

AGENDA

Council on Postsecondary Education

October 7, 1997

8:00 a.m. (ET), CPE Conference Room, Suite 320, 1024 Capital Center Drive,
Frankfort, Kentucky

- A. Roll Call
- B. Approval of Minutes1
- C. Budget Process Presentation – Jim Ramsey and Merl Hackbart9
- D. Agenda Development Presentation – Aims McGuinness20
- E. Incentive Trust Funds Criteria21
- F. Other Business
- G. Next Meeting – October 19-20
- H. Adjourn to Committee Meetings –
 - Quality & Effectiveness Committee26
(Attorney General Office’s conference room located on the second floor)
 - Incentives & Investments Committee36
(CPE conference room)

All agenda materials are available on the CPE home page at <http://www.cpe.state.ky.us>.

Action items are indicated by italics.

Tuesday, October 7, 1997

8:00 a.m. (ET) **CPE Meeting**, CPE Conference Room, Suite 320, 1024 Capital Center Drive, Frankfort

upon adjournment **Quality and Effectiveness Committee**, Attorney General's Office
of CPE Meeting Conference Room, 2nd floor, 1024 Capital Center Drive, Frankfort

Incentives and Investments Committee, CPE Conference Room, Suite 320, 1024 Capital Center Drive, Frankfort



Quality and Effectiveness Committee

Peggy Bertelsman, Chair
Lee Todd, Vice Chair
Norma Adams
Steve Barger
Marlene Helm
Wilmer Cody
Lois Weinberg
Leonard Hardin (ex officio)

Investments and Incentives Committee

Ron Greenberg, Chair
Jim Miller, Vice Chair
Walter Baker
Renita Edwards
Merl Hackbart
Shirley Menendez
Marcia Ridings
Charles Whitehead
Leonard Hardin (ex officio)

Trends and Operations Committee

Leonard Hardin, Chair
Charles Whitehead, Vice Chair
Peggy Bertelsman
Ron Greenberg
Lee Todd
Jim Miller
Walter Baker
Lois Weinberg

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BUDGET PROCESS PRESENTATION

Discussion:

CPE is required by statute to submit an operating and capital projects funding request to the Governor and General Assembly for all postsecondary institutions by November 15, 1997. In establishing its priorities for funding, CPE must ensure that the anticipated outcomes of the Kentucky Postsecondary Education Improvement Act of 1997 are addressed. Implementing the Kentucky Postsecondary Education Improvement Act requires that the 1998/2000 budget request be viewed as part of the overall transition process and may require action that differs from the previous biennial budget request processes.

At the October 7 meeting, State Budget Director Jim Ramsey and CPE member Merl Hackbart (a former State Budget Director on two separate occasions) will provide additional information and lead a discussion regarding the process of developing the operating and capital budget request for postsecondary education. Attached is a memorandum from Jim Ramsey transmitting three draft documents he prepared. Those documents address: 1) strategic incentive and investment trust fund criteria for 1997/98; 2) strategic incentive and investment trust fund criteria and related issues for 1998/2000; and 3) postsecondary education capital construction issues for 1998/2000.



Governor's Office for Policy and Management

284 Capitol Annex, 702 Capitol Avenue
Frankfort, Kentucky 40601

Paul E. Patton
Governor

(502) 564-7300
FAX: (502) 564-6684
Internet: contact@msmail.state.ky.us

James R. Ramsey
State Budget Director

TO: Dr. Gary S. Cox, Acting President
Council on Postsecondary Education

FROM: James R. Ramsey, State Budget Director
Governor's Office for Policy and Management

DATE: October 2, 1997

SUBJECT: Postsecondary Education Financing Issues

Attached herewith are three draft documents that I believe might be useful for Council on Postsecondary Education members to receive and review prior to the October 7 meeting. These draft documents reflect some preliminary thoughts about three issues: 1) Strategic Incentive and Investment Fund criteria for fiscal year 1998; 2) Strategic Incentive and Investment Fund criteria and related issues for the 1998-2000 biennium; and 3) postsecondary education capital construction issues for the 1998-2000 biennium.

I believe the matters embodied in these documents could serve as a useful point of departure for Council member discussion purposes, including my presentation on the agenda, at the October 7 meeting.

sp/961

Attachments (Three)

c: The Honorable Paul E. Patton
Crit Luallen

**Statement of
Council on Postsecondary Education for
Allocation of
Strategic Incentive and Investment Funds
Current Fiscal Year 1998**

Background

House Bill 1 (HB 1) identified goals for our system of postsecondary education to be achieved by year 2020. To encourage the achievement of these goals, HB 1 created strategic incentive and investment funds to serve as awards to institutions. The Strategic Incentive and Investment Funds created by HB 1 are:

- A. Research Challenge Trust Fund;
- B. Regional University Excellence Trust Fund;
- C. Technology Initiative Trust Fund;
- D. Physical Facilities Trust Fund;
- E. Postsecondary Workforce Development Trust Fund; and,
- F. Student Financial Aid and Advancement Trust Fund

House Bill 4, enacted by the General Assembly in special session, appropriated funds in the current fiscal year (FY 98) to three of these trust funds: 1) the Research Challenge Trust Fund, 2) the Regional University Excellence Trust Fund, and, 3) the Postsecondary Workforce Development Trust Fund. HB 1 further stated:

“...the Council on Postsecondary Education shall develop the criteria and process for submission of an application”...for the receipt of appropriations to each of the trust funds. In addition, “...the Council shall determine the matching funds or internal reallocation requirements from the applicants to qualify for funding.”

The Research Challenge Trust Fund was created for the benefit of the University of Kentucky and the University of Louisville to assist these institutions in achieving their stated goals as specified in HB 1. The Regional University Excellence Trust Fund was established for the purpose of assisting the regional universities to: 1) attain at least one nationally-recognized “Program of Distinction” or one nationally recognized Applied Research Program and 2) work cooperatively with other postsecondary institutions to ensure statewide access to baccalaureate and master’s degrees at a quality at or above the national average. The Postsecondary Workforce Development Trust Fund was established in 1997/98 to provide funding to the Kentucky Tech System for equipment to be used in the delivery of instruction to the students of this system.

House Bill 1

- ◆ Created new funding model for Postsecondary Education with the creation of six Strategic Investment and Incentive Funds
 - 1) Research Challenge Trust Fund
 - 2) Regional University Excellence Trust Fund
 - 3) Technology Initiative Trust Fund
 - 4) Physical Facilities Trust Fund
 - 5) Postsecondary Workforce Development Trust Fund
 - 6) Student Financial Aid and Advancement Trust Fund

House Bill 4

- ◆ Provides \$23 million in base increases
- ◆ Provides \$15 million in Strategic Investment and Incentive Funds
 - 1) \$6 million/Research Challenge Trust Fund
 - 2) \$6 million Regional University Excellence Trust Fund
 - 3) \$3 million Postsecondary Workforce Development Trust Fund

:dj/0842

POSTSECONDARY EDUCATION REFORM ACT FUNDING			
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	1998 Base Increase	Incentive Trust Funds	Total Available
EKU	3,016,100	1,455,000	4,471,100
KSU	125,800	480,000	605,800
MoSU	1,326,400	865,000	2,191,400
MuSU	224,900	1,059,000	1,283,900
NKU	929,700	737,000	1,666,700
UK	1,480,000	4,000,000	5,480,000
UK-CCS	11,768,700	-	11,768,700
KY TECH	-	3,000,000	3,000,000
UL	2,719,200	2,000,000	4,719,200
WKU	761,300	1,404,000	2,165,300
Subtotal	22,352,100	15,000,000	37,352,100
CPE	647,900	-	647,900
Total	23,000,000	15,000,000	38,000,000

CPE Budget Issues

- 1. What are Criteria for Allocation of 1998 Investment and Incentive Funds?**
 - **CPE Final Decision Point**

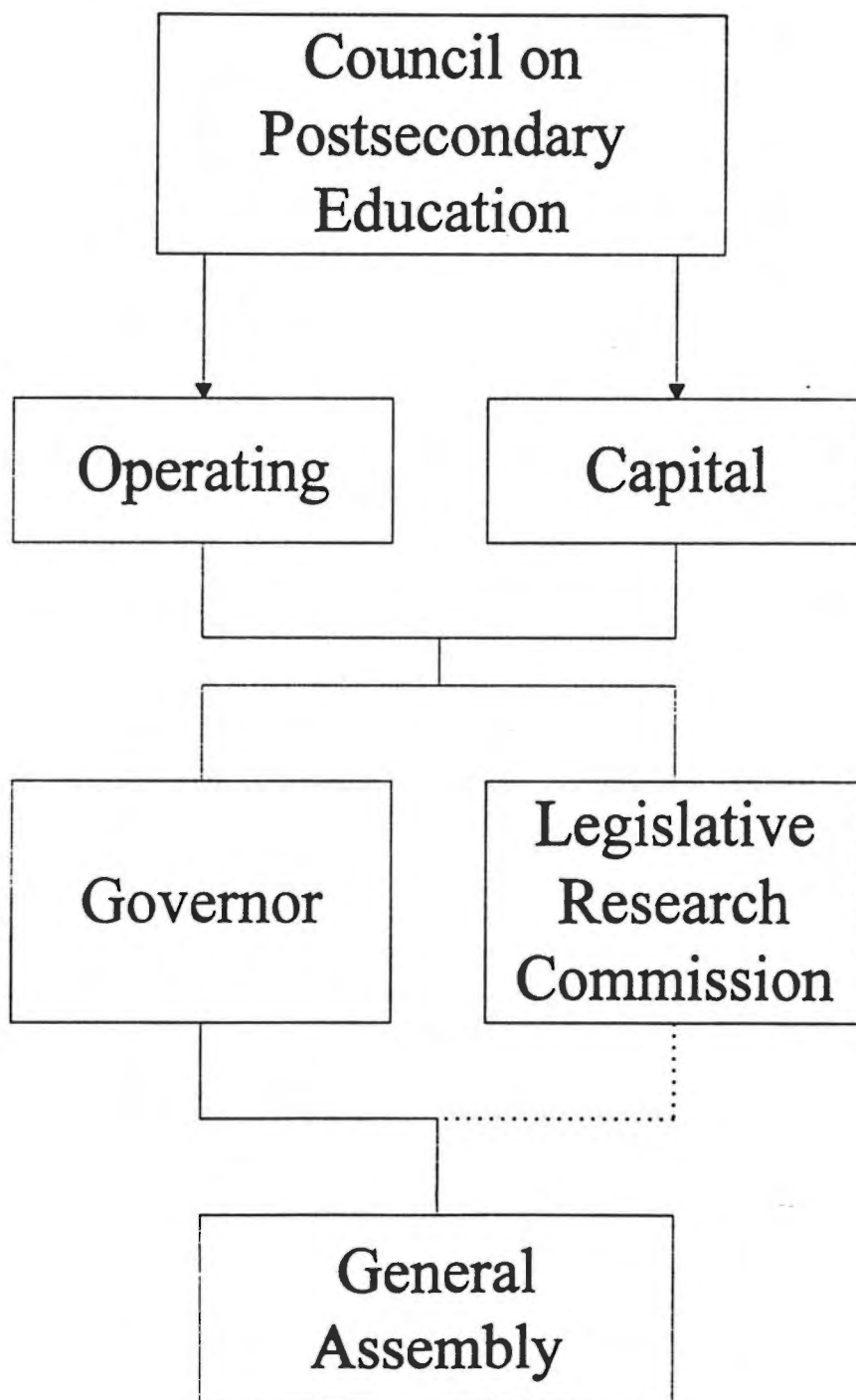
- 2. What Do You Recommend for the Allocation of Governor's Additional \$62m Commitment for 1998-2000?**
 - **Operating**
 - **Capital**

Strategic Investment and Incentive Fund Issues

- 1) Goals - Create Incentives to Achieve Goals of House Bill 1
- 2) MATCH Requirements
 - \$1 for \$1; Other
 - “Seed Money”
 - Source of Match
- 3) Non-recurring/Recurring
 - Philosophy
 - Type of Expenditure
 - Source of Match
- 4) Accountability
 - Ensure Institutions Moving Toward Goals
 - Sunset Provisions
 - Other

Budget Process

1998 - 2000



Budget Investment and Incentive Funds

Fiscal Year	Research	Regional	Workforce	Physical Facilities	Technology	Student Aid	Total
1998	6	6	3	0	0	0	15
1999	?	?	?	*	*	?	32
2000	?	?	?	*	*	?	30
Total							77

+ Equity	23
	100

*Funded by Capital Construction

Capital Budget

Priorities (?)

- 1) Deferred Maintenance “Banks Report”
- 2) Technology Based Instruction/Commonwealth
Virtual University
- 3) New Construction
 - Goals of House Bill 1

Drafts You Have

- | | |
|---|-------------------|
| 1) Allocation Criteria for 1998 | JRR
PRESIDENTS |
| 2) Allocation Criteria for
1998-2000 | JRR |
| 3) Capital Construction
Recommendations
for 1998-2000 | JRR |
| 4) Physical Facilities
Allocation Criteria | PRESIDENTS |

AGENDA DEVELOPMENT PRESENTATION

**CPE (D)
October 7, 1997**

Discussion:

At the September 21 CPE meeting, Aims McGuinness, the primary consultant to the Task Force on Postsecondary Education, made a brief presentation on incentive trust funds and related issues. Aims has agreed to attend the October 7 CPE meeting and lead a broader discussion among CPE members of postsecondary education reform issues.

From

• Founders

• Institutions

• Internal Agenda

• Disconnected Agenda

• Governance & Confrontation

• Higher Education

To

• Clients

• Public / Policy Leaders

• Public Agenda

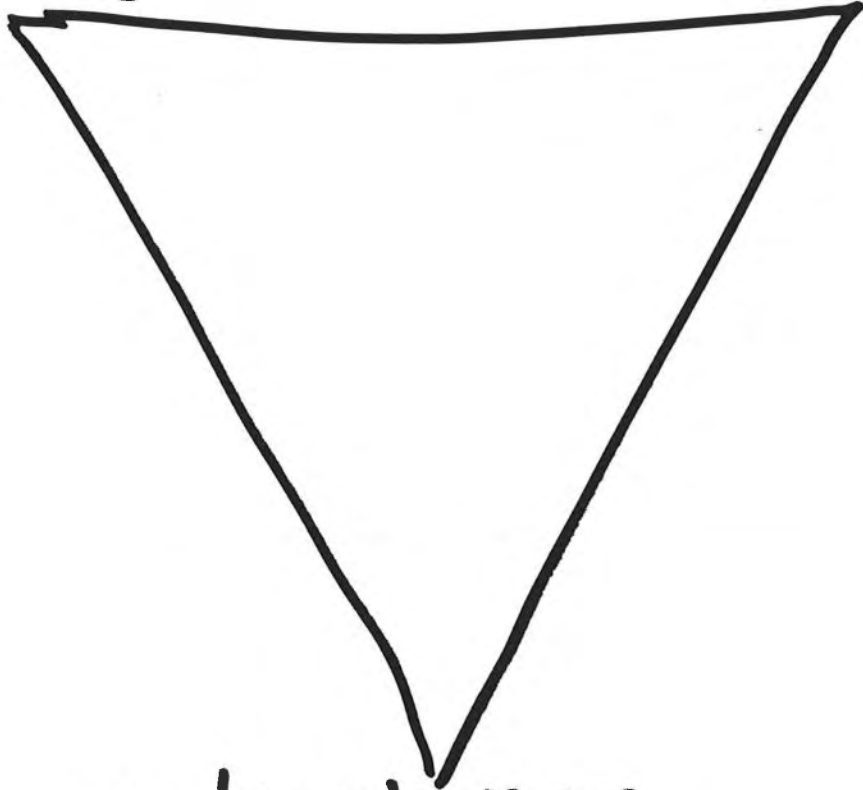
• Integrated Agenda

• Policy Leadership

• Postsecondary Education

Budget
Resource
Allocation

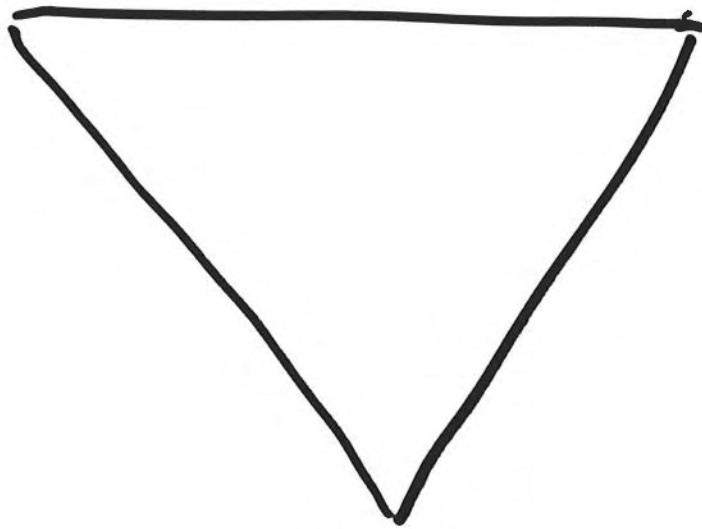
Assessment/
Evaluation
Accountability



Planning/
Strategy Agenda

Accountability

Budget



goals
HBI

- Literacy of Adult Workforce
- Leakage at every level
- Low degree production in critical areas
- Low Research productivity
- Widely dispersed, uncoordinated Resources
- Weak link between Assets & needs
- Serious policy barriers

INCENTIVE TRUST FUNDS CRITERIA

Information:

The Kentucky Postsecondary Education Improvement Act of 1997 established six Strategic Investment and Incentive Trust Funds to advance the goals of postsecondary education. These funds are as follows:

- The Research Challenge Trust Fund;
- The Regional University Excellence Trust Fund;
- The Technology Initiative Trust Fund;
- The Physical Facilities Trust Fund;
- The Postsecondary Workforce Development Trust Fund; and
- The Student Financial Aid and Advancement Trust Fund.

House Bill 4, the appropriations bill enacted during the May Special Session, appropriated \$15 million for 1997/98 to three of the six trust funds: the Research Challenge Trust Fund, the Regional University Excellence Trust Fund, and the Postsecondary Workforce Development Trust Fund (a spreadsheet showing the distribution of the 1997/98 funds is included as Attachment 1).

CPE must establish the eligibility criteria for 1997/98 incentive trust funds. Additionally, CPE must recommend to the Governor and General Assembly the allocation of anticipated new funding, approximately \$45 million in 1998/99 and \$75 million in 1999/2000, among the trust funds by November 15, 1997.

On September 25, 1997, Gary Cox sent a letter (Attachment 2) to all CPE members conveying information from Chair Hardin who had informed him that the Governor and Conference of Presidents discussed the need for the presidents to have input into the development of the incentive funding criteria. The Conference of Presidents agreed to draft an approach for distributing the 1997/98 incentive funds and forward that draft to CPE members for their review. To date, CPE staff has received only one correspondence from President Eaglin, convener of the Conference of Presidents. That correspondence provided suggested criteria for only one incentive trust fund, the Physical Facilities Incentive Trust Fund. A copy of that correspondence is included as Attachment 3. Any further correspondence from the Conference of Presidents relating to proposed criteria for the other incentive trust funds will be forwarded to CPE members as it becomes available.

These attached documents as well as the attachment to Agenda Item C, correspondence from Jim Ramsey, are background information and are designed to facilitate discussion of incentive trust fund criteria at the CPE meeting.

**POSTSECONDARY EDUCATION
1997/98 FUNDING
STRATEGIC INVESTMENT AND INCENTIVE TRUST FUNDS**

Institution	Research Challenge Fund(1)	Regional University Excellence Fund(1)	Postsecondary Workforce Development Fund(1)	Total
Eastern Kentucky University	-	1,455,000	-	1,455,000
Kentucky State University	-	480,000	-	480,000
Morehead State University	-	865,000	-	865,000
Murray State University	-	1,059,000	-	1,059,000
Northern Kentucky University	-	737,000	-	737,000
University of Kentucky University System	4,000,000	-	-	4,000,000
Kentucky Community and Technical College System (KCTCS)	-	-	3,000,000 (2)	3,000,000
University of Louisville	2,000,000	-	-	2,000,000
Western Kentucky University	-	1,404,000	-	1,404,000
Total	6,000,000	6,000,000	3,000,000	15,000,000

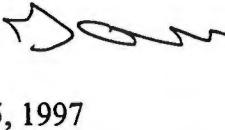
(1) Appropriated to CPE to be distributed among institutions in accordance with provisions of House Bill 1 as enacted.

(2) For instructional equipment in the technical institutions branch of KCTCS.



Gary S. Cox
Acting President

MEMORANDUM

TO: CPE members
FROM: Gary S. Cox 
DATE: September 25, 1997
SUBJECT: Incentive Funding Information

Since our meeting Monday afternoon, Mr. Hardin informed me that the Governor and Presidents discussed the need for the Presidents to have the chance to have input in the development of the incentive funding criteria. Specifically, the Presidents are drafting an approach to distributing this year's incentive funds for your review. The draft is to be completed this week, and Mr. Hardin has agreed that you will review the draft as your first step in developing policy in this area.

The Presidents are anxious to exert leadership in support of the Governor and implementation of House Bill 1. By reviewing their proposal as your initial step, you will be providing support to the Presidents' efforts to be cooperative. Of course, there is no assurance that you will agree with their draft. You will be free at that time to take another course of action.

Mr. Hardin and I regret that we did not have this information when you met Monday afternoon, but we suggest that you give the Presidents an opportunity to be proactive and positive.

Call me or Mr. Hardin if you have questions or comments.

cc: Presidents
Sue Moore
Ken Walker



*Rich Heritage...
Bright Future*

OFFICE OF THE PRESIDENT

201 HOWELL-MCDOWELL AD. BLDG.
MOREHEAD, KENTUCKY 40351-1689
TELEPHONE: 606-783-2022
FAX: 606-783-2216

October 1, 1997

TO: Leonard Hardin, Chair
Council on Postsecondary Education

FROM: Ron Eaglin, Convener *RE*
Conference of Presidents

RE: Physical Facilities Trust Fund

Attached are the Conference of Presidents' recommendations concerning the Physical Facilities Trust Fund.

We thank you for your consideration and stand ready to respond to any of these recommendations.

RGE:c

Attachment

CC: Dr. Gary Cox
Conference of Presidents

MSU is an affirmative action equal opportunity educational institution.

**STRATEGIC INVESTMENT AND INCENTIVE TRUST FUNDS
PHYSICAL FACILITIES TRUST FUND
1998-2000**


- Funds shall be used for the renovation of physical facilities, to include deferred maintenance projects
- Funds shall be appropriated to institutions proportional to their respective share of the total E & G square footage of space factored by the age of the buildings
- Funds allocated to institutions shall be non-recurring
- Funds shall require a one-to-one match
- Funds must be linked to the state strategic agenda and institutional plans
- Any funds left over at the state level in any year would be carried forward and added to the next year's allocation pool
- Funds shall be available to institutions on July 1 of each fiscal year
- By October 1 of each fiscal year, institutions will be required to provide an annual progress report of prior year activities
- All institutions shall have 24 months to complete funded projects
- Any funds left over at the institutional level after 24 months shall lapse to the State Physical Facilities Trust Fund
- Exceptions to the Facilities Trust Fund guidelines may be approved by the Governor's Office for Policy and Management

The recommended funding source for the above criteria is cash.



Gary S. Cox
Acting President
MEMORANDUM

TO: CPE Members

FROM: Gary S. Cox 

DATE: October 3, 1997

SUBJECT: Correspondence from Conference of Presidents
Proposed Criteria for Incentive Trust Funds

Last night we sent you via overnight mail the agenda material for the October 7 CPE meeting. I trust that you have received that material by now.

Agenda item CPE (E) on page 21 of the agenda book indicates that as of yesterday afternoon CPE staff had received only one correspondence from President Eaglin, convener of the Conference of Presidents, and that any further correspondence from the Conference of Presidents relating to proposed criteria for the other incentive trust funds would be forwarded to CPE members as it becomes available.

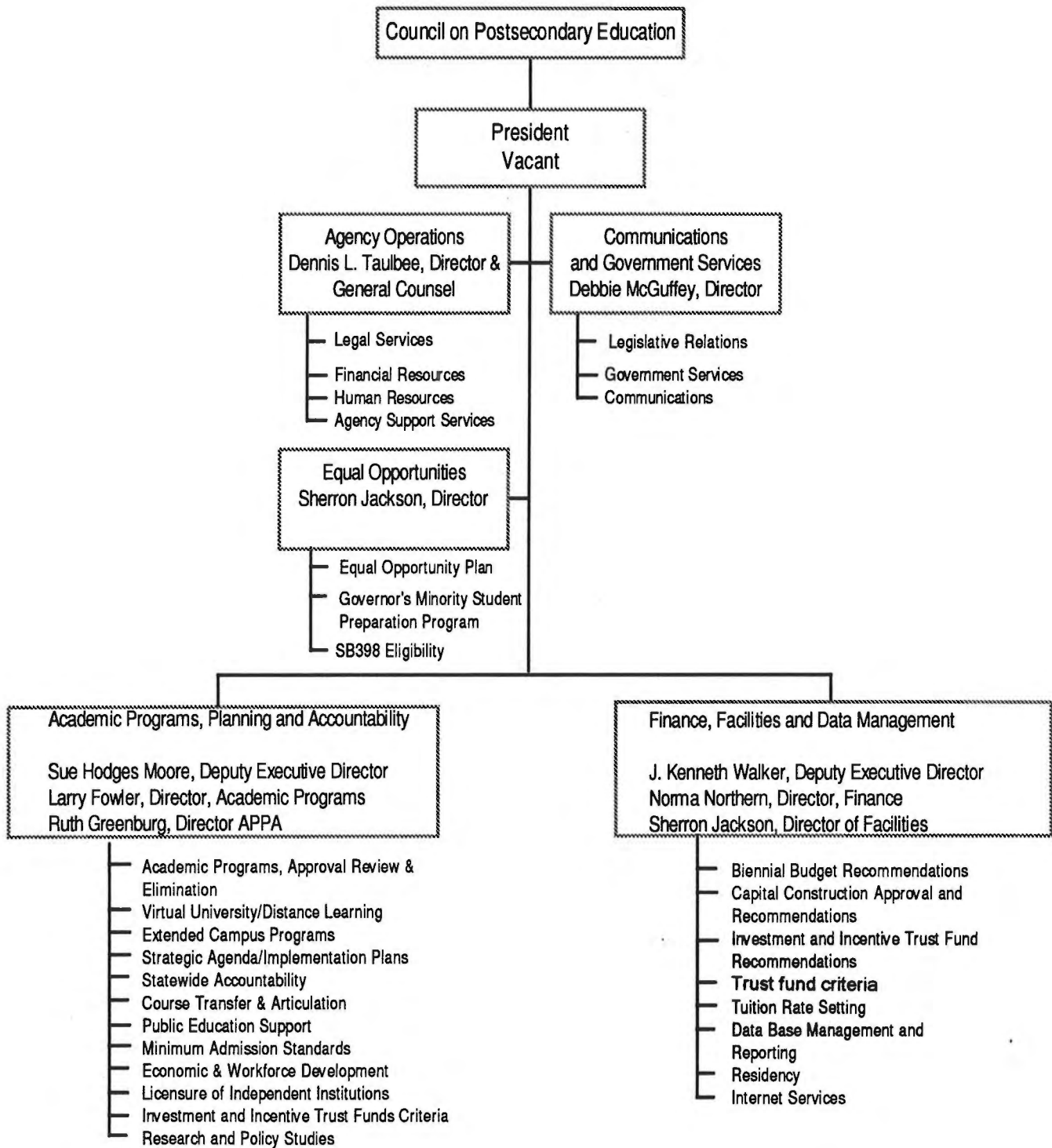
This afternoon I received the attached 7-page fax from President Eaglin transmitting: (1) proposed criteria for the Regional University Trust Fund and (2) comments from Presidents of Kentucky State University, Northern Kentucky University, and Western Kentucky University concerning the proposed criteria for the Physical Facilities Trust Fund. (The proposed criteria for the Physical Facilities Trust Fund, as originally received from President Eaglin, are included as pages 24 and 25 in your agenda book..)

attachment
cc: Conference of Presidents

Information:

Staff support for the Quality and Effectiveness Committee primarily is provided by staff currently organized as the Academic Programs, Planning, and Accountability (APPA) unit. CPE members will have the opportunity to meet the APPA staff at the first QEC meeting. Also at the meeting, committee members will receive a copy of the current CPE staff organization chart and a list of APPA staff members with their primary areas of responsibility.

Kentucky Council on Postsecondary Education Organization Chart (1997)



Academic Programs, Planning, and Accountability Unit (APPA) Staff Support

Dr. Sue Hodges Moore, Deputy Executive Director

- Overall Leadership for APPA Unit
- Primary Staff Support to Quality & Effectiveness Committee and Distance Learning Advisory Committee

Mr. Larry Fowler, Director for Special Programs

- New and Existing Academic Program Review (Health Sciences/First Professional Programs)
- Health Personnel Development Issues and Programs
- Extended-Campus, Distance Learning, Virtual University, SREB Southern Regional Electronic Campus
- General Academic Program-Related Issues

Dr. Ruth Greenberg, Director for Academic Programs, Planning, and Accountability

- Academic Program Policies/Guidelines
- New and Existing Academic Program Review
- Pre-College Curriculum
- Public Education Support/KDE Liaison
- General Academic Program-Related Issues

Dr. Aphrodite Brough, Associate Director for Academic Programs

- Statewide Baccalaureate Transfer Frameworks
- Transfer and Articulation Agreements and Issues
- New and Existing Academic Program Review
- General Academic Program-Related Issues

Dr. Roger Sugarman, Associate Director for Research and Accountability

- Accountability System
- Research and Policy Studies
- High School Feedback Project

Dr. Charles Wade, Associate Director for Academic Programs

- Workforce Development Issues
- Technical Programs
- Education Professional Standards Board (member)

Ms. Barbara Cook, Assistant Director for Academic Programs

- Statewide Baccalaureate Transfer Frameworks
- Statewide Program and Course Inventories
- General Academic Program-Related Issues

Mr. Patrick Kelly, Assistant Director for Policy Studies

- Accountability System
- High School Feedback Project
- Research and Policy Studies

Ms. Dottie Stone, Assistant Director for Academic Programs

- Institutional Licensing (Independent and Out-of-State Institutions)
- *FUTURES* Publication
- Contract Programs (Optometry and Veterinary Medicine)
- SREB Academic Common Market

Mr. Randy Overton, Higher Education Specialist

- Statewide Baccalaureate Transfer Framework Development

Mr. Wendell Cave, Project Director, Eisenhower Mathematics & Science and KEYS to KERA Programs

- Program and Financial Management
- Grant Proposal Development

Mr. Charles Kinney, Assistant to the Project Director of the Eisenhower Mathematics & Science and KEYS to KERA Programs

- Program and Financial Management Support

Ms. Susan McDonald, Senior Executive Secretary

- Accountability Reports
- High School Feedback Reports

Ms. Taffie Wright, Senior Executive Secretary

- Secretary to APPA Staff
- Secretary to Quality & Effectiveness Committee

Ms. Wanda Hammond, Senior Administrative Secretary

- *FUTURES* Publication
- A Day on Campus Program
- Professional Education Preparation Program (PEPP)

Vacant, Associate Director for Student Advancement

Vacant, Associate Director for Public Education Support

Vacant, Assistant Director for Strategic Planning

**Communications and Governmental Services
Executive Support
&
Agency Operations**

Mr. Sherron Jackson, Director of Equal Opportunities

- Preparation of the Kentucky Plan for Equal Opportunities
- Institutional Compliance with the Equal Opportunities Plan
- Liaison to the Committee on Equal Opportunities and University Representatives
- Governor's Minority Student College Preparation Program

Ms. Debbie McGuffey, Director for Communications and Governmental Support

- Staff Support for Agency/Media Relations
- Liaison to Legislators, Legislative Committees and LRC Staff
- Coordinator, University Legislative Liaisons
- Preparation and Review of Proposed Legislation
- "Newsclip" Service

Mr. Dennis L. Taulbee, Esq., Director of Staff Services and General Counsel

- Legal Services
- Overall Administration and Management for Agency Support Functions (Business Operations, Printing, Telecommunications, and Local Area Network)
- Liaison to Kentucky Community Service Commission
- Liaison to Kentucky Higher Education Assistance Authority and Kentucky Student Loan Corporation

Ms. Pat Sawyer, Manager, Administrative Services

- Business Operations (Personnel, Payroll, Accounting, Budgeting, Printing, Purchasing, Telecommunications, Messenger and Janitorial Services)
- Federal Contracts and Grants Compliance

Ms. Brenda Saegeser, Assistant Manager, Administrative Services

- Payroll--Time and Attendance
- Purchasing/Accounts Payable
- Inventory/Insurance

Ms. Marilyn Peck, Coordinator, Support Services

- Purchasing
- Copy Machines, Conference Room Set-Up, and Janitorial and Messenger Services

Ms. Cathy Hall, Higher Education Specialist

- Computer Network Administrator (LAN)
- Computer Software Training

Ms. Phyllis Bailey, Principal Executive Secretary

- Secretary to President of CPE
- Council Meeting Agendas
- Assistant Secretary to CPE
- Coordination of Trusteeship Conference

Ms. Carrie Lee Dean, Senior Executive Secretary

- Secretary for Communications and Government Services, Equal Opportunities and Legal Services Staff
- Secretary to the Trends & Operations Committee, Legislative Liaisons, Committee on Equal Opportunities, and Desegregation Plan Advisory Work Group
- CPE Meeting Agendas

Ms. Angel Johnson, Administrative Secretary

- Secretarial Support for Business Operations
- Conference Room Scheduling Assistance

Ms. Ann Jones, Chief Secretary

- Switchboard Operator/Receptionist
- Conference Room Scheduling

Ms. Chanda Williams, Secretary

- Switchboard Operator/Receptionist
- Secretary

Mr. Anthony "Tiger" Davis, Janitor/Messenger

Vacant, Director for Council Relations and Advocacy

Finance, Facilities, and Data Management Unit Staff Support

Mr. Ken Walker, Deputy Executive Director

- Overall Leadership for the Finance, Facilities, and Data Management Unit
- Primary Staff Support to Investments & Incentives Committee

Mr. Sherron Jackson, Director for Facilities

- Facilities Data Base
- Capital Construction (Planning and Budgeting) Issues
- Liaison to the Capital Planning Advisory Board and the Capital Projects and Bond Oversight Committee

Ms. Norma Northern, Director for Finance

- Finance-Related Policy Studies
- Biennial Operating Budgets
- Institutional Operating Budgets and Financial Reports
- Faculty/Staff and Finance Components of the Comprehensive Data Base

Ms. Linda Jacobs, Associate Director for Finance and Budget

- Tuition
- Liaison to Other State and Federal Agencies on Financial Data Collection, Reports, and Studies
- Staff Analytical Support

Ms. Sue McDade, Associate Director for Higher Education Statistics

- Liaison to the Federal Department of Education on Legislation and Other Matters Concerning Data Reporting
- Comprehensive Data Base, Including Student, Program, Physical Facilities, Faculty/Staff and Finance Data
- Tuition Reciprocity Agreements, International Exchange Student Programs and Residency Classification Issues

Mr. Mike Bailey, Assistant Director for Information Technology

- Computer and Data Management Systems
- Lead Programmer/Analyst in Developing Computer Applications
- Security Officer and Security Liaison to the Department for Data Information Systems

Ms. Martha Evilsizor, Assistant Director for Higher Education Statistics

- Enrollment and Degrees Data Collection, Editing, and Annual Publications
- Staff Analytical Support
- Editor for CPE Publications

Ms. Linda Robinson, Assistant Director for Internet Services

- CPE Web Site
- Assistant Local Area Network Administrator

Mr. Mike Jones, Higher Education Specialist for Information Technology

- Computer Programming
- Video Conferencing Administrator

Ms. Billie Hardin, Senior Executive Secretary

- Secretary for Finance, Facilities, and Data Management Unit
- Secretary to the Investments & Incentives Committee
- Staff Support for Selected Federal Surveys

Vacant, Higher Education Specialist for Financial Analysis

AGENDA SETTING

Discussion:

The Committee will discuss its future agenda, establish priorities for its work, consider the use of external consultants in policy development, and provide direction to the staff. This discussion is a natural follow-up to the presentation by Aims McGuinness and discussion among CPE members at the October 7 full CPE meeting.

Discussion:

CPE and its committees are scheduled to meet on October 19-20 and November 2-3. CPE must take action on a number of important issues by the November 2-3 meeting. These issues include, at a minimum: a) the 1998/2000 biennial operating and capital projects requests, b) the 1998/2000 tuition schedules, c) incentive trust funds criteria, and d) academic program approval. The October 19-20 CPE and committee meetings provide opportunities for discussion and input on these and other high priority issues in anticipation of action to be taken in November.

AGENDA

Council on Postsecondary Education Investments and Incentives Committee

October 7, 1997

Upon Adjournment of CPE Meeting, CPE Conference Room

- A. Roll Call
- B. Introductory Remarks by Committee Chair
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- H. Other Business
- I. Adjournment

All agenda materials are available on the CPE home page at <http://www.cpe.state.ky.us>.

Action items are indicated by italics.

CRITERIA FOR ALLOCATION OF FUNDS IN FY 98**The Research Challenge Trust Fund**

To qualify for funding from the Research Challenge Trust Fund, the University of Kentucky and the University of Louisville shall:

- A. Submit to CPE a strategic plan approved by the Board of Trustees which includes:
 - i. the institutional mission;
 - ii. the institution's plans for achieving the institutional mission including identification of the research programs to be enhanced by funding from the Research Challenge Trust Fund;
 - iii. a plan for the expenditure of such funds for each of the programs identified in (ii) above. Such plans may include the creation of endowed professorships, external grant matching programs, graduate assistant programs, junior faculty research encouragement programs, and other such activities;
 - iv. a statement of how the expenditure of the funds from the Research Challenge Trust Funds for each of the programs outlined in (iii) above will assist the institution, enhance its research programs, assist in the achievement of the institutional mission as outlined above; and,
 - v. evaluation criteria and benchmarks to be used by the institution for assessing the achievement of these goals.

- B. CPE will approve funds from the Research Challenge Trust Funds in accordance with the information provided above based on a dollar for dollar match. The matching requirements may be achieved in two ways:
 - i. through external funds to include private gifts, corporate research, and other sponsored research programs. If one-time funds are the source of the match, then nonrecurring funds from the Research Challenge Trust Fund will be provided;
 - ii. through internal reallocation from low-priority to high-priority programs. If permanent reallocations are the source of the matching funds, institutions will qualify for recurring funds from the Research Challenge Trust Fund.

Each institution must identify its source of matching funds to CPE and certify that the matching funds are available prior to the allocation of funds from the Research Challenge Trust Fund. In the case of internal reallocations, those program areas from which funds are being permanently reallocated must be identified along with budget information indicating pre-reallocation budget amounts and post-reallocation budget amounts for each program.

- C. The evaluation of all applications for support of specific faculty research projects, if such projects are included in the university's plan for research trust funds, shall be subject to review and ranking by an external panel of experts appointed according to guidelines and procedures approved by CPE in consultation with the presidents of the University of Kentucky and the University of Louisville.

Regional University Excellence Trust Fund

To qualify for funding from the Regional University Excellence Trust Fund, Eastern Kentucky University, Kentucky State University, Morehead State University, Murray State University, Northern Kentucky University, and Western Kentucky University shall:

- A. Submit to CPE a strategic plan approved by the Board of Regents that includes:
- i. the institutional mission;
 - ii. the institution's plans for achieving the institutional mission including identification of academic programs of distinction and research programs of distinction to be enhanced from the Regional University Excellence Trust Fund;
 - iii. a plan for the expenditure of such funds for each program of distinction as identified in (ii) above. Such plans should include expenditures on new faculty and staff, expenditures on instructional technology, equipment, operating expenses, scholarships, etc;
 - iv. statement of how the expenditure of funds from the Regional University Excellence Trust Fund for the purpose outlined in (iii) above will assist the institution in accomplishing the development of programs of distinction and assist in the achievement of the institutional mission as outlined above; and,
 - v. evaluation criteria and benchmarks to be used by the institution for assessing the achievement of these goals.
- B. CPE will approve funds from the Regional University Excellence Trust Fund in accordance with the information provided based on a dollar for dollar match. The matching requirements may be achieved in two ways:
- i. through external funds to include private gifts, corporate research and other sponsored research programs. If one-time funds are the source of the match, then nonrecurring funds from the Regional University Excellence Trust Fund will be provided; and,
 - ii. through internal reallocation from low-priority to high-priority programs. If permanent reallocations are the source of the matching funds, institutions will qualify for recurring funds from the Regional University Excellence Trust Fund.

Each institution must identify its source of matching funds to CPE and certify that the matching funds are available prior to the allocation of funds from the Regional University Excellence Trust Fund. In the case of internal reallocations, those programs from which funds are being permanently reallocated must be identified along with budget information indicating pre-reallocation budget amounts and post-reallocation budget amounts for each program.

- C. The institutions will submit as part of their plans, a review of their plan by an external review panel consisting of nationally-recognized experts in the area of the "Program of Distinction." The review panel will provide feedback on the reasonableness of the planned expenditures and the appropriateness of the benchmarks established.

Postsecondary Workforce Development Trust Fund

To qualify for funding from the Postsecondary Workforce Development Trust Fund, the Kentucky Community and Technical College System shall:

- A. Submit to CPE a Technical Institutional Branch plan approved by the Board of Regents which includes a plan for the expenditure of funds. The plan should include an identification of expenditures for instructional technology and equipment.
- B. Preference will be given to proposals to accommodate inclusion of the postsecondary technical school system into the Commonwealth Virtual University.
- C. Matching requirements will be 1:1 ratio.
- D. An external panel of experts will review proposals.

**Statement of
Council on Postsecondary Education
on Allocation of
Strategic Investment and Incentive Funds
1998/2000**

The Council on Postsecondary Education (CPE) recognizes that the timing of capital construction projects does not require the appropriation of new debt service until the second year of the next biennium. Therefore, CPE commits to requesting new appropriations for the first year of the biennium for distribution to the Strategic Investment and Incentive Funds.

- I. CPE recognizes that a significant activity to enhance the academic standing of our institutions involves the establishment of endowed chairs and professorships. CPE seeks to develop a funding methodology to "jump start" the funding of the Research Challenge Trust Fund for the purpose of establishing endowed chairs and professorships. CPE directs staff to work in conjunction with the Governor's Office for Policy and Management and the Finance and Administration Cabinet to analyze the financial feasibility of issuing tax-exempt bonds to: 1) fund an endowed chair and professorship program and 2) use the initial funding for the endowed professorship program to aggressively seek private funds for matched purposes. CPE recognizes that the Internal Revenue Service Codes have rules and limitations on the issuance of tax-exempt bonds for the establishment of investment portfolios. Also, CPE recognizes that the issuance of tax-exempt bonds to establish an endowment for a university chair and professorship program will require a recurring commitment to the Research Challenge Trust Fund for the payment of debt service.
- II. CPE recognizes that the identification of Programs of Distinction and the external review process required to approve Programs of Distinction will not be completed at least until the second half of fiscal year 1998. As a result, appropriations currently made to the Regional University Excellence Trust Fund for the current fiscal year are to be utilized for nonrecurring expenditures required in the establishment of Programs of Distinction (e.g., equipment, computers, etc.). CPE has committed, consistent with the Statement of Council on Postsecondary Education on Postsecondary Education on the Allocation of Strategic Investment and Incentive Funds Current Fiscal Year 1998, that the funds appropriated to the regional universities that are matched from internal reallocations become recurring funds; therefore, CPE does not recommend an increase in the Regional University Excellence Trust Fund beyond the recurring \$6 million appropriated during the Special Session in House Bill 4.
- III. To qualify for funding from the Postsecondary Workforce Development Trust Fund, the Kentucky Community and Technical College System shall submit to CPE a plan approved by the Board of Regents which includes a plan for the expenditure of funds. The plan should include an identification of expenditures for instructional technology and equipment. Preference will be given to proposals to accommodate inclusion of the postsecondary technical school system into the Commonwealth Virtual University.

Matching requirements will be a 1:1 ratio. An external panel of experts will review proposals.

- IV. CPE intends to address the mandate of the Technology Initiative Trust Fund in large measure through the use of capital construction funds raised through the issuance of bonds to finance the start-up and nonrecurring costs of the Commonwealth Virtual University and other technology related instructional needs.
- V. CPE intends to address the mandate of the Physical Facilities Trust Fund through its commitment of bond proceeds for identified deferred maintenance needs. CPE recognizes that the specific language in House Bill 1 identifies the Physical Facilities Trust Fund for the expenditure of emergency type projects. However, CPE's commitment to deferred maintenance addresses the spirit and intent of the Physical Facilities Trust Fund.
- VI. Student Financial Aid and Advancement Fund

(To Be Completed)

**Statement of
Council on Postsecondary Education
on
Capital Construction Recommendations
1998/2000**

Statement of Findings

It is hereby determined by the Council on Postsecondary Education (CPE) that a significant expenditure on capital construction is necessary during the 1998/2000 biennium to: 1) ensure the efficient and effective maintenance of our college campuses; 2) provide for the technology-based resources needed to ensure the successful implementation of House Bill 1; and, 3) provide for new construction projects consistent with the enhancement of the academic excellence and assessment goals of HB1.

- 1) The "Banks Report" identifies deferred maintenance as the highest capital construction priority for the 1998/2000 biennium. CPE supports this finding and supports a recommendation for new funds dedicated to the reinvestment in existing physical plants on our college campuses. CPE recognizes that expenditures today on deferred maintenance projects will prolong the useful life of our facilities and help avoid significant cost of maintaining and operating these facilities in the future.
- 2) CPE is committed to the technology-based instructional goals outlined in House Bill 1. CPE supports capital expenditures necessary to develop the Commonwealth Virtual University. CPE is committed to funding for technology that: 1) assists in the achievement of the access goals outlined in House Bill 1 and 2) provides the Commonwealth of Kentucky with a collaborative and integrated system of instructional delivery that is a leader among such systems nationally. CPE recognizes that the development of the Commonwealth Virtual University and the ancillary programmatic needs that provide educational access in all 120 counties of the Commonwealth will require recurring and non-recurring expenditures. Therefore, as part of its capital construction requests to the Governor, CPE supports funding for this initiative.
- 3a) Academic excellence requires a commitment to excellence of faculty, excellence of students, and excellence of physical resources. CPE has requested each institution to reanalyze its six-year capital plan and biennial capital requests to ensure consistency with the goals specified in House Bill 1. CPE finds that it is not necessarily committed to the six capital projects previously recommended by the former Council on Higher Education to the Capital Planning Advisory Board. CPE will review all capital construction requests in light of the revised submission of priorities by the institutions.
- 3b) Finally, CPE recognizes that a critical component of increased access to postsecondary education requires a commitment to the development of technological resources to be utilized in the delivery of instruction, and increased physical facilities throughout the Commonwealth. CPE seeks the input of the University and the Kentucky Community

and Technical College System Presidents to develop a long-term plan to increase the physical presence of our institutions throughout the Commonwealth. This plan should include revisiting the concept of service areas previously defined by the Council on Higher Education. This plan, which reflects input from the Regional Advisory Groups, should include an identification of how increased facilities throughout the Commonwealth will enhance access to: 1) the traditional delivery of classroom instruction; 2) the Commonwealth Virtual University and other technology-based instructional delivery systems; 3) adult literacy programs and workplace-based delivery systems; and, 4) student services and academic resources that are an integral part of the instructional delivery process.

Goals

CPE is committed to developing a capital construction recommendation to the Governor that achieves the following goals:

1. provides for an efficient allocation of state resources during the 1998/2000 transition biennium to advance the goals identified in House Bill 1;
2. is communicated to the Strategic Committee on Postsecondary Education;
3. is embraced by the Governor for inclusion in the Executive Budget;
4. is embraced by the 1998 General Assembly for funding; and,
5. preserves a policy role for the KCTCS Board of Regents.

CPE recognizes that historically the budget recommendations of the Council have not always been the foundation used by Governors in the formulation of their budget request to the General Assembly. CPE is committed to recognized and accepted capital budgeting and financial management analysis in the development of its budget recommendations and also to the development of recommendations that have a reasonable probability of being accepted by the Governor and the General Assembly. This means that each capital construction project recommended by CPE should be based on a detailed cost benefit analysis to ensure the economic viability of the project and also based on an analysis of the political likelihood that support for the capital construction project can be obtained from the Governor and the General Assembly.

Priorities

CPE endorses the capital construction priorities identified below:

1. Commitment to deferred maintenance and reinvestment in existing plant and facilities.
2. Investment in technology-based delivery of instruction including non-recurring expenditures related to the Commonwealth Virtual University.
3. New facilities that are directly tied to the goals outlined in House Bill 1, including the goal of access to traditional and nontraditional modes of instructional delivery and where such facilities are based upon a plan to enhance educational access.

Statement of Financing

CPE accepts the “conventional wisdom of public finance” that debt financing is an appropriate means for funding long-term capital projects. CPE recognizes that the benefits to be derived from the expenditure on capital projects will accrue to the Commonwealth and our educational system for many years into the future and, therefore, CPE accepts that financing such projects through borrowing and amortizing the cost of the projects over the life of the bonds is a viable financing alternative. CPE insists that the maturity of any debt financing recommended by CPE not exceed the depreciated and/or technological life of the asset being financed.

Further, CPE recognizes that the Commonwealth and the institutions of postsecondary education in Kentucky are partners in the financing and delivery of quality instruction. That is, the management of our campus facilities is a shared responsibility of the Commonwealth and the institutions. Therefore, CPE encourages collaborative funding arrangements utilizing state tax dollars appropriated by the General Assembly and institutional dollars derived from institutional revenue sources such as: 1) tuition and fees; 2) private funds and grants; 3) indirect cost recovered by sponsored research; and, 4) endowment income.

CPE directs staff to work with the Presidents to develop joint funding methodologies for: 1) deferred maintenance and reinvestment in campus facilities; 2) technology-based instruction; 3) new facilities; and, 4) community-based access facilities.

CPE recognizes that capital construction is a critical component of the long-term strategic agenda to be developed by CPE. However, CPE recognizes that its strategic agenda will not be developed until 1998/99 and that it is incumbent upon CPE to address capital construction needs in the critical 1998/2000 transition biennium budget.

Governor Patton's Budget Priorities and Goals 1998-2000 Biennium

1. Maintain a structurally-balanced budget.
2. Increase the Budget Reserve Trust Fund.
3. Provide an additional \$62 million in the next 2 years for postsecondary education (above inflationary increases).
4. Provide elementary and secondary education with an increase of CPI plus one percent.
5. Continue commitment to Juvenile Justice initiatives.
6. Provide for:
 - completion of all Empower Kentucky projects
 - Selected Community Development Projects
 - SFCC
7. Provide for Agricultural initiatives.
8. Provide for the implementation of a new statewide personnel compensation system.
9. Provide an increase for the Cabinet for Families and Children.
10. Provide cost-of-living adjustments to the rest of state government.

Council on Postsecondary Education Short-Term Priorities

House Bill 1

◆ Budget Requests

- Operating
- Capital

◆ Allocation Criteria for 1998 Strategic Investment and Incentive Funds

◆ Define Process for Developing Strategic Agenda and Strategic Implementation Plan

◆ Presidential Search

Other

◆ Tuition Decision

discussion. These are drafts. As we move forward over the next several weeks then we would get much more specific.

Finally, you have from some of the presidents some ideas on the physical facilities trust funds and the allocation criteria for those. Those have been sent and in many cases faxed to Gary or to Leonard and I think all of those have been distributed. Again, the only point that I would remind you at this point there are no funds in that trust fund. So it would be 1998 before that trust fund would be funded and that allocations would be made.

Mr. Chair, those were my prepared presentations. Again, the drafts that I have provided to you just as a point of departure begin on page 10 and run through page 19. I will be glad to try to answer any questions that you might have.

Hardin: Thank you, Jim. Questions, comments?

Weinberg: Just the bottom line. In terms of capital dollars for this year, are you saying that unless we are able to negotiate the bonds and to jumpstart that particular aspect, are there existing capital dollars or is this the alternative?

Ramsey: I'm glad you raise that. I meant to say that in my presentation. We are committed to \$62 million in new money. You can make the decision how much of that is debt service to fund capital projects or to fund other debt management programs. The Governor has talked about up to \$30 million in debt service. But that would be a decision and a recommendation that you would make. Let's just say arbitrarily if you said \$30 million for debt service that would finance about \$300 million in capital expenditures. And if you carved out part of that to jumpstart a particular program then that could come from that source.

Weinberg: But in terms of just dollars there are no dollars set aside like there are in the incentive trust funds for capital construction?

Ramsey: Right. No new dollars other than what had been previously authorized in 1996.

Hackbart: No more in FY 1998.

Ramsey: Right.

Todd: I've just got one question. I appreciate the draft work you put together on these incentive funds. You kind of paralleled for the regional university excellence trust fund and the research challenge fund except in Part C you mentioned that for the research challenge trust fund that any research projects would be subject to review and ranking by external panels and on the regional university excellence funds it seems to read that the institutions will submit as a part of their plans a review of the external review panel. Do you see them going through the same process?

Ramsey: Yes, I think they could. If you are asking for a personal opinion, yes.

Todd: What you wrote here it seems like you have a slight difference there. Where the regional selection review panel ...

Hackbart: Merl has pointed out and reminded me that the language on the research challenge trust fund was taken directly from the statute. There is no statutory requirement to the best of my recollection on the regional university. So that's something that I'm not sure I wrote it quite the way I did other than I probably was in a hurry and didn't have the statute right in front of me at that point. But personally I could see some value in paralleling those in terms of the external review process.

Hackbart: If I recall correctly, I think HB 1 specifically requires external review for research projects to be funded from the research challenge fund. So it talks specifically about projects as opposed to other kinds of activities that might be funded from that particular fund.

Hardin: Other comments or questions?

Greenberg: Could we get a hard copy of that that we could use for distribution and referral as we go through the process. When is the fiscal year?

Ramsey: July 1 – June 30. So we have just finished our first quarter of the 1998 fiscal year. July, August, September is the first quarter. Our fiscal year ends June 30.

Greenberg: And the trust fund money if not allocated in a particular year remain in the trust fund. They do not revert back to the state. That money is there for allocation.

Ramsey: Yes, that's right.

Greenberg: And on the mechanics of the allocation process, once it's approved by the CPE, it then gets communicated to revenue cabinet for distribution?

Ramsey: Ron Carson, we would make an allotment to the institutions or to the CPE to move to the institutions?

Carson: We would make the allotment to the Council.

Ramsey: It's what we call an allotment which actually is the movement of the money.

Hackbart: That would be the official release of the funds to the CPE who would then move the funds to the universities.

Todd: You mentioned the 6 capital process that the prior Council had put forward and the 20 other projects. Could we see copies of those? I'm not aware of what those are.

Walker: Yes, we could do that. The 6 projects that Jim referred to was communicated by Gary to the chair of the CPAB on or about July 1.

Cox: Those were projects the Council recommended last time that we not funded.

Walker: The 20 projects that Jim referred to. The CPAB completed the most recent stage of its work last Thursday and identified 20 top priority projects (end of tape)... Four of those 20 projects were 4 of the 6 projects that the Council had recommended for funding two years ago that weren't funded. But in a couple of pieces of paper we could communicate that to you.

Todd: I appreciate the fact that we are not bound to that it but would be good information to have.

Hardin: Let me say an excellent presentation. Very well done. Thank you for the work that you have put into this. We feel good about having you in harness to help with this. Of course this will be the first task force that's formed to address this issue as I said earlier. It's good to have Merl Hackbart with his background in the budget process as budget director in prior years. We do have the talent and the availability of people that could really move this forward and get it done by working with the Ken and the staff of CPE. Thank you for a very excellent job. It was not my intent to overlook you. I was anxious to get to Aims. So now, Aims, we will turn it over to you for the agenda development presentation. I think everyone is familiar with Aims and his work over the last several months here. So I will not go into a great deal of your wonderful background. You are very qualified to lead us here.

Aims McGuinness: Thank you. At the last meeting I made probably more pointed remarks that I should have about my sense that you have a widely dispersed agenda. And a lot of concern about the impact of lack of focus on your work and what really my sense was there were a number of good points being made by CPE members about what the priorities would be and that I think several of you shared the concern that it would be a good idea to have a firm consensus among the CPE members that then could lead to direction to staff and also frankly to give some attention to how you are using your own time over the next few months. So I agreed to lead a process that might help you reach that consensus. I would hope that the outcome of the next brief period would be that you have agreed upon 3 or 4 major priorities and I will lead you through that kind of process.

Before I do I would make some preliminary comments that hopefully will set a tone for the discussion. I think a major concern that I've had from the beginning of this and simply because of the background on working on the role of boards like this throughout the country is that the success of this whole initiative depends, I think, in a major way, not totally, upon an entirely different view of the public about what this Council does and how it is spending its time. As good as the work may have been done before, if it's viewed as the same old stuff, I think that's going to be a significant problem. You all face a major challenge. You have some immediate priorities. But over the next few months when you will not have a leader and setting a tone for a leader you are going to

be going through a legislative session where there will be major decisions. And frankly a lot of people are going to want to unravel exactly what has just been achieved.

So these are just some quick points. It's not exhaustive but are just a question of tone or where you are spending your time. I used the word "providers" and "clients." Some people don't like those words. But the truth is that you can spend your time focusing on institutional concerns or your discourse can really be about the nature of the needs of the public and the future of Kentucky. The whole point that the governor made about this whole initiative was really talking about uplifting the quality of life in Kentucky. A concern about the per capita income and really seeing over a 20 year period that that was really the end involved.

Internal agenda versus public agenda. The trust is a number of your priorities that you have to act on are very practical matters and we will have a number of them on the list today. But at the end of the day the impression that you have to create is that you are after the public's business.

Disconnected versus integrated agenda. I'll talk to you about that. Whether you can have a miscellaneous set of activities here. Let's do a little strategic plan here, a little assessment over here, a little capital budgeting over here. The trust is you need to really pull your agenda together in a very tight fashion that really links your planning resource allocation and evaluation.

Governance and confrontation. I don't want to imply that you were involved in confrontation before. But I'll tell you that if an entity like this takes on an institutional agenda, you'll have a tendency to be in the face of the institutions. There's no real need for that. If you are really working on the kind of agenda that you should be, it's really more one of policy leadership in which you really draw people out for something which is beyond which they can do individually for the future of the Commonwealth.

Higher education and postsecondary education. I just put that on the list because one of the most valuable things I did in this process was to go all over Kentucky to as many communities as I could do over a couple of weeks and actually visit the Kentucky Tech sites, as many of the institutions as possible. You really need to signal the fact that you are not in the previous mode in which you are dealing with only part of the game. You are in fact dealing with all postsecondary education which includes a lot of attention to the role of the independent sector, the nonprofit institutions, and proprietary institutions in this state and how they contribute to the overall objectives.

On integration, and this was really illustrated by Jim's presentation. There are goals in HB 1. They relate directly to the budget process and there are clear accountability elements of that. Another way of looking at it is that you have planning and a strategic agenda which relates to the budget relates to assessment, evaluation, and accountability. In observations again of the functioning of higher education in Kentucky, these things were significantly disconnected. The Council has developed an interesting and probably very informative strategic plan. That was not used to relate to the budget and it was not

really driving the accountability process. Each was authorized separately and functioning separately. If you look at your activities over the next 6 months, the key question is how are the things that you are doing really related to what is in HB 1, how does that relate and I think you will see a direct relationship with those spelled out on how the investment funds function. And then the question is what accountability mechanisms do you need. And frankly there are data issues related to that that you need to address. For example, there are perhaps inadequate data that you need to in fact monitor whether in fact the funds are being used effectively. But on an elementary level,, the state across the system of Kentucky Tech and higher education, and my experience is very incompatible and inadequate. So in fact to even have a sense of what is happening in the state, to follow even your short-term objectives, you need some progress on those issues.

There's a lot of question about what is a public agenda and what is the strategic agenda. I know the Governor has said it is important to work on the strategic agenda for the year 2000. I just want to bring you back to a reality of this thing which is something I think we often lose track of. And I had this conversation with Governor Patton last night. He is so firmly committed to this reform package that I think he somehow slips by one of the most effective things he said at the beginning of this process. He talks about a set of strong research universities and a set of elements of a system. In fact, those are means to an end. What he was so good was really talking the problems and issues facing the future of Kentucky. What would really make a difference out 20 years to uplift the quality of life and per capita income of people across the state? The problem in particular that you have isolated pockets of like 2.1 percent unemployment. But large parts of the state that are being totally missed. That the whole state depends upon all people being engaged in that process. That is why it's important to be really concerned about what you are talking about it.

It seems to me that there are key lines already in the statute that define the beginning public agenda. You don't have to wait 15 years to begin that. If you read the statute that begins by what the purpose of all this, and then what it says about a public agenda, you in fact have the beginning public agenda that should drive work over the next 3-6 months. My sense is that one of the things that you can do is in fact give that life and meaning for the public. Let me just illustrate that. This is a quick list. In the process with the task force we did an analysis of data on Kentucky and it said that above all these kinds of problems were really way up on top of the list.

Literacy of the adult workforce. You could educate in a pristine way every student coming through the secondary system and be no where near meeting the workforce needs of this state. You have employers trying to come into this state and they cannot find people to be employed. They have maxed out on that. You could all give me lectures up and down about how hard it is to reach that other population but Kentucky Tech and the community colleges and the regional universities are absolutely essential and they have to work together as key elements of the workforce in every part of the state. Now how are you going to put on that the agenda and really make a difference in Kentucky?



OFFICE OF THE PRESIDENT

201 HOWELL-MCDOWELL AD. BLDG.
MOREHEAD, KENTUCKY 40351-1689
TELEPHONE: 606-783-2022
FAX: 606-783-2216

*Rich Heritage...
Bright Future*

October 3, 1997

TO: Leonard Hardin, Chair
Council on Postsecondary Education

FROM: Ron Eaglin, ^{Re} Convener
Conference of Presidents

RE: Regional University Trust Fund

The regional campus presidents have developed our suggestions for criteria and procedures for the Regional University Trust Fund. The recommendations are as follows:

- Programs of distinction should be linked to the state's strategic agenda and the institutional plan.
- The institution should make the determination as to which area(s) will be advanced as a program(s) of distinction.
- Incentive trust funds appropriated by the state should be recurring to the institutions.
- If a match is required, institutions should be allowed to match its appropriated amount in the year of funding with any source of funding.
- An external advisory review committee may be involved to counsel with both the CPE and the institution regarding the selected program(s). Such a committee or committees may include persons with special academic expertise in the program areas chosen by the institution; however, the final determination of the nature of the program shall be left to the respective institution.
- Institutions, to the extent possible, shall coordinate their proposals for programs of distinction. Accordingly, a spectrum of programs should be designed to support the state's strategic agenda for postsecondary education.

Conference of Presidents

Page 2

October 3, 1997

- Each institution shall provide to the CPE an annual report.

We hope these recommendations are helpful to you and members of the CPE in this most important task of developing appropriate guidelines for this trust fund.

RGE:cj

CC: Conference of Presidents
Dr. Gary Cox



OFFICE OF THE PRESIDENT

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*Rich Heritage...
Bright Future*

October 3, 1997

TO: Leonard Hardin, Chair
Council on Postsecondary Education

FROM: Ron Eaglin^{fe}, Convener
Conference of Presidents

RE: Physical Facilities Trust Fund

Attached are comments from Kentucky State University, Western Kentucky University, and Northern Kentucky University in regard to the recommendations submitted earlier on the Physical Facilities Trust Fund. If you have any questions, please give me a call.

RE:cj

Attachments

CC: Conference of Presidents
Dr. Gary Cox



**NORTHERN
KENTUCKY
UNIVERSITY**

Office of the President
(606) 572-5129

MEMORANDUM

TO: Dr. Gary S. Cox
DATE: October 2, 1997
RE: Physical Facilities Trust Fund

Some modifications to the Physical Facilities Trust Fund recommendation forwarded to you by the Conference of Presidents' Subcommittee are appropriate for CPE consideration.

It would seem that this Fund should be limited, at least initially, to repairs and maintenance. This is an issue which the former Council on Higher Education and the Capital Planning Advisory Board have long identified as a concern.

Additionally, since institutions within the system significantly varied in their history, a formula that relies merely on square footage and age may not meet the needs of all institutions in the system. Also, I concur with President Smith (letter attached) that construction timeline issues should be flexible enough to insure successful accomplishment of identified and approved projects.

Thank you.

A handwritten signature in cursive script, reading "James C. Votruba".

James C. Votruba

cc: Mr. Leonard Hardin
Conference of Presidents

Nunn Drive
Highland Heights, Kentucky 41099-8002

Northern Kentucky University is an equal opportunity institution.

**STRATEGIC INVESTMENT AND INCENTIVE TRUST FUNDS
PHYSICAL FACILITIES TRUST FUND
1998-2000**

- Funds shall be used for the ~~renovation~~ {maintenance and repair} of physical facilities, to include deferred maintenance projects
- Funds shall be appropriated to institutions ~~proportional to their respective share of the total E & G square footage of space factored by the age of the buildings~~ {in accordance with a CPE developed formula which considers E & G square footage, age/condition of facilities, purpose and use of facilities, and level of facility utilization}
- Funds allocated to institutions shall be non-recurring
- Funds shall require a one-to-one match
- Funds must be linked to the ~~state strategic agenda and institutional plans~~ {institutional deferred maintenance plan and the state's interest in maintaining its investment in institutional facilities}
- ~~Any funds left over at the state level in any year would be carried forward and added to the next year's allocation pool~~
- Funds shall be available to institutions on July 1 of each fiscal year
- By October 1 of each fiscal year, institutions will be required to provide an annual progress report of prior year activities
- ~~All institutions shall have 24 months to complete~~ {F}unded projects {must be substantially completed within 24 months}
- Any funds left over at the institutional level after 24 months shall lapse to the State {CPE} Physical Facilities Trust Fund
- Exceptions to the Facilities Trust Fund guidelines may be approved by the Governor's Office for Policy and Management

The recommended funding source for the above criteria is cash.

Submitted by Northern Kentucky University
10/3/97



Kentucky State University

Frankfort, Kentucky 40601

Office of the President

MEMORANDUM

TO: Dr. Ron Eaglin, Convener
Conference of Presidents

FROM: Mary L. Smith
Mary L. Smith
President

DATE: October 1, 1997

SUBJECT: Strategic Investment and Incentive Trust Fund Proposed Guidelines for Physical Facilities

The document pertaining to Physical Facilities Trust Fund as prepared by the subgroup of the Conference of Presidents arrived in my office while I was out of the state; therefore, I did not have the opportunity to respond. Today, I note that you have forwarded recommendations from the Conference of Presidents to Leonard Hardin, Chair of the Council on Postsecondary Education. I wish to make the following comments pertaining to this document.

The statement that all institutions shall have 24 months to complete funded projects poses a problem for my institution. Inasmuch as we must rely on the state for the design and every other phase of a project, sometimes it takes more than 24 months to complete a project. When this statement is combined with the one which follows regarding the lapse of unused funds to the State Physical Facilities Trust Fund, it is a major problem for Kentucky State University. Several of our physical facilities projects have taken longer than 24 months to complete; thus, I cannot support the time line for the completion of physical facilities.

MLS:dm

cc: University Presidents

Telephone (502) 227-6260 FAX (502) 227-6490

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Office of the President
502-745-4346
FAX: 502-745-4492

Western Kentucky University
1 Big Red Way
Bowling Green, KY 42101-3576

October 2, 1997

Dr. Ronald G. Eaglin, President
Morehead State University
Morehead, KY 40351-2678

Dear Ron:

We have reviewed the draft criteria for the Physical Facilities Trust Fund and have some serious concerns about several criteria. Our most serious concern is with funds lapsing after 24 months. Listed below are the criteria that we are proposing to change:

- Funds shall be used for the renovation of physical facilities, to include infrastructure and deferred maintenance projects.
- Funds shall be appropriated to institutions proportional to their respective share of the total E&G square footage which is 25 years old and over.
- Funds shall require a one (institutional) to two (state) match.
- Any funds unallocated at the state level in any year would be carried forward and added to the next year's allocation pool.
- All institutions shall have twenty-four months to complete funded projects, which are campus-based and are not required to be administrated by the State Department of Facilities Management. Any funds unallocated at the institutional level after twenty-four months shall lapse to the state Physical Facilities Trust Fund.

Should you want to discuss these comments, please call me.

Sincerely,

Barbara G. Burch
Interim President

BGB:ttc

cc: Dr. Gary Ransdell
Dr. James Ramsey
Ms. Ann Mead



**NORTHERN
KENTUCKY
UNIVERSITY**

Office of the President
(606) 572-5123

To: Gary Cox

502/573-1537

MEMORANDUM

October 6, 1997

TO: Leonard V. Hardin, Chair
Council on Postsecondary Education

FR: James C. Votruba *JCV*
President

RE: Excellence Trust Fund

10/6/97

Leonard:

Since arriving as president on August 1, I have been thinking about how the regional universities should be framing their approach to producing a nationally recognized program of distinction. As you know, the traditional criteria for national recognition involve number and amount of competitive grants awarded, publications in prestigious journals, number of faculty citations, scholarly awards, etc. It is highly unlikely that, given that criteria, any non-doctoral granting program will achieve such recognition. Even in partnership with a doctoral-granting institution, the likelihood will remain remote. In this time of such enormous change in postsecondary education, it seems to me that the last thing the CPE would want or the Commonwealth needs is to have the regional universities ape the traditional research-intensive university. Ours is and should be a very different role.

I am forwarding to you a set of criteria that I believe are appropriate in conjunction with the Excellence Fund. Clearly, all criteria would not necessarily apply to each proposed program, but it seems to me that in aggregate, they represent the kind of thinking that the CPE wants to stimulate on the regional campuses.

These criteria represent only my own thinking. Time was too short to allow for review by the other presidents and still get them to you prior to the October 7 meeting. I have no pride of ownership. If they are helpful in whole or part, use them as you see fit. Best wishes.

Enclosure

c: Kentucky Conference of Presidents

Nunn Drive
Highland Heights, Kentucky 41099

AGENDA

Council on Postsecondary Education Quality and Effectiveness Committee

October 7, 1997

Upon Adjournment of CPE Meeting, Attorney General's Office Conference Room, 2nd floor

- A. Roll Call
- B. Introductory Remarks by Committee Chair
- C. Role of Quality & Effectiveness Committee 27
- D. Staff Support 33
- E. Agenda Setting 34
- F. October 19-20 and November 2-3 Meetings 35
- G. Other Business
- H. Adjournment

All agenda materials are available on the CPE home page at <http://www.cpe.state.ky.us>.

Action items are indicated by italics.

MINUTES*

Quality and Effectiveness Committee (QEC) October 7, 1997

The Quality and Effectiveness Committee met at 1 p.m. (ET) in the Attorney General's Conference Room, 1024 Capital Center Drive, Frankfort, Kentucky. Chair Bertelsman presided.

ROLL CALL

The following members were present: Ms. Bertelsman, Mr. Todd, Ms. Adams, Mr. Barger, Ms. Helm, Ms. Weinberg, and Mr. Hardin.

ROLE OF QEC

Ms. Bertelsman requested that committee members examine the CPE Bylaws contained in the agenda book to get a sense of the duties and roles of the QEC. She noted that many of the issues are qualitative rather than quantitative, thus making the committee's job somewhat more challenging.

Ms. Moore reiterated the ideas of Aims McGuinness, those being that the two basic charges of the committee should be to ensure appropriate access to quality programs and to institute a coordinated, responsive, seamless system.

Ms. Adams noted that the committee would be dealing with changing the culture and expectations for higher education.

STAFF SUPPORT

Ms. Moore distributed the organization chart/CPE staff listing and introduced each member of the Academic Programs, Planning, and Accountability unit.

AGENDA SETTING

Chair Bertelsman referred committee members to the Draft Transition Agenda Master Calendar.

Kentucky Community and Technical College System. Ms. Moore stated that the KCTCS Transition is a very staff intensive function that involves working with transition teams and subgroups to bring the community college system and technical schools under the umbrella of the KCTCS. She stated she did not foresee any action agenda items coming before CPE in the next few months, but that staff will work to provide any materials or information that CPE requires.

* All attachments are kept with the original minutes in CPE offices. A verbatim transcript of the meeting is also available.

Remedial Education Study. Mr. Sugarman stated that Representative Rasche had agreed to receiving a report on CPE's work related to HJR 6 in December rather than the original due date of November 1, 1997. Representative Rasche is very interested in having feedback given to high schools in order that identified deficiencies, particularly in math, can be addressed before students graduate, thereby eliminating any need for remedial education for students moving directly from high school to college. Ms. Weinberg stated that attention should be focused not only on high schools but also on the schools of education that are actually preparing teachers of mathematics and English because these teachers need training in remediation. She indicated, too, that she would like some feedback from these schools of education. Ms. Moore stated that staff could provide Representative Rasche and his committee with a report at their December meeting. In the meantime, a draft could be distributed to the institutions and the Kentucky Department of Education for review and comment. Staff could move quickly or slowly on the issue, depending upon the committee's guidance. Ms. Helm suggested that the Annual High School Feedback Report be brought back before the committee in order to familiarize new members with the extent and seriousness of the remediation issue.

Academic Program Policy. Ms. Moore stated that the sense of urgency regarding the Academic Program Policy is letting the institutions know how CPE wants to deal with new programs, i.e., whether to direct institutions to submit proposals which demonstrate a compelling need for that program or not to entertain any new program proposals until a strategic agenda is in place. Ms. Bertelsman accepted the recommendation for an agenda item laying out options and points to help guide the discussion at the next QEC meeting. Ms. Bertelsman asked if it would be too late to wait until November, and Ms. Moore stated if the institutions would be patient, we could wait.

Ms. Bertelsman informed committee members that, on most issues, staff will provide the QEC with background information, present some options, and the committee will conduct a full discussion. The QEC could then, if they felt they had discussed it enough, make a recommendation to the full CPE, or they could decide to reflect upon the issue until the next meeting.

Juanita Fleming asked if the University of Kentucky could submit its community college program proposals to CPE. Ms. Bertelsman asked if similar coursework was being offered at nearby technical colleges. Ms. Moore stated that community college program proposals were shared with Kentucky Tech and vice versa in order to avoid duplication. Ms. Moore suggested, in response to House Bill 1, that the community colleges have proposals ready to come to CPE and that the proposals be accepted and held until after the QEC discussion on October 20 to see how CPE decides to proceed.

Mr. Hardin asked if programs are submitted through KCTCS. Jim Ramsey stated that the University of Kentucky Community College System is still under the governance of UK, but that he felt it was time that KCTCS get looped in at the policy level. Ms. Bertelsman agreed.

1998 Interim Annual Report. Ms. Moore recommended that staff continue working on the 1998 Accountability Report since CPE is statutorily required to submit such a report to the Governor and General Assembly by December 1 of each year. She suggested that staff return to the committee in January with a recommendation on accountability indicators to be included in the transition report.

Pre-College Curriculum (PCC). Chair Bertelsman stated that since the Kentucky State Board of Education has passed tougher graduation standards, the QEC has an urgent need to address the PCC issue. Ms. Moore stated that staff proposes to bring to the committee in October a discussion item; this discussion item would be used by the QEC to generate a recommendation for the full CPE, either at the October 20 or November 3 meeting.

Statewide Transfer Frameworks. Ms. Moore presented a brief history of the Transfer Frameworks and explained that the process is in Phase II, which requires developing frameworks for transferring from one university to another. Ms. Brough stated that staff continues to work with a committee of institutional representatives to complete the frameworks and that the committee is also working on programs and approaches to staff and professional development in order to reach high schools students. Chair Bertelsman stated that KCTCS is going to have to be a partner in the transfer process and asked about KCTCS programs. Jack Moreland stated he would furnish a graphic of the state showing school locations and programs offered at each institution. Mr. Ramsey added that KCTCS has a group of individuals creating an inventory of courses that will transfer and identifying areas of potential collaboration between the two systems. He stated the next step will be to take it before the universities.

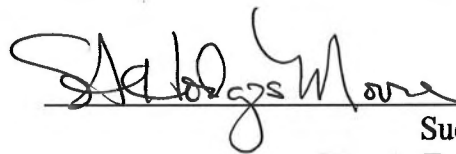
Distance Learning Advisory Committee. Ms. Bertelsman stated that the Technology Assessment, Extended-Campus Policy, and Electronic Admissions transition agenda items could be turned over to the Distance Learning Advisory Committee. Ms. Moore stated that Larry Fowler had taken the lead in the technology assessment survey. Mr. Fowler stated that most of the data have been submitted and that he hoped to have a preliminary report by October 8.

Incentive Funds Criteria. Chair Bertelsman distributed a draft of considerations for Incentive Funds Criteria and opened the floor for discussion. Mr. Todd stated that a structure for an RFP should be

developed using the requirements of House Bill 1. Ms. Bertelsman remarked that the Governor has been explicit in saying that CPE has the responsibility to draft the criteria. Ms. Adams inquired about specifics related to the development of the plan. Mr. Hardin stated that the institutions are waiting for CPE to develop the criteria so they can determine whether their plan would qualify. Ms. Bertelsman asked if it would be realistic for an institution to propose more than one program initially and what exactly would define a “program of national distinction.” Barbara Burch gave a synopsis of what the presidents intend to submit. Jim Clark asked committee members to answer the first question on the Incentive Funds Criteria handout—“How is the word *program* to be defined?” Ms. Weinberg responded that a program would be something that results in a demonstrated competency. Ms. Burch stated that the definition of programs of distinction is not clear in House Bill 1 and asked for further clarification. Mr. Ramsey specified that programs of distinction would be programs of absolute excellence and quality so that the people nationally would look at Kentucky. Ms. Helm stated that she envisioned something very different at each university. Mr. Todd stated that the institutions must choose to focus their efforts and that his preference was having one such program per institution. Mr. Hardin suggested that the committee get some ideas on paper and let the ad hoc committee address the issue. Mr. Todd stated that CPE cannot micromanage to the point of telling the universities everything to do. He said it is CPE’s responsibility to state the funding criteria and offered several guidelines for possible measurables. Mr. Barger stated that basic guidelines are needed, but it is up to the institutions to determine what this area of excellence or the program of distinction would be. Mr. Hardin asked Mr. Todd to give his guidelines to the ad hoc committee and asked QEC members wishing to serve on the ad hoc committee to contact Ken Walker. Ms. Bertelsman stated that the ad hoc committee would be reporting back to the QEC and Investments and Incentives Committee.

ADJOURNMENT

There being no further business, the meeting adjourned at 2:30 p.m.



Sue Hodges Moore
Deputy Executive Director
Academic Programs, Planning, and Accountability



Taffie G. Wright
Secretary

**ROLE OF QUALITY &
EFFECTIVENESS COMMITTEE**

**QEC (C)
October 7, 1997**

Discussion:

The Committee will discuss its responsibilities in the context of the other CPE operating committees (Trends and Operations Committee and Investments and Incentives Committee) and the entire CPE. Attached is an excerpt from the CPE bylaws (approved on August 27, 1997) which describes the operating committees.

Approved: August 27, 1997

**Excerpt from
COUNCIL ON POSTSECONDARY EDUCATION
1.2: BYLAWS**

Section 4: Committees

A. Committees--General

- A.1 Committees of the Council shall be designated upon creation as Operating Committees, Standing Advisory Committees, or Special Advisory Groups or Task Forces.
- a. Operating Committees are established to manage the work of the Council, specifically to review all agenda items assigned, discuss and evaluate issues and recommend action to the Council. Membership on Operating Committees is restricted to Council members with Council staff assigned by the president to assist the committee.
 - b. Standing Advisory Committees are established by the Council to provide advice and counsel to the Council on issues and policies. Membership on Standing Advisory Committees may include Council members, Council staff, representatives of postsecondary education institutions, lay citizens and public officials. The designation of an advisory committee as "standing" is recognition of the significance and on-going nature of the subject matter assigned to the committee.
 - c. Special Advisory Groups or Task Forces are established by the Council to address specific issues and problems. By their nature, Special Advisory Groups or Task Forces are time-limited. Membership on Special Advisory Groups or Task Forces may include Council members, Council staff, representatives of postsecondary education institutions, lay citizens and public officials.
- A.2 The chair of the Council shall appoint members to all committees unless membership is directed by statute or Council policy.
- A.3 The chair of the Council shall assign specific tasks and subject matter to all committees unless action of the Council directs the assignment of a task or subject matter to a committee.
- A.4 The president shall assign staff, as appropriate, to assist Operating Committees, Standing Advisory Committees or Special Advisory Groups or Task Forces.
- A.5 The Council may create, modify, or abolish any committee, unless the committee is established by statute, upon action taken by a majority of the appointive membership.
- A.6 The chair of the Council shall be an ex officio, voting member of all Operating and Standing Advisory Committees.
- A.7 The president shall be an ex officio, non-voting member of all Standing Advisory Committees and Special Advisory Groups or Task Forces unless otherwise indicated by action of the Council.

B. Trends and Operations Committee (TOC)--Operating

B.1 Purpose

The purpose of the Trends and Operations Committee is to advise and recommend to the Council on the following issues and activities:

- a. The Strategic Agenda and Strategic Implementation Plan
 - (1) Develop a strategic agenda for postsecondary education, communicate actions of the Strategic Committee on Postsecondary Education (SCOPE) to the Council, and communicate actions of the Council to SCOPE; and
 - (2) Develop a Strategic Implementation Plan for the postsecondary education system designed to accomplish the strategic agenda.
- b. Trends
 - (1) Develop a mechanism to determine future trends for the postsecondary education system and to incorporate those trends into the Strategic Implementation Plan and into other Council policy initiatives; and
 - (2) Provide trend information in support of the Strategic Implementation Plan.
- c. Operations
 - (1) Review all agency budget and personnel matters, including an annual evaluation of the president, and recommend annual compensation for the president;
 - (2) Monitor institutional progress relative to the *Kentucky Plan for Equal Opportunities* and serve as liaison with the Committee on Equal Opportunities; and
 - (3) Develop an annual work plan for the Council in conjunction with the Quality and Effectiveness Committee and the Investments and Incentives Committee.
- d. Perform such other duties and tasks as assigned by the Council or by the chair of the Council.

B.2 Membership

Membership on the Trends and Operations Committee shall consist of seven members:

- a. The chair of the Council;
- b. Vice chair of the Council;
- c. The chairs of the Quality and Effectiveness Committee and the Investments and Incentives Committee;

- d. The immediate past chair of the Council; and
- e. Two additional members of the Council appointed by the chair of the Council.

B.3 General

- a. The Trends and Operations Committee is empowered to act on behalf of the Council only on those matters directed by the Council and within the limits of the direction given by the Council.
- b. Where the Trends and Operations Committee acts relative to B.1. d. above, the Council shall specifically state the authority of the committee.
- c. The Trends and Operations Committee shall report any actions taken to the Council at the next regular meeting. Committee actions are advisory only.

B.4 Meetings

The Trends and Operations Committee shall meet at the call of the chair.

C. **Quality and Effectiveness Committee (QEC)--Operating**

C.1 Purpose

The purpose of the Quality and Effectiveness Committee is to address matters relating to quality assurance and enhancement efforts that result in an efficient, responsive, seamless, and integrated system of postsecondary education. Specifically, the Committee shall advise the Council and make recommendations on policies, standards, initiatives, and reporting related to the following areas:

- a. **Academic Programs and Student Services**
 - (1) Academic program coordination, delivery, and outcomes, including standards for the review of all existing academic programs and criteria and standards for the establishment of new academic programs;
 - (2) Support for P-12 education reform;
 - (3) Transfer of academic credit among public institutions;
 - (4) Admissions-related policies, including minimum admission standards, pre-college curriculum, and dual credit; and
 - (5) Student services, programs, and communications, including partnerships with the P-12 education system, that help create a more student-centered postsecondary education system.
- b. A comprehensive system of public accountability, including performance indicators related to educational quality, student advancement and success, research and service, and use of resources;

- c. A coordinated and comprehensive approach to workforce development and technology transfer;
- d. Private college and university licensing; and
- e. Other tasks as assigned by the chair of the Council.

C.2 Membership

Membership on the Quality and Effectiveness Committee shall consist of eight members:

- a. A chair;
- b. Vice chair;
- c. Five members of the Council all appointed by the chair of the Council; and
- d. The Commissioner of Education or designated representative as an ex officio, non-voting member.

C.3 General

The Quality and Effectiveness Committee shall report any actions taken to the Council at the next regular meeting. Committee actions are advisory only.

C.4 Meetings

The Quality and Effectiveness Committee shall meet at the call of the chair.

D. Investments and Incentives Committee (IIC)--Operating

D.1 Purpose

The purpose of the Investments and Incentives Committee is to address issues related to finance, construction and data management and to advise and recommend to the Council on the following activities:

- a. Biennial budget and financial reporting
 - (1) Determine tuition for the postsecondary education institutions. *KRS 164.020(8) and 13 KAR 2:050;*
 - (2) Develop funding proposals for the biennial budget consistent with the strategic agenda for postsecondary education. *House Bill 1, Sections 7 through 15, 1997 First Extraordinary Session;*
 - (3) Develop, review, analyze and recommend biennial budget requests for institutions and for the system of postsecondary education;
 - (4) Develop and implement a financial reporting system for the institutions. *KRS 164.020(25);*

- b. Review and recommend institutional capital projects, including the acquisition of real property, consistent with *KRS 45.750(1)(f)* which establishes the financial limits for projects requiring legislative approval. *KRS 164.020(11)*;
- c. Maintain a comprehensive data base for the postsecondary education system; and
- d. Perform such other tasks as assigned by the chair of the Council.

D.2 Membership

The Investments and Incentives Committee shall consist of eight members:

- a. A chair;
- b. Vice chair; and
- c. Six members of the Council all appointed by the chair of the Council.

D.3 General

The Investments and Incentives Committee shall report to the Council any actions taken at the next regular meeting. Committee actions are advisory only.

D.4 Meetings

The Investments and Incentives Committee shall meet at the call of the chair.

said that, we know that we have to have some. These trust funds that have been funded we think are critical in terms of getting something out soon. But don't load it down too much. Because we still are moving into uncharted waters. Again, whenever you want to hear from us about these trust funds that have been funded for this year we are ready to address those. I'll just wait for you to call on us. When you do, Kern Alexander will address the one having to do with regional universities. Charles Wethington will address the ones having to do with research universities. The other one is not funded but I think it is important enough for you to hear from us at this time. Barbara Burch will address the virtual university.

Aims: If somebody said what is the CPE doing right now? What are its priorities? Your overwhelming image would be that you get on with immediate action on those set of issues. That that's what your agenda is about and in fact I think it is already. Secondly, that you really are focusing on how to take HB 1, the goals that are already there as a beginning point for a public agenda and that you all are beginning to talk about that with all of your external constituents and you have some of your agenda framed by that and you think about how that fits in particularly as your frame the issues with SCOPE. About why this is important. That you have a series of immediate actions that you need just to have the system begin to function or not be blocked by what you are doing. You have to have on your action and the staff needs to put on your agenda certain things that start certain processes going like new data systems that you will have to have in place. And then you have to keep in mind the routine obligations that you have but not have those overwhelm your agenda. Maybe the worse possible message for the CPE would be (end of tape)...

Menendez: When we think about allocation criteria, will be developing an RFP, a format like that, that would look at that criteria and then when the universities provide those to the CPE we would assess that and then come up with a recommendation based on addressing the criteria that are identified in an RFD?

Aims: Let me give you an outside consultant suggestion about how that is done. First of all, that's one of your first priorities. It has to be addressed in the next 30 days. You may not answer the questions but you have got to have your question answered. It may not be something you can do for this go-around. But one of the issues you will raise is that you are making recommendations for the next biennium. One of the issues is how detailed you are going to be and what advice do you get and also how much time you have. You don't have much time. What date are those recommendations due? November 15. In your structure this afternoon in the committees you have to ask the question what can you get done but you have to get something done by November 15. I think it's important for the future of this that we have a legislative session to go at and we need to meet the legislative obligations and have a whole new view of the world coming out of this process. If you focus on the immediate ones, the allocation criteria, presidential search, tuition, and getting the planning process, I think this covers most of that, doesn't it. For the skeptics at the end of the last meeting, I don't know whether we have narrowed it down to five. Is this getting any more focused to what you are doing?

Weinberg: I think the question at the end of the session in Louisville was are we going to be doing business any differently than we have been? I think we definitely are. Business will go on but we are going to make alternations as we go.

Aims: It's always a question of balance as you develop your agendas. My only advice to you is don't do the issues related to public agenda as an afterthought as a subcommittee. Find ways...this is having been a board member for the last 16 years in one way or the other. People judge you less by your actions curiously than actually how your body language is and you are spending your time on. If the public sees you constantly asking questions about it affects your external world and how we are really making a difference in Kentucky, that does communicate to the institutions and other about what you are about. Again, we will take these notes and go back to the chair to come back with a list. And it may look different than this. There have been several suggestions on frameworks to put this together.

Hardin: Thank you, Aims, for a very stimulating discussion and thank you for your leadership. Our plan is to complete this meeting by noon. We will break for lunch and we will ask the presidents to join us for lunch. We can finish this agenda by about noon. This meeting will be adjourned. We will have lunch. The committee members will take place in the afternoon.

Incentive Trust Funds Criteria

Walker: I think it would be appropriate to identify the material that has been made available to CPE members to date. Look at agenda item C that begins on page 9. That was the item that introduced Jim Ramsey's presentation. Behind that beginning on page 11 is a document that Jim prepared (pages 11-14) entitled strategic incentive and investment funds, current fiscal year 1998. Jim talked about that a little bit in his presentation. That is a set of notes on an approach to establishing criteria for the three trust funds that are currently funded. Beginning on page 15 there is a document that concludes "to be completed" so it is a work in progress of thoughts about the incentive funds for the next biennium, 1998/2000. The third document deals with capital construction. On page 21 of the agenda material is an agenda item and its attachments provide some information on incentive trust fund criteria that come from another direction and that is as proposed by the presidents. Pages 23-25 is a memo from Gary to CPE members covering a memo from Ron Eaglin to Chair Hardin on the conference of presidents recommendations on the physical facilities trust fund. That was the material that we had available to us at the time the agenda book was prepared. On Friday staff faxed to you and there is another copy at each of your places a memo dated October 3 again from Gary to CPE members called correspondence from Conference for Presidents, Proposed Criteria for Incentive Trust Funds. This material represents two more items from the presidents. The first couple of pages again is a memo from President Eaglin to Chair Hardin on draft criteria, proposed criteria, for the regional university, the regional excellence trust fund. Following that is a memo from President Votruba with an attachment suggesting some amendments to the physical facilities trust fund and then a memo from President Smith and a letter from Interim President Burch also making

comments on the facilities trust fund criteria that was included in the agenda material. Yesterday we received another letter from President Votruba addressed to Chair Hardin on the regional excellence trust fund. So in three different communications to you we have transmitted everything that we have received from the presidents addressing two of the six trust funds. The facilities trust fund and the regional excellence trust fund. IN teach case there was a communication from President Eaglin as convener of the conference of presidents and in each case there were subsequent comments made by other presidents proposing other approaches than as transmitted by President Eaglin as convener of the conference of presidents. That describes the material that has been made available to CPE members. Perhaps it would be appropriate to hear from the presidents at this point and then open it for discussion after that.

Hardin: Let me say thank you to the presidents. I know we gave you a very short timeframe to respond. Any comments at all other than what you may have put on paper to us earlier?

Wethington: If I could comment on the research trust fund. First I think the material that has been put out is a good draft document and I assume it is that. We would like the opportunity as an institution...I assume UofL would as well...to comment on these draft guidelines very quickly. Give us a few days. One of the issues for all of us and I know for UK and you heard that very eloquently from Chancellor Hooker in the long term the importance of bringing along our constituencies inside these institutions in this process. So it's exceeding important that as a president I involve the leadership, the faculties, and our staffs at our universities in these approaches that we are setting about. So it is very important for us now to right quickly respond to your draft guidelines for the research trust fund. We have seen the proposal for the facilities trust fund and have commented on that. It's a joint proposal I believe from the universities. But the research trust fund needs some quick look by us, some comment to you, and we determined that we should do that after you put something out rather than before. In the case of tuition. A proposed policy is out there for the next two years. We would like to comment on that as well and we will do that in the next few days. I hear today an interest on the part of this Council in looking at the broad public policy agenda for the Commonwealth, the higher education public policy agenda for the Commonwealth, and I would encourage you to do that. You also heard from President Funderburk the important to us as institutions to not get bogged down right now in a plethora of administrative detail which will keep us from doing what we are all trying to do at this point. It's important for us at UK to do our strategic plan for this next five years and to ensure that what we do in the next 30 days be consistent with where we believe we are going with that plan. You are struggling with some of the same concerns as a Council obviously. But is critical that we involve the necessary and appropriate leadership inside our institution and that we focus in this next 30 days on the short-term obviously but we must make this short-term fit in with what our goals are for the university for the next five years. That's what we are all struggling with and we will be prepared to respond to you within 30 days or shorter or longer on issues or matters. We just appreciate the opportunity to respond. We will do that quickly and expeditiously and obviously your job is to determine finally those criteria and hopefully those criteria

will be consistent. We will be in collaboration with you on the development of those criteria.

Hardin: Very well said. We hear you and you will have that opportunity. Again, it's teamwork and we need your input. Going forth together we will accomplish what we need to accomplish.

Alexander: I'll comment on the regional university. We had a subcommittee of the presidents. The criteria established here in the agenda book (page 13) are in keeping with those that were recommended by the presidents. Ron pulled the commentary together and relayed it to you. We had, however, earlier discussed this among ourselves and with Jim Ramsey. I even had a phone call with Aims about the criteria that should be used. We think we got good input into this. Institutional mission is important. It should integrate with institutional mission. The institution's plans of distinction that Mr. Ramsey put together here should indicate either academic, research, or both within the plan. The plan of expenditure is appropriate and we agree with that. The statement of how the match is made. In other words, the movement of funds from low priority to high priority programs. We are in agreement with that and we recommended that as well. The evaluation criteria, the memo that Ron sent to you indicated that we believe that there should be evaluation criteria and that there should be benchmarks of progress and that should be as a part of the proposal made to the Council. There is one additional point that came up this morning and we had included it in the conference of presidents' report and this was evidence of coordination with other regional universities. Mr. Greenberg raised that this morning and we had that in our recommendation as well. So we believe that Jim Ramsey's statement here summarizes our comments and suggestions very well. I believe what he has presented here is a workable plan, something that we can move forward. Concerning the match, the dollar for dollar match is a match. And that's the one that immediately comes to mind if someone talks about matching. But you can also have 50 cents to a dollar match or 25 cents to a dollar match. Matching for poor people is difficult. MuSU is not wealthy and neither is ECU. It is difficult for us to pull off a match. However, we believe that we can do a dollar for dollar match so long as we remain flexible with recurring and nonrecurring match dollars. In other words, if we have the flexibility of getting a private gift of \$100,000 and we will have a match of \$100,000 against the state \$100,000 but yet have the flexibility to move programs about from low priority to high priority which was the intent of the legislation, then we can make the match work at a dollar for dollar. It will be difficult but we can make it work. I think, and let me say this in summary here, I believe that this legislation will cause substantial change among our regional universities. Because when you sit down and sharpen your pencils and try to move a program from low priority to high priority and fit it into the institutional mission, then you are making with a million match a substantial change in a regional university. We think this statement is workable. There may be some small modifications to it that you would make in the next 30 days but we would like to move on this as the basis as Mr. Ramsey put it together.

Hardin: That's encouraging. Thank you for your comments.

Funderburk: One thing that Kern failed to mention. That is that professorships are just as important at regional universities as they are in research universities. Endowed professorships. I had a discussion with Jim early about that and he said that he had no problem with that. It gives you that flexibility to handle funds is the thing that we had talked about.

Barbara Burch: I wanted to speak on the virtual university just briefly. Mainly to say that a substantial amount of work has been done. We hope that you will find it useful and most of all will use it. Last November when the presidents were talking about this and the CPE had it on its discussion point, the Chief Academic Officers were charged by the presidents to begin work on it and to see what we could do to bring the universities together. Since that time there have been a number of meetings. All eight universities participating. We have come up with a proposed document that was available about a month ago. In it we have addressed many aspects of virtual universities. We surveyed what other states were doing. What other institutions were doing. Found ourselves working from a home institutional model. We do not have answers for everything but we do have a substantial number of suggestions in it that we think would work and that we all agree can be made to happen in a way to operationalize that concept sooner. We've looked at programs, faculty, student services. We have looked at the tuition factor that you mentioned. We've looked at the kinds of degrees that might be offered. We've kept in mind collaborating, cooperation, coordinating, trying not to duplicate. We've looked at concepts of how each of us can take the best of what we have to offer and ways that we increase sharing of that best. The notion of access and I think much of what President Alexander said in relation to the programs of distinction. This is something that we think that we ought to be able to begin to move on in a relatively short amount of time. That doesn't mean that we are going to move from Point A to Point Z on what a virtual university can be. But we believe there are starting points that can be identified. We sort of stopped a month ago. We're not quite sure where to go next. Our presidents have it as well. We are hoping that you might want to turn to us and allow us to continue on that because we think this is something that could happen. One other thing that's in that report that you should know. Across the state the librarians have been working on the digital library which they transition to a commonwealth virtual library. That proposal is pretty well developed. It is attached to the Commonwealth Virtual University proposal that most of you have. We will be happy to give it to you. It also has a budget attached to it. We have a lot of work to do but we would be happy to assist in this effort because it is something that all of us on our campus see the value and want to participate in.

Walker: It's my understanding that we have a draft copy of that report. Is that the final?

Burch: We clearly labeled it draft because we knew that that was all we had the prerogative to. We stopped but we are prepared to continue developing that draft if it were the will of the Council for us to do so. Perhaps as you look at it it will help you decide what portions we might do. We are continuing to talk. The one thing that we did not do as well as we might have that we are now picking up is looking at how we will more directly engage the community colleges and technical institutes as a part of participation in that. That's probably the least developed portion.

Walker: So we could make that draft available to members of the CPE and to Lee.

Todd: I have already read that. I don't think the report I had had the library portion.

Burch: I will send Ken another copy. I want to be sure you have the last one.

Walker: We will make that available to all members of the CPE. The DLAC will obviously be the first group that will take that on.

Hackbart: Obviously the virtual university is a very significant initiative. Today we had a discussion of the budget process and HB 1 to help members of the CPE to become fully familiar with the process that we will go through there. Would it be possible to have a presentation and discussion of the CVU at our next meeting so that we have a better feel for the concept and the direction we might be heading. If we are going to dealing with budgetary issues very shortly, I think we need to have at least a mental understanding of what the virtual university might be like and what the possibilities are. Lee and I have talked briefly on the side that that might be possible. He might take the lead to put together as a presentation.

Hardin: We will let Lee, Ken, and others take that under consideration. If you think it's possible, we will certainly add it.

Todd: Some people have put a lot of work into it. There are many on this CPE who have not yet read that report and it is important to get that out and also to start disclosing what this thing could potentially look like. I've talked to Aims about getting some help as well because he is fairly tightly aligned with the Western Governor's University which has done a lot of work in this space. It would not be a decisionmaking presentation but it would be one where we could at least start moving up the learning curve pretty quickly because it is going to impact capital budgets.

Hardin: It is safe to say that virtual university means different things to different people. I'm not sure by the 19th of October it can be cast in granite. It would be an information kind of thing more than anything else.

Hackbart: It could provide the basis for discussion so that when we come together with our budget request suggestions that we would have a basis for having a discussion.

Votruba: I want to go back to the match for a moment. It seems to me that part of what is going on is a kind of cascading of leveraging. We've got the CPE leveraging the institutions. We've got the presidents and through their officers leveraging the institutions as well. My hope is and my caution is that when we talk about the match that we are able to avoid the absolute of one size fitting all. Because the match of principle I think makes sense in terms of dollar for dollar. But in many of our cases as I look down the row of my colleagues, there is other leveraging going on at the institutional level as well. While the programs of excellence are terribly important and central to the

governor's agenda and to HB 1, many of us are pressing a whole broad range of innovations, changes, and reprioritizing which require some internal leveraging. My hope is that in the process of us making the case for these excellence funds that we might also be able to make the case within the broader context and not treat the establishment of these programs of distinction as if they are hermetically sealed from the other realignments that are going on on our campuses. Just simply a caution to apply in an absolute way the notion of one size fitting all may not accomplish the kind of leveraging across the institution that you want to accomplish.

Hardin: Very well said.

Funderburk: A final comment on the physical facilities trust fund. As you pointed out, a short timeframe prevented us from getting complete consensus on that. I don't think we are that far away. For example, the timeframe there some were concerned about. I think it depends on the size of the trust fund. Certainly if it's a large one then we will have to have more time than we have listed there. But I think we can reach some consensus on that. More consensus than we have got now.

Greenberg: I would like to know what involvement the boards have had in the discussion of this. Have they been involved in making these recommendations today? All boards or just some of the boards?

Funderburk: Which recommendations? You talking about some of these we have talked about here today?

Greenberg: All of the ones that you have presented here today.

Funderburk: With our board we had some of these same discussions at the meeting in Louisville. We haven't met as a board other than that.

Alexander: We discussed this in May and we discussed it again in September with our board. We developed criteria pursuant to this legislation and sent it out to all of our board members and asked them for recommendations regarding the initiatives and thrusts of the incentive funds. We've had substantial involvement of our boards.

Funderburk: We have done that through the mail as well.

Smith: Our board met in July and we talked about the concept of the incentive trust fund for the regional institutions. But in September just before the conference for trustees we had a retreat for our board and we spent quite a bit of time talking about what we have done on the campus to address this issue. We have an external committee that we put together to give us some suggestions and insights regarding what people in this state see as the need regarding our particular institution and economic development. So with that input we had a steering committee and as a part of that there was a task force and several subcommittees that worked together to do this. Our proposals are about ready as well. As a matter of fact, our board will meet the 17th and there will be further discussion. At

least our board members are very involved and they know what we are doing and have endorsed the concept. So we are about ready to go.

Aims: Having been involved in writing this up and it was based on some experience, I just want to reinforce something that Ron made. I may have expressed it negatively. Ways that these programs do not work. I think that when they are too narrowly focused they become a categorical program. They don't consider the whole institution. They are done too quickly so there isn't the kind of internal process that President Wethington talked about. When they are done as a compliance activity, you have mentioned there needs to be a strategic plan. Each one of these institutions has been doing its own planning so that the more it gives sort of a lift to what they have been doing rather than a separate effort. There are whole set of things like that to really make these. And also avoiding one size fits all is absolutely critical. You want every institution to be doing a variety of things. I know you have to do this quickly. But when you think of the next phase of this you have to take seriously those kind of lessons about how this will happen. Honestly probably the most profound effect on these institutions but the faster it is done, the more one size fits all in a compliance way and narrowly focused, they will just do it and go through the motions and it will have minimal effort.

Bertelsman: Picking up on what Aims has just said I want to comment that we have had an opportunity to address any kind of programmatic or qualitative issues regarding these regional trust funds. The presentation that Mr. Ramsey put together is very nice but it does not talk too much about qualitative or programmatic issues. I hear a lot of terms being used. Centers of excellence and things of that sort. The Governor has been so specific in talking about programs that will achieve national distinction. And this is a whole new concept for us. Let's be honest. It really is. Do we even know what this means? Is it possible to even think about funding more than one per institution at least initially? I think we need to have some comments, some real discussion, about those kinds of things? What is a program? We haven't really gotten to any sort of a definition of what we mean by program. I'm going to initiate some of that in our afternoon QEC meeting. And perhaps the IIC would want to do the same. I think I hear Dr. Alexander and Dr. Smith saying that they are getting ready but they are moving forward and I think they are looking to us for some more leadership on this. And I think we need to do this and we need to do it posthaste. There's a whole piece that hasn't been addressed. I'd like to start addressing that this afternoon and move forward and get some more presidential input perhaps by next weekend, October 19 and 20.

Barger: I've been listening intently and we do have a lot on our plate. This probably deals with the agenda development. It's been mentioned briefly. Jim's here and he works with KCTCS. I just want to remind the members of the CPE that this is a Council on postsecondary Education and that we need to work closely with KCTCS in making sure that we develop that area to the fullest extent possible. While we talk about maintaining momentum and developing this public agenda...and it was mentioned briefly...I think we do need even though staff is working on it to address the issue of the transfer of credits and duplication because that was high on the public agenda when this particular piece of legislation was being drafted and going through the legislature.

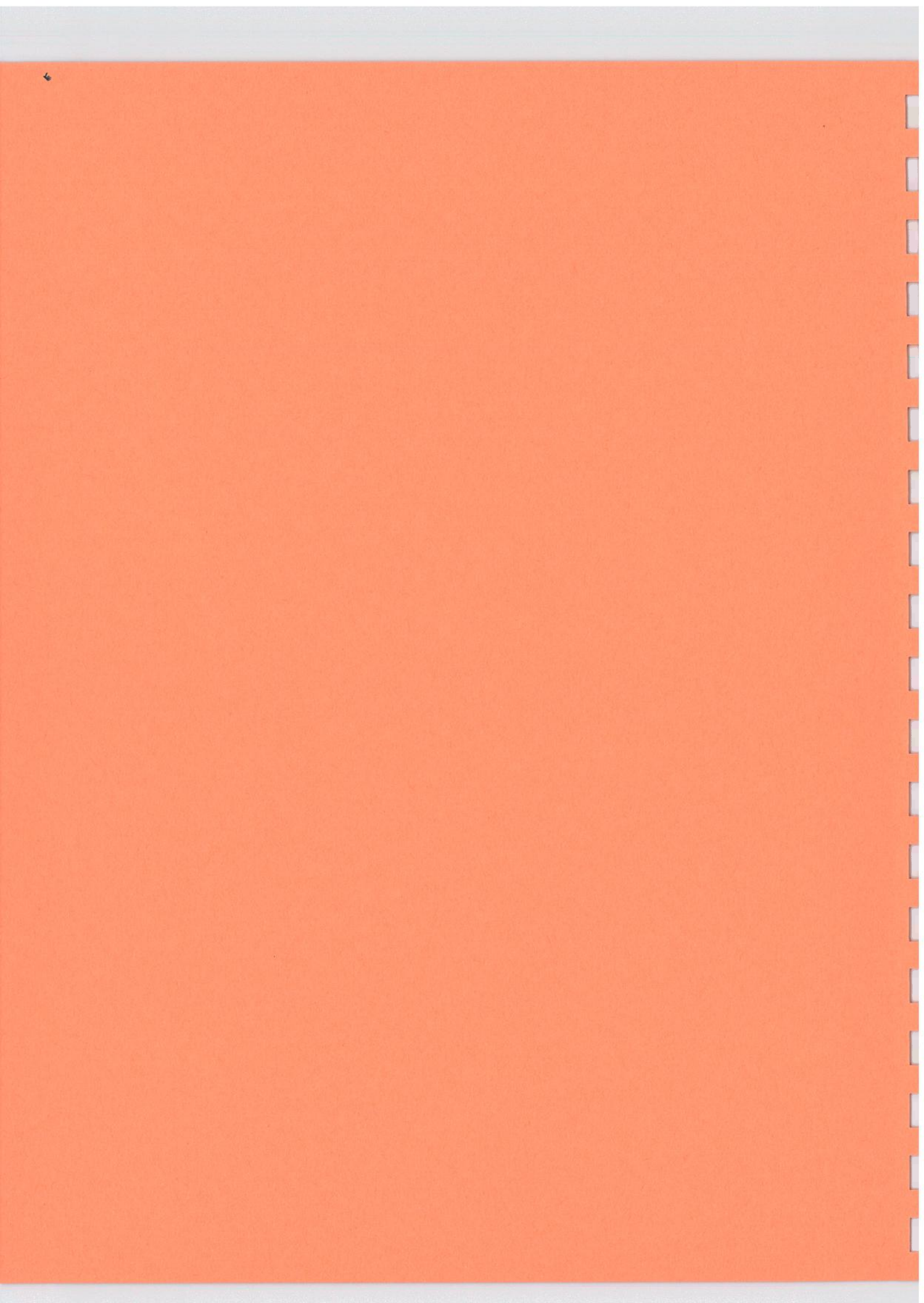
Walker: President Wethington, in your comments you suggested that you and President Shumaker would react to a draft. Was that a reference to what is in here as page 12 from Jim Ramsey's presentation or was there some other document?

Wethington: My reaction was to the document that was before us today that we just saw in the last few days. And I'm not speaking for President Shumaker in that regard. But I would like the opportunity to react to that document and to seek a bit of input before I make my reaction. But I can do it in the next few days easily.

Hardin: This has been good and it has been healthy. I think Peggy said it pretty well that we are all plowing new ground here. And we want to do it correctly. In fact we are plowing a lot of new ground. Let me ask for some degree of patience and indulgence on your part. You have listened intently to this meeting today. You know that we are kind of groping with this huge order that we have before us. We can sit here and think intergalactic thoughts and it is all nice and healthy and do it every meeting. But it's time for us to get down and be active and proactive and go forth. That's where we are. I feel very good about having Jim on board. I hope that you do have the community college/technical school thing well in hand because we are going to be asking you for quite a bit of time. The Governor has agreed to make available other members such as Crit on his staff and she is certainly very capable in giving us input. And we will be drafting her talents to help us in these areas. I do not see it maybe as a large ball as we have been tossing up here. I think it will begin to come together as we start attacking these issues. Those of us in business deal with a strategic plan all of the time and we update that every year. We will have a strategic plan. The things that we are doing will fit in. They will be pieces of that strategic plan. I do not feel that we are stepping out that far certainly not out of bounds. But we do need enough time to do it correctly. As I said at our conference in Louisville, if we don't know where we are going any road will lead us there. But we do not want to take the wrong road. We do need to take enough time to do what we are going to be doing intelligently. But I feel confident that we will get there but we do need some tolerance on your part. Cut us a little bit of slack as we go forth. At the same time, keep those cards and letters coming with your input. We need that and that's the intent. It's a new day in postsecondary education in the state. It's a team. I've said that before. Your ideas will be heard. We will be listed as CPE members and we will react as CPE members. So we will go forth. Our next meeting is October 19 and 20 and then November 2 and 3. I look forward to working closely with Ken and with Sue and all the members of the staff. I'll certainly be working more closely in the next several days than we have in the past. Gary, we wish you well. We may be drafting you, not for pay, but just drafting you. I'd like for you to feel positive from the meeting today that yes the CPE is talking about all of this big world issues that we will have to deal with and we will deal with those. Those are important. But we still have to do the job of postsecondary education and there are certain things that we have to do just to keep the doors open every day. I'm glad, Aims, that you brought that up because we do have a staff that is fully loaded at this time. But we will find a way. And CPE members, I'm going to be calling on you to take on additional responsibility as we go forth. I will

remind you to be ready to volunteer for those task forces that we will be appointing. Any other business?

The meeting adjourned at 12:00.



MINUTES¹
INVESTMENTS AND INCENTIVES COMMITTEE
October 7, 1997

The Investments and Incentives Committee meeting was held on October 7, 1997 at 1 p.m. in CPE's Conference Room, 1024 Capital Center Drive, Suite 320, Frankfort, Kentucky. Chair Greenberg presided.

ROLL CALL

The following Investments and Incentives Committee members were present: Mr. Baker, Ms. Edwards, Mr. Hackbart, Mr. Hardin, Ms. Menendez, Mr. Whitehead, and Chair Greenberg. Mr. Miller and Ms. Ridings were absent.

**ROLE OF
INVESTMENTS
AND INCENTIVES
COMMITTEE**

DISCUSSION: Mr. Greenberg emphasized that the role of the committee is to facilitate the goals established by public policy. One of the long-range contributions of this committee is to change some of the culture and establish a process for the future. The committee is seeking to find easier and better ways of achieving goals while fulfilling fiduciary responsibilities. Quoting page 41 of the agenda materials, Mr. Greenberg stated that the purpose of the committee is to "address issues related to finance, construction, and data management, and to advise and recommend to the Council on the following activities . . ." Generally the role is to go through, not only the biennial budget and financial reporting process, but the whole financial process. Part of that is identifying additional resources for the schools. Another part is in making systemic changes in financing postsecondary education.

STAFF SUPPORT

INFORMATION: For this discussion item, Mr. Walker provided an organizational chart of CPE which listed all CPE staff by unit followed by primary areas of responsibilities. Mr. Walker then introduced each member of the Finance, Facilities, and Data Management Unit for which he provides the primary leadership and which provides the staff support for much of the work of the Investments and Incentives Committee.

**UNIFORM
FINANCIAL
REPORTING**

DISCUSSION: Uniform financial reporting is an area of concern for Mr. Greenberg, and he led a discussion on the topic. In going through material that could be used to make policy decisions, he found the financial material presented in many different formats. There is no consistency in the reporting. Mr. Greenberg acknowledged NACUBO's reporting guidelines, but stated that the intent is to obtain uniform data for use in future policy decisions. Mr. Greenberg hopes that, through gaining a better understanding of all line items, policies could be developed to more equitably distribute allocations through the trust funds or through base budgets.

Mr. Greenberg said that there are certain departments in some of the state schools where outside funding sources exist, and that the approval of the administration is not always needed to access these sources. According to Mr. Greenberg, obtaining or identifying a list of these sources could be beneficial to the presidents. It would allow them to bring those funds into the fold and to better utilize and prioritize the expenditure of those funds. Additionally, he referenced the discussion of

¹ The meeting tape is maintained at CPE office.

Larry Hayes, the former Chair of CHE Finance Committee, concerning the extraordinary amount of reserve funds throughout the Commonwealth.

Mr. Greenberg said that every organization needs reserve funds; however, CPE would like to understand what the appropriate level is and why it should be there.

Mr. Greenberg proposed that someone, perhaps an accounting faculty member, from each institution be chosen to work on a task group to address these issues. The format should include the submission of investment policies that institutional boards have endorsed and other policies that make good sense. After the proposal has been approved by CPE, outside consultative services could be engaged if the institutions and CPE deem it necessary.

He provided a copy of an editorial entitled, "Flood, Famine: Maintenance Put-off Plagues Universities," from a Memphis, Tennessee newspaper appearing on Monday, September 29, 1997. The essence of the lead editorial was that delayed maintenance is causing a tremendous burden on universities. He said that the information presented indicates that the amount of monies allocated to maintenance and operation range from 8 percent to 22 percent. Mr. Greenberg is concerned about the diverse range in the amount used for maintenance. He emphasized that CPE does not want to manage facilities; however, CPE does want to have the information so that implementation of mandates can be accomplished. CPE also wants to ensure that the monies are allocated and used appropriately. Mr. Greenberg suggested that having more detailed information, or a better explanation of the detail, could help develop future policies.

Ms. Menendez asked about the campus visits by CPE's Consulting Architect.

Mr. Walker stated that Mr. David Banks, CPE Consulting Architect, and Mr. Sherron Jackson, CPE Director for Facilities, visited each of the state-supported university and community college campuses, as well as the 25 postsecondary technical schools, to make an assessment of the condition of each campus and to put in some priority order, based on Mr. Banks' assessment, the capital projects as requested by the institutions for the next biennium. Mr. Banks' report will be submitted to CPE within the next few days. The report will be on the agenda for the Investments and Incentives Committee Meeting on October 20. The report will not include an estimate of bringing the condition of the campuses up to a certain level.

OTHER BUSINESS

Mr. Greenberg initiated a discussion on the trust funds. He clarified that while CPE has limited time to make budget recommendations, it is not time limited to develop the final criteria for the trust funds. He stated that CPE does not have to award all the money each year, and suggested that this be discussed as the fund distribution criteria are developed. One suggestion Mr. Greenberg made was to use several different outside organizations (National Science Foundation, NIH, American Cancer Society, the American Heart Association) to review research conducted at the institutions. He believes that some of the research done in the state is not adequate.

Mr. Greenberg reminded the committee of the research agenda which is, "How does this tie into economic development and become an economic engine for the

communities in the state?" He proposed six options for the distribution of the Research Challenge Trust Fund:

1. Allocate the funds to direct projects. This would allow the monies to partially fund 8 - 16 projects over a four -year period. According to Mr. Greenberg, this method does not provide much leverage to accomplish the research agenda.
2. Fund "Near Misses." This option funds those projects which were nearly funded by an outside reviewing agency like the National Science Foundation, the American Cancer Society, or the American Heart Association. The difference between a project receiving NSF funding and one that nearly does (a near miss) is qualitatively very small.
3. Attract funded faculty. Use the money to attract faculty who have some funding at other universities.
4. Reward success. Give additional money to those who bring in the dollars.
5. Focus on infrastructure. According to Mr. Greenberg, this is very important to accomplishing House Bill 1 goals. He is interested in planning and developing the infrastructure so that some funds could be used as seed money to leverage other funds.
6. Fund technology transfer. Mr. Greenberg believes that technology transfer ties into the goal of 2020 for employment and economic engines.

Mr. Hackbart suggested an additional option. While he believes that funding specific projects could lead to additional funding and could develop an almost infant industry to some extent, he also believes that building capacity could be more fruitful in terms of attending to long-term goals. He brought up the topic of a bond issue to raise capital to fund private sector matching monies for chairs and professorships. He believes that this could be a good leveraging tool and one which could lead to great early rewards. Basically this would involve utilizing some of the funds to provide the debt service on a bond issue. The bond issue could help finance an additional endowment which then could be matched against private sector funds to provide funding for chairs and professorships early on rather than waiting for several years. Mr. Hackbart said that this method "would be front-end loading an investment in human capital, in research faculty, and so forth to really get out of the gate fairly aggressively in terms of developing the research capacity of the universities. . . "

Mr. Greenberg elaborated on Mr. Hackbart's suggestion. He said that a private initiative was given to the Governor suggesting that a \$100 million bond issue be made to fund human capital, specifically, 20 or 40 endowed chairs. The debt service on the \$100 million bond issue for those endowed chairs would be obtained from private industry. This would allow institutions to focus on five or ten areas rather than 50 like other heavily funded institutions. Those five or ten focal areas would have the 2020 spin-offs of employment and economic development in key areas. He believes this approach would boost Kentucky and the whole postsecondary education agenda as well as generate additional outside funding.

On the other hand, Mr. Greenberg said that a question exists as to whether bond proceeds can be used or a bond issue sold for this purpose. At present, the answer

appears to be no; however, he believes that there are ways to use bonds in this manner. CPE is looking for innovative ways to raise the monies. As an example, he suggested adding \$2 to each ticket at every athletic event and stating the monies would be used towards funding centers for excellence at the school, the Research Challenge Trust Fund, or the Physical Facilities Trust Fund.

Mr. Hackbart said that if the debt service came from the private sector, CPE would have to develop a process whereby potential buyers of bonds would be assured of a cash flow to meet the debt service. This assurance would be required to receive an appropriate bond rating as well as to market such a bond. Another option is issuing a bond with debt service appropriations coming from the trust fund; however, there may be questions as to whether such a bond could be sold in a tax exempt status. The IRS specifies that bond proceeds for capital projects have to be spent within a three-year timeframe because of arbitrage provisions in the 1986 Tax Reform Act. Other possibilities include bond insurance and other credit enhancements. Mr. Hackbart believes that there is a tremendous advantage to accumulating sufficient capital early.

Mr. Greenberg said that similar processes could occur with the Regional University Excellence Trust Fund. He believes that there could be local industries or communities that would support and underwrite, on a long-term basis, a bond issue. One suggestion is to allow the presidents to determine the programs of excellence they would like at their respective institutions and then make a proposal to CPE. Each could be different or each could be the same so that Kentucky becomes a "national expert" in a particular field. The idea is that as the state improves, everybody in the state improves. As one region does better, that region will become less of a drain on another region. As one region does better and generates more tax base, it could support another area of the state.

Mr. Walker distributed copies of notes compiled by CPE member Peggy Bertelsman on the topic of the Regional University Excellence Trust Fund. Both Mr. Greenberg and Ms. Bertelsman believe that education is portable. Any program could become a center of excellence if focused upon for ten years.

Mr. Hackbart presented additional options for the distribution of the Regional University Excellence Trust Fund. First, the funds could go to the same program for an indefinite period. Secondly, there could be a flow of funds for a fixed period after which there might be a review and/or termination of the funds to that particular center of excellence or area of distinction. At that time, the university could decide whether that area would receive continued focus. However, to some extent, once the funds are committed, the institutions will probably not have a great opportunity to move to another area unless the fund flow structure permits that to happen. Mr. Hackbart asked for institutional recommendations regarding structure: Would it be beneficial to build in some leverage flexibility or would it be better to identify an area and assume that the funds would flow to that area for an indefinite period of time?

President Funderburk said that he prefers flexibility. Mr. Mike Moore, representing President Eaglin, said that Morehead State University would prefer flexibility also. President Votruba said that this kind of thinking on the part of CPE is a great use of time and creativity, i.e., to look at the number of ways to generate a revenue stream to support this work. At least initially, he would like the freedom to define what constitutes a nationally recognized program. President Votruba is concerned that the

criteria are going to be constraining and cause thinking in ways that are too traditional for the times.

Mr. Baker asked the various presidents what their thinking is in terms of centers of excellence at their institutions. He was interested in obtaining an idea of what the various regional and research universities are thinking. The presidents responded with the following programs. The programs are listed in the order given by the presidents.

<i>President / Institution</i>	<i>Response</i>
President Funderburk Eastern Kentucky University	A. Law Enforcement B. Some facet of Allied Health
President Smith Kentucky State University	A. Aquaculture B. Minority Teacher Education C. Whitney Young College of Leadership Studies
Mr. Mike Moore for President Eaglin Morehead State University	A. Social Sciences B. Psychology C. Sociology D. Social Work E. Government F. Political Science G. Geography (Note: Selected programs must focus upon the economic needs of the region and be interdisciplinary.)
President Alexander Murray State University	A. College of Business B. Industry / Technology C. Science, Biology Research, Reservoir Research
President Votruba Northern Kentucky University	A. Financial Services (in collaboration with local financial institutions) B. "Just in Time Education and Training" (addresses area workforce development needs)
President Wethington University of Kentucky	A. Pharmacy B. Aging C. Neural Sciences D. Computational Sciences E. Information Technology F. Cancer G. Primary Care

Mr. Greenberg said that CPE would look very favorably upon research programs involving inter-institutional cooperation and collaboration because that would facilitate the development of a seamless postsecondary education system. President Funderburk informed the committee that the presidents are working on the possibility of collaborative programs and will report on the possibilities at the next meeting. Mr. Hackbart said that an area of excellence at the regional university level could build on an existing program, or identify an area that should exist and does not exist across the institutions. The latter might provide some great opportunity to develop a

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regionally recognized or nationally recognized area. House Bill 1 encourages looking beyond institutional boundaries and looking to the future and identifying new opportunities.

Mr. Greenberg asked representatives from KCTCS to share their thoughts on ways to leverage the Postsecondary Workforce Development Trust Fund. Mr. Anthony Newberry suggested that it would be premature for them to make much comment on that fund because the new board has yet to meet. The KCTCS Board is scheduled to meet for the first time as a full board on October 13, 1997. Sandy Gubser reported that a variety of fund distribution proposals have been developed. The proposals range from assessing postsecondary education technical schools' equipment needs to incorporating distance learning or the use of the Virtual University. Additionally, she reported that staff is looking at ways of proposing how to distribute funds among the 25 schools.

Ms. Gubser said that no suggestions have been received on ways to leverage the funds in a manner similar to the options presented for the Research Challenge Trust Fund and the Regional University Excellence Trust Fund. She partially attributes that to the mixed discussion that went on during the Special Session regarding the use of those funds. She thinks a variety of people went to the Governor during the session arguing for equipment upgrades. Ms. Gubser is concerned about matching criteria at the postsecondary technical level. In the past, the Technical Education Department put forth money for matching with equipment; however, schools in urban areas with stronger linkage to business and industry were better able to match than those schools in more outlying areas. A question of equity as it relates to delivery of programs and quality of equipment exists and must be addressed along with other issues in whatever proposal will be brought forward.

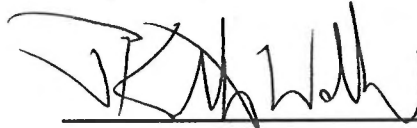
Mr. Greenberg asked Ms. Gubser whether there has been any interest from the gaming industry to train staff. She said that she was not aware of any such interest. According to Mr. Greenberg, Ivy Tech in Indiana has created a whole school to train workers for the gaming industry.

Mr. Greenberg reported that the next meeting would be October 20.

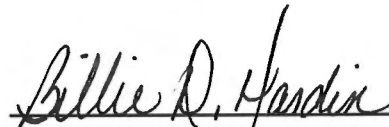
ADJOURNMENT

The meeting adjourned at 2:15 p.m.

Respectfully submitted,



J. Kenneth Walker
Chief Operating Officer



Billie D. Hardin
Secretary

**ROLE OF INVESTMENTS AND
INCENTIVES COMMITTEE**

**IIC (C)
October 7, 1997**

Discussion:

The Committee will discuss its responsibilities in the context of the other CPE operating committees (Trends and Operations Committee and Quality and Effectiveness Committee) and the entire CPE. Attached is an excerpt from the CPE bylaws (approved on August 27, 1997) which describes the operating committees.

Excerpt from
COUNCIL ON POSTSECONDARY EDUCATION
1.2: BYLAWS

Section 4: Committees

A. Committees--General

- A.1 Committees of the Council shall be designated upon creation as Operating Committees, Standing Advisory Committees, or Special Advisory Groups or Task Forces.
- a. Operating Committees are established to manage the work of the Council, specifically to review all agenda items assigned, discuss and evaluate issues and recommend action to the Council. Membership on Operating Committees is restricted to Council members with Council staff assigned by the president to assist the committee.
 - b. Standing Advisory Committees are established by the Council to provide advice and counsel to the Council on issues and policies. Membership on Standing Advisory Committees may include Council members, Council staff, representatives of postsecondary education institutions, lay citizens and public officials. The designation of an advisory committee as "standing" is recognition of the significance and on-going nature of the subject matter assigned to the committee.
 - c. Special Advisory Groups or Task Forces are established by the Council to address specific issues and problems. By their nature, Special Advisory Groups or Task Forces are time-limited. Membership on Special Advisory Groups or Task Forces may include Council members, Council staff, representatives of postsecondary education institutions, lay citizens and public officials.
- A.2 The chair of the Council shall appoint members to all committees unless membership is directed by statute or Council policy.
- A.3 The chair of the Council shall assign specific tasks and subject matter to all committees unless action of the Council directs the assignment of a task or subject matter to a committee.
- A.4 The president shall assign staff, as appropriate, to assist Operating Committees, Standing Advisory Committees or Special Advisory Groups or Task Forces.
- A.5 The Council may create, modify, or abolish any committee, unless the committee is established by statute, upon action taken by a majority of the appointive membership.
- A.6 The chair of the Council shall be an ex officio, voting member of all Operating and Standing Advisory Committees.
- A.7 The president shall be an ex officio, non-voting member of all Standing Advisory Committees and Special Advisory Groups or Task Forces unless otherwise indicated by action of the Council.

B. Trends and Operations Committee (TOC)--Operating

B.1 Purpose

The purpose of the Trends and Operations Committee is to advise and recommend to the Council on the following issues and activities:

- a. The Strategic Agenda and Strategic Implementation Plan
 - (1) Develop a strategic agenda for postsecondary education, communicate actions of the Strategic Committee on Postsecondary Education (SCOPE) to the Council, and communicate actions of the Council to SCOPE; and
 - (2) Develop a Strategic Implementation Plan for the postsecondary education system designed to accomplish the strategic agenda.
- b. Trends
 - (1) Develop a mechanism to determine future trends for the postsecondary education system and to incorporate those trends into the Strategic Implementation Plan and into other Council policy initiatives; and
 - (2) Provide trend information in support of the Strategic Implementation Plan.
- c. Operations
 - (1) Review all agency budget and personnel matters, including an annual evaluation of the president, and recommend annual compensation for the president;
 - (2) Monitor institutional progress relative to the *Kentucky Plan for Equal Opportunities* and serve as liaison with the Committee on Equal Opportunities; and
 - (3) Develop an annual work plan for the Council in conjunction with the Quality and Effectiveness Committee and the Investments and Incentives Committee.
- d. Perform such other duties and tasks as assigned by the Council or by the chair of the Council.

B.2 Membership

Membership on the Trends and Operations Committee shall consist of seven members:

- a. The chair of the Council;
- b. Vice chair of the Council;
- c. The chairs of the Quality and Effectiveness Committee and the Investments and Incentives Committee;

- d. The immediate past chair of the Council; and
- e. Two additional members of the Council appointed by the chair of the Council.

B.3 General

- a. The Trends and Operations Committee is empowered to act on behalf of the Council only on those matters directed by the Council and within the limits of the direction given by the Council.
- b. Where the Trends and Operations Committee acts relative to B.1. d. above, the Council shall specifically state the authority of the committee.
- c. The Trends and Operations Committee shall report any actions taken to the Council at the next regular meeting. Committee actions are advisory only.

B.4 Meetings

The Trends and Operations Committee shall meet at the call of the chair.

C. Quality and Effectiveness Committee (QEC)--Operating

C.1 Purpose

The purpose of the Quality and Effectiveness Committee is to address matters relating to quality assurance and enhancement efforts that result in an efficient, responsive, seamless, and integrated system of postsecondary education. Specifically, the Committee shall advise the Council and make recommendations on policies, standards, initiatives, and reporting related to the following areas:

- a. Academic Programs and Student Services
 - (1) Academic program coordination, delivery, and outcomes, including standards for the review of all existing academic programs and criteria and standards for the establishment of new academic programs;
 - (2) Support for P-12 education reform;
 - (3) Transfer of academic credit among public institutions;
 - (4) Admissions-related policies, including minimum admission standards, pre-college curriculum, and dual credit; and
 - (5) Student services, programs, and communications, including partnerships with the P-12 education system, that help create a more student-centered postsecondary education system.
- b. A comprehensive system of public accountability, including performance indicators related to educational quality, student advancement and success, research and service, and use of resources;

- c. A coordinated and comprehensive approach to workforce development and technology transfer;
- d. Private college and university licensing; and
- e. Other tasks as assigned by the chair of the Council.

C.2 Membership

Membership on the Quality and Effectiveness Committee shall consist of eight members:

- a. A chair;
- b. Vice chair;
- c. Five members of the Council all appointed by the chair of the Council; and
- d. The Commissioner of Education or designated representative as an ex officio, non-voting member.

C.3 General

The Quality and Effectiveness Committee shall report any actions taken to the Council at the next regular meeting. Committee actions are advisory only.

C.4 Meetings

The Quality and Effectiveness Committee shall meet at the call of the chair.

D. Investments and Incentives Committee (IIC)--Operating

D.1 Purpose

The purpose of the Investments and Incentives Committee is to address issues related to finance, construction and data management and to advise and recommend to the Council on the following activities:

- a. Biennial budget and financial reporting
 - (1) Determine tuition for the postsecondary education institutions. *KRS 164.020(8) and 13 KAR 2:050;*
 - (2) Develop funding proposals for the biennial budget consistent with the strategic agenda for postsecondary education. *House Bill 1, Sections 7 through 15, 1997 First Extraordinary Session;*
 - (3) Develop, review, analyze and recommend biennial budget requests for institutions and for the system of postsecondary education;
 - (4) Develop and implement a financial reporting system for the institutions. *KRS 164.020(25);*

- b. Review and recommend institutional capital projects, including the acquisition of real property, consistent with *KRS 45.750(1)(f)* which establishes the financial limits for projects requiring legislative approval. *KRS 164.020(11)*;
- c. Maintain a comprehensive data base for the postsecondary education system; and
- d. Perform such other tasks as assigned by the chair of the Council.

D.2 Membership

The Investments and Incentives Committee shall consist of eight members:

- a. A chair;
- b. Vice chair; and
- c. Six members of the Council all appointed by the chair of the Council.

D.3 General

The Investments and Incentives Committee shall report to the Council any actions taken at the next regular meeting. Committee actions are advisory only.

D.4 Meetings

The Investments and Incentives Committee shall meet at the call of the chair.

Information:

Staff support for the Investments and Incentives Committee primarily is provided by staff currently organized as the Finance, Facilities, and Data Management unit. CPE members will have the opportunity to meet the unit staff at the first IIC meeting. Also at the meeting, committee members will receive a copy of the current CPE staff organization chart and a list of unit staff members with their primary areas of responsibility.

AGENDA SETTING

Discussion:

The Committee will discuss its future agenda, establish priorities for its work, consider the use of external consultants in policy development, and provide direction to the staff. This discussion is a natural follow-up to the presentation by Aims McGuinness and discussion among CPE members at the October 7 full Council meeting.

Discussion:

KRS 164.020(25) mandates CPE to develop uniform financial reporting formats for postsecondary institutions. CPE will need to identify any deficiencies in current financial reporting and to identify what may need to be added or modified in order to better convey financial accountability. At the September 21, 1997, CPE meeting, Ron Greenberg, Investments and Incentives Committee Chair, proposed that the development of Uniform Financial Reporting be initiated sooner than presented on the Draft Transition Agenda Master Calendar. The draft calendar presented at the meeting identified an approximate timeline of December 1997 to May 1998.

In order to expedite the review process, Chair Greenberg proposes to proceed in the following manner:

- Ask staff to arrange for a presentation on this issue at the next Investments and Incentives Committee meeting by a representative of the National Association of College and University Business Officers;
- Ask each university president and the president of KCTCS to identify one representative, preferably an accounting faculty member, to serve on a task force charged with proposing a uniform financial reporting system;
- The task force would include CPE members, CPE staff and the university representatives described above;
- CPE would contract with a national accounting firm to coordinate the work plan of the task force; and
- The task force would make a recommendation to CPE for action at its March 1998 meeting.

OCTOBER 19-20 and NOVEMBER 2-3 MEETINGS

IIC (G)
October 7, 1997

Discussion:

CPE and its committees are scheduled to meet on October 19-20 and November 2-3. CPE must take action on a number of important issues by the November 2-3 meeting. These issues include, at a minimum: a) the 1998/2000 biennial operating and capital projects requests, b) the 1998/2000 tuition schedules, c) incentive trust funds criteria, and d) academic program approval. The October 19-20 CPE and committee meetings provide opportunities for discussion and input on these and other high priority issues in anticipation of action to be taken in November.