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

MEETING AGENDA

Council on Postsecondary Education
Executive Committee

December 7, 2005
Frankfort, KY

KENTUCKY
Council
on postsecondary education

Kentucky
UNBRIDLED SPIRIT

Wednesday, December 7, 2005

2 p.m.   (ET)   Executive Committee meeting
                       CPE Meeting Room A

Executive Committee

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

AGENDA
Council on Postsecondary Education
Executive Committee

December 7, 2005
2 p.m. (ET)
Meeting Room A
Council on Postsecondary Education
Frankfort, KY

Page

CPE meeting materials are available on the Council Web site at http://cpe.ky.gov/about/cpe/meetings/.

MINUTES
Council on Postsecondary Education
Executive Committee
November 2, 2005

The Executive Committee of the Council on Postsecondary Education met November 2, 2005, at 11 a.m. at the Council offices in Frankfort. Chair Greenberg presided.

ROLL CALL

The following committee members attended: Peggy Bertelsman, Ron Greenberg, Joan Taylor, John Turner, and Mark Wattier. Other Council members in attendance: Dan Flanagan, Alois Moore, Charlie Owen, and Ryan Quarles. Susan Guess and Esther Jansing participated by telephone.

APPROVAL OF MINUTES

The minutes of the May 16 and September 30 Executive Committee meetings were approved as distributed.
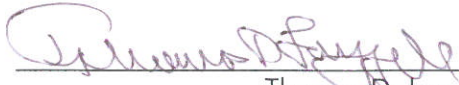
2006-08 BUDGET REQUEST

Council President Tom Layzell reviewed the draft postsecondary education budget recommendation for 2006-08 and the process during the legislative session. The Council staff is working with the staffs of the institutions to finalize the recommendations to present to the Council for approval at its November 7 meeting. By November 15, the Council's recommendation must be submitted to the Governor and the General Assembly. Other state agencies submitted their budget requests by November 1 but the Council has an extension due to the November 7 meeting date. The Governor's staff is already at work on the Governor's budget. The postsecondary education budget recommendation will be included in that process. In January, after the 2006 legislative session begins, the Governor will formally announce his budget for the upcoming biennium. Budget hearings are then scheduled and the two branches of the General Assembly will consider the budget.

TUITION POLICY
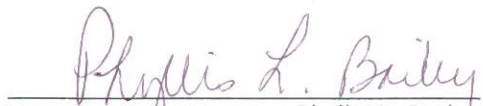
A discussion draft regarding the tuition policy was included in the agenda book. A set of principles and objectives are being developed and discussed with institutional representatives as well as draft methodology for managing tuition rates in the future. The Council staff will continue to work with the institutions over the next two months to finalize a recommendation on tuition policy and methodology to present to the Council. Final action on the tuition policy framework is expected at the January 2006 meeting.

ADJOURNMENT

The meeting adjourned at 1 p.m.

_____
Thomas D. Layzell
President

_____
Phyllis L. Bailey
Senior Associate, Executive Relations

UK Top 20 Business Plan

At the December 7 meeting, Connie Ray (Vice President for Institutional Research, Planning, and Effectiveness) and Angie Martin (Vice President for Planning, Budget, and Policy) will make a presentation on the University of Kentucky's Top 20 Business Plan.

Staff preparation by Phyllis Bailey

2005-06 Council Priority Initiatives

The Council members will discuss the priority initiatives adopted for 2005-06.

Draft Tuition Policy

Prior to 2001, the Council set resident undergraduate tuition rates for students attending public institutions as a percentage of Kentucky Per Capita Personal Income (PCPI). These rates were differentiated by sector. In FY 2000, the last year this policy was in place, UK's and UofL's tuition was 13.4 percent of PCPI, the comprehensive institutions' tuition was 9.2 percent of PCPI, and KCTCS's tuition was 5.0 percent of PCPI.

Over the past five years tuition and required fees have increased by an average of $2,225 for the research institutions (or 64%), $2,146 for the comprehensive institutions (or 82 %), and $1,122 (or 91%) for KCTCS. The Council took action in May 2005 on current tuition and fee rates but indicated that a more direct approach to determining the rates would occur for 2006-07. In addition, the Council and KHEAA initiated a detailed affordability study that was completed in September 2005 to evaluate student record data regarding affordability.

At its January 30, 2006, meeting, the Council will take action on a staff recommendation regarding tuition policy to include the tuition and required fee rates for each institution.

This agenda item details the following:

- Policy principles recommended to guide the development of the Council's tuition policy for 2006-07.
- Timeline detailing the process for finalizing the tuition policy for 2006-07.
- Preliminary framework for the draft methodology.

Draft Policy Principles

1. **(Access)** – College education in Kentucky should be affordable for all Kentuckians and the Council should minimize price as a barrier for a student's choice of institution. Annual price fluctuations should be minimized to the extent possible.

2. **(Adequacy)** – Tuition policy decisions should align the tuition and fee revenue with state appropriations to provide adequate total public funding levels necessary for institutions to meet the objectives of the public agenda.

3. **(Aid)** – Tuition and student financial aid policies should be coordinated effectively to ensure sufficient financial aid for needy students.

4. **(Alignment)** – The following three policies should be aligned with each other and the public agenda: (1) General Fund appropriations, (2) financial aid, and (3) the establishment of tuition and required fees at the institutions.

Draft Timeline

The Council staff has had numerous discussions beginning in September with institutions and executive and legislative members and staffs regarding the Council's tuition policy changes. The following table details the timeline for remaining discussion of tuition policy and its implementation that will occur between now and March when the Council finalizes the policy:

DRAFT TIMELINE FOR TUITION POLICY/PARAMETERS

Date	Description	Objective
December 7, 2005	Meetings with CBOs, Presidents, Executive Committee	Discuss draft tuition policy approach/review possible rate/ range options.
December 15, 2005	Email meetings with CBOs	Council staff to send draft tuition policy and recommended institutional data/rates/ranges for comments/suggestions.
December 15, 2005 – January 4, 2006	Email meetings/conference calls, etc.	Council staff will work with CBOs to analyze/refine data, incorporate suggestions/comments, and finalize draft recommendation.
Early January 2006	Meetings with CBOs, Presidents, Executive Committee	Discuss tuition policy draft and preliminary rates/ranges.
January 5, 2006 – January 30, 2006	Email meetings/conference calls, etc.	Refine recommendations based on discussion and finalize recommendation.
January 30, 2006	Council meeting	Council action on tuition policy.
February/March 2006	Institutional boards meet	Institutional boards meet and develop recommendations on tuition and fees consistent with Council policy to be presented to the Council in March.
Late Feb/early March 2006	Tuition hearings before the Council Executive Committee	Institutions present board recommendations consistent with the Council's tuition policy/parameters, or request exceptions.
March 8, 2006	Council meeting	Final action on policy/rates.

Draft Methodology for setting tuition and fee parameters

- **Step 1** - establish preliminary target undergraduate tuition and required fees as a percent of median family income of service region.

  - These ranges will consider the median family income for each institution's service region, expected General Fund appropriation levels, tuition and fee levels of benchmark institutions, and financial aid levels.

- **Step 2** - review JBL affordability data for each institution to determine extent to which preliminary ranges should be modified or additional need-based financial aid be required.

  - These analyses will look at individual student data provided by the JBL study and will consider net price, net family price, and out of pocket costs.

- **Step 3** - determine phasing of targets, if necessary, in order to ensure stability of pricing and revenue by incorporating a minimum and/or a maximum increase (floor/cap) for institutions outside the targeted range.

- **Step 4** - establish parameters for nonresident student and graduate tuition and fees.

Staff preparation by Sandra Woodley

Draft Trust Fund Guidelines

At its November 7 meeting, the Council approved a funding recommendation for the Strategic Investment and Incentive Trust Funds totaling $40,801,600 in 2006-07 and $19,850,000 in 2007-08. At that meeting, the staff reported that guidelines governing allocation and distribution of these funds would be presented to the Council in January 2006. Today, the staff presents five sets of draft guidelines for Executive Committee review and discussion:

- Endowment Match Program Guidelines (Attachment A)
- Research Support Program Guidelines (Attachment B)
- Regional Stewardship Program Guidelines (Attachment C)
- Workforce Development/Transfer Program Guidelines (Attachment D)
- Retention/Affordability Initiative Guidelines (Attachment E)

Program descriptions and salient features of the guidelines are provided below.

Endowment Match Program

The Endowment Match Program encourages private investment in public higher education research activities to stimulate business development, generate increases in externally sponsored research, create better jobs and a higher standard of living, and facilitate Kentucky's transition to a knowledge-based economy. The program matches public money with private gifts to fund chairs, professorships, research staffs and infrastructure, and graduate fellowships at the public research universities. This collaborative approach is critical to advancing Kentucky's research presence into national prominence.

The Council recommended $12 million of nonrecurring funds for this program in 2006-07. Requested funds will be allocated one-third to the University of Louisville (or $4 million) and two-thirds to the University of Kentucky (or $8 million), based on HB 1 statute governing the Research Challenge Trust Fund. Program funds will be distributed upon submission and approval of institutional match requests that meet guideline requirements for the program.

Generally, the 2006-08 version of program guidelines updates the 2002-04 guidelines (e.g., dates have been changed to reflect the new time period); however, there are several changes that warrant mention:

- In previous rounds, both comprehensive and research universities participated in the match program. In 2006-08, only the research universities will be eligible to receive program funding. As such, all provisions pertaining to the comprehensive universities have been removed.
- Each institution must fully match its 2002-04 allocation before submitting requests for 2006-08 funds.
- Program funds for this round will not be used to support "Research Scholars" at research university medical schools. This provision was included on a trial basis in the guidelines for 2002-04, but no request for utilization has yet been submitted. This provision will still be available for remaining funds to be matched from 2002-04, but not for funding in 2006-08.
- The definition of "Research Infrastructure" has been expanded to include minor laboratory renovations and equipment and supplies purchases.
- Annual reporting requirements have been updated to reflect a streamlining of the reporting process, an increased focus on program outcomes, and a Web-based component.

Research Support Program

The Research Support Program is a new initiative that seeks to promote economic development, create high-tech jobs, and raise the average standard of living of Kentucky residents through strategic investments in research faculty, infrastructure, and initiatives at the University of Kentucky and the University of Louisville. To help accomplish this goal, campus administrators are expected to recruit and retain research active faculty, renovate laboratories and upgrade equipment, and engage in disciplinary and interdisciplinary research activities in areas of strategic benefit to the Commonwealth.

The Council recommended $4 million of recurring funds and $18 million of nonrecurring funds in 2006-07 for this program. The draft guidelines call for these funds to be divided into three pools pending allocation and distribution: (a) research capacity, (b) infrastructure, and (c) research initiatives. Important guideline provisions include:

- Research capacity funds ($4 million recurring) will be used to hire research active faculty in targeted priority areas. These funds will be distributed upon submission and approval of a plan that identifies target areas of impact at the university. Once distributed, these funds will become recurring to the institutions.

- Infrastructure funds ($15 million nonrecurring) will support laboratory renovations and equipment purchases in CPE priority areas. These funds will be matched dollar-for-dollar with funds raised from private sources or from internal reallocation, and will be distributed upon submission and approval of capital expenditure requests that meet guideline requirements for the program.

- Research initiative funds ($3 million nonrecurring) will support disciplinary and interdisciplinary research activities that address regional or state needs, contribute to generation of federal and extramural R&D expenditures, foster increased innovation and opportunities for commercialization, and stimulate business development. These funds will be matched dollar-for-dollar with funds raised from private sources or from internal reallocation, and will be distributed upon submission and approval of university proposals to conduct research in areas of strategic benefit to the Commonwealth.

- All program funds will be allocated one-third to the University of Louisville and two-thirds to the University of Kentucky, based on statutorily mandated proportions (HB 1).

- At least 70 percent of program funds must be used to hire research active faculty, finance laboratory renovations and equipment purchases, and support research initiatives in university programs of distinction or new economy priority areas.

- Program funds must supplement, rather than supplant, existing institutional budget allocations for research infrastructure and initiatives.

Regional Stewardship Program

The Regional Stewardship Program is a new initiative that seeks to promote regional and statewide economic development, livable communities, social inclusion, creative governance, and civic participation through public engagement activities initiated by comprehensive university faculty and staff. To help accomplish this goal, campus administrators are expected to design and implement programs that align institutional priorities, resources, and infrastructure to support their missions as stewards of place, and to create partnerships and undertake engagement activities that address regional and state needs.

The Council recommended $3 million of recurring funds in 2006-07 and an additional $15 of recurring funds in 2007-08 to support this program. These funds will be divided into three pools pending allocation and distribution: (a) infrastructure, (b) regional grants, and (c) initiatives. Salient features of the draft guidelines include:

- Infrastructure funds ($3 million recurring) will support the development and maintenance of organizational structures, personnel, information systems, and community relationships necessary to sustain stewardship activities. These funds will be allocated among the comprehensive universities in equal amounts of $500,000 per institution, and will be distributed upon submission and approval of a plan to align institutional priorities, resources, and infrastructure to support and sustain stewardship activities at the institutions. Once distributed, these funds will become recurring to the institutions.

- Regional grant funds ($9 million recurring) will support comprehensive university efforts to build intellectual capacity in targeted priority areas. These funds will be allocated among the comprehensive universities in equal amounts of $1.5 million per institution, and will be distributed upon submission and approval of a strategic plan and a target area proposal for stewardship activities. Once distributed, these funds will become recurring to the institutions.

- Stewardship initiative funds ($6 million recurring) will support specific public engagement activities at the universities that improve economic prosperity, quality of life, and civic participation in the region or state. Half of these funds will be allocated among the comprehensive universities in equal amounts of $500,000 per institution and distributed based on an annual request for proposal (RFP) issued by Council staff. The other half will be distributed on a competitive basis based on an annual RFP process. All stewardship initiative funds will be recurring to the Regional Stewardship Funding Program maintained at CPE.

- The minimum amount of stewardship initiative funds that can be requested in a single proposal is $50,000.

- Institutions can submit multi-year proposals, but will be required to present follow-up proposals for continuation funding every two years for the duration of the project. Continuation funding is not guaranteed.

Workforce Development/Transfer Program

The Workforce Development/Transfer Program is a new initiative that seeks to encourage private support of public postsecondary workforce development and transfer initiatives, to support degree completion and transfer of KCTCS students to Kentucky public and independent colleges, and to bolster KCTCS workforce development and transfer programs in areas of strategic benefit to the Commonwealth. To help accomplish these aims, campus officials are expected to expand development efforts that support workforce education and transfer, to partner with business and industry to design and implement workforce education and training programs in high-need areas, and to increase degree production and transfer in the science, technology, engineering, and math (i.e., STEM) disciplines, health professions, teacher shortage areas, and applied sciences.

The Council recommended $500,000 of nonrecurring funds in 2006-07 and $3.5 million of recurring funds in 2007-08 to support workforce development and transfer initiatives at KCTCS. These funds will be divided into two pools pending distribution: (a) endowment, and (b) workforce development/transfer. Major components of the draft guidelines include:

- Endowment funds ($500,000 nonrecurring) will be matched dollar-for-dollar with private source funds and added to the KCTCS endowment, where they will provide a perpetual source of funding for workforce development and transfer initiatives.

Endowment proceeds will support faculty positions, scholarships, and programmatic initiatives that contribute to workforce development in high-need areas, and to degree completion and transfer of students to baccalaureate degree programs in areas of strategic benefit to the Commonwealth. These funds will be distributed upon submission and approval of funding requests that meet guideline requirements for the program.

- Workforce development/transfer funds ($3.5 million recurring) will support KCTCS efforts to bolster workforce education and transfer programs in areas of demonstrated workforce need. These funds will be distributed upon submission and approval of a plan to align institutional priorities, resources, and infrastructure to support workforce education and transfer activities in disciplines of strategic importance to the Commonwealth, or in areas of student need as identified in the CPE affordability study.

- At least 25 percent of workforce development/transfer funds (or $875,000) must be used for scholarships that support associate degree completion and transfer of baccalaureate degree-seeking KCTCS associate degree completers to Kentucky public and independent colleges.

- Program funds should supplement, rather than supplant, current KCTCS funding for workforce development and transfer programs.

Retention/Affordability Initiative

The Retention/Affordability Initiative is a new program that supports public postsecondary institution efforts to enroll, retain, and graduate students from low-income families. Institutions located in regions that contain a disproportionate number of low-income residents face unique challenges in encouraging their citizens to pursue postsecondary education and in providing support services necessary to ensure academic success. To reach the goals of HB 1, additional resources are needed to bolster recruitment and retention programs at institutions that serve low-income students and populations. This program specifically addresses issues related to questions 1, 2, and 3 of the public agenda.

The Council recommended $4 million of recurring funds in 2007-08 to support this initiative. These funds will be allocated and distributed among the public postsecondary institutions as follows:

Institution	Distribution
Eastern Kentucky University	$1,048,600
KCTCS	260,200
Kentucky State University	247,100
Morehead State University	1,008,400
Murray State University	353,500
Northern Kentucky University	181,300
University of Kentucky	177,800
University of Louisville	197,000
Western Kentucky University	526,100
TOTAL	$4,000,000

Council on Postsecondary Education
2006-08 Endowment Match Program Guidelines

Introduction

Kentucky recognizes the importance of research to the economic well being of its citizens. The Endowment Match Program encourages private investment in public higher education research activities to stimulate business development, generate increases in externally sponsored research, create better jobs and a higher standard of living, and facilitate Kentucky's transition to a knowledge-based economy. The program matches public money with private gifts to fund chairs, professorships, research staffs and infrastructure, graduate fellowships, and mission support at the public research universities. This collaborative approach is critical to advancing Kentucky's research presence into national prominence.

State funds for the program are appropriated to the Research Challenge Trust Fund (RCTF) for the research institutions and to the Regional University Excellence Trust Fund (RUETF) for the comprehensive institutions. Both trust funds were created with the passage of *The Postsecondary Education Improvement Act of 1997* (HB 1).

The Endowment Match Program received surplus General Fund appropriations of $110 million in 1998-99 and $120 million in 2000-01. The legislature debt funded another $120 million for the program in 2003-04.

Program Administration

The Council on Postsecondary Education oversees the Endowment Match Program. The Council establishes the areas of concentration within which program funds are used, develops guidelines for the distribution of program funds, and reviews reports from the institutions on the use of funds and the results achieved.

The boards of trustees and regents of the Commonwealth's public universities are responsible for the Endowment Match Program on their campuses. The boards are to review and approve all donations, gifts, and pledges that will be used to establish new endowments or expand existing endowments for which matching state funds will be requested. The boards are to ensure that the purpose of the endowment and the source of funds comply with the Council's guidelines and serve the public good. Documentation of board approval must be submitted with each endowment request. In addition, the boards are to review and approve the Endowment Match Program reports that are to be submitted annually to the Council.

Allocation of Program Funds

The Council on Postsecondary Education recommended $12 million for the Endowment Match Program in the first year of the 2006-08 biennium. That entire amount will be appropriated to the Research Challenge Trust Fund (RCTF). These funds will be allocated one-third to the University of Louisville (or $4 million) and two-thirds to the University of Kentucky (or $8 million), based on House Bill 1 statute governing the RCTF, and will be distributed upon submission and approval of university funding requests that meet guideline requirements for the program. Program funds will not lapse at the end of the biennium, but will be carried forward in the trust fund until matched.

Matching Requirements

The Endowment Match Program is conceived as a way to bring new money from external sources into the Commonwealth's system of postsecondary education. In order to receive state funds, the universities must provide dollar-for-dollar matching funds that satisfy the following requirements:

- Gifts and pledges must be newly generated to be eligible for state match. Newly generated contributions are those received by the university after June 1, 1997, (i.e., the approximate effective date of postsecondary education reform).

- Gifts and pledges must be from external sources to be eligible for state match. External source contributions are those that originate outside the university and its affiliated corporations. Eligible sources of funding include, but are not limited to, businesses, non-governmental foundations, hospitals, corporations, and alumni or other individuals.

- The following sources of funding are not eligible for state match:

    a) Funds received from federal, state, and local government sources.

    b) General Fund and student-derived revenues (e.g., state appropriations, tuition and fees revenue).

    c) Funds received from an affiliated university entity or fund.

    d) Funds directed through a non-affiliated university entity or fund with an origin in conflict with items (a), (b), or (c) above.

- Each institution must fully match its 2002-04 match program allocation before submitting requests for 2006-08 funds.

- The minimum institutional request amount is $50,000. A university may combine smaller donations from businesses, nongovernmental foundations, hospitals, corporations, and alumni or other individuals to meet the $50,000 minimum.

- All funds, both state and private, must be endowed. "Endowed" means only the investment earnings are eligible for expenditure, not the principal.

- Requests for state funds must identify the matching funds that are cash and the matching funds that are pledges.

- Pledges, or promises of future payment, are eligible for state match provided they are based on a written contract or agreement and include a payment schedule, which does not exceed five years from the initial pledge date. Pledge payment schedules showing receipts to date and scheduled future payments are to be included in the audited financial statements of either the institution or the foundation.

- If pledged funds are not received within five years of the initial pledge date, the university must replace the portion of private funds not received with another eligible cash gift or the unmatched portion of the state funds plus an allowance for accrued interest will revert to the trust fund for reallocation. In such cases, a timeframe for the replacement or return of state funds will be negotiated between Council staff and institutional representatives.

- University officials must notify the Council staff of unpaid pledges six months before the end of the five-year deadline, or immediately when a gift has been revoked.

Uses of Program Funds

Investment earnings from the endowments can be used to support various activities including chairs, professorships, research staff, graduate fellowships, research infrastructure, and mission support, as described below.

Chairs: New faculty positions, salary supplements to existing faculty positions, and associated expenses for those positions, including start-up costs, salaries, benefits, travel, and other professional expenses as permitted by university policy.

Professorships: New faculty positions, salary supplements to existing faculty positions, and associated expenses for those positions, including start-up costs, salaries, benefits, travel, and other professional expenses as permitted by university policy.

Research Staff: Salaries, benefits, and other personnel related expenses associated with full-time or part-time staff assistants who are directly linked to the research activities of an endowed chair or professor.

Graduate Fellowships: Fellowship stipends for outstanding graduate or professional students, which may include travel and other expenses as permitted by university policy.

Research Infrastructure: Expenditures for minor laboratory renovations, faculty start-up packages, equipment, and supplies that are directly linked to the research activities of an endowed chair or professor, including core laboratory improvements, equipment upgrades, laboratory instruments and supplies, and other research related expenses as permitted by university policy.

Mission Support: Program funds can be used to support research and graduate missions at the research institutions. Consideration will be given to mission support activities such as: (1) expenditures that enhance the research capability of university libraries (i.e., books, journals, research materials, media, and equipment); (2) start-up costs, equipment, and supplies that support faculty, graduate student, or undergraduate student research activities; (3) funding for visiting scholars, lecture series, and faculty exchange; and (4) expenditures for the dissemination of research findings (i.e., nationally prominent publications and presentations at conferences, symposiums, seminars, or workshops). However, priority will be given to mission support expenditures that encourage the research related activities of faculty and students. Expenditures for general personnel expenses that are not directly linked to an endowed chair or professor do not qualify as mission support activities.

Use of Funds Requirements

- At least 70 percent of program funds must be endowed for the purpose of supporting chairs, professorships, or research staffs, infrastructure, or fellowships that are directly linked to the research activities of an endowed chair or professor. No more than 30 percent of program funds may be endowed for the purpose of supporting mission support activities or graduate fellowships that are not directly linked to the research activities of an endowed chair or professor.

Areas of Concentration

- The Council expects state and private matching funds to be substantially directed toward supporting research that leads to the creation, preservation, or attraction of businesses that will increase the number of good jobs in Kentucky. For these purposes, "good jobs" are defined as jobs that yield income at or above the national per capita income.

- The Council recognizes that strong research programs are clustered around related academic disciplines and encourages campus officials to create a critical mass of scholars who can influence the nation's research and academic agenda.

- The Council recognizes that the boundaries of traditional disciplines are increasingly permeable and encourages the use of endowment funds for interdisciplinary, problem solving, or applied research activities.

- The Council recognizes the importance of cooperation between universities and corporations and encourages partnerships in the technologies, engineering, and applied sciences.

- At least 70 percent of program funds must be endowed for the purpose of supporting Research Challenge programs or academic disciplines contained within five new economy clusters: (1) human health and development, (2) biosciences, (3) materials science and advanced manufacturing, (4) information technologies and communications, and (5) environmental and energy technologies. These areas are of strategic benefit to Kentucky and are core components of the knowledge-based economy.

- The Council recognizes the contribution of arts and humanities to quality of life and to economic development in the Commonwealth and is receptive to limited use of endowment funds in this area.

- Program funds cannot be used for positions that are primarily administrative. However, research active faculty, who may have an appointment such as department chair, center director, or dean, are eligible.

- Program funds cannot be used to fund capital construction projects.

Program Diversity

The Council on Postsecondary Education and participating universities are committed to ensuring the gender and ethnic diversity of Endowment Match Program faculty, professional staff, and financial aid recipients. The universities shall develop and implement plans calculated to achieve reasonable diversity in the recruitment and retention of women, African Americans, and other underrepresented minorities for positions funded by the Endowment Match Program, including scholarship and fellowship recipients. In addition, the universities shall report annually to the Council on Postsecondary Education the race and gender of program faculty, professional staff, and financial aid recipients.

Annual Reporting

Institutions will provide annual summary reports describing how state and matching funds are used by October 15 each year. These reports will include such items as number of chairs and professorships established and occupied, number of fellowship programs established and making awards, gender and race of match program faculty and staff, gender and race of fellowship recipients, proportion of funds dedicated to Research Challenge programs or new economy areas, proportion of funds matched against cash gifts and pledges, and change in endowment market value. The institutions also will submit an FD-21 report by October 15 each year that contains information about program outcomes, including annual giving and endowment market value amounts, numbers of chairs and professorships created, growth in federal and extramural research and development expenditures, and numbers of invention disclosures, patents, and license agreements executed and start-up companies formed. Finally, the institutions will develop and maintain detailed information about match program chairs and professors on university Web sites.

Council on Postsecondary Education
2006-08 Research Support Program Guidelines

Introduction

The Kentucky Postsecondary Education Improvement Act of 1997 (HB 1) gives the Council on Postsecondary Education the responsibility for developing criteria and processes by which institutions can apply for funds appropriated to individual Strategic Investment and Incentive Trust Funds (KRS 164.7911). HB 1 identified aggressive agendas for the University of Kentucky and the University of Louisville: (1) a major comprehensive research institution ranked nationally in the top 20 public universities at the University of Kentucky, and (2) a premier nationally recognized metropolitan research university at the University of Louisville.

The Kentucky Department of Commercialization and Innovation, the Council on Postsecondary Education, the University of Kentucky, and the University of Louisville recognized the importance of ambitious research agendas for achieving these legislative mandated aspirations. Collectively, they developed a goal of reaching $500 million in extramural academic research and development expenditures ($300 million at UK and $200 million at UofL) as defined by the National Science Foundation by the year 2010. To attain this goal, both institutions need the necessary infrastructure for a healthy research enterprise.

Program Goals

The primary goals of the Research Support Program are to promote economic development, create high-tech jobs, and raise the average standard of living of Kentucky residents through strategic investments in research faculty, infrastructure, and initiatives at the University of Kentucky and the University of Louisville. To help accomplish these aims, campus administrators are expected to recruit and retain research active faculty, renovate laboratories and upgrade equipment, and engage in disciplinary and interdisciplinary research activities in areas of strategic benefit to the Commonwealth. Additional objectives include:

- Encourage private support of public higher education research activities through a matching component.
- Generate increases in federal and extramural research expenditures.
- Facilitate Kentucky's transition to a knowledge-based economy.
- Create an environment that fosters increased innovation and opportunities for commercialization.
- Stimulate business development.

Program Funding

The Council on Postsecondary Education recommended $4 million of recurring funds and $18 million of nonrecurring funds for the Research Support Program in the first year of the 2006-08 biennium. These funds will be divided into three pools pending allocation and distribution: (a) research capacity, (b) infrastructure, and (c) research initiatives.

Research capacity funds will support university efforts to build intellectual capital in areas of strategic benefit to the Commonwealth. The size of the pool will be $4 million each year of the biennium. These funds will be allocated one-third to the University of Louisville and two-thirds to the University of Kentucky, based on House Bill 1 statute governing the Research Challenge Trust Fund. Allocated funds will be distributed upon submission and approval of a plan that identifies targeted areas of impact at the university and that contains a proposed budget for faculty salaries, benefits, and operating expenses in those areas. To qualify for research capacity funds, each institution should submit a one-time, research capacity plan to the Council by close of business June 1, 2006. It is anticipated that, in subsequent biennia, research capacity funds will become recurring to the institutions, rather than to the Research Support Program. Any research capacity funds not distributed by the end of the biennium (i.e., close of business Monday, June 30, 2008) will be maintained in the funding program until guideline requirements have been satisfied.

Infrastructure funds will be used to finance laboratory renovations and equipment purchases in CPE priority areas. The size of the infrastructure pool will be $15 million in the first year of the biennium, which will be matched dollar-for-dollar with funds raised from private sources or from internal reallocation. Pool funds will be allocated between the research institutions based on the statutorily mandated one-third, two-thirds proportions. Allocated funds will be distributed upon submission and approval of capital expenditure requests that meet guideline requirements for the program. Distributed funds will be non-recurring to the institutions. Any infrastructure funds not distributed by the end of the biennium (i.e., close of business Monday, June 30, 2008) will be maintained in the funding program until guideline requirements have been satisfied.

Research initiative funds will support disciplinary and interdisciplinary research activities at the institutions that generate increases in federal and extramural research expenditures, facilitate Kentucky's transition to a knowledge-based economy, foster increased innovation and opportunities for commercialization, and stimulate business development, while furthering the goals and mandates of House Bill 1 and the public agenda. The size of the research initiatives pool will be $3 million in the first year of the biennium, which will be matched dollar-for-dollar with funds raised from private sources or from internal reallocation. Pool funds will be allocated one-third to the University of Louisville and two-thirds to the University of Kentucky. Allocated funds will be distributed upon submission and approval of university proposals to conduct research in areas of strategic benefit to the Commonwealth. Distributed funds will be nonrecurring to the institution. Any research initiative funds not distributed by the end of the biennium (i.e., close of business Monday, June 30, 2008) will be maintained in the funding program until guideline requirements have been satisfied.

Uses of Program Funds

Research capacity funds will be used to recruit and retain prominent, research active faculty in areas of strategic benefit to the Commonwealth. Appropriate uses for these funds include start-up costs, salaries, benefits, travel, and other professional expenses as permitted by university policy for new faculty positions in CPE priority areas.

Infrastructure funds will be used to finance laboratory renovations and equipment purchases that support faculty research in CPE priority areas. These funds will be invested in areas identified by each university as strategic priorities, including research in the new economy clusters, so the universities contribute to research and scholarship excellence, as well as to the economic vitality of the Commonwealth.

Research initiative funds will support specific disciplinary and interdisciplinary research activities at the universities that contribute to increased research expenditures, innovation, commercialization, and business development, while furthering the goals and mandates of House Bill 1 and the public agenda.

Use of Funds Requirements

At least 70 percent of program funds must be used to hire research active faculty, support research initiatives, or finance laboratory renovations and equipment purchases in university programs of distinction or academic disciplines contained within five economic development clusters:

- Human Health and Development
- Biosciences
- Materials Science and Advanced Manufacturing
- Information Technologies and Communications
- Environmental and Energy Technologies

According to The Kentucky Long-Term Policy Research Center, the objective of these clusters is to create important niches for the Commonwealth which will become international magnets for both talent and capital.

Program funds must supplement, rather than supplant, existing institutional budget allocations for research infrastructure.

Matching Requirements

In order to receive research infrastructure and initiative funds, the universities must provide dollar-for-dollar matching funds that satisfy the following requirements:

- All funds received for laboratory renovations, equipment purchases, or direct support of research activities must be matched dollar-for-dollar with either external or internal source funds.

- External source funds are those that originate outside the university and its affiliated corporations. Eligible sources of funding include, but are not limited to, businesses, non-governmental foundations, hospitals, corporations, and alumni or other individuals.

- Internal source funds can be used for match provided those funds are obtained by reallocating institutional funds from low-priority programs to needed research infrastructure and initiatives.

Proposal Requirements

The universities will submit proposals for research initiative funds that adhere to the following requirements:

- Proposals for research initiatives shall contain uses of funds in priority order.

- Each proposal shall contain specific goals for the proposed research activity, identify indicators that will help monitor progress toward goal attainment, provide clear definitions of expected program outcomes, and contain an evaluation plan.

- Each proposal shall contain an estimated budget and expenditure account(s).

Annual Reporting

The Council staff, working with the research institutions, will devise and maintain reporting procedures that specify the content and format of Research Support Program annual reports.

Council on Postsecondary Education
2006-08 Regional Stewardship Program Guidelines

Introduction

In Kentucky, and across the nation, discussions of the mission of postsecondary institutions have focused on their responsibility for meeting the education, health, economic, and civic needs of the publics they serve. A fully engaged postsecondary institution is a powerful force that serves as a center for regional and state improvement, including greater economic vitality, better government services, improved public health, and citizens who are more engaged with democratic processes. In addition, students and faculty at engaged institutions are part of a vital educational process that improves teaching and learning and links teaching, learning, and research to public needs.

Effective public engagement with P-12 schools, P-16 councils, employers, entrepreneurs, and government and non-profit agencies requires alignment of institutional missions, resources, and reward systems with a commitment to stewardship. Public engagement programs, like basic research, are cost centers for postsecondary institutions. Some programs may generate limited funds through contracts with employers and local governments, but most programs that target the needs of public schools, small businesses, and government and non-profit agencies require the support of public funds.

Recognizing the costs of basic research, the federal government has allocated billions of dollars through agencies like the National Science Foundation to successfully stimulate reallocation of university resources to address a national research agenda. The Regional Stewardship Program adopts this successful model to encourage public postsecondary institutions to expand their efforts to engage regional needs.

The Regional Stewardship Program supports comprehensive university efforts to focus their missions on improving quality of life in their regions or the state and on achieving the aspirations set forth in *The Postsecondary Education Improvement Act of 1997* (House Bill 1) and the public agenda for postsecondary and adult education in Kentucky for 2005-2010.

Program Goals

The overarching goal of the Regional Stewardship Program is to promote regional or statewide economic development, livable communities, social inclusion, creative governance, and civic participation through public engagement activities initiated by comprehensive university faculty and staff. To help accomplish this goal, campus administrators are expected to design and implement programs that align institutional resources and infrastructure to support their missions as stewards of place, and to create partnerships and undertake engagement activities that address regional and state needs. Specific activities include:

- Develop a plan for aligning institutional priorities, resources, and infrastructure to support stewardship initiatives.

- Modify organizational structures, institutional practices, and reward systems to support stewardship activities by faculty and staff.

- Assemble a regional advisory committee comprised of local government and community leaders, business and industry representatives, education leaders, policy professionals, interest groups, and citizens to assist in identifying regional or state needs, opportunities, and stewardship priorities.

- Identify key indicators of regional economic vitality, quality of life, and civic participation and configure information systems to collect and track these data.

- Engage in environmental scanning activities, convene advisory committee meetings, and host public forums to identify regional or state needs, opportunities, and stewardship priorities.

- Produce a planning document that highlights regional needs, opportunities, and priorities and recommends strategies for addressing needs or taking advantage of opportunities.

- Increase awareness among advisory committee members, the campus community, and regional stakeholders of university resources and how those resources can be directed to address identified needs or take advantage of identified opportunities.

- Establish partnerships with local and regional governments, community and civic organizations, businesses, hospitals, foundations, and philanthropic organizations to garner financial or in-kind support for stewardship activities and increase program impact.

- Encourage faculty members to generate proposals and engage in stewardship activities that promote regional or statewide economic development, livable communities, social inclusion, creative governance, and civic participation.

- Identify key indicators related to the nature and extent of institutional/community interactions and configure information systems to collect and track these data.

- Provide professional development for faculty in engagement related areas and find creative ways of integrating public engagement into the curriculum.

Specific goals for individual engagement initiatives will be enumerated in program proposals submitted for Council approval and funding. The Council staff will work with campus officials, as needed, to refine goals and identify key indicators for measuring progress toward goal attainment.

Program Funding

The Council on Postsecondary Education recommended $3 million of recurring funds for the Regional Stewardship Program in the first year of the 2006-08 biennium and an additional $15 million of recurring funds for the program in the second year (i.e., a total of $18 million in year two). Program funds will be divided into three pools pending allocation and distribution: (a) infrastructure, (b) regional grants, and (b) stewardship initiatives.

Infrastructure funds will support the development and maintenance of organizational structures, personnel, information systems, and community relationships directed toward the identification of regional needs, opportunities, and stewardship priorities. The size of the infrastructure pool will be $3 million each year of the biennium. Infrastructure funds will be allocated among the Commonwealth's six comprehensive universities in equal amounts of $500,000 per institution each year. Allocated funds will be distributed upon submission and approval of a plan to align institutional priorities, resources, and infrastructure to support and sustain stewardship initiatives at the institution. To qualify for infrastructure funds, each institution should submit a one-time, infrastructure plan to the Council by close of business June 1, 2006. It is anticipated that, in subsequent biennia, infrastructure funds will become recurring to the institutions, rather than to the Regional Stewardship Funding Program. Any infrastructure funds not distributed by the end of the biennium (i.e., close of business Monday, June 30, 2008) will be transferred to the stewardship initiatives pool for distribution on a competitive basis. Any institution that does not qualify to receive its 2006-07 infrastructure pool allocation will be afforded an opportunity to submit an infrastructure plan by June 1 each year thereafter to access funds allocated in subsequent years.

Regional grant funds will support comprehensive university efforts to build intellectual capacity in targeted priority areas. The size of the regional grant pool will be $9 million in the second year of the biennium. Pool funds will be allocated among the comprehensive universities in equal amounts of $1.5 million per institution. Allocated funds will be distributed upon submission and approval of two documents: (1) a strategic plan, produced in collaboration with an institution's advisory committee, which identifies regional needs, opportunities, and stewardship priorities; and (2) a proposal that identifies targeted areas of impact at the university and contains a proposed budget for faculty and staff salaries, and operating expenses, in those areas. To qualify for regional grant funds, each institution should submit a strategic plan for stewardship activities and a priority area proposal to the Council by close of business June 1, 2007. Once distributed, these funds will become recurring to the institutions, rather than to the Regional Stewardship Funding Program. Any regional grant funds not distributed by the end of the biennium (i.e., close of business Monday, June 30, 2008) will be transferred to the stewardship initiatives pool for distribution on a competitive basis. Any institution that does not qualify to receive its 2007-08 regional grant pool allocation will be

afforded an opportunity to submit a strategic plan and priority area proposal by June 1 each year thereafter to access regional grant funds allocated in subsequent years.

The stewardship initiatives pool will support specific public engagement activities at the institutions that improve economic prosperity, quality of life, and civic participation in the region or state, while furthering the goals and mandates of House Bill 1 and the public agenda. The size of the stewardship initiatives pool will be $6 million in the second year of the biennium. One-half of these funds, or $3 million, will be allocated among the comprehensive universities in equal amounts of $500,000 per institution and will be distributed based on responses to an annual request for proposals issued by Council staff. At the end of the biennium, any undistributed funds from this sub-pool will be transferred to a competitive grants sub-pool. The remaining $3 million of the stewardship initiatives pool will be distributed on a competitive basis based on responses to an annual request for proposals issued by Council staff. At the end of the biennium, any undistributed funds from this sub-pool will be carried forward in the funding program until guideline requirements have been satisfied. The first round of proposals for stewardship initiative funds should be submitted to the Council by close of business June 1, 2007. The second round of proposals is due by close of business June 1, 2008. It is anticipated that, in subsequent biennia, stewardship initiative funds will become recurring to the Regional Stewardship Funding Program maintained at CPE.

Uses of Program Funds

Infrastructure funds will be used to develop and maintain organizational structures, personnel, information systems, advisory committees, and external partnerships necessary to sustain stewardship activities. Appropriate uses for these funds include expenditures for a stewardship coordinator, stewardship staff, and related operating expenses. Infrastructure funds should not be used to support capital outlay or debt service expenditures.

Stewardship Coordinator: Salaries, benefits, and other personnel related expenses associated with a full-time or part-time, faculty or administrative staff position responsible for coordinating stewardship program activities at the institution.

Stewardship Staff: Salaries, benefits, and other personnel related expenses associated with full-time or part-time, administrative, managerial, or secretarial staff positions that support the program coordinator and stewardship program activities at the institution.

Related Operating Expenses: Expenditures directly attributable to the support and operation of stewardship program activities, including but not limited to the following: (a) travel and related expenses associated with establishing and maintaining external partnerships; (b) costs associated with convening advisory committee meetings or hosting public forums; (c) public awareness campaigns; (d) professional development for faculty in engagement related areas; (e) costs associated with integrating public engagement into the curriculum; (f) costs associated with restructuring faculty role and reward structures; and (g) computer equipment

and software, as needed to support stewardship coordinator and staff activities, including development of environmental scanning and institutional/community interaction databases.

Stewardship initiative funds will be directed toward the creation of partnerships and the execution of engagement activities that promote regional or statewide economic development, livable communities, social inclusion, and creative governance, while helping to achieve the goals of House Bill 1 and the public agenda. Examples of initiatives that may be funded include, but are not limited to:

- Addressing issues of teacher quality, pre-service training, in-service professional development, or teacher shortages.
- Conducting research that identifies causes and solutions for student achievement gaps.
- Developing community-based research programs that address public problems, such as improving the environment, public health, and transportation.
- Meeting the needs of current employers and creating new economic opportunities for the region or state.
- Increasing citizen participation in democratic processes.
- Helping the region address challenges and opportunities posed by an increasingly diverse population.

Uses of Funds Requirements

The universities that participate in the Regional Stewardship Program shall utilize program funds so that the following requirements are met:

- Infrastructure funds will not be distributed until an institution's plan for aligning its priorities, resources, organizational structure, and reward systems in support of stewardship activities has been submitted and approved by the Council.

- If a university can demonstrate through its infrastructure plan that a sufficient level of institutional personnel and resources are already committed to supporting core stewardship of place functions, then the infrastructure funds provided through this program can be used to build intellectual capacity in targeted impact areas, subject to guideline provisions specifying applicable uses of regional grant funds.

- Regional grant funds will not be distributed until an institution's plan for developing its infrastructure has been submitted and approved by the Council, and its infrastructure funds have been distributed.

- Regional grant funds will not be distributed until an institution's strategic plan for regional stewardship and its priority area proposal have been submitted and approved by the Council.

- Proposals for stewardship initiative funds will not be considered for funding until an institution's strategic plan for stewardship activities and priority area proposal have been submitted and approved, and its regional grant funds have been distributed.

Proposal Requirements and Evaluation Criteria

The comprehensive universities will submit proposals for stewardship initiative funds that adhere to the following requirements:

- The minimum amount of stewardship initiative funds that shall be requested in a single proposal is $50,000.

- Institutions can submit multi-year proposals for stewardship initiative funds, but will be required to present follow-up proposals for continuation funding every two years for the duration of the project. Continuation funding is not guaranteed. Follow-up proposals will be added to the pool of proposed projects received each year and evaluated on relative merit.

- Each proposal shall contain specific goals for the proposed stewardship activity, identify key indicators that will help monitor progress toward goal attainment, provide clear definitions of expected program outcomes, and contain an evaluation plan.

- Expected outcomes should be clearly linked to documented regional or state needs, such as raising educational attainment levels, improving public health or environmental conditions, promoting economic development, supporting small business development, or increasing civic engagement.

- Each proposal shall contain a plan for linking the proposed engagement activity to the core academic function of the institution, as well as a plan for the ultimate completion of the project or disengagement of the activity.

- Proposals will be evaluated by an assessment team comprised of CPE staff, state agency representatives, and outside consultants with expertise in the stewardship of place arena.

Institutional proposals for stewardship initiative funds will be evaluated based on the criteria listed below. Requests need not meet all the criteria to receive consideration.

- The extent to which the proposed activity addresses significant regional or state needs, or capitalizes on unique opportunities, as identified through assessments involving the institution, its advisory committee, and other appropriate external partners.

- The potential for enhancing collaboration, where feasible. This includes, but is not limited to, partnering with public and independent postsecondary institutions, P-12 organizations, local P-16 councils, local and regional governments, non-profit agencies, community and civic organizations, businesses, hospitals, foundations, and philanthropic organizations to share costs and increase program impact.

- The extent to which the stewardship activity holds promise for significant and sustainable regional or state improvement in the areas of economic development, livable communities, social inclusion, creative governance, and civic participation.

- The availability of financial or in-kind support contributed by local, regional, or state partners, or by the postsecondary institution(s) involved in the project.

- The extent to which the proposed utilization of institutional resources and faculty expertise provide a reasonable expectation that project goals will be achieved.

- The potential for producing publishable results that can be generalized to other regions of Kentucky, or across the nation, to address similar problems or take advantage of similar opportunities.

Council on Postsecondary Education
2006-08 Workforce Development/Transfer Program

Introduction

Kentucky's public agenda for postsecondary education recognizes the importance of workforce education and transfer from two-year to four-year postsecondary institutions to the economic well being of its citizens. Specifically, it calls for better preparation of graduates to meet workforce needs through partnerships with business and industry, expanded capacity for student transfer to increase degree production, and increases in student financial aid to support transfer.

The Kentucky Community and Technical College System's Campus Action Plan supports the public agenda, focusing on new and improved transfer opportunities through career pathways, ensuring employability skills are incorporated into KCTCS programs, and determining and meeting workforce needs through partnerships with local, regional, and statewide business, industry, and economic development agencies.

The Workforce Development/Transfer Program (WDTP) supports public postsecondary education workforce education and transfer initiatives to create a workforce that stimulates business development, creates better jobs and a higher standard of living, and facilitates Kentucky's transition to a knowledge-based economy. The program provides funding for faculty/staff positions, student scholarships, and infrastructure to support workforce education and transfer.

State funds for the program are appropriated to the Postsecondary Workforce Development Trust Fund for the Kentucky Community and Technical College System.

Program Goals

The Council expects program funds to be substantially directed toward supporting workforce education and transfer initiatives that lead to the creation, preservation, or attraction of businesses that will increase the number of good jobs in Kentucky. For these purposes, "good jobs" are defined as jobs that yield income at or above the national per capita income. The fund will increase the number of graduates from KCTCS prepared to work in such good jobs.

The Council recognizes the importance of collaboration and encourages use of program funds to promote KCTCS partnerships with business, industry, and four-year institutions that increase degree production and transfer in the science, technology, engineering, and math (STEM) disciplines, health professions, teacher shortage areas, and applied sciences.

The Council recognizes the importance of the KCTCS transfer mission and encourages use of program funds to support initiatives that enhance the transition of students from KCTCS colleges to four-year institutions. The WDTP will promote transfer through increases in the number of transfer scholarships and improvements in the infrastructure that supports transfer.

The WDTP also should produce increases in sponsored workforce education and training directly attributable to the program and improvement in related student outcome measures (e.g., increased enrollment, retention, graduation, transfer, and employment, especially in high-need workforce areas).

Program Funding

The Council on Postsecondary Education recommended $500,000 of nonrecurring funds for the Workforce Development/Transfer Program in the first year of the 2006-08 biennium and $3.5 million of recurring funds for the program in the second year. Program funds will be divided into two pools pending distribution: (a) endowment, and (b) workforce development/transfer.

The endowment pool will support faculty positions, scholarships, and program initiatives that contribute to workforce development in high-need areas and transfer of students to baccalaureate degree programs in areas of strategic benefit to the Commonwealth. The size of the pool will be $500,000 in the first year of the biennium, which will be matched dollar-for-dollar by KCTCS with funds raised from private sources. Endowment pool funds will be distributed upon submission and approval of funding requests that meet guideline requirements for the program. These funds will be non-recurring to the institution, but will be added, along with matching private-source funds, to the endowment of the institution to provide a perpetual source of funding for workforce development and transfer initiatives. Any endowment pool funds not distributed by the end of the biennium (i.e., close of business Monday, June 30, 2008) will be maintained in the trust fund until matched.

The workforce development/transfer pool will support KCTCS efforts to build workforce development and transfer programs in areas of demonstrated workforce need. The size of the pool will be $3.5 million in the second year of the biennium. These funds will be distributed to KCTCS upon submission and approval of a plan to align institutional priorities, resources, and infrastructure to support workforce education and transfer activities in disciplines of strategic benefit to the Commonwealth or in areas of student need as identified in the CPE affordability study. At least 25 percent of the pool will fund scholarships that support associate degree completion and transfer of baccalaureate degree-seeking KCTCS associate degree completers to Kentucky public and independent colleges. To qualify for these funds, KCTCS should submit a one-time plan to the Council by close of business June 1, 2007. It is anticipated that, in subsequent biennia, these funds will become recurring to the institution, rather than to the Workforce Development/Transfer Program. Any pool funds not distributed by the end of the biennium (i.e., close of business Monday, June 30, 2008) will be maintained in the trust fund until distributed.

Matching Requirements

In order to receive endowment pool funds, KCTCS must provide dollar-for-dollar matching funds that satisfy the following requirements:

- Gifts and pledges must be newly generated to be eligible for state match. Newly generated contributions are those received by KCTCS after June 1, 2006.

- Gifts and pledges must be from external sources to be eligible for state match. External source contributions are those that originate outside KCTCS or one of its recognized foundations. Eligible sources of funding include, but are not limited to, businesses, non-governmental foundations, hospitals, corporations, and alumni or other individuals.

- The following sources of funding are not eligible for state match:

  a) Funds received from federal, state, and local government sources.

  b) General Fund and student-derived revenues (e.g., state appropriations, tuition and fees revenue).

  c) Funds received from an affiliated KCTCS entity or fund.

  d) Funds directed through a non-affiliated university entity or fund with an origin in conflict with items (a), (b), or (c) above.

- The minimum institutional request amount is $50,000. KCTCS may combine smaller donations from businesses, non-governmental foundations, hospitals, corporations, and alumni or other individuals to meet the $50,000 minimum.

- All funds, both state and private, must be endowed. "Endowed" means only the investment earnings are eligible for expenditure, not the principal.

- Requests for state funds must identify the matching funds that are cash and the matching funds that are pledges.

- Pledges, or promises of future payment, are eligible for state match provided they are based on a written contract or agreement and include a payment schedule, which does not exceed five years from the initial pledge date. Pledge payment schedules showing receipts to date and scheduled future payments are to be included in the audited financial statements of either the institution or the foundation.

- If pledged funds are not received within five years of the initial pledge date, KCTCS must replace the portion of private funds not received with another eligible cash gift or the unmatched portion of the state funds plus an allowance for accrued interest will revert to the trust fund for reallocation. In such cases, a timeframe for the replacement or return of state funds will be negotiated between Council staff and institutional representatives.

- KCTCS officials must notify the Council staff of unpaid pledges six months before the end of the five-year deadline, or immediately when a gift has been revoked.

Uses of Program Funds

As described in the Program Funding section above, Workforce Development/Transfer Program funds will be divided into two pools pending allocation and distribution.

Endowment Pool. The endowment pool will be matched with private source funds and added to the KCTCS endowment, where it will provide a perpetual source of funding for workforce development and transfer initiatives. Investment earnings from the endowments will support faculty positions, scholarships, infrastructure, and program initiatives that contribute to workforce development in high-need areas and transfer of students to baccalaureate degree programs in areas of strategic benefit to the Commonwealth.

- **Faculty Positions:** New faculty positions, salary supplements to existing faculty positions, and associated expenses for those positions, including start-up costs, salaries, benefits, travel, and other professional expenses as permitted by KCTCS policy.

- **Scholarships:** Scholarships funded with endowment proceeds will: (1) support undergraduate student completion of KCTCS programs; (2) support transfer of KCTCS associate degree completers to baccalaureate degree programs in areas of workforce need; or (3) provide financial aid in areas of student need as identified in the CPE affordability study.

- **Infrastructure:** Expenditures for minor classroom or training facility renovations, faculty start-up packages, equipment and supplies that are directly linked to workforce education and training activities of program faculty, including core workforce training room improvements, equipment upgrades, instruments and supplies, and other workforce education related expenses as permitted by KCTCS policy.

Workforce Development/Transfer Pool. Workforce development/transfer pool funds will be used to develop and maintain organizational structures, personnel, and information systems necessary to sustain viable workforce development and transfer programs in areas of demonstrated workforce need. Lack of financial aid has been identified as a primary barrier to transfer by KCTCS students. Pool funds will also support associate degree completion and transfer of baccalaureate, degree-seeking KCTCS associate degree completers to Kentucky

public and independent colleges, especially for students transferring into STEM disciplines, as identified in the Council's Key indicator Accountability System, and then to other high-need workforce areas. Appropriate uses for these funds include scholarships that support associate degree completion and transfer, expenditures for workforce education or transfer program faculty salaries, benefits, and related operating expenses. These funds should not be used to support capital outlay or debt service expenditures.

- **Scholarships:** Twenty-five percent of this pool (or $875,000) will be used to provide scholarships that support associate degree completion and transfer of baccalaureate degree seeking KCTCS associate degree completers. It is intended that a majority of scholarship funds will support the transfer function directly related to the needs of the system as identified by the affordability study and transfer study. These funds should supplement, and not supplant, funding for existing financial aid programs. The Council will assess the effectiveness of the program through regular reports of the number and percentage of scholarship recipients receiving baccalaureate degrees.

- **Faculty Positions (or Staff):** Salaries, benefits, and other personnel related expenses associated with new faculty (or staff) positions that increase the institution's capacity to produce associate degree and certificate holders in demonstrated areas of workforce need in Kentucky, or that facilitate successful transfer of students to baccalaureate degree programs in the science, technology, engineering, and math (STEM) disciplines, health professions, teacher shortage areas, and applied sciences.

- **Related Operating Expenses:** Expenditures for program and operating expenses that are directly linked to workforce education and transfer activities, including but not limited to the following: (1) education and training materials, media, and equipment that enhance KCTCS capability in workforce education and transfer; (2) development of on-line programs that promote transfer, transfer of credits, and student enrollment/completion of certificates and degrees in high-need areas; (3) funding for visiting professors and instructors, lecture series, demonstration projects, and faculty exchange that support workforce education and transfer in priority areas; and (4) expenditures for the dissemination of information and best practices in workforce education and transfer programs (for example, nationally prominent publications and presentations at conferences, symposiums, seminars, or workshops for KCTCS faculty/staff). Expenditures for general personnel expenses that are not directly linked to workforce education or transfer programs do not qualify as infrastructure support activities.

Use of Funds Requirements

- All endowment pool and matching private funds must be endowed for the purpose of supporting student scholarships, faculty or staff positions, operating expenses, or infrastructure that are directly linked to workforce education or transfer program activities in areas of strategic benefit to the Commonwealth.

- Program funds cannot be used for positions which are primarily administrative. However, professors in workforce education and training programs who may have an appointment such as department chair, center director, or dean are eligible.

- Program funds cannot be used to fund capital construction projects.

- Program funds should supplement, rather than supplant, current KCTCS funding for workforce development and transfer programs.

Annual Reporting

The Council staff, working with KCTCS, will devise and maintain reporting procedures that specify the content and format of WDTP annual reports.

Council on Postsecondary Education
2006-08 Retention/Affordability Initiative Guidelines

Program Goals

This initiative supports public postsecondary institution efforts to address issues related to questions 1, 2, and 3 of the public agenda. Funding is targeted for strategies directed toward low-income students and populations. Specific challenges are inherent for those institutions serving low-income populations and, in order to reach the goals of HB 1, additional support is necessary to bolster efforts to enroll, retain, and graduate at-risk populations.

Program Funding

The Council recommended $4 million of recurring funds in 2007-08 to support this initiative to be distributed as follows:

Institution	Distribution
Eastern Kentucky University	$1,048,600
KCTCS	260,200
Kentucky State University	247,100
Morehead State University	1,008,400
Murray State University	353,500
Northern Kentucky University	181,300
University of Kentucky	177,800
University of Louisville	197,000
Western Kentucky University	526,100
TOTAL	$4,000,000

Uses of Program Funds

The funds are to be used by the institutions for the following activities:
- Recruitment program enhancements targeted to low-income students, their parents, teachers, and schools, and specifically to populations in the service regions not represented at average rates at the institution.
- Targeted need-based financial aid packages for traditional and adult students as well as students transferring from two-to four-year colleges.
- Partnering programs with adult education programs and high schools especially in targeted counties.

- Increase marketing efforts to increase motivation of targeted groups to attend postsecondary education and raise public awareness of financial aid and scholarships and financial aid workshops targeted to underserved area of the service regions.
- Implement campus-level assessments of student access and affordability using matriculation and persistence surveys.

Use of Fund Requirements

To qualify for funding, each institution shall submit a plan for the use of the funds by February 1, 2007. Plans must define specific outcomes tied to recruitment and retention of populations targeted by the initiative. To leverage funds and increase impact, institutional efforts must demonstrate collaboration with regional and statewide programs sharing the goals of this program. These include but are not limited to:

- Kentucky GEAR UP and regional GEAR UP partnership grants
- Local P-16 councils
- The CPE's Go Higher Kentucky college access initiative
- State programs targeting increased minority student postsecondary success (e.g., the Governor's Minority Student College Preparation Program)
- College access programs of the Kentucky Higher Education Assistance Authority including the GoHigherKy.org college access web portal
- Adult learning centers
- Other public and independent postsecondary institutions

Annual Reporting

Institutions must provide biannual reports to the Council documenting increased college awareness, attendance, retention, and timely graduation of targeted populations. Reports also will include documentation of use of program funds and successful leveraging of those funds with partner agencies and programs.

Performance Funding Component

The Council adopted a budget recommendation in November that included $3.5 million in 2007-08 in performance funding for the institutions to be distributed based on performance related to the goals of House Bill 1. Based on the comprehensive funding review, as approved by the Council, the performance funding component will be implemented beginning in the second year of the biennium.

Draft indicators and weighting

Description/ Weighting	Indicator
Benchmark Comparisons (50%)	(1) Production - degrees per FTE (2) Efficiency - Production/total public funds/FTE
Key Indicators: Goal Attainment (30%)	(3) Degree production - progress toward key indicator goal (4) Minority degree production - progress toward key indicator goal
Institution's Choice: Key Indicators Goal Attainment (20%)	(5) Selected by each institution from a list of institutional specific CPE approved key indicators

One of the principle objectives of this new component of the funding model is that it be relatively simple with only a few focused indicators. These particular indicators were selected based on numerous discussions with the institutions to reward performance for efficiently increasing the educational attainment rates of Kentuckians. All of the key indicators are important and will be monitored for performance each year; however, these five focused indicators have been selected for the performance funding component.

Degree production is defined as baccalaureate degrees for four-year institutions and associate degrees for two-year institutions. Half of the funds will be distributed based on performance relative to benchmark peer institutions and the remaining half based on performance relative to goals towards House Bill 1 key indicator progress. Council staff will work with the institutions to refine the methodology for awarding points and distributing funds for each indicator such that a performance index can be calculated to distribute funds in the second year of the biennium. If funds are appropriated, performance funding will be awarded in FY 2007-08 based on performance in FY 2006-07.

Staff preparation by Sandra Woodley

Accountability and Assessment of Council-Funded Initiatives

This item provides an outline for a process for the systematic and on-going assessment of Council appropriations that are intended for third-party entities and a calendar for when the assessment mechanism will be fully implemented.

The Council receives appropriations for activities that are performed by others. The Council is involved with the administration of these activities both financially and programmatically, but each program is different and the Council's active participation varies by activity. Each appropriation is housed in one of three program accounts:

- Strategic Initiatives and Investment Trust Funds (Trust Funds)
- Incentive Funding Programs
- Pass-Through Programs

The 2004-05 external audit recommended that the Council improve its monitoring of funds that are assigned to the Council to ensure that the assigned funds are effectively utilized. This recommendation goes beyond the fiscal compliance requirements already in place; it speaks to an accountability and assessment system that addresses whether programs are effective in accomplishing the purposes for which funds are appropriated.

The Council's Executive Committee directed the Council staff to prepare an outline of an accountability and assessment system that evaluates and implements best practices. The outline describes the scope of the activities that need to be reviewed, the existing accountability and assessment measures already in place, and the plan for developing and implementing a comprehensive accountability and assessment system for these activities.

An Accountability and Assessment System for Council-Funded Programs

Description of Programs and Activities

The Council administers both financially and programmatically activities that are actually performed by others. Each appropriation is housed in one of three program accounts:

- Strategic Initiatives and Investment Trust Funds (Trust Funds)
- Incentive Funding Programs
- Pass-Through Programs

Six strategic initiatives and investment trust funds (trust funds) were created as part of *The Postsecondary Education Improvement Act of 1997*. These statutory accounts are designed as "holding" accounts for specific institutions or institutional types, and for specific initiatives. Trust funds have these common characteristics:

- defined purpose
- statutory non-lapse provisions
- accumulation of interest earnings

In addition to these common characteristics, some trust funds have statutory language detailing the distribution of all funds appropriated to the trust fund. Appropriations bill language can be used to override the statutory language on any of the characteristics described above, including the distribution of funds. Typically, the Council is given latitude to develop guidelines through which the intended parties can access the funds.

Attachment A provides information on the six statutory trust funds.

Incentive funding programs are similar to trust funds in that they are "holding" accounts, but are distinguished from trust funds in that they:

- are not created by codified statute
- do not automatically accumulate interest earnings
- do not automatically include non-lapse provisions

Again, like trust funds, appropriations bill language can modify the operation of incentive funding programs by providing, for example, a non-lapse provision.

Attachment B provides additional information on incentive funding programs.

Pass-through programs are a series of discrete activities either directly administered by the Council or managed and operated by a third party, but where the appropriations is destined to be transferred to a third party. A third party may be a:

- public or private postsecondary education institution
- state agency
- regional, multi-state, or national consortium
- private group or organization

Pass-through programs differ widely and it is difficult to describe common characteristics other than the appropriations generally are small, the purpose of the activity often is not strategic in nature, the nature of the activity does not fit one of the broad trust fund descriptions, and that the funds are ultimately intended to be "passed-through" to a third party. Pass-through programs do not generally include non-lapse provisions, nor do they accumulate interest earnings. Appropriations bill language sometimes allows for transfer of funds between specific pass-through activities.

Attachment C provides additional information on pass-through programs.

Council-Funded Programs and Activities

Attachment D lists the programs and activities described above, indicates where the appropriation is housed, who the third-party recipient is, and describes the nature and extent of the evaluation and assessment that already occurs.

Accountability and Assessment Measures

Accountability and assessment measures are organized into the following categories:

- financial accountability
- program accountability and assessment

Within the financial accountability category, we have provisions in place to ensure that funds are paid on a timely basis, that proper financial controls are in place, that agreements between the Council and the recipient of the funds exist, and that those agreements call for the manner in which payment is to be made, the documentation required to initiate payment, the purpose and use of the funds, and the documentation required to show that funds are properly spent. In some instances, this later documentation consists of an external audit.

Within the program accountability and assessment category, efforts range from the filing of reports to periodic comprehensive reviews of programs and activities. For example, the Professional Education Preparation Program (PEPP) was reviewed several years ago by collecting data on the success of participants in securing admission to medical school and in the pursuit of other health-related degree programs. Too often, however, the review of programs and activities is spotty or consists mainly in the receipt of a report.

It is in the area of program accountability and assessment that the recommendations are addressed.

Draft Recommendations

Recommendation 1: Creation of an internal staff committee. The Council staff will create an internal staff committee for the programs described in Attachments A-C for the purpose of ensuring that adequate financial and program assessment measures exist for these programs. The internal staff committee shall include the vice presidents of the major units of the Council, the associate vice president for planning and accountability, and the manager of the administrative services unit, as well as other individuals appointed by the president of the Council. The internal staff committee will report on a pre-determined schedule to the Executive Committee of the Council and the chair of the Budget and Finance Policy Group.

Recommendation 2: Refinement of financial controls and development of a program accountability and assessment process. The internal staff committee shall first ensure that proper financial controls are in place and shall recommend to the president any additional financial control measures that are needed.

The internal staff committee shall see that each program and activity involving a third-party recipient of funds has a mechanism for reporting on the expenditure of funds, and on the program activities during the period covered by the funding.

The internal staff committee shall work with the units to see that a periodic, comprehensive assessment of each program and activity is performed in addition to the annual review of performance measures. The internal staff committee will establish a specific schedule for the review of the individual programs and the review may vary according by activity.   Each major unit shall be responsible for reporting the performance of the activity to the president. The president shall advise the Executive Committee and chair of the Budget and Finance Policy Group based on the schedule established. The Executive Committee will periodically report findings and recommendations to the Council as needed.

The internal staff committee shall report changes in the financial accountability system to the president. The president periodically shall advise the Council on the financial accountability system.

Recommendation 3: Mechanism for distribution funds. The internal staff committee shall develop standard templates for contracts and memoranda of agreements with language addressing the method and manner of the distribution of funds, the manner in which performance objectives and measurement criteria are to be described, and when and how a comprehensive review of the program shall be accomplished.

Recommendation 4: Development of a monitoring system. The administrative services unit shall implement a monitoring system to ensure that contracts or memoranda of agreements are in place for all Council-funded programs, that payments are made according to the contractual schedule, and that all required reports are received on a timely basis.

Recommendation 5: Report to the Council. The president shall make a comprehensive report to the Council in 2006 on the accountability and assessment system and on the performance of individual programs and activities.

Council-Funded Initiatives
Strategic Initiative and Investment Trust Funds
(Trust Funds)

Program	FY 2004-05 Revised	FY 2005-06
Research Challenge Trust Fund (UK, UofL)		
Endowment Match Program	$ 0	$ 0
Lung Cancer Research	5,431,300	5,421,300
Regional University Excellence Trust Fund (EKU, KSU, MoSU, MuSU, NKU, WKU)	0	0
Endowment Match Program	0	0
Workforce Development Trust Fund (KCTCS)	0	0
Physical Facilities Trust Fund (ALL)	0	18,515,000
Technology Initiative Trust Fund (ALL)	2,050,500	2,050,500
Student Financial Aid and Advancement Trust Fund (ALL)	71,213,400	0
TOTAL	$78,695,200	$25,986,800

Council-Funded Initiatives
Incentive Funding Programs

Program	FY 2004-05	FY 2005-06
Adult Education Incentive Funding Program	$19,026,000	$22,026,000
Science and Technology Incentive Funding Program	12,179,800	10,005,900
TOTAL	$31,205,800	$32,031,900

Council-Funded Initiatives
Pass-Through Programs

Program	FY 2004-05	FY 2005-06
Contract Spaces	$2,983,800	$ 3,516,200
Metroversity	58,800	58,800
Telecommunications Consortium	182,700	182,700
Professional Education Preparation Program (PEPP)	416,700	416,700
Minority Student College Preparation Program	330,200	330,200
State Autism Training Center	217,800	217,800
Rural Development Center	698,200	698,200
SREB Doctoral Scholars Program	256,400	256,400
Pass-Through—Other		
Early Mathematics Testing Program	100,000	50,000
Local P-16 Councils	50,000	50,000
Martin Luther King Scholarship at KSU	9,600	9,600
Cancer Research Institutions Matching Fund	0	4,500,000
Washington D.C. Internship Program	0	118,000
Biotechnology Program—Shrimp Production	0	1,100,000
Meadowbrook Dairy Research & Education	0	270,000
TOTAL	$5,304,200	$11,774,600

Council-Funded Programs
Program Description and Reporting Requirements

Council-Funded Program - by Type	Reporting Requirements
Strategic Trust Funds - Holding accounts; earn interest; and include statutory non-lapse provisions. General purpose defined in statute. Statutes contain language as to purpose; may include method for distributing funds. KRS 164.7911, 164.7913, and 164.7915.	
Research Challenge Trust Fund (RCTF) - encourage research activities at UK and UofL; distribution of funds 2/3 to UK and 1/3 to UofL; Endowed Chairs program, Lung Cancer Research program, and Ovarian cancer. KRS 164.7917.	No appropriation for 2004-06 for endowment program. Endowment program includes separate guidelines for access to funds; complete reporting guidelines in place. Lung Cancer program legislation requires plan to be filed with the Council. No formal evaluation of the lung cancer and ovarian cancer programs.
Regional University Excellence Trust Fund (RUETF) - encourage eligible universities to develop at least one nationally recognized program of distinction, or one nationally recognized applied research program; EKU, KSU, MoSU, MuSU, NKU, and WKU are eligible; distribution is handled by looking at distribution of net General Fund appropriation; Endowed Chairs, Centers of Excellence. KRS 164.7919.	No appropriation for 2004-06 for endowment program. Endowment program includes separate guidelines for access to funds; complete reporting guidelines in place.
Technology Initiative Trust Fund - acquire technology infrastructure, develop electronic technology capacity, encourage shared electronic technology, fund the virtual university, and other programs of postsecondary education consistent with the strategic agenda; all institutions participate; no statutory distribution; technology network and faculty development. KRS 164.7921.	No formal reports required on technology network or faculty development activities. Formal agreement with UK on network.
Physical Facilities Trust Fund - provide financial resources for unexpected contingencies for the construction, improvement, renovation, or expansion of the physical facilities of the postsecondary education system; all institutions participate; no statutory distribution. KRS 164.7923.	Action item to Council on distribution of any funds.
Postsecondary Workforce Development Trust Fund - further cooperative efforts among community colleges and technical institutions and for the acquisition of equipment and technology necessary to provide quality education programs; distribution restricted to KCTCS. KRS 164.7925.	No appropriation for 2004-06.

Council-Funded Program - by Type	Reporting Requirements
Student Financial Aid and Advancement Trust Fund - encourage student access through student financial aid programs; distribution can be to public postsecondary education institutions, and regional and nationally accredited private institutions; 25% of funds are to be used for individuals at or below federal income poverty guidelines or who are disabled. KRS 164.7927.	No appropriation for FY 2005-06. Legislation in 2005 moved KEES administration to KHEAA.
Incentive Funding Program - Holding accounts; do not earn interest; and do not include statutory non-lapse provisions. General purpose either defined in statute or in biennial appropriations bill. Statute contains language as to purpose; may include method for distributing funds.	
Adult Education and Literacy Initiative Fund - supports strategies for adult education, provides statewide initiatives for excellence, and provide funds for research and development; encourage collaboration, stimulate development of models, provide incentives to help students establish learning contracts, encourage participation, assist providers in areas of need. Distribution is not specified, but the adult education program and the Council are to work together on guidelines. KRS 164.041	Council-based program. Public agenda, goals and objectives exist; monitoring of progress is ongoing.
Science and Technology Funding Program (STFP) - Rural Innovation program, the Kentucky Research and Development Voucher Program, the Kentucky Commercialization Program, the Regional Technology Corporations/Innovation and Commercialization Center Satellites, and the Experimental Program to Stimulate Competitive Research/Kentucky Science and Engineering Foundation; no distribution specified in the codified statute; appropriations bill expands the use and purpose of the STFP.	Contract with Kentucky Science and Technology Corporation. Annual plan required. Statistical data on EPSCoR is available; general data available on other programs with KSTC - annual report filed. No external evaluation of programs planned. Joint engineering program - annual contracts with participating institutions and the Council. Statistical data available. No formal evaluation is conducted.
Pass-Through Programs - Discrete activities where funds are intended for a third party; the Council may either be involved in managing a program, or may simply pass-through the funds for another party to manage the program or activity. Pass-through accounts do not collect interest and do not contain non-lapse provisions. There may be a direct statutory authority or responsibility for a program or activity, or the authority may be contained solely in the appropriations bill.	

48

Council-Funded Program - by Type	Reporting Requirements
Contract Spaces - regional compacts to provide veterinary medicine spaces for Kentuckians at Auburn University and Tuskegee, and optometry spaces at University of Indiana at Bloomington, University of Alabama at Birmingham, and Southern College of Optometry. Admissions decisions made by the respective universities; state advisory committees assist; the Council makes residency determinations.	Statistical data is available on applicants/admissions, graduation, and subsequent employment. No formal evaluation process in place.
Metroversity Consortium - Indiana/Kentucky consortium in the Greater Louisville area that provides citizens of Kentucky and Indiana access to postsecondary education programs. Metroversity provides a range of support services including cross-listing of courses. State funds comprise 10% of the Metroversity budget.	Annual audit report is available. Statistical data on the work of the Metroversity is collected. No formal evaluation process in place.
Telecommunications Consortium - ITV-based postsecondary education courses offered through KET. A committee with university, KET, and CPE representatives determines course offerings each semester.	Statistical data is collected on the number of courses offered and the enrollments in those courses. No formal evaluation process is in place.
Professional Education Preparation Program (PEPP) - encourages middle school students to enroll in medical-related fields in college; stimulates interest in health-related fields through repeated contact (mentoring) with postsecondary education. PEPP advisory committee chooses participants.	Statistical data provided annually; follow-up data on graduates available. No formal evaluation conducted.
Governor's Minority Student College Preparation Program (GMSCPP) - college and university-based programs to attract middle and high school minority students to college; educational enrichment activities on college and university campuses; summer programs; each university receives an allocation; KCTCS receives an allocation for up to 10 campus programs. Allocation decisions made by CPE staff.	Institutions and KCTCS present budgets. Reports are provided annually. Formal evaluation of program effectiveness conducted in 1998.
Rural Development Center - The Kentucky Rural Development Center operates in Somerset, Kentucky, as an independent corporation designed to provide technical assistance to businesses and governmental entities in video conferencing, teleconferencing, exhibit and trade show facilities, a performing arts theater, space for meetings and special events, and telecommunications throughout southeastern Kentucky.	Funds pass-through to RDC and support general operations. Statistical data on work of RDC is available; annual financial report is required. No formal evaluation conducted.
State Autism Training Center – The Council is required to select a university as a cite for an autism training center by KRS 164.981 through 164.9819. The Kentucky Autism Training Center (KATC) provides school-based consultations, family technical assistance, and training activities for promoting the early identification of autism in young children. The center focuses on forming partnerships with other agencies to help in preparing direct service providers to work with individuals with autism. The center places emphasis on providing information and training on intervention.	The University of Louisville selected as the site. There is an advisory group who works with UofL. The university also receives a direct appropriation for this purpose. Annual plan and budget required. No formal evaluation conducted.

Council-Funded Program - by Type	Reporting Requirements
Pass-Through Other	
Kentucky Early Mathematics Testing Program -The Kentucky Early Mathematics Testing Program is a statewide on-line diagnostic test to help high school students identify academic deficiencies that they should correct before entering college to avoid the need for postsecondary remediation.	Joint program, UK and NKU. Annual budget required. Goals and objectives stated. Annual statistics available. No formal evaluation conducted.
Martin Luther King Scholarship at KSU -The scholarship is awarded based on demonstrated academic achievement at Kentucky State University and demonstrated financial need. The scholarship is awarded annually in recognition of past academic performance. It is not awarded to incoming freshmen.	New program in 2004-06. The Council will recommend that the appropriation be included in the base of KSU. No evaluation conducted.
P-16 Partnerships -These partnerships of school districts, universities and community and technical colleges, adult education providers, early childhood educators, employers, and civic groups have supported significant local high school and GED-to-college and workplace transition initiatives (including dual enrollment, early diagnostic assessment, and curriculum alignment).	Annual reports required.
SREB Doctoral Scholars Program -The SREB Doctoral Scholars Program is a cooperative interstate venture that seeks to support and encourage minority students to pursue doctoral degrees. The program seeks to increase the number of minority faculty members employed as college faculty and executives by increasing the available pool of minority candidates. Students are provided scholarships and other financial support to attend institutions throughout the southern region and in some mid-west states as well.	Numbers of students participating is monitored; information is available on graduates, and graduates who are employed in higher education. No formal evaluation is conducted.
Cancer Research Institutions Matching Fund - New program. KRS 164.043 establishes the Cancer *Research Institutions Matching Fund* from cigarette tax revenues. The University of Louisville Research Foundation and the University of Kentucky Research Foundations are eligible for state funds. In the first year of the program, FY 2005-06, the state authorized $4.5 million. To receive the funding from this program, the two research institutions must provide a dollar-for-dollar match from external sources. Funds cancer-related research that will ultimately reduce the morbidity and mortality from these diseases.	No criteria for evaluating the performance aspects of this program have been established. Institutions must match state dollars with funds from external sources. Each request for an allocation of funds is reviewed by Council staff to ensure that the matching requirements are met.
Washington D.C. Internship Program - New program. Washington Center for Internships and Academic Seminars, located in Washington, D.C. is a project of the Institute for Experiential Learning (IEL). IEL through its internship programs is committed to individual development through excellence in experiential education. The Washington Internship Program - a combination of work and study - places undergraduate and graduate students, or college graduates, in our nation's capital for a semester (summer, fall, or spring).	No program evaluation criteria developed.

Council-Funded Program - by Type	Reporting Requirements
Biotechnology Program - Shrimp Production - New program. New economy program to develop a capability for producing marine shrimp brood stock. Research project in biogenetics, with an end being commercialization of product and development of marine shrimp industry in Kentucky.	The Council has contract with WKU. Financial controls established. Reports required.
Meadowbrook Dairy Research and Education - New program. This is a nonrecurring capital project that provides funding to UK and EKU to offset the costs of transferring the dairy cattle program at UK to EKU.	Once a Memorandum of Agreement has been finalized between UK and EKU the funds will be transferred. No formal evaluation required.

2020 Educational Attainment Projections

Achievement of HB 1 goals is dependent on increasing the educational attainment level of the Commonwealth to at least the national average by 2020. To convey the scope of this charge over the next 15 years, CPE staff members developed a set of 2020 projections to help answer the following three questions:

- What is the national level of educational attainment projected to be in 2020?
- What would Kentucky's level of educational attainment be in 2020 without policy intervention?
- What would it take to fill the gap?

The attached highlight the challenge of meeting the educational goal outlined in HB 1 and a number of steps to be worked on concurrently in order to narrow the educational gap in Kentucky and to move Kentucky closer to the national level of adults with bachelor's degrees or higher by the year 2020.

Staff preparation by John Hayek

Kentucky Council on Postsecondary Education
2020 Educational Attainment Projections to Achieve National Average
Five-Step Policy Intervention Plan

Goal:		To achieve national level of educational attainment, defined as working age adults with a bachelor's degree or higher, by the year 2020.
		In 2000, approximately 19% of Kentuckians achieved this level of educational attainment versus the national average of 27%. The national average is expected to rise to 32% by 2020.

Projected Need:	791,000	Kentuckians with at least a bachelor's degree in 2020. This is approximately double the number the state has today.
No Change:	580,000	Kentuckians with at least a bachelor's degree in 2020 without change or policy intervention.
Gap:	211,000	Additional Kentuckians with at least a bachelor's degree needed in 2020.

Closing the Gap:		Each step in closing the gap reflects a related set of policy changes, is categorized by organizational ownership, and assumes all steps take place concurrently.

Step 1: Increase PSE Participation and Quality	65,000	Additional bachelor's degree holders by improving postsecondary participation and quality (closes 30% of gap). - Increase college-going rates directly out of high school to top performing states. - Increase adult participation rates to top performing states. - Improve graduation rates to benchmarks / national averages.
Step 2: Improve GED College Transition	4,000	Additional bachelor's degree holders by growing Kentucky Adult Education (closes 3% of gap). - Increase number of GED completers relative to KYAE enrollment goal. - Increase college-going rate of GED holders by historical trend.
Step 3: Funnel Through KCTCS	28,000	Additional bachelor's degree holders by increasing the number of incoming students through KCTCS (closes 13% of gap). - Send more first-time students to KCTCS. - Base transfer number on KCTCS enrollment and double the percent of KCTCS enrollment that transfers to four-year schools. - Send more transfers to the comprehensive universities.
Step 4: Raise High School Graduation Rates	34,000	Additional bachelor's degree holders by increasing high school graduation (closes 16% of gap). - Increase number of high school graduates to match current median of states' graduation rate of ninth graders.
Step 5: Increase Migration	80,000	Additional bachelor's degree holders by increasing the number of jobs that require a college-level education (closes remaining 38% of gap).

Dec-05

Kentucky Council on Postsecondary Education
2020 Educational Attainment Projections to Close Gap

Additional Bachelor's Degrees Needed by Institution and Sector

		2004 Actual	2008 Estimate	% Increase over 2004	2010 Estimate	% Increase over 2004	2020 Estimate	% Increase over 2004
UK	Fall UG Enrollment	18,492	20,876	13%	22,278	20%	29,009	57%
	Annual Bachelor's Degrees	3,373	3,869	15%	4,200	25%	5,854	74%
U of L	Fall UG Enrollment	14,933	16,387	10%	17,243	15%	21,349	43%
	Annual Bachelor's Degrees	1,890	2,125	12%	2,282	21%	3,067	62%
Comprehensives	Fall UG Enrollment	60,069	72,399	21%	79,652	33%	114,465	91%
	Annual Bachelor's Degrees	7,860	9,994	27%	11,416	45%	18,529	136%
Independents	Fall UG Enrollment	27,121	29,885	10%	31,510	16%	39,313	45%
	Annual Bachelor's Degrees	4,092	4,517	10%	4,801	17%	6,219	52%
KCTCS	Fall UG Enrollment	81,990	92,105	12%	98,054	20%	126,613	54%

Dec-05

THE FIVE QUESTIONS

1 Are more Kentuckians ready for postsecondary education?

2 Is Kentucky postsecondary education affordable for its citizens?

3 Do more Kentuckians have certificates and degrees?

4 Are college graduates prepared for life and work in Kentucky?

5 Are Kentucky's people, communities, and economy benefiting?