

**MINUTES**  
**Council on Postsecondary Education**  
**Special Meeting**  
**May 9, 2008**

The Council on Postsecondary Education met in a special meeting Friday, May 9, 2008, at 8:30 a.m. (ET) at the Council offices in Frankfort. Chair Turner presided.

ROLL CALL

The following members attended: Peggy Bertelsman, Kevin Canafax, Dan Flanagan, John Hall, Phyllis Maclin, Donna Moore, Lisa Osborne, Ryan Quarles, Jim Skaggs, John Turner, Mark Wattier, and Joe Weis. Jon Draud did not attend.

CAPITAL PROJECT

RECOMMENDATION: The staff recommends that the Council approve the request of Western Kentucky University to use private funds to remove existing bench seating and add club seating in a mezzanine area of Diddle Arena. The estimated project cost is \$773,000 and is funded by the Hilltopper Athletic Foundation.

Sherron Jackson with the Council staff said the Council has the statutory responsibility to review and approve postsecondary education capital projects costing \$600,000 or more, regardless of funding source, that have been approved by an institution's governing board. This project requires interim authorization to allow the work to be completed in a timely manner. The project will result in an improvement to state-owned property with ownership of the improvements to accrue to the university upon completion of the project. Upon approval by the Council, the staff will forward the Council's recommendation to the secretary of the Finance and Administration Cabinet and to the Capital Projects and Bond Oversight Committee.

MOTION: Mr. Flanagan moved that the project be approved. Mr. Quarles seconded the motion.

VOTE: The motion passed.

INTERIM PRESIDENT  
SEARCH COMMITTEE

Mr. Turner said he would like to appoint an Interim President Search Committee.

MOTION: Mr. Hall made a motion that Mr. Turner appoint an Interim President Search Committee. Ms. Moore seconded the motion.

VOTE: The motion passed.

Mr. Turner asked that these members comprise the committee – Jim Skaggs (chair), Peggy Bertelsman, and Kevin Canafax. He asked the committee if at

all possible to bring a recommendation of potential candidates to the May 23 Council meeting.

2008-09  
TUITION AND  
MANDATORY FEES

Mr. Flanagan said that the Budget and Finance Policy Group met May 8 to consider the 2008-09 tuition and mandatory fee recommendations. The Council staff shared a presentation about their recommendations and the policy group also heard from representatives from five of the institutions. The policy group approved a motion to recommend to the full Council the staff recommendations. He said that the policy group members have worked closely with the staff since the April 30 and May 1 tuition hearings to develop these recommendations.

Jim Applegate, the Council's vice president for academic affairs, said that these are the recommendations from the Council's senior professional staff. He said that in the nine years he has served the Council, the Council to this date has without exception approved institutional proposals for tuition requests for increases for various reasons. Ultimately the result has been an average double-digit increase and a significant reduction in the affordability of postsecondary education for Kentucky's citizens. He said that the proposals reflect a balanced, careful review of the institutions' written and oral proposals. He said that everyone is working for what is good for the postsecondary system and what is good for Kentucky. However, the Council is vested with the final authority to set rates because it must come to this task with a different perspective that includes not only what the institutions need but also what Kentucky needs both to achieve the goals of House Bill 1 and to keep postsecondary education accessible to its citizens, especially those middle- and lower-income groups that must come to college in far greater numbers than they have in the past if Kentucky is to achieve its Double the Numbers goals. He said that the staff has considered the institutional proposals in terms of a broader set of data about affordability and accessibility of postsecondary education in Kentucky, national market trends, and the ability of Kentucky's institutions to productively pursue the aggressive agenda that has been set for them. He said that the staff is fortunate to have Dr. Hayek lead this process because he brings significant experience with national trends in postsecondary education, institutional experience, and a deep commitment to Kentucky's postsecondary reform agenda.

John Hayek, the Council's interim vice president for finance, talked about the approach and the process that the staff took in developing the recommendations that were presented at the May 8 Budget and Finance Policy Group meeting. He said it was very much a data-driven and research-based approach. The staff has looked at data and information that were provided to the staff by the institutions during the two days of tuition hearings. The Council staff has looked at other data and information as well, related to affordability both at the state and national levels, but also individual student-level data that the Council has and continues to collect on an annual basis. He said that a number of national reports also show where Kentucky ranks in terms of affordability. Over the last year the staff has had the opportunity to have a number of national experts help the staff

understand the data from a national perspective and also in the context of where Kentucky stands currently in 2008 but also looking forward five to ten years from now in terms of whether Kentucky will have an affordable college system in the future. He said that the statewide data as a whole indicate that college is becoming less affordable in Kentucky. The tuition rates at Kentucky's public institutions have risen on average about 10 percent per year since reform began in 1997. The average over the last five years has been about 12 percent. At that rate of increase tuition will double in a six- to eight-year period. He said that if those trends continue, Kentucky will see a doubling of tuition in the state by approximately 2015 and another doubling of tuition by 2022. To put that in perspective, for a comprehensive university charging \$6,000 today, that would be about \$12,000 in the year 2015 and \$24,000 by 2022. He said that if the income levels in Kentucky were growing proportionately to those rates, it would not be such a problem, but Kentucky's income levels over the last five years have grown at about the average rate of 3 percent. So the trends indicate that Kentucky has become less affordable over the last ten years and becomes a situation where the sustainability of those increases into the future is questioned if Kentucky is to remain an affordable place for Kentuckians to attend college.

Dr. Hayek said that data have also been looked at in relation to access. The enrollment trends in the state show that the system as a whole had some very aggressive enrollment growth in the first five years of reform. However, a dramatic slowdown has occurred on average over the last five years.

Dr. Hayek said that there is a challenge ahead in terms of productivity. The staff has talked often about the Double the Numbers goal to increase the level of educational attainment to the national average by 2020. This will require a significant ramp-up of baccalaureate degree production at the institutions. With the staff proposed rates, with no growth at all, an estimated additional \$50-\$60 million of new revenue will come into the system. If there is some enrollment growth and if that enrollment growth is on track with the enrollment growth needed to achieve the Double the Numbers goal by 2020, there will be significantly more of that tuition revenue on the table – nearly \$80-\$100 million in new money in 2008-09 that the institutions will have access to with the adoption of the staff recommended rates. He said that there are costs associated with that enrollment but most are marginal costs.

Dr. Hayek reviewed the tuition policy that the Council adopted in February 2008. It laid out several fundamental objectives to be considered during the tuition-setting process: advancing House Bill 1, Public Agenda, and Double the Numbers goals; ensuring college is affordable and accessible to all qualified Kentuckians; encouraging productive use of resources; balancing the current economic conditions with the need for adequate resources to achieve institutional and statewide priorities; and aligning tuition and financial aid policies to fulfill affordability commitments to students.

Dr. Hayek discussed the process for setting tuition. The tuition policy and

process was discussed at the February 1 Budget and Finance Policy Group meeting, and the Council approved the policy and process at its February 26 meeting. The institutions submitted tuition proposals April 25. These included each institution's proposed rate, use of funds, investment in institutional financial aid, and potential consequences of not approving the rates. Tuition hearings were held April 30 and May 1 at which time the presidents presented their tuition proposals to the Council's Budget and Finance Policy Group. The Council staff and policy group members evaluated each institution's request and prepared recommendations informed by data related to tuition policy objectives which the Council will take action on at this meeting.

Dr. Hayek said that the Council has produced three reports which provide a statewide context for tuition setting. The Double the Numbers document shows that enrollment must increase by 3.3 percent each year and degrees by 4.3 percent each year to 2020. The funding document for the 2008-10 postsecondary education budget request recommended base support and targeted new money to strategic priorities to advance the Double the Numbers initiative. The 2006-07 Accountability Report highlights a major challenge in the area of affordability; Kentucky is losing ground on three or four indicators.

Dr. Hayek discussed the historical rates of tuition increases. Over the past five years, tuition in Kentucky has increased at about four times the rate of inflation while the average five-year increase in Kentucky median family income is only 2.9 percent, lower than the rate of inflation. Kentucky is no longer a low-tuition state and is now above the national average. Since FY98, Kentucky's tuition rates increased between 150 and 200 percent.

Dr. Hayek reviewed the recommended rates for each institution. He noted that the staff is recommending approval of all of the institutions' proposed rates for nonresident students, graduate students, nonresident exceptions, and rates for online courses where applicable. He said that the staff is recommending the institution's proposed rate for resident tuition for four of the nine institutions – UK, UofL, Morehead, and Murray. The staff is recommending a revised resident rate for five institutions – EKV, KCTCS, KSU, NKU, and WKU. He said that each institution was considered in an individual manner. Staff was not interested in a "one size fits all" method but rather a balanced approach recognizing the various strengths of the institutions and looking to the future at where they may be in five to ten years.

Mr. Turner asked for comments from the institutions.

NKU President Votruba expressed concerns about the process and timeline leading up to the recommendations to the Council. The NKU board of regents has considered seriously the tuition recommendations which it forwarded to the Council. They considered affordability, data with reference to financial aid, and the need of the institution to support the metropolitan

region. He said that the reforms passed in 1997 were about the ability to compete in a world where talent rules and the ability to produce and retain talent is a key. He asked the Council to consider the tuition proposal submitted by NKU based on the institution's performance to date.

EKU President Whitlock also expressed concern about the process leading up to the recommendations. He said that the value of an education should be considered along with cost. He said that EKU looked at the realities that face the institution and what it will take to preserve access. Part of the institution's approach was to put more money into need-based aid. He said the institution looked at quality and value and what it would take to continue to actively pursue the House Bill 1 goals. He stated that no one at EKU is satisfied with the institution's persistence and graduation rates but said it will take resources to improve those. Through the years there have been increased state appropriations but there have been budget cuts as well which result in cuts in staff and faculty positions. He said that a critical factor in affordability is the total cost of attendance. While it is true that EKU's tuition is at the 75<sup>th</sup> percentile among the state institutions, EKU's total cost of attendance is below average. Despite the fact that over the last five-year period EKU's average tuition increase has been 14.1 percent, over the preceding years the tuition increases were below average.

Dr. James Chapman, KSU interim provost, discussed the student debt of KSU students. He said that a majority of KSU's entering students require remedial education. Because it will take longer for these students to graduate, most students will use up their financial aid and grants and will need to incur debt to complete their education. The institution is working with these students to avoid unnecessary debt. Among other things, KSU is looking at lowering the hours in degree programs so that students will have fewer hours for completion and is establishing a scholarship program for students who are close to completion to find ways that they can pay for their cost of instruction and keep their debt minimal as they complete their degrees. He pointed out that the net cost of attendance at KSU is the second lowest compared to the other institutions. KSU has tried to keep its tuition low in recent years. He said that the institution thinks that its tuition request is reasonable and asked the Council to consider its proposal.

WKU President Gary Ransdell also expressed concern about the process and timeline for the Council's approval of the tuition proposals. He said that WKU held campus forums to discuss the tuition recommendations prior to its board taking action. Once the board acts, the tuition increase goes into the budget process and it is now a very short time period to the start of the new fiscal year. He said that salary increases are already in place and notices about financial aid and scholarship awards have already been sent to students. If the Council's staff recommendation is approved, this will result in a \$962,000 cut to WKU's budget for next year which will result in additional staff layoffs and decreased student services. He said the quality of what is offered the students will suffer if the tuition increase is reduced from 9 to 8 percent. He asked the Council to (1) work in cohesion with

WKU's governing board and approve its recommendation, (2) begin immediately setting tuition parameters or caps for next year, and (3) if the staff recommendation of 8 percent is approved, allow WKU to raise its nonresident rate 13.2 percent to cover the margin.

Dr. Hayek said that the Council's tuition policy states that nonresident undergraduate tuition and fee charges shall be not less than 1.75 times higher than Council-approved resident rates for the 2008-09 academic year. He said that there is no cap in percentage in the policy.

KCTCS President Mike McCall also expressed concern about the process and timeline for developing the tuition recommendations. He said that he would like to have more dialogue between the Council staff and the staff at the institutions prior to bringing the recommendations to the Council. Dr. McCall said that the real problem is the failure of the General Assembly to provide adequate funding for postsecondary education reform and to provide the resources that were needed in previous years but particularly this year. This resulted in putting the Council in a position of being faced with the public pressure of affordability that leaves a perception that the institutions are not concerned about tuition. He said that all of the institutions are concerned about tuition and would like to keep it low but have been forced into a situation that because of that failure and several years of budget cuts tuition has to be raised. He said that the students who enroll at KCTCS are choosing between going to another Kentucky institution or to a KCTCS institution. He said that the KCTCS tuition rate is compared against the other public institutions in the state. The KCTCS board of regents spent considerable time in deciding on the tuition rate. The \$6 increase per credit hour will have a devastating impact on KCTCS which will result in capping enrollments and offering fewer courses. Dr. McCall requested that the Council consider something other than the \$6 increase per credit hour that has been proposed.

There were no comments from UK, UofL, Morehead, and Murray.

Mr. Turner thanked the institutions and the staff for the amount of time they have spent in what clearly were stressful and very time-constrained conditions. He said that he will ask for an evaluation of the tuition-setting process and the budget development process. He said there needs to be better collaboration with the executive and legislative branches of government. If everyone is committed to the Double the Numbers initiative, a sustainable, predictable funding model is required for the next 12 years. The institutions are being charged with doubling the numbers and there is cost associated with that, so there needs to be some general agreement that those costs will be covered. Mr. Turner said that the Council and the institutional boards must work together and some things need to be looked at collaboratively such as means testing as a way of addressing an imbalance in subsidizing public education and back end loading tuition. He said that clearly students who complete the first year of college are retained at a much higher level. If they see the advantage in completing that

baccalaureate degree, there is a willingness to consider it an investment rather than a cost. He referenced the Blair Proposal where postbaccalaureate award earnings are taxed at a differential rate. Proposing per credit hour rates rather than fixed full-time rates like Morehead's proposal should be considered. He said that a different dialogue needs to be created in Frankfort about where the state wants to go with postsecondary education. There may be some tough policy decisions that need to be made. All of the issues should be put on the table for discussion and at least get an indication about the willingness of Kentucky's elected officials to support postsecondary education. He said that the Council members participate at great personal expense because they are interested and they want to see the Commonwealth of Kentucky move forward. He hopes that people understand that the Council members are the institutions' biggest supporters.

Mr. Weis said that he is concerned that the institutions did not come forward with what will be done differently as a result of these tuition increases. He asked that future tuition or budget requests include goals, such as methods for adequately transferring credits from the KCTCS institutions to the four-year institutions, comparable number of hours required for degree completion at all institutions across the state, and other methods that institute some sort of best practice. He said that the legislature should come forward to help. A strategy should be developed where the cost of the education is meeting the goals and the productivity needed. He said that the Council, the institutions, and the legislature should work together to get this accomplished.

Mr. Flanagan suggested that the Council approach each institution on its individual merits and vote on each individual recommendation.

Mr. Turner said that he will ask for a roll call vote on each motion.

#### VOTES ON 2008-09 TUITION AND MANDATORY FEE RATES

MOTION for UK: Mr. Hall moved that the Council accept the staff recommendation for the University of Kentucky [9 percent increase for 2008-09 resident undergraduate tuition and mandatory fees]. The motion was seconded by Ms. Bertelsman.

VOTE: The motion passed unanimously.

MOTION for UofL: Mr. Canafax moved that the Council accept the staff recommendation for the University of Louisville [9 percent increase for 2008-09 resident undergraduate tuition and mandatory fees]. The motion was seconded by Ms. Maclin.

VOTE: The motion passed unanimously.

MOTION for MoSU: Ms. Maclin moved that the Council accept the staff recommendation for Morehead State University [7.4 percent increase for 2008-09 resident undergraduate tuition and mandatory fees]. The motion

was seconded by Ms. Osborne.

VOTE: The motion passed unanimously.

MOTION for MuSU: Mr. Wattier moved that the Council accept the staff recommendation for Murray State University [6.1 percent increase for 2008-09 resident undergraduate tuition and mandatory fees]. The motion was seconded by Ms. Maclin.

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

MOTION for ECU: Ms. Bertelsman moved that the Council accept the staff recommendation for Eastern Kentucky University [7 percent increase for 2008-09 resident undergraduate tuition and mandatory fees]. The motion was seconded by Mr. Flanagan.

VOTE: The motion passed unanimously.

MOTION for KSU: Mr. Hall moved that the Council accept the staff recommendation for Kentucky State University [7 percent increase for 2008-09 resident undergraduate tuition and mandatory fees]. The motion was seconded by Mr. Canafax.

VOTE: The motion passed unanimously.

1<sup>st</sup> MOTION for NKU: Ms. Bertelsman moved that the Council accept the staff recommendation for Northern Kentucky University [8.5 percent increase for 2008-09 resident undergraduate tuition and mandatory fees]. The motion was seconded by Ms. Osborne.

VOTE: The motion failed with six yes votes (Bertelsman, Hall, Osborne, Quarles, Skaggs, Turner), five no votes (Canafax, Flanagan, Moore, Wattier, Weis), and Phyllis Maclin abstaining.



2<sup>nd</sup> MOTION for NKU: Mr. Wattier moved that the Council approve the amount that Northern Kentucky University originally requested [9.7 percent for 2008-09 resident undergraduate tuition and mandatory fees]. The motion was seconded by Mr. Canafax.

VOTE: The motion passed with eight yes votes (Bertelsman, Canafax, Flanagan, Hall, Moore, Osborne, Turner, Wattier), three no votes (Quarles, Skaggs, Weis), and Phyllis Maclin abstaining.

MOTION for WKU: Mr. Skaggs moved that the Council accept the staff recommendation for Western Kentucky University [8 percent increase for 2008-09 resident undergraduate tuition and mandatory fees] and increase the nonresident rate to \$18,670. The motion was seconded by Ms. Maclin.

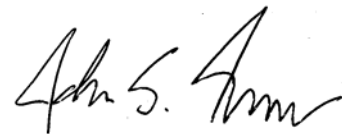
VOTE: The motion passed unanimously.

MOTION for KCTCS: Ms. Maclin moved that the Council accept the staff recommendation for the Kentucky Community and Technical College System [5.2 percent increase for 2008-09 resident undergraduate tuition and mandatory fees]. The motion was seconded by Ms. Moore.

VOTE: The motion passed with nine yes votes (Bertelsman, Canafax, Maclin, Moore, Quarles, Skaggs, Turner, Wattier, Weis) and three no votes (Flanagan, Hall, Osborne).

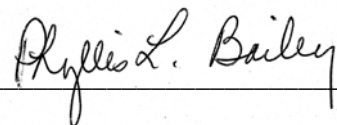
ADJOURNMENT

The meeting adjourned at 12:07 p.m.



---

John S. Turner  
Chair, Council on Postsecondary Education



---

Phyllis L. Bailey  
Senior Associate, Executive Relations