

MINUTES
Council on Postsecondary Education
November 5, 2001

The Council on Postsecondary Education met November 5, 2001, at 8:30 a.m. at the council offices in Frankfort. Chair Whitehead presided.

ROLL CALL

The following members were present: Norma Adams, Walter Baker, Steve Barger, Peggy Bertelsman, Richard Freed, Ron Greenberg, John Hall, Shirley Menendez, Charlie Owen, Christopher Pace, Joan Taylor, Lois Weinberg, and Charles Whitehead. Hilda Legg and Gene Wilhoit did not attend.

NEW MEMBER

Mr. Whitehead announced that Barton Darrell has been appointed to the council. Mr. Darrell is an attorney from Bowling Green. He was unable to attend this meeting and will be sworn in at the February meeting.

**APPROVAL OF
MINUTES**

The minutes of the previous meetings were approved as distributed.

Mr. Whitehead congratulated Mr. Baker for receiving the Annual John Sherman Cooper Award for Outstanding Public Service in Kentucky from the Eastern Kentucky University Center for Kentucky History and Politics.

**2002-04 OPERATING
AND CAPITAL
BUDGET
RECOMMENDATIONS**

RECOMMENDATIONS: The staff recommends that the council:

- Approve the 2002-04 Operating and Capital Budget Recommendations as presented which total \$1,153,537,100 for 2002-03 and \$1,250,040,100 for 2003-04 for the universities, the Kentucky Community and Technical College System, and Lexington Community College; the Strategic Investment and Incentive Trust Funds; and the Council on Postsecondary Education, including the KYVU and KYVL and pass-through programs.
- Establish five priorities for 2002-04:
 - Continue to pay for enrollment and retention increases from 1998 to 2001.
 - Pay for additional enrollment growth and retention increases that occur in the fall of 2002.
 - Continue to create capacity for developing the new economy.

- Support two equal educational opportunity programs.
- Maintain full support for need-based financial aid.

Mr. Davies said that since the October meeting the Consensus Forecasting Group has lowered for the second time its state revenue forecast for the current fiscal year (FY 02) another \$171 million. With other adjustments, this reduced the revenue by a total of \$206 million. This brings the required budget adjustment actions in this fiscal year to \$532 million. The forecast includes growth of \$193 million in FY 03 and \$293 million in FY 04. This means that, by the end of the next biennium, Kentucky's revenues are projected to be virtually the same amount as originally forecast for FY 02 when the 2000-02 budget was built. He said the good news is that Governor Patton has continued to exempt all of education from budget reductions. At the same time, the rest of state government has taken four budget cuts totaling a little over 7 percent. The Governor says that in the long run education is the only way to improve Kentucky's economy and the quality of life in Kentucky. When the Governor announced the last round of budget cuts, he pointed out that since 1980 the colleges and universities have borne a disproportionate share of budget cuts.

Mr. Davies said that the staff has prepared a budget proposal (the purple card) that is ambitious but not extravagant. It is developed in conformity with the points of consensus that were endorsed by the presidents, the council, and SCOPE earlier this year. It is a proposal that carries forward many of the activities and programs that have been funded since 1998. Its total cost in new money is about \$70 million in the first year and \$107 million in the second. Within that proposal, the staff brings a set of essential priority items. He said that a critical element in this reform is changing behavior toward education in Kentucky – 1) more people going to, staying in, and graduating from college and 2) a different vision of where education relates to creating a new economy and a new society here in Kentucky. The five items highlighted as essential priorities respond to that overriding purpose of changing behavior.

Mr. Davies said that the presidents were given the opportunity to review the recommendations and some adjustments were made based on their responses. He asked that the council give the staff leeway to make minor corrections to the recommendations.

MOTION: Ms. Menendez moved that the recommendations be approved as presented and that the staff be permitted to make necessary technical adjustments subsequent to this

meeting with the concurrence of the chair. Ms. Weinberg seconded the motion.

Angela Martin, the council's vice president for finance, discussed the budget recommendations.

2002-04 Operating Recommendation. The council staff recommends a state appropriation operating request for the public institutions of \$1,045.7 million in FY 02-03 and \$1,081.6 million in FY 03-04. The recommendation includes \$35.9 million in FY 02-03 and \$34.7 million in FY 03-04 of expansion funds for the institutions for benchmark funding and special requests.

2002-04 Budget Recommendation: Trust Funds. Ms. Martin said that House Bill 1 created six incentive trust funds and the 2000 General Assembly added two more. Staff is recommending funding for ten trust funds for 2002-04. Ms. Martin highlighted the significant change amounts that the staff recommends.

Endowment Match Program. The staff recommends that the state provide a third round of "Bucks for Brains" by issuing \$120 million of bonds. The bond proceeds would be matched dollar-for-dollar by the institutions and would be allocated in the same manner as the 2000-01 Endowment Match Program funds.

Capital Renewal and Maintenance Pool. This program, in the Physical Facilities Trust Fund, establishes an effective program to renew and maintain institutional facilities. The staff recommends a \$30 million bond issuance for 2002-04 to further reduce the backlog of capital renewal and deferred maintenance projects.

Renovation of Hathaway Hall at Kentucky State University. This is a \$6 million capital project and is part of the commitment of the Commonwealth in its partnership with the U.S. Department of Education Office for Civil Rights.

Full Funding of the KEES Program. At this point it appears that the allocation of lottery revenues will not be sufficient to fund KEES for the biennium. The amounts requested would fully fund the KEES program at its current award amounts.

Knowledge-Based Economy Academic Programs. The staff recommends that the council request \$3 million annually primarily for joint engineering programs that support the new economy. Some funds may be used to support academic programs that produce needed professionals in information technology.

The staff is requesting two new trust funds. One is an Enrollment Growth and Retention Trust Fund. This is a new trust fund but not a new program. The program is now located within three separate trust funds, which limits how the funds are allocated to the type of institution. The staff has developed draft guidelines for the trust fund. The money would be allocated 55 percent to retention and 45 percent to enrollment. Because several institutions have already met or exceeded their 2002 enrollment goals and in some instances their 2003 goals, the staff will renegotiate institutional enrollment goals. The allocation of the enrollment funds would be based upon these new renegotiated goals.

The second new trust fund is the Teacher Quality Trust Fund to support improvement in all academic programs that produce teachers and school leaders. Draft guidelines also have been developed for this trust fund. The staff recommends \$4 million in the second year of the biennium to fund up to four proposals including one proposal involving one or more independent colleges. This program was requested in 2000 by the Task Force on Teacher Quality but was not funded.

Regarding the Enrollment Growth and Retention Trust Fund, Mr. Greenberg said that the retention goals of the institutions are not acceptable. He said that attention needs to be given to retention because increasing retention is the foundation for improving graduation rates.

AMENDMENT TO MOTION: Mr. Greenberg moved that the recommendation on the Enrollment and Retention Trust Fund be amended to authorize council staff to develop and implement a retention plan that provides meaningful incentives and accountability. Mr. Greenberg asked that the council staff provide retention initiatives implemented by the institutions along with plans for the new money. Mr. Owen seconded the amendment.

VOTE ON AMENDMENT: The motion passed.

Mr. Davies said that the total sum of money in the Enrollment Growth and Retention Trust Fund (\$22 million) is calculated on the basis of one-half the institution's appropriation per student for enrollment growth. This is an enrollment pool but a portion of it is used to emphasize the importance of retention. Mr. Davies said he would discuss this with the presidents.

2002-04 Capital Budget Recommendation. The staff recommends two state-funded capital projects: 1) \$30 million

in state bonds to fund the capital renewal and maintenance pool and 2) \$5,937,000 of state bonds to complete the renovation of Hathaway Hall at Kentucky State University.

In addition, the staff recommends that the council endorse several capital projects to signify that they should be included in the budget if general funds for debt service are available. Possible fund sources could be through the new economy initiatives, community and economic development programs, and the Surplus Expenditure Plan. This list of endorsements will be included with the council's budget submission to the Governor's Office but the council would not recommend debt service or state funds at this time.

The staff also recommends a \$100 million agency bond pool for projects that the universities would fund. The universities would issue debt and the universities would pay for that debt.

Ms. Martin said that the staff also can ask for items to be funded in the current year, 2001-02. Western Kentucky University has requested current year authority for the renovation of Diddle Arena and the guaranteed energy savings/performance contracting. These two projects would not be state funded. Western is proposing to go forward to get General Assembly approval in early spring. The staff recommends the council approve these programs.

2002-04 Biennial Budget Request Agency Operations, KYVU/KYVL, and Pass-Through Programs. The staff is including a request for \$500,000 for an additional six electronic databases to be matched by the public and independent institutions.

VOTE ON MOTION AS AMENDED: The motion passed.

RECOMMENDATION: The staff recommends that the council receive the 2000-01 Agency Audit as submitted by the firm of Potter & Co., Inc.

2000-01 AGENCY
AUDIT

MOTION: Mr. Barger moved that the audit report be received. Mr. Greenberg seconded the motion.

Mr. Barger said that the audit committee met with Potter & Co., Inc., and with council staff prior to the audit and then with just the audit firm prior to the audit. The audit committee has reviewed the audit. The council received a clean, unqualified audit and the staff has worked on any suggestions offered by the auditors. The only issue that the council members may have to discuss is the role of arts and humanities programs in the Endowment Match Program.

This issue will be referred to the Endowment Match Guidelines Subcommittee. Mr. Barger said that the council staff was very cooperative and professional during the audit.

Ms. Adams said that the audit reflected the ability of the agency to operate properly even though there had been no audits in the past.

VOTE: The motion passed.

ADULT EDUCATION

RECOMMENDATION: The staff recommends that the council approve allocations totaling \$1,400,000 for performance rewards (\$200,000), the National Assessment of Adult Literacy (\$650,000), a GED fee waiver program (\$350,000), and postsecondary tuition discounts (\$200,000) from the Adult Education Literacy Trust Fund, 2001-02.

In May 2001, the council allocated \$9,362,000 of the 2001-02 Adult Education Trust Fund for continued implementation of the nine-point adult education plan. For three of the plan initiatives – performance rewards to counties, the National Assessment of Adult Literacy, and tuition discounts – the staff estimates that actual costs will exceed current budget amounts so additional funds are needed. Cheryl King, associate vice president for adult education, said that 85 counties out of 120 met their rewards and will be sharing \$741,000 in rewards for their work. The staff is proposing to waive the \$30 fee paid by GED test-takers during the first six months of 2002. This financial incentive will encourage more Kentuckians to take the new GED tests, which go into effect January 1. The council will absorb the cost and will provide funding to the test centers to pay for administrative costs.

MOTION: Mr. Greenberg moved that the recommendation be approved. Mr. Barger seconded the motion.

VOTE: The motion passed.

KHEAA

Mr. Davies introduced Dr. Joe McCormick, the new executive director of the Kentucky Higher Education Assistance Authority.

P-16 COUNCIL REPORT

Mr. Davies said that the P-16 Council met in September and endorsed creating a single rigorous curriculum for all high school students. The staffs of the Department of Education and the council will develop a single high school curriculum for consideration by the P-16 Council.

Mr. Davies announced that Kentucky is one of five states

selected to participate in *The American Diploma Project*. The project's goal is to develop a model high school curriculum for American high schools so it dovetails with the work of the P-16 Council.

KYVU SMARTTHINK
FIPSE PROJECT

The Kentucky Virtual University will work in collaboration with Smarthinking, a private corporation that provides on-line tutorial services, to apply for a \$1.5 million grant from the Fund for the Improvement of Postsecondary Education. The grant will measure the effectiveness of on-line tutoring on student course completion and retention. If the grant is received, it will require a partial match from council funds of up to \$225,000 over a three-year period. Several Kentucky institutions, including the KCTCS, have expressed interest in working with the council on this grant.

RECOMMENDATION: The staff recommends that the council:

PUBLIC HEALTH

- Delegate to the boards of trustees of the University of Louisville and the University of Kentucky authority to approve joint or collaborative master's degrees necessary to expedite the accreditation of public health schools by the Council on Education for Public Health and promote public health research.
- Extend approval of the master's degree programs through 2004, while the universities continue to pursue the creation of a single, jointly accredited school of public health.

Jim Applegate, the council's vice president for academic affairs, said that the University of Kentucky and the University of Louisville continue to develop cooperative relationships in public health education. UK governs the Kentucky College for Public Health but cooperative relationships are being developed between programs at the two institutions. The Council on Education for Public Health continues to insist that a school of public health be governed by a single institution rather than by two institutions working together. Now that Kentucky and the nation are threatened by the possibility of diseases and toxic chemicals intentionally introduced among us, there is need for more research and education in public health. For that reason, the council staff has developed an agreement with Presidents Shumaker and Todd. Both institutions will be authorized to establish the degree programs that are necessary for both institutions to become accredited and that promote public health research. The programs will be joint or collaborative and the two universities agree that the approvals will extend for three years. During that time, the institutions will work

together to persuade the accrediting body to change its position on the requirement that a single university be responsible for a school or college. The universities have the necessary resources to initiate the programs and can do so immediately. The institutions have assured the council staff that they will act cooperatively and in the best interests of Kentucky and the nation in planning and conducting public health research.

This agreement should be revisited in 2004.

MOTION: Mr. Barger moved that the recommendations be approved. Ms. Weinberg seconded the motion.

VOTE: The motion passed.

NEW PROGRAMS

RECOMMENDATION: The staff recommends that the council approve the Doctor of Philosophy in Applied and Industrial Mathematics proposed by the University of Louisville.

Dr. Applegate said that many jobs in the new economy require advanced mathematical skills that are needed for simulations and technology applications. A graduate program in Applied and Industrial Mathematics will be useful to numerous employers throughout the state.

MOTION: Ms. Bertelsman moved that the recommendation be approved. Mr. Baker seconded the motion.

VOTE: The motion passed.

RECOMMENDATION: The staff recommends that the council approve the Bachelor of Science in Computer Science proposed by Morehead State University.

Dr. Applegate said that the Office of the New Economy has reported to the presidents and to the Kentucky Innovation Commission that the state needs more graduates prepared to work in computer-related professions. This is especially true in eastern Kentucky, where Morehead proposes to address the general shortage of computer professionals and promote economic developments.

MOTION: Ms. Weinberg moved that the recommendation be approved. Mr. Barger seconded the motion.

VOTE: The motion passed.

RECOMMENDATION: The staff recommends that the council approve the Bachelor of Science in Nursing proposed by Kentucky State University.

Dr. Applegate said that there is a shortage of nurses, especially those with bachelor's degrees. Kentucky State proposes to serve a population of associate degree nurses who are ready to return to school for the BSN. The State Board of Nursing requires that nursing programs have an 85 percent pass rate on licensure examinations. Kentucky State is close to achieving that minimum level in its associate degree program and has filed a plan for continued improvement. The council staff will monitor the license examination pass rates for these programs.

MOTION: Mr. Greenberg moved that the recommendation be approved. Mr. Barger seconded the motion.

VOTE: The motion passed.

EISENHOWER HIGHER EDUCATION GRANT PROGRAM

RECOMMENDATION: The staff recommends that the council approve awarding federal Dwight D. Eisenhower Higher Education funds in the amount of \$954,412 for October 1, 2001-September 30, 2003, to support the 16 projects.

Through the Eisenhower grant program, the council makes awards for the professional development of public school teachers. The grants focus on mathematics and science but this year some awards were made for teaching reading.

MOTION: Mr. Greenberg moved that the recommendation be approved. Ms. Menendez seconded the motion.

VOTE: The motion passed.

KEY INDICATORS – R&D GOALS

RECOMMENDATION: The staff recommends that the council approve the 2002-06 research and development indicators and goals for the public universities.

Angela Martin said that the staff worked closely with the Office of the New Economy to ensure that the R&D indicators and goals for UK and UofL and those in the statewide strategic plan for the new economy are the same. For UK and UofL, the council staff proposes four indicators:

1. Extramural R&D expenditures (federal, state and local, industry, and other – as defined by the National Science Foundation)
2. Federal R&D expenditures (as defined by NSF)
3. Endowments in the five new economy research priority areas
4. R&D expenditures from endowments and gifts in the new economy research priority areas

The goals for indicators 1 and 2 were included in the agenda

book; goals for indicators 3 and 4 will be presented to the council in February 2002.

For the comprehensive universities, the R&D indicator is "extramural research and public service expenditures per full-time faculty." The goals negotiated with each institution were included in the agenda book.

Presidents Shumaker and Todd discussed the institutions' plans to reach the goals.

President Shumaker said that the continuation of the Bucks for Brains program and the continued availability of high-quality research space are essential to meet the goals.

President Todd said that it is important to continue to recruit new faculty and provide competitive research space.

Mr. Davies said that the goal of increasing research dollars from \$500 million in 2010 to \$1 billion in 2020 depends on Kentucky successfully getting one or two federal research facilities. He said that Kentucky is one of a few states without a facility.

President Todd said that the emphasis on the Washington, D.C., support is very important. Kentucky must have a physical presence in Washington to attract the federal dollars.

President Shumaker suggested that UK and UofL brief the council members on the various R&D transfer operations of the institutions.

MOTION: Mr. Barger moved that the recommendation be approved. Mr. Greenberg seconded the motion.

VOTE: The motion passed.

KY INNOVATION ACT

The Kentucky Innovation Act passed by the 2000 General Assembly appropriated \$500,000 to the council to create Regional Technology Corporations. The strategic plan being developed by the Office of the New Economy includes provisions for a similar set of organizations called Innovation and Commercialization Centers. Since Kentucky does not need both, the staff suggests that the council postpone issuing criteria for the RTC's until the 2002 General Assembly takes action on proposed revisions to House Bill 572, one of which will convert the RTC's into the ICC's.

The next meeting is February 4, 2002.

NEXT MEETING

The meeting adjourned at 10:35 a.m.

ADJOURNMENT

Gordon K. Davies
President

Phyllis L. Bailey
Secretary