Strategic Committee on Postsecondary Education
Minutes
November 18, 2002

The Strategic Committee on Equal Opportunities met November 18, 11 a.m. (ET), in 149 of the Capitol Annex.

The following members attended: Walter Baker, Joe Barrows, David Boswell, Bob DeWeese, Ed Ford, John Hall, Marlene Helm, Crit Luallen, Vi Miller, Sue Hodges Moore, Gerald Neal, Charlie Owen, Allen Rose, Jody Richards, Richie Sanders, Johnnie Turner, Charles Whitehead, and David Williams. Members absent: Steve Barger, Jeffrey Hoover, David Karem, Kan Kelly, Harry Moberly, Governor Patton, Bob Stivers, and Greg Stumbo. Norma Adams chaired the meeting.

Academic Program Productivity and Institutional Collaboration: Jim Applegate, vice president, academic affairs, Council on Postsecondary Education; and Bill Brundage, commissioner, Office for the New Economy made the presentation.

Mr. Applegate began the presentation. Without accessible, productive, and high quality academic programs connected to the needs of the state, the value of enrolling and graduating more students is reduced as well as the ability to contribute in the partnerships with many of the state agencies such as the Office for the New Economy. The work in this area has been designed to ensure that Kentucky students leave college having learned what is needed to be able to do to be prepared for life and work in Kentucky.

In 2000, 1,310 existing programs in the system were reviewed and then minimum levels of productivity that these programs should meet were set in terms of the numbers of students graduating and the number of students being taught. As a result of the analysis, 596 programs fell below those thresholds of 12 undergraduate degrees a year.

Work began with the institutions to close or improve those programs. There have been two rounds of the productivity review. The institutions either designated for closure or began to make significant changes in 420 of those programs -- 173 are actually being closed and the rest to be changed. In other instances, multiple programs were collapsed administratively and structurally to work together more effectively to recruit more students at considerable savings in the administration of those programs. That money was then reallocated toward the teaching of students. In other cases, the content of the program was changed.

An academic audit of how institutions create new programs also took place. Institutions provided rules and regulations for creating new academic programs; those were reviewed and campus visits made. Reports with suggestions for institutions to use for improving the new academic program approval processes were developed and the institutions responded positively. A Web base system was created where development processes are posted and conversations can begin.

The programs being created are tied to the needs of the state. Most are in computer and information technology, health-related disciplines, education, public safety, business, technical programs such as automotive engineering, aviation engineering, and technical programs and a few liberal arts and social science programs.

Collaborative institutional programs – over 60 cooperative or collaborative programs in the state share faculty and other resources to increase access and quality and efficiency.

Statewide engineering strategy -- began with existing programs at UK and UofL and who in turn partnered with WKU and MuSU to create more undergraduate programs in engineering.

Public health – the faculties most involved in public health education at EKU, UK, UofL, and WKU came together and created a common curriculum.

Teacher quality/teacher education -- the KCTCS and the four-year institutions collaborated and created 2+2 programs where students are recruited into the teaching profession in KCTCS and then move without loss of credit to complete their programs at the four-year institutions.

Deaf interpreter program between EKU and UofL to increase the number of deaf interpreters in the state.

An on-line telecommunications program between Murray, with its program of distinction in telecommunications, the KY Virtual University, and KCTCS. Eventually that whole program will be on line.

Two- to four-year transfer – Course Applicability System (CAS) goes on-line this spring. CAS is an on-line system in which a student anywhere in the state can enter the courses taken at KCTCS or anywhere else as well as courses the student plans to take, submit those to an institution and immediately the student knows exactly how those courses transfer into programs at those institutions.

Structural pieces that help students transfer have been created. General education is 48 hours at most institutions. If a general education is completed at one institution, it has been completed at every institution in the state and it can transfer as a block. Parts of the general education program as well can be completed and transferred. Students are assured that all the general education pieces transfer. Other structural pieces like that are being put in place in terms of transfer credit programs.

Go Higher Education Pays campaign -- a large portion of this campaign will be directed to transfer by doing workshops and seminars around the state with faculty and students talking about CAS, demonstrating how to use that on-line system, promoting transfer, and generally helping students, particularly in the KCTCS system, understand the importance and benefits of transfer.

Interagency collaborations -- The P-16 Council. The Kentucky Department of Education, the Education Professional Standards Board, the Cabinet for Workforce Development, Adult Education/Early Childhood, and the postsecondary system are looking at the system and programs to make sure that all work effectively together.

GEAR UP Kentucky. Gear Up Kentucky is a federal grant with $10.5 million of federal money and is collaboratively matched with $10.5 million pledged from postsecondary institutions, local school districts, the KDE, and other agencies to target the most economically disadvantaged middle schools.

Partnerships -- We are working with the schools to improve planning and program organization. One partnership is with Toyota to put Quest programs (professional development for teachers) in schools. Another partnership is with the National Foundation for Teaching of Entrepreneurship by putting on-line resources where teachers can integrate the teaching of core skills in the model of becoming a entrepreneur and these young people put business cases and businesses together. Another partnership is with the Prichard Committee because of the importance of the family in supporting college-going students. Kentucky Educators.org -- the Virtual University is constructing a partnership with the Standards Board to provide on-line assessment and teacher professional development for teachers across our state. The Kentucky Adult Education Website helps train adult educators as well as provides information and learning opportunities for adult learners.

Many institutions are engaged in partnerships collaborating with the private sector. The incubator work at the ASTeC (Advanced Science and Technology Communications Center) at UK; the downtown design centers at UK and UofL; METS (the Metropolitan Education and Training Services) where NKU is working with employers and Delta in to connect to workforce and area economic development needs; the Metropolitan University and the partnership between the UofL and UPS; and EKU's regional community policing institute working to enhance the quality of education available to our public safety people.

Mr. Brundage continued the discussion. Institutions of higher learning are important because of the new and unique role that higher education must play in the economy of the 21st century. Mr. Brundage gave many examples of partnerships and projects.

The Energy and Environmental Consortium is a program for building research and development capacity throughout the state.

Eastern Kentucky University as well as UK, UofL, MuSU, and Ft. Knox among others are involved in safety and security issues.

Innovation and Commercialization Centers – this will help entrepreneurs build new companies. There are six locations -- three are at WKU, MuSU, and UK. There will be 15 satellite operations around these Innovation Centers that will ultimately be linked with

the cooperative extension service ultimately giving us the technology extension capacity throughout the state.

There is a program in West Liberty with the technology center involving UK, MoSU, EKU, and the Office for the New Economy.

Information Technology is a task force involving WKU, UK, UofL, NKU, the League of Cities, and the Governor's Office for Technology. This is the group that will eventually design the next generation of Kentucky's information highway.

Assisting existing businesses throughout the state adopt technology is part of our role as well as creating new businesses. All the universities and the KCTCS are involved.

Connect Kentucky – the state has been inventoried and it's known how every community in the state is networked. There is a three-year plan to get businesses to use the network and to be more sophisticated in their use of the Internet.

There are a number of other projects involving UK and UofL.

Next year a program will be announced involving all universities, KCTCS, and the private institutions. This will involve summer camps for entrepreneurs and internships for young people at the research centers and with businesses. K-12 will also be involved.

Mr. Sanders asked about the anticipated use for the bond pool. Mr. Brundage replied that one goal was to build research and development capacity. Bucks for Brains is critical. As top-notch scientists and engineering scientists are brought to Kentucky, more facilities must be built. The universities have found innovative ways with which to build these facilities. But the bonding authority would certainly help.

Mr. Baker asked about the prospect of pharmaceuticals coming to Kentucky. Mr. Brundage replied that the final proposal for a manufacturing facility to be built at Coldstream Research Park was recently approved. The private sector joined in to do the business plan.

A project in northern Kentucky called Kentucky First was recently funded. Kentucky has invested $500,000 and a group of entrepreneurs have invested $25 million and are now in the process of looking at companies to bring to Kentucky.

A fund called Natural Products that will go into the tobacco research facility at UK is being put together. It will leverage public with private funds to invest in the natural products world and a good bit of that is in pharmaceuticals. A lot is being done in the state right now with the tobacco plant and we are getting ready to do something with corn. But we need this capability at the pharmacy school to handle the pharmaceutical part of Natural Products. That, I think, is going to be one of the largest industries in the state ten years from now.

Mr. Ford. asked who can start a local P-16 council. Mr. Applegate replied that it varies but it could be a KCTCS institution, a local chamber of commerce, or interested individuals.

Measuring Up 2002: Sue Hodges Moore, interim president, Council on Postsecondary Education; and Christina Whitfield, associate, research and information, Council on Postsecondary Education, made the presentation.

Ms. Moore reminded the committee that the national report card (Measuring Up 2002) on postsecondary education is a state-by-state report card published by the National Center on Public Policy and Higher Education and was released in October. This report card focuses on the undergraduate level. Kentucky is one of two states (Utah is the other) in the nation that made progress on all five categories of the report card. Kentucky is viewed as being a prototype for coming up with a student-learning grade for all the state.

Ms. Whitfield continued the presentation. The Measuring Up 2002 report is the second of its kind; the first was issued in 2000. The Measuring Up project measures states in five broad categories – preparation, participation, affordability, completion, and benefits and uses a number of nationally recognized indicators in each category to come up with its assessments.

Measuring Up 2002 offers states two kinds of assessment. The first is the analysis of improvement and the second is the issuing of grades to each state based on their current performance compared to other states. The National Center takes states' raw scores on each indicator and benchmarks them to the performance of the top states coming up with a standard that is achievable.

Kentucky's grades improved in three categories – participation, completion, and benefits. While the raw scores improved in all categories, that was not the case with Kentucky's grades. In some cases, Kentucky's improvement failed to keep pace with those of other states. Kentucky is featured as a prototype state for the student-learning grade.

Preparation: This category asks if the K-12 system is preparing students for education and training beyond high school. Kentucky was one of only seven states to improve in five indicators highlighted by the National Center as particularly important within that category. There are 12 indicators in total but they extracted seven that they thought were particularly important.

Participation: In this category, Kentucky was one of only seven states to improve in all three measures. The largest percentage gain was in the percentage of working age adults enrolled in postsecondary education -- from 2.4 percent to 2.8 percent on that measurement compared with 5.4 percent for the top states.

Affordability: how affordable is higher education/postsecondary education in Kentucky? Kentucky performs quite well on what the National Center calls family ability to pay

indicators. Need-based aid: The average low-income student in Kentucky receives roughly one-third of the aid from the state than they do from the federal government.

Completion: This seeks to measure if students are making progress through the system and completing degrees. Kentucky's retention rates at the four-year institutions rose to 71 percent in the 2002 report. Graduation rates for students entering college directly from high school improved but continued to lag behind the top states.

Improved quality of life: Kentucky's economy benefits from its education attainment levels. The National Center estimates that as a result of the percentage of the population holding a baccalaureate, there is a seven percent improvement in the state's economy. And a three percent in the state's economy based on the number of people who have some college but are short of a baccalaureate degree.

Learning: No states received a grade in that category. The National Center issued an incomplete to all states in 2000 and 2002. The National Center has found it very difficult to come up with nationally comparable sets of data to try and measure this category.

Since the 2000 report, NCHEMS has been working to develop an education capital measurement. Measuring Up 2002 features Kentucky as a prototype state because of its national leadership in a key area of higher education reform.

Kentucky's work with the National Center continues on a student-learning grade. Kentucky will be one of several pilot states featured in the 2004 version of the report and Gov. Patton will be convening a meeting of the participating states early next year here in Kentucky to begin that work.

Ms. Helm expressed concern about need-based aid. Ms. Whitfield replied that Kentucky is performing very well at keeping costs low. An important component of this is the KEYS program that has hidden a bit in the family ability to pay measurement but is part of the calculation. Kentucky compares well with the top performing states in the need-based aid standing by itself.

Council and KHEAA staffs have started on a research project trying to estimate the amount of unmet need in the state.

Mr. Eaglin, Mr. Votruba, and Mr. Ford expressed concern about course taking and that rigorous high school curriculums and senior year curriculums needed to be emphasized.

Mr. Williams asked about the cost implications of prepaid tuition programs. Ms. Moore suggested this topic would be brought forward at a future SCOPE meeting.

October 15 Prichard Committee Meeting Report: Robert Sexton, executive director, Prichard Committee for Academic Excellence, made the presentation. The Prichard Committee met October 15. The centerpiece of the discussion was a report by Aims

McGuinness of the National Center for Higher Education Management Systems. Several institutional presidents participated in the meeting as did Gov. Patton.

Kentucky's postsecondary reform initiative is widely recognized as one of the most far-reaching and significant state level higher education reforms in the past century in the United States. Kentucky's progress since the 1997 assessment has been nothing short of remarkable. It has addressed most of the issues identified just five years earlier and established a foundation for step-by-step progress over the next decade and beyond. The most profound change has been a change in expectations and frame of mind among students, parents, business and civic leaders, postsecondary education leaders, and the Commonwealth's policy leaders. Significant progress has been made in overcoming the six policy barriers that are identified in 1997. The most important has been the shift from an agenda driven by institutional interest to one driven by a public agenda.

Positives –

Postsecondary education has been at the top of the public agenda. The CPE has emerged as one of the most respected policy leadership and coordinating boards of the nation because of the vision, creativity, and quality of its work.

- Kentucky had the fifth highest increase in per capita income among the states.
- Kentucky had one of the highest rates of reduction in the percentage of the adult population who do not have a high school diploma.
- Kentucky made dramatic gains from 1994 to 2000 in the percentage of recent high school graduates going directly to college.
- Enrollment increased by 19.9 percent increase.
- The percentage of people getting a GED increased.
- Retention and completion rates are good.

Negatives –

- Kentucky ranks near the bottom in the percentage of population with only a bachelors degree.
- The gap between the state's performance and the nation remains significant. Kentucky was 42nd in the nation in six-year graduation rates for full-time students in BA programs. Kentucky was 44th in the nation in graduation rates for two-year institutions.
- The reforms have not had a significant improvement on degrees granted.
- While Kentucky is making progress, it will take a sustained commitment to raise the standard of living to levels at or above the national average. The danger is the temporary setbacks or failure to demonstrate short-term results will lead to discouragement and cynicism about reform.

Challenges/concerns:

One challenge will be to counter the possible drifting back to competition among institutional interests as opposed to state interests and to keep the emphasis on step-by-step measurable progress toward the long-term goal of raising the standard of living at or above the national average.

Business support needs to be broadened and deepened. There is concern about the lack of engagement by the General Assembly and the state's business and civic communities. SCOPE has not been as effective as hoped in developing legislative partnership for the agenda. SCOPE can work provided that a more deliberate effort is made to listen and engage to legislative leaders in the agenda.

A core leadership group that is deeply committed to the goals of HB 1 and reform is important. Reform is difficult to sustain through changes in political leadership unless there is a strong independent voice of support from the state's business and civic community.

Engaging institutional leaders -- both presidents and governing boards-- in collective responsibility to sustain reform is important. A debate among institutions is important but once a final decision is made, it is critical to the reform process that the council and the presidents stand together in a coherent coordinated strategy throughout the legislative process.

Sustaining the link between financing policy and the strategic agenda -- the basic structure of the budget in HB 1 and subsequent agreements are fundamentally sound; however, Kentucky, like most states, faces a severe and most likely a protracted period of budget restraints. The most important message that NCHEMS can convey is that even in the direst financial circumstances, Kentucky must sustain state funding for both the base and performance and incentive funding. A failure to invest consistently a small percentage of the total operating budget appropriation in trust incentive funds to support change will doom the reform process. Without incentives and performance funding, the CPE will have virtually no effective policy levers to advance the strategic agenda except the relatively weak tools of an appeal to public opinion and the use of the regulatory authority.

Strategic leadership and governance -- In such a decentralized system, success depends fundamentally on the quality of institutional boards. The need to maintain the quality of university board appointments and to strengthen the means for the CPE to hold boards accountable for both effective governance and support for the statewide strategic agenda is important.

Clarifying the role and mission of the comprehensive universities -- the diversity and mission among the institutions is a sharp contrast to the one size fits all message conveyed by being lumped into a single category in HB 1. Any change should underscore the differences among the institutions and the distinctive ways in which it contributes to its region and the commonwealth as a whole.

There is concern about weak incentives to encourage collaboration among institutions. There is evidence of lack of collaboration having to do with comparative low transfer rates from KCTCS to the universities.

New emphasis on recognizing the role of independent higher education -- reform implementation appears to have proceeded with only limited consideration of the impact of the independent institutions.

Real progress has been made. Support for reform remains strong even among some who were considered to be skeptics or opponents. But reform is fragile and Kentucky is at a critical transition point.

The Prichard Committee passed a resolution at its October meeting emphasizing the need to keep pushing forward. The Committee expressed its appreciation to the Governor and the General Assembly for its continued commitment and also pledged its continuing efforts to support that commitment. The Prichard Committee urged the continuation of financial support including Bucks for Brains and the Committee encourages collaboration and cooperation among institutions of higher education so that a genuine system of postsecondary education can be created. The Prichard Committee may reconstitute its postsecondary education group again.

Ms. Luallen commented that these are valuable measurements to have made against other institutions and other states that are not necessarily measured against the specifics of our bill but, in fact, what kind of progress Kentucky is making.

Ms. Miller suggested that once the Prichard Committee thoroughly examined the report, that Mr. Sexton report back to SCOPE.

Report from the Institutions: Mr. Todd, president, University of Kentucky and convener of the Conference of Presidents gave the report.

All the presidents signed a letter supporting the NCHEMS report.

The presidents want Kentucky to be above the national average by 2020. Benefit are being seen already – 31,500 more students have enrolled in postsecondary education in the last five years and student retention and graduation rates are both up as well.

The presidents are united behind HB 1. The momentum has to be sustained even in these financially tough times. Across the country, Kentucky is held as a model for the virtual university and for the bonds for brains and bucks for brains.

Bucks for Brains is a resounding success. The state provided $230 million for endowments and the institutions have matched 99 percent of that and the rest will be matched. Internationally known researchers are being attracted. With the Bucks for Brains enhancement, some of Kentucky's best and brightest can be retained. The Bucks for Brains faculty brings substantial federal contracts and grant monies into the state and

each research dollar is multiplied several times over by its economic impact that it generates. In addition, this program fosters an atmosphere of entrepreneurial growth that results in significant increases in the number of business ventures emerging from our new patents and our new technologies. All of the presidents agree that a third round of the endowment match program or Bonds for Brains is a top priority for this current biennium.

Because of enrollment growth, the institutions have significant capital needs. The debt service on the agency bonds will be a cost borne by supporting auxiliary enterprises of our universities such as housing and dining. The council recommended a $100 million agency bond pool for 2002-2004. Our needs continue to grow primarily driven by the enrollment. The institutional presidents ask that you provide postsecondary education and agency bond pool at least at that level for the current biennium.

Times are tough, but now is not the time to slow down. There is a mandate in the 31,500 new students who expect to have competitive jobs. There is a mandate from those researchers who have been attracted and retained within our walls of the universities and laboratories telling them that we want to compete with the best and the brightest out there. There is a mandate for some of those people who have lost their old economy jobs, who don't know where they are headed, and who don't know where their children's jobs are coming from.

Kentucky can continue to pass other states but cutting expenses can't do it – there has to be new revenue.

The presidents want to thank you for the financial support, for the vision, and for the commitment to postsecondary education. It is Kentucky's future and it has to continue.

Mr. Williams was concerned about federal funds being used as matching monies in the Bucks for Brains program. Ms. Moore replied that the purpose of Bucks for Brains is to bring in private sector money, but the council's guidelines also allow for bringing in other types of new resources into Kentucky and that includes federal funds. If a federal program allows for an endowment type investment, then that would qualify under the council's guidelines.

Mr. Williams asked would the federal program have to require a local match if the institution was going to get it anyway, would they be able to use that to match Bucks for Brains. Ms. Moore replied that under the current guidelines, it does not require an additional local match. So the federal match is the additional funds.

Mr. Williams would like to the council to look into that issue and is also requesting that the chairman of the appropriations and revenue and education committee in the legislature to look into this issue.

Mr. Sanders noted that almost twice as much brick and mortar could be created if those projects were bonded than to bond the Bucks for Brains program. He suggested that this group needs to discuss that issue.

State Revenue Report: Mr. Ramsey, president, University of Louisville and former State Budget Director began the presentation. Kentucky had 18 years of strong economic growth from the mid-1980s through November 2000. In November 2000, Kentucky began to see a loss particularly of durable manufacturing jobs. The period 2000-02 has not seen any significant improvement in the state economy. Between November 2000-02, Kentucky continued to lose manufacturing jobs. Weak consumer confidence and weak corporate profits is very significant. Businesses have been struggling and as a result, are not investing.

Ms. Lassister continued the presentation. Kentucky had a budget shortfall of approximately 2.7 percent in 2001 and a budget shortfall of almost 9.5 percent in 2002. There was no legislatively enacted budget this year but the spending plan would have required 6.2 percent growth in the current year and 4.1 percent growth for 2004.

FY 2002 was the first time in history, which can be documented, where less General Fund money was collected in one year than the year before.

2001 -- there were budget cuts but no cuts to education. Of the total $185 million budget shortfall, most of the money came from one-time sources and were not programmatic cuts.

2002 -- $687 million budget shortfall. $231 million of that were cuts to programs. Postsecondary education took a 2 percent cut but overall programs were not significantly impacted across state government.

The one-time monies are gone. The budget reserve trust fund is depleted.

We have captured funds that were intended for other uses and they may have longer-term implications on those programs that we have to be concerned about. The culmination of all these issues resulted in a down grade in Kentucky's credit rating from S&P. From an AA to AA-. which takes us back to where we were in the early to mid 1990s. It is still a good credit rating but it is not quite as good as it had been.

Other states are going through the same things but Kentucky is at a critical crossroads. FY '03 receipts to date are 6.8 percent growth over '02. 6.2 percent is needed to do the spending plan but tax amnesty money is in there that clouds the numbers. So while there is strong revenue growth through the first quarter, it is inflated by amnesty numbers.

The Consensus Group finalized their numbers as reported in the press last Friday. The Group is calling for the number of the overall General Fund budget approximately $7 billion. They are calling for revenue growth of 3.2 percent in 2003, 3.9 percent in 2004, 5.3 percent in 2005 and 2006.

The revenue side shows a total revenue shortfall of $199 million in the first year and $203 million in 2004. This is revenues only.

The Department of Education is experiencing a budget shortfall in the current year. Assessed value of property is coming in less than estimated so the numbers there are approximately $55-60 million.

Thus far, $120 million in resources have been identified to apply toward the problem. We expect to not spend the money on campaign finance funds that were budgeted $7 million in the first year and $2 million in the second. That is a resource now available. Kentucky is about $144 million short in the current year and about $365 million short next year.

There are programmatic budget shortfalls in both the Corrections Department and Medicaid program and other expenditure pressures not included in that summary of where we think we are.

Ms. Luallen said that the Governor will start meeting with legislative leaders, gubernatorial candidates, the press, and the editorial boards of the major newspapers to get all the numbers and facts out about exactly what the situation is and then begin a dialogue on what possible options there might be to deal with the problem.

Ms. Lassiter explained further that the $120 million was a budgeted beginning fund balance coming into the year that can be used as a resource. A fund balance that was anticipated to be carried forward as a recourse in next year's budget – that was captured as a resource. Other impacts for instance, the coal severance program to the extent that receipts are down which is less money going back to the counties.

Mr. Owen asked how many states have been put on watch and had their credit down graded. Ms. Lassister thought S&P had 15 states on a watch list. Forty-six out of 50 states had revenue shortfalls in fiscal year '02

Ms. Luallen added that Medicaid numbers are not being counted as part of the overall shortfall because it is intended to deal with the Medicaid numbers within the Medicaid budget.

Mr. Barrows suggested that the presidents and council should concentrate on how to make cuts that in their budgets that inevidibly will be asked to do.

Mr. Todd replied that the CPE had already requested the presidents to prepare calculations for a 3 percent cut. Something else that's needed is to sell the momentum of what has been accomplished in education in Kentucky and sell the path we are on to try to improve this state. If we go through this period and don't find some new revenue, then we have shrunk from the responsibility that we have to show the state of Kentucky to keep us on this path. Leadership is taking people to where they need to be whether they know it or not.

Mr. Eaglin added to get through this we really have to live on the professional judgments of the people of each institution in cooperation with CPE and the legislature.

2004-06 Council on Postsecondary Education Budget Process Timetable:

Ms. Moore suggested that this item be deferred to the next SCOPE meeting. Ms. Moore pointed out some preliminary work on the budget process has begun and council staff is working closely with the chief budget officers on the campuses and with the presidents.

Proposed Calendar Year 2003 SCOPE Meeting Dates:

The 2003 SCOPE meeting dates: March 3, June 9, September 8, and December 8.

The meeting adjourned 1:50 p.m. (ET).