



FIVE QUESTIONS – ONE MISSION
Better Lives for Kentucky's People

MEETING AGENDA

**Council on Postsecondary Education
Executive Committee**

January 12, 2006
Frankfort, KY



Thursday, January 12, 2006

12 noon (ET) Executive Committee meeting
CPE Meeting Room A

Executive Committee

Ronald Greenberg, Louisville (chair)
John Turner, Lebanon (vice chair)
Peggy Bertelsman, Ft. Thomas
Joan N. Taylor, Lexington
Mark J. Wattier, Paducah

The Kentucky Council on Postsecondary Education does not discriminate on the basis of race, color, national origin, sex, religion, age or disability in employment or the provision of services and provides, upon request, reasonable accommodation including auxiliary aids and services necessary to afford individuals with disabilities an equal opportunity to participate in all programs and activities.

Printed with State Funds

AGENDA
Council on Postsecondary Education
Executive Committee

January 12, 2006

12 noon (ET)

Meeting Room A

Council on Postsecondary Education

Frankfort, KY

	Page
1. Roll Call	
2. Approval of Minutes	1
3. 2005-06 Council Priority Initiatives	5
4. Draft Tuition Policy	11
5. Performance Funding Component	21
6. Other Business	
7. Adjournment	

MINUTES
Council on Postsecondary Education
Executive Committee
December 7, 2005

The Executive Committee of the Council on Postsecondary Education met December 7, 2005, at 2 p.m. at the Council offices in Frankfort. Chair Greenberg presided.

ROLL CALL

The following committee members attended: Peggy Bertelsman, Ron Greenberg, and Mark Wattier. John Turner and Joan Taylor did not attend. Other Council members in attendance: Walter Baker, Dan Flanagan, Charlie Owen, and Ryan Quarles. Esther Jansing participated by telephone.

**APPROVAL OF
MINUTES**

The minutes of the November 2 Executive Committee meeting were approved as distributed.

**DRAFT
TUITION
POLICY**

A draft tuition policy was presented for discussion. Dr. Layzell said that the staff is scheduled to present a recommendation on tuition policy for action by the Council at the January 2006 meeting. Prior to that time, the Executive Committee will meet in January for additional discussion and meetings will be held with the institutional staffs.

Sandy Woodley, the Council's vice president for finance, said that prior to 2001 the Council set resident undergraduate tuition rates for students attending public institutions as a percentage of Kentucky per capita personal income. These rates were differentiated for research, comprehensive, and KCTCS institutions. The Council also mandated that the tuition rate for nonresident students be set at three times the resident rate. In addition, the institutions were to keep their tuition revenue at about 37 percent of total public funds. In 2000, the Council deregulated, not the authority, but the tuition setting to the institutions and then the Council approved the rates. The institutions no longer had to keep the rates within a required range, but the institutions were asked to consider per capita personal income, market forces, and the split between total public funds.

Dr. Woodley said that over the past few years postsecondary education has had flat or decreasing general fund appropriations. In order to ensure that the institutions were adequately funded, tuition was increased, with most rates increasing by double digits over the past four years. The Council has been concerned about this and initiated a detailed affordability study that was completed in September 2005 to evaluate student record data regarding affordability.

The draft tuition policy includes the following policy principles to guide the development of the Council's tuition policy for 2006-07:

1. (Access) – College education in Kentucky should be affordable for all Kentuckians and the Council should minimize price as a barrier for a student's choice of institution. Annual price fluctuations should be minimized to the extent possible.
2. (Adequacy) – Tuition policy decisions should align the tuition and fee revenue with state appropriations to provide adequate total public funding levels necessary for institutions to meet the objectives of the public agenda.
3. (Aid) – Tuition and student financial aid policies should be coordinated effectively to ensure sufficient financial aid for needy students.
4. (Alignment) – The following three policies should be aligned with each other and the public agenda: (1) General Fund appropriations, (2) financial aid, and (3) the establishment of tuition and required fees at the institutions.

The preliminary framework for the draft methodology for setting tuition and fee parameters include:

- Step 1 - Establish preliminary target undergraduate tuition and required fees as a percent of median family income of service region (these ranges will consider the median family income for each institution's service region, expected General Fund appropriation levels, tuition and fee levels of benchmark institutions, and financial aid levels).
- Step 2 - Review JBL affordability data for each institution to determine extent to which preliminary ranges should be modified or additional need-based financial aid would be required (these analyses will look at individual student data provided by the JBL study and will consider net price, net family price, and out-of-pocket costs).
- Step 3 - Determine phasing of targets, if necessary, in order to ensure stability of pricing and revenue by incorporating a minimum and/or a maximum increase (floor/cap) for institutions outside the targeted range.
- Step 4 - Establish parameters for nonresident student and graduate tuition and fees.

The Council staff will provide updated information at the January Executive Committee meeting. The Council members asked the staff to provide a breakdown of out-of-state students by reciprocity students, other students, undergraduate students who remain in Kentucky after graduation, and graduate students who remain in Kentucky after graduation.

COUNCIL
PRIORITY
INITIATIVES

In May 2005 the Council adopted priority initiatives as part of the public agenda and appointed policy groups to address each. An update was provided on each initiative. The policy groups continue to work and additional information will be provided at upcoming meetings. Recommendations on each initiative should be discussed with the Strategic Committee on Postsecondary Education and may result in legislative changes.

DRAFT TRUST
FUND GUIDELINES

Dr. Layzell said that the draft trust fund guidelines will be held for Council action until March. The policy groups and the Council will discuss the draft guidelines at the January meetings.

PERFORMANCE
FUNDING
COMPONENT

The Council adopted a budget recommendation in November that included \$3.5 million in 2007-08 in performance funding for the institutions to be distributed based on performance related to the goals of House Bill 1. Indicators have been selected based on numerous discussions with the institutions. The Council staff will continue to work with the institutions to refine the methodology for awarding points and distributing funds for each indicator. If funds are appropriated, performance funding will be awarded in FY 07-08 based on performance in FY 06-07. Updated information will be provided at upcoming Council meetings.

ACCOUNTABILITY
& ASSESSMENT OF
COUNCIL FUNDED
INITIATIVES

The 2004-05 external agency audit recommended that the Council improve its monitoring of funds that are assigned to it to ensure that the assigned funds are effectively utilized. The Executive Committee directed the Council staff to prepare an outline of an accountability and assessment system that evaluates and implements best practices. Mr. Greenberg asked that the staff separate the pass-through programs from trust funds and incentive funding programs and discuss the recommendations at the next Executive Committee meeting.

2020
EDUCATIONAL
ATTAINMENT
PROJECTIONS

Dr. Layzell said that achievement of House Bill 1 goals is dependent on increasing the educational attainment level of the Commonwealth to at least the national average by 2020. To convey the scope of this charge over the next 15 years, the Council staff developed a set of 2020 projections to help answer three questions: (1) what is the national level of educational attainment projected to be in 2020, (2) what would Kentucky's level of educational attainment be in 2020 without policy intervention, and (3) what would it take to fill the gaps. The staff shared the challenges of meeting the educational goal and a

number of steps to be worked on concurrently to narrow the educational gap and to move Kentucky closer to the national level of adults with bachelor's degrees or higher by the year 2020. The staff will continue to discuss these projections with the institutions and additional information will be provided at Council meetings over the coming year.

UK TOP 20
BUSINESS PLAN


Connie Ray and Angie Martin from the University of Kentucky presented information on the University of Kentucky's plan to become a top 20 public research institution by 2020, as mandated by House Bill 1. The proposal calls for enrollment growth of 7,000 undergraduates, more faculty with higher salaries, a near tripling of research grants, and millions of dollars in construction. The plan would double UK's current \$1 billion budget. UK would ask for increased state funding of between \$15 million and \$23 million a year, totaling \$260 million through 2020. The plan notes that if the state doesn't increase funding, tuition could increase significantly; but, if the state funding is provided, tuition increases can be held under 10 percent between now and 2012 and would decline to less than 5 percent as 2020 approaches. President Todd will present the plan to the UK Board of Trustees at its December 13 meeting.

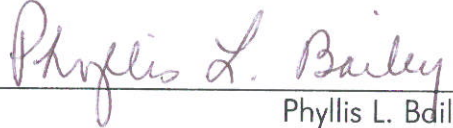
NEXT MEETING

The next Executive Committee meeting will be January 12, 2006.

ADJOURNMENT

The meeting adjourned at 4:15 p.m.


Thomas D. Layzell
President


Phyllis L. Bailey
Senior Associate, Executive Relations

**Council on Postsecondary Education
Executive Committee
January 12, 2006**

2005-06 Council Priority Initiatives

In May 2005 the Council adopted priority initiatives as part of the public agenda and appointed policy groups to address each. The priority initiatives are attached. The Council members will discuss at the January 12 meeting.

Staff preparation by Phyllis Bailey

COUNCIL ON POSTSECONDARY EDUCATION

2005-06 PRIORITY INITIATIVES

1. **Develop a statewide Translational Research & Economic Development Policy**

- Develop America's most competitive intellectual property arrangement with researchers.
- Ensure commercialization remains in Kentucky, or include provisions for a payback (percents of profits, ownership, or multiple of original support).
- Direct tax revenues from commercialization back into university research programs.

1(A). The researcher will receive the first \$100,000 of revenue and 60% of all additional revenue.*

- All corporate tax revenue and personal income tax from companies go to University Research Programs as an addition to funding for 20 years.
- If the researcher moves the primary production or commercialization site out of Kentucky within the 1st five years of commercialization, the state should receive a premium on its investment.

1 (B). Fund 2 Research Buildings

Create oversight Board of 8 members.

3 from the Business Community.

3 from University.

2 from Economic Development.

Cabinet or its successor.

- All tenants/researchers must have business plans approved by Board with measurable benchmarks.
- After 3 years if benchmarks are not met, researchers must leave or be relocated by university. Exception can be made if 2/3 majority of Board feels benchmarks or seminal events are close and give 1-year extension.
- An annual report will be submitted to Economic Development Cabinet Secretary or successor agency head indicating benchmarks met.

1 (C). Establish a statewide system technology transfer, using best practices for all institutions.

2. Funding for Postsecondary Education

- Articulate the social contract between the state and its citizenry.
- Ensure affordability for all qualified students.
- Develop a rational funding model for postsecondary institutions.
- Set tuition based on institution's recommendations and propose state support to ensure proper funding for schools and affordability for students.
- Focus on efficient utilization of resources.
- Encourage innovation.
- Use budget authority for operating and capital budgets.
- Develop incentives and penalties for results.
- Create a scholarship/loan program for independent adult students.
- Raise capital spending threshold for institutions and index to inflation.
- Provide bond flexibility for institutions.

3. Improve Quality & Accountability

- Measure and report added value and quality of programs and faculty.
 - Report graduation rates.
 - Measure research growth.
 - Report and focus on additional targeted meaningful metrics.
 - Strengthen alignment with P-12 system.
 - Focus on teacher education.
- Adopt a Rigorous Curriculum in high school.
 - Base KEES Program Awards on courses taken in the Rigorous Curriculum.
 - Postsecondary institutions should be more accountable for remediation of students.
 - Define amount of resources dedicated to remediation.
 - Report on percent of students passing math and writing courses after taking remedial coursework.
 - Ensure most modern techniques are used for remediation courses.
 - Link P-12 student achievement to postsecondary education programs.
 - Require all Postsecondary Education Programs to reach the standards set by the best Performing Educator Preparation Programs.
 - Have EPSB and KDE define, certify and require high school degree programs and professional development, certification and rank change requirements.
 - Review and publicize annual accountability reports provided by postsecondary institutions to include but not be limited to enrollment goals, retention, graduation rates, degree production, and progression to graduate programs.
 - Accountability reports should have breakdowns to include minority student's income and geographic locations.
 - Integrate a seamless P-16 data system that identifies the predictors and barriers to student success.
 - Require all school districts to:
 - Track and publish graduation rates.
 - College attendance by graduating class
 - male/female
 - by ethnic groups
 - Students needing remediation in college by class.

4. Role of Board Members in Postsecondary Education

- Strengthen roles and responsibilities of Board Members for the institution and the state system.
- Provide training in fund raising.
- Develop a system of accountability for Board Members.
- Define the essential skill set requirements for a Board Member.
- Develop a required curriculum for all Board Members.
- Develop an annual Board of Trustee's survey aligned with the five questions that explores the trustee's level of understanding and engagement.
- Measure Trustee's knowledge and opinions of effectiveness of regional stewardship and present relevance programs.
- From annual survey, develop educational programs that would be useful in current areas, i.e. advocacy activities, remediation, leakage rates, non-attainment, economic impact.
- Develop a "Talking Points" brochure or presentation for Trustees.
- Develop an annual continuing education program for all Board Members.
- Have a committee of the CPE recommend all postsecondary board appointments to the governor for his consideration.

5. Communicate and Interact with Legislators and Public Officials.

- Develop communication programs for State and Federal legislators and public officials.
- Work with our congressional delegation for funding to advance the public agenda.
- Provide increased educational sessions on federal funding and programs to the CPE.
- Participate in national education programs.
- Pursue federal funds for statewide programs that support the public agenda.

**Council on Postsecondary Education
Executive Committee Meeting
January 12, 2006**

Draft Tuition Policy

Prior to 2001, the Council set resident undergraduate tuition rates for students attending public institutions as a percentage of Kentucky Per Capita Personal Income (PCPI). These rates were differentiated by sector. In FY 2000, the last year this policy was in place, UK's and UofL's tuition was 13.4 percent of PCPI, the comprehensive institutions' tuition was 9.2 percent of PCPI, and KCTCS's tuition was 5.0 percent of PCPI.

Over the past five years, tuition and required fees have increased by an average of \$2,225 for the research institutions (or 64 percent), \$2,146 for the comprehensive institutions (or 84 percent), and \$1,122 (or 91 percent) for KCTCS. The Council took action in May 2005 on current tuition and fee rates but indicated that a more direct approach to determining the rates would occur for 2006-07. In addition, the Council and KHEAA initiated a detailed affordability study that was completed in September 2005 to evaluate student record data regarding affordability.

At its January 30, 2006, meeting, the Council will take action on a staff recommendation regarding tuition policy to include the tuition and required fee rates for each institution.

This agenda item details the following:

- Timeline detailing the process for finalizing the tuition policy for 2006-08.
- The Council's tuition policy.
- Parameters and technical guide for tuition and mandatory fees for 2006-08.

Timeline and Process for Establishing Tuition and Fees for 2006-08

The Council staff has had numerous discussions beginning in September with institutions and executive and legislative members and staffs regarding the Council's tuition policy changes. The following table details the timeline for remaining discussions of tuition policy and its implementation that will occur between now and March when the Council finalizes the policy.

DRAFT TIMELINE FOR TUITION POLICY/PARAMETERS

Date	Description	Objective
December 7, 2005	Meetings with CBOs, Presidents, Executive Committee	Discuss draft tuition policy approach/review possible rate/range options.
December 16, 2005	Email meetings with Council members and CBOs	Council staff to send draft tuition policy and recommended institutional data/rates/ranges for comments/suggestions.
December 16, 2005 – January 10, 2006	Email meetings/conference calls, etc.	Council staff will work with CBOs to analyze/refine data, incorporate suggestions/comments, and finalize draft recommendation.
Early January 2006	Meetings with CBOs, Presidents, Executive Committee	Discuss tuition policy draft and preliminary rates/ranges.
January 5, 2006 – January 30, 2006	Email meetings/conference calls, etc.	Refine recommendations based on discussion and finalize recommendations.
January 30, 2006	Council meeting	Council action on tuition policy.
February/March 2006	Institutional boards meet	Institutional boards meet and develop recommendations on tuition and fees consistent with Council policy to be presented to the Council in March.
Late Feb/early March 2006	Tuition hearings before the Council Executive Committee	Institutions present board recommendations consistent with the Council's tuition policy/parameters, or request exceptions.
March/April	Council meeting	Final action on policy/rates.

Council on Postsecondary Education Tuition Policy

- The Council shall maintain a system for establishing parameters regarding tuition and fees for postsecondary education in order to ensure that higher education remains affordable for Kentucky's citizens and that sufficient revenue is available for the goal attainment of the public agenda.

Policy Principles

- **(Access)** – College education in Kentucky should be affordable for all Kentuckians and institutional choice for qualified students should be attainable regardless of income. Annual price fluctuations should be minimized to the extent possible.
- **(Adequacy)** – Tuition policy decisions should align the tuition and fee revenue with state appropriations to provide adequate total public funding levels necessary for institutions to meet the objectives of the public agenda.
- **(Aid)** – Tuition and student financial aid policies should be coordinated effectively to ensure sufficient financial aid for needy students.
- **(Alignment)** – The following three policies should be aligned with each other and the public agenda: (1) General Fund appropriations, (2) financial aid, and (3) the establishment of tuition and required fees at the institutions.

Tuition and Fees

- **Undergraduate Resident Tuition and Mandatory Fees** will be determined based on the following factors:
 - Ability of students to pay
 - Enrolled students' income levels (JBL affordability study data)
 - Enrolled students' financial aid from all sources (JBL affordability study data)
 - Population income levels – including potential students not currently enrolled (median family income of the Commonwealth)
 - Minimum amount of student loans (*Measuring Up* best practices for best performing states in the affordability measure)
 - Market factors
 - Tuition and fee rates compared to benchmarks
 - Tuition and fee revenue levels relative to total funds compared to benchmarks

- **Nonresident Undergraduate Tuition and Fees** - The Council supports enrolling and retaining nonresident students in Kentucky. This will be necessary in order to reach the educational attainment goals of the public agenda by 2020. The Council also expects nonresident students to pay a higher price to cover a greater percentage of the cost of their education. The published nonresident tuition and fees at each institution will be at least 2.5 times higher than resident undergraduate tuition and fee rates.
- **Graduate and Professional Tuition and Fees** -The institutions will submit a proposal detailing tuition and fee rates for graduate and professional programs. The proposed tuition and fee rates will consider students' ability to pay as well as market factors.
- **Special Circumstances** -The Council will consider special circumstances on a case by case basis at the tuition hearing to be held prior to final action by the Council in March/April prior to the beginning of each biennium.

Technical Guide for 2006-08 Tuition and Fees Parameters

- The institutions' tuition shall be established in such a manner that the combination of mandatory fees and tuition charges do not exceed the maximum parameter unless expressly granted an exception by the Council.
- The maximum parameters are detailed as follows:
 - TABLE 1 - 2006-07 parameters
 - TABLE 2 - 2007-08 parameters assuming less than half benchmark recommendation funded by the legislature
 - TABLE 3 - 2007-08 parameters assuming half or greater of the benchmark recommendation funded by the legislature

Resident Undergraduate Students:

- The parameters are based on an analysis of the current relationship of tuition and fees as a percent of the statewide median family income (MFI) in each of the three sectors of public higher education in Kentucky as follows and the increase allowances as a percent of MFI by sector are based on the following proportionality:
 - The current sector breakdown of tuition and fees as a percentage of median family income for the (1) research sector - 12.2 percent; (2) comprehensive sector - 10 percent; and (3) two-year sector - 5 percent.
- The parameters are established separately based on benchmark funding assumptions:
 - Less than half the benchmark funding recommendation
 - Research sector may increase tuition and fees as a percent of MFI by one percentage point.
 - Comprehensive sector may increase tuition and fees as a percent of MFI by 0.82 percentage point.
 - Two-year sector may increase tuition and fees as a percent of MFI by 0.42 percentage point.
 - Half or greater than the benchmark funding recommendation
 - Research sector may increase tuition and fees as a percent of MFI by 0.50 percentage point.
 - Comprehensive sector may increase tuition and fees as a percent of MFI by 0.41 percentage point.
 - Two-year sector may increase tuition and fees as a percent of MFI by 0.21 percentage point.

- The parameters are established for both years of the 2006-08 biennium.
- In addition to the general parameters described above, the maximum increases as a percentage of MFI will be moderated by 0.25 percentage point for each of the following factors:
 - Market Factor - tuition and fees greater than median of benchmarks - decrease 0.25 percentage point.
 - Market Factor - tuition and fee revenue as a percent of total public funds is below the average of the benchmarks - increase 0.25 percentage point.
 - Affordability Measure (JBL data) - percentage of students (greater than 10 percent) in the bottom two income quartiles who do not meet affordability standard (greater than \$6,620 of cost of attendance left to pay after effective family contribution, grants, and \$2,620 in loans) - decrease 0.25 percentage point.
- Benchmark comparisons will not apply to KSU based on Baker Hostetler concerns and alternative benchmark calculation (small institution adjustment).

Nonresident Undergraduate Students:

Policy statement -The Council supports enrolling and retaining nonresident students in Kentucky. This will be necessary in order to reach the educational attainment goals of the public agenda by 2020. The Council also expects nonresident students to pay a higher price to cover a greater percentage of the cost of education.

- The tuition and mandatory fees for nonresident undergraduate students shall be at least 2.5 times higher than the resident rates unless the institution awards a scholarship.

Graduate and Professional Students:

- Each institution shall present a proposal to the Council. The proposal should be based on market analysis and be competitive enough to keep residents in Kentucky to attend graduate school as well as attract nonresidents to Kentucky, consistent with the public agenda.
- Rates should also be established with the goal of ensuring that qualified resident students, who have low incomes, in combination with financial aid, have the opportunity to consider the program.

Other Circumstances:

- The Council shall consider at the tuition hearing requests for specific exceptions to approved tuition parameters approved by the Council in January for undergraduate resident students. Institutions will be given the opportunity to submit detailed requests for exceptions in advance of the hearing.
- The Council shall consider at the tuition hearing proposals for separate rates for selected programs. Institutions will be given the opportunity to submit detailed proposals that include specific justification for differentiated rates in advance of the hearing.

Draft Maximum Parameters for Undergraduate Resident Tuition and Mandatory Fees

Institution	Tuition and Fees 2006	Tuition and Fees as % of State Median Family Income \$46,856	Assumes Funding at Less than Half of Benchmark Request (\$34,544,400 or less)				Assumes Funding at Half or Greater of Benchmark Request (\$34,544,500 or greater)			
			Maximum Nominal Tuition & Mandatory Fees	Max Tuition and Fees as % of MFI 2007	Percentage Change at Max	Dollar Change at Max	Maximum Nominal Tuition & Mandatory Fees	Max Tuition and Fees as % of MFI 2007 \$48,168	Percentage Change at Max	Dollar Change at Max
Research Institutions										
UK (Average Lower and Upper)	\$5,896	12.6%	\$6,663	13.8%	13.0%	\$767	\$6,362	13.2%	7.9%	\$466
UofL	5,531	11.8%	6,168	12.8%	11.5%	637	5,927	12.3%	7.2%	396
SECTOR AVERAGE	5,714	12.2%	6,415	13.3%	12.3%	702	6,144	12.8%	7.5%	431
Comprehensive Institutions										
EKU	4,660	9.9%	5,185	10.8%	11.3%	525	4,988	10.4%	7.0%	328
KSU	4,468	9.5%	4,988	10.4%	11.6%	520	4,791	9.9%	7.2%	323
MoSU	4,320	9.2%	4,836	10.0%	11.9%	516	4,638	9.6%	7.4%	318
MuSU	4,428	9.5%	4,947	10.3%	11.7%	519	4,749	9.9%	7.3%	321
NKU	4,968	10.6%	5,502	11.4%	10.8%	534	5,305	11.0%	6.8%	337
WKU	5,316	11.3%	5,860	12.2%	10.2%	544	5,662	11.8%	6.5%	346
SECTOR AVERAGE	4,693	10.0%	5,220	10.8%	11.3%	526	5,022	10.4%	7.0%	329
Two-Year Institutions										
KCTCS	2,352	5.0%	2,615	5.4%	11.2%	263	2,517	5.2%	7.0%	165

Draft Maximum Parameters for Undergraduate Resident Tuition and Mandatory Fees

Institution	Tuition and Fees 2007	Tuition and Fees as % of State Median Family Income \$48,168	Assumes Funding at Less than Half of Benchmark Request (\$34,544,400 or less)				Assumes Funding at Half or Greater of Benchmark Request (\$34,544,500 or greater)			
			Maximum Nominal Tuition & Mandatory Fees	Max Tuition and Fees as % of MFI 2008 \$49,420	Percentage Change at Max	Dollar Change at Max	Maximum Nominal Tuition & Mandatory Fees	Max Tuition and Fees as % of MFI 2008 \$49,420	Percentage Change at Max	Dollar Change at Max
Research Institutions										
UK (Average Lower and Upper) UofL	\$6,671 6,166	13.8% 12.8%	\$7,462 6,821	15.1% 13.8%	11.9% 10.6%	\$791 655	\$7,153 6,573	14.5% 13.3%	7.2% 6.6%	\$482 407
SECTOR AVERAGE	6,419	13.3%	7,141	14.5%	11.2%	723	6,863	13.9%	6.9%	445
Comprehensive Institutions										
EKU	5,185	10.8%	5,725	11.6%	10.4%	540	5,522	11.2%	6.5%	337
KSU	4,988	10.4%	5,523	11.2%	10.7%	535	5,320	10.8%	6.7%	332
MoSU	4,836	10.0%	5,367	10.9%	11.0%	531	5,164	10.4%	6.8%	328
MuSU	4,947	10.3%	5,481	11.1%	10.8%	534	5,278	10.7%	6.7%	331
NKU	5,502	11.4%	6,050	12.2%	10.0%	548	5,848	11.8%	6.3%	346
WKU	5,806	12.1%	6,362	12.9%	9.6%	556	6,160	12.5%	6.1%	354
SECTOR AVERAGE	5,211	10.8%	5,751	11.6%	10.4%	541	5,549	11.2%	6.5%	338
Two-Year Institutions										
KCTCS	2,615	5.4%	2,886	5.8%	10.3%	271	2,784	5.6%	6.5%	169

Draft Maximum Parameters for Undergraduate Resident Tuition and Mandatory Fees

Institution	Tuition and Fees 2007	Tuition and Fees as % of State Median Family Income \$48,168	Assumes Funding at Less than Half of Benchmark Request (\$34,544,400 or less)				Assumes Funding at Half or Greater of Benchmark Request (\$34,544,500 or greater)			
			Maximum Nominal Tuition & Mandatory Fees	Max Tuition and Fees as % of MFI 2008 \$49,420	Percentage Change at Max	Dollar Change at Max	Maximum Nominal Tuition & Mandatory Fees	Max Tuition and Fees as % of MFI 2008 \$49,420	Percentage Change at Max	Dollar Change at Max
Research Institutions										
UK (Average Lower and Upper)	\$6,374	13.2%	\$7,157	14.5%	12.3%	\$783	\$6,849	13.9%	7.4%	\$475
UofL	5,923	12.3%	6,571	13.3%	10.9%	648	6,324	12.8%	6.8%	401
SECTOR AVERAGE	6,149	12.8%	6,864	13.9%	11.6%	716	6,586	13.3%	7.1%	438
Comprehensive Institutions										
EKU	4,988	10.4%	5,523	11.2%	10.7%	535	5,320	10.8%	6.7%	332
KSU	4,791	9.9%	5,321	10.8%	11.1%	530	5,118	10.4%	6.8%	327
MoSU	4,638	9.6%	5,164	10.4%	11.3%	526	4,961	10.0%	7.0%	323
MuSU	4,749	9.9%	5,278	10.7%	11.1%	529	5,075	10.3%	6.9%	326
NKU	5,305	11.0%	5,848	11.8%	10.2%	543	5,646	11.4%	6.4%	341
WKU	5,662	11.8%	6,214	12.6%	9.8%	552	6,012	12.2%	6.2%	350
SECTOR AVERAGE	5,022	10.4%	5,558	11.2%	10.7%	536	5,355	10.8%	6.7%	333
Two-Year Institutions										
KCTCS	2,517	5.2%	2,785	5.6%	10.7%	268	2,684	5.4%	6.6%	167

**Council on Postsecondary Education
Executive Committee Meeting
January 12, 2006**

Performance Funding Component

The Council adopted a budget recommendation in November 2005 that included \$3.5 million in 2007-08 in performance funding for the institutions to be distributed based on performance related to the goals of House Bill 1. Based on the comprehensive funding review, as approved by the Council, the performance funding component will be implemented beginning in the second year of the biennium.

Draft indicators and weighting

Description/ Weighting	Indicator
Benchmark Comparisons (50%)	(1) Production - degrees per FTE (2) Efficiency - Production/total public funds/FTE
Key Indicators: Goal Attainment (30%)	(3) Degree production - progress toward key indicator goal (4) Minority degree production - progress toward key indicator goal
Institution's Choice: Key Indicators Goal Attainment (20%)	(5) Selected by each institution from a list of institutional specific CPE approved key indicators

One of the principle objectives of this new component of the funding model is that it be relatively simple with only a few focused indicators. These particular indicators were selected based on numerous discussions with the institutions to reward performance for efficiently increasing the educational attainment rates of Kentuckians. All of the key indicators are important and will be monitored for performance each year; however, these five focused indicators have been selected for the performance funding component.

Degree production is defined as baccalaureate degrees for four-year institutions and associate degrees for two-year institutions. Half of the funds will be distributed based on performance relative to benchmark peer institutions and the remaining half based on performance relative to goals towards House Bill 1 key indicator progress.

The methodology for distribution of available funds is detailed in **Attachment A**. If funds are appropriated, performance funding will be awarded in FY 2007-08 based on performance in FY 2005-06 and FY 2006-07.

Staff preparation by Sandra Woodley

Kentucky Council on Postsecondary Education
Performance Funding System 2006-08

The Council adopted a budget recommendation in November that included \$3.5 million in 2007-08 in performance funding for the institutions to be distributed based on performance related to the goals of House Bill 1. Based on the comprehensive funding review, as approved by the Council, the performance funding component will be implemented beginning in the second year of the biennium.

One of the principle objectives of this new component of the funding model is that it be relatively simple with only a few focused indicators. These particular indicators were selected based on numerous discussions with the institutions to reward performance for efficiently increasing the educational attainment rates of Kentuckians. All of the key indicators are important and will be monitored for performance each year; however, these five focused indicators were selected for the performance funding component.

Indicators and Weighting

Indicators	Weight
(1) Productivity: Degrees / 100 UG Student FTE	25%
(2) Efficiency: Production / (Total Public Funds / UG Student FTE)*1,000	25%
(3) Number of Degrees	20%
(4) Number of Minority Degrees	10%
(5) Improving Institution Choice Key Indicator	20%
	100%

Degrees are defined as baccalaureate degrees for four-year institutions and associate degrees for two-year institutions. Half of the funds will be distributed based on performance relative to benchmark peer institutions (production and efficiency) and the remaining half based on performance relative to goals towards House Bill 1 key indicator progress. If funds are appropriated, performance funding will be awarded in FY 2007-08 based on performance in FY 2005-06 and FY 2006-07.

Points will be awarded for each of the five indicators based on the performance of each institution.

BENCHMARK INDICATORS

(1) Productivity

Points: 0 to 10 points

Purpose: This indicator is designed to improve degree production per 100 undergraduate students FTE relative to the average of its benchmark institutions.

Description: The degree productivity ratio is calculated by taking the number of bachelor's degrees or associate degrees (KCTCS) produced in a given year per 100 undergraduate student FTE. The measure is scored based on a comparison of the benchmark institutions' productivity. Institutions already performing above 80 percent of the average of their benchmark institutions receive more points.

(2) Efficiency

Points: 0 to 10 points

Purpose: This indicator is designed to enhance the efficient production of degrees relative to funding and undergraduate student FTE compared to benchmark institutions.

Description: The efficiency ratio is designed to measure degree production relative to the amount of funds available. This measure is scored based on a comparison of the benchmark institution's relative efficiency. Institutions already performing above 80 percent of the average of their benchmark institutions receive more points.

(3) Degrees

Points: 0 to 10 points (0 to 5 points each for 2005-06 and 2006-07)

Purpose: This indicator is designed to emphasize improvement in the numbers of bachelor's and associate (KCTCS) degrees produced per year by institutions.

Description: At the state level, Kentucky needs an annual increase in bachelor's degree production of approximately 4.5 percent to significantly close the educational attainment gap over the next 15 years and get closer to the national average in terms of working adults with a bachelor's degree or higher. Historically over the past 15 years, annual bachelor's degree production has increased by approximately 2.5 percent per year. This measure will be scored based on progress on the key indicator.

(4) Minority Degrees

Points: 0 to 10 points (0 to 5 points each for 2005-06 and 2006-07)

Purpose: This indicator is designed to emphasize improvement in the numbers of minority degrees produced per year.

Description: Kentucky is interested in increasing the number and proportion of bachelor's and associate degrees awarded to minorities. This indicator assesses the annual percentage increase in minority bachelor's or associate degrees. The minority population in the Commonwealth is approximately 10 percent. Although minorities make-up about 11 percent of the undergraduate population at four-year institutions, only 7 percent of bachelor's degrees are awarded to minorities.

(5) Institution Choice Key Indicators - Performance

All institutions were given the option to "choose" a particular key indicator from the list of institutional key indicators under questions 3, 4, and 5 of the public agenda.

Choice: Student Engagement in Undergraduate Experience (NKU and WKU)

Points: 0 to 10 points

Purpose: This indicator is designed to focus on improving student engagement in the undergraduate experience.

Description: Student engagement in the undergraduate experience is assessed by the National Survey of Student Engagement (NSSE) at four-year institutions and the Community College Survey of Student Engagement (CCSSE) at KCTCS. These instruments measure the extent to which students engage in educational practices that have been empirically linked to high levels of learning and development in college.

The specific measures used are the benchmarks of effective educational practice that include: level of academic challenge, active and collaborative learning, student-faculty interaction, enriching educational experiences, and supportive campus environment for the four-year institutions. CCSSE has a similar set of benchmark indicators for two-year institutions. For the four-year institutions, five scores are reported for both first-year and senior students for a total of 10 indicators of engagement.

Choice: Transfers from KCTCS to Four-year Institutions (EKU, KSU, and Morehead)

Points: 0 to 10 points

Purpose: This indicator is designed to increase the number of transfers on an annual basis.

Description: Annual headcount of first-time transfers from KCTCS to all four-year institutions, public and independent. The number of transfers from KCTCS to four-year institutions will play a critical role in making progress toward increasing educational attainment in the state. At the state level, an annual 10 percent increase in transfers in from KCTCS to the public four-year institutions is needed to make progress on 2020 educational attainment projections.

Choice: Undergraduate Enrollment (Murray and KCTCS)

Points: 0 to 10 points

Purpose: This indicator is designed to increase undergraduate enrollment on an annual basis.

Description: Total fall semester headcount undergraduate enrollment, includes full and part-time, degree and nondegree. At the state level, an annual increase in undergraduate enrollment of approximately 3.5 percent at the four-year public institutions is needed to start making significant progress in educational attainment goals over the next 15 years. Since 1998, undergraduate enrollment at the public four-year institutions has increased on average by 1.4 percent per year.

Choice: Extramural Research & Development (U of L)

Points: 0 to 10 points (0 to 5 points each for 2005-06 and 2006-07)

Purpose: This indicator is designed to increase the rate at which institutions capture additional extramural research and development funding.

Description: Extramural research and development funding is taken from the annual National Science Foundation Survey of Research and Development Expenditures.

Choice: Six-year Graduation Rate (UK)

Points: 0 to 10 points (0 to 5 points each for 2005-06 and 2006-07)

Purpose: This indicator is designed to emphasize improvement in six-year graduation rates on an annual basis.

Description: The percentage of bachelor's degree-seeking students who graduate within six years. Numerator: Number of graduates at institution--Denominator: Fall semester first-time, full-time, baccalaureate degree-seeking freshmen six years previous. The overall goal is to increase institution and state level graduation rates above benchmark institutions and the national average. The point distribution is relaxed for those institutions with graduation rates above benchmark or national averages.

CPE Performance Funding System
Draft Scenario #1: \$3.5 Million Allocation
Using Sample Historical Data - January 9, 2006

	Base Year	Year 1	Base Yr to Yr 1	Year 1 Points	Year 2	Change from Yr 1 to Yr 2	Year 2 Points	Total Points	Weight	Weighted Points	Funding Allocation
EKU											
Productivity Ratio	71%	79%	8%	5	68%	-11%	0	5	25%	1.3	
Efficiency Ratio	74%	79%	5%	4	79%	0%	0	4	25%	1.0	
Degrees	1,664	1,678	1%	1	1,787	6%	5	6	20%	1.2	
Minority Degrees	93	84	-10%	0	97	15%	3	3	10%	0.3	
Choice Production - Transfers 2001-02 to 2002-03	408	392	-16	0	472	80	5	5	20%	1.0	
Total								23		4.8	\$351,852
KSU											
Productivity Ratio	70%	73%	3%	3	73%	0%	1	4	25%	1.0	
Efficiency Ratio	44%	42%	-2%	0	43%	1%	1	1	25%	0.3	
Degrees	210	214	2%	1	229	7%	5	6	20%	1.2	
Minority Degrees	151	149	-1%	0	162	9%	2	2	10%	0.2	
Choice Production - Transfers 2001-02 to 2002-03	19	17	-2	0	21	4	1	1	20%	0.2	
Total								14		2.9	\$211,111
Morehead											
Productivity Ratio	76%	68%	-8%	0	74%	6%	5	5	25%	1.3	
Efficiency Ratio	79%	76%	-3%	0	82%	6%	5	5	25%	1.3	
Degrees	887	991	12%	5	1,038	5%	5	10	20%	2.0	
Minority Degrees	39	35	-10%	0	40	14%	3	3	10%	0.3	
Choice Production - Transfers 2001-02 to 2002-03	265	272	7	1	221	-51	0	1	20%	0.2	
Total								24		5.0	\$370,370
Murray											
Productivity Ratio	95%	93%	-2%	3	101%	8%	5	8	25%	2.0	
Efficiency Ratio	88%	86%	-2%	3	94%	8%	5	8	25%	2.0	
Degrees	1,290	1,440	12%	5	1,372	-5%	0	5	20%	1.0	
Minority Degrees	77	109	42%	5	74	-32%	0	5	10%	0.5	
Choice Production - UG Enrollment 2002-04	8,088	8,371	3%	4	8,625	3%	4	8	20%	1.6	
Total								34		7.1	\$525,926
NKU											
Productivity Ratio	76%	76%	0%	1	76%	0%	1	2	25%	0.5	
Efficiency Ratio	95%	97%	2%	4	96%	-1%	3	7	25%	1.8	
Degrees	1,374	1,421	3%	3	1,529	8%	5	8	20%	1.6	
Minority Degrees	67	76	13%	3	78	3%	1	4	10%	0.4	
Choice Production - Student Engagement (est.)							4.5	4.5	20%	0.9	
Total								25.5		5.2	\$381,481
UK											
Productivity Ratio	96%	85%	-11%	3	83%	-2%	3	6	25%	1.5	
Efficiency Ratio	91%	84%	-7%	3	82%	-2%	3	6	25%	1.5	
Degrees	3,338	3,373	1%	1	3,285	-3%	0	1	20%	0.2	
Minority Degrees	244	221	-9%	0	257	16%	3	3	10%	0.3	
Choice Production - Graduation Rate 2002-04	61.1%	59.6%	-1.5%	0	60%	0.8%	3	3	20%	0.6	
Total								19		4.1	\$303,704
U of L											
Productivity Ratio	87%	75%	-12%	0	75%	0%	1	1	25%	0.3	
Efficiency Ratio	90%	83%	-7%	3	81%	-2%	3	6	25%	1.5	
Degrees	1,825	1,890	4%	4	2,148	14%	5	9	20%	1.8	
Minority Degrees	283	334	18%	3	341	2%	1	4	10%	0.4	
Choice Production - Ext. R&D Funding 2000-02	30615	34314	12%	4	57992	69%	5	9	20%	1.8	
Total								29		5.8	\$425,926
WKU											
Productivity Ratio	71%	66%	-5%	0	69%	3%	3	3	25%	0.8	
Efficiency Ratio	92%	86%	-6%	3	90%	4%	5	8	25%	2.0	
Degrees	1,878	2,116	13%	5	2,166	2%	1	6	20%	1.2	
Minority Degrees	137	173	26%	5	180	4%	1	6	10%	0.6	
Choice Production - Student Engagement (est.)							7	7	20%	1.4	
Total								30		6.0	\$440,741
KCTCS											
Productivity Ratio	79%	79%	0%	1	85%	6%	5	6	25%	1.5	
Efficiency Ratio	95%	95%	0%	3	106%	11%	5	8	25%	2.0	
Degrees	4,830	5,420	12%	5	5,723	6%	2	7	20%	1.4	
Minority Degrees	388	429	11%	3	424	-1%	0	3	10%	0.3	
Choice Production - Undergraduate Enrollment	80,695	81,990	2%	3	84,197	3%	4	7	20%	1.4	
Total								31		6.6	\$488,869

47.3 \$3,500,000

Notes:

Productivity Ratio data are comparing 2002-03 and 2003-04.

Efficiency ratio data are comparing 2002-03 and 2003-04.

Degrees data are from 2003-05.

Minority degrees data are from 2003-05.

Choice production data are most recent data depending on indicator chosen - NSSE data are estimates at this time due to lack of standard error data from previous year.

Productivity and efficiency data for KCTCS in base year and year 1 are the same because we are still capturing the earlier year data.

THE FIVE QUESTIONS

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?

Kentucky Council on Postsecondary Education
1024 Capital Center Drive, Suite 320
Frankfort, KY 40601
502-573-1555
<http://cpe.ky.gov>