

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