

Memo of Record
Postsecondary Education Working Group
November 2, 2016

The Postsecondary Education Working Group met Wednesday, November 2, at 10:00 am ET, at the Kentucky Chamber of Commerce headquarters in Frankfort, Kentucky. Chair Gary Ransdell presided.

WELCOME Chair Ransdell called the meeting to order and welcomed everyone.

ROLL CALL The following members were present: Michael Benson, Jay Box, Eli Capilouto, John Chilton, Robert Davies, David Givens, Robert King, Andrew McNeill, Aaron Thompson, Wayne Andrews, Neville Pinto, Gary Ransdell, and Arnold Simpson. Geoffrey Mearns was represented by Sue Hodges Moore.

OPENING REMARKS Chair Ransdell began by complimenting Council on Postsecondary Education president Robert King and vice president Bill Payne for their work going into this process and their work since the September 7, 2016, meeting. The decision was made to forego the October meeting to allow CPE staff to meet individually with each campus to identify a proposed comprehensive model and to identify key points suggested by the institutions. The proposed model is based on presentations given by Dr. Eli Capilouto and Mr. Geoffrey Mearns at the September 7 meeting, and this model tries to accommodate most concerns from presidents at the various public institutions. The shared hope is to achieve consensus, if not full unanimity, on a funding model that can transition into bill language. There is no perfect model that will meet all needs of every campus but this working group can come together to support a proposal either enthusiastically or begrudgingly to allow this work to transition into bill language. With the support of Senator Givens and Representative Simpson along with the support of the Governor's office, consensus is needed to get to the point that when the General Assembly convenes in January, this process can be put into statute. The intent is to come out of today's meeting and let legislators do their work on bill language and determine the best chamber to begin that process. All working group members have input into the bill language. Chair Ransdell thanked the working group members for meeting with the Council on Postsecondary Education over the past weeks on what is a complex process with a lot at stake.

CPE President Robert King said the real credit belongs to Dr. Payne for his work on the proposed model. Through group meetings and individual meetings over the last few weeks, President King, Dr. Payne and staff have listened and absorbed many of the ideas while at the same time finding a reasonable balance in the model to define the various interests that each campus represents. It has not been easy. There is no perfect model that will meet all the needs of each campus, but CPE has tried to incorporate many of the suggestions that have been made, and to listen as effectively as possible to, at the end of the day, come up with a model to provide a rational method to distribute state funds to each campus.

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President King continued his overview. The proposed model distributes allocable resources based on rational criteria. Seventy percent will be based on performance tied to student success and completed credit hours. Thirty percent will be allocated based on what in the past has been called “open the doors” money, one-third of which would be those M&O funds tied to the education of students. This proposal puts all the four-year institutions in a common sector. It contains a small school adjustment to recognize the smaller school challenges and provides them a base going forward. The model makes use of all the elements after 2017-18 and includes stop-loss in the early years of implementation. The small school adjustment is \$60 million, which is 10 percent of the General Fund net mandated programs. Of the 70 percent of the money tied to performance, 35 percent will be directly related to the institutions’ share of bachelor degrees produced. Graduate and doctoral degrees are not included in this view. At the suggestion of several presidents, degrees will be weighted by number of degrees per 100 full-time equivalent students. This serves as a balancing factor. There will be a premium in the model for degrees that are in the STEM+H related fields, and for degrees earned by low-income and underrepresented minority students. In addition, there is recognition of student progression, a proxy for retention rates, at 30, 60, and 90 credit hours, creating an incentive to encourage students to move through to completion. President King said discussion should continue and welcomed any suggestions on the model.

PERFORMANCE
FUNDING DISCUSSION
A) Four-Year
Universities
B) KCTCS Update

Dr. Payne reviewed the proposed model for the four-year universities in closer detail and walked the members through spreadsheets in their meeting packets. Extensive discussion followed Dr. Payne’s review.

Dr. Box reviewed the KCTCS approach which he said is based on the four-year university approach. Discussion followed Dr. Box’s review.

NEXT STEPS

Chair Ransdell said in order to prepare for the next meeting, the following points need to be addressed.

- 1) Whether to use three or four year rolling average.
- 2) Murray State University President Davies requested a sector definition.
- 3) President King said CPE believes some greater attention needs to be added to address needs of institutions serving larger numbers of low income students.
- 4) Bill Payne will play with unrestricted funds.
- 5) Bill Payne will remove depreciation interest.
- 6) The work group will come back on November 28 with a consensus document to sign and to allow for a report to be ready by December 1 for the Governor and the Legislative Research Commission.

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- 7) The work group will leave it to Senator Givens and Representative Simpson, along with the Governor's office, to determine how a bill would be introduced.
- 8) The work group will need to meet in January.
- 9) Morehead State University President Wayne Andrews requested a meeting for the week of November 14 for more discussion. Members agreed to meet on November 15, 9:30 am ET, at the Council on Postsecondary office in Frankfort.

ADJOURNMENT

The meeting adjourned at 12:45 pm (ET)