school math, and three studying to teach middle school math and/or science. Two of the award winners were non-traditional students and at least one other is a first-generation student.

November 2008