

MINUTES
Council on Postsecondary Education
February 11, 2010

The Council on Postsecondary Education met Thursday, February 11, 2010, at 10 a.m. at the Council offices in Frankfort, Kentucky. Chair Paul Patton presided.

ROLL CALL

The following members attended: Ellen Call, Chris Crumrine, Glenn Denton, Dan Flanagan, Joe Graviss, Phyllis Maclin, Nancy McKenney, Pam Miller, Donna Moore, Lisa Osborne, Paul Patton, Marcia Ridings, Jim Skaggs, and Joe Wise. Terry Holliday and Joe Weis did not attend.

APPROVAL OF MINUTES

The minutes of the November 2009 meeting were approved.

**2010-12 EXECUTIVE
 BUDGET
 RECOMMENDATION
 SUMMARY**

Representative Arnold Simpson, chair of the House Budget Review Subcommittee on Postsecondary Education, was not able to attend the meeting due to a scheduling conflict.

On January 19, 2010, Governor Beshear released his 2010-12 Executive Budget recommendation which includes \$780 million in revenue from video lottery terminals to help protect core priorities including SEEK (the primary classroom funding formula), Medicaid, and public safety. The Executive Budget proposed cuts to most state agencies of 2 percent, which is in addition to the 20 to 25 percent budget reductions received over the last two years. In his budget address, the Governor stated that, if additional federal funds become available, these additional resources should be used to increase teacher and state employee pay, restore cuts to higher education and the Department of Community-Based Services, and rebuild Kentucky's rainy day fund.

John Hayek, the Council's vice president for finance, gave an overview of key items in the Executive Budget related to postsecondary and adult education.

Institution Operations

- The Executive Budget recommends a straight-lined budget for FY11, through a combination of General Funds (\$979 million) and federal stimulus funds (\$57 million in FY11), and a 2 percent reduction in FY12.
- Technical adjustments were made for debt service and the UofL hospital contract, but not for KSU's land grant funds or for M&O on new facilities.

Capital Investments

- The Executive Budget includes General Fund debt service for \$584 million in state-funded capital projects, including the highest priority project for each university and the highest two priorities for KCTCS.
- The recommendation also allows the institutions to fund with agency bonds another \$323 million in capital projects.

CPE Agency Funds (Statewide Coordination and Statewide Educational Programs and Services)

- The Executive Budget proposes a 2 percent reduction (\$878,000) to CPE agency funds in FY11 and straight-line appropriations in FY12. Unfortunately, the General Fund support for Kentucky Adult Education, which was exempted from several prior cuts, was included as part of CPE's total budget reduction.
- The Executive Budget recommendation does increase the number of veterinary spaces to 164 from 154 in the contract spaces program in FY11 and FY12 and provides for increases in tuition in the program.
- Approximately a half-year of debt service totaling \$28 million for postsecondary education capital projects is included in FY12.
- The Executive Budget recommendation does include \$4.7 million in FY11 to support SB 1 (2009) implementation and \$1.8 million in FY12.

Financial Aid

- The Executive Budget dedicates 100 percent of the value of the lottery revenues for student financial aid.
- The recommendation fully funds the KEES program at \$94 million in FY11 and \$99 million in FY12.
- The Executive Budget increases funding to Kentucky's need-based financial aid program, the College Access Program (CAP), from \$64 million to \$73 million in FY11 and \$76 million in FY12.
- The Kentucky Tuition Grant (KTG), need-based aid specifically for students who attend independent colleges and universities, is straight-lined at \$33 million in FY11 and \$34 million in FY12.
- For the first time, student financial aid is proposed to be funded with bond funds for FY11 and FY12 versus lottery proceeds.

Dr. Hayek said that the House budget recommendation should be available within the next few weeks and noted that the Council staff and the institutions have had a number of successful presentations to the House budget committees.

CAPITAL PROJECTS

RECOMMENDATION: The staff recommended that the Council approve the request of Eastern Kentucky University to construct a radio transmission and cell phone tower on the university's main campus with \$750,000 of federal funds and \$750,000 of institutional funds. The total project scope is \$1,500,000.

This project will construct a transmission tower that will collaboratively serve EKU, prospective cell leases, the Kentucky State Police, and other users. The project, scheduled to be completed by 2012, requires interim authorization because the federal grant has become available after the 2010-12 budget request process was completed in November 2009 and to allow the university time to properly design the tower construction, go through the project bid process, award a contract, and complete the work. The project will result in an improvement to state-owned property with ownership of the improvements to accrue to the university at completion.

Funding for the project will come from a federal grant and institutional restricted funds. The university confirmed that the federal grant funds are available to implement the project. The cost of operations and maintenance for this project is provided by the university and does not represent a demand on the General Fund. The university does not anticipate debt financing any portion of this project. The EKU Capital Project Management Division will implement the project in collaboration with the Division of Facilities Management of the Finance and Administration Cabinet, and the university will pay the operations and maintenance.

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

VOTE: The motion passed.

RECOMMENDATION: The staff recommended that the Council approve the request of EKU to construct a hotel on the university's main campus with \$40,000,000 of private/other funds. The total project scope is \$40,000,000.

This project will construct a 175,000 square foot facility which will house various types of space to serve academic, sports, and performing arts activities. The project would be located on university land that would be leased to a private developer who would pay for building the project and its operating costs. The project is scheduled to be completed by 2012. The project requires interim authorization because the federal grant has become available after the 2010-12 budget request process was completed and to allow the university time to properly design the hotel construction, go through the project bid process, award a contract, and complete the work. The project will result in an improvement to state-owned property with ownership of the improvements to accrue to the university.

Funding for the project will come from funds provided through a public/private partnership, and the funds are available to implement the project. The cost of operations and maintenance for this project is provided by the university and does not represent a demand on the General Fund. The university does not anticipate debt financing any portion of this project. The ECU Capital Project Management Division will implement the project in collaboration with the Division of Facilities Management of the Finance and Administration Cabinet, and the university will negotiate the terms of the operations and maintenance with the prospective lessee. Before the university can advertise a request for proposals for the project, state law requires that the project be included as a line item in the state budget, even if no state funds are used. At its January 2010 meeting, the ECU Board of Regents authorized the university to request that the project be included in the state budget.

MOTION: Ms. Ridings moved that the recommendation be approved. Ms. Miller seconded the motion.

Dr. Wise raised concerns that the use of a private developer would allow projects to proceed outside the state's prevailing wage law. Some Council members disagreed, expressing concern that putting restrictions on the university would impede its negotiations with developers.

AMENDMENT TO MOTION: Dr. Wise amended the motion to reflect that Kentucky prevailing wage will be included in the construction of the project. Ms. Moore seconded the amendment to the motion.

VOTE ON AMENDMENT: The amendment to the motion failed with four members voting yes and ten members voting no.

Mr. Denton requested that ECU share a copy of the project RFP when available.

VOTE ON ORIGINAL MOTION: The motion passed with no opposing votes.

RECOMMENDATION: The staff recommended that the Council approve, contingent on favorable action by the University of Kentucky Board of Trustees at its March 2010 meeting, the request of UK to construct the Center for Applied Energy Research Laboratory Building #2 on the Spindletop Energy Research Campus with \$11,832,685 from the National Institute of Standards and Technology, \$7,000,000 from the Kentucky Energy and Environment Cabinet, and \$944,288 of institutional funds. The project scope is \$19,776,973.

Normally, the Council considers capital projects after the institution governing board has formally approved the project. But the guidelines for the use of the \$11,832,685 in federal funds – from the American Recovery and Reinvestment Act (2009) – require that implementation of the project begin in a very short timeframe. To meet the timeframe the project needs to be under contract by late March. Because the UK Board of Trustees does not meet until March 9, President Todd requested that the Council consider the project contingent on UK board approval.

MOTION: Mr. Crumrine moved that the recommendation be approved. Ms. Miller seconded the motion.

VOTE: The motion passed.

NEW PROGRAMS

RECOMMENDATION: The staff recommended that the Council approve the Bachelor of Science in Military Leadership (CIP 29.0101) proposed by Western Kentucky University.

MOTION: Mr. Crumrine moved that the program be approved. Ms. Miller seconded the motion.

VOTE: The motion passed.

RECOMMENDATION: The staff recommended that the Council approve the Master of Science in Instructional Design (CIP 13.0501) proposed by Western Kentucky University.

MOTION: Dr. Wise moved that the program be approved. Ms. Osborne seconded the motion.

VOTE: The motion passed.

RECOMMENDATION: The staff recommended that the Council approve the Master of Science in Chemical Manufacturing Management (CIP 41.0301) proposed by Murray State University.

MOTION: Mr. Denton moved that the program be approved. Ms. Moore seconded the motion.

VOTE: The motion passed.

RECOMMENDATION: The staff recommended the approval of the proposal from Morehead State University to offer an Ed.D. in Educational Leadership contingent upon the same conditions as previously approved Ed.D.'s at comprehensive universities:

- (1) Successful annual review of progress conducted by an external review committee and a full review at the end of three years to ensure the viability, sustainability, and effectiveness of the program.
- (2) Evidence in the annual review that the program is on track to be financially self-sufficient by the time it is fully implemented.
- (3) The Council directs each institution granting an Ed.D. to collect and report to the Council staff information on the placement of all of its graduates. The Council also directs each institution awarding an Ed.D. to evaluate whether these educational leaders have helped to improve student achievement in Kentucky. Finally, the Council directs the Council staff to incorporate information from these institutional reports in reports to the Council (e.g., the High School Feedback Report) and to the legislature (e.g., the annual accountability report).

Dr. Aaron Thompson, the Council's interim vice president for academic affairs, said that a review committee conducted an interview with representatives from the campus and found that the proposed program stresses regional stewardship and focuses on improving student achievement and the economy in their area of geographic responsibility. It also focuses on the long-term strengthening of the workforce through improvements in the educational system at all levels, and the initial resources invested in this program are an investment in the future of the region. The review committee asked MoSU to respond to several concerns, and the university amended its original proposal to include this information. The process resulted in a program that addresses the needs of MoSU's region, as well as the needs of Kentucky as a whole. While the program will be expected to show progress in transferability and sustainability, the institution made a diligent and committed effort to address the issues of concern expressed by the Council throughout the process. The institution has indicated that given the priority they have placed on this program they can, even in the current difficult financial climate, support its launch.

MOTION: Ms. Osborne moved that the program be approved. Ms. Miller seconded the motion.

VOTE: The motion passed.

COMMISSIONER OF EDUCATION REPORT

A report from Commissioner Holliday was included in the agenda materials.

RACE TO THE TOP FUND

Mr. King said that related to the passage of the common core standards at the joint meeting last evening is the creation by the federal government of the Race to the Top Fund. The money is available through a competitive process, and Kentucky is one of the 40 states applying for the money. The expectation is that a relatively small number of states will receive funds in the first round of the competition. The responsibility for developing Kentucky's application rested with the Kentucky Department of Education but involved a great deal of input from the colleges and universities and the

Council staff. The level of collaboration and integration between higher education and K-12 resulted in a strong application. States will be notified if they are finalists for the first round of funding in late March. The first awards will be made in April.

KENTUCKY TRANSFER PLAN

The Council staff presented an update on the progress toward implementation of the Kentucky Transfer Project (an action plan developed by the Council of Chief Academic Officers and Council staff to ensure student mobility across Kentucky's postsecondary educational system) and how this agreement aligns with House Bill 160, the transfer bill under consideration in the current legislative session. Among other strategies, the Kentucky Transfer Plan includes implementation of an electronic system to offer unified course articulation and transfer information to meet the needs of students, transfer advisers, registrars, faculty, and other stakeholders. This system will clarify the sequence of courses students should take to maximize transfer of credit for the most common degree programs, as well as indicate whether a course will count toward general education or major requirements.

CPE PRESIDENT'S REPORT

The CPE President's Report was distributed for information.

ELECTION OF CPE CHAIR AND VICE CHAIR

RECOMMENDATION: On behalf of the Nominating Committee, Mr. Denton recommended that Paul Patton be elected as chair and Pam Miller be elected as vice chair to serve a term ending January 31, 2011.

Mr. Denton said that the only reason that a change is being recommended for the vice chair position is that Mr. Flanagan is term limited. According to the Council's bylaws, the officers are limited to three consecutive one-year terms.

MOTION: Mr. Flanagan moved that the recommendation be approved. Ms. Maclin seconded the motion.

VOTE: The motion passed.

Governor Patton said that he is again honored to continue with his responsibility as chair. He thanked Mr. Flanagan for his work and involvement in Council activities during his tenure as vice chair.

Ms. Miller thanked the Council for allowing her to serve as vice chair. She said that she is very proud of Kentucky in where the state has come from and where it is going.

Mr. Flanagan thanked the Council for the opportunity to have served as vice chair for three years. He said that it is quite obvious that the Council has certainly stepped up and moved in the right direction under the leadership of Governor Patton and Bob King. He said he looks forward to continuing to work with the Council.

KYVL STRATEGIC PLAN,
LICENSURE, 2009
ENROLLMENT REPORT

Due to the length of the meeting, these items were postponed to the April 23 meeting – KYVL strategic plan, licensure and accreditation update, and fall 2009 enrollment report.

2010-11 TUITION
SETTING PROCESS

RECOMMENDATION: The staff recommended that the Council approve the Tuition and Mandatory Fee Policy and 2010-11 Tuition Setting Process documents that provide a framework for establishing public postsecondary tuition and fees for academic year 2010-11.

At the November 2009 Council meeting, staff submitted draft Tuition and Mandatory Fee Policy and 2010-11 Tuition Setting Process documents to Council members for review and discussion. Since that time, staff has continued to work with institutional chief budget officers to finalize the tuition policy and process documents. These documents will guide the 2010-11 tuition and fee setting process.

The proposed tuition and fee policy is the same version that was submitted to the Council at its November 2009 meeting and is the same that was used in 2009-10. The fundamental objectives of the tuition policy include funding adequacy, shared benefits and responsibility, affordability and access, attracting and importing talent, and effective use of resources.

The process for determining tuition and fee parameters and bringing rate proposals for Council approval will be similar to the process used in 2009-10. A major goal of the process is to provide ample time for stakeholder discussion and for exchange of policy relevant information among Council staff, institutional presidents, chief budget officers, and Council members. This exchange of data and information will lead to a better understanding of key tuition issues and provide increased opportunity for feedback and direction, before taking final action on tuition rates.

It is anticipated that the Council will take action on recommended tuition parameters at the April 23 meeting and approve each institution's proposed tuition and mandatory fee rates at the May 21 meeting.

Several institutions have indicated an interest in moving from a flat-rate tuition billing structure to a per-credit-hour billing approach in 2010-11.

MOTION: Ms. Miller moved that the recommendation be approved. Ms. Moore seconded the motion.

VOTE: The motion passed.

2011-15 STRATEGIC
AGENDA
DEVELOPMENT

Ms. Osborne, chair of the Strategic Agenda Work Group, reported that the group is working to develop a timeline for developing the plan. Pipeline issues are being discussed, and the group plans to meet with representatives

from the Kentucky Department of Education and the Economic Development Cabinet to discuss ways to align the agency plans. Comments and participation from other CPE members are always welcome.

CEO REPORT & DIVERSITY PLANNING

A report on the activities and initiatives being carried out by the Committee on Equal Opportunities was included in the agenda materials.

The CEO continues to invite input and comment from external parties to inform the development of the statewide approach to diversity planning. A draft of the most recent work related to diversity planning has been shared with internal and external organizations. At its February meeting, the CEO anticipates hearing from those interested in providing commentary on the most recent draft or additional ideas regarding the overall development of a diversity plan for postsecondary education in Kentucky.

Since the November report to the Council, the idea of developing a postsecondary education diversity policy, including a framework for institutional plan development, has come to light and has been explored as a more appropriate means of communicating the Commonwealth's approach to diversity planning for postsecondary education.

Mr. King said that, as the working group has been working to develop its response to the language that was in the resolution that CPE enacted in September 2008, it became clear that the group was struggling to develop an approach for a statewide diversity plan. The work that was going on was caught between an appropriate role that the Council would play at the state level and appropriate flexibility that ought to reside at the campuses. The policy should require that every campus have a plan and that those plans should address enrollment, employment, student life, and the elimination of achievement gaps. He said it would be helpful for the Council to amend its initial directive to develop a policy rather than a plan.

Ms. Osborne clarified that this action will not negate all of the work that has been done by the CEO to this point. That work will roll over into a policy instead of a plan.

MOTION: Mr. Crumrine moved that the work group be directed to develop a set of policies to guide the development of institutional diversity plans. Ms. Osborne seconded the motion.

VOTE: The motion passed.

COMMITTEE APPOINTMENTS

Governor Patton appointed these members to serve with him on the Council's Executive Committee - Ms. Miller, Mr. Flanagan, Mr. Denton, and Mr. Skaggs.

REPORTS FROM INSTITUTIONS

Reports from the institutions were included in the agenda book.

NEXT MEETING

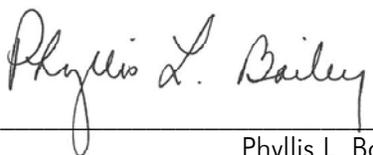
The next Council meeting is April 23, 2010.

ADJOURNMENT

The meeting adjourned at 12:35 p.m.



Robert L. King
CPE President



Phyllis L. Bailey
Senior Associate, Executive Relations

CPE MEMBER
WORK SESSION

The Council members met February 11, 2010, at 8:30 a.m. for a CPE member work session. Dr. Curtis Bonk from Indiana University gave a presentation about "The World is Open: How Web Technology is Revolutionizing Education."