



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

MEETING AGENDA

Council on Postsecondary Education
Executive Committee

November 27, 2006
Frankfort, Kentucky



Monday, November 27, 2006

12:30 p.m. (ET) Executive Committee meeting
CPE Meeting Room A

Executive Committee

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

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Executive Committee

November 27, 2006

12:30 p.m. (ET)
CPE Meeting Room A
Frankfort, Kentucky

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MINUTES
Council on Postsecondary Education
Executive Committee
March 8, 2006

The Executive Committee of the Council on Postsecondary Education met Wednesday, March 8, 2006, at 9 a.m. (ET) at the Council offices in Frankfort. Chair Greenberg presided.

ROLL CALL

All of the Executive Committee members were present: Peggy Bertelsman, Ron Greenberg, Joan Taylor, John Turner, and Mark Wattier. Other Council members who attended: Walter Baker, Dan Flanagan, Ryan Quarles, and Jim Skaggs. Alois Moore participated by telephone.

**APPROVAL OF
MINUTES**

The minutes of the January 12, 2006, Executive Committee meeting were approved as distributed.

**2006-08 HOUSE
BUDGET
RECOMMENDATION**

CPE President Tom Layzell summarized the 2006-08 House budget recommendation as compared to the Governor's budget.

Reductions to the Governor's budget include \$1 million to the Council's agency operations, \$639,900 for contract spaces, \$150,000 for the college level learning assessment, \$267,000 for the college access initiative, \$250,000 for academic innovation and collaboration, \$150,000 for collaborative public health initiatives, \$125,000 for the P-16 pipeline, and \$1 million for the principal leadership institute.

Increases to the Governor's Budget:

- Information technology bond issue authorization and debt service for \$10 million bond issue (supports the joint budget proposal with KDE and EPSB).
- Legislative scholarship program (\$4 million beginning in FY 2007).
- Rural retention and affordability trust fund (\$10 million in FY 2008) (funding flows through CPE to ECU, MoSU, and six KCTCS colleges).
- \$10 million in benchmark funding (FY 2008).
- \$23 million for institutional business plans (KSU, MuSU, NKU, UK, UofL, and WKU).
- Increase in recurring funds in FY 2008 for regional stewardship of \$1.2 million.
- Various earmarked appropriations to selected institutions.

For the capital budget, the House budget provides \$503.6 million in state bonds compared to \$507.1 million recommended by the Council and provides one-half year of debt service in the amount of \$23.9 million for 36 projects compared to \$55.6 million recommended by the Council for full-year debt service for 22 projects. Six of the 22 projects recommended by the Council are not included in the House budget, and 14 of the 36 projects recommended by the House were not recommended by the Council.

Dr. Layzell said that the budget was passed March 7 by the House and now moves to the Senate. The budget will be discussed in conference at the end of the session.

2006-08 TUITION POLICY

At the January 30 meeting, the Council approved the tuition policy to include the tuition and required fee rates for each institution. The policy aligns tuition setting with state appropriations and sets parameters for maximum tuition based upon the amount of state appropriations institutions receive. Pursuant to Council recommendations at the January meeting, the staff worked with the institutions to make minor revisions to the maximum parameters in order to address several concerns. Changes included a four-tiered approach rather than the original two-tiered approach, a slight increase in KCTCS' maximum parameters, and the addition of the definition of mandatory fee.

To accommodate the meeting schedules of the institutional governing boards, the Council will hold two meetings to consider the institutions' tuition and fee proposals. The March 24 meeting will consider tuition rates for the University of Kentucky, KCTCS, and Morehead State University. The April 5 meeting will consider proposals from the remaining institutions.

Dr. Layzell said that the Council will act March 24 and April 5 on 2006-07 tuition only. The tuition for 2007-08 will be acted on later in the year. The Council will consider exceptions on a case-by-case basis. He suggested that all exceptions be considered at the April 5 meeting.

Ryan Quarles recognized the student body presidents attending the meeting and asked them to comment on the tuition policy.

Jason Marion, chair of the Kentucky Board of Student Body Presidents and student body president at Morehead State University, said students at his campus understand that increasing tuition is necessary to maintain quality. Citing rising energy costs and the need to retain quality faculty and staff, he noted that students do not want their tuition to go up but at the same time they also understand

that for them to have a valuable degree they will need to pay more. Mr. Marion added that Morehead students are concerned about the declining quality of residence halls and the quality of life for on-campus students. On-campus residency is declining along with full-time enrollment. Since the tuition policy is based on full-time enrollment, this is a critical issue.

Bill Brammel, UofL student body president, said that he appreciates the tuition guidelines and thinks that the policy will add stability to the system. Students are confident that UofL's administration will do whatever is in its power to keep tuition as low as possible without sacrificing the quality of higher education and the quality of the campus. Students understand that the cost of education goes up but are saddened by the fact that the increased cost needs to be picked up by the students since the General Assembly is not giving more funding to higher education. He said he is concerned about future postsecondary education students and hopes that Kentucky education can remain affordable.

Katie Dawson, student body president at Western Kentucky University, expressed concern with educational quality issues in regards to a proposed student fee and the projects it will support at WKU. She said that the students involved in student government must explain to the students how this small fee could help prevent future students from having to pay a larger fee or a bigger increase in tuition. The students must realize that if they want a quality education not only are they going to have to pay more tuition, but they also might be asked to pay a student fee.

Leonard Clemons, vice chair of the Board of Student Body Presidents and student body president at Kentucky State University, said that he is glad to have the Council tuition policy but is hoping for more state appropriations. Students know that tuition must be increased but have concerns about how much, in what manner of time, and whether financial aid will be adjusted appropriately with the tuition increases. He also is concerned about the ability of adult education students to pay rising tuition costs.

Mr. Marion said that the Board of Student Body Presidents is hosting a rally at 12:30 p.m. Students are celebrating postsecondary education and want to send a message to the members of the General Assembly that students support their initiatives to improve higher education, are appreciative of the \$45 million postsecondary education received last year, endorse any budget that is favorable for higher education, want the institutions to have bonding authority to improve auxiliary services from hospitals to residence halls, and understand that it takes baccalaureate degrees to attract businesses to the state. He said that the rally theme is "unbridled potential –

keep education affordable.” He said that postsecondary education needs to be affordable but also of high quality.

Mr. Quarles said that there exists a delicate balance between the quality of education, affordability, and the revenue required by institutions to reach 2020 goals. Those students who do have understanding of the complexities of funding of universities and KCTCS know that increases are sometimes necessary for growth, but the students are glad to see that CPE has implemented a tuition policy that helps guide the process for tuition changes.

FUNDING POLICY DEVELOPMENT

The staff shared a draft listing of policy issues for guiding the development of the funding policy. The Council staff will work with the institutions and representatives from the Kentucky Department of Education and the Cabinet for Economic Development to develop programmatic and financial plans for accomplishing the 2020 projections.

Mr. Greenberg said that the draft grew out of the Council’s five key policy initiatives. He asked the Council members and the presidents to review the list to determine if these are the correct key policy issues. He said that the list of elements should be finalized by the end of March so that the issues can be addressed over the next few months. This process should be concluded by the end of October so that the answers to these policy questions can be used to develop the funding mechanism in November and December.

Ms. Bertelsman asked if data is available on regions or counties of the state that are in need of baccalaureate graduates and whether sufficient jobs are available for baccalaureate graduates.

Dr. Layzell said that according to 2000 census data only five of the 120 Kentucky counties exceed the national average in baccalaureate degree holders. The staff is working to identify by county the number of people who have some postsecondary education.

Mr. Greenberg suggested that the staff of the Cabinet for Economic Development be asked to identify areas of the state that need trained professionals.

PERFORMANCE FUNDING COMPONENT

Based upon feedback from the Council and institutional representatives since the January 30 Council meeting, the Council staff made two modifications to the performance funding methodology. A two-year average is now used for performance calculations and the year used to calculate FTE for the productivity ratio is now lagged by four years for four-year institutions and two years for KCTCS.

STATEWIDE
FACILITIES
CONDITION
ASSESSMENT

The Council staff is negotiating a contract with the vendor identified to conduct the statewide facilities condition assessment. The study will assist postsecondary institutions to better communicate the need for the investment in infrastructure that is required to reach the goals of HB 1 and the Public Agenda. It is expected that the review will take place between March and October 2006.

STATEWIDE
DIVERSITY STUDY

The Committee on Equal Opportunities, in conjunction with the public universities, will conduct an environmental scan (diversity study) to determine state interest to engage in diversity planning. The staff will soon issue a RFP for the selection of the vendor. The vendor should be selected by July. The study is expected to be completed and a final report available by June 2007.

ADJOURNMENT

The meeting adjourned at 10:30 a.m.

Thomas D. Layzell
President

Phyllis L. Bailey
Senior Associate, Executive Relations

MINUTES
Council on Postsecondary Education
Executive Committee and Audit Subcommittee
September 28, 2006

The Executive Committee and the Audit Subcommittee of the Council on Postsecondary Education met by conference call September 28, 2006, at 1 p.m. (ET).

ROLL CALL

The following members participated: Peggy Bertelsman, Dan Flanagan, Ron Greenberg, Jim Skaggs, Joan Taylor, John Turner, and Mark Wattier.

Others participating: Council staff members Tom Layzell, Sandy Woodley, Dennis Taulbee, Sarah Hawker, Reecie Stagnolia, Diann Donaldson, Ed Sergent, Terry Pruitt, and Phyllis Bailey. Allen Norvell with the accounting firm of Moore, Stephens, Potter, LLP, also joined the conference call.

2005-06
AGENCY AUDIT

The purpose of the meeting was to review the financial audit of the Council's programs for fiscal year 2005-06. The audit was conducted by the accounting firm of Moore, Stephens, Potter, LLP.

Mr. Norvell said that the report indicates no findings of noncompliance.

He stated that during the process the auditors became aware of a few matters that are opportunities for strengthening internal controls and operating efficiency. Mr. Norvell added that it is customary for auditors to offer comments and suggestions, not only with state agencies but also for-profit and nonprofit organizations. The Memorandum of Comments and Suggestions shared with the committee members outlined these areas:

- (1) Cancer Research Institutions Matching Fund – The 2005 General Assembly raised the cigarette tax from three cents to 30 cents per pack and dedicated one cent of the cigarette tax to finance the matching fund, with half designated to the University of Kentucky and half to the University of Louisville. In order to receive the funds, the two institutions must provide dollar-for-dollar matching funds from external sources, i.e., contributions that originate outside the university and its affiliated corporations. The auditors observed that the Council staff had taken a random sample of checks totaling \$85,000 to verify that UK's matching funds met the statutory requirement. (UofL met all of its matching requirement from one source – the Brown Cancer Research Center.) The auditors suggested that in the future the Council staff either use a larger number of documents or set a dollar threshold for verifying supporting documentation. The Council staff agreed with the suggestion and is in the process of amending the MOA between the Council and each of the two institutions that specifies compliance standards for verifying the match requirements have been met.

Mr. Greenberg asked if the suggestion was to increase the sample size in the future. Mr. Norvell answered yes.

(2) Monitoring of Council Programs – In last year’s financial audit, the auditors suggested that the Council staff improve the extent to which it monitors programs funded through the Council. While reviewing the status of the prior year’s audit, the auditors recognized that the Council staff had made significant improvements in the monitoring process, but suggested that additional procedures could be implemented to ensure all programs are monitored properly. Since last year’s audit, two primary actions have been taken to address the concerns raised: (1) The Council staff has developed a committee to perform a comprehensive review of all pass-through programs to determine whether appropriate performance standards are in place, what those standards should be, and what the proper role of the Council is in assessing the performance of legislatively mandated programs. (2) An associate was hired in the Council’s administrative services unit who created a database for listing and tracking contractual agreements with program providers to ensure compliance with the agreement.

Mr. Greenberg asked if the monitoring of the pass-through programs is still inadequate. Mr. Norvell responded that the process is now adequate.

Mr. Norvell thanked the Council for the opportunity to serve as auditor and thanked the Council staff for their assistance during the audit.

The agency audit will be considered by the Council at its November 6 meeting. Mr. Norvell will attend the meeting to answer questions.

ADJOURNMENT

The meeting adjourned at 1:15 p.m.

Thomas D. Layzell
President

Phyllis L. Bailey
Senior Associate, Executive Relations

**Council on Postsecondary Education
Executive Committee Meeting
November 27, 2006**

Tuition and Fee Policies and Parameters for 2007-08

The Council approved a tuition policy in January 2006 and tuition and fees were established accordingly for 2006-07. This agenda item establishes parameters and policies related to tuition and fees for 2007-08.

ACTION: The staff recommends that the Council's Executive Committee approve a revised tuition policy and establish maximum parameters related to undergraduate resident and nonresident tuition and mandatory fees for 2007-08.

Background:

In January 2006, the Council approved a tuition policy to balance the need for additional revenue for the institutions with the desire to maintain affordability for current and potential students. The Budget and Finance Policy Group has considered several policy changes related to nonresident students and reciprocity agreements. In addition, maximum parameters must be established prior to institutional tuition presentations planned in January and March for 2007-08 tuition and mandatory fees.

Summary of Recommended Actions:

- A. Revise the tuition policy to add a policy statement and objectives for nonresident students (Attachment A).
- B. Revise the tuition policy to add a policy statement and objectives for reciprocity agreements, discontinue strike price and balance provisions in future reciprocity agreements, and extend future agreements to six years (Attachment A).
- C. Establish 2007-08 maximum parameters for undergraduate tuition and mandatory fees and extend Council approved 2006-07 exceptions regarding nonresident tuition for targeted groups of students to 2007-08 (Attachment B).

(A) Policy for Nonresident Students

In fall 2005, total enrollment was just over 202,000 with about 27,000, or 13 percent nonresident students enrolled at Kentucky's public institutions. Of the 27,000 nonresident students, approximately 78 percent were undergraduate students. Based on the 2020 projections, Kentucky will need to double the number of people in the state with at least a bachelor's degree. The data suggests that in order for Kentucky to be successful in reaching the educational attainment goals set forth in House Bill 1, it will be necessary for the Commonwealth to import some of the intellectual capital from outside the state.

Nonresident Student Policy Statement: *Recruiting and retaining nonresident students increases the intellectual capital of the Commonwealth and its educational and social diversity. Council policy requires that nonresident students pay a greater share of their educational costs than resident students. Nonresident students are an important component of Council and institutional efforts to achieve House Bill 1 goals and are important to the economic development of the Commonwealth.*

(B) Reciprocity Agreements

Current reciprocity agreements include Illinois, Indiana, Ohio, Tennessee, and West Virginia. The policy objective behind the agreements is to provide low-cost access for Kentucky students near the borders to institutions in participating states by providing the same arrangement to students in participating states. Generally, Kentucky agrees to charge its students in-state rates in return for them charging Kentucky students in-state rates. If the agreements were not in place, both sets of students on the borders would be required to pay the respective nonresident rates, which can be as high as three times the resident rate. In 2004, there were approximately 4,000 full-time equivalent students from participating agreement states who attended Kentucky institutions, or about 2.7 percent of total FTE in the system. Approximately 3,000 Kentucky students attended institutions in participating states.

Tuition Reciprocity Policy Statement: *The Council on Postsecondary Education affirms its commitment to providing low-cost access to Kentucky students on the borders by negotiating reciprocity agreements with bordering states.*

The policy objectives of reciprocity agreements are as follows:

- **Low-Cost Access:** Increase low-cost access to students who live near bordering states by avoiding the requirement that they pay nonresident rates, which can significantly exceed resident tuition charges.
- **Statewide Benefit:** Maintain agreements such that statewide benefit to Kentucky students is maximized.
- **Stability:** Extend agreements a sufficient length of time to provide certainty and stability to students in Kentucky who benefit from the agreements.

Discontinue the following provisions that were added to the reciprocity agreements in 2004.

- *Balance Provision:* This provision requires an automatic moratorium on new students if a statewide agreement lacks a balance of the number of students participating or financial benefit.
- *Strike Price:* This provision requires that students pay Kentucky's resident rate or the participating institutions' resident rate, whichever is higher.

Rationale: These two provisions were added for the first time two years ago but, after reviewing the effectiveness and necessity of each provision, it is recommended that both be discontinued in future agreements. The determination of whether an agreement is continued is best made on a case-by-case basis and should consider many factors, balance being only one of them. Institutional representatives expressed concern about the

disruption caused by an automatic moratorium and the fact that factors other than balance should be considered, such as statewide benefit and nonresident recruitment efforts related to the Public Agenda. Similarly, the "strike price" provision was added so that students in participating states with much higher tuition charges would not get a much lower price than they would receive in their own state. Institutional representatives expressed concern that the provision was confusing and difficult to implement. Analysis also suggests that tuition charges among the states are beginning to become more similar, rendering the provision unnecessary.

Extend the length of the agreements from four years to six years.

Rationale: The agreements have historically been four years in length except for the most current ones, which were only extended for two years due to the need to conduct additional analyses related to policy concerns. One of the policy objectives for the agreements is stability. The staff recommends six years rather than four years to ensure the certainty of the agreements during the length of time commonly used in national standards for measuring graduation performance in recognition that most students need more than four years to complete their degree.

(C) Tuition and Mandatory Fees 2007-08

Consistent with the revised tuition policy in Attachment A, the Council staff recommends that 2007-08 tuition and mandatory fees not exceed the amounts established in Attachment B for undergraduate resident students.

In addition, staff recommends that the Council continue the current 2006-07 policy of requiring nonresident students to pay 1.75 times the tuition and fee charges of resident students net of scholarships or discounts and extend the Council approved 2006-07 exceptions into 2007-08.

The institutions will be required, as last year, to submit a detailed proposal for tuition and fees during tuition hearings in January. The Council is expected to take final action on 2007-08 tuition and required fees in January or March. In addition, the institutions will be requested to provide detailed information regarding institutional financial aid programs, especially financial aid designated for independent adult students and low-income students.

Staff preparation by Sandra Woodley

Council on Postsecondary Education
Tuition Policy
2006-08

Policy Objective:

To maintain a systematic approach for establishing parameters regarding tuition and mandatory fees for postsecondary education in order to balance the need to ensure that higher education remains affordable for Kentucky's citizens with the need to provide sufficient revenue for the goal attainment of the Public Agenda.

Policy Principles:

- **(Access)** – College education in Kentucky should be accessible and affordable for all qualified Kentuckians.
- **(Adequacy)** – Tuition policy decisions should provide adequate total public funding levels necessary for institutions to meet the objectives of the Public Agenda.
- **(Aid)** – Tuition and student financial aid policies should be coordinated effectively to ensure sufficient financial aid for students with financial need.
- **(Alignment)** – The following three policies should be aligned with each other and the Public Agenda: (1) General Fund appropriations, (2) financial aid, and (3) the establishment of tuition and required fees at the institutions.

Tuition and Mandatory Fees

The institutions' tuition shall be established in such a manner that the combination of mandatory fees (established by the institutions) and tuition charges do not exceed the maximum parameters unless expressly granted an exception by the Council.

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

- Market factors
 - Tuition and fee rates compared to benchmarks
 - Tuition and fee revenue levels relative to total funds compared to benchmarks
- **Maximum Parameters for 2006-08**
 - The Council staff completed several detailed analyses in order to establish the parameters. Some of the major policy issues related to the analysis that were used in the parameters are as follows:
 - **Affordability study** - The national research firm that completed the affordability study found that for most enrolled students, Kentucky remains affordable. The affordability data was used to develop an affordability measure that will be used to monitor affordability over time. This affordability measure will be used to determine modifications in the general parameters in the future.
 - **Median Family Income** - Median Family Income is used as an anchor for the maximum parameters. Median Family Income was chosen because it is the standard measure used by most national studies on affordability including *Measuring Up*. The establishment of the parameters relative to Median Family Income was based on an analysis of total cost, all forms of financial aid, and net price. In this way the Council is able to balance affordability for Kentuckians as well as factoring in more detailed analyses of net price.
 - **Market factors and the benchmarks** - The Council staff has analyzed revenue levels relative to total funds and tuition and fee levels of the benchmarks in comparison to the Kentucky institutions. These data were used in the development of the maximum parameters. The economics of the market is an important factor in tuition policy development. The policy seeks to balance the need for affordable prices for Kentuckians and the need to provide sufficient revenue to reach the goals of the Public Agenda.

The basic structure for establishing tuition and fee rates for resident undergraduate students is: (a) the establishment of maximum rates for each institution and (b) the establishment of a process for requesting exceptions to the maximum parameters on the basis of special circumstances.

- **Nonresident Undergraduate Tuition and Fees**
Undergraduate nonresident students must be charged, net of scholarships or discounts, tuition and fees that are at least 1.75 times higher than resident tuition and fees for undergraduate resident students.

Nonresident Student Policy Statement: *Recruiting and retaining nonresident students increases the intellectual capital of the Commonwealth and its educational and social diversity. Council policy requires that nonresident students pay a greater share of their educational costs than resident students. Nonresident students are an important component of Council and institutional efforts to achieve House Bill 1 goals and are important to the economic development of the Commonwealth.*

- **Graduate and Professional Tuition and Fees** -The institutions will submit a proposal detailing tuition and fee rates for graduate and professional programs. The proposed tuition and fee rates will consider students' ability to pay as well as market factors.
- **Reciprocity Agreements**

Tuition Reciprocity Policy Statement: *The Council on Postsecondary Education affirms its commitment to providing low-cost access to Kentucky students on the borders by negotiating reciprocity agreements with bordering states.*

The policy objectives of reciprocity agreements are as follows:

- **Low-Cost Access:** *Increase low-cost access to students who live near bordering states by avoiding the requirement that they pay nonresident rates, which can significantly exceed resident tuition charges.*
- **Statewide Benefit:** *Maintain agreements such that statewide benefit to Kentucky students is maximized.*
- **Stability:** *Extend agreements a sufficient length of time to provide certainty and stability to students in Kentucky who benefit from the agreements.*

Special Circumstances -The Council will consider special circumstances on a case-by-case basis at the tuition hearings to be held prior to final action by the Council. Examples of special circumstances include special program fees, higher tuitions related to high demand programs, or unique market factors related to specific programs.

2007-08 Maximum Tuition and Mandatory Fee Parameters

Institution	Tuition & Fees 2007	Tuition and Fees as % of State Median Family Income \$48,168	2007-08 Maximum Parameters			
			Maximum Nominal Tuition & Mand. Fees	Max Tuition and Fees as % of MFI 2008 \$49,420	% Change at Max	\$ Change at Max
Research Institutions						
UK (Average Lower and Upper)	\$6,604	13.7%	\$7,198	14.6%	9.0%	\$594
UofL	6,252	13.0%	7,002	14.2%	12.0%	750
SECTOR AVERAGE	6,428	13.3%	7,100	14.4%	10.5%	672
Comprehensive Institutions						
EKU	5,192	10.8%	5,685	11.5%	9.5%	493
KSU	4,950	10.0%	5,420	11.0%	9.5%	470
MoSU	4,870	10.1%	5,333	10.8%	9.5%	463
MuSU	4,998	10.4%	5,473	11.1%	9.5%	475
NKU	5,448	11.3%	5,966	12.1%	9.5%	518
WKU	5,860	12.2%	6,417	13.0%	9.5%	557
SECTOR AVERAGE	5,220	10.8%	5,716	11.6%	9.5%	496
Two-Year Institutions						
KCTCS	3,270	6.8%	3,570	7.2%	9.2%	300
KCTCS (Per Credit Hour)	109		119			10