



# Postsecondary Education in Kentucky: Systemwide Improvement but Accountability Is Insufficient

Research Report No. 311

*Prepared by:*

Tom Hewlett, Lowell Atchley, Lynn Aubrey, Margaret Hurst,  
Cindy Upton, and Greg Hager, Ph.D., Committee Staff Administrator



**Postsecondary Education in Kentucky: Systemwide  
Improvement but Accountability Is Insufficient**

**Program Review and Investigations Committee**

**Program Review and Investigations Committee  
Staff Report**

**Greg Hager, Ph.D.**  
Committee Staff Administrator

**PROJECT STAFF**

**Tom Hewlett  
Lowell Atchley  
Lynn Aubrey  
Margaret Hurst  
Cindy Upton**

**Research Report No. 311**

**Legislative Research Commission**

Frankfort, Kentucky

**Program Review and Investigations Committee**

Adopted July 10, 2003

This report has been prepared by the Legislative Research Commission and printed with state funds.



## Foreword

The Program Review and Investigations Committee staff would like to acknowledge the cooperation and assistance of the staff of the Council on Postsecondary Education. Council staff answered numerous questions, provided essential data, and allowed Program Review staff to attend seminars and forums that greatly helped in the development of this report. Staff would also like to thank Council members Norma Adams and Ron Greenburg for their assistance.

The assistance of the Kentucky State University administration was also essential in developing this report. President William Turner, Juanita Fleming, and Bill Pennell were particularly helpful. William Wilson, chair of the KSU Board of Regents, also provided useful information.

Additionally, the presidents of all public postsecondary institutions in Kentucky were kind enough to take time from their schedules to discuss issues surrounding this report. President Jim Votruba and Carole Beere of Northern Kentucky University arranged for a campus visit and for interviews with a number of people in the area. Their assistance was most helpful in understanding the benefits of cooperative agreements between institutions. Gary Cox, president of the Association of Independent Kentucky Colleges and Universities, provided a useful perspective on how Kentucky's independent institutions could be more integrated into the postsecondary education system.

Staff from the office of the Auditor of Public Accounts provided useful background information on Kentucky State University's audit reports. Sharon Marcum of the Governmental Services Center provided information on state policies for tuition assistance.

Finally, Program Review staff would like to thank the knowledgeable staff of other LRC committees who acted as advisors and information sources for this report. Of particular assistance were Charles Shirley and Bart Hardin of the LRC Budget Review staff, and Audrey Carr, Sandy Deaton, and Jonathan Lowe of the Education Committee staff.

Robert Sherman  
Director

Frankfort, Kentucky  
July 10, 2003





## SENATE MEMBERS

**David L. Williams**  
President, LRC Co-Chair  
**Richard L. Roeding**  
President Pro Tem  
**Dan Kelly**  
Majority Floor Leader  
**Ed Worley**  
Minority Floor Leader  
**Charlie Borders**  
Majority Caucus Chairman  
**Johnny Ray Turner**  
Minority Caucus Chairman  
**Elizabeth Tori**  
Majority Whip  
**Bob Jackson**  
Minority Whip

## LEGISLATIVE RESEARCH COMMISSION

State Capitol      700 Capital Avenue      Frankfort KY 40601

502/564-8100

Capitol FAX 502-223-5094  
Annex FAX 502-564-6543

[www.lrc.state.ky.us/home.htm](http://www.lrc.state.ky.us/home.htm)

**Robert Sherman**  
Director

## HOUSE MEMBERS

**Jody Richards**  
Speaker, LRC Co-Chair  
**Larry Clark**  
Speaker Pro Tem  
**Gregory D. Stumbo**  
Majority Floor Leader  
**Jeffrey Hoover**  
Minority Floor Leader  
**Jim Callahan**  
Majority Caucus Chairman  
**Bob DeWeese**  
Minority Caucus Chairman  
**Joe Barrows**  
Majority Whip  
**Ken Upchurch**  
Minority Whip

## MEMORANDUM

**TO:**            The Honorable Paul E. Patton, Governor,  
                  the Legislative Research Commission, and  
                  Interested Individuals

**FROM:**        Senator Katie Stine, Co-Chair  
                  Representative Charlie Hoffman, Co-Chair

**SUBJECT:**    Adopted Committee Staff Report: *Postsecondary Education in Kentucky:  
                  Systemwide Improvement But Accountability Is Insufficient*

**DATE:**        July 10, 2003

---

In July 2002, the Program Review and Investigations Committee approved a study of the governance of postsecondary education, specifically the relationship between the Council on Postsecondary Education (CPE) and state universities. The Committee also directed staff to devote special attention to Kentucky State University (KSU) due to a number of reports about problems at the institution. The Committee approved this report and adopted its recommendations on July 10, 2003. CPE's response to this report is included as Appendix E. KSU's response to the report is included as Appendix F.

Committee staff reviewed CPE's statutory responsibilities and compared them to current activities. Staff interviewed the presidents of all the state public universities, the president of the Kentucky Community and Technical College System, the president of the Association of Independent Kentucky Colleges and Universities, and officials of the Kentucky Higher Education Assistance Authority, and the Education Professional Standards Board. Staff also held extensive discussions with officials at Kentucky State.

The major conclusions of the report are that:

- CPE has not fulfilled its responsibility to provide essential accountability information to the legislature and the citizens of Kentucky.
- CPE should do more to verify the accuracy of information reported by Kentucky's postsecondary institutions.
- CPE should ensure that financial information provided by the institutions is comparable.
- Due to the lump-sum funding of postsecondary education institutions, better reporting on the use of funds is essential, especially for trust fund allocations.
- The model CPE uses to develop its budget recommendations for postsecondary education institutions should be reviewed.
- Kentucky State University's staffing efficiency should be improved, and its student enrollment increased.
- Kentucky State University should continue recent improvements in its academic programs.

The following summary describes recommendations offered to improve the accountability function of CPE and the overall operations of Kentucky State University.

Chapter 2: CPE should review the goals of the Postsecondary Education Improvement Act and design an accountability system that corresponds to the requirements of that Act. CPE should prepare and distribute annual accountability reports to the governor and the Legislative Research Commission that include key information on each institution.

Chapter 3: CPE should ensure that information provided by institutions is comparable and take steps to periodically verify the accuracy of that information. When presenting information, CPE should explain the limits and sources of the information.

Chapter 4: CPE should incorporate legislative information needs into its decisions on information to be reported. This is especially true of reporting budgetary information and information about the uses of trust fund allocations. CPE should also review its budget model and consider incorporating additional factors. CPE should develop a series of options to promote transferability of credits and promote a more cost-effective method of providing college core courses.

Chapter 5: KSU should review administrative and staff positions to streamline operations. KSU and CPE officials should also review options for financing the renovation of a campus dormitory and should closely examine the appropriateness of KSU's benchmark funding institutions. KSU should begin an aggressive outreach campaign to state government employees and the surrounding community to increase its enrollment. CPE should take the appropriate steps to tighten requirements for the Endowment Match program.

Questions or requests for additional information should be directed to Greg Hager, Committee Staff Administrator for the Program Review and Investigations Committee.



## Contents

Executive Summary.....	ix
Chapter 1: An Overview of Postsecondary Education and This Report .....	1
The Expansion of CPE’s Role .....	5
Kentucky’s Postsecondary Education System Has Made Progress.....	6
New Technology for Learning.....	8
Adult Education .....	8
Organization of This Report .....	9
Chapter 2: CPE’s Accountability Process for Reporting Progress Toward the Goals of Postsecondary Education Improvement Is Insufficient.....	11
Legislative Intent Is Stated in Statute .....	12
The Goals of Postsecondary Education Reform Are Stated in Statute .....	12
Goals for Institutions.....	13
Systemwide Goals.....	14
Achieving the Goals Requires Effective Governance .....	15
Accountability Reporting Should Provide Information That Can Be Used by Legislators and Citizens.....	18
CPE Has Not Published an Accountability Report Since 1998.....	18
<i>Recommendation 2.1</i> .....	20
CPE Has Not Focused on Reporting Information on Achievement of the Goals of House Bill 1 .....	21
CPE’s Annual Status Report Does Not Satisfy the Requirement for an Annual Accountability Report.....	21
CPE’s Periodic Traffic Light Progress Report Does Not Satisfy the Requirement for an Annual Accountability Report.....	22
The Five Questions .....	22
The Individual Indicators.....	23
Additional Information on CPE’s Website Does Not Satisfy the Requirement for an Annual Accountability Report.....	25
The Vehicle for Achieving the Goals of Postsecondary Education Reform Is the Strategic Agenda.....	27
CPE’s Strategic Implementation Plan Does Not Include Reporting on the Goals of House Bill 1 for the Institutions .....	28
CPE Has Not Developed a Standard Method for Institutions to Report Progress Toward Achieving Their Statutory Goals.....	30
Achieving the Goals Requires Objectives and Plans That Are Related to the Institutions’ Missions .....	31
The Use of Benchmarks Should Be an Integral Part of the Implementation Plans and Accountability Reporting.....	32
<i>Recommendation 2.2</i> .....	32

Chapter 3: CPE Has Not Provided an Adequate Analysis of the Effectiveness of Postsecondary Education in Kentucky..... 33

    CPE Previously Recognized Legislative Intent and Its Responsibility to Report ..... 34

    Much of the Information Needed to Develop an Annual Accountability Report Is Available to CPE ..... 34

    CPE Does Not Verify the Accuracy of Information Received From Postsecondary Education Institutions..... 36

    CPE’s Reporting Guidelines Do Not Ensure Comparability of Financial Information ..... 37

*Recommendation 3.1* ..... 38

    Many Types of Performance Indicators Can Satisfy the Accountability Reporting Requirements..... 38

    Statewide Performance Indicators Provide Information That Can Be Used in Public Policy Decisions at the State Level ..... 39

        Percentage of Adults With a Bachelor’s Degree or Higher ..... 39

*Recommendation 3.2*..... 42

        College-Going Rates ..... 42

        Distance Learning Opportunities ..... 43

    Systemwide Performance Indicators Provide Information on the Postsecondary System as a Whole ..... 45

        Affordability ..... 45

        Enrollment..... 46

        Remedial Education ..... 48

        Graduation Rates..... 49

        Degrees and Other Formal Awards Conferred ..... 51

        Faculty and Staff..... 52

        Pass Rates on Licensure Examinations..... 53

        Facilities Utilization..... 54

        Institutional Finances ..... 55

Chapter 4: Budgetary and Affordability Concerns in Postsecondary Education ..... 57

    Kentucky’s Investment in Postsecondary Education Is Considered Crucial for the State’s Future..... 58

        CPE Has a Key Role in the Budget Process ..... 59

*Recommendation 4.1* ..... 61

    Affordability ..... 61

*Recommendation 4.2*..... 65

    CPE Is Responsible for Institutional Accountability and Financial Reporting ..... 65

    CPE’s Funding Model Has Shortcomings ..... 67

*Recommendation 4.3*..... 69

    The Strategic Investment and Incentive Funding Program (The Trust Funds)..... 69

*Recommendation 4.4*..... 73

    The Endowment Match Program ..... 73

Match Requirement for Gifts and Pledges .....	77
<i>Recommendation 4.5</i> .....	78
<i>Recommendation 4.6</i> .....	79
Requiring More Detailed Reports .....	79
<i>Recommendation 4.7</i> .....	80
The Postsecondary Education System Must Operate Efficiently .....	80
Chapter 5: Kentucky State University Is Addressing Financial and Academic Problems .....	81
KSU Is a Historically Black, Land-Grant University .....	81
Issues Cited Consistently in Consultants’ Reviews .....	83
Leadership Issues Must Be Resolved .....	84
Financial Management Is Improving .....	86
KSU Strengthens the Internal Audit Position .....	86
KSU Must Strive for Efficient Operations.....	87
<i>Recommendation 5.1</i> .....	88
Dormitory in Need of Renovation .....	88
<i>Recommendation 5.2</i> .....	90
KSU Needs More Students .....	90
<i>Recommendation 5.3</i> .....	91
University Attempts to Remedy Academic Problems .....	91
KSU Must Continue Efforts to Improve Test Scores .....	92
Low Enrollment Leads to Funding Difficulties .....	95
<i>Recommendation 5.4</i> .....	96
Contract With Food Service Vendor Is Problematic .....	96
<i>Recommendation 5.5</i> .....	97
Works Cited .....	99
Appendix A: Research Methods .....	101
Appendix B: Methodology Used by the National Center for Public Policy and Higher Education in the <i>Measuring Up</i> Reports .....	103
Appendix C: Trust Funds and Funding Programs .....	105
Appendix D: Kentucky State University Timeline .....	119
Appendix E: Response From the Council on Postsecondary Education .....	121
Appendix F: Response From Kentucky State University .....	129

**List of Tables**

<b>2.1</b> Comprehensive Universities’ Programs of National Recognition .....	14
<b>2.2</b> Selected KRS Chapter 164 Requirements .....	16
<b>2.3</b> An Example of How CPE Measures Progress .....	24
<b>2.4</b> An Example of How Negotiated Performance Goals Can Provide Misleading Information: Graduation Rates at Eastern Kentucky University.....	24

<b>3.1</b>	Unduplicated Headcount Enrollment in Kentucky	
	Virtual University Credit Courses .....	44
<b>3.2</b>	Affordability of a College Education in Kentucky, 2000 and 2002 .....	46
<b>3.3</b>	2002 Graduation Rates at Kentucky’s Public Universities .....	50
<b>3.4</b>	Public University Pass Rates on Elementary Education	
	Teacher Preparation Examinations.....	54
<b>4.1</b>	Budgetary Responsibilities Assigned to CPE by KRS 164.020 .....	60
<b>4.2</b>	Comparison of Full-time and Part-time Tuition Costs at	
	Four-year Institutions, LCC, and KCTCS.....	63
<b>4.3</b>	Weighting of Characteristics in the Benchmark Funding Model .....	67
<b>4.4</b>	Changes in Strategic Investment and Incentive Funding From	
	1997 to Present .....	70
<b>4.5</b>	Cumulative Endowment Match Program Activities for	
	Fiscal Years 1998 to 2002 .....	76
<b>5.1</b>	KSU Elementary Education Curriculum, Instruction, and	
	Assessment Program PRAXIS Scores, 1999-2000, 2000-2001, 2001-2002.....	94

### **List of Figures**

<b>1.A</b>	Full-time Equivalent Enrollment, 1998 and 2002.....	7
<b>2.A</b>	The Postsecondary Education Accountability System According to Statute .....	29
<b>3.A</b>	Percentage of Kentucky’s Adults 25 and Older With a	
	Bachelor’s Degree or Higher, 2000 U.S. Census .....	40
<b>3.B</b>	Share of the Change in Undergraduate Enrollment in	
	Kentucky’s Public Universities and	
	Community and Technical Colleges, 1998 to 2002 .....	48
<b>3.C</b>	Degrees and Awards Conferred by Kentucky’s	
	Public Institutions .....	52
<b>4.A</b>	General Fund Support for Postsecondary Education,	
	Fiscal Years 1991-92 to 2003-04 .....	59
<b>4.B</b>	Transfers From KCTCS to Four-year Institutions .....	64
<b>4.C</b>	2000-2002 Biennium, Shares of Endowment Match Program Funding.....	74
<b>5.A</b>	Full-time Faculty as a Percentage of Total Staff, Fall 2002.....	88

## **Executive Summary**

At its July 2002 meeting, the Program Review and Investigations Committee directed staff to examine the governance of Kentucky's system of postsecondary education, with particular attention to Kentucky State University.

In 1997, the General Assembly passed legislation to reform the state's system of postsecondary education. The new system was directed by six legislatively mandated goals designed to improve specific institutions and the system overall. The legislation created the Council on Postsecondary Education (CPE) with the responsibilities to act as an advocate for education and to provide a single systemwide point of accountability for performance against strategic goals set for each institution and the system as a whole.

Program Review staff found, however, that CPE has not fulfilled its responsibility to provide essential accountability information to the legislature and to the citizens of Kentucky. CPE is responsible for developing a framework by which postsecondary education can achieve its statutory goals. Additionally, CPE should provide institutional and systemwide accountability information to legislators. This information may be crucial in determining the return Kentucky is receiving on its substantial investment in postsecondary education, and in shaping budgetary decisions and public policy.

When compared to the statutory requirements for an accountability reporting system, however, CPE's reporting system was found to fall short. Statutorily required annual accountability reports are lacking. The information that is provided does not meet the needs of legislators and other decision-makers.

Most of the information CPE needs to develop an accountability reporting system is available. The individual institutions report a large amount of information to CPE routinely. CPE, however, should do more to verify the accuracy of the information reported and should ensure that the financial information reported by the institutions is comparable.

In developing its accountability report, CPE should focus on the usefulness of the information to the legislature and provide institution-specific and systemwide performance indicators. Chapter 3 provides a number of examples of specific accountability measures that CPE is or could be providing.

Accountability and performance information is particularly relevant to the budget process. This need is increased by the lump-sum funding method used in appropriating funds to the postsecondary institutions. Without line-item detail to direct spending, information on outputs becomes even more important. Though Kentucky makes a considerable investment in postsecondary education, affordability has become a concern as tuition continues to rise. Adequate reporting on the use of funds and institutional efficiency is crucial. Additionally, the model CPE uses to develop its budget

recommendations for postsecondary education institutions should be reviewed and pertinent factors included.

An area of particular emphasis in this report is Kentucky State University (KSU), which has had a history of difficulties spanning many years. Although the institution appears to be making efforts at improving financial management and academic performance, continued progress is the responsibility of its Board of Regents. Chapter Five offers suggestions to improve operations at the institution. The suggestions include:

- Improve staffing efficiency,
- Increase student enrollment,
- Examine the current mix of in-state and out-of-state students,
- Continue recent improvements in academics, and
- Review the selection of benchmark institutions for KSU.

On another issue, KSU and CPE must work together to resolve funding issues associated with renovating the largest dormitory on campus. CPE must also provide the accountability and performance information necessary to assure legislators that the KSU Board of Regents is continuing to meet its responsibility of improving the operations and performance of this unique institution.

### **Recommendations**

- 2.1** CPE should prepare and distribute the annual accountability report to the Governor and the Legislative Research Commission. The information to be included is specified in statute and requires an evaluation of each institution's progress toward meeting goals, principles, strategies, objectives, and benchmarks as set forth in the strategic agenda.
- 2.2** CPE should immediately review the goals of postsecondary education reform and design a strategic agenda that identifies specific short-term objectives for achieving those goals. CPE should ensure that institutional plans and missions conform with the strategic agenda and that the strategic implementation plan is designed to achieve that agenda. The strategic agenda, the strategic implementation plan, the institutional missions, and specific benchmarks should form the foundation for the annual accountability report to the Governor and the Legislative Research Commission. The report should cover each institution's progress and systemwide progress. CPE should work with the postsecondary education institutions to develop standardized guidelines on how progress toward satisfying the goals of House Bill 1 can be measured and reported.
- 3.1** CPE should review and revise the comprehensive database guidelines to ensure they are specific enough to ensure that provided information is comparable among institutions and among years for each institution. CPE should periodically verify that information is being reported by the institutions in accordance with the guidelines and take action to ensure that any inaccurate information is corrected.

- 3.2** When presenting information based on a sample, CPE should describe the source of the data and explain whether differences from one year to the next are statistically significant. CPE should provide sufficient explanation to clarify the limits of such information.
- 4.1** CPE should provide for legislative input into the agenda-setting process so that information presented to the Strategic Committee on Postsecondary Education (SCOPE) will be responsive to the interests and concerns of legislative members.
- 4.2** CPE should collaborate with all postsecondary institutions to develop a series of options to ease transferability of credits and promote a more cost-effective method of providing college core courses. These options should be presented to the Education Committee and the Appropriations and Revenue Committee's Subcommittee on Education by December 2003.
- 4.3** As CPE reassesses its benchmark funding model, it should consider differences in student ability to pay, recent fluctuations in the national economy, and institutional outcomes. These factors should be a consideration in any funding requests presented for consideration to the 2004 General Assembly.
- 4.4** CPE should report annually on funds from the Strategic Investment and Incentive Funding programs transferred to institutions' base funding. The summary reports should be provided to SCOPE, the Appropriations and Revenue Committee's Subcommittee on Education, and the Education Committee. The reports should include program activities, use of funds, matching requirements, and other pertinent financial information. CPE should provide additional information on the Programs of Distinction and the Research Challenge program, including the status of the universities' work toward meeting their goals as established in KRS 164.003.
- 4.5** CPE should clarify in its guidelines the definition of the term "new money from external sources." It should specifically address the issue of allowing existing federal grants, state-generated funds, and university-affiliated funds as matches for state funds appropriated for endowments.
- 4.6** CPE should define clearly in the guidelines the accepted use of mission support and should limit the percentage of funding used for mission support.
- 4.7** CPE should provide a report on the use of the Endowment Match funds to the Education Committee and the Appropriations and Revenue Committee's Subcommittee on Education. The report should detail the percentage of funds by new economy core disciplines and other areas. CPE should address the portion of funds used in support of institutional programs of distinction. This report should be provided by December of each year.

- 5.1** KSU officials should begin a thorough review of administrative and staff positions with a goal of streamlining operations and eliminating redundant or unproductive positions.
- 5.2** Finance officials from KSU and CPE should meet to review the affordability of renovating Young Hall. Options should be reviewed with the understanding that responsibility for issuing housing and dining debt resides with KSU.
- 5.3** KSU officials should survey the surrounding community to determine the skills needed by employers. KSU should also survey state government employees to determine their educational needs. To the extent that cost-effective programs can be developed, KSU should undertake an aggressive effort to increase the enrollment of part-time students.
- 5.4** Prior to submitting budget recommendations for the 2004 General Assembly, CPE and KSU should review KSU's benchmark institutions. Special emphasis should be made to ensure that KSU's benchmarks are as comparable as possible in student enrollment, mission, and other programmatic issues.
- 5.5** CPE should take appropriate steps to tighten the requirements for Endowment Match requests. Contracts that include cash contributions for the Endowment Match program, regardless of the nature of the contract, should be closely examined to ensure that student fees are not being used circuitously to fund endowment matches.



## Chapter 1

### An Overview of Postsecondary Education and This Report

---

The 1996 Task Force on Postsecondary Education reported that Kentucky would make little progress in improving its standard of living without improving education. Low enrollment and graduation rates were cited as specific problems. Barriers within postsecondary education were identified.

The 1996 General Assembly created the Task Force on Postsecondary Education. Chaired by the Governor, the task force also included several members of the House and Senate. The task force's 1997 report noted that "Kentucky must significantly improve the postsecondary knowledge and skills of its population and its research competitiveness if the Commonwealth hopes to compete in the global economy and raise the quality of life of its citizens" (p.5).

The Task Force noted that though Kentucky had made significant gains in the previous decade—increasing the college participation rate from roughly 25 percent in 1985 to 37.8 percent in 1994—enrollment in postsecondary education had been declining since 1991. Graduation rates at Kentucky public postsecondary institutions were also reported to be far below the national average.

The report detailed a series of barriers within the state's postsecondary education system that led to Kentucky's educational shortcomings. One barrier was a lack of leadership. The Council on Higher Education was deemed to have fallen short of its potential and was considered ineffective in budgetary decision making. Another problem was the lack of a link to a statewide strategic mission. Postsecondary institutions were found to have no incentive to look beyond their individual campuses to the broader needs of the state. A lack of strategic financial planning was also cited. The existing funding formula was determined to encourage institutions to seek add-on appropriations and to encourage competition rather than cooperation among the institutions.

Additionally, financial barriers for students were noted as a concern. While Kentucky is a relatively poor state, future needs for student aid were not linked to planning efforts. Nontraditional and middle-income students, and those limited in their ability to move onto campus and attend full time due to job or family restrictions had difficulty accessing aid.

---

The Kentucky Postsecondary Education Improvement Act became law in 1997. The Act identified six key goals for postsecondary education, to be achieved by 2020.

The General Assembly passed House Bill 1 in May 1997. Known as the Kentucky Postsecondary Education Improvement Act of 1997, HB 1 noted that the welfare and material well being of the citizens of the Commonwealth depend in large measure on the development of a well-educated and highly trained workforce. The Act called for a comprehensive system of postsecondary education with single points of accountability that ensure coordination of programs and efficient use of resources.

The Act specified six key goals to be achieved by 2020, linking the achievement of these goals to the development of a society with a standard of living and quality of life that meet or exceed the national average. The six goals included two systemwide goals and four goals specific to certain institutions.

The two systemwide goals are:

- A seamless, integrated system of postsecondary education strategically planned and adequately funded to enhance economic development and quality of life; and
- An efficient, responsive, and coordinated system of autonomous institutions that delivers educational services to citizens in quantities and of a quality that is comparable to the national average.

The Act provided four goals for specific institutions or groups of institutions.

- The University of Kentucky will become a major comprehensive research institution, nationally ranked in the top 20 public universities.
- The University of Louisville will become a premier, nationally recognized metropolitan research university.
- Regional universities will have at least one nationally recognized program of distinction or one nationally recognized applied research program.

These regional universities are specifically charged with working cooperatively with other postsecondary institutions to assure statewide access to baccalaureate and master's degrees of a quality at or above the national average.

- A comprehensive community and technical college system will assure, in conjunction with other postsecondary institutions, access throughout the Commonwealth to a two-year course of general studies designed for transfer to a baccalaureate program.

The comprehensive community and technical college system is also charged with providing the training necessary to develop a workforce with the skills to meet the needs of new and existing industries. The system also will provide remedial and continuing education to improve the employability of citizens.

---

The Council on Postsecondary Education was assigned responsibility for strategy, budgeting, and accountability reporting.

The Act also established the Council on Postsecondary Education (CPE) to replace the Council on Higher Education. CPE was established as a 15-member board with 12 citizens, one faculty member, and one student member, all appointed by the governor. The Commissioner of Education is an ex-officio member. Citizen members serve six-year terms, the student serves one year, and the faculty representative serves four years. The Council hires a president, who employs a staff. As of June 2003, there were 67 staff employed by CPE. CPE's operating budget for Fiscal Year 2002 was \$4.1 million, not including an additional \$7.8 million in funding for the Commonwealth Virtual University that is operated by Council staff.

CPE has been given a variety of responsibilities, but does not direct the administration of postsecondary institutions. One of the most important duties the Act assigned to CPE was to develop a strategic agenda for postsecondary education and a system of public accountability related to the strategic agenda. Chapters 2 and 3 of this report deal with the strategic agenda and the system of public accountability.

Associated with its strategic responsibilities, CPE is also assigned the duty of making recommendations to the governor on the budget for postsecondary education. CPE's responsibilities in the budget decision-making process include recommending the allocation of funds among the universities and Kentucky Community and Technical College System.

---

CPE is required to measure institutional performance and is responsible for various aspects of institutional activity.

CPE is assigned the responsibility of evaluating the quality and effectiveness of the state's postsecondary institutions. KRS 164.095(2) specifically charges CPE with developing and implementing a system of accountability for the postsecondary institutions that measures:

- Educational quality and outcomes;
- Student progress;
- Research and service activities;
- Use of resources;
- Other performance or outcomes that support achieving the strategic agenda, including involvement in quality enhancement of elementary and secondary education; and
- Other indicators as deemed appropriate by CPE.

In addition, CPE was given responsibility in various areas of activity of the state postsecondary institutions. Among the many duties and powers assigned to CPE are the following:

- Review, revise, and approve the mission statements of institutions, with final authority to determine the compliance of the institutions with their academic, service, and research missions;
- Guard against inappropriate and unnecessary conflict and duplication by promoting transferability of credits and easy access of information among institutions;
- Determine tuition and approve the minimum qualifications for admission;
- Require reports from the executive officer of each institution as CPE deems necessary for the effectual performance of its duties;
- Eliminate unproductive programs and unnecessary duplication of programs, or make changes, at CPE's discretion, in existing academic programs, taking into consideration consistency with the institution's mission and the strategic agenda and efforts to create cooperative programs with other institutions; and
- Develop a financial reporting procedure to be used by all state institutions to ensure uniformity of financial information.

---

The 1997 Act created SCOPE to advise CPE on strategic agenda and budgetary decisions.

The Act also created the Strategic Committee on Postsecondary Education (SCOPE), composed of the governor, members of the General Assembly, and members from the Council on Postsecondary Education. Members of the General Assembly include the president of the Senate, the speaker of the House of Representatives, the majority and minority floor leaders of each chamber, the minority caucus chair of each chamber, the chairs of the Appropriations and Revenue Committees of each chamber, and other members to be appointed by the president of the Senate,

speaker of the House, and the minority floor leaders of each chamber. SCOPE is to advise CPE on the development of the strategic agenda and to receive annual accountability reports related to the agenda from CPE. Additionally, SCOPE is to assist CPE in developing funding recommendations for the governor's budget that would conform to the postsecondary strategic agenda.

---

The 1997 Act also established the Kentucky Community and Technical College System and assigned to CPE a role in adult education.

The other notable creation of HB 1 was the Kentucky Community and Technical College System (KCTCS). Originally two separate systems, HB 1 combined the community college system managed by the University of Kentucky and the technical school system managed by the Workforce Development Cabinet. The resulting system provides training in a broad range of programs, from two-year associate degrees in programs such as nuclear medicine technology, to programs offering specific workplace skills such as carpentry and auto body repair.

KCTCS has the lowest tuition of the postsecondary institutions, and enrollment growth at KCTCS has been one of the successes of postsecondary education reform. The growth of KCTCS has been the single largest component of the state postsecondary system's overall growth. Systemwide enrollment growth will be discussed more fully below. Lexington Community College, due to its proximity and close relationship with the University of Kentucky, was not included in the formation of KCTCS. Lexington Community College remains a hybrid, with its own president and academic programs, but dependent on the University of Kentucky for approval of new capital construction projects.

### **The Expansion of CPE's Role**

Subsequent legislation expanded CPE's role. In the 2000 Regular Session, SB 1 added adult education to the list of CPE's responsibilities. CPE is required to establish a statewide mission for adult education and develop a 20-year strategy in partnership with the Department for Adult Education and Literacy. Among the specific duties assigned to CPE are promoting and coordinating programs linked to adult education, establishing standards for adult literacy, monitoring the state's achievement of adult literacy goals, and administering the adult education and literacy initiative fund.

---

CPE should promote maximum cooperation between public and private institutions.

HB 191 of the 2002 Regular Session also assigned CPE responsibilities in coordinating with the private postsecondary institutions in the state. The bill charged CPE with ensuring that the state postsecondary system does not unnecessarily duplicate services and programs provided by private institutions, and

mandated that CPE should promote maximum cooperation between public and private institutions. CPE is to consider the role, function, and capacity of private institutions in developing policies to meet the needs of the state. When it is found that private institutions can meet state needs effectively, state resources may be used to contract with private institutions to meet those needs. CPE reported nearly 30,000 students enrolled at 21 independent institutions during the Fall 2002 semester.

---

Concerns remain about CPE's original mission as the accountability agent for postsecondary education.

As CPE's mission has expanded, concerns remain about its role as the accountability agent for the postsecondary education system. Specifically, CPE does not appear to be focused sufficiently on the six original goals of HB 1. Chapter 2 addresses this concern. In addition, though CPE has been assigned significant responsibility in the development of the postsecondary education budget, only limited information is being provided by CPE to assist legislators in their budget deliberation process. Similarly, CPE is providing limited measures of institutional performance. Still, progress has been made in postsecondary education.

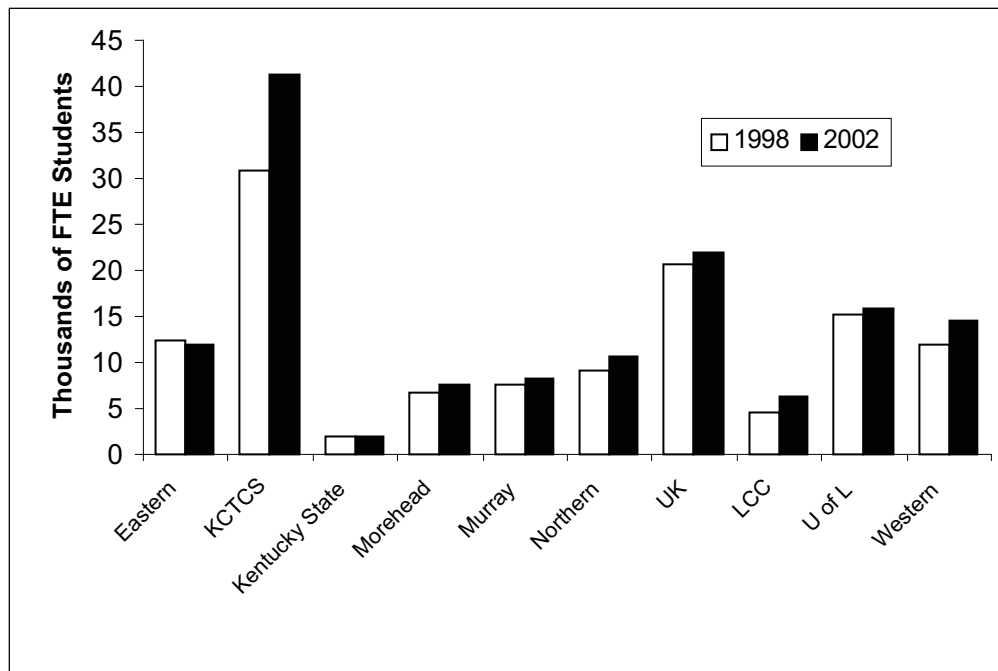
### **Kentucky's Postsecondary Education System Has Made Progress**

---

From 1998 to 2002, enrollment systemwide increased by more than 19,000 students.

Since the passage of the Kentucky Postsecondary Education Improvement Act, postsecondary education in Kentucky has made progress based on some key indicators. After several years of stagnant or decreasing numbers, enrollment began increasing after the Act was passed. Since Fall 1998, systemwide enrollment has increased by more than 19,000 students (15.9 percent). KCTCS enrollment increased from about 31,000 full-time-equivalent students in Fall 1998 to about 41,000 in Fall 2002, representing more than half the total growth in the postsecondary education system (see Figure 1.A below).

**Figure 1.A**  
**Full-time Equivalent Enrollment, 1998 and 2002**



Source: Prepared by Program Review staff based on CPE data.

---

University officials report that cooperation between institutions is improving.

An aspect of reform highly touted by representatives of several universities is the increased amount of cooperation in the system. Officials indicated that institutions often battled over scarce resources prior to reform. Now, one of the most widely discussed successes of the system is the statewide engineering strategy. Engineering was one of the fields identified for emphasis as a new economy area. The University of Kentucky, University of Louisville, Western Kentucky University, and Murray State University recently signed a memorandum of agreement that implements a joint baccalaureate degree in mechanical, civil, electrical, and telecommunications engineering.

Northern Kentucky University has also made collaborative agreements a part of its service to students. Northern has agreements allowing Gateway Community College students to share library services and resources. Students from Gateway may take classes at Northern and some Northern staff teach at Gateway. While the arrangement may not produce short-term savings for Northern, it is anticipated that it will improve the transfer of students from Gateway to Northern as the relationship between the two institutions develops. Northern also has collaborative agreements with a local private institution, Thomas More College.

Officials with the Council of Partners, a Northern Kentucky P-16 council prototype, stated that they found the amount of collaboration in Northern Kentucky to be unique and stated that cooperation between Northern, Gateway, and Thomas More could just be assumed.

### **New Technology for Learning**

---

The Virtual Library provides electronic database access at less cost than licensing databases at each institution.

CPE has reported great success with the Kentucky Virtual Library and the Kentucky Virtual University. Both programs use Internet-based systems to distribute educational opportunities to citizens across the Commonwealth. The Virtual Library provides 46 licensed electronic databases, at a cost much less than would be expected if each university separately licensed the databases. In fiscal year 2002, the Virtual Library handled more than 5 million searches. In addition to databases, the Virtual Library provides access to 5,000 full-text journals and 25 library catalogs.

---

The Kentucky Virtual University provides access for learners in all 120 Kentucky counties.

The Kentucky Virtual University provides distance learning opportunities over the Internet. The Virtual University works with postsecondary education institutions to provide courses in 34 different programs as of Fall 2002. Student enrollment has increased from 228 students in 1999 to more than 8,400 students in 2002. It is unclear, however, how many of these students are already enrolled in other postsecondary institutions. KYVU learners come from all 120 Kentucky counties, 37 other states, and 6 other countries.

### **Adult Education**

---

Enrollment in adult education programs increased by 69 percent in two years.

Another area of CPE responsibility in which there has been progress is adult education. The 1990 Census ranked Kentucky 46<sup>th</sup> in the number of adults aged 25-34 with a high school credential. That ranking had increased to 35<sup>th</sup> by the time of the 2000 Census, rising from 64.6 percent of the population to 74.1 percent. In 2001-02, adult education programs in Kentucky enrolled more than 86,000 students, an increase of 69 percent from 1999-2000.

Efforts to improve adult education have occurred statewide and family literacy programs are now available in all 120 counties. Additionally, a Kentucky Virtual Adult Education website <<http://www.kyvae.org>> has been developed to allow Internet-based access to adult education programs. The governor recently announced his intention to place adult education fully under CPE's



jurisdiction. The program had previously been managed jointly by the Cabinet for Workforce Development and CPE. Executive Order 2003-600 moves the Department for Adult Education and Literacy to CPE effective July 16, 2003.

### **Organization of This Report**

Implementing laws involving all the state's universities, community colleges, technical schools, and the adult education system is a difficult proposition. The difficulty is increased by the problems inherent in the system before reform. The following report will detail some of the concerns about the governance of postsecondary education, as well as highlight issues regarding Kentucky State University.

Chapter 2 discusses the accountability system CPE has put in place to report the progress of postsecondary education reform. The chapter raises concerns that CPE has not met the statutory requirements for an accountability system that addresses the goals established by HB 1. The chapter also discusses how a postsecondary education accountability system should be designed.

Chapter 3 discusses the information produced by CPE and determines that important information on the achievement of performance goals is lacking. The chapter also notes that CPE should do more to verify the information reported and does not require financial information be reported in a uniform manner. The chapter illustrates some available indicators on the status of postsecondary education in Kentucky.

Chapter 4 addresses budgetary and affordability concerns associated with Kentucky's postsecondary education system. The chapter notes that Kentucky makes a significant investment in the higher education system, yet not enough useful information has been provided to legislators in the budgetary deliberations, especially given the lump-sum funding of postsecondary education. Concerns are also raised about the funding model developed by CPE and the reporting on the use of incentive funding programs.

Chapter 5 addresses Kentucky State University and the problems the institution has encountered throughout the last several years. Though the institution has made progress in the last year, the report raises concerns about efficiency, enrollment, and educational outcomes.



## Chapter 2

### **CPE's Accountability Process for Reporting Progress Toward the Goals of Postsecondary Education Improvement Is Insufficient**

---

CPE has not fulfilled its responsibility to provide essential accountability information to legislators and the citizens of Kentucky. CPE's reporting model is not designed to measure the institutions' progress toward achieving the goals of HB 1. CPE is required to report on the institutions' and the system's achievement of goals in an annual accountability report.

As discussed in Chapter 1, the Council on Postsecondary Education has numerous responsibilities for higher education in Kentucky. CPE also has a dual role in postsecondary education improvement—accountability agent and advocate. KRS 164.095(5) requires CPE to submit an annual accountability report. KRS 164.013(4) requires the CPE president to be the primary advocate for postsecondary education as well as advisor to the governor and the General Assembly. These roles can be complementary and could be accomplished by providing appropriate information to decision makers on how public resources are being used in the reform effort. However, CPE has focused on its role as an advocate and has not provided essential accountability information.

The reporting model used by CPE is flawed. The model is not designed to report on the goals of House Bill 1 for the postsecondary education institutions. KRS 164.003(2) specifies one goal for the University of Kentucky and one goal for the University of Louisville. The comprehensive universities have a two-part goal, and the Kentucky Community and Technical College System has a three-part goal. Two goals are specified for the postsecondary education system. CPE's reporting model focuses only on the systemwide goals, using five questions related to preparation for college, college enrollment, retention and graduation, preparing Kentuckians for life and work, and benefit to Kentucky's economy. The answers to the questions provide valuable information about the postsecondary education system but do not address the goals for institutions.

CPE is required by statute to report on the institutions' and the system's achievement of the goals in an annual accountability report. The last accountability report was published in 1998. CPE does publish an annual status report and a "traffic light" progress report and displays information on its website. However, this

reporting does not satisfy the statutory requirements for an accountability report.

To establish CPE's duties and responsibilities, this chapter begins with an overview of statutes that specify legislative intent and the goals of postsecondary education reform. The chapter then discusses the need for effective institutional governance and the issues that must be covered in an annual accountability report. This chapter also shows how flaws in CPE's accountability framework result in reporting that does not satisfy statutory requirements.

### **Legislative Intent Is Stated in Statute**

---

The desired outcomes of postsecondary education reform are specified in statute.

The desired outcomes of postsecondary education reform legislation in Kentucky, as described in KRS 164.003(1), are to (1) develop a well-educated and highly trained workforce, (2) provide Kentucky's businesses and industries with the competitive edge critical to their success in the global economy, and (3) advance the welfare of the citizens of the Commonwealth.

---

The intent of the General Assembly is that an accountability process be used to evaluate institutional and systemwide achievement of goals.

KRS 164.095(2) expresses the intent of the General Assembly that an accountability process be implemented that provides the following:

- A systematic ongoing evaluation of quality and effectiveness in postsecondary education institutions, and
- A method for evaluating each institution's progress toward meeting specific goals, principles, strategies, objectives, and benchmarks as set forth in the strategic agenda.

---

The annual accountability report is required to include information on current performance and future initiatives.

KRS 164.095(5) requires CPE to include information on three specific areas in an annual accountability report:

1. Implementation of performance standards,
2. Achievement of performance goals, and
3. Initiatives to be undertaken during the next year.

### **The Goals of Postsecondary Education Reform Are Stated in Statute**

---

To achieve the desired outcomes, six goals are specified in statute: four goals for the institutions and two goals for the system as a whole.

To achieve the desired outcomes of postsecondary education improvement, the General Assembly specified six goals to be achieved by the year 2020. KRS 164.003(5) states that "the furtherance of these goals is a lawful public purpose that can best be accomplished by a comprehensive system of postsecondary education with single points of accountability that ensure the

coordination of programs and efficient use of resources.” The single points of accountability are the postsecondary education institutions and CPE in its role as a coordinating body. Both CPE and the institutions are responsible for efficient use of resources.

The six goals of reform provided in KRS 164.003(2) consist of four institution-specific goals and two systemwide goals. Measurement of progress toward institutional goals must recognize the mission of each public institution. In its role as accountability agent, CPE must provide specific reports. In its role as advisor, CPE is required to advise the Strategic Committee on Postsecondary Education (SCOPE) of actions needed to meet the goals.

### Goals for Institutions

KRS 164.003(2) specifies four goals for the postsecondary education institutions.

- The goal of the University of Kentucky (UK) is to become a major comprehensive research institution ranked nationally in the top 20 public universities.
- The goal of the University of Louisville (U of L) is to become a premier, nationally recognized metropolitan university.
- The goal of each regional (or comprehensive) university is (1) to have at least one nationally recognized program of distinction or one nationally recognized applied research program, and (2) to work cooperatively with other postsecondary institutions to assure statewide access to baccalaureate and master’s degrees of a quality at or above the national average. The comprehensive universities and their programs are listed in Table 2.1.
- The goal of the Kentucky Community and Technical College System (KCTCS) is to have a mission that assures, in conjunction with other postsecondary institutions, (1) access throughout the Commonwealth to a two-year course of general studies, (2) the training necessary to develop a workforce with the skills to meet the needs of new and existing industries, and (3) remedial and continuing education to improve the employability of citizens.

---

UK is to be a top-20 public research institution. U of L is to be a nationally recognized metropolitan university. The goal of each comprehensive university is to have a nationally recognized program and to work with other institutions to assure statewide access. KCTCS has a goal of providing two-year degrees, workforce training, and remedial and continuing education.

**Table 2.1**  
**Comprehensive Universities' Programs of National Recognition**

<b>Institution</b>	<b>National Program(s)</b>	<b>CPE Approval</b>
Eastern Kentucky University	Justice and Safety	July 1998
Kentucky State University	Aquaculture	Sept. 1999
Morehead State University	Institute for Regional Analysis and Public Policy	Jan. 1999
Murray State University	Telecommunications Systems Management	July 1998
Northern Kentucky University	Center for Integrative Natural Science and Mathematics	Mar. 1999
Western Kentucky University	Applied Research and Technology	July 1998
	Center for 21 <sup>st</sup> Century Media	May 2000

Source: Prepared by Program Review staff from information provided by CPE.

### Systemwide Goals

Systemwide goals must be achieved by public and private institutions and are to be coordinated by CPE.

Two systemwide goals are also specified in KRS 164.003(2). To a large extent, these goals must be accomplished by public and private institutions with coordination by CPE, taking into consideration the mission of each public institution.

- Kentucky is to have a seamless, integrated system of postsecondary education strategically planned and adequately funded to enhance economic development and quality of life.
- Kentucky is to have an efficient, responsive, and coordinated system of providers that delivers educational services to all adult citizens in quantities and of a quality that is comparable to the national average or above and significantly elevates the level of education of the adults of Kentucky.

CPE focuses primarily on the systemwide goals, but not enough on the institutions' goals.

The systemwide goals address problems noted in the 1997 Task Force Report on Postsecondary Education in Kentucky, including high cost and low enrollment, retention, and graduation rates. In HB 1, the General Assembly established two goals to address these problems and added four specific goals for institutions. CPE's reporting model focuses on the two systemwide goals but not on the institutions' goals.

### Achieving the Goals Requires Effective Governance

---

The governing board of each institution must evaluate progress and hold institutional officials accountable for making progress.

Any discussion of achieving reform goals must consider the role of the governing boards of the institutions. Statutes require the governing board of each institution to periodically evaluate institutional progress in implementing its missions, goals, and objectives to conform to the strategic agenda. In addition, each governing board is required by statute to hold institutional officials accountable for making progress. Thus, if an institution fails to make progress, the governing board is responsible for correcting the problems.

---

CPE's role is to design the framework for achieving goals and to report on progress.

The role of CPE is to design the framework for achieving the goals and to report on institutional and systemwide progress. The framework includes the strategic agenda, the strategic implementation plan, institutional missions, and benchmarks against which progress must be measured. In this role, CPE could influence institutional behavior by providing an annual accountability report that enables citizens and their elected representatives to evaluate each institution's performance. If an institution fails to make progress, CPE is responsible for reporting the situation. However, because CPE no longer publishes the accountability report, CPE not only has limited its influence over the institutions, but also has not satisfied its statutory reporting responsibilities.

Table 2.2 shows how KRS Chapter 164 specifies the goals, how they are to be accomplished, and how progress must be measured and reported by CPE.

**Table 2.2**  
**Selected KRS Chapter 164 Requirements**

	<b>KRS 164:</b>
<b>Goals of Postsecondary Education Reform</b>	
Six goals are to be achieved by the year 2020.	.003(2)
CPE shall review the goals at least every four years.	.0203(6)
CPE shall advise SCOPE of actions needed to meet the goals.	.004(5)
<b>Institutional Missions</b>	
UK, U of L, and KCTCS are authorized or required to provide services on a statewide basis.	.125(2), .815(3), .003(2)(e)
The comprehensive universities shall provide research and service programs directly related to the needs of their primary geographical areas.	.295(3)
CPE shall review, revise, and approve the missions of the state's universities and KCTCS.	.020(4)
It is the intent of the General Assembly that CPE's accountability process recognize the individual mission of each institution.	.095(2)
<b>Strategic Agenda</b>	
CPE shall adopt a strategic agenda that identifies specific short-term objectives in furtherance of the six long-term goals.	.0203(1)
The strategic agenda shall serve as a guide for institutional plans and missions.	.0203(2)(b)
CPE shall develop a system of public accountability related to the strategic agenda.	.020(3)
The governing board of each institution shall periodically evaluate institutional progress in implementing its missions, goals, and objectives to conform to the strategic agenda.	.131(1)(c) .350(2) .830(1)(g)
Each institution's officials shall be held accountable for the status of the institution's progress in implementing its missions, goals, and objectives to conform to the strategic agenda.	.131(1)(c) .350(2) .830(1)(g)
<b>Strategic Implementation Plan</b>	
CPE shall develop a strategic implementation plan to achieve the strategic agenda.	.0203(2)(b)
CPE shall review the implementation plan at least every two years.	.0203(6)
The framework for the strategic implementation plan shall include: - A mission statement, - Goals, - Principles, - Strategies and objectives, - Benchmarks, and - Incentives to achieve desired results.	.0203(3)



**Table 2.2 (continued)**  
**Selected KRS Chapter 164 Requirements**

	<b>KRS 164:</b>
<b>Benchmarks</b>	
CPE shall develop benchmarks using criteria that shall include, but not be limited to:	
- Use of the statistical information commonly provided by governmental and regulatory agencies or specific data gathered by authorization of the council;	.0203(5)(a)
- Comparison of regions and areas within the state and comparisons of Kentucky to other states and the nation; and	.0203(5)(b)
- Measures of educational attainment, effectiveness, and efficiency including, but not limited to, those in KRS 164.095	.0203(5)(c)
<b>Accountability</b>	
It is the intent of the General Assembly that an accountability process be implemented which provides for a systematic ongoing evaluation of quality and effectiveness in postsecondary educational institutions and to provide a method for evaluating each institution's progress toward meeting specific goals, principles, strategies, objectives, and benchmarks as set forth in the strategic agenda.	.095(2)
The accountability process shall provide for the adoption of systemwide and individual performance goals.	.095(2)
CPE shall develop and implement a system of accountability for the postsecondary education institutions that measures:	.095(3)
- Educational quality and educational outcomes,	
- Student progress in the postsecondary system,	
- Research and service activities,	
- Use of resources,	
- Other performance or outcomes that support the achievement of the strategic agenda, and	
- Other indicators as deemed appropriate by CPE.	
CPE shall collect information, maintain a comprehensive database, and publish reports on the condition of the system that include but are not limited to student enrollments, utilization of facilities, and the finances of the institutions.	.095(4)
CPE shall develop a financial reporting procedure to be used by all state postsecondary institutions to ensure uniformity of financial information available to state agencies and the public.	.020(26)
CPE shall submit to the governor and the Legislative Research Commission an annual accountability report providing information on the implementation of performance standards and the achievement of the performance goals during the prior year and initiatives to be undertaken during the next year.	.095(5)

Source: Kentucky Revised Statutes

### **Accountability Reporting Should Provide Information That Can Be Used by Legislators and Citizens**

---

Appropriate accountability reporting would provide information about the return on investment in public postsecondary education. Reporting should meet the needs of different stakeholders.

The accountability reports in 1993 through 1998 provided the type of information that could be used by Kentucky's citizens to make decisions about whether to enroll their children in public institutions. In addition, such information could inform Kentucky's legislators and citizens about the return on investment in public postsecondary institutions.

A properly designed annual report provides accountability information to a range of stakeholders, including the members of the General Assembly, the Governor's Office, the taxpayers of Kentucky, students and their parents, employers, and the media. Different stakeholders will be interested in different information. A report that follows the letter and spirit of the accountability requirements in KRS Chapter 164 would satisfy the information needs of all groups. Quarterly updates to the Education Committees of the Legislative Research Commission could supplement the annual report. House Resolution 1 in the 2001 Session requested that CPE report quarterly to the Education Committees on ". . . the universities' strategies and progress toward their respective goals for the year 2020." In addition, annual accountability reports with quarterly updates would reduce the need for interested parties to request ad hoc reports from CPE.

### **CPE Has Not Published an Accountability Report Since 1998**

---

The publication of an annual accountability report ceased after 1998. From 1993 through 1996, a systemwide report and a report for each institution were published.

The requirement for an annual accountability report to the governor and the Legislative Research Commission is not new and, in fact, has been in statute since 1992. Accountability reports were published by the Council on Higher Education and its successor, the Council on Postsecondary Education, from 1993 through 1998. The reports ceased with the publication of the 1998 report.

From 1993 through 1996, the Council on Higher Education published the *Annual Accountability Report Series of Kentucky Higher Education*, consisting of a systemwide report and a report for each institution. In 1997, after the passage of postsecondary education reform legislation, CPE published *The Status of Kentucky Postsecondary Education: In Transition*. The 1997 and 1998 accountability reports were single-volume overviews of the public postsecondary system and its individual institutions. The reports provided statewide, systemwide, and institutional information related to the requirements of KRS Chapter 164 for

postsecondary education. The information included charts, graphs, diagrams, and narrative explanations.

---

HB 1 gave CPE flexibility in reporting on achievement of reform goals.

In 1997, HB 1 eliminated specific performance indicators on which CPE was required to report to give CPE flexibility in determining the best way to report on achievement of the reform goals. In its 1997 report, CPE describes its role in reporting on accountability of the institutions in achieving the goals of HB 1:

---

The comprehensive accountability system was tied to the strategic agenda, institutional missions, and the funding system.

House Bill 1 . . . authorizes the Council on Postsecondary Education to develop a more comprehensive accountability system. The new system will involve monitoring institutions' success at achieving performance goals in four major areas—educational quality and outcomes, student progress, research and service activities, and use of resources. In addition, the emerging accountability framework will be tied to the development of a statewide strategic agenda, the creation of institutional missions that support that agenda, and the establishment of a funding system driven by the newly created Strategic Investment and Incentive Funding Program (p.2).

---

CPE has not responded sufficiently to legislators' need to know whether institutions are achieving their goals.

CPE has not fulfilled its role in reporting on accountability of the institutions, nor has it provided a comprehensive statewide report to the General Assembly on whether Kentucky's postsecondary institutions are achieving the goals specified in HB 1. CPE has not developed performance indicators to demonstrate institutions' progress toward meeting the goals of HB 1.

HB 1 prescribed specific goals for Kentucky's postsecondary education institutions. In the 1997 accountability report, CPE describes the need for reporting on institutions' achievement of the reform goals:

The Kentucky Council on Postsecondary Education presents this report as a transitional document that begins the post-HB 1 era of more expansive and comprehensive portraits of institutional efforts to achieve individual and statewide educational goals. Policy makers, educators, and citizens will be able to turn to editions of this report in the years ahead to see how well the postsecondary education reform efforts have unfolded (p.3).

CPE's lack of reporting on accountability is inconsistent with legislative intent and public expectation.

The 1997 report demonstrated CPE's recognition of the requirement for institutions to be accountable to both the governor and the members of the General Assembly as representatives of Kentucky's citizens. Regardless of the stated need to report on institutions' achievement of the goals, CPE ceased publication of the annual accountability reports in 1998. The lack of accountability reporting is inconsistent with legislative intent and public expectation. CPE states the following in the 1997 report:

The public expects the postsecondary education community to be accountable for using its resources wisely.

An underlying principle of the Kentucky accountability plan was that each institution is to be measured against itself and not against other institutions in the system. This principle recognized that institutions differ in their missions and in the student populations whom they serve (p.4).

---

CPE uses a one-size-fits-all report that satisfies neither the letter nor the intent of the law.

The 1997 report clearly acknowledges that institutions differ in their missions. Nevertheless, CPE has developed a "one-size-fits-all" progress report (also known as a "traffic light" report) that is presented at Council meetings. Such internal reporting satisfies neither the letter nor the intent of the law for accountability reporting. Near the conclusion of this study, CPE provided the May 2003 traffic light report to the members of the Strategic Committee on Postsecondary Education (SCOPE), and the report has been provided periodically to other legislative committees. A version of the report is also provided electronically on CPE's website. The traffic light report is described later in this chapter.

### **Recommendation 2.1**

**CPE should prepare and distribute the annual accountability report to the governor and the Legislative Research Commission. The information to be included is specified in statute and requires an evaluation of each institution's progress toward meeting goals, principles, strategies, objectives, and benchmarks as set forth in the strategic agenda.**

### **CPE Has Not Focused on Reporting Information on Achievement of the Goals of House Bill 1**

---

CPE collects information but does not publish it as an accountability report.

The lack of external accountability reporting should not be construed to mean that CPE does not collect information from the postsecondary education institutions. On the contrary, CPE collects a voluminous amount of information from the public institutions. Some of the information is summarized and reported in traffic light reports, in annual status reports, and on CPE's website. Other information required for an annual accountability report, such as information on use of resources, is collected by CPE but is seldom reported outside CPE.

### **CPE's Annual Status Report Does Not Satisfy the Requirement for an Annual Accountability Report**

---

CPE's annual status report is not an accountability report and does not provide information needed by legislators to make budget decisions.

CPE publishes an annual status report as required by KRS 164.020(30). In response to a Program Review staff inquiry, CPE staff stated that the annual status report is a combination of the accountability report and the status report. However, the status report provides little of the information an accountability report must provide, as prescribed in KRS 164.095.

Equally important, the status report does not provide information that would be helpful to legislators in making budget decisions. Appropriations are made to the individual institutions and to CPE as the coordinating body. The 2002 *Status Report on Postsecondary Education Reform to the Governor and the General Assembly* emphasized systemwide accomplishments but not those of the individual institutions. The 2002 report also included a section on the budget but no information on the actual finances of the institutions that could be used by legislators in determining budget priorities. The 2002 report consisted of narrative information that would have complemented the information in an accountability report, had one been prepared and published.

CPE's 2002 status report includes a link to the CPE website for the reader to get more information on the implementation of performance standards. However, as demonstrated below, the website information neither satisfies the requirement for an annual accountability report nor addresses the goals of HB 1 for the individual postsecondary education institutions.

### **CPE's Periodic Traffic Light Progress Report Does Not Satisfy the Requirement for an Annual Accountability Report**

---

CPE's traffic light report is not distributed widely enough outside CPE. For many indicators, goals are not set and baseline data are not reported.

CPE staff provides a periodic progress report, also known as a traffic light report, to Council members. This report is not distributed widely enough outside CPE. The traffic light report is designed to provide a green, yellow, or red light to show CPE's assessment of progress toward accomplishing certain short-term performance goals. However, for many indicators, goals have not been set and baseline data have not been reported.

---

The traffic light report focuses on the answers to five systemwide questions.

**The Five Questions.** The report focuses on the answers to five questions. The questions, however, address only the two systemwide goals in HB 1 and not the four institution-specific goals. The questions are CPE's *Action Agenda*, which is described later in this chapter.

The five questions are:

1. Are more Kentuckians prepared for college?
2. Are more students enrolling?
3. Are more students advancing through the system?
4. Are we preparing Kentuckians for life and work?
5. Are Kentucky's communities and economy benefiting?

---

Some legislators are concerned about a lack of focus on Kentuckians.

Note that questions 2 and 3 refer to "students" rather than "Kentuckians." Discussions between legislative members of SCOPE and Program Review staff revealed that some legislators are concerned about a lack of focus on Kentuckians and Kentucky's six goals of postsecondary education reform.

Traffic lights are awarded as follows:

- Green light indicates good progress is being made.
- Yellow light indicates some progress is being made.
- Red light indicates no progress is being made.

CPE assigns a traffic light to each question on a systemwide basis. For example, in the May 2003 report, CPE reported the following:

1. Yellow light: Are more Kentuckians ready for postsecondary education?
2. Green light: Are more students enrolling?
3. Yellow light: Are more students advancing through the system?
4. No light: Are we preparing Kentuckians for life and work?
5. Green light: Are Kentucky's communities and economy benefiting?

---

CPE's traffic light report provides no information on how each institution is achieving the goals of HB 1.

Note the lack of attention to the goals of HB 1. Even if CPE gave a green light to each question, the reader still would not know whether, for example, the University of Kentucky met its goal to be a top-20 public research university or the Kentucky Community and Technical College System met its workforce development goal. In addition, the reader would not know whether the comprehensive universities met their regional service responsibilities. The system provides no mechanism for recognizing institutional achievement of the goals of HB 1 or for rewarding comprehensive universities for performing regional service, as specified in KRS 164.295(3).

---

Each of the five questions in the traffic light report is answered by measurements of individual indicators of progress.

**The Individual Indicators.** Each of the five questions in the traffic light report is answered by measurements of individual indicators of progress. For example, consider the question "Are more students advancing through the system?" The question was awarded a yellow light on the May 2003 report based on seven individual indicators of progress. The question and the indicators on which it was assessed are shown in Table 2.3.

---

This measurement system can provide subjective opinions and confusing results.

It is possible that such a measurement system can provide subjective opinions rather than objective measurements. The system also can produce confusing results because it uses negotiated goals against which to measure actual results. CPE establishes goals for the entire state, often based on national averages. The goals for the individual indicators of progress are negotiated between CPE and the institutions. As a result, the system can cause a reader to incorrectly infer that progress has been made. If the goals are set too low or too high, or are not adjusted on the basis of current information, the traffic light measurement system fails to present a true picture of progress. Many of the goals were set several years ago, although national averages may have changed.

Table 2.3 shows that CPE awarded a yellow light (some progress) on the systemwide "six-year graduation rates of bachelor's degree students" indicator, despite having five of eight universities with a declining graduation rate.

**Table 2.3**  
**An Example of How CPE Measures Progress**

<b>CPE Question #3:</b> Are more students advancing through the system?	<b>Assessment</b> Some progress
<b>CPE Indicators of Progress for Question #3:</b> 1. One-year retention rates of first-time freshmen 2. One-year retention rates of underprepared students 3. Number of community and technical college transfers 4. Average number of credit hours transferred 5. Percentage of adults with a bachelor's degree or higher 6. Six-year graduation rates of bachelor's degree students 7. Five-year graduation rates of transfer students– three-year average	Good progress No measure Good progress No progress Some progress Some progress No progress

Source: Prepared by Program Review staff from information provided by CPE.

CPE negotiates performance goals with the institutions.

A review of the universities' negotiated 2002 goals demonstrates how a declining rate over time can be called a success from one year to the next based on the goal to be achieved. Some performance goals are negotiated approximately two years in advance. For example, the 2002 graduation goals were negotiated between CPE and the institutions after completion of the 2000 academic year. The 2002 goals were not adjusted to consider actual results in 2001 because of the length of time involved in compiling the 2001 results.

Negotiated goals, lag time in reporting actual results, and the traffic light system can misstate progress.

The measurement of the graduation rate provides a good example of how the negotiated goals, the lag time in reporting actual results, and the traffic light system can misstate actual progress. The measurement of the graduation rate at Eastern Kentucky University is shown in Table 2.4.

**Table 2.4**  
**An Example of How Negotiated Performance Goals Can Provide Misleading Information: Graduation Rates at Eastern Kentucky University**

Year	Actual Rate	Goal Rate
1999	31.5%	
2000	30.0%	
2001	37.2%	
2002	33.1%	32.0%

Source: Compiled by Program Review staff from information provided by CPE.

In 2000, when Eastern's graduation rate was 30 percent, negotiating a goal of 32 percent for the year 2002 appears to have



been reasonable. However, the 2002 goal of 32 percent does not appear as reasonable when compared to Eastern's 2001 graduation rate of more than 37 percent. In CPE's traffic light report, Eastern earned a green light for exceeding the 2002 goal, even though the actual graduation rate in 2002 was four percentage points below the rate in 2001. Morehead and Northern Kentucky also had declining graduation rates from 2001 to 2002 but exceeded their negotiated goals for 2002.

---

The usefulness of some information in traffic light reports is questionable.

The point of the illustration is not whether the graduation rates at the universities are acceptable. The point is to question the usefulness of some information in the traffic light reports. Eastern may be capable of more than incremental improvement, or its performance may decline in some years. Reporting progress for these indicators in a traffic light report can be misleading unless presented in relation to a longer-term goal, since annual progress may vary.

---

The measurement of progress toward some goals results in the appearance of progress when none is actually made.

The goals for statewide indicators also can result in the appearance of progress over time when, in fact, no progress is made. According to the 1998 accountability report, in 1993 the percentage of Kentucky's adults (persons 18 and older) enrolled in college was 6.6 percent. CPE's 2002 goal is 6.6 percent. Thus, CPE will be able to award a green light for this indicator if the state meets the 6.6 percent goal, even though Kentucky will have shown no improvement since 1993. Again, the point of the illustration is not whether Kentucky's progress is acceptable. The point is to question the usefulness of the information in the traffic light reports.

### **Additional Information on CPE's Website Does Not Satisfy the Requirement for an Annual Accountability Report**

---

CPE's website does not address achievement of the institutions' goals of HB 1. CPE's web site presents information according to the five questions.

The format of CPE's website and the information it provides do not address achievement of the institutions' goals that were specified in HB 1. An individual who is interested in the overall performance of a particular institution cannot find that information in one place.

The CPE website groups information according to the five questions under the "Key Indicators" tab. This format is a useful way to get information on postsecondary issues. The website could be made even more useful if a reader could also find performance information on an individual institution in one place.

A prospective student wanting information on the number of students attending Murray State University, its graduation rate, and satisfaction of its graduates would have to do the following on the CPE website:

- Click on the question, “Are more students enrolling?”
  - Click on “Postsecondary Enrollment.”
  - Click on “Undergraduates,” and then click on “Murray State University.” Note the headcount of 8,088 undergraduates in 2002.
  - Click on “Graduates/professionals,” and then click on “Murray State University.” Note the headcount of 1,832 in 2002. Add the numbers of undergraduates and graduate/professional students.
- Click on the question, “Are more students advancing?”  
Click on “Graduation.”
  - Click on “Six-year graduation rates of bachelor’s degree students,” and then click on “Murray State University.” Note the graduation rate of 55.4 percent.
- Click on the question, “Are we preparing Kentuckians?”
  - Click on “Alumni satisfaction.”
  - Click on “Undergraduate alumni survey results,” and discover that no information is provided here. Click on “Graduate alumni survey results,” and discover that no information is provided here either.

A more useful presentation for many users outside CPE would be to include a presentation for each postsecondary institution.

---

CPE provides no progress report for the issue of preparing Kentuckians for life and work.

The website shows no traffic light (no progress report) for question 4, “Are we preparing Kentuckians for life and work?” None of the individual indicators for this measurement has been assigned a light as an indicator of progress. CPE staff notes there are no nationally recognized indicators for question 4. The website displays some indicators that have neither baseline data nor a goal. Other indicators have a baseline measurement and goal, but the baseline is not reported.

The CPE website also provides information under the “Facts and Figures” tab, including status reports for 1999 through 2002 and 10-year trend tables of headcount enrollment, degrees and formal

awards conferred, full-time faculty and staff, and institutional finances.

### **The Vehicle for Achieving the Goals of Postsecondary Education Reform Is the Strategic Agenda**

---

CPE's strategic agenda is the vehicle for achieving the goals of postsecondary education reform.

CPE's reporting does not satisfy the requirements of HB 1 because the accountability framework in CPE's strategic agenda is not designed according to statute. The strategic agenda is the vehicle for achieving the goals of postsecondary education reform. CPE's strategic agenda, called *2020 Vision*, was published in 1998. The goals, the strategic agenda, the institutional missions, and public accountability are inextricably connected in statute.

- Six goals are to be achieved by the year 2020.
- CPE is required to adopt a strategic agenda that identifies specific short-term objectives to further the six goals.
- The strategic agenda is required to serve as a guide for institutional plans and missions.
- CPE is required to develop a system of public accountability related to the strategic agenda.
- CPE's accountability process is required to recognize the individual mission of each institution.

---

CPE's strategic agenda and accountability process are not designed to measure institutions' progress toward achieving reform goals.

CPE's strategic agenda and accountability process are not designed to measure institutions' progress toward achieving the goals of postsecondary education reform. *2020 Vision* does not specify objectives for accomplishing the institutions' goals. A properly designed strategic agenda, tied to the six goals and institutional missions, is critical to achieving the reform goals by 2020.

- The specific short-term objectives in the strategic agenda should describe incremental accomplishments toward achieving the six long-term goals. Because CPE is required to review the goals every four years, accomplishments in four-year increments would be reasonable.
- CPE is required to develop a system of public accountability related to the strategic agenda, which should measure and report progress toward achieving the goals. Such progress should be reflected in incremental accomplishments.
- The plans and missions of the individual institutions are required to be guided by the strategic agenda; thus, the plans and missions should incorporate the incremental accomplishments toward achieving the institution's goals.

---

CPE's accountability system should measure institutional, systemwide, and statewide progress.

To satisfy statutory requirements and to be a useful document, the strategic agenda must include specific objectives to achieve the six goals of postsecondary education reform. The strategic agenda should provide short-term objectives for achieving the six long-term goals, and CPE's accountability system should measure institutional, systemwide, and statewide progress toward achieving the goals.

### **CPE's Strategic Implementation Plan Does Not Include Reporting on the Goals of House Bill 1 for the Institutions**

---

Accountability reporting should reflect the strategic agenda and the strategic implementation plan.

Accountability reporting is supposed to reflect the strategic agenda and the strategic implementation plan. To achieve the strategic agenda, CPE is required to develop a strategic implementation plan. CPE calls this plan the *Action Agenda*, and it consists of the five questions discussed earlier in this chapter. A plan is provided for the postsecondary education system and for each institution. However, the institutions' plans do not include a method for evaluating progress toward achieving their goals in HB 1.

---

The strategic agenda is supposed to be achieved through the strategic implementation plan.

CPE's *Action Agenda* is the strategic implementation plan required by KRS 164.0203(2)(b). The required framework for the strategic implementation plan is supposed to include all the following elements:

- A mission statement,
- Goals,
- Principles,
- Strategies and objectives,
- Benchmarks, and
- Incentives to achieve desired results.

A diagram of the relationships is provided in Figure 2.A.

---

CPE's implementation plan addresses the five questions but not the institutions' goals.

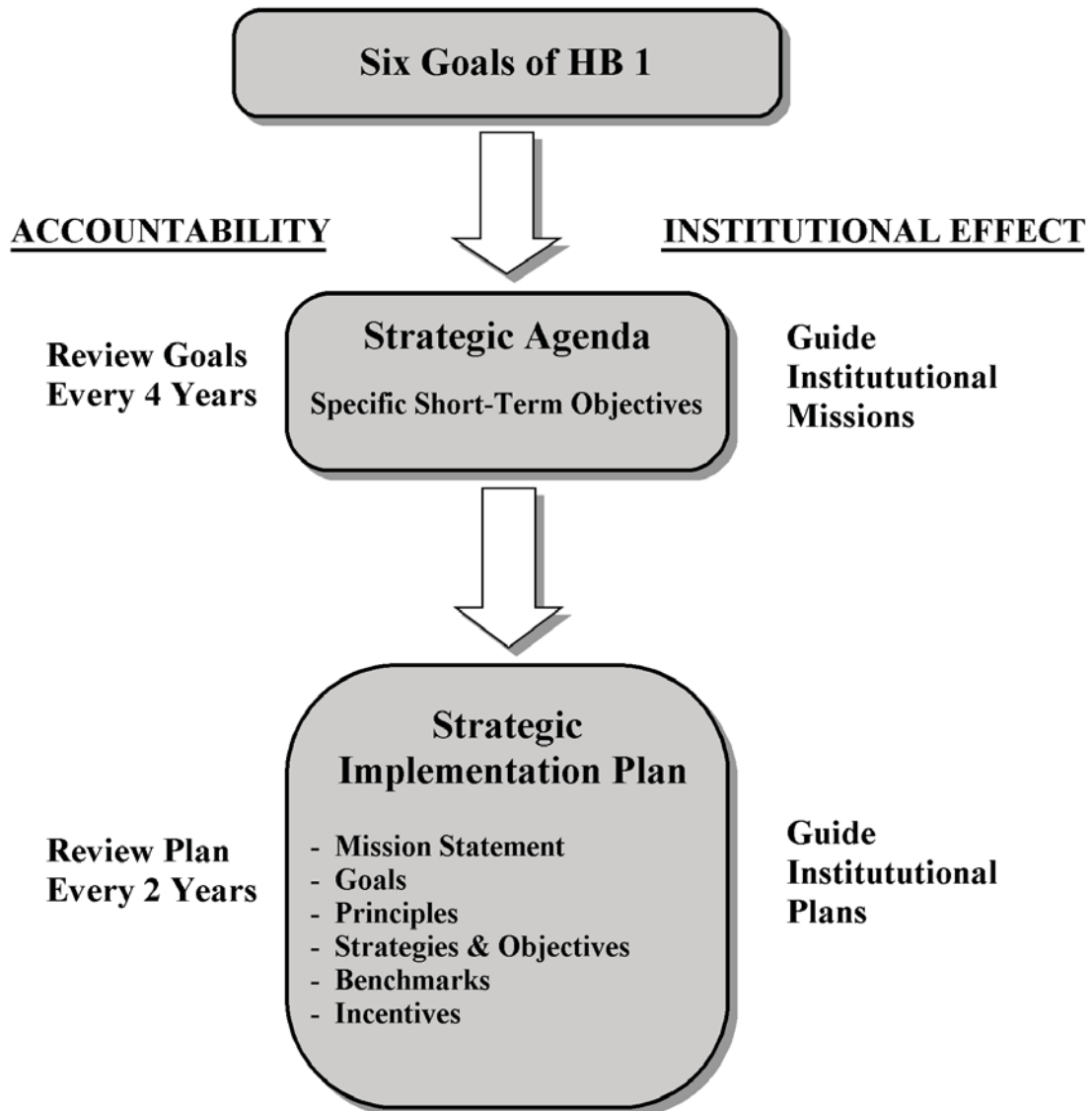
CPE is required to review the strategic implementation plan at least every two years. In conforming to this requirement, CPE developed an *Action Agenda* in 1999 and revised it in 2001. The 2001 *Action Agenda* consists of the five questions described above. The five questions address the systemwide goals of HB 1 but not the institutions' goals.

---

CPE's reporting model is flawed.

CPE's reporting model is flawed. The *Action Agenda* does not address the institution-specific goals of HB 1, in part because the strategic agenda does not provide objectives for achieving those goals. The flaw is deeper than just the reporting model, however.

**Figure 2.A**  
**The Postsecondary Education Accountability System**  
**According to Statute**



Prepared by Program Review staff from Kentucky Revised Statutes.

### **CPE Has Not Developed a Standard Method for Institutions to Report Progress Toward Achieving Their Statutory Goals**

---

CPE has not been focused on institutions' achievement of their reform goals.

In February 2003, Program Review staff asked CPE staff for evidence to show whether the institutions' goals were being met. CPE staff was unable to provide any information at that time. CPE staff stated that the Council had asked the institutions to report by April 1 on initiatives designed to achieve the goals of HB 1 and their progress to date for presentation at the May CPE meeting.

CPE's lack of focus on the institutions' goals is surprising, considering the explicit requirements of KRS Chapter 164. CPE is required to:

- Review the goals at least every four years.
- Advise SCOPE of actions needed to meet the goals, and
- Adopt a strategic agenda that identifies specific short-term objectives in furtherance of the long-term goals.

The institutions provide information in a variety of formats, examples of which CPE forwarded to Program Review staff. The information was presented in terms of programs and departments within each institution. In interviews and correspondence, university presidents told Program Review staff that Kentucky's universities establish their own benchmarks against which to measure their success. The benchmarks are established for organizational units or programs within a university, such as a college of business, a department of biochemistry, or a school of journalism, and include indicators such as federal grant awards received and number of patents obtained.

---

CPE does not routinely collect comprehensive reports from the institutions on compliance with reform goals. CPE has not developed a standard method for institutions to report on compliance.

In addition to using information at the organizational unit or program level to measure success, Kentucky's postsecondary education institutions use the information to demonstrate their compliance with the reform goals. CPE has not developed a standard method for institutions to report information on compliance. Institutions should be required to report progress over time in a standardized manner. The information collected and sporadically reported by CPE, although useful for measuring progress in some areas, does not adequately address the specific institutional goals of postsecondary education reform in Kentucky and does not specify how progress toward those goals should be reported.

### **Achieving the Goals Requires Objectives and Plans That Are Related to the Institutions' Missions**

---

Achieving reform goals requires specific objectives and plans related to institutions' missions.

Achieving the goals of postsecondary education reform requires that CPE and the institutions develop specific objectives and plans that are related to the institutions' missions. CPE is required to review, revise, and approve the missions of Kentucky's postsecondary institutions. In addition, CPE has the final authority to determine the compliance of postsecondary institutions with their academic, service, and research missions.

---

CPE's determination of an institution's compliance with its missions must consider statutory requirements. Institutional missions are tied by statute to the accountability process by which success or failure must be measured.

CPE's determination of an institution's compliance with its missions must consider applicable statutory requirements. For example, UK, U of L, and KCTCS are authorized or required to operate statewide, whereas the comprehensive universities are required to provide research and service programs directly related to the needs of their primary geographical areas. In addition, Kentucky State University's mission is specified in statute. KRS 164.290 states, "It is the intent of the General Assembly that Kentucky State University shall serve as a four (4) year residential institution emphasizing a program of liberal studies appropriate to its size and resources." KSU's mission also reflects its status as a historically black university. Progress or the lack of progress toward institutions' compliance with their missions should be included in annual accountability reports.

Program Review staff asked CPE staff for a copy of each institution's approved mission. CPE staff provided two sets of documents:

- *Kentucky Higher Education Institutional Mission Statements*, adopted by the Council on Higher Education in 1994. Each university had a two-page description.
- *Action Agenda 1999-2004*, adopted by the Council on Postsecondary Education in 1999. Each institution had a two-page description.

The requirements for institutional missions are closely tied to the goals and objectives of reform and to the accountability process by which success or failure must be measured. Each institution publishes information on its mission, but the format is not comparable among institutions. CPE's roles are to review, revise, and approve institutional missions and to provide comparable information. However, to know what a state university's approved mission is, the reader must request and review two separate documents with dissimilar information. The reader must request

the information because it is not published by CPE nor posted to CPE's website.

### **The Use of Benchmarks Should Be an Integral Part of the Implementation Plans and Accountability Reporting**

---

CPE is required to develop benchmarks for measuring progress.

KRS 164.0203 requires CPE to develop benchmarks using the following specific criteria:

- Use of the statistical information commonly provided by governmental and regulatory agencies or specific data gathered by authorization of CPE,
- Comparisons of regions and areas within the Commonwealth and comparisons of the Commonwealth to other states and the nation, and
- Measures of educational attainment, effectiveness, and efficiency including, but not limited to, those set forth in KRS 164.095.

---

Kentucky's citizens and legislators need reports that evaluate each institution's progress.

The citizens of Kentucky and their elected representatives want and need reports that evaluate each institution's progress toward meeting specific goals, principles, strategies, and benchmarks, as required by KRS 164.095. Potential benchmarks for accountability reporting are discussed in Chapter 3.

### **Recommendation 2.2**

**CPE should immediately review the goals of postsecondary education reform and design a strategic agenda that identifies specific short-term objectives for achieving those goals. CPE should ensure that institutional plans and missions conform with the strategic agenda and that the strategic implementation plan is designed to achieve that agenda. The strategic agenda, the strategic implementation plan, the institutional missions, and specific benchmarks should form the foundation for the annual accountability report to the governor and the Legislative Research Commission. The report should cover each institution's progress and systemwide progress. CPE should work with the postsecondary education institutions to develop standardized guidelines on how progress toward satisfying the goals of House Bill 1 can be measured and reported.**



### Chapter 3

#### **CPE Has Not Provided an Adequate Analysis of the Effectiveness of Postsecondary Education in Kentucky**

---

CPE has not fulfilled its responsibility to provide essential accountability information to legislative branch decision makers.

The Council on Postsecondary Education has not fully met its responsibility to provide essential accountability information to legislators. As explained in Chapter 2, CPE is required to provide an annual accountability report to show whether Kentucky's postsecondary education system and its institutions are making progress toward achieving the goals of House Bill 1. The report should include information on implementation of performance standards and achievement of performance goals during the current year and plans for the next year. CPE has not focused on the reform goals, but has focused on national indicators that often do not address Kentucky's specific goals. National indicators provide information that can be used to gauge statewide and systemwide performance, but they do not consider institutional and regional differences within Kentucky.

---

CPE has not provided an adequate analysis of available information.

CPE also has not provided an adequate analysis of the available information. KRS 164.020(3) requires CPE to evaluate the performance and effectiveness of Kentucky's postsecondary education system. Much of the information reported by CPE consists of measurements without sufficient context in which to judge the results. In many instances, information such as 10-year trend data is available in CPE's records and on CPE's website. Other information is available from national sources that provides a context for judging reported results.

---

This chapter illustrates some indicators that are or could be used by CPE.

This chapter illustrates some indicators that are or could be used by CPE in reporting on the performance of Kentucky's postsecondary education system and the individual institutions. The illustrations are not all-inclusive and are provided only as examples to show that data are available that could provide useful information to legislators and other decision makers. Other key conclusions of this chapter are that:

- CPE previously recognized its responsibility to report,
- Most of the information needed to develop an accountability report is available to CPE,
- CPE does not verify the accuracy of information received from postsecondary institutions, and
- CPE's reporting guidelines do not ensure comparability of financial information among institutions.

### **CPE Previously Recognized Legislative Intent and Its Responsibility to Report**

---

CPE recognized its reporting responsibility in 1997, but published its last accountability report in 1998.

CPE recognized its reporting responsibility in previously published reports. For example, after the passage of HB 1, CPE's 1997 accountability report stated the following:

*The new statutory language focuses on general categories of performance, including educational quality and outcomes, student progress, research and service activities, and use of resources. CPE is responsible for developing specific indicators within these categories that are consistent with the strategic agenda.*

---

CPE's intent was to provide a standardized set of reports on the effectiveness of postsecondary education in Kentucky.

*The intent is to provide a standardized set of reports that will address the overall effectiveness of Kentucky's postsecondary system and serve the needs of policy makers and the public. The CPE staff are planning now for more significant, long-term changes to the annual reports that will integrate the accountability reporting process with the reporting of indicators for the strategic agenda, program review, and incentive funding programs (p.20). [Emphasis added.]*

As described in Chapter 2, CPE's annual status report includes an overview of some of this information, but the report does not satisfy the requirement for an accountability report. CPE's website also provides information but not to the extent described above.

### **Much of the Information Needed to Develop an Annual Accountability Report Is Available to CPE**

---

Much of the information needed for an annual accountability report is currently available.

Much of the information needed to develop an annual accountability report is available. CPE collects a great deal of

information from the postsecondary education institutions, such as information on enrollment, graduation rates, and finances. Information is available from national sources, such as the U.S. Department of Education, and from state sources, such as the Kentucky Higher Education Assistance Authority. As noted in Chapter 2, however, CPE has not developed a standardized reporting process for institutions to report progress toward achieving their goals as specified in HB 1. This process needs to be developed and results need to be reported.

---

A stakeholder's interest determines the usefulness of information.

The usefulness of information can be considered from a number of perspectives. Different stakeholders will want different information for different purposes. Legislators can use accountability information to make public policy and budget decisions. Prospective students and their parents can use accountability information to help decide which institution best meets a student's needs. The following are some examples of what CPE is required by statute to measure and report:

---

CPE is required to compare regions and areas within the state, and to compare Kentucky to other states and the nation.

- Comparison of regions and areas within the state helps demonstrate how each institution is satisfying its mission, goals, and required research and service activities. Regional comparisons include the extent to which institutions work with local school districts to improve elementary and secondary education, and educational attainment by county. Comparing regions and areas within Kentucky is one indicator of the reform goal of elevating the level of education of Kentucky's adults.
- Comparison of Kentucky to other states and to the nation is one indicator of the reform goal of having a system of providers that delivers educational services in quantities and of a quality that is comparable to the national average or above. These comparisons can include measurements such as enrollment, retention, graduation, affordability, and external research funding. Such information is available from the U.S. Department of Education and the National Center for Public Policy and Higher Education, among others. Much of the information is available for Kentucky as a whole and for each institution.

---

CPE is required to measure educational quality and outcomes.

- Measurements of educational quality and outcomes are indicators of the reform goal of having a system of providers that delivers educational services in quantities and of a quality that is comparable to the national average or above. Quality and outcomes are measurements of effectiveness and are

reflected in many ways, including surveys of current students, alumni, and employers, and pass rates on licensure examinations. Such information is available from the National Survey of Student Engagement, surveys conducted by the individual institutions, licensing and certification organizations, and postsecondary institutions. Much information is available for Kentucky's public postsecondary education system and for each institution.

---

CPE is required to measure the institutions' use of resources. CPE is required to report on the finances of the institutions.

- Measurements of the institutions' use of resources are indicators of institutional efficiency and provide information on the return on Kentucky's investment in postsecondary education. Such measurements can involve analyses of budgets, financial reports required by CPE, and audited financial statements. CPE is required to report on the finances of the institutions. Resources are not restricted to money; facilities and personnel are also included. Much information is available from the institutions themselves and from CPE's records of information submitted by the institutions.

#### **CPE Does Not Verify the Accuracy of Information Received from Postsecondary Education Institutions**

---

CPE does not verify the accuracy of information submitted by the postsecondary institutions.

Much of the information collected by CPE is stored in CPE's comprehensive database. Some information is reported on CPE's website. CPE prescribes reporting guidelines that are supposed to promote comparability of information. CPE does not verify whether the information submitted by the institutions is reported accurately in accordance with the guidelines, however. CPE staff stated that they compare the information submitted to CPE by institutions with information reported to other sources, such as the Integrated Postsecondary Education Data System at the U.S. Department of Education. That process accomplishes nothing more than comparing information to itself. An on-site review of the institutions' methods for recording, accumulating, and reporting is the only way for CPE to know whether the information is being submitted by the institutions in accordance with the guidelines.

CPE's 1998 accountability report stated that on-site audits were performed to verify that data were reported in accordance with the reporting guidelines. According to current CPE staff, these audits are no longer performed. As a result, CPE cannot verify that data are reported in accordance with CPE's reporting guidelines.

### **CPE's Reporting Guidelines Do Not Ensure Comparability of Financial Information**

---

CPE does not require institutions to submit comparable financial information.

CPE's comprehensive database guidelines are not sufficiently specific to require public institutions to report comparable financial information. For example, in responses to Program Review staff inquiries, CPE staff stated that institutions report indirect costs and indirect cost recoveries in different ways. Although such reporting is permissible under generally accepted accounting principles for an institution's external financial statements, it is not permissible under KRS Chapter 164 for reporting to the public.

---

CPE is required by statute to ensure uniform financial reporting.

KRS 164.020(26) requires CPE to develop a financial reporting procedure to be used by all state postsecondary institutions to ensure uniformity of financial information available to state agencies and the public. KRS 164.095(4) requires CPE to publish reports on the finances of the institutions.

---

CPE does not publish reports on institutional finances as required by statute.

CPE does not publish reports on the finances of the institutions but does provide 10-year summary reports on its website. The information has limited usefulness because there is no way to know how comparable it is among institutions and/or among years for each institution. In addition, the financial information shown on CPE's website does not show the level of detailed revenue and expenditure information CPE obtains from the institutions.

---

Relying on financial information that is not uniformly reported can lead to incorrect decision making.

Relying on financial information that is not uniformly reported can lead to incorrect decision making. Consider the following example: Having narrowed her choices to two otherwise similar universities, a prospective student has as her criterion the proportion of total expenditures each university devotes to instruction. The student considers instructional expenditures to be an indicator of a university's emphasis on classroom instruction. The student accesses the expenditure table on CPE's website and calculates the percentages: 22 percent for University A and 27 percent for University B. Based on this criterion, the student would decide to attend University B.

The prospective student does not know that the two universities report overhead costs, such as utilities, differently and that the difference can affect the amount reported as instructional expenditures. University A reports overhead costs in the category of "other education and general" expenditures. University B does not report overhead in this way, allocating overhead costs to functional categories such as instruction and research. The

allocated overhead costs increase the total reported instructional expenditures at University B.

In this example, the reported financial information makes it appear that University B spends more on instruction than does University A. There is no way for the prospective student to know that the information is not comparable when she makes her decision. If the expenditures had been reported in a uniform manner, she could have made a more informed decision.

### **Recommendation 3.1**

**CPE should review and revise the comprehensive database guidelines to ensure they are specific enough that information is comparable among institutions and among years for each institution. CPE should periodically verify that information is being reported by the institutions in accordance with the guidelines and take action to ensure that any inaccurate information is corrected.**

More information on the finances of the institutions is provided later in this chapter.

### **Many Types of Performance Indicators Can Satisfy the Accountability Reporting Requirements**

---

HB 1 gave CPE flexibility in developing performance indicators.

HB 1 gave CPE flexibility to develop the types of specific performance indicators necessary for reporting progress toward the goals of postsecondary education reform. CPE's system of accountability is required to measure educational quality and educational outcomes, student progress in the postsecondary system, research and service activities, and use of resources. CPE is required to publish reports that include, but are not limited to, student enrollments, utilization of facilities, and finances of the institutions.

The following pages illustrate some performance indicators that can provide valuable accountability information to decision makers in the General Assembly. These illustrations are not all-inclusive and are provided only as examples of performance indicators that are or could be used by CPE. The extent to which CPE currently collects and distributes such information varies. For example, some information has traditionally been provided in the form of paper reports to CPE members only. Other information, such as the traffic light reports discussed in Chapter 2, was also reported to SCOPE at the May 2003 meeting. Some information is presented

only on CPE's website at various places, for example, under three headings: "Key Indicators," "Facts and Figures," and "Institutional Users."

In this Program Review report, the illustrative indicators are grouped into statewide and systemwide categories.

### **Statewide Performance Indicators Provide Information That Can Be Used in Public Policy Decisions at the State Level**

---

Statewide indicators can be used in public policy decisions at the state level.

Statewide performance indicators are those that cannot be directly linked to the postsecondary education system or to an individual institution. Statewide indicators provide information on the population of a state or a county and can be used in public policy decisions at the state level. Examples of statewide indicators are (1) percentage of adults with a bachelor's degree or higher, (2) college-going rates, and (3) distance learning opportunities.

Kentucky's statewide results are mixed. A larger proportion of Kentucky's adults have a college degree in 2000 than in 1990, and distance learning has increased tremendously. Kentucky's college-going rate is below that of top states, however.

#### **Percentage of Adults with a Bachelor's Degree or Higher**

---

The percentage of adults with a bachelor's degree is an indicator of educational attainment.

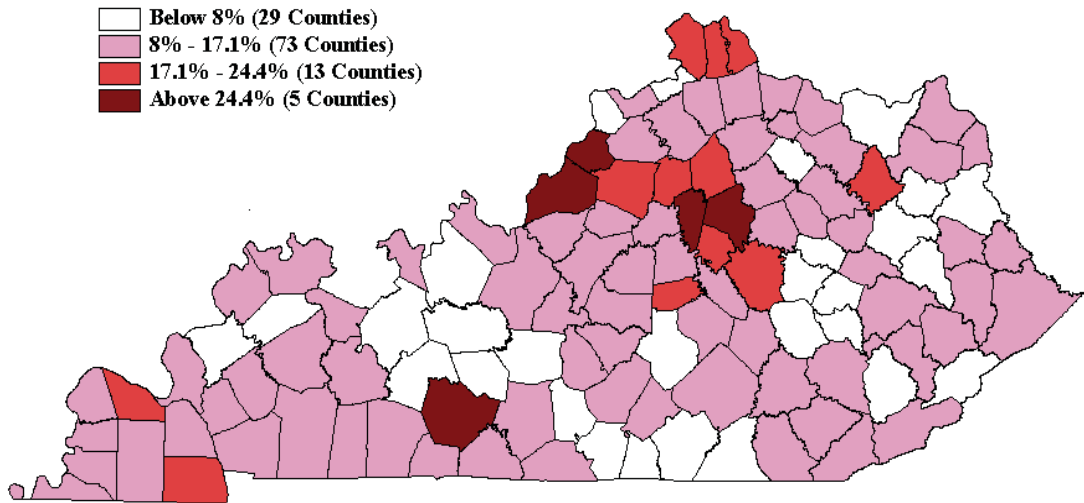
The percentage of adults 25 and older with a bachelor's degree or higher is one measure of statewide educational attainment. This indicator directly reflects the reform goal for Kentucky to elevate the level of education of its adults. The 2000 U.S. Census reports that 17.1 percent of Kentuckians 25 and older had a bachelor's degree or higher, compared to the national average of 24.4 percent.

Figure 3.A shows the percentage of Kentucky's adults 25 and older with a bachelor's degree or higher. The counties shaded in the darkest shade of gray are those that exceed the national average of 24.4 percent. The counties in the next darker shade of gray are those that exceed the state average but not the national average. The other counties are below both the state and national averages.

The 1990 U.S. Census reported that 13.6 percent of Kentuckians 25 and older had a bachelor's degree or higher, compared to the national average of 20.3 percent. The Kentucky State Data Center

reports that Kentucky ranked 47<sup>th</sup> in the nation in this measurement in 2000. The Center also reports that Kentucky showed a significant improvement in percentage change between 1990 and 2000 without a corresponding increase in national ranking.

**Figure 3.A**  
**Percentage of Kentucky's Adults 25 and Older With a Bachelor's Degree or Higher, 2000 U.S. Census**



Source: 2000 U.S. Census.

---

The CPE website incorrectly reports that more than 21 percent of Kentuckians have a bachelor's degree.

The CPE website includes a chart showing that 21.6 percent, rather than 17.1 percent, of Kentucky's adults have a bachelor's degree or higher. CPE needs to revise this chart and the accompanying explanation to inform readers that the percentage is an estimate that overstates the actual percentage. Since the Census is performed only every 10 years, CPE uses an annual U.S. Census Bureau measurement called the Current Population Survey (CPS) to set goals for reaching the national average by 2020.

---

The CPE website reports an annual Census Bureau estimate based on a sample.

When using numbers from the CPS, it is critical to remember that the CPS is a sample. Even though the CPS for Kentucky is comprised of a relatively large number of people, it is still subject to sampling error. Using statistical inference, it is possible to state with a certain probability that the true estimate of a value lies within a specific range. According to the CPS, 21.6 percent of people age 25 or older in Kentucky in March 2002 had at least a



bachelor's degree. The 90 percent confidence interval was plus or minus 1.3 percentage points. This means that one can say with 90 percent certainty that the true percentage was between 20.3 percent (21.6 minus 1.3) and 22.9 percent (21.6 plus 1.3).

---

Annual comparison without consideration of confidence intervals is misleading. 1997 is the most recent year for which there is a statistically significant difference from 2002.

Comparing the percentage of Kentuckians with a bachelor's degree from one year to the next without taking confidence intervals into account is, at best, misleading. For instance, the difference between 2002 (21.6 percent) and 2001 (20.3 percent) is not statistically significant. For one year's estimate to be statistically significant from the year before with a probability of 90 percent, its lower bound value should be higher than the previous year's upper bound value. In no year in the past decade has there been a statistically significant difference from one year to the next. In fact, 1997 is the most recent year for which there is a statistically significant difference from 2002. The year 2002's lower bound (20.3) is higher than 1997's upper bound (19.5).

---

A 1.2 percentage point increase from 2001 to 2002 would be highly unlikely.

Looking more closely at the CPS numbers for the past two years provides a clearer illustration of the problem with comparing annual values. According to the CPS, 20.4 percent of Kentuckians age 25 or over in 2001 and 21.6 percent in 2002 had at least a bachelor's degree. A 1.2 percentage point increase from 2001 to 2002 would certainly be impressive. Unfortunately, using the CPS numbers, such an increase is highly unlikely. Based on these percentages, there were more than 39,000 more residents aged 25 and older with bachelor's degrees in 2002 compared to 2001. Kentucky's public colleges and universities graduated about 12,000 baccalaureate-degree students in 2002. It is unknown how many of these graduates remain in Kentucky or how many new residents with degrees Kentucky gains in one year. Still, it seems highly unlikely that the number of adults with bachelor's degrees could increase at a rate three times higher than the number of graduates produced by Kentucky's public universities in one year.

The point is not that the Current Population Survey's numbers are incorrect or cannot be useful. The CPS is the best sample available, and the alternative to using a sample would be to have measures 10 years apart from the U.S. Census. Annual differences based on a sample, even a large sample like the CPS, may not always be meaningful for statistics that do not change significantly in one year. The 12,000 bachelor's degrees awarded in Kentucky's colleges and universities in 2002 is a sizable number but, compared to the more than 2.5 million people in Kentucky, it is a tiny percentage. Given the inherent error involved with sampling, a small change will rarely be statistically significant.

---

CPE should clarify that the data come from a sample and state whether differences from one year to the next are statistically significant.

When presenting such information, CPE should clarify that the data come from a sample and state whether differences from one year to the next are statistically significant. It is understandable that CPE would try to present data as simply as possible and as quickly as possible. In this case, however, that means providing data without sufficient explanation to clarify its limits.

CPE staff distributes information on the percentage of Kentucky's adults with a bachelor's degree or higher to CPE members at periodic meetings and has distributed it to SCOPE. A chart is also posted to the CPE website. CPE should include this information in an annual accountability report to the governor and the Legislative Research Commission. However, CPE should include descriptive information to clarify that the annual figures are estimates used only for goal setting and do not reflect the true rate in the 10-year census. Comparison to top states, the national average, or other states would enhance the usefulness of the information.

### Recommendation 3.2

**When presenting information based on a sample, CPE should describe the source of the data and explain whether differences from one year to the next are statistically significant. CPE should provide sufficient explanation to clarify the limits of such information.**

### College-Going Rates

---

The college-going rate also measures educational attainment.

In describing the education reform goals to be achieved by the year 2020, KRS 164.003(4) states, "The achievement of these goals will only be accomplished through increased educational attainment at all levels . . . ." One indicator of efforts to increase educational attainment is the rate at which students enter college during the fall semester following their graduation from high school.

---

The college-going rate is the percentage of high school freshmen enrolling in college within four years in any state.

The college-going rate is the percentage of high school freshmen enrolling in a college or university within four years in any state. Thus, the rate includes Kentucky students who attend in-state and out-of-state public and independent postsecondary institutions. The rate does not include high school graduates who take off a year or more before enrolling in college or working adults who later enroll in college. As a result, the rate is not a measurement of the total number of Kentuckians enrolled in college.

Kentucky's college-going rate has increased from 36 percent in 1996 to 38 percent in 2000, but still ranks below the top states by several percentage points.

Data on college-going rates of Kentucky's high school freshmen are reported by the National Information Center for Higher Education Policymaking and Analysis. The data indicate that Kentucky's college-going rate has been increasing. The rate was 36 percent in 1996, 37 percent in 1998, and 38 percent in 2000. Still, Kentucky ranks below the top states by several percentage points. According to information published by The National Center for Public Policy and Higher Education in its *Measuring Up 2002* report, the top state, Massachusetts, had a college-going rate of 54 percent.

*Measuring Up 2000 and Measuring Up 2002* present numerous performance indicators within broad categories for a state, including both public and independent institutions. The website <<http://measuringup.highereducation.org>> describes the categories and indicators and lists the source of data for each indicator. Appendix B of this Program Review report describes the methodology used in the *Measuring Up* reports.

One of the difficulties of using national data such as the *Measuring Up 2002* report card to compare Kentucky's progress in relation to the nation is the age of the information. The college-going rate reported in *Measuring Up 2002* is for 1998. Much of the data used in *Measuring Up 2002* and other national reports published in 2002 dates from 1998 to 2001 because of the time required to compile and publish data from all institutions across the country. As a result, it is important for CPE to explain the data used in comparing Kentucky to the nation, and to relate the measurements to the goals of HB 1.

CPE staff includes the college-going rate in its traffic light report, which is distributed to the CPE members and SCOPE. The information is also reported on the CPE website. CPE should consider reporting this information in an annual accountability report to the governor and the Legislative Research Commission. Comparison to the top states or the national average would enhance the usefulness of the information.

### **Distance Learning Opportunities**

---

Distance learning opportunities increase access to education.

Distance learning through the Kentucky Virtual University (KYVU) and through the institutions' online courses provides increased accessibility. This accessibility helps satisfy the goal of providing educational services to all adult citizens. Distance

learning also reflects increased use of technology in postsecondary education.

---

An indicator of distance learning opportunities is the number of college students enrolled in Kentucky Virtual University credit courses.

An indicator of distance learning opportunities for college students is the number of students enrolled in Virtual University credit courses offered by all public and independent institutions. KYVU does not grant degrees. Persons from Kentucky and other states who enroll in Virtual University courses are, with some exceptions, enrolled in an academic institution or affiliated with a program sponsored by a state agency. Some users of KYVU services, such as professionals taking continuing education classes, are not enrolled in a postsecondary education institution. Students may take courses from more than one provider.

---

Virtual University enrollment has grown by almost 3,600 percent in four years.

Unduplicated headcount enrollment in Virtual University credit courses measures the number of individual students enrolled in college courses. The enrollment has grown by nearly 3,600 percent in four years, from 228 students in 1999 to more than 8,000 students in 2002. The number of students is shown in Table 3.1:

**Table 3.1**  
**Unduplicated Headcount Enrollment**  
**in Kentucky Virtual University Credit Courses**

<b>Year (Fall Semester)</b>	<b># of Students</b>
1999	228
2000	2,447
2001	5,577
2002	8,412

Source: Prepared by Program Review staff from information provided by CPE.

CPE staff provides duplicated enrollment information in traffic light reports to the CPE members and SCOPE. The duplicated headcount will count a student twice if the student takes two courses from different providers. The information is also reported on CPE's website. CPE should consider including the unduplicated enrollment counts in Virtual University courses in an annual accountability report. One count could show the number of students enrolled in college credit courses. Another count could show the number of students enrolled in noncredit courses, reflecting the level of educational attainment by individuals who are not pursuing college degrees but want to increase their level of education in other ways.

### **Systemwide Performance Indicators Provide Information on the Postsecondary System as a Whole**

---

Systemwide indicators measure progress of the system and types of institutions.

Systemwide performance indicators measure progress of the postsecondary education system and often an individual institution. Some systemwide measures used by CPE, such as enrollment, include independent institutions. Although the independent colleges and universities are an integral part of the postsecondary education system in Kentucky, the focus of this study is on public institutions. Therefore, the systemwide information presented in this section relates to the public institutions only.

Systemwide information provides an overview of the state's postsecondary education system as a whole. Because of the diversity of institutional missions and goals, as described in Chapter 2, a helpful presentation in some instances is to present system totals with subtotals for (1) the public doctoral institutions (UK and U of L), (2) the public comprehensive universities,<sup>1</sup> and (3) KCTCS.

### **Affordability**

---

The affordability of a college education is a major measurement of access.

The affordability of a college education is a major factor in determining whether students have access to it. CPE uses the *Measuring Up 2000* and *Measuring Up 2002* reports as the measure of affordability. It should be noted that the 2002 report was produced before postsecondary institutions around the country started the latest round of tuition and fee increases and may no longer be valid, depending on what other states have done. *Measuring Up 2002* does not report on individual institutions but on all the states' institutions, including independent institutions.

---

Compared to other states, a college education in Kentucky is less affordable in 2002 than it was in 2000.

The *Measuring Up 2002* report card for Kentucky states that affordability in Kentucky has improved since the 2000 report, but Kentucky got a lower grade in 2002. Since *Measuring Up 2000*, Kentucky families are spending less of their income, after financial aid, to attend the state's public and private four-year colleges and universities. The state remains in good standing in the share of family income required to attend community college, and has improved in need-based financial aid provided to low-income families. However, because other states made greater improvements, Kentucky's grade has dropped. Table 3.2

---

<sup>1</sup> The comprehensive universities are Eastern, Kentucky State, Morehead, Murray, Northern, and Western.

summarizes the affordability section of the *Measuring Up* reports in 2000 and 2002<sup>2</sup>.

**Table 3.2**  
**Affordability of a College Education in Kentucky,**  
**2000 and 2002**

Indicator	2000	2002
Percentage of family income needed to pay for college expenses at:		
- Community colleges	17%	17%
- Public four-year colleges	21%	19%
- Private four-year colleges	44%	40%
State aid targeted to low-income families as a percentage of federal Pell Grant aid to low-income families	33%	37%
Share of income that poorest families need to pay for tuition at lowest price colleges	14%	13%
Average loan amount that undergraduate students borrow each year	\$3,327	\$2,987

Source: Prepared by Program Review staff from information obtained from The National Center for Public Policy and Higher Education, *Measuring Up 2000* and *Measuring Up 2002* reports.

CPE staff include information on affordability in traffic light reports to the CPE members and SCOPE. The information also is reported on CPE’s website. CPE should consider including such information in an annual accountability report to the governor and the General Assembly and may choose to use the categories reported by *Measuring Up 2002*.

**Enrollment**

---

Educational attainment begins with student enrollment.

Increased educational attainment for Kentucky begins with student enrollment. CPE reports total headcount enrollment without distinguishing between degree-seeking students and other students or between full-time and part-time students. This type of reporting masks important differences among institutions.

---

CPE's focus on enrollment can divert attention from the reform goals.

Much of the goal setting and reporting by CPE, as well as some institutional funding, has been focused on the enrollment input. The focus on inputs—who or what enters the system—rather than outputs and outcomes—who or what is produced—can divert attention from the goals of postsecondary education reform, however.

<sup>2</sup> Chapter 4 of this report provides an alternative discussion of affordability prepared by the Kentucky Higher Education Assistance Authority.

---

Headcount enrollment has increased since the passage of HB 1.

Undergraduate headcount enrollment in Kentucky's postsecondary institutions has increased since the passage of HB 1. Figure 3.B shows the percentage change in full-time and part-time undergraduate enrollment in Kentucky's public universities and in Kentucky's community and technical colleges, including Lexington Community College (LCC). Part-time students are those taking fewer than 12 credit hours of instruction.

---

Most of Kentucky's increased enrollment is part-time students at KCTCS and LCC.

The majority of Kentucky's increase in undergraduate enrollment is part-time students at KCTCS and LCC. Part-time enrollment at KCTCS and LCC accounted for 61 percent of the enrollment growth from 1998 through 2002. Full-time enrollment at KCTCS and LCC accounted for 20 percent of the growth. The public universities' growth in full-time undergraduate enrollment was 17 percent from 1998 through 2002. Part-time enrollment at the universities accounted for 2 percent of the growth.

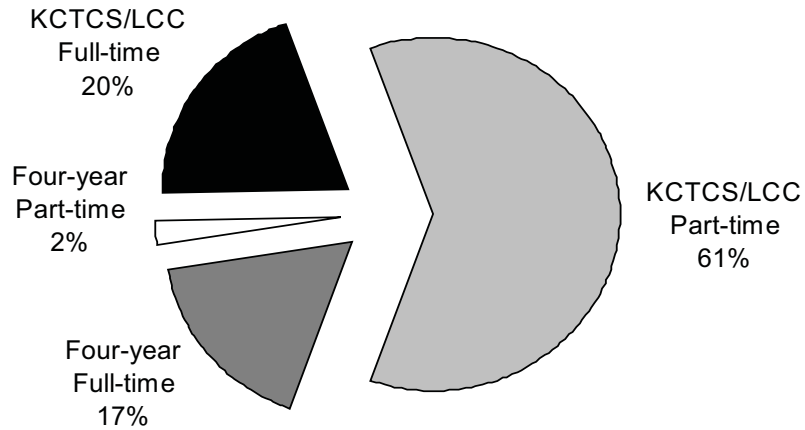
---

Many KCTCS and LCC students can attend only part time. Many enroll in diploma and certificate programs in occupational fields.

KCTCS and Lexington Community College are successfully reaching out to Kentucky's adults, many of whom can attend only part time because of family and work responsibilities. In addition, many students at KCTCS and LCC are enrolled in diploma and certificate programs in occupational fields rather than associate degree programs, reflecting the realities of the job market. For example, employers want certified computer technicians and electricians as well as degreed personnel. KCTCS and LCC offer a range of such programs designed to increase the educational attainment of Kentucky's adults. CPE's reporting of total headcount enrollment without distinguishing between degree-seeking students and other students and between full-time and part-time students masks these differences.

The mix of full-time and part-time students is important because it determines the calculation of full-time-equivalent (FTE) enrollment. FTE enrollment is used in CPE's funding formula for Kentucky's public institutions. See Chapter 4 for a discussion of the funding formula and the distribution of the Enrollment and Retention Trust Fund appropriations.

**Figure 3.B**  
**Share of the Change in Undergraduate Enrollment in Kentucky's**  
**Public Universities and Community and Technical Colleges,**  
**1998 to 2002**



Source: Prepared by Program Review staff from information provided by CPE.

CPE staff includes total headcount enrollment in traffic light reports to the CPE members and SCOPE. Headcount enrollment also is reported on CPE's website. CPE should consider including in an annual accountability report to the governor and the Legislative Research Commission the headcount enrollment of the public institutions, showing totals and percentages for full-time, part-time, in-state, and out-of-state students.

### **Remedial Education**

Many students enrolled in public postsecondary education institutions require remedial education in such subjects as mathematics and English. Freshmen who score below a certain level on the ACT assessment or alternative placement examinations, or who have not completed a required set of high school courses are placed in remedial courses by all state institutions, as required by CPE. The number of remedial students enrolled in institutions will vary, depending on each institution's mission and goals and the student populations it serves. For example, one would expect a higher percentage of students in remedial courses at KCTCS, with a mission that includes remedial



education, than at UK, with a goal to become a top-20 public research institution.

---

The need for remedial education is one indicator of how well high schools prepare students for college.

The amount of remedial education provided to students at Kentucky's postsecondary education institutions is one indicator of how well high schools prepare their students for college-level work. CPE collects information from the public institutions to report to Kentucky's high schools on how well their students performed in remedial and subsequent entry-level courses. This information is designed to help high schools address educational achievement problems at that level. CPE staff does not report this information in its traffic light reports to CPE members and SCOPE. CPE should consider reporting in an annual accountability report to the governor and the Legislative Research Commission information on the pass rates of remedial students and how successfully they pass subsequent entry-level courses.

---

CPE does not attempt to determine the institutions' costs of remedial education.

Remedial education has costs and benefits for an institution. The costs include use of faculty and facilities. The benefits include tuition revenue and educational advancement of underprepared students. CPE does not attempt to determine the institutions' cost of remedial education. Although some universities, such as Morehead and Kentucky State, claim to have higher costs than others because of the remedial courses they must provide to meet their missions and goals, there is no mechanism for reporting the costs. One university chief financial officer stated that he had never been asked by CPE to report the cost of remedial education.

In response to a Program Review staff inquiry, CPE staff stated that the cost of remedial education cannot be determined because institutions do not report uniform financial information. CPE should consider developing a standardized method of calculating the cost of remedial education. The method could be part of the revision of CPE's comprehensive database guidelines described in Recommendation 3.1. CPE should also consider including the cost of remedial education in annual reports to the governor and the Legislative Research Commission.

### **Graduation Rates**

---

Graduates are an important output of the postsecondary education system.

Graduates are an important output of the postsecondary education system. One goal of HB 1 is to significantly elevate the level of education of Kentucky's adults. As noted earlier in this chapter, Kentucky ranks 47<sup>th</sup> in the nation in the percentage of adults with a

bachelor's degree or higher. Kentucky's college-going rate is below the national average.

---

Graduation rates are affected by institutional missions and goals, admission criteria, and student populations served.

Graduation rates among institutions will vary, depending on institutional missions and goals, admission criteria, and the student populations served. Increased enrollment may lead to lower graduation rates. To enroll more students and satisfy CPE's enrollment goals, Kentucky's postsecondary institutions could recruit and enroll more students who have earned a General Equivalency Diploma (GED) or who have been out of high school for a number of years. These students may be less prepared for the rigors of college work, may require remedial education, and may be less likely to graduate.

---

One indicator of graduation success is the six-year graduation rate of first-time, full-time freshmen. The graduation rate in Kentucky is 38 percent. The rate for top states is 61 percent.

One nationally recognized indicator of graduation success is the six-year graduation rate of first-time, full-time freshmen. This indicator does not include all students who have enrolled, but it provides a measure of leaks in the educational pipeline from high school through college. Table 3.3 shows the six-year graduation rates of Kentucky's public universities in 2002. The rates vary from a low of 27.2 percent to a high of 57.8 percent.

**Table 3.3**  
**2002 Graduation Rates at Kentucky's**  
**Public Universities**

<b>Public University</b>	<b>2002 Graduation Rate</b>
University of Kentucky	57.8%
Murray State University	55.4%
Morehead State University	43.9%
Western Kentucky University	41.0%
Northern Kentucky University	37.8%
Eastern Kentucky University	33.1%
University of Louisville	32.8%
Kentucky State University	27.2%

Source: Prepared by Program Review staff from information provided by CPE.

The current status appears similar to the situation described in CPE's 1998 accountability report. The report states that "Greater numbers of Kentuckians are attending college, but a significant number leave college without earning a four-year degree. This interpretation is supported by the relatively poor graduation rates of students at the state-supported universities. . . . Since it was first computed, the six-year graduation rate has never risen above 40

percent (p.11)." Based on 1999 data, *Measuring Up 2002* reports that the graduation rate for Kentucky is 38 percent, compared to 61 percent for top states.

CPE staff includes the six-year graduation rate in its traffic light reports to the CPE members and SCOPE. This information also is reported on CPE's website. CPE should consider including the six-year graduation rate of first-time, full-time freshmen in an annual accountability report to the governor and the Legislative Research Commission. CPE could include explanations related to institutional goals and missions to provide a context in which to consider the information. CPE also should consider developing a method of reporting graduation rates of students other than those graduating within six years.

### **Degrees and Other Formal Awards Conferred**

---

Degrees and other formal awards conferred are additional system outputs.

Degrees and other formal awards conferred are additional outputs of the postsecondary education system. This indicator covers the entire postsecondary system and provides information on the number of students who have earned a degree or other award, such as a diploma or certificate, as well as the type of knowledge and skills they have acquired.<sup>3</sup>

From 1998 through 2002, the number of baccalaureate degrees conferred by public universities increased by 6.3 percent, from 11,740 in 1998 to 12,483 in 2002. Technical colleges were incorporated into KCTCS in 1998. Their effect on the number of degrees and awards began to appear in 2001. For the three-year period 2000 through 2002, the combination of diplomas, certificates, associate degrees, and bachelor's degrees conferred by all public postsecondary institutions increased by 6,613. KCTCS diplomas and certificates accounted for 81 percent of that increase. Total degrees and awards conferred by public institutions from 1998 through 2002 are depicted in Figure 3.C.

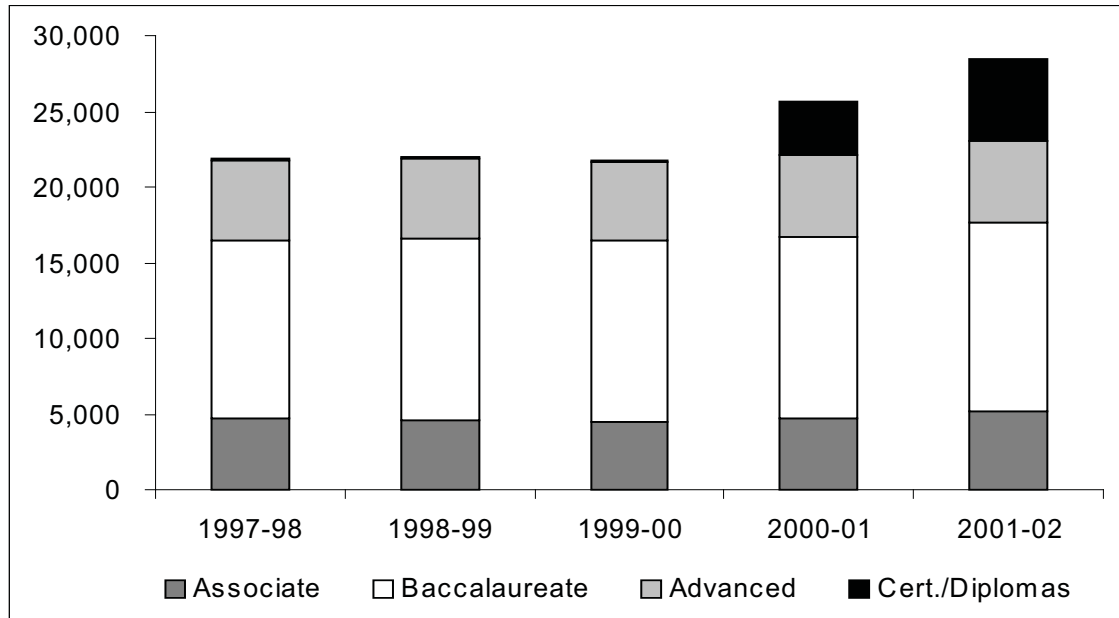
CPE staff does not include information on degrees and other formal awards conferred in its traffic light reports to CPE members and SCOPE. CPE reports this information on its website under the "Facts and Figures" tab. CPE should consider providing this information in an annual accountability report to the governor and the Legislative Research Commission with appropriate

---

<sup>3</sup> The number of degrees and awards conferred will be slightly higher than the actual number of graduates because some students earn more than one degree at a time.

explanations of the types of degrees and awards in relation to the institutions' missions and goals.

**Figure 3.C**  
**Degrees and Awards Conferred by**  
**Kentucky's Public Institutions**



Source: Compiled by Program Review staff from information provided by CPE.

### Faculty and Staff

---

CPE could develop standard indicators of institutional effectiveness and efficiency.

The national indicators reviewed by Program Review staff do not measure institutional effectiveness and efficiency. Such measurements could be misleading because of the differences between institutions' missions and goals. CPE could develop some standard indicators and include explanations of the reasonableness of the institutions' measurements considering their missions and goals.

---

An institution's faculty-to-staff ratio can be an indicator of its attention to instruction.

One indicator of efficiency and effectiveness is an institution's faculty-to-staff ratio, which can measure attention to student instruction. An institution with a high faculty-to-staff ratio may be considered more effective at educating students because of the high proportion of resources devoted to instruction. Too few staff can contribute to inefficiencies in student safety and comfort, as well as institutional reporting to decision makers. An institution with a declining ratio may be devoting more attention to activities other than student instruction.

---

The use of part-time and adjunct faculty may reflect students' goals and institutional mission.

The use of part-time and adjunct faculty may reflect students' goals and institutional mission. An institution with a high percentage of full-time students would be expected to have a high percentage of full-time faculty. An institution with a high percentage of part-time students who have varied educational goals may be required to employ a number of part-time and adjunct faculty to respond to the educational goals of its students and the institution's regional service mission.

Indicators such as student-to-faculty ratio and faculty-to-staff ratio could provide valuable information to legislators and prospective students. CPE staff collects information on full-time and part-time faculty and staff at public institutions from information submitted by the institutions to the Integrated Postsecondary Education Data System. CPE reports only full-time faculty and staff on its website, however, CPE does not widely distribute this information to sources external to CPE members and SCOPE.

CPE should consider providing such information in an annual accountability report to the governor and the Legislative Research Commission. The information could be put into perspective for each institution in terms of its statutorily required goals and its student population.

### **Pass Rates on Licensure Examinations**

---

Students' pass rates on licensure exams are one measure of educational quality and outcomes.

Much information is collected by or available to CPE on pass rates on licensure examinations, but CPE reports only some of it. The pass rate is one measure of educational quality and outcomes. CPE's website includes under the "Key Indicators" tab a place for information on licensure and certification examination results in 11 categories: teacher preparation, nursing-bachelor's, nursing-associate, practical nursing, physical therapy, engineering, law, dental, medical, respiratory therapy, and radiology.

---

CPE staff has collected pass rates for some licensure and certification exams.

CPE staff has collected pass rates for selected licensure and certification exams from the institutions through ad hoc information requests. These requests included pass rates for licensure or certification exams for attorneys, dentists, pharmacists, physicians, radiology technologists, and respiratory therapists. CPE staff collected results directly from licensing boards for engineers, nurses, and physical therapists. Results from ad hoc data collections are displayed under "Key Indicators" on the CPE website. CPE staff includes no information on these pass rates in its traffic light reports to CPE members and SCOPE.

CPE does not report on teacher exam pass rates in traffic light reports or on its website.

CPE does not report on teacher examination pass rates, in either its traffic light reports to CPE members and SCOPE or on its website. The Kentucky Education Professional Standards Board’s website has information about each university’s pass rate and the state pass rate for various tests, including elementary education. The pass rates for each public institution on the elementary education examination in 2000, 2001, and 2002 are depicted in Table 3.4.

**Table 3.4  
 Public University Pass Rates on Elementary Education  
 Teacher Preparation Examinations**

	<b>2000</b>	<b>2001</b>	<b>2002</b>
<b>Statewide Pass Rate</b>	<b>96%</b>	<b>94%</b>	<b>94%</b>
<b>University Pass Rate</b>			
Eastern Kentucky University	96	92	97
Kentucky State University	58	33	63
Morehead State University	95	87	90
Murray State University	98	94	89
Northern Kentucky University	98	98	95
University of Kentucky	98	99	96
University of Louisville	97	98	100
Western Kentucky University	97	95	100

Source: Compiled by Program Review Staff from information on the Kentucky Education Professional Standards Board website.

**Facilities Utilization**

CPE does not report widely on institutions’ use of facilities.

Much information is available on the institutions’ use of facilities, but CPE does not report it widely outside CPE. The institutions report standardized information to CPE, such as the following:

- Building and room update information reflects the status of an institution’s facilities inventory as of the current fall semester. The data files contain complete information for all buildings that house university activities, including leased facilities and space made available at little or no charge.
- Land holdings update information reflects the status of the institution’s land inventory as of the current fall semester. Land owned by an affiliated corporation and leased to the university is reported as owned.
- Facilities utilization information is submitted for the fall semester. Space assignment categories include instruction, research, public service, academic support, student services, institutional support, operation and maintenance of plant,

auxiliary enterprises, hospitals, independent operations, unassigned, and leased to and occupied by a nonaffiliated group.

---

CPE has developed space planning guidelines to determine space needs at public campuses. CPE uses its analysis of space needs in approving and prioritizing capital projects.

CPE has developed space-planning guidelines to determine space needs at all public campuses. According to an attachment to a June 24, 1999, letter to the chair of the Capital Planning Advisory Board, the guidelines are based on the following:

- other states' guidelines,
- the standard for square feet per student for teaching space and support space,
- the standard for square feet per faculty and staff for office space, and
- the standard for square feet per research dollars expended for research space.

CPE uses this type of information in approving and prioritizing institutions' capital construction requests. CPE evaluates the existing educational and support space at each campus for current and future needs to determine whether a campus has a surplus or deficit of space. In 1999, for example, CPE evaluated the space at each campus in the 1998 base year and projected the need in 2004. Based on the analysis, CPE concluded that UK and U of L needed research space and that other universities and KCTCS needed renovation, replacement, or infrastructure projects.

Although CPE collects information on the condition and use of facilities, CPE staff does not report this information in traffic light reports to CPE members and SCOPE, nor does CPE include this information on its website. CPE should consider developing a standardized method for reporting summary information in an annual accountability report to the governor and the Legislative Research Commission. The method could be part of the revision of CPE's comprehensive database guidelines described in Recommendation 3.1.

### **Institutional Finances**

---

Detailed financial information, uniformly reported, would provide an opportunity for financial analysis.

CPE collects financial information from the institutions, but the information is not uniformly reported according to CPE staff. CPE reports summary financial information on revenues and expenditures on its website. The detailed financial information collected from the institutions would provide an opportunity for financial analysis not available from the summary information

currently posted to the website, if the information were uniformly reported.

Governing boards and administrators of public institutions are responsible for managing their finances. Before requesting increased appropriations from state government, institutions must be able to demonstrate a need that is tied to their missions and goals, particularly when the Commonwealth has limited resources to distribute.

---

CPE is responsible for reporting on the institutions' use of resources and the institutions' finances.

CPE is responsible for reporting institutions' use of resources and their finances. CPE should consider developing standardized financial indicators to report on institutions' sources and uses of financial resources. Explanatory information could describe institutions' priorities in terms of mission, goals, and student populations served.



## Chapter 4

### Budgetary and Affordability Concerns in Postsecondary Education

---

The failure to provide adequate performance measures can have a serious impact on the budgetary process.

Kentucky state government's annual investment in postsecondary education is more than \$1 billion. Yet a number of legislators have reported dissatisfaction with the quality and quantity of financial information they receive. Clear, objective information should be reported that reflects the operating efficiency of each institution. Measures such as cost per student or per graduate should be reported to allow legislators to determine if institutions are meeting minimum efficiency expectations. CPE does not routinely provide such information.

The postsecondary education budget process set forth in HB 1 relies on CPE, with the advice of SCOPE, to provide a recommended funding amount for each institution. These recommendations are developed through the use of CPE's benchmark funding model. The model relies on the funding provided to similar institutions in other states to develop a budget recommendation for Kentucky institutions. The budget recommendation is forwarded from CPE to the Governor's Office, where it is used to develop the Governor's Executive Budget.

Objective, institution-specific information is essential for legislators as they consider the governor's suggested funding levels. This chapter highlights the need for adequate budgetary information and offers recommendations to improve the information available. This chapter also specifically discusses the affordability of Kentucky postsecondary education, the transferability of coursework, concerns about CPE's benchmark funding model, and the limited reporting of trust funds.

---

General Fund appropriations to postsecondary institutions are lump-sum amounts, making accountability even more critical.

The postsecondary education budget process is unusual in that General Fund appropriations to postsecondary institutions are made in lump-sum amounts, without the line-item specificity provided to state agencies. The way universities operate is different from other state-funded organizations and requires flexibility to meet the demands of the markets they serve. However, lump-sum funding without adequate accountability reporting makes legislative oversight more difficult.

The benchmark funding model fails to include factors such as outcomes and low-income students served by an institution.

The benchmark funding process used is based on comparisons of the funding provided to similar institutions in other states—benchmark institutions. This model, however, fails to include some important factors. It does not include an assessment of the level of low-income students served by an institution or institutional performance.

### **Kentucky's Investment in Postsecondary Education Is Considered Crucial for the State's Future**

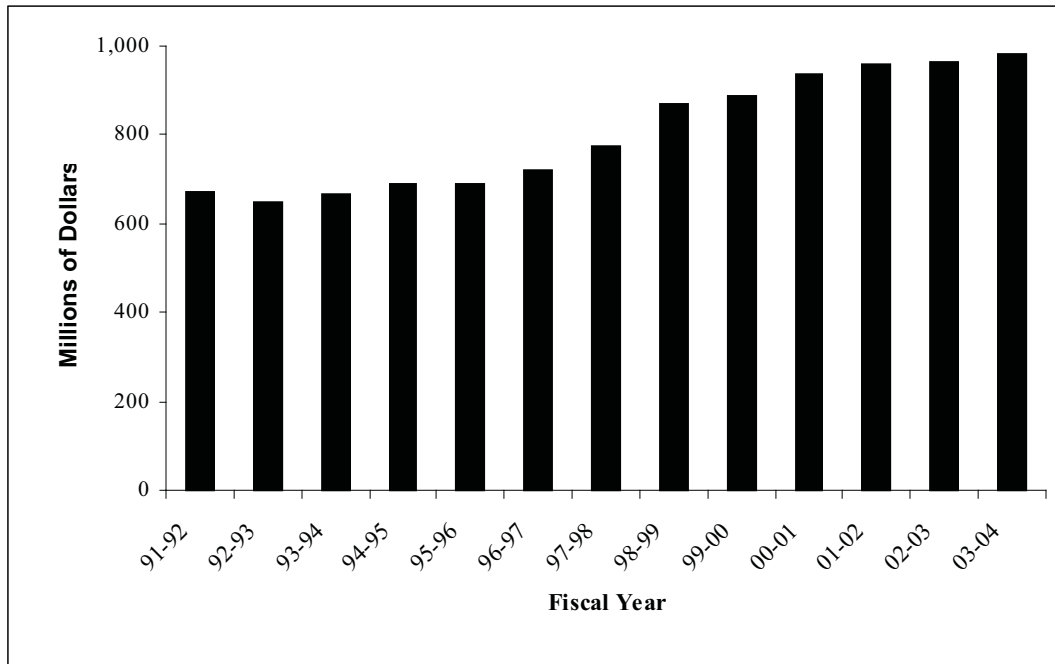
---

Kentucky's investment in postsecondary education is more than \$1 billion per year.

For Fiscal Year 2002-2003, General Fund appropriations for postsecondary institutions totaled \$969.2 million. For FY 2003-2004, appropriations totaled \$982 million. These amounts do not include \$120 million in debt-financed revenue dedicated to the "Bucks for Brains" program. Nor does the amount of General Fund support include \$105.1 million in student financial aid appropriated for FY 2002-03 and \$136 million in FY 2003-04, which will find its way to institutions in the form of tuition. For each of the two years of the biennium, state funding provided to postsecondary education will average more than \$1 billion.

There are multiple methods of ranking how well states fund higher education. The Chronicle of Higher Education ranked Kentucky 19<sup>th</sup> in postsecondary education funding for 2001-02. This ranking is even more significant in light of Kentucky's rank of 39<sup>th</sup> among all states in per capita income. Figure 4.A depicts General Fund support provided directly to campuses, not including funds provided to campuses through student aid or the various trust fund programs.

**Figure 4.A**  
**General Fund Support for Postsecondary Education,**  
**Fiscal Years 1991-92 to 2003-04**  
**(in millions of dollars)**



Source: Prepared by Program Review staff from data provided by CPE and LRC Budget Review staff.

### **CPE Has a Key Role in the Budgetary Process**

---

CPE has been assigned broad responsibility in the postsecondary education budget process.

CPE has been assigned broad responsibility in the budgetary process for postsecondary education. KRS 164.020(9) requires that CPE shall make recommendations to the governor for consideration in the development of the Executive Branch recommendations for postsecondary education. The statute gives CPE “sole discretion, with the advice of the Strategic Committee on Postsecondary Education and the executive officers of the postsecondary education system, to devise policies that provide for the allocation of funds among the universities and the Kentucky Community and Technical College System.” Table 4.1 details provisions within KRS 164.020 establishing budgetary and financial responsibilities for CPE.

**Table 4.1**  
**Budgetary Responsibilities Assigned to CPE by KRS 164.020**

164.020(6)	Engage in analyses and research to determine the overall needs of postsecondary education.
164.020(8)	Determine tuition.
164.020(9)	Make budgetary recommendations to the governor. Devise policies that provide for allocation of funds among universities and KCTCS.
164.020(10)	Lead and provide staff support for the budget process.
164.020(11)a	Review and approve all capital construction projects covered by KRS 45.750 (1) (f), regardless of the source of funding for projects and acquisitions.
164.020(12)	Require reports from the executive officer of each institution deemed necessary by CPE.
164.020(25)	Develop a financial reporting procedure to be used by all state postsecondary education institutions to ensure uniformity of financial information available to state agencies and the public.

Source: Kentucky Revised Statutes

---

CPE has a responsibility to ensure that funds are used effectively and efficiently.

CPE has a responsibility to ensure that funds are being used as effectively and efficiently as possible, especially in light of escalating tuition costs and Kentucky's low per capita income. As noted above, CPE has the responsibility of setting tuition, however, CPE officials have informed Program Review staff that they have given this duty to the institutions. CPE officials stated that institutional leaders have a better understanding of the revenue needs of each institution and the costs they will need to charge. Institutional self-sufficiency is important, but it does not absolve CPE of the statutory responsibility for reviewing and approving tuition levels.

---

SCOPE has also been assigned a significant role in the budget process.

The Strategic Committee on Postsecondary Education has also been assigned a significant role in the budgetary process. As a committee composed of the governor, key members of the General Assembly, and members of the Council on Postsecondary Education, KRS 164.004(8) stipulates that SCOPE is to advise CPE on how postsecondary education funds should be allocated based on priorities and projected resources. KRS 164.004(9) further directs SCOPE to review biennial budget requests from CPE, including base funding, increases in base funding, and incentive funding programs. Additionally, the statute provides that

SCOPE shall review CPE's objectives and benchmarks, consider and advise CPE on general budget parameters, and receive accountability reports at least annually, as well as budget information and other information SCOPE deems proper.

---

Legislative members of SCOPE report being dissatisfied with the quality of information provided.

Several legislative members of the SCOPE committee told Program Review staff that they are dissatisfied with the quality of the information being provided by CPE officials. Additionally, legislative members of SCOPE interviewed by Program Review staff indicated that they felt they had very little input into the committee's agenda and the selection of information presented to it. This could be because the chair of CPE acts as the chair of SCOPE. Some legislative members stated they felt SCOPE was not addressing the concerns of the legislature. Some questioned the need for a SCOPE committee, or whether the information needs of the legislature could not be met through the Appropriations and Revenue Committee's Subcommittee on Education.

#### **Recommendation 4.1**

**CPE should provide for legislative input into the agenda-setting process so that information presented to the Strategic Committee on Postsecondary Education will be responsive to the interests and concerns of legislative members.**

#### **Affordability**

---

Postsecondary institutions have announced steep increases in tuition.

For the 2003-2004 academic year, several institutions have announced increases in tuition and fees. For example, Morehead State and UK are each increasing tuition by 15 percent, Northern Kentucky by more than 6 percent and KCTCS by more than 23 percent.

Institutions are also increasing fees and charges other than tuition. For example, Kentucky State University increased its boarding fee by 40 percent from Spring 2002 to Fall 2002. Other institutions have also increased mandatory fees and other charges that students must include in calculating the total cost of attending college. Officials cite multiple reasons for increases in tuition and fees, including reductions in General Fund support and decreased income from endowments.

---

Tuition increases will disproportionately affect low-income students and working adults.

CPE officials told Program Review staff that the early success of the enrollment growth efforts has been the easiest to achieve. Many of those prospective students targeted for future enrollment in order for the system to continue to meet its enrollment growth goals are the same low-income students and working adults who will be impacted the most by increases in tuition and fees. As the cost of higher education increases and

resources available for student financial aid decreases, there is a potential that enrollment growth could suffer.

---

Cost of attending college may be a significant barrier to many low-income students and working adults.

Historically, tuition at Kentucky institutions has been lower than in many other states, and remains well below that of many of our surrounding states. However, the cost of attending a postsecondary education institution in Kentucky has been increasing steadily and may be a barrier to many low-income students and working adults. The Kentucky Higher Education Assistance Authority (KHEAA) notes in its report “Postsecondary Education Tuition and Fees for Kentucky 1990-2002” that from 1990 to 2001 the national average annual increase in tuition and fees was 8.8 percent at public four-year institutions. In Kentucky, during the same time period, tuition and fees increased an average of 10.5 percent per year.

---

The real cost of higher education in Kentucky has almost doubled during the last 10 years.

The KHEAA report also notes that the cost of one year at a public community or technical college has increased from 2.4 percent of median household income in 1990 to 4.2 percent of the median annual household income in 2002<sup>1</sup>. KHEAA also reports similar statistics for four-year institutions in Kentucky and summarizes by stating that the rate of increase in median household income has not kept pace with the increase in tuition and fees.

---

Financial aid has not kept pace with demand and Tennessee’s lottery is expected to reduce Kentucky lottery payments for student financial aid.

Financial aid has not increased at the same rate as the demand for assistance. KHEAA officials stated that for FY 2002-03, \$72.5 million in grants would have been approved for qualified low-income applicants, if KHEAA had sufficient funds. KHEAA projects a \$70.88 million unfunded need-based amount for FY 2003-04. This does not mean that these students were necessarily unable to attend college. It does underscore another KHEAA finding that more families of all income levels are borrowing more to pay for college.

The unfunded need-based aid in FY 2002-03 and FY 2003-04 is particularly troubling given that Tennessee recently approved a state lottery. The Kentucky Lottery Corporation estimates a total decrease in lottery proceeds available for higher education of more than \$35 million in the FY 2003-04 to FY 2005-06 period. Kentucky lottery proceeds are directed by statute to fund need-based and merit-based student financial aid.

---

Universities say they may have to cap enrollment growth in the future.

The success of enrollment growth is one of the key factors by which CPE has measured the success of postsecondary education reform, but increased enrollment is creating difficulties for some of the more successful institutions. Tuition covers only about one-third of the cost of

---

<sup>1</sup> This calculation does not include boarding costs, the cost of books, supplies, or additional transportation.

educating a college student. The rest must be covered by other sources of income, such as state funding and endowment income. Several university officials have expressed a concern that in light of the current fiscal situation, they may have to cap enrollment in the future in order to avoid an increasing strain on their institutions' budgets. Universities in other states, such as Maryland and Virginia, are also considering limits on future enrollment.

---

A seamless, integrated system is crucial to the provision of postsecondary education.

An area of possible increased efficiency has not been well developed by CPE. One of the six goals of postsecondary education reform specified by KRS 164.003 is "A seamless, integrated system of postsecondary education strategically planned and adequately funded to enhance economic development and the quality of life." The idea of a seamless, integrated system is crucial to the efficient provision of postsecondary education services.

---

The cost of attending classes at KCTCS and LCC is lower than at the four-year institutions.

The largest amount of enrollment growth in the postsecondary education system, by far, has occurred at KCTCS and Lexington Community College. The cost of attending classes at KCTCS and LCC is markedly lower. Table 4.2 illustrates the cost of in-state undergraduate tuition at KCTCS and LCC compared with the four-year institutions for the 2002-03 academic year.

**Table 4.2**  
**Comparison of Full-time and**  
**Part-time Tuition Costs at Four-year**  
**Institutions, LCC, and KCTCS**

Institution	Cost per Semester:	
	Full-time	Part-time
Eastern	\$1,279	\$122
Kentucky State	\$1,315	\$110
Morehead	\$1,213	\$102
Murray	\$1,270	\$106
Northern	\$1,248	\$104
U K	\$1,740	\$145
U of L	\$2,041	\$170
Western	\$1,560	\$130
LCC	\$876	\$73
KCTCS	\$768	\$64

Source: Data provided by CPE.

According to KCTCS officials, about half their students do not plan to attend a four-year institution, but plan to attain associate degrees and move directly into the workforce. KCTCS officials told Program Review staff that approximately 25 percent of their students are taking general courses on an associate degree track of some kind. The remaining

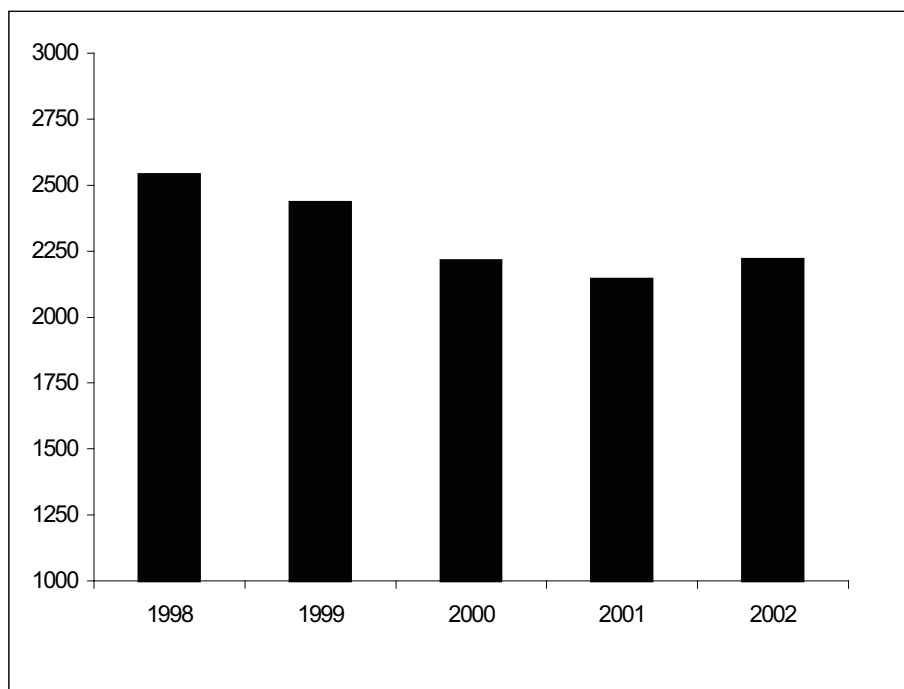
students are concentrating on skill development, or are taking specific courses identified by their employers.

---

The number of students who transfer from KCTCS to a four-year institution has been declining.

Students who do transfer from KCTCS to one of the four-year institutions have the advantage of taking some or all of their preliminary courses at a lower tuition rate. Taking these courses in a local community college means they also do not face the cost of room and board. Additionally, students who need remedial coursework before transferring to a four-year institution may find that KCTCS offers the most cost-effective method of doing so. Yet, despite the dramatic growth in KCTCS enrollment, the number of students who transfer from KCTCS to a four-year institution has declined. Though there was an increase from 2001 to 2002, transfers still remain below 1998 and 1999 levels. Figure 4.B illustrates the trend in recent years.

**Figure 4.B**  
**Transfers From KCTCS to Four-year Institutions**



Source: Prepared by Program Review staff based on data from CPE's website <[www.cpe.state.ky.us/KeyInd/images/3-4transfers/KCTCS.gif](http://www.cpe.state.ky.us/KeyInd/images/3-4transfers/KCTCS.gif)>.

Students who complete an associate degree at KCTCS may transfer to a public four-year institution in what is called a two-plus-two program. When a student completes an associate degree at KCTCS and transfers to a four-year institution, he or she is enrolled as a junior. KCTCS officials say their data indicate that these students have a higher likelihood of graduating than the average student who directly enrolls in a four-year institution. KCTCS officials stated, however, that they have had difficulty getting student information from the four-year institutions to develop



---

Students may still encounter difficulty in transferring credits.

better transfer data. KCTCS officials also noted that students who do not complete the full two-year program, but seek to transfer credit hours to a four-year institution on a class-by-class basis, have a more difficult time.

Program Review staff heard anecdotal evidence that students still encounter difficulty transferring credits from one institution to another, or from KCTCS to a four-year institution. CPE has provided an online Course Applicability System that is supposed to provide students with information on the transferability of courses. As of June 2003, only Eastern Kentucky University, Lexington Community College, Morehead, Murray, and University of Kentucky were listed on the system.

KRS 164.020(5) charges CPE with the responsibility to “Establish and ensure that all postsecondary institutions in Kentucky cooperatively provide for an integrated system of postsecondary education. The council shall guard against inappropriate and unnecessary conflict and duplication by promoting transferability of credits and easy access of information among institutions.” More needs to be done to ensure ease of transferability and to provide more cost-effective basic college courses for students who wish to take some of the college curriculum at KCTCS. This would serve to improve the affordability of postsecondary education for students. It might also serve to relieve some of the enrollment pressure at four-year institutions.

#### **Recommendation 4.2**

**CPE should collaborate with all postsecondary institutions to develop a series of options to ease transferability of credits and promote a more cost-effective method of providing college core courses. These options should be presented to the Education Committee and the Appropriations and Revenue Committee’s Subcommittee on Education by December 2003.**

#### **CPE Is Responsible for Institutional Accountability and Financial Reporting**

---

Poor institution-level reporting hinders budgetary decision making.

As the cost of tuition continues to increase, the lack of accountability reporting by CPE previously noted in this report hinders the ability of legislators to make informed budgetary decisions about postsecondary education. Are recently reported tuition increases justified? Are institutions being effective stewards of the public investment in postsecondary education? Are students being well served? Without adequate accountability information and institution-specific financial reporting, these questions cannot be answered.

Its governing statute assigns CPE the responsibility of ensuring uniform financial reporting by postsecondary institutions.

Chapter 3 highlighted some of the issues of concern associated with weak reporting on measures of institutional performance. It was recommended that CPE review and revise reporting guidelines to ensure they are sufficiently specific that information provided is comparable among institutions and among years. Measures of performance would provide some indication that institutions are performing at an acceptable level. In addition, KRS 164.020(25) assigns CPE the responsibility to “Develop a financial reporting procedure to be used by all state postsecondary education institutions to ensure uniformity of financial information available to state agencies and the public.” When Program Review staff asked CPE officials for routine financial information from the institutions, however, CPE staff cautioned that the institutions do not report all costs in the same manner. This means that cost measures for items such as remedial education could not be readily compared across institutions.

CPE officials told Program Review staff that universities charge back some overhead items to their departments in different ways, therefore the way overhead costs are allocated may differ among institutions. Charging telecommunications costs back to the different departments of the university was an example cited. When Program Review staff asked Kentucky State University officials how they charged phone services back to the departments, Kentucky State officials said they did not distribute those costs. As of the Spring 2003 semester, Kentucky State simply included phone and other telecommunication costs in the institutional support category. Kentucky State officials said that would make their overhead costs appear to be higher than other institutions that allocated their costs to the various departments. The KSU officials said they planned to allocate telecommunication costs in the near future.

Program Review staff also asked officials at different institutions how they measured the cost of providing classes designed to bring underprepared students up to the expected level of an entering college freshman. No reporting system is used to capture these costs, apparently because remedial classes are provided and their costs recorded in numerous ways.

Officials at Kentucky State, the institution with the largest percentage of remedial students among the four-year universities, stated that they did not recall being asked by CPE to report on the cost of providing remedial education within the past several years. KSU officials, as well as officials at Morehead and Eastern, told Program Review staff that part of their mission is to serve populations with higher than average needs for remedial education. Officials at these institutions stated that these mission-related costs should be reported and included in any consideration of funding. Systemwide assessments of performance fail to capture these institution-specific, mission-related types of information.

**CPE’s Funding Model Has Shortcomings**

CPE’s funding recommendations are based on the amounts other states provide to similar institutions.

Additional budget concerns are raised by the method CPE has selected to develop funding recommendations. CPE uses a benchmark funding model to recommend the amount of state funds Kentucky institutions should receive. The model uses a statistical method called FASTCLUS to compare institutions outside Kentucky to universities within Kentucky based on a list of weighted characteristics. The list of characteristics and their weighting may be seen in Table 4.3.

**Table 4.3  
 Weighting of Characteristics in the Benchmark Funding Model**

Measures	Weights (Percent)	
	Doctoral*	Comprehensive*
<b>Enrollment Characteristics</b>		
Total Headcount	5.26	11.11
Percent Part-time Headcount	5.26	5.56
Entering ACT Score	5.26	5.56
Percent Bachelor’s Degree	N/A	5.56
Percent Master’s Degree	5.26	5.56
Percent Doctoral Degree	5.26	N/A
Subtotal	26.30	33.35
<b>Degree Program Mix</b>		
Percent Agriculture	5.26	5.56
Percent Business	5.26	5.56
Percent Education	5.26	5.56
Percent Engineering	5.26	5.56
Percent Biology/Physical Science	5.26	5.56
Percent Arts	5.26	5.56
Percent Liberal Arts/Humanities	5.26	5.56
Percent Health	N/A	5.56
Percent First-Professional Health (Medical School, Dental School, etc.)	5.26	N/A
Percent Law School	5.26	N/A
Subtotal	47.34	44.48
<b>Faculty Characteristics</b>		
Percent Full-time Faculty	5.26	5.56
<b>Public Service</b>		
Public Service as a Percentage of E&G** Expenditures.	5.26	5.56
<b>Student/Faculty Ratio</b>	5.26	5.56
<b>Research Emphasis</b>		
Research Expenditures	10.53	5.56
<b>Total ***</b>	100	100

Source: Council on Postsecondary Education.

\*The Doctoral universities are UK and U of L. Comprehensive universities include Eastern, Kentucky State, Morehead, Murray, Northern, and Western.

\*\*E&G refers to educational and general expenditures, including student services, institutional support, operation and maintenance, scholarships and fellowships, and transfers.

\*\*\*Total may not add to 100 percent due to rounding.

---

The ability to prioritize among key factors is limited.

This model relies heavily on programmatic comparisons between institutions. By giving most of the factors the same weight, however, the ability to prioritize among factors is limited. Even when some factors are weighted more heavily than others, selected benchmarks may still be dissimilar. For example, headcount enrollment is weighted most heavily among the factors used to identify benchmarks for the comprehensive universities. External consultants for Kentucky State, however, have noted that its benchmark institutions generally have a much higher student enrollment than KSU. The consultants have identified this as a problem in determining an appropriate funding level for the university.

---

CPE funding model does not include economic factors that could influence funding decisions, does not account for recent changes in economic trends, and does not consider outcomes.

The model also fails to include economic factors that could influence the amount states provide to other institutions. For example, CPE's model does not factor in the number of low-income students on campus who are receiving need-based aid. Some university officials raised this as a concern because having a relatively high number of low-income students limits an institution's ability to raise tuition and fees. Though these institutions may be similar to their benchmarks based on programmatic issues, they may be more dependent on state support due to difficulty in raising revenue in other ways.

An additional concern with the CPE funding model is the time lag in the availability of the data on which CPE bases its calculations. CPE determines funding information from benchmark institutions from the Integrated Postsecondary Education Data System. The data for the 2002-04 funding process was based on 1998-99 data, the most current data available. CPE updates the funding from the data by using the annual Consumer Price Index to adjust for inflation. Applying a standard inflation factor, however, does not take into account that the cost of higher education is generally rising faster than the overall inflation factor. By using the standard index to inflate data from past years, CPE may be underestimating the true growth in postsecondary education funding in other states.

Relying on a standard inflation factor may also mean that the model fails to recognize sudden shifts in states' ability to fund higher education. In response to the national economic downturn, many states have implemented or are considering postsecondary education budget cuts. The amounts provided to higher education in 2002-03 or 2003-04 may be less than the amounts provided in prior years. By assuming that past funding levels will continue to grow and may be updated by applying standard inflation factors, CPE risks overestimating the amount other states provide to their institutions.

The benchmark funding model also fails to include outcomes or other measures of performance in its comparison of institutions. For example,

while the University of North Carolina at Chapel Hill is one of UK's benchmarks, UNC-Chapel Hill's six-year graduation rate for students who were freshmen in 1996 was 80 percent. UK's six-year graduation rate for its 1996 freshmen was only 58 percent. Failure to recognize differences in institutional performance when comparing institutional funding may undermine the confidence legislators have in the model.

---

CPE plans to examine its benchmark funding model.

CPE officials have stated that they plan to examine their benchmark funding model prior to the 2004 Session and may make minor adjustments. They will undertake a major reassessment of the benchmark funding model after the 2004 Session. Any reassessment of the benchmark funding model should include the factors noted above.

### Recommendation 4.3

**As CPE reassesses its benchmark funding model, it should consider differences in students' ability to pay, recent fluctuations in the national economy, and institutional outcomes. These factors should be a consideration in any funding requests presented for consideration to the 2004 General Assembly.**

### The Strategic Investment and Incentive Funding Program (The Trust Funds)

---

HB 1 also created the Strategic Investment and Funding Program, which now consists of eight trust funds.

HB 1 created the Strategic Investment and Incentive Funding Program—often referred to as “The Trust Funds”—that allows for the appropriation of strategic financial assistance awards to institutions, systems, agencies, and programs to advance the goals of postsecondary education. HB 1 established six trust funds as part of this program:

- Research Challenge,
- Regional University Excellence,
- Postsecondary Education Workforce Development,
- Physical Facilities,
- Technology Initiative, and
- Student Financial Aid and Advancement.

Within each of the trust funds are a variety of programs developed to meet the particular objectives of each fund. Two funding programs were added since the passage of HB 1: Adult Education and Literacy, and Science and Technology. Unlike the trust funds, allocations to the funding programs lapse at the end of the biennium and may not accrue interest. Table 4.4 provides an overview of the trust funds, funding programs, and the programs within each. Appendix C provides a detailed description of each fund and the appropriations for each fiscal year since HB 1.

**Table 4.4**  
**Strategic Investment and Incentive Funding from 1997 to Present**

Trust Funds	Programs Included	Years Funded	Status
Research Challenge (Created for UK and U of L)	Research Challenge	1997-98, 1998-99, 1999-00	Funding transferred to institutions' bases in FY 2000-01.
	Endowment Match	1998-99*, 2000-01, 2003-04**	*Funded by surplus general funds **Funded by sale of taxable bonds
	Enrollment Growth & Retention	2000-01, 2001-02	Amount of earned funds for FY 2001-02 were transferred to institutions' bases and became recurring in the budget beginning FY 2002-03.
	Lung Cancer Research	2000-01, 2001-02, 2002-03, 2003-04	Program is currently funded.
Regional University Excellence (Created for comprehensive universities)	Programs of Distinction	1997-98, 1998-99, 1999-2000	Funding was transferred to institutions' base in FY 2000-01.
	Endowment Match	1998-99*, 2000-01, 2003-04**	*Funded by surplus general funds **Funded by sale of taxable bonds
	Enrollment Growth & Retention	2000-01, 2001-02	Earned funds for FY 2001-02 were transferred to institutions' bases and became recurring in the budget beginning FY 2002-03.
	Action Agenda	2001-02	Transferred to institutions' bases in FYE 2001-02 and became recurring in the budget beginning FY 2002-03.
Postsecondary Workforce Development - (KCTCS)	Workforce Development Training	1997-98, 1998-99, 1999-2000, 2000-01, 2001-02.	Program is not funded for 2002-04.
	Enrollment Growth & Retention	2000-01, 2001-02	Earned funds for FY 2001-02 were transferred to institutions' bases and became recurring in the budget beginning FY 2002-03.
	KCTCS Administrative Systems	2000-01	Program is not funded for 2002-04 biennium.
Physical Facilities	Deferred Maintenance & Capital Projects Pools - Debt Service	1999-00	Debt service of \$20.9 million transferred to the Finance & Adm. Cabinet in FY 2001-02.
	Capital Renewal & Maintenance Debt Service	2001-02	No new funds appropriated for the biennium.
	Renovation, Replacement & Infrastructure - Debt Service	2001-02	No new funds appropriated.
	New Construction - Debt service	2001-02	No new funds appropriated.

Trust Funds	Programs Included	Years Funded	Status
Technology Initiative	Debt Service for Capital Projects	1998-99, 1999-2000	Transferred to Finance & Adm. Cabinet in FY 2001-02
	KYVU/VL Technology Pool	1999-2000	Transferred to CPE for 2002-04 biennium
	KYVU/VL Support	1999-2000	Transferred to CPE for 2002-04 biennium.
	Equipment Replacement - Debt Service	2001-02	In FY 2001-02, debt service of \$3.8 million was transferred to the Finance and Administration Cabinet. Debt service for equipment replacement not funded for 2002-04 biennium
	Network Infrastructure	2001-02, 2002-03, 2003-04	Funding reduced by 42% for FY 2003-04 from previous years.
	Public Communications Campaign	2001-02	Only funded for one fiscal year
	Faculty Development	2001-02	Funds for FY 2001-02 were transferred to institutions' bases and became recurring in the budget beginning FY 2002-03.
Student Financial Aid & Student Advancement	KEES	1998-99, 1999-00, 2000-01, 2001-02, 2002-03, 2003-04	KEES is funded for the 2002-04 biennium. Estimates indicate that the program should meet its obligations through 2004.
<b>Programs</b>			
Adult Education and Literacy Funding Program	Nine programs are included	2000-01, 2001-02, 2002-03, 2003-04	Funds are cut by \$750,000 for FY 2003-04 from previous years.
Science & Technology Funding Program	Research & Development; Commercialization; Regional Technology Corps.	001-02, 2002-03, 2003-04	Funds continue for Research & Development, Commercialization, and Regional Technology Corps.
	Entrepreneurial Audit	2000-01	One time funds appropriated.
	Rural Innovation Fund	2000-01, 2001-02, 2002-03, 2003-04	HB 269 provides for \$1 million of restricted funds for each year of the 2002-04 biennium.
	Ky. Based Economy Academic Programs - Engineering	2002-03, 2003-04	HB 269 includes \$1 million of restricted funds in each fiscal year of the 2002-04 biennium.
	Ky. EPSCoR/Science and Engineering Foundation	2002-03, 2003-04	HB 269 provides \$2 million in one-time restricted funds in FY 2002-03.

Source: Biennial budget bills and CPE budget documents.

---

CPE has the responsibility of designing and implementing guidelines for the trust funds.

CPE has the responsibility of designing and implementing guidelines for the various trust funds. The guidelines are to advance the original six goals of HB 1. Appropriations for trust funds do not lapse at the end of a fiscal year but are carried forward in the specific trust fund account and made available for allotment for the next fiscal year. This includes interest income earned from the amounts appropriated to the trust funds, which is credited to the appropriate trust fund accounts.

---

Some funds originally appropriated through the trust funds are included in the institutions' bases as recurring funds. Recurring funds in the institutions' bases make it difficult to monitor program funding

Some funds originally included in various trust fund appropriations have been transferred into the institutions' base funds. To the extent money is added to an institution's base funding, it becomes part of the recurring lump-sum amount the institution receives. Without adequate accountability reporting, it is difficult to determine what use the institutions make of the lump-sum funding. In FY 2000-01, appropriations for the Research Challenge program and the Programs of Distinction were rolled into the institutions' bases. Fund amounts in FY 2001-02 for Enrollment Growth and Retention, Action Agenda, Workforce Development Training, and Faculty Development were permanently transferred to the institutions' bases and became recurring in FY 2002-03.

CPE has not provided the General Assembly with separate annual reports for the uses of the various trust fund programs, although this information is submitted to CPE by the institutions. The annual program reports from the institutions include information on program activities, required matching of funds, and how the funds are used. This information could be summarized and provided to the appropriate legislative committees in LRC, as well as SCOPE. This would enable the General Assembly to better determine if the funding appropriated to these programs is being used as intended.

---

KRS 164.095(3)(d) requires that CPE develop and implement a system of accountability.

KRS 164.095(3)(d) requires that CPE develop and implement a system of accountability for the postsecondary education institutions that measures the use of resources. CPE is required through KRS 164.020(9) to devise, establish, and periodically review and revise policies used in making recommendations to the governor for consideration in developing recommendations to the General Assembly for appropriations to the universities.



#### Recommendation 4.4

**CPE should report annually on funds from the Strategic Investment and Incentive Funding programs transferred to institutions' base funding. The summary reports should be provided to SCOPE, the Appropriations and Revenue Committee's Subcommittee on Education, and the Education Committee. The reports should include program activities, use of funds, matching requirements, and other pertinent financial information. CPE should provide additional information on the Programs of Distinction and the Research Challenge program, including the status of the universities' work toward meeting their goals as established in KRS 164.003.**

#### The Endowment Match Program

Kentucky's significant investment in postsecondary education through the Endowment Match program must not come without appropriate accountability. The universities, through the guidance of CPE, must ensure that taxpayers dollars are used effectively and in accordance with meeting the goals of HB 1. KRS 164.095(3)(d) states that CPE "shall develop and implement a system of accountability for the postsecondary education institutions that measures the use of resources."

---

The objective of the Endowment Match program is to attract top researchers to Kentucky.

The Endowment Match program is an example of a program that receives lump-sum funding. The objective of program, created in 1998, is to attract top researchers to Kentucky's eight public universities. Often referred to as "Bucks for Brains," the program seeks to lure top research talent to Kentucky by providing funding for endowed chairs, professorships, and other academic uses. The purpose is to ultimately meet the goals of HB 1 by stimulating business development, creating better jobs, and raising the standard of living in the Commonwealth.

The Bucks for Brains program requires that universities match available public funds with donations from individuals, corporations, and non-profit entities to encourage external investment in public higher education research activities. Funds identified from external sources are matched with state funds and invested. Investment earnings are used to pay for filled positions and/or expenditures, while the principal remains untouched, creating a perpetual source of funding for programs. The budget language originally called for funding of endowed chairs, but the language has been expanded through subsequent budget bills to

include funding for endowed professorships, fellowships, scholarships, and mission support.

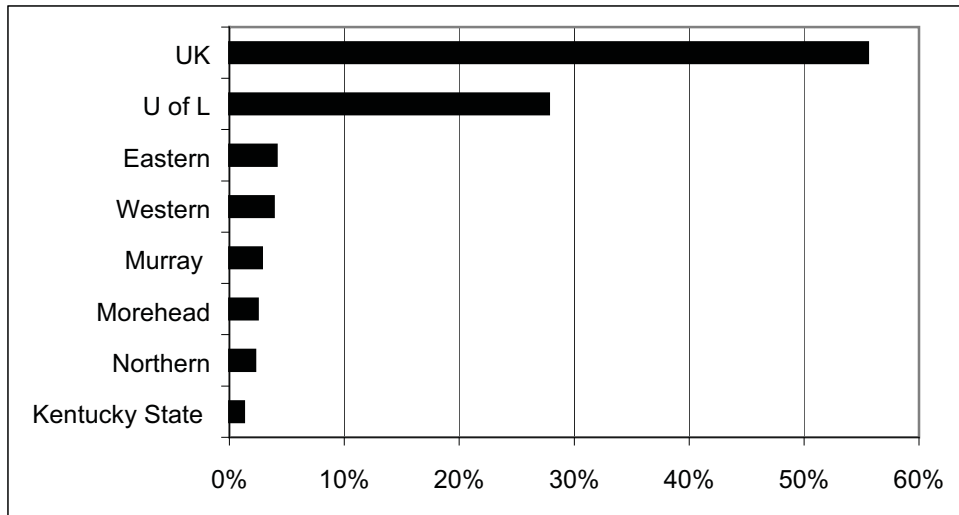
Some legislative members of SCOPE have expressed concern over the quality of information provided to them about how the Bucks for Brains money has been spent. Researchers have appeared before the committee to describe the type of research work they are bringing to the Commonwealth, but some legislators report that CPE has not done an adequate job of summarizing information on the use of funds. For example, there appears to be little reporting of the percentage of funds dedicated to engineering, computer science, medical, and other new-technology related disciplines.

---

The universities have received three rounds of Bucks for Brains.

State funds for the program are appropriated for UK and U of L through the Research Challenge Trust Fund. Funds are appropriated for the comprehensive universities through the Regional University Excellence Trust Fund. The guidelines for how the funds may be spent differ between the two funds. The program received General Fund appropriations of \$110 million in FY 1998-99 and \$120 million in FY 2000-02. Figure 4.C depicts the percentage of funding each institution received for the last surplus General Fund appropriation of \$120 million.

**Figure 4.C**  
**2000-2002 Biennium**  
**Shares of Endowment Match Program Funding**  
**(\$120 Million)**



Source: HB 502 (2002 Session), CPE, LRC budget documents

*Program Review and Investigations*

---

CPE's role in the Endowment Match process is established by statute.

CPE's significant role in the Endowment Match process is established by statute. KRS 164.7917(2) and KRS 164.7919(2) require the Council to develop criteria, process financial assistance, and determine the matching of funds or internal allocations of funding for the Research Challenge and the Regional University Excellence trust funds. CPE develops guidelines for distributing program funds, establishes areas of concentration within which program funds are used, and reviews reports from the institutions on how they use funds and achieve results.

---

The sale of taxable bonds is being used to continue Bucks for Brains.

Most recently, HB 269 authorized the sale of taxable bonds for \$120 million in the 2002-2004 biennium. An appropriation for a one-time debt-service payment is included in the respective trust fund budgets for FY 2003-04.

According to CPE's Endowment Match Program Annual Summary Reports, as of June 30, 2002, the eight public universities have added \$369.4 million in cash gifts and state-matched funds to their endowments and secured an additional \$65.4 million in pledges through the program. This money was used to establish 111 new endowed chairs, 176 new endowed professorships, 131 new fellowships, 38 new scholarships, and 105 new mission support positions. Table 4.5 provides an overview of the use of the Endowment Match program by institution.

A significant number of positions have been created, with the corresponding endowment funding provided to the universities, but a number of positions have not been filled. Of the 111 endowed chairs, 49 positions are occupied. Of the 176 new endowed professorships, 90 are occupied. Generally, there will be a delay between the time an endowment is established and a position being fully funded. Private donors have up to five years to fully fund their matching amount, so there may be some delay in the full amount of funding being invested. Additionally, interest from the principal may need to accumulate sufficiently to fund the chair, professorship or other position.

**Table 4.5  
 Cumulative Endowment Match Program Activities for Fiscal Years 1998 to 2002**

Institutions	Chairs		Professorships		Fellowships		Scholarships		Mission Support		Totals per University	
	Positions or Projects	Occupied Positions/Projects with Expenditures	Positions or Projects	Occupied Positions/Projects with Expenditures	Positions or Projects	Occupied Positions/Projects with Expenditures	Positions or Projects	Occupied Positions/Projects with Expenditures	Positions or Projects	Occupied Positions/Projects with Expenditures	Positions or Projects	Occupied Positions/Projects with Expenditures
<b>Research Institutions</b>												
UK	55	24	140	75	116	47	-	-	71	31	382	177
U of L	49	22	1	1	10	3	0	0	6	2	66	28
<b>Subtotal</b>	104	46	141	76	126	50	0	0	77	33	448	205
<b>Comprehensive Institutions</b>												
Eastern	2	2	2	1	0	0	13	3	2	2	19	8
Kentucky State	0	0	3	0	0	0	1	0	1	0	5	0
Morehead	1	0	8	3	5	2	2	1	2	1	18	7
Murray	2	0	4	0	-	-	5	3	1	0	12	3
Northern	1	0	5	1	-	-	15	8	4	2	25	11
Western	1	1	13	9	0	0	2	1	18	5	34	16
<b>Subtotal</b>	7	3	35	14	5	2	38	16	28	10	111	45
<b>State Total</b>	111	49	176	90	131	52	38	16	105	43	561	250

Source: Endowment Match Program, 2001-02 Annual Summary Reports, February 3, 2003.

### Match Requirements for Gifts and Pledges

---

The guidelines for matching funds have been inconsistent.

Guidelines for matching funds have changed from funding period to funding period to incorporate different areas of concern. For instance, the initial guidelines of 1998-2000 allowed the use of federal funds as a match. Guidelines for the 2000-02 biennium stated that "eligible matching funds can be received from only the following entities: businesses, foundations, hospitals, corporations, alumni or other individuals." Guidelines dated July 1, 2002, however, include wording that gifts and pledges can be received from the federal government for state match provided the funds are endowed.

---

An existing federal grant is a questionable match for KSU.

An example of how this affects a university is evident in a recent endowment match for Kentucky State University. Kentucky State matched, and CPE approved, a \$200,000 state match with Title III federal funds during the period when the 2000-02 guidelines, which did not list federal funds as acceptable, were in effect. This led to confusion concerning whether the federal funds were allowable. Additionally the guidelines state that "The Endowment Match Program is conceived as a way to bring new money from external sources into the Commonwealth's system of postsecondary education." The Title III funds, however, were already slated for Kentucky; KSU found a new use for existing funds.

This example is not the only issue that is affected by a lack of definition of the intent of "new money from external sources." Other endowment matches and uses have also come into question, such as whether state-generated or university-affiliated sources of funds may be used in the Endowment Match program. In October 2000, the Auditor of Public Accounts (APA) questioned matching an endowment from a state trust fund, specifically the Spinal Cord and Head Injury Research Trust Fund. The CPE-developed guidelines for that time period originally stated that matching funds may not be drawn from any state-funded trust fund. The guidelines were revised in May 2001. The prohibition against using state trust funds was removed and a new sentence added stating that "Matching funds must be from external sources. General Fund appropriations and student-derived revenues (tuition and fees) are not eligible for matching funds."

Both UK and U of L have created endowments using funds from the Spinal Cord and Head Injury Research Trust Fund. UK received \$2.5 million and U of L received \$1.48 million from the trust to match with state dollars. While such research is valuable,

the question remains as to whether state-developed trust fund money conforms to the idea of "new money from external sources."

---

A report by the Auditor of Public Accounts noted weaknesses in accountability for the Bucks for Brains program.

The Auditor of Public Accounts Briefing Report dated October 31, 2000, examined CPE's implementation of the Bucks for Brains endowment program. The report revealed that accountability had not developed at a pace equal to its funding. APA made specific recommendations on several findings. One of the recommendations discussed leveraging more private donations by excluding state sources and university-affiliated sources of money. Other recommendations from the APA report stressed the importance of assuring that state funds are matched to mission-critical areas of concentration, setting minimum endowment levels for chairs and professorships, and requiring more detailed university reports on the uses of the state match.

In a follow-up to the audit recommendation, House Resolution 1, enacted in the 2001 Session recommends that CPE adopt APA's recommendations and emphasizes that the Council should adopt more accountability and stricter criteria. CPE was asked to provide greater oversight of the funds and leverage them effectively with private matching funds. House Resolution 1 also recommends that the comprehensive universities be required to use a portion of endowment matches toward programs of distinction.

#### **Recommendation 4.5**

**CPE should clarify in its guidelines the definition of the term "new money from external sources." It should specifically address the issue of allowing existing federal grants, state-generated funds, and university-affiliated funds as matches for state funds appropriated for endowments.**

---

The use of endowment funds for mission support should be clarified and limited.

As noted earlier, investment earnings from endowments are now used for various positions and expenditures. Allowing more positions or expenditures with fewer restrictions may be inconsistent with the intent that the program fund research. This is particularly true for mission support.

The CPE trust fund guidelines are developed for the appropriate uses of endowment funds. The guidelines approve the use of mission support funds for areas such as "funding of visiting scholars, nationally prominent publications, the dissemination of research, and the advancement and support of the general research mission as specified in university regulations and policies." Some

legislators have expressed concern about the lack of specificity in the use of endowment funds for mission support. Terms such as, “advancement and support of the general research mission” and “dissemination of research” could encompass a broad category of uses.

#### **Recommendation 4.6**

**CPE should define clearly in the guidelines the accepted use of mission support and should limit the percentage of funding used for mission support.**

#### **Requiring More Detailed Reports**

CPE has made efforts to improve the detail of information in the Endowment Match Program Annual Summary Reports. For example, CPE's 2001-2002 Annual Summary Report includes summary information for the system and information for each university. The information includes endowment activity, demographic information, and detailed sources of funds, earnings, and expenditures for each endowment for the current year and accumulated years of the program's existence.

---

Areas of core disciplines should be included in the Annual Summary Reports.

The annual summary reports, however, do not include any information that ties the specific endowment to an area of concentration or discipline. This is particularly important given that CPE’s guidelines require the two research universities to use at least 60 percent of their matching funds in areas of engineering, technology, computer science, health sciences, life sciences, mathematics, or physical sciences. In addition, this information can be used to determine whether comprehensive universities are matching endowments to Programs of Distinction. It was determined during the fieldwork of this study that CPE has the capability to provide this information. This type information would be beneficial to Council members and legislators in determining if the endowments are concentrated in areas that will achieve the objectives of HB 1.

#### **Recommendation 4.7**

**CPE should provide a report on the use of the Endowment Match funds to the Education Committee and the Appropriations and Revenue Committee's Subcommittee on Education. The report should detail the percentage of funds by new economy core disciplines and other areas. CPE should address the portion of funds used in support of institutional Programs of Distinction. This report should be provided by December of each year.**

#### **The Postsecondary Education System Must Operate Efficiently**

---

Postsecondary education may be provided more efficiently throughout the Commonwealth.

Postsecondary education may be provided more efficiently throughout the Commonwealth. Some examples have been outlined in this report. To fail to operate in the most efficient manner possible will result in a system that does not meet the needs of as many students as possible.

Collaborative agreements to share resources and make the transfer of credits as open and transparent to the students as possible are a step in the right direction. The joint engineering program between Western, Murray, UK, and U of L is an example. Northern Kentucky University's collaboration with Gateway Community College and Thomas More College is another. These types of efforts must be highlighted and the lessons learned disseminated throughout the system to improve overall performance. CPE is in a position to assist in the dissemination of such lessons learned.

CPE, as a coordinating body, is limited in the amount of direct influence it can exert over the various postsecondary institutions, though it does appear to have more power than it has sought to use. CPE's most powerful tool in shaping institutional efficiency, however, may simply be in fulfilling its statutory role as the postsecondary education accountability agent. Reporting institutional measures of efficiency, effectiveness, and outcomes clearly and objectively is crucial in shaping institutional performance. Such information is also crucial to the legislative decision-making process.



## Chapter 5

### Kentucky State University Is Addressing Financial and Academic Problems

---

The Committee asked staff to review Kentucky State University due to a number of problems at the university.

At its July 2002 meeting, the Program Review and Investigations Committee requested its staff to devote special attention to a review of the status of Kentucky State University as staff conducted the overall review of postsecondary education governance. This request came after a series of problems surfaced at KSU, including an embezzlement of more than \$800,000, the resignation of one financial audit firm, and the Auditor of Public Accounts issuing an audit stating that internal controls at the institution were so bad that an opinion could not be issued. The financial difficulties of the institution led to separate reviews by the FBI and the U.S. Department of Education's Office of Inspector General. The difficulties at Kentucky State culminated with the decision by its Board of Regents to decline to renew the contract of then-president George Reid. A timeline of the difficulties at KSU is included in Appendix D.

---

U.S. Department of Education and FBI reviews found no wrongdoing at the university.

The U.S. Department of Education and FBI reviews concluded without any finding of wrongdoing.<sup>1</sup> KSU also met with CPE on a series of actions to address concerns noted in the report of an external consultant. The findings and recommendations in this chapter are provided in an effort to assist KSU. First, however, background is provided on KSU and its recent difficulties.

#### **KSU Is a Historically Black, Land-Grant University**

KSU was chartered in 1886 as the State Normal School for Colored Persons, the second state-supported institution of higher learning in Kentucky. The mission of the new college was to train black teachers for the black schools in the state's segregated system. The university has grown and changed names throughout

---

<sup>1</sup> The Department of Education did note a number of transactions for which adequate documentation was not provided. KSU officials have since provided additional documentation to the department and are awaiting a response.

the years, shedding the names that implied racial division to become a duly recognized state university in 1972. Kentucky State also is one of 105 Historically Black Colleges and Universities in the U.S., defined in the Higher Education Act of 1965 as having the principal mission to educate African Americans and that are accredited by a nationally recognized accrediting agency.

The university's role in public higher education changed significantly in the early 1980s with the Commonwealth's Desegregation Plan, which still exists in another form as an agreement between the state and the U.S. Department of Education, Office of Civil Rights. A letter from the Office of Civil Rights in 1981 prompted formulation of the plan, declaring the state in violation of Title VI of the Civil Rights Act of 1964. The letter charged that KSU remained identifiable as an institution for black students and that other state universities were identifiable for white students. The desegregation plan called for a redefined mission for the university that "recognizes Kentucky State University's role as the unique, small, liberal studies institution in the state system" (p. 22). This suggestion has been formalized in statute KRS 164.290(2).

As a historically black institution, Kentucky State University occupies a unique position in the state's public postsecondary education system. Kentucky State is also one of two land-grant institutions in Kentucky and one of 17 national 1890 land-grant institutions. The university has the highest percentage of black students of all Kentucky public universities. In the Fall 2002 semester, 62.5 percent of the KSU student body was black, 32 percent white, and 5 percent other.

The university has a mission that emphasizes liberal studies, but KSU also has stressed its public service commitments, welcoming underserved members of society and maintaining historic relevance to African Americans. Since the creation of the OCR agreement, the university has assumed a role in state government education needs.

As noted earlier, KSU is a land grant institution, mandated by the Second Morrill Act to conduct research, extension, and teaching in food and agricultural sciences. The U.S. Department of Agriculture funds the land-grant program. The university operates a cooperative extension service. KSU's aquaculture research program is its Program of Distinction.

### Issues Cited Consistently in Consultants' Reviews

---

Consultants' reports have highlighted problems at KSU and offered recommendations.

Kentucky State University has recorded some noteworthy accomplishments in its 110-plus years, but it also has experienced problems. Consultants' reviews have cited similar issues to the ones noted by legislators in authorizing this study. The reports, published almost a decade apart, highlighted problems and offered solutions to help the university operate more efficiently. In 1993, an external consultant, MGT of America, conducted a review of the administrative organization and operations of KSU, issuing a report in January 1994. In late 2002 and 2003, another external review team headed by the Baker and Hostetler law firm (B&H) of Cleveland, Ohio conducted an assessment of KSU, issuing its report in April 2003. Each consultant arrived at similar conclusions and each made a number of recommendations.

Both reports emphasized the need for KSU to articulate a well thought out mission statement. Citing the divisions that existed on the campus, MGT recommended in 1994 that KSU "should develop and adopt a clear statement of its mission and those changes, if any, in academic programs, resource allocation policies, student admission policies, student recruitment efforts, and other operations necessary to fully implement the mission statement" (p. 3-3). In 2003, B&H referred to KSU's unfocused sense of mission as arising from its status as a historically black college or university, a liberal arts institution, and land grant university. The B&H review team noted that "the lack of a clear mission causes fundamental problems for the university." (p. 3).

MGT's 1994 report said a "feeling exists among many university administrators and staff that the university does not have a good public reputation as a quality institution."(p.3-1). And under the heading of internal relations, operations, and processes, the report said a number of internal operational issues needed to be resolved to increase university efficiency and prepare the university to meet the challenges of the 21<sup>st</sup> century (p. 3-1).

Both consultant groups concluded their reports with some future strategies for the university. MGT urged the university to undertake strategic planning and repeated its concern about enrollment, recommending ways to attract and retain more students. MGT also recommended that KSU—its board, administration, faculty, staff, and students—establish a clear sense of direction (p. 8-1—7). B&H suggested some future steps, beginning first with the board and administration and including affected parties in an action plan. Among the suggested actions

were rightsizing the administration (including outsourcing some services), rationalizing the funding formula, expanding areas where costs will be lower than revenues (increasing enrollment, expanding community college transfer efforts, outsourcing some academic programs, and expanding and developing graduate and professional programs), securing more grant funding, and seeking additional support from the Commonwealth (p. 81-82).

---

Similar concerns were noted as long ago as 1983.

Issues outlined in the consultants' reports were similar to some mentioned in the state's *Higher Education Desegregation Plan*, developed in 1981-1983 in cooperation with the U.S. Department of Education's Office of Civil Rights. The plan served as the foundation for improving educational opportunities for African Americans in Kentucky's public higher education institutions. The report stressed that the cost of operating KSU must be reduced. The document said the university was being funded at 130 percent of the funding model in effect at the time.

The Office of Civil Rights report also called for leadership from the KSU Board of Regents, administration, faculty, and staff to institute suggested changes to make the school a "more productive partner in the university system." The report urged KSU to redefine its mission to excel in three areas: delivering a liberal studies curriculum, meeting the educational needs of community students, and serving the educational needs of state employees.

---

Defining the mission of KSU remains a problem.

KSU has struggled with its identity and mission. The school is a nationally recognized historically black university, as well as an 1890 land grant institution. The land-grant status brings with it an agricultural research mission. Additionally, KSU has a statutory mission as a four-year residential institution emphasizing a program of liberal studies appropriate to its size and resources.

The different aspects of KSU's mission are not irreconcilable. In fact, the multiple roles of KSU may add strengths to the institution that other small public universities do not possess. No matter the institution's mission, the importance of issues such as financial accountability, cost effectiveness, and quality education do not change.

### **Leadership Issues Must Be Resolved**

---

Leadership instability still needs to be addressed.

The tenure of former KSU President George Reid was marked by controversy and conflict among the faculty and the administration. After months of escalating turmoil, his contract was allowed to

expire on June 30, 2002. Although external consultants have identified inconsistent leadership as one of the major problems at the institution, no permanent replacement for Reid has been identified. The Baker & Hostetler report stated that the "position of president at KSU has been characterized by instability and a lack of continuity for many years" (p. 13). The consulting group recommended that KSU find a president and allow him or her sufficient time to stabilize the university; the consultants recommended five years.

After Reid's departure, a short-term interim president was named. Paul Bibbins, Dean of the KSU College of Arts and Sciences, served from June 2002 through the end of the year. Beginning January 1, 2003, a long-term interim president, William Turner, began serving at KSU. President Turner is scheduled to serve 12 to 18 months, until a new president is selected through a nationwide search. It is understandable that the Board of Regents of KSU would like to take an adequate amount of time to conduct a search to find the most capable candidate possible. It is also a concern, however, that the presidency of KSU has not been finalized during such a crucial period in the school's history.

---

Responsibility for reform rests with the Board of Regents and the president.

As the university moves to resolve its academic and financial problems, it is important that leadership remains focused on a consistent program of reform. Chapter 2 of this report has already noted that the Board of Regents is responsible for governing an institution and is to evaluate the institution's progress periodically. The Board is also responsible for holding the officers and officials of the institution accountable (KRS 164.350). Thus, the responsibility of the reform of KSU rests with the Board of Regents and the president it selects.

---

CPE must provide objective information by which legislators can review KSU's performance.

CPE, has no responsibility for the day-to-day management of an institution, but does have a responsibility as the state's postsecondary education accountability agent. It is the responsibility of CPE to provide objective reports on the performance of institutions. CPE must provide the objective information by which legislators and the public can review KSU's performance and determine how well past problems have been resolved. Such information is also crucial in evaluating the performance of the Kentucky State Board of Regents.

### **Financial Management Is Improving**

---

Weaknesses in financial oversight led to a series of problems at the university.

One of the efforts most important to continued improvement at KSU is in the area of financial management. Weaknesses in financial management have led to a series of problems at KSU that have distracted from the broader mission of the institution. In May 2000, PricewaterhouseCoopers withdrew from the 1999 financial audit of KSU after uncovering an embezzlement of more than \$800,000 in university funds. The 1999 audit was eventually completed by the Auditor of Public Accounts, who disclaimed an opinion on the financial statements because an opinion on the accuracy of the school's financial statements could not be made.

Progress in KSU's financial management practices has led to unqualified or "clean" audit opinions in the two most recent financial audits of the institution. One problem area noted in several audits, the KSU bookstore, has been outsourced to Follett Higher Education Group, Inc. KSU officials anticipate that this change will lead to an improvement in the operations of the bookstore.

### **KSU Strengthens the Internal Auditor Position**

---

The internal auditing function was not used adequately or effectively for many years. Prior to FY 2000, the internal auditor served in other operational capacities.

The internal auditor's position at KSU has also recently been clarified and strengthened. An internal auditor is responsible for examining and evaluating the adequacy and the effectiveness of actions taken by the administration to fulfill its financial management responsibilities. The position now reports to the president and the Board of Regents' Audit Committee. The internal auditor position at KSU has been in place for many years; however, its function was not used adequately and effectively for many of those years. It did not always operate independently from other operations at KSU, which conflicts with internal auditing standards. In earlier years, the internal auditor served in other operational capacities, limiting the independence that the internal auditor needs to review those activities.

The creation of an Audit Committee in 2003 is indicative of a greater effort on the part of KSU to ensure that the internal auditor is independent and objective. At a board meeting on April 25, 2003, the Audit Committee approved an internal audit charter that defined the purpose, authority, independence and objectivity, and general responsibilities of the Internal Audit Department at KSU. It should be noted, however, that management is still ultimately responsible for establishing and maintaining controls that

discourage any type of fraud. KSU should be commended for strengthening this crucial component of financial accountability.

### **KSU Must Strive for Efficient Operations**

KSU officials and others who are familiar with the university seem to agree the institution needs to become more cost-effective in its operations. Additionally, KSU officials have repeatedly stated that they feel the institution is underfunded. Observers have noted that Kentucky State needs to become more efficient and to generate more revenue.

---

KSU has small enrollment and high overhead costs.

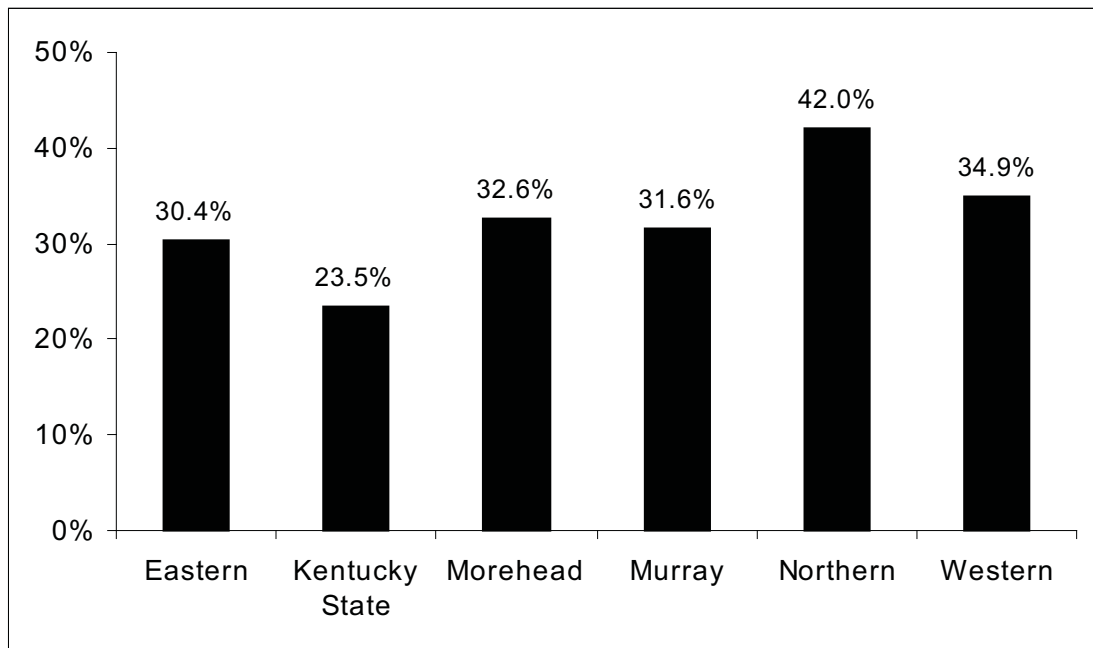
Both the Baker & Hostetler and MGT reports commented on KSU's small enrollment and its overhead costs. MGT pointed out that Kentucky State's small size causes the university's per-unit costs to be much higher than similar costs at other Kentucky public universities. MGT recently did another study for the Association of Independent Kentucky Colleges and Universities, looking at the ratio of overhead to unrestricted educational and general expenditures at private and public universities. The report found that KSU's overhead costs were approximately 60 percent, which was not out of line with many of the small, private institutions in the state that have enrollments similar to KSU's.

---

KSU has the lowest amount of full-time faculty as a percentage of faculty and staff.

The earlier MGT report, however, noted that there was a perception among many university administrators and faculty that KSU's overhead costs are too high and that there were too many layers of administration. Program Review staff examined the number of full-time faculty as a percentage of total university employees. As can be seen from Figure 5.A, Kentucky State has the lowest percentage of faculty to total personnel of any comprehensive university. This tends to lend credence to the perception reported in the MGT study that there were too many layers of administration at KSU.

**Figure 5.A**  
**Full-time Faculty as a Percentage of**  
**Total Staff, Fall 2002**



Source: Program Review Staff, based on data provided by CPE.

In light of the financial difficulties KSU continues to face, it is important that resources be focused on the direct provision of educational services and the mission of the institution. Faculty at Kentucky State have complained in recent months about the workload and low pay compared to salary levels at other institutions. KSU administrators must minimize staff positions not directly related to providing services to students in order to devote more resources to the direct provision of services.

### **Recommendation 5.1**

**KSU officials should begin a thorough review of administrative and staff positions with a goal of streamlining operations and eliminating redundant or unproductive positions.**

### **Dormitory in Need of Renovation**

---

KSU's largest men's dormitory has not been adequately maintained.

Another issue that observers have noted in regard to attracting additional students to the campus is the condition of dormitory space on campus. Both Baker & Hostetler and the MGT consultants said KSU has the physical capacity to accommodate a



much larger enrollment. KSU has not adequately maintained student housing facilities, however. The 1994 MGT study noted that KSU's residence halls appeared to be well maintained and two dorms were being renovated (p 6-6). In contrast, the Baker & Hostetler report of 2003 said a major concern is the current physical condition of Young Hall, KSU's largest men's dormitory.

---

Renovation of Young Hall is mandated by a state-federal agreement. University officials estimate renovation costs at \$10.3 million. KSU officials say they cannot afford the renovation of Young Hall.

Young Hall, along with two other academic buildings, is mentioned in the Partnership Agreement, between the U.S. Office of Civil Rights and the Commonwealth of Kentucky. The agreement's purpose is to improve the educational opportunities for African Americans regarding access, enrollment, retention, and graduation at the state's institutions of higher learning. One of the issues mandated by the agreement, still unresolved, is the renovation of Young Hall.

During the course of this study, Program Review staff toured the building and noted, along with university officials, many sections in need of repair and reconstruction. University officials estimate the cost of renovation at \$10.3 million, which includes the cost of project design, construction, furniture and equipment, and a 15 percent contingency fee.

Work has begun on the last of the academic buildings to be renovated, Hathaway Hall, but work has not started on Young Hall. The renovation of academic and research space on campuses across the state is generally funded by state-issued debt. Housing construction and renovation, however, are funded by agency funds generated by the institutions through student fees on housing, dining, and other sources. The FY 2003 budget authorized KSU to issue debt for the renovation of Young Hall, but KSU officials have said the institution cannot afford the debt payments. Kentucky State officials cite their limited revenue stream and the pressing needs of deferred maintenance throughout the campus as reasons they cannot afford the debt issuance.

CPE officials have noted that all other universities are responsible for financing the renovation and construction of housing and dining projects on their campuses. Though Kentucky State officials have indicated that they feel the state should help with the financing of the renovation, CPE has indicated that such a precedent could lead to other institutions requesting similar financial assistance. While this impasse lingers, more than 300 KSU students are being housed in a dormitory that is generally agreed to need renovation.

Kentucky State may not have adequate debt capacity to fund the renovation of Young Hall, but its current debt payments should

decrease after 2005 when one existing bond issue matures. CPE and KSU officials have recently met on this issue, and KSU officials are to provide a financial analysis for CPE to review in the near future.

### **Recommendation 5.2**

**Finance officials from KSU and CPE should meet to review the affordability of renovating Young Hall. Options should be reviewed with the understanding that the responsibility for issuing housing and dining debt resides with KSU.**

### **KSU Needs More Students**

---

University officials agree that KSU needs more students. Part-time students could bring in additional revenue without significant cost to the institution.

University officials agree that KSU needs more students and are attempting to attract more transfer students from two-year colleges such as Lexington Community College. President Turner has discussed intensifying recruiting efforts in state to attract students to Kentucky State.

The university also should strive to attract more part-time students, including state workers in need of college classes. Part-time students have the advantage of not requiring expensive on-campus housing. KSU has the opportunity to provide a number of evening and/or weekend courses for little additional cost other than the cost of hiring part-time faculty. The institution has the necessary infrastructure and classroom space already available.

Personnel Cabinet regulations require that state employees, whose residence or duty station is within Franklin County, and who are requesting college tuition assistance from the state, be required to attend classes, when available, at KSU. KSU officials have indicated that they have experienced a problem with a large amount of bad debt, due to students failing to pay fees or repay loans. State employees, whose tuition may be funded by state agencies, could be a reliable source of income.

State funding for continuing education may be declining due to state fiscal constraints, but the university could be surveying state employees and other large employers in the area to determine the needs of the community. An active outreach campaign could result in a number of part-time students and a reliable stream of revenue.

### Recommendation 5.3

**KSU officials should survey the surrounding community to determine the skills needed by employers. KSU should also survey state government employees to determine their educational needs. To the extent that cost-effective programs can be developed, KSU should undertake an aggressive effort to increase the enrollment of part-time students.**

### University Attempts to Remedy Academic Problems

---

KSU's baccalaureate graduation rates are among the lowest of Kentucky's universities.

If Kentucky State University is to attract more students and strengthen its position in Kentucky's public university system, the university needs to repair its sometimes tarnished academic image. Kentucky State's academic problems may be illustrated by its baccalaureate graduation rates, which are among the lowest of the state's public universities. According to CPE data, KSU had a six-year graduation rate for bachelor's students of 27.2 percent in 2002, lower than all other state public universities. The average graduation rate for universities was 43.5 percent. KSU's one-year retention rate of first-time freshmen was 62.3 percent in 2002, also low among state public universities and a significant drop from 76.2 percent in 2001.

---

KSU's conditional admissions have increased.

Like other universities, Kentucky State admits some students conditionally. Students admitted conditionally may have to attend noncredit remedial classes in basic subject areas. The university grants a conditional admission to students who have an admission index score of 430.<sup>2</sup> KSU had 175 conditional admissions in the 2002-2003 academic year; five years earlier (1998-1999) there were 85 conditional admissions. KSU had 217 conditional admissions in the 2001-2002 academic year, 113 in 2000-2001, and 74 in 1999-2000.

To meet the needs of students admitted conditionally and others who need some help to catch up to be able to do college work, KSU—as well as other universities—must offer remedial classes. KSU's Fall 2003 schedule of classes lists 21 sections of remedial English, with classes in both reading and writing, and 10 sections of remedial mathematics. CPE reports that for the Fall 2002 semester, 76.4 percent of KSU's first-time freshmen enrolled in remedial courses of some type.

---

<sup>2</sup> The admissions index is a numerical score calculated by multiplying the ACT by 10 and the grade point average by 100. For example, a 17 on the ACT, coupled with a grade point of 2.5, would yield a score of 420.

KSU's accrediting organization, the Southern Association of Colleges and Schools (SACS), recognized the extent and impact of remediation at KSU in a 1999 report. SACS proposed that the university appropriately limit class sizes, offer sufficient sections to meet students' needs, coordinate student advising, and monitor developmental/remedial students' progress. The university agreed to make the changes, along with complying with another recommendation to develop written procedures for the regular evaluation of admissions policies. KSU also agreed with a third SACS suggestion regarding remediation to develop strategies to ensure that "recruitment of high academic achievers successfully meets strategic goals" and that recruitment of students who are deficient in their pre-college curriculum, or otherwise in need of remediation, is limited to students with good potential for success in the university's remedial/developmental programs.

---

Some faculty members have argued that KSU needs more restrictive admissions standards. KSU's interim president says being open to less-prepared students is part of KSU's mission.

KSU admits a higher percentage of remedial students than any of the other four-year institutions. Faculty members assert that these remedial students need more structure, more class time, and special support facilities. Some faculty members have argued that KSU needs better "gatekeeping" and more restrictive admissions to help deal with the dilemma of unprepared students.

President Turner indicated that recruiting students who are prepared academically would be a way to lessen the need for remediation. But he said being open to less-prepared students is part of KSU's mission. He said the state benchmark funding model does not work for Kentucky State because it fails to account for the cost of remediation.

### **KSU Must Continue Efforts to Improve Test Scores**

---

KSU appears to be making a concerted effort to help students succeed on teaching and nursing exams.

It is important that KSU continue with corrective measures to raise scores on state teacher preparation examinations and on nursing licensure tests. University students have recorded low pass averages on the teacher and nursing exams, but the university appears to be making a concerted effort to help its students succeed.

The state requires colleges and universities to use a standardized examination called PRAXIS to measure the academic achievement and proficiency of individuals entering or completing teacher preparation programs. PRAXIS test results serve as an identifiable measure of the system of education instruction at colleges and

universities in the state. The test documents prospective teachers' mastery of subject matter, but also serves as an outcome measure for universities and for the system as a whole. While the CPE does not tout comparisons between universities, tests such as the PRAXIS help the public get a sense of the effectiveness of programs.

---

At a September 2002 Program Review meeting, Education Professional Standards Board officials said KSU education students were not well prepared.

At its September 2002 meeting, members of the Program Review and Investigations Committee expressed their concerns after hearing a report from Education Professional Standards Board (EPSB) officials regarding the KSU teacher education program. At that time, the EPSB had just completed its emergency review of the teacher preparation program. EPSB officials said KSU education students were not well prepared. Students were admitted to the programs who had not met admissions requirements. The agency also indicated there was a lack of computer labs, software, and hardware in the teacher preparation programs, there was not enough faculty, and faculty were not involved in research and professional development. The agency also said KSU exhibited leadership problems and that reports from the university were incoherent and inconsistent.

Low pass rates on the PRAXIS tests can trigger a Standards Board on-site review. According to EPSB, a certification program is subject to review if any PRAXIS or state assessments required for that respective certification evidence a pass rate below 70 percent. Pass rates between 50 and 69 percent are assigned a Phase I for review; pass rates below 50 percent are assigned to Phase II, for more rigorous evaluation of a program. The latter occurred in Fall 2002 after KSU's PRAXIS scores fell to unacceptable lows. EPSB cited two subject areas: elementary education and physical education.<sup>3</sup>

---

Test scores show marked progress, but are still below the state pass rate.

Table 5.1 shows how scores for Kentucky State's elementary education students dropped in 2000-2001, creating, in part, an impetus for the EPSB review. Scores for 2001-2002 showed a marked improvement, but were still well below the state pass rate. KSU officials pointed out that pass rates for the 2001-2002 group have improved even more (to 69 percent) because students are allowed to take the test again until they eventually pass. EPSB officials take a narrower view, indicating that since 2000, the agency has used the federal Title II report as the "official" number

---

<sup>3</sup> For purposes of this report, only the elementary education scores will be discussed because so few took the physical education exam. EPSB does not calculate pass rates for subject areas with fewer than 10 test-takers.

of an institution's pass rate. Thus, an institution's recorded pass rate will not change after a certain date. The university reported to EPSB in May 2003 that the pass rate for elementary education for those first taking the test in 2002-2003 was 77 percent.

**Table 5.1**  
**KSU Elementary Education Curriculum, Instruction, and Assessment Program PRAXIS Scores 1999-2000, 2000-2001, 2001-2002**

<b>Students First Taking Test in:</b>	<b>Number Taking Test</b>	<b>Number Passing</b>	<b>KSU Pass Rate</b>	<b>State Pass Rate</b>
1999-2000	19	11	58%	96%
2000-2001	15	5	33%	94%
2001-2002	16	10	63%	94%

Source: EPSB Educator Preparation Report Card, KSU Title II reports.

Improving PRAXIS scores also is a component of the U.S. Office of Civil Rights agreement. KSU is obligated to narrow the gap between the performance rate of its students on the PRAXIS II compared to the Kentucky statewide performance average. It should be noted that because of the small number of students taking the exam in some years, large percentage changes may occur based on the performance of a few students. Concern should be focused on long-term improvement rather than year-to-year fluctuations.

---

Improvements in test scores may be attributable to steps KSU has taken.

The improvement in PRAXIS scores may be attributable to the steps KSU took in the wake of the EPSB review. Those changes included tightening teacher education admissions standards, aligning courses relevant to PRAXIS, creating a database to monitor student progress, planning a course in PRAXIS, conducting test-taking skills development workshops, and requiring that students pass PRAXIS before student teaching. The university also planned to create some student resource additions, such as a tutorial website and a computer lab, and to undertake faculty and student training activities.

Recently, the Standards Board sent letters to Kentucky State and other public universities notifying them that one or more of their certification programs is/are subject to emergency review because of low pass rates on PRAXIS and other assessments for 2001-2002. The Standards Board sent letters if the student pass rate on one or more tests in the subject area was less than 70 percent. EPSB sent letters to Eastern (chemistry, health, special education-hearing impaired); Kentucky State (elementary education, English,

social studies, physical education, instructional/integrated music, biological sciences); Morehead (mathematics, biological sciences); Murray (Spanish); and the University of Kentucky (Spanish). In many cases, the universities had fewer than 10 students taking the PRAXIS tests. The EPSB requires the university to respond for each program. The agency will review the responses and may decide if an on-site visit is warranted. Site visits, if they occur, will take place in the fall.

---

KSU nurses licensing exam has also been below requirements. KSU has taken corrective actions related to the nursing program.

KSU also is taking corrective actions to show cause that its nursing program should be continued. For the years 2000, 2001, and 2002, the passing rate for KSU students on the professional nurses licensing exam has been below requirements. According to state regulations (201 KAR 20:360), if for three consecutive years the graduates of a nursing program achieve a pass rate less than 85 percent on the licensure exam, the nurse administrator and head of the institution, or designee, must appear before the Board of Nursing to show cause for continuation of the program. KSU nursing students taking the test have recorded a pass rate of 84, 84, and 81 percent in 2000, 2001, and 2002, respectively.

KSU has taken several corrective actions related to the nursing program, including raising the admission GPA from 2.5 to 2.75, upgrading the grading scale, reviewing and updating the curriculum, assisting students with tutoring and preceptorship (instructional) programs, updating and replacing teaching materials and equipment, and hiring new faculty.

### **Low Enrollment Leads to Funding Difficulties**

---

KSU's benchmark institutions have more students.

Kentucky State's low student enrollment has manifested itself in the benchmark funding model. As previously noted, the benchmark funding model bases funding recommendations for Kentucky institutions on funding provided to similar institutions in other states. The Baker & Hostetler report, however, discussed KSU's size in the context of the current benchmark funding approach and found that "the most significant issue facing Kentucky State University is the lack of an appropriate peer group against which to compare itself—both for funding purposes and or internal analytical purposes" (p. 21).

Although student enrollment was the most highly weighted of the selection criteria, the Baker & Hostetler report noted that only one of KSU's benchmark institutions was similar in size to KSU, and most of the benchmarks for KSU had much larger student

enrollments. In order to fund KSU appropriately, and in order to have a real grasp on its relative efficiency or lack of efficiency, it is imperative that an appropriate set of benchmark institutions be selected.

#### **Recommendation 5.4**

**Prior to submitting budget recommendations for the 2004 General Assembly, CPE and KSU should review KSU's benchmark institutions to ensure that KSU's benchmarks are as comparable as possible in student enrollment, mission, and other programmatic issues.**

#### **Contract With Food Service Vendor Is Problematic**

---

Student funds are indirectly used for a University Endowment match.

KSU has entered into a contract with a nationally known vendor to provide food services and operate fast food outlets on campus. The contractual arrangement is troublesome because students may be paying money, indirectly, that goes into the university Endowment Match program. Though this match was permitted by CPE, it raises concerns about the comprehensiveness of endowment rules.

---

KSU entered into a food service contract with Aramark Corporation. Aramark agreed to donate \$450,000 which has been matched by the state through the Endowment Match program.

The university entered into a food service management contract with Aramark Educational Services, Inc. on May 16, 2002. Aramark provides food service operations and receives the related sales income. KSU provides certain facilities, equipment, and services at its expense. In addition to providing commission fees to KSU based on net sales, Aramark agreed to provide certain equipment and facility improvements. Aramark also agreed to grant a number of free student meal plans, to provide a contribution to the student catering fund, and make a contribution to the KSU's development fund.

Aramark also agreed to donate \$100,000 cash annually over four years, with a \$50,000 contribution in a fifth year to KSU's Vision 20/20 Scholarship campaign, for a total of \$450,000 over a five-year period. This contribution is to be matched through the state's Endowment Match program. However, CPE guidelines prohibit matching amounts to be raised from student fees or tuition. The KSU contract is funded through student boarding fees. It may be argued that this money is then routed through Aramark and back to the university, then matched by the state. KSU submitted all the required documentation for this matching request, and CPE approved the requested match of the \$450,000.



*Program Review and Investigations*

---

Two other universities have food service contracts with Aramark but no donations have been made to their endowments.

Staff requested documentation of any endowment match agreements with Aramark for two other universities that have known food service contracts with the company. They had not, however, made an endowment contribution, according to CPE staff. In the future, there may be other private companies, whose services are paid for through student fees, whose contracts may include cash contributions for the endowment match program. To avoid any further issues of this nature, CPE should address this issue in its match request and reporting procedures.

**Recommendation 5.5**

**CPE should tighten the requirements for Endowment Match requests. Contracts that include cash contributions for the Endowment Match program, regardless of the nature of the contract, should be closely examined to ensure student fees are not being used circuitously to fund endowment matches.**



## Works Cited

- Baker and Hostetler, LLP, Cleveland, Ohio. *Kentucky State University—Planning for Renewed Excellence*. March 2003.
- Council on Postsecondary Education. <<http://www.cpe.state.ky.us/index/index.asp>>.
- Kentucky. Auditor of Public Accounts. *Briefing Report on the Examination of the Council on Postsecondary Education's Implementation of the Bucks for Brains Endowment Programs*, Frankfort, October 31, 2000.
- Kentucky Education Professional Standards Board. <<http://www.kyepsb.net>>.
- Kentucky Higher Education Assistance Authority. *Postsecondary Education Tuition and Fees for Kentucky 1990-2002*. Vol. 1, No. 1. November 1, 2002.
- Kentucky State University. *Kentucky State University Institutional Self-Study Report 1997-1999*. Prepared for the Commission on Colleges of the Southern Association of Colleges and Schools, February 1999.
- MGT of America Inc. *The Final Report of the Organizational Management and Program Review for Kentucky State University*. January 1994.
- MGT of America Inc. *The Role and Effectiveness of the Independent Colleges and Universities in Kentucky*. May 23, 2001.
- National Center for Public Policy and Higher Education. *Measuring Up 2002*. <<http://measuringup.highereducation.org/2002/reporhome.htm>> June 27, 2003.
- Patton, Paul E. *Postsecondary Education in Kentucky: An Assessment—A Report to the Task Force on Postsecondary Education*. March 1997.
- United States. Department of Education, Office of Civil Rights and Commonwealth of Kentucky. *The Commonwealth of Kentucky Higher Education Desegregation Plan*. Consolidated and Revised August 1983. <<http://www.cpe.ky.us/facts/1981.pdf>> July 10, 2002.
- United States. Department of Education, Office of Civil Rights and Commonwealth of Kentucky. *1999-2002 Partnership Agreement—The Commonwealth of Kentucky and the U.S. Department of Education, Office of Civil Rights*. <<http://www.cpe.state.ky.us/facts/eeo/Kyagreement.pdf>> July 10, 2002.



## **Appendix A**

### **Research Methods**

At its July 2002 meeting, the Program Review and Investigations Committee instructed staff to examine the status of postsecondary education governance in Kentucky. The Committee was specifically interested in the relationship between the Council on Postsecondary Education and the state universities. The Committee also requested that, in light of recent controversies, special attention be devoted to issues associated with the governance of Kentucky State University. The Committee approved four objectives:

1. Describe the roles prescribed for CPE by the Postsecondary Education Improvement Act and subsequent legislation.
2. Describe the roles prescribed for SCOPE by statute and determine if the findings and recommendations of SCOPE have been adopted.
3. Evaluate whether CPE is effectively monitoring the academic, administrative, and financial status of the state's system for postsecondary education.
4. Use information available to document recent financial and academic problems at KSU.

To determine the statutory roles and responsibilities assigned to CPE and SCOPE, staff reviewed the Kentucky Postsecondary Education Improvement Act of 1997, also known as HB 1. Staff compared the accountability and reporting requirements specified in HB 1 to reports produced by CPE. Staff reviewed accountability reports produced prior to HB 1 for comparison.

Staff interviewed CPE officials to gauge their views of CPE's role in the postsecondary education system. Staff interviewed the presidents of each of the state's public universities, the president of KCTCS, the president of Lexington Community College, and the president of the Association of Independent Kentucky Colleges and Universities.

Program Review staff met with several legislative members of the Strategic Committee on Postsecondary Education to determine legislative perspectives on CPE and how well SCOPE is functioning to meet the needs of legislators.

Program Review staff obtained an extract of data from CPE's comprehensive database. The data was used to review the types of information CPE routinely collects from postsecondary education institutions. The data aided staff in identifying potential measures of accountability and performance. Reporting systems from other states and systems used to compare states were examined to determine potential measures that CPE could provide. Staff obtained financial audit reports from all institutions and reviewed them for common patterns.

---

*Program Review and Investigations*

Program Review staff had discussions with officials from Kentucky State University and toured campus facilities. Staff obtained audit reports from all institutions, but particular attention was devoted to audit reports detailing some of the financial management difficulties at Kentucky State. Program Review staff interviewed personnel with the Auditor of Public Accounts and the U.S. Department of Education's Office of Inspector General, and reviewed external reports concerning issues at Kentucky State spanning several years. Staff attended meetings of KSU's Board of Regents and meetings between Kentucky State, CPE, and external consultants reporting on issues confronting the university.

## Appendix B

### Methodology Used by the National Center for Public Policy and Higher Education in the *Measuring Up* Reports

*Measuring Up* presents statewide information in five categories: (1) preparation, (2) participation, (3) affordability, (4) completion, and (5) benefits. Each category for a state is assigned a grade from A to F in the form of a report card. *Measuring Up 2002* describes its grading methodology as a five-step process.

1. Identify indicators. *Measuring Up* is built on a foundation of 34 quantitative indicators. Each performance category—preparation, participation, affordability, completion, and benefits—has several indicators. These indicators:
  - Are important in assessing performance in the category;
  - Are collected regularly by reliable, public sources that follow accepted practices for data collection;
  - Are comparable across the 50 states; and
  - Measure performance results.
2. Assign weight indicators. Each indicator is assigned a mathematical weight based on its importance to the performance category as informed by research and policy experience. For each category, the sum of all weights is 100 percent.
3. Identify top states for each indicator. State results on each indicator are converted to a scale of 0 to 100, using the top five states as the benchmark. This conversion, called indexing, is a statistical method that allows for accurate comparisons of different measures. In *Measuring Up 2002*, the third best of the top five states scores 100. This establishes a high but achievable standard of performance on each indicator.
4. Identify best state for each category. State scores for each category are calculated from the state's index scores on the indicators and the indicators' weights. In each category, the sum of all the index scores on the indicators times the weights of the indicators is the raw category score for the state. These raw category scores are then converted to a scale of 0 to 100 based on the performance of the top state in the category.

5. Assign grades. Grades are assigned based on the category index scores, using a grading scale common in many high school and college classes:

A	93 and above
A-	90-92
B+	87-89
B	83-86
B-	80-82
C+	77-79
C	73-76
C-	70-72
D+	67-69
D	63-66
D-	60-62
F	Below 60

The National Center for Public Policy and Higher Education encourages states to supplement its indicators with state-specific information. In its *Questions and Answers About Measuring Up 2002*, the National Center states “Measuring Up 2002 uses data that are comparable for all the states. As a result, states may find that their own internal data present a fuller picture of the states’ strengths and weaknesses in higher education. The National Center encourages states to add their own data to the report card’s categories to create a more detailed picture of state performance.”



## Appendix C

### Trust Funds and Funding Programs

The Strategic Investment and Incentive Funding Program was created in 1997 by HB 1 and codified as KRS 164.7911. The six trust funds in the program are Research Challenge, Regional University Excellence, Technology Initiative, Physical Facilities, Postsecondary Workforce Development, and Student Financial Aid and Advancement. Additional funding programs have been established but have not been created statutorily as trust funds.

The Adult Education and Literacy Initiative Fund and the Science and Technology Program were created by statute, but were not created among the original trust funds in KRS 164.7911. They operate as funding programs administered by CPE. Language in HB 502, the 2000-02 budget bill, referred to the funding programs as trust funds. In September 2000, CPE requested and received guidance from the Secretary of the Finance and Administration on budgetary, accounting, and legal aspects of trust funds and statewide initiatives. The language was changed in HB 269 and refers to the initiatives as funding programs for the 2002-04 biennium.

Each trust fund and funding program is described below. Detailed tables follow, showing funding by fund, by university, and by year. CPE recommended the creation of two new trust funds in the 2002-04 biennium: the Enrollment Growth and Retention and the Teacher Education/Quality initiatives. These initiatives were not enacted into law or funded in the 2002-04 biennium.

#### Research Challenge Trust Fund

---

The Research Challenge Trust Fund uses various program initiatives to help the research institutions achieve the goals of KRS 164.003.

The Research Challenge Trust Fund uses various program initiatives to support the research institutions toward achieving the goals of KRS 164.003. It includes the Research Challenge, Endowment Match, Enrollment Growth and Retention, and Lung Cancer Research programs. These programs must meet specific requirements of KRS 164.7917.

- **Research Challenge Program**

Initially, the funding for the Research Challenge program was directly appropriated to the institutions through the Research Challenge Trust Fund. Beginning in FY 2000-01, \$6 million was rolled into the research institutions' base funds. UK and

Program Review and Investigations

U of L are still required to match the funds externally or through internal reallocations on a dollar-for-dollar basis. Program activity and financial uses are submitted to CPE.

---

The Endowment Match program matches public, state dollars to external funding to encourage more investment in higher education.

- Endowment Match Program ("Bucks for Brains")**  
 The Endowment Match program matches state dollars to external funding to encourage more investment in public higher education in Kentucky. The research universities received appropriations of \$100 million for the 1998-2000 biennium and \$100 million for the 2000-2002 biennium from the surplus General Fund. The General Assembly appropriated the first round of funds in FY 1998-99 and the second round of funds in FY 2000-01. In the 2003 Regular Session, the General Assembly, through HB 269, appropriated a third round of funds by authorizing the sale of taxable bonds, providing another \$100 million to the research institutions. A one-time amount for debt service of \$9,871,000 is included in the FY 2003-04 budget.

---

Enrollment Growth and Retention supports increased enrollment and retention in postsecondary education.

- Enrollment Growth and Retention Program**  
 The Enrollment Growth and Retention program supports increased enrollment and retention in Kentucky's postsecondary education system. The objectives of the program include supplementing the benchmark funding approach, providing funds to institutions to support undergraduate and graduate enrollment growth, rewarding institutions for retaining more students, and encouraging cooperation within the local P-16 organizations. The program was originally in the Research Challenge, Regional University Excellence, and the Workforce Development trust funds.

---

The General Assembly appropriated \$16 million to the Enrollment Growth and Retention program for the 2000-02 biennium.

In the 2000 Regular Session, the General Assembly appropriated \$16 million to the Enrollment Growth and Retention program for the biennium. In FY 2000-01, CPE allocated \$8 million for the first year of the biennium to each institution on a quarterly basis comparative to its benchmark funding. No incentives were measured and the funds were non-recurring. There were no restrictions on the non-recurring use of FY 2000-01 funds.

---

In FY 2001-02, funding was given to institutions based on earned enrollment and retention.

In FY 2001-02, CPE developed a distribution method for the remaining \$8 million for enrollment growth and retention. Institutions were required to earn funding in this fiscal year. If an institution showed movement toward its set enrollment goal, it was rewarded according to the percentage of movement toward that goal. Two allotments to the institutions were given in FY 2001-02. The funding, to the extent an institution met its

---

*Program Review and Investigations*

goals, became recurring, which raised the institution's base funding for FY 2002-03 and future years.

- **Lung Cancer Research Program**

Funds for this program began in FY 2001-02, specifically to enhance UK and U of L's research on lung cancer. In previous years, UK and U of L received a total of \$11.1 million in funding. HB 269 includes \$6.3 million for FY 2002-03 and \$5.5 million for FY 2003-04.

---

UK and U of L continue to receive funding for lung cancer research.

### Regional University Excellence Trust Fund

---

The Regional University Excellence Trust Fund provides financial assistance to encourage each comprehensive university to develop at least one nationally recognized program.

The Regional University Excellence Trust Fund provides financial assistance to encourage each comprehensive university to develop at least one nationally recognized program of distinction or at least one nationally recognized applied research program consistent with the goals of KRS 164.003. The Programs of Distinction, Endowment Match, Enrollment Growth and Retention, and Action Agenda programs are used to accomplish the objectives of KRS 164.7919.

- **Programs of Distinction**

Initially, funds for Programs of Distinction were given directly to the institutions through the Regional University Excellence Trust Fund. The universities received a total of \$18 million. In FY 2001-02, \$6 million was rolled into the comprehensive universities' base funds and became recurring. Universities are still required to match funds on a dollar-for-dollar basis through external matches or internal reallocation. The universities are required to submit annual reports to CPE that include program activity and financial information.

---

Universities are required to match funding through external matches or internal reallocation for programs of distinction.

---

Some Programs of Distinction are nationally recognized.

CPE has said that the Programs of Distinction are not ranked nationally, but that some of the programs are recognized nationally, such as the Criminal Justice and Safety program at Eastern Kentucky University, the aquaculture program at Kentucky State University, and the journalism program at Western Kentucky University. As shown in the table below, each comprehensive university has identified at least one program for which it wants to be known nationally.

**Programs of Distinction at the Comprehensive Universities**

University	Program(s)
Eastern	Criminal Justice and Safety Program
Kentucky State	Aquaculture Program
Morehead	Institution for Regional Analysis and Public Policy to study issues in Appalachia
Murray	Telecommunication Systems Management Program
Northern	Center for Integrated Natural Sciences Applied Mathematics to offer cross-disciplinary study in the sciences
Western	Programs in science and mathematics at the Ogden College of Science and Engineering and supporting its journalism and forensics programs

The comprehensive universities received funding to grow endowments.

- **Endowment Match Program**

The Endowment Match of public funds to private donations is used to grow endowments at the comprehensive universities. The universities received appropriations of \$10 million and \$20 million from the surplus General Fund for the 1998-2000 and 2000-2002 biennium, respectively. The state money must be matched with private donations to grow the endowments at the universities.

The comprehensive universities received the first round of funding in FY 1998-99 and the second round of funding in FY 2000-01. In the 2003 Regular Session, the General Assembly, through HB 269, appropriated a third round of funding from the sale of taxable bonds. It will provide an additional \$20 million to the comprehensive universities. A one-time amount of \$1,975,000 is appropriated in FY 2003-04 for debt service on the bond issue.

Funds for the Enrollment Growth and Retention program were transferred to the institutions' bases in FY 2001-02.

- **Enrollment Growth and Retention Program**

The Enrollment Growth and Retention program was initially created to fund institutions for accomplishments toward enrollment growth and retention goals. It was included in the Regional University Excellence Trust Fund, as well as the Research Challenge and Workforce Development Trust Funds, as noted in the previous section. Funds for the program were transferred to the institutions' bases in FY 2001-02.

---

The Action Agenda program was created to steer initiatives toward achieving goals of HB 1.

- **Action Agenda Program**  
The intent of this program is for the comprehensive universities to create activity directed toward initiatives that are used to achieve the goals of HB 1. Examples of initiatives are issues relating to teacher quality, pre-service training, and in-service professional development. A new recommended trust fund, the Teacher Quality Trust Fund, emerged from the Action Agenda program. Total funds for the program of \$10 million were transferred to the institutions' base funding in FY 2001-02 and became recurring.

### **Postsecondary Workforce Development Trust Fund**

---

The Postsecondary Workforce Development Trust Fund provides financial assistance to further cooperative efforts among community colleges and technical institutions.

The Postsecondary Workforce Development Trust Fund provides financial assistance to further cooperative efforts among community colleges and technical institutions, which provide specific workforce training for Kentucky businesses and industries. It is also used for the acquisition of equipment and technology necessary to provide quality education programs. There are three programs in this trust fund:

- **Workforce Development Training**  
This program provides education, training, and support for Kentucky's workforce. Funds of \$27 million were appropriated to the program through FY 2001-02. In FY 2001-02, \$6 million was transferred to KCTCS's base and became recurring in FY 2002-03. HB 269 does not include funds for this program through the trust fund in 2002-04.
- **Enrollment Growth and Retention**  
KCTCS received all allowable funding for FY 2000-01 and FY 2001-02—\$3.5 million each year. Funds became recurring in FY 2002-03. No additional funding was appropriated for 2002-04.
- **KCTCS Administrative Systems.** This account was used to support the implementation of an administrative software system and received \$4.0 million in FY 2000-01. HB 269 does not include funding for this program in 2002-04.

### Technology Initiative Trust Fund

---

The Technology Initiative Trust Fund provides funding for a variety of university initiatives.

One of the original trust funds, the Technology Initiative Trust Fund is used to provide funds for a variety of university initiatives. The trust fund has fewer restrictions on how earnings are spent than other trust funds. For example, in FY 2000-01 interest earnings from the trust fund were used to fund engineering programs for four institutions: UK, U of L, Murray, and Western. In the past, funds were appropriated through the trust fund to support the Kentucky Virtual University and Virtual Library (KYVU/VL). For the 2002-04 biennium, more than \$9 million was appropriated to the Council's budget to be divided equally for each fiscal year.

- **KYVU/VL Technology Pool**

This pool of funding was used to provide hardware and software infrastructure for conducting KYVU/VL operations. The General Assembly appropriated \$5.6 million for this purpose in 1998-00. HB 269 does not include funding for this account in 2002-04.

- **KYVU/VL Support**

This fund supported implementation and maintenance of KYVU/VL. The General Assembly appropriated \$4.1 million for this purpose in 1998-00. HB 269 does not include funding for this account through the trust fund in 2002-04; however, funds are appropriated directly to CPE.

- **Equipment Replacement - Debt Service**

In FY 2002, debt service of \$3.8 million in the trust fund was transferred to the Finance and Administration Cabinet. HB 269 does not include funding for this program in 2002-04.

- **Network Infrastructure**

This program supports the network infrastructure necessary to expand the Kentucky Information Highway. The program is funded for \$1.7 million for 2002-04.

- **Public Communications Campaign**

This program was used to promote adult and postsecondary education programs statewide through electronic and print media. It received \$1.5 million in FY 2001-02. HB 269 does not include new funding for this program.

- **Faculty Development**

In FY 2001-02, \$900,000 was divided and transferred to the institutions' bases. The funding became recurring in FY 2002-03. CPE received \$100,000 in FY 2001-02. HB 269 includes \$150,000 for CPE for administrative purposes for 2002-04.

### **Physical Facilities Trust Fund**

---

---

**The Physical Facilities Trust Fund provides funding for debt service.**

The purpose of this trust fund is to provide funds for debt service for deferred maintenance and capital project pools; capital renewal and maintenance; renovation, replacement and infrastructure; and new construction. The General Assembly appropriated \$31.6 million for deferred maintenance and capital projects in FY 1999-00. A major change in this trust fund is that \$20.9 million of appropriated debt service in FY 2001-02 for capital renewal and maintenance; renovation, replacement, and infrastructure; and new construction was transferred to the Finance and Administration Cabinet at the end of FY 2001-02. HB 269 does not include any new funding for debt service through the trust funds.

### **Student Financial Aid and Student Advancement Trust Fund (KEES Program)**

---

---

**The KEES Program is funded through the Student Financial Aid and Student Advancement Trust Fund.**

The Student Financial Aid and Student Advancement Trust Fund was created in KRS 164.7911, but it was not funded at that time. SB 21, enacted in the 1998 Regular Session, provides funding for the Kentucky Educational Excellence Scholarship (KEES) program, the only program in the trust fund. It phases in the merit-based scholarship program over a seven-year period using lottery proceeds, in addition to \$60.4 million for FY 2002-03 and \$63.0 million in FY 2003-04 of General Fund appropriations, and \$750,000 of restricted funds for FY 2002-03. Additional funds are available to the trust fund from the unclaimed lottery prize fund.

### **Adult Education and Literacy Funding Program**

---

---

**Adult Education and Literacy is a funding program that supports the agenda for adult education in Kentucky.**

SB 1, enacted in the 2000 Regular Session, created the Adult Education and Literacy Initiative Fund. Often referred to as a trust fund, it operates as a funding program in the Council on Postsecondary Education because it was created as a statewide initiative and not a trust fund. The initiative supports strategies for adult education in Kentucky, provides statewide initiatives for excellence, and provides funds for research and development activities. Beginning in FY 2000-01, funding is appropriated

*Program Review and Investigations*

through CPE. This included \$7 million in FY 2000-01 and \$11.8 million in FY 2001-02. HB 269 provided \$11.8 million in funding for FY 2002-03, but cut \$750,000 for FY 2003-04.

### Science and Technology Funding Program

**The Science and Technology Funding Program is primarily used to allow funding to pass through to the institutions to stimulate knowledge-based economy programs.**

The Science and Technology Trust Fund was not created statutorily as a trust fund, but it operates as a funding program. HB 572, the Kentucky Innovation Act, enacted in the 2000 Regular Session, created a knowledge-based economy blueprint for Kentucky and assigned CPE the oversight of some of the initiatives. The Science and Technology Funding Program is used primarily to allow funds to pass through to the institutions to stimulate knowledge-based economy programs, in addition to competitive research for Kentucky. There are different guidelines and matching requirements for each program.

- **R & D Voucher Program**

Funds for the program enable small and medium-sized Kentucky-based firms to undertake research and development working partnerships with university researchers. The program received \$3 million in FY 2001-02. HB 269 includes \$3 million of funding for each fiscal year of the biennium.

- **Commercialization Program**

This fund is used to invest in university faculty who want to transfer their research into marketable products. The General Assembly has appropriated \$750,000 for each fiscal year since FY 2001-02, for a total of more than \$2.2 million.

- **Regional Technology Corporations/Innovation Commercialization Centers**

This is a pass-through account for centers established through the Office for the New Economy. Located on campuses of the community colleges, technical colleges, or universities, the centers seek to link educational institutions, service providers, and industry into effective coalitions and partnerships promoting knowledge-based economy programs in rural areas in the state. The General Assembly appropriated \$500,000 for each fiscal year since FY 2001-02, for a total of \$1.5 million.

- **Rural Innovation Program**

This program assists small, rural, Kentucky-based firms to undertake research and development. Firms must be in partnership with a university or third party. The program



*Program Review and Investigations*

received General Fund appropriations of \$1 million in FY 2000-01 and FY 2001-02. HB 269 includes \$1 million of restricted funds for each year of the 2002-04 biennium. The program has received \$4 million in total.

- **Kentucky-based Economy Academic Programs**

This program supports a collaborative effort for educating more engineers and information technology specialists. HB 269 includes \$1 million of restricted funds for each year of the 2002-04 biennium.

- **KY EPSCoR and Science and Engineering Foundation**

The EPSCoR program encourages federal investment in public university research activities through a state matching program. The Science and Engineering Foundation builds research and development excellence in the Commonwealth, particularly through the priority research focus areas: human health and development, biosciences, information technology and communications, environmental and energy technology, and materials science and advanced manufacturing. It leverages state funds to increase federal and private sector funding. HB 269 provides \$2.2 million in FY 2002-03 and \$4.5 million in FY 2003-04.

### **Teacher Education/Quality (recommended trust fund)**

---

**The recommendation for creating the Teacher Education/Quality trust fund emerged from the Action Agenda program.**

CPE recommended creating a new trust fund for teacher education/quality for the 2002-04 biennium. It was not enacted into statute and is not funded for the current biennium. The recommendation for the trust fund emerged from the Action Agenda program. The 2003 General Assembly, under HB 269, did provide \$2 million in funding for a teacher education model program initiative for FY 2002-03 to be administered by the Kentucky Education Professional Standards Board.

*Legislative Research Commission  
Program Review and Investigations Committee*

**COMMONWEALTH OF KENTUCKY POSTSECONDARY EDUCATION  
STRATEGIC INVESTMENT AND INCENTIVE FUNDING PROGRAM  
FOR FISCAL YEARS 1997-98 THROUGH 2003-04**

	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>
<b>TRUST FUNDS</b>							
<b>Research Challenge</b>							
University of Kentucky	\$ 66,667,000	\$ -	\$ -	\$ 66,667,000	\$ -	\$ -	\$ -
University of Louisville	33,333,000	-	-	33,333,000	-	-	-
<b>Subtotal Endowment Match</b>	<b>\$ 100,000,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 100,000,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,871,000</b>

	<u>Research Challenge</u>
University of Kentucky	\$ 4,000,000
University of Louisville	2,000,000
<b>Subtotal - Research Challenge</b>	<b>\$ 6,000,000</b>

	<u>Enrollment Growth and Retention</u>
University of Kentucky	\$ 950,000
Lexington Community College	250,000
University of Louisville	450,000
<b>Subtotal - Enrollment Growth &amp; Retention Program</b>	<b>\$ 1,650,000</b>

	<u>Lung Cancer Research</u>
UK/UL	\$ 5,055,000
<b>Subtotal - Lung Cancer Research</b>	<b>\$ 5,055,000</b>
<b>Total Research Challenge Trust Fund</b>	<b>\$ 6,000,000</b>
<b>Total Research Challenge Trust Fund</b>	<b>\$ 6,000,000</b>
<b>Total Research Challenge Trust Fund</b>	<b>\$ 106,000,000</b>
<b>Total Research Challenge Trust Fund</b>	<b>\$ 106,000,000</b>
<b>Total Research Challenge Trust Fund</b>	<b>\$ 7,071,400</b>
<b>Total Research Challenge Trust Fund</b>	<b>\$ 6,280,000</b>
<b>Total Research Challenge Trust Fund</b>	<b>\$ 6,280,000</b>
<b>Total Research Challenge Trust Fund</b>	<b>\$ 5,455,000</b>
<b>Total Research Challenge Trust Fund</b>	<b>\$ 5,455,000</b>

(1) Budget provides a one-time debt service for FY 2003-04. HB 269 authorized the sale of \$100 million of taxable bonds.  
(2) Allocations to UK in FY 2001-02 was \$4,281,379 and in FY 2002-03 was \$1,405,809, plus \$350,000 for ovarian cancer research.  
(2) Allocations to UL in FY 2001-02 was \$4,059,445 and in FY 2002-03 was \$1,388,367.

Note: Funds for research challenge program were rolled into the institutions' bases in FY 2000-01. The earned enrollment growth and retention fund amounts for FY 2001-02 were transferred to the institutions' bases and became recurring in FY 2002-03.

*Legislative Research Commission  
Program Review and Investigations Committee*

**COMMONWEALTH OF KENTUCKY POSTSECONDARY EDUCATION  
STRATEGIC INVESTMENT AND INCENTIVE FUNDING PROGRAM  
FOR FISCAL YEARS 1997-98 THROUGH 2003-04 (continued)**

	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>
<b>TRUST FUND</b>							
<b>Regional University Excellence</b>							
		<u>Endowment Match Program</u>					
Eastern Kentucky University	\$ 2,498,000	\$ 4,900,000	\$ -	\$ -	\$ -	\$ -	\$ -
Kentucky State University	774,000	1,503,000	-	-	-	-	-
Morehead State University	1,475,000	2,925,000	-	-	-	-	-
Murray State University	1,710,000	3,383,000	-	-	-	-	-
Northern Kentucky University	1,232,000	2,664,000	-	-	-	-	-
Western Kentucky University	2,311,000	4,625,000	-	-	-	-	-
<b>Subtotal - Endowment Match</b>	<b>\$ 10,000,000</b>	<b>\$ 20,000,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,975,000 (1)</b>

	<u>Programs of Distinction</u>		<u>Enrollment Growth and Retention</u>	
Eastern Kentucky University	\$ 1,455,000	\$ 1,498,000	\$ 1,504,000	\$ 365,300
Kentucky State University	480,000	465,000	464,000	62,200
Morehead State University	865,000	885,000	882,000	320,500
Murray State University	1,059,000	1,026,000	1,025,000	349,000
Northern Kentucky University	737,000	739,000	739,000	436,600
Western Kentucky University	1,404,000	1,387,000	1,386,000	663,500
<b>Subtotals</b>	<b>\$ 6,000,000</b>	<b>\$ 6,000,000</b>	<b>\$ 6,000,000</b>	<b>\$ 2,197,100</b>

	<u>Action Agenda</u>	
Eastern Kentucky University	\$ -	\$ 2,433,000
Kentucky State University	-	732,000
Morehead State University	-	1,435,000
Murray State University	-	1,659,000
Northern Kentucky University	-	1,414,000
Western Kentucky University	-	2,327,000
<b>Subtotal - Action Agenda</b>	<b>\$ -</b>	<b>\$ 10,000,000</b>

<b>Total Regional University Excellence Trust Fund</b>	<b>\$ 6,000,000</b>	<b>\$ 16,000,000</b>	<b>\$ 6,000,000</b>	<b>\$ 22,850,000</b>	<b>\$ 12,197,100</b>	<b>\$ -</b>	<b>\$ 1,975,000</b>
--	---------------------	----------------------	---------------------	----------------------	----------------------	-------------	---------------------

(1) Budget provides a one-time debt service for FY 2003-04. HB 269 authorized the sale of \$100 million of taxable bonds.  
Note: Funds for Programs of Distinction were rolled into institutions' bases in FY 2000-01. Fund amounts for FY 2001-02 for the earned enrollment growth and retention program and the action agenda program were transferred to the institutions' bases and became recurring for FY 2002-03.

*Legislative Research Commission  
Program Review and Investigations Committee*

**COMMONWEALTH OF KENTUCKY POSTSECONDARY EDUCATION  
STRATEGIC INVESTMENT AND INCENTIVE FUNDING PROGRAM  
FOR FISCAL YEARS 1997-98 THROUGH 2003-04 (continued)**

	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>
<b>TRUST FUND</b>							
<b>Technology Initiative Trust Fund</b>							
Debt Service for Capital Projects	\$ 8,000,000	\$ 2,707,000	\$ -	\$ -	\$ -	\$ -	\$ -
KYU/JVL Technology Pool	-	5,548,000	-	-	-	-	-
KYU/JVL Support	-	4,057,000	-	-	-	-	-
Equipment Replacement - Debt Service	-	-	-	3,800,000	-	-	-
Network Infrastructure	-	-	-	1,200,000	1,200,000	-	450,000
Public Communications Campaign	-	-	-	1,500,000	-	-	-
Faculty Development - CPE					100,000	100,000	50,000
Eastern Kentucky University					90,600	-	-
KCTCS					126,800	-	-
Kentucky State University					56,000	-	-
Morehead State University					70,300	-	-
Murray State University					69,200	-	-
Northern Kentucky University					85,900	-	-
University of Kentucky					173,100	-	-
University of Louisville					135,500	-	-
Western Kentucky University					92,600	-	-
<b>Subtotal - Faculty Development</b>					<b>\$ 1,000,000</b>	<b>\$ 100,000</b>	<b>\$ 50,000</b>
Program Administration/Engineering							
Murray State University			\$ 59,253				
University of Kentucky			225,243				
University of Louisville			114,267				
Western KY University			189,649				
<b>Subtotal - Program Administration/Engineering</b>			<b>588,412</b>				
<b>Total Technology Initiative Trust Fund</b>	<b>\$ -</b>	<b>\$ 8,000,000</b>	<b>\$ 12,312,000</b>	<b>\$ 588,412</b>	<b>\$ 7,500,000</b>	<b>\$ 1,300,000</b>	<b>\$ 500,000</b>

Note: The FY 2001-02 fund amounts for the faculty development program were transferred to the institutions' bases and became recurring in FY 2002-03. In FY 2001-02, debt service of \$3.8 million in the Technology Trust Fund was transferred to the Finance and Administration Cabinet.

*Legislative Research Commission  
Program Review and Investigations Committee*

**COMMONWEALTH OF KENTUCKY POSTSECONDARY EDUCATION  
STRATEGIC INVESTMENT AND INCENTIVE FUNDING PROGRAM  
FOR FISCAL YEARS 1997-98 THROUGH 2003-04 (continued)**

	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>
<b>TRUST FUND</b>							
<b>Postsecondary Workforce Dev. - KCTCS</b>							
Workforce Development/Training	\$ 3,000,000	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000	\$ 0	\$ 0
Enrollment Growth & Retention	-	-	-	3,500,000	3,500,000	-	-
KCTCS Administrative Systems	-	-	-	4,000,000	-	-	-
<b>Total Postsecondary Workforce Development</b>	<b>\$ 3,000,000</b>	<b>\$ 6,000,000</b>	<b>\$ 6,000,000</b>	<b>\$ 13,500,000</b>	<b>\$ 9,500,000</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Physical Facilities Trust Fund</b>							
Deferred Maintenance & Capital			\$ 31,551,000				
Projects Pools - Debt Service			-				
Capital Renewal and Maintenance -			-				
Debt Service			-		\$ 3,018,100		
Renovation, Replacement & Infra-			-				
structure - Debt Service			-		10,436,000		
New Construction - Debt Service			-		7,446,000		
<b>Total Physical Facilities Trust Fund</b>			<b>\$ 31,551,000</b>		<b>\$ 20,900,100</b>		
<b>Student Financial Aid &amp; Student</b>							
<b>Advancement Trust Fund - KEES</b>		<b>\$ 14,000,000</b>	<b>\$ 25,000,000</b>	<b>\$ 22,350,000</b>	<b>\$ 37,500,000</b>	<b>\$ 61,181,300</b>	<b>\$ 63,000,000 (3)</b>

(3) HB 269 includes \$60,431,300 of general funds and \$750,000 of additional restricted funds in FY 2002-03.

Note: Fund amounts for FY 2001-02 were transferred to the institutions' bases and became recurring in FY 2002-03 for the earned enrollment and retention program and workforce development training. In FY 2001-02, debt service of \$20.9 million in the Physical Facilities Trust Fund was transferred to the Finance and Administration Cabinet.

COMMONWEALTH OF KENTUCKY POSTSECONDARY EDUCATION  
 STRATEGIC INVESTMENT AND INCENTIVE FUNDING PROGRAM  
 FOR FISCAL YEARS 1997-98 THROUGH 2003-04 (continued)

	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>
<b>TRUST FUND (FUNDING PROGRAMS)</b>							
<b>Adult Education &amp; Literacy Funding Program</b>	\$ 7,000,000	\$ 11,768,000	\$ 11,768,000	\$ 11,768,000	\$ 11,768,000	\$ 11,018,000	
<b>Science &amp; Technology Funding Program</b>							
Research and Development	\$ -	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	
Commercialization	-	750,000	750,000	750,000	750,000	750,000	
Regional Technology Corporations	-	500,000	500,000	500,000	500,000	500,000	(4)
Entrepreneurial Audit	250,000	-	-	-	-	-	
Rural Innovation Fund	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	(5)
KY Based Economy Academic Programs - Engineering	-	-	-	-	1,000,000	1,000,000	(6)
KY EPSCoR/Science & Engineering Foundation	-	-	-	-	2,000,000	2,521,600	(7)
<b>Total Science &amp; Technology Funding Program</b>	\$ 1,250,000	\$ 5,250,000	\$ 10,771,600	\$ 10,771,600	\$ 10,771,600	\$ 10,771,600	
<b>New Trust Funds Recommended (2002-04)</b>							
<b>Enrollment Growth &amp; Retention</b>	NA	NA	NA	NA	\$ -	\$ -	\$ -
<b>Teacher Education/Quality</b>	NA	NA	NA	NA	\$ -	\$ -	\$ -
<b>** Funds expended through a variety of programs</b>							(8)
<b>Total Strategic Investment &amp; Funding Program</b>	\$ 15,000,000	\$ 150,000,000	\$ 86,863,000	\$ 174,243,412	\$ 111,686,600	\$ 91,300,900	\$ 102,590,600

(4) HB 269 includes \$500,000 for Regional Technology Corps in each year of the 2002-04 biennium that is transferred to the Office of the New Economy.

(5) HB 269 includes \$1 million of restricted funds in each year of the 2002-04 biennium for the Rural Innovation Fund.

(6) HB 269 includes \$1 million of restricted funds in each year of the 2002-04 biennium for the Knowledge Based Economy Academic Programs.

(7) HB 269 includes \$2 million in one-time restricted funds in FY 2002-03 for EPSCoR.

(8) HB 269 did not provide funding for the Teacher Education/Quality as a trust fund; however, \$2 million was provided for teacher education model program initiatives in FY 2002-03 through the Education Professional Standards Board.

## **Appendix D**

### **Kentucky State University Timeline**

The following timeline briefly summarizes events relevant to KSU that occurred prior to the Program Review and Investigation Committee's decision to include a review of KSU in a report on postsecondary education.

- May 1997                      Passage of the Kentucky Postsecondary Education Improvement Act creating the Council on Postsecondary Education.
- April 1998 – March 1999    Time period of Phillips embezzlement of \$845,000 from KSU.
- June 1998                      George Reid begins his tenure as President of KSU.
- March 2000                     Janice and Tim Phillips plead guilty to embezzlement of KSU funds.
- May 2000                        PricewaterhouseCoopers withdraws from KSU's 1999 audit.
- October 2000                  APA begins KSU audit fieldwork on FY 1999 audit.
- April 5, 2001                  Audit for fiscal year ending June 30, 1999 released by APA. The audit details many problems and is issued with disclaimer on financial statements and federal awards.
- July 24, 2001                  Crowe Chizek issues qualified audit opinion on balance sheet only. Does not report on all financial statements for fiscal year ending June 30, 2000. Issues disclaimer on federal awards.
- November, 2001                KSU's Board of Regents votes to extend President Reid's contract, however, negotiations stall as problems continue to be reported.
- December 14, 2001            Crowe Chizek issues clean opinion on financial statements and federal awards for fiscal year ending June 30, 2001.
- April, 2002                      Results of the national PRAXIS II exams for 2000-2001 academic year are released. The 36 percent pass rate for KSU's graduates was the lowest among Kentucky institutions.
- May 15, 2002                  George Reid accuses members of the Board of Regents of having a conflict of interest by serving on the KSU board and the state Committee on Equal Opportunities.

- June 17, 2002 U.S. Department of Education begins a review of audit work for quality and KSU's use of federal Title III funding.
- June 20, 2002 KSU's Board of Regents votes unanimously to rescind President Reid's three-year contract extension and places Reid on administrative leave until his contract expires on June 30.
- Summer 2002 FBI conducts review of KSU financial management.
- July 11, 2002 LRC's Program Review and Investigations Committee votes that staff should review KSU as part of a study on postsecondary education.



## **Appendix E**

### **Response from the Council on Postsecondary Education**

July 10, 2003

The Honorable Katie Stine  
Co-Chair  
Program Review and Investigations Committee  
Room 209, Capital Annex  
Frankfort, KY 40601

The Honorable Charlie Hoffman  
Co-Chair  
Program Review and Investigations Committee  
Room 429F, Capital Annex  
Frankfort, KY 40601

Dear Senator Stine and Representative Hoffman:

Enclosed please find the Council on Postsecondary Education's response to the recommendations in the Program Review and Investigations Committee draft report on postsecondary education reform in Kentucky.

In addition to our response to the recommendations, there are other issues in the report I would like to bring to your attention. The report points out that the Council's performance measures focus on systemwide goals for increasing education levels for Kentuckians and improving their quality of life and the strength of their communities. The key indicators system is not designed around institutions. It is designed around the public agenda established in House Bill 1 from the 1997 Special Session of the Kentucky General Assembly.

But institutional performance is key to system performance. And the performance measures do, in fact, set institutional goals that are mission-specific and support the institution-specific goals in House Bill 1. Regular reports on system progress and institutional progress are provided to the Council, the House and Senate education committees, and SCOPE as well as being available on the web. The Council staff will review the format of progress reports and websites to ensure that information is easily understood and accessible. The Council staff will consult with legislators and their staff as a part of this review.

It is worth noting that the focus on systemwide performance and progress is the distinguishing feature of Kentucky's reform efforts that has attracted national attention. Council staff members have been invited to present Kentucky's model in other states and at national conferences, including the National Conference of State Legislatures, the National Governors Association, the State Higher Education Executive Officers, the National Center for Public Policy and Higher Education, the National Communications Association, the American Association for Higher Education, and the Education Leadership Conference.

In addition, the Council's Key Indicators are only one piece of its accountability program. Other mechanisms for holding institutions accountable for their performance include:

- Regular reviews of the productivity of academic programs;
- Regular visits to the campuses to review academic program approval procedures;
- Annual reporting on institutional progress in implementing the systemwide equal opportunity plan;
- Regular reports on the use of strategic trust funds distributed to the institutions; and
- Annual reporting on Kentucky's knowledge-based economy initiatives.

The report also notes that the Council has not yet completed the development of indicators that measure Kentucky's progress under Question 4 – "Are we preparing Kentuckians for life and work?" The challenge is finding instruments capable of measuring student learning. The Council is working to find nationally recognized mechanisms as well as developing our own. One such national instrument is the National Survey of Student Engagement. The NSSE assesses the degree to which good instructional practices are at work on a campus. It was administered in 2001, goals were set, and progress will be measured later this year once the 2003 results are available. Kentucky is the only state that uses the NSSE as a statewide accountability measure.

Kentucky also was selected as a pilot state to develop a national measure of student learning with which to compare state performance in the *Measuring Up* national report card on higher education. Kentucky was chosen because our accountability efforts in this area are ahead of those in other states. When developed, Kentucky will use this grade as its primary measure of educational quality and outcomes and these can be compared with the other 50 states.

Finally, the report suggests that the Council's funding model does not consider the missions and goals of the institutions. On the contrary, the benchmark funding model depends on identifying similar institutions across the country with the same characteristics, missions, mix of academic programs, and goals. Institutions have been given the ability to refine their peer institutions making the comparison to benchmarks even closer.

Thank you for the opportunity to respond to the report.

Sincerely,

Thomas D. Layzell

Enclosures

**COUNCIL ON POSTSECONDARY EDUCATION  
RESPONSE TO THE  
PROGRAM REVIEW AND INVESTIGATIONS COMMITTEE  
DRAFT REPORT**

**RECOMMENDATION 2.1**

CPE should prepare and distribute the annual accountability report to the Governor and the Legislative Research Commission. The information to be included is specified in statute and requires an evaluation of each institution's progress toward meeting specific goals, principles, strategies, objectives, and benchmarks as set forth in the strategic agenda.

**COUNCIL RESPONSE/ACTION:**

**The Council will provide additional institutional accountability information to the Legislature, in addition to the progress reports on implementation of the public agenda for postsecondary education. The Council currently provides a written annual report to the Governor and the Legislature and regularly reports to the House and Senate education committees and SCOPE statewide, systemwide, and institutional-specific information about postsecondary education reform progress.**

**RECOMMENDATION 2.2**

CPE should immediately review the goals of postsecondary education reform and design a strategic agenda that identifies specific short-term objectives for achieving the goals. CPE should ensure that institutional plans and missions conform with the strategic agenda and that the strategic implementation plan is designed to achieve the strategic agenda. The strategic agenda, the strategic implementation plan, the institutional missions, and specific benchmarks should form the foundation for the annual accountability report. CPE should work with the postsecondary education institutions to develop standardized guidelines on how progress toward satisfying the goals of House Bill 1 can be measured and reported. CPE should report each institution's progress and systemwide progress in an annual accountability report to the Governor and Legislative Research Commission.

**COUNCIL RESPONSE/ACTION:**

**The Council will do additional work to ensure that institutional plans and missions closely conform with the strategic agenda. One of the major issues identified in the 1997 assessment of Kentucky's postsecondary education system that lead to reform was the need to link the work of Kentucky's universities and colleges to the needs of the Commonwealth. The Council has developed an ambitious strategic (public) agenda that directs Kentucky's postsecondary reform efforts toward meeting the state's overarching goal of raising the standard of living and quality of life of Kentuckians above the national average by 2020. The Council has provided standards for institutions to report their strategic implementation plans for accomplishing the strategic agenda. The Council's Key Indicators measure overall progress toward specific, quantifiable goals aimed at the achievement of that agenda. In addition, each institution's contribution to goal achievement is measured on selected indicators. These goals are tailored to the missions of the institutions and the goals of reform. As noted in the response to Recommendation 2.1, the Council will provide additional institutional accountability information.**

**RECOMMENDATION 3.1**

CPE should review and revise the comprehensive database guidelines to ensure they are sufficiently specific. The guidelines should be specific enough to ensure that information provided is comparable among institutions and among years for each institution. CPE should also periodically verify that information is being reported by the institutions in accordance with the guidelines and take action to ensure that any inaccurate information is corrected.

**COUNCIL RESPONSE/ACTION:**

**The Council will incorporate into its comprehensive database guidelines review process the issue of greater specificity. A more comprehensive review is scheduled to occur during 2003 and 2004 and special attention will be paid to comparability issues by ensuring institutional guidelines are more specific.**

**The Council will address verification/validity issues via a new Web-enabled data management system that includes data verification procedures. Detailed information on that project is available in the Council's six year capital plan submission.**

**RECOMMENDATION 3.2**

When presenting information based on a sample, CPE should describe the source of the data and explain whether differences from one year to the next are statistically significant. CPE should provide sufficient explanation to clarify the limits of such information.

**COUNCIL RESPONSE/ACTION:**

**Council staff will review procedures by which data are footnoted and acknowledged.**

**RECOMMENDATION 4.1**

CPE should provide for legislative input into the agenda setting process so that information presented to SCOPE will be responsive to the interests and concerns of legislative members.

**COUNCIL RESPONSE/ACTION:**

**The Council will consult with the SCOPE membership on ways to make the information presented to SCOPE more responsive to the interests and concerns of legislative members. Two questionnaires were used in the past year to solicit legislative input and the results were used to establish subsequent SCOPE agendas.**

**RECOMMENDATION 4.2**

CPE, in collaboration with KCTCS and the other postsecondary institutions, should develop a series of options to ease transferability of credits and promote a more cost-effective method of providing core college courses. These options should be presented to the Education Committee and the Appropriations and Revenue Committee's Subcommittee on Education by December 2003.

**COUNCIL RESPONSE/ACTION:**

The Council will present transfer options to the Education Committee and Appropriations and Revenue Committee's Education Subcommittee no later than December 2003.

By statute, a transfer framework is in place that allows for a full transfer of 48 general education hours and 12 hours of additional credit. The Course Applicability System (CAS), a Web-based system, allows students to track how courses they have taken transfer to another participating college or university.

The Council and the institutions have developed numerous 2+2 and completer degree programs that allow for the transfer of all credits from transfer and applied KCTCS degrees to universities.

Regional workshops in fall 2003 have already been scheduled to discuss transferability issues. The institutional chief academic officers group and Council staff have scheduled a summer retreat to address transferability issues.

A presentation on student transfer to SCOPE is scheduled for September 2003. The Council will work with legislative committee chairs and their staffs to determine the most appropriate method for providing information to those committees regarding student transfer.

The Council, KHEAA, KDE and the institutions are creating statewide advising systems to help students, parents, teachers and counselors better understand transfer options: the Go Higher Web portal and the University Coordinated Advising Networks.

**RECOMMENDATION 4.3**

As CPE reassess its benchmark funding model, it should consider differences in student ability to pay, recent fluctuations in the national economy, and institutional outcomes. These factors should be a consideration in any funding requests presented for consideration to the 2004 General Assembly.

**COUNCIL RESPONSE/ACTION:**

The Council will undertake a comprehensive review of the benchmark funding model, already scheduled this fall. The issues presented in the report, as well as others, will be part of the review. LRC staff will be asked to participate in this upcoming review process as they were in both the 1999 and 2001 benchmark review processes.

The report suggests that the benchmark funding approach is the sole mechanism through which an institution receives funding. Since 1998, the Council also has recommended strategic investment and incentive trust funds to support the reform goals. It is likely that the Council will request trust funds and other special funding in 2004-06, in addition to benchmark funding.

**RECOMMENDATION 4.4**

CPE should provide a summary of annual reports of the institutions for the Strategic Investment and Incentive Funding Programs. The reports should be provided to SCOPE, the Appropriations and Revenue Subcommittee on Education and the Education Committee. The reports should

include program activities, use of funds, matching requirements, and other pertinent financial information. CPE should provide additional information on the programs of distinction and the research challenge program, including the status of the universities' work toward meeting their goals as established in KRS 164.003.

**COUNCIL RESPONSE/ACTION:**

**The Council will provide a summary report as requested. The Council has an integrated financial/program reporting system on the Endowment Match Program. This report has been provided to LRC staff. The Council will work with LRC staff to ensure these reports are distributed to the appropriate legislative committees and other relevant agencies and individuals.**

**The Council staff provides integrated financial/program reports the Council to on the programs of distinction (regional university excellence trust fund) and the research challenge trust fund programs. The staff will review these reports and revise as appropriate to ensure that these reports directly link to the institution-specific goals in HB1. The staff will also work with the LRC staff to ensure that these reports are made available to legislators.**

**RECOMMENDATION 4.5**

CPE should clarify the definition of the term, "new money from external sources" in its guidelines. It should specifically address the issue of allowing existing federal grants, state-generated funds, and university-affiliated funds as matches for state funds appropriated for endowments.

**COUNCIL RESPONSE/ACTION:**

**The Council will address this issue as part of the agenda of its Endowment Match Program work group, established in June 2003, to review the current program guidelines. The revised guidelines will address these definitional issues and will be completed prior to the submission of the Council's 2004-06 biennial budget request**

**RECOMMENDATION 4.6**

CPE should limit the percentage of funding used for mission support, and define clearly in the guidelines the accepted use of mission support.

**COUNCIL RESPONSE/ACTION:**

**The Council will address this issue as part of the agenda of its Endowment Match Program work group, established in June 2003, to review the current program guidelines. The revised guidelines will address the mission support category definition and related issues and will be completed prior to the submission of the Council's 2004-06 biennial budget.**

**RECOMMENDATION 4.7**

CPE should provide a report on the use of the Endowment Match funds to the Education Committee and the Appropriations and Revenue Committee Subcommittee on Education. The report should detail the percentage of funds by "new economy" core disciplines and other areas. CPE should also address the portion of funds used in support of institutional programs of distinction. This report should be provided by December of each year.

**COUNCIL RESPONSE/ACTION:**

**The Council will review its integrated financial/program reports on the Endowment Match Program and will modify them to respond to this recommendation.**

**The Council currently collects information on Endowment Match Program funds targeted to research areas identified as priorities for Kentucky's knowledge-based economy initiatives. The Council also includes the level of endowment in knowledge-based economy areas in its Key Indicators.**

**RECOMMENDATION 5.1**

KSU officials should begin a thorough review of administrative and staff positions with a goal of streamlining operations and eliminating redundant or unproductive positions.

**COUNCIL RESPONSE/ACTION:**

**The Council understands that Kentucky State University will address this recommendation in its institutional response.**

**RECOMMENDATION 5.2**

Finance officials from KSU and CPE should meet and review the affordability of the renovation of Young Hall. Options should be reviewed with the realization that the responsibility for issuing and housing and dining debt resides with the KSU.

**COUNCIL RESPONSE/ACTION:**

**The Council and the Kentucky State University Board of Regents are already reviewing all issues included in the Baker Hostettler Report. The review process began June 17. A recommendation regarding Young Hall will be reviewed by the Council no later than September 2003.**

**RECOMMENDATION 5.3**

KSU officials should undertake a survey of the surrounding community to determine the needs of employers and state government employees. To the extent that cost-effective programs may be developed, KSU should undertake an aggressive effort to increase the number of part-time students enrolling at the institution.

**COUNCIL RESPONSE/ACTION:**

**The Council understands that Kentucky State University will address this recommendation in its institutional response.**

**The Council is revising its enrollment goals for all institutions. The Council and Kentucky State University will jointly establish enrollment goals for Kentucky State University consistent with the Baker Hostettler Report no later than November 2003.**

**The Council and Kentucky State University have agreed, as part of the Baker Hostettler Report review process, that the Kentucky Virtual University will work with Kentucky State University staff to develop low-cost program opportunities.**

**RECOMMENDATION 5.4**

Prior to submitting its budget recommendations for the 2004 session of the General Assembly, CPE and KSU should review the benchmark institutions for KSU. A special emphasis should be made to ensure that KSU's benchmarks are as comparable as possible in student enrollment, mission, and other programmatic issues.

**COUNCIL RESPONSE/ACTION:**

**A recommendation from the Council will be forthcoming regarding benchmark changes for KSU (and other Kentucky institutions) prior to the Council's 2004-06 biennial budget request being submitted. The review of the existing institutional KSU benchmarks is underway; two meetings between the Council and KSU staff have already been held.**

**RECOMMENDATION 5.5**

CPE should take appropriate steps to tighten the requirements for endowment match requests. Contracts that include cash contributions for the endowment match program, regardless of the nature of the contract, should be closely examined to ensure student fees are not being used to circuitously fund endowment matches.

**COUNCIL RESPONSE/ACTION:**

**The Council will reexamine its existing guidelines address the tightened requirements issue and to ensure that Endowment Match Program requests are being made in an appropriate manner. The Council thinks that its current review of existing Endowment Match Program requests from the institutional advancement offices is appropriate.**



**Appendix F**

**Response from Kentucky State University**

**POSTSECONDARY EDUCATION  
IN KENTUCKY:  
SYSTEMWIDE IMPROVEMENT BUT  
ACCOUNTABILITY IS INSUFFICIENT**

Program Review and Investigations Committee Staff Report

**- A Response From -**

**Kentucky State University**

-Prepared By-

**William H. Turner, PhD**  
Interim President

July 10, 2003

LRC Staff Report Recommendation and KSU Response

<b>Recommendation 5.1</b>	<b>KSU officials should begin a thorough review of administrative and staff positions with a goal of streamlining operations and eliminating redundant or unproductive positions.</b>
<b>KSU Response</b>	<ul style="list-style-type: none"><li>• The University agrees with this recommendation in its entirety.</li><li>• A reorganization of the administration is already underway, e.g., various academic and administrative units have been merged.</li><li>• In line with Board and CPE-sponsored assessment (Baker &amp; Hostetler Report), the emphasis is on reducing operating costs as much as possible and reallocating funds to Academic and Student Affairs.</li><li>• The Report specifically notes that MGT performed a recent study for the Association of Independent Kentucky Colleges and Universities which found that KSU's overhead costs were not out of line with many of the small, private institutions of the state that have enrollments similar to KSU's. KSU's overhead only appears high when compared with the other, larger, state institutions: a comparison that is unfair and misleading.</li></ul>

LRC Staff Report Recommendation and KSU Response

<p><b>Recommendation 5.2</b></p>	<p><b>Finance officials from KSU and CPE should meet and review the affordability of the renovation of Young Hall. Options should be reviewed with the realization that the responsibility for issuing housing and dining debt resides with KSU.</b></p>
<p><b>KSU Response</b></p>	<ul style="list-style-type: none"> <li>• The renovation of Young Hall is a specific requirement of the 2000 Partnership Agreement between the Commonwealth of Kentucky and the U. S. Department of Education, Office for Civil Rights. The purpose of this requirement is to rectify <i>de jure</i> segregation that occurred over the past approximately 100 years.</li> <li>• A very large part of this <i>de jure</i> segregation was the disproportionate share of state funding received by KSU over this 100-year period compared to the other public universities. In order to rectify this inequality, the various Partnership Agreements over the past 25 years have required that funding for capital projects, including dormitory renovations, be paid by the state.</li> <li>• Young Hall is the last of three dormitories at KSU targeted to receive renovation funds under Partnership Agreements between the Commonwealth and OCR, the first two dormitory renovation projects having specifically been funded by state “capital enhancement” money. <i>2000 Kentucky Partnership Agreement</i>, Section I, C, 4, p. 5.             <ul style="list-style-type: none"> <li>• KSU is spending approximately \$400,000 in FY 2003 and FY 2004 to renovate the showers and flooring in Young Hall – all that the University can afford to do at this time.</li> <li>• KSU does not have the financial wherewithal to issue debt at this time to accomplish the renovation of Young Hall.</li> </ul> </li> </ul>

LRC Staff Report Recommendation and KSU Response

<p><b>Recommendation 5.3</b></p>	<p><b>KSU officials should undertake a survey of the surrounding community to determine the needs of employers and state government employees. To the extent that cost-effective programs may be developed, KSU should undertake an aggressive effort to increase the number of part-time students enrolling at the institution.</b></p>
<p><b>KSU Response</b></p>	<ul style="list-style-type: none"> <li>• President Turner and Dr. Juanita Fleming, the VP for Academic Affairs, have been meeting with Ms. Palmore, the Secretary of the Personnel Cabinet, Mr. Dukes of the Finance and Administration Cabinet, and with Mr. Wilhoit of the Department of Education -- to discuss ways of insuring that the needs of state government employees are being served by KSU.</li> <li>• We are aggressively looking for ways to increase the numbers of offerings of benefit to state employees at KSU. The President and VP have also met with the Executive Director of the Government Services Center (Ms. Marcum) on this same subject, as well as to refresh and strengthen the relationship between the University and the GSC. Needs survey being developed.</li> <li>• Meetings have been held with administrators of the Lexington Community College to establish a partnership whereby LCC's graduates will come to KSU to complete their undergraduate degree. KSU already has two articulation agreements with LCC in Early Childhood Development and Social Work.</li> <li>• KSU is and should be the exclusive provider of courses. KSU is willing to work with other universities to deliver courses we do not provide. However, KSU encourages the legislature to provide tuition support to state government employees. If we are going to meet the goals of the Postsecondary Act of 1997, we must begin with state employees.</li> <li>• Plans to facilitate students who have completed the AS degree to enroll at KSU for one of the baccalaureate degrees was discussed and plans are to follow up on assuring that KSU is one of the institutions that LCC students can obtain a baccalaureate degree. An agreement with KCTCS and KSU has been signed for students who complete the AA degree at any of the institutions of KCTCS to matriculate for a Baccalaureate degree from KSU in Public Administration. We hope to do the same with other programs. On -line courses are being offered as one of the means to facilitate students who are interested in taking certain courses at KSU.</li> <li>• Discussions under way to offer weekend classes and child care for evening students.</li> <li>• Partnering options are also under discussion with Sullivan University.</li> </ul>

LRC Staff Report Recommendation and KSU Response

<b>Recommendation 5.4</b>	<b>Prior to submitting its budget recommendations for the 2004 session of the General Assembly, CPE and KSU should review the benchmark institutions for KSU. A special emphasis should be made to ensure that KSU’s benchmarks are as comparable as possible in student enrollment, mission, and other programmatic issues.</b>
<b>KSU Response</b>	KSU and CPE recently – since the late April ’03 issuance of the Baker & Hostetler Report – undertook a strategy to identify a set of “aspirational” peer institutions as benchmarks/references.

LRC Staff Report Recommendation and KSU Response

<b>Recommendation 5.5</b>	<b>CPE should take appropriate steps to tighten the requirements for endowment match requests. Contracts that include cash contributions for the endowment match program, regardless of the nature of the contract, should be closely examined to ensure student fees are not being used to circuitously fund endowment matches.</b>
<b>KSU Response</b>	<ul style="list-style-type: none"><li>• Other Kentucky public universities enter contracts that result in vendor's contributing to endowments, scholarships, athletics or general funds.</li><li>• KSU's Aramark contract resulted from an RFP process, the goal of which was to obtain the best benefit for the University. All bidders responded with proposals that addressed several areas in which the university requested financial support from the successful vendor.</li><li>• Aramark was judged to offer the best benefit for the university, to the point that it would have still been awarded the contract even if the request for matching contributions to the 20/20 Vision Campaign were eliminated from the RFP requirements.</li><li>• The CPE accepted this endowment match from Aramark.</li></ul>