

MINUTES
Council on Postsecondary Education
January 30, 2006

The Council on Postsecondary Education met January 30, 2006, at 10 a.m. at the Northern Kentucky University Metropolitan Education and Training Services (METS) Center for Corporate Learning in Erlanger, Kentucky. Chair Greenberg presided.

ROLL CALL

The following members attended: Walter Baker, Peggy Bertelsman, Kevin Canafax, Dan Flanagan, Ron Greenberg, Alois Moore, Ryan Quarles, Jim Skaggs, John Turner, and Mark Wattier. Bonita Black, Susan Guess, John Hall, Phyllis Maclin, Joan Taylor, and Gene Wilhoit did not attend.

REMARKS BY
NKU PRESIDENT

NKU President James Votruba welcomed the Council to the METS Center. He said that the Center was made possible by the Council in 2000. It is designed exclusively for corporate education and learning to support economic competitiveness.

Dan Tobergte, president and CEO of Northern Kentucky Tri-ED, and Gary L. Toebben, president of the Northern Kentucky Chamber of Commerce, joined President Votruba to share information about the northern Kentucky region. The region consists of nine Kentucky counties representing very different populations with 420,000 people with 22 percent growth since 1990. Fourteen percent of the total Kentucky economic output is generated in northern Kentucky and that number is growing rapidly. Between 1998 and 2003, northern Kentucky created 32 percent of Kentucky's new jobs with only 8.2 percent of the population. The challenge for the region is to sustain the same rate of job growth over the next 10 years (nearly 50,000 new jobs). The area has a heavy concentration on manufacturing, transportation, and wholesale trade companies and a growing concentration in finance, insurance, and real estate. In the future, the area's capacity to compete will focus on cultivating and nurturing the talent from the earlier years, recruiting talent, and retaining talent.

President Votruba said that in March 2005 the region began a year-long strategic planning process entitled *Vision 2015* involving over 100 people on a leadership team and five action teams that focused on how to position this region to be as competitive in the next 10 years as the last, particularly given the fact that the rules for competition are changing dramatically as the economy becomes knowledge-focused and globalized. The five action teams concentrated on economic competitiveness, educational excellence, urban renaissance, effective government, and livable communities. The report will be available soon and will contain several goals resulting from the process. President Votruba said that accomplishing these goals will require full funding of the university's 2006-08 budget request.

NEW CPE MEMBERS

Mr. Greenberg welcomed the two new Council members.

Bonita K. Black is an attorney with Frost Brown Todd, LCC, of Louisville. She has a bachelor of arts degree from the University of Kentucky and a juris doctorate from Harvard Law School. She also attended Oxford University, Exeter College. She was appointed to the Council in January and will continue to serve until December 31, 2011. She replaced Esther P. Jansing, whose term had expired.

Jim D. Skaggs is the president and owner of Jim Skaggs, Inc., a construction and property development firm in Bowling Green. Mr. Skaggs is a 1966 graduate of Western Kentucky University with a bachelor of science degree in business management. He also attended the University of Kentucky College of Engineering. Mr. Skaggs was appointed in January and will continue to serve until December 31, 2011. He replaced Charlie Owen, whose term had expired.

The new members will be sworn in after their appointments are confirmed by the General Assembly.

APPROVAL OF MINUTES

The minutes of the November Council meeting were approved as distributed.

TUITION POLICY

RECOMMENDATION: The staff recommends that the Council approve the tuition policy and parameters for establishing tuition and fees for the public institutions for 2006-08.

CPE President Tom Layzell said that prior to 2000 the Council tuition policy was fairly rigid in that tuition was set for each of the institutions and there was not a great deal of flexibility provided. In 2000, the Council deregulated not the authority but the tuition setting to the institutions and 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. If the Council disagreed with a rate, it had to veto the action of the governing board. The proposed tuition policy being considered by the Council says that tuition shall be established in such a manner that the combination of mandatory fees established by the institutions and the tuition charges do not exceed the maximum parameters unless expressly granted an exception by the Council. The Council will consider special circumstances on a case-by-case basis at tuition hearings to be held prior to final action by the Council in March/April prior to the beginning of each biennium.

During the next few weeks the Council staff will work with the institutions on minor revisions to the maximum parameters and will share the final document at the March 8 Executive Committee meeting.

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

VOTE: The motion passed.

2006-08
BUDGET
RECOMMENDATION

Mr. Greenberg asked the Council staff to send a letter to the members of the Kentucky General Assembly endorsing and urging full funding for the Council's 2006-08 budget recommendation. The letter should highlight successes achieved by past funding and state that achieving the goals of House Bill 1 are at risk if full funding is not achieved for the 2006-08 budget.

MOTION: Mr. Canafax moved that the recommendation be approved. Mr. Quarles seconded the motion.

VOTE: The motion passed.

OWEN REPORT

Charlie Owen, former Council member and former chair of the Council's Budget and Finance Policy Group, discussed his paper entitled "Building a Stronger, Smarter Budget for Higher Education in Kentucky." He prepared the paper in the hope that the Council will become better informed and more able to participate in the formulation of Kentucky's postsecondary education budget in the future. The paper includes a historical perspective from which to judge the financial policies currently in place at the Council. Mr. Owen suggested that UK and UofL economists, Merl Hackbart and Paul Coomes, be invited to join him for a detailed discussion with the Council about the postsecondary education budget and what is needed to meet the goals of House Bill 1. He asked that the document be included in the orientation materials for new Council members.

Mr. Greenberg thanked Mr. Owen for his work. He said that Mr. Owen has identified a number of policy issues on which the Council needs to focus, including business plans, enrollment goals, and remediation rates. Mr. Greenberg said that the Council identified five key policy initiatives earlier in the year and one of these initiatives was the review of the funding model. The Council will continue to address the five initiatives over the coming months to identify policy issues to be used to develop the model for postsecondary funding.

PERFORMANCE
FUNDING
COMPONENT

RECOMMENDATION: The staff recommends that the Council approve the performance funding component for implementation in 2007-08.

The performance funding component provides incentive funding related to five performance measures directly related to key goals of the Public Agenda. The budget recommendation approved by the Council in November 2005 included \$3.5 million for performance funding. Half of the funds would be distributed based on a comparison in performance between the Kentucky institutions and their benchmarks, and the other half based on improvement in performance on selected key indicator goals. If funds are appropriated by the 2006 General Assembly, funding will be awarded in FY 07-08 based on performance in FY 05-06 and FY 06-07. The staff will

continue to work with the institutions on the methodology for the awards and will share the final document at the March 8 Executive Committee meeting.

MOTION: Mr. Flanagan moved that the recommendation be approved.
Mr. Wattier seconded the motion.

VOTE: The motion passed with Mr. Baker voting no.

REPORT OF QUALITY
& ACCOUNTABILITY
POLICY GROUP –
TRUST FUND
GUIDELINES

Ms. Bertelsman reported that at its meeting earlier in the day the Quality and Accountability Policy Group discussed the draft trust fund guidelines. The workforce development/transfer program is a new initiative that seeks to encourage private support of public postsecondary workforce development and transfer initiatives, support degree completion and transfer of KCTCS students to Kentucky public and independent colleges, and bolster KCTCS workforce development and transfer programs in areas of strategic benefit to the Commonwealth. The policy group thought that the guidelines, which include a scholarship and an endowment component, seem in order. She said that KCTCS representatives spoke to the group and are in agreement with the guidelines. The Council will be asked to approve these at an upcoming meeting.

Regarding the regional stewardship program guidelines (which seek to promote regional and statewide economic development, livable communities, social inclusion, creative governance, and civic participation through public engagement activities initiated by comprehensive university faculty and staff), the policy group asked for a full statewide assessment of activities currently underway prior to any further funding being awarded to the institutions. Ms. Bertelsman said that the assessment may find pockets in the state that are underserved so the Council may wish to target the funds very specifically to meet the statewide mission. Ms. Bertelsman said that the Council staff will develop parameters for the assessment, and the policy group will look at the findings and then report on where the needs exist in the state.

ANALYSIS OF THE
2006-08 EXECUTIVE
BUDGET
RECOMMENDATION

An analysis of the 2006-08 Executive Budget recommendation was included in the agenda book. The Executive Budget recommended just under \$55 million in funding increases for operating and incentive funding for postsecondary education, approximately 25 percent of the Council recommendation. In addition, the Executive Budget includes General Fund debt service for \$260 million in state-funded projects and allows the institutions to fund with agency bonds another \$205 million in capital projects. Major components of the Executive Budget recommendation include:

- Benchmark funding - \$30 million (3 percent increase)
- Performance funding - \$1 million
- Adult education – \$3 million (13.6 percent increase)
- Research support (UK and UofL) - \$9 million
- Regional stewardship - \$3.6 million

Workforce/Transfer (KCTCS) - \$1.5 million

The Executive Budget also includes several special initiatives that would receive increased or new funding.

Mr. Greenberg said that the Council will continue to seek full funding of the Council's budget request approved in November since full funding is necessary to meet the goals of House Bill 1.

LEGISLATIVE RECEPTION

Mr. Baker said that the Council is co-hosting a reception celebrating postsecondary education in partnership with the presidents of Kentucky's colleges and universities and the Kentucky Inter-Alumni Council February 8 at the Thomas D. Clark Center for Kentucky History. Invited guests include Governor Fletcher, legislators and other policy leaders, student leaders, board chairs, and other friends and supporters of Kentucky postsecondary education. He said that this will be an opportunity to talk one-on-one with individual legislators about adequate funding for postsecondary education.

LEGISLATIVE UPDATE

A list of bills being considered by the 2006 General Assembly that relate to postsecondary education was included in the agenda book.

2004-05 ACCOUNTABILITY REPORT

Dr. Layzell said that the Council submits an annual accountability report to the Office of the Governor and the Legislative Research Commission. The purpose of the report is to inform policymakers and the public of systemwide and institution progress toward achieving the goals of House Bill 1 and the Public Agenda for adult and postsecondary education. The structure of this year's report was changed to provide a more concise analysis of year-to-year, comparative, and historical progress on key indicators of reform that originate from state needs as defined by the five questions of the Public Agenda and HB1. The 2004-05 accountability report includes an executive summary that provides a statewide snapshot of progress being made on the state's performance indicators and detailed data and analysis on the revised state and institution key indicators approved by the Council in 2005. Brief descriptions of various state and institution initiatives, broken down by key indicator, highlight efforts being made to move the Public Agenda forward. The last section of the accountability report is organized by the goals of HB1 and provides a summary of efforts undertaken by the Council and the institutions in the past year intended to improve the quality of life and economy of the Commonwealth.

Mr. Greenberg asked the Council staff to prepare a matrix of the 20 institutional key indicators to show a comparison with their benchmark institutions.

KENTUCKY STATE ASSESSMENT OF ADULT LITERACY

The initial reports on the 2003 National Assessment of Adult Literacy and the Kentucky State Assessment of Adult Literacy were released in December by the National Center of Education Statistics. While Kentucky's population compares favorably with the nation, the Commonwealth still has great challenges ahead to meet the goal of 800,000 Kentuckians with bachelor's

degrees by 2020. Kentucky's comprehensive report, which will be the only one in the nation to include county-level information, is expected to be released in spring 2006.

Ms. Bertelsman asked if additional indicators are needed to track the progress of students who have taken remedial education courses to show if they are successful through the system, from second to third year, and so on.

MANDATORY PLACEMENT REPORT

Dr. Jim Applegate, the Council's vice president for academic affairs, presented results from *Underprepared Students in Kentucky: A First Look at the 2001 Mandatory Placement Policy*. The report found that 54 percent of students entering a Kentucky college or university in 2001 were underprepared in mathematics, reading, or English. Dr. Applegate noted that some institutions have made substantial changes in their remediation policies since the academic year covered in this report. He said that student preparation has implications for degree production since underprepared students are twice as likely to drop out of postsecondary education as prepared students. The Council staff is using the release of this report as an opportunity to re-engage education partners in a conversation about meeting the needs of students who enter college underprepared for college-level work. The full report with data specific to each institution is available on the Council's Web site.

Related to preparation of students, Dr. Applegate said that in a few weeks the Council will release the High School Feedback Report which will provide information about graduates of every high school in Kentucky – the number of high school graduates who go to college, the number who need to be remediated, and the number of students who are retained to the second year of postsecondary study. The results will be shared with superintendents, principals, chambers of commerce, and local P-16 councils. The staff hopes to start conversations with community business, education, and political leaders about the success of their high school graduates.

Dr. Applegate also said that the Kentucky Board of Education is expected to act in February to require a more single rigorous curriculum for all high school graduates. He said that often students who do not plan to attend college do not take the rigorous courses and are unprepared if they do go on to college after high school graduation.

P-16 COUNCIL GEAR UP KENTUCKY UPDATE

An update on P-16 Council activities was included in the agenda book. Fifty-two Kentucky schools will participate in the new GEAR UP state grant. The U.S. Department of Education approved funding to the Council for the new GEAR UP state award in September 2005. The Council will receive \$21 million over the next six years to provide college awareness and preparation activities for middle school students. GEAR UP partners across the state will provide \$21 million in matching funds for a total program support of \$42 million. A map showing the location of the participating schools and a report showing the successes of the 2000-05 grant were included in the agenda book.

REPORT FROM
EDUCATION
COMMISSIONER

A written report of the activities of the Kentucky Board of Education was included in the agenda book.

ACADEMIC
PROGRAM
PRODUCTIVITY
REVIEW

RECOMMENDATION: The staff recommends that the Council amend the Guidelines for Review of Academic Program Productivity to specify a four-year review cycle with an interim productivity consultation.

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

VOTE: The motion passed.

ENROLLMENTS &
COMPLETIONS

A report on fall 2005 enrollments and 2004-05 degree completions was included in the agenda book. Enrollment data indicates that Kentucky's public colleges and universities reached a record high 203,741 students, an overall increase of 1.5 percent over fall 2004 including a growth of 2.1 percent for undergraduates and a 2.8 percent decline of graduate enrollments. During 2004-05, a record number 13,554 baccalaureate degrees were awarded by the public universities, a 3.2 percent increase over the number awarded during the 2003-04 academic year.

2020
EDUCATIONAL
ATTAINMENT
PROJECTIONS

Information was provided on the challenge of meeting the educational goal outlined in HB1 and the steps to be worked on concurrently in order to narrow the educational gap in Kentucky and move Kentucky closer to the national level of adults with bachelor's degrees or higher by the year 2020. Dr. Layzell said that the staff will work with the institutions to develop programmatic and financial plans for accomplishing the 2020 projections.

Mr. Greenberg suggested that the 2020 educational attainment projections be discussed at the next meeting of the Strategic Committee on Postsecondary Education since meeting this goal will require significant additional resources for the institutions.

CENTER FOR
MATHEMATICS

RECOMMENDATION: The staff recommends that the Council award the contract for the Center for Mathematics to Northern Kentucky University. The staff also recommends that the Council authorize the Council staff to work with Northern Kentucky University and the University of Louisville to develop a collaborative effort to design the intervention and diagnostic functions of the center in the primary grades and to conduct research on the effectiveness of the center's programs.

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

VOTE: The motion passed.

IMPROVING
EDUCATOR QUALITY

RECOMMENDATION: The staff recommends that the Council award federal *No Child Left Behind*, Title II, Part A, funds in the amount of

STATE GRANT
PROGRAM

\$1,140,000 for March 1, 2006 – June 30, 2007, to support eight projects:

- Investigating Non-Point Source Pollution [Murray State University] - \$140,000
- Spanish Immersion and Mentoring [Murray State University] - \$143,000
- Opening Doors to New Worlds: Certifying World Language Teachers for Kentucky [Northern Kentucky University] - \$143,000
- Developing and Assessing Communicative Competence in the World Language Classroom [University of Kentucky] - \$143,000
- Team Development for Instructional Leadership in Restructuring Secondary Schools [University of Kentucky] - \$143,000
- Making Geometry Accessible [University of Kentucky, Appalachian Rural Systemic Initiative] - \$143,000
- Improving Student Learning and Teachers' Content Knowledge in Middle School Math [University of Louisville] - \$142,000
- Improving Student World Language Performance: Using Assessment as the Guiding Force in Standards-Based Instruction [Western Kentucky University] - \$143,000

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

VOTE: The motion passed.

CEO REPORT

The report of the Committee on Equal Opportunities was included in the agenda book. The Office of Civil Rights has agreed to amend the partnership agreement to support a request by Kentucky State University to construct new student housing rather than renovate Young Hall dormitory.

CAPITAL
PROJECTS

RECOMMENDATION: The staff recommends that the Council approve the University of Kentucky request to replace/relocate the WUKY PBS antenna and transmitter to a new site with \$863,040 of federal, private, and institutional funds.

RECOMMENDATION: The staff recommends that the Council approve the University of Kentucky request to enter into a lease with e-Cavern, LLC, as specified by the Department of the Treasury to conduct a research project related to secure, remote, financial transaction back-up storage systems with \$729,140 of federal funds.

MOTION: Mr. Baker moved that the two projects be approved. Mr. Quarles seconded the motion.

VOTE: The motion passed.

The University of Kentucky has entered into an emergency lease with Sterlington Road, LLC, to expand an existing lease to provide an additional 34,563 square feet of space to house hospital employees while construction

proceeds on the new hospital bed tower. The lease expansion will include renovation and the fit-up of 11,521 square feet at an estimated cost of \$345,630 and an annual lease rate of \$19.93 per square foot or an annual lease cost of \$794,192. Because the university has declared an emergency, creating an alternative path to implementation, the lease expansion is reportable to CPE with no other action required.

STATEWIDE
FACILITIES
CONDITION
ASSESSMENT
STATUS REPORT

In November 2005 the Council issued a request for proposals to conduct a statewide facilities condition assessment. Six proposals were received. A single contract will be issued by the Council, on behalf of the institutions, to conduct the assessment. The cost of the project is to be shared among the institutions on the basis of square footage evaluated by the vendor. The selected vendor will complete the review between February and October 2006 and will visit each campus to evaluate facilities.

TRUST FUND
GUIDELINES

Dr. Layzell said that the Council will continue to discuss the draft trust fund guidelines.

RESEARCH, ECON
DEV, & COMM
POLICY GROUP

Mr. Flanagan reported on the work of the Research, Economic Development, and Commercialization Policy Group. The group is reviewing the draft trust fund guidelines and the Council's priority initiatives.

AGENCY AUDIT

RECOMMENDATION: The staff recommends that the Council accept the 2004-05 agency audit as submitted by the firm of Moore, Stephens, Potter, LLP.

Mr. Greenberg said that the Council received an unqualified audit. The Executive Committee received a draft of the financial statements and independent auditor's report and reviewed these documents with representatives of the audit firm and the Council staff via a September 30 conference call. The audit report contains no reportable conditions or material weakness related to internal control over financial reporting or major federal programs. The audit report notes one instance of material noncompliance related to financial statements. This involves an overpayment on the memorandum of agreement between UK and the Council for the Kentucky Postsecondary Education Network program. The Council staff has taken corrective action and a refund has been received. The audit report disclosed one finding related to major federal programs. This involved the failure of local Kentucky Adult Education subgrantees to submit copies of their fiscal year audits to Council staff in accordance with federal regulations and their contract. The Council staff has taken appropriate corrective action. The Council staff has acted upon the suggestions involving monitoring of funds, and information will be presented at an upcoming Council meeting.

MOTION: Mr. Turner moved that the audit be accepted. Ms. Bertelsman seconded the motion.

VOTE: The motion passed.

COMMITTEE
ASSIGNMENTS

Mr. Greenberg appointed an audit subcommittee to review the monitoring and accountability system for the Council's pass-through programs. The members are Ms. Bertelsman (chair), Mr. Flanagan, Ms. Moore, Mr. Skaggs, and Mr. Wattier.

Mr. Greenberg asked Mr. Wattier to chair the Quality and Accountability Policy Group and Mr. Flanagan to chair the Budget and Finance Policy Group.

Mr. Greenberg appointed Mr. Baker and Mr. Turner to serve with him on the presidential evaluation committee to coordinate the annual evaluation of the Council president. Mr. Greenberg will chair the group.

NOMINATING
COMMITTEE

MOTION: On behalf of the nominating committee, Mr. Baker moved that Mr. Greenberg serve as Council chair and Mr. Turner as Council vice chair from February 1, 2006, through January 31, 2007. Ms. Bertelsman seconded the motion.

VOTE: The motion passed.

STUDENT RALLY

Mr. Quarles announced that the Board of Student Body Presidents will host a rally celebrating postsecondary education March 8 at 12:30 p.m. at the Capitol Building in Frankfort. He invited the Council members and the presidents to attend.

ADJOURNMENT

The meeting adjourned at 12:05 p.m.

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CPE
STUDY SESSION

The Council on Postsecondary Education held a study session Sunday, January 29, 2006, at 3 p.m. at Fidelity Investments in Covington, Kentucky. Chair Greenberg presided.

The following members attended: Walter Baker, Peggy Bertelsman, Kevin Canafax, Dan Flanagan, Ronald Greenberg, Alois Moore, Ryan Quarles, Jim Skaggs, John Turner, and Mark Wattier. Bonita Black, Susan Guess, John Hall, Phyllis Maclin, Joan Taylor, and Gene Wilhoit did not attend.

Allen Norvell with the auditing firm of Moore, Stephens, Potter, LLP, met with the Council to discuss the findings of the 2004-05 agency audit.

Other agenda items discussed included the performance funding component, tuition policy, legislative issues, and the document prepared by Charlie Owen.

No action was taken.

Following the study session, the Council members joined other invited guests for a reception and dinner hosted by Kevin Canafax.

Thomas D. Layzell
President

Phyllis L. Bailey
Senior Associate, Executive Relations