AGENDA

Council on Postsecondary Education

July 30, 2001

8:30 a.m. (ET)
UK Athletic Association Auditorium (south entrance)
W. T. Young Library
University of Kentucky
Lexington, Kentucky

1. Roll Call
2. Remarks by President Lee Todd
3. Approval of Minutes
4. Commissioner of Education Report
5. Business Meeting
6. Other Business
7. Next Meeting – September 16-17, Annual Governor's Conference on Postsecondary Education Trusteeship, Louisville Marriott East
8. Adjournment

Agenda materials are available on the CPE web site at www.cpe.state.ky.us/cpe/meeting/agenda.htm

AGENDA
Council on Postsecondary Education
July 30, 2001

Roll Call

Approval of Minutes

Commissioner of Education Report

Executive Summary

Attachments

1. Action: New Program Proposal: LCC Early Childhood Education (Charlie Wade)
2. Info: P-16 Council Report (Dianne) *Report in Executive Summary-No attachment*
3. Action: Adult Education/Professional Development Plan (Cheryl & Ben)
4. Action: Key Indicators of Progress – Enrollment, Retention and Graduation Goals (Patrick & Angie)
5. Action: Action Agenda Trust Funds (Jennifer)
6. Action: Faculty Development Trust Funds (Ben)
7. Action: Final Program Productivity Report for Universities (Barbara & Bill)
8. Action: Initial Productivity Review Reports for KCTCS and LCC (Barbara)
9. Action: EEO Status Report and Qualitative Waiver for Northern Kentucky Technical College (Sherron)
10. Action: University of Kentucky College of Law Classroom Renovations (Sherron)
11. Info: Engineering Update (Daniel & Bill) *Report in Executive Summary-No attachment??*
12. Action: Kentucky Innovation Act Applied Program Application Criteria (Daniel & Jennifer)
13. Action: Kentucky Space Model: Research Space Guidelines (Angie and Sherron)
14. Info: Program of Distinction and Research Challenge Trust Fund Program Reviews (Ben & Jennifer)
15. Info: WKU Disposal and Renovation of Academic Athletic #1 (Sherron)
16. Info: Key Indicators Update (Patrick)
17. Info: 2001-02 Budget Reductions (Angie & Dennis) (include system and agency) *Report in Executive Summary-No attachment*
18. Info: 2002-04 Trust Funds (Angie)
19. Info: Development of 2002-04 Capital Budget Recommendation (Angie)
20. Info: Development of 2002-04 Operating Budget Recommendation (Angie)
21. Action: Council Bylaws (Dennis)
22. Action: Weinberg, Susman, and Huddleston Resolutions (Gordon)
23. Info or Action?: Audit Recommendation *Report In Executive Summary-No Attachment*

Other Business

Next Meeting – September 16-17, Annual Governor's Conference on Postsecondary Education Trusteeship, Louisville Marriott East

Adjournment

Agenda materials are available on the CPE web site at www.cpe.state.ky.us/cpe/meeting/agenda.htm

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MINUTES
Council on Postsecondary Education
May 21, 2001

The Council on Postsecondary Education met May 21, 2001, at 10:45 a.m. at the council offices in Frankfort, Kentucky. Chair Whitehead presided.

ROLL CALL

The following members were present: Norma Adams, Walter Baker, Steve Barger, Peggy Bertelsman, Ron Greenberg, Merl Hackbart, John Hall, Philip Huddleston, Amanda Coates Lich, Shirley Menendez, Charlie Owen, Lois Combs Weinberg, Charles Whitehead, and Gene Wilhoit. Hilda Legg and Joan Taylor did not attend.

OATH OF OFFICE

Mr. Whitehead welcomed John Hall as a council member. Governor Patton appointed Mr. Hall April 30, 2001, to replace Lee Todd. William L. Graham, Franklin County Circuit Judge and Chief of the 48th Judicial Circuit, swore in Mr. Hall earlier in the day.

APPROVAL OF MINUTES

The minutes of the previous meeting were approved as distributed.

PRESIDENT'S REPORT

A written report from the council president was included in the agenda book.

Mr. Davies noted that the University of Kentucky Martin School of Public Policy and Administration public finance program recently was named fifth in the nation by *U.S. News & World Report*. Council member Merl Hackbart had a major role in the creation and operation of this program.

Mary Beth Susman has resigned as chief executive officer of the Kentucky Virtual University effective the middle of June. Daniel Rabuzzi will serve as acting chief executive officer.

AGENCY OPERATING BUDGET THIRD QUARTER REPORT

The third quarter report on the agency operating budget was presented for information.

OPERATING BUDGET

RECOMMENDATION: The staff recommends that the council approve the 2001-02 agency operating budget of $140,901,000.

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

VOTE: The motion passed.

FACULTY DEVELOPMENT PROGRAM FUNDS

RECOMMENDATIONS:

- The staff recommends that the council approve the distribution of $874,000 of the $900,000 in Faculty Development Program funds available to the institutions in 2001-02 from the Technology Initiative Trust Fund.

- The staff recommends that the council request a report on joint faculty development efforts, due from the chief academic officers at the July meeting.

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

VOTE: The motion passed.

Mr. Whitehead stressed the need for institutional collaboration and cooperation on this issue.

Mr. Davies used as an example Western Kentucky University's Web-based program to teach faculty to build Web-based courses. He said it would be nice to see other institutions using Western's Web-based program and build on that existing program rather than starting similar programs at their institutions.

ACTION AGENDA PROGRAM FUNDS

RECOMMENDATON: The staff recommends that the council approve the distribution of $8,465,945 of the $10 million in Action Agenda Program funds available in 2001-02 from the Regional University Excellence Trust Fund.

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

Mr. Greenberg suggested adding a requirement for annual or biennial reports to determine the success of the program and evaluate the use of funds.

Mr. Davies said that the recommendation would be modified to include a request for annual reports through the next several years.

Ms. Bertelsman said that she would like to see more evidence of collaboration. She asked the staff to review the application process and then discuss ways to reward the institutions for their efforts of collaboration.

Mr. Hackbart asked about the process for reviewing the proposals.

Jim Applegate, council vice president for academic affairs, said that the proposals were submitted by the institutions. A review team composed of council staff reviewed the proposals and identified those that fell clearly within the Action Agenda guidelines. Staff then worked with the institutions on needed adjustments.

VOTE: The motion passed.

KY PLAN FOR EQUAL OPPORTUNITIES

Mr. Barger gave an update on the partnership agreement with the U.S. Department of Education's Office for Civil Rights.

Mr. Barger reported that at the April 16 meeting of the Committee on Equal Opportunities the committee voted to recommend to the council that the Morehead State University request for a qualitative waiver be denied because the institution failed to achieve its commitments in five areas. The committee may reconsider the request at its August 20 meeting. At the April 16 meeting, the institution produced a memorandum and made some commitments that if followed through may allow the institution to make a valid request for the qualitative waiver at the August meeting.

QUALITATIVE WAIVER

MOTION: Mr. Barger moved that the Morehead State University request for a qualitative waiver be denied. Mr. Baker seconded the motion.

VOTE: The motion passed.

Mr. Whitehead announced the appointment of Raul Cunningham of Lexington to the Committee on Equal Opportunities to replace Benjamin Richmond.

P-16 COUNCIL REPORT

A report of the P-16 Council activities was provided for information. Mr. Whitehead announced that Norma Adams has been reappointed to a three-year term.

P-16 LITERACY AND MATHEMATICS ALIGNMENT TEAMS

RECOMMENDATION: The P-16 Council recommends that the council approve the recommendations of the P-16 literacy and mathematics alignment teams in an effort to improve the transition from high school to postsecondary education and to reduce the need for postsecondary remediation in English and mathematics.

Mr. Davies said the teams were formed to align competency standards, curricula, and assessment measures so high school graduates will not need remedial courses in college. These recommendations will require policy changes at state, institutional, and local levels. The staffs of the Department of Education and the council will develop specific plans.

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

The recommendation to train P-12 teachers in all content fields to teach reading, writing, oral communication, active listening, media literacy, and the use of technology was discussed. Nothing in the curriculum beyond the fourth grade trains teachers to recognize learning disabilities. Ms. Bertelsman said that this was a surprising discovery for the postsecondary members of the committee.

VOTE: The motion passed.

MOTION: Ms. Adams made a motion to commend the P-16 alignment teams, particularly Peggy Bertelsman and Carol Gabbard, chairs of the literacy and mathematics teams. Mr. Barger seconded the motion.

VOTE: The motion passed.

COMMISSIONER OF EDUCATION REPORT

Mr. Wilhoit gave a report from the Kentucky Board of Education. Activities include setting performance standards for the new accountability system, providing a support system for principals and potential principals, and discussing the redesign of high school to break down barriers from the twelfth grade to college and to strengthen the senior year.

PUBLIC COMMUNICATIONS CAMPAIGN

In its 2000 session, the General Assembly appropriated $1 million of adult education money for a communications campaign aimed at adults. The legislature also appropriated in the second year of the biennium $1.5 million from lottery revenue to focus the campaign on postsecondary education. A request for proposals was issued in January. The Louisville-based advertising firm, Red7e, and its public relations partner, Guthrie/Mayes, were selected. Representatives of Red7e introduced the general approach of the campaign, including media and public-relations strategies.

KYVU/KYVL REPORT

Mary Beth Susman reported on the Kentucky Virtual University and the Kentucky Virtual Library. Recent activities include

- The Distance Learning Advisory Committee March meeting was devoted to learning about future technologies available for distance delivery.
- A partnership has been established with the Education Professional Standards Board to provide a Web site for training and assessment of educators.
- The University of Kentucky and the KYVU have agreed to develop an online writing center.
- A press conference was held in April to announce that the KYVU and the Kentucky National Guard will provide work stations in three of the National Guard armories in counties with the least Internet access – Tompkinsville in Monroe County, Jackson in Breathitt County, and Marion in Crittenden County.
- The Southeastern Library Network selected the KYVL for the "Multi-type Library Cooperation Award" for SOLINET's 2001 outstanding library programs.

Mr. Davies thanked Dr. Susman for her work during her two years as chief executive officer of the KYVU.

Dr. Susman said she has had a wonderful opportunity to begin the most comprehensive virtual university in the United States. She thanked the council members and the Distance Learning Advisory Committee for their support.

Ms. Weinberg thanked Dr. Susman for her energy, creativity, and vision.

MOTION: Ms. Bertelsman moved that the council pass a resolution showing thanks and appreciation to Dr. Susman for all she has done for the KVYU. Mr. Huddleston seconded the motion.

VOTE: The motion passed.

Ms. Adams presented the report of the Academic Affairs Committee.

JOINT ENGINEERING PROGRAMS

RECOMMENDATIONS:

The council staff recommends:

- That proposed joint baccalaureate engineering programs involving the University of Kentucky or the University of Louisville be considered within the band of existing baccalaureate engineering programs at UK and UofL. This means that joint baccalaureate engineering programs involving UK or UofL could be established with review by the boards of all universities involved in the joint program without further council review. No joint engineering program can be established without board review from all partner universities.

- That the council recognize the following four proposed joint baccalaureate engineering programs as the first such programs to be covered by the review process recommended above: Western Kentucky University and UofL in electrical engineering, WKU and UK in mechanical engineering, WKU and UK in civil engineering, and Murray State University and UofL in electrical and telecommunications engineering. All four programs are scheduled to begin fall 2001.

- That the council consider the extensive statewide discussion of these four programs in 2001-02 as fulfilling the required 45-day Kentucky Postsecondary Program Proposal System commentary period. Future joint engineering proposals will be posted to the KPPPS Web-system for statewide review.

- That the council commend Western Kentucky University, Murray State University, the University of Kentucky, and the University of Louisville for progress made toward creating the four joint baccalaureate engineering degree programs.

- That the council request reports from the four universities at its July, September, and November 2001 and January 2002 meetings on the status of the four joint programs.

- That the council affirm its commitment to the July 17, 2000, "Strategy for Statewide Engineering Education in Kentucky." The strategy includes the principle of an accelerated review process for joint baccalaureate engineering programs and the principle of cost-sharing between the Commonwealth and the universities for the long-term funding of the proposed joint engineering programs.

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

VOTE: The motion passed.

Ms. Adams said that at the Academic Affairs Committee meeting Dr. Carol Garrison, provost of the University of Louisville, said that there needs to be discussions about how to finance these programs.

ADULT EDUCATION PLAN

RECOMMENDATION: The staff recommends that the council approve the adult education plan for 2001-02, authorizing the allocation of the Adult Education and Literacy Trust Fund and continued implementation of the adult education agenda.

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

VOTE: The motion passed.

MASTER OF ARTS IN TEACHING, EKU

RECOMMENATION: The staff recommends that the council approve the master of arts in teaching proposed by Eastern Kentucky University. The program will be registered in CIP 13.0101 (Education, General).

MOTION: Ms. Adams moved that the program be approved. Mr. Huddleston seconded the motion.

VOTE: The motion passed.

KEES ADMINISTRATIVE REGULATION

RECOMMENDATION: The staff recommends that the council approve the proposed amendment to the administrative regulation entitled *13 KAR 2:090. Kentucky Educational Excellence Scholarship* and file the administrative regulation with the Legislative Research Commission according to statutory authority in KRS Chapter 13A.

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

VOTE: The motion passed.

CAS STATEWIDE STUDENT TRANSFER SYSTEM

Information was provided on the Course Applicability System, a statewide Web-based system to easily transfer courses from one institution to another. Some institutions have already indicated their willingness to begin this process now while others may participate in the future. Mr. Whitehead encouraged all institutions to participate.

NEW ACADEMIC PROGRAMS AND THE KYVU

At the March council meeting, the Academic Affairs Committee requested information on public institutions' use of the KYVU to offer new academic programs. Information is being gathered from the institutions and a full report is planned for the July council meeting. The Academic Affairs Committee suggested a workshop for all council members to better understand what is needed by the institutions to prepare courses for the KYVU.

Mr. Baker presented the report of the Finance Committee.

SPECIAL FUNDING REQUESTS

Mr. Baker said that the Finance Committee discussed funding requests for state general funds for projects not fitting under funding guidelines, such as the Breathitt Diagnostic Laboratory at Murray State University. The Finance Committee recommended guidelines that will limit the requests of an institution to two special funding requests.

MOTION: Mr. Baker moved that the guidelines and evaluation criteria be approved. Mr. Hackbart seconded the motion.

VOTE: The motion passed.

TUITION-SETTING GUIDELINES

RECOMMENDATION: The staff recommends that the council approve the tuition-setting guidelines.

Mr. Baker noted that the guidelines had been discussed in recent meetings. The Finance Committee recommended changes to the guidelines as they appear in the agenda book: delete bullets 1 and 2; the new first bullet is only the first sentence; the remainder of that paragraph is the second bullet with the addition of a statement that the council staff will monitor and report annually to the council on the cost of college expenses.

MOTION: Mr. Baker moved that the guidelines be approved with the noted changes. Mr. Hackbart seconded the motion.

A discussion followed about charging non-Kentuckians higher tuition than Kentuckians. Mr. Huddleston recalled an earlier discussion about the desire to bring intellectual capital into the state and to allow each institution to experiment with its non-resident rate.

Mr. Hackbart said that the institutions have the flexibility to look at their market areas and make adjustments. He said reciprocity agreements may cover other concerns about competition.

Angela Martin, council vice president for finance, recommended that resident rates be lower than non-resident rates. She said that Governor Patton twice told the Strategic Committee on Postsecondary Education that he seeks brain gain but wants to make sure that strong students are recruited. The institutions also can attract students from out-of-state with scholarships.

Ms. Lich said that the guidelines say that the institutions should move toward producing tuition and fee revenue that is at least 37 percent of the total public funding for each institution. She asked for clarification that if an institution is below the 37 percent that it is supposed to move toward that point.

Ms. Martin said all institutions should be moving toward that percentage.

AMENDMENT TO MOTION: Ms. Lich amended the motion to delete "at least" in the third sentence, third bullet, and replace with the appropriate wording that would move the tuition revenue to a mid-point.

The amendment died for lack of a second.

Mr. Davies said that the 37 percent may need to be changed if budget cuts affect the institutions. If necessary, the staff will bring the guidelines back to the council when the final budget recommendations are discussed in November.

VOTE ON ORIGINAL MOTION: The motion passed with Ms. Lich and Mr. Huddleston voting no.

RECIPROCITY AGREEMENTS

RECOMMENDATIONS:

- The staff recommends that the council approve reciprocity agreements between Kentucky and Ohio.

- The staff also recommends that the council approve the addition of Washington County, Indiana, and Jefferson Technical College and Owensboro Technical College to the existing Kentucky and Indiana reciprocity agreement.

Mr. Baker noted the agreement with Indiana also includes the Community College of Indiana and Northern Kentucky Technical College.

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

VOTE: The motion passed.

SPACE PLANNING GUIDELINES

A discussion item was included on the review of the space planning guidelines to evaluate the need for new or renovated space at the public colleges and universities for the 2000-02 capital projects recommendation. The council contracted with Paulien and Associates Inc. to revise the guidelines for research space at the doctoral universities. The council staff will recommend revisions to the space planning guidelines at the July 30 meeting.

CPE SIX-YEAR CAPITAL PLAN

An information item was presented on the council's 2002-08 six-year capital plan, which includes any capital project with an estimated cost of $400,000 or more or any equipment purchase with an estimated cost of $100,000 or more. The council will approve a 2002-04 capital recommendation in November.

ENDOWMENT MATCH PROGRAM GUIDELINES

RECOMMENDATION: The staff recommends that the council revise the 2000-02 Endowment Match Program guidelines as follows: Matching funds must be from external sources. General Fund appropriations and student-derived revenues (for example, tuition and fees revenue) are not eligible for matching funds.

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

VOTE: The motion passed.

Mr. Baker said that the Finance Committee created a subcommittee of Mr. Greenberg, Mr. Hackbart, and Mr. Barger to review the guidelines. Mr. Greenberg will chair the subcommittee.

UK ARBORETUM VISITOR EDUCATION CENTER PHASE I

RECOMMENDATION: The staff recommends that the council approve the University of Kentucky's request to construct Phase I of the Arboretum Visitor Education Center with $563,385 in private money.

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

VOTE: The motion passed.

MUSU RENOVATION OF HART HALL WATERLINES

RECOMMENDATION: The staff recommends that the council authorize $1,500,000 from the 2000-02 agency bond pool to Murray State University for an emergency waterline project in Hart Hall. The staff also recommends that Eastern Kentucky University be commended for volunteering to reduce its agency bond authorization to assist Murray State University.

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

Mr. Baker said that this is a good example of cooperation between the two institutions.

VOTE: The motion passed.

TODD RESOLUTION

Mr. Davies read a resolution commending Lee Todd for his service to the council.

MOTION: Mr. Huddleston moved that the resolution be adopted. Mr. Baker seconded the motion.

VOTE: The motion passed.

COUNCIL AUDIT

Mr. Davies said that the staff is seeking the services of an auditor to perform a financial audit. A request for proposals was issued and only one response was received. For that reason, the staff will re-issue the RFP to seek additional bids.

NOMINATING COMMITTEE

Mr. Baker said that the nominating committee will meet Wednesday, May 30, to discuss officers for next year. It is expected that the council will take action on the nominating committee report during the June 4-5 retreat.

NEXT MEETING	The next regular meeting is July 30. The council will have a retreat at Shaker Village June 4-5.
ADJOURNMENT	The meeting adjourned at 12:55 p.m.

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Gordon K. Davies
President

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Phyllis L. Bailey
Secretary

MINUTES
Council on Postsecondary Education
June 4, 2001

The Council on Postsecondary Education met in a special meeting June 4, 2001, at 1 p.m. at Shaker Village, Harrodsburg, Kentucky. Vice Chair Lois Combs Weinberg presided.

ROLL CALL

The following members were present: Norma Adams, Walter Baker, Peggy Bertelsman, Merl Hackbart, John Hall, Philip Huddleston, Hilda Legg, Amanda Coates Lich, Shirley Menendez, Charlie Owen, Joan Taylor, and Lois Combs Weinberg. Steve Barger, Ron Greenberg, Gene Wilhoit, and Charles Whitehead did not attend.

NOMINATING COMMITTEE REPORT

Ms. Weinberg said that the purpose of the meeting was to hear a report of the nominating committee.

Mr. Baker, chair of the nominating committee, said that the nominating committee had met to discuss the selection of officers for the coming year.

MOTION: Mr. Baker moved that Mr. Whitehead serve as chair and Ms. Adams serve as vice chair. Mr. Hall seconded the motion.

VOTE: The motion passed.

Ms. Weinberg said that due to her involvement in other activities she had requested that she not be reappointed as vice chair. She said that she fully supports Ms. Adams as vice chair.

WEINBERG RESOLUTION

MOTION: Ms. Legg moved that a resolution be prepared thanking Ms. Weinberg for her service as vice chair. Ms. Menendez seconded the motion.

VOTE: The motion passed.

ADJOURNMENT

The meeting adjourned at 1:15 p.m.

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Gordon K. Davies
President

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Phyllis L. Bailey
Secretary

Executive Summary

The Council on Postsecondary Education has asked five questions by which it will gauge the success of postsecondary education reform in Kentucky:

1. Are more Kentuckians ready for postsecondary education?
2. Are more students enrolling?
3. Are more students advancing through the system?
4. Are we preparing Kentuckians for life and work?
5. Are Kentucky's communities and economy benefiting?

The executive summary of the July agenda is organized around these five questions, grouping the second and third and the fourth and fifth questions together. Additional information about all action items and substantial discussion or information items is included in this agenda book. Page numbers of each item are indicated in the brief discussion of the item that is part of the executive summary.

1. Are more Kentuckians ready for postsecondary education?

The Governor's KIDS NOW initiative recognizes the importance of a good pre-school educational foundation for all children. In order to prepare teachers to work in early childhood programs, Lexington Community College proposes to offer a program in Early Childhood Education. By 2003, Headstart will require that 50 percent of lead instructors have at least an associate degree. LCC's program is designed to meet the increased demand for this postsecondary credential and to provide for transfer to four-year education programs across the state.

The staff recommends that the council approve the program in early childhood education proposed by Lexington Community College. (For details, see page 53.)

The Kentucky Early Mathematics Testing Program, administered by Northern Kentucky University and the University of Kentucky, has completed its first semester. High school sophomores and juniors are encouraged to take this test, which assesses their preparation for college-level mathematics. This spring, the test was taken on-line by more than 3,000 students from 29 high schools in 18 counties. The program directors anticipate testing between 20,000 and 40,000 students per year, with test offerings each fall and spring as the program becomes more widely known.

The National Commission on the High School Senior Year, co-chaired by Governor Patton, recently released its interim report. Among other things, the report urges that there be more rigorous curricula

throughout all years of high school, that high school curricula and college curricula be aligned, and that the practice of separating students into pre-college and general tracks be ended. The final report will be ready in the fall.

Kentucky is engaged in this national discussion of the transition from high school to college, following the lead of the National Commission. In June, the P-16 Council heard a presentation by Kati Haycock, executive director of The Education Trust, about the importance of a rigorous high school curriculum. Research shows that minority and low-income students actually benefit most from a rigorous curriculum. In May, the Kentucky Board of Education approved the P-16 literacy and alignment team recommendations that were approved by the council at its last meeting. Now the very difficult work of actually changing curricula begins.

The P-16 Council also is discussing whether it is still good policy to have a pre-college curriculum and, by implication, a non-pre-college curriculum in the high schools. If some form of education beyond high school is necessary for almost everyone to be able to live decently and support a family, perhaps the pre-college curriculum should be the default curriculum for all high school students, from which they can deviate only if they intentionally choose to do so. At some time later this year, the council may want to reconsider its definition of the pre-college curriculum, which last was substantially modified in 1999.

In addition to preparing teachers for early childhood programs and knitting together Kentucky's schools, colleges, and universities, the council has planning responsibility for a system of adult education that upgrades the skills and knowledge of women and men who now

are outside the formal education systems. The council, working with the Department for Adult Education and Literacy, has undertaken initiatives that are critical to developing a Kentucky workforce that is attractive to participants in today's economy. Some of these adult learners will go on to postsecondary education; many will not. But if they can get better jobs, help their young children get prepared for school, and encourage their older children to plan to attend colleges or universities, the quality of life in Kentucky will improve.

Kentucky's adult education instructors need more skills and training themselves. The professional development task force has developed a plan to prepare instructors to serve rapidly increasing numbers of adult learners. Implementation of the plan will be coordinated by: the Adult Education Academy for Professional Development at MoSU; the Collaborative Center for Literacy Development at UK; and the Kentucky Institute for Family Literacy in Louisville, Kentucky.

The Governor's Literacy Summit, organized by the governor's office,

> The staff recommends that the council approve the Adult Education Professional Development Plan, authorizing the allocation of $ 1,358,528 of the Adult Education and Literacy Trust Fund for 2001-2002. (For details, see page 57.)

the Literacy Partnership, the P-16 Council, and the Prichard Committee, was held June 12. It convened participants representing institutions and agencies involved with literacy issues at the preschool, elementary/secondary, postsecondary, and adult levels. The governor challenged them to coordinate their agendas and resources to eliminate illiteracy in the state.

2. Are more students enrolling?
3. Are more students advancing through the system?

In preparing for the 2000 legislative session, the council approved institutional goals for enrollment, retention, and graduation for fall 2000 through fall 2004. It is too early to judge success in retention and graduation rates but the system is ahead of its enrollment goal for 2000 by 5,500 students, thanks largely to the KCTCS. We are also pleased to report that enrollments in KYVU courses have increased from 745 in summer 2000 to 1,726 in summer 2001, an increase of 132 percent.

In preparation for the 2002 legislative session, the staff now brings to the council for approval new institutional goals for fall 2002 through fall 2006. The fall 2006 undergraduate goal for public postsecondary institutions is 175,684 students, a 21.8 percent increase from fall 2000. These goals keep Kentucky on track to enroll 80,000 additional undergraduate students by 2020.

The staff recommends that the council approve the 2002-06 public institution goals for enrollment, retention, and graduation. (For details, see page 59.)

As the institutions work to reach these goals, they look for new approaches to meeting the needs of Kentuckians. The trust funds provided in the current budget to achieve the objectives of the Action Agenda and to help faculty acquire new skills and sharpen old ones are important to this work. At the May meeting, the council allocated most of these funds, with the expectation that the insti-

tutions would request the remaining amounts at the July meeting. The staff has favorably reviewed the supplemental requests for the remaining funds.

The staff recommends that the council approve distribution of the remaining Action Agenda trust funds. (For details, see page 67.)

The staff recommends that the council approve distribution of the remaining faculty development funds. (For details, see page 69.)

Starting new programs and allocating additional resources will not be enough to sustain the reform. The council also needs to encourage institutions to allocate existing resources most effectively across a wide variety of good things to do. To that end, the council began a process of systematic program productivity review, with the universities and the KCTCS being reviewed every other year. In the first round, the universities have reported plans to close 143 of the 564 programs they were asked to review. This is about 12 percent of all the programs offered at the university level.

This is a good first effort. But more remains to be done. Programs in education, the visual and performing arts, and foreign languages appeared among the 564 flagged programs with great frequency. Work groups were established to consider ways in which programs in these three discipline areas could meet the educational needs of Kentucky students more effectively by sharing resources and combining programs. The education work group has accomplished quite a lot and 35 programs will be closed.

But the groups considering visual and performing arts and foreign language programs have made less progress. Lists of programs with questionable productivity will be generated again this fall and again there will be many visual and performing arts and foreign language programs on the lists. This second time around, the council might wish to act more decisively.

The staff recommends that the council accept the final university reports of the first biennial productivity review. (For details, see page 71.)

The council directed that university, KCTCS, and Lexington Community College programs be reviewed. The staff has completed the initial review of KCTCS and Lexington Community College programs, which began in February of this year. The technical colleges of the KCTCS were excluded from the review because they only recently have begun to offer associate degree programs.

The community colleges offer fewer programs than the universities: only 146 in total. Of these, 32 were identified as requiring productivity review. The KCTCS and LCC propose to close five of them and to make substantial changes in 18 others. Examples of a "substantial change" are: combining two programs into one, developing a new curriculum, creating additional exit points, developing articulation agreements, developing collaborative arrangements with businesses, and creating joint programs among institutions.

The staff recommends that the council accept the initial productivity reports of the Kentucky Community and Technical College System and Lexington Community College. (For details, see page 77.)

Access to and progress through the public colleges and universities requires institutions to do everything they can to ensure that equal educational opportunities are provided for all Kentuckians (see EEO status report beginning on page 79). The council's Committee on Equal Opportunities reviews institutional progress in providing access and determines whether to recommend to the council that institutions that fail to meet access objectives should be allowed to propose new degree programs.

Northern Kentucky Technical College did not meet its numerical objectives and applied to the Committee on Equal Opportunities for a waiver. At its June 25 meeting, the Committee on Equal Opportunities voted to recommend that the council grant a waiver to the Northern Kentucky Technical College of the KCTCS. The recommendation of the waiver of the requirements of KRS 164.020(18) is based on information provided by NKTC. The college presented a compelling case showing that it had taken actions to significantly improve in three areas: enrollment, employment of faculty, and employment of professional non-faculty.

The staff recommends that the council accept the Committee on Equal Opportunities recommendation to grant Northern Kentucky Technical College a waiver of the requirements of KRS 164.020(18). (For details, see page 79 - included in the EEO status report.)

In order to improve student learning, the University of Kentucky proposes to create three teleconferencing classrooms with $800,000 in federal and institutional funds. Capital projects in excess of $400,000 have to be recommended by the council to the Finance and Administration Cabinet and the Capital Projects and Bond Oversight Committee.

The staff recommends that the council approve the University of Kentucky's request to renovate three classrooms to create smart teleconferencing classrooms with $800,000 in federal and institutional money. (For details, see page 81.)

4. Are we preparing Kentuckians for life and work?

5. Are Kentucky's communities and economy benefiting?

With these questions, the council turns its attention to activities that are intended to have immediate effects upon the social and economic development of Kentucky. There are a number of items in this part of the agenda, two of which require council action.

Good progress is being made toward establishing joint engineering programs under the council's statewide engineering strategy. Joint programs are being planned in the following disciplines: mechanical engineering - WKU and UK; civil engineering - WKU and UK; electrical engineering - WKU and UofL; and electrical and telecommunications engineering - MuSU and UofL.

The participating universities are very close to agreeing on curricula for these programs, and new faculty have been hired. The first year of program operation will be funded through a combination of trust fund interest, institutional resources, and funds from the council's technology trust fund. In May of this year, the participating institutions assured the council that they would share the costs of these programs in the future. We are still negotiating the exact terms of this cost-sharing.

It is very important that the council recommend continued funding for these engineering programs in 2002-04 as part of the initiative to create a new economy in Kentucky. The Kentucky Innovation Act (House Bill 572) provided an organizational and financial framework for this effort: the Kentucky Innovation Commission, the Commissioner of the New Economy, the funding for capital and operational support of new economic ventures, and the funding for research and development and commercialization of intellectual property. The new engineering programs will provide another element: an increased supply of highly trained young people to work in the new industries of Kentucky and, indeed, to create some of them.

The Kentucky Innovation Act appropriated funds to the council for several purposes. The council contracted with the Kentucky Science and Technology Corporation to administer these funds. The KSTC has prepared criteria for applications received under three of four programs. The criteria for the regional technology corporations program will come to the council at its September meeting.

The staff recommends that the council approve the application criteria, the process for submission of an application, and the structure and type of outside expertise or peer review used in the application review process proposed by the Kentucky Science and Technology Corporation for awarding grants under three of the four programs administered by it on behalf of the council: Rural Innovation Program, Research and Development Voucher Program, and Commercialization Fund Program. (For details, see page 83.)

The council staff organized Governor Patton's trade mission to the Biotechnology Industry Organization International Tradeshow in San Diego in June (the largest such event in the life sciences industry), working closely with the University of Kentucky, the University of Louisville, Western Kentucky University, the Governor's Office for Agricultural Policy, the Office of the New Economy, Greater Louisville Inc., Lexington United, and the Kentucky Life Sciences Organization. UK Board Chair Billy Joe Miles, UK President Lee Todd, and UofL President John Shumaker accompanied Governor Patton, Council President Gordon Davies, Chief of Staff Andrew Martin, State Budget Director Jim Ramsey, Commissioner for the New Economy Bill Brundage, and John Mark-Hack who is the director of the Governor's Office of Agricultural Policy. The governor's group met with leading entrepreneurs, senior managers, scientists, and venture capitalists in the life science sector. Deans and faculty from UK, UofL, and WKU attended to promote Kentucky's life science research and industry to the world market.

Increasing the research capacity of the University of Kentucky and the University of Louisville is critical to creating a new economy in Kentucky. Both universities are working to increase their research productivity and are anticipating the need for additional research space. The 2000 General Assembly authorized 46,100 additional square feet of research space at UofL and 104,000 additional square feet of research space at UK, with funding split 60-40 between state appropriations and university resources. The subject of research space will come up again in 2002.

The 2002-04 capital recommendation of the council will be based on the Kentucky Space Needs Model. In order to evaluate the need for

research space at the two doctoral institutions more effectively, the council contracted with Dan Paulien, president of Paulien & Associates, Inc. to review the Kentucky Space Needs Model. Mr. Paulien recommends that the research space component for the doctoral institutions be based on non-institutional research and development dollars as reported in the National Science Foundation reports. The council's finance committee discussed the research space guidelines at its May meeting.

The staff recommends that the council approve the revised space planning guidelines for the research component of the Kentucky Space Needs Model and that the council use the revised Kentucky Space Needs Model to evaluate the need for new or renovated space at the public universities and colleges. (For details, see page 85.)

The Kentucky Postsecondary Education Improvement Act of 1997 (House Bill 1) created a Research Challenge Trust Fund and a Regional University Excellence Trust Fund. The staff has reviewed the institutions' use of these trust funds, as directed by the council.

The Research Challenge Trust Fund programs are areas of excellence identified by the University of Kentucky and the University of Louisville. The Regional University Excellence Trust Fund programs are the "programs of distinction" at each institution. The staff determined that all institutions are progressing satisfactorily toward the goals outlined in the proposals originally approved by the council. (For details, see page 95).

Having reviewed the programs of distinction and the research challenge programs twice in 1999 and again in 2001, the staff suggests to

the council that it may be time to adopt a review procedure that involves having the institutions submit biennial progress reports. The staff would make site visits when the reports appear to warrant them or as directed by the council.

These last items report on two institutional initiatives - one involving Western Kentucky University and the local Bowling Green community and one involving several campuses (both public and independent) in response to statewide needs.

First, Western Kentucky University plans to donate Academic Athletic #1 (Diddle Arena) and other athletic property to the City of Bowling Green for the purpose of securing financing to renovate the facility. The council staff and WKU representatives participated in a series of discussions with staff from the Finance and Administration Cabinet, the Legislative Research Commission, the Capital Projects and Bond Oversight Committee, and the Office of the Attorney General. There is general support for Western's creative idea to finance the renovation. The Capital Projects and Bond Oversight Committee is scheduled to review the proposal August 21. (For details, see page 99).

Second, the chief academic officers met with Viola Miller, secretary of the Cabinet for Families and Children, and Margaret Pennington, commissioner of Mental Health and Retardation Services, to find ways the institutions could better meet the need for more trained social workers and mental health professionals. The University of Kentucky is working with the Cabinet for Families and Children, Western Kentucky University, and Murray State University to start a fast-track program for students pursuing social work degrees. This

program, in combination with the University of Louisville's efforts with Brescia University in Owensboro, will help meet the immediate needs in this area. WKU and MuSU are also exploring a joint master's in social work program. The institutions also are assessing the need to prepare other mental health professionals. They will work with Commissioner Pennington to coordinate program recruitment with workforce demands.

Cross-Cutting Issues

Some issues cut across all five questions. The performance indicators that are a substantial portion of the evaluation system, for instance, track progress on a number of indicators related to each of the questions. Many financial issues, although not all, cover all the questions. Because the council is required to submit a comprehensive budget recommendation, it makes sense to consider financial issues as a cross-cutting package - who pays, for what, and who benefits?

The staff is working with the institutions and other key groups (the Kentucky Innovation Commission, for instance, on research volume goals) to collect data and set goals on several key indicators under questions 4 and 5. The enrollment, retention, and graduation goals considered by the council in an earlier agenda item are among the indicators under questions 2 and 3. This entire package will be finished by early winter. An update of progress on creating the performance indicators and setting goals begins on page 101.

The budget issues before the council at this time for discussion are a plan to reduce the 2001-02 agency budget and creation of the 2002-04 biennial budget. Governor Patton and James Ramsey, state

budget director, announced a projected $326 million budget shortfall for fiscal year 2002 Thursday, July 12. At this time, they have exempted postsecondary education from any budget reductions, excluding the council. All agencies not exempted may experience an average 3.27 percent budget reduction. The council staff will provide an update on the budget reductions at the council meeting.

The council is required to submit the 2002-04 operating and capital budget recommendations for the institutions, the trust funds, and the KYVU/KYVL to the Governor's Office for Policy and Management by November 15, 2001. The framework for the operating and the capital budget recommendations and the trust funds is defined in the Points of Consensus document prepared at the request of SCOPE and endorsed by the council February 5, 2001. The staff has completed work with the institutions on revising the benchmark lists and also has begun discussions of benchmark funding issues, trust funds, and the capital recommendation with the chief budget officers of the institutions. The benchmark funding model is being revised to reflect the agreed upon changes included in the Points of Consensus. The changes include revising the benchmark institutions, excluding state funding for debt service and some mandated programs, and setting a standard tuition and fees revenue deduction to determine the 2002-04 state appropriation objective. The council also needs to discuss the measure of central tendency to be used to determine the 2002-04 funding objectives. Materials for consideration and discussion begin on pages 105 (trust funds), 111 (capital recommendation), and 113 (operating recommendation).

Council Business

At its June retreat at Shaker Village, the council decided to conduct its business during the coming year without standing committees for finance and academic affairs. It decided instead to create a small number of working groups (assessing quality, reviewing the total flow of revenue within Kentucky's postsecondary education system, and considering the guidelines for the endowment match program, as of this writing). These groups, along with the P-16 Council, the Committee on Equal Opportunities, and the council's executive committee, will advise the full council on the issues with which it will deal.

These operational changes appear to warrant changes to the council's bylaws. The staff has consulted with Chair Charles Whitehead on these changes.

> The staff recommends that the council adopt the revised bylaws. (For details, see page 131.)

At its May meeting, the council directed staff to prepare a resolution commending Mary Beth Susman, founding CEO of the Kentucky Virtual University, for her service. A resolution for consideration is on page 147.

At its June meeting, the council directed staff to prepare a resolution commending Lois Combs Weinberg for her service as vice chair of the council. A draft for consideration is on page 149.

A draft resolution in memory of Philip I. Huddleston is on page 151.

Council on Postsecondary Education
July 30, 2001

New Program Approval
Associate in Applied Science in Early Childhood Education
Lexington Community College

Action: The staff recommends that the council approve the program in early childhood education proposed by Lexington Community College.

The need for early childhood educators with associate degrees is increasing. The federal Head Start Act requires that by 2003 at least 50 percent of all teachers in center-based Head Start programs have at least an associate degree in early childhood education. Some local preschools and agencies have set a goal of 100 percent. Kentucky's HB 706 created a task force to improve and promote high-quality early childhood services. The plan includes incentives to upgrade staff training and provide scholarships for early childhood educators. Employment of preschool teachers and childcare workers is projected to increase faster than the average of all occupations through the year 2006.

The proposed program prepares students for employment as professionals in nursery schools, preschools, child care centers, after school programs, family child care homes, and family service agencies. The curriculum contains interdisciplinary early childhood education coursework, a general education component, and over 300 hours of work and observation in child care facilities. Individuals completing this program and meeting other eligibility requirements may earn a child development associate credential.

Through planning with the University of Kentucky Interdisciplinary Early Childhood Education program, the entire curriculum of the associate degree will transfer to the baccalaureate degree program. LCC also requested review of the curriculum for articulation by public universities, the KCTCS, and the KYVU. Responses were received from EKU, the KCTCS, MoSU, and WKU. Responses indicate the LCC curriculum will articulate with their early childhood program degrees. UofL is changing its curriculum and could not offer an assessment. The curriculum meets the recommendations of the LCC Early Childhood Education Advisory Committee, which includes faculty from high schools, the KCTCS, and universities. The executive director of the Governor's Office of Early Childhood Development supports the program as a part of the statewide strategy in early childhood education. The curriculum is consistent with the statewide requirements for early childhood educators, which are being developed by Kentucky's Early Childhood Professional Development Council.

LCC is an active participant in the KYVU. Students in LCC's ECE associate degree program may take all required general education courses through the KYVU. Both LCC's ECE program and the KCTCS' ECE program are based on guidelines developed by the Governor's Taskforce

on Early Childhood Education. A formal agreement for exchange of technical courses is anticipated upon completion of the KCTCS' ECE curriculum.

Using the Kentucky Postsecondary Program Proposal System, LCC posted the proposed program to the council's Web site. It was reviewed without objection by the other Kentucky public and independent institutions. The UK Board of Trustees approved the program at its April 3, 2001, meeting.

An overview of the program, prepared by LCC, is attached.

Staff Preparation by Charles Wade

EXECUTIVE SUMMARY

PROPOSED ASSOCIATE OF APPLIED SCIENCE DEGREE IN EARLY CHILDHOOD EDUCATION
January 2001

In the fall 2001 semester, Lexington Community College proposes to begin an Early Childhood Education Program that leads to an Associate in Applied Science Degree. The proposed program is consistent with the mission of the college by offering an "associate degree program focused on career-oriented curricula," which is designed to produce early childhood educators at the associate degree level. A demand for this program has been established by requests from local educators, social service leaders, and the Lexington Community College Early Childhood Education Advisory Committee. Upon completion of this program of study requiring 62-65 credit hours in the curriculum, graduates will be prepared for employment as trained educators in nursery schools, preschools, child care centers, after school and school age programs, family child care homes, Home Visiting programs, and family service agencies.

Furthermore, the addition of this program is an appropriate next step in the University of Kentucky Lexington Community College's long-range goal of becoming an educational leader for the commonwealth of Kentucky and beyond. The program will support the strategic goals of Lexington Community College. Also, the program is consistent with the goals of the "Strategic Plan for Kentucky Higher Education, 1996-2000," namely: "developing an educated citizenry," "promoting state and local economic development," and "contributing to the commonwealth's global competitiveness." The Early Childhood Education program will support the goals of the *Kentucky Postsecondary Education Improvement Act of 1997* (1997 Special Session, HB 1) by providing the "training necessary to develop a workforce with the skills that meet the needs of new and existing industries." House Bill 1's mandates to "increase technical skills and professional expertise of Kentucky workers," "develop a pool of educated citizens to support the expansion of existing business and industry," and to "enhance the flexibility and adaptability of Kentucky workers in an ever-changing and global economy" are strongly supported.

Finally, at the federal level, Section 648A of the *Head Start Act* requires that by September 30, 2003, at least 50 percent of all Head Start teachers in center-based programs must have an associate, baccalaureate, or advanced degree in early childhood education or a degree in a related field with preschool teaching experience. Some local preschools and early childhood education agencies have set a goal of 100 percent.

Goals of the Associate in Applied Science Early Childhood Education Program

The primary goal of the Early Childhood Education Program is to prepare students for employment as professionals in a number of settings. The curriculum contains interdisciplinary early childhood education coursework and a general education component. Upon completion of the program, students will have over 300 contact hours with children and will have completed a professional portfolio of cumulative learning experiences. A child development associate credential may be earned by taking courses in this program and meeting separate eligibility requirements set forth by the National Council for Professional Recognition.

In addition to preparing students for immediate employment, the curriculum of the Associate in Applied Science Early Childhood Education Program is designed to transfer to institutions offering a baccalaureate degree in this field either through direct transfer of credit or through articulation. Lexington Community College faculty members worked collaboratively with the faculty members in the University of Kentucky Human Environmental Science Interdisciplinary Early Childhood Education Program to achieve this goal. At this time the entire curriculum will transfer to the University of Kentucky Interdisciplinary Early Childhood Education Program.

Curriculum

In order to complete the Associate in Applied Science degree in Early Childhood Education students must complete all core courses as well as a general education component. Students enrolled in the Early Childhood Education Program must achieve a minimum grade of "C" in each required Early Childhood Education course (EC and FAM prefixes) to qualify for graduation.

Alternate Delivery Strategies

As a college with a serious commitment to meeting our students' and the community's needs, LCC offers a full array of evening and weekend courses. In fact, of the 62-65 hours required for the ECE Program, **all** the general education courses are offered in both day and evening options. Additionally, the courses in the proposed ECE curriculum scheduled for Fall 2001, EC 120 and EC 170, have day and evening sections; EC 130 is the only course offered only during daytime hours this fall. It is our general practice to alternate programs' evening offerings so that all requirements are offered regularly in an evening format.

In addition, Lexington Community College will accept the general education courses offered via KYVU by LCC, KCTCS, or other regionally-accredited participating colleges and schools. The college will certainly work toward ease of transfer for appropriate courses in KCTCS's newly approved KYVU early childhood education program. LCC has a long-standing collaborative relationship with KYVU. From fall 1999 to spring 2001, over 500 LCC students took classes we offered through KYVU.

In addition, LCC will be offering part of the general education courses via KTLN in spring 2002 including MA 109, ENG 101, PY 110, and HIS 108. As the program matures, we will schedule EC courses via KTLN in evening hours. Finally, there are several telecourses offered by LCC and other colleges and universities within the state via KET that would also meet curricular requirements. Our commitment to alternative delivery methods is clearly demonstrated through our past record. Since fall 1999, nearly 1,100 students have taken classes LCC has offered through KYVU, by ITV, or through KET.

Council on Postsecondary Education
July 30, 2001

Professional Development of Adult Educators

Action: The staff recommends that the council approve the Adult Education Professional Development Plan, authorizing the allocation of $1,358,528 of the Adult Education and Literacy Trust Fund for 2001-02.

Adult educators need to be well trained if Kentucky is to meet its adult education goals. A task force consisting of representatives of the Department for Adult Education and Literacy, county providers, the KCTCS, Kentucky Educational Television, the Kentucky Institute for Family Literacy, the KYVU and the KYVL staff, Eastern Kentucky University, Morehead State University, and council staff has proposed a coordinated statewide approach to professional development.

The professional development task force recommends a plan that will train more than 800 current full- and part-time educators to serve an increasing number of adult learners, projected to reach 100,000 by 2004. Implementation of the plan will be coordinated by:

- The Adult Education Academy for Professional Development.
- The Collaborative Center for Literacy Development.
- The Kentucky Institute for Family Literacy.

These entities will work closely with Kentucky's postsecondary education institutions, Kentucky Educational Television, and the Department for Adult Education and Literacy.

The Adult Education Academy for Professional Development, located at Morehead State University, will establish instructional and management standards to ensure quality adult education programs. This will be accomplished in partnership with the Department for Adult Education and Literacy. Through research, instruction, and model demonstration sites, the academy will offer continuous learning in program administration and evaluation, leadership enhancement, curriculum development, and pedagogy. Faculty and programs from other state universities and the KCTCS will be involved as instructors and regional facilitators. Activities conducted by the academy may provide the foundation for future adult education credentialing requirements. The academy will have an advisory board representing the participating organizations of the original professional development task force. The council staff recommends that $597,692 be awarded to Morehead for 2001-02. These funds will be recurring.

The Collaborative Center for Literacy Development, located at the University of Kentucky, will establish four regional institutes that help prepare adult educators to teach reading. Each institute will be affiliated with a comprehensive university. The institutes

will be ongoing, intensive instructional programs involving classroom observation and coaching of adult education instructors. Adult education instructors may earn academic credit by completing additional assignments. One hundred and twenty instructors representing every county in Kentucky will participate in this program annually. Upon program completion, these instructors will be designated as "lead reading instructors." The council staff recommends an allocation of $610,836 to fund two years, 2001-03. The allocation will release $252,491 for 2001-02 and commit $358,345 for 2002-03. These are non-recurring funds.

The Kentucky Institute for Family Literacy, located with the National Center for Family Literacy in Louisville, will provide professional development for family literacy instructors. Training for family literacy instructors will begin with a five-day orientation followed by periodic short courses throughout the year. Activities will incorporate model demonstration sites. The council staff recommends that $150,000 in non-recurring funds be allocated for 2001-02.

The plan also proposes creation of a resource database hosted by the Kentucky Virtual Library. This database will allow providers, instructors, assistant instructors, and learners to find online resources to strengthen adult education instruction and program management. Previous KYVU allocations will fund the database.

Total allocation for the plan is $1,358,528. Budget details are available in the council's offices. Institutions receiving funds will submit annual reports detailing the number of adult educators participating, number of counties served, and other state institutions involved.

Staff preparation by Cheryl D. King and Ben Boggs

Council on Postsecondary Education
July 30, 2001

Key Indicators of Progress – Enrollment, Retention, and Graduation Goals

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Action: The staff recommends that the council approve the 2002-06 public institution goals for enrollment, retention, and graduation.

In March 2001, the council approved performance indicators to measure progress in answering the five questions guiding postsecondary education's reform efforts. Also at that meeting, the council approved 17 systemwide goals and outlined plans for setting goals for the remaining indicators by the end of the calendar year. The staff now proposes that the council approve institutional goals for the following five indicators under questions 2 and 3:

2.1 Number of undergraduates
2.2 Number of graduates/professionals
3.1 One-year retention rates of first-time freshmen
3.8 Six-year graduation rates of bachelor's students
3.9 Five-year graduation rates of transfer students

Institutional goals for enrollment, retention, and graduation were initially set in the Action Agenda in 1999. At the council's direction, the staff has worked with the institutions to revise the goals to reflect actual performance in 2000, to shift from biennial to annual projections, and to extend enrollment projections to 2006. The retention and graduation goals also are projected annually from 2002 to 2006.

Over the past several months, the council staff has worked with institutional presidents and staffs to negotiate goals for enrollment, retention, and graduation. The institutions submitted proposed goals in April. The council staff negotiated changes to a number of the goals where little or no increases were proposed. The data tables showing the recommended goals are shown on pages 60 to 64.

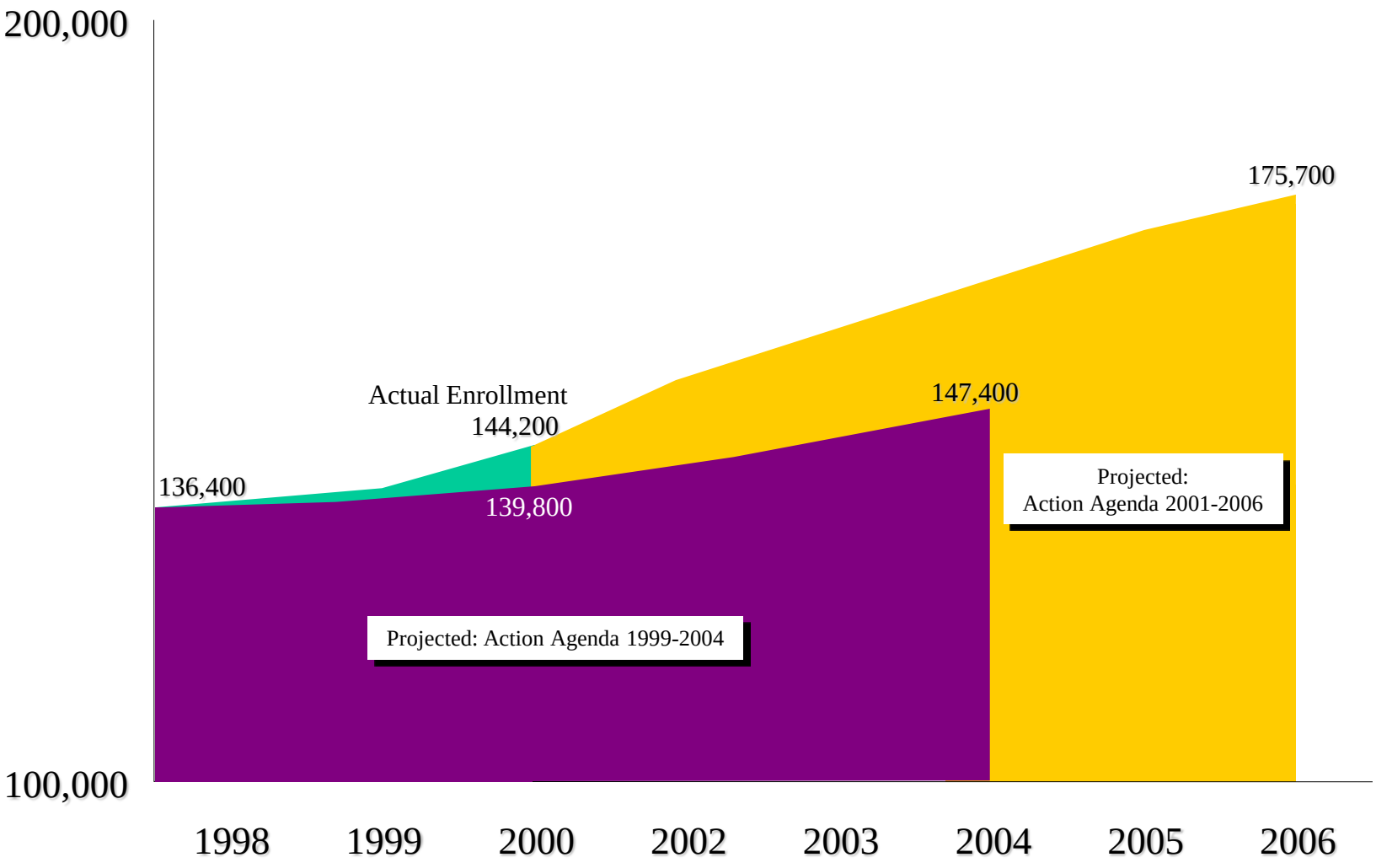
The recommended undergraduate enrollment goals chart an ambitious course toward the goal of 80,000 more undergraduates by the year 2020 (see graph on page 65). We are including for the first time goals for graduate/professional enrollment at the comprehensive universities and graduation rates for students who transfer to the public universities. We are currently working with the independent institutions to incorporate their enrollment projections.

The proposed increases in retention rates range from .5 percent to 6.3 percent and the proposed increase for six-year graduation rates range from .8 percent to 10.0 percent. The proposed goals for five-year graduation rates of transfer students reflect increases of .2 percent to 5.0 percent. As presented on pages 105 to 109, funding may be tied to the achievement of the enrollment and retention goals through a 2002-04 Enrollment Growth and Retention Trust Fund.

Staff preparation by Angela S. Martin and Patrick Kelly

Undergraduate Enrollment Projections

Public Institutions



Key Indicators of Progress toward Postsecondary Reform
Question 2: Are more students enrolling?

2.1 Undergraduate Enrollment

	Actual			Proposed Goals					% Change	
Institution	**1998**	**1999**	**2000**	**2002**	**2003**	**2004**	**2005**	**2006**	**1998 - 06**	**2000 - 06**
Eastern Kentucky University	13,480	13,274	12,909	13,029	13,159	13,291	13,424	13,558	0.6	5.0
Kentucky State University	2,205	2,277	2,129	2,400	2,500	2,550	2,600	2,650	20.2	24.5
Morehead State University	6,743	6,645	6,755	6,950	7,018	7,088	7,159	7,231	7.2	7.0
Murray State University	7,349	7,299	7,492	7,700	7,800	7,900	7,950	8,000	8.9	6.8
Northern Kentucky University	10,643	10,672	10,859	11,100	11,300	11,500	11,750	12,000	12.8	10.5
University of Kentucky	17,157	16,847	16,899	17,050	17,175	17,300	17,400	17,500	2.0	3.6
University of Louisville	14,647	14,710	14,477	14,420	14,370	14,300	14,300	14,300	(2.4)	(1.2)
Western Kentucky University	12,713	12,921	13,272	13,540	13,675	13,810	13,945	14,080	10.8	6.1
Subtotal	84,937	84,645	84,792	86,189	86,997	87,739	88,528	89,319	5.2	5.3
Lexington Community College	6,118	6,807	7,214	7,214	7,500	7,800	7,900	8,000	30.8	10.9
KCTCS	45,529	46,035	52,201	60,938	65,204	70,094	75,351	78,365	72.1	50.1
Total	136,584	137,487	144,207	154,341	159,701	165,633	171,779	175,684	28.6	21.8

Key Indicators of Progress toward Postsecondary Reform
Question 2: Are more students enrolling?

2.2 Graduate/Professional Enrollment

	Actual			Proposed Goals					% Change	
Institution	**1998**	**1999**	**2000**	**2002**	**2003**	**2004**	**2005**	**2006**	**1998 - 06**	**2000 - 06**
Eastern Kentucky University	1,922	1,914	1,748	1,800	1,836	1,892	1,930	1,960	2.0	12.1
Kentucky State University	98	116	125	125	127	133	140	147	50.0	17.6
Morehead State University	1,520	1,526	1,572	1,623	1,647	1,670	1,689	1,709	12.4	8.7
Murray State University	1,554	1,615	1,649	1,740	1,780	1,820	1,860	2,000	28.7	21.3
Northern Kentucky University	1,156	1,104	1,242	1,385	1,445	1,520	1,570	1,610	39.3	29.6
University of Kentucky	6,552	6,219	6,217	6,487	6,527	6,560	6,590	6,625	1.1	6.6
University of Louisville	5,562	5,424	5,627	5,705	5,768	5,872	5,902	5,937	6.7	5.5
Western Kentucky University	2,169	2,202	2,244	2,298	2,324	2,350	2,376	2,402	10.7	7.0
Total	20,533	20,120	20,424	21,163	21,454	21,817	22,057	22,390	9.0	9.6

Key Indicators of Progress toward Postsecondary Reform
Question 3: Are more students advancing through the system ?

3.1 One-Year Retention Rates of First Time Freshmen
Three-Year Average

	Actual			Proposed Goals					Change	
Institution	**1998**	**1999**	**2000**	**2002**	**2003**	**2004**	**2005**	**2006**	**1998 - 06**	**2000 - 06**
Eastern Kentucky University	62.6%	62.0%	62.6%	63.0%	64.8%	66.0%	67.0%	68.0%	5.4%	5.4%
Kentucky State University	56.2%	61.4%	63.7%	64.7%	65.7%	66.7%	68.0%	70.0%	13.8%	6.3%
Morehead State University	66.5%	63.6%	61.7%	62.7%	63.7%	64.7%	65.7%	66.7%	0.2%	5.0%
Murray State University	70.2%	69.4%	69.8%	70.0%	70.0%	70.1%	70.2%	70.3%	0.1%	0.5%
Northern Kentucky University	63.4%	63.6%	63.3%	64.6%	64.9%	66.1%	67.0%	68.0%	4.6%	4.7%
University of Kentucky	78.6%	78.5%	79.2%	79.5%	80.0%	80.5%	81.0%	81.5%	2.9%	2.3%
University of Louisville	70.7%	70.1%	70.2%	72.0%	73.5%	75.0%	75.5%	76.0%	5.3%	5.8%
Western Kentucky University	65.4%	66.5%	67.9%	68.4%	69.0%	69.3%	69.7%	70.1%	4.7%	2.2%
Lexington Community College	61.1%	61.4%	62.0%	63.0%	63.0%	63.0%	63.0%	63.0%	1.9%	1.0%
KCTCS	53.0%	53.3%	53.5%	54.5%	55.0%	55.5%	56.0%	57.0%	4.0%	3.5%

Key Indicators of Progress toward Postsecondary Reform
Question 3: Are more students advancing through the system ?

3.8 Six-Year Graduation Rates of Bachelor's Students

	Actual			Proposed Goals					Change	
Institution	**1998**	**1999**	**2000**	**2002**	**2003**	**2004**	**2005**	**2006**	**1998 - 06**	**2000 - 06**
Eastern Kentucky University	26.8%	31.5%	30.0%	32.0%	33.5%	35.5%	37.5%	40.0%	13.2%	10.0%
Kentucky State University	17.7%	31.3%	31.2%	32.0%	33.0%	34.0%	35.0%	36.0%	18.3%	4.8%
Morehead State University	40.1%	44.0%	38.6%	42.0%	43.0%	44.0%	45.0%	46.0%	5.9%	7.4%
Murray State University	38.5%	40.9%	46.3%	46.4%	46.6%	46.8%	47.0%	47.2%	8.7%	0.9%
Northern Kentucky University	30.1%	32.3%	35.4%	35.5%	35.7%	36.0%	36.4%	37.0%	6.9%	1.6%
University of Kentucky	50.8%	52.2%	55.3%	55.9%	56.2%	56.5%	57.0%	57.5%	6.7%	2.2%
University of Louisville	29.9%	31.6%	30.8%	33.0%	33.5%	34.4%	36.5%	39.0%	9.1%	8.2%
Western Kentucky University	39.1%	37.7%	41.5%	40.9%	41.0%	41.3%	41.8%	42.3%	3.2%	0.8%

Key Indicators of Progress toward Postsecondary Reform
Question 3: Are more students advancing through the system ?

3.9 Five-Year Graduation Rates of Transfer Students
Three-Year Average

Institution	1998-2000 Three-Year Average	Proposed Goals 2002	2003	2004	2005	2006	Change 2000 - 06
Eastern Kentucky University	52.1%	53.0%	54.0%	55.0%	56.0%	57.0%	4.9%
Kentucky State University*	35.3%	NA	NA	NA	NA	NA	NA
Morehead State University	55.0%	56.0%	57.0%	58.0%	59.0%	60.0%	5.0%
Murray State University	60.6%	62.0%	62.5%	63.0%	63.5%	64.0%	3.4%
Northern Kentucky University	55.3%	55.4%	55.5%	55.6%	55.7%	55.8%	0.5%
University of Kentucky	49.2%	51.5%	52.0%	52.5%	53.0%	54.0%	4.8%
University of Louisville	38.6%	41.9%	42.2%	42.4%	42.7%	43.1%	4.5%
Western Kentucky University	62.4%	62.2%	62.3%	62.4%	62.5%	62.6%	0.2%

*Cohort sizes are too small

Council on Postsecondary Education
July 30, 2001

Distribution of Action Agenda Program Funds

Action: The staff recommends that the council approve distribution of the remaining Action Agenda funds.

The Action Agenda program funds support initiatives that advance the goals outlined in *House Bill 1*, *2020 Vision*, and the *Action Agenda, 1999-2004*. These goals include more Kentuckians seeking and obtaining postsecondary education, smoothing the transition from high school to college, and improving the quality of life for children and adults.

The institutions submitted proposals to use the Action Agenda funds, and the council approved $8,465,945 of the $10,000,000 at the May 21, 2001, council meeting. Elements of some proposals did not fall clearly within the Action Agenda program guidelines, and staff worked with the institutions to develop proposals for the remaining funds. The council staff received supplemental proposals that follow the guidelines and contain outcome indicators based on the five questions of reform.

The council guidelines encouraged institutions to spend 40 percent of Action Agenda money on teacher quality. With an additional $300,000 allocated to MoSU and $21,000 to MuSU in the supplemental proposals, the total allocated for teacher quality is $3,387,920, or 34 percent. With KSU's $465,000 and NKU's $575,000 internal reallocations, institutions have allocated $4,427,920 to teacher quality efforts.

Staff will assess program outcomes in 2002 and report to the council at the May 2002 meeting. A summary of each institution's supplemental proposal follows.

Eastern Kentucky University

The staff recommends that EKU receive the remaining $534,060 of its $2,433,000 allocation. EKU will use these funds to increase faculty research grants to support its educational mission, enhance its computer network support for distance learning on all its campuses, and establish a recurring fund to purchase and replace instructional equipment.

Kentucky State University

The staff recommends that KSU receive the remaining $169,600 of its $732,000 allocation. KSU intends to support personnel and programs that will increase recruitment and retention of non-traditional students. The university will offer evening information sessions, one-stop and evening

registration, after hours homework study halls, afternoon and evening childcare, and summer programs for children of non-traditional students.

A coordinator will work with high schools to promote an early admission program and will oversee KET and the KYVU offerings. KSU will also expand its service-learning program to include all first-year students and will employ an additional counselor to help increase retention in mathematics and sciences.

Morehead State University

The staff recommends that MoSU receive the remaining $300,000 of its $1,435,000 allocation. These funds will be used to provide support for faculty across the campus to work in area public schools and participate in professional development for teacher training.

Murray State University

The staff recommends that MuSU receive the remaining $215,495 of its $1,659,000 allocation. MuSU will use these funds for instructional technology, recruitment and retention initiatives, and academic outreach, including additional support for a master's degree program in special education for teachers who are teaching with emergency certification.

Western Kentucky University

The staff recommends that WKU receive the remaining $316,900 of its $2,327,000 allocation. These funds will help attract and serve nontraditional students in underserved areas and offer more courses using distance learning technologies and at extended campus sites. It also will add support to its developmental reading program. WKU will match action agenda funds with university funds and create a GIS Technology Center to serve as a training, technical, and research resource for government agencies and businesses involved in economic competition, selective migration, and workforce development.

Staff Preparation by Jennifer Marsh and Jim Applegate

Council on Postsecondary Education
July 30, 2001

Distribution of Faculty Development Program Funds

Action: The staff recommends that the council approve distribution of the remaining faculty development funds.

The council approved guidelines to distribute the faculty development program funds at the November 13, 2000, meeting. Of the original $1 million, the council reserved $100,000 for statewide faculty development initiatives. At its May 21, 2001, meeting, the council allocated $874,000 of the $900,000 available. Kentucky State University has submitted a supplementary proposal for the remaining $26,000, which will complete its allocation.

KSU will use these funds for two initiatives. The first will examine the current faculty evaluation process and explore alternative methods of evaluation. Dr. Peter Seldin, distinguished professor of management at Pace University, will be engaged to conduct a four-day workshop on faculty evaluation guidelines. Faculty discussion groups will complement this effort.

The second initiative provides discipline-specific workshops on student assessment. These workshops will be coordinated by the university's Center for Innovation in Teaching, Learning, and Assessment and will enable KSU faculty to better prepare students for professional licensure examinations or graduate education.

Staff Preparation by Jim Applegate and Ben Boggs

Council on Postsecondary Education
July 30, 2001

Final Program Productivity Report for Universities

Action: The staff recommends that the council accept the final university reports of the first biennial productivity review.

The universities have completed the program productivity reviews directed by the council in November 1999.

Of the 1,164 programs slated for review, 564 were identified as low productivity programs. Of these, the universities plan to close 25 percent (143), to significantly change 29 percent (161), and to retain 45 percent (254). For retained programs, the universities provided strategies for improving productivity or strong justification for current levels of degree production. Programs being altered will undergo significant program structure or content changes. The attached chart (Attachment 1) shows the number of programs each university plans to close, alter, and retain.

In July 2000, the council requested that statewide groups be formed in teacher education, foreign languages, and visual and performing arts. These are discipline areas with large numbers of low degree-producing programs.

The work in teacher education has been very productive. Thirty-five low productivity teacher education programs were closed. In addition, the chief academic officers of Kentucky's public postsecondary institutions worked with their counterparts at independent colleges, education and arts and sciences deans, the Education Professional Standards Board representatives, and the Kentucky Department of Education to establish goals, strategies, and performance indicators for teacher education programs in Kentucky. These are included in Attachment 2 (the statewide teacher education agenda that was endorsed by the chief academic officers of Kentucky's public and independent postsecondary institutions). Much has been accomplished, but much remains to be done. The teacher education group met June 25 to identify the specific actions needed to achieve the objectives defined in the teacher education agenda. Teams of faculty from across the universities will meet in early fall 2001 to begin this work.

In the visual and performing arts, institutions have plans to close 15 of the 77 low productivity programs. For the 62 programs to be retained, the statewide group produced a report outlining the importance of these programs to the institutions, communities, and to Kentucky but has yet to recommend ways to offer the programs more efficiently, attract more students to them, or increase the number of graduates from them. The next cycle of program productivity reviews will address this issue.

The foreign language group also produced an inventory of current programs and their contributions. While institutions closed six programs, explicit recommendations for the remaining programs have not been developed. The alterations to the pre-college curriculum in 2004 will require much greater access to foreign language instruction for Kentucky high school students. That means more secondary foreign language teachers and more opportunities for dual credit for high school students. At the same time, college students must be prepared for life and work. Today's Kentucky communities and work environments are more diverse, and businesses are more global. There should be more programs that deliver Spanish—and Japanese, Chinese, and Portuguese—to Kentuckians already in the workforce at times and in ways that meet their economic and personal needs. These issues will be addressed in the next cycle of program productivity reviews for foreign language programs.

This report completes the first phase of the academic program productivity review process. Next steps include consultation with the institutions and campus visits to assess program approval processes, and a second cycle of identifying low-productivity programs for review by the institutions.

The academic program productivity review process, developed as part of deregulation and council initiatives, is described in November 8, 1999, July 17, 2000, and February 5, 2001, agenda items.

Staff Preparation by Barbara Cook and Bill Swinford

Attachment 1

University Institution Program Productivity Report
June 2001

University	Total Number of Programs	Low-Productivity Programs	Low-Productivity Program Decisions							
			Program Closures		Programs Altered		Programs Retained		Programs Continuing Under Review	
EKU	149	77	14	18%	5	6%	51	66%	7	9%
KSU	37	30	12	40%	5	17%	13	43%	0	
MoSU	97	46	10	22%	17	37%	19	41%	0	
MuSU	140	81	22 *	27%	13	16%	47	58%	0	
NKU	77	30	7	23%	5	17%	18	60%	0	
UK	289	126	13	10%	39	31%	74	59%	0	
UofL	215	96	37	39%	51	53%	8	8%	0	
WKU	160	78	28	36%	26	33%	24	31%	0	
Total	1,164	564	143	25%	161	29%	254	45%	7	1%

* Additional program deactivated

Attachment 2

Teacher Education Agenda

One of the highest priorities for Kentucky is ensuring high quality teaching in Kentucky schools. The quality of teaching is directly related to the quality of student learning. Additional attention and support must be given to teacher preparation programs throughout the state. The Education Professional Standards Board has developed rigorous performance-based standards for teacher preparation programs. The Teacher Education Agenda is a set of broad objectives to which all of the chief academic officers of Kentucky's public and independent postsecondary institutions are committed, in order to ensure that Kentucky's teacher education programs meet and exceed the EPSB standards.

Working collaboratively with the EPSB and the Kentucky Department of Education, the chief academic officers will establish implementation teams including deans and chairs of arts and sciences and education, faculty, and P-12 representatives to develop specific programs that will achieve the goals outlined in this Agenda. Two meetings of these groups already have occurred. Plans to improve teacher education are being shared. A coordinated statewide approach to accomplishing these objectives is being developed using Action Agenda Trust Funds from the council, institutional resources, and support provided by the KDE.

The Goals of the Teacher Education Agenda

- Encourage talented people to enter the teaching profession through both alternative and traditional routes.
- Improve existing and prospective teachers' professional knowledge in content and pedagogy.
- Promote professional development in pre-service and in-service programs that enhance teachers' use of academic skills in the workplace.
- Ensure involvement of the entire university community in teacher education.
- Improve performance and learning results for P-12 students.
- Support collaboration between the P-12 and postsecondary education communities.

Objectives

Objective 1

More teachers will be recruited and retained in the teaching profession.

We will work inside our universities and colleges and with state government to develop incentive programs to encourage our best students to enter the teaching profession, especially in teacher shortage areas. Programs could include tuition incentives, loan forgiveness, and special recruitment and recognition programs for teacher education students. We also will work with the EPSB to develop alternative certification routes that attract and prepare good teachers from all walks of life.

We will support efforts to raise teacher salaries and make them more merit and market driven. Teachers in shortage areas, those willing to teach in difficult situations, and those who demonstrate excellence should be rewarded.

We pledge to give the highest priority within our institutions to teacher education programs in teacher shortage areas. We will enhance programs that support our teacher education graduates in the classroom, especially during the first five years of their teaching career.

Our success in meeting this objective will be measured by a significant reduction in teacher shortages, in the number of emergency certified teachers in the classroom, and in the number of teachers leaving the profession during the first five years of service.

Objective 2

P-12 teachers will have extensive content knowledge of the subjects they teach as well as knowledge of pedagogy and technology.

We will provide high quality teacher education programs that address the needs of the P-12 system. We will work closely with the EPSB in its development of a state report card for teacher education programs to accomplish this task. Our faculty and program development efforts will focus on creating partnerships between arts and sciences and education faculty to ensure the content knowledge of teachers. We also will strengthen partnerships with schools to promote new teachers' success in making the transition to the classroom. Professional development programs for current teachers will be aligned with P-12 standards to help teachers prepare students for postsecondary success.

Objective 3

P-16 educational institutions' curriculum and standards will be aligned.

We know that for teachers and their students to succeed we must have clear and consistent learning goals across all educational levels. We will take leadership in developing local P-16 councils in Kentucky to help align exit and entrance standards. Our first goal will be to ensure that high school standards are directly linked to college admissions standards. Special attention will be given to curriculum reforms that support transition from two- to four-year postsecondary institutions for students pursuing teaching careers.

Objective 4

Teachers will be better prepared to help all students meet P-12 academic standards.

We are committed to developing teachers who can effectively teach students from all backgrounds and with different learning styles. Special emphasis will be given to programs that enable teachers to develop student reading skills and meet the needs of minority students. We will measure our success by improvement in P-12 student learning, including bringing all students to proficiency levels in reading by third grade and eliminating the achievement gap between poor and minority students and their peers.

Council of Chief Academic Officers' Teacher Education Agenda Group Composition

To implement, involve the following groups:

- Teacher Education Leadership Team: chief academic officers of the eight public universities, KCTCS, two chief academic officers from the independent colleges, the vice president for

academic affairs of the Council on Postsecondary Education, and the chief academic officer of the Kentucky Virtual University.

- Teacher Education Steering Committee: a subcommittee of the Leadership Team to ensure the continued presence of teacher education initiatives on the agenda of the public and independent chief academic officers (three public and one independent representatives).
- Implementation Teams: groups of arts and sciences and education deans and chairs and college and P-12 faculty who will develop specific programs to address agenda objectives.
- Teacher Education Agenda Statewide Group: representatives from the Education Professional Standards Board, Kentucky Department of Education, and the Teacher Education Leadership and Implementation Teams who will ensure a coordinated statewide teacher education effort.

Implementation Plan

1. Identification of priority issues to be addressed.

2. Appointment of implementation teams to develop specific plans of action and accountability measures for each of the objectives.

3. Creation of local and regional P-16 councils consistent with state P-16 council guidelines.

4. Identification and coordination of resources to sustain the teacher education agenda, such as funds from:
   - Action Agenda Trust Funds
   - Faculty development programs
   - Programs of Distinction and Research Challenge Trust Funds
   - Local P-16 council initiatives
   - KDE teacher quality programs
   - EPSB programs
   - Institutional funds through reallocations
   - Other government agencies and foundations

Conclusion

These are broad objectives. Our ultimate success will be determined by the outcomes of the specific programs that we develop. However, we believe that the public commitment of the chief academic officers to teacher education as a priority at each of our institutions and to the agenda outlined here is a significant first step. We look forward to working with the Kentucky Board of Education, the Council on Postsecondary Education, the EPSB, and other interested groups to further develop and implement this agenda.

March, 2001

Council on Postsecondary Education
July 30, 2001

Initial Program Productivity Reports
KCTCS and Lexington Community College

Action: The staff recommends that the council accept the initial productivity reports of the Kentucky Community and Technical College System and Lexington Community College.

The Kentucky Community and Technical College System and the Lexington Community College have completed the first phase of their review of degree programs producing few graduates. LCC will retain two low-productivity programs and will complete its review of a third next year. The KCTCS will close five programs, alter 18, retain five, and complete the review of one program next year.

This review process began in fall 2000 (alternating with reviews on university campuses beginning in odd-numbered years). For the KCTCS and LCC, the council staff identified 22 percent of the total associate programs offered (32 out of 146) as low-productivity programs (defined as granting less than an average of 12 degrees per year). The attached chart gives details by community college. The technical colleges were excluded from the review because none have had degree programs in operation for more than four years.

The remainder of the community college program review process will parallel that for the universities, with follow-up reports on program changes due at the end of the 2001-02 academic year and a review of program approval processes in 2002-03.

The academic program productivity review process is described in the November 8, 1999, July 17, 2000, and February 5, 2001, agenda items.

Staff Preparation by Barbara Cook

Community College Program Productivity Review Report
July 2001

Community College	Total Number of Programs*	Programs Reviewed	Low-Productivity Programs	Low-Productivity Program Decisions							
				Program Closures		Programs Altered		Programs Retained		Programs Continuing Under Review	
KCTCS Community Colleges											
Ashland	7	3	0								
Elizabethtown	9	6	1			1	100%				
Hazard	11	5	2			2	100%				
Henderson	10	5	2			2	100%				
Hopkinsville	9	7	4			4	100%				
Jefferson	22	16	5	1	20%	3	60%			1	20%
Madisonville	13	9	6	2	33%	3	50%	1	17%		
Maysville	8	5	1			1	100%				
Owensboro	12	7	3	1	33%	1	33%	1	33%		
Paducah	8	5	1					1	100%		
Prestonsburg	7	3	0								
Somerset	6	5	2					2	100%		
Southeast	10	6	2	1	50%	1	50%				
Total KCTCS	132	82	29	5	17%	18	62%	5	17%	1	3%
Lexington Community College	14	12	3					2	67%	1	33%
Total KCTCS & LCC	146	94	32	5	16%	18	56%	7	22%	2	6%

* Includes new programs not subject to productivity review.

Council on Postsecondary Education
July 30, 2001

EEO Status Report
Qualitative Waiver for Northern Kentucky Technical College

Action: The staff recommends that the council accept the Committee on Equal Opportunities recommendation to grant Northern Kentucky Technical College a waiver of the requirements of KRS 164.020(18).

Kentucky and its colleges are slowly moving toward achieving the commitments outlined in the Partnership Agreement with the U. S. Department of Education's Office for Civil Rights and The Kentucky Plan. The following highlights recent activities.

Waiver Requests

At its June 25 meeting, the Committee on Equal Opportunities voted to recommend to the Council on Postsecondary Education that a waiver of the requirements of KRS 164.020(18) be granted to the KCTCS Northern Kentucky Technical College.

Northern Kentucky Technical College presented a compelling case to support the granting of a waiver. They have taken actions resulting in significant improvements on three of four plan commitments (enrollment, employment of faculty, and employment of professional non-faculty).

The next meeting of the council's Committee on Equal Opportunities is Monday, August 20, in Meeting Room A at the council offices in Frankfort. The agenda will include the reconsideration of the Morehead State University request for a waiver, discussions about adult education, GEAR UP, and P-16. The committee agreed to consider revising the criteria for the granting of qualitative waivers and to continue its discussion about developing the 2003-07 equal opportunities plan.

Partnership Agreement

a. Enhancement of Kentucky State University
- KSU submitted a special report regarding efforts to improve student performance on the Praxis II exam. While the report identified some efforts made by KSU to address concerns, the CEO concluded that important implementation strategies were lacking.

b. Efforts to enhance campus climate, student recruitment, and student retention
- Each university submitted a report regarding their campus environment teams' goals and objectives, planning processes, evaluation of accomplishments, and overall effectiveness.
- KSU, MoSU, NKU, UofL, and WKU submitted reports highlighting initiatives to increase the representation of African Americans in math and science.

- The first statewide conference for participants of the Governor's Minority Student College Preparation Program met at the University of Kentucky June 13-14; approximately 400 African American youth attended the event. Topics included: bridging the digital divide, the pre-college curriculum, campus safety, and African American culture.
- The Fourteenth Annual Academically Proficient African American High School Junior and Senior Conference was held at the University of Louisville June 22-23, 2001. Approximately 150 students and parents participated. Four concurrent sessions were designed to assist students in their transition from high school to postsecondary education.
- Kentucky has served a total of 25 doctoral students in the Southern Regional Education Board Doctoral Scholars Program since 1993; ten have completed their doctoral degree and thirteen are currently enrolled. The council will support nine additional scholars in fall 2001 with non-recurring funds. Two of the SREB dissertation year fellows attended the June 25 CEO meeting.

c. General Commitments of the Partnership Agreement

- The second status report was forwarded to the U.S. Department of Education's Office for Civil Rights to describe progress and affirm Kentucky's commitment to fulfill the obligations outlined in the partnership agreement.
- The final reports of the spring and fall 2000 campus visits were forwarded to the council office from the OCR. The reports were shared with the institutions in late spring and became available to the general public after the June 25, 2001, CEO meeting.
- OCR and the council will visit KSU in September 2001.
- The next set of reports—the benchmark funding process, appointments to KSU's Board of Regents, rates of retention and graduation by race for each public postsecondary institution—are due to the OCR by September 30, 2001. A report on efforts of each institution to ensure and enhance diversity of faculty, staff, and administrators is due by October 30, 2001.

Staff preparation by Rana Johnson and Sherron Jackson

Council on Postsecondary Education
July 30, 2001

University of Kentucky College of Law Classroom Renovations

Action: The staff recommends that the council approve the University of Kentucky's request to renovate three classrooms to create smart teleconferencing classrooms with $800,000 in federal and institutional money.

The University of Kentucky proposes to renovate three classrooms into smart teleconferencing classrooms for the College of Law. The renovations will make structural modifications to create auditorium style seating, enhance sight lines, and generally adapt the space for legal type proceedings. The renovated space will support distance prosecutorial training and community legal education, increased interaction between the faculty, students, law enforcement officials and judges, and in some instances high school students. The project will renovate 3,000 square feet and should be completed by August 2002.

The College of Law facility is located along Nicholasville Road, immediately adjacent to Memorial Hall on the UK main campus. The University of Kentucky has certified that funding for the project will be available from the U.S. Department of Justice and institutional fund sources ($800,000). The institution indicates that the renovated space will not require any additional operation and maintenance funds.

The council has the statutory responsibility to review and approve postsecondary education capital construction projects costing $400,000 or more regardless of fund source. Following council action, the staff will forward the council's recommendation to the secretary of the Finance and Administration Cabinet and to the Capital Projects and Bond Oversight Committee.

Staff preparation by Sherron Jackson

Council on Postsecondary Education
July 30, 2001

Kentucky Innovation Act Program Application Criteria

Action: The staff recommends that the council approve the application criteria, the process for submission of an application, and the structure and type of outside expertise or peer review used in the application review process proposed by the Kentucky Science and Technology Corporation for awarding grants under three of the four programs administered by it on behalf of the council: Rural Innovation Program, Research and Development Voucher Program, and Commercialization Fund Program.

(A copy of the proposed application criteria, submission process, and structure of outside peer review has been posted to the council's Web site at www.cpe.state.ky.us *and has been sent to each council member.)*

Funding for the three programs is appropriated to the council, which has policy leadership for the programs. As directed or allowed by the act, the council has contracted with the Kentucky Science and Technology Center to administer these three programs. For additional background, see Agenda Item E-3 from the council's July 17, 2000, meeting.

The act gives the council the right and obligation to approve 1) the application criteria, 2) the process for submission of an application, and 3) the structure and type of outside expertise or peer review used in the application review process for the three programs.

The act also gives the council the right to final approval on all Commercialization Fund Program awards. As a practical matter, the recommended application criteria and procedures delegate to the KSTC the right to approve Commercialization Fund Program awards.

By approving the program application criteria and related procedures, the council enables the KSTC to issue the first request for applications. Pending the council's approval, the KSTC plans to do so in early August. The council will not review and approve individual program applications for the Research and Development Voucher Program, the Commercialization Fund Program, and the Rural Innovation Program once it has approved the program application criteria and procedures. The KSTC will be responsible for reviewing and approving individual applications for the three programs, in accordance with the council-approved criteria and procedures. As the KSTC administers the three programs, it will continue to work closely with council staff, the Office of the New Economy in the Cabinet for Economic Development, the Kentucky Innovation Commission, and other relevant state agencies. The KSTC will provide information on program status and particularly on program awards so that council staff can report to the council at each council meeting.

The council, working with the Office of the New Economy, will recommend overall program performance indicators and benchmarks to the Kentucky Innovation Commission in early 2002.

The act also appropriated funding to the council for the creation of regional technology corporations (the fourth of the four programs for which the council has policy leadership under the act). The council has the right to final approval of creation and continuance of any regional technology corporation (none have been proposed yet). The council has contracted administration of the regional technology corporations program to the KSTC. The council staff expects to recommend application criteria and procedures for the regional technology corporations at the September council meeting.

Staff Preparation by Daniel A. Rabuzzi and Jennifer Marsh

The Kentucky Innovation Act

Applied Commercialization Programs

Submitted to
Council on Postsecondary Education

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July 9, 2001

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Background

Information technology, communications, and intellectual capital, rather than energy and raw materials, power today's economy. The driving forces of the new economy are ideas, knowledge services, and higher-order skills.

Enabling Legislation

There is established and created in the State Treasury funds entitled the *"Kentucky Rural Innovation Fund (KRS 164.6027c)," "Kentucky Research and Development Voucher Fund (KRS 164.6019c),” and "Kentucky Commercialization Fund (KRS 164.6035c),”* for the purpose of enabling Kentucky-based firms and institutions to undertake research and development, and entrepreneurial innovation work in partnership with postsecondary institutions and third parties in the Commonwealth.

Under the Kentucky Innovation Act (KRS 164.6043c), the Council on Postsecondary Education is directed to create nonprofit regional technology corporations (RTCs). The regional technology corporations shall act as intermediary organizations delivering services and providing resources to knowledge-based clusters primarily in rural areas of Kentucky. Public and private organizations, including comprehensive universities and other postsecondary institutions, may participate in activities organized by the regional technology corporations.

According to the Act, CPE is to contract with a science and technology organization to administer the Regional Technology Corporation program. CPE has contracted with the Kentucky Science and Technology Corporation to administer this program, but CPE must approve the application criteria, the process for submission of an application, and the structure and type of outside expertise or peer review used in the application review process in this program.

CPE – KSTC Contract

On behalf of the state, KSTC has the authority to review applications, qualify companies, and certify qualified companies. KSTC shall conduct an independent review with the use of outside experts to evaluate each application. Following the application review, KSTC shall make a determination of the application and may determine that the applicant is a qualified company as defined by the Kentucky Innovation Act.

Upon a qualified company's presentation of a legal agreement or contract meeting the conditions of an applied program, KSTC shall present both qualified company and university with a certification authorizing funding.

Document Structure

This document contains the specific goals, eligibility, selection criteria and process for each of the Applied Programs in KIA. KSTC has developed a generic application process that is custom tailored to each program. This document should be read as a single

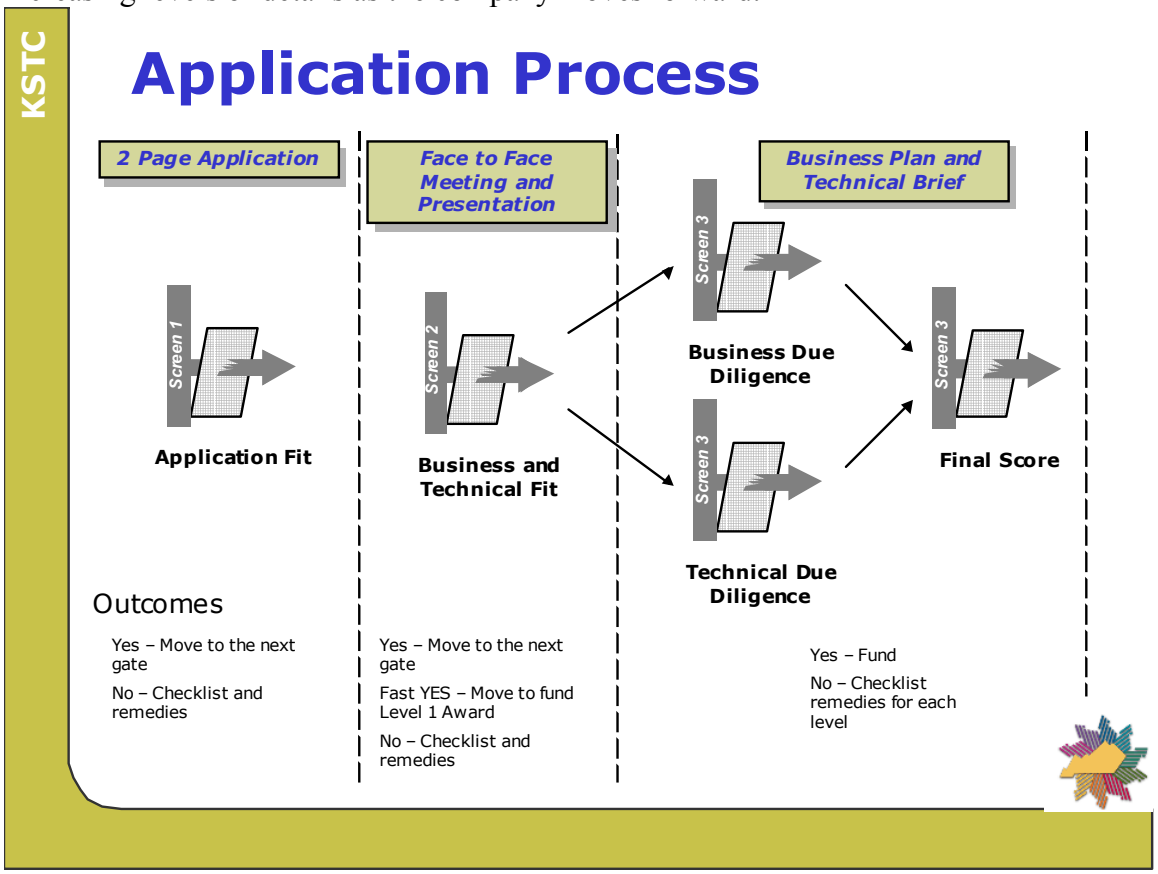
document; Chapters should not be read in isolation. Each Chapter refers to Chapter One as its foundation.

Generic Application Process

A generic application process has been developed and customized for each applied program to account for specific needs and criteria of each program. The majority of the underlying process will be similar.

Process Intent

The intent of the process is to invest funds in those companies that meet the goals of the program, have the best chance of commercial success and help educate startup entrepreneurs on the process of raising capital. To that end, the application and review process has been designed to emulate the process that venture capitalists deploy when reviewing investment candidates. The process is progressive and intense and provides increasing levels of details as the company moves forward.



At each screen a company will be informed of status. If a company fails a screen, KSTC will provide a remedy checklist to the company that outlines what criteria were not met and provides suggested remedies for each deficiency. Funded companies will be followed throughout the life of the investment.

Application Criteria

Application criteria consist of eligibility guidelines as defined by the legislation, and selection criteria, created to judge the soundness of the proposal. Eligibility guidelines are specific measures that each company must exhibit whereas, selection criteria are a framework of technical and business criteria to be judged and assessed by a group of independent business and technical experts. The selection process begins with an application review to determine if the base eligibility requirements have been met and moves through successive screens that enable a thorough understanding of the technical soundness and business proposition put forth by the company. The process is purposefully similar to private processes that venture capitalists apply when reviewing potential investments.

Generally, the company will need to pass three screens before it will be funded. The screens are as follows:

1) Application Screen – review and fit of application
2) Meeting Screen – face-to-face meeting to judge applications fit, business fit and technical fit
3) Due Diligence Screen – detailed assessment of technical feasibility and merit as well as business qualification and likelihood of success. Due diligence will be conducted by a panel of experts both internal to KSTC and external

Screening Process

The review process consists of the following screens:

1) Application review (Screen 1)
2) Meeting and presentation review (Screen 2)
3) Business due diligence (Screen 3)
4) Technical due diligence (Screen 3)

Investments will be made in companies who meet standards set at each screen. Each screen will use a scoring tool based on the screen criteria. The tools will provide a quantitative output that will be weighed against industry knowledge, expertise and judgment to arrive at a decision per each screen. The quantitative measure is but one tool used to review companies.

Application Review

Applicants will submit a brief application outlining company criteria, business proposition and technical description. The application will measure program, business and technical fit per the guidelines. Subjective assessments of technical merit and business fit will shape the outcome.

Disclosure

Applicants must disclose family relations to any KSTC employee, KSTC board member, lobbyist organization, state legislator or state official, application reviewers or any other state funded agency.

Meeting and Presentation Review

Once the company has fit the program criteria and the technical and business descriptions warrant further investigation, the company will be asked to present its idea in a face-to-face meeting. The purpose of this meeting is to further examine the application and team to better determine program fit, and soundness of concept and likelihood of success.

Due Diligence

Due diligence is broken into two categories, business due diligence and technical due diligence. Each activity is separate and can be conducted in parallel.

Business Due Diligence

Prior to due diligence, the company will complete a business plan per the attached outline. The business due diligence will focus on the team (background and training), its understanding of the market and competition, issues concerning technical commercialization and the ability for the team to execute on this plan. Additionally, as part of the business due diligence, a preliminary patent search should be conducted with findings noted.

Technical Due Diligence

Part of the technical due diligence will be the submission of a technical brief that outlines and defines the technology, the productization issues around the technology and the team that will conduct the research.

Due Diligence Teams

Due diligence teams will be assigned to a company once the company passes through Screen 2 – the meeting and presentation screen. Teams will be comprised of both KSTC staff and external experts. Team selection will comply with industry best practices and guidelines. Where specific technologies or business processes can be identified, KSTC will complete an industry search to identify and engage the appropriate expertise. In the case of specific technologies, companies will be required to identify five technical experts in the specific field. KSTC will contact those experts and request five additional experts from each. This will give us a large, blind pool to draw from.

KSTC will form a Public Review Panel comprised of experts from the public sector. This panel will vary in size and be assembled by technical discipline. Each member must be from the public sector and not involved in any private ventures. The intent is to best contain a company's innovation within non-competitive hands. The Panel will expand and contract in size, as resources are needed. Panel members will sign a service contract with KSTC that encompass general work guidelines and confidentiality conditions. The process of review will be conducted such that no copies of a company's technical brief, or other documents, leave the physical location of KSTC in order to manage distribution of sensitive materials.

CPE/KSTC shall conduct an independent review with the use of outside experts to evaluate each application. Following the application review, KSTC shall make a

determination of the application and may determine that the company is a qualified company as defined under the Kentucky Innovation Act.

General Selection Criteria

The general guidelines outlined in the legislation are as follows:

1) Each proposed project shall be likely to:
    a. Produce a measurable result and be technically sound;
    b. Lead to innovative technology or new knowledge;
    c. Lead to commercially successful products, processes, or services within a reasonable period of time;
    d. Show significant potential for stimulating economic growth and a reasonable probability to enhance employment opportunities within rural Kentucky.

2) Each application shall include, but not be limited to the following information:
    a. Verification that the company is an eligible company, a Kentucky-based company, a small company, and is located in a rural area of the state;
    b. Written justification that the project application is consistent with the program purposes;
    c. A research, development, and entrepreneurial plan that is sufficient in scope for review;
    d. A detailed financial analysis that includes the commitment of resources by the company and others;
    e. Sufficient detail concerning proposed project partners, type and amount of work to be performed by each partner, and expected product or service with estimated costs to be reflected in the negotiated contract or agreement; and
    f. A statement of the economic development potential of the project.

Performance Monitoring

Companies will be subject to midterm review to assess progress against predefined milestones. Funding the second half of an investment will be contingent upon successfully passing the midterm assessment. If a company fails to meet midterm goals, a corrective action plan can be submitted to gain access to the remaining funds. Companies would have to demonstrate successful completion of the corrective action plan before additional investment would be made. KSTC reserves the right to waive midterm results report if meaningful progress has been made towards commercialization of the technology in question.

Notification of Unsuccessful Proposals

Applicants that fail to successfully meet screen requirements will be contacted via written notification within 45 days of the screening results. Further, each company will be given a remedy sheet that summarizes areas that need to be corrected to be a more competitive applicant. For cases that do not meet specific requirements, those requirements will be spelled out as part of the notification.

Public Notification

All forms of media will be used to inform the public of the availability of the programs and how to apply. KSTC will develop an extensive web site containing FAQs, forms and guides on how to complete the application, what the criteria are for the programs and what constitutes a well-written application and business plan. Further, KSTC will use appropriate private and public channels to ensure widespread communications. Examples may include chambers of commerce, rotaries, business organizations, interest groups, etc.

The KSTC database allows communications to be optimized around email, fax, and direct mailing depending on the target's capabilities.

Application Timetable

Applications will be accepted the first day of each fiscal quarter beginning October 1st, 2001. Level 1 investments (see Rural Innovation Fund, Chapter 2) will be processed and applicants notified within 45 days of receipt of the application. Level 2 (see Rural Innovation Fund, Chapter 2) investments will be notified 120 days after receipt. The table below outlines the timing of the application process:

Step	Date	Notes
Public Notification Reminder	3 weeks prior to application deadline	Begin marketing campaign to notify public of upcoming quarterly deadline
Applications Received	Day 1 of quarter	Applications can be received prior to this date but will not be processed until Day 1. Applications received after Day 1 will be processed in the next quarter.
Level 1 Investment Notification	Day 30	
Screen 1 Acceptance	Day 10	
Screen 2 Acceptance	Day 45	
Screen 3 Acceptance and Level 2 investments	Day 120	Money to be awarded
Midterm review	6 months after reward	Midpoint check in to determine milestone progress and funding of remaining money.

General Investment Issues

A single company cannot be awarded multiple investments over the same period, but can be awarded multiple investments over different time periods as long as the new application is for a different project.

Program monies can be applied to indirect costs at a rate not to exceed 10% of indirect costs.

Companies can apply to multiple KIA programs for the same project as long as the project meets the guidelines of the individual programs and is successfully judged to be viable.

Upon request and review of progress to date, no cost time extensions will be considered.

Confidentiality

KSTC will not enter into confidentiality agreements with companies seeking funding in the Applied Programs. A company's intellectual property (trade secrets, patents, etc.) is protected under KRS 164 from open record policies. All third party reviewers and experts will be under consulting agreements with KSCT, which will include confidentiality agreements.

Contact Information

For more information regarding the Applied Commercial Programs contact:

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The Innovation Group
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859.233.3502 x229
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Chapter 2 - Rural Innovation Fund

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Program Goals

To provide pre-seed and seed stage capital investments in knowledge-driven rural companies to determine proof of concept for commercializing viable products, processes or services.

Program Purpose

The purposes of these investments are to:

(a) Accelerate knowledge transfer and technological innovation that improve economic competitiveness and spur economic growth in rural, Kentucky-based, small companies;
(b) Support entrepreneurial activities that have clear potential to lead to commercially successful products, processes, or services within a reasonable period of time;
(c) Stimulate growth-oriented enterprises within the Commonwealth;
(d) Encourage partnerships and collaborative projects between private enterprises, Kentucky's postsecondary institutions, research organizations, and the Small Business Development Center Network in Kentucky; and,
(e) Promote research, development, and entrepreneurial activities that are driven by private sector requirements.

Voucher investment funds may be used for those entrepreneurial training topics specified in KRS Chapter 154.01-750(4), if they meet particular objectives of a qualified company as delineated in the project application.

Eligibility

Rural, Kentucky-based, small companies that undertake research, development, and entrepreneurial innovation and work in partnership with Kentucky postsecondary institutions, the Small Business Development Center Network in Kentucky, and other entities engaged in research and development work (see definitions in Appendix A).

Investment Guidelines

Level 1 Investment

Level 1 Investments are defined as those projects that show strong initial promise but need additional research to qualify for full program support. Level 1 Investments are made to a qualified company that shall not exceed a one-time investment of up to $7500.

Level 2 Investment

The amount of a voucher fund Level 2 investment to a qualified company shall not exceed twenty-five thousand dollars ($25,000) each year for two (2) years, up to a maximum of fifty thousand dollars ($50,000) (which could include a Level 1 investment).

Investment Prerequisites

Certification of successful applicants shall:

(a) Negotiate an agreement and funding contract with one (1) or more of Kentucky's postsecondary institutions, the Small Business Development Center Network for approved project activities specified under KRS 154.01-750(4), or other entity engaged in the research and development work that is satisfactory to CPE, to undertake the research and development and entrepreneurial work; and

(b) Provide assurance to CPE that the collaborating parties have adequately addressed the ownership and disposition of patents, royalties, and all other intellectual property rights, and equity or related position relating to the contract between the qualifying company and a partnering entity; and,

(c) Prior to certifying a qualified company, CPE/KSTC may negotiate with the qualified company the ownership and disposition of patents, royalties, all other intellectual property rights, and an equity or related position on behalf of the Kentucky Rural Innovation Fund for the sole purpose of reinvesting and sustaining a revolving fund to carry out the provisions the RIF.

A certification authorizing voucher funding shall be presented to a qualified company upon presentation of a legal agreement or contract meeting the conditions of the RIF.

When CPE is satisfied that the KSTC has certified a qualified company as defined in the Kentucky Innovation Act, CPE shall issue a voucher to the certified company for the requested amount and upon the university's presentation of the voucher to CPE shall pay the face amount of the voucher to the qualified institution receiving the voucher from the company. CPE shall be entitled to rely upon the KSTC's certification and authorization of voucher funding when issuing the voucher and disbursing the investment amount.

Application Process

The generic process has been tailored to meet the specific needs of the Rural Innovation fund, namely the business plan has been scaled back to a business summary. This was done to better align requirements with investment levels and lifecycle of the company.

Application Review Process – Screen 1

Companies will be subject to an application review process as outlined in Chapter 1 of this document. The generic process will be customized to meet the criteria and purpose of the Rural Innovation Fund. Each company will be required to pass three screens: 1) Application, 2) Face to face meeting and 3) due diligence. Outlined below are the custom screens, company requirements and scorecards for each screen.

Rural Innovation Fund Application Outline – Screen 1

I. Cover Sheet

a) Contact Information

b) Brief description of proposal (25 words or less)
c) Amount of funds requested
d) Applied program
e) Legal structure
f) Legal address, specific location
g) Number of employees

II. Narrative (not to exceed one page per question)

1) Briefly describe your company. How long have you been in existence? What products and markets do you make/serve? How many employees do you have?
2) Briefly describe the technology and its innovative application. Describe the state of the technology relative to being ready to sell. Identify the challenges to selling the technology?
3) What market are you targeting for the technology? How large is the market? How do you expect to serve that market?
4) Are you working with anyone to help develop this technology? Describe your relationship and provide all background information regarding the organization or individual.

Scorecard – Screen 1

Rural Innovation Fund
Screen One
Application Fit

Date
Applicant
Applicant Number

Criteria	Weighting	Score (1-10)	Notes
1 Legal structure	Requirement		Must be KY based
2 Knowledge driven	Requirement		Project includes innovative technology
3 Rural based	Requirement		Not in Fayette, Jefferson, Boone, Kenton or Campbell counties
4 Small (<50 employees)	Requirement		<50 employees
5 Development partnership	Requirement		
6 Business application	60%		Subjective assessment of the business practicality of the project and overall impact on economy
7 Technical merit	40%		Subjective assessment of the technical soundness of the project and its uniqueness and innovation

Example Application

KSTC

Rural Innovation Fund Application

Contact Information

Name of Applicant

_____

Name of Company

_____

Address

_____

_____

_____

Tax Identification Number

_____

Legal Structure

_____

Date of Incorporation

_____

Number of Employees

_____

Company Headquarters

_____

Application Identification Number
(for KSTC use only)

_____

Amount of funds applying for

_____

Award applying for

Level 1 **Level 2**

_____

Work Phone

_____

Home Phone

_____

Fax

_____

Email

_____

Disclosure

Are you a lobbyist or related to one? If so, what organizations are you or your relations affiliated with?

_____

_____

Brief Description of proposal (25 words or less)

_____

_____

_____

_____

_____

Authorized Signature

_____ Title _____ Date _____

Rural Innovation Fund Application KSTC

Complete the following questions. You may use additional pages, but no more than one page per question (total of 4). Staple additional pages to the application. All work must be typed.

1. Briefly describe your company. How long have you been in existence? What products and markets do you make/serve? How many employees do you have?

2. Briefly describe the technology and its innovative application. Describe the state of the technology relative to being ready to sell. Identify the challenges to selling the technology.

3. What market are you targeting for the technology? How large is the market? How do you expect to serve that market?

4. Are you working with anyone to help develop this technology? Describe your relationship and provide all background information regarding the organization or individual.

Interview Outline – Screen 2

Applicants should be prepared to discuss their application in greater detail and specifically focused on the following business and technical issues:

1) Business
   a) Company history
   b) Product description
   c) Addressable market
   d) Competitive landscape
   e) Value proposition
2) Technical
   a) Status of technology
   b) Scope of underlying technology
   c) Commercialization issues
3) Development partnership

Scorecard – Screen 2

Rural Innovation Fund

Screen Two

Meeting and Presentation

Date
Applicant
Applicant Number

Criteria	Weighting	Score (1-10)	Notes
1 **Business Fit**	**60%**		
- Company history			How much has been invested, what are the goals?
- Product description			Clearly articulate what the technology will become.
- Addressable market			How large is the market and what is the growth rate?
- Competitive landscape			Who gets displaced? What is unique? What will their response be?
- Value proposition			Who is the buyer and what is their behavior? How do they buy and why would they buy yours?
- Team			Bios, track record and synergies.
- Financial models			How sophisticated?
2 **Technical merit**	**30%**		
- Status of technology			How far along is development? What are the major hurdles?
- Scope of underlying tech			Innovativeness of technology. Is this groundbreaking or add-on?
- Commercialization issues			Will it scale? What are the performacne issues? Are there manufacturing considerations? Cost considerations?
3 **Development partnership**	**10%**		Provide details of the partnership.
	100%		

Business Summary Outline – Screen 3

The business summary is a 5-8 page document that clearly and concisely describes the company, the product or technology, the team and the unique proposition that the product or technology affords relative to other offerings.

Executive Summary (1 Page)

The executive summary is a concise narrative of the business plan and therefore should be written once the complete plan is done.

- Company origin
- The product and underlying technology including the company's competitive advantage or unique contribution
- Market potential
- Team bios and track record
- Amount of capital sought
- Other factors important to the company's success

Business Summary Outline

Company Description

Convey a sense of history and goals of the company. How was the product originated? Who were the originators? Why is the product or technology considered worthwhile? What steps have been taken to establish a company around the idea? Include a summary of the company's principal objectives.

Management

Identify key members of the management team, describe their responsibilities, and set forth their relevant experience and accomplishments. Complete resumes should be attached in an appendix. Focus on unique abilities of each player and the synergy created by the combination of talent. Gaps in skills and strategies to supplement those gaps should be noted.

The Product

Describe what the product is or will be relative to competitive products and why the product has promise to penetrate the existing or developing market. Describe product use and function and what needs it is intended to serve. Describe distinctive features and the advantages and drawbacks of those features. Address attributes, cost, quality and reliability and price of the product. Where there is technical development, the nature, status and scope of underlying technology is necessary to assess technical risk inherent in the development process.

Marketing and Sales

Identify, describe and analyze the target market. The size, growth rate and the forces (or needs) driving it and how it is segmented should be discussed. Describe the target purchaser, where they are located and what motivates their buying decisions. What is the

significance (ranking) of price, quality, performance, sales method, service and warranty and other relevant criteria?

Competition

An assessment should be made of the market share, positioning, strengths and weaknesses of competitive products. The technology or product should be thoroughly compared with competitive products on the basis of price, quality, performance, service and other relevant features. The analysis should include a discussion of whether and to what extent market penetration will be achieved at the expense of, or in conjunction with, the competition. If the proposed product will threaten the existing or expected market share of competitors, thought should also be given to their defensive reactions and how best to counteract them.

Manufacturing Operations

This section should focus on an overview of the intended manufacturing process, including the degree of in-house versus contracted manufacturing; elements affecting production costs; sources of components, raw materials and supplies; anticipated quality and production control systems; and perhaps most importantly, anything unique to the manufacturing process.

Business Organization

The amount of discussion about the business organization should vary with the size and development stage of the company. For a start-up primarily engaged in early product development, this section should address the current organizational structure, reporting relationships and management responsibilities; identify existing or projected managerial gaps; and provide an overall sense of the personnel needs and the organization's growth over time. The wage and salary structure for all employees and any incentive or stock ownership/option programs should be identified and verified as consistent with start-up and industry norms. If the use of consultants, part-time or contract assistance is contemplated, it should also be discussed. Outside professionals, such as law and accountancy firms, who have agreed to serve the start-up, as well as respected individuals who are willing to serve on the Board of Directors, should all be identified as they are positive sources of credibility and support for the venture.

Financial Statements and Projections

The financial forecasts contained in one of the business plan Appendices should include balance sheets, income statements and cash flow projections for five years, with the information presented monthly for the first year and quarterly thereafter. Within the business plan itself there should be a summary of the key aspects of the financial forecasts. In addition, it is useful to summarize the expected use of the funds to be raised in the current financing. Financial assumptions should be discussed at sufficient length to convey an understanding of how they were determined. At a minimum, the logic for determining the following should be included: sales, market share, prices, expenses, accounts payable payments, accounts receivable collections, inventory turnover, margins, taxes, and useful life of equipment.

Appendices

The following, where applicable, should be included in an Appendix to the business plan:

1) Resumes of key managers.
2) Photographs or drawings of the product.
3) A list of professional references.
4) Market studies or third party evaluations.
5) Patent histories.
6) A brief summary of any material contracts.
7) Articles in trade journals or general media.
8) Charts, graphs or tables which amplify the text of the plan.

Technical Brief Outline – Screen 3

1) Technology Description
    a. Description of software and hardware architecture (if software)
2) Technical feasibility
    b. Copy of market requirements for proof of concept or prototype
3) Patent history and plan
    c. Schedule of any proprietary or patented processes or materials
4) Commercialization issues
    d. Scaling production
    e. Performance scaling
    f. Resource requirements
5) Project Planning
6) Technical team
7) Technical resources required

Technical Brief Scorecard

1) State of feasibility (demonstrable)
2) Science and technical merit – adequacy of the objectives
3) Potential of the proposed research for technical innovation
4) Qualification of patent, staff and commercialization required
5) Suitability of facilities

Scorecard – Screen 3

Rural Innovation Fund
Screen Three
Due Diligence

Date
Applicant
Applicant Number

Criteria	Weighting	Score (1-10)	Notes
I. **Business Due Diligence**	**60%**		
1) Corporate Organization (where appropriate per program eligibility)			
a. Capital structure			
b. Bylaws and amendments			
2) Business materials and contracts			
a. Contracts pertaining to royalties to be paid or received			
b. Material agreements			
c. Insurance policies			
3) Intellectual Property			
4) Management Team			
a. Org chart			
b. Projected headcount by function			
c. Bios of key personnel			
i. Roles			
ii. Experience			
iii. Relationship with company			
iv. Compensation agreements			
d. Compensation			
5) Financial Model			
a. 5 year forecast			
b. Assumptions / modeling considerations			
i. Major growth drivers and prospects			
ii. Predictability of business			
iii. Industry and company pricing policies			
iv. Economic assumptions underlying projections			
v. External financing arrangement assumptions			
c. 12 month budget review			
6) Product / Technology Description			
a. Value proposition - what problem are you going to solve and why will someone pay money for it			
b. Current state of technology			
i. Commercialization issues			
ii. Project plan			
7) Market			
a. Addressable market size			
b. Entry strategy			
i. Lead customers			
ii. Channel			
c. Product pricing (approximate)			
d. Company positioning relative to competitive variables			
8) Competition (description of the landscape within market segment)			
a. How is problem being solved today			
b. Who is solving it			
c. Why is this approach better?			
II. **Technical Due Diligence**	**40%**		
1) Technology Description			
a. Description of software and hardware architecture (if software)			
2) Technical feasibility			
a. Copy of market requirements for proof of concept or prototype			
3) Patent history and plan			
a. Schedule of any proprietary or patented processes or materials			
4) Commercialization issues			
a. Scaling production			
b. Performance scaling			

Contact Information

For more information regarding the Rural Innovation Fund or any other applied program funds contact:

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Chapter 3 - R&D Voucher Fund

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Program Goals

To expand knowledge-driven R&D capacity in Kentucky by investing in innovation and public/private partnerships that lead to new or valued-added companies, jobs, technology, products, processes or services.

Program Purpose

The purpose of the Kentucky Research and Development Voucher Program is to:

a) Accelerate knowledge transfer and technological innovation, improve economic competitiveness, and spur economic growth in Kentucky-based companies;
b) Support research and development activities that have clear potential to lead to commercially successful products, processes, or services within a reasonable period of time;
c) Stimulate growth-oriented enterprises within the Commonwealth;
d) Encourage partnerships and collaborative projects between private enterprises, Kentucky's universities, and research organizations; and,
e) Promote research and development activities that are market-oriented.

Application Criteria

a) The application criteria and application process are subject to the following limitations. The proposed research and development project shall be likely to:
b) Produce a measurable result and be technically sound;
c) Lead to innovative technology or new knowledge;
d) Lead to commercially successful products, processes, or services within a reasonable period of time;
e) Show significant potential for stimulating economic growth and a reasonable probability of enhancing employment opportunities within the Commonwealth.

The applicant shall provide an application that includes, but is not limited to the following information:

a) Verification that the applicant is an eligible company that meets the definition of a Kentucky-based company and medium-size company or small company;
b) A technical research plan that is sufficient for outside expert review;
c) A detailed financial analysis that includes the commitment of resources by the applicant and others;
d) Sufficient detail concerning proposed project partners, type and amount of work to be performed by each partner, and expected product or service with estimated costs to be reflected in the negotiated contract or agreement, and a statement of the economic development potential of the project.

In relation to the R&D Voucher Program, CPE retains, but is not limited to the following rights:

a) The right to approve the application criteria, the process of submission of an application, and the structure and type of outside expertise or peer review used in the application review process for the Kentucky Research and Development Voucher Program.
b) The right to approve the guidelines as to when and how all areas of the state will be notified about the availability of the R&D Vouchers.
c) The right to recommend overall program performance indicators and benchmarks for measuring success of the R&D Vouchers to the Kentucky Innovation Commission, the Governor's Office, and the General Assembly.

Eligibility

Small and medium-size Kentucky-based companies that seek to undertake research and development work in partnership with universities in the Commonwealth. (see definitions in Appendix A).

Investment Guidelines

Project funding in the Kentucky Research and Development Voucher Fund Program has the following limitations:

1. Voucher award funds from the state fund shall be expended within the university under contract;
2. The maximum amount of voucher funds awarded to a qualified company shall not exceed one hundred thousand dollars ($100,000) each year for two (2) years, equal to a maximum of two hundred thousand dollars ($200,000); and,
3. At a minimum, the qualified company shall match the project award by a one-to-one dollar ratio for each year of the project. The science and technology organization has sole discretion to authorize an in-kind contribution in lieu of part of the industry match if the science and technology organization determines that the financial limitations of the qualified company warrant this authorization.

Matching

As described above, companies must match investment on a one-to-one dollar ratio. Further, the intent is to have the company make at least 25% of the match in cash, the remaining match can come from cash in kind sources. Universities are able to provide matching dollars and services above and beyond the investment amount awarded by KSTC. Matching in kind dollars from universities will require a budget to account for dollars being paid in versus in kind services. In kind services can not be comprised of investment dollars from KSTC.

Investment Preconditions

Prior to receiving certification authorized from KSTC investment funding, the qualified company shall:

a) Negotiate an agreement and funding contract with a university in the Commonwealth that is satisfactory to KSTC, to undertake the research and development work; and
b) Provide assurance to KSTC that the university and the qualified company have negotiated the ownership and disposition of patents, royalties, all other intellectual property rights, and equity or related position relating to the contract between the qualifying company and the university.

Prior to certifying a qualified company, KSTC may negotiate with the qualified company the ownership and disposition of patents, royalties, all other intellectual property rights, and an equity or related position on behalf of the Kentucky Research and Development Voucher Fund for the sole purpose of reinvesting and sustaining a revolving fund to carry out the related provisions of the Kentucky Innovation Act.

When CPE is satisfied that KSTC has certified a qualified company as defined in the Kentucky Innovation Act, CPE shall issue a voucher to the certified company for the requested amount and shall pay the face amount of the voucher to the university receiving the voucher from the company (upon the university's presentation of the voucher to CPE). CPE shall be entitled to rely upon KSTC's certification and authorization of voucher funding when issuing the voucher and disbursing the award amount.

Application Process

The application process for the R&D Voucher fund is similar to that of the Rural Innovation Fund, but requires a more strenuous effort in the business plan and due diligence screen. Companies are expected to have a fully developed business plan containing detailed market focus and research. This better aligns investment criteria with company lifecycle.

Application -- Screen 1

Application Outline

I. Cover Sheet

a) Contact information
b) Brief description of proposal (25 words or less)
c) Amount of funds requested
d) Applied program
e) Legal structure
f) Legal address
g) Number of employees

II. Narrative (not to exceed one page per answer)

1) Briefly describe your company. How long have you been in existence? What products and markets do you make/serve? How many employees do you have?

2) Briefly describe the technology and its innovative application. Describe the state of the technology relative to being ready to sell. Identify the challenges of selling the technology.
3) What market are you targeting for the technology? How large is the market? How do you expect to serve that market?
4) Are you working with anyone to help develop this technology? Describe your relationship and provide all background information regarding the organization or individual.

Scorecard – Screen 1

R&D Voucher Fund
Screen One
Application Fit

Date
Applicant
Applicant Number

	Criteria	Weighting	Score (1-10)	Notes
1	Legal structure	Requirement		Must be KY based
2	Knowledge Driven	Requirement		Project includes innovative technology
3	Small (<50 employees)	Requirement		<150 employees
4	Development partnership	Requirement		With university
5	Negotiated Agreement with University	Requirement		Royality, IPR, equity
6	1:1 Matching	Requirement		25% must come from Company
7	Business application	60%		Subjective assessment of the business practicality of the project and overall impact on economy
8	Technical merit	40%		Subjective assessment of the technical soundness of the project and its uniqueness and innovation

Example Application

KSTC

R&D Voucher Application

Contact Information

Name of Applicant

_____

Name of Company

_____

Address

_____

_____

_____

Tax Identification Number

_____

Legal Structure

_____

Date of Incorporation

_____

Number of Employees

_____

Company Headquarters

_____

Application Identification Number
(for KSTC use only)

Amount of funds applying for

_____

_____

Work Phone

_____

Home Phone

_____

Fax

_____

Email

_____

Disclosure

Are you a lobbyist or related to one? If so, what organizations are you or your relations affiliated with?

_____
_____

Brief Description of proposal (25 words or less)

_____
_____
_____
_____
_____

Authorized Signature

_____ Title _____ Date _____

Rural Innovation Fund Application KSTC

Complete the following questions. You may use additional pages, but no more than one page per question (total of 4). Staple additional pages to the application. All work must be typed.

1. Briefly describe your company. How long have you been in existence? What products and markets do you make/serve? How many employees do you have?

2. Briefly describe the technology and its innovative application. Describe the state of the technology relative to being ready to sell. Identify the challenges to selling the technology.

3. What market are you targeting for the technology? How large is the market? How do you expect to serve that market?

4. Are you working with anyone to help develop this technology? Describe your relationship and provide all background information regarding the organization or individual.

Interview Outline – Screen 2

Applicants should be prepared to discuss their application in greater detail and specifically focusing on the following business and technical issues:

1) Business
    a. Company history
    b. Product description
    c. Addressable market
    d. Competitive landscape
    e. Value proposition
2) Technical
    a. Status of technology
    b. Scope of underlying technology
    c. Commercialization issues
3) Development partnership

Scorecard – Screen 2

R&D Voucher Fund

Screen Two

Meeting and Presentation

Date
Applicant
Applicant Number

Criteria	Weighting	Score (1-10)	Notes
1 **Business Fit**	**60%**		
- Company history			How much has been invested, what are the goals?
- Product description			Clearly articulate what the technology will become
- Addressable market			How large is the market and what is the growth rate
- Competitive landscape			Who gets displaced? What is unique? What will their response be?
- Value proposition			Who is the buyer and what is their behavior? How do they buy and why would they buy yours?
- Team			Bios, track record and synergies.
- Financial models			How sophisticated?
2 **Technical merit**	**30%**		
- Status of technology			How far along is development? What are the major hurdles?
- Scope of underlying tech			Innovativeness of technology. Is this groundbreaking or add-on?
- Commercialization issues			Will it scale? What are the performacne issues? Are there manufacturing considerations? Cost considerations?
3 **Development partnership**	**10%**		Details of partnership
	100%		

Business Plan Outline – Screen 3

Executive Summary (2 Pages)

The executive summary is a concise narrative of the business plan and therefore should be written once the complete plan is done (2 pages).

- Company origin
- The product and underlying technology including the company's competitive advantage or unique contribution
- Market potential
- Team bios and track record
- Amount of capital sought
- Other factors important to the success

Company Description

Convey sense of history and goals of the company. How was the product originated? Who were the originators? Why is the product or technology considered worthwhile? What steps have been taken to establish a company around the idea? Include a summary of the company's principal objectives.

Management

Identify key members of the management team, describe their responsibilities, and set forth their relevant experience and accomplishments. Complete resumes should be attached in an appendix. Focus on unique abilities of each player and the synergy created by the combination of talent. Gaps in skills and strategies to supplement those gaps should be noted.

The Product

Describe what the product is or will be relative to competitive products and why the product has promise to penetrate the existing or developing market. Describe product use and function and what needs it is intended to serve. Describe distinctive features and the advantages and drawbacks of those features. Address attributes, cost, quality and reliability and price of the product. There should be detailed discussion of where the project stands and what is necessary to complete development, including time and cost schedules for achieving the entire project and various interim milestones. Where there is technical development, the nature, status and scope of underlying technology is necessary to assess technical risk inherent in the development process.

Marketing and Sales

Identify, describe and analyze the target market. The size, growth rate and the forces (or needs) driving it and how it is segmented should be discussed. Would commissioning an independent market study help validate the size and growth? Provide 5-year market forecasts as they relate to industry trends, new technologies, and evolving customer needs and overlap with complementary markets. Describe the target purchaser, where they are located and what motivates their buying decisions. Where do they fit in the value chain?

What is the significance (ranking) of price, quality, performance, sales method, service and warranty and other relevant criteria?

Competition

An assessment should be made of the market share, positioning, strengths and weaknesses of competitive products. Some analysis should be provided of the managerial and financial strengths/weaknesses of the companies that produce such products and their recent trends in sales, market share and profitability. The technology or product should be thoroughly compared with competitive products on the basis of price, quality, performance, service and other relevant features. The analysis should include a discussion of whether and to what extent market penetration will be achieved at the expense of, or in conjunction with, the competition. If the proposed product will threaten the existing or expected market share of competitors, thought should also be given to their defensive reactions and how best to counteract them.

Projected Market Penetration

This section should indicate a description, often graphically illustrated with a tabular presentation of the product's estimated market share over a five-year period, expressed in percentages, units and dollars. This estimate should be based on the market size and growth trends, an analysis of the competitive products, and an assessment of the product acceptance and market penetration over time. This will need to be followed by a description of how and why such sales penetration will be accomplished, including a description of intended product pricing, distribution practices, sales policies and customer support, advertising/public relations and product positioning. Any significant cost difference with competing products should be justified on the basis of distinctive features. A discussion should be included of the expected price movement over time in the face of competitive pressures and technological innovations, and the expected effect on margins. The sales and distribution channels should be addressed, including the extent to which the company envisions using its own sales force; to what extent independent sales representatives, agents and distributors will be utilized; and how the two systems will interact.

Manufacturing Operations

This section should focus on an overview of the intended manufacturing process, including the degree of in-house versus contracted manufacturing; elements affecting production costs; sources of components, raw materials and supplies; anticipated quality and production control systems; and perhaps most importantly, anything unique to the manufacturing process.

Business Organization

The amount of discussion on the business organization should vary with the size and development stage of the company. For a start-up primarily engaged in early product development, this section should address the current organizational structure, reporting relationships and management responsibilities; identify existing or projected managerial gaps; and provide an overall sense of the personnel needs and the organization's growth over time. The wage and salary structure for all employees and any incentive or stock

ownership/option programs should be identified and verified as consistent with start-up and industry norms. If the use of consultants, part-time or contract assistance is contemplated, it should also be discussed. Outside professionals, such as law and accountancy firms, who have agreed to act for the start-up, as well as respected individuals who are willing to serve on the Board of Directors, should all be identified as they are positive sources of credibility and support for the venture.

Financial Statements and Projections

The financial forecasts contained in one of the business plan Appendices should include balance sheets, income statements and cash flow projections for five years, with the information presented monthly for the first year and quarterly thereafter. Within the business plan itself there should be a summary of the key aspects of the financial forecasts. This might include the total cash requirements, when positive cash flow will be obtained and the expected growth in revenues, profit margins and shareholders' equity.

In addition, it is useful to summarize the expected use of the funds to be raised in the current financing. Financial assumptions should be discussed at sufficient length to convey an understanding of how they were determined. At a minimum, the logic for determining the following should be included: sales, market share, prices, expenses, accounts payable payments, accounts receivable collections, inventory turnover, margins, taxes, and useful life of equipment.

Appendices

The following, where applicable, should be included in an Appendix to the business plan:

1) Financial statement forecasts.
2) Resumes of key managers.
3) Photographs or drawings of the product.
4) A list of professional references.
5) Market studies or third party evaluations.
6) Patent histories.
7) A brief summary of any material contracts.
8) Articles in trade journals or general media.
9) Charts, graphs or tables, which amplify the text of the plan.

Scorecard – Screen 3

R&D Voucher Fund

Screen Three

Due Diligence

Date
Applicant
Applicant Number

Criteria	Weighting	Score (1-10)	Notes
I. **Business Due Diligence**	**60%**		
1) Corporate Organization (where appropriate per program eligibility)			
a. Capital structure			
b. Bylaws and amendments			
2) Business materials and contracts			
a. Contracts pertaining to royalties to be paid or received			
b. Material agreements			
c. Insurance policies			
3) Intellectual Property			
4) Management Team			
a. Org chart			
b. Projected headcount by function			
c. Bios of key personnel			
i. Roles			
ii. Experience			
iii. Relationship with company			
iv. Compensation agreements			
d. Compensation			
5) Financial Model			
a. 5 year forecast			
b. Assumptions / modeling considerations			
i. Major growth drivers and prospects			
ii. Predictability of business			
iii. Industry and company pricing policies			
iv. Economic assumptions underlying projections			
v. External financing arrangement assumptions			
c. 12 month budget review			
6) Product / Technology Description			
a. Value proposition - what problem are you going to solve and why will someone pay money for it			
b. Current state of technology			
i. Commercialization issues			
ii. Project plan			
7) Market			
a. Addressable market size			
b. Entry strategy			
i. Lead customers			
ii. Channel			
c. Product pricing (approximate)			
d. Company positioning relative to competitive variables			
8) Competition (description of the landscape within market segment)			
a. How is problem being solved today			
b. Who is solving it			
c. Why is this approach better?			
II. **Technical Due Diligence**	**40%**		
1) Technology Description			
a. Description of software and hardware architecture (if software)			
2) Technical feasibility			
a. Copy of market requirements for proof of concept or prototype			
3) Patent history and plan			
a. Schedule of any proprietary or patented processes or materials			
4) Commercialization issues			
a. Scaling production			
b. Performance scaling			

Technical Brief Outline – Screen 3

1) Technology description
    a. Description of software and hardware architecture (if software)
2) Technical feasibility
    a. Copy of market requirements for proof of concept or prototype
3) Patent history and plan
    a. Schedule of any proprietary or patented processes or materials
4) Commercialization issues
    a. Scaling production
    b. Performance scaling
    c. Resource requirements
5) Project Planning
6) Technical team
7) Technical resources required

Technical Brief Scorecard

1) State of feasibility (demonstrable)
2) Science and technical merit – adequacy of the objectives
3) Potential of the proposed research for technical innovation
4) Qualification of patent, staff and commercialization challenges
5) Suitability of facilities

Contact Information

For more information regarding the R&D Voucher Fund or any other applied program funds contact:

Jim Clifton, Executive Director
The Innovation Group
Kentucky Science and Technology Corporation
jclifton@kstc.com
859.233.3502 x229
www.kstc.com

Chapter 4 - Kentucky Commercialization Fund

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Program Goals

Provide "seed" funds to universities for development of promising innovative technologies and infrastructure that enhances the institution's ability to commercialize promising technologies and create new knowledge-driven companies.

Program Purpose

The Kentucky Commercialization Fund Program was created to provide seed funding for the development of promising technologies emerging from Kentucky's universities. The purposes of the Kentucky Commercialization Fund Program are to:

a) Accelerate knowledge transfer and technological innovation, improve economic competitiveness, and spur economic growth in Kentucky-based companies;
b) Provide seed funding for promising technologies developed in Kentucky's universities;
c) Support promising technologies with commercial potential that are in their early stages of development;
d) Promote technologies and resources offered by Kentucky's postsecondary institutions to private enterprises; and
e) Support the formation and organization of private enterprise that advances commercial applications based on a university's research and development work.

Application Criteria

Eligibility

Kentucky's universities are eligible to submit KCF applications.

Investment

Preconditions

Prior to final approval of fund awards, the university submitting the proposal shall provide assurance to KSTC that the collaborating parties have adequately addressed the ownership and disposition of patents, royalties, and all other intellectual property rights, and equity or related position relating to the contract between the qualifying company and a partnering entity.

Prior to approval of funding awards, KSTC may negotiate with the university the ownership and disposition of patents, royalties, all other intellectual property rights, and an equity or related position on behalf of the Kentucky commercialization fund for the sole purpose of reinvesting and sustaining a revolving fund to carry out the provisions of KCF.

Investment Levels

Project funding in the Kentucky Commercialization Fund Program shall have the following limitations:

1) The maximum amount of funding for a project award shall not exceed seventy-five thousand dollars ($75,000) each year up to three (3) years, equal to a maximum of two hundred twenty-five thousand dollars ($225,000); and
2) The University of Kentucky and the University of Louisville shall be awarded together no more than seventy percent (70%) of fund awards.

When the CPE has approved the fund recipients based upon KSTC's recommendations, the CPE shall disburse the investment amounts directly to the universities responsible for the proposed projects.

Application Process

The application process for the Kentucky Commercialization Fund is slightly different than the other programs to account for the focus on institutional applicants. All applications will come directly from the university system and will have been approved by internal processes at the applicant institution. Applicants will have to complete an application, meet face to face with KSTC representatives and then be judged in an external peer review process.

Application -- Screen 1

Application Outline

I. Cover Sheet

1) Contact information
2) Brief description of proposal (25 words or less)
3) Amount of funds requested
4) Applied program
5) Legal structure
6) Legal address
7) Number of employees

II. Narrative (not to exceed one page per question)

1) Briefly describe the technology or commercialization enabling investment.
2) How will this investment enable the institution to better commercialize technologies? How is this being accomplished today?
3) Are you working with anyone to help develop this technology /infrastructure? Describe your relationship and provide all background information regarding the organization or individual.

Scorecard – Screen 1

Kentucky Commercialization Fund
Screen One
Application Fit

Date
Applicant
Applicant Number

	Criteria	Weighting	Score (1-10)	Notes
1	Approved by university system	Requirement		
2	Knowledge Driven	Requirement		Project includes innovative technology / infrastructure
3	Commercialization merit	100%		Subjective assessment of the commercialization practicality of the project and overall impact on tech transfer infrastructure

Example Application

Kentucky Commercialization Fund Application KSTC

Contact Information

Name of Applicant

_____

Name of University

_____

Address

_____

_____

_____

Application Identification Number
(for KSTC use only)

_____

Amount of funds applying for

_____

_____

Work Phone

_____

Home Phone

_____

Fax

_____

Email

_____

Disclosure

Are you a lobbyist or related to one? If so, what organizations are you or your relations affiliated with?

_____

_____

Brief Description of proposal (25 words or less)

_____

_____

_____

_____

_____

Authorized Signature

_____ Title _____ Date _____

Kentucky Commercialization Fund Application KSTC

Complete the following questions. You may use additional pages, but no more than one page per question (total of 4). Staple additional pages to the application. All work must be typed

1. Briefly describe the technology or commercialization enabling investment.

2. How will this investment enable the institution to better commercialize technologies? How is this being accomplished today?

3. Are you working with anyone to help develop this technology? Describe your relationship and provide all background information regarding the organization or individual.

Interview Outline -- Screen 2

Applicants should be prepared to discuss their application in greater detail and specifically focusing on the following business and technical issues:

1) Business
   a) Company history
   b) Product description
   c) Addressable market
   d) Competitive landscape
   e) Value proposition
2) Technical
   a) Status of technology
   b) Scope of underlying technology
   c) Commercialization issues
3) Development partnership

Scorecard – Screen 2

Kentucky Commercialization Fund

Screen Two

Meeting and Presentation

Date

Applicant

Applicant Number

Criteria	Weighting	Score (1-10)	Notes
Commercialization Impact			
1 Description of project			
2 Benefits to commercialization			
3 Cost of implementation			
4 Payoff			

External Peer Review Process

KSTC will contract with external experts to assist in judging the overall value of the application relative to university and system needs. This expertise will be focused on institutions of higher learning with specific experience in supporting successful technology transfer and commercialization.

Contact Information

For more information regarding the Kentucky Commercialization Fund or any other applied program funds contact:

Jim Clifton, Executive Director
The Innovation Group
Kentucky Science and Technology Corporation
jclifton@kstc.com
859.233.3502 x229
www.kstc.com

Appendices

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Appendix A - Definitions

As used in the Kentucky Innovation Act, unless the context indicates otherwise:

1) "Applied research" means those research activities occurring at universities and in private enterprises that have potential commercial application;

2) "Cluster" means a geographically bound concentration of similar, related, or complementary businesses with active channels for business transactions, communications, and dialogue, that share specialized infrastructure, labor markets, and services, and that are faced with common opportunities and threats;

3) "Commission" means the Kentucky Innovation Commission;

4) "Commonwealth" means the Commonwealth of Kentucky;

5) "Council" means the Council on Postsecondary Education;

6) "Eligible company" means any corporation, limited liability company, partnership, registered limited liability partnership, sole proprietorship, business trust, person, group, or other entity engaged in non-retail commerce, agribusiness, trade, or manufacturing;

7) "Immediate family members" means:
    a) Spouse and parents-in-law;
    b) Parents and grandparents;
    c) Children and their spouses; and,
    d) Siblings and their spouses;

8) "Kentucky-based company" means a business with its principal place of business in Kentucky or no less than fifty percent (50%) of its property and payroll located in Kentucky;

9) "Knowledge-based" means driven by knowledge, innovation, and speed;

10) "Medium-size company" means a business with fifty-one (51) to one hundred fifty (150) employees;

11) "Qualified company" means an eligible company that may be awarded a funding voucher pending certification;

12) “Rural” means any county other than Boone, Campbell, Fayette, Jefferson or Kenton counties;

13) "Science and technology organization" means an independent, nonprofit or quasi-governmental organization, with a statewide mission, which has a demonstrated history of managing complicated programs in the areas of entrepreneurial innovation, science, and technology advancement. The state has designated Kentucky Science and Technology Corporation as the science and technology organization as referred to in KIA;

14) "Seed funding" means financing that is provided for early-stage development, refinement, and commercialization of a product, process, or innovation through continuing applied research, advancing the patent process, determining commercial and market potential, or moving research toward development of a prototype; and;

15) "Small company" means a firm with fifty (50) or fewer employees.

Appendix B – The Kentucky Innovation Commission

The General Assembly finds that the general welfare and material well-being of the citizens of the Commonwealth depend on immediate action to develop a strong, entrepreneurial economy, characterized by knowledge, innovation, and speed and that it is in the best interest of the Commonwealth to promote research, innovation, and high-technology enterprises that utilize the higher-order skills of an educated workforce. The provisions in this Act shall be liberally construed and applied to advance public purposes.

The Kentucky Innovation Commission is designed to operate as a common strategic umbrella to advocate for the use of federal, state, local government, and private sector funds to create research and development projects, modernize manufacturing facilities, and promote knowledge-based, technology sectors and companies in the Commonwealth.

Quantitative and qualitative indicators of impact of the Kentucky Innovation Act may include but are not limited to the following:

1) Kentucky companies modernizing to become more technologically innovative and globally competitive;

2) Research and development initiatives undertaken at Kentucky universities with federal, state, or private funds;

3) Educational attainment in areas that support the workforce needs of information technology and high-growth knowledge industries;

4) High-technology sectors and companies moving to and operating in the state;

5) Patents filed for technology or knowledge-based commercial products, processes, or services;

6) Businesses using electronic commerce and the communications infrastructure access capacity for Kentucky businesses; and

7) Growth in corporate headquarters, research and development centers, high-income employees, and clustering of related technology industries and suppliers.

Appendix C - Disclaimers

No member of the council or the science and technology organization or other administering entity, or their employees or outside experts or their immediate family members, shall directly or indirectly financially benefit in any investment, contract, or agreement under the programs.

All records related to the administration of the programs created under the Kentucky Innovation Act shall be deemed property of the council and shall be deemed open records and subject to public inspection under KRS 61.870 to 61.884. Any research that involves or is a patent, trade secret, or other legally protectable interest shall be exempt from inspection until such time as the intellectual property rights have been fully protected.

The Kentucky Commercialization Fund may receive state appropriations, gifts, grants, federal funds, revolving funds, and any other funds both public and private. Moneys deposited in the fund shall be disbursed by the State Treasurer upon the warrant of the secretary of the Finance and Administration Cabinet. Any unallocated or unencumbered balances in the fund shall be invested as provided in KRS 42.500(9), and any income earned from the investments along with the unallotted or unencumbered balances in the fund shall not lapse, and shall be deemed a trust and agency account and made available solely for the purposes and benefits of the Kentucky Commercialization Fund Program.

KSTC agrees that the CPE, the Finance and Administration Cabinet, the Auditor of Public Accounts, and the Legislative Research Commission, or their duly authorized representatives, shall have access to any books, documents, papers, records, or other evidence, which are directly pertinent to this contract for the purpose of financial audit or program review. Furthermore, any books, documents, paper records, or other evidence provided to the Council, the Finance and Administration Cabinet, the Auditor of Public Accounts, or the Legislative Research Commission which are directly pertinent to the Contract shall be subject to public disclosure regardless of the proprietary nature of the information, unless specific categories of information are identified and exempted and agreed to by the Secretary of the Finance and Administration Cabinet as meeting the provisions of KRS 61.878(1) prior to the execution of the Memorandum, or if the excluded information meets the provisions of KRS 164.6014(6). The Secretary of the Finance and Administration shall not restrict the public release of any information, which would otherwise be subject to public release if a state government agency was providing the services.

The Kentucky Science and Technology Corporation shall use its best efforts to administer the Four Programs in close cooperation with the Council, with the Commissioner for the New Economy, with the Kentucky Innovation Commission, with the Cabinet for Economic Development, with the universities and colleges in Kentucky, and with other relevant parties within Kentucky's state government and public sector. The Corporation shall work especially closely with the entities named in the sentence above in regards to the development and implementation of performance indicators and benchmarks for measuring progress for the Four Programs.

Council on Postsecondary Education
July 30, 2001

Kentucky Space Model: Research Space Guidelines

Action: The staff recommends that the council approve the revised space planning guidelines for the research component of the Kentucky Space Needs Model and that the council use the revised Kentucky Space Needs Model to evaluate the need for new or renovated space at the public universities and colleges.

The council used the Kentucky Space Needs Model to evaluate the need for new or renovated space at the public colleges and universities for the 2000-02 capital projects recommendation. Following the 2000 session of the General Assembly, the Strategic Committee on Postsecondary Education reviewed the postsecondary education funding processes. The result of the review was a set of *Points of Consensus* for the 2002-04 operating and capital requests. The council endorsed the *Points of Consensus* February 5, 2001. Accordingly, the space needs model is to be reviewed in the areas of research space and quality of space, including fitness for purpose.

As a critical part of the reform effort, the University of Kentucky and the University of Louisville are to increase research productivity, which, in turn, will enhance the Commonwealth's economy. In order to effectively evaluate the need for research space at the two doctoral institutions, the council asked Mr. Dan Paulien, President, Paulien & Associates, Inc. of Denver, Colorado, to review the research space component of the Kentucky Space Needs Model. Mr. Paulien spent a day at each of the two doctoral universities, meeting with campus officials involved with research and visiting with leading researchers. Currently, the research lab space needs are based on research expenditure data reported to the Integrated Postsecondary Education Data System. The IPEDS data does not segregate internal and external funds. As UK and UofL increasingly stress research, Mr. Paulien recommends that the National Science Foundation data is a more suitable guide to determine their research space needs. The NSF, however, allows institutions to count unreimbursed indirect costs as institutional research and development expenditures. These costs are not included in the IPEDS reports.

As shown on pages 87 and 88, the percentage of reported institutional funds expended on research activities varies greatly for both UK and UofL, compared to their respective benchmark institutions. A review of the 1999 NSF reports reveals that UofL's percentage of institutional research and development expenditures exceeds all of their benchmark institutions. In addition, UK's percentage of institutional research and development expenditures exceeds all but one of their benchmark institutions. The variations are the result of different reporting practices related to unreimbursed indirect cost reimbursements as well as differing institutional philosophy regarding funding research. The consultant recommends that externally funded research, as reported to NSF, should be used to determine the research lab space needed by UK and UofL.

Mr. Paulien presented his recommendations to the council for discussion at the May 21 meeting. He recommended that 900 assignable square feet per $100,000 of non-institutional R&D expenditures, as reported in the NSF survey, be used for the first $50 million of research expenditures. For expenditures between $50 million and $100 million, 600 assignable square feet per $100,000 should be used. And, 300 assignable square feet per $100,000 should be used for all dollars beyond $100 million. Following the discussion at the May 21 meeting, Mr. Paulien increased the model to 350 assignable square feet per $100,000 for all dollars beyond $100 million. (The final report is presented on pages 89 to 94.)

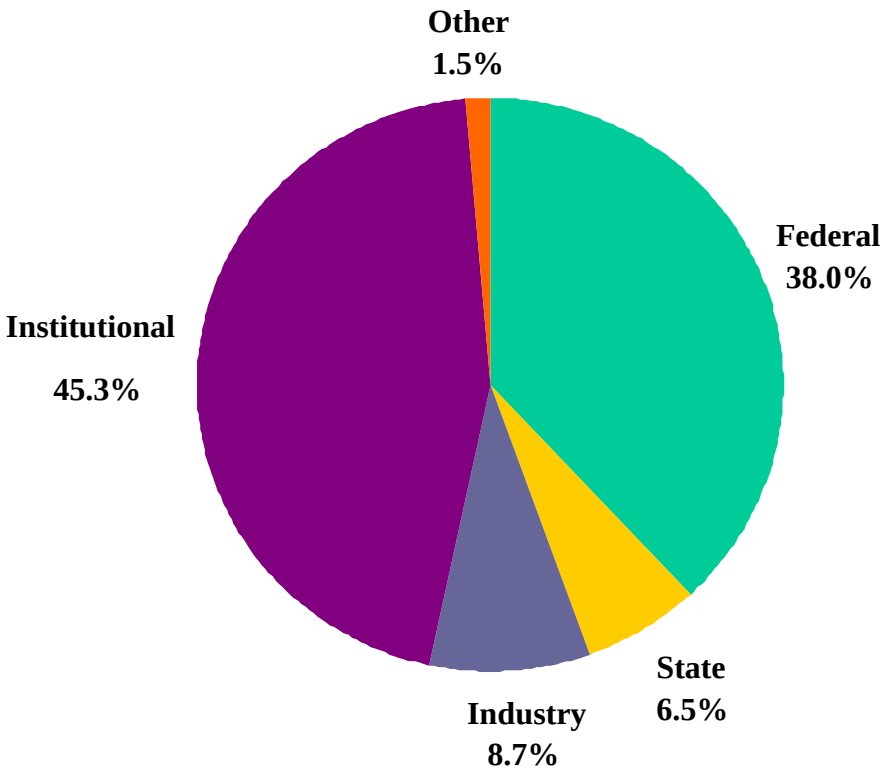
The staff has discussed the proposed revisions to the model with the chief budget officers, the executive branch, and the Legislative Research Commission staff. Related to the use of the Kentucky Space Needs Model, council staff has contracted with a consulting architect, Mr. David C. Banks, of David C. Banks, Architects and Associates, P.S.C., Frankfort, Kentucky, to perform reviews of the quality of existing space, including fitness for purpose.

The council staff will submit statewide capital project priorities for inclusion in the Statewide Capital Plan at the August meeting of the Capital Planning Advisory Board. The proposed statewide capital priorities are discussed on pages 111 and 112 . The council is to submit the 2002-04 capital budget recommendation to the Governor's Office of Policy and Management by November 15, 2001.

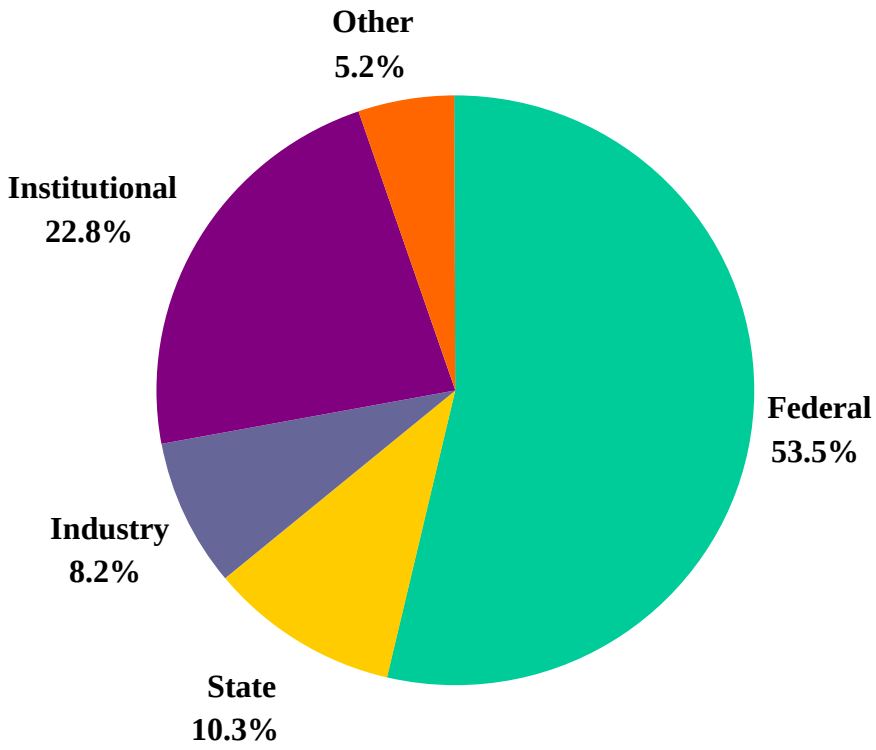
Staff preparation by Sherron Jackson

1999 Research & Development Expenditures by Source of Funds

University of Kentucky



UK Benchmark Institutions



Institutional funds include:

- Institutionally financed organized research
- Unreimbursed indirect costs and related sponsored research

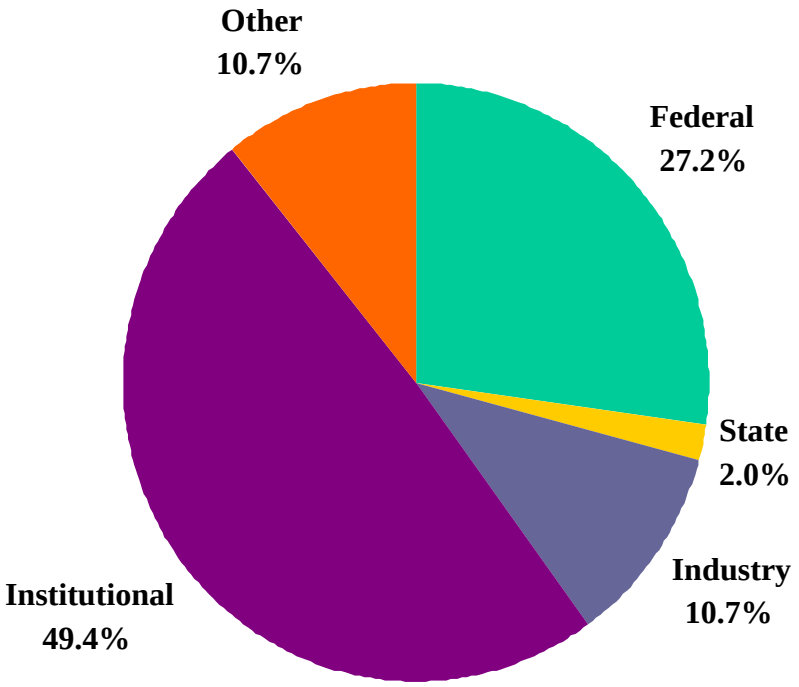
External funds include:

- Federal
- State and local
- Industry
- Other

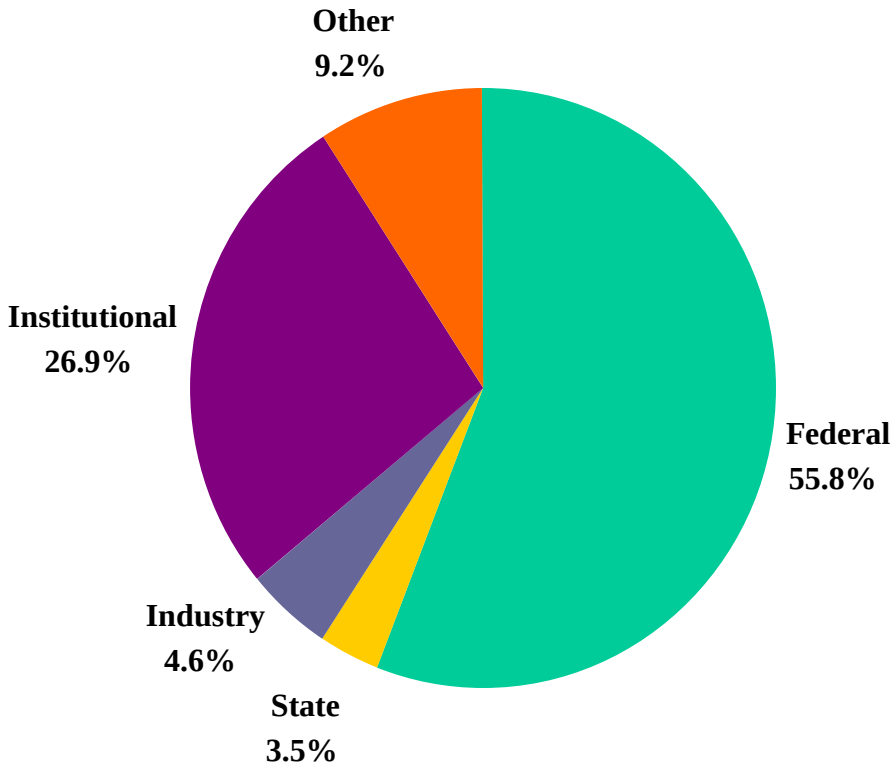
Source: NSF 1999 survey

1999 Research & Development Expenditures by Source of Funds

University of Louisville



UofL Benchmark Institutions



Institutional funds include:

- Institutionally financed organized research
- Unreimbursed indirect costs and related sponsored research

External funds include:

- Federal
- State and local
- Industry
- Other

Source: NSF 1999 survey

Revised July 19, 2001

Adjustments to Research Component of Kentucky Space Needs Model

Prepared for the

KENTUCKY COUNCIL ON POSTSECONDARY EDUCATION

Frankfort, Kentucky

May 24, 2001

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Adjustments to the Research Component Of the Kentucky Space Needs Model

Does the space needs model for Kentucky's public postsecondary institutions provide for enough research space at the doctoral universities: the University of Kentucky and the University of Louisville? If not, what changes should be made?

The Council on Postsecondary Education asked Daniel K. Paulien, president of Paulien & Associates Inc., to review the model he developed in 1999. That model was intended to gauge the need for research lab space at both doctoral and comprehensive universities. The consultant initially proposed using National Science Foundation reports, but most of the comprehensive universities do not file them. Instead, the model relied on information that all institutions supply for the Integrated Postsecondary Education Data Survey.

As UK and UofL increasingly stress research, the NSF data appears to be a more suitable guide to their needs for research space. Also, since the model was developed, both institutions have changed how they calculate institutional funds. For its purposes, the NSF allows institutions to count unreimbursed indirect overhead in addition to percentage-of-effort research dollar allocations for faculty. The result: greater increases in research dollars reported to the NSF. The consultant recommends that the council alter the model to all non-institutional R&D dollars as reported in the NSF's surveys. Such an approach acknowledges the importance of externally funded research, which should drive the model. The existing model appears to work for the comprehensive universities; no change is proposed for them.

The consultant spent a day at each of the two doctoral universities, meeting with campus officials involved with research and visiting with leading researchers (Addendum A). These meetings verified the change in the way institutional research dollars are counted for reporting to NSF. They now include percentage of effort estimates by faculty, which may go beyond directly sponsored research, and estimates of unreimbursed indirect costs (associated with externally funded R&D projects, including mandatory and voluntary cost sharing). Using NSF figures, the consultant compared the two universities and their benchmark institutions on: federal R&D dollars, state and local R&D dollars, industry R&D dollars, other non-institutional R&D dollars (primarily from foundations and healthcare organizations), and institutional dollars.

UofL and UK have relatively large amounts of space (assignable square feet) based on non-institutional R&D dollars. UofL has the most assignable square feet per $100,000 – 1,098 – among its benchmarks. UK has the highest – 779 – among its benchmarks. Another way to put the findings: The two Kentucky universities attracted relatively small amounts of outside funding for the quantity of research space they have.

The one benchmark institution with less than $50 million in non-institutional R&D had 857 assignable square feet per $100,000 of expenditures. The two benchmark institutions with between $50 million and $100 million averaged 653 assignable square feet per $100,000 of expenditures. The 16 benchmark institutions with more than $100 million averaged just under 400 per $100,000 of expenditures.

These numbers suggest that the guideline should be on the generous side at the lower levels of external, sponsored research. As the institutions acquire more non-institutional research funding, they should become more productive and show more non-institutional R&D dollars for a given amount of research space.

After testing five different formulas, the consultant recommends that 900 assignable square feet per $100,000 of non-institutional R&D expenditures, as reported in the NSF survey, be used for the first $50 million in research . For expenditures between $50 million and $100 million, 600 assignable square feet per $100,000 ought to be used. And that should be reduced to 350 assignable square feet per $100,000 for all dollars beyond $100 million. This formula was applied to 19 of the 34 benchmark institutions for UK and UofL – those for which space data was available – generating more than the existing square footage at all but three. Each of these three institutions has at least 1.2 million square feet in R&D research space and is well below the benchmark average for productivity.

Since the model is a stair step concept with all three formulas utilized for those institutions with over $100,000,000 in non-institutional research expenditures, it should be noted that for an institution at $100,000,000 the model generates an average of 750 ASF per $100,000. For an institution at $200,000,000 in research expenditures the average is 550 ASF per $100,000 and for an institution with $300,000,000 the average is 483 ASF per $100,000.

For an institution that had achieved $500,000,000 in expenditures, greater than any of the benchmark institutions currently the model would still show an average of 430 ASF per $100,000 because of the use of the much higher numbers for the first $100,000,000.

The model was based on 1999 dollars. The council should monitor inflation and adjust the model as appropriate.

The following table shows the benchmark comparison and model application as noted above.

	1999					
	Existing R & D Space in ASF	Non-Institutional R & D Dollars	Federal R & D Dollars	% Federal of Non-Institutional R & D Dollars	ASF per $100,000 Non-Institutional R & D	Proposed Model ASF using Non-Institutional R & D Dollars
University of Louisville	317,093	$28,892	$15,536	53.8%	1098	260,028
University of Kentucky	742,009	$95,226	$66,184	69.5%	779	721,356
0 - 50 Million Non-Institutional R & D Dollars						
University of Nevada-Reno	255,371	$29,785	$24,587	82.5%	857	268,065
Sub-group Average	**255,371**	**$29,785**	**$24,587**	**82.5%**	**857**	**268,065**
51 - 100 Million Non-Institutional R & D Dollars						
University of South Carolina, All Campuses	356,945	$58,338	$48,490	83.1%	612	500,028
University of Missouri, Columbia	564,388	$81,371	$53,875	66.2%	694	638,226
Sub-group Average	**460,667**	**$69,855**	**$51,183**	**73.3%**	**653**	**569,127**
Over 100 Million Non-Institutional R & D Dollars						
University of Virginia - All Campuses	603,547	$141,431	$108,495	76.7%	427	895,009
University of Iowa	790,567	$159,040	$122,638	77.1%	497	956,640
North Carolina State University at Raleigh	879,419	$195,426	$66,310	33.9%	450	1,083,991
University of Maryland at College Park	660,488	$200,720	$145,081	72.3%	329	1,102,520
University of North Carolina at Chapel Hill	627,413	$203,392	$182,935	89.9%	308	1,111,872
University of Alabama at Birmingham	623,577	$213,919	$165,223	77.2%	292	1,148,717
University of Arizona	883,221	$215,746	$178,126	82.6%	409	1,155,111
University of Florida	1,240,305	$226,728	$122,296	53.9%	547	1,193,548
University of Texas at Austin	785,434	$226,902	$164,913	72.7%	346	1,194,157
University of Pittsburgh, All Campuses	592,029	$227,074	$194,618	85.7%	261	1,194,759
University of Illinois at Urbana-Champaign	1,478,277	$251,399	$185,767	73.9%	588	1,279,897
Ohio State University, All Campuses	1,298,290	$263,400	$135,216	51.3%	493	1,321,900
University of Minnesota - All Campuses	1,507,957	$309,805	$207,761	67.1%	487	1,484,318
University of California-Los Angeles	918,843	$369,531	$251,999	68.2%	249	1,693,359
University of Michigan - All Campuses	1,536,959	$405,547	$334,226	82.4%	379	1,819,415
University of Washington - Seattle	1,217,920	$440,143	$368,112	83.6%	277	1,940,501
Sub-group Average	**977,765**	**$253,138**	**$183,357**	**72.4%**	**396**	**1,285,982**

Note A: All dollars in thousands, while all non-dollar numbers are Assignable Square Feet (ASF).
Note B: Non-institutional R & D includes Federal, State,Local,Industry,and other as reported on NSF 1999 survey.
Note C: Space data from survey conducted by University of North Carolina or Consultant calls to institutional officials.

Proposed Model:
1st $50m ratio 900 ASF per $100,000 of non-institutional R & D
next $50m ratio 600 ASF per $100,000 of non-institutional R & D
amounts > $100m ratio 350 ASF per $100,000 of non-institutional R & D

This revised model shows the University of Louisville with a space surplus of approximately 57,000 assignable square feet based on the 1999 findings. It shows the University of Kentucky with a smaller 1999 surplus of approximately 20,000. Both institutions have given the council fiscal year 2000 expenditures and projected R&D expenditures for the fiscal years 2001, 2002, 2004 and 2006. The consultant applied the model to the non-institutional funds amounts. The 2000 General Assembly approved additional research space at both universities. These amounts are added to the existing research space at the time they are expected to be completed and occupied. Two projects total slightly more than 100,000 assignable square feet at UK, and one totals about 46,000 at UofL.

The institutions have projected substantial growth in non-institutional funds from 2000 to 2006, including a more than doubling – an increase of some $30 million – at UofL, The fiscal year 2000 application of the model shows the surplus at the University of Louisville shrinking to just over 40,000 assignable square feet while the University of Kentucky shows a need for an additional 65,500 assignable square feet. UK shows a 2006 need of about 75,000 assignable square feet of additional space after absorbing the two projects authorized by the last General Assembly. The University of Louisville projects steadily increasing non-institutional funds expenditures resulting in a need of

about 167,000 assignable square feet in fiscal year 2006. This is after the authorized additional space has been included in the existing research space. The following tables show the projected findings for the University of Kentucky and the University of Louisville.

Current Fund Expenditures
For Separately Budgeted Research and Development
By Fund Source and Consistent with NSF Definitions

Institution: University of Kentucky

Source of Funds	FY 1999	FY 2000	Projected R&D Expenditures FY 2001	FY 2002	FY 2004	FY 2006
1. Federal government	$ 66,184,000	$ 73,858,000	$ 80,062,072	$ 86,787,286	$ 101,979,921	$ 119,832,118
2. State and local governments	11,297,000	19,276,000	12,000,000	12,000,000	12,000,000	12,000,000
3. Industry	15,109,000	11,213,000	11,200,000	11,760,000	12,965,400	14,294,354
4. Institution Funds:						
(i) Institutionally financed organized research	41,889,000	44,508,000	47,178,480	50,009,189	56,190,324	63,135,448
(ii) Unreimbursed indirect costs and related sponsored research	36,919,000	41,440,000	43,926,400	46,561,984	52,317,045	58,783,432
5. All other sources	2,636,000	12,097,000	2,500,000	2,500,000	2,500,000	2,500,000
Total R&D - by source of funds	**$ 174,034,000**	**$ 202,392,000**	**$ 196,866,952**	**$ 209,618,459**	**$ 237,952,690**	**$ 270,545,352**
Non-Institutional R & D Funds	$ 95,226,000	$ 116,444,000	$ 105,762,072	$ 113,047,286	$ 129,445,321	$ 148,626,472
Research & Development Assignable Square Footage						
Projected R & D ASF needs based on Model	$ 721,356	$ 807,554	$ 770,167	$ 795,666	$ 853,059	$ 920,193
Existing Research Space	742,009	742,009	742,009	742,009	757,009	846,009
Authorized Additional R & D Space				15,000	89,000	
Revised Existing Research space	742,009	742,009	742,009	757,009	846,009	846,009
Space Need or (Surplus)	(20,653)	65,545	28,158	38,657	7,050	74,184

Current Fund Expenditures
For Separately Budgeted Research and Development
By Fund Source and Consistent with NSF Definitions

Institution: University of Louisville

Source of Funds	FY 1999	FY 2000	Projected R&D Expenditures FY 2001	FY 2002	FY 2004	FY 2006
1. Federal government	$ 15,536,000	$ 17,713,000	$ 19,838,560	$ 28,800,000	$ 36,126,720	$ 45,317,358
2. State and local governments	1,144,000	1,564,000	1,798,600	2,068,390	2,735,446	3,617,627
3. Industry	6,100,000	6,532,000	6,989,240	7,478,487	8,562,120	9,802,771
4. Institution Funds:						
(i) Institutionally financed organized research	21,808,000	27,944,000	30,738,400	33,812,240	40,912,810	49,504,501
(ii) Unreimbursed indirect costs and related sponsored research	6,351,000	5,503,000	5,227,850	5,280,129	5,280,129	5,280,129
5. All other sources	6,112,000	4,806,000	4,565,700	4,611,357	4,611,357	4,611,357
Total R&D - by source of funds	**$ 57,051,000**	**$ 64,062,000**	**$ 69,158,350**	**$ 82,050,603**	**$ 98,228,582**	**$ 118,133,743**
Non-Institutional R & D Funds	$ 28,892,000	$ 30,615,000	$ 33,192,100	$ 42,958,234	$ 52,035,643	$ 63,349,113
Research & Development Assignable Square Footage						
Projected R & D ASF needs based on Model	260,028	275,535	298,729	386,624	462,214	530,095
Existing Research Space	317,093	317,093	317,093	317,093	317,093	363,185
Authorized Additional R & D Space					46,092	
Revised Existing Research space	317,093	317,093	317,093	317,093	363,185	363,185
Space Need or (Surplus)	(57,065)	(41,558)	(18,364)	69,531	99,029	166,910

The University of Kentucky and the University of Louisville both have research buildings that are 40 or more years old. Probably at the end of their useful lives without renovation, they are in the current facilities inventory as research lab space but cannot function as effectively as new space.

The consultant's goal was to create a model to show realistic space needs – and, in keeping with their benchmarks, to encourage UK and UofL to increase outside funding per square foot of research space.

Addendum A

Visits to University of Kentucky and University of Louisville
April 20 and April 21, 2001

Each campus visit started with a meeting with top academic, research and financial officials. An extensive discussion of the way in which the different lines in the NSF report are calculated and the institutional perceived needs for research space were discussed. Each institution then was invited to show the Consultant three leading research programs which were space intensive and might illustrate the needs for research space.

The University of Kentucky provided a tour and insight regarding their high-tech incubator program which includes research projects from five UK colleges. This program, called the Advanced Science and Technology Commercialization Center (ASTeCC), provides support for start up companies developing from university research.

The University of Kentucky also showed the Gluck Equine Research Center which is being expanded. Dr. Robert A. Blouin explained the importance of this research to one of Kentucky's leading business sectors.

The University of Kentucky had the Consultant meet Dr. Greg Gerhardt who was recruited from the University of Colorado Health Sciences Center and brought his existing Center for Sensor Technology to the University of Kentucky. A detailed article on Dr. Gerhardt's work entitled "Listening In On The Brain: New Technologies to Fight Neurological Disorders" is in the Spring 2000 issue of Odyssey, a publication of the University of Kentucky Vice President of Research and Graduate Studies.

The University of Louisville showed the Consultant their Lutz Microfabrication Laboratory, which is a 100 particle clean room used by faculty from five different departments. Dr. Kevin Walsh and Dr. Dale Chenoweth explained that the lab produces Micro Electric Mechanical Systems (MEMS), an advanced computer wafer application. There are only 35 such microfabrication facilities in the United States.

The University of Louisville had the Consultant meet with Roberto Bolli, M.D., of Cardiology who leads a large international team of both M.D. and Ph.D. researchers which is studying the causes of heart attacks using laboratory and computer applications and by doing intricate heart surgery on mice. Dr. Bolli was recruited from the Baylor College of Medicine. The Consultant also heard from Pei Pei Ping, Ph.D. She is a molecular and cell biologist and one of the leading scientists working in that program.

The Consultant also met with Susanne Ildstad, M.D., who brought the Institute for Cellular Therapeutics to the University of Louisville. She had been a transplant surgeon at the University of Pittsburgh and had moved her institute to Philadelphia before it was recruited by the University of Louisville. She is doing research involving bone marrow transplants that is providing greater insight into Sickle Cell Anemia. In the future, her research may help lead to cures for Diabetes and Multiple Sclerosis. Forty people were brought to the University of Louisville as part of this large research program.

Both universities also showed the Consultant some older research spaces which are in need of renovation or replacement.

Angela Martin and Sherron Jackson of the CPE staff participated in the campus visits with the Consultant.

University of Kentucky officials participating included:

Fitzgerald Bramwell, Vice President, Research and Graduate Studies
Ben Carr, Vice President, Administration
James Boling, Vice Chancellor, Research and Graduate Studies, Lexington Campus
Del Collins, Vice Chancellor, Research and Graduate Studies, Chandler Medical Center
David Watt, Executive Dean, College of Medicine
Jack Supplee, Jr., Director of Administration & Fiscal Affairs, Department of Research and Graduate Studies

University of Louisville officials participating included:

Carol Garrison, Provost

Nancy Martin, Vice President for Research
Larry Owsley, Vice President, Finance and Administration
Clarke Johnson, Assistant Vice President for Health Affairs/Director of Planning
Michael Curtin, Director, Planning and Budget

Council on Postsecondary Education
July 30, 2001

Review of Research Challenge Trust Fund Programs and Programs of Distinction

Guidelines for the Research Challenge Trust Fund and the Regional University Excellence Trust Fund require the council to assess the academic and financial performance of the programs supported by these trust funds at least once every two years. The council received the initial report at its January 2000 meeting. The council staff reviewed the programs again in spring 2001.

The Research Challenge Trust Fund programs are:

- University of Kentucky: gerontology and aging; advanced medical research; clinical pharmaceutical sciences research and graduate training; molecular mechanisms of toxicity; computer science and electrical engineering; materials synthesis; plant sciences; research, graduate education, and technology transfer; interdisciplinary biological chemistry; management and economics; psychology of substance abuse and prevention; expanding frontiers of client server library system; geography; and graduate student support.

- University of Louisville: early childhood education; entrepreneurship; logistics and distribution; and molecular medicine and biotechnology/health related research.

The Regional University Excellence Trust Fund programs of distinction are:

- Eastern Kentucky University: justice and safety.
- Kentucky State University: aquaculture.
- Morehead State University: institute for regional analysis and public policy.
- Murray State University: telecommunications systems management.
- Northern Kentucky University: center for integrative natural science and mathematics.
- Western Kentucky University: applied research and technology and media for the twenty-first century.

Background

The *Kentucky Postsecondary Education Improvement Act of 1997* (House Bill 1) created the Regional University Excellence Trust Fund and the Research Challenge Trust Fund. The RUETF aims to support at least one nationally recognized program of distinction at each of the comprehensive universities. The RCTF supports nationally recognized research programs at each of the research universities. The RCTF and RUETF trust funds contain $12 million of the $932 million 2000-01 state appropriation to postsecondary institutions.

Review Process

The council staff sent letters to the director of each comprehensive university's Program of Distinction and the vice presidents for research at UofL and UK in February 2001 requesting program reports and data. Campus visits occurred during March, April, and May 2001. The council staff met with deans, faculty, students, financial officers, and representatives of the provosts' office. Follow-up letters summarizing observations were sent in June. The staff convened a meeting of the POD directors June 21 to discuss common concerns and to explore opportunities for collaboration.

Staff Analysis

All institutions are progressing satisfactorily toward the preliminary goals outlined in the RCTF and POD proposals approved by the council. The council staff will continue to monitor each program through the institutions' annual reports and will undertake future campus site visits when warranted. Institutions will bring exhibits showcasing the programs to the council's trusteeship conference in September.

RCTF Programs. The RCTF programs are advancing rapidly in their areas of specialty and are beginning to contribute to Kentucky's economy. Exceptional faculty have been recruited to the Commonwealth through the RCTF and are furthering the institutions' national reputations. The RCTF programs are generating enthusiasm on campus and statewide. Each program seeks national prominence and educational, health, and economic benefits for Kentucky's people. The programs are multidisciplinary, and the institutions are aware that each program should provide direct benefit to the Commonwealth.

RCTF programs at UK and UofL are supporting and tracking their contributions to economic development. UK's Advanced Science and Technology Commercialization Center assists and tracks commercial developments of discoveries made by UK's scientists and engineers. Bio Incubator, an information technology and biomedical partnership between UofL, Jewish Hospital, and Norton's Hospital, supports and records commercial development of their research results.

POD Programs. The comprehensive universities are establishing nationally recognized programs that benefit students, faculty, and communities. POD funds have created new teaching and research opportunities for faculty and purchased equipment that meets industry standards. These efforts have aided in recruiting new faculty and students. Students are enthusiastic about working in labs with researchers. The PODs are reaching out to local P-12 institutions, collaborating with other departments on their own campuses and with other universities, and creating partnerships with their regional communities. POD faculty are developing online courses and forming distance-learning partnerships with the KYVU.

Previous POD reviews identified concerns in student enrollment, promotion to the public, and administrative structure. Recruitment still needs to be a high priority for all programs, especially for minority and female students who are traditionally underrepresented in science, math, and

engineering. More aggressive public promotion of the programs is needed. The programs have drawn the attention of their academic peers nationally, but program directors need to publicize their work in their own institutions and in the Commonwealth. Administrative policies remain a concern. Tenure policies for faculty hired with POD funds should be developed or clarified for interdisciplinary PODs so POD work is properly rewarded. Commercialization and royalty distribution policies should be adopted, and faculty on each campus must be made most aware of the commercial potential of their research.

Trust Fund Match

The council staff reviewed financial information for FY 2000 to determine whether institutions had matched trust fund support for programs on a dollar-for-dollar basis. The match was achieved. Following is a schedule of the FY2001 and FY2002 appropriations for the RCTF and the POD programs which the institutions must match.

Institution	FY 2001	FY 2002
Eastern Kentucky University	$1,540,100	$1,577,100
Kentucky State University	475,100	486,500
Morehead State University	903,200	924,900
Murray State University	1,049,600	1,074,800
Northern Kentucky University	756,700	774,900
University of Kentucky	4,096,000	4,194,300
University of Louisville	2,048,000	2,097,100
Western Kentucky University	1,419,200	1,453,200

Preparation by Jennifer Marsh, Ben Boggs, and Sue Hasbrouck

Revised: July 24, 2001

Council on Postsecondary Education
July 30, 2001

Western Kentucky University
Disposal and Renovation of Academic Athletic #1

In a letter written November 29, 2000, Western Kentucky University informed the Finance and Administration Cabinet and the council staff of the results of a feasibility study to renovate Academic Athletic #1 which contains Diddle Arena. The primary focus of the study (paid for by the Hilltopper Athletic Foundation, Warren County, and the City of Bowling Green) was to assess the economic and demographic factors to determine if it is best to build a new facility or renovate the arena. The study suggested that the arena should be renovated from a single use (basketball) to a multi-purpose facility.

WKU stated in its communication that state general funds would not be sought for the renovation. The City of Bowling Green would issue up to $32,500,000 in general obligation bonds to finance the renovation of the arena. Debt service on the bonds would be funded using a combination of revenues from facility rentals, building naming rights, ticket sales and surcharges, and concessions and event parking.

The council staff and WKU representatives have participated in a series of discussions with representatives from the Finance and Administration Cabinet, the Legislative Research Commission, the Capital Projects and Bond Oversight Committee, and the Office of the Attorney General.

Policy Issues and Discussions

Western plans to donate Academic Athletic #1 and other athletic property to the City of Bowling Green for the purpose of securing the financing to renovate the facility. WKU representatives and Finance and Administration Cabinet staff continue to discuss the statutory provisions for disposal of state owned property whether by sale or gift.

The Capital Projects and Bond Oversight Committee has asked Albert B. Chandler III, Attorney General; Ed Hatchett, State Auditor; T. Kevin Flanery, Secretary, Finance and Administration Cabinet; and Gordon Davies to review the proposal. Gary Ransdell, President of Western Kentucky University, will provide additional information on the project at the July 30 council meeting including projected revenues and expenses, an updated management agreement between WKU and the city, a property transfer map, and a proposed timeline.

Revised: July 24, 2001

Current Status and Action on the Project

- WKU is in the process of providing additional information to participants identified above.
- Gordon Davies has suggested that the Finance and Administration Cabinet, the Office of the Attorney General, and the council develop a procedure for dealing with similar initiatives and criteria for assessing whether the initiatives are legally and financially sound (July 5 letter to Albert B. Chandler III, Attorney General, and T. Kevin Flanery, Secretary Finance and Administration Cabinet).
- The Capital Projects and Bond Oversight Committee is scheduled to review the proposal August 21.
- WKU and the City of Bowling Green are completing their financial analysis and finalizing the management agreement for the operation of Diddle Arena. The city wishes to sell the bonds by the end of August.

Staff preparation by Sherron Jackson

Council on Postsecondary Education
July 30, 2001

The Five Questions
Key Indicators Update

The council staff continues to work with the postsecondary institutions, other state agencies, and research firms to establish baseline data and set goals for key indicators. Attached is a timeline that lists the indicators for which goals have been approved, are ready for approval in July (see pages 103 and 104), and will be presented for approval in future meetings. The following activities are taking place this summer.

Wilkerson and Associates, a research firm in Louisville, Kentucky, has conducted undergraduate alumni surveys. The staff is analyzing the data to determine which survey questions will be used to measure "satisfaction with postsecondary education" and "civic engagement" – two indicators under question 4: Are more Kentuckians ready for life and work? The baseline data and proposed goals will be presented to the council in September.

The National Survey of Student Engagement was administered in Spring 2001, and the results will be available in early August. The NSSE also will be used to measure indicators under question 4: undergraduate student experience, satisfaction with postsecondary education, and civic engagement. The baseline data for NSSE and proposed goals will be presented to the council in September.

The staff will continue to work in the coming months with the Education Professional Standards Board as they develop the state report card used to assess quality of teacher education programs. We will propose for inclusion in the council's key indicators a set of measures derived from their report card for teacher preparation – an indicator under question 4. Baseline data and proposed goals for these indicators will be presented to the council in November.

The council staff is working with the Departments of Employment Services and Driver's License to determine "how many graduates work in Kentucky" and "how many out-of-state students stay in Kentucky after graduation" – two indicators under question 5: Are Kentucky's communities and economy benefiting? Baseline data and proposed goals will be presented to the council in September.

The employer and community survey will be conducted over the next couple of months. This survey will be used to measure employer and community "satisfaction with graduates and completers" and "satisfaction with institutional support" – more indicators under question 5. Baseline data and proposed goals will be presented to the council in September or November.

The staff is negotiating goals for research and development (indicators under question 5) with the public universities. The proposed goals will be presented to the council in September after consultation with the Commissioner for the New Economy.

The key indicators Web site is being developed and will be available on the council's Web page prior to the September meeting. It will graphically display the key indicators and progress toward goals.

Staff preparation by Patrick Kelly

Key Indicators of Progress Toward Reform

Timeline for Setting Goals

Approved in March 2001

- Adults at literacy levels one and two
- Adults with less than a high school diploma or GED
- ACT scores of high school graduates
- High school graduates taking the ACT
- College-level courses per 1,000 HS juniors and seniors
- High school students taking the ACT core courses
- Family ability to pay for college
- Students enrolled in KYVU credit courses
- Adult population enrolled in KY colleges
- Adult population enrolled in KY colleges from target counties
- Students attending college directly out of high school
- Students attending college directly out of high school from target counties
- College-going rates of GED completers
- Systemwide retention rate of first-time freshmen
- Community and technical college transfers
- Community and technical college transfers – number of credit hours transferred
- Adults with a bachelor's degree or higher

July 2001

- Undergraduate enrollment
- Graduate/professional enrollment
- One-year retention rates
- Six-year graduation rates
- Five-year graduation rates of transfer students

September 2001

- KCTCS and LCC transfers into public universities
- Undergraduate student experience – selected indicators from the National Survey of Student Engagement
- Alumni satisfaction – selected indicators from the undergraduate alumni survey
- Civic engagement – selected indicators from the NSSE and undergraduate alumni survey
- College graduates working in KY
- Out-of-state students staying in KY after graduation
- Total research and development expenditures per full-time faculty
- Federal research and development expenditures per full-time faculty

- Licenses that yield income
- Business start-ups/Incubated businesses
- Extramural research and public service expenditures per full-time faculty

November/January 2001-02

- High school test scores
- "New students" enrolled in KYVU credit courses
- Teacher preparation
- Employer and community survey - satisfaction with graduates and completers
- Employer and community survey - satisfaction with postsecondary institution's support
- Productivity of research space

Council on Postsecondary Education
July 30, 2001

Development of the 2002-04 Trust Funds Recommendation

The 1998-2000 biennium featured the use of a new funding mechanism -- incentive trust funds. The 1998 General Assembly appropriated funds to six trust funds. The 2000 General Assembly continued its commitment to reform that began with the passage of the *Kentucky Postsecondary Education Improvement Act of 1997* (HB 1). Based on the council's request, the 2000 General Assembly appropriated funds to the original six trust funds and established two additional trust funds, the Adult Education and Literacy Trust Fund and the Science and Technology Trust Fund. A summary of the 2000-02 trust fund appropriations is presented on pages 108 and 109.

The trust funds are appropriated to the council with the majority of the funds earmarked for the institutions. The council is expected to incorporate a request for continuation or expansion funding of the trust funds in the 2002-04 operating budget recommendation. But, the council should consider the Commonwealth's projected tight fiscal environment for the 2002-04 biennium when determining the request amounts.

Three of the original six trust funds were created based on the type of institution that could qualify for funding. For example, only the comprehensive universities may receive funds from the Regional University Excellence Trust Fund. This trust fund includes the action agenda program, the enrollment growth and retention program, and the endowment match program. The two new trust funds requested by the council and funded by the 2000 General Assembly were created for specific purposes established under separate legislation (SB 1 and HB 572). The council staff suggests that the purpose-based trust funds be expanded to focus the postsecondary education system on achieving the 2020 Vision for the Commonwealth.

2002-04 Trust Fund Issues

Following the 2000 session of the General Assembly, the Strategic Committee on Postsecondary Education reviewed the postsecondary education funding processes. The result of the review was a set of *Points of Consensus* for the 2002-04 operating and capital requests. The *Points of Consensus* was agreed to by the presidents of the public universities, the KCTCS, and the council, and endorsed by the council February 5. All parties agreed that trust funds should be requested in the 2002-04 biennium.

The council must address many issues in developing the 2002-04 operating budget recommendation for the trust funds. The following key issues are addressed below:

- Transfer of 2000-02 trust fund appropriations to the institutions' base appropriations.
- Funding requests for the existing trust funds.
- New trust funds.
- Trust funds guidelines.

Transfer of 2000-02 trust fund appropriations. The 2000 General Assembly permanently transferred some of the 1998-2000 trust funds to the institutions' base appropriations effective July 1, 2000. The transfers included funds for the programs of distinctions at the comprehensive universities and the research challenge programs at UK and UofL. (See the review of programs beginning on page 95.) The council may request that some of the 2000-02 trust fund appropriations be transferred to the institutions' base appropriations -- for example, the Enrollment Growth and Retention Program funds and the Action Agenda Program funds. The permanent transfer of funds allows the institutions to use these funds to cover recurring costs, such as salaries.

Funding requests for the existing trust funds. The council is expected to make a recommendation regarding each of the existing eight trust funds in its 2002-04 operating budget recommendation. The council could request no funding, continuation funding (the same as the 2000-02 amounts), or increased funding.

New trust funds. The council may request the creation of new trust funds. According to the *Points of Consensus*, the council will request an Enrollment Growth and Retention Trust Fund. The funding amounts are to be based on enrollment and retention goals negotiated with each institution (see Key Indicators, pages 59 to 65), the benchmark-funding objective for each institution (see 2002-04 Operating Recommendation, pages 113 to 130), and the differentiated costs of undergraduate and graduate instruction.

An Enrollment Growth and Retention Program was funded in 2000-02. However, the program funds were allocated to three of the existing trust funds, which limited the distribution of funds to eligible institutions. For example, if the Kentucky Community and Technical College System did not meet its enrollment and retention goals, the program funds allocated to the Postsecondary Workforce Development Trust Fund could not be reallocated to any other institution that exceeded their goals.

There are many issues related to the proposed Enrollment Growth and Retention Trust Fund including rewarding systemwide improvement of college-going rates, increasing enrollments from targeted counties, distributing funds based on performance, and recognizing the difference between undergraduate and graduate instructional costs for increased enrollments. The council members have previously discussed ways to reduce incentives for inefficient competition for students between institutions, both public and independent. One such possibility could be to reward the system as a whole for increased college-going rates as part of an Enrollment Growth and Retention Trust Fund.

The council may want to again consider allocating some of the 2002-04 trust funds to increasing enrollments from targeted underserved counties. This concept was previously discussed but was not incorporated into the guidelines for the 2000-02 Enrollment Growth and Retention Program. The council may also consider allocating the 2002-04 enrollment growth and retention funds based on actual performance. The 2001-02 Enrollment Growth and Retention Program funds have been allocated to the institutions based on their goals – not on performance. But, the current guidelines do stipulate that the 2001-02 allocation is nonrecurring if an institution does not achieve its enrollment and retention goals.

Finally, it was agreed that distribution guidelines for the new Enrollment Growth and Retention Trust Fund would recognize the differentiated costs of undergraduate and graduate instruction. The council may chose to initiate a cost study for Kentucky or use an existing study to differentiate the costs. The council staff has reviewed several studies by other states including Illinois, Florida, and Washington. The Washington Higher Education Coordinating Board's study (completed in March 2000) appears to be the most compatible to our situation. The primary purpose of the study was to determine cost distribution ratios for each type of public postsecondary institution at the undergraduate and graduate levels. Following are the relevant cost ratios from this study:

Research Institutions:	
Ratio of undergraduate costs per FTE to total average costs per FTE	80.21%
Ratio of graduate costs per FTE to undergraduate costs per FTE	229.07%
Comprehensive Institutions	
Ratio of undergraduate costs per FTE to total average costs per FTE	97.92%
Ratio of graduate costs per FTE to undergraduate costs per FTE	136.48%

In addition to the Enrollment Growth and Retention Trust Fund, the council staff is considering recommending a new trust fund related to teacher quality. The council's 2000-02 recommendation for the Regional University Excellence Trust Fund included a request for funds to support model schools of education and teacher quality. The 2000 General Assembly combined this request with the Action Agenda program. The 2000 General Assembly also passed Senate Bill 77 which addresses teacher quality and the preparation of elementary and secondary teachers. However, there was no associated funding for this legislation.

Trust fund guidelines. The council established the 1998-2000 and 2000-02 trust fund guidelines, including distribution criteria and required matching funds, after passage of the biennial budget bills. According to the *Points of Consensus*, the council is to establish the distribution criteria for each recommended trust fund, the method for determining institutional allocations, and required matching funds prior to submitting the 2002-04 operating recommendation.

Next Steps

The council may wish to discuss any or all of the above issues at the July 30 meeting. The council is to approve the 2002-04 operating recommendation November 5. The council is currently scheduled to meet in September and November. An additional meeting in October will probably be necessary to fully discuss the 2002-04 operating and capital recommendations, including the trust funds. The council staff will present detailed discussions of the trust funds at each of these meetings.

Staff preparation by Angela S. Martin

Kentucky Council on Postsecondary Education
2000 - 2002 Incentive Trust Funds
All Funds

	2000-01	2001-02
Research Challenge Trust Fund	*Enrollment Growth & Retention*	
University of Kentucky	$ 950,000	$ 826,000
Lexington Community College	250,000	315,200
University of Louisville	450,000	508,800
Subtotal	$ 1,650,000	$ 1,650,000
	Lung Cancer Research Program	
University of Kentucky / University of Louisville	$ 5,055,000	$ 6,080,000
	Endowment Match Program	
University of Kentucky	$ 66,667,000	$ -
University of Louisville	33,333,000	
Subtotal	$ 100,000,000	$ -
Total Research Challenge Trust Fund	**$ 106,705,000**	**$ 7,730,000**
Regional University Excellence Trust Fund	*Enrollment Growth & Retention*	
Eastern Kentucky University	$ 850,000	$ 755,500
Kentucky State University	400,000	324,900
Morehead State University	350,000	320,500
Murray State University	200,000	349,000
Northern Kentucky University	350,000	436,600
Western Kentucky University	700,000	663,500
Subtotal	$ 2,850,000	$ 2,850,000
	Action Agenda	
Eastern Kentucky University	$ -	$ 2,433,000
Kentucky State University		732,000
Morehead State University		1,435,000
Murray State University		1,659,000
Northern Kentucky University		1,414,000
Western Kentucky University		2,327,000
Subtotal	$ -	$ 10,000,000
	Endowment Match Program	
Eastern Kentucky University	$ 4,900,000	$ -
Kentucky State University	1,503,000	
Morehead State University	2,925,000	
Murray State University	3,383,000	
Northern Kentucky University	2,664,000	
Western Kentucky University	4,625,000	
Subtotal	$ 20,000,000	$ -
Total Regional University Excellence Trust Fund	**$ 22,850,000**	**$ 12,850,000**

Kentucky Council on Postsecondary Education
2000 - 2002 Incentive Trust Funds
All Funds

	2000-01	2001-02
Postsecondary Workforce Development Trust Fund - KCTCS		
Workforce Development/Training	$ 6,000,000	$ 6,000,000
Enrollment Growth and Retention	3,500,000	3,500,000
KCTCS Administrative Systems	4,000,000	-
Total Postsecondary Workforce Development Trust Fund	**$ 13,500,000**	**$ 9,500,000**
Technology Trust Fund		
Equipment Replacement - Debt Service ($20 million authorized)	$ -	$ 3,800,000
Network Infrastructure	-	1,200,000
Public Communications Campaign (KEES Program Transfer - Lottery)	-	1,500,000
Faculty Development	-	1,000,000
Total Technology Trust Fund	**$ -**	**$ 7,500,000**
Physical Facilities Trust Fund		
Capital Renewal & Maintenance - Debt Service ($30 million authorized)	$ -	$ 3,018,100
Renovation, Replacement & Infrastructure - Debt Service ($103.4 million authorized)	-	10,436,000
New Construction - Debt Service ($74 million authorized)	-	7,446,000
Total Physical Facilities Trust Fund	**$ -**	**$ 20,900,100**
Student Financial Aid & Student Advancement Trust Fund - KEES	**$ 22,350,000**	**$ 37,500,000**
Adult Education and Literacy Trust Fund	**$ 7,000,000**	**$ 12,000,000**
Science and Technology Trust Fund		
Research & Development	$ -	$ 3,000,000
Commercialization	-	750,000
Regional Technology Service	-	500,000
Entrepreneurial Policy Impact Audit	250,000	-
Rural Innovation Fund	1,000,000	-
Total Science and Technology Trust Fund	**$ 1,250,000**	**$ 4,250,000**
Total Incentive Trust Funds	**$ 173,655,000**	**$ 112,230,100**

Council on Postsecondary Education
July 30, 2001

Development of 2002-04 Capital Budget Recommendation

Each public university and the Kentucky Community and Technical College System was required to submit a 2002-08 capital plan to the Capital Planning Advisory Board (CPAB) on or before April 15, 2001. The projects identified in the first biennium of the 2002-08 capital plans generally evolve into the 2002-04 capital requests. The institutions were to submit their 2002-04 capital requests to the council on or before July 2.

Each biennium the CPAB holds hearings to discuss the capital plans of all state agencies. The CPAB will review the 2002-08 capital plans of the postsecondary institutions July 25, 2001. The CPAB has asked Mr. Davies to provide a statewide perspective on the highest priority capital needs of the system of postsecondary education in August.

The framework for the 2002-04 operating and capital recommendations is defined in the *Points of Consensus*, which was endorsed by the council February 5, 2001. For the 2002-04 capital budget, the council staff proposes to establish the following institutional priorities to be financed with state general funds:

- Capital renewal and maintenance
- Instructional and research equipment replacement
- Technology initiatives
- Major renovations of educational and general (E&G) facilities
- Construction of new (E&G) facilities or expansion of existing facilities

A summary of the institutions' capital requests by fund source is presented on page 112. Generally, state general funds are requested for educational and general facilities and equipment while agency bond authority is requested for auxiliary enterprises.

As the council completes its review of institutional capital requests, the priorities may change. According to the *Points of Consensus*, the council will evaluate construction of new facilities or expansion of existing facilities using the revised Kentucky Space Needs Model and the recommendation of a professional consultant with regard to quality of existing space. (See pages 85 to 94 regarding the revised Kentucky Space Needs Model.)

The council may wish to discuss the staff's proposed institutional priorities to be financed with state general funds. The council is to submit the 2002-04 capital budget recommendation to the Governor's Office for Policy and Management by November 15.

Staff preparation by Sherron Jackson

2002-04 Institutional Capital Project Requests
State General Funds
As of July 30, 2001

Institution	Capital Construction (1)	Technology Initiative	Equipment	Total
Eastern Kentucky University	$73,850,000	$12,890,000	$5,135,000	$91,875,000
KY Comm. and Tech. College System	303,155,000		21,445,000	324,600,000
Kentucky State University	58,895,000			58,895,000
Morehead State University	72,730,000	22,200,000	3,843,000	98,773,000
Murray State University	202,322,000	6,746,000	9,340,000	218,408,000
Northern Kentucky University	101,200,000	1,900,000		103,100,000
University of Kentucky and LCC	490,350,000			490,350,000
University of Louisville	113,711,000	19,932,000	19,693,000	153,336,000
Western Kentucky University	73,274,000	9,645,000	110,000	83,029,000
System Total	$1,489,487,000	$73,313,000	$59,566,000	$1,622,366,000

(1) Includes capital renewal and maintenance, renovations, and construction of new facilities.

2002-04 Institutional Capital Project Requests
Agency Bond Authority
As of July 30, 2001

Institution	Total
Eastern Kentucky University	$12,129,000
Kentucky State University (1)	
Morehead State University	19,200,000
Murray State University	74,520,000
Northern Kentucky University	37,600,000
University of Kentucky	50,651,000
University of Louisville	12,129,000
Western Kentucky University	11,320,000
System Total	$217,549,000

(1) KSU did not request any Agency Bond Authority for 2002-04.

Council on Postsecondary Education
July 30, 2001

Development of 2002-04 Operating Budget Recommendation

The Kentucky Postsecondary Education Improvement Act of 1997, House Bill 1, eliminated the funding formula used by the council to develop the biennial funding recommendations for the public universities and colleges and directed the council to develop a new funding approach. The council, in cooperation with the institutions and the executive and legislative branches, developed a benchmark funding model for the 2000-02 operating recommendation. This model compared funding at Kentucky institutions to public funds of similar non-Kentucky institutions. A detailed description of the 2000-02 benchmark funding method is presented beginning on page 116.

Following the 2000 legislative session, the council, the Strategic Committee on Postsecondary Education (SCOPE), and the presidents undertook a comprehensive review of the process used in developing the 2000-02 funding recommendation. The resulting *Points of Consensus* (see February 2001 council agenda item) included provisions to retain benchmark funding, with three modifications, for the 2002-04 operating recommendation. In addition to addressing these changes, the council must establish a funding objective relative to the benchmark institutions. Finally, the council must consider special funding requests submitted by the institutions.

Benchmark Funding

The *Points of Consensus* contain three changes to the 2000-02 benchmark funding model as follows:

- The institutions were to be given the opportunity to revise their benchmarks.
- If feasible, state funding for debt service and mandated public service and research programs having no instructional function will be excluded from the benchmark funding calculation.
- A standard tuition and fees revenue deduction is to be established to determine the 2002-04 state appropriation objective.

Each of these changes are described below.

Benchmark Institutions. According to the *Points of Consensus,* each institution could replace up to five benchmark institutions. It was agreed that institutions with medical schools would not be selected as benchmarks for the Kentucky comprehensive universities.

Institutional representatives and the council staff negotiated benchmark replacements based on the same criteria that were used in the original selection process. Representatives from the Governor's Office for Policy and Management and the Legislative Research Commission also participated in the negotiations. A list of the selection criteria is shown on page 119. The

Kentucky Community and Technical College System, the University of Kentucky, and the University of Louisville chose not to change their benchmark institutions. Because of similarities, Eastern Kentucky University and Western Kentucky University proposed to have the same set of benchmark institutions. Each institution's revised benchmark institutions are presented on pages 120 to 129.

Debt Service and Mandated Programs. As indicated in the *Points of Consensus,* if feasible, state funding for debt service and mandated public service and research programs having no student enrollments or instructional function will be deducted from the state support amounts at the benchmark and Kentucky institutions. A Request for Proposals (RFP) was issued that solicited bids for a survey and analysis of state funding of mandated programs and debt service at the benchmark and Kentucky institutions. MGT of America, Inc. has been awarded a contract to conduct the survey, analyze the data, and present its findings and recommendations. The survey and analysis of the data are to be completed by August 30, 2001.

Tuition and Fees Revenue Standard Deduction. A key consideration in the development of each institution's funding need is the amount of public funds that should be generated by tuition and fees. The 2000-02 budget recommendation was based on each institution's budgeted 1999-00 tuition and fees revenue. Thus, the tuition and fees revenue deduction varied from 24 percent to 60 percent. According to the *Points of Consensus*, a set percentage for tuition and fees revenue, or budgeted tuition and fees revenue, whichever is lower, will be deducted from the public funding amount to determine the 2002-04 state appropriation objective.

At its May 2001 meeting, the council established a standard tuition and fees revenue deduction to determine the 2002-04 state appropriation objective for each institution. The standard deduction is 37 percent for the public universities, excluding Kentucky State University. For the Kentucky Community and Technical College System, KSU, and the Lexington Community College the standard deduction is 30 percent.

2002-04 Funding Need

Several factors will be used to calculate a 2002-04 funding need for each institution including the tuition and fees revenue deduction (described above), the funding objective, transfer of trust funds to the institutions' base appropriations, and estimated fall 2001 enrollment. These last three items are addressed below.

Funding Objective - Measure of Central Tendency. A measure of central tendency (defined as an average of a set of observations such as a mean, median or a percentile) will again be used to determine the 2002-04 funding objective for each institution. For 2000-02, the 55^{th} percentile was used to determine the funding objective for each institution. For discussion purposes, the council staff has calculated several measures of central tendency including the 55^{th} percentile, mean, median, weighted average, and the mean plus 1/2 the standard deviation as shown on page 130. The council will be asked to approve a funding objective for the 2002-04 operating budget recommendation in September.

Because the benchmarks' public funds per full-time equivalent student are derived from 1998-99 financial data, the funding objective will be increased for inflation to compare with current Kentucky funding levels. This same approach was used in the 2000-02 funding process.

Transfer of 2000-02 Trust Funds. The calculations to determine each institution's funding need will include transfers of 2000-02 trust funds to the institutions' base appropriations; for example, enrollment growth and retention funds, action agenda funds, and workforce development funds.

Enrollments. The 2000-02 operating budget recommendation was based on Fall 1998 actual FTE enrollments, the most current actual data available. Due to the recent and projected increases in enrollment (see Key Indicators, pages 59 to 65), the council staff suggests using estimated Fall 2001 FTE enrollments to calculate the institutions' 2002-04 funding needs. The public colleges and universities submit estimated fall enrollments each September. A comparison of estimated to actual enrollments shows a total variation range of only –0.4 percent to 1.3 percent for the last five years. Any significant variation in funding from using estimated Fall 2001 enrollment as compared to actual enrollment could be addressed in the allocation of the 2002-04 Enrollment, Growth, and Retention Trust Fund (see pages 105 to 109).

Special Funding Requests

As approved by the council in May, the institutions may submit special funding requests September 1. The council staff will present a summary of the special funding requests at the September 2001 council meeting.

Next Steps

Estimated fall 2001 enrollment, 2002-04 tuition rates, and estimated 2002-03 and 2003-04 tuition and fees revenue will be reported at the September council meeting. After the council establishes the 2002-04 funding objective in September, a preliminary funding need for each institution will be calculated. Once the systemwide need is determined, the council may consider a "phase in" approach to benchmark funding; that is, funding the need over three years or multiple biennia. This approach was used in the 2000-02 budget recommendation.

The council may wish to discuss any or all of these issues.

Staff preparation by Angela S. Martin and Linda Jacobs

2000-02 BENCHMARK FUNDING

The first step in the 2000-02 funding process was the selection of benchmark institutions. This process involved the presidents and their representatives, the Governor's Office for Policy and Management, the Legislative Research Commission, and the council staff. The selection of the benchmark institutions was based on a set of quantified criteria including headcount enrollment, program mix, student characteristics, and faculty characteristics. The institutional representatives and the council staff negotiated a set of benchmark institutions for each Kentucky institution to be used in the funding process.

The staff began an analysis of public funds - defined as state general fund appropriations and tuition and fees revenue as reported to the Integrated Postsecondary Education Data System (IPEDS) - for each set of benchmark institutions. Using enrollment data reported to IPEDS, public funds per full-time equivalent (FTE) was calculated for each benchmark institution. Using 1996/97 data, a funding objective was determined and increased by inflation factors to determine a FY 2000 funding level. Tuition and fees revenue was then deducted to obtain a net general fund appropriation objective. This objective was compared to the funding level at the Kentucky institution and a funding need was calculated.

To better explain this process, the following steps are presented to describe the benchmark funding method. For this purpose following are the 2000-02 calculations for Eastern Kentucky University.

Step 1: FY 2000 Funding Objective - 55th Percentile

FY 1997 Public Funds Per FTE - 55th Percentile of Benchmark Institutions	$ 8,266
FY 1998 Public Funds Per FTE - FY 1997 inflated by 2 percent	$ 8,431
FY 1999 Public Funds Per FTE - FY 1998 inflated by 2.9 percent	$ 8,676
FY 2000 Public Funds Per FTE - FY 1999 inflated by 2.8 percent	$ 8,919
FY 2000 Estimated Benchmark Funding Objective	*$8,919*

Step 2: Tuition Deduction - Net General Fund Appropriation Per FTE

Fiscal Year 2000 Estimated Benchmark Funding Objective	$ 8,919
Less: Estimated Tuition and Fees (37% - FY 2000 Budgeted Tuition and Fees Revenue As a Percent of Total Public Funds at EKU)	(3,300)
FY 2000 Net General Fund Appropriation Per FTE	*$5,619*

Step 3: EKU - FY 2000 General Fund Appropriations

FY 2000 Direct General Fund Appropriation	$ 65,726,700
Regional University Excellence Trust Fund Allocation	1,504,000
Pass-through Program: Nursing and Allied Health	128,960
FY 2000 Total General Fund Appropriation	*$ 67,359,660*

Step 4: EKU - Estimated General Fund Appropriation Per FTE	
FY 2000 Total General Fund Appropriation	$ 67,359,660
Divided by Fall 1998 FTE Student Enrollment	12,468
FY 2000 Estimated General Fund Appropriation Per FTE	*$ 5,403*
Step 5: FY 2000 Difference in Per FTE Funding	
FY 2000 Net General Fund Appropriation Per FTE Objective (Step 2)	$ 5,619
Less: EKU FY 2000 Estimated General Fund Appropriation Per FTE (Step 4)	5,403
FY 2000 Difference in Per FTE Funding	*$ 216*
Step 6: Funding Need	
1998 FTE Student Enrollment	$ 12,468
Multiplied by Funding Difference (Step 5)	216
Funding Need	*$ 2,694,787*
Step 7: 2000-02 Benchmark Funding Objective	
Funding Need	$ 2,694,787
Divided by Length of Time to Achieve Funding Need	3 Years
Estimated Annual Cost Including Debt Service	*$ 898,262*
FY 2000 State Supported Debt Service	$ 5,317,400
Multiplied by 2000-02 Base Budget Increase - 2.4%	.024
2.4 Percent of FY 2000 State Supported Debt Service	*$ 127,600*
Estimated Annual Cost Including Debt Service to Achieve Funding Objective	$ 898,262
Less: 2.4% of FY 2000 State Supported Debt Service	(127,600)
Estimated Annual Cost To Achieve Funding Objective	*$ 770,662*
Step 8: Minimum Percent Increase	
Minimum Percent Increase	2.4%
First Year of the Biennium (FY 2001) Calculation	
FY 2000 Net General Fund Appropriation (net of debt service)	$ 61,913,300
Multiplied by the Minimum Percent Increase	.024
First Year (FY 2001) Base Increase	*$ 1,485,919*
Second Year of the Biennium (FY 2002) Calculation	
FY 2000 Net General Fund Appropriation	$ 61,913,300

First Year Base Increase	1,485,919
FY 2001 Base	*$63,399,219*
FY 2001 Net General Fund Appropriation	$ 63,399,219
Multiplied by the Minimum Percent Increase	.024
Second Year (FY 2002) Base Increase	*$ 1,521,581*

In determining each institution's funding recommendation, the greater of the benchmark funding objective (step 7) or the minimum percent increase over the base (step 8) was to be used. For EKU, the minimum percent increase was greater and, therefore, used for the funding recommendation.

Benchmark Selection

Measures	Weights (Percent)	
	Doctoral	**Comprehensive**
Enrollment Characteristics		
Total Headcount	5.26	11.11
Percent Part-Time Headcount	5.26	5.56
Entering ACT Score (50th Percentile)	5.26	5.56
Percent Bachelor's Degrees	N/A	5.56
Percent Master's Degrees	5.26	5.56
Percent Doctoral Degrees	5.26	N/A
Subtotal	26.30	33.35
Degree Program Mix (Degrees Conferred) [1]		
Percent Agriculture	5.26	5.56
Percent Business	5.26	5.56
Percent Education	5.26	5.56
Percent Engineering	5.26	5.56
Percent Biology & Physical Science	5.26	5.56
Percent Arts	5.26	5.56
Percent Liberal Arts & Humanities	5.26	5.56
Percent Health	N/A	5.56
Percent First-Professional Health	5.26	N/A
Percent First-Professional Law	5.26	N/A
Subtotal	47.34	44.48
Faculty Characteristics		
Percent Full-Time Faculty	5.26	5.56
Public Service		
Public Service as a Percentage of E&G Exp.	5.26	5.56
Student / Faculty Ratio	5.26	5.56
Research Emphasis		
Research Expenditures	10.53	5.56
GRAND TOTAL ALL MEASURES [2]	100.00	100.00

[1] A more comprehensive list of the degree program areas (CIP Codes) in each of the categories is provided in the Attachment B.

[2] The total of all measures does not add due to rounding.

EASTERN KENTUCKY UNIVERSITY
BENCHMARK INSTITUTIONS

Institution	State
Eastern Kentucky University	**KY**
University of Arkansas at Little Rock	AR
California State University-Fresno	CA
University of Northern Iowa	IA
Illinois State University	IL
Eastern Illinois University	IL
Western Illinois University	IL
Ball State University	IN
Indiana State University	IN
Northern Michigan University	MI
Eastern Michigan University	MI
Southeast Missouri State University	MO
Central Missouri State University	MO
University of North Carolina at Greensboro	NC
Western Carolina University	NC
Appalachian State University	NC
Bowling Green State University-Main Campus	OH
Youngstown State University	OH
West Chester State University	PA

Institutions removed from the 2000-02 list:

Southern Illinois University-Edwardsville*	IL
California State University-Sacramento	CA
East Carolina University*	NC
Grand Valley State University	MI
Lamar University-Beaumont	TX
East Tennessee State University*	TN
University of Wisconsin-Oshkosh	WI
Marshall University*	WV
Northeast Louisiana University*	LA

Institutions added to the 2000-02 list:

University of Northern Iowa	IA
Northern Michigan University	MI
Eastern Michigan University	MI
Southeast Missouri State University	MO
University of North Carolina-Greensboro	NC
Western Carolina University	NC
Appalachian State University	NC
Bowling Green State University-Main Campus	OH

*East Carolina State University, East Tennessee State University, and Marshall University have medical schools. Southern Illinois University has a school of dentistry. Northeast Louisiana University has a school of pharmacy.

KENTUCKY COMMUNITY AND TECHNICAL COLLEGE SYSTEM
BENCHMARK STATES

Kentucky
Arkansas
Connecticut
Iowa
Minnesota
North Carolina
Ohio
South Carolina
Tennessee
Virginia

No changes were made to the 2000-02 list of states.

KENTUCKY STATE UNIVERSITY
BENCHMARK INSTITUTIONS

Institution	State
Kentucky State University	**KY**
University of Arkansas-Pine Bluff	AR
California State University-Bakersfield	CA
Fort Lewis College	CO
Albany State University	GA
North Adams State College	MA
Morgan State University	MD
Northern Michigan University	MI
Truman State University	MO
Lincoln University	MO
Jackson State University	MS
Fayetteville State University	NC
North Carolina Central University	NC
North Carolina A&T State University	NC
University of North Carolina-Asheville	NC
University of North Carolina-Pembroke	NC
Ramapo College of New Jersey	NJ
Southeastern Oklahoma State University	OK
South Carolina State University	SC
Virginia State University	VA

Institutions removed from the 2000-02 list:

Savannah State University	GA
Southern Arkansas University-Main Campus	AR
Minot State University	ND
Langston University	OK
Delaware State University	DE

Institutions added to the 2000-02 list:

North Adams State College	MA
Ramapo College of New Jersey	NJ
University of North Carolina-Asheville	NC
Truman State University	MO
Fort Lewis College	CO

MOREHEAD STATE UNIVERSITY
BENCHMARK INSTITUTIONS

Institution	State
Morehead State University	**KY**
Jacksonville State University	AL
Central Connecticut State University	CT
Eastern Illinois University	IL
Pittsburg State University	KS
Northern Michigan University	MI
Southeast Missouri State University	MO
Central Missouri State University	MO
Western Carolina University	NC
University of Nebraska-Kearney	NE
Rowan University	NJ
SUNY College-Brockport	NY
SUNY College-Plattsburgh	NY
SUNY College-Oswego	NY
California University of Pennsylvania	PA
Millersville University of Pennsylvania	PA
Clarion University of Pennsylvania	PA
West Chester University of Pennsylvania	PA
Texas A&M University-Corpus Christi	TX
Eastern Washington University	WA

Institutions removed from the 2000-02 list:

Valdosta State University	GA
Northeastern State University	OK
Slippery Rock University of Pennsylvania	PA
Bloomsburg State University of Pennsylvania	PA

Institutions added to the 2000-02 list:

Central Connecticut State University	CT
Eastern Illinois University	IL
Texas A&M University-Corpus Christi	TX
Eastern Washington University	WA

MURRAY STATE UNIVERSITY
BENCHMARK INSTITUTIONS

Institution	State
Murray State University	**KY**
California University of Pennsylvania	CA
Central Connecticut State University	CT
Florida A&M University	FL
University of West Florida	FL
Southern Illinois University-Edwardsville	IL
Western Illinois University	IL
Ball State University	IN
Indiana State University	IN
Southeast Missouri State University	MO
Central Missouri State University	MO
University of North Carolina-Greensboro	NC
Western Carolina University	NC
Wright State University-Main Campus	OH
Slippery Rock University of Pennsylvania	PA
Indiana University of Pennsylvania	PA
Shippensburg University of Pennsylvania	PA
Tennessee Technological University	TN
University of Tennessee-Chattanooga	TN
Eastern Washington University	WA

Institutions removed from the 2000-02 list:

East Tennessee State University	TN
SUNY College at Plattsburgh	NY
West Chester University of Pennsylvania	PA

Institutions added to the 2000-02 list:

Central Connecticut State University	CT
Ball State University	IN
Eastern Washington University	WA

NORTHERN KENTUCKY UNIVERSITY
BENCHMARK INSTITUTIONS

Institution	State
Northern Kentucky University	**KY**
University of Arkansas-Little Rock	AR
California State University-Hayward	CA
California State University-San Bernardino	CA
Central Connecticut State University	CT
Indiana State University	IN
Wichita State University	KS
Bridgewater State College	MA
University of Massachusetts-Boston	MA
Oakland University	MI
University of Missouri-St Louis	MO
University of North Carolina-Charlotte	NC
Kean College of New Jersey	NJ
Rowan College of New Jersey	NJ
University of Nevada-Las Vegas	NV
University of Akron-Main Campus	OH
Youngstown State University	OH
Portland State University	OR
West Chester University of Pennsylvania	PA
George Mason University	VA

Institutions removed from the 2000-02 list:

Salem State College	MA
Boise State University	ID
SUNY College at Brockport	NY
University of Wisconsin-Oshkosh	WI
University of Central Oklahoma	OK

Institutions added to the 2000-02 list:

Bridgewater State College	MA
George Mason University	VA
Indiana State University	IN
University of Akron-Main Campus	OH
University of Missouri-St Louis	MO

UNIVERSITY OF KENTUCKY
BENCHMARK INSTITUTIONS

Institution	State
University of Kentucky	**KY**
University of Arizona	AZ
University of California-Los Angeles	CA
University of Florida	FL
University of Georgia	GA
University of Iowa	IA
University of Illinois-Urbana	IL
Purdue University-Main Campus	IN
University of Maryland-College Park	MD
University of Michigan-Ann Arbor	MI
University of Minnesota-Twin Cities	MN
University of North Carolina-Chapel Hill	NC
North Carolina State University-Raleigh	NC
Ohio State University-Main Campus	OH
Pennsylvania State University-Main Campus	PA
Texas A&M University	TX
University of Texas-Austin	TX
University of Virginia-Main Campus	VA
University of Washington	WA
University of Wisconsin-Madison	WI

No changes were made to the 2000-02 list of institutions.

LEXINGTON COMMUNITY COLLEGE
BENCHMARK INSTITUTIONS

Institution	State
Lexington Community College	**KY**
Jefferson State Community College	AL
Evergreen Valley College	CA
Polk Community College	FL
Manatee Community College	FL
Kapiolani Community College	HI
Prairie State College	IL
Bunker Hill Community College	MA
Baltimore City Community College	MD
Frederick Community College	MD
Normandale Community College	MN
Hudson County Community College	NJ
Dutchess Community College	NY
Midlands Technical College	SC
Pellissippi State Technical Community College	TN
Shelby State Community College	TN
El Centro College	TX
J. Sargeant Reynolds Community College	VA
Tacoma Community College	WA
South Puget Sound Community College	WA

Institutions removed from the 2000-02 list:

John Tyler Community College	VA
St Charles County Community College	MO
Chattanooga State Technical Community College	TN
Volunteer State Community College	TN

Institutions added to the 2000-02 list:

Pellissippi State Technical Community College	TN
Midlands Technical College	SC
Kapiolani Community College	HI
Shelby State Community College	TN

UNIVERSITY OF LOUISVILLE
BENCHMARK INSTITUTIONS

Institution	State
University of Louisville	**KY**
University of Alabama-Birmingham	AL
University of South Florida	FL
University of Illinois-Chicago	IL
Indiana University-Purdue University-Indianapolis	IN
Wayne State University	MI
University of Missouri-Kansas City	MO
University of Missouri-Columbia	MO
University of Nevada-Reno	NV
SUNY at Buffalo	NY
SUNY at Stony Brook	NY
University of Cincinnati-Main Campus	OH
Temple University	PA
University of Pittsburgh-Main Campus	PA
University of South Carolina-Columbia	SC
Virginia Commonwealth University	VA

No changes were made to the 2000-02 list of institutions.

WESTERN KENTUCKY UNIVERSITY
BENCHMARK INSTITUTIONS

Institution	State
Western Kentucky University	**KY**
University of Arkansas at Little Rock	AR
California State University-Fresno	CA
University of Northern Iowa	IA
Illinois State University	IL
Eastern Illinois University	IL
Western Illinois University	IL
Ball State University	IN
Indiana State University	IN
Northern Michigan University	MI
Eastern Michigan University	MI
Southeast Missouri State University	MO
Central Missouri State University	MO
University of North Carolina at Greensboro	NC
Western Carolina University	NC
Appalachian State University	NC
Bowling Green State University-Main Campus	OH
Youngstown State University	OH
West Chester State University	PA

Institutions removed from the 2000-02 list:

University of South Alabama*	AL
Southern Illinois University-Edwardsville*	IL
Mankato State University	MN
East Carolina University*	NC
Indiana University of Pennsylvania	PA
East Tennessee State University*	TN
Marshall University*	WV

Institutions added to the 2000-02 list:

University of Arkansas at Little Rock	AR
California State University-Fresno	CA
Northern Michigan University	MI
Western Carolina University	NC
Bowling Green State University-Main Campus	OH
Youngstown State University	OH

* The University of South Alabama, East Carolina University, East Tennessee State University, and Marshall University have medical schools. Southern Illinois University has a school of dentistry.

FOR DISCUSSION PURPOSES ONLY

PRELIMINARY BENCHMARK FINANCIAL ANALYSIS - PUBLIC FUNDS PER FTE STUDENT- 1998-99 IPEDS DATA
CENTRAL TENDENCY CALCULATIONS

Number of Institutions	EKU	KCTCS	KSU	Morehead	Murray	NKU	UK	LCC	UofL	WKU
1	$ 12,114	$ 9,496	**$ 14,467**	$ 11,559	$ 12,715	$ 14,267	$ 23,041	$ 13,330	$ 19,410	$ 12,114
2	12,100	8,366	13,332	10,948	12,114	12,326	22,632	9,832	19,210	12,100
3	11,069	7,888	12,509	10,827	12,100	12,100	21,545	8,266	18,224	11,069
4	10,994	7,721	11,805	10,699	11,638	11,201	20,839	7,908	18,163	10,994
5	10,966	7,083	11,569	10,693	11,161	11,123	18,926	7,595	17,849	10,966
6	10,948	7,036	11,371	10,458	10,966	10,827	**18,412**	7,476	17,757	10,948
7	10,693	6,766	11,369	10,353	10,948	10,699	18,241	7,169	17,443	10,693
8	10,659	**6,232**	11,122	10,203	10,827	10,054	16,775	6,814	16,468	10,659
9	10,203	5,365	10,693	10,051	10,458	10,022	16,223	6,604	16,062	10,203
10	9,793	5,298	10,658	9,876	10,203	9,889	16,081	6,252	15,672	9,793
11	9,781		10,560	9,726	9,876	9,775	16,006	6,139	15,247	9,781
12	9,648		10,248	9,514	9,869	9,648	15,936	6,137	**14,962**	9,648
13	9,514		10,212	9,417	9,751	9,417	15,836	6,067	14,205	9,514
14	9,417		10,133	9,202	**9,699**	9,343	15,469	5,997	14,103	9,417
15	9,307		9,768	**8,882**	9,666	9,319	15,458	5,724	13,667	9,307
16	9,202		9,658	8,859	9,514	9,210	14,371	5,525	13,206	9,202
17	9,089		9,527	8,485	9,302	9,177	13,972	5,503		9,089
18	8,260		8,752	8,068	8,919	9,089	13,936	5,381		8,260
19	**7,869**		6,823	7,425	8,521	7,885	13,291	4,967		**7,813**
20			6,736	6,849	8,260	**7,875**	10,586	**3,679**		
Mean	$ 10,086	$ 7,125	$ 10,566	$ 9,605	$ 10,325	$ 10,162	$ 16,879	$ 6,818	$ 16,353	$ 10,083
Weighted Average	10,122	7,104	10,528	9,595	10,476	10,166	16,586	6,630	16,148	10,124
Median	9,793	7,060	10,609	9,801	10,040	9,832	16,044	6,196	16,265	9,793
55th Percentile (00-02 Method)	9,978	7,060	10,658	9,876	10,203	9,889	16,081	6,252	16,387	9,978
55th Percentile (Calculated)	10,162	7,081	10,674	9,955	10,318	9,949	16,145	6,410	16,712	10,162
60th Pecentile	10,385	7,083	10,693	10,051	10,458	10,022	16,223	6,604	17,053	10,385
Standard Deviation	1,154	1,311	1,860	1,229	1,221	1,520	3,249	2,031	2,003	1,160
Mean + 1/2 SD	10,663	7,781	11,496	10,219	10,936	10,923	18,504	7,834	17,355	10,663

Note: The public funds per FTE student for the Kentucky institution is bolded.

Council on Postsecondary Education
July 30, 2001

Council Bylaws

Action: The staff recommends that the council adopt the revised bylaws.

Staff Preparation by Dennis Taulbee