

MINUTES*
Council on Postsecondary Education
October 7, 1997

The Council on Postsecondary Education (CPE) met on October 7, 1997, at 8 a.m. (ET) in the CPE conference room in Frankfort. Chair Hardin presided.

ROLL CALL

The following members were present: Ms. Adams, Mr. Baker, Mr. Barger, Ms. Bertelsman, Ms. Edwards, Mr. Greenberg, Mr. Hackbart, Mr. Hardin, Ms. Helm, Ms. Menendez, Mr. Todd, Ms. Weinberg, and Mr. Whitehead. Ms. Ridings, Mr. Miller, and Mr. Cody did not attend.

APPROVAL OF MINUTES

There being no corrections, the minutes of the previous meeting were approved as distributed.

PERSONNEL MATTERS

MOTION: A motion was made by Mr. Barger, seconded by Mr. Greenberg, that CPE go into executive session to discuss personnel issues.

VOTE: The motion passed.

Mr. Hardin asked everyone to leave the meeting room during the discussion.

MOTION: Ms. Bertelsman moved that CPE move out of executive session. Mr. Barger seconded the motion.

VOTE: The motion passed.

Mr. Hardin reported that only personnel matters were discussed in the executive session and that no votes were taken. The day-to-day leadership of CPE staff was discussed due to Gary Cox's recent announcement that he will be leaving CPE on October 31 to become President of the Association of Independent Kentucky Colleges and Universities and Executive Director of the Council of Independent Kentucky Colleges and Universities.

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

MOTION: Mr. Greenberg moved that Ken Walker be appointed Chief Operating Officer and Jim Ramsey be appointed Special Assistant to the Chair. The Chair should be authorized to appoint ad hoc committees to support the new agenda of CPE. Mr. Barger seconded the motion.

*AD HOC
COMMITTEES*

Mr. Hardin will appoint an ad hoc committee to address budget development including trust fund criteria. This committee will report both to the Quality and Effectiveness Committee (QEC) and the Investments and Incentives Committee (IIC). An ad hoc committee will be appointed to discuss the development of the Commonwealth Virtual University (CVU) and will present a report to the QEC.

VOTE: The motion passed.

*BUDGET
DEVELOPMENT
PROCESS*

Jim Ramsey and Merl Hackbart led a presentation and discussion about the implications of HB 1 and HB 4 relative to the budget process.

Dr. Ramsey outlined Governor Patton's budget priorities and goals for the 1998/2000 biennium. These include maintaining a structurally-balanced budget; increasing the budget reserve trust fund; and, providing an additional \$62 million in the next two years for postsecondary education (above inflationary increases). CPE's short-term priorities for the next several weeks are: (1) prepare a budget request for both the operating funds for the universities and for capital projects; (2) develop allocation criteria for the 1998 strategic investment and incentive funds; (3) define a process for developing the strategic agenda and strategic implementation plan; (4) develop a plan to work with the Strategic Committee on Postsecondary Education (SCOPE) during the presidential search process; and, (5) set tuition for all postsecondary institutions for the next biennium.

HB 1 creates six strategic investment and incentive funds – Research Challenge Trust Fund, Regional University Excellence Trust Fund, Technology Initiative Trust Fund, Physical Facilities Trust Fund, Postsecondary Workforce Development Trust Fund, and Student Financial Aid and Advancement Trust Fund. HB 1 provides guidance with regard to which institutions qualify for which of these funds and how the funds are to be distributed among institutions. A major task for CPE is the transition from the previous formula funding model to the design and implementation of the strategic investment funds.

For the current year (1997/98), HB 4 provides \$23 million in base increases and \$15 million for three of the six Strategic Investment Funds (\$6 million for the Research Challenge Trust Fund, \$6 million

for the Regional University Excellence Trust Fund, and \$3 million for the Postsecondary Workforce Development Trust Fund). This \$15 million in new money for fiscal year 1998 will be retained for 1999, and an additional \$32 million will be added to the various funds. These funds will be retained, and an additional \$30 million will be added for fiscal year 2000. By fiscal year 2000, an additional \$100 million will have been appropriated to postsecondary education.

Dr. Ramsey said that the tenor of HB 1 is to change the method for funding postsecondary education and to create funding incentives that encourage certain types of behavior at our institutions. This is important to keep in mind as CPE moves forward with determining allocation criteria for these funds. Other things to consider are the match requirements, nonrecurring versus recurring funds, and an accountability system to ensure that the dollars are used to help accomplish the goals outlined in HB 1.

CPE must set priorities for the funds allocated to the universities for capital projects. Three possible priorities are deferred maintenance, technology-based instruction/Commonwealth Virtual University, and new construction. In 1996, the number one priority was deferred maintenance. The thinking at that time was that our campuses are aging, that they have some very dramatic deferred maintenance needs, and that the state needs to reinvest in our plant and equipment. The 1996 recommendation was that institutions could qualify on a matching basis for either deferred maintenance dollars, dollars for governmental mandates, or dollars for technology. The deferred maintenance recommendation was not included in 1996 in the Governor's budget recommendation, nor was it funded by the General Assembly. CPE employs David Banks as a consulting architect. Mr. Banks has visited every postsecondary institution in the state and will soon submit his report on deferred maintenance needs to CPE members. Regarding the CVU, it is anticipated that start-up costs, nonrecurring costs, and capital costs will be associated with more technology-based instruction and the CVU. Earlier this year the Council recommended six new or renovation-type construction projects to the Capital Planning Advisory Board (CPAB). CPAB has reviewed capital requests from all state agencies and has developed a top twenty priorities list. Dr. Ramsey said that due to the passage of HB 1, CPE is not bound to the six projects submitted to CPAB. In September, CPE asked the institutions to reexamine their capital projects requests, reprioritize the lists in light of HB 1, and resubmit the information to CPE staff.

Dr. Ramsey called attention to three papers included in the agenda materials which reflect his 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. These draft documents are provided for discussion purposes.

(Additional background information is included as Agenda Item C.)

PRIORITY SETTING

Aims McGuinness, Senior Associate with the National Center for Higher Education Management Systems in Boulder, Colorado, and primary consultant to the Governor's Task Force on Postsecondary Education, led a broad discussion of postsecondary education reform issues and led CPE members in an exercise to set priorities for the next thirty days and during the legislative session, as well as for on-going and long-term activities.

(Additional background information is included as Agenda Item D.)

INCENTIVE TRUST FUNDS CRITERIA

Ken Walker called attention to an information item on Incentive Trust Funds Criteria. Correspondence is included in the agenda materials from Ron Eaglin, Convener of the Conference of Presidents, and individual presidents concerning the Physical Facilities and the Regional University Excellence Trust Funds.

(Additional background information is included as Agenda Item E.)

President Wethington said that he will provide a response in writing in the next few days on the Research Challenge Trust Fund.

President Alexander said that the draft provided by Dr. Ramsey is a workable document for the regional universities.

President Funderburk pointed out that endowed professorships should be included for regional universities as well as for the research universities.

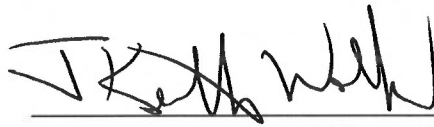
Interim President Burch spoke on the CVU. Last November, the Council of Chief Academic Officers (CCAO) was charged by the presidents to begin work on development of a CVU. Many suggestions are included in a draft recently circulated by CCAO.

Mr. Walker asked that CPE staff be provided with the latest version of the draft document. The document will be shared with CPE members and the CPE Distance Learning Advisory Committee. Mr. Hackbart asked for a presentation and discussion of the CVU at the next CPE meeting.

Mr. Barger stressed the importance of working closely with the Kentucky Community and Technical College System (KCTCS) in the development of the budget requests to ensure that needs of all postsecondary education institutions are addressed.

ADJOURNMENT

There being no further business, the meeting adjourned at 12:00.



J. Kenneth Walker
Chief Operating Officer



Phyllis L. Bailey
Secretary